Transcript

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Derek Bruff: [00:05] This is Leading Lines. I'm Derek Bruff. Back in episode 52, Leading Lines producer, John Sloop, interviewed Chris Parrish, Senior Vice President and Portfolio General Manager at 2U.

[00:17] 2U is an online program management or OPM provider. They work with universities to develop, launch, and sustain online degree programs. John talked to Chris about 2U's approach to this work in part because John, in his capacity as Associate Provost for education development and technology, is leading efforts at Vanderbilt to start online degree programs. This means John spends a lot of time talking with OPM providers, and exploring the different ways they partner with universities.

[00:45] Today we have another interview from John with an OPM provider. John Sloop recently talked with John Katzman, who helped found 2U back in 2008, then moved on to start a different Opium Provider, Noodle Education in 2010. Before all that, Katzman founded the Princeton Review, a little education company you might have heard of. In his conversation with John Sloop, John Katzman talks about the problems he sees with for-profit education companies. The ways that his firm, Noodle Education approaches OPM work differently, and the future of online education.

John Sloop: [01:22] Hi, this is John Sloop. I'm here with with guest, John Katzman. John Katzman is best known as an educationalist. While, perhaps, best known as the founder of the Princeton Review, where he served as CEO until 2007. Katzman went on to become one of the original founders of 2U. You may recall that we interviewed Chris Parrish from 2U a couple of episodes ago. He's currently the head of Noodle and Noodle Partners. John, welcome.

John Katzman: [01:50] Hi, thanks for having me, John.

John S: [1:53] I'm really excited to talk to you. I've had a chance to talk to you on a couple of occasions before, but you have a very large reputation in this area, so I'm honored to have you on here. Can you first, just tell us a little bit about your background, how you got involved in education and online education? I'd like to hear you if, if you have a quick way you can talk about your work with Princeton review, how that started and how you got to where you are now?

John K: [2:18] Sure. I tutored when I was in college. I just liked it. It was totally a fun way to make some money. You know, triggering the SAT was, was great because the hardest part of teaching in some sense is motivation. And everybody's totally motivated. Every, you know, the, when you're teaching the SAT, you have to calm everybody down. You have to focus their anxiety on constructive action, but you certainly don't have to motivate them. So, I loved it.

[2:52] And when I graduated, I started the Princeton Review. Ran it for ever, and for several decades. I took it public. I realized I hated running a public company and so I left to create 2U and ran that for five years and it went very well. We raised a lot of money and at some point the board wanted to take it public and I thought, well, this is a good time to exit.

[3:27] And along the way at Princeton Review, we were one of the first 100. com websites. And I was really intrigued by the Internet early on and continue to be. And so 2U was sort of a logical extension of playing with what can be done through technology to make education better.

John S: [3:54] So I'm really, I'm intrigued now. This might sound a little like we're going into a territory this podcast normally doesn't cover, but I don't think so. I think this is going to be, it's on point to a discussion of education. What, what is it about publicly traded companies that you don't like? What does that have something to do with how you have to operate in your mind?

John K: [4:18] Yeah. If you look at the track record of the for profit sector in education, it's a grizzly, it's a grizzly space. Like the vast majority of the money spent by the for-profits has been, I would argue counter to policy. It is, it is not been a win. The for-profit K 12 companies have struggled to do a good job, certainly the for-profit, higher-ed groups. The Kaplans and Phoenixes of the world, have had spectacularly bad track records. The textbook companies, I don't think have moved the meter in terms of learning.

[5:05] You know, it's, it's hard to find a lot of really successful organizations in education that have both a soul and a clue like, A lot of well-meant things that don't scale, a lot of scaled things that, that, that, that don't keep the faith. And the public markets are expecting a return that steadily improves. And, and I think it's, it's, it's sometimes puts CEOs in a tough position and they bend the wrong way.

John S: [5:44] So it's more about what the drivers are that you think it leads to problems. Like what's, what, what's forcing different decisions, etc, or encouraging certain decisions? That seems to me. Yeah, go ahead. I'm sorry.

