

POTENTIAL CHALLENGES AND STRATEGIES OF ONLINE EDUCATION IN
UZBEKISTAN

by

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ABSTRACT

There are several researches and textbooks about online education business strategies and its implementations as a business model. And, there are many challenges in particular business segments which have been described by many scholars. However, there is a gap in learning the process of business strategy implementation in online education business segment of several markets. Thus, this paper investigates the process of business strategy implementation in online education business segment and determines the potential challenges and strategies of online education in Uzbekistan.

The aim of this research is to define potential challenges and strategies of online education and to develop a conceptual framework in order to provide with essential recommendations in developing this type of services. The research uses examples of strategies and business models that is being used in online education service businesses, and examines different aspects of online education by making assumptions about the challenges that may face an online education service provider. In next stage, the market analysis of online education service provides information about opportunities and threats of market by analyzing higher education and post graduate education segment as a potential market.

The paper argues that it is essential for the organization to have the right technology, a research and development team, reliable partners and feasible marketing plan and it is crucial to realize real risks and difficulties of online education business before investing. The results of research say that online education service providers may face challenging difficulties in term of technology, education standards, product development process, regulations and other legal issues. Hence, the paper offers some recommendations about strategies and methods of developing online education in Uzbekistan market.

CHAPTER I

INTRODUCTION

Online education is not a new term any more, and online education industry already became competitive enough. However, in this study, I will focus on Uzbekistan, as an example of the developing countries, where exist potential opportunities for online education as a business. It is not difficult to the students, who have direct access to the internet, to find easily education service providers from any part of the globe and to choose the most suitable and affordable service provider among them. However, there is a language barrier and standards of educational institutions which can be limitation for student to use those external sources of education.

➤ ***Online education as disruptive innovation***

The Internet is transforming many industries, and online education is not an exception, which is a new social activity, and which substitutes the traditional education. These processes are commonly characterized as disruptive processes due to the nature of changing the marketplace and fundamental institutions engaged in supporting the infrastructure of the marketplace such as providers, consumers, regulatory agencies and so on. (Martino, 1972). Disruptive innovations in higher education can have solid influence to the students learning process and its outcomes. Such technological innovations have always been challenging for traditional, well established organizations, specifically internet related technologies are proven to be most challenging disruptive technology for them. (Callaway, 2012).

➤ ***Purpose of Research***

The research aims to learn different strategies of online education, which are implemented in existing online education industry, and to develop the best suitable framework for implementing online business strategies in the market of Uzbekistan.

➤ ***The Significance of the Study***

The study is significant in terms of its practicality and the questions were raised and discussed in the study will make an essential contribution to the field.

➤ ***Research Questions***

The research questions below will be investigated in research:

- **What are the challenges of online education services in Uzbekistan?**
- **What online education strategies are used in other countries?**
- **Which strategies can be adopted to overcome the challenges in Uzbekistan?**

The research focuses on higher education and post graduate education segment as a potential market. According to the market analysis (look at **Market Analysis**), it is clear that the market of Uzbekistan for online business is free and there is no online education service in targeted segment.

CHAPTER II

GENERAL BACKGROUND OF ONLINE EDUCATION

According to article (Mary E. Huba & Jann E. Freed, 2000) there are teacher-centered and learner-centered paradigms in learning. Mary E. Huba & Jann E. Freed (2000) says 'In the Teacher-Centered Paradigm, Knowledge is transmitted from professor to students, whereas, in the Learner-Centered Paradigm, students construct knowledge through gathering and synthesizing information and integrating it with the general skills of inquiry, communication, critical thinking, problem solving and so on.'

The models of distance (Holbein, 2008) learning differs according to their structure from hundred percent to hybrid or blended (distributed) types. Furthermore, in blended model of distance learning one to several instructional actions may happen while the students are separated by time or space. However, these actions can be synchronous or asynchronous where students can access to several modes of interaction such as student to student, student-group, student-content, and student-teacher.

1.1 Definition of online education

Table 1. Definition by Paulsen (July 2002)

Paulsen characterizes Online education by
<ul style="list-style-type: none">– the separation of teachers and learners which distinguishes it from face-to-face education– the influence of an educational organization which distinguishes it from self-study and private tutoring– the use of a computer network to present or distribute some educational content– the provision of two-way communication via a computer network so that students may benefit from communication with each other, teachers and staff

Online education services can be for-profit and for non-profit. According to Meg Busse and Steven Joiner (2008) for profit businesses operate in order to make a profit. Investors invest money to make return and working population work to make money.

For non-profit, the objective is not getting profit but additional service which will help to achieve certain goal of an organization. For instance, for non-profit service will be used as promotion for the major for-profit services. Some traditional education institutions use non-profit education service as a promotional unit.

Online education services differ not only in terms of objectives but also in terms of delivery modes. In general, online education technologies are divided into two modes of delivery: Synchronous learning and Asynchronous learning.

Generally, the environment of traditional classrooms is considered similar to online classrooms in terms of several learning activities and expectations. An online learning environment offers meaningful interactions in a face-to-face learning and these activities most commonly referred to as synchronous learning activities. Lectures, discussions, and lesson presentations happen, when all students are expected that they will be available to participate. By supporting the learning and teaching process, synchronous learning environments offer various ways of interacting, sharing, and the ability to work together as a team. Additionally, they can also ask questions in real-time through synchronous learning technologies. Modern technologies like video conferencing, webcasts, interactive learning models, telephone conferences, online chats and whiteboard are major types of synchronous online technology. (Higley, 2013)

In asynchronous learning environment the students have ability to work and to learn independently on their discretion. Furthermore, students have opportunity for interacting with their peers, providing peer feedback, and reflecting on the status of their personal learning goals and outcomes. According to article (Higley, 2013) there are many learning environments where students are required to create, synthesize, explain, and apply the content or skills being taught in their learning activities. In online learning, asynchronous technologies encourage learning process of students allowing them more time for reflection, collaboration, and student-to-student interactions.¹

Teaching method of online education is also divided into two methods. *In the first method*, the education process will be controlled and supervised by **software**. The software does the functions of instructor, and it is used in **asynchronous learning**. *In the second method* the instructions will be given by **instructor/teacher**, and commonly supported by media such as videoconferencing and chat. Learners and teachers experience synchronous e-learning as more social and avoid frustration by asking and answering questions in real time (Hrastinski, 2007).

Furthermore, competition in online education industry may occur between online and offline education service providers. *Online competitors* are online education service providers with the same target market and product/service in online education industry. The online competitors are considered as main competitors for an online education service provider. And *offline competitors* are offline education service providers with the same target market and product/service in traditional education industry. The Offline competitors are considered as secondary competitors for an online education service provider. However, The Offline competitors are considered as main competitors for the first mover online education service provider.

1.2 Two Models of Online Education Systems

There are two models of Online Education Systems: The Jigsaw model and The Hub model (Paulsen, July 2002).

