

John G. Sperling

Founder and Chairman
University of Phoenix

Nominated by
David G. Moore



June 16, 2003

2004 Brock Jurors:

This nomination of John Sperling for the Brock International Prize in Education is intended to both honor a man and the industry that he largely created. Although private capital funded education has been part of the American academic fabric from at least 1820, Dr. Sperling, almost single handedly, moved this critical education alternative to the main stream. Through the growth of his company and in the process literally battering down enormous barriers, his efforts have spawned a service industry serving Americans in every walk of life and have opened doors to higher education never envisioned in main stream traditional institutions.

Not believing that enough was being done to support the "non traditional student," especially working adults, Dr. Sperling made viable, credible on line education a reality. Today, his company is the largest private university in the United States serving over 150,000 students and has a combined market value of over \$15 Billion dollars.

Dr. Sperling's contributions to higher education better fit the Brock criteria than any person alive today. One of the reference letters attached compares his impact on higher education for working adults to that of Gutenberg. Certainly, the printing press and on line education can be viewed in parallel terms of bringing affordable education to the common man.

It gives me great pleasure and personal satisfaction to Nominate Dr. John G. Sperling for the Brock International Prize in Education.

A handwritten signature in black ink, appearing to read 'David G. Moore', is located below the nomination text.

David G. Moore

CORINTHIAN COLLEGES, INC.

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John G. Sperling, Ph.D.

- Title: Founder and Chairman of the Board, University of Phoenix;
Chairman of the Board, Apollo Group, Inc.
- Education: Ph.D., Cambridge University; MA, University of California Berkley;
BA, Reed College
- Experience: Chairman, Apollo Group Inc. and Founder, University of Phoenix. 1976 – present; Professor of Humanities at San Jose State University, 1961 – 1973, including director of the Right to Read Project and director of the NSF Cooperative College – School Science Program in Economics; At various times was a member of the faculty at the University of Maryland, Ohio State University and Northern Illinois University from 1955 – 1961; subject of feature articles in such publications as *The New York Times*, *Forbes*, *e-company Now*, *Business Week* and *The New Yorker*

JOHN G. SPERLING

Chairman, Apollo Group, Inc.
Chairman, University of Phoenix
Chairman & CEO, Exeter Life Sciences

EDUCATION:

1955	<i>Ph.D., Cambridge University</i>
1953 – 1955	<i>Ehrman Student, King's College, Cambridge, England</i>
1950	<i>Master of Arts, University of California, Berkeley</i>
1948	<i>Bachelor of Arts, Reed College</i>

PROFESSIONAL HISTORY:

2000 – Present	<i>Chairman & CEO, Exeter Life Sciences</i>
1981 - Present	<i>Chairman, Apollo Group, Inc.</i>
1981 - 2001	<i>Chairman & CEO, Apollo Group, Inc.</i>
1984 – Present	<i>Chairman of the Board, University of Phoenix</i>
1977 – 1984	<i>President, University of Phoenix</i>
1973 – 1977	<i>President, Institute for Professional Development</i>
1961 – 1978	<i>Professor of Humanities, San Jose State University</i>
1972 – 1974	<i>Director, USDOE Right to Read Project, San Jose State University</i>
1967 – 1968	<i>Director, NSF Cooperative College-School Science Program in Economics</i>
1964 – 1976	<i>Co-Director, Project Econ12, U.S. Office of Education Cooperative research grant with San Jose State University - a project to create a 12th grade course in the principles of economics.</i>

1960 – 1961	<i>Assistant Professor, Northern Illinois University</i>
1957 – 1969	<i>Instructor, Ohio State University</i>
1955 – 1957	<i>Instructor, University of Maryland</i>

PUBLICATIONS:

"Rebel With A Cause"

An Autobiography

Jon Wiley & Sons Publishing, Inc., 2000

"Higher Education in 2025," The University of the Future, HM
Office of Science and Technology, London, 1999

***"The American For-Profit University: A Model For The
Information Economy,"*** Economic Affairs, Journal of the
Institute of Economic Affairs, Volume 18, No. 3, September, 1998

***"For Profit Higher Education: Developing a World Class
Workforce"***

Co-authored with Robert Tucker
Transaction Publishers, 1997

"Against All Odds"

A history of the founding of the University of Phoenix.
Apollo Press, 1989

***"Economic Concepts and Institutions," "Industry Performance,"
"National Economic Policies," "Social and Economic
Priorities," "Communist Economics," and "Third World
Economics,"***

Co-authored with Suzanne Helburn
Addison-Wesley, Boston and Menlo Park, 1974

"War Finance 1698-1714," pp. 284-315

Co-authored with Dr. Peter Dixon of St. Catherine's College,
Oxford Chapter Eight of the New Cambridge Modern History, VI
Cambridge, England, 1970

"Great Depressions - 1837, 1893 and 1929"

Scott-Foresman and Co., 1966

"The South Sea Company"

Baker Library, Harvard Graduate School of Business
Administration Boston, 1964

"The International Payments Mechanism in the 17th and 18th Centuries"

Economic History Review, 2nd Series, XIV, 3, pp. 446-68, 1962

"The Division of 25 May 1711, on an Amendment to the South Sea Bill"

The Historical Journal, IV, 2, pp. 191-217, 1961

ADRESSESS: Various papers delivered to academic and financial conferences

AWARDS: 2000, Honorary Fellow, King's College Cambridge

1999, John Sperling named to top eight Entrepreneurs of the Year,
Businessweek Magazine.

1995, John Sperling named Entrepreneur of the Year, Services
Category, for Arizona

California Federation of Teachers Free Speech Award, 1990

John G. Sperling, Ph.D. Industry Recognition

- University of Phoenix selected to participate in a study of exemplary institutions for excellence in undergraduate education by researchers from Harvard, Stanford, and Claremont Graduate University (2000).
- University of Phoenix campus is awarded the "Arizona State Quality Award" similar in requirements to the famous "Malcolm Baldrige" quality award (1999).
- University of Phoenix recognized by the Council on Higher Education Accreditation (CHEA) as an exemplary of "Ensuring Quality in Distance Education" (1998).
- University of Phoenix recognized by the American Productivity and Quality Center (APQC) as Best Practices Partner "Assessing Learning Outcomes" (1998).
- University of Phoenix becomes the largest, private University in enrollment in the country – Investor's Business Daily (1997).
- University of Phoenix recognized by Western Interstate Commission on Higher Education (WICHE) as an exemplar of "Good Practices in Distance Education" (1997).
- Forbes magazine names Apollo Group, the University of Phoenix parent company, as the third best of the 200 best small companies in America (1996).
- Economist Magazine awarded Apollo Group their 2003 "Corporate Global Achievement Award" for Innovation in Higher Education.

