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Education Outlook

Reimagining American Schooling: The Case for Educational Entrepreneurship

By Frederick M. Hess

To an unprecedented degree, this is the era of educational entrepreneurship. Dynamic new thinkers have waded into the world of K–12 education, founded influential organizations, and shattered familiar conventions. They have developed new models for delivering instruction and recruiting teachers and at the same time have applied old-fashioned practices with newly inspired fidelity. While their efforts constitute a still-minuscule portion of schooling, they are responsible for many of the most exciting developments in twenty-first century education. Is this a good thing? What does it mean, and what does it imply for school reform and policy?

Ventures such as Wireless Generation are at the forefront of an increasingly entrepreneurial school reform movement. The New York City–based firm provides schools with diagnostic software that operates on handheld computers, allowing teachers to identify student needs and chart progress while circling the classroom. Growing Stars, a California-based company that provides tutoring for American students using instructors based in India, is another example. Able to hire educated Indians at a steep discount, Growing Stars and its competitors are charging Americans $20 hourly for personal tutoring, less than half the prevailing rate in much of the United States.

The pioneers of this movement include groups that are now almost household names: KIPP Academies, K12 Inc., Teach For America, the Edison Schools, Catapult Learning, and the New Teacher Project. These successful models suggest that it may indeed be possible to reimagine American schooling. But can the entrepreneurial spirits

be bottled—or institutionalized? And, in an era also marked by devotion to "best practices" and "systemic reform," do they have the capacity to fundamentally change education policy and practice for the better?

Why Entrepreneurship Is Important

Educational entrepreneurship, ignored for so long, is now gaining our attention for three reasons: One has to do with new challenges, and the others with new opportunities.

First, American schools today confront challenges that our education system was not designed—and may not be equipped—to handle. Arrangements that may have worked adequately fifty years ago no longer suffice. Developed haphazardly over the course of two centuries, our status quo is not equal to the requirements of contemporary citizenship, employment, or higher education.

Decades of earnest efforts to reform public schools have shown remarkably little ability to alter routines or results substantively. Tides of reform have rolled out and in and out again, with little attention paid to implementing new proposals or

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ensuring that schools and school systems are serious about them. Do entrepreneurial efforts threaten to be merely more of the same?

The short answer is no. The problem has never been innovation per se, but a failure to root innovation in coherent, focused organizations. In public bureaucracies like America's school districts—which are led by officials who lack the tools to compel cooperation and where keeping one's head down is the safest professional approach—implementation tends to be half-baked. The results are predictable.

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Successful entrepreneurs, on the other hand, build coherent organizations populated by committed, self-selected team members. As management scholars Sumantra Ghoshal and Christopher Bartlett have explained, "On the organizational trapeze, individuals will take the entrepreneurial leap only if they believe there will be a strong and supportive pair of hands at the other end to catch them."[1]

Second, in the United States today, it is estimated that more than a thousand new business ventures are born every hour of every working day.[2] This dynamism is a familiar feature of American life but not of school reform—and that is an enormous problem. In the 1960s, the Bureau of Labor Statistics reported that college graduates could expect to hold five jobs in the course of their lives. College graduates today can expect to hold four jobs by the age of thirty. Not only are talented, college-educated women no longer obligated to accept teaching jobs, but promising college graduates in general are far less willing to patiently queue up in the seniority-driven bureaucracies of the educational establishment.

Advances in technology and communications have created new possibilities for autonomy, decentralization, and customization. In 1991, when the first charter school law was adopted, the Internet as most of us know it did not exist. By 2004, the U.S. Census Bureau reported that 61 percent of households had Internet access. In 1993, just 23 percent of households owned a computer. By 2004, two-thirds did.[3] The iPod did not

exist in 2000; by 2007, more than 100 million had been sold worldwide. This technological revolution has created previously unimaginable communication and instructional opportunities.

In education, changes in policy, including charter schooling and the relaxation of teacher licensure restrictions, have made schooling more hospitable for entrepreneurs. As of 2003, more than 20 percent of public school districts had students enrolled in online courses offered by their schools.[4] By 2005, at least one virtual school was operating in almost every state.[5]

Finally, the advent of educational accountability has made entrepreneurship newly feasible. For nontraditional schooling or services to prove practicable, the providers must be held responsible for the results of their handiwork. Prior to the spread of sophisticated testing and benchmarking systems, the necessary tools simply did not exist.

