

**School Restructuring Options Under No Child Left Behind:
*What Works When?***

**Contracting With External Education
Management Providers**



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Introduction to the *What Works When* Series

The No Child Left Behind (NCLB) Act has led to a seismic shift in how states and districts approach school accountability. Before passage of the law, most states and districts already had accountability systems based, in part, on standardized test scores. These accountability systems were tied to a variety of rewards and consequences for schools that did or did not meet student proficiency standards. The measures of proficiency varied, as they still do, based on each state's standards.

With the reauthorization of Elementary and Secondary Education Act and the passage of the NCLB Act in 2002, the federal government revised the existing federal accountability framework. Although this revision relied heavily on existing law—which included less frequent required testing, a less specific definition of adequate yearly progress (AYP), and less prescribed responses by districts and states to low-performing schools—it also introduced new measures designed to make schools more accountable for academic outcomes. Required annual assessment of student learning, a timeline specifying consequences for schools not meeting state-determined proficiency targets, consideration of significantly more dramatic school restructuring options, and a much stronger impetus for improvement from the federal rather than state level are critical aspects of the revised law.

Several years after the passage of NCLB, there are persistently low-performing schools in every state that face increasingly strong consequences for failing to improve student achievement sufficiently. In particular, schools that fail to make AYP for five consecutive years must engage in restructuring to improve student learning. Districts have several options for restructuring these schools. Although constrained to choose an option that is consistent with existing state law, districts can:

- Reopen the school as a public charter school.
- Replace “all or most of the school staff (which may include the principal) who are relevant to the failure to make adequate yearly progress.”
- Contract with “an outside entity, such as a private management company, with a demonstrated record of effectiveness, to operate the school.”
- Turn the “operation of the school over to the state educational agency, if permitted under State law and agreed to by the State.”
- Engage in another form of major restructuring that makes fundamental reforms, “such as significant changes in the school’s staffing and governance, to improve student academic achievement in the school and that has substantial promise of enabling the school to make adequate yearly progress.” (No Child Left Behind Act, 2002)

The *What Works When* series is designed to help district leaders understand what is known about when and under what circumstances each of these options works to improve student learning. The first four options are newer and more dramatic than most school reform efforts employed in the past. Each has high potential when large change is needed, but each also carries risks. The goal of this series is to help district leaders determine which change is the right change for each

school. The fifth piece in this series, *What Works When: A Guide for Education Leaders*, will help districts through the process of deciding when to use each of the five strategies.

Focus of this Paper: Contracting With External Education Management Providers

This paper focuses on the third restructuring option, contracting with an outside entity to operate the school, which we will call “contracting.” Additional papers in the *What Works When* series explore the first, second, and fourth restructuring options in greater depth, and *What Works When: A Guide for Education Leaders* will help states and districts choose among the options for each school.

This paper examines what we know about when contracting may work for districts grappling with individual low-performing schools. The remaining contents are organized as follows:

- Methodology
- What Is Contracting Under NCLB?
- What Is the Experience With Contracting?
- What Do We Know From These Experiences? Key Success Factors and Key Challenges
- What Further Research Is Needed to Understand Contracting?
- Conclusion

Methodology

To identify what we know about contracting with external education providers, we conducted a thorough literature review on contracting for whole-school management and charter authorizing and interviewed researchers and practitioners across the country who are familiar with or have been directly involved in contracting . Because contracting as an intervention strategy has been used so rarely, research-based evaluations of its effectiveness are limited. Our literature review therefore also included research about schools’ effective contracting strategies for noneducational services and evidence about contracting outside of education. We also reviewed cross-industry research comparing high-performing start-up leaders to average ones and similar research about top principals in existing schools.

What Is Contracting Under NCLB?

As it is used in this paper, the term *contracting* refers to an agreement undertaken by the governing board of a public school district with an outside organization to deliver comprehensive educational and management services to a failing school. The term is often discussed in the realm of public services and, in that context, has been described as a halfway point between public and private provision, allowing public sector control over a public activity while simultaneously introducing the potential for commercial discipline and efficiency (Domberger & Rimmer, 1994). In the public sector generally, however, contracting encompasses many activities and must be distinguished here from privatization efforts such as the sale of government property and the private financing of public facilities (Reh fuss, 1989). In the case of contracting under NCLB, the public school district retains ultimate authority and control through its ability to set the terms of the contract and terminate the agreement if the terms are not met.

Contracting, for our purposes, should further be distinguished from contracts for individual school services. School districts have long contracted for noneducational services: The average school district in the last decade contracted out 9 percent of its budget, outsourcing services such as cafeteria management, security, and transportation. Schools have frequently entered into contracts for educational services such as tutoring or services for special-needs students (O'Toole & Meier, 2004). Contracts for comprehensive educational and management services are a much more recent and less common development.

The arrangement should also be distinguished from chartering, a restructuring strategy with which it is often paired. Chartering is similar conceptually to contracting, but it differs in the legal relationship between the district and the entity that governs the school. In a contracting relationship, an external education provider carries out educational and management services according to the terms of a contract negotiated with the district. In contrast, charters are a special kind of contract created under state law, and many terms of charter arrangements are dictated by state law. The governing board of a charter school receives a charter from the district and may or may not choose to contract out for educational and management services. Though many charter schools are managed by external education providers, and major providers appear increasingly to manage charter rather than nonchartered schools, a school need not necessarily be chartered in order to contract (Molnar, Garcia, Sullivan, McEvoy, & Joanou, 2005).

Finally, the contracting provision of the NCLB Act is not limited to district contracts with private for-profit entities but includes contracts with nonprofit organizations as well. Many discussions of contracting in education are limited to descriptions of contracts with educational management organizations (EMOs) that operate for a profit. The focus on for-profit contractors may be because for-profit providers appear to be the most common contractors for educational and management services (Molnar et al., 2005). It may also be because of the controversial nature of the pairing or to the relatively late entry of nonprofits into educational contracting (Lamdin, 2001). A great deal of educational contracting, however, is with nonprofit organizations. These include nonprofit EMOs such as Aspire Public Schools and looser networks of schools such as the Knowledge Is Power Program (KIPP) (Colby, Smith, & Shelton, 2005). Our discussion of contracting therefore includes principles applicable to for-profit and nonprofit contracts alike. Our use of EMO will accordingly refer to both for-profit and nonprofit education service providers.

What Is the Experience With Contracting?

Local governments have been contracting out to nongovernmental entities for decades. By the early 1990s, the average American city contracted out nearly 28 percent of its annual budget (Green, 1996). Most municipal leaders reportedly contract for services in order to reduce their costs and improve service quality, and the evidence shows that contracting does, in most instances, reduce service costs. Evidence about whether it improves service quality, however, is mixed (Domberger & Rimmer, 1994). Nonetheless, the majority of American cities currently contract out several services, such as solid waste collection, building security, street repair, and vehicle towing. In surveys, most city officials report that they are relatively satisfied with these contracting experiences but clearly do not view them as a panacea (Dilger, Moffett, & Struyk, 1997).

Contracting in education is a more recent development, particularly in the realm of whole-school management. For the past six years, the University of Arizona's Commercialism in Education Research Unit (CERU) has conducted a survey of for-profit EMOs and their educational contracting activity across the country. The most recent report profiles 59 EMOs. These companies manage 535 schools and enroll approximately 239,766 students in 24 states and the District of Columbia. The 2004–05 data reveal a significant increase in the number of companies, managed schools, and students served by EMOs since CERU began tracking for-profit companies in 1998–99. The 2004–05 report reveals a decrease, however, in the percentage of students who are served under whole-school EMO management. Instead, many EMOs are expanding in the area of supplemental educational services, such as tutoring (Molnar et al., 2005). Contracts with EMOs frequently are a result of a state intervention in district management, such as those that resulted from state takeovers in Philadelphia and Baltimore. However, several districts have initiated contracts for whole-school management as well.

