Ben Nelson: The Man Who Would Overthrow Harvard

Can the Minerva Project do to Ivy League universities what Amazon did to Borders?

By

- MATTHEW KAMINSKI

San Francisco

'If you think as we do," says Ben Nelson, "Harvard's the world's most valuable brand." He doesn't mean only in higher education. "Our goal is to displace Harvard. We're perfectly happy for Harvard to be the world's second most valuable brand."

Listening to Mr. Nelson at his spare offices in San Francisco's Mid-Market, a couple of adjectives come to mind. Generous (to Harvard) isn't one. Nor immodest. Here's a big talker with bold ideas. Crazy, too, in that Silicon Valley take-a-flier way.

Mr. Nelson founded and runs the Minerva Project. The school touts itself as the first elite—make that "e-lite"—American university to open in 100 years. Or it will be when the first class enters in 2015. Mr. Nelson, who previously led the online photo-sharing company Snapfish, wants to topple and transcend the American academy's economic and educational model.

And why not? Higher education's product-delivery system—a professor droning to a limited number of students in a room—dates back a thousand years. The industry's physical plant (dorms, classrooms, gyms) often a century or more. Its most expensive employees, tenured faculty, can't be fired. The price of its product (tuition) and operating costs have outpaced inflation by multiples.

In similar circumstances, Wal-Mart took out America's small retail chains. Amazon crushed Borders. And Harvard will have to make way for . . . Minerva? "There is no better case to do something that I can think of in the history of the world," says Mr. Nelson.

Ken Fallin

Some people regarded as serious folks have bought the pitch, superlatives and all. Larry Summers, the former Harvard president, agreed to be the chairman of Minerva's advisory board. Former Sen. Bob Kerrey, who led the New School in New York from 2001-10, heads the fundraising arm. Stephen Kosslyn, previously dean of social sciences at Harvard, is Minerva's founding academic dean. Benchmark, a venture-capital firm that financed eBay and Twitter, last year made its largest-ever seed investment, $25 million, in Minerva.

Mr. Nelson calls Minerva a "reimagined university." Sure, there will be majors and semesters. Admission requirements will be "extraordinarily high," he says, as at the Ivies. Students will live together and attend classes. And one day, an alumni network will grease job and social opportunities.

But Minerva will have no hallowed halls, manicured lawns or campus. No fraternities or sports teams. Students will spend their first year in San Francisco, living together in a residence hall. If they need to borrow books, says Mr. Nelson, the city has a great public library. Who needs a student center with all of the coffee shops around?

Each of the next six semesters students will move, in cohorts of about 150, from one city to another. Residences and high-tech classrooms will be set up in the likes of São Paulo, London or Singapore—details to come. Professors get flexible, short-term contracts, but no tenure. Minerva is for-profit.

The business buzzword here is the "unbundling" of higher education, or disaggregation. Since the founding of Oxford in the 12th century, universities, as the word implies, have tried to offer everything in one package and one place. In the world of the Web and Google, physical barriers are disappearing.

Mr. Nelson wants to bring this technological disruption to the top end of the educational food chain, and at first look Minerva's sticker price stands out. Freed of the costs of athletics, the band and other pricey campus amenities, a degree will cost less than half the average top-end private education, which is now over $50,000 a year with room and board. His larger conceit, inspired or outlandish, is to junk centuries of tradition and press the reset button on the university experience. Mr. Nelson offers a fully-formed educational philosophy with a practiced salesman's confidence. At Minerva, introductory courses are out. For Econ or Psych 101, buy some books or sign up for one of the MOOCs—as in

massive open online course—on the Web.
"Too much of undergrad education is the dissemination of basic information that at that level of student you should expect them to know," he says. "We just feel we don't have any moral standing to charge you thousands of dollars for learning what you can learn for free." Legacy universities move students to their degrees through packed, required lecture classes, which Mr. Nelson calls their "profit pools." And yes, he adds, all schools are about raking in money, even if most don't pay taxes by claiming "not-for-profit" status.
In the Nelson dream curriculum, all incoming students take the same four yearlong courses. His common core won't make students read the Great Books. "We want to teach you how to think," Mr. Nelson says. A course on "multimodal communications" works on practical writing and debating skills. A "formal systems class" goes over "everything from logic to advanced stats, Big Data, to formal reasoning, to behavioral econ."
Over the next three years, Minervaites take small, discussion-heavy seminars via video from their various locations. Classes will be taped and used to critique not only how students handle the subjects, but also how they apply the reasoning and communication skills taught freshman year.
The idea for Minerva grew out of Mr. Nelson's undergraduate experience. As a freshman at Penn's Wharton School, he took a course on the history of the university. "I realized that what the universities are supposed to be is not what they are," he says. "That the concept of universities taking great raw material and teaching how it can have positive impact in the world is gone."
Undergraduates come in, take some random classes, settle on a major and "oh yeah, you're going to pick up critical thinking in the process by accident." By his senior year, Mr. Nelson was pushing for curriculum changes as chairman of a student committee on undergraduate education. As a 21-year-old, he designed Penn's still popular program of preceptorials, which are small, short-term and noncredit seminars offered "for the sake of learning."
A Wharton bachelor's degree in economics took him to consulting at Dean & Company in Washington, D.C. "My first six months, what did the consulting firm teach me? They didn't teach me the basics of how they do business. They taught me how to think. I didn't know how to check my work. I didn't think about order of magnitude. I didn't have habits of mind that a liberal arts education was supposed to have given me. And not only did I not have it, none of my other colleagues had it—people who had graduated from Princeton and Harvard and Yale."
After joining Snapfish in 1999 and leaving as CEO a little over a decade later, Mr. Nelson, who is 38 and married with a daughter, wrote and shopped around his business plan for Minerva. He says he considered partnering with existing institutions, but decided to build a 21st-century school from scratch to offer the "ideal education."
Ideas like his are not in short supply. The catch? No one has found a way to make a steady

