Handbook of Educational Leadership and Management

Edited by

Brent Davies and John West-Burnham

A collection of insights and perceptions addressing ten major themes within education:

•

The nature of leadership

•

Leadership and management processes

•

The policy context for school leadership and management

•

Leadership, governance and the community

•

The business of education: social purposes, market forces and the changing organization of schools

•

Learning, teaching and the curriculum

•

Achieving and sustaining change in schools

•

School improvement and effectiveness

•

The teacher career cycle: the role of professional development

•

Schools of the future.

Handbook of Educational Leadership and Management

Handbook of Educational Leadership and Management

Edited by
Professor Brent Davies and John West-Burnham

London • New York • Toronto • Sydney • Tokyo • Singapore
Hong Kong • Cape Town • Madrid • Paris • Amsterdam • Munich • Milan

PEARSON EDUCATION LIMITED

Head Office:
Edinburgh Gate
Harlow CM20 2JE
Tel: +44 (0)1279 623623
Fax: +44 (0)1279 431059

London Office:
128 Long Acre
London WC2E 9AN
Tel: +44 (0)20 7447 2000
Fax: +44 (0)20 7447 2170
Website: www.business-minds.com

First published in Great Britain in 2003

ISBN 0 273 65668 6

British Library Cataloguing in Publication Data
A CIP catalogue record for this book can be obtained from the British Library

10 9 8 7 6 5 4 3 2 1

Typeset by Pantek Arts Ltd, Maidstone, Kent
Printed and bound in Great Britain by Biddles Ltd, Guildford & King's Lynn

The Publishers' policy is to use paper manufactured from sustainable forests.

Brent Davies would like to dedicate this book to Barbara

John West-Burnham would like to dedicate this book to Ingrid

CONTENTS

– CHAPTER 28 –

The emerging education industry

MICHAEL SANDLER

The education industry takes form

The twentieth century witnessed dramatic economic growth that transformed every sector of the American economy except education. A visitor from the 1880s to a classroom in the 1980s would find a remarkably familiar setting. While the fashions and furnishings of the modern classroom would have changed, the overall design of the classroom would seem quite the same, with students receiving instruction from a teacher standing in front of the classroom. While schools have largely maintained the same fundamental structure over the past two centuries, parents and policy makers, recognizing the need for education to adapt to the needs of a changing world, have increasingly brought education to the forefront of political platforms and legislative agendas. Alongside the growing political clamour, education industry pioneers have been arduously blazing a trail to demonstrate that for-profit education providers can complement, supplement and improve the existing structure of education.

In the USA, with public demands for education alternatives just beginning to rumble in the early 1990s, John Golle, CEO of Education Alternatives Inc., and Chris Whittle, CEO of the Edison Project (now known as Edison Schools), appeared on the scene to introduce the concept of for-profit school management and outsourcing school operations. The concept of mixing profits with schools was not initially well received; John Golle had taken over Baltimore's public schools (an experiment that ultimately failed), and the Edison Project faced persistent roadblocks from teachers unions and city governments as it sought to create a chain of for-profit public schools.

Clearly, as the last sector of the American economy untapped by the private sector, education – at 10 per cent of the GDP – presented ripe opportunities. The foremost business leaders in the USA identified education as the country's top priority. David Kearns, former chairman of Xerox and founder of New American Schools, said, 'Business can solve any problem in America – except education; it is our biggest challenge'. Fortune 100 CEOs responded to Kearns' challenge with over $150 million in corporate contributions to support New American Schools. However, there was little connection in the USA between public perception of the need for education reform and action to accomplish it. Although education would consistently show up on opinion polls as the number-one problem of American society, significant public engagement around education initiatives had yet to

emerge. Public concern about the state of education consistently reflected that parents were dissatisfied with education in general but were usually satisfied with their own neighbourhood schools.

