ALIGNING THE BUSINESS MODEL OF COLLEGE WITH STUDENT NEEDS:
HOW WGU IS DISRUPTING HIGHER EDUCATION

BY ALANA DUNAGAN

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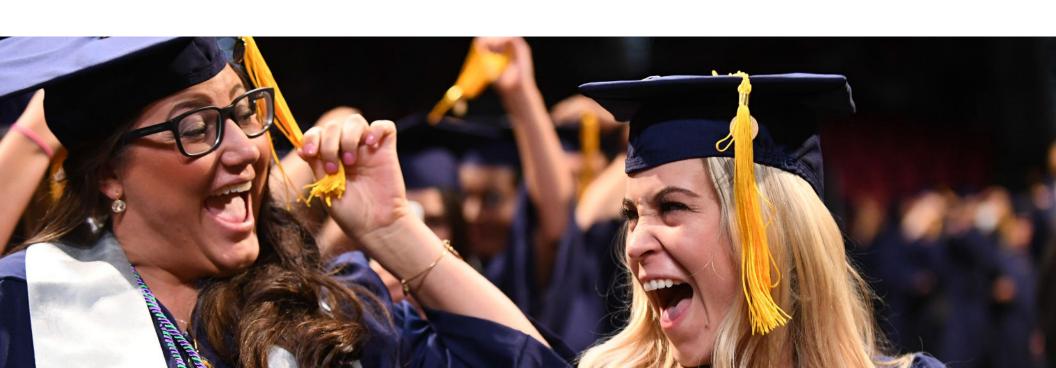
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INTRODUCTION

Since its inception, Western Governors University (WGU) has aimed to serve learners otherwise shut out of the traditional system. Now, the groundbreaking institution has both graduated 100,000 students and has over 100,000 students currently enrolled. These milestones demonstrate WGU's ability to scale its high-quality, low-cost model, signaling a momentous shift in the higher education landscape.

In the mid-1990s, governors of 19 states across the western United States were concerned about bringing accessible college education to rural populations, especially working adults.[1] These governors, led by Utah Governor Mike Leavitt, decided to explore building a new university to address the challenge.[2] As the memorandum of understanding between those governors that officially marked the founding of WGU stated, "The strength and well-being of our states and the nation depend increasingly on a strong higher education system that helps individuals adapt to our rapidly changing economy and society. States must look to telecommunications and information technologies to provide greater access and choice to a population that increasingly must have affordable education and training opportunities and the certification of competency throughout their lives."[3]

Now in its third decade, WGU has students in every U.S. state and has over 100,000 enrolled students—a 230% increase since 2011. This growth is particularly notable given that overall higher education enrollment has declined by over a million students since 2011—a decline concentrated in the adult learner population.[4] But scale is not the school's only differentiator. Since its founding, WGU's programs have been delivered entirely online, using a competency-based education model that allows students to advance upon mastery. WGU's mascot is the owl, in recognition that the majority of its students are 'night owls'—working and caring for their families during the day and pursuing their studies at night.[5] WGU students aren't typical college attendees: the average WGU student is 37 years old, 74% are working full time, and 40% are first-generation college attendees.[6]

WGU also employs a radically different staffing and instructional model from most higher education institutions, and that model is achieving strong results for students as seen in WGU's data on graduation, job placement, earnings, student debt repayment, and satisfaction with their WGU experience (see Figure 1).

Figure 1. WGU vs. National Data

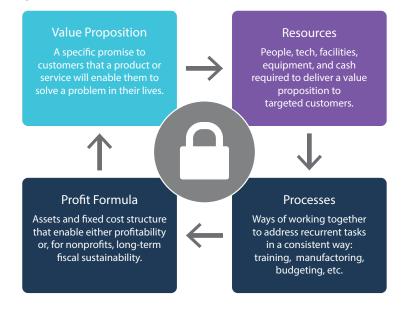|	WGU	National
Graduation Rate	50%	39%[8]
Time-to-Graduation	2.5 years	5.2 years[9]
Percentage Employed	96%	91%
Salary Increase[10]	$21,200	$12,000
Debt Load	$16,132	$37,172
Debt Default Rate	4.6%	11.5%
Student Satisfaction[11]	97%	76%

Source: All data for this table is from WGU 2017 annual report unless otherwise noted.[7]

WGU'S BUSINESS MODEL

WGU, designed as a competency-based institution from its founding, has a corresponding business model that is distinct from most other institutions. All organizations—whether for-profit or nonprofit—have a business model, which is more than just the revenues and expenses that define how an organization stays afloat financially.

A business model includes four elements that determine what an organization can and cannot do: its resources, its processes, its value proposition, and its profit formula. Over time, and especially as organizations become successful, the elements of the business model become highly interdependent and resistant to change.

Figure 2. Four elements of a business model

Value Proposition
A specific promise to customers that a product or service will enable them to solve a problem in their lives.

Resources
People, tech, facilities, equipment, and cash required to deliver a value proposition to targeted customers.

Profit Formula
Assets and fixed cost structure that enable either profitability or, for nonprofits, long-term fiscal sustainability.

