

A Disruptive Innovation Arrives

Sometimes what appears in the ordinary becomes the extraordinary and grows to a powerful disruptive innovation that changes an industry. Recently I received another “ordinary” announcement on the Maricopa Community Colleges e-mail system. Unlike most times when I quickly delete these kinds of messages, this time I paused to read the e-mail. It announced that a representative from Indiana University (IU) planned to be on campus in a few days to discuss the IU 3+1 program. After reading the e-mail announcement and surfing to the Web site (<http://scs.indiana.edu/undergraddegrees/9030program.html>), I realized that this is one of those extraordinary, disruptive innovations for higher education.

According to disruptive innovation theory, some organizations use relatively simple innovations to compete in new ways and “triumph over powerful incumbents.” One type of disruption occurs when the market has been “over-served” with a business model that provides overvalued “extras” to customers who do not use them.¹ This disruption occurred in retailing with the advent of the large-scale discounters (e.g., Wal-Mart) and the direct-to-the-customer sellers (e.g., Dell). In higher education, the growth of distance learning, for-profit universities, and community colleges is early evidence of differentiation of demand for extra educational services. In addition, when an industry limits the number of potential customers because of high costs or forces consumption to occur in inconvenient, centralized locations, the market opens for innovators to provide services that

counter the prevailing approaches and, consequently, completely disrupt the marketplace.

The model of higher education is broadening. A strong demand continues from advantaged students who want extensive traditional services in the old model.² However, another, numerically much larger group of students is demanding accessibility and affordability. In conflict with this demand, most colleges and universities continue to deliver face-to-face education in a rigid semester schedule that ignores the realities of these students’ lives. Courses are held at a centralized campus that requires either an expensive commute or costly residential living. Add the annually rising tuition rates, and many students face financial jeopardy because of large loans. Higher education is thus a prime candidate for major disruption. The innovator who will disrupt higher education appeared in my e-mail, and it is Indiana University.

The essentials of the IU 3+1 program are as follows: a student transfers 90 hours of credit from a community college, takes 30 credit hours via distance learning from IU, pays in-state tuition rates for the IU courses, and receives a Bachelor of General Studies degree from a highly respected university. In this disruptive innovation, a student

1. would have access to higher education and earn a bachelor’s degree from a nationally recognized research university;
2. would pay \$10,009.50 in tuition for four years of college;³
3. would reside in his or her own community;

4. would receive a degree in General Studies, the most commonly awarded degree across all colleges and an effective credential for both employment and further education;
5. could graduate earlier by taking college credits while in high school through a community college’s dual-enrollment program or other early-credit program (currently at Maricopa Community Colleges, 15,000 students are earning college credit while still in high school); and
6. could consolidate, within the 90 transfer hours, credits from other colleges attended.⁴

For students, the effect of this disruptive innovation is that many of them will be better served. Although a four-year, residential experience at an ivy-covered campus may be the ideal, it is not the reality for the majority of undergraduate students in the United States (85% of students commute to their campus).⁵ If IU’s 3+1 program enjoys success, other institutions are likely to follow with similar programs, perhaps including specialized degrees. Such programs will meet the needs of hundreds of thousands of current students and provide access to large numbers of people yet to be served by higher education. With the flexibility built into the delivery systems at community colleges or via distance learning, the probability that a student will succeed in course work increases, since the effect of life interruptions is moderated. And students will graduate without the burden of large student loans, allowing them to get on with their post-school life or continue with graduate or professional education.

How will this disruptive innovation affect higher education institutions? The answer will likely depend on the type of institution.

Community colleges are eager for this innovation, since it expands by 50 percent (from 60 to 90) the number of course credits that a student typically transfers. This translates into potential increased enrollments for community colleges in second-year courses, which are usually underenrolled. However, community colleges will not be able to take advantage of this innovation unless they build mentoring and support programs, upgrade their

