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Various, "A Summer 2014 Conversation on Business Models in Open Education"

Read Jose Ferreira's article at https://edtechbooks.org/-QSDp

Read David Wiley's article at https://edtechbooks.org/-cBtY

Read Michael Feldstein's article at https://edtechbooks.org/-cBtY

Read Brian Jacob's article at https://edtechbooks.org/-IBkz

Background

Eric Raymond's defining essay, "The Magic Cauldron" was written in 1999 and 2000 as the theoretical base of how companies could capitalize on open-source and open-content products and services to produce a profit. In 2014, almost 15 years later, a blogging conversation ensued between three CEOs and one researcher. Each CEO was using different business OER models and hoping for wide scale adoption of their materials. In essence, their conversation was trying to see who was right about the market and which model would succeed best. This is a pivotal conversation in the education community because it is connected to the question of how the education community accepts open education resources. Why should they? What motivates them to adopt OER materials? How do they? How can companies create sustainable innovation in this sector?

Jose Ferreira

Background: Jose Ferreira is the CEO of Knewton, a company best described as a widget-frosting company that creates learning management systems that build on OER resources with accessories that might increase the feedback and effectiveness of teaching. Ferreira posted this blog after David Wiley's comment in the Knewton Education Symposium that OER will overthrow textbook publishers.

Key Points: Jose Ferreira makes the case that OER creates low-end materials that are inconvenient to use and do not increase learning. With this mindset, he advocates the assured future of his company because he believes educators and educational institutions will be willing to pay to have someone else manage the creation and adaptation of OER materials as well as other sophisticated services that complement the learning process.

David Wiley

Background: David Wiley, one of the leaders in developing the open content community, launched Lumen, a social venture that provides prepackaged OER resources and training to colleges, particularly community colleges. Lumen, opened in 2013, is a "Give Away the Recipe, Open a Restaurant" model that Eric Raymond touched on in his article, "The Magic Cauldron." As an instructional designer and professor, Wiley has also done extensive research of the effect of OER on student learning outcomes. He quickly responded to Ferriera's post with his own viewpoint of the OER market.

Key Points: Wiley first points out that Ferreira's advice that publishers capture the high-end of OER resources market seems foolish because current publishers require exclusivity as a necessary component of profitability and real OER breaks the requirement of exclusivity. He continues on the point that OER will not win because it makes absolutely better materials than current publishers but rather it will win because it is fantastic compared in the metrics of "learning outcome per dollar," the premise behind Lumen's marketable competitive edge. This metric is found by dividing the passing rate of classroom by the money spent on learning resources (e.g. textbooks). Given this metric, some schools are seeing remarkable improvement in by switching to OER. The basic point is that this is the metric that will swing the future market and create sustainable demand for OER-based companies like Lumen.

Michael Feldstein

Background: Michael Feldstein has a long and history with online platforms that helped companies improve learning and create bridges between companies, education, and internet. His experience includes instructional design for blended classrooms and managing an online Learning Management System. He jumped into David Wiley's and Jose Ferriera's conversation following the Knewton Education Symposium on his e-Literate website. The website is, "a hobby weblog about educational technology and related topics that is…written by Michael and some of his trusted colleagues in the field of educational technology." This article is important to the conversation because it develops the discussion about what fundamental assumptions need to be true in order for either Wiley or Ferreira to be correct. A careful comparison of this article against "Coase's Penguin" would allow an individual to see how those theoretical models are being applied in real life.

Key Points: Michael Feldstein points out that the feasibility of Ferreira and Wiley's differing opinions "depends" on the development of licensing and economic models. Currently OER licensing creates revenue headaches for both the suppliers and the competition and therefore "have not yet cracked the sales and marketing nut or proven out revenue models that enable them to do what is necessary to drive adoption at scale." He continues, "If everybody is losing, then nobody is winning. At least at the moment." Ferreira is sure that complex, data-driven LMS packages are what the market wants. Wiley is certain that the learning outcome per dollar metric is the deciding factor. Feldstein is pointing out that regardless of who is right about the important factors that influence adoption, neither business will succeed until the business (not just the product) works and is a sustainable, revenue generating process.

Brian Jacobs

Background: The last voice to add an important piece to these CEO's debate was Brian Jacobs', the CEO of panOpen, a platform that provides OER textbooks. Jacobs addresses one last point about assumptions that the others did not and which might be a crucial part to the success or failure of any one of the OER-based business models.

Key Points: Jacobs begins simply by questioning, "the assumption holds that because open-source educational content is like open-source software — in that it's free content that you can chop up, remix, and share with anyone — its application and uses should follow in a similar way." He points out that teachers' resources are not developed or used like hackers' programs. This defeats many of the synergies and motivations that Raymond noted open source imbued in hacker communities. Jacob's key take away is that new motivational systems must be implemented to use and create the materials before OER becomes widely adopted. One such point is that teachers should be financially compensated for adopting and adjusting OER material to make up for the inconvenience they take upon themselves when they could have used a textbook in the first place. This is a very different take on Wiley's or Ferreira's assumptions on what motivates adoption. He ends with, "because instructors are not hackers and belong to an entirely different community of practice, a system for distributed content development also needs to be accompanied by a system of distributed financial incentives." The truth of Jacobs' pivotal assumptions remain to be seen as these three businesses and other different models struggle for wide-scale adoption and ample revenue streams.

Discussion Questions

1. What market is each CEO trying to tap into? Will students, instructors, instructional designers, publishers, or administrators be the swing group to tip the tables for OER companies?
2. Does the idea of disruptive innovation pose a threat to companies trying to catch the high-end market like Knewton?
3. How do current OER educational communities resemble open-source hacker communities? How do they differ? How does that affect their subset of the open economy?

Additional Resources

In addition to looking at these companies websites and other companies' websites, review the economic models in "Coase's Penguin," "Sharing Nicely" and articles in the Open Educational Resources section, particularly "Giving Knowledge Free" to see how these theoretical models and high-level research plays out in the current stage of open educational development.