Processes
Ways of working together to address recurrent tasks in a consistent way: training, manufacturing, budgeting, etc.

The potential of competency-based education

Competency-based education is an approach to learning that allows students to determine the pace of their learning and move ahead once they demonstrate mastery in a concept. As described by Clayton Christensen and Michelle Weise:

> Competency-based programs have no time-based unit. Learning is fixed, and time is variable; pacing is flexible. Students cannot move on until they have demonstrated proficiency and mastery of each competency but are encouraged to try as many times as necessary to demonstrate their proficiency. Although skeptics may question the "rigor" behind an experience that allows students to keep trying until they have mastered a competency, this model is actually far more rigorous than the traditional model, as students are not able to flunk or get away with a merely average understanding of the material; they must demonstrate mastery—and therefore dedicated work toward gaining mastery—in any competency.[12]

Competency-based education first took hold in the K-12 education system, but it is also growing in higher education. As of fall 2015, roughly 600 institutions were using or exploring competency-based programs in higher education.[13] However, only a handful of institutions are using competency-based education exclusively and have designed their business models around it.

Value proposition: Student-obsessed

President Scott Pulsipher describes the student as the core of the university: "In everything we do, we put the student at the center of it."[14] This contrasts with most other institutions that have a more complex business model in which student outcomes trade-off with faculty desires, research activities, and donor concerns.[15] Without a campus full of amenities to market to prospective students, WGU relies on demonstrating its value proposition by being transparent about the value it is creating for students.[16]

Resources: A college without classrooms—or professors

WGU offers programs across four industry areas: education, business, information technology, and healthcare. All of these programs are offered online; unlike most higher education institutions, WGU has no physical campus. Instead, it has invested heavily in a technology platform that allows it to deliver curriculum asynchronously, to wherever students are.

In addition to its online platform, another unique aspect of WGU's resources is its approach to faculty. In traditional institutions, faculty are responsible for academic research, course development, teaching, assessment, and advising students. Alternatively, WGU's model unbundles the faculty role into component parts, with specialists in each role.

In an interview, President Pulsipher notes that WGU is not an attractive destination for faculty who wish to be on a 'stage'. Instead, WGU seeks to attract faculty who place student success far above research endeavors or personal prestige. "If you fundamentally believe first and foremost in doing work and committing your life to changing the lives of others, then you will be well aligned to WGU," Pulsipher says. "In a faculty role, that means your success is about the success of your students, rather than advancing the theory or knowledge in the domain you're in."[17] WGU has simplified the faculty role by eliminating traditional requirements, like publishing research, which do not directly advance student learning outcomes.

WGU unbundles the traditional faculty role into four separate jobs (see Figure 3):

1. **Program mentors** are responsible for advising, coaching, and mentoring. They interact with students every week or two, and
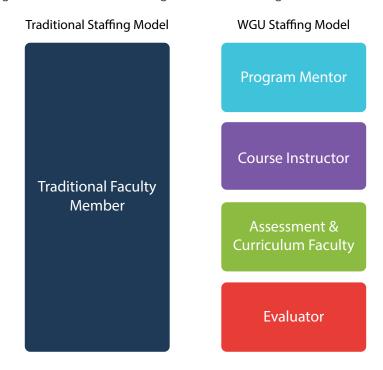
more as needed, to ensure that students "understand expectations and overcome obstacles to ensure success."[18] This role is important given the typical profile of WGU students: working adults with many demands on their time and many obstacles to completing their degrees. Continuity of mentorship is critical: more than 90% of students graduate with the same mentor they had when they initially enrolled.

2. Course instructors are subject-matter experts, typically with PhDs. Students can reach out to course instructors at any time to help them engage and understand concepts. Course instructors are also responsible for proactively reaching out to students who seem to be having trouble.

3. Assessment & curriculum faculty design and develop assessment & curriculum and are responsible for iteratively improving them. This role includes making decisions about which programs to launch, what course materials to incorporate, and building the learning outcomes and competencies for each program.

4. Evaluators are responsible for assessing whether students have achieved mastery. They typically hold PhDs or terminal degrees in their field, and to ensure a fair and unbiased evaluation process, have no contact with students.[19]

All of WGU's curriculum materials are created outside of WGU; assessment & curriculum faculty are responsible for evaluating external curriculum and selecting which materials are the best fit for the learning objectives of the course. At traditional institutions, faculty have the freedom and responsibility to create a unique syllabus for every course—even when the same course is taught by multiple professors. Conversely, the WGU curriculum standardizes each course, so that students engage in the same coursework regardless of who their course instructor is, or when they start the course. This standardization reduces costs for WGU and allows WGU to systematically improve each course.

A council of industry experts also advises each program area to tighten WGU's curricular connections to the workforce and to ensure that WGU is helping students demonstrate the competencies that are most relevant in the jobs they are likely to enter.[20]

Figure 3. Traditional staffing vs. WGU staffing

Traditional Staffing Model

WGU Staffing Model

Traditional Faculty Member

Program Mentor

Course Instructor

Assessment & Curriculum Faculty

Evaluator

Processes: Designed to learn and evolve

WGU is focused on continuous improvement, informed by a constant stream of real-time data on student performance and progress.[21] Program mentors use this data to track the progress of individual students, and can proactively reach out to students who aren't engaging with coursework or making progress through competencies. Course instructors and assessment & curriculum faculty use aggregated student data to identify areas within the curriculum that can be improved.