REBEL

WITH A

CAUSE

THE ENTREPRENEUR
WHO CREATED THE



UNIVERSITY
OF PHOENIX

AND THE
FOR-PROFIT
REVOLUTION

IN HIGHER EDUCATION

Robert J. Prosser
CHAIRMAN AND CEO, APOLLO GROUP/UNIVERSITY OF PHOENIX

Excerpt from John Sperling's Autobiography

REBEL WITH A CAUSE

"... The money I've made notwithstanding, I am an unintentional entrepreneur and an accidental CEO. The company I founded in 1972 with \$26,000 in hard-earned savings now has a market value close to \$3 billion. This stroke of good fortune occurred after a largely misspent youth, dutiful but undistinguished military service, a graduate education that went on far too long simply because I had nothing better to do, and a lackluster academic career (except for the effectiveness of my teaching), that led me to delay finding my calling until the age of 39. Even then, the calling I found was not business – it was union organizing.

I did not become an entrepreneur until the age of 52. I created my first company with no thought for building a business, per se, but merely as a way to preserve an educational innovation from being destroyed by a small-minded bureaucracy. I had a program specifically for working adults that would allow them to earn a degree in the same amount of time it took full-time students on campus. Because this challenged many of the sacred tenets of academe, it was met with hostility bordering on rage.

The depth of opposition I encountered made it clear to me that creating a new, independent structure was necessary for the survival of my ideas, but even the decision to establish my new venture as for-profit – the ultimate apostasy in academe – still had nothing to do with business. In fact, as a left-leaning academic in a word culture, I was not only ignorant of business, I was hostile to it. I had recently been voted out of the presidency and control of a faculty union that I had built from almost nothing to one that was both important and prosperous. That experience cured me of my socialist sentiments in favor of nonprofits. I correctly perceived that the only sure way to maintain and enjoy the fruits of my labor was to create a venture I could control – it would be a for-profit corporation with majority control firmly in my hands.

This decision led me to found what would become the nation's largest and fastest-growing private university. It also gave me a fortune beyond my wildest imaginings. The company I began in 1972 became, in 1985, the Apollo Group, which went public in 1994 and now has operations in 35 states and, by distance education, all over the world. We have a total enrollment of over 120,000 students and an annual growth rate of 25 percent.

There is probably something to be learned from all this, but what I'm offering here is not a conventional how-to-succeed-in-business business biography. I have always found the lessons in such books rather tedious, and I have never taken one of them to heart. I have learned far more about how to conduct my business affairs from such novels as: *Tom Jones*, *Emma*, *Notes From the Underground*, *The Red and The Black*, *Death Comes to the Archbishop*, and *The Great Gatsby* than I ever have from reading a business book. So, if there are lessons to be learned from my life, I have left them simply embedded in the

story. I trust the reader to have the good sense to find them and to choose from among them.

However, there is another, perhaps more important, reason for avoiding a didactic presentation of what life has taught me. A reader would be well advised to strenuously avoid most of the behaviors that made me successful. For example, if one chooses to “challenge authority,” as I have done, but is not tough enough or shrewd enough to carry it off, he or she will be ill served by the advice. The same can be said for any number of my other characteristics – opportunism, indifference to the advice of experts, and lack of concern for what peers and authority figures think of me. Behaving this way in most companies would soon lead to a reputation as an unsavory character and, most likely, an invitation to work elsewhere.

The three behaviors that have served me best in my career as union organizer and entrepreneur are implacable opportunism, joy in conflict, and getting a thrill from taking risks – none of them a safe ride. Janice Joplin immortalized Kris Kristofferson’s observation that “freedom’s just another word for nothing left to lose,” and that’s the freedom that comes to those who, like me, embark on life with nowhere to go but up. Having nothing, and therefore nothing to lose, makes implacable opportunism a rational behavior, and, eventually, such behavior becomes habitual. It is also vastly easier to take risks when the upside is so much greater than the downside. And, if one is an opportunist who engages in risky behavior, conflict is inevitable, so you might as well enjoy it.

Even though I now have much to lose, I’m still an opportunist, still get into a lot of conflicts, and still find risky ventures exciting because they heighten my survival instincts, focus all my senses, and force me to perform at maximum effectiveness. It was this bet-the-farm behavior that helped to build the Apollo Group, but now that Apollo is a large organization with very effective controls, I have to exercise my penchant for risk elsewhere. Fortunately, because of Apollo’s success, I can afford to.

I now invest my risk capital in ventures that truly interest me, but also ones that stand some chance of promoting positive social change. One of these is Seaphire International, an effort to expand the world’s food supply by developing saltwater agriculture suitable for third-world countries. Another is the Kronos Group, Inc., a commercial venture into longevity research, linked with the delivery of age management therapy in a clinical setting.”

Praise for

ROCKWELL WITH A CAUSE

"A great life and a great read . . ."

—Tom Peters

"A remarkably cogent story of a most remarkable man. Sperling's openness about problems and failures inspires and informs the entrepreneurial spirit. Sperling describes the extraordinary power and potential of focused human intensity. The book is a must-read for anyone interested in starting or building a business."

—Peter Lewis, Chairman and CEO, The Progressive Corporation

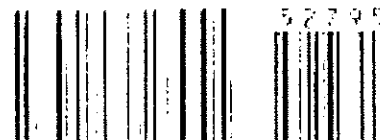
"The University of Phoenix is the largest private university in the United States. It is fully accredited and traded on NASDAQ. Mere mention of its name produces anger, fear, and envy on the nation's college campuses. In the private sector, it has inspired scores of companies to enter the education market. This is the story of the entrepreneur who launched a revolution in higher education."

—Arthur Levine, President, Teachers College, Columbia University

"Education will be one of the key growth sectors of our knowledge-based economy over the next ten years. John Sperling, founder and Chairman of Apollo Group, has been one of the visionary driving forces behind this growth. By developing a unique customer-focused model of higher education, Dr. Sperling has helped to build the largest private university in the United States that continues to be one of the best growth opportunities in education today."

—John W. White, President & CEO, Thomas M. Watson Foundation

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THE TAX CUT

HOW IT WILL
SPUR THE
ECONOMY

STOCKS:
IS THE RALLY
FOR REAL?