Charter schools account for a large and growing majority of current contracting efforts, whether the charter holders hire EMOs to manage a charter school on their behalf or, more rarely, the EMO holds the charter directly. In 2004–05, fifty-nine for-profit firms managed 21.7 percent of all charter schools and 26.7 percent of all charter primary schools. Of the 535 schools run by these firms, 86.3 percent are charter schools. In contrast, the number of district schools under noncharter contract management has remained relatively stable. There were 77 district schools under management in 2004–05. EMOs typically serve low-income, urban, and minority students (Molnar et al., 2005).

Research regarding municipal service contracting is plentiful and includes decades of data about why cities choose to privatize services, the extent to which privatization reduces service costs and improves service delivery, how cities monitor the quality and effectiveness of privatized services, and what lessons city officials have learned from their privatization experiences (Domberger, 1998; Domberger & Rimmer, 2004; Green, 1996).

Comparable data about our experience with educational contracting thus far is not similarly available. Although there are more than 500 schools in districts across the country run by EMOs, there is little research about the success of their experiences. Several states and districts have experience with contracting, but our discussion focuses primarily on the experiences of four school districts that have a few years of experience with EMO contracting and for which there is

the richest information: Philadelphia; Baltimore; Chester Upland, Pennsylvania; and Hartford, Connecticut.

- **Philadelphia.** In the fall of 2001, the Mayor of Philadelphia and the Governor of Pennsylvania initiated a “friendly” takeover of the School District of Philadelphia and, following an evaluation by Edison Schools, Inc., recommended that the district radically restructure by hiring private providers to manage several of its lowest performing schools. The district thereafter announced its search for private entities to operate 45 struggling schools in the city. After a formal review process, seven entities were selected: three for-profit companies, two local community-based organizations, and two universities. The district now shares responsibility with these organizations for the academic and operational aspects of the schools. The EMOs are charged with providing a curriculum and supervising the principals, but the district retains control over each school’s budget, calendar, personnel policies, and facility (Rhim, in press).
- **Baltimore.** In 1999 and 2000, after dozens of schools had spent years on the state Reconstitution-Eligible list for failing to meet state standards on standardized tests, attendance rates, and dropout rates, the Maryland State Department of Education moved to restructure four elementary schools in Baltimore by contracting with EMOs. The state followed its standard procurement process in selecting EMOs to manage three of the schools. In response to opposition from the Baltimore superintendent and the local teachers’ union, it allowed the district to manage the selection process for the fourth school. Baltimore also allows schools to restructure under its New Schools Initiative, under which they are given autonomy over budget, staffing, and curriculum. Since 1995, nine Baltimore City Public School System (BCPSS) schools have converted to New Schools Initiative (NSI) status; the five that have remained NSI schools are managed by EMOs (Rhim, 2004).
- **Chester Upland, Pennsylvania.** The state intervened in Chester Upland in 2000, after years of unsatisfactory student achievement scores across the district. In 2001, a state-appointed board released a school improvement plan that mandated EMO-management at six elementary schools, three middle schools, and the district high school. Ultimately, the board contracted with a single EMO (Edison Schools) to manage all of these schools. The reform was state initiated due to a lack of confidence in the district’s ability to self-improve. Contracting was met with great opposition from the district, which was largely responsible for implementing the EMO contracts. The district resisted EMO autonomy in the schools and retained some control over personnel, student recruitment, and accountability. The contract failed to clarify who was responsible for what and hindered the EMO’s ability to fully implement its educational model. Ultimately, the district’s experience with contracting became an example of how *not* to restructure (Rhim, 2005).
- **Hartford, Connecticut.** In 1994, after years of financial crisis and low student achievement, the school board of Hartford invited Education Alternative, Inc. (EAI) to manage the entire district. The primary goals of the effort were to improve operational and financial practices. However, there was limited political support for the contract from the beginning, and even that support dwindled during the course of contract negotiations. EAI’s implementation of its educational model was severely hindered by vague definitions of its responsibilities and limited autonomy over its budget and personnel

policies. The board terminated the contract in 1996, citing an impasse in negotiations (Uline, 1998). Hartford's district-wide contracting strategy is very different from targeted restructuring of individual schools, and is therefore not the best analogy to restructuring under NCLB. The district's early experience with external management does, however, shed some additional light on the elements of a successful contracting process under NCLB.

When Has Contracting Been Successful?

Academic Success

The most important measure of EMOs' success is their ability to produce dramatic improvements in student achievement. As mentioned, however, there are only a few rigorous studies comparing EMO-managed schools with comparable traditional schools to determine the effect of contracting upon student learning. The majority of the reports of student achievement are produced by EMOs themselves or by advocacy groups opposed to them. There are three notable exceptions. In arguably the most significant study of EMO performance to date, RAND researchers compared achievement gains in schools run by Edison, a prominent EMO, to those in comparable district-run schools (Gill, Hamilton, Lockwood, Marsh, Zimmer, Hill, et al., 2005). The findings were necessarily complex, but generally revealed that Edison schools outscored comparison schools in reading and math in their fourth year of operation. In an earlier study of Edison schools, Miron and Applegate (2000) found similar patterns in test scores between Edison schools and comparable public schools. A study sponsored by the U.S. General Accounting Office compared privately managed schools to comparable traditional public schools in six cities and found that differences in student performance on state tests varied by city and grade level (Edwards & Elston, 2003).

In our profiled districts, the effect of contracting upon learning, as measured by student test scores, appears similarly mixed. In Baltimore's EMO schools, student test scores are improving and generally are higher than Baltimore's district-run schools (Rhim, 2004). In Philadelphia, EMO schools are experiencing academic gains as well but at a slower rate than district-operated schools and district-restructured schools (Rhim, in press). As of spring 2004 in Chester Upland, some Edison schools outperformed traditional public schools on statewide tests in math and reading; some did not improve scores as quickly. At Chester High School, the number of students who meet proficiency standards has grown under Edison management, but in 2003–04 only 6 percent of 11th-grade students were proficient in math, 17 percent in reading (Rhim, 2005). Achievement data before and after external management in Hartford was unavailable.

Improved Management

Perhaps the greatest success of EMO contracts to date is improved school management. From school facilities and custodial services to administrative duties and personnel selection, EMOs are often able to bring under control day-to-day school operations that inhibited learning in the schools' prior form (Levin, 2002). Many EMOs streamline school administration and create more effective professional development programs. They may introduce a systemic pedagogical approach under which school administrators and staff are held to clear and meaningful standards (Levin, 2002). In many cases, EMOs physically transform dilapidated school facilities as well. A school's physical appearance provides an environment for learning, and tangible improvements can earn credibility with the local community. In Baltimore, for example, state, district, and school leaders all identified improvements to the physical plant as an important contribution by EMOs (Rhim, 2004). However, in the long run, improved management is truly better only if it leads to improved student learning.