WGU takes advantage of the fact that it has a new cohort of 5,000 students starting every month to continually test new approaches and

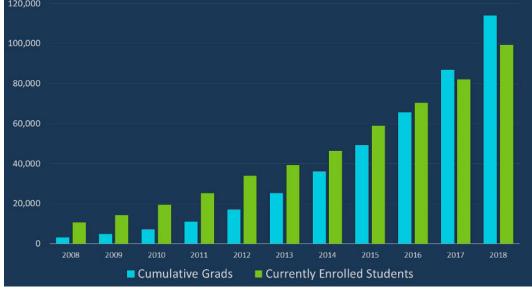improvements to the curriculum, and rigorously measures the impact of these changes on student outcomes.

For instance, based on insights that 'soft skills' correlate with long-term academic and professional success, WGU recently tested curriculum on leadership, self-management, and motivation with a small group of students in the College of Health Professions. These students saw significantly improved engagement and retention, and based on those results, WGU quickly scaled the course to a much broader group of students.[22] To date, over 10,000 nursing students have taken the course.

Profit formula: Growing access and reducing costs

WGU is a private nonprofit school; the states of the 19 governors who founded WGU each provided an initial $100,000 in funding, but WGU receives no state appropriations today. Thus, its revenues are almost entirely tuition-dependent—but over the last ten years WGU has held undergraduate tuition more or less steady at just under $6,500 per year and has driven down student loan debt per graduate to less than half of the national average.[23]
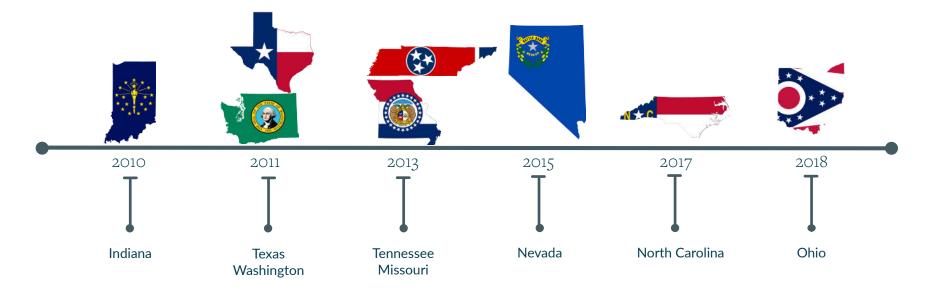
Figure 4. Scaling enrollment

Students at WGU pay tuition for each six-month term, rather than paying for each credit hour as in the traditional model. During each term, WGU students must complete a minimum of 12 competency units to demonstrate adequate academic progress—but there is no limit to how many competencies they can complete. On average, WGU graduates complete bachelor's degree programs in five terms, which dramatically lowers the cost of a WGU degree.[24]

Even with lower costs, WGU has made a determined effort since 2013 to reduce student debt borrowing through its Responsible Borrowing Initiatives program, lowering its student loan default rate to 4.6%, dramatically lower than the national average of 11.5%.[25] This effort has involved educating students about the full cost of debt, encouraging students to borrow only what they need, and has been complemented by a general cost consciousness across WGU that has kept overhead—and therefore tuition—low.
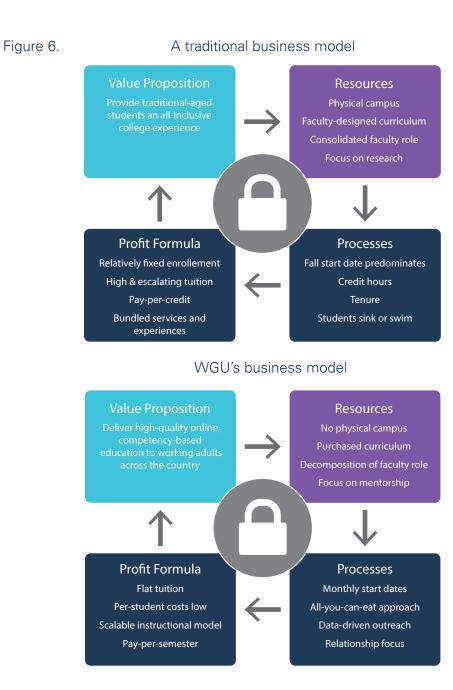
WGU's instructional model and faculty model provide it with the flexibility to scale more quickly than traditional universities (see Figure 4); WGU is growing enrollment over 20% annually. It has also taken advantage of more state-based partnerships to boost enrollment. Students in any state can attend WGU, but in certain states, WGU has built what it refers to as a 'state-affiliate'. In these states, leaders wanted to build an online, competency-based higher education option that is part of the state's higher education system. Rather than start from scratch, they partnered with WGU. Partnership with WGU offers states a no-cost way to expand access to higher education.[26]

In 2011, Indiana became the first state to partner with WGU, and other states quickly followed (see Figure 5). WGU now boasts affiliate programs in eight states, which comprise nearly 40% of the school's total enrollment. The newest state-affiliate, Ohio, was formally approved in February 2018 and officially launched in June 2018.[27]

Figure 5. Affiliate states

| 2010 | 2011 | 2013 | 2015 | 2017 | 2018 |
| Indiana | Texas Washington | Tennessee Missouri | Nevada | North Carolina | Ohio |

WGU's business model has enabled it to scale high-quality education to over 100,000 students, many of whom otherwise would not have been able to access a college education otherwise.

