

CHAPTER 5

Encouraging Diverse Suppliers

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Much of today's K–12 education discussion focuses on boosting the “supply” of quality district or charter schools. Such conversations typically emphasize creating new schools through charter school start-up funds; incubating charter management organizations through philanthropic measures; expanding voucher programs or lifting charter caps; or boosting public school choice programs, including through the public choice and supplemental service provisions of *No Child Left Behind*. Supply-side activities also feature measures to police the quality of these new schools through testing, *No Child Left Behind*-style accountability, and charter school authorizing. Much has been learned along the way, although we are far short of fostering a dynamic, quality-conscious supply side.

In these discussions, a lot of attention is also devoted to the demand side of the “supply-demand” equation. It consists largely of passionate rhetoric regarding the value of school choice, the number of parents seeking such choice, and efforts to make available the information families need to make wise decisions. Largely ignored is the demand for anything that is less than a complete school. So the need for textbooks, data analysis capability, or cost-effective educational strategies rarely enters the choice discussion.

Four related factors deserve mention on this count. First, there is a growing set of demand-side “consumers” who are neither parents nor traditional students. School districts and charter management organizations (CMOs) shop for different services to purchase rather than provide directly. Principals search for cost-effective reading and remediation programs. Teachers seek genuine professional development and effective

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assessment tools. Students who drop out or lose interest shop for an engaging learning environment that prepares them for adult success.

Second, new providers routinely seek to develop and supply “whole-school” solutions to education problems that seek to replicate the services and structure of traditional graded schools. This comes at the expense of more searching efforts to unpack the human capital, organizational, pedagogical, service delivery, operational, and technological challenges that bedevil K–12 schooling—and discover how to overcome them. The result is that new providers typically are expected to solve the entire problem of K–5 or 6–8 or 9–12 schooling in order to sit at the school improvement table. This sets a high and unrealistic bar for new, entrepreneurial problem-solvers, potential entrants, and tool-builders.

Third, in seeking new supply-side models capable of delivering more radical advances in instruction and educational delivery, familiar assumptions prove unnecessarily constrictive. For example, utilizing niche providers in profoundly more effective ways is inhibited by the presumption that all funding ought necessarily flow to a school building staffed by mostly full-time teachers, with a narrow focus on student selection of schools and test scores.

Finally, within the realm of “chartering” and “school choice” advocacy, many regard multiple supply-side choices, including today’s highly acclaimed CMOs, as the cutting edge, if not the “bleeding edge,” of school reform.¹ While efforts like the District of Columbia Opportunity Voucher Program, Knowledge is Power Program (KIPP), Achievement First, and Green Dot deserve the acclaim they receive, they also reinforce conventional assumptions about what schools should look like and how they should provide services, deploy staff, and use specialized providers. Little attention is paid to the possibility that these efforts are unduly reliant on a limited pool of talent, philanthropic, and community resources that may not be replicable at the scale policymakers or reformers desire.

In short, the many solutions proposed to improve district and school outcomes exist within a web of policies, routines, contracts, and practices that constrain how they can address new challenges. Districts operate as a monopolistic general contractor, directly or indirectly supplying families and students with the services they deem appropriate. Districts (or CMOs) purchase and supply core academic services (for example, teachers, administrators, instructional materials) and subcontract for or indirectly provide support services (for example, transportation, food, janitorial services). These systems largely lack

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the incentives, capacity, dispersed autonomy, or political will to respond to new customer preferences.

MAPPING AND UNBUNDLING CHOICE

In the private sector and the best of the nonprofit social sector, it is routine for effective organizations to develop increasingly sophisticated maps of what consumers want and need, and how to deliver a product or service. In education, such refined maps are a pipe dream. The task today is to understand the basic educational demand curve; the price points and other costs that families, schools, educators, school systems, or the policy and civic communities are willing to pay for particular services; and how services might be unbundled—for example, how assessment, content provision, and tutoring might be provided by different individuals or groups, or in different facilities—and matched to demand.

School choice discussions, then, need to get past general praise for choice. In particular, they should be grounded in a more sophisticated segmentation of the needs of education consumers and proceed to consider the niche or specialized services that can assist various actors and respond to different demands.

Equally essential is the need to find systematic ways of helping policymakers, funders, and education leaders confront schooling challenges in manageable steps. Rather than constantly seeking to “solve” problems through policy and “whole-school” solutions, there is a need to address discrete challenges one at a time.