Making Entrepreneurship Work

For all the stirring prose that business books devote to entrepreneurs, the truth is that entrepreneurship is a headache. In fact, most proposed ideas are flawed. Scholars estimate that 60 percent of all new products are abandoned before they ever reach the market, and nearly half of those that do reach the market do not pan out.[6]

It is understandable then that most professional educators and education scholars think the entrepreneurial premise is counterproductive and misguided for schooling. New ideas in education probably fail at the same rate as new ideas in the market. Hesitant to contemplate "risky" alternatives when dealing with children, most education reformers—on the right and the left—prefer solutions that minimize risk.

However, there is plenty of evidence that the entrepreneurial endeavor unearths many Bill Gateses and Fred Smiths, individuals who then build large-scale organizations that make high-quality, affordable products or services—like software or parcel delivery—that benefit tens or hundreds of millions of people.

The entrepreneurial presumption acknowledges that progress is messy, partly because workable solutions change over time. What worked in 1950 may not prove as effective in 2000. New ideas are, by definition, untested, and new solutions will emerge from trial and error. Clayton Christensen, coauthor of *The Innovator's Solution*, has reported that in over 90 percent of all successful new

businesses, the strategy the founders deliberately adopted was not the strategy that ultimately led to success.[7]

Entrepreneurs reject the notion that we can somehow anticipate the future and then race there in an orderly fashion. A key problem impeding progress is that our imaginations are constrained by what we already know. Chris Whittle, founder of the Edison Schools, has observed, "There was a time in aviation when the propeller was the only way to move a plane forward. Designers could not envision getting beyond a certain speed with a prop. Then came jet engines, and the speed of airplanes doubled overnight and eventually tripled."[8]

As Robert Laughlin, winner of the 1998 Nobel Prize in physics, has admonished, "The search for new things always looks like a lost cause until one makes a discovery. If it were obvious what was there, one would not have to look for it."[9] If giants in other sectors must rely on trial and error rather than prescience, humility may be in order for education reformers as well.

In education, even leaders heralded for their entrepreneurial bent are often more enamored with yesterday's entrepreneurial successes than with nurturing tomorrow's entrepreneurs. More than a few "cutting-edge" superintendents tackle school reinvention by identifying some seemingly successful models and saying, "I want more of those in my district." Because today's winners are simply the best at what we already do, enshrining today's best practices in statutes or policies can impede new providers and hinder the next generation of problem-solvers.

For instance, while the KIPP Academies boast an impressive track record and national acclaim, the founders are the first to explain that their greatest triumph is proficiently executing a traditional model of schooling—rather than reengineering educational delivery. They have succeeded by relentlessly focusing on results, recruiting talented educators, working long hours, and forging a culture of commitment. KIPP should be celebrated—but as an inkling of what an entrepreneurial environment makes possible rather than the culmination of that process.

Entrepreneurship Is Not School Choice

One common mistake is to conflate entrepreneurship in education with charter schooling or school vouchers. It may be easy to assume blithely that those who support charters or vouchers are in favor of markets and entrepreneurship, and that endorsing entrepreneurship can be reduced to supporting choice-based reform. But that assumes a fundamental misunderstanding of entrepreneurship. Ultimately, entrepreneurship is not about "choices"—the demand side of the famous supply and demand curve—so much as it is about a process of reinvention and Darwinian selection—in other words, the supply side of that curve.

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Entrepreneurship requires choice to be coupled with opportunities for entrepreneurs to enter the field, obtain resources, recruit talent, and benefit from their successes. Choice fosters entrepreneurship only to the extent that it promotes these opportunities. For instance, Belgium has one of the world's most expansive choice-based systems, but few observers would suggest that the country is a hotbed of educational entrepreneurship. In 1975, residents of Moscow could choose from scores of grocery stores, yet their bare shelves exposed the absence of a vibrant and entrepreneurial marketplace. The tendency of school-choice supporters to focus narrowly on charter schooling or school vouchers leads observers to miss this critical point and has fostered much confusion about what choice-based reform is likely to produce.