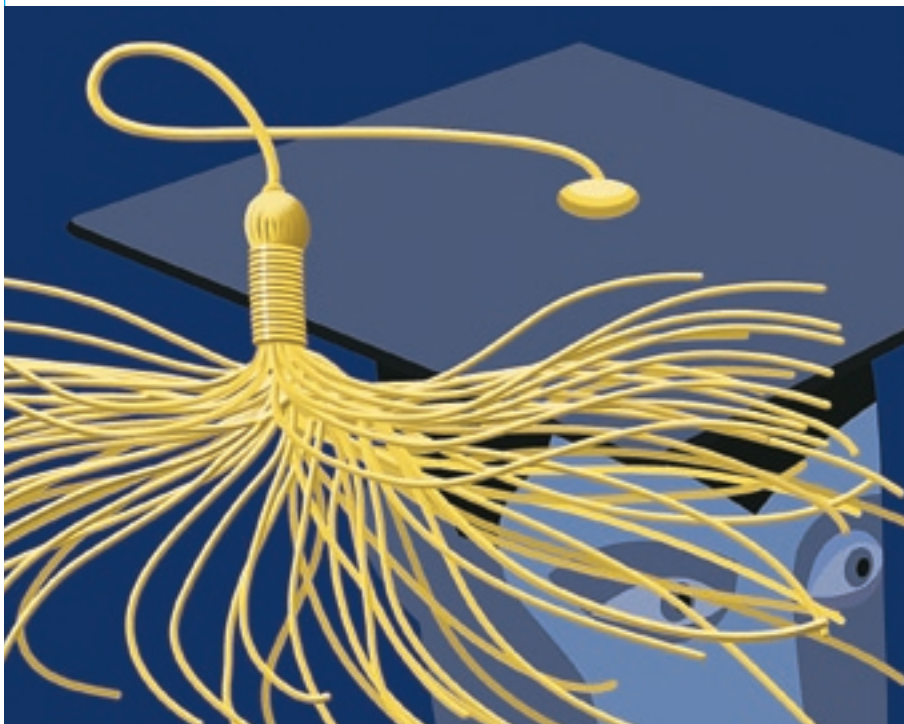


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technology infrastructure, modernize their course schedule with hybrid classes, and build friendly learning spaces on campus.

Highly selective four-year colleges and universities will probably not suffer enrollment declines as a result of this innovation. However, as Clayton Christensen has noted, they could lose their thought-leadership position: “Although our most distinguished schools might be safe for decades, they run the risk of missing opportunity to drive the education agenda as new providers create unique skills around customization and convenience.”⁶

Private residential colleges and universities that depend on tuition income could suffer from a small dip in enroll-

ment. Although these institutions have many assets to offer students, the large difference in tuition cost will likely limit their ability to attract students. Many students and families could choose to spend more of their education dollars later—for graduate and professional education.

For-profit universities like the University of Phoenix might lose enrollment on the tuition cost factor. Although these institutions deliver convenience and flexibility in their current offerings, they still charge private-school tuition rates, which are considerably higher than the rates in the 3+1 program.

The impact on state colleges and universities will depend on the value of the individual institution’s “brand.” Indiana University is an excellent brand. State colleges and universities will be competing against that brand, as well as against the convenience and cost factor. For example, community college and IU tuition rates are lower than most in-state tuition rates at state colleges and universities. The institutions in this classification are at risk unless they begin programs similar to 3+1.

Finally, other General Studies distance-learning programs will be placed into direct competition with IU. However, overall, distance learning will improve as the need for systems scalability to support a substantial number of students via

distance learning leads to more effective instructional technology tools being developed for all providers. Similarly, electronic content and learning objects will grow as the demand forces increased development of educational materials.

The baccalaureate degree is now a paradox. It is economically valued more than ever because it provides the advantage of a potentially greater lifetime income. However, as described in the PBS 2005 television report *Declining by Degrees: Higher Education at Risk*, because of students’ diminishing academic effort and institutions’ drive for higher enrollments, the baccalaureate degree has declined in educational value. Thus the time is ripe for a disruptive innovation. I believe it has arrived: Indiana’s extraordinary 3+1 program—and others that may follow—will dramatically change higher education, for the better.

Notes

1. Clayton M. Christensen, Scott D. Anthony, and Erik A. Roth, *Seeing What’s Next: Using the Theories of Innovation to Predict Industry Change* (Boston: Harvard Business School Press, 2004); Clayton M. Christensen, Sally Aaron, and William Clark, “Disruption in Education,” in *The Internet and the University: Forum 2001*, ed. Maureen Devlin, Richard Larson, and Joel Meyerson (Boulder, Colo.: EDUCAUSE and the Forum for the Future of Higher Education, 2002), reprinted in *EDUCAUSE Review*, vol. 38, no. 1 (January/February 2003): 44–54, <<http://www.educause.edu/ir/library/pdf/ERM0313.pdf>>.
2. Of traditional-age students, 5 percent compete for entrance in highly selective colleges. See Clifford Adelman, *The Toolbox Revisited: Paths to Degree Completion from High School through College* (Washington, D.C.: U.S. Department of Education, 2004), <<http://www.ed.gov/rschstat/research/pubs/toolboxrevisit/index.html>>.
3. Using the current tuition rates at Maricopa Community Colleges and Indiana University as an example, the first 90 credit hours would cost \$5,850 ($90 \times \$65 = \$5,850$). The last 30 credit hours would cost \$4,159.50 ($30 \times \$138.65 = \$4,159.50$).
4. Nearly 60 percent of graduates have attended multiple colleges. See Katharin Peter, Emily Forrest Cataldi, and C. Dennis Carroll, “The Road Less Traveled? Students Who Enroll in Multiple Institutions” (National Center for Education Statistics, May 2005), p.iii, <<http://www.ecs.org/html/Document.asp?houseid=6183>>.
5. Laura Horn and Stephanie Nevill, “Profile of Undergraduates in U.S. Postsecondary Education Institutions: 2003–2004, with a Special Analysis of Community College Students” (National Center for Education Statistics, June 2006), <<http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2006184>>.
6. Christensen, Anthony, and Roth, *Seeing What’s Next*, p. 1150.

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