

In Conversation on College: Weighing in on Two Investors' Diagnoses and Proposals for Higher Ed Part I

Description:

Michael and Diane welcome Stacey Childress, Senior Advisor on Education at McKinsey, to the podcast for a two-part series weighing in on Marc Andreessen and Ben Horowitz's recent analysis of higher education. In this first episode, they react to the venture capitalists' diagnosis of the problems with higher education. They give their vote of where the investors got it right, called out points of disagreement, and added their own insights along the way.

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Diane Tavenner:
Hey, Michael.

Michael Horn:
Hey, Diane.

Introducing the two-part series

Diane Tavenner:

Michael, we've both been listening to another podcast, and it's causing us all sorts of emotions. I have to admit, I laughed out loud at a few of the texts you sent me because we were both on a bit of a roller coaster while listening to the three-part, six-hour series of the Ben and Marc show on the topic of higher education. For those who don't know, we suspect it might be a lot of people who listen to class disrupted and are kind of from our education world, Ben Horowitz and Marc Andreessen are currently very successful venture capitalists at a firm called a16z. They founded that firm and lead it. They were both really successful entrepreneurs, they each come from software and technology backgrounds. Their firm has a really successful podcast, and then the two of them get together and chat about hot topics on this other Ben and Marc show. From

what we can tell, this is a really popular show, especially among young entrepreneurs and folks in Silicon Valley. So they recorded these episodes about higher ed in January, almost immediately, we both started hearing from all sorts of people that we had to listen. And so we did. Things haven't been the same since. No, in all seriousness, there are at least two big opportunities that I think their conversation presents. Michael, I think you have some perspectives here as well. The first one is, for me at least, to practice what we've been trying to promote on our podcast for five seasons, and what I think we both deeply believe in, which is third-way solutions. Which implies that we don't fall victim to polarized positions and taking sides, but rather we really mine for nuance and extend grace to people in an effort to find win versus win-lose solutions. Especially to problems that we really care about. So that's the first one, and that's a thing I want to practice today. And then the second is simply to bring things we care about to a much larger audience and a more diverse audience. We can fall victim to only talking to ourselves in education. And I think we are both just honestly thrilled that Marc and Ben are talking about something we care very deeply about, and that tons of people who follow them are really engaged with the topic and thinking about how to rethink higher ed to better serve students in society. So that's just a huge opportunity.

Michael Horn:

Yeah. Look, I think you framed this well, Diane. I like the approach and the excitement that we have and that anyone would dedicate 6 hours to higher education, to education in general, coming from the backgrounds that they both do. I think that's a net-net positive. So, taking all that, we're going to do a response, in effect, to these 6 hours, and we're going to do it in two parts. So today's episode is going to focus on the first part of the podcast that Marc Andreessen and Ben Horowitz, Marc and Ben, if we may, released. They dissected the problems facing higher education from what they called a systems point of view, and we'll talk more about what that means. We're going to now try to stay away from what they got into in the second podcast, which is when they started to go deep into solutions to what they saw as the problems. And yes, if you're listening, you're probably guessing it. We're going to do this in two parts. So the second episode for us will be mirroring their second episode, where they started to get into solutions. I don't think we'll get into the Q&A third episode that they did too much ourselves. We're going to do our best to be systematic. But I'll also say up front, they had nearly 4 hours of content in just these two shows. We are not trying to replicate that part of the performance, but we will try to bring the same level of nuance at least that we attempt to do in all of our other shows.

Welcoming Stacey

Diane Tavenner:

Michael, I really appreciate the caveat, because they covered a lot of ground, and so we'll do our best to make our conversation accessible and meaningful, even if you haven't listened to Marc and Ben. At the same time, we also want to build on what they laid down if you have heard them. So hopefully, for those of us nerds in education, we're going to try to differentiate as best we can here. It's a pretty big task, and so we decided we needed some expert help. Michael and fortunately we have a very good friend who's the perfect person to help us think critically about the problems that higher ed today and the way its present form presents and to unpack

solutions. So I personally am so excited to introduce our guest, Stacey Childress. Many of you will know Stacey, but for those who don't, Stacey has a very long list of experiences and accomplishments. So I won't go into all of them, but I will share a few that are relevant to the discussion today.

So let's start with the fact that early in her career, Stacey was a classroom teacher. She's also spent about a decade as a software entrepreneur, founder, and leader. So right there, she's bridging two worlds that are critical today. She then became a faculty member at the Harvard Business School, where she studied entrepreneurial activity in public education. She wrote three books, tons of case studies, and articles. She was a very popular teacher who won awards from her students and the dean. If any of you have ever run into one of her students, you know how popular she is. She's followed that up as the CEO of the New Schools Venture Fund and Eridaf, which is a whole new research entity that they help to incubate and spin out. And just more importantly, Stacey's one of the smartest people I know, period and in education. She sees the big picture and can break it down like no one else. Everything I told you takes a backseat to the fact that, in my view, she does what she does because she cares so deeply about kids, and that's what drives everything. I've had the privilege of working with Stacey on lots of things for many years and have experienced firsthand how her heart drives her work to make things better for young people. So welcome, my friend. We are so grateful that you've joined us for this, what we think is a really important conversation.

Stacey Childress:

Yeah. Thank you so much, Diana and Michael, for inviting me. It's great to be here and really looking forward to the conversation.

Michael Horn:

Never say that till you're done with us, Stacey.

Stacey Childress:

Thank you?

Michael Horn:

Well I should say I was one of those students, so I'll add that. In addition to having known each other for years, and being friends, we should also just disclose, I suppose is the right word, that we all serve on the board of directors with each other. It's not just any board of directors. It's the board of directors of a new university, Minerva University, that I suspect we may end up concluding in the second episode tackles some of the problems that Marc and Ben outlined in their podcasts. I just want that to be transparent front and center, because we're not only going to come to this conversation as three individuals with expertise in education but also as three trustees who are wearing that hat, and are trying to rethink some of the fundamental tenets of higher education. So with that outline, with that out of the way, if you will let's dive in. In the first question, which I think is a pretty fundamental one, because in the first podcast, and Diane you helped pull this out. They lead in with Ben saying a very provocative line, and the quote is this. "We as a society are running a scam and ripping off a huge percentage of our young people

with the clear expectation that they are going to get a higher quality job and being able to pay for college. But that is absolutely not the case.” So that sort of sets the tone for how they are tackling the problems facing higher ed. Diane, maybe I'll have you kick us off here rather than throw Stacey into the deep end. I'd love your take on Ben's first hot take if you will, but then maybe also frame it as a general gut reaction, perhaps, to their first show, where they delve into and diagnose the problems as they see it with higher ed.

