

THE BUSINESS OF INNOVATING ONLINE

Practical Tips and Advice From Industry
Leaders

Edited by

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Foreword by Nina B. Huntemann



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INTRODUCTION

Kathryn E. Linder

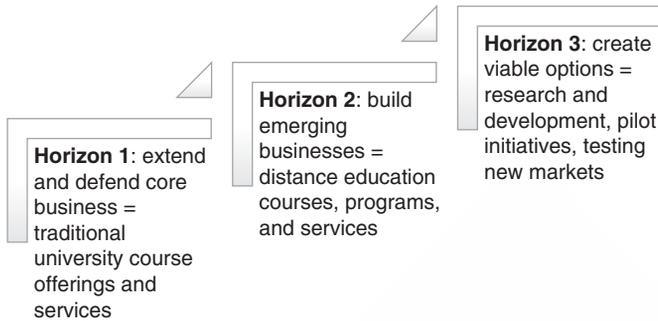
Kanter (2013) argues that innovation is “never a fad, but [is] always in or out of fashion” (p. 101). I think it is safe to say that in contemporary higher education, innovation is currently in fashion, especially in online education, where the sands of educational technology are constantly shifting under our feet. For almost 10 years, the concept of *disruptive innovation* has been a buzzword in higher education (Christensen, Horn, & Johnson, 2008). Advancing cultures of innovation has been a key trend in the last 3 years of the New Media Consortium horizon reports (Adams Becker, Cummins, Davis, Freeman, Hall Giesinger, & Ananthanarayanan, 2017; Johnson, Adams Becker, Cummins, Estrada, Freeman, & Hall, 2016; Johnson, Adams Becker, Estrada, & Freeman, 2015). In 2015 EDUCAUSE released a report titled “Building a Culture of Innovation in Higher Education” (Setser & Morris, 2015). However, even if we can all agree that we should be engaging in innovations at our institutions, the logistics of creating a culture of innovation, systematically implementing innovations, and assessing the success or failure of particular innovations is easier said than done.

The Three Horizons Framework

A helpful model when thinking about innovation in the context of higher education is that of Baghai, Coley, and White (2000), who describe three main stages, or horizons, of a business life cycle and argue that each of these stages “calls for radically different business initiatives . . . [and] poses a different management challenge” (p. 4). The three horizon framework is useful for thinking about businesses within businesses, such as the online education organizations that develop in institutions of higher education. Perhaps most useful is that the framework can be scaled in such a way that it can be applied to higher education institutions and to the online education units that have developed within those institutions (see Figure I.1). In this section I elaborate on each of the horizons and discuss why this framework can offer a foundation for thinking about the business of innovating online.

Horizon 1 includes the core components of a business. For a higher education institution, this might include the programs, courses, and

Figure I.1. Applying the three horizons framework to a higher education institution.



services that have been associated with the institution from its inception or just the elements that the institution has become known for over time. These core elements have a strong relationship with the institution's overall brand and identity and are a central component of the overall profit of the institution. Components of a Horizon 1 business might still be growing but will eventually plateau. For example, many higher education institutions have seen their enrollments level off or have facility constraints that do not allow enrollments to continue to grow over time. However, the revenue from the core elements of the Horizon 1 business will fund Horizons 2 and 3 (more on these later).

Interestingly, the concept of a Horizon 1 business can be scaled down to apply to areas in a higher education institution as well. For example, the framework can be applied to a more mature online education organization. It is possible that online education organizations have programs and courses that are their bread and butter in terms of revenue. Similarly, online education organizations may have certain core elements such as customer service, continuous innovation, or revenue-sharing models that have become part of their institutional identity. These core elements of the online education organization will help to fund the Horizon 2 and 3 initiatives.

Baghai and colleagues (2000) describe Horizon 2 businesses as “on the rise: fast-moving, entrepreneurial ventures in which a concept is taking root or growth is accelerating” (p. 5). These businesses are necessarily nimbler and more reactive to market forces but also need considerable investments to be successful. In many institutions of higher education, the online education organization fits this description, which is why it can sometimes be compared with a start-up. Although Horizon 2 businesses may not be immediately profitable, they should eventually rival the core business elements of Horizon 1 in terms of revenue. Whether Horizon 2 is an extension of Horizon 1, or

moves an institution in an entirely new direction, the main focus is on creating new forms of revenue. Just as with Horizon 1, online education organizations can also apply this framework in their work. In addition to the core elements of the online education organization, a constant reinvestment of resources in new areas of growth such as new programs, courses, and services will keep the organization competitive in a shifting market.