Financial Strength

A frequent measure of success for external management in both the private and public sectors is a reduction in service costs. In education, cost efficiency through contracting could be important if saved funds were reinvested in additional actions that further improve student learning or if the contracting arrangement opened a pipeline to schools of funds from new sources. In the public sector, contracting usually helps agencies increase efficiency from a financial standpoint (Dilger et al., 1997). There is some evidence that contracting can also lower service costs in education (Lamdin, 2001). Although school districts generally do not decrease their expenditures by contracting (reductions in school expenditures typically form EMOs' profit or are redirected to other services), reduction in service costs may be a significant measure of success for those schools that are unable to provide basic services due to budget shortfalls. Contracting may also provide significant assistance to smaller school districts, which lack the economies of scale necessary to support special programs (O'Toole & Meier, 2004). Contracting with nonprofit or community EMOs may also make additional resources available through private or federal grants.

Why Have Districts and States Contracted With EMOs?

Contracting in our profiled schools and districts was carried out under state law, as many of the initiatives began before NCLB was enacted. Although school restructuring under NCLB is prompted solely by schools' failure to meet annual performance standards, under some state laws, contracting as an intervention strategy is viewed primarily as a solution for nonacademic challenges. For example, until 2000 Pennsylvania's legal authority to intervene in school districts was triggered only by fiscal distress. It was the Education Empowerment Act (EEA), adopted by Pennsylvania and many other states in 2000, that granted the state authority to intervene when school districts failed to demonstrate adequate academic growth (Rhim, 2005).

Certainly, part of the impetus to contract schools out to EMOs is chronically low student achievement. Prior to private management, test scores were low in each of our profiled districts despite prior reform efforts. In Baltimore, many schools fell short of state standards and failed to improve their scores under school improvement plans. An average of 68.4 percent of children failed in mathematics and reading for two consecutive years in Chester Upland, according to the Pennsylvania System of School Assessment test. In the late 1990s, students in Hartford's public schools had the lowest test scores in the state: Only 7 percent attained the state goal for reading performance in 1995, 11 percent for math, and 13 percent for writing (Uline, 1998).

Private management undertaken under state law came about not only due to the schools' failure to meet annual performance standards, however. These districts have typically suffered from additional challenges, such as high turnover in school administration and serious financial distress. The Baltimore public school system had six superintendents in 15 years, lacked sufficient supply of high-quality teachers or adequately supplied and maintained school buildings, and did not have adequate resources to make a change. The Philadelphia system suffered from leadership turnover as well. The Chester Upland district had been managed by a state fiscal board of control for more than two years because it had been identified as Fiscally Distressed. The Hartford district suffered from serious financial crises throughout the 1990s. In 1994, it was so severe that the board was forced to lay off teachers and ignore building repairs; there were no funds for textbooks or supplies. Many of these schools also suffered from high dropout rates. Hartford schools, for example, had a higher dropout rate than any other Connecticut district.

During interviews, leading contracting practitioners suggested that using a contract to establish a performance-based relationship that can be terminated if needed was another reason districts look to EMOs. In fact, Edison is moving toward structuring some of its contracting relationships with districts to be focused on a short-term arrangement with specific positive performance metrics for handing control of a school back to a district after improvements have been made (D. McGriff, personal communication, September 9, 2005). Another reason cited frequently during interviews was to use EMOs as a partner to supplement district capacity (P. Wohlstetter, personal communication, September 19, 2005). In Chester Upland, the decision to address school-level challenges by hiring external managers was motivated by the belief that an external entity could bring extra capacity and resources to improve schools that the district had been unable to improve itself (Rhim, 2005). In Philadelphia, contracting was undertaken as part of an overall restructuring strategy designed to introduce market forces of competition and choice into the district (Rhim, in press).

What Do We Know From These Reform Experiences? Key Success Factors and Key Challenges

Examining the experience with educational contracting, there are several factors that influence the success or failure of implementing this option: governance structure, both at the district and the school level; “environmental” factors, such as the timeline for contracting and community and parent involvement; selection of a strong leader; and “organizational” factors, including the EMO’s school design and training of new staff.

Of course, the ultimate success of a school will depend on the implementation of the instructional program and other aspects of school design. But because those factors apply to all schools, not just those in a contracting arrangement, this paper focuses on contracting-specific success factors and challenges.

System-Level Governance. This is leadership and management of the entire contracting effort within a whole district, with the district acting as the process organizer, solicitor, and manager of contracted arrangements. While many districts have experience overseeing contracts for ancillary education functions such as transportation and food service, direct experience with contracting out whole-school management is often limited. Research suggests that districts should establish a governance structure for contracted schools to oversee contract implementation and school accountability. Dedicated resources within the district office are necessary to give the contracting and oversight processes sufficient support. Central design questions include the following: How should the contracting process be designed? How should the community be involved in choosing a contractor? How should an EMO contractor be selected? How should ongoing oversight and accountability for a contracted school be managed?

Environmental Factors. In addition to governance, many factors outside the control of an individual school’s leader and staff affect the potential success of a contracted school. How much time should be provided for the contracting process? What terms should be included in the contract? How much autonomy should the contracted schools have? How should they be held accountable? What additional support should be provided by the district to a contracted school?

School-Level Governance. While the district is providing the oversight and governance for all contracted schools in a district, another entity must make major policies and oversee the leader of each individual school. In a contract arrangement, this entity may be a school-level board of trustees, or it may be the EMO itself. This governance entity will have the ultimate responsibility to ensure that improvements within the school lead to improved student outcomes. What are the characteristics of strong school-level governance in a contracted arrangement?

Leadership Factors. Research suggests that the individual leader of a school can be one of the largest factors determining a school’s success. Ensuring that the EMO knows how to select and support the right leaders for contracted schools is an essential part of the contracting process. What are the characteristics to look for in the leader of a contracted school? How can the district determine whether the EMO will choose the right kind of leader and manage that leader well?

Organizational Factors. Even though successful schools differ, there are common factors among most schools that perform well and among schools that are successful with previously low-performing students. How should the contracted school be designed? How should new staff be trained and managed? While the district will have little control over these factors after a contractor is selected, these factors may be incorporated into the selection process.

The following sections offer tentative answers to these questions in light of the emerging research and experience base on contracting.

System-Level Governance

There are various ways that a district can choose to administer the governance needed to properly contract out the management of underperforming schools. However the restructuring group chooses to assign the resources to manage the restructuring, success is more likely if all involved at this “system” level of governance buy in to the process and approach being undertaken. In Chester-Upland, philosophical differences about the restructuring approach at the state and district level ultimately undermined the entire contracting process (Rhim, 2005). The staff assigned to manage the contracting relationship must be willing to implement the selected process and be given the time and resources necessary to complete their responsibilities (Rhim, in press). Effective contracting also requires the dedication of enough staff time to negotiate unambiguous contracts that clearly delineate roles and responsibilities, and then to oversee that the responsibilities are met after the contracts are signed (Cohen, 2001; Rhim, 2004). Building all of this capacity may be challenging for school districts with very small central offices, such as rural and suburban districts with just a few schools.

The most important roles required of system-level governance are selecting an EMO, managing the contracting process, engaging the school community, and providing ongoing oversight of the EMO after the selection process is complete. The selection process, community engagement, and ongoing oversight are discussed in this section. The contracting process, in which the district negotiates contract terms with the chosen EMO, is discussed in the context of environmental factors, another section.

The Selection Process. What do research and experience tell us about selecting an EMO? Case studies have shown that this initial step in contracting out the management of a school can either provide a foundation for a successful arrangement or ultimately undermine the contracting relationship that is established as a result.

Fortunately, managing a selection process is an increasingly well-traveled road, thanks to a decade of experience nationally with contracting and charter-school authorizing. Recent research and experience suggest that strong selection processes have several characteristics in common.

