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The Supply Side of School Reform

By Frederick M. Hess

School reform has long played out as a clash of absolutes, recipes, and certainties. For those working through familiar school systems, it is a question of "best practices" and "scientifically based research" or retooling districts through professional development, curricula, and instructional leadership. For those skeptical of district-based reform, the proffered remedy is typically "parental choice" or "market competition." These opposing camps suffer from a common shortcoming--excessive faith in prescience and a failure to foster the conditions that can yield breakthrough advances.

The Limits of Best Practices and Expertise

Expert-driven reform presumes that "best practices" are either already known or will present themselves in due course. When efforts to mimic early successes disappoint, the failures are inevitably chalked up to leadership style--this superintendent was "too confrontational" and that one was "too slow"--rather than interpreted as a signal that heralded successes are often where leadership has threaded the needle due to a combination of skill, luck, and context. In fact, most reform efforts are plagued by cultural inertia, a latticework of rules and statutes, political pitfalls, inept human resource systems, and inadequate information technology and assessment tools.

Experience offers scant reason to believe that traditional districts are poised to deliver breakthrough improvements. After all, it is hard to point to any field in which systematic measures have produced substantial gains across thousands of entities. More typically, radical and disruptive improvement is the product of new entrants devising a viable product or formula and then creating a coherent organization that faithfully delivers the innovation at scale.

Particularly telling on this count are school "turnarounds." Unlike most reform efforts, which focus on incremental improvement of familiar institutions, turnarounds seek to take schools from bad to great in a short period of time. While enthusiasts regard turnarounds as a ready answer to challenges posed by No Child Left Behind, overhauling established organizations is far tougher than many suggest. Indeed, the hope that we can systematically turn around most troubled schools is at odds with what we know about turnaround efforts in the corporate world. Arthur D. Little and McKinsey & Company, two leading consulting firms, have studied Total Quality Management at hundreds of companies and concluded that only about one-third achieved their hoped-for results.[1] Scholars of "corporate reengineering" report a success rate for Fortune 1000 companies as low as 20%.[2] As MIT's Peter Senge has noted, "Failure to sustain significant change

recurs again and again despite substantial resources committed to the change effort. . . [and] talented and committed people 'driving the change.' "[3]

The Limits of School Choice

Seeing little evidence that existing schools and districts have the incentive or ability to fundamentally reinvent themselves, choice-based reformers look outside traditional institutions. Proponents argue that this will permit families to seek better schools, enable the emergence of more effective alternatives, and allow competition to press districts to improve.

But if turnaround advocates place too much faith in upending sluggish institutions, choice-based reformers place too much faith in the presumption that simply permitting families to choose their child's school will foster a dynamic sector. School choice is no elixir. Indeed, advocates routinely forget that choice is only half of the supply-and-demand market equation. Proposals that increase parental choice may boost demand but typically do not address the supply of quality options. The notion that charter school laws or voucher programs will inevitably spur the creation of good schools and programs is misleading. After all, we know that vacuums are not naturally or automatically filled by effective or virtuous actors. Whether dealing with banking deregulation or nascent markets in Eastern Europe in the 1990s, reformers have struggled to establish the institutions, norms, and practices that foster the emergence of healthy markets.

Most proposals to promote school choice have done little to eliminate the hindrances posed by licensure requirements or state reporting systems and have paid limited attention to ensuring that choice systems are underpinned by efficient support services, effective quality control, or a stable political and regulatory environment. More optimistic accounts overlook the fact that the entrepreneurial education sector lacks the wealth of venture capital, human capital, internal quality control, and accompanying networks and infrastructure that characterize other dynamic sectors. Those counting on new schools to consistently deliver quality, on middling schools to improve on their own, and on lousy schools to get shut down have found the process much less automatic than they might have hoped.

The Supply Side: The Missing Dimension of Reform

Against this backdrop, an armful of upstart organizations are pioneering some of the most intriguing initiatives and successes in K-12 today. The New Teacher Project, Teach for America, Wireless Generation, New Schools for New Orleans, New Leaders for New Schools, Edison Schools, the SEED Foundation, TeachU, Achievement First, The Mind Trust, High Tech High, SchoolNet, Inner City Education Foundation, Green Dot Public Schools, Aspire, KIPP, and others are commanding notice, even as the uneven track record of charter schooling and the failures of many other new ventures highlight the hit-and-miss promise of entrepreneurial reform.

