**Making Sense of Higher Ed "Innovation"**

By Rick Hess on June 24, 2013 7:41 AM

In a new Hudson Institute white paper "Beyond Retrofitting," Andrew Kelly and I try to explain what it'll take to rethink and redesign higher education. If the current wave of "innovation" and breathless enthusiasm for MOOCs are to amount to more than one more faddish interlude, it'll require sustained attention to the institutions, incentives, and policies that govern higher ed. (Quick note: If this is a topic of interest, check out the livestream for the all-day conference on reinventing the financial aid system that Andrew and U. Wisconsin's Sara Goldrick-Rab are hosting today at AEI. You can find the collected conference papers here.)

Andrew and I argue in "Beyond Retrofitting" that really game-changing "innovation" is unlikely to be driven by well-intentioned chancellors at prestigious institutions. Why? They're hindered by the success of their institutions. They're hampered by routine and beset by competing constituencies, but from challengers free to build new models and cost structures from the ground up. Thus, disruptive innovation is more often a baton pass across generations than a matter of skilled change management. This is why previous waves of disruptive innovation were driven by the emergence of new institutions, whether that was Hopkins and U. Rochester birthing the modern research university or community colleges democratizing access post-WWII.

When it comes to higher ed, though, this "baton-pass" dynamic is complicated by the web of expectations, regulations, and rules that shape higher education. The nature of policymaking and interest group pluralism means that established policies and institutions are hard to change -- even when old norms are manifestly ill-suited for the demands of a new era. Institutions develop relationships with lawmakers and regulators and establish comfortable routines, codifying one generation's innovations into the next generation's status quo. The result is that enthusiastically touted "reforms" often amount, in the grand scheme of things, to minor tweaks to yesterday's routines.

That, we suggest, is what has happened in U.S. higher education -- and what will keep happening unless would-be reformers are sufficiently deliberate and attentive. A kind of cartelization has settled in throughout the superstructure of higher education. It's evident in the process of accreditation, whereby the credentials of each institution are certified or renewed by a panel of academics that represent institutional interests. (Not surprisingly, accreditation agencies are often skeptical of new approaches to instruction and credentialing.) State authorization requirements can be similarly protectionist, barring potential competitors from the market under the guise of consumer protection. And federal rules governing financial aid eligibility enshrine antiquated definitions of what constitutes a postsecondary institution and how credit is awarded. For instance, students cannot use financial aid to purchase courses from organizations that don't award degrees.

In markets where new entry is restricted and incumbents are subsidized, there's an enormous temptation to simply graft technology onto existing routines while leaving cost structures intact. Such retrofitting may be better than nothing -- and it may look like transformation to optimistic observers, New York Times columnists pressed for a deadline, and foundations eager to make a difference -- but it often amounts to little more than new packaging on a familiar product.

It's possible to do more, but that's not a matter of happenstance. In the paper, we spell out the analysis and recommendations at some length, but the thumbnail sketch is that we encourage would-be reformers to embrace four basic principles:

1. Focus on outcomes rather than the act of delivery. Comparing providers based on the quality of the product rather than how they produce it levels the playing field between incumbents and challengers. Regulatory policies should entail a rich set of outcome measures, including student learning, completion rates, graduate success, in the labor market, and return on investment.

2. Openness to new providers. Transformative innovation typically springs from new market entrants. The story in higher education is the same: historically, it has been new institutions that have driven major change. However, accreditation and state and federal rules tend to reify the traditional model and stifle new approaches.

3. Unbundling. Advances in technology have made it possible to unpack a bundle of goods and services into their component parts and sell them separately, enabling customization and lowering of prices. Similarly, higher education can be unbundled in a number of ways, from decoupling research from teaching to breaking the undergraduate degree into its component parts. Current policies favor the bundled model, making it difficult for unbundled providers to compete.

4. Portability. An unbundled market requires that students have the freedom to procure discrete segments of learning from an array of providers and assemble them in useful ways. In sectors like information technology, industry-wide standards ensure that isolated components from distinct providers can work together. Higher education institutions typically work under the opposite set of incentives, raising barriers to students who wish to transfer learning done in one venue to another.

The bottom line is that we think technology creates opportunities to reverse the logic of scarcity, but realizing that potential requires a deliberate, innovation-friendly deregulatory agenda that addresses the accumulated detritus of aged rules, regulations, and policies. Anyway, if you're interested in this sort of thing, I hope you'll check it out for yourself here.