- **Rigor.** Contracting out the operation of an existing school is a significant decision that affects many in the district and the school’s community. Case studies of contracting experience make clear that districts in which leaders implement and follow formalized processes and thoroughly evaluate each application have the most success minimizing conflicts during and after the selection process (Rhim 2004, Rhim 2005).

The majority of states and districts have a formalized procurement/contracting process that can be used to select an organization to manage a school. As Rhim (2004) found in her evaluation of contracting in Baltimore, operating outside of established processes is an invitation to both public-relations problems and potential litigation. Strategic contracting processes are based not on a quick solicitation and review but on community input, history, and other contextual factors, especially in environments where the community may already have resistance to contracting (Cohen, 2001).

Another element of rigor comes through the due diligence process in evaluating applications. The information provided in the applications cannot be taken simply at face value—Chester-Upland and Baltimore both discovered that not all applications and providers are necessarily as good as they seem on paper. Research and experience regarding school contracts for noneducation services have taught us that districts should closely evaluate providers' expertise and financial credentials, and contact multiple references before committing to a particular EMO (Colgan, 2004).

District experience with contracting suggests that the process is more effective when the staff managing the selection process is well versed in and follows the laws governing restructuring decisions. In Chester Upland, decision makers during the selection process assumed that the laws in effect would allow them to accomplish their goals easily. In fact, a clause in the law limited any restructuring initiative to adhering to the collective-bargaining agreements already in place. Failing to apply the same rigor to the understanding and application of the rules and regulations governing the process that was applied to the selection of a provider ultimately hurt their contracting effort (Rhim, 2005).

- **Transparency.** In interviews, practitioners emphasized that a selection process that encourages open communication between the district, the applicants, and the community can help diffuse community resistance and ensure that the EMO selected best matches the needs of the school and the community (B. Bennett, personal communication, September 9, 2005; V. Schoales, personal communication, September 15, 2005). In Philadelphia, where there was tremendous community backlash against the contracting process, one recognized positive was the fact that one person was appointed to handle the proposal review process, and all communications about the process went through her. Several applicants agreed in retrospect that application information had been fairly and clearly disseminated (Rhim, in press). Transparency can also help avoid issues in which philosophical conflicts over the type of restructuring do not surface until after the contracting model has already been implemented, as happened in Chester-Upland.

The standard procurement process does not remove the need for face-to-face negotiations. Research about contracting in all sectors suggests that the EMO will want to be satisfied about the intangible aspects of the contract that cannot readily be documented but can be seen, such as the condition of the school facilities (Domberger, 1998).

- **Fairness.** Experience with contracting in the public sector has made clear that the governing body making the selection decision must avoid playing favorites (Reh fuss, 1989). In a politically charged environment, even the slightest appearance of favoritism can serve to raise resistance (Rhim, in press). Since selecting a contractor is in many ways similar to the process charter-school authorizers use to select among charter applicants, emerging lessons from that field apply. The National Association of Charter School Authorizers' (NACSA) *Principles and Standards for Quality Charter School Authorizing*, developed on the basis of consultation with numerous authorizers and authorizing experts nationwide, directs authorizers to maintain fairness by setting specific criteria to judge applications, recruiting diverse teams to review applications, and ensuring that the process remains open and competitive (NACSA, 2005).

In an ideal situation, multiple applicants meet the selection criteria. This enables the district to focus on how well each provider's offerings fit with the targeted schools' student populations. A key goal of successful contracting is to recruit a pool of multiple provider applicants meeting the selection criteria (Hassel & Hassel, 2005). In addition to actual EMOs, possible sources of "supply" of contractors include:

- Existing high-quality single site schools seeking to replicate.
- Entrepreneurial teachers and school leaders with the vision and capability to open new schools.
- Colleges and universities.
- Community-based and cultural organizations with a track record of providing top-notch services and a desire to extend their work to K-12 education (Hassel & Steiner, 2004).

Community Involvement. District leaders contracting out existing schools invariably engage with parents and the wider community linked to the schools in question. Done well, engaging the community helps a school succeed and garner support. Done poorly, it limits the success of contracting efforts by slowing the process or limiting the students whose parents agree to opt for a contracted school (Hassel & Hassel, 2005). The contracting process and a school's first year under EMO-management are difficult. Those districts that manage the transition with care and listen and respond to the school community tend to have the most success in raising student achievement (Gill et al., 2005).

Ongoing Oversight and Accountability. The top-level governance job is not complete once the contract has been signed and implemented. As Rhim (2004) observed in her study of Baltimore, the delegation of authority inherent in contracting does not imply a delegation of responsibility by the state or district hiring the contractor. The governing body must actively ensure that the EMO fulfills its responsibility. Stakeholders in Baltimore learned that after negotiations were complete, many people assumed the state or district's job was over. As experience has shown, managing multiple contracts possibly spread across multiple providers requires vigilant supervision by credible administrators at the central office with the authority to ensure that contracts are implemented properly (Rhim, in press).

Research on successful charter authorizing suggests that districts that are most successful at holding new schools and their leadership teams accountable for academic results establish and

follow a system for monitoring and evaluating outcomes (NASCA, 2005). These districts set expectations for school performance and establish a method for assessing schools' progress toward achieving those expectations. Research and case studies suggest that clarity is a key to a functioning oversight and accountability process that can provide an EMO with the autonomy and accountability necessary to be successful (Rhim, 2005).

- **Clarity.** Case studies have shown that the contracting process often faces resistance not only in the community but also in the central office. In districts that have successfully implemented EMO contracts, the central-office staff is properly educated on the EMO partnerships and the rationale behind the process. A lack of shared understanding at the central office can lead to the alienation of EMO schools from the larger district. A common language for use by the EMOs, the central office, and the community can also serve to build bridges (Rhim, in press).

Open communication alone does not guarantee clarity. Due to inherent difficulties associated with specifying educational objectives and with measuring educational performance, education contracts often have incomplete clauses regarding objectives and performance. In general, the more complex the contract's objectives, the less specific the performance terms. Research shows that the most successful contracts establish clear performance measures to help determine whether the contractor has fulfilled obligations. Clarity and specificity should be the goals of both the contract and the oversight process (Colgan, 2004; Hannaway, 1999).

- **Capacity.** Contracting experience has shown that having the proper resources focused on managing and overseeing the EMO relationship is important. In Philadelphia, the district created a central structure to support the various contracted schools. This group was responsible for serving as the liaison to all contracted schools, and for passing information both to and from those schools and the district. The district used monthly meetings, e-mails, and other information channels to ensure that the information flowed freely in all directions, and that the district had a clear understanding of EMO performance. The dedicated district resources managing this process were critical to its success (Rhim, in press).

In addition to these resources at the central office, Philadelphia created an external Accountability Review Commission (ARC) to evaluate EMO results on district goals. This external group was responsible for producing annual school and district report cards on the contracting effort's results. The chairman of the ARC emphasized the importance of maintaining an external body to do the evaluations (Rhim, in press). Building capacity both internally and externally at the district level proved to be critical in Philadelphia.

Environmental Factors

In addition to the system-level governance issues, there are several environmental factors that influence the success or failure of a contracting effort. These factors include a broad range of external supports, freedoms, and constraints.

