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## “Creating New Schools: Promising Strategy for Change?”

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**At a Meeting Sponsored by Grantmakers for  
Education and the Philanthropy Roundtable  
May 26, 2004 -- Denver, Colorado**

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*Representatives of 44 foundations from around the country convened in Denver, Colorado on May 26-27 to discuss the “new schools” strategy of education philanthropy. Education|Evolving’s Joe Graba was keynote speaker for the meeting, framing the two-day discussion. An edited version of his remarks appears below.*

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Let me begin by thanking each of you for making the effort to be here. I appreciate your interest in this topic. I’m going to try to be as crisp as I can in this presentation, to explain why we believe so strongly in this national effort to expand the creation of new schools. I want to start with a little history. This won’t be new information to any of you I suspect, but it might be helpful if we all start with the same framework in mind.

If we go back about 100 years to the beginning of the 20<sup>th</sup> century, we think fewer than five percent of our 18-year-olds had graduated from high school in 1900. That data comes from the Census. There was no effort to compute dropouts because the expectation wasn’t there that people would go to high school.

I started teaching 61 years later, in 1961, and we think the dropout rate in Minnesota by then was about 40 percent. Now, you know how difficult it is to make these computations, so the numbers are probably quite sloppy. And one thing we should remember is that almost none of the handicapped children were in our public schools at that time. So, the numbers were probably worse than that 40 percent. It’s important to know first of all that it didn’t worry us a lot. In 1961 there were quite a few good jobs for people out there who didn’t have high school diplomas. The kids that dropped out of the high school where I taught mostly went up on the Iron Range, and started at salaries that were larger than mine, so it was hard to feel like they

were being deprived. Our attitudes were changing some then, but at that time there wasn’t a lot of concern about the dropout rate. The economy was drastically different at that time from what it is today.

The second thing I’d say is that anybody that taught in those years, anybody that teaches even today knows that the “in school” dropout rate is also significant. At least another 20 percent of the students that were still there had realistically dropped out but their parents wouldn’t let them leave school.

We made progress on that number, on the completion of high school during the ‘60s and ‘70s, and then we had the Nation At Risk report. And that focused our energies on the importance of improving our schools. Sometime in the late 1980s we started saying that every child should learn at a high level. Now that’s a laudable goal and all of us ought to support that goal. But we’ve got to be honest with ourselves and say we’ve never done that. I’m going to say something today that I say in lots of these conversations, and that is that I believe the current system of public education in this country serves no more than 60 percent of its students reasonably well. If you flip that over, at least 40 percent of the students in our current public schools are not well served. This is the case even after all of our efforts over the past 20-25 years.

Now I’ve used that number in front of superintendents, teachers, school board members and union leaders, and I’ve never been challenged for being too harsh. I’m occasionally challenged by the assertion that the record is actually worse than that. That percentage varies by school district. It probably varies by state. I don’t care if it’s 38 percent, or 42 percent. The point is that it’s a huge problem, and we’re a long ways from realizing our goals.

It’s accurate to say that in the last 25 years, this country has been involved in a huge national struggle to improve our schools. We’ve invested billions and billions

of dollars across the country, and nobody is satisfied with the progress we've made; nobody inside the education community or on the outside.

Almost all of our effort in this past 20-25 years has been on trying to improve our existing public schools. Now that was natural, in fact it probably wouldn't have been possible to approach this in any other way. But we've spent 20 to 25 years trying to bring the existing model up to the point where it serves all of the children. I think the record speaks for itself, that we've been unable to make that work.

We've learned a lot in the last two decades. First, we've learned that changing schools is extremely difficult. In fact it is almost impossible to change them in fundamental ways. We've also learned that different kids learn better in different kinds of learning environments. One of our major goals with this open sector initiative to expand the variety of options available to parents and children.

The first major assertion that I want to make is that if this country is going to come anywhere near meeting its escalated expectations for our schools, we've got to create significant numbers of schools that are different in fundamental ways from the schools we used during the 20<sup>th</sup> century. There are a lot of ways in which schools can be different, and I don't want to select any particular model but I do want to say that we believe we need significant numbers of these different schools.

The second major assertion that I want to make is that I don't believe we are likely to get the kinds of schools we need by changing the schools we have. I believe that, for the most part, we will need to create – build – these different schools new.

Now that is an unpopular statement with a lot of folks. Many people find it hard to accept that we can't get the schools we need by fixing the schools we have. One of the things that really frustrates me is that while almost all Americans want our schools to be better, almost nobody wants them to be different. That's a major challenge to us as we think about meeting these escalated goals.

I want to talk to you about two researchers from the private sector that have had major impact on my thinking about these issues. And I would really advise, if you're interested, that you read their work. Clayton Christensen is a professor at the Harvard Business School. His first book is about five or six years old now: *The Innovator's Dilemma*. We're working with Clayton on our national initiative and so we have gotten to know him fairly well. But his work has really affected my thinking on education reform.

The other researcher is Richard Foster and he is with the McKinsey Group, that large consulting firm. He has written a book titled *Creative Destruction*. Let me try to summarize quickly what they say.

