

PRIVATE ENTERPRISE IN AMERICAN EDUCATION



AMERICAN ENTERPRISE INSTITUTE

SPECIAL REPORT 4

Crossing to the Dark Side?

An Interview-Based Comparison of Traditional
and For-Profit Higher Education

Ben Wildavsky | December 2011

Foreword

For decades, for-profit educational provision has been merely tolerated, often grudgingly. In the world of charter schooling, for-profit providers are lambasted and sometimes prohibited. In higher education, for-profit institutions have grown rapidly, enrolling millions of nontraditional students and earning enmity, suspicion, and now investigative and regulatory actions from the federal government. When it comes to student lending, teacher quality, and school turnarounds, there is a profound preference for nonprofit or public alternatives. All of this is so familiar as to be unremarkable.

The problem is that K–12 and higher education are desperately in need of the innovative thinking and nimble adaptation that for-profits can provide in a landscape characterized by healthy markets and well-designed incentives. As critics have noted, for-profits do indeed have incentives to cut corners, aggressively pursue customers, and seek profits. But these traits are the flip side of valuable characteristics: the inclination to grow rapidly, readily tap capital and talent, maximize cost effectiveness, and accommodate customer needs. Alongside nonprofit and public providers, for-profits have a crucial role to play in meeting America’s twenty-first century educational challenges cost-effectively and at scale.

However, we rarely address for-profit provision in this fashion. Most statutory and regulatory discussion focuses on how to rein in for-profit providers, largely ignoring what it would take to harness the potential of such providers while establishing the incentives and accountability measures needed to ensure a level, dynamic, and performance-oriented playing field.

AEI’s *Private Enterprise in American Education* series is designed to pivot away from the tendency to reflexively demonize or celebrate for-profits and instead understand what it takes for for-profits to promote quality and cost effectiveness at scale. In this fourth installment of the series, Ben Wildavsky of the Kauffman Foundation explores the differences and similarities between for-profits and nonprofits in the postsecondary sector. Drawing on interviews with individuals who have worked for both types of organizations, Wildavsky helps to illuminate the differences between these two types of providers; he also underscores some promising for-profit practices related to business models, performance evaluations, data collection, and scalability. “At a time of soul-searching about the ability of most colleges and universities to serve increasing numbers of students more effectively, there is good reason to believe that practices like these, when implemented together on a consistent basis, have value well beyond the for-profit context,” writes Wildavsky.

I am confident that you will find Wildavsky’s piece as eye-opening and informative as I have. For further information on the paper, Ben Wildavsky can be reached at bwildavsky@kauffman.org. For other AEI working papers in this series, please visit www.aei.org/policy/education/private-enterprise/. For additional information on the activities of AEI’s education policy program, please visit www.aei.org/hess or contact Jenna Schuette Talbot at jenna.talbot@aei.org.

—FREDERICK M. HESS
 Director of Education Policy Studies
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Executive Summary

In the past year, for-profit higher education providers have been thrust into the spotlight. The fastest growing postsecondary sector has come under unprecedented scrutiny from policymakers, regulators, and the media. Critics have zeroed in on a range of concerns, from perceived dubious recruiting tactics and overblown promises about students' future employability to excessive student debt and problematic default rates. For their part, for-profits have deployed a formidable lobbying apparatus to argue that their efforts are being unfairly maligned with apples-to-oranges comparisons that do not do justice to the important education access they provide to previously underserved students.

Largely missing from the debate, however, has been a more detailed look at how traditional and for-profit institutions differ in important areas like administration, instructor experience, mission and governance, data collection and use, and student recruitment and retention. This paper is an effort to get beyond sensationalized headlines and examine these questions from the point of view of individuals who have moved from the traditional to the for-profit sector—or kept a foot in both. These insiders highlighted a variety of characteristics they say distinguish the for-profits where they work from the nonprofit institutions with which they are also familiar.

Trial, Error, and Measurement. Perhaps the biggest appeal of for-profits for those who have joined the sector is that they are relatively new postsecondary institutions—works in progress in which experimentation is encouraged and inevitable. Entrepreneurial for-profits can move much faster to create new programs, adjust staffing levels, and change curricula, according to Geri Malandra, a former University of Texas administrator and now provost of Kaplan University. “I was amazed at how quickly program suggestions can be developed and brought online,” she says. “In a regular university it’s very hard to add faculty positions; it can be done, but it’s hard. . . . [At Kaplan] it can be done relatively easily if there are strong market reasons.”

Rethinking the Faculty’s Role. As a result of for-profit institutions’ reliance on trial and error, a heavily standardized curriculum, and responsiveness to consumer demand, their faculty tends to look quite different from those at many traditional not-for-profit institutions. First and foremost, they are instructors rather than researchers. “At DeVry we’re hiring people who want to teach,” says Harold Shapiro, former president of Princeton University and the

University of Michigan and current board chairman for DeVry. For-profits also do something unusual in many traditional colleges and universities: they evaluate prospective hires on their teaching skills and give new instructors explicit pedagogical training. Once on the payroll, interviewees noted that for-profit instructors are evaluated much more systematically than their peers in traditional academia.

Practical Instruction and Student Support. Interviewees noted that for-profits often hire working professionals or retired college instructors to teach courses with a relentlessly practical emphasis. Jim Goes, a former professor at two traditional institutions who now teaches online at the University of Phoenix and Walden University, says helping students think through the kinds of real-world problems they encounter in their workplaces makes his teaching at for-profits distinct from the other classes he has taught. “These are people who have life experience; they’re not twenty-somethings reading about business in a book,” he says. “They’re forty-somethings who have a lot of practical experience, who are trying to improve their lives.” Since for-profits also enroll a higher proportion of nontraditional and at-risk students, they must provide more intensive student support services and flexible course options.

Quality Concerns and Governance. Those interviewed were generally quick to acknowledge some serious problems in the for-profit sector while underscoring that nontraditional students often face comparable difficulties and frequently experience poor outcomes in conventional institutions. “There certainly seem to be some abuses going on,” Goes says, “but these institutions have been reaching an audience and a market that traditional education could not.” When it comes to governance, more structural similarities exist than outsiders might imagine because for-profits must maintain certain structures and internal processes to comply with higher education accreditation requirements.

For-profits will certainly need to work hard to prove their worth as they remain in the regulatory and media spotlight for the foreseeable future. But the observations and experiences of those interviewed suggest that traditional colleges and universities will be badly mistaken if they assume that the travails of for-profits today mean that useful lessons cannot be drawn from their successes to date—and those likely to occur in the future.

Crossing to the Dark Side?

An Interview-Based Comparison of Traditional and For-Profit Higher Education

Ben Wildavsky

Introduction

The past year has certainly not been lacking in controversy for the for-profit higher education industry. The fast-growing sector, which now accounts for some 10 percent of all students enrolled in US postsecondary institutions, up from about 6.5 percent as recently as 2007 (and less than 1 percent four decades earlier), has come under unprecedented scrutiny from policymakers, regulators, and the media.¹ Critics have zeroed in on a range of concerns about for-profits, from what are said to be dubious recruiting tactics and overblown promises to students about their future employability to excessive student debt and problematic default rates.