Reactions to Ben and Marc's framing of higher ed's problems

Diane Tavenner:

Michael, I think it's a really interesting place to start. It's literally where they start, and it's like a fascinating place for us to enter the conversation. Let me start by saying I wouldn't use the word scam because it implies ill intent. Being one of the people who's sort of in the system that is behind that comment, I know that I don't have ill intent. I know that most of the people I know don't have ill intent. So I wouldn't use the word scam. And at the very same time, I do think the evidence points to the truth of Ben's statement. Honestly, for me, that sums up the tension I feel in this opening teaser statement and throughout the entire 6 hours of the podcast. So this quote really does a good job representing it. I directionally agree with so much of what they talk about. I think they really capture so much of the feeling and the thinking and the conversation. I'm really challenged by how they say a lot of things because they can seem, and I don't think I'm being overly sensitive here. I think they can seem at times careless with their language and what they're saying and biased. We're all biased, obviously, but I think that really comes through. And so they're kind of how challenges me. What I would say is they get a few really important things very wrong. Given how many people listen and learn from them, that feels like, in the best case scenario, a missed opportunity and in the worst case, a setback for addressing a problem that I think we agree on and it seems like we all want to fix. So I'm thrilled that we're having this conversation and so many people are engaged because we need the entire country to feel compelled to transform education in America. And hopefully that gives a sense of like when we talked about a roller coaster in the opening. That's the feeling of the roller coaster of emotion I had while I was listening. Then I would just note one other really important element of their conversation, which is for the vast majority of the podcast, they're talking about elite universities and elite students and learners. While they don't say it explicitly, well they do a couple of times, but for the most part they don't. It's really important to note that what they're describing is really about highly selective schools. It's not a surprise. It's what they know. It's what they've been through. It's the people they know. But I think we all have to hold on and remember that there are 4,000 ish colleges and universities in America, and only a very small number of them are highly selective or even selective. So this focus on the elites is important because it's indicative of how our country thinks about higher ed and talks about higher ed. It's one of the big problems we have, because what ends up happening is a small number of elite institutions end up driving much of what happens in K-12 all the way through higher ed. It's really the tail wagging the dog and I think they embodied that in their conversation. So it's very real, but it's also something we need to be aware of.

Michael Horn:

Great way to set the table. We're not always going to agree on this, but I think this is like framing a lot of the mood of this. Stacey, let me invite you in here and sort of your reactions to the podcast. Also on Diane's thoughts and that quote that they lead off with.

Stacey Childress:

Yeah, well, let me say I enjoyed all 6 hours of the podcast. I had a little less of the roller coaster feeling you guys are describing, but maybe because I wasn't in a text thread with friends who were listening at the same time. Like you guys, I did have areas I really agreed with and areas I was puzzled by and agreed with less. But listen, I liked it so much, I stretched it into 8 hours. I mean, talk about nerd because I went back and listened to the second episode twice. Here's why. I have enormous respect for what Marc and Ben have created in the world, both as entrepreneurs. I mean, the way we experience the web today is in large part because of the foundation they laid back with mosaic and then Netscape. And just the hundreds and hundreds and hundreds of entrepreneurs that they've helped create new things through their venture capital firm. So I was super jazzed to listen to their ideas for solutions and entrepreneurial opportunities that kind of match the problem statements they came up with. And you know me, that's what gets me excited. What can we do? What are those opportunities, especially entrepreneurial opportunities? I agreed with a lot of what they said in both of those episodes, first and second, and liked a lot of it. But I think they had some misses. Diane, you mentioned you felt like there were some things they missed. As I thought about it, I came to this idea that some of the misses might have a common cause or problem, which is, not surprisingly, they were often painting with a very broad brush. So a very broad, correct, but broad problem statement. So when you jump to solutions from that, it can be hard. So I thought their conversation would have benefited from some more, I'll just call it granularity. So I'll give you my big example of that, which is this value prop idea, Michael, that you started us with here. Ben's quote, which is value prop's broken. College is more expensive than ever. Students are taking on more debt than ever because it's widely available and super cheap. And then all the other bad things that happen. Value props broken, okay, that's in the popular consciousness right now. There's kind of general agreement on that. Also the value prop is actually not broken for some students. It's actually still working for a pretty significant segment of students, and it's not working for lots of different segments of students. So I think the more interesting question is who is it not working for and why? And therefore, what? So one example of who it's not working for. Students who aren't quite sure what they want to do, they go to the college that they match with, overmatch, under match, or it's just right. Then they end up in some degree plan that they didn't really think through and didn't get a lot of help with. They rack up all the debt for all the semesters, and then they end up with this degree. They may have learned some stuff, but the degree doesn't have any value in the job market or not much value. So they end up wandering around underemployed, not earning what they should. That is a problem. It's a pretty significant segment of students for whom that's true. Well, that's a problem that kind of suggests all kinds of interesting potential solutions and entrepreneurial opportunities or institutional reforms, however you want to look at it. That doesn't really work in broad strokes, but would work for that segment. Another segment is students who go to college for a semester or three or five, they're taking on debt all along the way, and then life happens. For whatever set of reasons, and it's

