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by

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**New Market Entry for Charter Management Organizations:  
Building a Strategic Framework for Successful Growth**

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Building a Strategic Framework for Successful Growth**

**by**

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## **Abstract**

### **New Market Entry for Charter Management Organizations: Building a Strategic Framework for Successful Growth**

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Abstract: The following report is an investigation of growth strategies for charter management organizations. The report begins with an overview of the School Choice Movement and its introduction of market forces into the public education system. Drawing from the private, nonprofit and education sectors, the report introduces three existing frameworks for organizational growth and new market entry. The report evaluates the robustness of each of these frameworks as well as their applicability to charter school expansion through the lens of a case-study investigation of IDEA Public Schools' expansion from the Rio Grande Valley to the Austin, Texas education market. The report concludes by introducing a new, cross-sector framework for charter expansion that brings together the strengths of existing models as well as the lessons learned from the IDEA case. The framework consists of four phases: pre-expansion, geographic market selection, growth mechanism selection and implementation.

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## **Chapter 1: The School Choice Movement**

While the concept of school reform is not new in the United States, it is now, as it has been in the past, a hotly debated and divisive issue that evokes as much emotion as it does critical examination. A current wave of reform, known as the School Choice Movement, is no exception. This approach to reform calls into question the compatibility of several core American values, heightening the sensitivities of Americans across the political spectrum. On the one hand, a tradition of support for the public education system reflects values of equality, equity and universal opportunity.<sup>1</sup> Meanwhile a second tradition – one of honoring local autonomy and supporting the innovation and enterprise of the individual – is similarly cherished in the American tradition. These two core values come into conflict in the discussion surrounding school choice, a reform model which introduces competition into local education markets through policies that support school vouchers, education tax credits and/or charter schools.

### **DEFINING CONTEMPORARY SCHOOL CHOICE**

There is ample historical precedent for American parents taking a proactive role in selecting a preferred school environment for their children. Many parents have exercised forms of school choice for decades, even centuries. One of the earliest such examples is that of circumventing the local public school in favor of a private or parochial school. Another common form of school choice is selecting a school through choice of residence—opting to live within the district boundaries of a preferred school or district. A third, more contemporary version of school choice is homeschooling. Notably, each of these early approaches to exercising school choice places a high burden, in

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<sup>1</sup> Cooper and Randall, “Fear and Privatization,” 205.

particular, a financial burden, on parents. In “Reevaluating the Politics and Research of School Choice,” Aaron Cooley offers a helpful working definition of school choice in the contemporary era: “Essentially, school choice means altering the governance and funding of the present K–12 public education system to allow parents and students to select the educational institutions that best fit their needs.”<sup>2</sup> Key to distinguishing the contemporary school choice movement from its roots is this idea of altered funding structures. By allowing parents to access public funding to support their choice, the contemporary movement of school choice is, in theory, meant to be inclusive of all socioeconomic strata.

There have been two primary mechanisms for introducing school choice into educational markets in the last three decades. The first is offering a form of financial transfers through tax credits, tax deductions or school vouchers. The second is through legislation that permits the opening of charter schools.

### **Financial Transfers**

Financial transfers are designed to reallocate purchasing power to parents when it comes to education. School vouchers offer parents a “coupon” toward purchasing educational services, enabling them (depending on local legislation) to purchase a space at another public school or to apply their allotment of public funding toward tuition at a private or parochial school. School choice tax structures offer parents the opportunity to pay less in taxes to offset money spent on school for their children.<sup>3</sup> Financial transfers are often perceived as an extreme approach to introducing school choice, because they allow parents to withdraw funds from the public school system altogether. Perhaps, for this reason, they have been slow to take off and comprise a relatively small portion of the

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<sup>2</sup> Cooley, “Reevaluating the Politics and Research of School Choice,” 246.

<sup>3</sup> *Ibid.*, 251.

school choice movement.<sup>4</sup> Currently 17 states offer some sort of voucher program, compared with 41 states who have passed legislation allowing for charter schools.<sup>5</sup>

### **Charter Schools**

Receiving broader public and legislative support across the country, (and of particular focus in this report) are charter schools. Funding and regulation of these schools is determined by each state individually but, broadly defined, charter schools are semi-autonomous public schools that receive less in public funding than district schools, but more procedural and curricular freedom to promote student achievement in innovative ways.<sup>6</sup> In “Fear and Privatization,” charter schools are described by Bruce Cooper and Vance Randall as a “public-private hybrid.”<sup>7</sup> Charters compete with public schools and draw from public funds. They receive a per-pupil allotment of public funding for each student they serve, but receive no facilities funding from the state. They can (and generally must) supplement their revenue through alternative sources such as donations and grants from private foundations. In “compensation” for reduced public funding, charter schools are allowed greater autonomy from the typical restrictions faced by public schools. They are free to implement innovative curricula, management and operational practices. In “Charters ‘Yes!’ Vouchers ‘No!’” Joe Nathan identifies several common features of charter schools, deriving from the first charter law passed in Minnesota in 1992:

- The state will give more than one publicly accountable organization the power to authorize or sponsor new kinds of public schools. That could include the

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<sup>4</sup> Viteritti, Walberg, and Wolf, “School Choice,” 143.

<sup>5</sup> Santos and Rich, “States Redefining Public Schooling.”

<sup>6</sup> “Executive Summary--Evaluation of the Public Charter Schools Program.”

<sup>7</sup> Cooper and Randall, “Fear and Privatization,” 216.

State Board of Education, local school boards, cities, universities, foundations, major non-profit organizations, etc.

- Those sponsors will develop a "charter" or contract with a group of people who want to create a new kind of public school, or want to convert an existing public school to something new.
- The contract will specify improvements in student achievement that the school will have to produce in order to have its contract renewed.
- The school will be public. It will be nonsectarian. It will not charge tuition. It will not have admissions tests of any kind. It will follow health and safety regulations.
- Existing public schools may convert to charter status. That should happen if a majority of the teachers in the school vote to convert.
- The state will offer an up-front waiver of rules about curriculum, management, and teaching. The state may specify student outcomes, but determining how the school operates should be up to the people who establish and operate it. The charter school concept trades bureaucracy for accountability, regulation for results.
- The charter school will be a school of choice. Faculty, students, and families actively choose it. No one is assigned to be there.
- The school will become a discrete entity: The law may let the founders choose any organization available under general state law or may specify an organization, such as non-profit. As a legal entity, the school will have its board. There is real site management. Teachers, if employees, have full rights to organize and bargain collectively; however, their bargaining unit is separate from any district bargaining unit.
- The full per-pupil allocation will move with the student. That amount should be roughly the average state allocation per pupil or the average in the district from which the student comes. If the state provides extra funds for students from low-income families or with disabilities, those funds also should follow the students.
- Participating teachers should be protected and given new opportunities. To teach in charter schools, teachers may take leaves from public school systems, and while on leave will retain their seniority. They may continue to participate in the local or state retirement programs. New teachers may join state retirement programs. They may choose to be employees, or to organize a professional group under which they collectively own and operate the school.<sup>8</sup>

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<sup>8</sup> Nathan, "Charters 'Yes!' Vouchers 'No!' Parental Choice and Excellence," 113.

## MARKET FORCES IN EDUCATION

The origin of school choice theory is widely attributed to economist and Nobel laureate Milton Friedman. His 1955 article, “The Role of Government in Education” advocated for a market-based education system, which would rely on a sort of voucher system. Friedman writes, “Given, as at present, that parents can send their children to government schools with out special payment, very few can or will send them to other schools unless they too are subsidized... Let the subsidy be made available to parents regardless where they send their children—provided it be to schools that satisfy specified minimum standards—and a wide variety of schools will spring up to meet the demand.”<sup>9</sup> As Joseph Viteritti explains in “School Choice: How an Abstract Idea Became a Political Reality,” the idea was radical at the time, and the article addressed to an audience of economists, so it did not take hold immediately. Friedman reintroduced the idea in 1980 and his second article, “Free to Choose: A Personal Statement,” took a political rather than theoretical approach; this time he had a ready ear in the White House, with Ronald Reagan in office.<sup>10</sup> Reagan took the first initiatives to move school choice forward politically, submitting three separate voucher bills to congress. Each of these bills failed to gain traction, given a general mistrust of the new and unfamiliar idea. However, Reagan’s political action sparked debate and laid the groundwork for future research and advocacy of school choice.<sup>11</sup>

In 1990, John Chubb and Terry Moe published *Politics, Markets, and America’s Schools*. In the book, they reanalyze data from a survey that had shown private schools outperforming public schools (Coleman, Hoffman and Kilgore, 1982) and use the data to give credence to Friedman’s economic theory. They engage in a thorough critique of the

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<sup>9</sup> Friedman, *The Role of Government in Education*, 6.

<sup>10</sup> Viteritti, Walberg, and Wolf, “School Choice,” 139.

<sup>11</sup> *Ibid.*, 139.

public education system as a failure of the institutional setting in which the system was conceived. They assert three key findings 1) Successful schools have properly aligned “organizational characteristics,” such as “clear goals, an ambitious academic program, strong educational leadership, and high levels of teacher professionalism;”<sup>12</sup> 2) Successful schools have autonomy from “external bureaucratic influence;”<sup>13</sup> 3) The current public education system “inhibits the emergence of effective organization...because its institutions of democratic control function naturally to limit and undermine school autonomy.”<sup>14</sup> As a recommendation for reform, Chubb and Moe assert, “The most sensible approach to genuine educational reform is therefore to move toward a true institutional solution – a different set of institutional arrangements that is compatible with, and indeed actively promotes and nurtures, the kinds of schools people want. The market alternative then becomes particularly attractive, for it provides a setting in which these organizations can flourish and take root.”<sup>15</sup>

## **HISTORY OF SCHOOL CHOICE LEGISLATION**

After the Reagan administration laid the groundwork, the Republican party continued to promote school choice at the federal level, but found little success. George H. W. Bush campaigned for reelection on the promise of a \$1,000 voucher (referred to as a “scholarship”) for low and middle-income families to send their children to private school. Bush’s reelection bid failed and the Clinton administration took a passive approach to school choice, leaving the issue to be debated at the state level.<sup>16</sup> Key to the success of the first voucher laws at the state level was a bipartisan base of support and a

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<sup>12</sup> Chubb and Moe, *Politics, Markets and America’s Schools* (Washington, DC, Brookings), 23.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid., 191.

