# LEADERSHIP&
# INNOVATION
## IN A TIME OF TRANSITION

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# Contents

# Addressing Disruption: Comfort or Chaos

## The Need for Skilled and Strong Leaders to Transform Higher Education

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We all know the trend: a fast-growing population of non-traditional adults is testing the limits of our higher education ecosystem. One-third of college students are now over the age of 25.[1] For many of them, work, family, and community obligations make attending college on a campus an impossibility. For others, the traditional model has failed to provide them with the support they need. Sadly, 80 percent of working students will never earn a degree. They are among the 31 million students who, over the last two decades, have enrolled in college but never graduated.[2] In an economy where a degree or credential is increasingly a prerequisite to finding work, this is unacceptable.

Online learning can play a powerful role in meeting the needs of contemporary learners, and yet a majority of them are still wary of online learning. Nearly 30 percent of college students today have taken at least one online course, though just one quarter of adults said they viewed online education as equal to learning on campus.[3]

If online education is going to realize its potential to extend higher education's promise of social and economic mobility, its leadership must be better prepared to adapt, innovate, and inspire.

As leaders, we must constantly survey and assess quality while weighing academic, business, and operation considerations. We work to align priorities of growth, quality, and cost. We know that

1   https://nces.ed.gov/programs/coe/indicator_csb.asp

2   https://nscresearchcenter.org/signaturereport7/

3   https://onlinelearningconsortium.org/read/online-report-card-tracking-online-education-united-states-2015/

*Addressing Disruption: Comfort or Chaos* | DR. RICHARD SENESE

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innovation and the evolution of existing models is the only way to address both current—and future—trends while managing double bottom line objectives of meeting the mission while sustaining the institution. For those who serve today's contemporary students in non-traditional institutions, this is played out in front of large audiences, with varied interests.

Managing such an institution requires balancing the rapidly evolving student demands with dynamic regulatory considerations and the potential of emerging technologies. We are engaged not only in micro-issues such as operational excellence and curriculum design, but also in the macro-issues of public policy and developments in educational technology. Skillful and strong leadership is about addressing the whole ecosystem. It's about ascending and descending in altitude at unpredictable times at rapid velocity.

This brings up the term, "wicked problem:" a problem that defies easy answers or technical solutions. As Jon Kolko, from the Austin Center for Design, wrote, a "wicked problem is a social or cultural problem that is difficult or impossible to solve for as many as four reasons: incomplete or contradictory knowledge, the number of people and opinions involved, the large economic burden, and the interconnected nature of these problems with other problems."[4] Horst Rittel and Melvin Webber, who coined the term "wicked problem" in 1973, cautioned that, because of this complexity, care must be exercised to avoid the all too-common errors of acting as if a wicked problem were a tame one, prematurely attempting to tame it, or remaining blind to the complexity and wickedness of the issue at hand.[5]

To create a framework for navigating the dynamic ecosystems created by such problems, Ron Heifetz and Marty Linksy, from Harvard's Kennedy School of Government, developed the concept of adaptive leadership, a style required in what Heifetz calls an "adaptive context," a situation that requires "a response outside your current toolkit or repertoire." It exists in the space between an organization's goals and its operational capacity.[6]

Heifetz offers Sony as an example of an organization that failed to succeed in such a context. The company's engineers created what was essentially an iPod before Apple did. As Heiftetz notes:

> "Sony's organization was beautifully designed to come up with improvements to the next generation of portable CD players, Walkman, and Discman, but this same beautifully designed organization didn't succeed in the adaptive challenge of adopting a new technology.

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4   https://www.wickedproblems.com/1_wicked_problems.php

5   Rittel, Horst, and Melvin Webber; "Dilemmas in a General Theory of Planning," pp. 155–169, Policy Sciences, Vol. 4, Elsevier Scientific Publishing Company, Inc., Amsterdam, 1973. [Reprinted in N. Cross (ed.), Developments in Design Methodology, J. Wiley & Sons, Chichester, 1984, pp. 135–144.]