different for different kids, they don't finish. So they've got 20% of the debt, or 50% of the debt, or maybe 80% of the debt of the whole thing, and they've got nothing. In fact, they might have less than nothing, because at a very critical moment in their transition from adolescence to adulthood, they didn't make the most of a very significant opportunity. They started something and didn't finish. And maybe it's not fair, but life's not fair, and that's now something that has happened. So that's a different set of problems. You could start to think about solutions... So to say, value props are broken, let's think of solutions. Provocative, interesting, whatever. But if we really want to make progress, we really want to get traction and have some actual product Marcet fit for things we might create, having a better understanding is, I think, super important. I think that was a bit of a miss. Let me say one more quick thing, because we may or may not come back to this. There was this thing that kept building for me through the first couple of episodes, and again, I was loving it. I was driving through most of it. I had a couple of long car trips. So if I make steering wheel motions while I'm telling these stories, that's why. I got the sense maybe halfway through the second episode, it kind of crystallized for me. I wasn't sure if Ben and Marc have a developmental view of human beings. In particular young people, or more of a fixed view of well, they are as we find them so now what. Versus, especially for kids, there was a stretch where they, I'm going to paraphrase, it was kind of like, all right, people are different. Yeah, that's true. Young people are different from one another and that difference is largely shaped by when you're 16, 17, 18 it's largely shaped by your experiences up to that point. Kind of your family, your community, the culture you're part of and I mean that's just who you are. So now that you're coming to college, why would we make you be an engineer if what you're really immersed in is music? I was really all in with kids are different, they're coming from different places, they have different interests and skills when they approach the doorway, the threshold of college. So now what do we do with that and how might we make things better? Then it was like, don't make musicians engineers. I mean, again, I'm being provocative myself here but it made me wonder. I think there was plenty of evidence throughout, that they actually do take a developmental view of people and of themselves. There was just enough of these comments and anecdotes and that really matters. It's an assumption worth examining. Maybe you don't really hold it, but if there's some version of it that you're used to operating on and then you start entering solutions and potential entrepreneurial opportunities, boy, that could go sideways pretty quickly. So I think that showed up a few times but that's my example of it.

Michael Horn:

Those are great, Stacey. I think already you're bringing some nuance to the conversation. It's interesting. I think I'm probably closer to you than Diane, maybe on my reactions to this. We're going to try to hold on to the solutions one. That was where I had more of a struggle and I started texting Diane more. There's some errors that I want to get into. I felt like I was more on the bandwagon with the growth developmental view versus a sort of fixed view. I agree that is something that sits there throughout the couple episodes. I felt like Diane's right that some of the things that they expressed, and we're going to get into this more, were not the best way to express it. They had this underlying view of human difference and leaning into your unique value that is very top rose that I liked. And I think this is what Diane's speaking about, is that it spoke against, all the value of college is maybe in who gets admitted which is more about the elite schools and not the rest of it. So I guess where I came in... That gets into the nuance you

just painted, Stacey, about different schools get different outcomes. Different students get different outcomes and so forth. I guess from my perspective, starting with Ben's quote, I heard the frustration in his voice. I think it's indicative of the mood of the country. I think there's a lot of reasons to be upset at it because the incentives fundamentally underlying federal policy and spending have not been around the outcomes. They've been around just getting the students in the seats. I think you hear so much anger and frustration, like, why are we spending so much effort to forgive student debt. Why didn't it work? But I think the other side of this is, if you still graduate from college, on average, not for everyone but on average, this is a good value proposition. Like it's all for most individuals. So that's sort of point 1. Point 2 is roughly 38% of students don't graduate from college within six years. You take on debt and you don't graduate. That is a very crummy value proposition. They don't get the value. As we're recording this, there was just a big spread in the Wall Street Journal about this over the weekend. There's a huge number who are underemployed when they graduate from college. What they mean by that is they take a job that does not require the degree that they just earned. There's considerable evidence that if your first job is one that does not require the degree, by job number five, you're still in a track that does not. That's not, okay. So that is where I think Ben's quote is right on. And we don't want to confuse the point that if you're a low income student and you get into an elite college or university, you better go. I will say the other one, and this is a sympathy one from me for them. I think it's really freaking hard to talk about higher ed in a coherent way. Look, I'm the disruptive guy, you know? Your office is next to Clay Christensen, Stacey. He got painted with this brush all the time. Everyone thinks that we have decided that all colleges and universities are going to disappear five years ago, and it didn't, therefore, we were wrong. As you all know I don't think Harvard and Yale and Stanford are going anywhere. I do think a lot of schools are going somewhere. We're recording this on a day where Cambridge College just announced it's merging with Bay Path University in Massachusetts. It's just the latest, frankly, in England. So both of these things can be true. It is really hard though. In my writing about higher ed, I struggle with this all the time. To talk about which segment am I talking about right now. So I'm empathetic to that. I'll just throw out a few stats because I think it might be interesting to folks. 59 colleges in the country out of roughly 4000 admit fewer than 25% of students. That's it. When we're talking about selective schools, that's it. I will defend Marc and Ben on this a little bit. I don't think they're only talking about elite higher ed because Marc's alma mater, University of Illinois, I think is like 59% selectivity. So it's a little bit broader. But I think what they are fundamentally talking about is the roughly slightly under 30% of students today who we would have called traditional back in the day. What I mean by that is that they're residential, they're full time, they're aged 18 to 24, they're not holding a job while they're in college. That's a shrinking part of the pie. And they sort of make that point, but then they don't fully wrestle, I think, with what that means. So it's not just elite exclusive, but really more that residential, quote unquote traditional experience. I'll say the other thing is, and we'll get more into this, I do think they're also talking largely about research based universities. We talk about how that's important. They're not really talking about community colleges or online schools or schools that focus over teaching. I think you nailed it, Stacey. This is why it's important to get below the average because your solutions will be very different depending on what segment you're talking about. Maybe I'll pause there for a second before I ask the next question I have in case you all want to... alright no.

Diane Tavenner:

No, Diane's like, okay, I think we should get into it. It's great. I actually think collectively everything the three of us have said really sets the experience that I was having in listening. And I'm excited to talk about how they framed the problem, which I think is really interesting.

The roles of higher education institutions

Michael Horn:

Yeah. So let's do that. Because at the outset of the show, and to frame that problem or problems, Marc posits that there are twelve core functions of a university. And I want to list them here because this was the framing for their diagnosis. And I thought there were some novel parts of this from my perspective. Number one, he had credentialing agency. So the degrees. Number two, the courses, the education that you take. Number three, they called it the research bureau. Number four, the policy think tank. Five, moral instruction. We'll talk more about that, I suspect. Six, they had the social reformer, which I don't think actually would have been something that maybe people would have pointed to a decade ago. But with the current news around Deni and a lot of the fervor over that topic at the moment, this is very big. I think right now, the 7th one they had was immigration agency. And so just to explain it for folks, basically the notion that higher ed is an attractor of international students, many of whom pay full freight and help make the business models work for these places. Number eight, they had sports league. Number nine, they had the hedge fund, which referred to the endowments. And I'm just going to caveat this up front, very few institutions have big endowments. Okay.

