

Real-Time Synthesis
2010 Venture Capital in Education Summit

prepared by Diana Rhoten

Before I jump into my summary of the day, I'd like to begin with an observation. This is the first education conference I've ever been to where there is a line for the men's room and not for the women's.

While this is funny in the surface, it's a serious problem at the core. And, I say this not just because I am a woman. This is a challenge for *all* of us to think about in the larger context of talent development, which Jason Stoffer just rightly pointed out will be a critical element of innovation for this field going forward.

Okay, onward to my real time synthesis of the day's panels.

I should warn you, this is not an exhaustive but rather a summative overview of our day together. I have not captured every point made. Rather, I've tried to thread together key concepts that emerged not only within each but also across all of the panels in the hopes of leaving you with a brief but cogent narrative of the event.

Keynote: Is Education Ready for Innovation?

Tim Brown and Bruce Nussbaum

Tim Brown and Bruce Nussbaum kicked us off this morning by reflecting on the drivers, patterns, and examples of innovation in other sectors. In particular, they drew parallels – or, at least, comparisons – from the health sector, especially the analog between the electronic health record and the digital learning portfolio.

In general, Tim and Bruce both took a very learner-centered perspective in their conversation about innovation in this field. Bruce questioned the long-term future of educational institutions, suggesting a withering away of traditional organizational structures.

And, in the context of shifting attention from institutional schooling to individual learning Tim, argued for thinking about “enlightenment” rather than “entertainment” when imagining the innovation opportunities that might come with this learner-centered reframe.

So, did Tim and Bruce answer the question posed to them: *Is education ready for innovation?*

In my opinion, not directly, not really.

In fact, they probably made a better case for a different question: *Is education in need of innovation?*

And, to that, I think they would both answer, yes.

Panel 1: Why Education is the New New Market

Andrew Rosen, James Shelton, and Fred Wilson with John Heilemann as moderator

Rather than a question, this panel started with an assertion about the state of innovation in education, arguing that education is not only ready for innovation but is in fact the new new market.

This bold assertion was debated from three different perspectives: that of investment, government, and corporate incumbent.

While there was some disagreement, the overarching and general consensus was that the education market is at some sort of tipping point. And, where disagreement occurred, it was about precisely what the push over and the path forward from this threshold should be.

Let's just recap a few key moments from this panel.

Fred Wilson (the investment guy) argued that thanks to the Internet, we're going to see more Web-based, learner-centered products with 'free,' open source business models targeting not just supplemental but fundamental services. Like Bruce Nussbaum, Fred sees a future where education institutions as we know them fall away to more peer-to-peer models of teaching and learning.

Whereas Fred was pushing the 'free' business model, Jim Shelton (the government guy) argued that if the K-12 sector didn't get over its traditional allergy to for-profit approaches, education would not become the new new market. Jim highlighted various ways in which the government was trying to advance this relationship, which left me interpreting the government as playing more of a 'market maker' role than ever.

Just as an aside: If the investment guy's appeal to 'free' business models and the government guy's call 'for-profit' market approaches is not evidence enough of a new new market, not sure what else one might need.

Speaking of evidence, Andy Rosen (the incumbent guy) observed—and this became a theme of the both this panel and the rest of the day—that outcomes versus inputs could be a driver of innovation at the K-12 level. Comparatively, it's the element of consumer choice that's creating more vibrant markets at the postsecondary level and would probably be the primary driver innovation at least for entities like Kaplan.

The panel closed with a discussion about the power of 'radical innovation on the edges' versus the importance of 'incremental change at the core' to transform the education market.

Fred took the position that, as with other sectors, innovation would come from the edges and travel on the backs of individual users—in this case, the learners—back into the core institutions, leading ultimately to the latter's transformation if not dissolution.

Andy, on the other hand, pointed to the '*realpolitik*' of education and took the stance that we should focus on improving the system we have rather than imagining utopian one we don't.