PLUS: WHAT IT
MEANS FOR YOU

BMW

BETTING BIG
ON A SLEW
OF NEW
MODELS

CYBER CRIME

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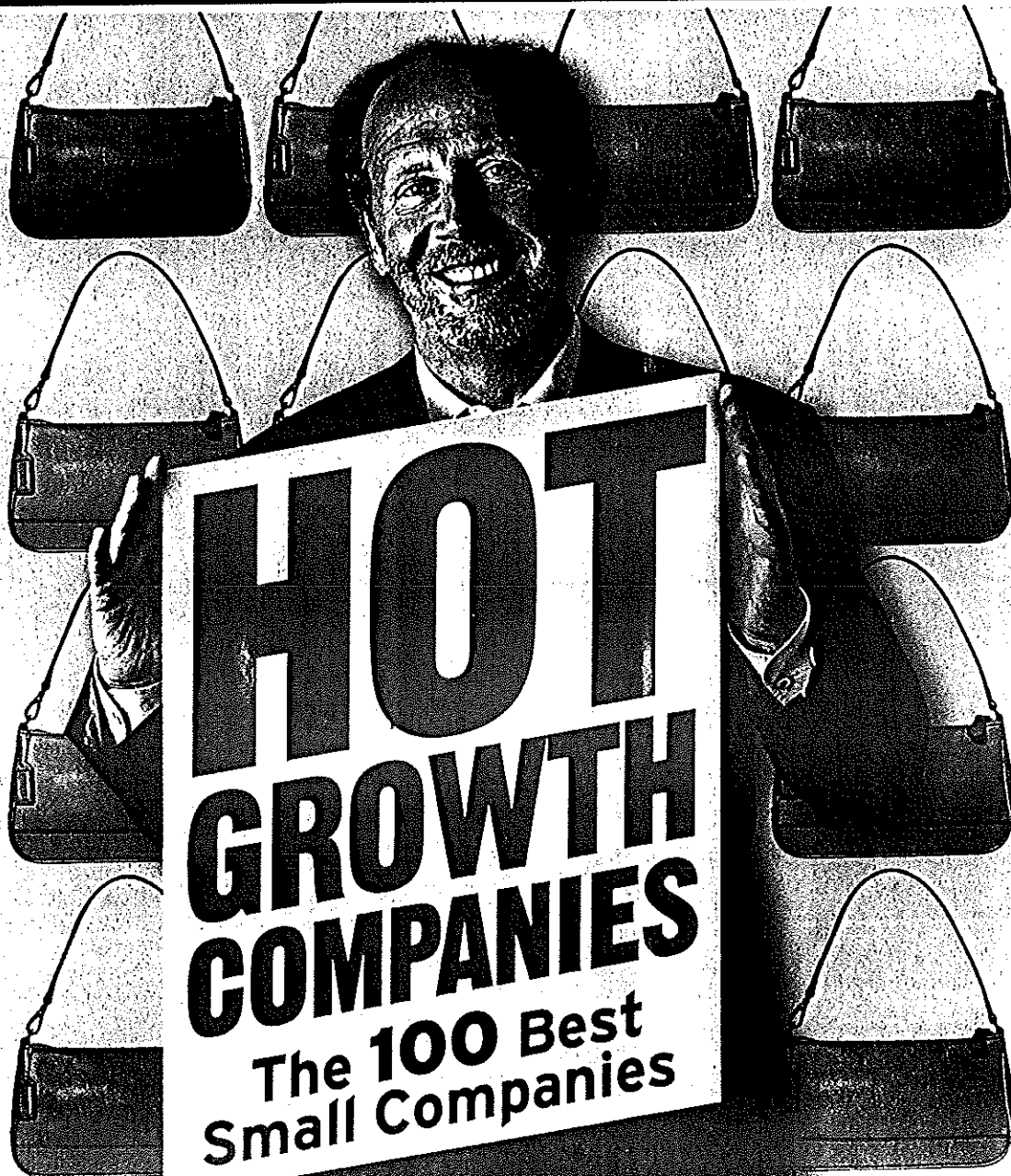
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AOL Keyword: BW



CEO Lew
Frankfort
of **COACH**:
New zest
for luxury
goods

PAGE 74

SPECIAL REPORT

lion, with profit growth up an average 35% a year, to \$34.6 million. And while mall traffic has slowed for many retailers, Hot Topic keeps pulling them in, thanks to the teen grapevine: Same-store sales rose 9% in April.

The company, based in City of Industry, outside Los Angeles, prides itself on quickly stocking what its customers crave: hard-to-find fashions coming out of pop culture. "If Gwen Stefani of [the band] No Doubt is wearing plaid pants, then we have plaid pants in the stores," says CEO McLaughlin, who joined Hot Topic as vice-president of store operations in 1993 after stints at department-store chain Broadway Stores and mall clothier Millers Outpost. McLaughlin reads the more than 1,000 comment cards and e-mails that kids send in each month and answers some personally: "They thank me

and call me 'dude.'" While Hot Topic's teen clerks tune in to MTV to spot new trends, McLaughlin frequents rock concerts to the same end. Just this year, she has seen Linkin Park, AFI, and The All-American Rejects.

When teen taste suddenly changes, as it inevitably does, Hot Topic moves fast. Customers recently started raving about the Rejects, an up-and-coming rock band from Stillwater, Okla. Hot Topic's buyers got hold of t-shirts with the band's logo, tested them in a few stores, and rolled them out nationwide within eight weeks. To understand how fast that is, consider that Gap Inc. takes an average of nine months to bring a new product from conception to store shelves, says Anne-Marie Peterson, an analyst for Thomas Weisel Partners LLC. This year, she estimates, Hot Topic will earn \$42.9 million on \$545.8 million in

sales. "It's a very nimble company," says Peterson.

Some of that growth will come from Torrid, which was started after Hot Topic got a flood of requests for larger sizes. "We tested a size-15 pair of vinyl jeans," McLaughlin says. "Customers asked for more. And they wanted a store of their own." There are 37 Torrid stores, with another 15 openings planned this year.

Still, Hot Topic could easily fall victim to its own success. It could grow so large that it becomes just the sort of company kids find uncool. Analysts say that is the biggest risk for any company catering to teens. On the other hand, any company that can get \$18 for an Insane Clown Posse hat probably already has a pretty good idea of what the kids want.