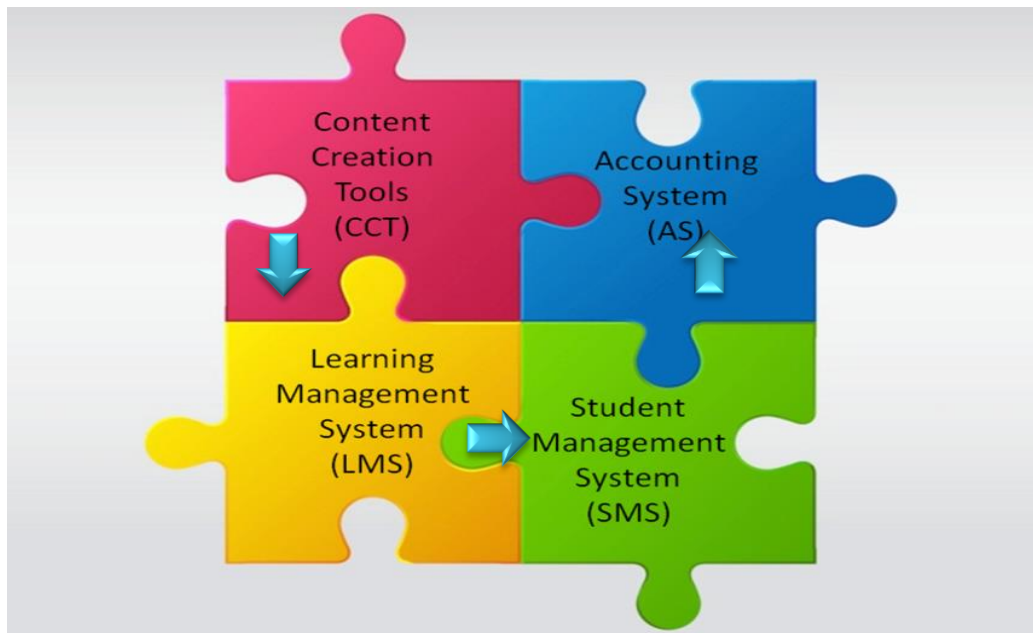
¹ For more information look at [Asynchronous and Synchronous-learning](#)

The Jigsaw Model

The Jigsaw model is known as a simple model that is used in the online education projects and it includes four main categories of online education systems and they integrate with each other in order to provide continuous operation. The four main categories as follows: (it is also illustrated in **Figure 1**.)

- Content Creation Tools (CCT)
- Learning Management System (LMS)
- Student Management System (SMS)
- Accounting System (AS)

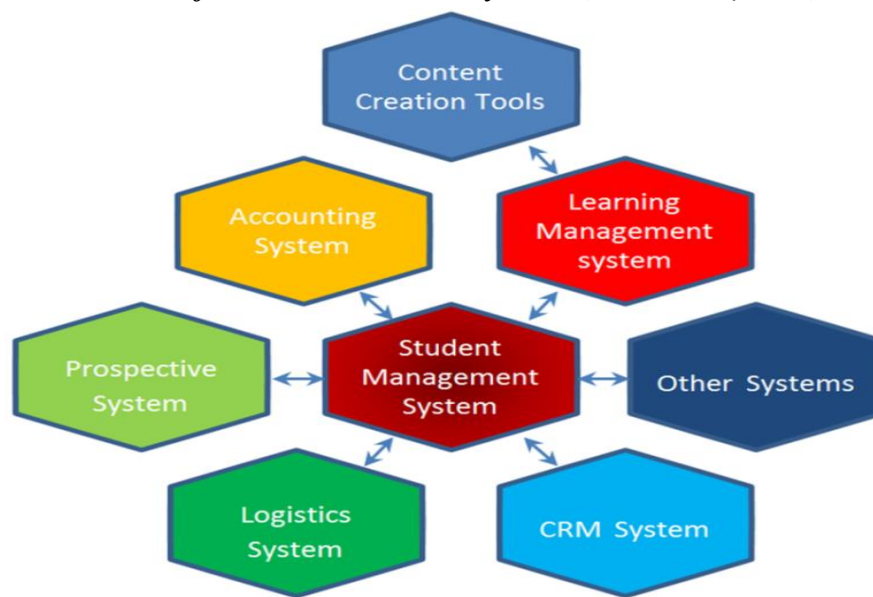
Figure 1. The Jigsaw Model For Online Education Systems (Paulsen, July 2002)



The Hub Model

The Hub model illustrated in **Figure 2** (Paulsen, July 2002) is more complicated comparing to the other model that is mentioned above. As illustration shows that online education systems are progressively getting complex and it is happening partially due to the fact that the expectations of students are increasing and they expect more sophisticated services, as well this is partially due to the necessity of educational institutions to modernize the operation to handle the increasing number of online students and courses.

Figure 2. The Hub model for online education systems (Paulsen, July 2002)



Because of historical, legal, and financial reasons, the Student Management System (SMS) is considered as the most essential system for an educational institution. Thus, the Hub Model emphasizes the importance of the SMS system as a central, the most important system for an educational institution. Consequently, the rest of the systems that could offer online education services should rely on the Student Management System as the principal system in process of exchanging data (Paulsen, July 2002).

According to article (Paulsen, July 2002), the Hub Model indicates the importance of all systems including Customer Relation Management (CRM) systems and prospective systems in integration with systems related to marketing and sales. In addition, the model includes logistics systems, indeed to show significance of integration of systems that in charge of shipment of textbooks and other physical material to distance students.

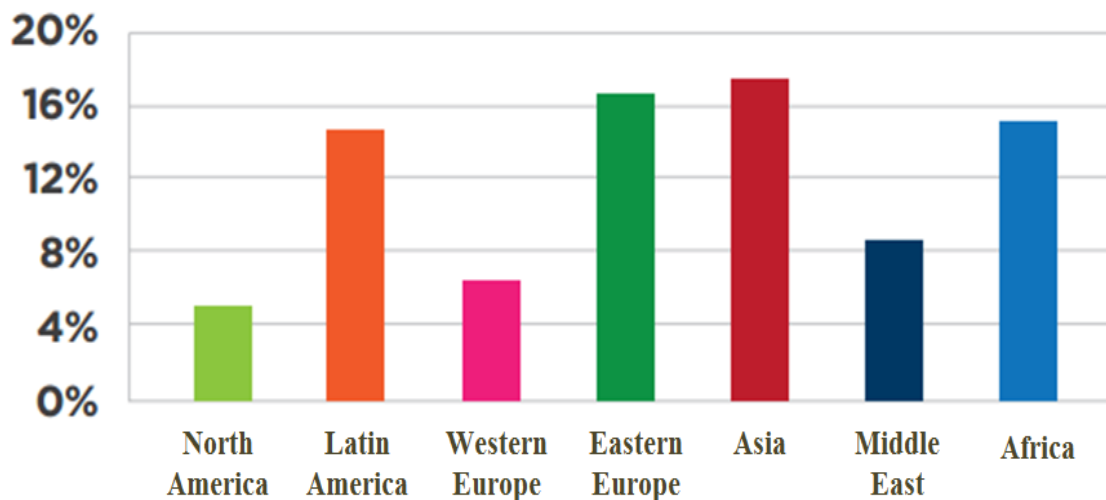
1.3 Online Education in Developed and Developing countries

According to Docebo (March 2014) the worldwide online education market has reached 35.6 billion US dollars in 2011. Moreover, five year compound statistics report illustrates that revenues should reach some \$51.5 billion by 2016. Therefore, the report indicates that annual growth rate of global online education market is estimated at around 7.6%.

However, several markets show significantly higher growth rate, while the total growth rate of worldwide online education market is 7.6%. According to recent studies (Docebo, March 2014), Asia has the highest growth rate about seventeen percent. On the contrary, North America shows the lowest percentage of growth approximately 5%, followed by Western Europe at 6.5%. In addition, Eastern Europe has 16 percent growth rate, whereas Africa and Latin America show almost the same growth rate at 15.2% and 14.6%, respectively (look at **Figure 3.**).

If we look to the statistics (Docebo, March 2014) from 2008-2012, the percentage of the households with a computer per 100 inhabitants grew from 55.5% to 75.5 during seven years. On the other hand, developing nations show thirteen percent growth (from 14.6% to 27.6) and its annual growth rate is equal to 1.9%. So, developed countries have higher annual growth (2.9%) rate comparing to developing countries (look at **Table 2.**).

