

The Cambridge White Paper: Schools and Test Prep

By David P. Waldherr

Why was this White Paper Written?

The title of our White Paper, *Schools and Test Prep*, is admittedly paradoxical, but the paradox is not mere whimsy. It reflects an underlying social, economic, and financial reality. The question to be addressed is: Why are schools only now moving in to an educational activity that for years has been dominated by private industry? The answer to our question is complex and is related to other threads of history that we will not investigate. Our focus will be test preparation.

Ancient History

Test prep, as an economic activity, is ultimately dependent upon psychometric testing. Now, a psychometric test is not really a test--at least not in the way that we ordinarily use that term in academe. A psychometric instrument is a test in the same way that a Rorschach Blot is a test. A psychometric instrument does not purport to identify any concrete causal linkage but only a statistical correlation, e.g., a score on the test is a predictor of success in the first year of school.

Psychometric testing was, of course, used by the military during World War II and later grew in importance as veterans began or resumed their studies under the GI Bill. It was during the 1950s and 1960s that psychometric testing firmly injected itself into America's social subconscious. (Is there one among us who does not remember our SAT scores?) It is important to remember that this was the most intense period of the Cold War; it was the time of Sputnik, the NEA of 1957--a time both of great fear and great aspiration. And Educational Testing Service (ETS) rode the wave of paranoia and confidence to become the giant that it is today.

Ultimately, ETS's strategy was to exploit a general ignorance of psychometric theory and longing for "scientific" solutions. The key strategy was: this is very scientific. In essence, ETS told the American public that its "secret" psychometric formulas would help to create a more efficient society, a kind of *Brave New World* that was not only benign but even benevolent because their tests helped people to find the level where they would be genuinely happy.

That academics bought into this "party line" is not surprising. Psychometric theory was relatively new, and few had any appreciation of its significance. The dazzling coefficients and correlations created the impression that testing was every bit as "scienceterrific" as rocket design. Plus, since the test design and testing process were "top secret," the tests had to be as reliable and as important as any "top secret" project of the government. The social and political climate was perfect for the establishment of the ETS hegemony.

Officials at ETS, either consciously or unconsciously, used the prevailing mentality to their advantage. For example, ETS offices were and still are located just outside of the city limits of Princeton, NJ--the home of Princeton University. ETS is a private company with no ties to the university, but many academics who saw the return address on the envelope erroneously assumed that ETS was a part of the university. So when ETS insisted that its product was immune to short-term manipulation by test preparation, most advisors concluded that Princeton University was speaking: You can't study for this kind of test because Princeton says so.

In any event, schools, which ordinarily might have taken steps to set up a test preparation curriculum for the various exams did not because to do so seemed likely to be an exercise in futility. And many administrators probably breathed a sigh of relief because there was no clear incentive to expend the effort.

Stanley in the Basement

Just as nature abhors a vacuum, so too money will fill every interstice of the economy. And an enterprising young student stepped in to fill the void. Stanley Kaplan, a bright high school student, began tutoring classmates for the SAT in his family's home in Brooklyn, NY. After graduating from Brooklyn College, Stanley went on to develop his tutoring into a business that offered formal classes for various standardized exams. The business grew, and by the 1970s was a fairly successful company with locations in several cities.

In the 1970s, the company's operations clearly reflected its history. To be sure, the company operated as a business: it advertised, it set prices, it collected revenues, and it made a profit. But through it all, Stanley himself was still a presence as a teacher. If you happened to be a Kaplan student in New York City during that time, you would likely hear "Oh, Mr. Kay dropped in on our class today to see how we were progressing." It was a peculiar marriage of academe and business.

The Sexton-Martinson Challenge

In the mid-1970s, a major change took place. John Sexton, a high school teacher in Brooklyn, who was coincidentally finishing a Ph.D. in Comparative Religion, coached a debating team into a national power. It was necessary for the team to travel to tournaments around the country; but the high school was hard pressed to pay for the trips, and the students (mostly from working-class families) certainly could not. So John began an SAT prep program that was open to students from any school and charged their parents tuition. The revenues funded the debate team's travel.

After receiving the Ph.D., John realized that a college professorship did not seem all that remunerative and decided to try his hand at business. Tom Martinson, a top college debater, became a partner; and the two took Kaplan on directly.

After two years, John and Tom were enrolling several thousand students and had centers or franchises in over a dozen states, but the combination of daily grind and intense bursts of creative activity had taken their toll. They sold the business to investors. John enrolled at Harvard Law School where he was editor of the Law Review, then clerked for Chief Justice of the U.S. Supreme Court Warren Burger, and is now Dean of the New York University Law School. Tom sold or gave away anything that would not fit into a duffle, spent the next few years "bumming around Europe," and today writes test prep materials for Cambridge.

Enter John Katzman

The Sexton-Martinson challenge, though short-lived, was successful, and it showed others that test preparation was a viable business opportunity. In fact, years later John Sexton and Stanley Kaplan (who includes NYU among his many philanthropic beneficiaries) met during a fund-raiser on Stanley's yacht. As they reminisced about the "good old days," Stanley gestured at the boat and said to John "I owe this all to you." In response to John's obviously puzzled face, Stanley went on to explain "You were the first to advertise in the "Week in Review" section of the Sunday *New York Times*; I felt that I had better start advertising there too; and that is when the test prep business really took off."

During the late 1970s and early 1980s, there were many challengers--Evergreen, Manny Federbush, the Bernsteins--some of whom enjoyed modest success, in part because they were able to ride Stanley's coattails. Still, the Kaplan hegemony remained intact because its reputation and financial strength made it virtually unassailable by a start-up operation. The cost of print advertising, the key to Kaplan's expansion, was simply too great an entry barrier for the average entrepreneur.