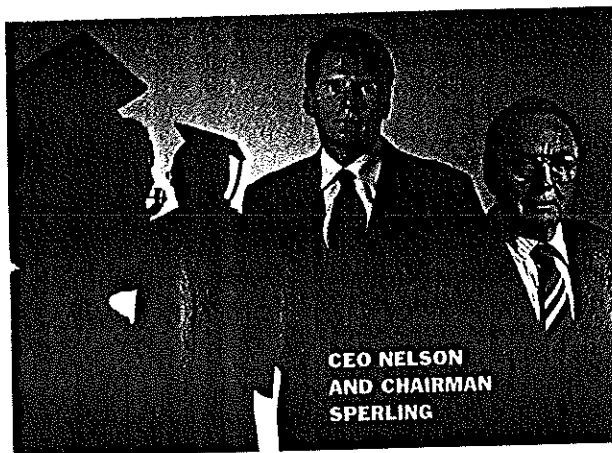
By Arlene Weintraub in Los Angeles

Working for Working Adults

Apollo Group's University of Phoenix shows that colleges for older students are a good business

As an entrepreneur, John G. Sperling was a late bloomer. A PhD who had spent most of his career teaching at San Jose State University, he didn't launch Apollo Group Inc.—parent of the University of Phoenix, the nation's largest private university—until 1976, when he was 55. But what Sperling lacked in precociousness he more than made up for in ambition: His goal was nothing less than to turn conventional higher education on its head.

Rather than catering to 18- to 22-year-olds looking to find themselves, Sperling focused on the then-neglected market of working adults. And he recruited working professionals as teachers, rather than tenured professors. Although UOP and its online campus, University of Phoenix Online, have more than 9,000 faculty, only about 250 are



CEO NELSON
AND CHAIRMAN
SPERLING

full-time. Most radical of all, while nearly all other universities are nonprofits, Sperling ran his university to make money. Those ideas sparked overwhelming resistance from the education establishment, which branded UOP a

"diploma mill." The result? "We faced failure every day for the first 10 years," says Chairman Sperling, now 82.

But these days Apollo has been soaring, all the way to the No. 7 spot on Hot Growth. The Phoenix-based company, whose day-to-day operations are run by CEO Todd S. Nelson, 44, generated average annual revenue growth of 27% over the past three

years, to \$1.2 billion. Profits rose 41% per year, to \$202.5 million. And with a price-earnings ratio of 56, Apollo has one of the richest multiples on our list.

Tuition at Apollo averages only \$10,000 a year, 55% of what a typical private college charges. A key factor, says Sperling, is that universities for the young require student unions, sports teams, student societies, and so on. The average age of a UOP student is 35, so UOP doesn't have those expenses. It also saves by holding classes in leased office spaces around the country. And 50,000 of its 157,800 students study at University of Phoenix Online.

Sperling is still agitating against the establishment. His latest target: textbooks. "Our goal is to move all of our texts and materials into electronic format," he says. Some 30,000 Apollo students use digital materials. By next March it should be everyone. Who says old professors can't teach new tricks?

By William C. Symonds in Boston

APOLLO GROUP

WHAT'S HOT Online education for working adults. Last year, University of Phoenix Online's enrollment surged 70%.

RANKING #7

SALES \$1.16 billion

EARNINGS \$202.5 million

LOCATION Phoenix

2003 Hot Growth Companies

To win a position in this table, a company must excel in three ways. The selection process begins by ranking companies according to their three-year results in sales growth, earnings growth, and return on invested capital. The ranks in the table are calculated from these numbers. A company's composite rank is the sum of 0.5 times its rank in return on total capital plus 0.25 times its sales- and profit-growth ranks.

Companies were drawn from Standard & Poor's COMPUSTAT database of more than 10,000

publicly traded corporations. To qualify, a company must have annual sales of more than \$50 million and less than \$1.5 billion, a current market value greater than \$25 million, a current stock price at least \$5, and be actively traded. Banks, insurers, real estate firms, and utilities are excluded. So are companies with declines in current financial results or in stock price, as well as companies where other developments raise questions about future performance.

SALES and **EARNINGS** are the latest figures available through the

most recent 12 months. Earnings include net income from continuing operations before gains or losses from extraordinary items.

INCREASES in **SALES** and **PROFITS** are calculated using the least-squares method. If results for the earliest year are negative or not available, the average is for two years.

RETURN ON CAPITAL is earnings expressed as a percent of total debt and equity. For ranking purposes, the maximum allowable annual return on invested capital is 100%. If companies have

made substantial accounting restatements, long-term returns may be averaged for two years instead of three years.

Time periods vary according to the month of a company's fiscal year-end. Profitability and growth are calculated based on the most recently available data.

STOCK PRICE data are as of May 9, 2003. A ● indicates that a company also appeared in last year's rankings (BW—June 10, 2002).

COMPANY (STOCK SYMBOL)	CURRENT RESULTS		THREE-YEAR AVERAGES		RETURN ON CAPITAL	INVESTMENT DATA			
	SALES \$ MIL.	EARNINGS \$ MIL.	INCREASE (%) SALES	INCREASE (%) PROFITS		STOCK PRICE		P-E RATIO	MARKET VALUE \$ MIL.
1 AEROPOSTALE (ARO) New York 646 485-5398 Retailer of casual clothing for men and women	550.9	31.3	52.3	64.8	31.5	30-5	19	24	671
2 CHICO'S FAS (CHS) Fort Myers, Fla. 941 277-6200 ● Retail stores specializing in women's fashions and accessories	531.1	66.8	50.2	61.3	29.2	24-13	21	27	1791
3 ODYSSEY HEALTHCARE (ODSY) Dallas 214 922-9711 Hospices for those who are terminally ill	214.4	24.3	60.3	161.5	18.5	29-14	29	29	675
4 CORINTHIAN COLLEGES (COCO) Santa Ana, Calif. 714 427-3000 ● Specialists in career-oriented education	472.9	60.0	37.1	80.1	23.2	48-24	46	35	2018
5 SHUFFLE MASTER (SHFL) Las Vegas 702 897-7150 No stacked decks: automatic card shufflers and table games for casinos	58.4	14.8	24.6	55.1	28.7	25-14	24	29	403
6 HOT TOPIC (HOTT) City of Industry, Calif. 626 839-4681 This retail chain sells to teens: apparel, accessories, and music	443.3	34.6	37.2	35.4	22.0	28-15	25	24	781
7 APOLLO GROUP (APOL) Phoenix 480 966-5394 ● Offers education programs tailored to working adults	1162.7	202.5	26.5	40.9	24.2	57-31	56	53	9884
8 COGNIZANT TECHNOLOGY SOLUTIONS (CTSH) Teaneck, N.J. 201 801-0233 ● Software development for information-intensive industries	257.1	37.6	36.3	43.3	19.2	26-13	18	32	1129
9 FACTSET RESEARCH SYSTEMS (FDS) Greenwich, Conn. 203 863-1500 Provider of global financial and economic information	217.9	45.2	26.2	30.3	23.9	36-21	36	28	1198
10 COLUMBIA SPORTSWEAR (COLM) Portland, Ore. 503 985-4000 ● Skiing, hiking, hunting, and fishing togs	841.9	108.5	20.8	46.5	21.8	49-27	46	17	1841
11 EMERSON RADIO (MSN) Parsippany, N.J. 973 884-5800 Its businesses range from consumer electronics to sporting goods	352.7	20.2	15.7	74.9	21.6	8-1	7	10	180
12 COACH (COH) New York 212 594-1850 Understated high-end leather goods for men and women	893.1	134.1	12.3	71.8	30.3	46-17	46	31	4096
13 CORPORATE EXECUTIVE BOARD (EXBD) Washington 202 777-5000 ● Research and analysis services for corporate executives	172.6	32.0	32.1	32.1	17.2	41-24	39	46	1450
14 DICK'S SPORTING GOODS (DKS) Pittsburgh 412 809-0100 Sells athletic gear and active-wear	1272.6	38.3	20.4	38.5	19.1	31-12	29	13	583
15 SICOR (SCRI) Irvine, Calif. 949 455-4700 ● Pharmaceutical company specializing in injectable products	474.9	131.6	25.8	120.6	14.2	20-13	19	17	2221
16 BALCHEM (BCP) Slate Hill, N.Y. 845355-5300 Its ingredients give the food on your shelves longevity	60.6	7.7	27.8	34.1	16.4	25-17	23	15	111
17 PORTFOLIO RECOVERY ASSOCIATES (PRAA) Norfolk, Va. 888 772-7326 Collecting unpaid debts is its field of expertise	62.6	18.0	66.7	113.3	12.5	28-15	26	18	351
18 POLYMEDICA (PLMD) Woburn, Mass. 781 933-2020 ● Direct-to-consumer products and services to treat diabetes and other chronic illnesses	334.6	37.9	28.6	28.8	17.0	40-21	34	11	417