<sup>16</sup> Viteritti, Walberg, and Wolf, “School Choice,” 141.

shift in language. Wisconsin (1990) and Ohio (1995) were the first to pass voucher laws, with aims to address the failing inner-city schools of Milwaukee and Cleveland respectively.<sup>17</sup> These cities, whose school systems seemed locked in a downward spiral paralleled by many former-industrial Midwestern peers, spoke about school choice as just that—a choice; vouchers would provide poor children an alternative to a failing system.<sup>18</sup> This shift in description away from what Cooper describes as “the provocative language of capitalism, profit, exploitation, and commercialization”<sup>19</sup> allowed room for support from the political left, who could now conceptualize school choice as a means to provide for those being underserved by the current system. As Viteritti describes, “If the rallying cry behind the first generation of agitation for choice was liberty, that behind the second was equality.”<sup>20</sup>

The first charter school law passed in Minnesota in 1991, following shortly on the tails of the Wisconsin voucher law. The early adopters of charter legislation had similarly broad-based support, with California, Georgia and Michigan adopting charter laws by 1993.<sup>21</sup> Since Minnesota adopted its charter policy, 40 other states have passed laws allowing for the formation of charter schools.<sup>22</sup> The National Alliance for Public Charter Schools reports that as of 2011 approximately 5,600 charter schools were operating in the U.S., serving over two million students.<sup>23</sup>

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<sup>17</sup> *Ibid.*, 142.

<sup>18</sup> *Ibid.*

<sup>19</sup> Cooper and Randall, “Fear and Privatization,” 211.

<sup>20</sup> Viteritti, Walberg, and Wolf, “School Choice,” 143.

<sup>21</sup> Renzulli and Roscigno, “Charter School Policy, Implementation, and Diffusion Across the United States,” 346.

<sup>22</sup> “State Connections (Preview) | National Charter School Resource Center.”

<sup>23</sup> Grisham, “National Alliance for Public Charter Schools.”

## **KEY DEBATES IN THE CHARTER SCHOOL MOVEMENT**

In the debate surrounding school choice theory, there are sociological and economic arguments made both in favor of and against charter schools. In “Creaming Versus Cropping: Charter School Enrollment Practices in Response to Market Incentives,” Lacireno-Paquet et al highlight some of the most prevalent of these:

### **Arguments in Favor of Charter Schools**

- Introducing charters will dismantle the monopoly held by local governments on education, forcing public schools to improve the quality of their product through competition for students and funding;
- The market will serve as a “leveling agent” that decreases race and class segregation as geography will no longer limit the schools that parents consider;
- Parents, particularly low-income parents will be enabled by the “purchasing power” they hold to select the best school for their child;
- Leading charter schools have achieved extraordinary results with students that low-income and minority students who typically fall victim to the achievement gap in terms of test scores, graduation rates and college enrollment.

### **Arguments against Charter Schools**

- Information asymmetry will exacerbate segregation by race and class because low-income parents lack the resources to make fully informed school choices;
- People are not “rational” and will make decisions based on criteria beyond school quality, such as location, advertising, and a perception of shared values;
- Asymmetry in resources will exacerbate segregation given the lower capacity of low-income families to travel long distances to get a child to the preferred school;

- Charter schools are incentivized to “skim the cream” from the public school system, recruiting those students who are most likely to succeed and whose parents are best positioned to support them through school;
- Given the above concern, traditional public schools may stand to lose their top performing students and the associated per pupil funding and positive peer effects, yet still be expected to compete academically;
- Charter schools are incentivized to scale quickly (perhaps more-so than is optimal to maintain quality) to achieve economies of scale;
- Wide variability exists in results from charter schools including many that perform as poorly or worse than the traditional public school alternatives from which they attract students.<sup>24</sup>

In addition, while these arguments can be debated from economic and sociological perspectives, they also represent tension between core American values, inviting emotion and fear into the discussion. With the perception that the stakes could not be higher due to 1) the waning competitiveness of the US in the global market and 2) a persistent achievement gap in student performance that highlights pervasive social and racial injustice, Americans are locked in debate on the value of school choice.

It is not the purpose of this paper to weigh in on the debate over charter schools. The effectiveness of these schools is evidently varied across a wide spectrum of charter school policies and implementation. Instead, the author recognizes that charters are undeniably a part of the contemporary public education landscape. With charter policy being implemented in 41 states, the theoretical debate of whether or not charter schools *should* exist is a conversation that is quickly losing relevance. However, at this early

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<sup>24</sup> Lacireno-Paquet et al., “Creaming Versus Cropping,” 147.

stage in the development of charter school policy and theory, the potential for charters is underdeveloped and thus unknown. With more development of the sector and ultimately, better data, charter policy can evolve in its sophistication and effectiveness.

The current limitations on data and comprehensive evaluation of charter schools are due, in large part to the fragmented nature of the charter movement. Most charters are “one-off” organizations that serve a specific community and never take their model to scale or expand beyond the initial geographic market. Not surprisingly, there is a wide range of success amongst these start-up schools. Many wish to scale their school models and broaden the scope of their organizational impact. However, scaling and expanding present extreme challenges for even the most successful charter school models. A research brief produced by the National Charter School Resource Center, “Scaling up High Quality Charter Schools: Approaches, Challenges, and Opportunities,” identifies some key challenges that CMOs have encountered:

- Finding and funding facilities without the state support that traditional public schools enjoy;
- Securing the financing necessary to cover the increased start-up operational costs that scaling or expanding requires;
- Limited economies of scale—given the resource intensive model of most high-performing charter schools, including longer school days and extensive student support systems, the economic benefit typically associated with organizational scale is diminished;
- Securing, retaining, and developing high-performing teachers is a cornerstone of many high-performing charter models, but talent pools are limited in many regions across the country;

- “Mission Creep” is a danger for charter schools who, due to the financial stressors listed above must seek funding provided by foundations and government grants that is often tied to specific criteria or goals which may not relate directly to the school’s model.<sup>25</sup>

Although the body of literature is slowly growing, there is a dearth of common theoretical frameworks and evidence-based best practices that charter school leaders can draw from in considering how to grow responsibly and effectively. While private sector CEOs can draw on a wealth of established and critically reviewed models, frameworks and resources to think through common business challenges, charter school leaders tend to operate in silos, inventing and reinventing the wheel as they think through the common challenges of scaling, replicating, and adapting their school models to fit the needs of education markets across a variety of social and/or political landscapes. This process is inefficient at best, and unlikely to elicit the best possible outcomes from the sector as a whole in the near term. Informing the business models of these schools will ultimately reveal their potential to “tip” the education system through the power of competition, or their inability to do so.

With this in mind, this report purports to provide a systematic framework for thinking through the growth of charter schools, with a specific focus on geographic expansion for established, high-performing Charter Management Organizations. In the next chapter, I will describe three existing models for thinking about organizational expansion, drawing from the private, nonprofit and education sectors respectively. In the third chapter, I will present a case study of a specific CMO, IDEA Public Schools, that encountered an array of challenges throughout its effort to expand operations from the

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<sup>25</sup> “Scaling Up High-Quality Charter Schools | National Charter School Resource Center,” 7.

Rio Grande Valley to the Austin, TX education market. Finally, I will introduce a new framework that integrates the most relevant and practical elements of existing frameworks into a new model designed to inform and enhance CMO practices.

## **Chapter 2: Models for New Market Development**

In this chapter, I investigate several models for market expansion. First, drawing from the business world from which school choice theory derives, I consider the framework laid out by economist, Michael Porter, commonly referred to “Porter’s Five Forces.” Next I examine a model generated by three scholars of social entrepreneurship, Gregory Dees, Beth Battle Anderson and Jane Wei-skillern concerning nonprofit growth. Finally, I consider a reference guide of recommendations for CMO leaders planning expansion, produced by Caitlin Farrell, Michelle Nayfack, Joanna Smith, Priscilla Wohlsetter and Annette Wong, researchers out the University of Southern California’s Rossier School of Education and the Center for Educational Governance.

### **BUSINESS MODEL: “PORTER’S FIVE FORCES”**

In “The Five Competitive Forces that Shape Strategy,” Michael Porter updates and refines his 1979 *Harvard Business Review* publication, “How Competitive Forces Shape Strategy.” This original publication is the cornerstone of a contemporary business education. While the five forces comprise a framework to assess industry attractiveness, they are more broadly applied to a range of business strategy decisions, including how to select new geographic markets for business expansion. The five forces identified by Porter are Threat of Entry, Power of Suppliers, Power of Buyers, Threat of Substitutes and Rivalry Among Existing Competitors. For each of these five forces, I will provide a brief description of its understanding in business terms before looking for applications to the education sector.

## **Threat of Entry**

This force is relevant as a “self-check” on a company looking to expand and on that company’s future threats if it chooses to expand. In this force are seven factors to consider:

- *Supply-side economies of scale:* Is it cheaper (per unit) to produce at a large scale, deterring new entrants who can only enter the market on a small scale?
- *Demand-side benefits of scale or “network effects:”* Does customers’ willingness to pay increase when the company serves many customers?
- *Customer switching costs:* Are there financial or non-financial costs to customers when they change vendors?
- *Capital requirements:* How significant are the start-up costs?
- *Incumbency advantages independent of size:* Do existing competitors benefit from preferred locations, facilities, brand recognition and experience with the market that create advantages over new entrants?
- *Unequal access to distribution channels:* Do incumbents have easier access to get their product to customers?
- *Restrictive government policy:* Does government encourage or restrict new entrants through policy and/or incentives?<sup>26</sup>

## ***Education Market Application***

Several of these factors are relevant in considering school expansion:

- *Supply side economies of scale:* As CMOs consider their potential fixed costs (such as the costs of securing a facility) in a new market, will they be able to maintain quality while “ramping up” when the cost per pupil is quite high? In this

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<sup>26</sup> Porter, “The Five Competitive Forces That Shape Strategy,” 81–82.

case, perhaps larger CMOs with more resources are better prepared to compete in markets where other competitors tend to be large and operating with the benefits of economies of scale. Similarly small CMOs may struggle in the early stages in geographic markets where fixed costs like real estate/rent tend to be higher.