In a representative commentary, the *New York Times* editorialized in support of tougher federal regulation of for-profits by declaring that new rules must be “strong enough to protect students from unscrupulous schools that strip them of aid, saddle them with crippling debt, and give them nothing in return.”² For their part, for-profit colleges and universities have deployed a formidable lobbying apparatus to argue that their efforts are being unfairly maligned with apples-to-oranges comparisons that do not do justice to the important education access they provide to previously underserved students.

Largely missing from the debate, however, has been a more fine-grained look at the ways traditional and for-profit institutions differ from one another. How does the experience of instructors and administrators compare and contrast? What about questions of mission and governance? Why do students enroll in for-profit degree programs? In what ways is the culture of for-profit education distinctive? This paper is an effort to examine these questions from the point of view of individuals who have had firsthand experience moving from the traditional to the for-profit sector—or have kept a foot in both.

The people interviewed for this paper—a nonrandom sample of administrators, board members, instructors, and a recent graduate—have all spent time in public

or private not-for-profit higher education. All but one are now affiliated either full- or part-time with some of the best-known for-profit institutions: Kaplan University, the University of Phoenix, Capella University, DeVry University, Walden University, and Rasmussen College. Perhaps because of this, they are highly supportive of the mission of for-profits and almost entirely positive about their performance. At the same time, their occasional critical comments suggest that for-profits may be in the kind of shakeout phase common to all disruptive innovations, to use the term coined by Harvard Business School Professor Clayton Christensen.³ According to Christensen, disruptive innovations often experience significant growing pains and quality problems at their outset but improve quickly, create new markets, challenge the status quo, and ultimately have a transformative effect on their sectors. Thus, we can understand the interviewees’ “from the trenches” observations and arguments about what for-profits add to the higher-education world not simply as advocacy but as a sign of things to come for a much broader range of postsecondary institutions.

These insiders’ comments, drawn from telephone interviews and follow-up email exchanges in the fall of 2010, highlight the characteristics that the respondents say distinguish the for-profits where they work from the nonprofit institutions with which they are also familiar. The interviews suggest that beyond an effort to make profits, these relatively new institutions distinguish themselves by their targeted efforts to serve nontraditional students; their creation of market-driven, career-oriented degree programs; their consistent focus on data collection and measuring learning outcomes; and their willingness to standardize curriculum and faculty roles to a degree that is rare in conventional colleges and universities. Taken individually, none of these approaches is unique to for-profits, of course. Advocates may well be guilty of overselling for-profits’ educational innovations while downplaying their well-publicized shortcomings. Nevertheless, at a time of soul-searching about the ability of most colleges and universities to serve increasing numbers of students more effectively, there is good reason to believe that practices like these, when implemented

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together on a consistent basis, have value well beyond the for-profit context.

Eclectic Leaders and Unlikely Converts

What would motivate a professor, administrator, or board member at a traditional university to join a for-profit institution? Those interviewed for this paper say they were drawn to the for-profit sector for a variety of reasons, notably the chance to work within organizations that serve nontraditional students and the opportunity to be part of institutions not tied to conventional practices. Other motivations are more practical; for example, one instructor found that a part-time teaching position fit well into a broader professional life by allowing him to keep a hand in the world of education while running his own consulting business. Outsiders often assume money is a big draw for participants in the for-profit sector, and at least one interviewee observed that compensation played a role in his decision to join a for-profit board. But another, a dean who was recruited to Kaplan, noted that his new salary is lower than his counterpart's at the large state university he recently left.

Several of the well-known academic administrators interviewed for this paper previously worked on nontraditional ventures within conventional institutions, so their transition to the for-profit sector was not made out of the blue. Peter Smith, senior vice president for academic strategies and development for Kaplan Higher Education, was the founding president of Vermont's statewide community college system. "I have been very interested in community-based, life-based education," he says, referring to institutions in which outcomes-oriented, experiential student learning, rather than research, has a central place. Later in his career he became the founding president of another unconventional institution, California State University, Monterey Bay, which focuses heavily on enrolling first-generation college students, significant use of technology, service learning, and measuring learning outcomes. When he was recruited to the Kaplan post, he did not hesitate to move to a money-making venture. "I thought, 'You've been doing this—taking risks—all your life. Why should you not take a risk now?'" Despite his background in nontraditional public higher education institutions, he had been disappointed in some respects with the sustainability of reform. "Too often, even successful change in higher education is like a sand castle before the tide comes in," he says. "When the champion leaves, when budgets get cut, much of the value is lost."

He is more optimistic about the prospects for successful new ideas to become embedded at Kaplan.

Smith's colleague Geri Malandra, who became provost of Kaplan University in 2010, had previously overseen the development of the fifteen-campus University of Texas system's well-known performance-based assessment model as vice chancellor for strategic management. In an earlier job, she spearheaded another accountability system at the University of Minnesota and also established an off-campus technology education center that was initially envisioned (though without ultimate success) as a for-profit division of the huge state university. "This particular private-sector university sorts for leaders that have very eclectic experience," she says.

Indeed, another well-known for-profit figure, Jorge Klor de Alva, president of the Nexus Research and Policy Center and former president of the University of Phoenix, was also involved with nontraditional ventures from the beginning of his otherwise conventional and successful academic trajectory. As a young professor at San Jose State University, he met a fellow instructor, John Sperling, who was already working outside the university on practical training programs for nontraditional students such as police officers and firefighters. Drawn to the chance to work with a student population that he felt San Jose State "had zero interest in," Klor de Alva became involved with the fledgling University of Phoenix even as he pursued an academic career that took him to a tenured professorship at the University of California, Berkeley. His decision to leave that job to head the fast-growing and controversial for-profit institution was not as big a surprise as some of his Berkeley colleagues may have thought, he says: "I had one foot in the for-profit world from the beginning."

By contrast, if some for-profit leaders had always played somewhat unconventional roles within traditional academe, other stalwarts of the higher education establishment never expected to find themselves in cutting-edge (and controversial) institutions. "If you had asked me fifteen years ago would I ever be participating in any way in the for-profit sector, I would have dismissed it out of hand," says Harold Shapiro, former president of Princeton University and the University of Michigan. "One, I didn't know very much about it, and two, what I did know wasn't very flattering." But Shapiro got to know DeVry Inc. co-founder Dennis Keller when Keller served as a Princeton trustee. When Shapiro retired from the Princeton presidency in 2001, he was asked to join the board of DeVry, which owns DeVry University, Chamberlain College of Nursing, Keller Graduate School of Management, and other for-profits. "By that time I'd



begun to think that some of the firms in the sector were really addressing a problem that was overlooked by the traditional higher education sector,” says Shapiro, who continues to carry a full teaching load as an emeritus professor of economics at Princeton. “There was a portion of the population that for various reasons was not being served by the traditional sector. I began to realize that there was potential for a great social product there.” In 2008, he became DeVry’s board chairman.

Another perhaps unlikely champion of the proprietary higher education sector, Henry Bienen, former president of Northwestern University, was recruited to the for-profit world by a Northwestern University alumnus and donor, Robert King, chairman of Rasmussen College Inc. Bienen joined the Rasmussen board while he was still president of Northwestern. When he stepped down from the presidency, he became vice chairman and later chairman of the board; he also spends about thirty days per year working for the company. Rasmussen offers bachelor’s degrees in subjects like nursing, business, information technology, criminal justice, and early childhood education. Many of its courses are offered online, and seventeen Rasmussen College campuses offer both in-person teaching and blended instruction that includes an online component. A Rasmussen subsidiary, Deltak, offers master’s degrees in partnership with institutions such as St. Joseph’s University and Loyola University New Orleans.