Timetable. Under NCLB, the district must develop a restructuring plan during the year after a school fails to meet its state’s AYP performance benchmarks for five years in a row. If the school fails to make AYP during the planning year, the district must implement the restructuring plan at the beginning of the next school year. The smoothness of this process depends in large part upon when the state releases its annual AYP determinations. One study of states’ implementation of the restructuring options under NCLB found that one reason few chose the contracting option was that schools are not identified for improvement until after the school year has already started. This, practically speaking, often prevents them from making more radical changes (DiBiase, 2005). Research on school reconstitution makes clear that districts that have closed down schools in June and reopened them under new management in August have often struggled with chaos and poor results (Malen, Croniger, Muncney, & Redmond-Jones, 2002). Several approaches to address this logistical challenge have been tried by districts and schools, and may apply to contracting. These are the emerging approaches:

- Let the school be shuttered for a year while renovations take place and the new provider plans. Cole Middle School in Denver has taken this approach, closing down to allow time for selection and training of the school’s new leader. This requires finding interim slots in other schools for students.
- Open the restructured school in the earliest grade only (e.g., ninth grade in a high school), and let it expand year by year. Some EMOs may insist on this approach as a clause in their contract or charter. This requires addressing the needs of current students in some other way.
- Grant the contract to a provider early (e.g., November), providing adequate time to plan. This requires making early assumptions about a school’s AYP performance.

Even with the use of these mitigating approaches, experience has shown that it may be difficult to meet the needs of both current students who continue to age out of a school during the planning process and future students who will benefit from restructured schools (Hassel & Hassel, 2005).

Contract Terms. Establishing the right contract terms between the district and new EMO is critical to the success of contracting. The failure to resolve all outstanding issues during negotiation in Chester-Upland led to several rounds of negotiations with Edison and ultimately resulted in the renegotiation of the settled contract multiple times, after control of the school had already been turned over.

Experience and research tell us that both autonomy and accountability are key elements of a contract relationship (Berends, Bodilly, & Kirby, 2002; Fuhrman, 1999). A clear delegation of responsibilities between the EMO and the district and details of precisely what types and levels of funding and support the district will provide to the contracted school are also critical to include in the terms of the contract.

- **Freedom to Act.** The chief potential drawback of a contract arrangement is that it offers less automatic autonomy for schools versus chartering, which typically carries with it a whole range of freedoms specifically enabled by state law. In principle, however, there is no reason why full-scale autonomy cannot be specified in contract.

Research about school reform efforts suggests that successful reforms are those in which the district strives to prevent a creeping of district control into the operating affairs of new school providers, and allows EMOs freedom from regulations regarding budget, staffing, curriculum, and instruction (Berends et al., 2002). An EMO's strength is often its different approach to instruction, staffing, scheduling of the school day and year, parent relationships, and discipline techniques. Its ability to freely implement these techniques outside of district policies can determine the EMO's success or failure. In the RAND study of Edison schools, for example, researchers found that the Edison schools that operate under more local constraints on the implementation of the Edison model showed slightly lower achievement outcomes in reading and math than those schools in which the Edison model was fully implemented (Gill et al., 2005).

RAND researchers also found that schools in which the principal had authority to hire and fire teachers showed slightly higher achievement in reading and math (Gill et al., 2005). In Chester-Upland, Edison was given the autonomy to hire school leadership, but the district retained the right to hire and fire teachers. This limited Edison's ability to fully implement its model (Rhim, 2005). This research and experience suggest that contracted schools are likely to achieve better results when the EMO has the freedom to fully implement its school design, including its own selection of and contracts with staff.

In short, the best relationships between districts and EMOs give those who negotiate the contract room to maneuver in order to achieve student learning first and foremost. In tandem with this autonomy comes the next critical aspect of the relationship: accountability for learning results.

- **Accountability.** School districts are responsible for monitoring a wide range of school outcomes, from financial record keeping to parent satisfaction. The contracting district is also responsible for monitoring EMO performance and for establishing measures by which to determine whether an EMO has fulfilled contractual obligations. In Baltimore, Rhim (2004) found that meeting quantifiable performance benchmarks in the negotiated contracts is a top priority for the contracted schools. Those benchmarks must be established and agreed to in advance of the implementation during the negotiation process. An explicit, measurable accountability plan can provide clarity regarding what standards will be used to evaluate EMO performance.

Experience has shown that there are several high-level requirements for strong accountability under an EMO contract:

- **A Performance-Based Relationship.** Most EMO contracts include performance measures of some kind. What is measured and rewarded inevitably directs the EMO's focus, and many districts find it difficult to define performance objectives effectively. The more narrowly objectives are defined, the easier it is to measure them. But an EMO that is focused on a narrow set of objectives may overlook many important elements of student learning. Ultimately, most districts have negotiated contracts that evaluate EMO performance based on student scores on standardized tests (Hannaway, 1999). These scores at EMO schools should be measured by the same standards that apply to other public schools, but research suggests that if an EMO has its own

accountability system in place, it should be fully implemented as part of the EMO design. The system should not merely create an additional level of accountability that competes with existing state or district requirements (Gill et al., 2005).

- **A Timeline for Improvement as Well as Results.** How much time should the district give the provider to raise achievement from its currently low level? Providers are likely to seek longer time frames while districts are likely to want shorter ones as one of the main reasons to contract in the first place is the urgent need to improve a chronically failing school. Experience has shown that the longer the contract period, the weaker the district's control over the school and the EMO, but the greater the likelihood of EMO investment. Commonly, EMO contracts last for five years (Hannaway, 1999).
- **Public Reporting of Results.** Research on dramatic organizational improvement shows that full, public sharing of results is essential to change (Kotter, 1995). A transparent process can provide critical feedback to school providers about what is working with which students and what special challenges lie ahead.
- **Consequences.** Ultimate consequences of nonperformance include nonrenewal or termination of providers' contracts. Strong EMO contracts specify conditions that are agreed to by the parties as grounds for termination. They may include conditions under which either party would prefer to leave the relationship or conditions that have proven nonconducive to students' success. A common clause regarding termination is failure to make specified progress toward student achievement goals (Hannaway, 1999). Some districts consider other forms of interim consequences, such as imposing specific, short-term performance improvement goals, increasing frequency of reporting when progress or scores are unacceptable, requiring a leadership change within a specified time, increased financial reporting frequency, and the like. Such interventions can carry their own risks, because they require much more hands-on involvement and autonomy infringement than contracting decision makers typically seek. Successful contracting efforts have avoided going too far, however. As district officials learned in Philadelphia, accountability measures that give the district authority to cancel the contract without cause can limit an EMO's willingness to invest in schools (Rhim, in press).
- **Fiscal Incentives.** Fiscal incentives have been a powerful tool to hold EMOs accountable for their performance. Edison personnel have reported that when the company's compensation is based on its ability to meet specified performance targets, quantifiable outcomes become a top priority (Rhim, 2005). Absent fiscal incentives, however, a commitment to the community also can serve as a powerful motivator for external operators. Other less accountability-based compensation options include payment based on a fee for services or on the EMO's ability to secure cost savings (Hannaway, 1999).
- **Clear Delegation of Responsibilities.** One of the challenges under this option is clarifying district and EMO roles and responsibilities. For example, which responsibilities are key for the new management team to take over, and which would be burdensome? When there is a lack of clarity about roles and responsibilities, the results can be fatal to the effort. In the case of Chester-Upland, interviews with stakeholders

indicate that a lack of clarity about what the educational management organization would be responsible for and what the district and state level oversight committee would be responsible for was an ongoing source of tension that ultimately contributed to the failure of the effort (Rhim, 2005). A contract that does not clarify the responsibilities and relationship of the contracting parties may lead to disputes, the costs of which may offset any benefits otherwise achieved (Hannaway, 1999; Uline, 1998).

