



Stimulating Excellence

Unleashing the Power of Innovation in Education

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Preface: A nonpartisan call for greater state and federal support for innovation

Education reform has long seen partisan battles, where advocates often retreat to either side of the aisle in defense of a program, reform or ideology. Indeed, two of the organizations that spearheaded this report often find themselves on opposite sides of many issues: The Center for American Progress and American Enterprise Institute's Frederick M. Hess are widely regarded as embracing distinctive philosophical approaches to government, and they often champion different approaches to addressing our country's challenges.

When it comes to the crucial role of entrepreneurial problem-solvers in tackling the challenges of American education, however, we find much common ground. We may disagree on some questions, but we are of the same mind about the vital import of increasing dynamic, quality-conscious problem-solving in education. More specifically, we agree about many changes to policy and practice at the federal, state, and local levels that are essential to clearing obstacles that hinder entrepreneurial innovation.

Alongside a handful of others from across the political spectrum, we each have studied, written about, and advocated for policy solutions that can encourage the entry of new entrepreneurs in public education and broaden the impact of the most successful innovations. Our partner in this paper, New Profit Inc., a national venture philanthropy fund, is dedicated to working with and supporting social entrepreneurs—including many in education—and connecting entrepreneurial leaders with local, state, and national policymakers to implement reforms that support their growth.

Hess has authored and edited a number of books and articles that consider the critical role of entrepreneurs in public education—particularly the challenges they face and what it might take to help them thrive. In this work, he and his collaborators have documented many of the federal and state policies, as well as social and cultural norms that inhibit entrepreneurs' success and considered what measures might improve this state of affairs. The Center for American Progress has also proposed several policies and investment tools to foster greater growth and innovation from a federal perspective, including a White House Office of Social Innovation, and has called upon the new federal administration to foster entrepreneurial solutions to public education's greatest challenges.

Together, we have reached across partisan divides to work in support of greater entrepreneurship in education. In October 2007, we co-hosted a roundtable discussion with some

of the nation's most successful educational entrepreneurs to explore policy tools that the federal government can use to support and invest in successful entrepreneurial efforts and help stimulate new innovations in our schools.

To expand on the outcomes of the 2007 roundtable, we engaged Julie Kowal and Bryan Hassel from Public Impact, a national education policy and research organization, to gather creative solutions and ideas from a collection of leading education entrepreneurs about federal and state policy changes that can support their success and growth, while encouraging development of new entrepreneurial ventures in education. In the following pages, we examine how current state and federal regulations and policies have stymied the efforts of these entrepreneurs, and what changes should be made to support their work to encourage the growth and expansion of innovations in education that pay off for students.

A handful of the recommendations in this report build on the published and unpublished work of advocates, entrepreneurs, experts, and scholars in education and across sectors. We have provided citations to their work where applicable. To build a comprehensive list of resources on such a broad array of topics, however, is outside the scope of this report. We are grateful to this broad community of thinkers, whose ideas and recommendations undoubtedly influenced the formation of several of our proposals.

The generous support of the Annie E. Casey Foundation and The Eli and Edythe Broad Foundation made this report possible. We also wish to acknowledge the important contributions of the entrepreneurs whom we interviewed for this report: those who operate schools or networks of schools, leaders of organizations that recruit or train teachers and principals, path breakers whose organizations bring new technological solutions to schools and classrooms, and innovators who provide services or tools to schools and districts. We also solicited responses to a written survey about the greatest challenges to educational innovation and policy solutions to support entrepreneurship. Finally, we asked each of the entrepreneurs whom we interviewed and surveyed to provide critical feedback on a draft of our findings during a roundtable discussion, held on December 19, 2008 in Washington, D.C. We are grateful to Sunita Arora and Mike Feinberg of Knowledge Is Power Program, Larry Berger of Wireless Generation, Michael Brown of City Year, Susan Colby of the Bridgespan Group, Tim Daly of The New Teacher Project, Denis Doyle of SchoolNet, Mike Goldstein of MATCH, Kevin Huffman of Teach For America, Ted Mitchell and Julie Petersen of New Schools Venture Fund, Ron Packard and Charles Zogby of K12, Catherine Rohr and Ann Carney Nelson of the Prison Entrepreneurship Program, Larry Rosenstock of High Tech High, Jon Schnur of New Leaders for New Schools, J.B. Schramm of College Summit, Eric Schwarz and Kate Mehr of Citizen Schools, Sarah Usdin of New Schools for New Orleans and Steven Wilson of Ascend Learning for their contributions.