Like Shapiro, Bienen saw for-profits filling a role that conventional institutions have not always performed well: “I thought, ‘There’s a lack of institutions in the United States putting together jobs and skills, which is striking. . . . It’s a lacuna in the higher education system.’” Community colleges were meant to serve this function, he notes, but have delivered mixed performance and, in any case, are “crammed to the gills right now” as workers pour in to cash-strapped public institutions to upgrade their skills in a faltering economy.

Bienen says that his wife, a law professor at Northwestern, “had a certain skepticism” about whether he should join a for-profit. But she agreed with him that colleges like those Rasmussen runs have the potential to provide much-needed educational opportunities. “These are important institutions for the country if you can get them right, if you can maintain good standards and fulfill your mission: train people to do jobs and get them into the employment market,” he says. He is also candid about the financial appeal of the for-profit sector, as well as the value to Rasmussen of his understanding of the postsecondary world and his access to policymakers in Washington, DC.

“I thought I could bring something to the table of some use, knowing higher education reasonably well. Obviously I wanted to do well for myself financially, while doing something that interested me, while at the same time doing something that was good for the world. Some of these places can do some good—the good ones.”

Along with the capacity to tolerate more trial and error than traditional institutions, entrepreneurial for-profits are able to move much faster to create new programs, adjust staffing levels, and make curriculum changes.

Still, the potential virtues of for-profit universities are by no means immediately apparent to many academics on traditional campuses. Professional colleagues sometimes make this clear to Jim Goes, a former professor of health care and management at the University of Minnesota and the University of Alaska, who began teaching doctoral students online at the University of Phoenix and Walden University after he left conventional academe to launch his own management consulting firm. “The toughest thing for me to manage personally has been the question of legitimacy,” he says. He has published in top journals in his field and has long been a member of the Academy of Management, a professional association of business academics. Yet, he says, “when I go to conferences and they say ‘University of Phoenix?’ they kind of look at you as if [to say], ‘What happened to you?’ There’s enormous snobbishness in education.”

Klor de Alva suggests that, in at least some cases, the reaction of traditional academics when their colleagues move to vastly different for-profit colleges and universities does not just reflect their perception—a common one—that those institutions provide a substandard education. He maintains that a move like his, which was particularly unusual because of his status as a tenured professor with an endowed chair at an elite university, may be not only hard to understand, but also a little threatening to members of the university establishment.



“When I left Berkeley, I felt a little bit the way you do when you have a group of couples who are friends, and one of them gets divorced. It always sends a kind of ripple of consternation and reflection among your whole little group,” Klor de Alva says. “So when I left I could easily understand how upset they were with me. Because I was basically saying, ‘Look, I found something else, other than what we are doing together, of great value.’ These are all people who identify what they’re doing as a job to die for—how could you leave it? And yet I was putting that into question.” Michael Offerman, who holds a PhD in educational policy from Northern Illinois University, was dean of continuing education at the University of Wisconsin-Extension and later became president of Capella University. He echoes this view: “I gave up tenure at Wisconsin, and that’s something that people don’t do.”

Whatever their backgrounds, many interviewees were willing to acknowledge in general terms that all is not rosy in the for-profit world. They concede that concerns about poor academic quality and inadequate consumer protection have some factual basis while simultaneously making the case that their own institutions are effective, that many of the problems facing for-profits are common to all postsecondary institutions serving nontraditional students, and that regulatory overkill risks closing off access to students who could benefit from higher education. “I have said publicly, and to Secretary [Arne] Duncan, that there are quality issues for many for-profit schools,” Bienen says. “Some do not provide a decent career-oriented education. I think we do at Rasmussen.” He recognizes that the for-profits’ rapid expansion has had some downsides but cites upsides, too. At a time when President Obama and many others are pushing to expand college-going rates, he notes that heightened scrutiny from Washington has made for-profits less willing to take risks on marginal students, some of whom could benefit from what these institutions have to offer.

Trial, Error, and Measurement

Perhaps the biggest appeal for-profits hold for Klor de Alva, Offerman, and others who have joined the sector is that they are relatively new postsecondary institutions—educational works in progress in which experimentation is encouraged and inevitable. In his previous job, “I was getting bored,” Offerman says. He initially worried that when he got to Capella, which offers online-only degrees to students twenty-four years old and up,

“everything was going to be about the bottom line and was going to be ruthless.” What he found instead was “a very thoughtful mode,” in which the company took a long-term view of building its reputation without being tied to traditional assumptions and models.

He cites Capella’s focus on learning outcomes not just for core skills like writing and analytical reasoning, but also at the program or major level. Capella’s learning-outcomes work gained the company an award from the Council for Higher Education Accreditation—the kind of recognition that would not have come had the institution been focusing solely on short-term financial returns, Offerman says. “The issue isn’t that for-profits are so much better at this,” says Offerman. But their newness and distinctive mission “allows us to innovate and experiment in ways that I didn’t see happening as much when I was in public institutions.” Capella and other for-profits create “curriculum maps” leading to defined outcomes tailored to skills valued by employers. Offerman contrasts this practice with the ethos of many traditional institutions where, he argues, “the interests and research experiences of the available faculty determine what is emphasized and what is taught.”

To illustrate Kaplan’s ability to experiment, Thomas Boyd, dean of Kaplan University’s School of Business Management, cites the firm’s practice of comparing and contrasting different pedagogical approaches in, for example, a marketing class with a highly standardized curriculum. With large numbers of essentially identical courses, he says, Kaplan is able to test out new ideas systematically and on a large scale. New tutorial software has been piloted in some sections and not others, for example. Kaplan also gives students the chance to try seminar-style classes as an alternative to conventional instruction. Administrators can then look at student learning outcomes to compare success rates in classes using existing and alternative approaches. “We’ve created a laboratory for improving education,” says Boyd, who joined Kaplan in 2010 from California State University, Fullerton, where he was a professor of marketing and associate dean for academic programs at the College of Business and Economics. “We don’t get it right every time. Some of the stuff bombs, and we drop it. We say, ‘Whoops, that didn’t work.’ But we’re there trying new things all the time.”

Along with the capacity to tolerate more trial and error than traditional institutions, entrepreneurial for-profits are able to move much faster to create new programs, adjust staffing levels, and make curriculum changes, according to Malandra, who says this became apparent to her soon after she joined Kaplan. “I was



amazed at how quickly program suggestions can be developed and brought online,” she says. That ability to make rapid program changes contrasts with many traditional universities, in part because of for-profits’ ability to staff new or expanding programs on short notice. “In a regular university it’s very hard to add faculty positions; it can be done, but it’s hard,” she says. “Here it can be done relatively easily if there are strong market reasons.”

Kaplan’s online classes are offered at multiple starting points each year to let students enroll at their convenience. So the firm’s recruiting, hiring, and orientation procedures are set up to quickly accommodate fluctuations in demand for course sections; part-time, adjunct faculty can be hired on short notice when needed. It is true, of course, that traditional universities also have a large and expanding core of adjuncts, but those positions tend to be filled on a less flexible schedule because of the traditional semester system, she adds. “This is not a judgment of better or worse—just different business models.”