6   Heifetz, R., Grashow, A., and Linsky, M., The Practice of Adaptive Leadership (Harvard Business Press, 2009)

The new technology was a threat to many of the ways they had organized themselves and thought about their product line—including the big investment they made in buying CBS Records. The engineering itself was not a big adaptive challenge but reshaping the company strategy, organization, and mindset was. Imagine a manager telling the people who had been working very, very hard on a portable CD player or integrating vertically with CBS Records that they were throwing significant parts of that away to try something new.

That sort of work is difficult and painful. It was resisted and so they lost the huge opportunity that Apple seized."

The leadership that's required in this context is one that involves both making unpopular decisions and allowing for more collaborative thinking in an effort to achieve common goals. It's about vision and responsibility that extends beyond job titles. It requires an intentional and active willingness to face change, no matter a person's role or position. How does a leader call upon individuals and teams to see themselves within new paradigms and solutions? Or as leaders? Adaptive leadership demands a willingness to take risk. And there is plenty of risk.

It's possible to innovate too far, too fast, and encounter risks. There are regulatory risks— dangers—that are missed in the multiplicity of regulatory constraints that are placed on innovative institutions. There's the risk of trying to innovate but failing; of designing educational programs and products that are either behind, or too far ahead of student demand. This demands leadership that instills in the organization that failing and rapid proto-typing is not only okay but essential.

The issues facing higher education and the risk of getting it wrong are wicked problems for a society rooted in the knowledge economy and requires leadership built on the courage to make difficult decisions. Ultimately, it's about learning to balance offering high-quality and engaging academic programs that respond to contemporary individual, social, and economic needs with being innovative and mindful of constraints—and working to redesign those same constraints for contemporary society.

A skilled leader knows this is the landscape we are operating in. A skilled leader also knows it's worth taking on the challenge and how to bring others into the effort. While the waters we are navigating are complicated and complex, getting this wrong is an unacceptable outcome. It is a social, economic, and moral imperative that we succeed.

We must do better. We can do better. And it starts with skilled leadership.

# Technology Transforming Learning

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The promise of higher education—a path to opportunity and a better life—has been the same for centuries. Today, while the promise remains, it is either increasingly out of reach for some, or unrealistic for others. Yet, accelerating innovation in how education is designed, delivered, and experienced is reinvigorating that promise. Technology is powering change, even disruption, at a rate that has not been seen since the advent of the modern baccalaureate over two centuries ago.

Before the G.I. Bill, access to college was quite limited, with only five or six percent of Americans achieving degrees. Since the 50s, a college education has increasingly been seen as a middle-class necessity—a requirement for a better job and a better life.

Statistics continue to highlight the value of a college degree, with lifetime earnings nearly 65 percent higher with a college degree than with a high school diploma. In addition, in the U.S., demand for graduates far exceeds supply, with two-thirds of the new jobs created in the U.S. requiring a post-secondary credential by 2020, yet only 42 percent of adults currently hold one, and only 33 percent have a bachelor's degree.[1] This number has not dramatically increased since the 60s.

Why isn't the number of college degrees in America increasing? The generally held belief that college is worthwhile and accessible to all Americans is actually declining. Tuition is increasing at twice the rate of inflation, graduation rates are not improving, and student loan debt in the United States is $1.3 trillion.[2] More challenging still, less than a third of employers and only 6 percent of

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1   https://cew.georgetown.edu/wp-content/uploads/2014/11/collegepayoff-complete.pdf

2   https://www.forbes.com/sites/zackfriedman/2017/02/21/student-loan-debt-statistics-2017/#3d08c6ec5dab

graduates believe college prepared for them for success.[3] To top it off, only 61 percent of adults believe college is available, and a shockingly low 21 percent believe it is affordable.[4]

As with the G.I. Bill for the greatest generation, our current generation needs a major catalyst to reinvigorate the promise of higher education, and rapidly accelerate our nation's ability to close the gap between demand and supply of credentialed adults.