Jim, being a calculated policymaker more than a consummate politician, argued that the new new market would only emerge with innovation happening both on the edges and at the core, and pointed to the need for a balance between radical and incremental change as well as regulation and openness in the process.

In retrospect, then, this panel may have done the job of answering the question posed to Tim and Bruce. However, they left open the question of how this new new market unfolds.

Panel 2: Business Model Aspirations and Realities

Jon Corshen, Alex Finkelstein, Bill Hughes, John Katzman, and Jeff Shelstad with Adam Newman as moderator

In the previous panel, Andy Rosen advised the 'hypothetical entrepreneur contemplating the learning space' to be aware of the pace of the education market and to demonstrate both tenacity and transparency in tackling the long road.

This idea was revisited by John Corshen. John raised the idea of the 'Zynga effect,' which he described as the accelerated and inflated expectation that a product will acquire millions of users in a matter of months.

In education, product ramp-up and roll-out tends to be slower than in other markets, and user acquisition as well as market traction often take longer than the investor community might prefer. And, at least in part if not in full, this returns us to the issue of outcomes and evidence raised earlier in the day.

As entrepreneurs and investors in this space, we need to require evidence and outcomes of learning from our products—that is what differentiates us from entertainment or communications. But gathering evidence and outcomes takes time, at a pace distinct from how investors keep time.

Bill Hughes picked up this thread with his comments on the importance of emphasizing learning evaluation—be it formative or summative—as well as customer satisfaction when building successful educational products and services.

John Katzman and Alex Finkelstein pushed the question of outcomes and evidence a little further. Both John and Alex took the position that next-generation technologies are inviting new models of social participation and collaboration in terms of the learning process, which in turn not only beg but actually

enable alternative methods and metrics of evaluation of learning outcomes, all of which could ultimately yield faster returns, both in empirical and financial terms (possibly).

Finally, Jeff Shelstad described how his business model focuses on elevating the learner to a 'real' consumer, first by giving them a free choice (which initially attracts the non-paying customers) and second by granting them individual control (which ultimately converts them to paying and staying clients). In so doing, Jeff succeeded in bringing this panel conversation back to Tim Brown and Bruce Nussbaum's focus on learner-centered products, Fred Wilson's vision of the 'free' business model, and Andy Rosen's notions of consumer choice, while also tying in concepts of customer satisfaction that emerged during this panel.

In the end, this panel left me with a set of questions that I want to pose now to the audience: Do we need to reconcile the idea that a focus on outcomes, while potentially a driver of innovation as Andy suggested in the first panel, could also be an inhibitor to investment? Could a focus on outcomes really lead us to innovate next-generation products, and how do we ensure they are both learning-rich and investment-right at the same time?

Panel 3: Who Moved the Book (And, Where it Will Go?)

Peter Davis, Josh Koppel, David Goddy, and Andrew Savikas with Philip Porter as moderator

In the previous panel, John Katzman made the point that (at least for his product) the real innovation is in the learner communities and learning practices that current technologies enable—not the technologies themselves.

In this panel, the ensuing question that seemed to really gain traction was whether—not how, but simply if—technologies (let alone the practices they enable) are disrupting the traditional textbook, either as a competition to or an augmentation of.

Peter Davis jump-started the panel with the absolutist claim that textbooks are the core tool that teachers and students use for curricular delivery and consumption. And, while he could see the power of technology in its capacity to help adapt and remediate textbook content for the reader, he argued that technologies, at least today, are supplemental at best.

David Goddy agreed, and commented that textbooks 'get a bad rap' in conversations about education innovation. People may want textbooks to change with the introduction or application of technology, he argued, but they don't understand the funding constraints and budgetary requirements standing in the way of that.

Andrew Savikas took a controversial position compared to the other panelists, contesting the accepted idea that textbooks are the baseline of education. Andrew charged the panel with operating with traditional social, cultural, and geographic assumptions about what education is and encouraged them (and us) to think beyond the standard conceptual model of the American public school. In so doing, he also urged them (and us) to think beyond how to apply new technologies to make textbook content

interactive to imagining what whole new learning experiences we could create by leveraging the affordances of these new technologies.