John K: [5:59] My problem with 2U was I knew. You know, when we started the cost of scaling up an online program might be $10 to $15 million per program. And it was very high risk. You didn't know, could you build a program of any quality in higher ed that was as good as the program on campus. And even if you did would anybody take it? So that was expensive and hard and we charged a fair amount of money to do it.

[6:30] And then over the years, there's been a lot of money invested in ed tech. It's, it is far less expensive now, probably $2.5, $3 million to, to, to launch and scale. And the risk, 30% of graduate students are now online. Yet, it's very hard for the online program managers to reduce their prices. They've made promises to Wall Street and they promised kind of outsized profit, and now they're stuck with it. And in fact, they're raising their prices in an era where they should be dramatically lowering them.

[7:07] I ask question of a lot of people. I've asked the following question. You create a helmet that is incredible at teaching and a Master's program, given that you are properly prepared, is $50 thousand. And at a year of your time. And with your helmet, somebody can gain all of the skills, all of the knowledge, everything in 30 seconds, for a dollar of electricity. How much should you charge for zap of your helmet, right?

John S: [7:45] Ah, right.

John K: [7:48] And I've asked that question to people across the ed tech sector. And the answers range from, give it away, right, get some philanthropy to cover your costs and make, make a little money and then give it away to $50 thousand, the same as a Master's. It's worth just as much to over a $100 thousand saving you all this time and pain.

[8:15] Think about another sector where different people in your own company, your investors, the CEO, your employees, all have different answers to that question. Oh, and your customers. It's really hard in education. And you really want to be thoughtful about. Is there a dual bottom line? What are we here to do? And I think that is even harder when you're public.

John S: [8:43] So I'm going to switch from that, that larger discussion to Noodle itself. And I know Noodle has a number of different components. I'm mostly interested in Noodle Partners or when you partner with a university to put an online program on. What does that mean? How do you operate differently than other types of models?

John K: [9:05] Well, our starting point is, is the way we provide the service, which is there are a lot of good organizations in ed tech at this point. We don't have to do everything. So you look at Tesla, they make battery packs, batteries, they get someplace else. Everything else they spec, source, and assemble. You know, Boeing has had a bad week, but the fact is it's a great company and they make wings and everything else they spec, source, and assemble. Those are G engines, or Rolls Royce engines. Those aren't Boeing engines.

[9:44] What we do is we make a series of tech that pulls together data from a bunch of different systems, brings it into a core where we can benchmark and visualize it. We have experts in a bunch of different categories about financing, marketing, recruiting, supporting students, instructional design, technology.

[10:12] And then we have regional teams answering into those experts who act on that data to run programs effectively and efficiently. For that, we're getting something like $68 a credit hour, which is a couple percent of revenue, a couple percent of tuition. Everything else, we have found over 50 different providers who we pulled together to spec what they do, source it from them and assemble it into something that is really powerful, is very flexible, and is half of the cost of what 2U and the other OPMs are, are charging.

[10:58] And so we can save schools between $15- $30 thousand per student to run programs that are of the same fit and finish. And as, as, as programs, I build there.

John S: [11:10] So that deal… How do I ask this question? You're claiming that you can save them save them or you're charging half the amount. Is there anything the university has to do differently? Or do you think the model is the same as a company that does all the

work? I think what I'm trying to ask is there any more labor on the part of the university in your model?

John K: [11:34] No, there's nothing it has to do differently. There are, there are schools we work with where we provide all of the services in exactly the way I did it to you and I could walk through the services. However, there are a bunch of schools that actually have some real capacity, especially in things like instructional designs.

[11:56] And the beauty of this model is I'm indifferent. If the school wants to handle something in house instead of out of house. That's great. And we can make that decision every year. We can re-decide, let's, let's move this in house. Let's blend it between in and out.

[12:17] For instance, instructional design, the basics of working with faculty to take their ideas and, and create online materials, to create instructional materials that are, that are interactive, collaborative, compelling. A lot of that can be done in house. But when you want to do something complex, like a simulation or an animation or high-quality video, you might want to use outside providers.