- *Customer switching costs:* CMOs will certainly want to consider the financial and non-financial switching costs to their target consumers. Transportation is an example of a category of cost relevant to education consumers: will students require public transportation to arrive at school? How long will they have to travel and how much will it cost? If public transportation is not available, how will parents weigh the opportunity cost of their time spent transporting students?
- *Capital requirements:* In order to attract funding sources, CMOs will need to have an accurate and realistic picture of the start-up costs for entering the new market and how they compare to alternative market opportunities.
- *Incumbency advantages independent of size:* CMOs will certainly need to understand the competitive advantages of existing school alternatives in the market. How is the local school district perceived and what are its advantages in terms of facilities and other resources? Are other CMOs established in the area and have they carved out a particular niche in the market?
- *Restrictive government policy:* How do state and local policies affect CMO activity? Does government support and encourage growth or limit it through charter authorization caps or funding restrictions?

### **Power of Suppliers**

Consider the range of suppliers needed to produce the desired product or service and determine which are essential. Supplier groups are powerful if they are *concentrated*

(meaning there are few suppliers to choose from) and if they are *not industry dependent* (meaning they are not fully dependent on one industry for revenues). They also have more power when their products are *differentiated* and when there is no good *substitute* for their product. When suppliers are powerful, they have greater control in setting prices and terms of agreement, thus capturing more of the “value chain.”<sup>27</sup>

### ***Education Market Application***

Again, there is value to be gleaned from understanding this threat, though the application is easily lost in the jargon of price-setting and value chains, as leaders of mission-driven organizations are unlikely to think of their operations in those terms. While this force applies most directly to physical supplies, it also applies to labor supply. This supplier power is, perhaps the most important to consider in the education market. As Cooley writes, “The advocates of school choice seem to think that the majority of the educators would be replaced by an entirely different set of teachers once schools were privatized... There are currently massive deficits of trained teachers across the nation.”<sup>28</sup> In the context of a CMO’s mission, it must consider the availability of teachers and the relative power of teacher “suppliers,” such as teacher unions, teacher certification programs, and local school district (i.e. the current employer of active local teachers). Will the CMO have enough bargaining power with these suppliers of labor to attract a high-quality workforce?

### **Power of Buyers**

Just as powerful suppliers can capture excess value in the profit-driven business, so can powerful customers. Buyers are considered powerful if they are *few in number*, if

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<sup>27</sup> Ibid., 83.

<sup>28</sup> Cooley, “Reevaluating the Politics and Research of School Choice,” 261.

the industry produces similar or *comparable products* or if the buyer faces *high switching costs* when considering a new vendor. Buyers generally demonstrate their power with *price sensitivity*, demonstrating a tendency to select the lowest cost provider.<sup>29</sup>

### ***Education Market Application***

Direct application here is limited, where the theory and mission behind most CMOs is to empower the buyer—in this case, parents of school-aged children. Presumably, as charter schools provide a public good, potential “buyers” are ample (though active “buyers” of alternative education may be few). Perhaps a more helpful measure of the force of buyers here is their relative understanding of the nuances of product offerings. Do the target consumers have a firm understanding of what school options are available to them, how they differ from each other and how to access each?

### **Threat of Substitutes**

Substitutes create the same or similar outcome as the industry product in a different way. They constitute any viable alternatives to consuming the industry product, including going without or making/doing it yourself. Examples of substitutes include driving instead of flying for a weekend vacation or using email instead of “snail mail.”<sup>30</sup> This threat is high if the *tradeoff for performance* is relatively small compared with price and if the *switching costs* for the buyer are low.<sup>31</sup>

### ***Education Market Application***

In completing a competitive analysis, CMOs should consider non-school competitors such as home-schooling and dropping out/early entry to the workforce to

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<sup>29</sup> Porter, “The Five Competitive Forces That Shape Strategy,” 83–84.

<sup>30</sup> *Ibid.*, 84.

<sup>31</sup> *Ibid.*, 85.

fully understand the market they aim to serve and their ability to compete with those alternatives.

### **Rivalry Among Existing Competitors**

Rivalry among competitors in an industry has the power to drive down profitability. Rivalry should be considered in terms of its intensity and its basis. Intensity is high when

- There are many competitors, especially if they are of similar size and power;
- Industry growth is slow so competitors must fight for share of the existing market;
- Exit barriers are high;
- Competitors are committed to the business for reasons beyond profitability.<sup>32</sup>

### ***Education Market Application***

Understanding rivalry is of particular importance to CMOs, who will need to understand the landscape of other charter school providers, their size and respective competitive advantages. The CMO will also need to investigate its future relationship with the local school district, for whom exit barriers are sky high because exit is not an option. By Porter's reasoning, charters can and should anticipate intense rivalry given that most school providers are committed to the industry for non-profit motivations.

### **Porter's Five Forces in the Education Market**

While Porter's framework provides a variety of useful factors for consideration when considering CMO expansion, it fails to deliver the same value as a comprehensive framework that it offers to the business community. Unsurprisingly, given Porter's economist background, the competitive framework is driven by a simple business question: what is the relative opportunity for profitability in this market? The mission-

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<sup>32</sup> Ibid., 86.

based nature of the CMO cannot offer a direct substitute for profit in this framework. The mission is likely based on student outcomes (measured by college readiness) but also incorporates targeting an underserved population and empowering the consumer, rather than seeking to limit the consumer's power. In addition, the framework is limited to the early phases of organizational expansion—merely selecting an appropriate market. It does not directly discuss organizational preparation for expansion or implementation.

### **NONPROFIT MODEL: “SCALING SOCIAL IMPACT”**

Recognizing the limitations of applying strategies that are purely profit-driven in the social sector, where organizations are expected to be mission-driven, social entrepreneurs and nonprofit leaders from a variety of organizations have struggled to develop their own criteria for tackling scale and expansion. This kind of thinking is relatively new and no single model has emerged which might be considered a parallel to Porter's Five Forces. However, the Center for the Advancement of Social Entrepreneurship at Duke University's Fuqua School of Business has developed a variety of tools and resources for leaders in the social sector to draw from when considering how to strategically develop and scale their ideas. A paper produced by Gregory Dees, Faculty Director and Adjunct Professor at the Center and Beth Battle Anderson, Managing Director of the center, along with Jane Wei-Skillern, an assistant professor on the faculty at Harvard Business School, offers the beginnings of a framework from which nonprofit leaders might think about scaling an organization. In this paper, “Scaling Social Impact,” Dees et al argue that:

Social entrepreneurs, foundation officers, and policy makers need to step back and take a more strategic and systematic approach to the question of how to spread social innovations. Too often they frame the problem in terms of either ‘replication,’ the diffusion and adoption of model social program, or, more recently, ‘scaling up,’ which commonly entails significant organizational growth

and central coordination. While neither of these concepts is inherently ill-conceived, failure to place them within a broader strategic framework can blind social sector leaders to promising options and bias them toward a limited set of strategies.<sup>33</sup>

Dees et al break the growth process into three steps. First, leaders must be able to define the organization's innovation. The authors suggest asking critical questions about what makes the organization's work distinctive and what sets it apart from the work of others who are attempting to address the same social need--competitors. Furthermore, what about the organization is essential to its impact and what might be changed without compromising outcomes? The authors identify three of the most common models for scaling innovations:

- *Organizational models* provide an “overarching structure for mobilizing people and resources to serve a common purpose;”
- *Programs* provide “an integrated set of actions that serve a specific purpose;”
- *Principles* provide “general guidelines and values about how to serve a given purpose.”<sup>34</sup>

Once an organization understands the type of innovation it has to offer, Dees et al suggest taking the next step by considering an appropriate mechanism for that type of innovation. The three mechanisms they highlight are:

- *Dissemination*, or “actively providing information, and sometimes technical assistance, to other looking to bring an innovation to their community;”
- *Affiliation*, “a formal relationship defined by an ongoing agreement between two or more parties to be part of an identifiable network;” or

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<sup>33</sup> Dees, Anderson, and Wei-Skillern, “Scaling Social Impact,” 26.

<sup>34</sup> Ibid.

- *Branching* through “the creation of local sites through one large organization, much like company-owned stores in the business world.”<sup>35</sup>

Dissemination might be informal, as in resource-sharing, or more formalized such as packaging and selling a particular program curriculum to develop a revenue stream. Affiliation might be loosely defined such as a coalition between organizations with a similar mission, or highly structured systems like franchises. Branching requires the most central coordination of the three models and, consequently, typically requires the most resources as a scaling mechanism.<sup>36</sup>

In order to select the most appropriate mechanism for scaling, Dees et al provide the “Five R’s Framework” to guide analysis. By considering readiness, receptivity, resources, risks, and returns, leaders can more effectively analyze how best to scale.

### **Readiness**

To analyze *readiness*, the leader should consider first whether there is demonstrable success that isn’t dependent on existing leadership or other organizational circumstances. Further, the individual chosen to drive the scaling process must fully understand what elements of the innovation are required for success. The authors suggest that if leaders cannot answer these two critical questions, the organization is not yet ready to scale.<sup>37</sup>

### ***Education Market Application***

Many charter schools begin and flourish under the commitment of a particularly charismatic leader. The success of the school may be attributable to the individual’s leadership rather than to the strength of the model employed. In addition, many high

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<sup>35</sup> Ibid., 28.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

performing charter schools employ very similar tactics and curricula. It is reasonable to question whether staff, administration and consumers can identify what particular innovation separates one charter from its competitors.

### **Receptivity**

To analyze *receptivity*, the leaders should consider which mechanism will allow for the most positive response from target communities. “If an innovation is complex, represents a radical departure from accepted practice, threatens influential local parties, or clashes with dominant values or ideologies in different communities, it will like be met with resistance. Locals my also resist adopting innovations if they are uncomfortable yielding ownership, control, or credit to outsiders.”<sup>38</sup> In this case, the higher the central control of the mechanism chosen, the greater the resistance the organization is likely to face.