Figure 3. Online Education Market Growth by Region



Source: Docebo (March 2014)

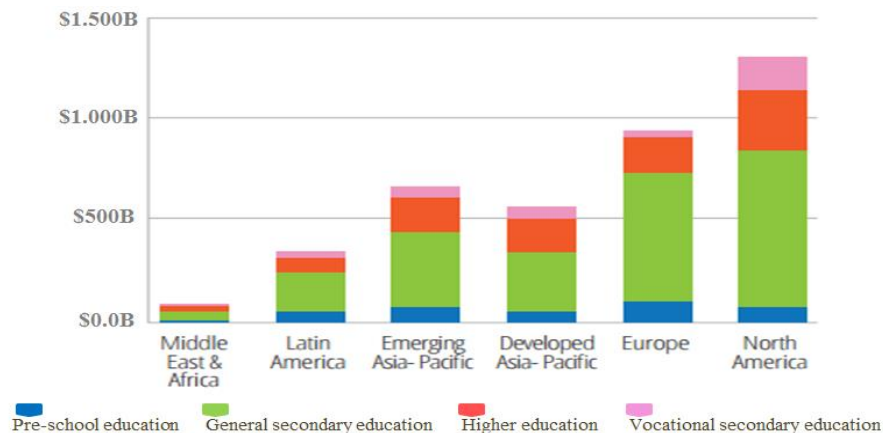
Table 2. Households with a Computer per 100 Inhabitants

Households with a computer per 100 inhabitants			
2012	2008	2005	
75.5	66.1	55.5	Developed countries
27.6	19.6	14.6	Developing countries
40.7	32.6	26.2	World
Households with Internet access at home per 100 inhabitants			
2012	2008	2005	
77.5	57.7	44.7	Developed countries
28.0	12.5	8.1	Developing countries
41.3	25.0	18.4	World

Source: International Telecommunication Union (ITU). (Docebo, March 2014)

Furthermore, the annual growth of households with internet access at home per 100 inhabitants is 3.3%, where also developed countries have higher growth rate about 4.7%. Statistics show that households with internet access at home per 100 inhabitants was accelerating in growth rate (look at **Table 2.**). All in all, it is clear that developing countries still have low growth rate comparing to developed countries due to Technological Infrastructure.

Figure 4. A Global Education Expenditure by Geography (2011)



Source: Decobo (March 2014)

If we look at the Annual Global Education Expenditure by Geography (2011), the highest percentage shows North American region. And next third and fourth position is divided by emerging Asian– Pacific and Developed Asian-Pacific regions, respectively. As expected, Europe is in the golden mean. In the illustration, the expenditure on education as a percentage of GDP is indicating global market size of education. It is clear that there is the highest percentage of investment illustrates general secondary education segment, followed by higher education segment.

Overall, there are various opportunities for online education business in developing countries where online education business is a new and emerging industry. Moreover, according to the information given above, there are potential opportunities in general secondary education and higher education segments of online education market in developing countries. On the other hand, it shows that in developed countries online businesses are well established and competition is very high and the growth rate is not as high as in the developing countries.

However, online education markets in developing countries have some drawbacks too, which requires well understanding of the market of particular area and its infrastructure. Thus, before thinking about launching a project in particular market, we should find answers for several questions such as: “How is the infrastructure of the country/area? How the regulation is and what kind of allowance does the government give in order support new business in particular industry? What are the risks and challenges that we may face? And what kind of strategies can be implemented in order to overcome all the challenges?”

The answers for these questions will be found in the following chapters which consist of an analysis of the cases of existing online education service providers and an analysis of education system and online education market of Uzbekistan.

CHAPTER III

ANALYSIS OF CASES OF FOR-PROFIT ONLINE EDUCATION SERVICE PROVIDERS

In this chapter, for-profit online education service providers are chosen as cases for analysis, and here is given an analysis of seven cases which are analyzed according to success or failure in implementation of business strategies.

The aim of analysis is to define actual challenges and issues that may occur while implementing strategies in online education business. Consequently, this section helps in defining the online education strategies used in other countries and the challenges of online education services in Uzbekistan.

Generally, the cases given below are different from each other but at the same time they may have some similarities too. Finally, this section defines and discusses the similarities and difference of cases by summarizing the findings from the analysis (for the additional information look at Appendices).

Cases of successful online education providers

2.1 Smarthingking (USA)

The company began its business as a high quality online education service provider in US market in 1999. It is one of the biggest providers of online tutoring and academic assistance as well as online content for the students of colleges.

The company situated in D.C. Washington. Thoroughly trained and qualified instructors (e-structors) of Smarthingking offer different types of real-time support to the students from math, statistics, psychology, economics and so on. Annually, the students from more than thousand colleges and universities are using the online education service of Smarthingking. Additionally, ‘Smarthingking has over 300 direct institutional clients, including schools, universities and libraries.’ (Berg, 2009)

Smarthingking is focusing on students of colleges, high and secondary schools and providing online tutoring service. The company is focusing on the regions where is demand for qualified tutors/teachers to help students with amplifying their knowledge. The payroll for instructors in United States is expensive comparing to other countries (e.g. developing countries in Asia) and at the same time it makes the price of the service expensive than the other companies who are offshoring their company in order to cut the price and compete in terms of pricing.

On the other hand, the strategy of the company is clear and feasible that shows deep understanding the market and an excellent positioning of the company. For instance, the company positions itself in premium segment where the customers have a clear idea of the service that they are looking for. Furthermore, in some cases traditional tutoring/teaching can appear as a competitor in this segment, but they cannot be as competitive as online service in terms of price and coverage. They can compete in terms of the quality and reliability of the service.

Smarthinking offers its service 7 days 24 hours a week depending on subjects and their timetable. In addition, (Smarthinking Inc., 2015) has different online tutoring and academic support programs which can be customized (the list can be seen from the table below).

Table 3.

The list of services that Smarthinking (2015) offers
Real-time Online Tutoring
Online Writing Lab
Bridge2CollegeSM Programs for Math and Writing
Essay Grading Assistance for Writing
Custom Academic Support Programs
Hosted Virtual Learning Center Technology
Support for ESL Students

2.2 Coursera (Global)

The company Coursera (2015) was established in 2012, which is a virtual platform that provides more than thousand courses with 119 partner institutions, universities and colleges, and its current students exceed 13 million students. Furthermore, Coursera (2013) offers 91 professional development courses targeting the teachers in different fields of study. Considerably, the 45.5% of online courses focusing on professional advancement are geared for English language teachers.

The founders are Daphne Koller and Andrew Ng of Stanford University. At its early stage, Coursera, as a startup project, was funded with \$22 million by Kleiner Perkins Caufield & Byers, New Enterprise Associates (Coursera Inc., 2015).

Coursera's business model is very simple, but effective as well, and it is a massive open online course (MOOCs) provider where all the courses offered by Coursera are for free. The company generates revenue from its verified certification fees also known as Signature Track, recruiting and introducing students to potential employers and recruiters (with student consent), tutoring, licensing, sponsorships and tuition fees. The prices of programs are also variable depending on features and importance in the market, from \$250 to \$20,000 (e.g. MBA program is \$20,000).

Furthermore, Coursera offers courses with famous professors from high ranked Universities by guaranteeing the popularity of courses and making them demandable. Thus, Coursera benefits from partnership with Institutions and Universities (Coursera Inc., Coursera Inc., 2015).

2.3 Udacity [Niche Market] (Global)

Udacity is a virtual platform that offers nanodegree education through internet. It was established by a Stanford University professor Sebastian Thrun, in 2011. First, the courses were offered through Stanford University and it attracted 1.6 hundred thousand students. In 2012, Udacity was funded by a venture capital firm from Cambridge, Massachusetts, and Thrun spent his own money \$200,000 to fund his startup project. In addition, in the same year the venture capital firm Andreessen Horowitz invested another \$15 million in Udacity.

Udacity (2014) delivering twelve full courses and twenty six free courseware to its students from all over the world. In 2014, the first "massive online open degree" (MOOD) in computer science was offered by Georgia Institute of Technology partnering with Udacity and AT&T. Currently, Udacity is offering nanodegree which is developed and taught by professional instructors from leading IT companies, like Google, Cloudera, Salesforce and Autodesk.

The most interesting aspect of Udacity case is that the company came up with the innovative idea of education, which was unique in terms of business model. It is clear that, any business need to offer an incentive to its customers in order to attract them. Thus, Udacity offer further employment to the successful graduates. Udacity makes profit from subscriptions and partner companies.