Ultimately, the challenge is to find the right fit between supply-side services and demand-side actors, to segment supply and demand so as to be clear about what consumer need is met with which offering. This approach to education’s social market is sorely needed.

SEGMENTING FAMILIES

How would such segmentation work in practice? A good illustration outside education is a data-driven typology of families developed by the Bridgespan Group for an analysis of Oakland, California’s Communities of Opportunity initiative. This is a community-

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based strategy for transforming San Francisco's southeastern neighborhoods.² The starting point for this initiative was a family-based view of the conditions faced by residents in the community. Families were differentiated into three categories.

- ***Families in chronic crisis:*** These families are experiencing crises like domestic violence or child neglect, have regular contact with child welfare agencies, strain to stay together as a functioning unit, and have children with very limited opportunities for success or healthy development.
- ***Families in a fragile state:*** These families earn less than 185 percent of the federal poverty level, lack resources to remain resilient, and have children with limited opportunities for success or healthy development.
- ***Families that are self-sufficient:*** These families earn more than 185 percent of the federal poverty level, live in stable homes costing less than 30 percent of their income, are not engaged with major child welfare agencies like the criminal justice system or foster care, and have opportunities for their children to be successful and healthy adults.

With this data-driven typology illuminating the different conditions and needs of each family, existing social programs and services were more effectively matched and delivered to families.

SEGMENTING STUDENTS: DISCONNECTED YOUTH

Some urban districts—for example, New York, Philadelphia, Boston, Chicago—now use student-level data from different public agencies to segment young people who are at risk of leaving school, targeting interventions that help them complete high school and make the transition to a job or further education. For example, a Philadelphia analysis uses information from the University of Pennsylvania Cartographic Modeling Laboratory to merge individual-level data on young people from the school district and the city's social service agencies, including the Department of Public Health, the Department of Human Services, and the Office of Emergency Shelter and Services.³

What emerges is a rich and textured portrait of local students in several groupings. This analysis is able to pinpoint two 8th-grade factors and one 9th-grade factor that give students at least a 75 percent probability of leaving school. With this knowledge, schools are able to identify those at risk of leaving school and work with a coalition of education and social service providers to help these young people finish their education.

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Boston has identified predictive factors that lead to four mutually exclusive segments of students who are most at risk of falling off track to graduation. The factors account for nearly 75 percent of all eventual dropouts. District leaders are expanding a range of educational environments and services that will help these young people stay in and complete school.

SEGMENTING STUDENTS: POST-SECONDARY MATCHING

Another school-based example focuses on a retrospective analysis of how educational supply and demand can be matched and mismatched.⁴ This analysis examines a sample of Chicago high school seniors who aspired to complete at least a four-year degree and undertook the college application process.

The study's segmentation of students (the demand side) is based on several data sources, including performance in high school courses, ACT scores, and involvement in college preparatory Advanced Placement and International Baccalaureate coursework. The selectivity and segmentation of colleges (the supply side) is based on *Barron's Profiles of American Colleges*.⁵

The general conclusion of this analysis is startling. Only 27 percent of students are matched with what are, in the analysts' view, appropriate colleges. About two-thirds (62 percent) end up attending a college with a selectivity level below their given level of qualification. Only 11 percent were in colleges at about their given level of qualification. Most of the mismatch occurs with students enrolling in two-year colleges or not enrolling at all.

SEGMENTING SERVICES AND MARKET NICHEs

One pivotal shift implicit in taking the demand seriously is to move from the mindset that successful providers need to duplicate the services of a school or district to an alternative where providers *address discrete problems for particular clients*. In each case, the purpose of an innovation is not to replace the entirety of a school or school system but to provide a particular service that benefits students, schools, or school systems. In other words, the hunt is not for the elusive "100 percent solution" but for one-hundred different "one percent solutions."

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There are a growing number of examples of how this might occur. The New Teacher Project identifies promising teachers and supports human resource development. New Leaders for New Schools selects and prepares principals. Wireless Generation advances literacy instruction; Spectrum K12 provides special education services; Presidium Learning offers back-office support; Standard and Poor's provides state-level data analysis; and ProActive School provides information-technology solutions. None of these providers tries to duplicate all the services a school district or an individual school might offer. In each case, the aim is not to replace or replicate a school but to provide a particular service to students, schools, or school systems.