Choice-based arrangements are neither necessary nor sufficient for educational entrepreneurship. They are unnecessary because, at least in theory, a vibrant entrepreneurial sector can deliver educational services, tools, and products absent additional school choice. For instance, tutoring companies and education management firms can compete to contract with traditional public schools or districts. They are insufficient because removing formal barriers to new schools is only one step on the path to nurturing entrepreneurial activity.

Rejecting a New "One Best System"

What, then, does this mean for policy and for school reform? Since the 1974 publication of education historian David Tyack's seminal *The One Best System*, much analysis has proceeded from the premise that the factory-inspired urban school systems we have inherited need to be

redesigned.[10] Many efforts have centered on devising "best practices" that could provide a new, improved template. In many ways, the struggle has been to replace the "one best system" of the twentieth century with a new model for the twenty-first century that incorporates the "best" instructional practices, staffing patterns, reading programs, and governance arrangements.

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The entrepreneurial presumption rejects that aim. Rather than determine what schooling "should" look like in 2030 or 2040, it recommends a system that continuously welcomes talent, focuses on results, rewards success, purges failures, and does not stifle the emergence of better solutions. Five essential principles should guide the design of such a system.

First, this system must be dynamic and responsive to the challenges presented by a changing world. This requires the dissolution of familiar monopolies and the removal of barriers that stand in the way of new providers. A dynamic sector demands new knowledge, produced by a rigorous model of research and development and supported by public and private investment. This R&D model should emulate such areas as medicine and technology, where products and services deemed state-of-the-art in 1987 now seem hopelessly antiquated.

Second, a healthy entrepreneurial environment is transparent, with clear accountability for learning, service provision, and financial practices. It requires readily available data on student learning and various other performance considerations (from procurement to maintenance to hiring) and compels providers to compete on both quality and cost.

Third, the system should strive to attract and nurture excellence. Whereas today's school systems too often favor seniority, obedience, and uniformity, the entrepreneurial aim should be to create a culture of meritocracy in which teachers and school leaders have the opportunity and tools to succeed. The training pipeline for educators should be rethought accordingly to reduce the emphasis on formal certification while focusing on selecting high-quality candidates and adding value.

Fourth, today's funding arrangements discourage creative problem-solving, the emergence of niche providers, and the search for new efficiencies. State and federal regulations require nearly every district to provide similar bundles of services, while districts rarely use specialized providers to improve performance when it comes to services like human resources, facilities, or remedial instruction. Education finance should be configured to accommodate nonprofit and for-profit providers of niche instructional services and to reward cost-effective performance.

Finally, schooling must move decisively away from a system governed by inputs and regulation to one ordered around individuals and results. This requires recognizing students' varying needs and conceding that education is not a one-size-fits-all enterprise. For instance, the kind of accountability favored by No Child Left Behind (NCLB), which is premised on tracking average student performance across conventionally organized grades, constricts the scope of entrepreneurial activity. In fact, for all the claims by proponents of NCLB, the law has done little to reduce the tangle of rules and procedures that enmesh schools and providers. Indeed, in more than a few places, it has sprouted new ones.

The challenge is to design a system in which tomorrow's entrepreneurs can focus on solving problems rather than dismantling the roadblocks we have unwittingly strewn in their path. For that reason, popular proposals to limit class size or to require that districts spend 65 percent of their funding "in the classroom" are counterproductive. Such mandates will stifle a new generation of educators just as thoroughly as collective-bargaining provisions and licensure regulations have hampered the current one. The goal ought not to be to erect new "twenty-first century" buildings and policies that will serve as monuments a half-century from now, but rather to create a system capable of growing with those it exists to serve.

Creating an Entrepreneurial Environment

Broadly speaking, there are three sets of obstacles blocking the way: barriers to entry of new providers, a lack of venture capital, and a pinched pipeline for human capital. The discussion below is not intended to be exhaustive, but it does sketch the shapes of potential reforms and some of the relevant considerations.