However, some professionals are doubtful about the future of Udacity due to its high level of enrollment. They think that there exists a misbalance in trends between supply and demand.

2.4 Colorado State University (USA)

Colorado State University is a leading research university with rich history. It was founded as agricultural college in 1870. It is located in Fort Collins, Colorado. Nowadays, Colorado State University offers different degree programs in eight colleges, six schools and online course programs.

As a case analysis, there is used the data (Case Studies, 2002) about 'an online social sciences bachelor's degree in liberal arts throughout a Course Management System (CMS), at Colorado State University (CSU) from spring 2000 to summer 2001.

The following paragraphs include product development, marketing, and faculty issues and challenges that occurred in developing an online education service and the paragraphs are divided accordingly.

- ***Product development***

The CSU Division of Educational Outreach (DEO) and the Office of Instructional Services presented a proposal requesting 'for \$400,000 in development funds to create 20 courses (60 credit-hours) that would fulfill the upper-level undergraduate course work for a bachelor's degree' (Case Studies, 2002). But, the CSU's Administration and Executive Budget Committee deducted the budget up to \$300,000 for the first 15 courses. The budget was calculated as follows (look at **Table 6.**):

Table 4. Calculated Budget of Project

Budget allocation	Place	Reason
\$5,000 per course	Faculty	Course development
\$5,000 per course	To hire student assistants	To help with instructional research and data entry
\$10,000 per course	Instructional design support and materials development	Development of digital audio, digital video, graphics, animation, and copyright clearance

Source: (Case Studies, 2002)

The program chair decided to invest to the product development process of the remaining 5 courses, and as an investment will be used any revenue generated by offering 15 courses that were funded by the original allocation (Case Studies, 2002).

Once, after the decision about the courses those will be developed in the first phase was made, the Staff from the OIS and DEO submitted them along with syllabi, schedules, and outlines for each course. In this phase of product development, the PD team had a challenge that they had to create a product that required minimal computer competency. Meanwhile, they were asked to include high-quality multimedia components (Case Studies, 2002).

- *Marketing*

As for marketing, CSU focused primarily on recently graduated and currently enrolled community college students and off-campus students as secondary customers accordingly. CSU students could register to online courses and make payment along with the cost of these courses coming in addition to their regular tuition. It was done due to cannibalization of on-campus university programs with online courses (Case Studies, 2002).

According to CSU (Case Studies, 2002), while the program was still defining various details and developing specific student support systems, the program's developers found it challenging to develop full marketing efforts based on existing university deadlines.

- *Faculty Issues*

In my point of view the most important and attentive part of this case is the faculty issues of the CSU, where was mentioned intellectual property and compensation issues.

At CSU, employees get remuneration for creating courses as supplemental pay. In spite of the fact that the first spending plan was about five thousand US dollars for personnel development and five thousand US dollars for assistant partners like students, the program decided that the ten thousand US dollars available for each course would be utilized to provide personnel with up to seven thousand US dollars per course, with the balance being utilized to take care of different overhead expenses and graduate student support. As for intellectual property, CSU holds ownership of a particular course if the faculty member has gotten pay for creating it (Case Studies, 2002). Royalties from course offerings depended on gross incomes, with faculty members receiving five percent after the first fifty thousand US dollars in revenue, 7.5 percent after hundred thousand US dollars, and ten percent once a

course had generated 150 thousand US dollars in revenue. Some faculty members wanted to build up a particular course while accepting no remuneration or royalties so they could hold the licensed innovation rights to the content (Case Studies, 2002).

Cases of unsuccessful online education providers

2.5 TutorVista (India, USA, UK)

TutorVista Global Private Limited is an online tutoring company headquartered in India. TutorVista operates its business entirely locating in India, but its market is abroad. Specifically, TutorVista focuses US and UK as a main market. Additionally, it is an online tutoring company providing high quality education with reasonable price to students globally. And it is considered as an offshore online education service provider with the professional teacher instructors based in India and Philippine.

TutorVista was founded by Krishnan Ganesh and Meena Ganesh in 2005. Westbridge Capital, a venture capital firm from United States, invested in TutorVista. In 2007, TutorVista announced about its acquisition of Edurite Technologies, an education expert in the domestic segment (India) and developer of education course materials. By 2011, Pearson, which already held almost 17 percent stake in TutorVista, acquired 76 percent of stake spending \$127 million. Finally, TutorVista is totally a part of Pearson now, and Krishnan Ganesh and Meena Ganesh are not the key people of TutorVista anymore.

TutorVista depends on its compound combined services such as VoIP telephony, online chat, a toll-free fax number (allowing review of printed materials), an electronic blackboard, and somewhat less commonly, webcam.

According to The Economist (2007) trust building for Indian company with unknown brand was the most challenging problem that they faced. However, TutorVista had other challenging difficulties that made the future of the company suspicious. For instance, in USA people are suspicious about a brand that uses offshore tutoring services, and they don't trust in its service, because of the difference between standards of the totally different countries. In addition, India is a developing country where exist cultural difference, different beliefs and customs. Thus, people are very careful in terms of education, they think that a cheap education service from the offshore company has another side of the coin which can influence to the manner of a tutee.

TutorVista also had a great enthusiasm about its local market in India. But, unfortunately, they didn't recognize that the same business model wouldn't work in the totally different market. And it was the biggest mistake of the company that they followed the same model and implemented in their local market. Unfortunately, the business TutorVista wasn't an offshore business anymore at this point, which meant that they could not enjoy the pricing advantage over their competitors.

2.6 My City, Education [Мой Город. Образование] (Uzbekistan)

The project "Мой Город. Образование" exists in the market of Uzbekistan since 2009. The main goal of the service is to provide with the reliable materials of education for tutors, teachers and graduates of schools, lyceums, and colleges, in order to help them with the preparation to the State Exams of universities, institutions, lyceums or colleges, including: online tests, detailed information about educational institutions and their programs.

The mother company of the firm is GISinfo, and 'My City, Education' is the project of the company named after 'Norma'. The company has different projects such as "Мой Город. Мой бизнес" (My City. My business), "Мой город. Ташкент" (My City. Tashkent) and "Мой Город. Карта" (My City. Map). The company GISinfo is considered one of the successful companies in Russia.

However, 'My City, Education' cannot be considered as a successful project of the company. For example, from the launch till now the sales of the company hasn't even reached to its minimum, where the sales of product is approximately 1500 to 3000 times depending on the subject and its importance (or popularity). As for the pricing, it varies from \$8 to \$20 accordingly.

The 4Ps strategy of the company is one of the disadvantages, especially, in terms of distribution channel and product features. In addition, the company's business relies on online and offline test package sales, and it does not provide any teaching service.

2.7 Al-Ahliyya Amman University (Jordan)

According to (AAU, 2015) it is the first private university that offered its academic services in Jordan. And it is considered as a pioneer of private education in the country. AAU holds institutional and programmatic accreditation. Furthermore, it is a member of the International Association of Universities, Federation of the Universities of the Islamic World, Union of Arab Universities and Association of Arab Private Institutions of Higher Education.

In 2006, AAU started its online education project by implementing a challenging strategy. Information Technology (IT) has been adopted by AAU as a key factor in its exercises, particularly e-learning, and AAU tried to become the first university which consolidated IT in its educational processes in all fields of specialization (AAU, 2015).

To execute its e-learning venture project, Al-Ahliyya Amman University consented with a particularized organization to manage the project in partnership with the University (Hussein Al-Yaseen, Mou'ath Hourani, Saheer Al-Jaghoub, February 2012).

First of all, the Ministry of Higher Education (MoHE) controls the laws and regulations of higher education in Jordan. According to these laws, the organization that offering an online degree is still not allowed, and it says that as a certain percentage of any courses have to be face-to-face. Which means it is still not possible to implement independent virtual university unlike if it is not a blended education service (Hussein Al-Yaseen, Mou'ath Hourani, Saheer Al-Jaghoub, February 2012).