What will it take to maximize the chance that these kinds of entrepreneurial problem solvers deliver real and lasting benefits in K-12?

First, note that while such honor rolls give the impression of a robust supply of dynamic organizations, the scope of existing activity pales beside the larger K-12 enterprise. The 60-odd schools operated by KIPP, the 4,800 teachers recruited each year by The New Teacher Project, or the 150 principals trained annually by New Leaders for New Schools are dwarfed by the nation's 15,000 school districts, 90,000 schools, 50 million students, and 3 million teachers.

In sector after sector, solving new problems--or more effectively addressing stubborn ones--has been the province of new entrants. Thus, the challenge is not simply to build capacity within schools or loosen regulation on an established marketplace, but to summon new ventures to build on fresh turf. Just as school improvement does not simply or miraculously happen without attention to instruction, curriculum, and school leadership, so a rule-laden, risk-averse sector dominated by bureaucracy and industrial-style collective bargaining agreements will not casually become a fount of dynamic problem solving. As successful school builders seek to avoid the humbling fate that has befallen so many promising reforms while getting to scale, helping this generation do better will require more than programs, philanthropy, and passion. It will require a supply-side strategy.

Toward a More Entrepreneurial Sector

Supply-side reform recognizes that vibrant markets require a stable and hospitable policy environment, investors willing to identify and nurture promising ventures, networks of technical and logistical support, talented educators, and incentives that recognize and foster quality. It should increase the odds that ventures succeed and ensure a growing base of useful knowledge rather than produce a series of one-hit wonders. While doing so requires attention to rethinking rules and policies that govern everything from teacher licensure to charter schooling, it will be more useful here to address less frequently discussed challenges and opportunities.

Barriers to Entry. A variety of formal and informal barriers stifle new ventures. Some of these--like caps on charter programs or elaborate facilities requirements--have drawn notice. Other, more cultural obstacles have been less salient. Significant among these is the tendency to regard staff and salaries as sunk costs. For reasons of habit, training, and policy, district officials generally assume their expenditures on salaries and benefits are a given and therefore underestimate the value of new services that make faculty or staff more efficient. Rather than asking whether a tutoring provider would allow a reduction in the number of paraprofessionals or whether more sophisticated diagnostic tools would enable a teacher to work more efficiently, district and state officials often imagine that technology and service providers should supplement but not supplant personnel. Reversing this mindset would require metrics that make costs and benefits of various staff-service combinations more transparent and coaching district officials to evaluate alternatives appropriately. It would also demand complementary revisions to statute and

policy, finding ways to reward efficiencies, downsizing the emphasis on compliance, and retooling funding formulas based on employees rather than performance.

Furthermore, most big-ticket items in education are purchased through competitive bidding in which the product needs to be basically finished before the contract is even awarded (e.g., for a textbook to be adopted, it must first be written). As a consequence, large firms with lots of cash--like the major textbook publishers--have an enormous advantage. In more R&D-friendly sectors, procurement works quite differently. When NASA wants a new spacecraft, it does not expect Boeing to build one at its own expense. Instead, NASA invites competing proposals and may even fund the early development of competing designs before selecting a partner.

Also, district and state procurement systems are designed to buy products, such as books, computers, tests, and training workshops--items that can be easily counted and monitored. They have much more trouble with services. However, the most promising solutions are complex combinations of products and services. These require that educators have more discretion to make appropriate buying decisions and then be able to procure products and services in a manner that meets their needs. The New York City Department of Education has been a pioneer on this front, devolving substantial funding and authority to "empowerment schools" in such areas as professional development and allowing principals to buy services from district collectives or authorized external organizations. A small "market maker" office within the department offers support, collects data on outcomes and customer satisfaction, and provides quality control by vetting would-be vendors.