[12:47] It totally depends on the school. There are schools that are looking to Noodle to do exactly what I did to you. Like everything, but there's schools with substantial internal capacity and blending their skills and expertise with the outside providers actually can be really useful.

John S: [13:13] Ok, so I want to ask you. The next question I'm going to ask you. I'm probably going to ask you in just two different, two different parts. And the broadest strokes, what do you see as the long-term future of online education? And then secondly, what do you think this means for brick and mortar school or education? What does it mean for them on campus, their existence, et cetera? So both, sort of, I'm really asking you about the future of education.

John K: [13:44] It's a broad topic.

John S: [13:48] I know. I know, but you are an educationalist.

John K: [13:49] Whatever that means.

John S: [13:51] So I just, I'm not expecting great detail.

John K: [13:54] Right.

John S: [13:55] I'm expecting you to sort of think, thinking ahead. You're certainly a person that has shown a great skill at looking ahead at what might, what might occur.

John K: [14:05] Well, let's, let's start with, with higher ed. You've got a couple of trends that you'd have to be paying attention to. The first is a dramatically changing economy. There, there are people at OECD who say that we are 40 years away from the end of work, right? So I'm not sure I buy that, but certainly one sector after another, is being disrupted. The need for life learning is going to be larger, not smaller.

[14:40] Second, the cost of higher ed is wildly too high right now, continues to get higher. And we've gotta figure out a way to bring that cost down without screwing up the good parts of higher education, right? There's the, the relationship among students and between students and faculty is paramount. How we save that while making the orgs more efficient, is going to be really important.

[15:08] And the third is, the competition from other countries is going to come up even as the middle-class and other countries starts rising. So you've got a dramatic increase in the number of learners. I think there might be under a million people in China right now with, with graduate degrees, right? So there's, there's a lot of room,

John S: [15:30] Wow, yes.

John K: [15:33] for, for growth. And across Asia in particular. Right now, about 30% of the students doing online, doing graduate education online. That number is going to go to 50% within the next couple years. And I actually think it's going to go the great majority over time.

[15:51] This is a better mouse trap. The major cost of online education, of graduate education, is opportunity cost. Like leaving work for a year is more expensive than the actual tuition. So if you can do it online, halftime while keeping your job and you're working three semesters, a year or so, a Masters might take you 18, 20 months instead of 16 months. You know, that's, that's, that's pretty compelling to people.

[16:22] So as tech gets better, bandwidth gets better, the programs get better. I would expect that Graduate education is is is something that is less expensive that you come back to frequently. And that is online. Largest education, on the other hand, I think I think should stay on campus and it's increasingly valuable.

John S: [16:45] So that that explained, I mean, that helps answer the brick and mortar question. There's a, you think there's a good role for residential for the liberal arts education? Sounds like interaction,

John K: [16:57] For undergraduate.

John S: [17:00] Yeah. Yeah. Right, right. So you said if we can keep the cost down, you see a great growth in this. Now I know that you're not just concerned with cost, but also with the quality of education that can be delivered through a different mode. Can you, if someone was to make the case, there are still skeptics out there, who hear, hear the term online education or online degree and immediately are skeptical of what can be delivered through that mode.

[17:29] If you were asked to make the case, which I'm doing right now, that, that you can deliver that with Noodle, or with other types of models. You can deliver an education that is equal to or more effective than face to face. What, what, how would you pose that argument? And how would you put it forward?

John K: [17:50] So number one, we're at version 100 of on-campus education and we're at version two or three of online. As good as it is now. And I think I can show you that it is just about as good as campus space. It's going to get better and better, like it's evolving very quickly.

[18:16] So just, just kind of looking at the trend lines, you have to, you have to say, we're, we're in pretty good shape. In terms of face-to-face. Face-to-face is a changing thing that, that a lot of good online education is teleconferencing. You are in a small class. We generally put 12 or 13 on the screen at the same time with a professor. And you're all in each others' space. It's all. You know, at 2U, I used to call it "No Back Row."

[18:52] The notion that one person sneezes and 11 people say, "God, bless you," because I'm looking at everybody's eyes like you're all right here. So this is personal and it is face to

face. What you're doing is replacing not the conversation. You want to, you want to enhance the conversation.

