

THE SUPPLY SIDE OF SCHOOL REFORM AND THE FUTURE OF EDUCATIONAL ENTREPRENEURSHIP

RESEARCH CONFERENCE OCTOBER 25, 2007

The most intriguing and daring ventures in K–12 education today are the efforts to reimagine the way American schoolchildren learn. Entrepreneurial ventures like Teach For America, the KIPP Academies, and New Leaders for New Schools are reinventing the definition and delivery of public education. Yet these innovative programs have been hindered by difficulties in raising financial capital, finding talented employees, and overcoming regulatory barriers to entry.

AEI's director of education policy studies, Frederick M. Hess, commissioned several scholars, education practitioners, and business analysts in 2007 to examine this new entrepreneurial sector as well as the obstacles that prevent the creation of promising new ventures.

Research abstracts for each conference paper follow. The complete papers, along with author biographies and other related materials, are available at www.aei.org/event1522/.

AMERICAN ENTERPRISE INSTITUTE
EDUCATION POLICY STUDIES PROGRAM



LARRY BERGER AND DAVID STEVENSON

“K–12 Entrepreneurship: Slow Entry, Distant Exit”

K–12 education is a \$500 billion market with unmet needs in tools, services, and support for teaching and learning. Yet while the market has profound needs, it exhibits few of the behaviors that convert needs into expressed demands that entrepreneurs could aspire to supply. From the perspective of practicing entrepreneurs in a growing education company, this paper explores the barriers to entry and barriers to exit in the education sector which keep most entrepreneurs out, including: minimal investment in research and development, the publishing oligopoly, decentralization, lack of a return-on-investment mindset, and limited start-up capital. Recommendations for policy and practice that could help to dismantle these barriers and make innovation and entrepreneurship a more potent force for improvement in education are also offered.



ANTHONY S. BRYK

“Ruminations on Reinventing an R&D Capacity for Educational Improvement”

We are pressing public education today for dramatic changes in both the efficiency and effectiveness of its operations. It is inconceivable that we can respond to these needs without a serious transformation in the research and development infrastructure for school improvement. The current institutional arrangements of public education, the work of universities, the commercial sector and the connections among these enterprises combine to form a market failure for educational innovation. This paper argues that we need to catalyze and nurture a new design-engineering-development enterprise around schooling, probes some key design considerations in building this infrastructure, and outlines some promising courses of action in response.



MATT CANDLER

“Supply-Side Reform on the Ground”

Lessons learned at KIPP, in New York City, and in New Orleans can inform future efforts to implement supply side reform. Alignment between advocates for reform

and authorizers—the schools’ future bosses—is critical. Active management of the quality of schools, before and after they open, is key to achieving scale with quality, and it is best done in tandem between authorizers and independent organizations. Leaders must be willing to replicate only the best schools and close the worst schools. Attracting human capital to teach in classrooms, lead schools, and serve as board members and operational leaders is critical to any supply-side reform effort.



CHESTER E. FINN JR.

“Quality Control in a Dynamic Sector”

The entry into K–12 education of entrepreneurial providers of innumerable goods, services, and personnel creates the need for new quality-control mechanisms, very different from the input-and-compliance tools of the traditional system. Because kids and public dollars are involved, it’s not credible simply to “trust the marketplace”; but because both entrepreneurs and users have such differing characteristics and needs today, and because data are so much more plentiful, new-style quality control must be flexible and adaptive. No current quality control mechanism has all the needed features; hence innovation and experimentation are needed in this sphere, too.



CHRISTOPHER GERGEN AND GREGG VANOUREK

“Talent Development: Looking Outside the Education Sector”

This paper explores the issue of talent attraction, development, and retention outside the K–12 education sector. The authors first map today’s talent landscape, including eight leading trends defining its contours. Second, they address the question of how forward-thinking organizations outside K–12 education have addressed trends and challenges associated with talent development. They then identify several key talent strategies worth deploying in the education sector, with five concrete and occasionally provocative suggestions for how they can be imported.



BRYAN C. HASSEL

“Human Capital: Looking Inside the Sector”

To become a more thriving entrepreneurial sector, public education needs an influx of entrepreneurial individuals capable of launching and leading promising ventures. This paper explores the kinds of people who could fuel entrepreneurship in K–12, the potential sources of that talent, and the range of constraints that currently restrict the flow of enterprising people into education. The paper then analyzes a number of initiatives underway across the country that could, directly or indirectly, bring more entrepreneurial people into the sector. Based on preliminary lessons from those efforts, promising actions that funders, policymakers, and entrepreneurial organizations themselves could take to attract entrepreneurial people into public education are offered.