What can higher education do to address these concerns and reinvigorate that promise? Real innovation is needed. The world has changed and continues to change, and students—our customers—have changed as well. About 40 percent of college students today are older, working, and supporting themselves and their families.[5] They need and expect a more contemporary approach to learning and credentialing—one that meets their needs and fits their busy lives.

Historically, higher education has been, in many ways, slower to use technology in transformational ways, instead adding it or fitting it into existing frameworks and models. Yet, thanks to advances in software, data, machine learning, etc., that narrow view of how technology can improve higher education is increasingly being discarded.

> "In this time of incredible transformation, higher education has never mattered so much to those who seek it. It drives social mobility, energizes our economy, and underpins our democracy. When applied systematically and collaboratively across programs and institutions, technology can help leaders address long-standing issues of access, affordability, and completion, and can result in profoundly improved outcomes for the students they serve. In doing so, we extend the promise of higher education to millions more who are counting on it to enrich their personal lives, transform their professional prospects, and realize their dreams."[6]

While the advent of the internet has transformed higher education's accessibility and is "flipping classrooms," there is much more we can accomplish with technology to improve curricula, advance learning, improve teaching, enhance the student experience, and ultimately improve outcomes.

Contemporary students are accustomed to high levels of customer service and support in all aspects of their lives. The internet has democratized information. Information and action are available on demand, and usually from a number of sources. We buy things online, with help from a customer service representative, at any hour of the day. Data is constantly collected that allows re-

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3  https://www.aacu.org/sites/default/files/files/LEAP/2015employerstudentsurvey.pdf

4  http://news.gallup.com/poll/182441/americans-say-higher-education-not-affordable.aspx

5  https://www.nytimes.com/2017/08/28/opinion/community-college-misconception.html

6  https://www.nytimes.com/2017/08/28/opinion/community-college-misconception.html

tailers to suggest purchases to us based on what we have bought—or even viewed—in the past. In this way and countless others, customer experiences are becoming more and more personalized.

Higher education is taking a lesson from these technology-enabled, customer-focused businesses. While many in higher education have been reluctant to view students as customers, they are our customers. Rather than expecting them to fit into a one-size-fits-all learning model, we need to create a model that puts the student at the center, with learning opportunities and resources, faculty support, and assessments personalized to meet the student's needs.

Technology makes it possible for universities to collect and utilize data to both improve the student experience and deliver better outcomes in several ways, such as online interaction, virtual classrooms, adaptive learning, social engagement, and gamification. Teaching-oriented faculty can utilize dashboards that provide real-time data on student engagement with learning resources and completion of assessments, to adapt to students' individual needs. Aided by technology and data-driven recommendations, students can receive automated prompts and adaptive directions to their learning, while focusing their interactions with faculty on key learning areas. And, like ride-sharing or rental accommodations, expert faculty can be engaged on demand.

The data we gather is constantly informing our programs and courses at Western Governors University. For example, data regarding psychosocial issues, rather than cognitive, were impeding student success. This led to the development and delivery of new courses to improve adults' competency in the "affective domain" (i.e., working style, communication, purpose, etc.), which in turn improve self-efficacy, course completion, on-time progress, retention—all increasing the probability of attainment.

The chart below highlights how Western Governors University is applying technology to power its next wave of innovation and improvement in outcomes.

Technology is opening countless opportunities to reinvigorate the higher ed promise. It enables us to connect with students on their terms, teach them more effectively, and be more efficient and cost-effective. It also provides the tools needed to know, rather than assume, what impacts student engagement and satisfaction as well as outcomes. Harvard's Clayton Christensen, who advanced the well-known disruptive technology theory, noted, "Technology is not by itself innovation, but disruptive innovation relies upon it."[7]

So, where will technology take higher education next, and where do innovators see the greatest potential in reinvigorating higher education's promise?