Diane Tavenner:

And they did acknowledge that later on.

Michael Horn:

But, yeah, number ten, they had adult daycare, which points to the residential point that they were talking about, that segment. Number eleven, they had the dating site, which also points to the residential piece of this. And then twelve, they had the lobbying firm, which I think referred to the fact that government funding actually sits underneath a lot of the higher ed business model in ways that I don't think are widely appreciated. And so it was an interesting set of points. So I think the question here is, in your view, if those are the twelve areas that they outlined, what would you have taken out? What would you add? What nuance would you add? What they get right. And for this one, Stacey, let's start with you.

Stacey Childress:

Yeah, well, listen, I like that they took a systemic approach like that, and that they took an operational approach. They call those operational areas or areas of operation. And I do think it helped in a good way, kind of categorize the complexity of these institutions. And I'll give them a little bit of praise for that because that doesn't just stay at the surface level and treat everything as kind of a black box. Like, let's break it out. What are these different roles or operational

functions that happen in universities? And you asked what would we may take out or add to the twelve. Surprisingly, I wouldn't take out any of them. People who know me know I hate long lists. Like, I make fun of them. If a top ten list is good. Some people think a top 72 list is good, and so then you just say everything you can think of. And so I can be really hard on long lists, but I actually tried to break this one and felt like it was pretty good. You might be able to consolidate a couple of them, but in general it's a good list. But what I found myself doing, especially during the first episode, the problem identification and analysis was twelve is still a lot. So how might we prioritize these? And if we were to prioritize them based on what, to what end? And so I was like hungry for a pull up that was about purpose or maybe purposes, creating what value for whom? And then can you kind of bundle into some prioritization groupings, the different functions, but in general, I liked them all a lot. I know we'll get into this purpose question and whether you prioritize the student or some other actors, and can you design around that? But before we started thinking about how to talk about it, my in the moment reaction to the list was, I think this is good. Also, I think this is good, but I don't know which one would I put on the top three, because you cannot prioritize at the same level of attention and resources. Twelve things. And so I was thinking about that in terms of what I, well, before I say what I might add, you kind of called out the moral instruction and social reformer, Michael, and my reaction to those good. When they was listing them off. Oh, good, yes, let's talk about those. And then when we got to their discussion of them in the first episode, I felt like their categorization was super thin, maybe is the right word to describe it, like moral instruction. Just again, from a developmental standpoint, the years of 14 or 15 through age, 25 or 26, is like prime time for developing moral reasoning. And we can like that or not like that, but it's actually true. So if you've got tens of thousands of young people being adult, babysat on college campuses and you're not attending to moral reasoning, at least I think that's a big miss and quite frankly, kind of impossible. So if you're not doing it on purpose, it's happening. And so I heard their critique of what is happening and agree with it. I think random professors trying to impose their personal moral framework on young people. So advocacy disguised as teaching, I don't like it. I worked hard not to do it in any context, especially in the university context. It's hard to never do it, but I worked hard at not doing it. And so as an alternative to wild, wild west and what seems to be sort of what a default dogma and groupthink that ends up emerging. I'd rather a purposeful consideration of what might moral instruction mean if weren't imposing a set of values, if it were instead attending to what we know kind of our inputs into healthy moral reasoning as we enter kind of mid adulthood. And then social reformer, we will talk about the DEI. I thought it was, again, shallow, or I don't mean shallow like dumb or craven, but like thin to only talk about DEI in that category. Because I do think. I think we have pretty some. We have agreement on this call. I think we have pretty broad agreement in society that education, including higher education, can be a real engine for social mobility for young people. And in that way it is engaging in a type of social reform which is the class structures as we have them, or it's at least possible for them to be permeable, right? And that education, like, it's the story of my life. None of my grandparents finished high school. None of them. My parents finished high school, but they did not go to college. But they made sure my sisters and I all could and kind of the rest is history. There are clear, accelerant benefit to the higher education I and my sisters and now my nieces are receiving. And that's kind of a social reform of sorts. And I think it's important to think through where that's working and not working. And as a design question, what might we do similar and different to what we're doing?

And we got mired in the DEI conversation, which I do hope we talk about, because I do want to unpack it. But anyway, so thin categories, I would add major regional employer. I think sometimes we miss or forget that for a lot of these institutions, including the large and not so large state systems and other kinds of private colleges, just because of where they end up locating, they end up being one of the largest sources of middle and working class jobs in geographic regions, like they're a hub of the local economy. And when you start to talk about we're cutting at 20% or 50% and we're going after administrative costs, it's probably not the director level people that are getting cut. It's like the assistance, the administrative assistants and folks who work in the operations plant and that kind of thing. And so it doesn't necessarily mean you shouldn't take on administrative costs. I agree you should, but I think not acknowledging that in addition to all the other roles it plays in most communities where these institutions exist, they are a major, if not the largest employer. So that was the thing. I would probably add and think through the implications of great set of points.

Michael Horn:

Diane, why don't you jump in?

Diane Tavenner:

Yeah, I love that last point. And reminder about the regional employer. I didn't think about it until Stacey brought it up, and it's profound in terms of communities that these institutions are in. I just want to underline, highlight, exclamation point, what Stacey said about the moral instructor piece being fairly limited or thin. I think that maybe came because they drew on the universities, as many of them being originally founded as religious institutions, which seems really sort of somewhat disconnected from where we are today. It feels like there were some big gaps there in historical development and yes, about human development, the age range, et cetera. I was thinking about the language choice of social reform, and another way you could frame that whole category is just like, are we promoting and supporting the American dream? And that's going to appeal to some people in our polarized society, like social reform, some like the American dream. It's two sides of the same coin, in my view. In terms of my thoughts about the list, similar to Stacey, well, I had never thought about those particular buckets. And so it was provocative in a really thoughtful way. I was doing this side by side comparison of how I would think about K-12 institutions and higher ed and what's the difference? And do those buckets line up or not? That's probably a different episode, but it helped me kind of think through them. Plus, I was layering in our experience at Minerva, which is really interesting because Minerva is a modern university, very young, designed to address a lot of what Marc and Ben are talking about. And so many of these buckets are really absent from Minerva's operations. And the focus truly is on students, and I will know to steal sort of their punchline. I do think Marc and Ben make a compelling case that universities should, they believe universities should be focusing first and foremost on students, which I think is at least totally aligned with how I think we see the world anyway. So I was using those sort of experiences as I was thinking about their list, and again, couldn't poke a lot of holes in it and didn't really want to leave anything out. I did think adult daycare was interesting because we talk a lot about it in K-12. We call it custodial care, but I hadn't made the direct connection to higher ed, and maybe it's their sort of provocative title or naming of it that really makes us think that way. But it made me realize and think about the

