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Disrupting the Education Monopoly

A conversation with
Reed Hastings

by JOANNE JACOBS

NETFLIX CEO REED HASTINGS has given millions of dollars to start charter schools. He's put millions more into developing education software to personalize learning. But he doesn't just give money. He makes things change. And he is not a fan of school boards.

The high-tech billionaire—he hit the “b” this year, according to *Forbes*—led and financed a 1998 campaign that forced the California legislature to liberalize its restrictive charter law. He served on the California Board of Education for four years. Hastings provided start-up funding for the Aspire Public Schools charter network and helped start and fund EdVoice, a lobbying group, and the NewSchools Venture Fund, which supports education entrepreneurs.

He's given money to Sal Khan of Khan Academy to develop teaching videos—and a dashboard to track student progress—used in the U.S. and around the world. Hastings also supports Rocketship Education, which blends adaptive learning on computers with teacher-led instruction. He's on the board of the California Charter Schools Association; the KIPP Foundation; DreamBox Learning, an education technology company; and the Pahara Institute, which provides fellowships to education leaders. On the business side, he served on Microsoft's board until 2012 and is now on Facebook's board.

In 2012, Hastings and his wife, Patty Quillen, joined the Giving Pledge, promising to donate most of their wealth to charity. They live with their two teenage children in Santa Cruz, a laid-back beach town.

Hastings has kept his day job. At 54, he has gray hair and a youthful goatee. Casually dressed in Silicon Valley style, he roves the Netflix complex in Los Gatos.

The company is a model of disruptive innovation. Hastings and co-founder Marc Rudolph came up with a new idea in 1997: DVDs by mail for a monthly charge, with no late fees. Competitors who couldn't adapt quickly, that

is, Blockbuster, went out of business.

But Hastings disrupted his own company in 2011 and nearly destroyed it. Eager to move to streaming video, he raised prices and announced Netflix would spin off DVD rentals. In four months, the company lost 800,000 subscribers. Its stock price crashed.

Hastings canceled the spinoff, admitted his mistakes, and rebuilt Netflix. The stock price is higher than ever. The number of subscribers has doubled. The company is now producing its own content, including such hit shows as *House of Cards* and *Orange Is the New Black*.

“I'm not good at following orders”

Hastings grew up primarily in Washington, D.C. He attended both public and private schools, then majored in math at Bowdoin. He planned to join the Marine Corps, but a summer boot camp showed he wasn't cut out for military discipline. “I'm not good at following orders,” he says with a smile. Instead, he volunteered for the Peace Corps. Assigned to Swaziland, he taught math and worked on community projects such as building a water tank and keeping bees. He loved the flexibility. “There were no rules at all. Just use your initiative.”

His 9th-grade students “had very uneven preparation,” he recalls. “Many were very committed to their education but their poverty made it hard.” Any new teacher learns a lot in the first few years, Hastings says. He learned that “you have to connect with kids.”

After the Peace Corps, Hastings earned a master's degree at Stanford, specializing in artificial intelligence. He went to work in high tech, then started Pure Software. The company went public in 1995, making Hastings a multimillionaire.

“I didn't really want to buy yachts,” Hastings told the *Wall Street Journal* in 2008. “I started looking at education, trying to

figure out why our education is lagging when our technology is increasing at great rates and there's great innovation in so many other areas—health care, biotech, information technology, moviemaking. Why not education?"

He decided not to "give a little bit here and there," Hastings says. "My philosophy is to focus on one thing and try to do it really well." His thing, he decided, would be improving K–12 education. But how?

As an entrepreneur, Hastings was intrigued by the charter movement. He began talking to advocates, such as Don Shalvey, who had started the state's first charter school as superintendent of the San Carlos School District, just north of Silicon Valley. He also got to know Michael Kirst, a Stanford education professor who had previously served on the state board of education and would do so again in the future. Kirst got Hastings into a master's program at Stanford's school of education in 1997.

His time at Stanford was "eye-opening," says Hastings. He read widely, getting a "broader context" for understanding education issues. "It further convinced me that expanding charter schools would offer a long-term solution."

But he left without completing a degree. He was working on starting a new company, Netflix. And he was getting into education politics.

Lifting the Charter Cap

In 1998, Hastings teamed with Shalvey to write a statewide ballot initiative lifting California's charter cap and making it easier to start a charter school. Hastings became president of Technology Network, a bipartisan lobbying group formed by Silicon Valley CEOs. TechNet put its political and financial clout behind the petition drive. When the initiative collected more than a million signatures, the opposition caved. Hastings and Shalvey agreed to drop the initiative if the legislature passed the charter law written by an ally in the legislature.

Hastings helped Shalvey start Aspire Public Schools, which

It was another eye-opening experience, Hastings says. The board was grappling with how to test students' progress in order to hold school districts accountable. Evaluating students' writing by requiring an essay, not just multiple-choice answers, was a big issue. An essay makes the test "more expensive and less reliable," says Hastings. But if writing isn't evaluated, it creates "an incentive not to teach writing."