JOSEPH KEENEY AND DANIEL PIANKO

“Venture Capital: Looking Outside the Sector”

The K–12 education industry has not attracted significant private capital investment relative to its size. This paper provides an overview of the private capital investment markets—both the formal venture capital market and the informal “angel” market—and looks beyond the K–12 industry to examples of different ways of catalyzing private capital investment in a targeted sector. Specifically, the authors outline the differences between the K–12 and post-secondary education sectors from the perspective of investors, and they consider three models to promote investment—a prize model to attract investment to solve a defined outcome, the establishment of an education industry angel “portal” to facilitate and promote angel investing in education, and a traditional venture capital co-investment model.



ED KIRBY

“Break the Rules: How Supply-Side Investors and Entrepreneurs Can Sustain Their Work through Regulatory Advocacy”

Investors in the new supply side of education reform must build powerful advocacy operations to advance and protect their work. Dramatic changes in the regulatory

environment are necessary to allow new supply side entrepreneurs to attain both scale and performance. That regulatory environment, and the barriers it presents to reform, will only be changed with comprehensive advocacy strategies that employ a full range of advocacy tools, from “501(c)(3)” research and policy guidance, to “501(c)(4)” legislative advocacy, to direct political action.



STIG LESCHLY

“School Organization and Sector Reform”

This paper addresses the organizational structure of large urban school districts and criticizes the contractual, statutory, and administrative rules that control them. These rules prevent the formation of highly effective faculty teams in schools, and they defy lessons from skilled private sector firms, elite charter schools, and social science about the organizational conditions of successful teams. The author proposes a complete waiver of these rules and a clear consolidation of leadership authority in principals, while also proposing that central offices in urban districts focus on governing (rather than regulating and remediating) their schools and on aggressively allocating resources among them based on their results.

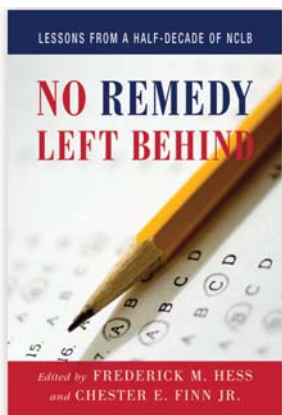


KIM SMITH AND JULIE PETERSEN

“Social Purpose Capital Markets: Financial Capital for Social Entrepreneurs in Education”

Like entrepreneurs in any other sector, educational entrepreneurs must rely on a variety of resources in their quest for the money, people, and ideas they need to turn their vision into reality. One of the most challenging is financial capital—particularly for social entrepreneurs within education, who seek to improve educational access, equity, and outcomes for students who are not adequately served by the current system. This paper focuses on the “social purpose capital markets” that provide funding to these entrepreneurs. It includes descriptions of the types of investors who comprise this complicated market, how they operate, the flaws in the market’s structure, and the ways in which these limitations could be remedied so that educational entrepreneurs may realize their full potential.

Other Publications from AEI's Education Policy Studies Program



No Remedy Left Behind: Lessons from a Half-Decade of NCLB

Edited by Frederick M. Hess and Chester E. Finn Jr.

AEI Press, 2007

“Rick Hess and Checker Finn succeed at the improbable—creating a lively analysis of No Child Left Behind. . . . This is a book for all those so caught up in debating the politics and rewriting of the law that they miss the bigger story of the law’s limp remedies for failure and the impunity with which many schools are running out the NCLB accountability clock.”

—**Richard Whitmire**, *USA Today* editorial writer, and president, Education Writers Association

\$25, paper, 334 pages
ISBN: 0-8447-4255-4

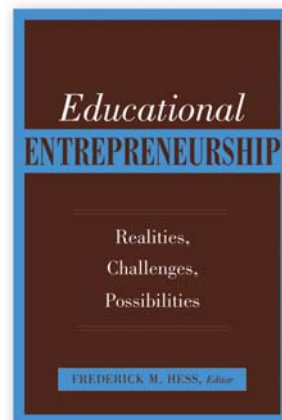
Educational Entrepreneurship: Realities, Challenges, Possibilities

Edited by Frederick M. Hess

Harvard Education Press, 2006

“If you believe America’s schools can be changed for the better, then here’s a book for you. Hess and his colleagues explore a new breed of educational revolutionaries and the difficult contexts in which they labor. There is a bit of everything between these covers, from the risk and messiness of it all to the promise.”

—**Chris Whittle**, founder, Edison Schools



\$29.95, paper, 299 pages
ISBN: 1-8917-9225-3



Common Sense School Reform

Frederick M. Hess

Palgrave Macmillan, 2004

“In *Common Sense School Reform*, Rick Hess focuses on the issues that matter in school reform and that too often have been ignored in the past. He understands—and persuasively explains—why serious school reform will require a very different approach to the development and deployment of human resources, as well as a very different set of risks and rewards than currently exist. This is a must-read for school district leaders who are serious about turning around urban education in America.”

—**Joel I. Klein**, chancellor, New York City Department of Education

\$19.95, paper, 258 pages
ISBN: 1-4039-6353-3



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