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7   https://hbr.org/2015/12/what-is-disruptive-innovation

# Is There a Model that Addresses Higher Education Affordability?

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Higher education has a well-documented affordability problem. There are many explanations of that problem, but perhaps the projection from Moody's Investor Services (2015) will suffice. It argues that there will be a tripling in the number of closures and a doubling of the number of mergers for small colleges.[1] Whether measured against the inflation index or when compared to almost any other major commodity, a bachelor's degree has risen in cost faster than anything else. While the value of that degree has remained strong, it is not as strong as it once was.  If these two assertions are true—that the cost of a degree has increased and the value of the degree has decreased—then the college affordability problem is a crisis. To put this in disruption-flavored language: higher education is moving upwards on the cost curve beyond the ability to show that its feature set is worth the increased price. In other words, our whole industry is ripe for disruption by a lower cost "good enough" solution.

The question of why higher education prices rise so regularly, both in good and bad times, is complex. This paper will not attempt to explain those increases, but if you are interested in a sophisticated analysis you might start with a 2017 report from the Brookings Institute.[2] But the tuition behavior of higher education is clear: prices rise when state support is good and when it is poor. They rise when federal support is modest and they rise when it increases. And those prices con-

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1   Moody's Investors Service. (2015). Moody's: Small but notable rise expected in closures, mergers for small colleges. https://www.moodys.com/research/Moodys-Small-but-notable-rise-expected-in-closures-mergers-for--PR_335314

2   https://www.brookings.edu/research/the-disinvestment-hypothesis-dont-blame-state-budget-cuts-for-rising-tuition-at-public-universities/

sistently increase by more than the inflation rate. So, the question of why higher education pricing always increases, unlike the price of other commodities, is ripe for additional research.

The purpose of this paper is to discuss approaches to lowering the cost of a higher education in order to disrupt the current price curve, so let's begin by removing the usual arguments against cost reductions in higher education. The first argument is the claim that there are still lots of customers willing to pay over $200,000 for a bachelor's degree. That would be true if the list price of expensive college programs was accurate. But we know that the net price for many of those programs is closer to 50 percent of that list. Four year programs are advertised at $50,000/year, but the schools end up receiving half of that from their students. Thus, the claim that there are sufficient customers at full list price is not true.

And what about the claim that we have already cut all the costs that we can without affecting quality?  Well, as a sitting college president, I can certainly agree that cutting marginal costs has been a huge part of my work over the past ten years, but cutting marginal costs is not what bending the cost curve of higher education requires. Cutting marginal costs—using more adjuncts, reducing departmental budgets, increasing average class size, etc.—only lowers that cost increase. These approaches do not bend the cost curve in the other direction. They aren't radical enough.

Finally, when up against the wall, higher education defends its cost curve by claiming that this is what quality requires. Quality protection is the same argument that produced cars with more luxuries than the market required. Yes, there are customers who want high-priced quality—small classes with world-famous faculty, lifestyle amenities in student living, and the perfect urban or rural location—but the largest market that higher education serves is students over the age of 24. These students attend college part-time and their primary decision drivers are speed to degree completion and cost. This market is at least 40 percent of the higher education population, while the under 24, full-time, residential student represents around 14 percent of that market. So, most of the higher education market has already opted for something other than the luxury model with all the bells and whistles.

So how do we bend the cost curve for higher education? The answer is better integration of lower cost sources of college credit. Our current practice discourages students from importing transfer credits and non-collegiate learning experiences into their degree programs. We insist, like a cable television provider, that the majority of services/credits be purchased though our institution as part of a package. We actively discourage student attempts to learn things outside our institution (often at a lower price) and then import those credits.