### ***Education Market Application***

This criterion is highly applicable to the School Choice Movement in general and to charter schools specifically. Communities vary widely in their response to charter school development and the impact it may have on local schools. It stands to reason that before selecting a destination for expansion and a means of expansion, CMO leaders should have a firm understanding of the reception they are likely to receive by the local community.

### **Resources**

To analyze *resources*, the authors suggest asking the following questions; “What are the resource requirements for the strategies under consideration? Can the innovation

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<sup>38</sup> Ibid., 30.

be defined and spread in a way that reduces costs while preserving effectiveness? ...What are the opportunities to generate renewable and reliable revenue streams?”<sup>39</sup> The authors suggest that if demand is too low to cover the costs of a particular strategy, leaders must have a sustainable plan to make up the difference.

### ***Education Market Application***

Sources of revenue are of utmost importance in practical charter expansion. Without funding, charter schools will lack facilities and access to high quality labor. CMO leaders must, then, have a firm grasp of the funding requirements to maintain the standards of their model in the financial environment of the new market where costs of real estate, labor and other inputs may be very different.

### **Risks**

Dees et al next suggest that leaders must consider *risks*, both to society and to their organization. Important questions include, “How likely is it that an innovation will be implemented incorrectly or will fail to achieve its intended impact? If this happens, what are the potential negative effects on the clients and communities being served?” The more severe the potential consequences, the greater the need is for a mechanism with central control. However, a mechanism with tight control (like tight affiliation or branching) incurs greater risk to the central organization as a whole.<sup>40</sup>

### ***Education Market Application***

The risk analysis is highly applicable to CMOs whose limited funding and developing brand dictate a low tolerance for risky ventures. A significant financial loss may destroy the financial footing of a young organization.

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<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

## **Returns**

Finally, Dees et al recommend assessing the potential *returns* of a particular mechanism. This criterion considers the balance between quantity and quality of services that an organization can offer. While dissemination or loose-affiliation can allow for broader geographic reach at a lower-cost, they may allow for compromised quality in the services rendered. The authors suggest that, “when the need is urgent and the risks are low, it may be wise to forgo the benefits of central coordination” in order to expand quickly, but a cost-benefit analysis is essential to understanding which is the right course.<sup>41</sup>

## ***Education Market Application***

This criterion is compelling in that it requires school leaders to define and prioritize costs and benefits within the framework of their school mission and goals. School leaders must decide whether student outcomes, quantity of students served, or school brand development (to name a few examples) is of primary importance at its current stage of development and expansion. They must then recognize the tradeoffs implicit in these priorities.

## **Nonprofit Model In Education**

While compelling, this framework offers two significant challenges to the typical CMO “mindset.” The first is the implication that physical replication is not always the best means to achieve a broad impact. CMOs, driven by their private sector influences tend to be highly branded and proprietary of their curriculum. The idea that they might spread their innovation by relinquishing some degree of control will present a challenge to many charters.

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<sup>41</sup> Ibid., 31.

Second, and relatedly, the recommendation that scaling should be a slow and deliberate process may seem counterintuitive to many CMO leaders, who operate with a sense of urgency to address a social injustice and feel driven to scale quickly. Dees et al use a charter school network as an example of a nonprofit organization that has chosen to expand its impact through “principles” rather than “programs” or “organizational structure” in order to expand efficiently. As the authors describe, KIPP is a network of charter schools who share a common set of operating values, known as the Five Pillars: High Expectations, Choice and Commitment, More Time, Power to Lead and Focus on Results.<sup>42</sup> KIPP schools adopt these pillars to join the network and make use of the KIPP brand, but individual schools are run by local CMOs (for example, KIPP Austin) who actually hold the school charter and are responsible for its outcomes.<sup>43</sup> This decentralized model has allowed KIPP to expand faster than any of its peers in the charter world, which invites the question of why more CMOs are not choosing this path to expansion. The answer lies in the fact that KIPP has received broad criticism for the inconsistent performance of its schools. By loosening controls on operations, KIPP allowed for greater variability in the implementation of its model. Application of the framework given by Dees et al, may then illuminate the debate among CMOs on centralized control.

#### **EDUCATION MODEL: “SCALING UP CHARTER MANAGEMENT ORGANIZATIONS”**

A group of researchers from the Center of Educational Governance at the University of Southern California’s Rossier School of Education produced a CMO reference guide, having interviewed 25 leaders at CMOs around the country. This guide, entitled *Scaling Up Charter Management Organizations: Eight Key Lessons for Success*, represents one of the first attempts to bring together best practices and practical

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<sup>42</sup> “KIPP Public Charter Schools | Knowledge Is Power Program - Five Pillars.”

<sup>43</sup> “KIPP Public Charter Schools | Knowledge Is Power Program - The KIPP Foundation.”

recommendations for a broad audience of CMOs. As the title suggests, the authors provide eight key suggestions to guide CMO leaders, each accompanied by several sub-steps that are meant to help walk leaders through the growth process:

- 1) Create a Plan for Growth
  - Develop a Mission that Shapes Growth;
  - Establish short- and long-term plans for growth;
  - Grow at the right pace for your organization.
- 2) Know the Landscape
  - Know the ins and outs of charter laws;
  - Be politically savvy;
  - Venture out and engage your community;
  - Choose new locations strategically;
  - Adapt to local community needs.
- 3) Know Who You Are and How to Communicate it
  - Know Who You Are, then Develop a Brand;
  - Broadcast Your Brand to External Stakeholders;
  - Seek Brand Consistency Across School Sites;
- 4) Money Matters
  - Seek diverse funding sources;
  - Secure funding for specific purposes;
  - Consider any “strings attached” before accepting funding.
- 5) Invest in People Early
  - Staff up in advance of growth;
  - Develop a leadership pipeline;
  - Recruit a diverse board of directors.
- 6) Cultivate Relationships
  - Foster relationships with other educational institutions;
  - Create public-private partnerships;
  - Build relationships with planning partners.
- 7) Measure Your Success
  - Be results-driven;
  - Grade yourself systematically and regularly.
- 8) Plan to be Flexible
  - Plan ahead, then use your plan;
  - Be willing to change directions.<sup>44</sup>

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<sup>44</sup> Farrell, Wohlstetter, and Smith, “Charter Management Organizations,” 4.

While the guidebook provides a useful roadmap for new leaders who are just beginning to think about growth, it is also limited in its sophistication and practicality. The key lessons are gained from interviews with 25 CMO leaders but the criteria for CMO inclusion in the study are fairly loose. The participants included do not necessarily represent on high-performing CMOs, those with a proven financial record, or those with a particularly successful experience in scaling. Rather the key criterion on which CMOs were invited to participate was that they operated at least three schools and had plans to expand further.<sup>45</sup> What results is a compilation of collective wisdom from assorted charter schools. The recommendations themselves have not been rigorously analyzed or tested across different settings or environments. The lessons are deceptively simple. Even the first sub-step of the first lesson, “Develop a Mission that Shapes Growth”<sup>46</sup> is a step that might require months of development and collaboration by a board of directors. A great deal of practitioner and theoretical literature is dedicated to the process of mission development, a step that occupies just two paragraphs in this guide.

Because the guide attempts to be broad rather than specific, it is not particularly nuanced in its recommendations for considering geographic expansion. However, Steps Two through Six are certainly relevant and may prove helpful as a jumping off point for school leaders looking to expand geographically.

Although it is the most targeted of the three models considered in this chapter, this framework remains limited in applicability given that the theories discussed are virtually untested, underdeveloped and extremely broad in nature. However, the ideas presented do represent a first step towards developing a framework that is readily

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<sup>45</sup> Ibid.

<sup>46</sup> Ibid., 6.

applicable in the charter school context and the input from a range of experienced charter professionals should not be discounted.

### **Chapter 3: IDEA Public Schools in Austin, a Case Study**

The following case study draws primarily from a variety of publically available sources, but also incorporates insights gleaned from confidential interviews with administrators at IDEA Public Schools and other leaders in the Austin education field.

#### **AUSTIN EDUCATION LANDSCAPE**

In “School Reform in Austin, Texas: 1954-2008,” Dr. Larry Cuban examines the socio-political history which has defined the context of Austin’s contemporary education challenges and reform efforts. Cuban begins by reaching back into Austin’s racial history, describing a lethargic, if not resistant response to the 1954 Supreme Court ruling in *Brown v. Board of Education*, which declared unconstitutional state laws that established separate schools for black and white students.<sup>47</sup> In response to the ruling, the Austin School Board and then-superintendent, Irby Carruth, adopted a policy of “Freedom of Choice,” which allowed students of color to transfer to white schools in their neighborhood. With no substantive support to accompany this policy, the option resulted in very few transfers and very little change in the make-up of public schools for the first decade of desegregation.<sup>48</sup> Ten years after the initial policy shift, the district made a second incremental policy change, this time introducing “cross-over” teachers with 33 black teachers teaching in white schools and 52 white teachers working in black schools. Four years later, the student demographics had not shifted; the two previously segregated black schools remained all black and white schools served just a handful of black students.<sup>49</sup>

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<sup>47</sup> Cuban, *School Reform in Austin, Texas, 1954-2008*, 24.

<sup>48</sup> *Ibid.*, 28.

<sup>49</sup> *Ibid.*, 26.

In 1968 a team from the U.S. Department of Health, Education and Welfare determined that AISD was out of compliance with the Civil Rights Act of 1964 given the failure of “Freedom of Choice” to dismantle school segregation. Under their recommendation, the Department of Justice filed suit against AISD in 1970. Throughout the 1970s, the AISD court case shuffled through the federal judicial system while a new, reform-minded superintendent, Jack Davidson, battled with a reluctant white population in Austin to effect change in the school district. When his desegregation efforts were largely unsuccessful, he worked to improve the quality of education at schools that served minority students.<sup>50</sup>

In 1978, a district judge required AISD to submit a tri-ethnic integration plan, formally acknowledging that education and race in Austin was not merely a black and white issue. The following year, the judge approved a plan that was developed by AISD, the DOJ, the NAACP Legal Defense Fund, and MALDEF. The plan provided new schools in East Austin, and incorporated bilingual programs, affirmative action in hiring practices and busing of both black and white students. If the federal district court determined that the plan had been successfully implemented, it would end its jurisdiction over AISD after three years.<sup>51</sup>

Anti-busing rallies and negative public sentiment precipitated Superintendent Davidson’s decision to accept another position and he was replaced by John Ellis, who had experience in the U.S. Office of Education and had served as a superintendent in Ohio. Ellis served his first few years in the superintendency managing the extreme racial tension that the court-mandated desegregation fostered. He was tasked with forcing the district to comply with the stipulations of the mandate in order to release AISD from

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<sup>50</sup> Ibid., 28.

