



How Will Colleges Innovate As The Market Is Disrupted?

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Remember cellphones in the early 1990s? They were either installed in a car or you had to carry a bulky bag around with you--that is, if you could get decent signal. Few then thought they would become the ubiquitous devices they are today.

Cellphones were a "disruptive innovation." That's the process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors. The term was coined by Clay Christensen, a professor at Harvard Business School.

Christensen has written plenty of books about the phenomenon. And later this month he is coming out with a book co-written with Henry J. Eyring about how it might impact higher education (*The Innovative University: Changing the DNA of Higher Education From the Inside Out*).

Last week, I was invited to a daylong session led by Christensen at Harvard Business School to talk about innovation in higher education. The invite-only group was made up of about 40 "disruptors" in academe, officials from Western Governors University, BYU-Idaho, P2P University, University of Phoenix, Straighterline, Babson University, the University of Southern New Hampshire, the Gates Foundation, DeVry, the Center for American Progress, and McKinsey, among others.

I agreed to attend the discussion on background, but I'm able to share my overall impressions or quote from some individuals where I got their permission or talked to them separately.

The ideas we talked about last week might seem toxic to many in traditional academe. But if current economic trends continue, much of traditional academe is going to be forced to change. Families can no longer use their house as an ATM. States are making tough choices about the size of government, and public colleges are often left at the end of the line. And now the federal government is likely to cut back on many of its fiscal promises to deal with an out-of-control deficit.

The bottom line is that we're likely to face a future where students and their families pay a lot more of the cost of a college education out of pocket. Without grants and loans as a safety net, students are probably going to make different choices than they do now (read: less expensive choices). We're likely headed toward a future where smaller, struggling colleges need to move to

new models of doing business, while elite, wealthy colleges continue to support the current model.

What are some of the attributes of those new models, according to those already at the forefront of innovation in higher education?

Disaggregated universities. Christensen pointed out that in the early days of the personal computer, the entire machine was proprietary. Everyone sold their own version. Then IBM realized they could build a better and cheaper machine by getting the parts from others. So now, for the most part, a Dell machine, an IBM machine, etc., all have similar parts made by the same manufacturer. What happens if the same thing happens in academe--where courses, in particular, are disaggregated from the institution? An institution that is able to create a workable business model to offer its courses to others could become the Intel of higher education.

A "modular-based" university. There was a lot of discussion about how universities still personalize the academic experience for students. New majors are created. New concentrations are created. All require more faculty, more infrastructure, etc. Christensen used the example of an automobile axle manufacturer in Michigan, which had 28 different manufacturing pathways for the 28 different axles it produced. It was found that each time the plant doubled the number of pathways, its overhead costs increased by 30%. That plant went out of business. Meanwhile, a similar plant in Indiana had two pathways. It went to the automobile manufacturers and said, If you can make a product that goes through this process, we can give you a higher-quality product at a lower cost. Recently, when Christensen showed the slide of the 28 different pathways at the first plant to a group of hospital executives, their first reaction was: This is a general hospital, where 80 to 90 percent of the cost is overhead. My reaction to the slide was the similar: This is a university. Christensen pointed out that Western Governors University only offers four degrees and hasn't raised tuition in five years. He asked, What if traditional colleges offered only a few "gateway" majors, and then used technology to personalize and individualize teaching on specific subjects?

The high "cost" of first-year courses. Most colleges make a high profit margin on entry-level courses, which of course go to support other parts of the college, some of which students who fail out of these early courses will never utilize. The cost of failure is also high for these students since many of them are already fully enrolled and on the hook for student loans. The key is for colleges to reduce the risk for students early in their college careers. Enter players like Straighterline, which offers entry-level college courses for \$99 a month or an entire freshman year for \$999. They have two dozen partner colleges that agree to accept the courses as transfer credits, but many institutions don't want to accept the credits because of opposition from faculty or because they're worried about losing the cross-subsidy from these entry-level courses.

Inefficiencies all around. What's to blame for rising college costs? Even this group couldn't agree, but there was a lot of discussion about inefficiencies in two areas conceived in the early 20th century that no longer work in a 24/7, Internet-connected society: the academic calendar and the credit hour. We've written a lot about institutions questioning the value of both in the last year. One shocking number thrown around at the meeting last week was that 40 percent of all credits earned have not been applied to a degree or a credential. In other words, these are students with credits who dropped out or earned more than they needed for a degree. Figuring out a way to put those credits toward a credential could help greatly in college-completion goals. A surprise to me at the meeting was learning more about BYU-Idaho, which now has 25,000

students. Its cost per student is only 3 percent higher today than it was in 2000. It has managed costs by changing the traditional academic calendar and day by squeezing more classroom hours out of both.

Given its location, the discussion at Harvard was very business-focused. Indeed, many of the "disruptors" come from a business-school background. But if traditional academe doesn't bring some business sense to a few areas of its operation, then it's likely that some of these disruptive innovations will move up market over the next decade and put a big piece of traditional higher education out of business.

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Though there are references to this article, the text could not be found on the Chronicle Website with a file missing error. The text here was taken from the Huffington Post website.