Figure 6.

A traditional business model

Value Proposition
Provide traditional-aged students an all-inclusive college experience

Resources
Physical campus
Faculty-designed curriculum
Consolidated faculty role
Focus on research

Profit Formula
Relatively fixed enrollement
High & escalating tuition
Pay-per-credit
Bundled services and experiences

Processes
Fall start date predominates
Credit hours
Tenure
Students sink or swim

WGU's business model

Value Proposition
Deliver high-quality online, competency-based education to working adults across the country

Resources
No physical campus
Purchased curriculum
Decomposition of faculty role
Focus on mentorship

Profit Formula
Flat tuition
Per-student costs low
Scalable instructional model
Pay-per-semester

Processes
Monthly start dates
All-you-can-eat approach
Data-driven outreach
Relationship focus

THE DISRUPTIVE ELEMENTS OF WGU'S APPROACH

WGU's business model has enabled it to scale high-quality education to over 100,000 students, many of whom otherwise would not have been able to access a college education.

Fundamentally, a successful Disruptive Innovation has three elements: an enabling technology that makes a product more accessible to a wider population; a business model that targets nonconsumers or low-end consumers; and a coherent value network in which suppliers, partners, distributors, and customers are each better off when the Disruptive Innovation succeeds.

> **Disruptive Innovation** (noun): a process by which a product or service (higher education) initially takes root in simple applications at the bottom of a market (adult learners)—typically by being less expensive and more accessible (lower tuition, online)—and then relentlessly moves upmarket (hitting 100,000 students), eventually displacing established competitors (traditional four-year institutions).

Technology

Breakthrough technology alone doesn't make for a successful Disruptive Innovation. Often, companies or organizations will adopt potentially disruptive technology and use it in the context of a traditional business model. This has often been the case in higher education, in which online learning is used in a traditional higher education model—expensive, exclusive, and targeted to the elite.[28]

WGU, on the other hand, has packaged the disruptive potential of online, competency-based education within the context of an innovative business model, and has built a coherent value network around its offering. Online learning is a technological enabler for higher education, making college available to an increasing number of students who lack the flexibility or wealth to attend an on-campus program.[29] Online learning has the potential—not always realized—to bend the cost curve of higher education, providing an education with far lower fixed costs than a physical campus, and lower variable costs than the traditional sage-on-the-stage model.

WGU's programs follow this trajectory. They are exclusively online. This delivery model has lowered costs, enabling WGU to reach nonconsumers—the working adults that the school was designed to serve. Online technology has also made it possible for WGU to layer in significant supports, including mentorship and course instructors who provide readily available academic assistance.

Innovative business model

Online education, and even competency-based education, can be employed within the context of a traditional business model. But at WGU, the entire business model—value proposition, resources, processes, and profit formula—reflect an organization that is designed differently from traditional higher education.

WGU's value proposition targets working adults, rather than the 18- to 24-year-old full-time students who are the traditional customers of higher education. A WGU education is designed to help its students advance in the workforce. In keeping with this value proposition, all of WGU's majors are designed to align with specific jobs, and each program is designed to ensure that students are learning the skills and competencies they will need to succeed in the workforce.

In designing around the needs of these nontraditional students, WGU has created new processes, scaffolding both academic and nonacademic supports to help students succeed. While this adds some cost to the model, WGU avoids the costs of some traditional higher education activities, like research and building curricula from scratch, that don't directly add value to students.

WGU's resource base—its employees, physical footprint, technology, and financial resources—are optimized to fit its disruptive value proposition

WGU doesn't have a physical campus, instead heavily relying on a sophisticated technological infrastructure to power its programs.[30] Online delivery enables working adults, who often lack the flexibility to attend rigid brick-and-mortar programs, to successfully access college. WGU invests in employees, such as mentors, that most traditional higher education institutions don't have, while eschewing the traditional professor role that dominates the instructional model at most schools. Focusing on mentors provides more support where learners need it most, while ensuring that students have the academic resources they need.

The profit formula at WGU is also entirely different from that of most institutions. Ten years ago, WGU's $6,000 annual tuition was similar to the typical four-year public school. But today, WGU's tuition is under $6,500, and the average public university has raised tuition by more than 60 percent.[31] And, unlike most public colleges, WGU receives no state appropriations. It has been able to keep its tuition low by streamlining its activities to those that add value for students, and by using its scalable model to reach more students.