<sup>51</sup> Ibid.

federal court jurisdiction as planned, while stemming the tide of white flight that took white Austin families into nearby suburbs. In 1983, AISD applied for release from the judicial mandate and was granted that release in 1986.<sup>52</sup>

In the post-federal court jurisdiction era, gains that AISD had made in desegregation were found to be superficial and fleeting. With the end of the mandate came the end of busing, and with that the demise of racially diverse schools. Cuban cites, “In 1990, for example, of 91 schools in AISD, 45 had student enrollments either 75 percent minority or over 75 percent white. A decade later 61 schools were either over 70 percent white or 70 percent minority.”<sup>53</sup> Cuban reports that in the post-mandate era, AISD essentially reverted to a two-tier segregated system, attempting, rather than integrate schools, to simply improve the quality of education provided at the minority-serving schools: “To mostly Eastside minority schools, the district sent extra resources in the name of equity. District administrators expected these principals and teachers to no longer blame poverty, race, or family pathology for poor student performance. Instead, academic excellence and reducing the gap in achievement between whites and minorities would now become the staff’s primary responsibility.”<sup>54</sup>

Cuban describes the 1990s in Austin as a lost decade. Jim Hensley, a former Waco superintendent served for just two years, followed by James Fox, a superintendent from the suburbs of Atlanta known for a business-like approach. Under Fox, the district endured a “cleaning house” era. Fox was later referred to as “Attila the Hun” for his practices that drove out weak and strong administrators alike. In his first two years as Superintendent, 30 of 96 principals had retired, been reassigned, or transferred out of the

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<sup>52</sup> Ibid., 29.

<sup>53</sup> Ibid., 31.

<sup>54</sup> Ibid., 32.

district.<sup>55</sup> Cuban writes that during the '90s, the district “responded to state mandated reforms and low academic performance in largely minority and poor schools by grabbing one innovation after another when each superintendent entered ... only to dump them when they exited. Here were the spinning wheels of reform with a vengeance.”<sup>56</sup>

The '90s culminated in a disturbing string of events throughout the spring of 1998 to 1999. During this time, the District and two of its top administrators were investigated and indicted by the Travis County Attorney for manipulating scores on the Texas Assessment of Academic Skills as well as drop-out rates in order to improve TEA ratings for the district. Soon after, the Citywide Parent-Teacher Association declared a lack of confidence in the Board of Trustees for the first time. The Texas Comptroller announced its intention to conduct an audit of AISD, uninvited by the district, considering the recent legal accusations and financial inefficiencies. The loss of public confidence and the uncertainty of scandal lead bond rating agencies to place AISD on a “negative watch.” Throughout the tumult of this year and a half, the AISD Board underwent a superintendent search, having invited the divisive Fox to leave after just three years. The search was interrupted repeatedly by these events, which clearly made attracting talent an extreme challenge. The board finally appointed Pat Forgione as superintendent in August 1999. The day following Forgione’s appointment, AISD was rated as an “Unacceptable” district by the Texas Education Agency.<sup>57</sup>

Forgione’s term as Superintendent represented a positive era for AISD. Forgione was known for “unrelenting optimism” and an intense commitment to restoring public trust, data transparency, and student performance, particularly for those “at the bottom.”<sup>58</sup>

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<sup>55</sup> Ibid., 35.

<sup>56</sup> Ibid.

<sup>57</sup> Ibid., 7.

<sup>58</sup> Ibid.

Cuban outlines three phases of reforms under Forgione in AISD that characterized his 10-year term from 1999-2008. The first phase, lasting three years, was focused on “restor[ing] public trust in AISD’s data and build an instructional infrastructure... through implementing data systems, accountability procedures, curriculum standards, and staff development programs.”<sup>59</sup>

The next phase of Forgione’s reforms took a focus on the classroom. With the help of Chief Academic Officer, Darlene Westbrook, the district developed Instructional Planning Guides that aligned curriculum to a new state test, The Texas Assessment of Knowledge and Skills as well as benchmark assessments intended to help monitor students’ progress throughout the year and identify those in need of more help prior to the state testing time. Finally, the district implemented data-based professional development opportunities, relying on testing data to show teachers and principals where there were gaps in capacity.<sup>60</sup> During this era, AISD saw graduation rates increase from 72% to 80% though a gap persisted for low-income families (72%) and English language learners (53%).

Finally, Forgione introduced a reform plan centered around High School Redesign in 2005. During the final four years of his tenure, he instituted a reform plan for all 11 high schools, giving “urgent priority” to those schools which had been persistently labeled academically unacceptable in the preceding years. The redesign efforts directed schools to develop small learning communities (SLCs) for students and teachers as well as professional learning communities between teachers and administrators. School leaders were allowed to select between two research-based instructional models, or design and propose an alternative model. The goal was to personalize instruction and

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<sup>59</sup> Ibid., 10.

<sup>60</sup> Ibid., 11.

foster innovation and collaboration, while remaining structured and focused on state curriculum standards.<sup>61</sup> While the flexible nature of the High School Redesign initiative allowed for school level leaders to implement, with local discretion, the approach that best fit their campus, the results were uneven and underwhelming. While graduation rates improved marginally, most gains in student test scores were limited to the elementary school level and the achievement gap remained relatively untouched.

### **FINANCIAL AND POLICY CHALLENGES UNDER FORGIONE**

Throughout Forgione's time in AISD, he battled not only internal challenges, but also a wealth of external challenges driven by state and national policy shifts. Most notably, from a financial perspective, Forgione faced a highly inconsistent funding structure. In 1993 the state enacted a school funding formula intended to balance funding between districts with high property wealth and districts with low property wealth. The formula led to hard-to-predict revenues: in 2000 the state required Austin to give \$55M. In 2003, it was required to give \$158M which resulted in teacher lay-offs and program cuts.<sup>62</sup> At the same time, AISD leadership faced shifts in policy to mirror the reforms of the accountability era around the country. At the most basic level, the state and, in its name, the Texas Education Agency, pursued greater control over local governance structures, curriculum and instruction through increasing focus on standardized testing and the school and district rating system.<sup>63</sup>

### **CONTEMPORARY AISD AND THE AUSTIN EDUCATION MARKET**

Pat Forgione's departure in 2009 marked a transition to the contemporary era of Austin's public education system. Dr. Meria Carstarphen, former Superintendent of Saint

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<sup>61</sup> Ibid., 41.

<sup>62</sup> Ibid., 15.

<sup>63</sup> Ibid., 33.

Paul Public Schools in Minnesota, was selected by the Board of Trustees to replace Forgione. Her tenure has been characterized by recognition of the growing interest in school choice and an attempt to provide intra-district alternatives, in hopes of retaining more students. In an address at the 2013 SXSWedu conference, Carstarphen said, “The concept that we are the only choice for families doesn’t exist anymore.”<sup>64</sup> In addition to traditional neighborhood schools, AISD offers 13 magnet schools and “focus academies,” including an arts and sciences magnet, a fine arts magnet and a single-sex leadership academy for girls.<sup>65</sup> In recent years, Carstarphen has proposed expanding single-sex school opportunities and introducing in-district charters.

#### **HISTORY OF IDEA PUBLIC SCHOOLS**

IDEA Public Schools was founded in 2000 by Tom Torkelson and JoAnn Gama. Both Teach for America alumni, Torkelson and Gama started IDEA as an after school program designed to help their students in Donna, Texas overcome deficiencies in academic preparation and to promote college readiness. Following their TFA service, Gama and Torkelson sought and were granted a state charter and opened IDEA as a comprehensive school serving grades 4<sup>th</sup> -8<sup>th</sup>. IDEA Academy Donna has since expanded to serve grades K-12 and graduated its first class in 2007.<sup>66</sup> The IDEA school model is not unlike that of its peers in the community of high-performing charter schools. They rely on a longer school day, highly individualized instruction and student services, and an expectation of college attendance for all students that is cultivated from elementary school. IDEA operates with a mission to “prepare students from underserved

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<sup>64</sup> “Austin ISD Superintendent Says Public Education Is Crucial to Democracy.”

<sup>65</sup> “Austin Independent School District : Schools.”

<sup>66</sup> “History / History.”

communities for success in college and citizenship.”<sup>67</sup> Supporting that mission are six core values that any IDEA staff member can list:

- 1) **Closing the Achievement Gap** and ensuring college success is the best way to help our students succeed in life, contribute to their communities, and overcome the obstacles they face. Achieving this requires the following beliefs and behaviors:
- 2) **No Excuses:** We control our destiny. What we do during the day matters more than poverty, parent education level, or other external factors. When the adults in the system get it right, our students are successful. Conversely, when our students fail, we don’t blame unsupportive parents, parent education level, or other external factors: we look in the mirror and take responsibility.
- 3) **Whatever it Takes:** Through continuous improvement we achieve ambitious results. Those most successful at IDEA seek feedback, pour over the data, identify root causes, and implement solutions.
- 4) **100% Every Day:** Our mission and goals apply to 100% of our students, 100% of the time. Creating opportunities that didn’t exist isn’t easy, and it requires that people give their best every day.
- 5) **Sweating the Small Stuff:** The difference between excellence and mediocrity lies in paying attention and caring about the countless details that go into effective execution.
- 6) **Team and Family:** As the source of strength for our organization, we are committed to attracting and developing high caliber people.<sup>68</sup>

The core values place a high degree of responsibility on school professionals to go above and beyond, and internalize a responsibility for the success of the students they serve.

In 2005 IDEA Public Schools launched an expansion campaign and established the goal of operating 22 schools by 2012. IDEA’s growth model was not clearly defined in its early years of expansion. Leaders experimented with size of new schools as well as which and how many grades a new school should open with, often in response to the stipulations attached to funding opportunities. For example, in order to compete for a grant from the Gates Foundation, IDEA opened a new school that started off serving grades K, 6 and 9 instead of their more typical model of K-2 and 7-8. Leaders ultimately

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<sup>67</sup> “About IDEA / Mission & Vision.”