dramatically different experiences 18 year olds are having in our country when they go to a residential, sort of country club style four year college experience versus those who are literally going directly into work. Many of them will meet at home with families taking on huge responsibilities. And so there's just these really polar, disparate experiences, which is fascinating to me and connects back, I think, to what Stacey's talking about of like, we really need to segment and think about who's not being served more than this broad brush approach. And then I would know. They didn't spend a lot of time on the dating site element of it. I didn't get the sense that they personally dated a lot. So maybe that was it. But I will just say, and sadly, I think my experience is not that different from a lot of people, but I was raised to go to college by my mother to find a husband. And I'm old, but I'm not that old. And so that's just, I think, very real and prevalent. Yeah, interesting category. The one I would think about adding is what about something along the lines of like, Marketing, brand management and development, winning elite ranks and awards? It seems to me that universities are spending an extraordinary amount of time and resource on.

Stacey Childress:

So that's the only thing like reputation building and management. Yeah. That's interesting.

Michael Horn:

Yeah. Super provocative one, Diane, because when I think about that, I think of it as an outgrowth of some of these functions, but you're right, it's taken on its own life. Indeed, the story of northeastern university becoming a top 25 university is manipulating the US news world rankings like an outward, cynical, completely straightforward way to become a top 25 university.

Diane Tavenner:

Well, and my alma mater, University of Southern California, is maybe one of the first that really did employ enrollment management to this end, et cetera.

Michael Horn:

Yeah, it's a really good point. I will say, stacy, also, to your point about how there was sort of a lack of prioritization of the twelve, I think to some degree it actually wove into Marc and Ben's point, which is that there's so many different stakeholders here that that's why it's really hard to manage these institutions. I do happen to think that there is one of these that sort of rises above the others on these campuses, but we'll get into that in a moment. I will say, overall, I like how they pulled this apart. I've always thought and written about it somewhat differently. Mine has been that colleges and universities are essentially running three incompatible business models. And I suspect I'll get into the implications of that later. But the three I've always listed in the bundle are, number one, research, which I would view is what I call a solution shop business. Basically, we throw a bunch of stuff at a problem. We have lots of experts working on it. We don't know if there's going to be an outcome here or not. Some of it pays off, some of it doesn't. Right? But we hope so. Okay. The second is what I call the teaching. And they treat, colleges and universities treat this as a value adding process business. We ship in this class of students, I deliver the content, I ship them out the other side. And yeah, I'll leave it there for the moment. And then the third is what I call the social network, which is really a facilitated network business.

It's people who participate in the network not for its own sake, but because they're getting some other value out of it. And my sense is that this is the one that Marc and Ben missed the biggest because, and I think it's a huge one because yes, they have the dating site and the credentialing function, but those emerge from the college's role in building social capital. And colleges are the original social network. I mean, Facebook started out by replacing the print Facebook on the Harvard college campus. And to me, a lot of these things, it's not just the social capital in your class or with the four years that are co living with you at that point. It's really across years. It's really why elite higher ed, in my judgment, the value is their exclusivity because you're part of the tribe. Human beings as social, we like tribes, we like comparisons. And so I think that's the big one that I would say I felt was missing from the list, even if it glimmers of, it sort of appeared.

Stacey Childress:

Yeah, I think that makes sense, Michael? Yeah. We can unpack some of the aspects of that social network that might come into play as you're thinking about solutioning towards better outcomes on some of these other dimensions, I think is really interesting idea. And I like your three buckets a lot. They're a little more manageable for me.

Michael Horn:

I think in threes, right. Is that better or worse?

Stacey Childress:

Right.

Where they got it right

Michael Horn:

But broadly, it sounds like we don't hate their list. We think that they got with some nuance that broadly speaking, it's pretty provocative and makes some sense. And I guess of that they diagnosed problems in each of those twelve. What in your views did they get right? And before we do the wrong, let's start with the right. Stacey, what would you give them the check Marc on.

Stacey Childress:

Yeah, I mean, I've alluded to probably most of these already, so I'll just tick them off. Like the value prop analysis that we talked about. Like, I'm not sure they're 100% right on all of the components of what's driving the problem there, but that actually doesn't matter. I think that they're right that for many segments of students, way too many. It's just not working. The promise doesn't live. The outcome doesn't live up to the know. I think they got right know just kind of appreciated both their take. Know some of your take, Michael, on the structural, like the economic structure of the field that's driving so many of these problems and how interdependent the different variables are and how difficult they are to disentangle and address independently. And I think they got that right. And of course that drives part of the value prop problem, but is a problem of its own. And I felt like they just kind of nailed that analysis as it relates to relatively