Secondly, it was difficult that the development of a fully online course starting with no outside help ended up with being troublesome, tedious. Moreover, the required interactivity between students and teachers was not enough satisfactory as well as some other aspects. These issues have driven AAU to adopt another technique for developing its courses utilizing Rapid Development Methodology concept. This concept of a new methodology could shorten development time, provide better interactivity, and enhance collective learning. Additionally, it could meet the requirements of the Ministry of Higher Education in terms of blending face to face and online learning (Hussein Al-Yaseen, Mou'ath Hourani, Saheer Al-Jaghoub).

Thirdly, it says (Hussein Al-Yaseen, Mou'ath Hourani, Saheer Al-Jaghoub, February 2012) that Jordanian organizations have the most challenging difficulties due to the availability and sustainability of human resources, because, qualified talents tend to find better opportunities especially outside Jordan, which proved incompetence of Jordanian organizations. Thus, AAU faced the same problem with human resources involved in the project, and resulted in many changes within the project team, which has also been reflected on the implementation of the project. As a result, the turnover of faculty was very high and affected to the product development process.

According to (Hussein Al-Yaseen, Mou'ath Hourani, Saheer Al-Jaghoub, February 2012), one major challenges of e-learning project is the e-learning culture adaptation among faculty members and students. From faculty members point of view, it is difficult to change their teaching style from the traditional way to e-learning. The same situation can also be found on students' perspective. It is difficult for students to change the way they usually taught to the new teaching style using e-learning. In order to overcome that culture issue, extensive training is needed. However, another problem appears. Training is costly and time consuming. Moreover, sustaining qualified faculty members is also another issue. Beside the cultural issue, based on (Hussein Al-Yaseen, Mou'ath Hourani, Saheer Al-Jaghoub, February 2012), appointing a qualified project manager to translate the e-learning project vision into an action is also difficult. Moreover, different manager has different plan and management style and it creates uncertainty.

2.8 A joint analysis of successful and unsuccessful service providers

This section consists of a quick discussion of the correlation between cases and their special differences with each other by describing the key factors in their practices. In the following paragraphs main findings from case analysis is provided and the management issues of the cases such as institutional, pedagogical, technological, management, interface design, resource support, evaluation, and ethical issues are taken into account.

a) TutorVista and Smarthinking have similarities in terms of market location, market segment, product/service, and business model.

TutorVista utilizes low cost strategy and it had difficulties because of service providing method. The problems related customer trust, cultural difference and different education standards made the business of TutorVista doubtful. In contrast, Smarthinking headquartered in USA and used high qualified local teachers. Certainly, this strategy raised the price of service, but on the other hand customer trust is very high comparing to off-shore companies. The last but not least, Smarthinking sees opportunity in some specific locations as target market where tutors are deficient.

b) Colorado State University and Al-Ahliyya Amman University have similarities in terms of institutional, management (e.g. product development), resource support and ethical factors.

In both cases, we can observe the challenges and hardships such as the process of product development, institutional and ethical issues of online education in development of a virtual university.

The case of Al-Ahliyya Amman University shows that there may appear some obstacles while developing businesses. For instance, Al-Ahliyya Amman University faced challenges in law and regulations of the country because of what they changed the methodology of service providing. Deficiency of human resources (HR) is one of the challenges that the organization felt difficult, where Al-Ahliyya Amman University could not attract and engage talents.

Colorado State University also had difficulties in product development process. However, they reacted to the challenges thoughtfully and deliberately, as a result they solved problems like budget allocating, product development planning (requiring the product with high quality but minimal computer competency), and cannibalism.

In both cases the universities needed to provide extensive training services in order adopt e-learning culture among faculty members and students. In addition, both cases have a message that the organizations must pay attention mindfully to the licensing, patenting and compensation issues.

c) Udacity and Coursera have not many similarities. Yet, they are good examples of successful business modeling and strategy implementation in online education business.

These companies created a new market segment for themselves and they were the pioneers of particular market segment modeling. These two companies have unique profit formulas. For instance, Coursera provides the service for free, but generates profit from specific certifications known as Signature Track.

Briefly, both cases are good examples of creating niche market in online education market.

d) Moy Gorod. Education is considered as a representative of online education in Uzbekistan, and it is a good example of online education providers' practices in particular market which shows that the online education service in Uzbekistan is not well developed and there is a lot of work to do. For example, the online education provider should work hard on 4Ps of the company. There are a lot of problems in developing marketing strategies in terms of product development, distribution channels and promotion.

Online education providers have to be careful about implementation of business model strategy and in a first phase the companies are required to consider the demographical, technological, business, economical and governmental environment of a specific market.

To sum up, the analysis of seven cases in this chapter provides essential information and clear understanding of practices of online education service providing and their challenges in online education business.

Yet, the findings of this section are the half of the information that is required to answer to the research questions. Therefore, the next chapter should provide the second half of information that is about online education market and education system of Uzbekistan.

CHAPTER IV

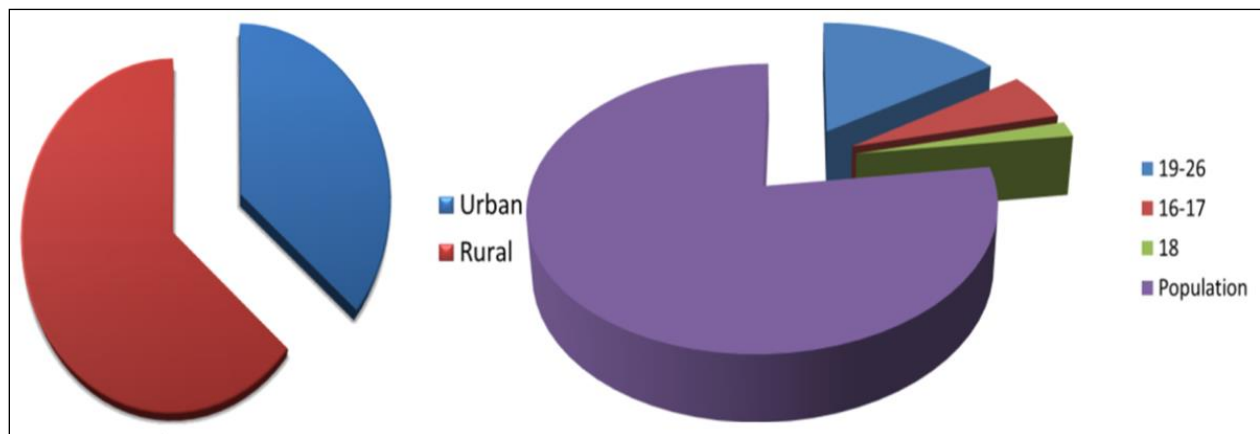
AN ANALYSIS OF EDUCATION SYSTEM AND ONLINE EDUCATION INDUSTRY OF UZBEKISTAN

The following section of the report includes an analysis of the education system of Uzbekistan and it covers detailed information about target segment demographics, education system, problems and challenges of education system, and an analysis of the behavior of target segment population and existing online and traditional education service providers of the particular market segment. This chapter will be concluded with the analysis of market needs of online education business.

3.1 An Analysis of Demographics

The population of Uzbekistan is over 30 million, and it is growing by 0.94%, where urban population is 42% and rural population is 58% (look at **Figure 5.**). Target population is students of Academic Lyceums and Vocational Colleges and applicants, who are preparing for SEUU. Moreover, Target population age varies from 16 to 26; 22.8 percent of whole population (State Committee of Statistics , 2014).