Christensen says that we have exaggerated the ability of organizations to change themselves. Please keep in mind: all of this research is from the private sector. He

says that most organizations can improve themselves incrementally and he calls these incremental changes "sustaining innovations" because they tend to help maintain and improve the current operation. Fundamental changes in the way enterprise operates almost always involves the creation of a new organization. Christensen calls these fundamental changes "disruptive innovations" because they present so much greater a challenge for the traditional providers of the service or product.

There are many examples. Railroads were disruptive to canals; airlines were disruptive to railroads. Clayton gives examples from sector and after sector. Mini-computers disrupted mainframes, then personal computers disrupted mini-computers. Discount retailing disrupted department stores as department stores had disrupted the family-owned stores.

Richard Foster's work supports Christensen's findings. Richard Foster and some colleagues at McKinsey, over a 10-year period, put together a massive database. They tracked companies from 1962 to 1996: 1,008 companies. Of those 1,008 companies only 160 were there beginning to end. The rest had either come in after 1962 or left before 1996. The S&P 500 gives you the same sort of picture. It was created in 1957 with 500 companies. By 1997 only 74 of those companies were left.

We simply don't pay enough attention to the turnover in companies as a major driving force in the creative economy that we experience in America. I'm going to be somewhat harsh and tell you that I think most business leaders don't like this message. They tend to talk to us about how well they do at managing, and how they're driving change in their organizations. As a result, most of us have the impression that most of the change that occurs in our economy takes place within existing organizations. This research shows there is huge turnover of companies and that turnover is a major creative force in our economy.

There's a tendency in public education to disregard private sector research. I've done that, and I think it's legitimate in a lot of cases. But usually the private sector research has been saying, "This is how we do it in business, and you ought to do the same in public education." But this research is 180 degrees from that. This research is saying, "We can't make these changes even in the private sector; we can't change ourselves in fundamental ways." Even where there are powerful market forces driving an organization, even with the best leadership that the organization can buy. Even when that leadership has unchallenged control of the organization, most of these organizations cannot change themselves in fundamental ways. Now I've never had anybody argue that public education institutions are more adaptable than private organizations. So I think that what this research is saying about the private sector is really instructive to us in this effort to improve our educational system.

Why can't organizations change? Let me tell you what I think this research says. Christensen and Foster both focus on the internal culture of the organization. Foster says that every organization creates a culture, whether it knows it or not. And culture is made up of three things:

1. The assumptions on which the organization was created
2. The processes the organization uses to carry out its work
3. The values inside the organization that influence decisions that the people make

Foster calls the culture the "invisible architecture" of the organization. I really find that concept helpful – the invisible architecture. Those of us who have lived in public education know schools have unbelievable invisible architecture. It's like trying to push on a mountain to change them.

Christensen says that the assets of organization become its liabilities. An excellent organization needs well-developed processes to minimize variation, and has deeply ingrained values to guide individuals at all levels as they make decisions in support of the current processes and services. Those assets become liabilities when you try to bring fundamental change into the organization. Christensen says that resources are easy to change. Most of these companies had huge resources, and lots of flexibility with resources, but because they couldn't change their processes and values some new organization disrupts them and puts them out of business.

Christensen identifies another obstacle that I need to tell you about because it is so important, and it is one I never really focused on. Christensen says that almost always the prime customers of the existing organization become a major obstacle to change. The prime customers almost always want the existing product or service to be better. They don't want it to be different. Clayton did his original research on computer disc drives.

I'm not an expert on computers, but we went through several generations of disc drives. In the early years of computers 14-inch disc drives were the standard and then we migrated to 8-inch drives. None of the manufacturers of 14-inch drives made it successfully into the 8-inch drive business. He says that one of the main reasons is that the prime customers of the companies making 14-inch drives had equipment that used 14-inch disc drives. They wanted better 14-inch disc drives. They didn't want 8-inch disc drives. It wasn't that the producers of 14-inch drives didn't have the technology. It wasn't sophisticated technology. But they couldn't economically make that move because they needed to stay focused on the needs of their prime customers.

I think one the prime obstacles to changing the schools we have is that generally the children of the influential people in every community are served

reasonably well by the schools we have, and consequently they are much more inclined to want to make those schools better than they are to make them different. And as a result, day after day our school administrators come up against that obstacle.

Christensen also says that almost always the new is lower in quality than the old if you use the same standards. Let's consider personal computers. We used them mainly as typewriters for the first 10 or so years. They were reasonably good typewriters but they weren't transformational by any means. In time, the personal computer got good enough to replace the minicomputers, and DEC went out of business, Wang went out of business. You can go down the list. I think the only maker of mini-computer producer to survive was IBM.

So we have two obstacles: one inside the enterprise - the culture - and one outside - the primary customers. These are major obstacles that make changing our schools very difficult. Restricting our efforts to reforming existing schools forces us to deal only with incremental changes in those schools. Going outside and creating schools new allows us to leave the mainline customers with the schools that serve their children well and lets us create new schools for the students and parents that are not well served by the existing schools.