Value network

For any college, the value network incorporates students and employers. For many, it also includes federal and state governments, which contribute significant revenues to higher education. The value network also includes publishers, curriculum developers, and outsourced service providers.

Critics of online education often point to abuses in the for-profit sector, in which some schools have used the technology to provide a low-quality education that has left students with weak employment prospects and mountains of debt. Regulators have cracked down on for-profits as a result; innovation in higher education that doesn't create value for students isn't sustainable and can never be successful as a Disruptive Innovation.[32]

> Innovation that doesn't create value for students isn't sustainable and can never be a successful Disruptive Innovation.

On the other hand, WGU has made student outcomes the cornerstone of its value proposition, measuring student employment gains and satisfaction. In a recent Gallup survey, 72% of WGU students strongly agreed that their education was worth the cost, relative to only 37% of graduates nationally.[33] WGU graduates were much more likely to recommend the WGU experience to friends or coworkers.[34] WGU's low student debt default rates also demonstrate that WGU is creating value for students.

The state affiliate model is another example of a win-win across the value network, in which WGU's success creates value for others as well. States, hungry to improve their economic competitiveness, but frustrated with the cost of higher education, are eager to partner with WGU's low cost, workforce-aligned model.[35] Demand from states can motivate governors and other state leaders, despite pushback from established higher education institutions that may see WGU as a threat.[36]

SUCCESSFUL INNOVATION

WGU's disruptive approach has been wildly successful, but not widely replicated. Disruptive Innovations are often ignored by incumbents, and when traditional players do try to adopt a disruptive strategy, they often find it to be challenging or even impossible. Considering a higher education industry that is seeing declining enrollment, financial struggles, and increasingly unaffordable tuition, what has enabled WGU to move along an entirely different trajectory, providing a low-cost, high-quality education aligned to the needs of the workforce?

The freedom to start from scratch

Critically, WGU has had the same value proposition since its founding. It has built its business model, including its data-driven and student-obsessed culture, instructional model, and profit formula around that value proposition from the beginning. As WGU has found success, its business model has coalesced.

The traditional business model is under significant pressure, as parents, students, and states struggle to afford the cost of college. While many schools are staying the course and hoping that high-end, high-cost innovations can help them compete successfully, only a handful are attempting to employ a disruptive strategy. Traditional schools will struggle to replicate WGU's success without building an entirely autonomous unit, and giving that unit the freedom to build a new business model centered on a new value proposition, just as WGU has done.[37]

Clarity around value proposition

The business model of a traditional college is highly complex. It interweaves knowledge creation (research activities) with knowledge transmission (educational activities), and professors are often responsible for both. Colleges are expected to create value not just for their students, but also for society broadly in the form of new knowledge, as well as for the communities in which they reside through economic activity.[38] This complexity has costs and makes traditional institutions unwieldy and difficult to manage.[39]

Critically, WGU has had the same value proposition since its founding: prepare students for the workforce.

WGU, on the other hand, has cut through this complexity. As President Pulsipher said, "To some degree, you have to ask the question: 'What is the primary purpose of the institution?' Are you designed to produce knowledge or to transfer knowledge? That drives all other institutional choices."[40] WGU is clear about its purpose: it wants to transfer knowledge to students to help them be successful in the workforce. That clarity is rare in higher education, and helps WGU avoid or eliminate activities that don't directly relate to its purpose.

> WGU's story demonstrates the potential of Disruptive Innovation to broaden access, lower the cost of college, and align with the needs of the workforce.

Growth milestones and regulatory millstones

WGU has reached a tremendous milestone: 100,000 students enrolled. Its story demonstrates the potential of Disruptive Innovation in higher education to broaden access, lower the cost of college, and align with the needs of the workforce. But it also shows the barriers that Disruptive Innovations need to overcome.

WGU has struggled to fit into a regulatory framework designed for another era. The federal law that governed higher education, the Higher Education Act (HEA), made no mention of competency-based education, and financial aid disbursements linked to 'credit hours' which defined education in units time (i.e. hours and semesters) rather than metrics around learning, such as competencies. The regulatory framework forced WGU into bureaucratic gymnastics to demonstrate that its programs fit requirements for federal financial aid programs.

The HEA's rules governing online programs were even more problematic. Written in 1992, the language defining 'distance education' aimed to describe institutions who sent coursework to students through the mail in the 1980's. To be eligible for federal financial aid programs, the HEA required distance education providers to ensure students had "regular and substantive interaction with instructors."

In fall 2017, the Office of the Inspector General of the U.S. Department of Education (OIG) had completed an audit of WGU and ruled that despite achieving strong student outcomes, WGU had run afoul of these regulations. WGU argued that it provided 24/7 access to course instructors and required weekly interaction with program mentors. However, the OIG countered that WGU's deconstructed faculty model did not fit the definition of instructor, which the law did not define. It recommended that WGU be required to return $713 million in federal financial aid funds—the largest fine in the history of the department.