THE MONEY ISSUE

John Sperling was born dirt-poor, fell in with Communists, and became a union organizer who led a strike that ended in disaster. Today, he runs the world's largest for-profit university—and a company whose shares are defying gravity on Wall Street. So why do so many smart people say such terrible things about him? And why does he relish their attacks?

THE HARD LIFE AND RESTLESS MIND OF**AMERICA'S
EDUCATION
BILLIONAIRE**

By Bill Breen Photographs by Michael Grecco

AT FIRST GLANCE, HE DOESN'T LOOK

like a street fighter. John Sperling, an 82-year-old former history professor, is an elf-sized fellow with gold-rimmed aviator glasses and a halo of gray hair. Twice divorced, he lives alone in an Italian-style estate near the sere hills of north Phoenix, where he is surrounded by citrus and pecan trees and paintings by Andy Warhol. As we meet in his poolside office on a sun-splashed winter day, he is retiring, almost shy.

But make no mistake: John Sperling, the man who put the profit into for-profit higher education, hasn't amassed a billion-dollar fortune by letting himself get pushed around. The longer we talk, the more his hard-charging attitude emerges. He drives a Jaguar. He favors a black leather biker jacket and a Greek sailor cap. He is direct, profane. And he enjoys nothing more than sticking it to the powers that be—whether it's smug academic princes in the ivory tower or zealous antidrug warriors in the Bush administration.

Sperling is chairman of the Apollo Group Inc., a Nasdaq-traded holding company with a market cap of \$7.5 billion, and founder of the University of Phoenix, the least by-the-book university imaginable. The Apollo Group owns the university, which makes it a school that you can attend and invest in at the same time. Comprised entirely of working adults (the minimum age is 23), the University of Phoenix is the largest private university system in the United States, with more than 140,000 students attending classes at 41 campuses. Factor in its distance-learning operation, and the University of Phoenix's reach extends across the world.

Sperling's Apollo Group is a rare success story in this down economy. Since going public in 1994, Apollo has racked up an annual growth rate of roughly 25%. Last year, it had \$1 billion in revenue—a 31% increase over 2001. Its distance-learning division claims nearly 60,000 students and an enrollment that's increasing at a rate of about 60% a year. Its stock has split twice and nearly tripled in price since its IPO in 2000, making it one of the few Internet companies to have prospered.

For those reasons and more, Sperling is beloved on Wall Street. For those reasons and more, he is loathed in many academic quarters. His critics accuse him of commodifying education, turning a social good into a market product. They dismiss the University of Phoenix as a "McUniversity" that delivers mass-produced fare at bland locations.

"John Sperling's vision of education is entirely mercenary. It is merely one more opportunity to turn a buck," says Scott Rice, a San Jose State University English professor who is writing a book on the effort to monetize higher education. "When education becomes one more product, we obey the unspoken rule of business: to give consumers as little as they will accept in exchange for as much as they will pay. Sperling is a terrible influence on American education."

Sperling is used to such biting commentary. In fact, he

seems to welcome it. "Why do people say such things about us?" he asks. "Fear! Fear! Fear! They're scared to death of us."

Even Sperling's harshest critics must concede that he is a visionary. He foresaw a growing demand for adult learning—which now accounts for more than half of all college students—and built a fortune by getting there first. Then, years before Marc Andreessen unveiled the Mosaic browser and supercharged the Web, Sperling saw that he could reach tens of thousands of additional students by putting the University of Phoenix's curriculum online.

By his own description, Sperling is an "unintentional" entrepreneur, an ex-trade unionist who is now on the *Forbes* 400 list of America's wealthiest people. He is also a provocateur: He enraged animal-rights activists when he underwrote a successful attempt to clone a cat named CC, the first-ever genetically engineered pet. He still unnerves conservatives by helping bankroll 17 drug-reform ballot initiatives—and winning every one. "Popular causes find money everywhere. What's the point of backing them?" he grouches.

Sperling is a battler—a man who views the business world as a "nasty, brutish" place and likes nothing more than to wage a good fight—against complacency, against convention, and against those who would crush him. "When you're in the middle of a brawl, your animal instincts are at their peak," he exclaims. "When you face death—that is, the death of your company—that's when you're most effective. You're most in focus. You're most alive."