This new-school approach also allows the adults to self-select themselves out of the old enterprise and into the new. I talk to a lot of teachers and I know there is a significant portion of our existing faculties that are really frustrated with the existing operation. They're hungry for the opportunity to participate in the creation of schools that use fundamentally different approaches. When we create schools new and make them choice schools we allow the option of creating a new culture with the adults, the parents and the kids all there because they want to be there, all there because they are excited about creating the new schools, and this increases the chances of having schools that are fundamentally different.

We all know creating new schools is very difficult work, but I have come to believe it is the only way to get significant numbers of schools that are different in fundamental ways. But creating these new schools is only part of the issue. The other part of the challenge is sustaining them, and sustaining their distinctiveness, over time. That requires that we understand another set of issues.

Foster did a lot of interviews with CEOs, and he says that when you go to the CEOs, they like to talk about how much investing in R&D they do, because they want to convince you how interested they are in innovation. But he says that if you push them hard enough, later in the interview, you will find out that they value control more than innovation. He found almost invariably they try to keep the innovation within the traditional enterprise. When you do that you subject it to the old culture, the old processes and old values.

Over time the old culture will erode the innovation to the point where it fits comfortably into the old culture. I've come to think of culture, the processes and values, as abrasives and over time they "rub off" the distinctive features of the innovation. If you use the old processes on the innovative, new arrangements and practices, you will in time round off the square corners so that what was a square peg will fit back into the round hole. We see this in the chartering sector very often, and it's a real challenge for us to try to avoid.

We work with chartering not because that's the only way these new schools can be created, but because the chartering laws in most states provide schools the freedom to be different and to attract, through choice, the right kind of adults and the right kind of students and parents; those interested in the new approach. And secondly, the freedom to sustain that distinctiveness over time.

Now things don't always work out that way. One of the dilemmas for the charter sector is that we're borrowing infrastructure from the existing enterprise. In every state, the state agency helps oversee the chartered schools. I was deputy commissioner of the state agency in Minnesota and that agency is full of good people. I'm not critical of them, but every process in that agency was developed around the traditional model of schools, around the districts. In addition, almost every one of those employees came out of the district sector, so all their values and mental frameworks are tied to those approaches. And as a result, the tendency is to use those same values and processes in overseeing the chartered schools.

The same holds true for districts as sponsors. It is a tremendous challenge for districts to try to treat their chartered schools and their traditional schools differently. In any public system fairness, even-handedness, is a very strong motivating value. Trying to treat different schools differently under the same governance structure is just about impossible. Again we see the leveling influence of trying to use for the new-schools sector the same infrastructure that is used for the traditional district sector.

It is natural to ask: Are there any approaches that avoid these outcomes? Clayton Christensen has helped us identify several models from the private sector. Let me quickly run through some of these.

1. The first, most common one, is a brand new organization that is totally independent. That's how you get a new mini-computer operation or a Wal-Mart.

2. Another model is the wholly-owned subsidiary. There are three major discount retailers. One of them was created by a department store company, Dayton-Hudson. Dayton-Hudson's created Target Stores and made it a wholly-owned subsidiary. That gave Target enough freedom from the traditional culture so that Target could develop a new business model and a new culture. This allowed it to compete effectively with K-Mart and Wal-Mart.

3. Another approach is geographic separation. Christensen says that IBM was the only mainframe computer company that was able to move successfully into mini-computers. They did it by locating their mini-computer plant in Rochester, Minnesota. This separation from the main IBM operation allowed it to escape from the old culture. When IBM went into personal computers they used the same approach. They created the personal computer in Boca Raton, FL.

4. There's a new model now being used by Cisco. Cisco had acquired 80 or so companies and they always brought them inside, absorbed them into their normal operation. But when they acquired Linksys, John Chambers, the CEO, decided not to bring Linksys into the traditional operation but to leave it out as a subsidiary. It appears that he thinks Linksys will be able to be more effective if it is left free from the culture of Cisco. In an effort to provide Linksys with the necessary freedom Cisco has created what they call a filtering committee. This filtering committee consists of leaders from the parent company and from the new acquisition and is designed to allow Cisco to help Linksys without interfering and smothering the new acquisition.

I would like to find ways for districts to become more active in creating schools that are fundamentally different. Perhaps one or more of these models, or variations of them, could be used to assist school districts in this important effort.

This is a difficult message for almost all of us to accept. It hasn't been easy for me to get to this point, and I suspect it isn't easy for many of you to accept either. Most of us have fond memories of the schools we attended. Many of us have friends and relatives who work in these district schools. We like them, and we know they work hard and are committed to serving our children well. I have come to view it as a tragedy that we have them locked in a system that they can't change, and that can't meet the escalating learning needs of our society.

Paul Houston, the head of AASA, makes a good point. He says: I am trying as hard as I can now to convince my people that we need to distinguish between keeping "the faith" and preserving "the church." Public education is a set of principles, about access and equity and being free. If we keep "the faith" in that sense it will be OK to change "the church," the institutional form. The church is not the faith.

This is not an easy journey. But we if we're going to retain this wonderful institution of public education through this new century, we need to have the courage to help it to change, uncomfortable as this may be.

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