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News

Blackboard Gets Bought

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Blackboard, maker of the dominant online learning platform among nonprofit colleges, has been sold to Providence Equity Partners, the company announced on Friday. The announcement prompted hand-wringing from campus technology officials and reassurances from Blackboard that there are no significant changes in the offing.

“We have some concerns,” says Sam Segran, chief technology officer at Texas Tech University. “Any time somebody goes into private equity, one of the concerns we have is profit motivation and less motivation in terms of meeting educational needs.”

Blackboard’s transition from publicly traded company (its status since 2004) to private equity holding could indeed mean a greater emphasis on earnings, says Trace Urdan, a senior analyst at the investment firm Signal Hill. The new owners will not have to worry about feverishly acquiring other companies in order to make the company’s stock price go up, Urdan says. More likely, Providence will treat its new investment like a cash cow, focusing on the Blackboard products that reliably make money and possibly unloading the ones that do not.

Still, the sale of Blackboard might have a greater impact on Wall Street than on Campus Drive, experts say. The "losers" in this case may be confined to small software companies hoping to be bought out and short-sellers who bet against Blackboard.

As for college and university customers, “I don’t think life changes very much,” says Urdan. For Blackboard to continue to be reliably profitable, it cannot afford to drive clients into the arms of its competitors by jacking up prices, Urdan says. Hence a greater focus on earnings would not necessarily mean a bigger squeeze on customers.

More than half of nonprofit colleges and universities use Blackboard Learn, the company’s learning-management system, which serves as an online environment where professors and students can upload and download course materials, chat with each other, and hold class sessions. Learning management systems are often considered “mission critical,” especially in the fast-growing area of online education. Thus any major shakeup at Blackboard necessarily has a ripple effect across its thousands of higher ed clients.

Ray Henderson, the president of Blackboard Learn, says the company does not expect the ownership change to affect pricing “in the foreseeable future.”

“It’s natural that news of this magnitude would raise questions for our clients. Will there be sudden changes to policy, pricing, or strategy?” Henderson wrote in a blog post on Friday. “It is our plan that the key strategies that brought us here will continue to guide our path. Critical to our success in recent years has been our focus on Blackboard’s performance on the fundamentals, sustaining the steady improvements we’re making in support responsiveness, openness, transparency, and quality. I envision no change in our underlying commitment to these fundamentals.”

Henderson countered the notion that Blackboard might divest from some of its more recent product offerings, such as Blackboard Mobile and Blackboard Analytics — the latter of which several analysts cited as a potential loss leader. “I think it’s fair to say there’s strong shared belief in the importance of mobile education and a growing institutional demand for analytics,” Henderson wrote. He added that “both parties believe K-12 and global markets deserve investment” — contrary to speculation that the K-12 market, with its decentralized buying structure and relatively small technology budgets, might be seen by Providence as expendable.

In a letter to clients, Blackboard CEO Michael Chasen added that the company’s leadership will remain intact. This could prove crucial to easing the blood pressure of concerned clients — particularly the retention of Henderson, whom many credit with improving the company's reputation for customer service after he joined the company from Angel Learning in 2009.

Still, some campus CIOs are wary about whether the ownership change will be as seamless as Blackboard is promising. Kelly Dempsey-Little, an instructional technologist at Skidmore College, says that while she sees no reason to panic, she and her colleagues have talked about exploring alternative learning-management options, just in case. “We are very happy with Blackboard right now, but we’re very concerned,” she says. The ownership change might not be bad for Skidmore’s relationship with its learning-management vendor, but “I don’t think it will stay the same,” she says.

— **Steve Kolowich**