District Support. The relationship between a school and the district does not end once the management of that school is contracted out. A contracted school may depend on district staff and resources for a variety of services. Facilities and maintenance are one common type of support that districts often provide to EMOs, but there can be many varieties. In Baltimore, Edison is still dependent upon the district for many services: BCPSS provides schools with a facility, desks and furniture, capital repairs, food services, health services, training, and transportation (Rhim, 2004). Whatever support is to be provided to the EMO, the requirements and guidelines for that support should be enumerated during the negotiation process and included as part of the contract terms to avoid later conflict and recriminations.

School-Level Governance

Once a contracting agreement has been negotiated, the responsibility for implementing the contract and governing the school lies in the hands of the EMO. Different EMOs have differing governance models for overseeing the multiple schools they manage under contracts (or charters). There has been no formal research into what characteristics separate effective and ineffective EMO school governance models in contracting situations. Instead, most research suggests that EMOs be selected based on the specific needs of the school and the characteristics discussed in other sections of this paper.

There is, however, some research about how EMO governance models differ from one another. While this research does not examine the link between these differences and EMO outcomes, it still sheds light on the choices a district is likely to face in selecting an EMO. According to Colby et al. (2005), the two primary characteristics that distinguish EMO governance models are:

- **Design Specificity.** Some practitioners believe that greater design specificity is likely to increase the consistency of results. Finding the right level of design specificity for a given school depends not only on the school developer's skills, capabilities, assets, and relationships, but also on the school leaders and the school community. Consistency is also important, but it does not need to apply every aspect of a school design. Only the core elements that make each EMO design effective need be consistently replicated in each of the EMO's schools.
- **Management Control.** Some EMOs choose to tightly manage all of their own schools, directly managing the staff and facilities. Others choose to operate in looser relationships with their schools, leaving operational details to the discretion of the school-level leadership.

Some researchers and practitioners have found that an EMO with tight management control and a highly specific design is likely to have greater consistency in matching its past results in a new

school. With that predictability, however, comes a greater cost to the district in additional EMO overhead to manage and provide oversight to the school-level leaders selected to implement their design. It may also limit principals' ability to implement school programs that respond to the needs of the local community (Colby et al, 2005; H. Levin, personal communication, September 19, 2005).

School Leadership

The evidence is strong that a school's leader makes a big difference in student learning. However, understanding of the characteristics that distinguish high-performing school leaders from the rest is very limited. In addition, no research yet describes how the characteristics of high-performing leaders differ in emerging school contexts such as start-up schools and turnaround schools. Research outside of education addresses some of these distinctions more clearly, and we draw on that to provide some guidance about what districts should seek in contract school leaders.

Research indicates that school-leader differences explain about 25 percent of differences in student learning accounted for by school, on average (Waters, Marzano, & McNulty, 2003; Leithwood, Seashore Louis, Anderson, & Wahlstrom, 2004). Meta-analysis of 51 cross-industry studies of high-complexity jobs found that people whose performance is one standard deviation above the mean achieve measurable results an average of 48 percent higher than average performers (Hunter, Schmidt, & Judiesch, 1990). In industry, where results have long been measured quantitatively, leaders who demonstrate certain behaviors achieve significantly better financial results (Collins, 2001; Goleman, 2001a; Goleman, 2001b). Similarly, in EMO-run schools, the quality of a principal's instructional leadership is strongly related to student learning and achievement (Gill et al., 2005). In short, the potential for leader impact is large in any setting, including schools. We turn to the qualities school leaders need for successful contracted schools.

A large body of research and theoretical writing explores school leadership in general, and some of this may apply to aspects of contract school leadership. However, no school leader research yet provides a model of school leadership that is:

- Validated, or proven to accurately describe what distinguishes high performers from the rest, eliminating items that are appealing but inconsequential and including items that may not be intuitive from limited observations.
- Limited to characteristics that describe the person not the job.
- Detailed enough on those characteristics that districts may use it for accurate selection of high-performing leaders.

Two recent reviews summarize the state of school leader research. Leithwood et al. (2004) reviewed studies of school leadership and discussion of philosophical debates about matters such as distributed leadership (e.g., Elmore, 2000) and change theory (e.g., Fullan, 2001). The Leithwood team offers a hypothesized model of school leadership, which includes three broad categories: setting directions, developing people, and redesigning the organization. However, the authors' final conclusion after reviewing existing research is: "There is much yet to be learned

about who provides educational leadership” (Leithwood et al., 2004, p. 17). Waters et al. (2003) conducted a meta-analysis of 30 years of leadership studies, both published and unpublished. They define 21 leader responsibilities, combining behavior characteristics and specific, prescribed leader actions, to implement effective-schools research (see next paragraph). Applying these 21 responsibilities mathematically to a hypothetical school at the 50th percentile in student achievement, they found a 10-percentile point increase in student achievement for a one standard deviation across-the-board (all 21 characteristics) increase in leader capability. This percentile point increase translates roughly into a 20-percent increase in measured results for a one standard deviation increase in leader capability. They also hypothesize a model for defining when leadership will have a positive effect on student learning, including: focus on effective school practices and adjustment of leadership to the magnitude of change. While helpful, this existing school leadership research explains neither the bulk of the performance difference between high-performing leaders and the rest, nor the characteristics districts should seek in candidates for school leadership positions.

One point on which many experts agree is that leaders in any school context must know the common findings about what works in high-performing schools, also called the effective-schools research (Elmore, 2003; Leithwood et al., 2004; Waters et al., 2003;). Thus, we include that content knowledge in the leader-selection list at the end of this section and in the Organizational Factors section.

To the extent that the existing school leader research is useful for understanding high-performing school leaders in general, it lacks any studies that describe the distinguishing characteristics of school leaders who are very successful in start-up and turnaround situations specifically. The Leithwood (2004) team expresses hope that great school leaders can be flexible to achieve results in a variety of settings. However, experts who have studied thousands of managers, even when finding common leader characteristics, also have found differences in leaders who perform very well in differing settings (e.g., Boyatzis, 1982; Goleman, 2001b; Spencer & Spencer, 1993). Studies from other sectors comparing high and average performers have found that some leaders, with certain behavioral tendencies, consistently perform better in certain types of leadership roles. Very successful leaders in a classic middle-manager role, such as the traditional principal, exhibit behavior patterns different from start-up leaders (e.g., Collins, 2001; Spencer & Spencer, 1993). These researchers predict differences for major change leaders as well, such as those in a turnaround. Districts considering contracting as a restructuring strategy will be well served to understand what is known about leaders who perform very well in the most analogous situations.

School Leadership Capacity. No published research yet documents the characteristics that distinguish excellent from average or low-performing contracted school leaders. In most contracting situations, the leaders of EMO-run restructured schools are analogous to start-up leaders. In effect, they are launching a new organization and starting anew with staff and practices significantly different from the previous school. In rarer situations, EMO-run schools may retain much of the existing staff under a new leader and attempt to change staff practices; this resembles a turnaround rather than a start-up, and for this situation we refer readers to the leadership section of the companion *What Works When* paper, *Turnarounds With New Leaders and New Staff*. We focus here on the more common contracting situation in which each contracted school is a new entity akin to a start-up.

We first address the fundamental, distinguishing qualities of leaders, often called entrepreneurs, who are very successful in start-ups. Second, we address ways that districts can choose contracting organizations likely to select such leaders for their schools.