I propose that we take a page from the telecommunications revolution and begin selling our wares a la carte. Many of us have abandoned our cable television provider and now buy our content separately from Netflix, Hulu, etc instead of part of a package. What this new model suggests is that students will buy their learning the same way.  They would enroll in our degree programs,

consume much of their learning and all of their assessment from us, but be encouraged to integrate lower cost learning from other places into that program. If we can deploy that model, we would increase speed to degree completion and lower costs.

For example, veterans often have a variety of training experiences that have been reviewed for credit by ACE and others. These credits, if applied toward required elements of a degree program, allow vets to achieve their degree more quickly and at a lower cost. Yes, that has implications around the relative profitably of a program, and I will return to that question shortly. This same approach works with transfer credits, Prior Learning Assessment (PLA), and testing. Most institutions have policies on the books that allow for transfer credit and PLA, but they don't have practices that empower students to use the resources upon admission, or even more importantly, during enrollment.

But this new model is actually not so new. The degree aggregation institutions—Edison, Excelsior, Granite State, and Charter Oak State College—have been offering this a la carte model to their students for more than 40 years. At Charter Oak, the transcripts of our graduates reveal that approximately 13 percent of their credits are achieved through PLA. These credits were earned through portfolios or via credit evaluations of learning programs they undertook outside of higher education. PLA costs a third as much as courses that are instructed by the institution, so PLA credits have a significant cost reduction component for those students. Testing is even cheaper. At approximately $150 per test (including review materials) those credits costs 25 percent of an instructed course at Charter Oak. By far, however, the greatest cost reducer is the acceptance of transfer credits into the student's program. Charter Oak students bring on average over 70 transfer credits into their degree program, representing over $4 million dollars per year of savings to those students.

We have been watching the online education company StraighterLine offer low cost general education courses that can be transferred into a degree program. This approach to lowering the cost of the degree is growing. The various programs that produce workforce certifications (but no degree) are another potential approach to lowering the cost of the degree. This list of non-collegiate learning providers grows daily and includes Flatiron, Study.com, Saylor, Sophia, and Khan Academy, among a host of others. Even the U.S. Department of Education is paying attention to these providers and has included several of them in its EQUIP Program.

Now back to the question of program profitability. Currently, we build our financial model around the cost of a degree and the profits associated with consuming 120 credits of courses toward that degree. That is the equation that needs to change. If higher education is going to get serious about lowering costs and increasing speed to degree completion, it must calculate the unit cost of its credits and the unit profit per credit. In this retail model, we sell courses and reward their successful consumption with a degree. If we know that each credit has some level of profit-

ability, then integrating lower cost credits becomes financially possible. Of course, we don't typically evaluate our costs and profits this granularly, but there is no reason we cannot do so.

There is another revenue positive way to look at the integration of these lower cost credits. At Charter Oak, we can afford to encourage PLA because the Council for Adult and Experiential Learning research[3] has shown that students with PLA on their transcripts persist and graduate at higher rates than those without these credits. So, accepting these lower cost credits is a little like offering items "on sale." The lower-priced products bring shoppers into the store and they then consume normally priced products along with the "on sale" items.

I recognize that we have sheltered ourselves behind the moral and development imperatives that are associated with coming of age degree programs for full-time, residential 18–24-year-old students. We defend our costs with evidence of the importance of a degree to a student's economic future. But for a 30-year-old student, that economic future is measured in months, not years. For them, the ROI on their degree must be immediate. In addition, the cost of ownership of many degree programs has risen to the point where alternate choices that are dramatically cheaper and perceived as "good enough" are gaining market share. This is the tipping point for industry wide disruption. But we can make the necessary adjustments. There are models that prove it is possible to integrate lower cost credit sources into degree programs without destroying either the bottom line for those institutions or the quality of their credentials. A good place to start is to take a close look at the degree completion colleges.

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3   Council for Adult and Experiential Learning. (2011). Moving the Starting Line Through Prior Learning Assessment (PLA). http://www.cael.org/pdfs/pla_research_brief_avg_credit.