Horizon 3 is centered on looking to the future. Baghai and colleagues (2000) describe Horizon 3 as including “research projects, test-market pilots, alliances, minority stakes, and memoranda of understanding that mark the first steps toward actual businesses, even though they may not produce profits for a decade, if ever” (p. 6). Horizon 3 is where businesses will assume the most risk because there is no assurance of a payoff for the different investments that might be made in these exploratory projects. For some institutions, the creation of an online education organization represents a Horizon 3 project in itself. In online education organizations, Horizon 3 investments, given current technologies, might include research and development in virtual and augmented reality, adaptive and personalized learning platforms, and wearable technologies, among other innovative directions.

Baghai and colleagues (2000) argue that for a business to be successful, it “must maintain a continuous pipeline of business-building initiatives. Only if it keeps the pipeline full will it have new growth engines ready when existing ones begin to falter” (p. 1). This means that the maintenance of each of the business horizons described here is not carried out sequentially but simultaneously. The core elements of the business must be nurtured and supported even as the more innovative and riskier ventures are funded and explored. Online education organizations looking to expand, innovate, and scale their business must be prepared to do the complicated work of juggling each of these areas. If Horizon 1 is not strong enough, then the investments needed for Horizons 2 and 3 will not be sufficient. If Horizons 2 or 3 are empty, it may be that innovation, and the revenue that innovation might provide, is not being supported appropriately.

The Business of Innovating Online

This kind of application of a business framework such as the three horizons to the innovative work of an online education organization is not new. Indeed, it is not uncommon for online education organizations to be compared with start-ups in that they are expected to be nimble with idea generation and execution, be customer centered, and operate in a highly competitive market. Throughout this volume, the online education leaders

who have contributed chapters provide a range of perspectives for how they have shaped their online education organizations in business-minded frameworks to enhance innovation.

As we begin to explore the business of innovating online, it can be helpful to look at definitions of the term *innovation* from the following sources:

- Drucker (2013) describes innovation as “the effort to create purposeful, focused change in an enterprise’s economic or social potential” (p. 143).
- Keeley, Pikkell, Quinn, and Walters (2013) describe innovation as “the creation of a viable new offering” (p. 5).
- Terwiesch and Ulrich (2009) describe innovation as “a new match between a need and a solution” (p. 3).
- For Tucker (2002), innovation is “coming up with ideas and bringing them to life” (p. 18).

What each of these definitions have in common is the pattern of connecting innovation to change, newness, and creation. Each of the contributors throughout the volume discuss innovation through this lens.

The challenge many online education organizations face is that they must innovate and move quickly to stay competitive while being simultaneously situated in the traditional space of academia. In chapter 1, “Strategies to Advance Innovation in Online Education: Eight Lessons Learned at Penn State World Campus,” Craig D. Weidemann responds to this tension. Drawing heavily from the work of business strategist Jim Collins, Weidemann offers lessons learned while expanding Penn State World Campus. In particular, he shares tactics for aligning the work of an online organization with a traditional campus and discusses how to balance and align the innovative vision of an online organization with the more traditional aims of the larger institution. Govindarajam and Trimble (2013) refer to this tension as the *innovation wars* in which those tasked with innovations are isolated from, and sometimes pitted against, those working on the day-to-day operations of an organization. Instead, they recommend “a partnership between a dedicated team and the performance engine” (p. 12) to aid in the execution of innovation across a range of organization types. In this chapter, Weidemann offers a real-life example of how this kind of partnership can develop and thrive.

The rapid and ongoing development of online education models requires institutions of higher education to continually innovate to meet the needs of diverse students and industry stakeholders. At the same time, online education organizations require a stable vision to guide their work. In chapter 2, “Establishing a Vision for Innovation,” Shannon Riggs, Lisa L. Templeton,

Alfonso Bradoch, Jessica DuPont, Dianna Fisher, and Kathryn E. Linder, all from Oregon State University's Ecampus, share strategies for drafting a vision that makes room for innovation and for implementing and shifting that vision as the online organization grows. Using the example of the innovation vision that has guided the Oregon State University Ecampus, the contributors provide a series of reflective prompts to help readers identify and clarify their own organizational visions for innovation.

Drucker (2013) offers a model of seven key areas where innovative opportunities can be found: unexpected occurrences, incongruities, process needs, industry and market changes, demographic changes, changes in perception, and new knowledge. Without purposefully seeking opportunities to innovate, Drucker (2013) argues that entrepreneurial ventures will struggle to stay ahead in the marketplace. As online education organizations grow and develop, "distance education leaders increasingly are asked to innovate in areas that have potentially dramatic impact on other parts of the university community" (Miller et al., 2013, p. 42). This is particularly true with some of the financial models for online organizations, which can look quite different from other revenue generators across an institution. In chapter 3, "Innovative Financial Models," Rovy Branon, Lisa L. Templeton, Nelson C. Baker, and Kathryn E. Linder discuss some of the financial models most common to online education organizations and explore the pros and cons of these models for different higher education institution types and contexts. The contributors also share different methods of encouraging campus administrator to support innovative financial models.