well resourced schools. I think they missed, as we were talking about already some this other big segment of schools, the credentialing signaling function. Like, I'm glad they spent some time on that. There's some signaling about attending, as I referred to earlier, most of the signaling is on getting in and then also finishing. Unless you're Marc Zuckerberg, right? Unless you're Bill Gates or Marc Zuckerberg, where quitting is sort of your badge, like for everybody else, it's the getting in signal. And then I got through it. Signal that's so important. And Michael, as you I think so, pointed out so well a couple seconds ago, it's the first job, and more like it matters a lot for first job and second job, third job, fifth job. But it matters for a lot of other things that the signal is not just about fitness or readiness for a particular entry level position. It's also about who you belong with. And I think in that sense, there's enormous power and huge challenge that we ascribe so much signal or so much value to that signal. And it's real, it's shorthand for lots of stuff. And I have personally benefited from it. I am aware of the benefits of this signal, of where I got my graduate degree right, and it's enormous. While there were some things I disagreed with or a couple of things I disagreed with and some things that made me wonder and think hard about, which is good, I actually agreed with a lot of their DEI analysis, which may be a surprise to you guys and maybe a surprise to some listeners. So let me say why? What I think they got really right, and I think Ben really carried the ball, know, carried the torch here. The discussion about diversity, equity and inclusion needs to be grounded in some sort of purpose and outcome that we are aiming toward. And in this domain, our organizations, any organization, and in higher ed institutions, it's got to be anchored in talent. What is the talent we're trying to track to pursue? What opportunity or what opportunity sets? And how do we think about our channels into pools of talent that might not be naturally historically or naturally connected to us already? And how do we dig those channels, cultivate them, maintain them and make them matter? How do we create a climate and a culture of learning and community and dissent and learning where people want to be, people from different backgrounds that get to the threshold can find their way to thriving in our community? It doesn't happen by accident. And I think, as they well pointed out, that sometimes if you're only going for the box, checking in terms of characteristics and you're not doing the hard work of what happens when everybody gets together, that's a real problem. And I think we find ourselves in a moment where that's happening in many places. You got to do the hard work of removing any implicit or explicit bias that might, your admissions processes for students and your hiring processes for faculty might be laden with these biases that you just are unexamined and can be tweaked to make it more possible if you've got the great pipeline to see what you want on the other end of it without having to engineer quotas, right? I just think they're absolutely right about that. So let me just kind of sum it up and say when DEI programs, most of them are probably started with. I think we're starting with good intentions, maybe not all. I think most of them probably are. But when the design process makes its way into a self perpetuating bureaucracy that's in charge of it, that then has as its main function, because it's what bureaucracies are good at, compliance and control box checking, policing. That's where it goes wrong. And I think too many places are demonstrating what it looks like when it goes wrong. Not every place. I think Ben gave a great example of how they thought about a DEI strategy. They didn't call it that, but a talent strategy that prioritized diversity, equity and inclusion, even if they didn't use those terms to build the firm they've built. And that's a great example. Three of us have examples, too that we could name, and I won't. But it can go very wrong and in many places has, and I do not fault them in any way for being,

I'll just say what courageous enough to actually have that conversation and say, here's what they see happening in some places. Now, again, I have some disagreements with the way they approached some of the conversation and where they ended up on a couple of things. We can talk about that later. But I thought that analysis of not in general Nadei program is inevitably going to get there. But, man, it sure can get there if you're not really clear about what you're doing and why. So I'll stop preaching.

Michael Horn:

No, that's a great set of thoughts, Diane.

Diane Tavenner:

Well, I will just say I really like Stacey's points and wish to be associated with them. I will just add to what I thought were big and important points that they made again and again that I really think are at the heart of the problem, the first being, and you alluded to this, Stacey, but the purpose focus of universities is currently so many of them not, I mean, really the rule versus the exception, quite frankly, is to not be focused on educating young adults and preparing them to launch into successful careers. And we talk constantly about the importance of K twelve having institutions having clear purpose. And our bias is that they must be educating young people to successfully prepare and launch into an early adulthood. And here's the next level. And they're not focused on that. And so I think that they just really hammered this point over and over and over again. And I really think it was at the foundation of what they were talking about and doing that feels really key to me and I really appreciate them for it. I think what they got to is universities have far too many competing purposes and they have far too many constituents in a very elaborate bundle of what they're doing that's evolved over time. And so to me, that was the big macro takeaway there in terms of the problem definition. I agree with it at the high. Well, let me just say, as you know, Michael, this season I've been reflecting a lot on the simplicity of running a company versus the school system. And I would say this is the perspective, obviously, that Ben and Marc bring. That is their experience and their expertise. And it really is very true to know businesses are more focused, they have fewer priorities, they focus their constituents, and we do not do that in education for good reasons and lots of things. But there's a real contrast there.

Michael Horn:

So those are my key that all lands for me. Stacey. I'll just quickly say maybe you're surprised. The de nine points you just made all lands with me as well. And I was largely sympathetic on the way that, again, there's some places where you want to set it that way. But I was largely feeling like, yeah, you got the big headlines and currents. Right. This is what I've been experiencing on the Harvard campus the last semester and a half. As a faculty member, I'll say, as a Jewish faculty. So I think that was right. And, Diane, I also agree with you. They, I think, correctly say student ain't the central focus. Right. And that there's many stakeholders and the right one isn't being prioritized. I'll have a hot take of how to frame that. That'll be a little bit different from student centered later. So you all can yell at me then. But at the moment, I would argue it's largely the media. Sorry, the faculty, which I think is consistent with their view. And then they have some head nods to the media driving that a little bit as well. I'll quickly run down

them research. They talk deeply about the replication crisis and that it's probably worse than we realize with a lot of fraud going on. That's consistent with what I'm hearing as well. Most of the research that gets produced isn't read. Much of it isn't useful. That's consistent with what I see. I agree with them. The incentives, I think, are really bad in the academy around this at the moment, around the publisher, parish incentives and tenure, and the federal government role in all this is stuff that I'd heard a little bit about. But actually, what they brought to it was somewhat new to me and made some sense. It was interesting, in any event, credentialing and know again the value of the admissions for lead, higher ed. And the piece of paper saying you graduate. Yeah, I agree with what you said there, Stacey. Sports league. This isn't true for every institution, obviously, but I do agree with Ben that for those places that are running big sports operations, it is corrupt and immoral at this point. And I have a major problem with it as well. And I like college sports, but I think we got to make some changes. Hedge fund. I appreciated the nuance that they brought to this one. It wasn't one of these, but look at the endowments. They should be able to afford everything. They were properly nuanced. The operating budgets of these places are huge. If you were allowed to spend every single dollar, you would wind through that endowment really quickly. Number one. Number two, most of the dollars are dedicated to certain causes or faculty positions or whatever else, and you can't just sort of spend it on area of greatest need. Immigration agency. I never, ever would have phrased it the way that they did, but I don't think that they were wrong on it. And then just last one, the growth of costs because of the bundle and the administrative overhead, being a big driver of it, in my judgment, they got this fundamentally right as well. Obviously, DEI is a portion of that. But I think fundamentally, when you run such a complex operation with pieces that don't necessarily go together to manage those pieces and be successful, administrative overhead rises. That's not just in colleges and universities.

Stacey Childress:
Right.