<sup>68</sup> “Core Values / Core Values.”

decided to stick with the previous model for a variety of reasons: recruiting and retaining high school students was far more challenging than younger students. Additionally, students were less successful in the high school if they had not participated in the IDEA middle school curriculum. In anonymous interviews with the author of this case study, IDEA administrators reported a great deal of confusion and no small amount of logistical troubleshooting with these early expansion efforts. One staff member, who served as a “founding principal” of a school in the Rio Grande Valley recalls starting the school year without a school facility. The school operated on a local college campus for several weeks, followed by a church community center for several weeks, before eventually moving into portables on the site where they would eventually build a permanent facility. Despite the, at times, haphazard approach to expansion, IDEA found great success in its growth in the Rio Grande Valley. The community was very receptive to the school model and its college-going focus. In addition, a lack of competition from other charter schools in the region made growth relatively easy, with demand easily outstripping supply. As of the 2011-2012 school year, IDEA was operating 20 schools in 10 communities across the Rio Grande Valley in Hidalgo and Cameron Counties.

A new expansion plan (released in 2012) established the goal to become the largest producer of low-income college graduates in the Rio Grande Valley. Further, the plan established a goal of expanding beyond the RGV into Central Texas. According to this plan, by 2017 IDEA will operate “56 schools in three regions, educating thousands of students on their road to college.”<sup>69</sup>

According to IDEA administrators, this plan introduced four criteria for geographic expansion:

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<sup>69</sup> “About IDEA / Mission & Vision.”

- 1) Established **need** demonstrated by a persistent achievement gap in a conducive competitive environment;
- 2) Clear **demand**, demonstrated by the size of waiting lists at existing charter schools in the market and the demographic trajectory of the target population;
- 3) **Sustainability** due to an infrastructure conducive to scaling schools and private and philanthropic support in the area;
- 4) **Partnership** Opportunities.

In the 2011-2012 school year, IDEA opened new schools in four communities. They expanded in two existing markets, Brownsville and McAllen, opening a second elementary and a second middle school in each community. IDEA also opened IDEA Carver in San Antonio and IDEA Allan in Austin.<sup>70</sup> These two ventures represent a serious shift in the expansion of IDEA, moving from a rural to an urban market.

IDEA Allan not only represents a significant geographic market shift for IDEA Public Schools, it also represents a shift in school model. While previous IDEA schools have operated under the sole discretion and leadership of IDEA administrators, IDEA Allan was the first—and currently only—IDEA school to operate as an “in-district charter” in a collaborative relationship with the Austin Independent School District. In this partnership, IDEA essentially took over Allan Elementary, an eastside neighborhood school with a history in AISD that dates back to 1957.

#### **IDEA IN AUSTIN: A TUMULTUOUS MARKET ENTRY**

Amidst ongoing efforts to reform AISD schools on the east side of Austin, including a “reconstitution plan,” required by the Texas Education Agency for two failing high schools, AISD entered into discussion with IDEA Public Schools in the spring of

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<sup>70</sup> “Expansion and Growth / Overview.”

2011. One of the high schools in question was Eastside Memorial High School. The EMHS campus formerly housed Johnston High School, a school that had figured largely in Forgione’s High School Redesign efforts due to its persistently low performance. In June of 2008, the Commissioner of Education ordered that Johnston be closed due to its failure to turn around its performance record. The commissioner, however, allowed AISD to “repurpose” the campus, giving it a new name and school number, and completing an overhaul of faculty and staff. The new school, known as the Eastside Memorial High School at the Johnston campus, opened the following fall.<sup>71</sup> Despite four separate interventions and restructurings between 2009 and 2012, the school continued to be rated as Academically Unacceptable, and closure was threatened once again. In order to keep the campus open, AISD agreed to the TEA reconstitution in plan, under which it must contract an outside provider to initiate turnaround efforts by the 2013-2014 school year. AISD put out an RFP from outside contractors and IDEA Public Schools saw this an opportunity to jumpstart expansion into Central Texas.

On November 3<sup>rd</sup>, 2011 AISD Superintendent Meria Carstarphen and IDEA CEO, Tom Torkelson, formally announced a proposal to convert the Eastside Memorial Vertical Team (meaning the AISD schools that comprise a feeder pattern into Eastside Memorial High School) into a system of in-district charters, operated by IDEA.<sup>72</sup>

The proposal received a lukewarm community response, which was not surprising given the seeming revolving door of reform efforts for the campus. Shortly after the announcement, opponents of the plan emerged: In November, Ed Fuller, a former University of Texas professor and vocal charter school opponent, released a report that called into question IDEA’s claims of superior academic performance and college

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<sup>71</sup> “Austin Independent School District : Eastside Memorial High School.”

<sup>72</sup> Whittaker, “Not Everyone Keen on Charter IDEA.”

matriculation.<sup>73</sup> The report was widely distributed by Education Austin, a labor union for AISD employees, who had also been developing a proposal to create an in-district charter.<sup>74</sup> In the short time between the public proposal and the scheduled board vote, a variety of activist groups took on the issue including CoalitionSAUS, PRIDE of the Eastside and a subgroup of Occupy Austin, called “Occupy AISD.”

Most notable among opposition groups was PRIDE of the Eastside, whose name echoes the school motto of Eastside Memorial High School. The mission of this group, as reported on its website is to:

Protect public education in East Austin by ensuring that all students have access to a high quality, comprehensive education; Recognize the accomplishments of East Austin Schools and the importance of youth leadership; Innovate to overcome educational challenges and plan for success in our public schools; Defend our neighborhood public schools and our East Austin students, families and teachers against injustice and unfair treatment by advocating for their rights and needs; Educate students, families, community members, administrators, teachers and ourselves by researching and exploring best practices in education and authentic community engagement.<sup>75</sup>

Vincent Tovar, spokesperson for the group, is an Eastside parent of a then-kindergartener and Treasurer of the PTA at Govalle elementary school. He had several editorials published in the Austin American Statesman and the Austin Chronicle, gave a host of interviews on local news outlets, released extended interviews on youtube.com and organized community meetings and protests that attracted hundreds of parents and community members.

Though slated to vote on the proposal on December 12<sup>th</sup>, the School Board chose to delay the vote and hold a special meeting dedicated to the issue. The meeting took

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<sup>73</sup> Fuller, *Is IDEA a Good Idea for Austin ISD - 1116idea.pdf*.

<sup>74</sup> Heinauer and Taboada, “Study Challenges IDEA Charters’ Success Claims.”

<sup>75</sup> “Mission.”

place on December 19th, and lasted nearly six hours with a vote taking place just before 1:00 a.m. Dozens of community members spoke out, having stood in line for hours to sign up for the opportunity to address the board. The comments of these community members reflected a host of frustrations and fears about the proposed changes, mistrust of the IDEA's record, and anger about a perceived lack of transparency in the planning process.<sup>76</sup> Throughout the standing-room only meeting, approximately 100 more people gathered outside, most of them opponents of the proposal who chanted and picketed with signs despite heavy rain. The ultimate decision of the school board – 6 to 3 in favor of the proposal – was met with angry shouts and hostility from a tense crowd.<sup>77</sup>

After the proposal passed in December 2011, IDEA moved forward with the contract, which outlined a plan to serve grades K, 1<sup>st</sup>, 2<sup>nd</sup>, and 6<sup>th</sup> in the 2012-13 school year at the Allan Elementary building, then add 3<sup>rd</sup> grade to the Allan site and move 6<sup>th</sup> and 7<sup>th</sup> grade to Eastside Memorial in 2013-2014. The plan involved building grade by grade until Eastside Memorial served its first graduating class in 2019. The choice to begin with a primary school program is consistent with IDEA's scale-up model in the Rio Grande Valley, but was a decision that troubled many affected families, given that the elementary school had been given an "Acceptable" rating by the Texas Education Agency in its two most recent evaluations. Although Eastside Memorial High School had been rated as "Unacceptable," and was under the reconstitution plan required by TEA, there was no such warning signal to suggest that Allan Elementary should be the target of a school takeover. Parents, organized activists, and other concerned community members continued to speak out against the policy details that would affect Allan, and ultimately

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<sup>76</sup> Whittaker, "The Storify of AISD and IDEA."

<sup>77</sup> Taboada, "Over Opposition, Austin School Trustees Approve IDEA Charter at 2."

the full Eastside Memorial Vertical Team. Among the most commonly expressed grievances were:

1. Allan Elementary teachers would be required to reapply to teach at IDEA Allan, sit in a reserve pool for assignment to another AISD school, or resign;
2. A lack of transparency and flexibility in the opportunity for Allan Elementary families to “opt out” of IDEA Allan in favor of attending Govalle or Ortega, two neighboring AISD elementary schools;
3. Potential for overcrowding at Govalle and Ortega from those who opted out of IDEA Allan.<sup>78</sup>
4. General confusion about the changes in curriculum and extracurricular opportunities that would be available to IDEA Allan students, including the school’s ability to serve students with special needs.

The opt-out for IDEA Allan was broadly exercised, with 99 of the 167 students living in the Allan attendance zone (to whom, attendance at IDEA had been guaranteed) electing to attend another AISD elementary. IDEA’s 600 remaining seats were filled by students from across AISD who chose to apply. Preference was given to those in the Eastside feeder schools, who ultimately filled just ¼ of the spots. IDEA was forced to recruit broadly and aggressively to meet its enrollment minimums as outlined in the contract with AISD, at the expense, many argue, of IDEA’s goal to serve low-income students. IDEA counters that it has re-attracted students from other Austin charter schools (and their associated per pupil funding) back into AISD and that it serves a population that is 84% low-income.<sup>79</sup> None of the teachers remained from Allan Elementary.<sup>80</sup> 4 of the 18 teachers hired and one academic counselor did come from the AISD talent pool.<sup>81</sup>

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<sup>78</sup> Whittaker, “Farewell to Allan.”

<sup>79</sup> Ibid.