Fortunately, high-quality cross-industry research has found strikingly similar characteristics among leaders in successful start-up organizations in numerous industries and cultures. In carefully constructed comparison studies, these similarities distinguish highly successful entrepreneurs—the top 10 percent as measured using commonly accepted outcome variables—from average ones. Start-up leaders who achieve the best results exhibit these characteristics more frequently and at higher levels of skill than those leaders who achieve average results (Spencer & Spencer, 1993). These characteristics are termed competencies and are defined as measurable actions, or what people do, say, think and feel. This is distinct from content or subject-matter knowledge (Boyatzis, 1982; Goleman, 2001b; Spencer & Spencer, 1993).

Anecdotally, leaders of the most successful contracted schools produce positive learning results very quickly. Were a study to be conducted, this result would be the ultimate measure of start-up school leader output. Improving achievement among students who have come from a chronically low-performing school requires the school leader to exert great influence over the attitudes and daily behaviors of students, parents, and teachers—all in short order. Applying the research about common characteristics of highly successful start-up leaders (Spencer & Spencer, 1993) to schools, Hassel & Hassel (2005) note that leaders of start-up contracted schools must exhibit the following competencies:

- **Driving for Results.** Start-up leaders set high goals, take initiative, and are relentlessly persistent. They are able to make decisions even when unpopular or different from approaches taken by others (Spencer & Spencer, 1993). In a school context, behaviors using this competency might include setting a very high bar for the number of students who should make grade level and planning ahead to make it happen. When results fall short, these school leaders would not give up on the original high goals and would likely to raise the goals once met.
- **Solving Problems.** Leaders in successful start-ups gather and use data, think through problems, and follow up with targeted action. They use a hands-on approach to problem solving to ensure that everyone can follow the plan (Spencer & Spencer, 1993). In a school context, behaviors using this competency might include researching what has worked in similar schools, closely monitoring and announcing progress, making decisions based on student progress data, and constantly evaluating their approach toward meeting the school's goals.
- **Showing Confidence.** Successful start-up leaders exhibit confidence that the organization's goals can be reached. Instead of treating challenges as excuses for failure, they use them as a starting point for problem solving to meet common goals (Spencer & Spencer, 1993). In a school context, behaviors using this competency might include continually stating that problems will be solved successfully and not excusing any student from learning based on a student's family, ethnicity, or background.

- **Influencing Others.** Goals are reached in successful start-ups in large part due to the leaders' use of relationships. These leaders focus less on developing staff skills over time (though this is eventually necessary) and more on using influence to foster immediate action towards the organization's short-term needs (Spencer & Spencer, 1993). In a school context, behaviors exhibiting this competency might include using strong interpersonal skills to motivate teachers, parents, and students around the new school's mission and personally addressing staff, students, or parents who need to alter school-related conduct. Although these leaders have extraordinarily strong interpersonal skills, they will sacrifice a long-term relationship if it is necessary to achieve immediate learning results.

Successful leaders in organizations that are already high performing tend to focus on delegation of core responsibilities, incremental staff development, and long-term relationships. In contrast, successful start-up leaders by necessity thrive on immediate results. The characteristics and daily actions of successful start-up leaders differ from leader actions in already-successful organizations. It is possible, therefore, that even highly successful district principals may not have the right profile to be successful in EMO-managed schools (Hassel & Hassel, 2005).

However, three factors may make the characteristics needed by successful contracted school leaders different from other start-up leaders. First, and most generally, studies comparing very-high-performing principals in traditional schools to high-performing middle managers across industries found overall strong similarities. But researchers also found that the best principals display more conceptual thinking, team leadership, and organizational commitment than average performers (Spencer & Spencer, 1993). These differences also may exist for high-performing contract school leaders compared to successful start-up leaders in other industries. Thus, we add three more competencies from Spencer and Spencer's studies to the model:

- **Conceptual Thinking:** The ability to identify patterns and connections between situations and to identify key issues in complex situations. In the school context, a leader displaying this competency might identify how to connect learning standards and activities across grade levels and subjects, or understand and articulate for staff how the curriculum and classroom activities should connect to the school mission.
- **Team Leadership:** The ability and willingness to assume the role as leader of a team or group. At basic levels, this includes keeping the team informed; explaining decisions; treating all team members fairly; promoting team effectiveness by removing incapable members and assigning interesting, developmental tasks to all; and ensuring adequate resources for the team's work. At highest levels, it includes ensuring that the work of the team gets done and communicating a compelling vision that, in fact, motivates the team to perform.
- **Organizational Commitment:** The ability and willingness to align one's own behavior with the needs and goals of the organization. This includes working toward the organization's goals even when in conflict with one's own preferences, making personal sacrifices to achieve the goals, standing by controversial decisions that benefit the organization, and asking others to make personal sacrifices to meet organization goals.

Second, larger EMOs are more complex organizations than stand-alone schools, and the schools they manage may present a leadership challenge different from the pure entrepreneurial situation, calling for more of a hybrid leader. Research has documented that it is increasingly difficult for individual managers and subgroups to deviate from standardized practices in successful, large organizations (Christensen, 1997). Leader research has shown that the larger and more complex the managing organization, the greater the complex influence skills leaders need (Spencer & Spencer, 1993). Such complex influence skills may be critical for school leaders who want to build long-term relationships within the EMO. These relationships may become critical for future access to resources and flexibility from increasingly standard practices, when needed to achieve student learning in individual schools. The combination of entrepreneurial and complex influence skills most likely is rarer than either set of qualities alone.

Third, once a contracted school is past the start-up phase, the leadership needs may change. This is true regardless of whether the school is stand-alone or part of a larger EMO. The actions needed to establish a new school and move a large group of new teachers, parents, students, and other stakeholders in the same direction amidst the great uncertainty inherent in all new situations are likely different from the incremental improvements needed once a school is high performing. This difference in work required by the school leader in the start-up phase and maintenance-improvement phase mirrors differences in work done by successful start-up leaders and successful managers in existing organizations. When the core work differs, the characteristics of those who are successful leaders likely differs as well (Collins, 2001; Spencer & Spencer, 1993).

Should contract school leaders be limited to former teachers or school leaders? The cluster of behaviors that most distinguish successful start-up leaders across a variety of sectors includes goal setting, problem solving, and perseverance (Spencer & Spencer, 1993). Some former educators will possess these qualities, but many—even those who have been successful teachers and leaders in already-high-performing schools—may not.

Conversely, some noneducators will possess the right competencies but lack education-specific knowledge. No easily observed differences have emerged to distinguish successful leaders in the public sector in general from those in the private sector (Joyce, 2004). But would a new school leader benefit from an education background? Limited research indicates that new managers across industries may be most likely to focus early efforts on familiar disciplines (Gaborro, 1985). Thus, a start-up leader with an education background may be the ideal. But this type of leader may not always be available. When this is the case, the district may want to see evidence that the contracting group will provide intensive education training, a “chief academic officer” for the school, or a team of experienced educators working with the leader (Hassel & Hassel, 2005).

In sum, district leaders should look first and foremost to the core start-up leader competencies for guidance, knowing that this is merely a necessary but not sufficient list of characteristics, and that the leadership needs of even highly successful contracted schools will mature over time. Meanwhile, significantly better research is needed to understand fully what characteristics distinguish high-performing leaders in both start-up and maintenance school settings.