Kaplan can also react speedily when course content needs to be updated, Malandra says. “One of the biggest contrasts is that we can adjust and improve our curriculum much more quickly than I was able to see at public universities. Not because the faculty wouldn’t want to do that, but you have [factors including] limitations because of resources, the timeline it takes to add new people, different levels of internal and external review,” and so forth. In the public systems where Malandra worked, she says, “it could take a year or more for programs to go from idea, through department, college, board, and state coordinating board approval.” She recalls one online doctoral program that took many years to get a green light. “Because it is so rare to eliminate programs, it makes sense that the public systems would be careful,” Malandra says. “As an administrator, the check and balances along the way were valuable, but it was frustrating to the academics.” At Kaplan, there is also what she calls a “rigorous, multistep process” to evaluate new programs, but, averaging three to six months from beginning to board approval, the process is much faster. Kaplan also employs a large staff of curriculum developers focused on keeping course material up-to-date and ensuring that it can be delivered effectively online. According to Boyd, more than half of Kaplan’s business courses went through major revision last year, while many others received minor tweaks.

The ability to standardize curriculum is particularly important to the success of for-profits, interviewees stressed repeatedly. Klor de Alva says this represents a huge philosophical shift from faculty-controlled curriculum

decisions in the traditional sector. “Berkeley was a place where everybody was truly their own boss—as the Brazilians say, *‘todos são os donos da verdade’* (everybody is the owner of the truth).” Peter Smith agrees. “The culture of faculty governance is hostile to anything that in a consistent way will impinge on the autonomy of the individual faculty member, period,” he says. “They’re the kings and queens of their own courses. You can teach ten accounting courses with ten teachers and have ten entirely different sets of curriculum.”

As the University of Phoenix grew, in contrast, its leaders applied the principles of standardization and mass production across the board. The company felt no need to reinvent its design template each time it opened a new facility in its chain of campuses, Klor de Alva says. It tried to maintain the same look and feel in each building, even using the same furniture. It followed the same model with its courses. “The idea was that when you were in the second week of Organizational Behavior in Tampa, or Dallas, or Oklahoma City, or San Diego, the student was learning the exact same things, and the faculty member had been trained to teach,” he explains. “So your success in class did not depend on which side of the bed the faculty member got up on, or how good or bad the faculty member was.”

Part and parcel of for-profits’ inclination to standardize the material in each course is the ability such a system gives them to systematically measure whether students learn what they are being taught. A repeated theme of the interviews was that for-profits have developed a culture in which student learning outcomes are carefully designed, then regularly assessed. Malandra, who pushed hard for better assessment of student learning in the University of Texas system, boasts that nearly every one of Kaplan’s 900-plus courses in some 125 certificate, bachelor’s, and master’s programs has a rubric spelling out the goals of the course and the specific outcomes students are expected to master. Courses are effectively reverse engineered: once the desired outcomes have been established, administrators and instructors can create content for each week and semester. Data are collected from each class, allowing administrators to map outcomes by program, course, instructor, and more.

To determine where changes are needed in a particular course section, Kaplan creates detailed scatter charts analyzing how student outcomes compare with overall grades for the course as a whole. Sections for which the upper lefthand quadrant shows both low average overall course grades and low median scores on unit tests within the course are immediately flagged for



improvement. Kaplan also uses testing data to overhaul course design. Boyd says that Kaplan recently revised aspects of a marketing class by adding new multimedia exercises when a detailed breakdown of tests showed that about 10 percent of students were not improving their grasp of certain subtopics.

Not all assessment is the same, of course. Although agreement on the need for more outcomes measurement in a range of postsecondary institutions is growing, the shape it takes in for-profits needs to be highly individualized, Malandra argues. Instruments like the Collegiate Learning Assessment (CLA), which is now mandatory for all University of Texas campuses, rely on relatively small student samples to produce results intended to represent student achievement at the entire institution. Traditional public universities and private not-for-profits are often wary of assessment regimes like the CLA on the grounds that one-size-fits-all tests cannot capture their complexity as institutions.

Malandra's views on the need for individualized assessments are based on a different argument—that overall measures of an institution's teaching effectiveness based on testing a small group of students are not what students at for-profits need or want. Sampling makes sense, she says, for large institutions that have been around a long time, have relatively well-prepared students, and are supported by policymakers who generally value the importance of higher education. But for-profit students are self-supporting—with a hefty assist from federal student loans, of course—“so for them there's no way that sampling of student outcomes makes sense,” she says. “We don't want to know ‘on average’ anything. We want to know about actual live students and how they're doing and how we can improve their experience one by one.”

For-profit administrators say they conceive of learning outcomes very practically. At Capella, “We have identified program-related learning outcomes development by talking to the people who hired our graduates. It's not just a bunch of people sitting around a room,” Offerman says. Other for-profit leaders echo the theme. What students should learn, they say, and the knowledge and skills on which they are evaluated, is a function not simply of students' desires or of the preferences of the institutions where they study, but of institutions' efforts to respond to market needs.

At Rasmussen, Bienen says, “If employment demands are shifting in some way, we could start up new programs in ways that a lot of traditional places can't [easily do]. You know what academic institutions are like;

they're often quite slow to do this.” At Rasmussen, without the need for faculty committee approvals for every new program, an accounting program could be established within about a year. At Northwestern, Bienen says, even when an undergraduate business program was put in place fairly quickly by traditional standards, the process took two years. Rasmussen gauges the need for particular course offerings by talking to firms that hire its graduates. In an area like Minneapolis-St. Paul, for example, which has a high concentration of health care firms, Rasmussen officials meet regularly with human resources staff at large companies to discuss what programs and courses would be particularly useful in meeting their needs. This approach to assessing market demands is not just a practical necessity: it is a philosophical dividing line between the traditional sector, particularly at the elite level, and money-making institutions, says former Princeton president Shapiro:

In elite higher education, you think you know what people need, so you produce that. You're not out there asking firms or consumers, “What do you want?” [At traditional universities,] we know what we want. Whereas at a place like DeVry, which is much more focused on career education, management is out there all the time talking to businesses, asking “What do you want?” [They are] talking to students, asking “What do you want in a professional sense?” Obviously the for-profit sector has to be much more attuned to customer needs—students and employers. And the not-for-profit sector has more general guidelines in that respect and maybe longer-term guidelines.

In this environment, it goes without saying that returns to shareholders matter. “After all, this is a profit-making business,” Shapiro says. But he maintains that attention to the bottom line is fully compatible with serving the practical needs of student-consumers. “The thought is you do well by doing good. You produce a product that people want, and then you'll make a profit.”

Rethinking the Faculty's Role

For-profit institutions that value trial and error, a heavily standardized curriculum, careful assessment of learning outcomes, and responsiveness to consumer demand depend heavily on instructional staff to make all this work. The result is that their faculty tends to look quite different from counterparts at many traditional public and private not-for-profit institutions. First and foremost, for-profits' faculty are instructors rather than researchers.



“At DeVry we’re hiring people who want to teach,” Shapiro says. “If you want to do research, DeVry is not the place for you.” The proportion of full- to part-time faculty at DeVry varies by institution. Professors at institutions such as Ross Medical School in the West Indies are almost all full time, but many instructors in other DeVry divisions are part-time adjuncts. The company says that its goal is to have 60 percent of the credit hours it offers taught by full-time faculty.

