Background Reading

The Coming Transformation of Liberal Arts Education: Preparing to Succeed in a New World
An AAC&U Annual Conference Session
Facilitated by Richard Holmgren, Allegheny College
Thursday, January 23, 1:30-2:30 pm
Washington, DC

This session utilizes a flipped format. We expect that session participants will arrive at the session prepared to engage with other session participants in seeking answers to the questions raised by this document and some of the supporting materials. We will use a case study for focus and engage in a facilitated discussion exploring the implications of disruptive innovations for traditional residential colleges and identify strategies through which such colleges could thrive in a radically transformed higher education landscape while preserving and even enhancing their liberal arts core.

Assumptions
The case study will involve a future scenario in which the following four assumptions hold. Our expectation is that this exercise will provide a structure within which participants can imagine new possibilities for their own institutions. For the purposes of this discussion, we will assume all dollar values are in 2014 dollars so we don’t have to account for inflation.

1. By 2024, the total expenditures for a four-year degree for a typical non-traditional student will be less than $20,000, in some cases, much less. The percentage of degrees granted via competency-based programs is large and growing rapidly.

   It is often hard for those of us who work in higher education to take claims like this one seriously. For us, it is a worst-case scenario. The low-cost would make it impossible to sustain the types of institutions in which we love to work, and competency-based learning could easily degenerate to teaching to the test. By comparison, for the majority of those interested in higher education, particularly non-traditional students who lack the time and financial resources to pursue a degree from a traditional institution, it is a best-case scenario. The only thing that would make it better would be if the cost were even lower. We will have to wait ten years to find out, but the evidence suggests that such a scenario is very possible, even if we find it hard to imagine now. Clay Shirky’s blog post, Newspapers and Thinking the Unthinkable, is worth reading in this context.

   The following articles suggest how a $20,000 degree might be delivered in ways that could meet the needs of non-traditional or hard-to-reach populations:

• “Experimental College’s First Graduate.” http://tinyurl.com/firstgraduate. Describes the experience of the first graduate from College for America, an accredited, competency-based program.


• “The Real Precipice.” Holmgren, *Inside Higher Education*, April 2013. http://tinyurl.com/holmgren1. Describes how a program that blends adaptive online learning, competency-based programs, and locally-based student support services could effectively provide low-cost degrees when delivered at scale. Large scale implementations, with hundreds of thousands of students working through a curriculum, provide the data needed to develop quality adaptive learning programs. Since much of the program delivery is web-based, economies of scale help drive down costs. Reliance on local agencies whose missions align with the educational goals helps provide motivation and support to improve completion rates.

There is still plenty of discussion about whether employers will accept competency-based degrees earned through online programs as on par with traditional degrees, but experience with past disruptive innovations suggests that once acceptance begins, it will spread rapidly. (See *Disrupting College* by Christensen and his colleagues.) It is easy to believe that many employers will be impressed by a student with the motivation to work through a competency-based program like SNHU’s College for America or Northern Arizona’s personalize learning program.

2. **By 2024, without significant restructuring, typical classroom-based programs targeted to non-traditional students no longer can generate sufficient revenue to cover costs.**

Assumption 1 implies that to be competitive with newer, competency-based offerings, college courses for non-traditional students in a typical classroom format can cost no more than $150 per credit per student, or $600 per student per four-credit course. Absent significant investments in restructuring of program delivery, colleges will find programs for non-traditional students to be a drag on operations. In such a scenario, growing enrollment by serving non-traditional students no longer makes good business sense.

3. **By 2024, concerns about student loans lead to regulations that limit student access to credit. Most students can accumulate at most $30,000 in loans for a bachelor’s degree.**

Strict lending laws in the wake of the 2008 mortgage crisis also limit the ability of most families to borrow funds easily.
See the following articles for discussion on student loans:


4. By 2024, few students and families, even among those who can afford to pay more, are willing and able to invest more than $60,000 (total from matriculation to graduation) in a residential liberal arts college education at any but the very most prestigious colleges.

If, in fact, bachelor’s degrees are readily available for under $20,000, and if we assume that room and board at typical college runs on the order of $10,000 per year, this seems to be a reasonable end state. Of course, there will be schools with the prestige to demand more, at least in the short run, although there is reason to believe even that will be hard to sustain. Winston and Zimmerman argued in 2000 that price competition will eventually lead to negative tuition at the best colleges. There is a nice summary of the argument in the July/August 2000 edition of Change.

If the market plays out as suggested here, net revenues per student will fail to exceed $15,000 per year for colleges pursuing a traditional, residential, four-year liberal arts program. There will be a few dozen schools with endowments or other resources large enough to sustain a traditional program indefinitely, even with these low levels of student revenues. The rest of us will need to find an alternative model. We will use the AAC&U session to explore the possibilities together. In preparation, it might be useful to ponder the following questions:

1. Assuming our product is a bachelor’s degree for traditional students, how is it different from what non-traditional students are getting in competency-based, online programs? In this context, it might be worth considering the difference between credentialing and transformation.

2. Who is our customer? Who are we expecting to pay $60,000 for a degree that many students are getting for under $20,000?

3. What is the value proposition for our customer? Why would they consider our product a better choice than much less expensive, competency-based, online programs?

4. Colleges that do not have endowments on the order of $200,000 per student or more, will not be able to deliver a traditional four-year degree at the $60,000 ($15,000 per year) price point. How can those schools without such an endowment deliver a degree that will justify the price premium over less expensive, competency-based, online programs?