Selecting the Right Leader. A track record is generally the best indicator of a leader’s potential success. Often, however, a district will be forced to decide whether to enter into a contract with an EMO that has not yet identified a specific person to lead the school. If this is the case, the district should look for an external provider that can demonstrate:

- A track record of managing different types of new schools—restructured, private, or public—with successful leaders.
- Experience with recruitment and management of leaders in nonschool contexts, such as day care centers, social-service organizations, or small nonprofits.
- A proven process for recruiting, training, and providing ongoing support to successful leaders.
- That it has a pool of potential leaders from which it can readily draw.
- Criteria for selecting leaders of new schools that are
 - Aligned with research about successful start-up leaders in other sectors.
 - Include understanding of effective schools research (addressed briefly in the Organizational Factors section). (Hassel & Hassel, 2005)

Organizational Factors

Personnel Selection and Management. One controversial aspect of contracting is the impact on unionized district staff that stand to be transferred as a result. Often, the contracted roles and rules in existing collective bargaining contracts conflict with critical practices in an EMO’s model. Longer school days, Saturday tutoring, summer school, after-hours homework troubleshooting, selection of teachers who support the EMO’s approach, and rigorous results-based evaluation of teachers may be essential to an EMO’s success at implementing its model. These approaches often run counter to provisions in union contracts.

As a result, many restructured schools operate under contracts that take them outside of districtwide collective-bargaining structures. But contracted schools ought to be able to succeed with unionized staff, as long as the union contract explicitly allows the behaviors and actions essential to success with students who have come from a chronically failing school. One of the principles frequently cited in the literature on increased accountability is the necessity for schools to have more freedom from burdensome regulations and requirements regarding budget, staffing, curriculum, and instruction (Berends et al., 2002; Fuhrman, 1999). This includes flexibility for schools to make changes in staff roles and hours and to hire staff attracted to a high-accountability, results-oriented environment; likewise, schools must be able to deselect teachers who do not achieve results in the classroom.

Whether the personnel at the contracted school are brand new or retained from the previous school, research suggests that the most successful schools find teachers who fully support the EMO’s model and are dedicated to implementing its approach. Similarly, these successful schools have the freedom to require teachers who do not believe in the EMO model to transfer to other schools in the district (Gill et al., 2005). Research has shown that providing new and old

personnel with the opportunity to work side by side may also ease the transition for both into a new environment (Bulkley & Hicks, 2003).

Many successful school operators also identify professional development as critical to the success of a restructured contract school. The RAND study of Edison schools reported that schools that implemented Edison's site-based professional development program saw greater gains in student achievement than schools in which this aspect of the Edison model was not fully implemented (Gill et al., 2005). While there are many possible approaches to professional development, EMOs that manage multiple contracted schools may have inherent edge if they spread the knowledge and learning across their schools. For example, KIPP holds annual Content Area Retreats where all similar subject-area teachers from the more than 40 KIPP schools gather to share best practices and learn from one another (D. Cobb, personal communication, October 6, 2005).

Clear School Design. Districts need a clear set of criteria to assess EMOs' proposed school designs, to be as certain as possible that the designs will work. It perhaps goes without saying that the EMO should have a strong instructional program and curriculum aligned with state standards. Multiple teams of researchers over several decades have studied the additional elements of schools that have achieved extraordinary learning results compared to other schools. This research suggests a set of effective characteristics that an EMO's school design should incorporate in some way. Based on the effective schools literature, common distinguishing characteristics of the best schools include:

- A clear mission that guides daily decisions at the school.
- High expectations that all students will learn.
- Frequent monitoring of students' progress and responsive approaches for those students who are falling behind.
- Staying up to date on instructional research about what works.
- Allotting quality periods of uninterrupted instructional time on core subjects.
- A safe and orderly environment that encourages students to focus on learning.
- Establishing a strong connection between home and school so that parents can and will support their children's learning.
- Using leadership approaches that maximize the effectiveness of instruction. (Hassel & Hassel, 2005; Marzano, 2003; Teddlie & Stringfield, 1993; Wang, Haertel, & Walberg, 1993).

Ideally, a district's chosen EMO has a track record of effectively serving students similar to those in restructured schools. If it does not, however, the EMO should be able to articulate an understanding of these principles as well as a clear plan for applying them to the particular student and family population served.

What Further Research Is Needed to Understand Contracting?

This paper serves as much to reveal gaps in our knowledge about contracting as it does to review what we know. In many respects, information is limited because contracting as a restructuring strategy has been used so rarely. But as more schools enter into the restructuring phase under No Child Left Behind, we offer five basic suggestions to enhance our knowledge of effective contracting strategies. First and most simply, schools that engage in contracting in the future can benefit from a comprehensive survey of nonprofit EMOs similar to the survey of for-profit EMOs currently published by the University of Arizona. More information about these nonprofit entities will help reveal their particular strengths and weaknesses, and guide future decision making.

Second, research about the process by which contracts are implemented will be increasingly possible as more schools adopt contracts with EMOs. Following the lead of studies such as Rhim (2004), Rhim (2005), and Rhim (in press), future case studies should focus on two issues in these contracting arrangements: (1) system-level governance—how do districts and other governing bodies solicit, oversee, and monitor contracts? (2) environmental factors—how do districts and other governing bodies structure the terms of their contracts, specifically with regard to autonomy and accountability? Going beyond case studies, more research is needed that observes multiple contracting experiences simultaneously in order to analyze whether different system-level governance arrangements and environmental factors lead to different school outcomes.

Third, future restructuring efforts can benefit from research on contracting that employs a control group—a set of comparable schools that remain district-run over the same period as others are managed by EMOs. EMO contracts with whole districts are becoming much less common, so district-run schools close to EMO schools should be easy to find. It will be important to examine, however, the extent to which the starting points of these schools are similar. How did students fare on standardized tests before restructuring? Are the student bodies relatively transitory or fixed? Do district schools also experience changes in leadership? Controlling for these factors as much as possible will help determine the extent to which EMOs are truly contributing to student learning gains.

Fourth, more research is needed on the qualities of EMOs that determine how well schools in their networks perform. While some interesting theoretical work has been done to describe how EMOs differ (Colby et al, 2005), and some early studies have begun to pinpoint features of EMOs that contribute to their success (Gill et al., 2005), there is still very little literature comparing EMOs with divergent characteristics to determine which ones matter most.

Finally, more research is needed to understand specifically what kinds of leaders are successful in EMO schools that replace schools of previously low-performing students. Since these leaders must combine the actions of start-up leaders with those of leaders operating within larger organizations, a unique combination of characteristics may distinguish the most successful performers. In addition, the leadership needed for the start-up phase may be different from the leadership needed once a school is established. An understanding of these characteristics would help EMOs choose leaders more accurately and help districts evaluate EMO leader recruiting more effectively.

Conclusion

Recent studies seem to indicate that contracting out an existing school to improve performance (whether under NCLB or otherwise) without a charter is declining in popularity. That being said, there are several states and districts where charter laws or other regulations may make contracting out under NCLB a realistic external approach. The contracting option is still a difficult one, with many possible pitfalls throughout the process. However, research and case studies make it clear that if done properly, the contracting option can have a positive impact on the performance of a school (although as discussed, evidence is still somewhat inconsistent).

EMOs can provide some things that districts cannot provide themselves—freedom from rules and regulations that may undermine success with some students and, potentially, economies of scale across their many contract or charter schools that can be leveraged both financially and academically. If districts wish to take this option, it is important that the proper governing capacity be built within the central district office. Although EMOs may be able to manage a school by themselves, a good contracting relationship will not manage itself. With the proper resources and oversight, however, a contracting relationship can improve academic and financial performance for both the school and the district.

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