## **School Board Elections**

Despite the set-back of IDEA's approval by the board, opposition to the partnership, most notably Pride of the Eastside, quickly regrouped and mobilized with an eye on the upcoming school board election. Three board members who had voted for the IDEA proposal were up for re-election in November of 2012, including Board President Mark Williams. A fourth member, Annette LoVoi who had voted against the proposal, decided not to seek re-election.<sup>82</sup> The first school board election to be held in November, and to coincide with a Presidential election, this race attracted more attention and greater turnout than past school board votes. According to the Austin American Statesman, the IDEA vote was a key issue in the election, along with the leadership of Superintendent Carstarphen and "community trust."<sup>83</sup> The election resulted in four new board members, two of whom explicitly expressed an anti-IDEA platform (Gina Hinojosa and Jayme Mathias), while the other two (Amber Elenz and Ann Teich) campaigned more indirectly on the platform of "restoring trust." Following the election, all four new members stated an opposition to the process that had preceded the IDEA vote.

Immediately following the election, the IDEA partnership resurfaced as a school board agenda item. According to the original contract, the partnership could be terminated for the following year by either party by giving notice by December 31<sup>st</sup> of the previous year.<sup>84</sup> New board member, Jayme Mathias, who now represented the district in which Allan Elementary was located, requested that the board review the contract, stating, "The decision to partner with IDEA was made with a board that no longer exists...the intent is to have a conversation and see where we as the Board of Trustees

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<sup>80</sup> Heinauer, "New Ideas, Look as Doors Open at IDEA In-district Charter School."

<sup>81</sup> Heinauer, "New IDEA Charter Leader Gears up for School, Hopes to Mend Fences."

<sup>82</sup> Taboada, "As IDEA Gets Set, so Do Its Critics."

<sup>83</sup> Taboada, "Three New Faces Likely for Austin School Board."

<sup>84</sup> "IDEA Final Agreement - Signed.pdf."

fall on this issue.”<sup>85</sup> The board invited IDEA leadership to present at a board work session and provide an update on current enrollment at IDEA Allan, attrition since the beginning of the school year and a financial assessment. A formal board discussion of the partnership was slated for the new board’s December 17<sup>th</sup> meeting.<sup>86</sup>

In another late night board meeting on December 17<sup>th</sup>, the new Austin board of trustees voted 5-4 to end the partnership with IDEA. The majority comprised three new board members (Mathias, Hinojosa and Teich) and two existing members who had previously voted against the measure. In parallel to the original vote, the meeting was standing room only, with approximately 200 people waiting outside to hear the verdict. 30 community members were invited to address the board, most of them parents and students of East Side Memorial High School, as well as other members of the eastside community who spoke out against the partnership. In addition to opponents, a group of approximately 50 IDEA Allan parents and supporters, many in tears, attended the meeting on behalf of the partnership. In ending the partnership, board members stated that the issue was too divisive to persist. New member, Gina Hinojosa stated, “The process was so terribly flawed, I’m just not sure we can get past that at this point. At some point, so much damage is done, that it’s time for a divorce.”<sup>87</sup>

### **IDEA MOVING FORWARD WITH HINDSIGHT**

With the partnership dissolved, IDEA found itself in a operational and ethical quandary. Without the operational support of AISD, the school must either close after a single year in operation or find the facilities and funding necessary to move forward as an independent entity in Austin. Larkin Tackett, Executive Director of IDEA Allan,

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<sup>85</sup> Taboada, “Charter School Under Scrutiny.”

<sup>86</sup> Taboada, “Trustees Reconsider Contract with Charter.”

<sup>87</sup> Taboada, “Trustees Vote to End IDEA Partnership.”

addressed IDEA’s supporters at the December 17<sup>th</sup> board meeting stating, “We made a promise to our students and their families and we’re going to keep that promise. Tomorrow our teachers go back to work. Our parents bring our students to school and that’s going to last until 2029, when our kindergarteners are going to graduate from college.”<sup>88</sup> Since the dissolution of the partnership, IDEA has moved forward with its plans to develop its program separately from AISD, though at the time of this publication, a firm decision on location for the school had not been released.

Staff and administrators at IDEA and Austin education professionals involved in the partnership have much to say about the lessons learned from the experience. Firstly, the business model for an in-district partnership remains compelling, but IDEA will likely proceed with considerable caution before entering into another such arrangement. The opportunity a partnership presents to gain a competitive advantage over other charters is significant—partnership provided IDEA with ready access to facilities, students, a talent pool of teachers, and other operational services like food and transportation. However, the partnership also required IDEA to cede considerable control. While IDEA stood its ground on some issues, such as its insistence on beginning the school model at the elementary level rather than the high school level, it ceded control over much of the school’s recruitment and messaging.

Leaders recognize that the financial attractiveness of the partnership may have enticed IDEA to compromise on several of its expansion criteria: in hindsight, Austin does not have an ideal setting for sustainability (IDEA’s third criterion) in terms of infrastructure for scaling a school and private and philanthropic support. A community that is still wary of the school choice movement, Austin is not yet an entirely hospitable

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<sup>88</sup> Ibid.

environment. Without the partnership opportunity, IDEA may not have settled on Austin as an appropriate location for expansion, a reality it now faces as it strives to continue to serve its Austin students without the benefits of partnership. The challenges of this partnership might have been mitigated with more time. IDEA and AISD might have benefitted from taking a planning year rather than diving immediately into operation. Additionally, IDEA might have considered insisting on a contract that expanded beyond one year to allow for school operations to take root and demonstrate success before the their contract was subject to termination by the new board.

In addition, IDEA leaders recognize their lack of understanding of the political and social landscape of Austin. Leaders failed to anticipate opposition despite available warning flags and underestimated the power of “a few loud voices” to gain support in a frustrated community. Relatedly, IDEA leaders now recognize the essential role of messaging in its expansion to Austin and its failure to control that process. Engaged in a tug of war with AISD over who should respond to community concerns and how, IDEA failed to craft a message to counter that of the opposition and engage its target market. In hindsight, IDEA leaders recognize the need to more fully understand the Austin education consumer. IDEA’s recruitment messages were based on an understanding of low-income minority communities in the RGV; leaders realized too late that, while many aspects were translatable to Austin, there were significant differences between these communities. IDEA leaders wish they had taken the opportunity to answer questions fully, clearly, and quickly. The limited charter community in Austin, and a prevalent skepticism about these schools meant that many families were simply misinformed about what IDEA offered and why. These questions, raised in community forums, in the press, and through the opposition groups often went unanswered. The questions felt like attacks and IDEA often failed to respond, losing the opportunity to create a brand and reputation.

IDEA was surprised to learn that results wouldn't speak for themselves. In a new market, they were required to communicate more than their graduation statistics and college attendance rates to gain trust and generate interest.

Finally, in order to successfully engage the community with the sort of communication strategy described above, IDEA staff believe they would have benefitted from establishing staff and leadership on the ground in Austin much earlier than they did, helping to develop allies and initiate communication proactively rather than reactively.

## **Chapter 4: Critical Analysis and Moving Forward**

This chapter briefly revisits each of the expansion frameworks described in Chapter 2, examining each in the context of the IDEA Public Schools expansion to Austin. Following these analyses, the author introduces a new framework that incorporates the best and most relevant aspects of existing frameworks, as well as new elements derived from the IDEA case into a hybrid, cross-sectoral model.

### **IDEA PUBLIC SCHOOLS THROUGH THE LENS OF “PORTER’S FIVE FORCES”**

A Five Forces analysis provides a useful, if narrow perspective on IDEA’s expansion, focusing on the competitive environment of the Austin education market. While several of the forces discussed apply naturally to the case, others require more imagination and tweaking to provide insight.

#### **Threat of Entry**

When considering expansion into Austin, IDEA leaders might have considered two scenarios: one in which IDEA partnered with AISD, and one in which it operated independently. From the former perspective, Austin becomes is a very attractive choice for expansion, in terms of the Threat of New Entrants or competitors. By partnering with AISD, IDEA would stand to benefit from reduced capital requirements (start-up costs) and the economies of scale generated by AISD’s extensive operations in the region, as well as a ready-made distribution channel (i.e. a school) through which to reach students. Few, if any charters would be viable competitive threats to IDEA if operating in the shield of a successful AISD partnership.

## **Power of Suppliers**

Considering the power of suppliers, IDEA leaders might have assessed, in particular, the labor supply available to them. Key points of research would include the interest level of current, high-performing AISD teachers in teaching at an in-district charter school; the availability of a talent pipeline of teachers with applicable training, most notably the presence of a Teach for America corps in the area; the attitude of the local teacher union toward charter schools in general, and IDEA in particular. This research may have lead IDEA to question its labor supply in Austin. While it is hard to gauge the interest level of high performing AISD teachers would have had if the community response to IDEA had not been so poor, IDEA certainly could have anticipated a battle with Education Austin, simply by recognizing that the union was creating a competitive plan to develop its own in-district charter. The lack of a Teach for America pipeline in Austin might also have been a red flag. In practice, IDEA drew much of its teaching staff from its existing teacher pool in the Rio Grande Valley, a viable internal strategy, but one unlikely to boost its image in Austin.

## **Power of Buyers**

While the traditional definition of the Power of Buyers is limited in its application in this case, a variation on this force might be more relevant. Instead of investigating the power of buyers, IDEA might have investigated the “empowerment of buyers” or the awareness of their target consumers of the theory of school choice, the school choices available to them and the relative advantages and disadvantages of each. Another way to consider this would be investigating of the “readiness” of Austin’s eastside community to engage in school choice. A thorough investigation of the “empowerment of buyers” through community engagement, surveys, focus groups, interviews and the like might

have give IDEA’s leadership pause and, if not deterred them, informed the process through which they entered the market, shaped their message and recruited students.

### **Threat of Substitutes**

The threat of substitutes does not seem to have played a significant role in the IDEA case, but may certainly be relevant in other geographic locations.

### **Rivalry Among Existing Competitors**

IDEA did investigate the competitive environment in Austin and found there to be more cooperation than rivalry among the limited number of charters in the area. Given that these schools were able to meet their enrollment goals without fierce competition and maintain waitlists, IDEA found little cause for concern with this force. As IDEA’s entry into the Austin market proceeded, this analysis proved accurate. With one exception other charter schools in the area were supportive of IDEA throughout its tumultuous entrance into Austin.