The Secretary of the Department of Education, Betsy DeVos, is expected to overturn the OIG's ruling, and in the interim WGU is continuing to conduct business as usual.[41] The audit tells far more about the challenges in regulating innovation—and the difficulties of fitting innovative models into existing regulations[42]—than it does about any wrongdoing or deficit at WGU. Such challenges are typical for Disruptive Innovations, which often fit like a square peg in a round regulatory hole.

In many other industries, Disruptive Innovations have reshaped regulatory frameworks—but only after they are successful. WGU's model may be following a similar path: recent proposals to reform the Higher Education Act show support for eliminating regulations that have bedeviled WGU.[43] But regulatory change isn't the key to WGU's growth; in fact, it is WGU's success in creating value for students that will be the key factor in driving regulatory change.

CONCLUSION

Disruptive Innovations enter the market at the low end—but they don't stay there forever. Enabled by technology, they grow and move upmarket. WGU's data-driven focus on self-improvement has steadily improved the quality of its offering, as demonstrated by a range of metrics, including student satisfaction, retention, and graduation rates.

Disruptive Innovations often change the nature of industry competition, defining new dimensions of performance that matter to the market. In WGU's case, workforce alignment is a critical new dimension of performance. WGU's programs are designed with workforce outcomes in mind, ensuring that students are learning the skills they will need to succeed in the workforce—something that is often left to chance in traditional programs.[44]

WGU illustrates the potential of disruptive models to scale high-quality education to the students who need it most. Since its founding, WGU has pioneered new approaches, new technologies, and new business models, all with the aim of bringing high-quality education to underserved populations. Today, it serves 100,000 students from all 50 states, boasting strong outcomes and low costs. WGU is a textbook definition of a Disruptive Innovation: it has paired technology with an innovative business model—and has built a value network that creates win-wins for students, employees, states, and the workforce.

NOTES

1 "The governors recognized that many college graduates had skills that were unreliable and insufficient to meet the future needs for a highly skilled workforce. Traditionally, underserved students who are minority, rural, low income, or the first generation in their family to attend college struggle to navigate complex higher education and financial aid systems. Access, retention, and graduation rates are a concern for students from these populations, as the traditional higher education system tends to overlook their unique needs." Robert W. Mendenhall, "Western Governors University," *Game changers: Education and information technologies*, edited by Diana G. Oblinger, EDUCAUSE, 2012, pp. 115-132, https://www.educause.edu/~/media/files/library/2012/5/pub72039-pdf.pdf?la=en.

2 Goldie Blumenstyk, "11 Western Governors to Study Creation of 'Virtual University'," *Chronicle of Higher Education*, December 15, 1995, https://www.chronicle.com/article/11-Western-Governors-to-Study/63290.

3 "Western Governors University Memorandum of Understanding," WGU Archives, June 1996, https://archive.wgu.edu/system/files/artifact-files/19960624%20-%20Western%20Governors%20University%20Memorandum%20of%20Understanding.pdf.

4 Per NCES data, national enrollment in Title IV institutions was 21.6 million students in 2011 and had fallen to 20.2 million in 2016. National Center for Education Statistics, "Table 303.20. Total fall enrollment in all postsecondary institutions participating in Title IV programs and annual percentage change in enrollment, by degree-granting status and control of institution: 1995 through 2016," U.S. Department of Education, *Digest of Education Statistics: 2017*, https://nces.ed.gov/programs/digest/d17/tables/dt17_303.20.asp (accessed July 12, 2018).

5 WGU notes that the owl is like WGU students: "...hard-working, wise, patient, and persistent." Western Governors University, "Your New Mascot Needs a Name," *The Night Owl Blog*, June 2011, https://www.wgu.edu/blog-post/your-new-mascot-needs-name.

6 *WGU Student Demographics*, https://www.wgu.edu/about_WGU/student_demographics (accessed July 12, 2018).

7 *WGU 2017 Annual Report* https://en.calameo.com/read/00235590465d1ed865df3 (accessed July 12, 2018).

8 For institutions serving adult learners, as noted in the WGU 2017 annual report.

9 Time-to-degree for students enrolled in four-year public schools, as measured by time enrolled. Doug Shapiro, Afet Dundar, Phoebe K. Wakhungu, Xin Yuan, Angel Nathan, & Youngsik Hwang, "Time to Degree: A National View of the Time Enrolled and Elapsed for Associate and Bachelor's Degree Earners, *Signature Report*, no. 11, Herndon, VA: National Student Clearinghouse Research Center, September 2016, https://nscresearchcenter.org/wp-content/uploads/SignatureReport11.pdf.

10 Within four years, based on survey data by Harris, as reported in the WGU 2017 Annual Report.

11 Percent of students that would recommend their university to others, based on data collected by Harris, as reported in the WGU 2017 Annual Report.

12 Michelle R. Weise and Clayton M. Christensen, "Hire Education: Mastery, Modularization, and the Workforce Revolution," Christensen Institute, July 2014, p. 12, https://www.christenseninstitute.org/wp-content/uploads/2014/07/Hire-Education.pdf.

13 Paul Fain, "Keeping Up With Competency," *Inside Higher Ed*, September 10, 2015, https://www.insidehighered.com/news/2015/09/10/amid-competency-based-education-boom-meeting-help-colleges-do-it-right.