Executive summary

The United States is facing one of the worst financial crises of recent history. But we are experiencing a quiet crisis, as well—one that has been building in our nation's classrooms and schools for decades. We are failing to prepare the next generation of Americans as citizens, thinkers, and graduates prepared for success in a global society.

Yet, even amid this crisis, there are reasons for optimism. Recently, a new generation of social entrepreneurs has begun to transform public education with innovative solutions that have extraordinary potential to serve American students more effectively and efficiently. Programs like Teach For America, College Summit, New Leaders for New Schools, the Knowledge is Power Program, among others, are part of a growing movement to use new methods to deliver a higher-quality education to every student—particularly those from disadvantaged backgrounds. These innovators have challenged our understanding of “business as usual” in American public education by introducing new philosophies, methods, and expectations for the education of our nation's students.

The 2009 American Recovery and Reinvestment Act accords increasing importance to entrepreneurship in education, primarily through a \$650 million “innovation fund” designed to allow non-profits with a record of increasing student achievement to scale-up their initiatives. Nonetheless, entrepreneurs in education continue to face significant barriers to success and expansion: rigid bureaucracies, lack of access to capital, limited supply of human talent and other barriers inhibit entrepreneurs' entry and growth, and together combine to discourage new innovations.

To foster and support innovative solutions to our nation's education crisis, we urge policymakers to pursue numerous reforms that change the demands and incentives in K-12 systems to better serve students. In this report, we gather creative solutions and ideas from a collection of leading education entrepreneurs about federal and state policy changes that can support the emergence, success, and growth of entrepreneurial problem-solvers while encouraging a determined focus on quality and results. We primarily address the specific local, state and federal policy barriers that have thus far precluded thriving entrepreneurial activity in public education. We then outline several policy approaches for district and state superintendents, governors, and the new federal administration.

The recommendations included in this report are not a wish list of items to support entrepreneurs; rather, they represent a nonpartisan agenda for federal, state and local leaders to address the rules, procedures and practices that hinder innovation in education. We concentrate on those policy changes that enable high-quality entrepreneurs to better succeed at scale because it will allow them to better serve students, teachers and schools. We recommend initiatives that prompt local action, rather than issuing broad mandates; focus on state and local changes that require limited federal involvement to have an immediate impact; and, particularly mindful of our current economic climate, offer reforms that remove anachronistic barriers and problematic practices, rather than those that require additional resources.

Recommendations

Use dramatically better information to create a performance culture

The interviewed entrepreneurs identified the lack of a performance culture in K-12 public education as the greatest constraint on their ability to scale and succeed. A critical ingredient of this performance culture—clear metrics that indicate how good a product is or how well a service is working—is largely missing in public education. Insufficient data means that teachers rarely have the capacity or tools to adjust their instruction based on results. Fifty systems of standards and assessments make it difficult to compare and aggregate performance across states, and the information generated by these systems typically does not make it possible to tie internal systems to results. Proposed federal and state approaches to address these challenges include updating student achievement data systems to maximize their utility for educators; encouraging the formation of consortia of states that adopt common standards; supporting collection and reporting of management data; and a commitment to track a set of high-priority “power metrics” that can be used to assess the quality of entrepreneurial providers as well as the status quo systems with which they aim to compete.

Open the public K-12 system to a diverse set of providers

In American schools today, local, county, and intermediate school districts largely hold exclusive rights over the provision of education, and a small number of large providers monopolize the marketplace for services and tools. Practical constraints such as budgetary rules and processes and collective bargaining agreements combine with a widespread bias against outsourcing to prohibit or discourage districts and schools from opting for entrepreneurial provision of key services, even when they are superior to current providers. Policy reforms—such as eliminating unnecessary statutory and regulatory constraints upon the location or delivery of schooling, opening the market for licensed providers of principal and teacher training, and devolving purchasing power for some services to school leaders—would help open the supply markets to more new, high-quality providers.