What was required for success, therefore, was a war-chest, and John Katzman, who came from a monied background, entered the fray. Armed with substantial capital, Katzman founded Princeton

Review. But even Katzman's well-financed campaign might have failed were it not for the fact that he was also equipped with a fresh concept.

The Kaplan programs bore and still do bear the mark of "Mr. Kay" himself. Course structure, content, and tone were academic, and that is not surprising given the roots of the organization. Even today, the style of the Kaplan programs is characterized by this approach.

The genius of Katzman's strategy was to provide a clearly defined alternative to the Kaplan concept. Whereas the tone of the Kaplan programs was dignified and even serious, Katzman paraded out the bumbling "Joe Bloggs"--your average student who was the victim of standardized testing. Katzman was surely in touch with the time. The appeal to the least common denominator (Joe Bloggs) and the exploitation of a victim mentality (the test is out to get you) was highly successful.

Eventually, Stanley sold Kaplan Educational Centers to the Washington Post. It is now operated by a Harvard M.B.A. Princeton Review is now larger than Kaplan. Until recently, the two superpowers simply dominated the market.

The Stage is Set

At this point, it is natural to wonder why colleges and universities did not immediately see the economic potential of test preparation as a means of generating a revenue stream. It is important to keep in mind, however, the historical accident that gave birth to the test prep industry in the first place. Stanley Kaplan was enormously successful, in large part, because academic institutions bought the ETS "party line." This created a vacuum that Stanley filled.

In fact, colleges and universities actually looked down on Stanley as being engaged in an activity beneath their dignity. Test preparation was a "dirty business." Of course, Stanley, if he had ever stopped to think about it, would probably have been pleased at this myopia for he saw more clearly than did the schools a tremendous financial opportunity and was "embarrassed" by his "dirty business" all the way to the bank. Plus, Stanley himself never bought the ETS "party line." His pedagogical philosophy was simple: if it walks like a duck and talks like a duck, then it must be duck; and if it is a test, then you can teach for it.

In any event, even though the "dirty business" had become a \$200 million a year "dirty business," it was still regarded as a "dirty business." In fact, the very size of the test preparation industry reinforced the traditional academic attitude: because Kaplan and Princeton were making huge profits by teaching, they must be doing something bad. Plus, there was an additional entry barrier: the curriculum.

Even if a school, say its Director of Continuing Education, saw the potential for a return on investment, there was the further problem of what to teach. When it was time to teach computer skills in the Division of Continuing Education, the Director turned to the Department of Computer Science for teachers and a curriculum. But there was no Department of Test Prep on campus to fulfill the same role; and, as guidance counselors and others who have tried to create materials from scratch have learned, designed a curriculum and writing reinforcement materials requires expertise and considerable time. Consequently, even though an opportunity existed, schools were unable to exploit it to any great advantage.

Cambridge Sends in the Schools

During the late 1980s, David Waldherr, now President of Cambridge Educational Services, was the National Director for the test preparation division of Harcourt Brace Jovanovich, the publishing company. David enjoyed considerable success during this time, at least as measured by growth in centers and student enrollments. But even as the operation was quickly expanding, it was losing

money equally as rapidly. Of course, any start-up operation will lose money initially, but David became concerned because the "break-even point" did not even seem to be on the horizon.

David also noticed that certain locations were more successful than others. The most successful locations were those that were directly operated by a college or university--arrangements that David had created primarily as a cost-cutting measure. After some thought, David realized that the Princeton-Kaplan dominance in the market would likely make profitability problematic at best. Simply stated, too much money was going into promotion; but it was impossible to stop the flow because promotion was essential to the very identity of the operation. Moreover, the need to rent conference space at hotels on an *ad hoc* basis further contributed to the flow of red ink.

After analyzing the situation, David concluded that the proper venue for test preparation was a college or university campus. A school does not need to advertise simply to stay in existence because it has an established institutional identity. (Though, of course, it does distribute a bulletin of course offerings.) Plus, a school already has the classroom space available. David would provide curriculum and test prep expertise; schools would administer the program.

The fit seemed perfect, but the question remained whether or not schools would be amenable to a joint venture of the sort David had in mind. The answer, as we all know now, is yes. But early on the outcome seemed in doubt. The turning point came only a few years when schools, facing budgetary shortfalls, issued mandates to their continuing education and extension divisions to "make money." Program directors began to scramble for new course offerings, and test preparation was a logical choice.

Philosophical Postscript

It might seem appropriate to conclude with "The rest, as they say, is history," but that is not exactly correct. If campus-based test preparation is not exactly in its infancy, then it has not yet reached maturity either. It will continue to grow.

There is an exquisite irony to all of this. Test preparation, which is, after all, an educational activity, found itself in the hands of private industry because Stanley Kaplan, acting on the profit motive, saw an opportunity when academic institutions either refused or failed to do what they do best--and that is teach. Now, test preparation finds itself back on campus where it belongs and not just because schools are the appropriate venue but because of the very fact that it generates revenue.

Now the circle is closed, and we have the answer to the question posed by the title of this White Paper. The very history of test preparation explains to us why it was necessary to write the history of test preparation: in order to understand why it is that schools doing test prep is a concept that seemed to need some special justification. It turns out that no exceptional rationale is required: the test prep industry--Kaplan, Sexton, Princeton, et alia--were an historical anomaly.

And so rather than say "The rest is history," we would better say "The past is history; the rest is future."