### **IDEA THROUGH THE LENS OF “SCALING SOCIAL IMPACT”**

The nonprofit model in “Scaling Social Impact” presents a fascinating preliminary stage for IDEA and other high performing charters when considering expansion. The first step is to identify its innovation and determine whether that innovation exists at the *organizational* level, *programmatic* level or *principle* level. KIPP completed this analysis and determined that its innovation was at the principle level. Most high-performing charters operate as though the innovation exists at the organizational level. This may in fact be true, but as this framework suggests, CMO leaders should truly take the time to consider that question and justify an answer before proceeding with expansion. In my conversations with IDEA leaders, no one was able to identify and succinctly describe IDEA’s innovation. They pointed to the core values but

acknowledged that those values are reminiscent of the pillars of peer charter organizations. While IDEA’s top leadership may have identified this innovation, it does not appear to have been clearly defined throughout the organization, limiting its usefulness.

Furthermore, the model dictates that after identifying the organization’s innovation, it should proceed through a “Five Rs” analysis to determine which mechanism is the appropriate choice for expanding that innovation. Although the model identifies just three mechanisms—*dissemination*, *affiliation* or *branching*—the IDEA case study presents a 4<sup>th</sup> mechanism relevant to the charter context: *partnership*.

### **Readiness**

This criterion offers an internal look at organizational readiness, in contrast to the external look at market readiness provided by Porter’s Five Forces. IDEA’s success in expanding across the Rio Grande Valley answers the first question of this “R:” whether there is demonstrable success that isn’t dependent on a specific leader or other organizational circumstances. IDEA schools have proliferated across the RGV under a variety of school leaders and in a variety of school settings. The second question, whether the leader understands what elements of its innovation are required for success, is less clear. Certainly, as IDEA negotiated its contract and shaped its message in Austin, a better understanding of these concepts would have been valuable.

### **Receptivity**

Here we find a particularly relevant question that might have informed IDEA’s policy. Because the IDEA partnership did represent “a radical departure from accepted practice”<sup>89</sup> in the target community, leaders should have anticipated resistance, according

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<sup>89</sup> Dees, Anderson, and Wei-Skillern, “Scaling Social Impact,” 30.

to this model. This awareness might have informed the mechanism through which IDEA wished to spread its innovation—perhaps by licensing a curriculum to AISD rather than converting a school, for example—or, alternatively, IDEA might have selected a market that was more receptive to IDEA’s preference to expand through branching.

### **Resources**

A resource-based perspective of the IDEA expansion would certainly favor the plan to partner with AISD, given the wealth of resources—facilities, transportation, food service, human capital and even customers—that AISD was able to provide that would minimize the financial cost of bringing IDEA into the Austin market.

### **Risks**

The risk analysis recommended by Dees et al is very valuable in the IDEA context, encouraging leaders to ask, “How likely is it that an innovation will be implemented incorrectly or will fail to achieve its intended impact? If this happens, what are the potential negative effects on the clients and communities being served?”<sup>90</sup> IDEA may have benefitted from a close examination of the risk of failure of the partnership and what that would mean, not only to the Austin eastside community, but also to its own existing customers in the RGV. Loss of trust in AISD and damage to the IDEA reputation were significant issues in hindsight.

### **Returns**

In the context of risk, IDEA might have also considered returns. This process might be in the context of returns to impact, returns to IDEA’s expansion goals or returns to IDEA’s reputation. A thorough cost-benefit analysis would require a thorough understanding of the organization’s priorities among those three types of return. By

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<sup>90</sup> Ibid.

understanding the risks and returns of each type entry into Austin’s market (through partnership, independent branching, affiliation or branching), IDEA’s leadership might take a calculated risk rather than a hopeful leap.

### **IDEA THROUGH THE LENS OF “SCALING UP CHARTER MANAGEMENT ORGANIZATIONS”**

Given the critiques already presented for this growth model, this analysis considers only the criteria presented in this framework that are most relevant to the IDEA case.

#### **Know the Landscape**

This is an area in which IDEA truly suffered. With limited staff on the ground in Austin and a lack of savvy about opposition that was likely to arise, IDEA was at a disadvantage politically. Additionally, IDEA administrators acknowledge a failure to connect with and engage the families that comprised their target market, and ultimately a failure to distinguish their needs and adapt to them.

#### **Know Who you Are and How to Communicate it**

This is another opportunity for IDEA to improve strategically. This goal relates directly to the recommendation in “Scaling for Social Impact” that the organization must, before all else, define its innovation. Identifying, articulating and branding around that innovation would provide the foundation of a communications platform for IDEA, including a ready response to opposition.

#### **Money Matters**

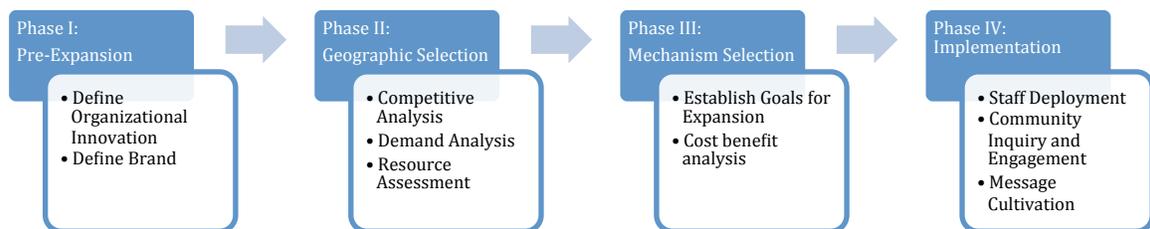
Notable in this recommendation is the admonishment to consider any “strings attached” before accepting funds. IDEA leaders have acknowledged that they will take

more caution in this in the future, which suggests a wish to have taken more consideration of the contract associated with the great resources provided by partnership.

### **A NEW FRAMEWORK FOR CHARTER MANAGEMENT ORGANIZATION EXPANSION**

Drawing from the strengths of each of the frameworks presented here and from analysis of the IDEA case, the following is a comprehensive model from which charter school leaders can approach geographic expansion. It is comprehensive in that it spans four phases: pre-expansion, geographic location selection, growth mechanism selection, and implementation. It is comprehensive also in that it draws from the research of experts and practitioners across sectors, a logical imperative for an educational movement that is defined by merging private and public sector ideas. In addition to being comprehensive, the framework is targeted toward CMOs, with IDEA Public Schools serving as a case study for its relevance and applicability.

Figure 1: A Comprehensive Framework for Strategic CMO Expansion



#### **Phase I: Pre-Expansion**

The first phase of this model, “Pre-Expansion” draws from the recommendation of Dees et al that a vital precursor to any CMO expansion is to define its *innovation* or, in other words, have a firm grasp on what defines that organization’s success and how it can

be differentiated from other education providers.<sup>91</sup> Following that process, the organization must be able to articulate that innovation through a clear *brand identity* that will facilitate messaging down the road.

### **Phase II: Geographic Selection**

This phase draws from all three models as well as the author's insights, but primarily from Porter's Five Force. In this phase, the CMO leadership should assess the *competitive market*, considering the threat of entry of new charter schools in the future as well as the intensity of rivalry among CMOs and other education providers already operating in the market.<sup>92</sup> In addition, during this phase leaders should *analyze demand*, considering the threat of substitutes for the target consumers, as well as the "Buyer Empowerment" or awareness and readiness of target consumers to engage in school choice. This analysis should be considered incomplete without thorough investigation into the socio-political history of the geographic region and its cultural impact on the target consumer's receptivity to the specific innovation the school wishes to offer.<sup>93</sup> Finally, in this stage, leaders should engage in a *resource assessment* of the region, including the power of suppliers, most notably labor (teacher) suppliers and the availability of diverse funding opportunities.<sup>94</sup>

### **Phase III: Mechanism Selection**

This model draws from the Dees et al assertion that organizations must consider the appropriate mechanism for expanding in the context of that organization's goals and strengths. Charters might choose from among the mechanisms described in "Scaling Social Impact:" *dissemination* (merely sharing best practices to enable the growth of

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<sup>91</sup> Ibid., 26.

<sup>92</sup> Porter, "The Five Competitive Forces That Shape Strategy," 86.

<sup>93</sup> Farrell, Wohlstetter, and Smith, "Charter Management Organizations," 4.

<sup>94</sup> Porter, "The Five Competitive Forces That Shape Strategy," 86.

other charters in the area); *affiliation* (i.e. franchising as KIPP has done); or *branching* (as is typical for most high performing charters).<sup>95</sup> A fourth mechanism presented in the IDEA case is that of *partnership*, and CMOs may well discover others with thoughtful consideration. Importantly, a thorough Phase III analysis will involve a *cost-benefit analysis* of the potential risks and returns associated with each mechanism.

#### **Phase IV: Implementation**

Finally, expansion planning should continue in the early phases of implementation with the CMO leadership deploying staff into the chosen market early to both engage with the community and develop a firmer grasp of its needs and socio-political nuances. This team should then embark on the process of message development in preparation for recruitment.

#### **CONCLUSION**

In an era of heightened social and political scrutiny of the education sector, there is a tendency to speed through policy reform, jumping from innovation to innovation with high expectations and limited patience for results. The School Choice Movement spread quickly, with charter schools proliferating around the country. However, criticism of charter schools moved just as quickly, inciting an intense debate over the potential of these schools to bring about significant improvements in the outcomes of American students. At this early stage in the development of charter schools there is limited data to argue either case convincingly and a dearth of comprehensive evaluations of the effects of school choice. Furthermore, the fragmented nature of the movement has limited the development of sound theory from which charter school leaders can draw in developing

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<sup>95</sup> Dees, Anderson, and Wei-Skillern, “Scaling Social Impact,” 28.

their school models. These limitations suggest that the potential of charter schools is at present, not only unknown, but unknowable.

This report serves to bolster the growing body of literature of common theoretical frameworks and evidence-based best practices with which charter school leaders can inform their decision-making. Specifically, the model presented in this report seeks to inform strategic expansion of charter schools, a challenge that is central to the question of whether school choice can achieve the scale necessary to fundamentally alter the public education system. The growth of this theoretical base will serve to optimize the efficiency with which charter schools reach their potential, enabling an informed debate about the value of these schools and their future in the public education system.

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