Make districts and other buyers into real “customers”

A public education sector open to entrepreneurship also requires true demand—a set of real “customers” among districts and other potential buyers of education services. Even when an exclusive franchise does not fully block entrepreneurs’ access to markets, spending restrictions, rigid procurement regulations, slow buying cycles, a fragmented set of buyers, and a dearth of investment vehicles make it very difficult for entrepreneurs to have an impact. Granting existing resources in more flexible ways, facilitating investments to free up future savings, and allowing greater collaboration between buyers and sellers would empower districts and schools with real buying power and enable entrepreneurs to better articulate their value.

Use public policy to encourage financing for entrepreneurial ventures

Finally, entrepreneurship can thrive only when there are various types of financing available for new ventures. Few dollars are currently available in the education sector for start-ups, new tools, or delivery systems, and the capital market lacks many of the elements that make these markets work for entrepreneurs in other industries. Policymakers can use existing public funding streams in ways that better foster innovation by reallocating current funds to encourage recipients to tap entrepreneurial providers, leveraging more private investment, and developing models of performance-based funding to reward and sustain those entrepreneurs that are most successful.

In addition to the recommendations outlined above, several overarching themes also arose from our conversations with leading education entrepreneurs:

- **Using the “bully pulpit.”** Federal and state leaders have a critical opportunity to communicate a commitment to supporting promising innovations, educate philanthropists and private investors about the success and potential of educational entrepreneurs, and provide a forum for addressing the barriers that hinder even effective ventures.
- **Inventorying national and state agencies.** This process can be used to assess agencies’ openness to entrepreneurship, evaluate their performance metrics, and eliminate outdated rules and practices that today impose a burden relative to the benefits they convey.
- **Engaging foundations and private investors.** In this report, we focus primarily on the role of state and federal policymakers, but private funders can help jumpstart many of our proposals by providing seed funding for new initiatives and co-funding alongside publicly financed ventures.
- **Re-examining the traditional structures of public schooling.** Many of our recommendations are designed to make the traditional structures in public education

more conducive to entrepreneurship. But by carefully revisiting these institutional assumptions—such as providing almost all instruction via teachers who work on-site with students—policymakers could begin to open up even more opportunities for entrepreneurship.

We should be encouraged and inspired by the current generation of educational entrepreneurs who have challenged our assumptions about what is possible in public K-12 education and provided a higher-quality education to thousands of students. But the current and potential new entrepreneurs are stifled by several unnecessary and outdated state and district policies, and an education system that remains as a whole insensitive to performance and quality. The recommendations here suggest several steps that state superintendents, governors, and the new federal administration can take to make public K-12 education a more enticing and hospitable sector for social entrepreneurship. By removing barriers to innovation and reform and providing greater support for entrepreneurship, we can spur the critical and necessary new solutions to many of public education's greatest challenges.



The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”



New Profit is a nonprofit venture philanthropy fund that helps visionary social entrepreneurs and their organizations bring about widespread and transformative impact on critical social problems in education, workforce development, public health, and other areas. New Profit also drives other initiatives to help scale social innovations, including the annual Gathering of Leaders, and the America Forward coalition. We believe that just as entrepreneurship and invention have driven our nation’s progress, so too can we harness America’s spirit of innovation, vision, and optimism to help solve our most pressing social problems.



The American Enterprise Institute for Public Policy Research is one of the nation’s oldest think tanks and is dedicated to the principles of limited government and free enterprise. A non-partisan, non-profit policy organization, AEI has worked since its founding in 1943 to strengthen the foundations of freedom and civil society through scholarly research, public debate, and publications. The Institute’s research covers the full range of U.S. domestic and foreign policies, with special emphasis on social welfare and education issues, economic policy, and government regulation.

PUBLIC IMPACT

Public Impact is a national education policy and management consulting firm based in Chapel Hill, North Carolina. For 12 years, we have conducted research and analysis and provided advice to leading foundations, nonprofits, states, districts, and other organizations that are engaged in public education reform. We focus on a core set of promising strategies—including expanding the supply of great public schools, creating the conditions in which great schools thrive, equipping states and districts to act strategically when schools under-perform, and inspiring and equipping parents to choose schools well—to contribute to dramatic improvements for all students.