

Assessing Kaplan-Purdue – Revolution or Evolution??

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Adding to the interest are the terms of the pending transaction; Purdue would pay \$1 for the school, but in return would enter into a 30-year agreement under which a Kaplan company would serve as an online program manager – commonly referred to as an “OPM” – to continue to market, develop and distribute the online courses, manage student enrollment, and provide key students services of what will be a nonprofit institution controlled by Purdue and temporarily named “[New U](#).”

The transformation of for-profit Kaplan University into a nonprofit school under the aegis of a famed public university is certainly noteworthy. But in our view, it is more evolutionary than revolutionary in both its form and substance. Stepping back from the headlines, and after all the various approvals are received, what will exist will be a large nonprofit online university with an agreement with a large, experienced OPM. The difference, of course, is that Purdue is actually acquiring a ready-made enrollment of approximately 30,000 students. But otherwise – at least in broad strokes – the resulting relationship between New U and its OPM is simply the latest iteration of two trends that have been years in the making.

Let’s start with the “conversion” of Kaplan University to nonprofit. Nothing new there: for-profit institutions have converted to nonprofit for decades, and some very large, highly regarded nonprofit institutions started as for-profit schools. State and federal law, and the rules of accrediting commissions, all accommodate such conversions. To be sure, each have had unique complexities, and some have failed to get to completion in the end. But the concept is perfectly consistent with longstanding practice – just as in past years there was a flurry of nonprofit-to-for-profit conversion, so the pendulum is swinging in the opposite direction, pushed by public opinion, market forces and an awakening understanding in traditional higher education of the power of online learning to actually contribute to solving some key societal problems.

Now what about New U having this agreement with a new Kaplan company to serve as its OPM? Nothing new there either. That model has been around for years, Arizona State, as just one example, years ago partnered with a venerable for-profit OPM (and legacy print publisher), [Pearson](#), to create a robust [online presence](#), and highly successful companies like [2U](#) have enabled top-tier institutions to offer impressive online programs. Indeed, seven years ago one of us authored an article in Trusteeship Magazine entitled “[Cracking the Egg: Preserving the College While Protecting the Core](#),” that presaged the development of these hybrid models.

While Purdue has, quite understandably, explained New U as representing a “new” solution to the persistent social problem of getting working adults through college, that’s hardly the case either. The [University of Phoenix](#) perfected the model of convenient degree completion programs for working adults decades ago, and public universities like [UMUC](#) and nonprofits like [Western Governors University](#) and [Southern New Hampshire University](#) have collectively enrolled hundreds of thousands of such students over the years. Indeed, according to the most recent annual Babson study on online enrollment trends, [Digital Learning Compass](#) (2017), the vast majority of online students actually attend public universities. The truth is, online learning is clearly nothing new and, notwithstanding the comments of some of the deal’s shrillest critics, public universities, assisted by OPMs, are already among the biggest players in the space. Instead, Kaplan is adapting to the new market realities, and Purdue is simply trying to catch up in a more competitive world where both on-ground enrollment and college completion rates have stagnated.

So if the basic idea and the proposed legal structure are nothing new, what is different about this one? One thing that appears new is the combination of the two trends, both the conversion and the resulting OPM agreement, as well as the potential scale. Just as when in 2012 the MOOC phenomenon burst on the scene with the launch of [MITx](#) (now “MITx on edX”) there was ultimately the realization that the innovation was not open online courses, which had been around for years, but the addition of “massive.” The New U/Kaplan/OPM mash-up is the latest iteration of two big trends that have been developing for many years. Now, with a single stroke, the deal has the potential to launch Kaplan into the ranks of the top OPMs. Likewise, Purdue, with its national brand, will catapult into the ranks of the major public universities that have embraced online. We expect that, just as MIT entering the MOOC game flung open the door to other high-level providers, so Purdue’s full-throated entry will encourage other, similar schools to follow suit. What’s setting up here is a both a battle of the brands in the online space and the further maturation of the OPM business model. And, because the “big brands” – again, think MITx – are particularly conscious of their reputations, overall quality is likely to benefit.

Another thing that may be new here is that the political winds appear to have shifted from a hostile regulatory environment to one that may be more favorable to such partnerships. And, given the considerable stature of the parties, we give this one better odds to close than other recent efforts despite the already emerging efforts to derail it. We certainly expect the proposed transaction will (and should) face very close scrutiny by New U's (and Kaplan's and Purdue's) accreditor, the Higher Learning Commission, and other interests may weigh in, resulting in various modifications and accommodations to pass muster. But at this point, we expect it will go through in the end, and when it does (and perhaps before, if the ringing of the phone is any indication) others will surely follow.

Mike Goldstein has been a pioneer in the development of new and more effective and efficient approaches to education in general and eLearning in particular through the creation of innovative approaches to combining the resources and interests of the various sectors of the education, technology, financial and governmental communities.

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