Venture Capital. The vast bulk of K-12 spending flows to salary and benefits, with the rest going toward facilities and supplies. Precious little is devoted to fostering purposeful innovation or new ventures. Meanwhile, for-profit investment is relatively modest, and foundation giving amounts to less than 1% of total K-12 expenditures. The result is an inhospitable environment for promising new ventures seeking seed funding or support for expansion. More significant, the question of investment capital is not simply one of dollars. Equally vital is the ability and inclination of investors to bundle investment money with ancillary support. Vanessa Kirsch, founder of the venture philanthropy fund New Profit, Inc., has tellingly noted that organizations in which New Profit invests often find the strategic and technical assistance at least as important as the infusion of funds.

One tactic for jump-starting investment in the sector would entail the targeted use of public dollars. For instance, Joseph Keeney, founder and CEO of School Choice Investments, and Daniel Pianko, a principal of Knowledge Investment Partners, have suggested that the U.S. Department of Education or a consortium of states or districts seek to mimic In-Q-Tel, the U.S. government-sponsored "venture capital" firm that invests alongside private venture capital firms in enhancing national security. In-Q-Tel's 10-person Silicon Valley staff and its 50 Washington, D.C., employees work to identify promising start-ups and other mid-size firms that have the potential to equip the CIA with transformative intelligence technology. In-Q-Tel invests through debt, equity, and pay for

development of specific initiatives, and then provides the strategic expertise and management support that targeted firms will need to expand.

Various modifications would help make the In-Q-Tel model fit K-12 education. One would foster investment funds targeted at particular services, such as enabling technologies (e.g., curricula and software) or areas of high need. Another would entail creating a network of 10 or 20 large school districts to fast-track purchases of resulting advances, thereby achieving bulk savings, providing a critical mass for effective products, and overcoming research and development hurdles. The key point is that how education capital is made available may matter as much as the mere availability of funds.

Human Capital. What promising practices might education import from other sectors to attract, develop, and retain talented individuals? Making education a magnet for talent requires taking advantage of the intrinsic appeal of K-12 education. As Christopher Gergen and Gregg Vanourek, founding partners of New Mountain Ventures, have noted, "Education organizations begin with an inherent advantage: the mission of education is closely aligned with the values of rising generations. . . eager to engage in meaningful work and make a difference. In that sense, talent recruitment teams in education are beginning on the '50-yard line.'"⁴ School reformers need to make far more use of that opportunity and revisit assumptions about recruiting mid-career professionals, creating part-time positions, finding ways to leverage expertise, and rethinking conventional work roles. Citizen Schools and the Big Picture Company, which have both devised systematic school-based programs for engaging local professionals as mentors or instructors, provide intriguing examples on this front.

On a related note, we take for granted the existence of varied opportunities in vibrant sectors but overlook the lack of prospects for young educators to develop managerial skills, exploit new instructional tools, or gain insight into questions of school and system design. One response would be to craft hybrid positions that allow teachers to remain in the classrooms while building skill sets and gaining experience supervising adults, leading teams, engaging the community, designing curricula, or developing performance and accountability systems. This would reduce the need for energetic, capable young teachers to decide by their mid-20s whether to pursue school leadership or leave the sector. It would also enable educators to gain seasoning, connect with like-minded peers and potential mentors, and get a taste of alternative K-12 career paths--all standard-issue opportunities in thriving sectors.

Of crucial importance are networks and relationships that enable enterprising individuals to find capital, collaborate, seek mentoring, discover opportunities, and share knowledge. There is a reason that Teach for America and KIPP have played a crucial role in seeding the sector with talent poised to launch new ventures--they recruit dynamic educators, provide them with a supportive and engaging culture, and forge strong links among members and alumni. However, the paucity of such opportunities and the limited number of such networks have kinked the pipeline. The challenge is to nurture these networks and work to expand and diversify them, especially in particular locations and with an eye toward specific kinds of talent.

Quality Control. While we have embraced the importance of simple metrics like student performance in math and reading in the last decade, this development has been marked by an unfortunate blind eye to the limits of such measures. Standardized assessments are a valuable measure of student learning and offer a crucial basis for comparing competing providers. However, ensuring the high-quality provision of services requires operational measures and data well beyond that of student achievement.