As long as problems with schools remained 'not in my back yard', there was no impetus for large-scale changes in education. While consistently poor test scores, when compared with international counterparts, were not enough to mobilize the public to demand changes in education, technology eventually served as a catalyst to create widespread concern about schools. When Whittle announced that each student in fourth grade and above in Edison Schools' traditionally underserved student population would receive a laptop computer, parents in schools around the country began to demand technology for their schools. With technology and entrepreneurial leaders serving as catalysts, the public became engaged in reform efforts. This served to create more linkages for businesses and education; in this light, for-profit education businesses were seen as change agents instead of as a threat. Major barriers and obstacles remain for the seamless integration of for-profit involvement in schools, but important steps in advocacy and investment are paving the way for increased acceptance of education businesses in schools.

More than $10 billion in private equity has poured into the American education industry since the initial efforts of Golle and Whittle in the early 1990s, and Eduventures has tracked the industry's movements each step of the way. Eduventures has seen that the private sector can improve a person's lot in life and that instead of seeking to supplant public school education, the efforts of entrepreneurial educators in the USA enrich and support the existing infrastructure. Despite the fact that public education remains a highly political and emotional topic, and there persists a steady level of public scepticism about private sector involvement in education, education markets have heated up. In 1999 and 2000 alone, more than $5 billion was invested in education businesses (Evans, 2001). Unfortunately, in 2001–2, investors who sought to make short-term profits in the sector lost half of that $5 billion. The weeding out of speculators has been positive, however, as now top investors in education businesses include such major industry players as Pearson and Vivendi/Houghton-Mifflin, Reed Elsevier, Sylvan, Kaplan, Knowledge Universe and McGraw-Hill, which are clearly committed to the marketplace for the long haul.

An early challenge to investors in education businesses was the absence of a common language and market definition. In an effort to create such a shared language for the nascent industry, in 1993 Eduventures began to publish *The Education Industry Report* and *The Education Industry Directory*. Since then, annual industry revenues also climbed from $24 billion to $115 billion in 2001 (Evans, 2001). By 1994, this consistent growth attracted the attention of Wall Street, which had previously covered education companies through its splintered interests in publishing, educational software, childcare and school supplies, instead of looking at these investment opportunities as part of a single industry with multiple sectors. However, Lehman Brothers, Salomon Smith Barney, Montgomery Securities, CSFirst Boston and Bank of America soon began covering the education sector, providing knowledgeable and well-respected analysts such as Michael Moe, Greg Cappelli and Howard Block. Middle-size firms such as Todd Parchman's and Lara Vaughan's Parchman & Vaughan and Bill Bavin's Education Capital Markets emerged to provide investment banking services to the industry. 'The lure of the

education industry' hit the front page of *The New York Times* by January 1996, and other investment banks followed suit by adding education and training as a separate practice within their firms. By 1999, *Business Week* presented the education industry as a distinct sector in its annual report on the American economy.

The early players: 1990–8

Critical to any emerging market are the entrepreneurs, innovators and visionaries who lead the way. Far from engaging in cut-throat competition, such early adapters usually find that cooperation and association are vital to their survival and success. In the spring of 1990, the Association of Educators in Private Practice began its journey with a meeting of the board of directors that wanted to provide teachers the same option open to all other professions: the ability to extend their skills and knowledge to create a business. These founders – including Jim Boyle (Ombudsman Educational Services), Senn Brown (Wisconsin Association of School Boards), Wayne Jennings (Designs for Learning) and Chris Yelich (Science Capsule) – shared their experiences, frustrations and dreams at a time when no one had ever heard of educators going into business for themselves. Ted Kolderie and Ruth Anne Olson had introduced the idea in the mid-1980s, but it was otherwise foreign to the mainstream of American education.

By 2002, this fledging group, known as the Association of Education Practitioners and Providers (AEPP), had grown to 800 members and now holds an annual conference attended by representatives from all segments of the educational marketplace, including:

- at-risk service providers
- charter schools
- charter school service providers
- education and learning clinics
- educational consultants
- education investment companies
- education management companies
- education policy specialists
- educational publishing companies
- educators in private practice
- higher education faculty
- internet education companies
- learning centre operators
- proprietary schools and universities
- special education providers
- suppliers of educational products
- tutors/tutoring service operators
- other educational entrepreneurs.

