

BARRIERS TO INNOVATION IN HIGHER EDUCATION

Burck Smith, CEO, StraighterLine, 11/17/09

Higher Educations's Perfect Storm

- Declining Public Funds
- Rising Tuition
- Rising Enrollments
- Greater Demands on Financial Aid
- New Competition and Business Models
- Increasing Calls for Accountability

Obama's Challenge

- 1 million more high school graduates enter system
- \$10,000 per year + \$5,000 per year from state
- \$15 billion in Year 1, \$20 billion in Year 2?
- Lifetime ROI of 1 Yr. <\$50,000

What's Restraining New Models?

- Start-up Costs and Regulatory Burdens
 - ▣ Example: Pharmaceutical Industry
- Lack of Inter-operability
 - ▣ Example: Software
- Government Subsidization
 - ▣ Example: Agriculture, Airplanes

What's Driving New Models?

- Internet enables cross-border competition
- Building online courses is extremely cheap and easy
- Course prices for online courses far exceeds cost of production and delivery.
- Higher education pricing is a network of cross-subsidies that is difficult to defend

Susceptible Segments

Geographic Requirements	Low	Social Science Masters and PhD Programs	General Education Courses Continuing Education Units for Teachers Legal Education
	High	Selective Residential Liberal Arts Programs	Hands-On Vocational Programs (Cosmetology, Culinary, Massage Therapy, etc...)
		Low	High
		Standardization of Content Across Colleges	



StraighterLine focuses on the required courses needed for an undergraduate degree

Developmental Writing	English Composition 1	English Composition II
Developmental Math	College Algebra	Pre-Calculus
Accounting 1	Accounting II	Macroeconomics
Microeconomics	Business Statistics	Calculus (coming soon)

What Courses Does StraighterLine Offer?

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High Quality Courses

- Courses by McGraw Hill
- Redesigned by Smarthinking's Education Team

Total Flexibility

- Start/Stop whenever--up to 6 months of access
- No Set Due Dates

Individualized Support

- On-demand educational support
- Personal Course Advisor

Affordability

- Cost for students: \$99 /month + \$39 per course or \$399 /course
- eBooks reduce the textbook cost by at least 45%

Real College Credit

- Not like CLEP, DANTES, or PLAC
- Actual Credit Granted by a Regionally Accredited Partner College

Value To Student



SM



More Students

- After StraighterLine, a student will need to complete the majority of his or her degree.

More Valuable Students

- These students are very likely to persist.
- They will likely be out-of-state and using distance education delivery.

Free Marketing

- By piggybacking on StraighterLine's marketing efforts, search engine rankings are improved and brand awareness increases.

How does
StraighterLine Help
PARTNER Colleges?

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Arguments Against

- “Fine Wine” Fallacy
- “Platonic Form” Fallacy
- Institutional Control of Course Delivery
- Competition
- Credentials

What does this mean for students?

- Tuition upward spiral will reverse
- More “Swirlers”
- More complexity
- More options

What does this mean for colleges?

- Erosion of most-profitable courses
- Need to re-think pricing models
- Need to re-think business models
- New marketing and student recruitment opportunities
- Controversy around new partnerships

Age of “Coop-etition”


- Competition in Some Segments
- Cooperation in Others

Predictions


- ❑ Selective, high-priced colleges will be unaffected.
- ❑ Some research universities will survive and thrive.
- ❑ Non-selective colleges will loosen transfer restrictions.
- ❑ Course prices will be variable and will reflect the cost to deliver the course. Subscriptions may become more common than flat tuition.
- ❑ Residential courses will cost more than online courses.
- ❑ Highly efficient specialty course providers will emerge.
- ❑ College marketing strategies will begin to resemble retail marketing strategies.
- ❑ The rising cost of college will become a non-issue.

A Pro-Innovation Policy Agenda

- Create minimum standards for college graduation.
- Require any college accredited by a DoE recognized agency to accept any other similarly recognized college's credits.
- Accredite colleges based on student outcomes, student and alumni opinions and job placement.
- Create a more level economic playing field.



In witnessing how courses are taught by adjuncts at the university where I am currently employed as one, I can only come to the same conclusion as [the previous poster]: students are likely to get more out of the \$99 online course than they are in the classroom. Adjuncts have confided to me that they prepare 15 minutes at most before class, avoid essay exams and papers in favor of true/false and multiple choice exams, and routinely let class out 10 or 15 minutes early or more. The administration here is under the misapprehension that they are saving money by hiring three or four adjuncts for the cost of one professor while ensuring high quality instruction in the classroom. But it is a stretch to say that the students are getting even \$99 worth of instruction.



Higher education is the hottest market for corporate plunderers and venture capitalists. I invite insiderhighered readers to inform themselves about the true motives of these for-profit entities and their campaigns to form partnerships with public universities. This should be a call-to-arms for those who care about the public university tradition. Corporations are aggressively marketing themselves and administrators are buying their sales pitches. Faculty members are the protectors of curriculum and quality through shared governance models. Unless they are diligent in enforcing shared governance oversight procedures, curriculum becomes transformed into products designed to sell more than to educate. The issue is not on-line education; the issue is the treatment of higher education as an exploitable market. Straigherline is just one example of corporate plundering