[19:11] You're replacing all the lecture parts and all of the, you know, just, just sitting there reading with a series of modular, again, interactive, collaborative modules, that all the time are being tested against one another for what's having impact and what isn't.

[19:33] There's a real thoughtfulness to the instructional design that I, that I think is different than what happens in many, in many classrooms. You're really examining what am I trying to teach here? What am I doing and what's working and not working to get this concept across, these skills across?

[19:50] And then you're marrying that to synchronous instruction and to everything you can do to create interaction both online and physically between your students. In online education, the whole world is your campus. That Starbucks over there, is a place that two or three students who live in that city can get together to study together. That's our ideal.

John S: [20:14] I of course, in my position, I agree with you on that. I'd like to hear you talk as well about not just degree programs, but other opportunities online. Not MOOC so much, but continuing studies, lifelong learning. How can, how can or should universities take advantage of that? And I don't mean take advantage in a bad way, but take advantage in terms of helping by offering these. And do you see a big role for that type of program?

John K: [20:42] The first online programs were terrible, and they were created by terrible schools whose on-campus programs were every bit as bad as the online programs. And so to a lot of people, online education has a funny smell to it because they remember back. But when it's done with intent to be good by schools that are good with real faculties, they can be really great and they can enhance the communication among students and between students and faculty instead of destroy it. So don't blame the media.

John S: [21:25] You know, as well as I do that the, that the history of new media, the new medium gets blamed for all types, both gets blamed for all types of downfalls and gets praised in sort of utopian terms.

John K: Yeah.

John S: [21:40] And we should be at the point now, I think where, where most of us should have a not neutral, but a good idea of what are the ways in which this can be used? Well, what are the ways in which it does not and I certainly think that's what I'm hearing from you.

John K: [21:56] Absolutely. Certificate programs.

John S: [22:01] Oh, yeah. Go ahead. Talk to me about that. Certificates.

John K: [22:04] Here's the problem with certificate programs and why there are so many of them with so few students. I know what an MBA is, I know what a masters in social work is or a masters in data science. There are all flavors from different schools, but there are some basic competencies I can expect. And therefore, as an employer, I can make, I can make that part of the job requirement. I'm looking for somebody with this degree.

[22:35] Certificate programs are all over the map. This one is a weekend, that one is 12 credits. They're called different things from different schools and it's a mess. And so it's impossible to include it in a job requirement, and therefore, it's not that valuable to students. The starting point for getting short form programs to be something more than a theoretical construct, I believe is an organization like ACE creates a standard.

[23:11] This is one that I've proposed is this, is a specialist. It's between a BA and a Masters. It might be 12 credit, 12 credits. It's it's rigorous and it has clear defined competencies. And every school signing on to give a specialist degree is going to change it in one way or another, is going to, is going to make it its own.

[23:39] But they're all similar enough that employers know what it is. And if we start thinking in terms of do we want shorter form? Is it stackable towards a Masters? Is it a useful thing? Is it useful to employers and collaborating a little bit instead of every school having its own random collection of, of, of, of degrees or certificates, we can make some headway here.

John S: [24:09] So do you think there are well, I'll I'll put my thoughts out on this first. Do you think there are areas in which the, a credential et cetera, isn't so important because the, the knowledge itself becomes the key. And what I'm really talking about here are coding boot camps and the opportunity for that type of thing.

[24:36] Because those, I think once you've learned the skill being able to, being able to

demonstrate that it is in some sense more important than a degree or credential, I don't know if you agree or disagree with that. There are certain areas where, where the, the knowledge itself is, is key. And in fact more important than, more important for the employer than, than a signifier of it, than a degree.

John K: [25:02] Certainly, coding is almost unique. In the transparency of somebody's ability, like give me a coder, give me 20 minutes, and I can probably tell you if she's highly competent or a newbie. And so the degree itself, as a signifier, is a little bit less important, but you know, pretty much across the board in higher ed, higher-order thinking skills can be faked up to a point.