As the industry association, the AEPP is a valuable resource for networking and professional development. Through its members, AEPP provides professional contacts, technical support, business advice, operating models, and encouragement for entrepreneurs. The AEPP has also established a sister foundation, the Educators in

Private Practice Foundation (EPPF), which provides a funding vehicle for industry research and education and also coordinates activities of the Education Industry Leadership Board.

The Education Industry Leadership Board (EILB) comprises the most prominent gathering of education industry leaders in The USA. Established in 1999, the EILB includes educational entrepreneurs, business executives, industry investors and education policy experts, all representing the cutting-edge of the educational marketplace. As an advocacy organization for the industry, the EILB promotes public understanding of the education industry and its commitment to advancing opportunities for lifelong learning in the global education economy. From its beginning, the membership of AEPP attracted entrepreneurs and innovators committed to the improvement of education. Some of those early visionaries were operators of alternative schools. This market – which often provided correctional, educational and rehabilitative services to at-risk and adjudicated youth – represented a business opportunity, since many public schools were unwilling to assume the additional expenses associated with these services.

The opportunity to provide drop-out recovery and at-risk services in independent settings also emerged as one of the earliest bridges for educators into 'private practice'. The US Department of Health and Human Services estimates that at least one in ten children (approximately six million young people) may have serious emotional disturbance – a common factor in the at-risk population. The desire to serve these students created opportunities for entrepreneurial innovators such as Ellen Lerner and Dave Winikur at Kids 1, John and Joan Hall at Options for Youth, Jim Boyle and Lori Sweeney at Ombudsman Educational Services, Robert Crosby at Richard Milburn Academy, and Elliot Sainer at Aspen Youth Services (now Aspen Education Group). These early pioneers in the at-risk market created private alternative programmes or contracted with schools to provide specialized services for children who could not succeed in mainstream classrooms.

Education management services also appeared early on the scene. William DeLoache and John Eason began Alternative Public Schools (APS), an education management company, in 1992. They encountered powerful opposition when the teachers union in Wilkinsburg, Pennsylvania, opposed their contract with the school district to manage an elementary school in 1994. The ultimate victory for private contracting in this case revealed one of the earliest examples of underlying public support for outside management of schools: the school board election that took place during the controversy returned a 7–2 majority of members supporting the school management company.

By the mid-1990s, alternative (at-risk) public schools, public schools managed under contract, and traditional proprietary schools were joined by a new phenomenon – the charter school – which widely expanded market opportunities for industry entrants. Ted Kolderie, an early leader in the AEPP, was one of the key architects of legislation in Minnesota that created the nation's first charter school law in 1991. Minnesota was followed closely by Michigan, Massachusetts and Arizona. By 1995–6, 25 states and the District of Columbia had enabled charter school legislation and 450 charter schools were in operation.

The charter school movement provided an important stimulus to market growth by creating a more favourable environment in which schools could contract with private providers. Prior to charter school legislation, most state law did not prohibit contracting by schools, but school boards typically did not want to face the

inevitable grievances from local teachers unions, which would entail costly litigation. Under charter school legislation, charter schools were able to contract with private providers without facing union barriers. This provided a critical driver for education companies seeking to work with public schools.

As opportunities in the education market increased in the mid-1990s on the wings of the charter school movement, many existing educational entrepreneurs discovered new opportunities in the charter field. Lavelle and Hall launched new companies (Total Education Solutions and Education Management Systems), while others such as Ombudsman expanded their existing offerings to the charter field. Smaller companies such as Lynne Master's Learning Disabilities Clinic and Sue Fino's Learning Styles began doing business with charters as providers of special education services.

The rapid expansion of the charter school market also created a more promising opportunity for educational management companies as well. Today, for-profit companies operate about 10 per cent of the 2400 charter schools in operation. Early industry pioneers such as Education Alternatives Inc., the Edison Project, and Alternative Public Schools (later to become Beacon Education Management, which merged with Chancellor Academies to become Chancellor Beacon) quickly focused attention on the charter school market. New companies such as Advantage Schools, Educational Development Corporation (now National Heritage Academies), Mosaica Education and Chancellor Academies quickly appeared. The entrepreneurs behind these companies – including J.C. Huizenga, Michael Connelly, Gene Eidelman and John J-H Kim – were passionate about improving education, and each company implemented its own philosophy and unique curriculum and content.