Toward the end of the panel, Peter Davis once again brought the conversation back to the question of evidence and outcomes. In response to an interchange between Andrew Savikas and Josh Koppel on the evolution of the e-books market, Peter argued that education is more complicated a problem than e-book is a solution, and that e-books have offered a market solution but lack imagination as a learning solution.

I really liked Peter's comment in this regard, as well as the whole panel conversation (as book centric as it was). It left me wanting to reflect back to the audience the question the panel's conversation raised for me: How can digital technologies and media create new forms of learning experience rather than just new formats of content? I guess that's both our opportunity and our challenge, no?

Panel 4: Markets at the Edge: How to Get into Education and Stay out of Schools

Mark Hatch, Andrew Joseph, Jason Stoffer, and Alex Wang with Phoenix Wang as moderator

Alex Wang launched this panel by observing that today's content and composition was very U.S.-focused. I have to agree with this, even despite Tim Brown and Bruce Nussbaum's discussion of the burgeoning BRIC markets and Jim Shelton's attention to both the global challenges to the U.S. education system and the global opportunities for the U.S. education market.

Alex reported finding the U.S. focus surprising given, for example, there were more Chinese education companies completing an IPO over the past few years than there were U.S. companies. He observed that as entrepreneurs and investors, there is a real opportunity to "export" a lot more of our education offerings to other markets and thereby build socially responsible and financially sustainable companies that could serve larger, broader markets than the U.S. or just the U.S.

Jason Stoffer furthered Alex's observations about the global market, noting that there were tremendous opportunities in a number of emerging countries not only in terms of the size of the potential customer base but also the political constraints of landscape—many countries offer 'greenerfields' that are unencumbered (or less encumbered) by the structural and cultural legacies of the U.S. system, allowing entrepreneurs and investors to leapfrog many of barriers to entry experience in the U.S. market and system.

Mark Hatch talked about his efforts to transform the creative powers of adults as learners into productive capacities as entrepreneurs. Mark then pushed us to imagine the 'how to's' and 'what if's' around applying his model to youth as learners, what would schooling look like then? This prompted Jason Stoffer to question our current model of higher education as *the* model, which brought us back to comments earlier in the day by Tim Brown in terms of U.S. workforce preparation and by Jim Shelton in terms of U.S. global competitiveness.

So, again, I want to pose a question to the audience: If the rise of American exceptionalism is rooted in the formal education system, is its restoration routed out of that?

In the middle of the panel, Andrew Joseph raised what I think was one of many elephants (or at least tensions) in the room over the course of the day. That is, the relationship between personalized learning on the one hand and standardized education on the other. We heard a lot about learner-centered approaches and individualized learning strategies, but no one was ever compelled to spell out what that means. And, while Jason Stoffer attempted to do that on this panel, I'd argue his definition focused on strategies for customizing what's mandated for students rather than opportunities for personalizing what's needed or desired by students. I have to ask, here, why do the future alternatives always reflect the current options? Phoenix Wang's shared sense of dissatisfaction with Jason's reply was reflected in her comment about how 'Second Life learning always looks like first life schooling.'

Finally, in closing, we were treated to Jason's on-stage impromptu feedback on his panelist's emergent approaches to learning. Jason's essential commentary to all parties was this: All really good ideas, but what are the valuation units and distribution channels for consumer-facing products such as yours? While the panelists each had strong responses to this question specific to their businesses, the strategic 'understanding of' and 'branding for' the end user was the common theme that emerged across them.

And, that, my friends, brings us full circle back to the beginning of the day, to Tim Brown and Bruce Nussbaum's conversation about the growing importance of design-thinking in the development and distribution of learner-centered products and as a driver of innovation in the new new education market.

And, with that, I ask you all at 5:00 pm what we asked them at 9:00 am: Is education Ready for Innovation?

Thank you and good night.