The understanding that teaching is the central responsibility of faculty is not hugely different from the expectations of faculty at community colleges; large, nonselective regional public universities; and some small, private colleges. But Peter Smith of Kaplan maintains that there are, nevertheless, some contrasts. Kaplan’s faculty (which is 70 percent female) includes not just instructors with terminal degrees in their fields, but many practitioners as well. Also, Smith maintains that instructors at Kaplan, while having some latitude in how they deliver materials, must focus particularly carefully on student learning outcomes because of the company’s emphasis on assessment of those outcomes both during and at the end of each course.

More broadly, for-profits’ emphasis on faculty as classroom instructors is quite different from the conception of a professor’s core job at many research universities. Klor de Alva says he saw this firsthand at Berkeley, where, by his account, the reward structure for professors was based almost entirely on their professional advancement as scholars, both on campus and beyond. “The percentage of folks who focused on research to the near total disregard of students was pretty high,” he contends. Though many would dispute this view, Klor de Alva asserts that the general attitude among Berkeley faculty was that students “were a bother, and they took up time” that could otherwise have been devoted to research. (He recalls that teaching was considered a higher priority at Princeton, where he taught before moving to Berkeley.)

For-profit instructors are often compared to the adjuncts who increasingly staff many large undergraduate classes at traditional universities. But Capella’s Offerman says that his entry into the for-profit sector dispelled some stereotypes he held about the kinds of instructors he would find. “I had drunk the Kool-Aid at the publics and the nonprofits,” he says, referring to the assumption that for-profit faculty were almost all low-level adjuncts with no benefits and few other prospects. Instead, he says he discovered “a whole new world” of instructors: independent contractors who had little interest in the publish-or-perish world of traditional research universities. Many have degrees from respected institutions, he notes—typically

terminal degrees for those teaching in Capella’s graduate programs. Offerman says these instructors self-select based on their desire to focus on teaching, much like those at the University of Wisconsin–Stevens Point, the regional campus where he once worked in continuing education. Capella’s faculty are employees; Offerman says their compensation levels are set using pay rates at similar institutions as defined by the Carnegie classifications.

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To create effective teachers, for-profits also do something that is unusual in many traditional colleges and universities: they evaluate prospective hires on their teaching skills and give new instructors explicit pedagogical training. “DeVry actually trains people how to be better teachers. I’m not aware of any traditional universities who do that,” Shapiro says. That is an expansive claim that would no doubt elicit disagreement from the many institutions trying to upgrade teaching quality on their campuses. But the three-week intensive teaching seminar that DeVry offers faculty before they begin teaching, plus ongoing training, certainly is not common practice at most colleges and universities.

When Goes, who already had considerable teaching experience, first began working with Walden in 1999, the company flew him to Minneapolis for an orientation session in which he was shown how to evaluate a large research and writing project, known as a “Knowledge Area Module,” then in widespread use for doctoral students at Walden. At Phoenix, he went through an online training program devoted largely to learning the mechanics of the course platform. Next, he taught a class under the online supervision of a current faculty member, receiving regular feedback on his success at engaging students. When the class was finished, he received a formal evaluation before Phoenix decided to hire him. “They check you out,” he says.

Once on the payroll, for-profit instructors are also evaluated much more systematically than their peers in the traditional academic world. Since becoming an



instructor at Phoenix, Goes has been through several evaluations by faculty members or administrators, who assessed his performance on a variety of criteria, including whether he met “minimum set” or “best practices set” criteria. Goes says that Phoenix officials are aware of the criticism that professors in online classes are not actively engaged—that students are, in effect, teaching themselves. So his online activity is monitored weekly to ensure that he is interacting regularly with students and providing them substantive feedback on their papers and contributions to class discussion.

He finds the exercise useful, he says, and something that “rarely, if ever” took place at the traditional institutions where he has taught. Although student evaluations are routine in the not-for-profit world, they often “go off into a black hole,” according to Goes. “You can access them, but I never had any direct feedback from anybody in the institution about them.” To be sure, he says he has not received feedback at Walden and Phoenix based explicitly on student course evaluations. Still, Goes says that the culture of faculty evaluation at those two institutions is pervasive—and valuable. At four traditional universities where he has taught, he explains, including two Carnegie I research institutions, teaching abilities “received relatively little attention.” He got one “attaboy” from an administrator and a favorable acknowledgement of strong student evaluations when he was granted tenure at the teaching-oriented University of Alaska Southeast campus. The exception to the general lack of interest in teaching evaluations he has experienced at traditional institutions, Goes says, is in an Executive MBA (EMBA) program sponsored by a consortium of several Oregon universities in which he has taught for the past decade. “In this case, evaluations matter a lot, because EMBA is a very competitive market,” he says.

Shapiro agrees that oversight of teaching quality is weak in the traditional sector. He maintains a full teaching and research load at Princeton and says that traditional institutions rarely criticize or reward faculty based on student evaluations. “I get feedback telling me that students liked or disliked this or that aspect of a course. It would be much more unusual, however, for the dean to call a faculty member and say, ‘Hey, I’ve looked at your evaluations, and I’m concerned about them,’ or ‘I congratulate you on them.’ Whereas at DeVry, that feedback is organized, and it happens all the time.” Course evaluations at DeVry are conducted from all directions, Shapiro notes: every course is evaluated by students, faculty, and a dean.

Does the for-profits’ focus on instructors’ classroom success mean that poor performers are dismissed? Goes

says that faculty turnover at both Walden and Phoenix is fairly high: “there seems to be a lot of churn.” That is probably in part because some instructors simply do not care for the online mode. Goes is personally aware of at least a few cases in which Walden faculty members have been fired. “Let’s be clear: this is at-will employment, and there is nothing resembling tenure,” he says. “However, I think if you meet the standards for a faculty hire and continue to meet the standards in your work, you’re reasonably safe at either institution.” Flexible employment arrangements mean that the drama of terminating an instructor simply is not needed in most cases. “The work is all contractual, so if they decide they don’t like you anymore the most likely event is that they will no longer offer you courses or other work,” Goes says.

Why is it so much harder, by these interviewees’ accounts, to use evaluations to boost teaching quality in traditional institutions? Boyd, the Kaplan business school dean, explains that administrators at many universities have very limited ability to oversee professors. When he was associate dean of the CSU Fullerton business school, he was frustrated by a culture in which his authority was severely constrained. “It was sort of a protocol that you had to walk on eggshells when you talked about what they were doing in their classroom,” he says. “Of course you couldn’t go into the classroom and observe a professor. You could ask their permission, but you couldn’t drop in on classes. That was considered very inappropriate, to watch how they were teaching.” Similarly, administrators could obtain a professor’s syllabus for a particular course, “but you had no way to make sure they were following their syllabus. You would frequently encounter professors who would say, ‘I ran out of time, so I skipped the last two chapters,’ or ‘I never knew much about marketing channels, so I didn’t cover that.’ There was very little you could do about that.”