While the K–12 (kindergarten through to grade 12, roughly ages 5–8) schools market was emerging, the public demand for high quality, educational day-care centres presented business opportunities for innovators in the childcare market such as Marguerite Sallee and Lamar Alexander of Corporate Family Solutions, and Roger Brown and Linda Mason of Bright Horizons. Jack Clegg, CEO of Nobel Learning Communities, built his substantial childcare and K–12 proprietary school business from the earlier acquisition of Rocking Horse School.

Traditional school supply companies such as J.L. Hammett Company (founded in 1863) and School Specialty Company took active roles in serving not only school districts but also the newly emerging school chains. Hammett, a technology leader and innovator, developed its e-Zone, where schools can purchase materials online through an interface that streamlines the procurement process. Such efficiencies are the result of new value-added services that have helped reduce procurement costs at the school level.

The state and national standards and assessment movements created significant opportunities for another sector of the educational market: supplemental services. Shortfalls in public education expanded the need for tutorial and test preparation, immigration generated increased need for English-as-a-Second-language (ESL) instruction, and the baby-boom echo increased college admissions competition. Supplemental services opportunities gave rise to entrepreneurial companies such as Lisa Jacobson's Inspirica (founded as Stanford Coaching) and Success Lab. Doug Becker and Chris Hoehn-Saric established the market leader in the tutoring and test preparation market – Sylvan Learning Systems – in the early 1990s. Today, the company's market capitalization stands in excess of $1 billion.

The technology age: 1998–2002

While the promise of technology was an early driver for the emerging education industry, the impact of technology on education has only just begun. Technology integration into schools has ushered in a new era of innovation for the education industry. The last decade of the twentieth century saw internet access at the classroom level soar from almost no connections to 64 per cent of public school classrooms; internet access at the school level became ubiquitous. After four years and nearly $6 billion committed, the governmental e-Rate programme, in spite of some setbacks caused by its lengthy application process, has been highly successful in wiring schools and individual classrooms for connectivity.

As a result, the education industry and educators alike have been experimenting with and developing new technology-enabled products and services that are being implemented in schools across the USA. In 2001, revenues for technology-based education companies exceeded $8 billion (Evans, 2001). While sales of technology applications and content are far outweighed by sales of computer hardware and networking equipment in this market sector, the efficiencies offered by new technology applications are turning the heads of administrators, educators and students. Coined by Eduventures as the 'e-education framework', technology innovations have the potential to impact on everything from the way in which schools purchase pencils to the way education itself is delivered. Figure 28.1 illustrates the overlapping tools and services being used in schools that make up the e-education offering.

While software applications for both classroom and back-office use have been the mainstay of education technology for more than a dozen years, the internet has brought a wealth of new opportunities for online products and services. Initially, platform and portal providers emerged to bring a wealth of resources to children, parents and educators. Originally, companies in this space such as Family Education Network (acquired by Pearson in 2000 for $129 million) offered a collection of online resources and content-related links for parents, students and educators. Later, platforms evolved that offered classroom calendars and homework help to link homes and schools together. These platforms often included