14 Diana Hembree, "Western Governors University: The Best-Kept Secret In Online Colleges," *Forbes*, August 10, 2017, https://www.forbes.com/sites/dianahembree/2017/08/10/western-governors-university-the-best-kept-secret-in-online-colleges/#c1da4006b485.

15 Clayton M. Christensen, Michael B. Horn, Louis Soares, and Louis Caldera, "Disrupting College: How Disruptive Innovation Can Deliver Quality and Affordability to Postsecondary Education," Center for American Progress, February 2011, p. 33, https://cdn.americanprogress.org/wp-content/uploads/issues/2011/02/pdf/disrupting_college.pdf.

16 For examples of WGU's annual reports, see the 2017 report. *WGU 2017 Annual Report*, https://en.calameo.com/read/00235590465d1ed865df3.

17 Scott Pulsipher (WGU's President) in discussion with Alana Dunagan, July 19, 2017.

18 WGU Job descriptions https://www.wgu.edu/about_WGU/employment/10613-417_nursing_program_mentor.

19 "Students must show complex behavior competencies through demonstrations, activities, or projects (the "doing" tests). Remote graders evaluate performance assessments against an analytic rubric. Attitudes and values are sometimes elements of the rubric and subject to evaluation. The graders guarantee a three-day turnaround window to report pass/fail grades along with detailed comments for the students. A passing grade is equivalent to a B or higher at a traditional university." Heather Staker, "The engine behind WGU: Configuration of a competency-based information system," Christensen Institute, February 2012, p. 4, https://www.christenseninstitute.org/publications/the-engine-behind-wgu-configuration-of-a-competency-based-information-system/. https://www.wgu.edu/about/faculty.html.

20 WGU maintains councils for its four industry areas (education, business, information technology, and healthcare). It also maintains a council specifically for nursing education, as well as a council that advises on general education. Additionally, WGU has a council of experts that advise specifically on WGU's assessment practices. The councils range in size from four to ten members and typically include a range of professionals. "University Governance," *About WGU*, https://www.wgu.edu/about/governance.html (accessed July 12, 2018).

21 Scott Pulsipher (WGU's President) in discussion with Alana Dunagan, July 19, 2017.

22 Scott Pulsipher (WGU's President) in discussion with Alana Dunagan, September 14, 2017.

23 *WGU 2017 Annual Report*, page 14, https://en.calameo.com/read/00235590465d1ed865df3.

24 *WGU 2017 Annual Report*, page 1, https://en.calameo.com/read/00235590465d1ed865df3.

25 "Official Cohort Default Rates for Schools" *Federal Student Aid, An Office of the U.S. Department of Education*, https://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html (accessed July 12, 2018).

26 Some states do allow state scholarship programs to apply to state-affiliate WGU programs, as though WGU were another state school.

27 Lindsay McKenzie, "Western Governors University Expands in Ohio," *Inside Higher Ed*, February 26, 2018, https://www.insidehighered.com/quicktakes/2018/02/26/western-governors-university-expands-ohio.

28 Alana Dunagan and Julia Freeland Fisher, "Why Higher Ed Loves Hybrid Innovations," *Inside Higher Ed*, March 29, 2017, https://www.insidehighered.com/digital-learning/views/2017/03/29/why-higher-education-institutions-love-hybrid-not-disruptive.

29 Clayton M. Christensen, Michael B. Horn, Louis Soares, and Louis Caldera, "Disrupting College: How Disruptive Innovation Can Deliver Quality and Affordability to Postsecondary Education," Center for American Progress, February 2011, p. 29, https://cdn.americanprogress.org/wp-content/uploads/issues/2011/02/pdf/disrupting_college.pdf.

30 Heather Staker, "The engine behind WGU: Configuration of a competency-based information system," Christensen Institute, February 2012, https://www.christenseninstitute.org/publications/the-engine-behind-wgu-configuration-of-a-competency-based-information-system/.

31 Data downloaded from College Board, using non-inflation adjusted prices. Average 2007-08 tuition for four-year public schools was reported to be $6,190. Average 2017-18 tuition for four-year public schools was reported to be $9,970. WGU is technically a private nonprofit school; average 2017-18 tuition for four-year private nonprofit schools is reported to be $34,740. College Board, "Average Published Undergraduate Charges by Sector and by Carnegie Classification, 2017-18," https://trends.collegeboard.org/college-pricing/figures-tables/average-published-undergraduate-charges-sector-2017-18.

32 John Gravois, "The College For-profits Should Fear," *Washington Monthly*, September/October 2011, https://washingtonmonthly.com/magazine/septoct-2011/the-college-for-profits-should-fear-2/.

33 "Great Jobs, Great Lives—Gallup Study of Recent Western Governors University Alumni: WGU Alumni Outcomes Report 2018," https://www.wgu.edu/wgu/gallup-report-2018.pdf.

34 Ibid, 74 percent of WGU grads were "extremely likely" to recommend their alma mater to friends or colleagues, vs. 44 percent of graduates nationally.