profit on an ed-tech startup.
Going back to the Internet bubble of the late 1990s, many have tried. With $120 million from Michael Milken andLarry Ellison and a board of big names, UNext launched in 1997 as a Web-based graduate university. It failed. Fathom, a for-profit online-learning venture founded by Columbia University in 2000, closed three years and several million in losses later.
In the current surge of investment in new educational companies, Minerva has no direct competitor but plenty of company. Udacity and Coursera, two prominent startups, are looking to monetize the proliferation of MOOCs. UniversityNow offers cheap, practical courses online and at brick-and-mortar locations in the Bay Area. And so on.
Education accounts for 8.7% of the U.S. economy, but less than 1% of all venture capital transactions in 1995-2011 and only 0.3% of total public market capitalization, as of 2011, according to Global Silicon Valley Advisors. The group predicts the market for postsecondary "eLearning" and for-profit universities will grow by double digits annually over the next five years.
Mr. Nelson's vision will be beside the point if Minerva fails to attract paying students. He makes a straightforward business case. Harvard and other top schools take only a small share of qualified applicants, and for 30 years have refused to meet growing demand. A new global middle class—some 1.5 billion people—desperately wants an elite American education. "The existing model doesn't work," he says. "The market was begging for a solution."
Audacious ideas are easy to pick apart, and Mr. Nelson's are no exception. He repeats "elite" to describe a startup without a single student. Reputations are usually earned over time. Many prospective students dream of Harvard for the brand. Even at around $20,000 a year—no bargain for middle-class Chinese 18-year-olds—Minerva won't soon have the Harvard cachet.
Any education startup must also brave a regulatory swamp. By opting out of government-backed student-loan programs, Minerva won't have to abide by many of the federal rules for so-called Title IV (of the relevant 1965 law) schools. Americans won't have an edge in admissions and Minerva expects most students will come from abroad.
But Mr. Nelson wants to be part of the club whose price of entry is accreditation. A cartel sanctioned by Congress places a high barrier to entry for newcomers, stifling educational innovation. Startups face a long slog to get accredited. So last month Minerva chose to partner with the Keck Graduate Institute, or KGI, a small school founded in 1997 that is part of the Claremont consortium of colleges near Los Angeles. Minerva degrees will now have, pending the regulatory OK, an accreditor's seal of approval.
With this move, Mr. Nelson eased one headache and raised some questions. KGI offers only graduate degrees in life sciences, an unusual fit for an undergraduate startup. KGI isn't a recognizable international name for Minerva to market. Yet Mr. Nelson says the schools

are "completely complementary" and the deal represents "zero change in our mission."
Among the other marketing challenges: Won't Minerva undergrads miss out on lifelong bonding built in classrooms, dorms and next to the keg? Traveling across the world, Mr. Nelson says, will bring people even closer together. Campus activities? Imagine a college newspaper with 25 foreign bureaus, he shoots back, or the cultural attractions of the world's great cities. "If you want to be an intercollegiate fencer, do not come to Minerva. Bad idea," he says. "There are a lot of traditional experiences that a traditional university will provide you that we will not."

Effusive on every other topic, Mr. Nelson turns vague when I bring up Minerva's finances. Skeptical investors have seen this movie before. Mr. Nelson doesn't even hint at projected profit or a growth timetable. He says the school has to become roughly the size of an Ivy League university, enrolling around 10,000 students, to break even. "Making your profit, your substantial revenue, based on 18-year-olds is not the mover," he says. "It's what you do with them. It's how you build the brand."

If the bulk of revenues won't come from undergrads, then where? "We'll see," he says. Perhaps executive education, or licensing classroom content or technology, or putting on conferences. "Our enterprise value will not be derived nearly as much from our 'E' as much as P/E," he says, as in the price/earnings ratio. "It isn't about maximizing profits. It's all about how the brand unlocks the future potential earnings." Harvard, a multibillion-dollar operation, is a business more than an academic model.

Whether or not Mr. Nelson and Minerva shake up American higher education, someone will.

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