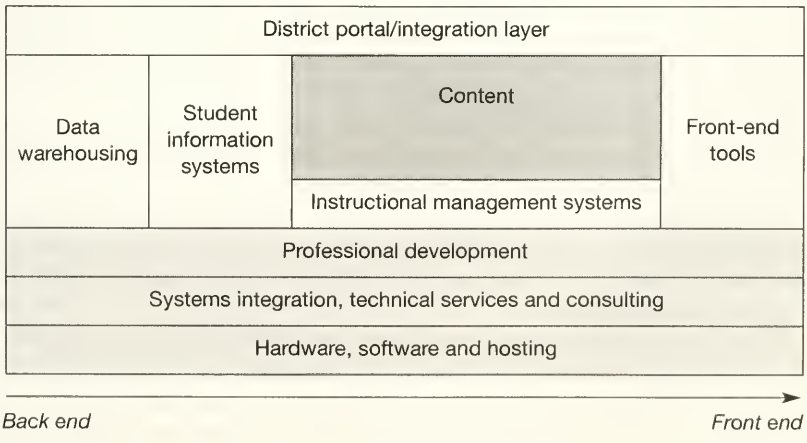

Figure 28.1 K–12 e-education framework

tools such as e-mail or chat functions, and parents and teachers had access to grading and reporting tools that later spawned more sophisticated student information systems with web-based interfaces. Originally conceived as advertising-sponsored sites in the late 1990s, many portal and platform providers were acquired by larger publishing companies seeking to build an end-to-end solution for schools.

An important component of the end-to-end school solution will be testing and assessment tools. The Bush Administration has set the stage for an era of increased and widespread testing initiatives that will compel states to develop standards-based state-wide tests in reading and mathematics for elementary, middle and high-school students. These high-stakes tests will be linked to funding for schools and graduation for students. Consequently, the demand for test development, delivery and administration, as well as tutoring and test preparation services, is soaring. Revenues in the tutoring and test preparation market alone have reached $3 billion annually (Evans, 2001). The market remains somewhat fragmented, as tutoring chain providers such as Sylvan and Kaplan make up just a quarter of the tutoring market, while the majority of services continue to be provided by independent tutors and single-centre operators.

Technology is now changing the ways in which students are assessed and data are reported and used by educators and parents. Web-based tests by NCS Pearson and CTB McGraw-Hill automatically store results and are replacing their paper-and pencil-based counterparts. Data about student performance no longer sit in filing cabinets – instead, teachers and administrators have access to simple web-based tools that allow them to track individual student performance and pinpoint areas of strength and weakness as well as look at aggregate classroom, school or district data. These systems can be used to bring focus to school improvement plans and district strategic goals.

As more classrooms are wired with high-speed internet access, teachers will be limited only by their imaginations in terms of the volumes of resources that are available within the classroom walls. While traditional textbooks remain the norm in classrooms, digital content providers have emerged to supplement and sometimes replace textbooks. Publishing giants such as Pearson, McGraw-Hill, Vivendi/Houghton-Mifflin and Reed Elsevier/Harcourt have all created web-based supplements for traditional textbooks. Because these companies are not inhibited by the long adoption cycles and slow integration process that is inherent in bringing new technology applications into schools, these established publishers are able to make a broad imprint on digital content.

Supplemental digital content providers such as Bigchalk offer age-appropriate materials, including reference guides, web links, dictionaries and online libraries for students. Primarily marketed as a subscription-based service for which parents, teachers, schools or districts pay a monthly or per-student fee to access, supplemental providers believe that the ability to provide real-time, updated information that can be tailored by the teacher will improve content delivery and student access to relevant information.

Other digital content providers are using the web to encourage new types of collaboration and exploration by students. For example, with Classroom Connect (owned by Reed Elsevier), students can participate in a multidisciplinary curriculum that follows a group of educators as they travel down the Amazon River. In addition, content is being organized so that it can be aligned with state and dis-

trict standards, and each student can have a personalized education plan using systems created by companies such as Classwell, SchoolNet and Lightspan. These companies have created instructional management systems (IMS) or student information systems (SIS) that combine classroom curriculum tools, assessments and data-reporting features that are tied directly to back office student information systems. This streamlines the education process so that, for example, if a student assessment indicates that a child cannot differentiate consonant blends, the system will suggest appropriate lessons to build those skills.

With the range and depth of education technology projects growing rapidly, professional development is a key area of interest for education constituents and companies. Lack of computer equipment or internet connections in classrooms was cited as the biggest inhibitor of technology integration. Recently, the blame has shifted to teachers and their lack of training in how to use technology as a teaching tool. Consequently, federal (more than $3 billion) and state monies are being allocated to professional development programmes that help teachers build technology skills. For-profit professional development operators generated more than $1.5 billion in revenues in 2001 (Evans, 2001).