35 In a somewhat rambling ode to WGU in his recent state-of-the-state address, Ohio Governor John Kasich noted the benefits that the new partnership between Ohio and WGU will bring to the state. "They've teamed up with Western Governors University. It's an online college that allows students to pay a single, flat, low rate and move along at their pace while getting credit for what they demonstrate that they already know. There are four specialties. You can go there and get an online degree for a fraction. Georgia Tech - I think AT&T worked with Georgia Tech. We're bringing AT&T into the state to help work with us. You can get a master's degree in computer science, entirely online, not a minute in the classroom, for you know how much? $6,000. Now, I asked our universities to do this. I didn't get very far with them, but I got the community colleges working on it. The other day at Amazon, I was with the president of Columbus State and I said, I don't want any delay. What Amazon wants here for training people, I don't want any bureaucracy, red tape, obstacles, and they're going to go into southern Ohio and get kids down there trained to do jobs with Amazon for a lot of money. Look, we can give kids a good education for a lot less. And things they can do. This Georgia Tech thing, these people do this in their own home. I understand. We go to college; we want to have that real college experience. And that will be developed. We know socialization is really important for kids. But the costs are out of control. They're going to be disintermediated, these universities. A lot of education is going to go a different way. We've got to get ahead of this. Much needs to be done, but it's not beyond our reach. I'm confident we can make these changes. Just take the risks." Andrew J. Tobias, "Here's the full transcript from Ohio Gov. John Kasich's 2017 State of the State address," cleveland.com, April 5, 2017, https://www.cleveland.com/open/index.ssf/2017/04/heres_the_full_transcript_from.html.

36 This was the case in Ohio. "While the state's community colleges support the idea, the association representing four-year state universities doesn't. 'We don't understand it,' said Bruce Johnson, president of the Inter University Council. 'Why does this out-of-state institution need to be an in-state institution?'" Mary Mogan Edwards, "Kasich eyes higher education options," *Record-Courier*, April 4, 2017, http://www.record-courier.com/news/20170404/kasich-eyes-higher-education-options.

37 For more on the challenges of deploying disruptive strategies in the context of a traditional institution, please see *College Transformed*. Alana Dunagan, "College Transformed: Five Institutions Leading the Charge in Innovation," Christensen Institute, February 2017, https://www.christenseninstitute.org/wp-content/uploads/2017/02/College-transformed.pdf.

38 Jonathan Rothwell, "What colleges do for local economies: A direct measure based on consumption," The Brookings Institution, November 17, 2015, https://www.brookings.edu/research/what-colleges-do-for-local-economies-a-direct-measure-based-on-consumption/.

39 Clayton M. Christensen, Michael B. Horn, Louis Soares, and Louis Caldera, "Disrupting College: How Disruptive Innovation Can Deliver Quality and Affordability to Postsecondary Education," Center for American Progress, February 2011, p. 35, https://cdn.americanprogress.org/wp-content/uploads/issues/2011/02/pdf/disrupting_college.pdf.

40 Scott Pulsipher (WGU's President) in discussion with Alana Dunagan, July 19, 2017.

41 In a statement released shortly after the audit's release, a spokesperson for Secretary DeVos said, "It is important to note that the innovative student-first model used by this school and others like it has garnered bipartisan support over the last decade." Beckie Supiano, "What You Need to Know About the Inspector General's Audit of Western Governors U.," *Chronicle of Higher Education*, September 21, 2017, https://www.chronicle.com/article/What-You-Need-to-Know-About/241263.

42 For more on these challenges, please see Michael B. Horn & Alana Dunagan, "Innovation & Quality Assurance in Higher Education," Christensen Institute, June 2018, https://www.christenseninstitute.org/publications/quality-assurance/.

43 The PROSPER Act, approved by the House Committee on Education and the Workforce in December 2017, eliminates the 'regular and substantive' clause that formed the central thrust of the Department of Education Audit of WGU. The PROSPER Act has yet to go before the full House of Representatives for a vote, and no similar bill has been brought up in the Senate as of July 2018.

44 In a recent Gallup study, 72 percent of WGU grads said their work was "completely related" to their course of study, relative to only 39 percent of recent graduates nationally. "Great Jobs, Great Lives—Gallup Study of Recent Western Governors University Alumni: WGU Alumni Outcomes Report 2018," https://www.wgu.edu/wgu/gallup-report-2018.pdf.

About the Institute

The Clayton Christensen Institute for Disruptive Innovation is a nonprofit, nonpartisan think tank dedicated to improving the world through Disruptive Innovation. Founded on the theories of Harvard professor Clayton M. Christensen, the Institute offers a unique framework for understanding many of society's most pressing problems. Its mission is ambitious but clear: work to shape and elevate the conversation surrounding these issues through rigorous research and public outreach.

About the author

Alana Dunagan leads the Institute's higher education research and works to find solutions for a more affordable system that better serves both students and employers. Her research includes studying business model innovations, public policies, and investment strategies that can give rise to new and sustainable postsecondary models. Alana holds a BA in Economics and Political Science from Macalester College and an MBA from the Harvard Business School.