Barriers to Entry. Barriers to entry are the laws, rules, and practices that make it harder or more costly to launch a new venture. Such barriers include everything

from regulations hindering the opening of a charter school to textbook approval systems so onerous that only the largest publishers can successfully compete. Barriers worth particular attention are those that inhibit the opening of new schools or impose restraints on how new providers can operate.

New charter schools, for instance, face enormous difficulties gaining access to venture capital and facilities. Because current practices presume that local districts will own and manage school buildings, it is frequently difficult for entrepreneurs to secure appropriate facilities.[11] New entrants must plead with conventional public schools—their ostensible competition—or scramble to make do with nontraditional facilities. The Education Commission of the States has reported that less than a dozen states provide startup or planning grants for charter schools, and barely half of those with charter laws provide any support for facilities.[12] Meanwhile, state regulations make school facilities prohibitively expensive. A New York City school commission reported in 2002 that it costs about 40 percent more per square foot for the city to build schools than to build local office buildings, luxury condos, or hospitals.[13]

One step that could significantly level the playing field for entrepreneurs would be removing control of school facilities from local districts and handing it over to a special-purpose entity. One promising approach to this is the development of independent "real estate trusts" in which the construction and management of school facilities are separate from the traditional school district. Such a trust could ensure that the facilities are professionally managed while enabling alternative providers to compete more readily for suitable facilities.[14]

Formal barriers to entry may be highly visible, but they are coupled with less obvious obstacles that can prove equally significant. For instance, state financing systems consistently fund charter schools at lower levels than traditional district schools and restrict their ability to hire nontraditional teachers.

As a general rule, making schooling more hospitable to entrepreneurship requires, where appropriate, improving the clarity and rigor of outcome expectations while removing the hurdles that hinder new ventures. In today's environment of accountability, this shift is feasible to a degree inconceivable even a decade ago.

Venture Capital. New ventures can neither launch nor grow without money. There are three general sources that can be tapped to support educational start-ups: profit-seeking investors, nonprofit associations, and public agencies. Historically, in most sectors, profit-seeking dollars have driven the entrepreneurial engine, provided by either venture capital funds or wealthy individuals.

The K–12 sector is dominated by government spending. State, local, and federal governments spent over $500 billion in 2005 on K–12 schooling—about 90 percent of all money expended on public and private schools. However, the vast majority of this spending is dedicated to salaries, benefits, school operations, and other routine line items. Very little is available for research, development, or new ventures.

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As University of Washington professor Paul Hill has concluded, "Public school systems can be fully open to entrepreneurship only if money that is now tied up can be released and reallocated."[15] Indianapolis mayor Bart Peterson has launched a public-private partnership in which the city will incubate and support entrepreneurs for a year or two while they plan and launch new charter schools. Joel Klein, chancellor of the New York City schools, has relied on a mixture of public and private funds to recruit new leaders and develop new schools. Promising measures to reallocate public funding to support entrepreneurial efforts might include providing loan guarantees for new ventures, financing start-up costs, and assisting public-private partnerships.

For-profit investment has been rare because capital typically flows to ventures that offer an attractive, risk-adjusted return, which has generally not existed in schooling. But there are steps that would help the sector attract more private funding to support research, development, and creative problem solving. For instance, clear standards for judging effectiveness can reassure investors that ventures will be less subject to political influence and better positioned to succeed if demonstrably effective. Entrepreneur-friendly reform is also undermined directly by statutes that restrict the involvement of for-profit firms in school management.

Given the dearth of private investment and the constrained nature of public spending, entrepreneurial ventures to date have been disproportionately funded by the tiny sliver of money philanthropies contribute—especially funds from younger foundations with roots in the new economy. Traditionally, foundations have sought to avoid controversy, pay attention to professional direction, and foster consensus. Today, however, several of the most influential education philanthropies—including the Gates, Walton, and Broad foundations—are consciously supporting riskier, less conventional endeavors. Perhaps the most interesting example is the NewSchools Venture Fund, a "venture philanthropy" that secures investments from third parties and then seeks to provide start-up capital to scaleable, sustainable breakthrough ventures—both nonprofit and for-profit.