Perhaps unsurprisingly, Boyd identifies tenure as a significant barrier to improving teaching, consistency of the curriculum, and student learning. He recalls a tenured faculty member who taught a large section of a Principles of Marketing class using twenty-year-old handwritten notes and refused to use the same textbook as other instructors. “He wasn’t a bad teacher. He wasn’t bad with students,” Boyd says. But the professor’s stubbornness “made it much harder to make sure students were exposed to the material. Current marketing practice has evolved dramatically in the last ten to fifteen years.” The upshot: quality control was hard to exercise, which in turn meant that “despite people’s best efforts, it was also very hard to measure student learning.”

Like other tenure critics, he worries that the system has devolved from giving freedom to faculty engaged in potentially controversial research to protecting professors who do not pull their weight. Many faculty members at CSU Fullerton, he says, go well beyond the minimum—publishing, teaching, mentoring junior faculty, and otherwise serving their departments. But the minority who do not serve as a barrier to a culture of excellence. He cites another run-in with a tenured professor, whom he asked to attend a Thursday morning meeting. “He said, ‘I’m not going to come. I only come to campus on Wednesdays, and you can’t make me come.’” This exchange “is illustrative,” Boyd says. “It is not an extremely widely held attitude, but it is held, and it holds back institutions.”

Practical Instruction and Student Support

One reason among others that tenure is unheard of in for-profit colleges is that many of them hire working professionals or retired college instructors to teach courses whose emphasis is relentlessly practical. When Phoenix was created, says Klor de Alva, “we wanted practitioners. We used to say that you were teaching in the evening what the students would be able to apply to their workplace in the morning.” That focus is attractive for some professors. Goes, for example, says helping students think through the kinds of real-world problems they encounter in their workplaces makes his teaching at Phoenix and Walden distinct from the classes he has taught at other institutions. “These are people who have life experience; they’re not twenty-somethings reading about business in a book,” he says. “They’re forty-somethings who have a lot of practical experience, who are trying to improve their lives. . . . It’s wonderful to work with people who are dealing with real-world problems, and real-world business problems, and they need help working them through.”

This hands-on orientation, where academic theory often takes a distant back seat to practice, was attractive to students like Laura Parker, the director of the Children’s Discovery Center, a preschool in Riverside, California, owned by the Seventh Day Adventist Church. Parker recently earned a degree in human services from the University of Phoenix. Before her seventeen-year career in early-childhood education, she had worked as a respiratory therapist. That is certainly not a theoretical subject, but she complains that the “perfect scenarios” that were used to teach the respiratory therapy class she took many years ago did not prepare her for the reality she encountered

in the emergency rooms where she worked later. In her Phoenix classes, which she took at a brick-and-mortar facility near her home in Orange County, California, “the teachers had real experience in the field,” she says. “So you’re not getting someone who’s just book smart—you’re getting people who are actually out there working. And I think you get a clearer picture of what you’re going to be up against in the field you’ve chosen.”

Career advancement, of course, is the payoff promised by for-profit institutions—and their failure at times to deliver on that promise is at the center of today’s controversy. For Parker, whose boss explicitly promised her a \$7,000-per-year raise if she earned her bachelor’s degree, a clear financial incentive combined with her slight embarrassment at having no formal postsecondary credential was enough impetus to take on a significant new commitment. Along with giving her a higher salary in the near term, her degree would qualify her to pursue a master’s program at nearby Loma Linda University. A master’s would in turn prepare her for her eventual career goal—working as a medical social worker in a children’s hospital. Although she is known and respected within her community, Parker says, “I couldn’t market myself [in the wider world] without my degree.” Jim Goes says that his doctoral students have also seen career doors open because of their Phoenix and Walden degrees, even though such qualifications do not carry much academic cachet. “I’ve seen some real success stories for people who are dead-ended in their jobs, even at mid-to-upper levels in the corporate world, for whom this doctoral level was a revelation. [It] has changed the trajectory of their professional lives. It has opened up new opportunities for them.”

Student convenience is a frequently cited selling point of for-profits, which market themselves not just on the basis of the practical, career-oriented courses they offer, but also for the way they accommodate the real-world demands of older students juggling work and family obligations. Once recruited, students can begin classes quickly, thanks to year-round enrollment cycles that do not abide by the traditional fall-to-spring academic calendar. A much-noted distinguishing characteristic of Phoenix is that its branches are conveniently located near freeway exits. Classes typically run four hours or so one night per week, with assignments and group projects scheduled on an accelerated basis, permitting a semester of course credit to be earned in about five weeks for courses held in brick-and-mortar “on-ground” campuses. For Parker, the opportunity to earn a degree within a few years while still working was crucial. She took just under three years to earn her Phoenix bachelor’s degree and says

that despite her high student debt—around \$50,000—she does not regret the choice. Previously, she had attended community college two or three nights a week, taking one or two classes per semester, and sometimes had trouble finding courses that met in the evenings. “It was wearing me down at that rate,” she says. “I felt like I was never going to be done with school. . . . I felt like I needed to do something, regardless of cost.”

The lessons that for-profits can teach the rest of the postsecondary world begin with flexibility and speed.

To keep nontraditional students on-track, for-profits say that they make student engagement a high priority. Despite what educational traditionalists might expect, for-profits often keep classes small, both in person and online. That can contrast favorably to most students’ public-sector alternatives. Before enrolling at Phoenix, Parker took classes at Riverside Community College, which often had thirty or forty students per class. She had minimal contact with her instructors and was frustrated when she wanted to contribute to a class conversation and was lucky to get in a brief comment. By contrast, her Phoenix classes had no more than twenty students, and she felt that her contributions were encouraged.

As a beginning Phoenix student, Parker says, “I was scared to death when I walked in.” With the exception of a few community college classes, she had been out of school for years and was worried about a heavy workload. But she received weekly phone calls from a university staffer, which she found reassuring. “They really mentor you when you start the program,” Parker says. “You feel like that’s their goal, to help you succeed. . . . I always felt like I had a sense of security with them; I didn’t feel like I was lost.” When she attended nearby Riverside Community College, by contrast, although counselors were available, getting attention was not as easy, and she felt the personal touch was lacking: “To me it felt more like a cattle call.”

Malandra of Kaplan underscores how much support is needed for students with one or more of the risk factors often associated with failure to complete a degree: many are first-generation college students; ethnic or racial minorities; or older, working adults with children. Many would simply never be enrolled at traditional colleges and

universities, where students often enter with stronger preparation. Many students at for-profits “would crash and burn before the end of the semester in a regular university, and they know that,” Malandra says. Big state university systems “are not set up for these students—and I’m not sure they should be.” Kaplan provides a large network of advisers who give its students guidance on topics from financial aid to core academic skills. “If they’re struggling in any way, we’ll help right away,” she says.

The flip side of enrolling many nontraditional students who are often poorly prepared for college is that the potential to improve what they know and can do is significant. Malandra draws an analogy between what for-profits can do for their students and the kind of educational gains seen by nontraditional students at unselective regional public universities. When the University of Texas began administering the Collegiate Learning Assessment at relatively open-access, mostly Hispanic-serving campuses such as UT Permian Basin and UT El Paso, value-added measures of student learning were much higher than at the state flagship in Austin. While students may have come in with poorer abilities on average, their gains while on campus outstripped those of their peers. Students at Kaplan have a similar set of risk factors, Malandra says, and are similarly likely to gain disproportionately from postsecondary education.