In many online education organizations, innovation goes hand in hand with collaboration. This relationship is further explored in chapter 4, "Innovation via Consortium," by four members of the Unizin Consortium, who represent three institutions. The Unizin Consortium is one example of higher education institutions pooling resources to accomplish a shared goal. In this chapter, Brad Wheeler (Indiana University), James Hilton (University of Michigan), Lois Brooks (Oregon State University), and Dave King (Oregon State University) discuss the challenges and opportunities provided by consortial relationships and particularly for innovations involving technology, teaching, and learning. Although they argue that consortium-like relationships will continue to develop in the future, they also point to the limitations of these relationships for advancing goals quickly.

As Miller and colleagues (2013) note, the growth of online education "has brought into leadership roles academics and other professionals for whom distance education is a new venture and who have little connection with the preexisting distance education community" (p. 3). Thus, the online education administrator community is diverse, with a range of experience levels related

to e-learning and the business of innovating online. In chapter 5, “Effectively Leading Innovation,” Thomas Cavanagh and Luke Dowden provide an overview of best practices for leaders of online education organizations with a particular focus on nurturing a culture of innovation. Covering such topics as staffing structures, skill development, and metrics for success, they offer a helpful road map for online learning leaders of any experience level.

In chapter 6, “Making Innovation Stick,” Phil Regier and Kathryn Scheckel provide a behind-the-scenes view of the collaboration between Arizona State University and Starbucks, arguably one of the most innovative partnerships in online education. This innovation is what Day (2013) would call a “Big I” innovation, that is, an innovation that goes beyond small performance improvement and that is “new to the company or new to the world” (p. 59). In this chapter, the contributors focus on the practical strategies that allow online education organizations to create sustainable innovations that become embedded in an institutional framework and can lead to future creative endeavors.

In addition to the many other factors mentioned previously, innovations in online education must also meet high-quality standards and produce visible outcomes tied to student success. In chapter 7, “Ensuring Quality While Creating and Innovating,” Deborah Adair and Kay Shattuck discuss the importance of quality assurance for online education. The contributors offer a comprehensive taxonomy of quality standards that can be applied across a range of online organizations, from those that are young to those that are more mature. This chapter provides clear evidence of the need for a coordinated approach to assessing quality and for continuous efforts of quality assurance across time, initiatives, and organizational units.

The high-pressure conditions of innovation can create cultures of stress in which online education units are challenged to simultaneously focus on the bottom line and on creating the culture of innovation needed to help their programs thrive. This challenging tension necessitates a community of support and resources such as that described in chapter 8, “Supporting Creativity and Innovation Through Professional Development and Community Building.” Jill Buban, Cali M.K. Morrison, Karen L. Pedersen, Amy Claire Heitzman, and Julie Uranis, who represent several national organizations that serve the online learning community, discuss the different services, events, and practices their organizations have fostered in support of the online teaching and learning community. Naturally, these organizations have also had to innovate to meet the needs of their members.

Duhigg (2016) argues that creativity “can’t be reduced to a formula . . . there is no checklist that, if followed, delivers innovation on demand” (p. 235). Although this may be true, certain practices, cultures, and climates

can help foster creativity and innovation. For example, Duhigg said that one way of “jump-starting the creating process [is by] taking proven, conventional ideas from other settings and combining them in new ways” (p. 212). In the conclusion, Rolin Moe and Kathryn E. Linder synthesize all the insights from the previous chapters into a series of shared principles that have worked across institutions to create and support cultures of innovation to further student learning and success in the online environment. This conclusion also points to some of the future directions for the business of innovating online that online learning organization leaders will need to attend to in the decades to come.

Conclusion

The Business of Innovating Online responds to a critical need for concrete narratives of innovation success that can serve as a foundation for online education administrators who are in need of practical guidance as online learning organizations use innovation to scale and grow. As change is occurring across the higher education landscape, this volume offers an increased understanding of the practices, cultures, and climates that support creativity and innovation in the administration of online education programs across institution types. Drucker’s (2013) argument that “what innovation requires is hard, focused, purposeful work” (p. 156) is echoed in the stories in this volume. As evident in the following chapters, the business of innovating online is certainly not something that happens by accident.

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