[25:32] And the idea that a, that a, that a University who has an interest in maintaining a certain reputation for itself and for its alumni, has spent a lot of time with this person has trained him or her and vetted them. That notion certification is I think I think pretty much in everything else I can think of is still really important.

John S: [26:05] Yeah, I'm sorry. I mean, I was pulling the easiest example that might be the only one where that takes place. John, so we ask a concluding question to everyone we talk to here. And that is, our final question. What is your favorite non-digital educational technology?

John K: [26:25] That's funny. I, I was reminded of somebody, somebody's comment, I really like that technology means anything that wasn't invented before you were born.

John S: [26:36] Ha, that's true.

John K: [26:37] Like we don't think of light bulbs as tech.

John S: [26:40] Right. Right.

John K: [26:41] Your ability as a baby. To learn from watching people walk and, and your eyes is a technology. Just, just the feeling of I'm watching you. And then at some point, my muscles get strong enough that I start to walk and I fall down and I get up and I walk some more and I fall down and that the technology of what's going on in a baby's brain to take, to take all those images flash in front of you and turn it into action in that way. I think that's incredible.

John S: [27:22] The brain has technology. This is the most interesting answer I think I've gotten. John, I'm going to, I'm going to call us to a close here, but I want to give you an opportunity if you have some other thoughts. Anything else you'd like to add?

John K: [27:28] The starting point for the Ed Tech industry and for students studying education technology is where do we want the world to go? What would we like education to look like? And part of that is, how much do we want it to cost? You, you don't start your design of a car by saying people are willing to pay infinite for a car.

[28:07] You're thinking about who is the driver? What's the driving experience going to be like? Also, how affordable is this and, and therefore, who who, who can access it? And if we design higher ed in particular correctly, people all over the world can access it and benefit from it. And it can be really good.

[28:32] And I just, I just think that anybody who is in this part of the world without a clear vision of where we're trying to go, is probably worthless.

John S: [28:47] That was a pretty strong statement.

(Both laugh)

John S: [28:53] All right, well I think that's a good moment to close on. This is John Sloop. I've been talking to John Katzman, who is currently head of Noodle Partners and has been quite a trailblazer throughout time. John, thank you very much for joining us.

John K: [29:08] It is so good to be here and thank you so much for having me.

Derek: [29:11] That was John Katzman, Chief Executive Officer at Noodle Education. Thanks to John Sloop for that interview. Listening to Katzman, I was struck by how similar some of his remarks were to those of Chris Parrish from 2U back in episode 52. Both made the case for the value of small enrollment online courses with lots of synchronous video experiences. And both argued that the future of graduate education will be increasingly online, while the future of undergraduate education should stay residential.

[29:41] Their companies, however, seem to take different approaches to partnering with universities. Noodle takes a lean approach with lots of outsourcing. While 2U takes on tenure

partnerships that evolve over time. I can't say I have a strong opinion about which approach makes more sense, but I suspect it depends a lot on the university's goals and resources.

[30:01] One note I really appreciated hearing from John Katzman, is that universities often have the resources to do instructional design with faculty. That's often quite true. I think sometimes the thought of moving a course or program online is intimidating for faculty and they think they need to outsource that.

[30:19] But I know at least in the case of the Vanderbilt teaching center, we have a lot of strengths in this area and can provide both tools and expertise for helping faculty develop online programs. I also worry about outsourcing too much of the teaching.

[30:32] Our philosophy is that the faculty who bring disciplinary expertise to a course or program should also be the ones designing the learning experiences. Sometimes they need a little help with that second skill set. But the more they develop those skills, the better the outcomes for those students.

[30:47] If you'd like to listen to Episode 52 with Chris Parrish from 2U or find out more about John Katzman from Noodle, Check the show notes for links. You'll find those show notes as well as past episodes and transcripts on our website, leadinglinespod.com

[31:08] Leading Lines is produced by the Vanderbilt Center for Teaching, the Vanderbilt Institute for Digital Learning, the Vanderbilt libraries and John Sloop, the Associate Provost for education development and technologies. This episode was edited by Rhett McDaniel. Look for new episodes the first and third Monday of each month. I'm your host, Derek Bruff. Thanks for listening.