Those who have worked in both traditional and for-profit institutions almost invariably bring up web-based learning when comparing the sectors. Although online education is spreading throughout higher education, Offerman contends that for-profits have had unique success in leveraging the efficiencies of web-based instruction. “Most traditional institutions have actually found that online [education] adds costs rather than reducing costs or achieving efficiencies,” he says. “My theory is that they’re laying a new delivery mode over the old structure, over an old set of assumptions.”

Indeed, when asked what the traditional sector can learn from for-profits, Shapiro says the key is learning to respond quickly to new developments in the surrounding society. “So the question for a place like Princeton, for example, is ‘Are we really deploying all the newest technological devices . . . as effectively as we could, or are we married to the old pedagogy?’” While institutions like the University of Illinois and Carnegie Mellon University have earned a reputation as early adopters of new learning technology, he adds, “those of us at the Princeton and the Michigans of the world ought to be saying, ‘Are we being agile enough, or are we just sitting on the monopolistic position we hold?’”



Online education has helped drive the fast growth of for-profits, which account for more than 40 percent of all fully online enrollments in postsecondary education. But it is not for everybody. Kaplan's Boyd says that probably the most important of the "very strong positives" he continues to see in the traditional sectors is "the face-to-face opportunities for students to go and sit in professors' offices and talk to them." That said, the two are not mutually exclusive: for-profits have pioneered blended learning, a hybrid of online and classroom instruction that is becoming increasingly popular in both for-profit and not-for-profit institutions.

Quality Concerns and Governance

For-profits are controversial, of course, because some of their practices seem to exploit nontraditional students rather than help them. Those who have moved from one system to the other are generally quick to acknowledge some serious problems while underscoring that such nontraditional students often face comparable difficulties and frequently experience poor outcomes in conventional institutions. "I hold no favor for some of the abuses that have been discovered across the board—they're wrong; they're disgusting; they shouldn't happen," says Peter Smith of Kaplan, referring to allegations, for instance, that for-profit recruiters have misled prospective students about the labor-market value of certain degrees. At the same time, he adds, alluding to a controversial Government Accountability Office "secret shopper" report on alleged unethical practices by for-profits, investigators applying similar scrutiny to traditional institutions would "see and record some things that are every bit as bad," such as rock-bottom graduation rates at community colleges or dubious athletic recruiting practices at four-year schools.⁴ Like others at Kaplan, he highlights the company's new "Kaplan Commitment" program, which gives every potential student a five-week window to test out course offerings without financial commitment. James Goes also says critics are only partly right: "There certainly seem to be some abuses going on," he says, "but these institutions have been reaching an audience and a market that traditional education could not. And that piece gets lost in the discussion." (He stresses that he is "not an apologist" for either Walden or Phoenix, which he does not significantly rely on to earn a living.)

Shapiro, too, does not hesitate to concede that quality is "very variable" at for-profits. But in the same breath he notes that "there are good schools and terrible schools

within the traditional sector. DeVry is not perfect—nor is Princeton, for that matter." Asked whether for-profits are more likely than other institutions to be of poor quality, as their battered image (and numerous critics) would suggest, Shapiro demurs: "I cannot say if for-profits are more likely than others to be of poor quality, since I have not reviewed them as a whole." Like other interviewees, he stressed that the goals and accomplishments of for-profits must be seen in context. "I try to pay attention to the issue of 'Can we or can't we serve an important sector of the population in a way that helps them?' If we can, we'll be OK. If we can't, we ought to get out of the business," he says. He believes that for-profits have every reason to applaud a policy environment in which increasing attention is paid to how well all kinds of institutions serve students. "This idea that, going forward, we're all going to be held to account, is on the whole a very positive thing," Shapiro says.

The reputation of for-profits is based on many things beyond student debt and future employment prospects, of course. One is the quality of faculty. In institutions focused very heavily on teaching practical subjects, measures of what constitutes a good instructor may differ somewhat from those in traditional colleges. But among traditional academics, suspicions run high that faculty who teach in for-profits that offer advanced degrees have subpar academic credentials and abilities. Goes says there is some truth to such concerns. "There's a great deal of variability in my experience." Some of his faculty colleagues are "very competent and academically credible," he says. Nevertheless, he adds, "I've had to deal with people at both institutions [Phoenix and Walden] who, in my mind, are not entirely credible scholars or academics." Some of these faculty received their degrees from the same institution where they now teach or from other online institutions. Some of those hired in the early days of Phoenix and Walden, Goes says, "have established a bureaucratic position in the institution . . . and they're embedded. They're not what I think of as credible colleagues on par with how I think of myself."

He acknowledges that these weaknesses are significant, but he does not see them as insurmountable. He believes for-profits are making progress in setting higher expectations for faculty. And his acknowledgment of significantly uneven quality in for-profits fits right in with his broader analysis of these relatively new institutions as exemplifying Clayton Christensen's notion of disruptive innovation. In the case of for-profit postsecondary institutions, he argues, "the real question is 'how fast are they improving, and how fast can they move up market?'"



Goes says he has seen some former doctoral students go on to establish mainstream academic reputations. But others have had no luck getting a foot in the door at traditional institutions because their for-profit credentials were viewed as suspect. Yet he believes this ethos will gradually change as for-profit graduates with advanced degrees who can write well get published and begin to prove themselves. “I think meritocracy will win out in the end,” he says.

On the governance front, notwithstanding the built-in differences between for-profits and not-for-profits on such core matters as faculty control of the curriculum, more structural similarities exist than outsiders might imagine. “If you looked at our administrative manual, it would be similar to what you’d see in other colleges and universities,” Malandra says of Kaplan University. Kaplan has curriculum committees, policy review committees, an administrative council, a new programs steering committee, and a faculty senate. This is not a coincidence, she explains, because such structure and internal processes are needed to comply with accreditation requirements. (Kaplan is accredited by the Higher Learning Commission.)

Malandra, who weathered political controversies as an administrator in the Minnesota and Texas state university systems, sees commonalities between the close oversight those institutions received and the current firestorm surrounding for-profits. “I know what it was like when we were being attacked by the legislature in Texas,” at a time when the university was under pressure to explain how and why it provided value to taxpayers, she says. “I know what it’s like being in a room with people discussing communications and legislative strategy. . . . That part feels the same to me.” Similarly, she recalls being horrified the first couple of times she was chastised by Minnesota legislators during debates over issues such as legislative scrutiny of the university budget and proposal to close county-level offices of the university extension services in favor of a regional model. “But eventually you learn that it’s a political process. It’s not the end of what will happen, she says.” Malandra says her past experience has helped her stay relatively unperurbed by the current period of heightened for-profit scrutiny by Washington legislators. “There’s a part of me that says, ‘This, too, will end.’”

What about board leadership at for-profits versus traditional universities? Here again, commonalities exist among the inevitable differences. Strategic thinking matters wherever you are. Shapiro recalls that one of his riskiest decisions as president of the University of Michigan

was rebuilding the university’s medical center during the oil crisis of the 1970s. With \$1 billion needed for the project and just \$140 million in funds, selling the university board on the project was not easy. “We were actually putting the foundation in before we even designed the upper floor,” Shapiro says. In retrospect, the move was enormously beneficial to the university.