Governor Arnold Schwarzenegger, a Republican, nominated Hastings for a second term in 2004, but a group of Democratic legislators blocked his reappointment, forcing him off the board.

He still had the teachers union backing, says Hastings. "I tripped over a political issue on bilingual education." He had advocated two and a half hours of English instruction a day in bilingual kindergartens, which typically devoted 90 percent of the day to Spanish. Bilingual educators and their political allies mobilized against him. "I lacked political deftness," he says.

Defenders of the education status quo often have little use for wealthy philanthropists, labeling them the "billionaire boys' club" and "deformers." Hastings thinks his critics have "all the right motives." They want to "serve children better." He doesn't care if they don't respect his motives. "A public advocate needs a thick skin and a respect for opposing arguments," he says.

Technology for Learning

Since leaving the board, Hastings has focused on growing high-quality charter schools and developing technology that could transform education.

"Technology is global," he says. "We need every kid to get a great education, whether they live in Mexico or Nigeria or Pakistan."

Technology has the potential to personalize teaching and learning, says Hastings. Adaptive programs let a 3rd grader work at the 5th-grade level while a classmate is learning 1st-grade math skills. Technology can free teachers to work with small groups instead of lecturing to a large class. "It's very teacher-

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became a network of 37 charter schools in California and Tennessee. Shalvey now works on college readiness for the Gates Foundation.

In 2000, Hastings gave \$1 million to pass Proposition 39, which lowered the vote needed to pass school bonds from two-thirds of voters to 55 percent. Despite his support for charter schools, he developed a "good working relationship" with the California Teachers Association. That year, Democratic governor Gray Davis named Hastings to the state board of education. He became president of the board in 2001.

centric but it won't be a teacher in front of a class explaining how to do long division."

He remembers the lessons he learned in Swaziland. "There's a huge emotional component to teaching and inspiring kids."

Now, software is best at teaching "subjects with correct answers," he says. "It will take 5 to 10 years of hard work to figure out" how to use software to teach students to analyze a poem or understand a historical event. And it may not happen. "You can go back 50 years. In the 1960s, it was going to be TV-based learning," he says. "There have been many waves



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of great desperate hope that maybe technology will save us.”

Many charters are trying different approaches to blended learning, says Hastings. Ideas will be tried, modified, expanded, or dropped. Rocketship piloted a “flexible” learning lab with up to 115 students, three teachers, and a coach in the same very large room. Scores fell. Teachers quit. The network modified the model and limited it to the 4th and 5th grades. Then its ambitious growth plans stalled.

Rocketship is “pausing to take a breath,” says Hastings. It will grow much more slowly than originally planned. But “they have great schools with a lot of heart to grow and improve.”

Rocketship uses software developed by DreamBox Learning, as well as programs developed by Khan Academy and others. Boosting blended learning while investing in a for-profit software developer is a conflict of interest, say Hastings’ critics. But Hastings has “no financial interest” in DreamBox, he says. He donated to a nonprofit, the Charter School Growth Fund, which invested in DreamBox. If the company prospers, Hastings doesn’t make money.

The Trouble with School Boards

This year, Hastings raised another set of hackles by criticizing school boards in a keynote speech on March 4 at the California Charter Schools Association’s annual conference.

Hastings didn’t call for abolishing school boards in his speech, as reported by some. “Of course, no one’s going to go for that,” he told the conference. “School boards have been an iconic part of America for 200 years.” But he does want to make school boards obsolete.

“The school board model works reasonably well in suburban districts,” he said in an interview. In cities, where it takes thousands of dollars to run, school board seats attract the politically ambitious. “They use the school board as a stepping-stone to run for higher office.”

The way to get elected is to promise change. Often that means throwing out the superintendent and churning programs. Long-term planning is impossible. Superintendents come and go, but the bureaucrats remain, gaining power. His solution is to create “a system of large nonprofits” running charter schools, he told the conference. “Every year they’re getting better because they have stable governance.”

“The work ahead is really hard because we’re at 8 percent of students in California [attending charters], whereas in New Orleans they’re at 90 percent, so we have a lot of catch-up to do,” Hastings said. “So what we have to do is continue to grow and grow.... It’s going to take 20 to 30 years to get to 90 percent of charter kids.”

Critics complain that charter boards aren’t elected by voters, or by the school’s parents, and therefore aren’t democratic. Parents care a great deal about whether their child’s school is effective, says Hastings. They don’t care about its governance. “If a nonprofit school is effective, that’s great for democracy.”

He “doesn’t think much good will come” from the recent *Vergara* decision, in which a California judge ruled that teacher tenure and seniority laws violate low-income, minority students’ right to equal education opportunity (see “Script Doctors,” *legal beat*, Fall 2014). “It’s a distraction,” says Hastings.

Emboldened by the California decision, reformers are challenging teacher protection laws in other states. Hastings foresees “a huge fight that won’t lead to better outcomes for students.” School districts are monopolies, he says. Protections for teachers are a “natural outcome of a local monopoly.” Besides, teachers in Louisiana and Texas don’t have tenure, he says. “It hasn’t changed the nature of the teaching profession.”

What’s needed is a way to disrupt the monopoly.

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