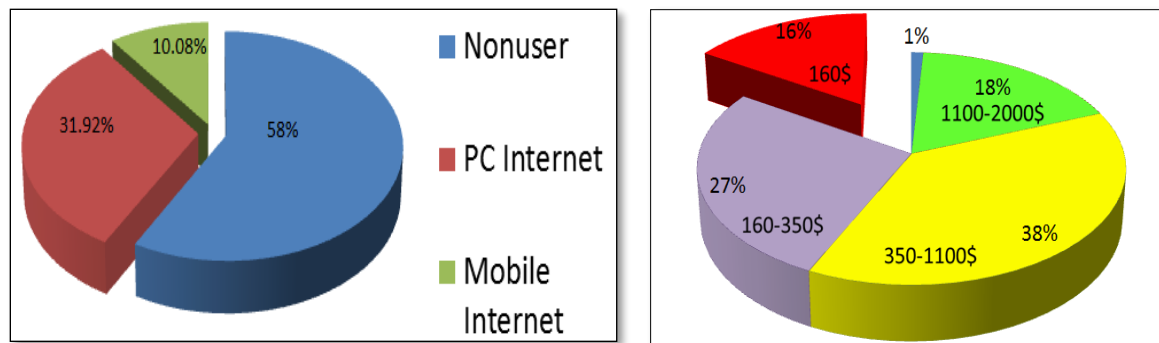
Figure 5. Demographics of Target Segment of Online Education in Uzbekistan



Source: (State Committee of Statistics , 2014)

According to State Ministry of ICT (2014) Internet users' percentage is 42% and 32% of them PC internet users, the rest are mobile internet users. In addition, 16% of households, whose monthly income is \$160 or less, cannot afford online education services (look at **Figure 6.**).

Figure 6. Households with the Access to Internet and Their Income per Month



Source: (State Ministry of ICT, 2014) (State Committee of Statistics , 2014)

3.2 An Analysis of the Education System

The Uzbekistan National Education System is divided into following levels (Ministry of Education, 2016)

- Pre-school education
- General secondary education
- Vocational secondary education
- Higher education
- Post-graduate education.

From 1994, the universities of Uzbekistan started a new way admission practices. Now, it is based on testing system of National Testing Center. Therefore, the entrants are required to pass the State Exams in order to be able to study in any educational organization (Ministry of Education, 2016).

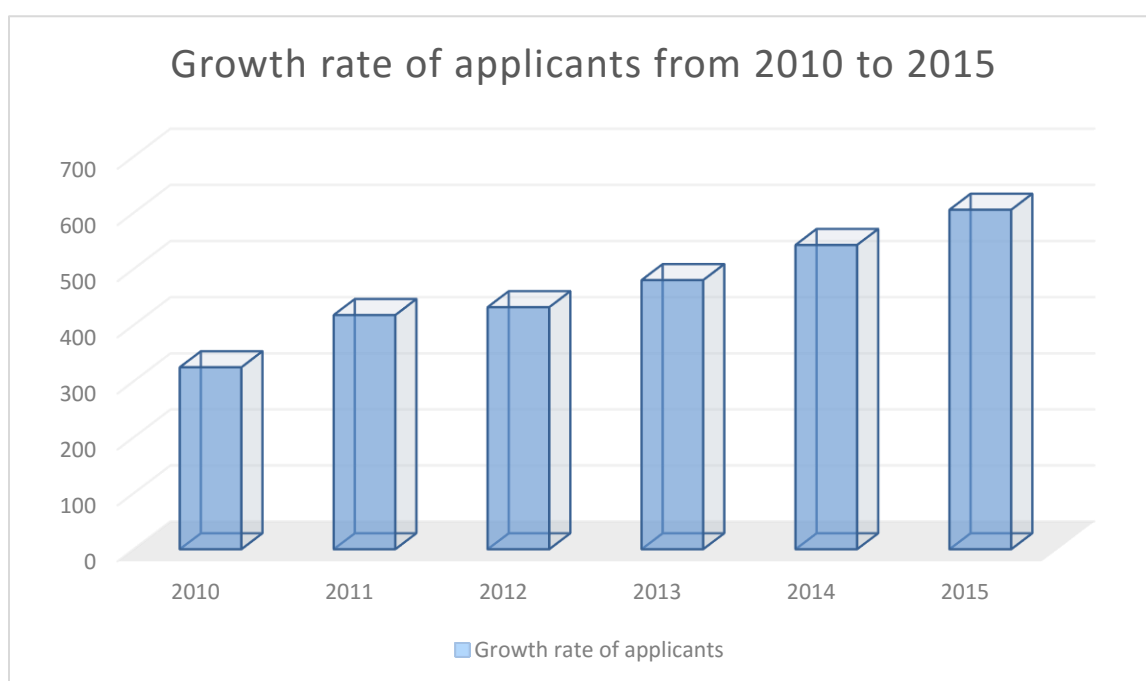
According to Ministry of Education (2016) yearly quotas for admission to institutions of higher education are 62,907 and almost 56,607 of them for undergraduate programs (bachelor degree). Moreover, annual quotas for bachelor degree are divided into *grant* (scholarship by government) and *contract* (self-finance) and the total quotas are not changed (no increase in last four years).

The number of applicants to the higher education is rising year by year, but the quotas for admission are not changing, where annual quotas are 34% for the grant and 66% for the contract, accordingly (**Table 3.**). In addition, the growth rate of applicants to bachelor degree is increasing approximately 13.41% per annum (**Figure 7.**).

Table 5. The quotas for Bachelor and Master's degree in Uzbekistan from 2010 to 2015
(Ministry of Education, 2016)

	2010	2011	2012	2013	2014	2015
Bachelor Degree	56607	56607	56607	56607	57907	57907
Grant	19755	19560	19340	19120	19120	19120
Self-financed	36562	37047	37267	37487	38787	38787
Masters' Degree	5856	5880	6300	6300	5000	5000
Grant	1561	1566	1566	1548	1548	1548
Self-financed	4295	4314	4734	4752	3452	3452
Total	62463	62487	62907	62907	62907	62907

Figure 7. Growth Rate of Applicants from 2010 to 2015



Source: (Ministry of Higher and Secondary Specialized Education of the Republic of Uzbekistan, 2016)

SEUU is once a year on 1st of August. Exams of the Military Institutions and Academies of Customs and Taxation are held every year on 10 of July. Failed applicants have opportunity to appeal other universities and take exams again on 1 of August. Acceptance with government grants is tougher than entrance exam competition.

The list of the most competitive and high ranked professions:

- Military servants, soldier, officer, etc. (higher education)
- Lawyers, jurists
- Governmental servants
- Tax and Taxation (professions)
- Economist (finance)
- Doctors
- Dentist
- Pharmacy (chemist)

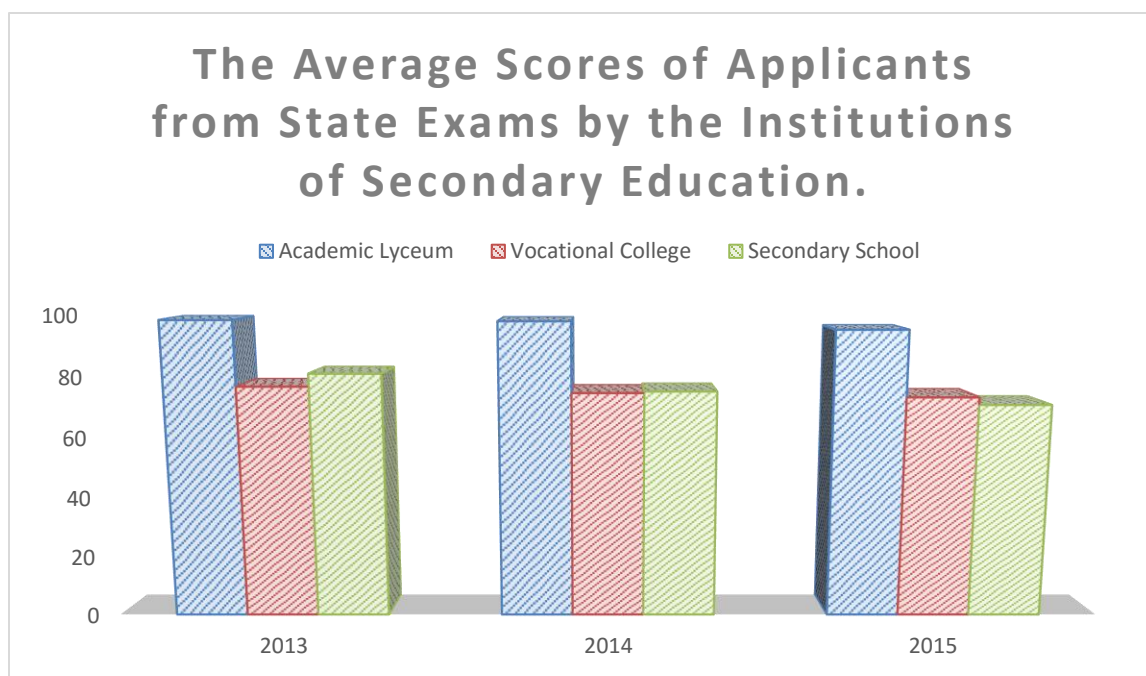
3.2.1 Problems in Education system

Vocational secondary education is divided into two education institutions, *academic lyceum* and *vocational college*.