He compares that judgment call to his role in DeVry’s decision to expand its online presence significantly in 2003. The company had previously offered its business, technology, and management technology degree mostly on physical campuses. Shapiro reasoned that the company had flourished over the years by finding a market niche that others had not yet exploited. Yet such opportunities “are only worth a decade or so of profits, so you’ve got to figure out where your next niche is.” DeVry was not the first online institution, but it was well positioned to expand more quickly than others. It now offers nearly all of its undergraduate and graduate classes online, with about a quarter of all students taking only online courses, another quarter taking only on-site classes, and 50 percent mixing the two. “We wouldn’t be anywhere near where we are now if we hadn’t done that,” Shapiro says. “Times come when you have to take unusual steps, and to me that’s when leadership counts the most.”

Conclusion

It would be overreaching to suggest that a series of interviews with a relatively small group of individuals could yield an authoritative taxonomy of lessons the organization and culture of for-profits might hold for the much larger world of public and private not-for-profit colleges and universities. Nevertheless, those interviewed for this analysis bring valuable firsthand knowledge to an ongoing and increasingly urgent debate about the best paths to higher education reform.

The interviewees emphatically make the case that the controversy surrounding for-profits risks stigmatizing a sector of postsecondary education that has systematically used innovative practices to give educational opportunities (albeit, at times, of uneven quality) to previously underserved student populations. This effort to reach new groups of students comes as traditional institutions are under growing pressure to improve their own mixed record of enrolling and graduating nontraditional students. The accounts of the insiders quoted here suggest that even educators and policymakers who are sharply critical of for-profits or simply agnostic about their

performance can learn something from the approach they take to such fundamental matters as who is taught, what they are taught, who teaches, how they teach, and how teaching effectiveness is measured.

To sum up, the lessons that for-profits can teach the rest of the postsecondary world begin with flexibility and speed. Institutions closely attuned to the practical needs of consumers, defined to include both students and prospective employers, can change course quickly when market demand for a particular vocational specialty changes. In principle, there is no reason that traditional institutions should not be able to innovate quickly, but in practice they often lag in this area. The same is true of experimentation—a core principle for institutions like Kaplan, which by the accounts of business school dean Thomas Boyd and others do not hesitate to test out different pedagogical approaches for identical classes to see which yield the best learning outcomes.

This kind of results-oriented trial and error depends, in turn, on several other defining characteristics of for-profits. They have a high comfort level with a standardized curriculum and very limited autonomy for instructors, who must follow course rubrics in which specific learning outcomes are outlined in prescriptive terms. Progress reaching those outcomes is measured frequently—both for students and, crucially, for their professors—in a culture that values data as much as any other business venture. Again, none of these practices is unheard of in conventional institutions. But for a variety of reasons, both philosophical and practical, they are not often implemented on a widespread basis, despite their potential benefits for students.

For-profits can take the approach they do in the classroom—whether brick-and-mortar or online—only because of an understanding of the faculty’s role that deviates sharply from the norms of many traditional colleges and universities. As Michael Offerman of Capella notes, for-profits often recruit from outside traditional academe, seeking instructors with practical experience and, typically, little interest in research. Once trained, instructors at for-profits must be comfortable in environments in which (1) they are not viewed as the ultimate authorities on curriculum and pedagogy; (2) they are evaluated regularly on their teaching abilities; and (3) without the job security afforded by tenure, they must hew closely to the wishes of the administrators who hire and supervise them. This model would, in at least some respects, not be appropriate for faculty in major research universities or in some liberal arts institutions. But colleges and universities that are, or should be, almost entirely teaching institutions could learn much from a

conception of the faculty’s role that is more flexible (in hiring of part-timers, for example), gives instructors little room to act autonomously, and is more focused on measurable results.

Many other questions for the traditional sector are raised by for-profits’ success in appealing to undergraduates who might not otherwise have enrolled in postsecondary education. How have these upstart institutions adopted online delivery mechanisms so quickly? How have two-year for-profits succeeded in graduating their students at nearly triple the rate of community colleges (despite the dismal graduation rates of four-year for-profits)? How are the most successful for-profits able to support high-risk students, many of them black or Latino, from recruitment to graduation more systematically than some open-access publics? What might institutions like community colleges and vocationally oriented four-year institutions learn from for-profits’ close connections to employers? How could conventional colleges and universities make better use of assessment to prove to students, policymakers, and taxpayers that they are teaching effectively?

No doubt the for-profit nature of institutions like the University of Phoenix has contributed to some of their problems: heavy pressure for fast growth and profits, an emphasis on enrolling students quickly, and incentives to capture a growing pool of federal aid without accompanying incentives to ensure that students’ future employment prospects are as strong as promised. As Shapiro acknowledges, “One has to be aware that the market does not generate the most socially responsible incentives, and one has to continually monitor operations to guard against perverse incentives taking hold.” But he also makes an eminently fair point when he adds, “The same is true, of course, for both the for-profit and the nonprofit sector, although the source of the incentives might differ.” In other words, different institutions operate in different kinds of markets, whether profits are involved or not. For instance, public universities whose state funding depends in part on filling seats but not graduating students are, perhaps understandably, better at doing the former than the latter.

It is worth remembering that the same money-generating incentives that sometimes get for-profits in trouble also give them high motivation to respond quickly to the needs of students and employers in what seem to be useful ways. Their newness and independence from existing arrangements permits them to innovate. Critics notwithstanding, their long-term business incentives would seem to lie in improving their existing operations,



not in exploiting students. Where regulation and oversight are concerned, it is hard to argue with the insistence of for-profit officials that all postsecondary institutions should be assessed on a level playing field, particularly when it comes to serving nontraditional students with multiple risk factors. Low graduation rates, for example, are a problem everywhere. As Peter Smith of Kaplan says, “While we need to improve, others do as well.” Better measures of learning outcomes throughout postsecondary education are badly needed, and it seems reasonable for all institutions to be asked to demonstrate success in student learning, completion, employment after graduation, and debt repayment.

For-profits will certainly need to work hard to prove their own worth as they remain in the regulatory and media spotlight for the foreseeable future. But for all their flaws, for all the dismaying practices and bad actors that continue to be associated with the sector, their innovative characteristics are well worth studying. The observations and experiences of those interviewed for this paper suggest that traditional colleges and universities will be badly mistaken if they assume that the travails of for-profits today mean that profitable lessons cannot be

drawn from their successes to date—and those likely to occur in the future.

Notes

1. Guilbert C. Hentschke, “For-Profit Sector Innovations in Business Models and Organizational Cultures,” in *Reinventing Higher Education: The Promise of Innovation*, eds. Ben Wildavsky, Andrew P. Kelly, and Kevin Carey (Cambridge, MA: Harvard Education Press, 2011).
2. Editorial, “Rules for Gainful Education,” *New York Times*, December 7, 2010.
3. For a more in-depth discussion of the theories of disruptive innovation, see Michael Horn’s paper in this series, *Beyond Good and Evil: Understanding the Role of For-Profits in Education through the Theories of Disruptive Innovation* (Washington, DC; American Enterprise Institute, April 2011), www.aei.org/files/2011/04/27/Enterprise-Issue-1.pdf.
4. Gregory D. Kutz, “For-Profit Colleges: Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices” (Statement to the Senate Committee on Health, Education, Labor, and Pensions, August 4, 2010), www.gao.gov/new.items/d10948t.pdf (accessed December 7, 2011).