INSIDE HIGHER ED

digitaltweed

Digital Tweed

Digital Tweed

-

Buying BlackBoard: Corrections and Extensions

By Kenneth C. Green May 8, 2011 9:30 pm EDT

I'm obligated to post two corrections to my April 27th blog, "Buying Blackboard." The errors were clearly mine; the errors are annoying and embarrassing.

Let's begin with two corrections.

The first error involves an uncorrected typo – an "o" which should have been an "e." Because of the typo I incorrectly cited Epsilon, an email marketing company that recently experienced IT security breaches. The reference should have been to Epsilen. To Evan Nisonson, CEO at Epsilen, who noted the error as a COMMENT, and also to you, esteemed reader, I apologize.

The second error involves my statement at the back end of the "Buying Blackboard" post about corporate debt. I correctly stated that Blackboard has spent more than half a billion dollars on acquisitions since 2006. Incorrect, however, was the statement, "That's a lot of debt to pay down," which imples that Blackboard is heavily burdened by corporate debt. It is not. I should have done a better job of checking the facts about Blackboard's corporate debt rather than succumbing to my hyperactive inference engine. To Blackboard, and again to you, esteemed reader, my apologies.

And now on to the extensions.

First, no matter how you may feel about Blackboard – and lots of individuals both on- and off-campus have (very) strong opinions for or against the company, its leadership, and its products – Michael Chasen, Matthew Pittinsky and others who founded the company and the folks who work at Blackboard today do deserve their props. Blackboard survived the dot.com/dot.edu era and has grown dramatically over the past decade; last year's sales totaled some $447 million. That's not a random number; the revenues are not from random sales. Campus clients and others are buying lots of "stuff" – various technology applications and support services – from Blackboard

Admittedly, the company's LMS franchise, which currently accounts for about half of total revenue, confronts significant challenges. New competitors seem to emerge about every five years, witness Desire2Learn, Moodle and Sakai in the middle of the last decade and, more recently, Epsilen and Instructure. Some 800 current Blackboard LMS clients confront "up or out" decisions about migrating from "sunsetting" Blackboard LMS applications (various versions of the WebCT and Angel LMS platforms) by 2013. Blackboard will win some of those "up or outs" and it will also lose some; but the company's LMS platform will remain a presence on many campuses in the years ahead.

Second, I'll stand by my statement that higher ed has reasons to be concerned about corporate debt and the prospects for price increases in the wake of a Blackboard sale. As the close of the stock market on Friday (May 5th) , Blackboard's market valuation was about $1.6 billion. Admittedly, I am a civilian, not a financial analyst. But $1.6 B sounds like a lot of money to me, particularly for a firm that provides tech resources and services primarily to non-profits – colleges and schools. Assuming that Blackboard sells, whatever entity buys Blackboard will have to address the costs of the acquisition; it will have to find, make, or take cash from some source to cover the acquisition.

Third, the higher education LMS market really is in transition. Shortly after the January 2004 announcement that the Mellon Foundation would provide a $2.4 million grant (seed money) to help underwrite the development of Sakai as an Open Source Course Management/ Learning Management System, I characterized the CMS/LMS market as a "mature market with immature products." By that I meant that the market was mature because even by fall 2003, almost all campuses had an institutional license for one or more CMS/LMS applications. But these were also young – immature – products, barely five years old. And as young/immature products they would have to evolve. The evolution of both the products and the market have contributed to current transitions – and volatility – in the higher ed CMS/LMS market.

The growing competition in the LMS market benefits users and providers. For users, the competition means more options and also price competition. Concurrently, the competition in the LMS market forces all providers, proprietary and Open Source, to bring their "best game" – their best code, best technology resources, and best services – to the market each day. And that's a good thing for all involved.

Disclosures: Blackboard, Desire2Learn, Epsilen, Moodlerooms (which offers support services for Moodle), and rSmart (which offers support services for Sakai) are corporate sponsors of The Campus Computing Project. I own no stock in any of the companies cited in this DigitalTweed post.