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The Must-Attend Event for Education Technology Investors

By NATASHA SINGER APRIL 9, 2015 10:00 AM

SCOTTSDALE, Ariz. — To observe the major forces at play in the education technology sector, one needed only to stand near the marble fountain in the Phoenician Resort lobby this week.

That's where hundreds of venture capitalists and executives attending an annual ed tech industry conference arranged — in full view of their rivals — to meet one another privately.

From coveted perches at cafe tables and couches in the plush hotel lobby, for instance, investors watched as Aaron Skonnard, chief executive of Pluralsight, an online skills training company for technology professionals, sat down with David Blake, chief executive of Degreed, a start-up that helps companies track, analyze and manage the skills development courses taken by their employees.

“Degreed has the best content-scoring algorithm for online courses,” said Michael Staton, a partner at Learn Capital, a venture capital firm that finances education start-ups, as he observed the tête-à-tête from across the room. Then Mr. Staton sighed. “I was hoping we'd invest in them,” he said, “before Pluralsight acquired them for \$100 million.”

The annual ASU+GSV Summit conference here, an effort put on by Arizona State University and GSV Capital, an investment firm, started six years ago as a modest event in the desert where investors came to hear company presentations from about 50 education start-ups.

The conference has since become the central event for investors and companies scouting for the next big thing in education technology — a melting pot for executives from McGraw-Hill Education and Pearson, Google and Microsoft, Kapor Capital and the NewSchools Venture Fund, and start-up entrepreneurs.

This year about 270 companies are presenting, all represented by either their chief executives or founders. Among them are companies like Degreed, which developed in an ed tech accelerator financed by Kaplan, the test-preparation company. Degreed has attracted angel investors including Mark Cuban, the investor and owner of the Dallas Mavericks, and Deborah Quazzo, a managing partner at GSV Advisors.

“It's a place where it's all senior people,” said Ms. Quazzo, one of the conference organizers. “So conversations can occur at a high level.”

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With more than 2,000 attendees this year, the conference is an indication of the high political stakes involved in education and of the big money businesses hope to reap in the sector. The event also now serves as an important stop for policy makers seeking to broadcast their commitment to industry growth.

On Tuesday, for instance, Arne Duncan, the United States secretary of education, made an appearance here. He heartily endorsed data-driven technologies known as “personalized learning,” websites and apps that display different math problems or reading assignments to individual students, based on an analysis of their particular abilities.

The hope is that such individually tailored products will improve students’ learning, grades, test scores, graduation rates and, ultimately, employment prospects.

“We must make learning more personalized,” Mr. Duncan said.

As was typical in other years, dozens of companies at this year’s conference presented personalized or adaptive learning systems for students.

Despite the promise of such tailored lessons — and the fact that millions of students already use such products — few ed tech start-ups have conducted and published rigorous studies to demonstrate that their novel technologies aided learning more than established methods. One controlled study conducted by Kaplan found that showing videos to students — which the company had expected to be more engaging for learners than traditional methods — was less effective than providing students with traditional text-based problems to solve.

In an effort intended to address the paucity of ed tech outcomes data, two groups here, including Kaplan, discussed their coming efforts to study education technologies. They each said they wanted to help school administrators choose learning products with proven effectiveness.

Kaplan announced plans for a new ed tech accelerator intended to identify pressing educational problems and the products that might solve them.

“Every C.E.O. will tell you their product is great and it works,” said Maia Sharpley, Kaplan’s vice president for strategy and innovation. “Well, let’s test it and pilot it and have the data to show that it works or it doesn’t.”

Another new accelerator project, financed by USA Funds and the University of Virginia Curry School of Education, has just introduced a similar effort to identify and rigorously test promising ed tech products aimed at filling concrete needs for schools.

“Are there really companies willing to hold themselves up to that level of scrutiny and accountability?” said Bart Epstein, chief executive of the new company, called the Jefferson Education Accelerator. “They are out there. They are a minority. And we want to hold them up as examples of companies doing it right.”

In its short history, the ASU+GSV conference has also acquired a reputation as the meet-cute spot for ed tech investors and executives seeking to develop relationships with start-ups that could lead to acquisitions.

Last year, for instance, Mr. Skonnard, the chief executive of Pluralsight, the professional technology course provider, had a 15-minute meeting in the Phoenician lobby with the founder of Smarterer, a skills assessment and scoring start-up.

“As we were leaving, I said to my C.F.O., ‘This is a company we need to talk more to,’ ” Mr. Skonnard recalled during a chat with a reporter in the industry-thronged lobby. “Ten months later,” he said, “we completed the acquisition” of Smarterer for \$75 million.

When asked whether Pluralsight now planned to acquire Degreed, the company whose founder he was seen meeting with earlier this week, Mr. Skonnard was enigmatic.

“Not right now,” he said.