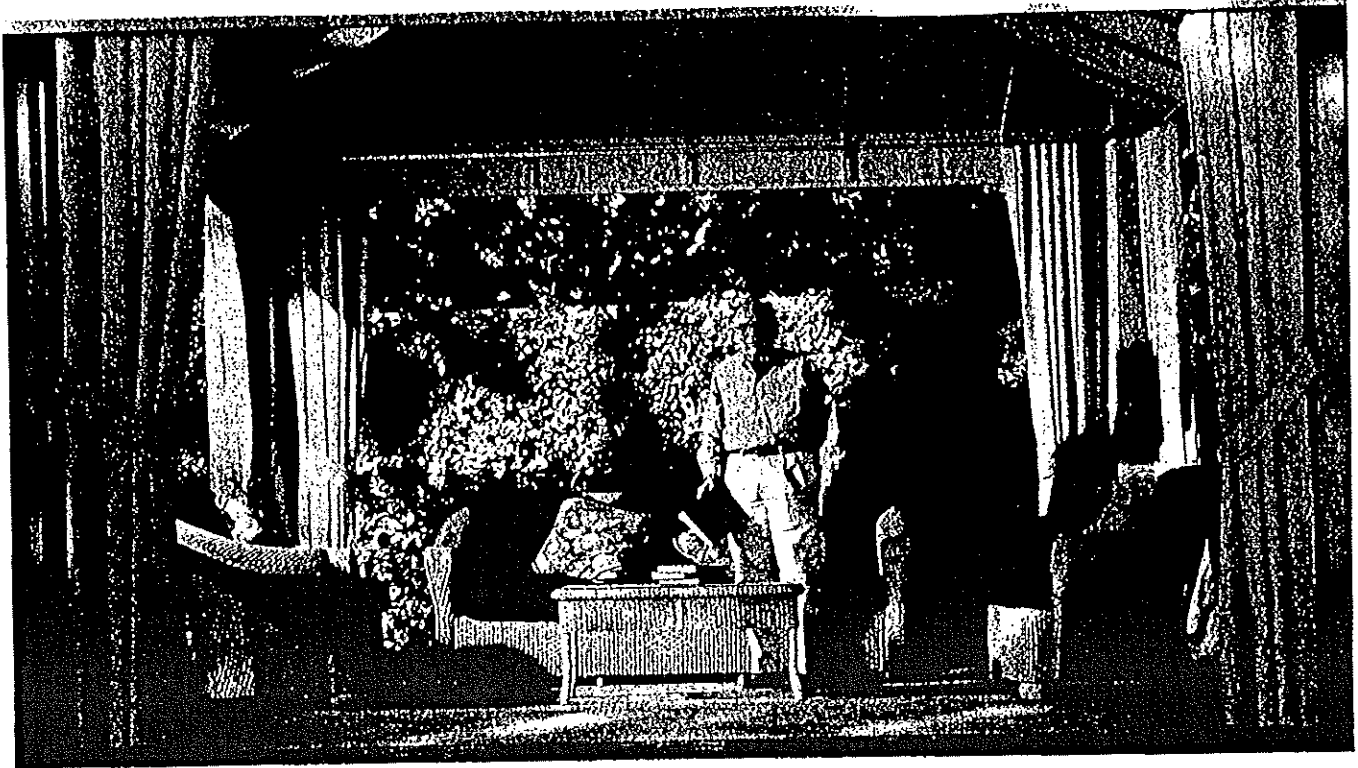
ROUGH START: THE MAKINGS OF AN ACCIDENTAL CEO

Sperling's rags-to-riches life is the stuff of an American fable. He was born in the Missouri Ozarks in a cabin that already housed a family of six. His mother was overbearing. His father habitually beat him. In his autobiography, *Rebel With a Cause* (Wiley, 2000), he recalls that when his father died, "I could hardly contain my joy." Sperling got pneumonia at the age of seven, and doctors used just a local anesthetic when they sawed out a piece of a rib and drained pus from an infected lung. He spent the next six months in bed. The experience left him with a lifelong aversion to boredom. "I learned nothing from my childhood," he muses. "Except that it's a mean world out there, and you've got to bite and scratch to get by."

Years later, Sperling discovered that he was dyslexic. He prints everything—except for his signature, which he inks in a wobbly cursive script. When he graduated from high school, he could barely read. His real education began when he joined the merchant marine and took a job in a freighter's engine room. Once at sea, he met several older, well-educated crewmen who shared their personal libraries. Sailing between Japan and Shanghai, Panama and New York, he devoured such classics as *Notes from Underground* and *The Great Gatsby*. Many of the ship's crew members were socialists—some were Trotskyites and Stalinists—and they introduced him to a leftist ideological culture. He remains an unabashed liberal who delights in challenging the status quo.

After two years at sea, he left the merchant marine and

"WHY DO PEOPLE SAY [BAD] THINGS ABOUT US? FEAR! FEAR! FEAR! THEY'RE SCARED TO DEATH OF US."



paid his tuition at Portland, Oregon's Reed College by working the swing shift in a Columbia River shipyard. Lacking family connections or any notion of how to make his way in the business world, he fell into academe. "It was the path of least resistance," he says. He earned a PhD from Cambridge University and became a tenured humanities professor at San Jose State University. Professor Scott Rice describes Sperling's time at the school in less-than-charitable terms. "Teaching was all right, but I'm an activist," Sperling concedes. The passive life just didn't appeal to me."

It was at San Jose State that he discovered his first true calling: union organizing. He joined the local chapter of the American Federation of Teachers (AFT) and rose to state and national positions of leadership during the next 10 years. But then he overplayed his hand. In 1968, he persuaded the leaders of the AFT at San Jose State to mount a sympathy strike with professors at San Francisco State University. After 31 days of picketing, 100 professors narrowly averted a mass firing, and the strike unraveled. As for Sperling, he lost his credibility as a leader and became the most reviled man on campus. Still, the humiliating defeat delivered an invaluable lesson.

"The strike was one of the most liberating experiences of my life," he says. He found that "it didn't make a goddamn bit of difference what people thought of me. Without that psychological immunity, it would have been impossible to create and protect the University of Phoenix from hostility,

legal assaults, and attempts to legislate us out of existence." He does *not* recommend this behavior to others. ("You don't get anywhere in an organization if you're utterly indifferent to how people feel about you," he says.) But for him, it worked. The experience steeled him for the life of an entrepreneur.

NO RETREAT: DEFILING THE IVORY TOWER

Sperling dislikes the goal-oriented mind-set that drives many businesspeople. "If you have a goal, you're constrained by that goal," he says. "You should never delude yourself into thinking that you know exactly where you're going." By the early 1970s, Sperling's academic career was going nowhere. But while he didn't know it at the time, he was about to embark on a life-changing journey into the world of business.

In 1972, he was chosen to run a series of workshops at San Jose State that would prepare police officers and teachers to work with juvenile delinquents. He built the program around some of the same pedagogical tools that he would later employ at the University of Phoenix: He brought in teachers who were experts in their fields, divided the class into small groups, and challenged each group to complete a project. He was surprised when the enthusiastic students lobbied him to create degree programs. Which is exactly what he did.