To date, accountability efforts--and particularly the 800-pound-gorilla of No Child Left Behind-style testing--have created an appetite for schools and programs that can help struggling students reach proficiency in reading and math. Yet these particular achievement measures can be largely irrelevant to motivating and managing many important school employees. It does not make sense, for instance, to hold a payroll processor responsible for student achievement rather than the speed and accuracy of his or her work. In short, quality control metrics need to focus on outcomes rather than inputs, but the understanding of outcomes needs to be much more nuanced than has been the norm.

For example, Consumer Reports often suggests "best buys" in several price ranges; whether the \$4,000 or the \$1,500 flat-screen TV is a "best buy" for a given family will depend on its budgets, preferences, and desired features. Such information is irrelevant to a parent trying to choose among district or charter schools (as their out-of-pocket cost will be zero in every case), but it is highly relevant to superintendents trying to choose between alternative math curricula or Title I tutoring firms. The bottom line is that some quality control strategies work better for some goods and services, in some contexts, and for some users, than for others--yet we have focused in the past decade on generating one set of metrics while paying little heed to many others.

Peeking Around the Corner

Going forward, a supply-side strategy commends thinking beyond even today's cutting-edge approaches to these questions. The next step requires emancipating ourselves from once-sensible but now confining assumptions regarding the shape of K-12 schooling.

Thinking Beyond Geography. Historically, we have thought of schools and districts in terms of local geographies. Schools served the children in a locale and districts managed the schools in a designated community. This approach made sense given the constraints on transportation, communication, and the provision of support services like professional development or accounting. But as these limitations have eroded over time, there is no longer a need for school systems, much less service providers, to confine themselves to a particular locale. Current arrangements call upon each district to reinvent the wheel when it comes to serving any particular segment of students. In lieu of expecting a single school district to meet the entire array of needs in its community, a variety of specialized providers operating nationally would more readily allow targeted services to be provided in any given community.

For example, the SEED school, a public charter in Washington, D.C., provides a boarding school experience for more than 300 local low-income children in grades 7-12 whose parents believe they will benefit from its intensive environment. SEED does not seek to serve students desiring a conventional high school education, and the D.C. public schools would have a difficult time staffing, operating, or managing the SEED program alongside its other schools. Instead, this is a case of a specialized provider filling a valuable role and complementing other available services. Some have described various schools coexisting in a community as a "portfolio" approach, though it may be more useful to think of a "jigsaw" approach--with an array of schools and providers collectively covering the spectrum of student needs.

Thinking Beyond "Whole-School" Approaches. One advantage of the "jigsaw" metaphor is the shift from the assumption that successful providers ought to duplicate the services of a school or district to a system in which providers may focus on serving discrete needs for particular clients. In each case, the purpose of the innovation is not to replace an entire school or school system but to provide a particular service that benefits students, schools, or school systems. In other words, the hunt should not be for the elusive 100% solution but for 100 different 1% solutions. The role played by the New Teacher Project in identifying promising teachers and supporting human resources, Wireless Generation in supporting literacy instruction, or **Presidium Learning** in providing back-office support are examples of how this can work.

This approach allows providers to become good at one activity and then slowly expand their reach. Amazon.com started by just selling books. Microsoft provided software, but never sought to provide hardware like existing competitors. If Amazon.com had been taken seriously only if it were able to displace all the services provided by Barnes & Noble or Borders, or if Microsoft had been expected to sell computers and software, neither would have gotten off the ground. Yet, there is a clear K-12 bias toward whole-school replacement, an expectation that entrepreneurs should open schools and not just deliver a single, important advance.

Efforts to promote school accountability have aggravated the problem by embracing the whole-school mindset. While accountability systems have usefully illuminated areas of concern and provided a handy measuring stick for outcomes, they are designed to evaluate student performance almost exclusively on a schoolwide basis. This makes it difficult for niche providers to demonstrate their value. Developing metrics and systems that measure the effectiveness of niche service providers and allow them to compete on quality is essential for them to thrive.

Thinking Beyond "Block-Child" Funding. Even the most entrepreneur-friendly plans for rethinking education spending have accepted the presumption that funding will follow students to their particular schools. For example, charter schooling and voucher plans involve redirecting a percentage of the public contribution to a parent's chosen school, and weighted-student funding plans entail allocating dollars based on school enrollment (with adjustments for student need).