Academic lyceum is a kind of education institution which prepares the students to the State Exams of universities in order to study in undergraduate programs. Academic lyceums divided into two specialization of preparation to the universities, such as exact subjects which includes mathematics, physics etc. and art subjects (humanitarian) which includes history, biology, foreign languages etc.

A **vocational** college is a sort of institution that gives specialized professional diplomas. In the colleges of Uzbekistan two types of subjects are taught; general subjects (same subjects are taught in academic lyceums), and the subjects related to major specializations of students.

Figure 8. The Average Scores of Applicants from State Exams by the Institutions of Secondary Education



Source: (Ministry of Higher and Secondary Specialized Education of the Republic of Uzbekistan, 2016)

The general subjects are taught only one and a half year in vocational colleges. In fact, the students study major subjects two times more comparing to general subjects. However, you may claim that it is normal standard for colleges but it shows that this tendency may not be effective for the students who are planning to continue their education in higher education. According to the report (Ministry of Higher and Secondary Specialized Education of the Republic of Uzbekistan, 2016) the applicants of the academic lyceum students for undergraduate programs have higher average scores from State Exams comparing to the applicants of vocational college students (look at illustration).

The situation seems to be the same at colleges and academic lyceums but there can be observed difference between them. For instance, the third year students of academic lyceums have fewer classes and they can enjoy this opportunity by taking additional teaching courses. In contrast, the third year students of vocational colleges have a tough, stressful and difficult year of study.

Furthermore, there exists a risk for the students of colleges, if the attendance for the classes is decreased, it may affect to the grade of a student, even it may cause for retaking the exams or revoking from the college. In addition, there is a deficiency of English language teachers all over the country. In order to solve the problem, the ministry of education keeps teaching Dutch in primary and secondary schools, but Dutch is not taught in colleges and academic lyceums anymore. As a result, a teenager faces difficulties after finishing schools, where they have to learn English language from the beginning. And unfortunately, there are not any entrance exams to undergraduate programs with Dutch language except linguistic major. This situation leads students to find good cram schools or private tutors in order to learn the language.

The quality of subjects and the methodology of teaching are inefficient in both institutions of education. As a result, there appear a need for cram schools or private tutors, because, the quality of education of Academic Lyceums and Vocational Colleges does not meet the education standards required for higher education. This situation is obvious and most of the students think that they need additional teaching courses from certain subjects. So, they have only two choices such as finding good and cheap cram school or finding a tutor with good reputation but expensive tuition fees.

3.3 An analysis of cram schools and private tutors

Cram schools are licensed and official working education centers where the number of students per one-hour class is from 10 to 12 people and each class is held three times in a week (2014).

Private tutors are not licensed and they are not working officially. The number of students per one-hour class is from 5 to 7 people and each class is held three times in a week (Bobur Murodov, Recruit Marketing Partners Co., Ltd., 2014).

According to the report by the State Exam Centre (SEC, 2016) there 558 officially licensed private educational institutions (of all Pre-school education, General secondary education, Vocational secondary education, Higher education and Post-graduate education segments), but the private tutor population is not provided. The recent data by SEC shows an increase in licensing the private educational institutions. According to the Ministry of Public Education of the Republic of Uzbekistan there are 14 big regions and 195 sub-regions, and there are 1 to 3 cram schools in big regions, but cram schools barely exist in other sub-regions. In small 195 sub-regions the common way of private education is private tutoring. In the sub-regions the minimum number of private tutors is 8-12 per subject and maximum number is 30-40 depending on regions. As it is expected, the number of cram schools and private tutors in capital city is quite big comparing to other regions.

The teaching methodology of cram schools is modern and interactive, but sometimes they are inefficient, because teachers are mostly unqualified young graduates or students of universities, even some of them haven't high level of education. In contrast, private tutors are qualified, experienced teachers of academic lyceums, universities, high ranked school teachers and retired teachers of high educational institutions (Bobur Murodov, Recruit Marketing Partners Co., Ltd., 2014).

Moreover, the tuition fee in cram schools is cheaper (25-50%) than private tutors. The prices for private education services differ from each other by areas, whereas the price in urban areas is higher than rural areas (look at **Table 6.**).

Table 6. Comparison of the Prices of Two Private Education Sectors (2014)

Private education	Min. price per month(sum)		Max. price per month (sum)	
	Urban area	Rural area	Urban area	Rural area
Cram schools	100,000	X	200,000	X
Private Tutors	150,000	80,000	400,000	200,000

Source: Survey, (Bobur Murodov, Recruit Marketing Partners Co., Ltd., 2014)

3.4 An Analysis of Existing Online Education Service Providers

Currently, the major education service providers are private tutors and cram schools in education market, because, there does not exist online education service providers in online education industry. There is a list of web-sites in online education, which are belonging to ***cram schools or government authorities, but the goal of these web-sites is to help applicants to check*** their knowledge. The services are provided only to increase customer awareness and the reputation of the cram schools (Bobur Murodov, Recruit Marketing Partners Co., Ltd., 2014).

Table 7. The Non-Profit Web-Sites in Uzbekistan (2014)

The web-sites						
Studynet.narod.ru	Testlar.uz	Abcd.uz	Salohiyat.uz	Exam.uz	Itest.uz	Ziyo.uz

There is only one for-profit company (2014), ‘My city, Education’, which offers e-learning services, yet, this company can be trade off due to functional features. However, an analysis of this company is given above as a case study.

3.5 An analysis of target segment population of online education industry

From 2009, new graduates of secondary schools can choose their further education either academic lyceums or vocational colleges. If the teenagers want to continue their education in higher education and want to get bachelor degree may go to academic lyceums. Meanwhile, if the teenagers want to get professional diplomas and work without higher education diplomas may choose vocational colleges. On the other hand, some of them may choose certain specialization that can help in further education related to the current one. In addition, diplomas and certificates are given by both academic lyceums and vocational colleges eligible to appeal to the universities. The academic lyceums are usually situated in urban areas, and the teenagers from rural areas may not able to afford to study in academic lyceums. In addition, the academic lyceums cannot enroll more than certain number of students. In sequence, teenagers prefer nearby situated colleges and they tries to get related education to the chosen specialization as higher education. (Bobur Murodov, Recruit Marketing Partners Co., Ltd., 2014)

According to analysis, middle class people can afford both private educations. For instance, people have advantages in choosing cram schools and tutors in urban areas. Whereas, people may face difficulties in finding cram schools and sometimes it is difficult to them to find qualified tutors in rural areas. Even if it is possible, there are limited vacant places to study. (Bobur Murodov, Recruit Marketing Partners Co., Ltd., 2014)