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Yet, there is a clear bias in education toward “whole-school” replacement, an expectation that entrepreneurs should open completely new schools, not simply deliver a single, important advance. This expectation makes it more difficult for specialized providers to attract funding or support and distracts them from developing, refining, and delivering a particular service or product.

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Efforts to promote school accountability, including the *No Child Left Behind* (NCLB) Act, generally aggravate this tendency by embracing the “whole-school” mindset. On the one hand, these accountability systems are beneficial for supply-side activity because they illuminate areas of need and provide a measuring stick that policymakers and practitioners can use to gauge the effectiveness of traditional systems and new providers. This is a crucial advance from the old approach of input regulation, with its emphasis on dollars spent and student attendance. Such metrics provide no opportunity to gauge the quality of entrants, new or old.

On the other hand, new accountability systems emphasizing reading and math performance in grades three to eight and high school completion are currently crafted to evaluate academic progress on a school-wide basis. This is useful for whole-school com-

petitors, but it makes it difficult for niche providers to demonstrate their worth. More broadly, the focus on NCLB-style test results has not been accompanied by serious progress in determining how effective a provider is at recruiting teachers, offering professional training, or meeting needs in K–2 literacy coaching, foreign language instruction, or data analysis. The ability to measure the effectiveness of niche services and steer funds accordingly is essential to this.

Philanthropies and state governments can play a key role here by supporting the development of demand-side maps and identifying and targeting resources toward underserved niches. As noted earlier, most CMOs are today focused on similar challenges. This may make sense, given the primacy of the racial achievement gap, but the strategy should be more fully discussed by policymakers and funders intent on maximizing the potential of philanthropic capital.

CONCLUSION

In the increasingly sophisticated, complicated, and dynamic social market that is education, the dominant demand constituencies will include not only families but also consumers of various services, including schools, systems of schools, educators, policymakers, and the wider community. The key task is to match supply with an increasingly complex segmentation of demand.

Such an approach raises concerns of its own. For example, in “unbundling” K–12 provision, how will the essential roles of legitimate and responsible providers be determined? The question is easier asked than answered. It must, however, be addressed through assessment and evaluation if the opportunities presented by new technologies, tools, and ventures are to be realized.

Some will shake their heads at this approach, suggesting it is too complicated. Such concerns are reasonable. There are three considerations to offer in response. First, be clear about the problem. We are *not* suggesting that individual families will typically be using a number of service providers. We are suggesting that schools, school systems, and other supply-side providers need much more agility when they weigh the benefits and cost-effectiveness of niche providers, with these intermediary organizations assembling, bundling, and then assisting in matching and providing services.

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Second, waves of substantial rethinking always entail some distress and complication on the front end more than they do later. The breakup of AT&T or the emergence of the Internet entailed shaking out, confusion, and noise—much of which later abated as new norms and arrangements emerged in the changed environment.

Finally, disruptive innovation is always messy. But such disruption is the cost of progress. As Clayton Christensen demonstrates in *The Innovator's Dilemma*, cost-effective innovations that ultimately upend established routines are key to performance breakthroughs.⁶

For all the varieties of reform bruited about in recent decades, the core of K–12 schooling has remained remarkably stable. It is precisely the fruit of that legacy that reformers bemoan. We are suggesting that the current system, with its crude arrangements and disinterest in niche provision, is probably not capable of operating in profoundly more effective and productive ways. The ultimate choice may be between segmentation and mediocrity.

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NOTES

1. A synonym for “cutting edge,” the term implies a greater degree of risk. Frequently applied to technologies that are new and probably imperfect.
2. Barry Newstead, Joe Doctor, and Don Howard, *Communities of Opportunity: Case Study* (San Francisco: The Bridgespan Group, November 2006).
3. See the Youth Transition Funders Group for further information on these four school districts: <http://www.ytfg.org/mpgresources>.
4. Consortium on Chicago School Research, *From High School to the Future: Potholes on the Road to College* (University of Chicago, 2008).
5. Guide published annually by Barron's Educational Series, Inc.
6. Clayton Christensen, *The Innovator's Dilemma* (Cambridge, MA: Harvard Business School Press, 1977). See also his discussion of education in *Disrupting Class: How Disruptive Innovation Will Change the Way the World Learns* (New York: McGraw-Hill, 2008).