Unfortunately, directing dollars in this fashion hinders the emergence of specialized or niche providers and encourages a continued focus solely on whole-school replacement. For instance, a provider of a niche service may not be equipped to open entire schools but may be positioned to provide highly effective programs in early literacy, foreign language instruction, or remedial tutoring. However, as long as public dollars flow en masse to districts or schools, providers must negotiate with districts for service contracts. These arrangements encourage the focus on local geographies and impede solutions that might help a percentage of children in every community.

A more robust model might build on the intuition embedded in charter school funding, allowing families to direct dollars to services as they see fit. Rather than dollars simply flowing to the school that a family chooses, a state or district could deposit each child's per-pupil expenditure into an "education spending account" that enables parents to direct those dollars to approved providers for tutoring, specialized instruction, or similar services. A parent might send a child to a given school and then, with any remaining funds, pay for additional reading or music instruction. This would reward schools for being cost-conscious and could encourage them, in turn, to more aggressively seek efficient niche providers.

Keeping the Garage Doors Open

Bill Gates and Paul Allen famously launched Microsoft in the Gates family garage. Yet, an investor looking for the smart bet in American technology in the 1970s would not have invested in these two kids. Such an investor would have likely bet on IBM, the firm that dismissed the potential of Microsoft's new software and chose to lease rather than purchase it.

Vibrant sectors enable creative problem solvers to plug into ecosystems marked by talent, expertise, capital, and networks. The lesson of Gates and Allen is not that the government should have funded every aspiring techie, much less that experts should have surveyed the land and determined that resources should be showered on two kids from suburban Washington. Rather, it is to demonstrate the importance of keeping doors open for entrepreneurs to test new ideas, attract support, and reap rewards for devising a successful innovation and delivering it at scale.

Once, TWA and Sears & Roebuck were feared and respected behemoths. The new entrants that challenged and ultimately displaced them--including Southwest Airlines and Wal-Mart--were initially regarded as regional curiosities. The challenge in a sector like K-12, where the government funds and operates dominant systems, is to ensure that it is possible for such ventures to emerge from under the bulk of the status quo.

Supplying effective new providers of various stripes is essential for those seeking to retool troubled schools and for those focused on choice-based reform. In reality, of course, these two approaches can and do operate in tandem. In New York and Chicago, for instance, charter management organizations are running dozens of schools, New Leaders for New Schools is recruiting and training principals, and the New Teacher

Project is helping to hire hundreds of first-time teachers. Meanwhile, the districts have taken steps to provide some principals with charter-like authority and more aggressively recruit teachers. In fact, it is hard to say with precision the degree to which these new developments are happening inside or outside the districts. The most promising initiatives skirt those boundaries, drawing on district infrastructure and political leadership while relying on the fruits of new personnel, tools, schools, and rules.

There are no assurances that supply-side ventures will deliver happy results. They promise nothing more than opportunity, coupled with substantial doses of failure and frustration. We would doubtlessly prefer to intuit the shape of the future, through research or best practices, and get there with as few diversions as possible--but that is not the way of the world. In finding our way toward a more fruitful era of teaching and learning, we have been slowed by habits of mind that imagine a future in which schooling embodies today's familiar assumptions. We might wish for a simpler or neater path, but our choice is ultimately between trusting the authorities to fix aged bureaucracies or a rising generation to employ new tools and exploit new opportunities to answer new challenges in unforeseen ways. If history teaches us anything, it is that this is really no choice at all.

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Notes:

1. The Economist, 18 April 1992, quoted in Peter Senge et al., *Dance of Change: The Challenges of Sustaining Momentum in Learning Organizations* (New York: Doubleday, 1999), pp. 5-6.

2. Paul Strelbel, "Why Do Employees Resist Change?" *Harvard Business Review*, May/June 1996, p. 86.

3. Peter Senge et al., *op. cit.*, p. 6.

4. Christopher Gergen and Gregg Vanourek, "Talent Development: Looking Outside the Education Sector," in Frederick M. Hess, ed., *The Future of Educational Entrepreneurship* (Cambridge, Mass.: Harvard Education Press, 2008).

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