In contrast, poor class people have difficulties in choosing both private education services. The people hardly can afford cram schools in urban areas. Accordingly, people can’t find cram schools and sometimes they face difficulties in finding affordable qualified tutors and they don’t have other choice other than choosing unqualified tutors of local areas. Sometimes, they try to study by themselves using reading materials which is considered very tough, time consuming and sometimes inefficient. (Bobur Murodov, Recruit Marketing Partners Co., Ltd., 2014)

3.5.1 The decisions of teenagers about the future education and specialization

The decision making process of teenagers about the future education and specialization usually begin at the age of fifteen and sixteen, in 9th class at a secondary school. Teenagers choose the educational institutions (college or lyceum) and then they choose higher education specialization according to their decisions. As it is clear from the paragraphs above the decisions

may differ according to the geographic locations, economic situation, family customs, gender and individual intelligence. (Bobur Murodov, Recruit Marketing Partners Co., Ltd., 2014)

There five causes may influence to the decisions of teenagers about the future education and specialization:

- a. *The geographic matter* may influence to the decision by the location (urban or rural) of institutions.
- b. *The economic matter* (the income and the expenses of families) may influence to the decision.
- c. *The family customs matter* (the family traditions) may influence to the decision. For instance, if the parent is a military soldier, the teenage will choose its parents profession and he may go to Military Academy of Uzbekistan or something related to this. In addition, those military institutions' competition is like a rat race (severe competition), the toughest entrance exam in Uzbekistan. Furthermore, educational majors like juridical, medical, pharmaceutical, dental and governmental management are considered as the most competitive in terms of entrance exams to the institutions.
- d. *The gender matter* may influence to the decision, for instance the professions which are suitable to certain gender.
- e. *The individual intelligence matter* (the skills and mental ability of a person) may influence to the decision.

Unfortunately, because of time constraint the analysis is limited with this data and it does not provides information that can show the main influencing causes to the decisions of teenagers about the future education and specialization.

3.6 An Analysis of Market Needs

After the analysis of national education system, analysis of target segment population of online education industry, and analysis of traditional and online education service providers following needs were defined: (Bobur Murodov, Recruit Marketing Partners Co., Ltd., 2014)

- a. *High quality*. There is a need for high quality education services. And it is expected to have experienced and qualified teachers who will guaranty high quality education services. In addition, there is a need for good reliable reading materials and books with respected quality.
- b. *Affordability*. There is a need for affordable price without additional expenses as transportation etc.
- c. *Availability*. There is a need for the service that is available in both rural and urban areas which should be near and in one certain place.
- d. *Up to date*. There is a need for up to date education materials and teaching methods.
- e. *Guarantee*. There is a need for the guarantee by education service providers for the result of education services and its effectiveness.

CHAPTER V

DISCUSSION AND RECCOMENDATIONS

Drawing upon the cases analyzed in chapter three and based on the analysis of current education system of Uzbekistan provided in chapter four, this chapter will discuss the potential challenges of and recommendations for online service providers in Uzbekistan.

Discussion of Findings from the Analysis

Online market is still growing, especially in emerging markets the growth rate is high comparing to developed countries. Hence, it means that there is a good opportunity for startups to create niche products in specific online education markets.

The analysis of cases shows that online education service providers may face a lot of challenges and it is very important to react to them in time (*look at **chapter III**, A joint analysis of successful and unsuccessful service providers*).

While starting a business project there is essential need for considering the economical and political (governmental) situation, technological infrastructure and demographics of a specific market. Online education market of Uzbekistan provides opportunities for developing a competitive business. However, there are some drawbacks in the market in terms of technological infrastructure and standards of education.

Recommendations

Online education service providers may face several challenges and it will not be easy to figure out what kind of strategy could work as a solution. So, there are given some recommendations, and they are about potential challenges and strategies of online education in Uzbekistan.

- a) Technological infrastructure of the country can be a great challenge, specifically, the internet service coverage, its price and speed is one of the toughest tasks to solve. However, there are a lot of methods that can be a solution for the problem. For instance, Companies can make partnership contracts and work closely with the strategic partners such as internet providers, mobile companies and government as well.

Apparently, the government may be interested in existence of this kind of services, because they can gain benefit from it and in addition it can solve problems related with equal education rights, certification of tutors and taxation. So, the government authorities can be involved in partnership and even they may support the business by giving subsidies and privileges. I believe that this strategy increases the potential of companies in the market.

In addition, the companies can utilize niche market strategy by offering new education services such as offline application and other online education services.

- b) The product development is also challenging process which may cause a lot of troubles and problems. Because, this process itself has several challenging steps of development process where the organization needs a team, product concept, budget, resources and legal rights. So, it is important that the developer does have clear ideas and plans about the product where the developer is required to know the market, customers, their needs and risks.
- c) The product should be based on local market and offshore business model does not work in this particular market. Because, the case TutorVista has showed that there are disadvantages in off-shoring the company. Additionally, the product should be developed with modern means of education and it is equally important to update the data intensively by implementing modern methodology of teaching.
- d) An online education providing company should utilize localization strategy model by emphasizing on local language in order to build a successful business and to sustain in the market. Also, providing online education services in local languages are recommended by prioritizing them according to their utilization.
- e) It is equally important to attribute ownership by licensing and patenting the products and services.
- f) Companies should attract and engage talents by creating incentives (e.g. Colorado State University (2002)).

“Employee engagement is the art and science of engaging people in authentic and recognized connections to strategy, roles, performance, organization, community, relationship, customers, development, energy, and happiness to leverage, sustain, and transform work into results.” – David Zinger, (Let’s Co-Create an Employee Engagement Charter)

- g) Online education providers should utilize online education service properly and they need some additional services. For example, “Educate to educate” service which may consist of tutorials, lessons, tips etc. for potential customers. Moreover, this service also requires training courses for the developers and instructors in order to increase their qualifications regularly.
- h) Finally, using cheap online ads and promotion activities on TV and at education institutions helps to increase brand awareness. Also, additional non-profit services can be a good promotion strategy which increases customer trust and emphasizes quality and effectiveness of the services of a company.

CHAPTER 6

CONCLUSION

Online education market is growing and online education service has potential opportunities in global market, especially in emerging markets. The analysis of existing online education providers proves once more time that businesses do not exist without risks, difficulties and challenges. There are so many possibilities to fail, but we can reduce the risk of failure if we tolerate failure wisely. In other words, by observing and analyzing the practices of existing or failed business cases we can develop our business concept based on our conclusions.

In this research, the questions raised about the challenges of online education services in Uzbekistan and online education business strategies used in other countries have been discussed and answered. Specifically, the research results says that there are opportunities in online education market of Uzbekistan, however the market is not big as other countries like USA, India, China, Japan and Indonesia. The potential challenges may occur in term of technology, education standards, product development process, regulations and other legal issues.

The right technology, R & D team, reliable partners and feasible marketing plan are considered as a pledge of luck. So, the organization that is planning its online education business should consider the issues above before investing.

Further research can be done in other fields of online education about the same market. For example, further research topic can be the importance and its key roles of blended online education in the universities of Uzbekistan. The research may focus on learning the customer's behavior by determining the reasons for using online education service and the customer value in the market of Uzbekistan.

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APPENDICES

Appendix I. The List of Analyzed Cases

Companies (Years of establishment)	Location (Headquarter)	Website	Target Market	Pricing Strategy
TutorVista (2006)	India	www.tutorvista.com	Colleges Schools (US. / UK / Canada)	Low
Smarthinking (1999)	USA	www.smarthinking.com	Schools, Colleges (U.S.)	Premium
Moy Gorod (2009)	Uzbekistan	abitur.mg.uz	Schools Colleges Academic Lyceums	low
Colorado State University (2000)	USA	www.online.colostate.edu	High school	Premium
Coursera (2012)	USA	www.coursera.org	Schools Colleges Academic Lyceums High school	Free Low Premium
Al-Ahliyya Amman University (2006)	Jordan	www.ammanu.edu.jo	High school	Premium
Udacity (2011)	USA	www.udacity.com	Vocational degree	Free Low Premium