Online professional development is emerging as a viable option for teacher training. However, providers such as Riverdeep's Teacher Universe and Classroom Connect find that a blend of online and in-person training is most effective. Online professional development providers typically deliver either text-based or streaming video to describe or show teaching best practices. Offerings include a wide range of courses, from university-based credit courses that can be applied to a graduate degree to non-credit informational pieces and chat sessions. Operators such as TeachScape are banking on the idea that their professional development offerings will see high demands as teacher turnover and new teacher recruitment take centre stage on the national education agenda.

With such rapid changes in technology, pedagogy, skills and product offerings, the road for teachers, administrators and technology coordinators is often a confusing jumble. Schools are now juggling a range of solutions – systems for everything from procurement, reporting, assessment, curriculum, attendance and accounting can all be found in schools. Logically, there is a movement to build interoperability so that procurement activities can be directly linked with financing systems, and student information systems can incorporate data from assessments. The standard for interoperability has yet to be defined, and consequently schools do not yet have the ability to streamline operations when, for example, the system that is used to operate the school cafeteria cannot be used with the system for attendance, or when the testing and reporting systems cannot be joined. As a result, firms that specialize in systems integration have emerged to assist schools. For example, Co-nect, a New American Schools comprehensive school reform design, helps a school through each step of the process of technology implementation – from strategic planning to implementation and integration.

Because technology integration necessitates significant changes in teaching and delivery practices, most schools are far from truly integrating technology into the curriculum. Revolutionary ideas such as virtual schools and online nationwide teacher colloquies are now a reality, but both students and educators have miles to go before they tap the potential that technology has for reshaping education.

Emerging as an education industry: 2002 and beyond

Technology has generated significant growth in education markets, and acceptance of for-profit involvement in the improvement of education is a mainstream concept. However, the education markets, technically, have yet to emerge as a true industry. Today, there are approximately 80 publicly held education companies with a market value of nearly $70 billion. To be considered a genuine industry, however, there must be dozens more public companies, and the market capitalization of publicly held education companies needs to be at least twice the size of revenues, or in excess of $200 billion.

Despite impatient calls for more rapid expansion, current industry figures represent a remarkable rate of growth. More than half of the current $70-billion market capitalization is from companies that were created since the early 1990s. These companies, fuelled by the ability to leverage public demands for improvements in education, a federal platform in support of innovation in schools and an environment that is more willing to experiment with for-profit involvement in schools, will serve as the engines of the education industry. In another ten years, these businesses will have matured, much like the established publishing giants of today, and the shift from an emerging industry to a true industry will take place. The acceleration of the education industry has only just begun. Fasten your seat belts.

NOTE

This chapter was originally published as a White Paper for the Education Industry Leadership Board, April 2002.

REFERENCE

Evans, T. (2001) 'Education industry revenues top the $100 billion mark', *Markets and Opportunities*, an Eduventures, Inc., annual report.

Brent Davies is Director of the International Leadership Centre at the University of Hull. He leads head teacher and senior staff development programmes in the UK and in Australia, New Zealand and the USA.

John West-Burnham is Director of Professional Research and Development at the London Leadership Centre, Institute of Education, University of London.

Visit our website at
www.educationminds.com

The Handbook of Educational Leadership and Management is the ultimate guide for leading and managing a school into the 21st Century. It presents current and future thinking in the area of education management and leadership to provide a benchmark for understanding the latest thinking and best practice.

This landmark publication brings together the latest thinking from leading experts within educational leadership and management – Brian Caldwell, Brent Davies, Dean Fink, Michael Fullan, Andy Hargreaves, Alma Harris, David Hopkins, David Istance, Ron Glatter, Jim Guthrie, Ken Leithwood, Linda Lambert, Tom Sergiovanni, Louise Stoll, John West-Burnham and many more.

The Handbook of Educational Leadership and Management is your complete reference to educational leadership and management.

Visit our website at
www.educationminds.com

PEARSON Longman An imprint of Pearson Education

EDUCATIONAL MANAGEMENT

ISBN 0-273-65668-6

9 780273 656685