Sperling sketched out a curriculum for working adults and pitched it to the academic vice president at San Jose

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State, who promptly slapped it down. "My university said they didn't need no more stinkin' students, that they had all they could handle," Sperling acidly recalls. "They told me to go back and behave—be a professor." Naturally, he ignored that advice. Even though he held business in contempt—as would any right-thinking, left-leaning humanities professor—the marketplace intrigued him. And he sensed an enormous market for degree-based programs targeted at working adults who were anxious to take the road to higher education.

Gambling that he could take the adult-education curriculum that San Jose State had rejected and make it succeed elsewhere, Sperling set about putting his ideas to work. He sought out the vice president of development at Stanford University, a man named Frank Newman, who threw a dash of reality onto his ambitions. Newman warned that educational bureaucracies innovate only out of fiscal desperation. In a letter, he advised Sperling to "find a school in financial trouble and convince

the people running it that your program will generate a profit." Sperling found the University of San Francisco, a cash-strapped, Jesuit-run institution that became his first client.

Newman's advice was appealing. For starters, Sperling was itching to test his vision in the marketplace. "Either we'd grow or we'd die," he says. "The market is a jungle, and I love it." But there was an equally compelling motivator for making his enterprise a for-profit effort. After losing control of the United Professors of California, the union that he had built almost single-handedly, he vowed that he would never again lead a nonprofit, "which some board could yank away from me." By launching a corporation—the forerunner of his Apollo Group—he would control his own destiny. At age 53, Sperling became the thing that he had cursed for so many years: a businessman.

His program at USF proved to be an "immediate financial success." His biggest challenge was handling the growth. But soon, a larger problem loomed. As he signed up other schools, word spread among California's regulators that Sperling had committed the ultimate blasphemy: He had dragged the profit motive into the ivory tower. His assault on academic orthodoxy, recalls Sperling, "was met with hostility bordering on rage. If they could have killed me, they would have."

LESSONS FROM THE SCHOOL OF HARD KNOCKS

John Sperling, the billionaire entrepreneur who pioneered for-profit higher education, has one piece of advice when it comes to lessons on business: Ignore them. Sperling, who holds a PhD from Cambridge University, says that he has learned far more about how to conduct his business affairs from such novels as *Tom Jones* and *The Great Gatsby* than he has from business books. More to the point, he believes that the strategies that worked for him probably won't work for others. With that caveat, here are four lessons from Sperling's school of hard knocks. He urges you to strenuously avoid them.



IGNORE YOUR DETRACTORS. "It doesn't make a goddamn bit of difference what people think of me," says Sperling. "If I weren't immune to criticism, it would have been impossible to create and protect the University of Phoenix from hostility and legal assaults. But that's a unique characteristic that was positive for me. If someone in an organization is indifferent to the feelings of others, he won't function well."

TAKE BET-THE-FARM RISKS. "I drove my company to near bankruptcy on a couple of occasions. That kind of bet-the-farm risk taking helped build the Apollo Group. But I had nowhere to go but up. I had nothing to lose."

CHALLENGE AUTHORITY. "If you challenge authority, but you're not tough enough or shrewd enough to carry it off, you'll be ill served by this advice. The same can be said for a number of characteristics that have served me best: opportunism, joy in conflict, a thrill from taking risks. None of them is a safe ride."

NEVER SET A GOAL. "An English historian once observed, 'He goes farthest who knows not whence he goes.' There's much truth in this. If you have a goal, you're constrained by the goal. Organizations must have a coherent philosophy, a clear direction, and the strategies to make the journey successful."

SMART MONEY: THE UN-UNIVERSITY ARRIVES

Sperling had sparked a culture war that pitted his notion of a radically different learning system against California's higher-education establishment. In many academic circles, his vision of a stripped down, utilitarian curriculum that provided working adults with real-world tools and information was viewed as a naked attempt to dethrone the professorate.

Although he was a tenured professor at San Jose State, Sperling forbade tenure in his own programs. (Even now, the faculty consists primarily of 8,000 professionals who teach at night what they do for work by day.) He banned lectures and developed standardized courses. The University of Phoenix's curriculum is built around peer-based learning groups where the instructor isn't exactly viewed as a fount of knowledge. "The faculty member is an equal in the classroom," says Sperling. "His job isn't to expound wisdom, it's to serve a learning group."

Bureaucrats and politicians branded Sperling's operation a diploma mill, and after a futile five-year battle to win accreditation, he abandoned California and decamped to Phoenix, where he thought regulators would be more receptive. But his struggles in Arizona proved to be just as vicious as they were in California. It wasn't until 1979—after an all-out campaign waged in the media, the Arizona state legislature, and the conference rooms of higher-education regulators—that Sperling's newly named University of Phoenix was finally accredited. Still, the fights continue. Today, the Apollo Group retains an army of 30 political lobbyists to help Sperling

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further his dream of building a for-profit, global university.

The University of Phoenix's main campus sits on a side road just off of Interstate 10. Three red-brick buildings, which house classrooms and administrative offices, cluster around a courtyard that's ringed with conifers. And that's it. There's no student center, no fine-arts buildings, no athletic center. In a school that offers undergraduate and graduate-degree programs in business, information technology, accounting, management, marketing, and the like, ivy-covered quads are deemed superfluous. At least, that's one explanation. But in a larger sense, this spartan campus is simply the physical manifestation of Sperling's assault on the traditional college experience. It is the embodiment of his notion of how a university for working adults should look, feel, and function.

In mid-afternoon, when many colleges are bustling with students, the university's courtyard is deserted. All of that changes as night falls and students begin to arrive from their day jobs. As the classrooms fill with thirtysomething and fortysomething professionals dressed for work, the place takes on its true character: that of a corporate campus. The average student is 34 years old and earns between \$50,000 and \$60,000 a year. About 60% of students receive some tuition reimbursement from their employers, which include such blue-chip behemoths as AT&T, Boeing, IBM, Intel, Lockheed Martin, and Motorola—not to mention the U.S. military.

Sperling's critics, of course, question whether the Intels and Motorolas of the world are getting their money's worth from the University of Phoenix. "Many CEOs and hiring partners report that these newly minted business majors aren't as literate and as broadly educated as they need to be," says Carole Fungaroli Sargent, an English professor at Georgetown University and author of *Traditional Degrees for Nontraditional Students: How to Earn a Top Diploma From America's Great Colleges at Any Age* (Farrar, Straus, and Giroux, 2000). "When places like the University of Phoenix strip the arts and humanities out of a degree because those studies are deemed unnecessary, they don't serve the business world, and they certainly don't serve the student."