Points of disagreement

Michael Horn:
That's everywhere. Right. The more product lines you have, administrative overhead rises. And so I think that's driving a lot of this. I thought it resonated. I might have been, well, we can talk about solutions later to that. Okay. But I'll leave it there and say if that's what they got right, let's get to the juicy stuff of maybe the important nuance that perhaps got lost or what they got wrong. We've already alluded to some of this, so we don't. But where would you want to take this?

Stacey Childress:
Yeah, let me name a couple of things. Michael, like you said, we've already sort of referenced, or at least I have. I think we all have some of the things. You're know, Diane, you said a few minutes ago this thing about what we would love for the purpose of universities to be right is getting kids that next phase of launching towards successful adulthood, human flourishing.

Right. Young people who are ready to thrive throughout their lives, live a good life, take care of their families, all of that. And they got that right. But there was this weird, maybe that's too. For Jordan, there was a strange thing, again, breadcrumbs throughout the first episode, a little bit in the second, where the assumptions seem to be that all too often, colleges are forcing kids into career and life paths that they don't want to be on. And I just don't think there's nearly enough forethought and. And structure and focus on helping kids pick anything totally. Well, let's be clear.

Diane Tavenner:

I'm starting a new company because we're just not doing this.

Stacey Childress:

Right anywhere. Right. There's like this side trip about Russia or Soviet Union create leading, kind of getting to gender parity in. Scientists and engineers were both same number or same proportion of men and women, which solved a problem that we still struggle with for people who care about that. And I was like, oh, this is interesting. Let's see where they go with this and where they ended up going with it was. It probably kept a lot of women from doing the things they would have preferred to be doing rather than being a scientist or an engineer. And I was like, I mean, maybe, I don't know.

It could be. I kind of laughed and felt weird and all of that. But I guess the general point is, even though they did say got right, should be more focused on centered around students. What I felt they got wrong, sometimes explicitly and often implicitly, was over crediting the institutions for having some mechanism for helping kids move across paths that they might be interested in, so much so that they might be forcing them into pick ones that they were going to make a lot of money and hate.

Diane Tavenner:

I totally agree with you. I mean, higher Ed is, in my view, highly disconnected from careers and employment. And so it was very bizarre. Similarly interesting to me. And I think one place that they got wrong and one place that I was feeling a lot of emotion as they were talking was they seem to really like IQ tests, and they seem to think that the SAT is essentially an IQ test. And they find the move away from such tests really problematic in terms of the admissions process for colleges and universities, which we established at the top of that episode, is actually a very few number of them that are using those things to select. But here's what I would say. I just think there was a ton of nuance that was lost in their conversation. So let me just share a couple of things. For starters, the SAT isn't equivalent to an IQ test, at least in its current form, and just even at a superficial level, because you can study for it and you can literally raise and improve your scores with practice. And so by definition, it's not an IQ test for that reason. And this is a really critical nuance for folks like us, because we see very clearly how much the financial status of your parents gets conflated with the intelligence or giftedness. When people fail to recognize that this is a test, it's not a pure identifier of the smart kids, which it felt like Ben and Marc really seemed to want and think it is and was in this kind of nostalgic way, like identifying these unidentified, brilliant people out there. And not to say that we haven't all heard a story of that.

Right? So they exist. I just don't think it's a systematic thing. I would also just add that the creators of the IQ tests, as I understand their positions and whatnot, and those who work on them, and honestly we just finished talking with Scott Barry Kaufman recently about this. They express real danger in using it as a screener for employment opportunities and things like that. And in fact, this is exactly what SBK was talking about. He's like, I went in to study these tests because I thought they were evil and discovered that they're not evil because there are real correlations and things that he didn't expect. But you have to be so thoughtful of how you're using them and take real care with them. And I felt like that was lost in kind of how they were sort of wistfully wanting to use them. And I will also just add that Marc and Ben seemed to be less than impressed with the actual education happening in universities. And so they talked a lot about the value being the selection on the front end, and then employers four years later using the signaling credential. I forget, what was the word that Marc kept like, that you completed? It wasn't persistence, but it was something like that.

Stacey Childress:
Conscientiousness, maybe.

Diane Tavenner:
It's true. It's true. But I was misty, like, wait, what's.

Stacey Childress:
Happening for in between adult daycare?

Diane Tavenner:
Right? And then they said this funny thing where they're like, we really need the colleges to do this. Or they implied this because we, as employers, can't give IQ tests because it's illegal. And so we need you to sort of screen for us. I was like, that was bizarre. I just feel like there was a lot wrong and confusing in that entire line of the conversation, which took up more space than I would have thought it would have taken up. And this is where I'm going to loop back to the points you all were making earlier about what I would call growth mindset. And do they believe that humans developed or is intelligence fixed? We're actually going back to some of the early philosophers that they've cited, and at some point, we'll get into one to one tutoring and how they were thinking we should be like Aristotle and Socrates. But I think it's a perfect example of.

I don't know exactly where they stand on growth mindset. It wasn't clear to me, because a lot of the things they said sort of represented a fixed mindset view of humans. But then they have these real growth mindset parts. And so that's probably very know. Humans are. We're not one or the other. We flow in and out of those two states. Yeah, let me just leave that there.

Michael Horn:
Let's pause on the sat thing for a moment. Stacey, I think you have some thoughts on that. And then, Diane, maybe let's circle back rest of your.

Stacey Childress:

Like, I'm conflicted in this SAT conversation. Not like formally conflicted, but I feel conflicted. Not just in this conversation, like in any conversation about SAT or act or standardized tests of any kind, when we talk about them as a threshold marker of readiness. Look, I don't think those tests are perfect. In fact, they're way not perfect. Right. They're far from it. For all the reasons you said, Diane, and I won't repeat them all.

I'm also a big fan of all the new forms of assessment that are coming into being and use. We can call modern forms of assessment that are more focused on what you're learning, like how you're progressing along a set of competencies, maybe from novice to mastery, or however you think about it, and kind of embedded in a learning environment rather than stop and take a test. I'm a big fan, as you guys know, of all of those. I have invested in lots of them that didn't pan out and some that are still in the works. And so I might be about to lose my badge of personalized, competency based forward thinking, but I just think we have to be realistic about what we're asking, what we're hoping for. When we ask a constituency like top tier employers like Marc and Ben are, and they represent lots of them, right, in their companies and in their colleagues at other venture capital firms and similar professional services firms, they have long seen those kinds of instruments as an indicator of something. Now, to your point, Diane, kind of agree they're not quite getting the nuance sense of what they do and don't tell you, but at least it was something that seemed independent in third party. And if we're saying you're wrong about those, don't even use those.