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Human Capital Pipeline. Reducing barriers to entry and increasing available capital are all well and good, but they will matter little if there are no people willing and able to take advantage of new opportunities. The challenge is to attract a mass of talented and energetic individuals, retain and cultivate promising problem solvers, and develop an infrastructure to support their efforts.

Today, licensing requirements are among the factors that deter people from entering education. Hiring practices in many large districts are painfully slow, which alienates attractive candidates.[16] Inflexible compensation systems penalize mobile workers, do little to reward top performers, and provide expansive benefits that are most attractive to those who stay in place for decades. In short, schools are organized much like factories in the 1950s. Measures to produce a more entrepreneur-friendly environment include loosening certification barriers, basing compensation on performance rather than seniority, and multiplying opportunities for professional growth and advancement.

Some of the greatest successes in expanding the talent pipeline have been the result of entrepreneurial activity. Teach For America (TFA) has brought more than 17,000 high-achieving college graduates into schools since 1990. TFA alums launched the KIPP Academies; created

high-achieving schools like the HEROES Academy in Texas; and founded the New Teacher Project (TNTP), itself a program for recruiting new urban teachers. Since 1997, TNTP has recruited over 13,000 teachers.[17] Meanwhile, organizations such as the EdVisions Cooperative are attracting and retaining educators who might otherwise leave education for more hospitable environs.

Such efforts have brought individuals with an entrepreneurial bent into schooling, but potential entrepreneurs require seasoning and experience as well as energy and a fresh perspective on familiar challenges. Unfortunately, the vast majority of TFA recruits and other high-achieving new entrants in schooling depart within a few years. This is a problem because most successful entrepreneurs get their ideas through previous employment and experience; a 2004 study of the nation's 500 fastest-growing companies found that more than half of the founders got the idea for their new venture in the industry they already worked in, and another quarter, in a related field.[18] There is no substitute for a pipeline of energetic veterans who have worked in the sector, gained experience, and accumulated contacts.

Networks that allow potential entrepreneurs to experience education from various vantage points, find mentors and supporters, and link up with kindred spirits are critical in any entrepreneurial ecosystem. Organizations like KIPP, TFA, and the NewSchools Venture Fund are forging informal networks, but such efforts are only a tentative first step. Today, little such machinery exists to cultivate would-be educational entrepreneurs, allow them to grow, or bring them into contact with potential funders. Young educators work alone in their classrooms, gain little non-classroom experience or responsibility, develop networks restricted to other teachers, and obtain no insight into team management or the demands of launching a new enterprise. In other sectors, young workers move easily among ventures, gain experience and responsibility, build networks of mentors and peers, and learn to imagine and design new ventures. Helpful steps might entail creating new roles inside or outside of school districts that would allow qualified candidates to work with teams on improving processes or practices in areas like curricular design, training, data management, recruiting, and technology integration.

Little Ventured or Gained

In the end, an entrepreneurial perspective raises the question: In the twenty-first century, is it possible to

educate children in radically more effective ways? If familiar arrangements will not do, who are the pioneers willing to stumble forward in the dark to find better answers, and how willing are we to provide the opportunities, tools, and support they need?

The paradox of entrepreneurship is that it accepts the risk that some ventures will fail in order to avoid a larger risk—persistent mediocrity. The entrepreneurial premise can frustrate educational specialists because it does not deliver clean "solutions"—whether brain-based theories of learning or pat guidance on instruction. Instead, it opens the field to emerging models of excellence. And efforts to cultivate the supply side of reform must be coupled with attention to devising new, more nimble systems of knowledge creation and quality control that can help education leaders, policymakers, and entrepreneurs negotiate the challenges of modern school reform.

Entrepreneurship is not about instant solutions to today's problems. In K–12 education, where all parties are quick to declare grandiose aims and demand immediate solutions, such a stance approaches apostasy. Nonetheless, the greatest educational risk we confront today lies not in embracing entrepreneurship but in continuing to cling to an inadequate and increasingly anachronistic status quo. The failed ideas, providers, and schools produced by entrepreneurial activity may be a high price to pay. But it is a price worth paying to avoid the stagnation and ceaseless tinkering that have for so long been the face of school reform.

AEI web editor Laura Drinkwine worked with Mr. Hess to edit and produce this Education Outlook.

Notes

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