Sperling dismisses such talk, countering that if the school were failing to educate, it wouldn't be attracting students by the tens of thousands. Then he scribbles two numbers onto a piece of paper: "160,000" and "30%." I ask what he means. "We have a student enrollment of 160,000, which is growing at 30% per annum. At that rate, in five years we will have nearly 600,000 students. That would make us the largest higher-education system in the world."

STILL THE FIRST MOVER

Sperling is a restless soul. He likes to say that his whole life has been a flight from boredom. Twice he nearly bankrupted the Apollo Group when he pushed the company into new markets before it was ready. But when the Internet arrived in the mid-1990s and dotcoms rushed to launch virtual universities, they soon found that Sperling had gotten there first.

In 1989, he purchased a defunct distance-learning company and assigned a team of techies a task that no one had ever accomplished: Create a viable and profitable electronic education system. It took five years to translate a classroom education experience into bits and bytes. But in 2000, just as the Internet wave was cresting, the university's online enrollment jumped 81%. Phoenix Online now generates \$327 million in revenue. Analysts at William Blair & Co. call it one of the best-performing tracking stocks of all time.

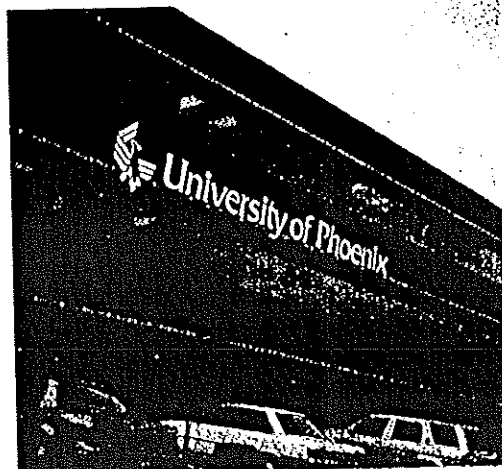
These days, Sperling can barely contain his excitement over a new high-tech experiment that could turn out to be as revolutionary as the university's distance-learning effort. Eighteen months ago, at a dinner party for San Francisco venture capitalists, Sperling saw his first demo of an electronic textbook: "I was fascinated by it, although I didn't know what the hell to do with it." He brought the e-book idea to Adam Honea, the university's dean of information systems and technology, and used it to issue a challenge: Brainstorm a way to eliminate all of the system's textbooks and

replace them with customized learning materials that exist entirely in digital form.

"At first, it doesn't seem that revolutionary. But think about it: We become publishing's version of a general contractor," says Honea. "We contract authors and experts to create course materials exactly to our specs. That lets us bypass textbook publishers. It eliminates the fixed costs of moving 140,000 books every five to six weeks. John Sperling reinvented the traditional model of the student, the instructor, and the classroom. And now he's reinventing the textbook."

Even if he fails in this latest adventure, you can't help but marvel at the man's audacity—and energy. Sperling may be an octogenarian, but he still gets up at 5:30 every morning to work out, he still puts in a 12-hour day, and he still lives by that 1999 mantra: Change or die. "We'll put the textbook publishers out of business if they don't adapt," he exclaims. Then his eyebrows rise in mock wonder: "Isn't this what you guys call a 'disruptive technology'?" *

Bill Breen (bbreen@fastcompany.com) is a FAST COMPANY senior editor. Learn more about the Apollo Group (www.apollogrp.edu) on the Web.



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May 23, 2003

Distinguished Panel,

I am pleased to write this letter of recommendation in support of John G. Sperling's nomination for the Brock International Prize in Education. In creating University of Phoenix, John Sperling radically modified the place of adult education and private, for-profit higher education in our society today. Not only did his implementation of a teaching/learning model designed specifically for adults become widely replicated and respected, but his controversial and effective system of administration, teaching, curriculum development and service to students has caused traditional higher education to re-examine and debate centuries old traditions. In addition, his decision to develop a comprehensive system of online education as early as 1989 (prior to the advent of the World Wide Web) provides further evidence of a man with exceptional foresight.

Sperling's contributions to higher education overwhelmingly fits your criteria for being innovative, having a significant impact on the practice or understanding of the field of education, providing long-term benefit to humanity through change and improvement in education, and for organizing a system of education that is international in scope. His University of Phoenix is the largest private university in the nation, with over 126 campuses in 26 states, serving over 150,000 adult students from the U.S. and a variety of other countries, both on campus and online. With UOP, Sperling created the most successful adult education program in America and, in bringing UOP to the public market, spawned the for-profit higher education industry. In so doing, UOP and the other for-profit colleges and universities now provide hundreds of thousands of working adult students access to higher education.

Dino J. De Concini

Pacific Graduate School of Psychology

May 29, 2003

2004 Brock Jurors:

I am writing in support of the nomination of Dr. John Sperling to become this year's Brock Laureate. I have known John for twenty-five years. I first met him when I was the Dean of the School of Education at the University of San Francisco. John was in the process of organizing the Institute for Professional Development (a precursor to the University of Phoenix) which was a not-for-profit organization designed to partner with colleges and universities in delivering quality education to working adults. I was impressed with John's intelligence and dedication. He had a Ph.D. degree from Cambridge University and was a well qualified academic.

The characteristic that set John apart from other academicians was his passion for creating a better system to deliver high quality education to working adults. He believed that the system that was in operation twenty-five years ago was ill-suited for the population that it was intended to serve. John's view was that the key to a successful program for working adults was to develop learning modules that would be participatory in nature. Instead of the traditional professor standing in front of a classroom and lecturing, John's review of the literature pertaining to adult learning led him to the conclusion that the professor should be a facilitator or coach and involve the student in active learning of the subject matter in the curriculum. John strongly believed that working adults needed faculty who, in addition to appropriate academic training, had actually worked in the real world. They needed to be professionals of the highest caliber who could act as role models for the participants in their classes. John felt that the education process for working adults need to be student centered rather than faculty centered.

The faculty at the University of Phoenix go through an extensive screening process to make sure that they understand and are committed to participatory education. The University of Phoenix is now the world's largest institution of higher education designed to serve working adults. Both its resident-based and online programs are worldwide in scope. The University has made it possible for working adults to succeed in a fashion that no one believed possible. It has been particularly effective with disadvantage students and students of color. John Sperling has had a greater impact on higher education for working adults than any individual since Gutenberg. I recommend John without qualification to be the Brock Laureate for this year.

Sincerely,

Allen Calvin, Ph.D.
President
Pacific Graduate School of Psychology