We don't really have the thing to replace it with yet. Let me say it differently. We don't have the ecosystem to replace it with yet. We've got a lot of really interesting things happening, some things that are actually way far along, but none of which are totally Marcet ready for broad, scalable, valid use that are also already adopted at scale. And so the alternative to don't use this thing that's wildly imperfect, but that you like, instead use nothing for a while while we figure this other stuff out. I actually think that's what they're really. Maybe I'm giving them too much credit. I think that's what they're really expressing as a frustration, not, I have to have an IQ test or give me the sat because it does all the things it does and it's an IQ test.

I think they're saying, I need something like, if you're taking those away, you got to give me something that validates what the threshold level of skills, abilities, competencies, ability to learn, ability to grow are, which I think is a little ironic since we're wondering about their growth mindset, belief. But so that's like, I'm not for or against standardized testing in the broadest sense. I have real challenges with them. And I also just from a change management standpoint, especially at the sector level or at the societal level, we can't just say, those don't work, stop using them. We'll get back to you in five or ten years and tens of billions of dollars later in investment when we have the things that replace it. So I think that my sense is that's part of what we were hearing from them. I don't know. Yeah.

Diane Tavenner:

What do you think about this, Michael? And I'm just going to say that they've had an impact on us because we're over the hour, Marc. I don't think we've ever recorded an episode that's over an hour.

Michael Horn:

No, I know. I've been watching that. So for those who are listening when.

Stacey Childress:

We keep this, if you're still listening.

Michael Horn:

You're still listening, we apologize. But on the SAT point, I don't want to get into the solution piece of it because I think there's an interesting strand here you could follow. But I will say my biggest frustration with the problems episode was where Diane was as well on the IQ point. But I will say what I found interesting about it and why I was so excited to keep listening is I think it's a very interesting window into how employers and companies are thinking. Totally is one of those places where interpretation can become reality. Right. If this is how they interpret the world, it could be right or wrong. But if they walk away from it because it doesn't matter now, I think they would argue back at us and say, well, high school grades are not helping people distinguish anyone because of grade inflation and et cetera, et cetera, I think they're right on that. I think there needs to be some objective measure to Stacey's point, third party measure. And I don't think the reason companies are dropping degree requirements has anything at all to do with the fact that colleges are walking away from the SAT. Those are totally independent phenomenon. And as we'll talk about, yes, employers are turning away from degrees on the front end, but they are still actually, in fact, hiring based on them, because HR managers are different from CEOs. And they never got fired hiring IBM, and they never got fired for hiring someone with a. Like, the PR release on the companies is very different from the reality how people are still. I guess that's the other piece about it that I'd say. One other thing I'd love to point out before we start to wrap on this episode, which is they talked a lot about the increase in tuition, well, outpacing inflation. I don't actually think that's the story, because if you look at the last 15 years, if you look at list tuition, they're right. But if you look at net tuition, meaning after discounts and scholarships, it's not correct. Like, it's actually relatively flat over the last 15 years. And what I think is really going on is that spending, so, like, the cost structure of these places that is going up and up and up. It's why there was a whole decade of launching overpriced online master's degrees that made huge profit to basically hold up the other parts of the bundle. And then everyone of my higher ed friends say, Michael, online is not lower cost. You're wrong on disruption. I'm like, no, because it's in a business model that's failing. Right. I think that was a very big thing that they missed, is that it's not tuition, it's the costs. And the reason the costs are going under is because of the are going up. Like this is one, the bundle, but two, it's because they're also trying to improve the. So, you know, when Stanford adds the high class dining facility, or actually I should say it the other way, right? Stacey, when Harvard Business School adds Spangler, Stanford Business School better respond, right? And so when one place adds the student success function or the DEI support or whatever, it is like, hey, the diversification of students, we got to support them. You better bet other places better respond. So it's the fact that these places have negative economies of scale. The administrative overhead keeps going up because of the bundle, it's expensive to manage and that they are trying to improve in their current paradigm of improvement, which we've all say we're not sure that they're improving

against the right things, but that's sort of what's driving the fundamental cost structure that I think is out of whack is what I would say.

Diane Tavenner:

Yeah, makes sense. That makes sense a lot. I think we've covered a lot of ground, maybe as we do our listeners a favor and start to wrap here. I think one thing that really I spent a lot of time thinking about afterwards is with my, you know, educational systems leader hat on. One of the, my, one of my very first early board members, like Silicon Valley person said to me was like, look, if you are not as an organization or company or an entity growing, you're dying. Like there's only two states. You're growing or you're dying. And so one of the questions I kept thinking about is, what does it mean to grow as a university if you aren't increasing the number of students you serve? And maybe their argument is that all the universities should constantly be increasing the number of students they serve. And I think we would all engage around a conversation like that potentially. But if that's not real and true, how do you stay in growth mode without growing the number of kids you're serving? And so I wonder is that what has happened over universities, which are some of the oldest institutions in our society, fairly young society, but nonetheless, some of the oldest ones. And is that why they are such complex bundles with so many constituents, is because that was how they were growing, so they wouldn't.

Michael Horn:

No, I think that's really interesting. I think it points Diane to, again, a bunch of the colleges, elite colleges over the last 15 years have added to their class. Yale added 200 students per class. It cost half a billion dollars to do in capex.

Diane Tavenner:

Wow.

Michael Horn:

These places have negative economies of scale. And so I think you're right. That pours over into administration. It pours into research. I'll make the provocative statement. I'm glad that there's some institutions that are research first, but I think they should advertise themselves as such and not try to be all things to all people on the other part of the spectrum.

Diane Tavenner:

That's probably a good lead into because you've led us towards solutions. So let's wrap here and then.

Michael Horn:

Perfect place to stop anyone with what we've been reading or watching because you know what we've been listening to. And so we're going to stop there. And Stacey, thank you for joining us on this first.

Diane Tavenner:

Absolutely.

Michael Horn:

Stay tuned. Don't go far. We're going to have you back on our next episode. Thank you all for bearing with us and engaging with us on this episode of Class Disrupted.