Privatization “Philly Style”
What Can Be Learned from Philadelphia’s Diverse Provider Model of School Management?

December 2005
Learning from Philadelphia’s School Reform

Research for Action (RFA) is leading Learning from Philadelphia’s School Reform, a comprehensive, four-year study of Philadelphia’s complex and radical school reform effort. RFA researchers are working with colleagues from the University of Pennsylvania, Montclair State University, Swarthmore College, and the Consortium on Chicago School Research to examine the impact of state takeover, the efficacy of a diverse provider model, the success of district-level leadership in managing a complex set of reforms, the engagement of civic and community groups with district policy and school improvement, and the key factors influencing student outcomes under various school conditions and school management models.

Learning from Philadelphia’s School Reform includes a multi-faceted, vigorous public awareness component that engages leaders and citizens in the process of educational change, and informs and guides the national debate on school reform. The project disseminates information broadly through public speaking, reports, research briefs, and journal articles featuring clear, timely, and credible analysis of the real impact of school improvement efforts.

The project is supported with lead funding from the William Penn Foundation and related grants from Carnegie Corporation of New York, The Charles Stewart Mott Foundation, The Pew Charitable Trusts, Surdna Foundation, the Spencer Foundation, and others.

Research for Action (RFA) is a Philadelphia-based, non-profit organization engaged in education research and evaluation. Founded in 1992, RFA works with public school districts, educational institutions, and community organizations to improve the educational opportunities for those traditionally disadvantaged by race/ethnicity, class, gender, language/cultural difference, and ability/disability.

Research for Action is funded through grants from foundations and contracts for services from a range of organizations, including the School District of Philadelphia. For more information about RFA please go to our website, www.researchforaction.org.

Mission Statement

Through research and action, Research for Action seeks to improve the education opportunities and outcomes of urban youth by strengthening public schools and enriching the civic and community dialogue about public education. We share our research with educators, parent and community leaders, students, and policy makers with the goals of building a shared critique of educational inequality and strategizing about school reform that is socially just.

Copies of this brief can be obtained for $5 (bulk orders @ $4) by contacting: Research for Action, 3701 Chestnut Street, Philadelphia, PA 19104, 215-823-2500, ext. 508, or info@researchforaction.org or may be downloaded from the RFA website, www.researchforaction.org.
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Jolley Bruce Christman, Eva Gold, and Benjamin Herold  
Research for Action

A Research Brief  
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Introduction

Philadelphia can no longer be considered the poster child for distressed urban school districts. The city’s education leaders are citing rising standardized test scores and advising other districts on how to leverage the private sector to turn around persistently low-performing schools. Significantly, more than just school reform experts are listening. Nationwide, a broad range of observers are tracking the outcomes of privatization in Philadelphia, where a state takeover has introduced an unprecedented level of private management of public schools, in what is known as the diverse provider model. The Wall Street Journal, Forbes magazine, the business section of the New York Times, and business leaders across the country are keeping a trained eye on whether the dual goals of student achievement gains and private sector profits can be compatible.

Philadelphia’s diverse provider model, the focus of this brief, is just one among several forms of “privatization” occurring in public education today. “Privatization” may involve the application of business models to public education (e.g., decentralized management, performance standards), the introduction of market-driven education models (e.g., vouchers, charter schools), or the outsourcing of public functions to the private sector. Philadelphia’s diverse provider model involves outsourcing school management and other services to a variety of private sector “providers”—including for-profit Educational Management Organizations (EMOs), local universities, and local non-profit organizations.¹ In education, outsourcing has traditionally involved peripheral services such as transportation, security, and food services. In Philadelphia, however, outsourcing has been extended to the core functions of public schools: the design and delivery of education programs.

Philadelphia’s diverse provider model is of national importance because of the nature of the outsourcing that is occurring, because of the scale at which it is occurring, and because it offers a window into what is likely to happen as other cities turn to private providers to manage persistently low-performing schools in response to enforcement of the accountability mandates of the federal No Child Left Behind Act (NCLB). The model also carries with it high stakes for the students it impacts in Philadelphia’s low-performing schools—the vast majority of whom are doubly disadvantaged by poverty and racial discrimination.

It is important to note that the diverse provider model is only one of a number of major reforms initiated in Philadelphia since state takeover. An aggressive, energetic CEO, Paul Vallas, and the School Reform Commission (which, under the state takeover, replaced the Philadelphia School Board) have:

- instituted a district-wide core curriculum, accompanied by a system of benchmark assessments;
- restructured school organizations by moving middle grades from middle schools to K-8 schools and through the creation of a set of smaller high schools;
- launched a $1.5 billion capital campaign to improve aging facilities and build new schools;
- issued a district-wide zero-tolerance discipline policy; and
- mandated extended-day programs.

Philadelphia also presents an important example of how an urban district attempts to couple large-scale outsourcing of school management to private providers—each of which potentially brings a distinctive approach to school improvement—with a considerable number of district-mandated policies and initiatives.

¹In this brief, we use the term ‘providers’ to refer to all private sector entities—including for-profit companies, non-profit organizations, and universities—contracted to manage schools. Because they are unique in having existing missions that focus on providing educational management services, in this brief we refer only to the for-profit providers as Educational Management Organizations (EMOs).
The Theory of Change

The introduction of private management of Philadelphia public schools can be attributed, in part, to a “theory of change” that shaped the thinking of former Pennsylvania Governors Tom Ridge and Mark Schweiker, as well as a number of high-ranking state legislators. Like others who support the application of market ideas to public education, they believed students’ low academic achievement to be largely attributable to: a lack of sound management practices by district and school leaders; union contracts that imposed narrow work restrictions; and a rigid, inward-looking professional bureaucracy that eschewed innovative practices.

In privatization, state leaders saw an opportunity to overcome these challenges by stimulating organizational innovation, efficiency, and effectiveness. They believed that introducing competition and increasing choice were key to improvement. In theory, competition among providers for contracts would keep costs down, thus making the financially distressed system more efficient. As private sector organizations applied their expertise and resources to troubled urban schools, innovation would flourish. School management organizations would offer distinct educational approaches, and parents and students would be able to choose from a greater variety of school options. Further, contracts would provide a legal mechanism for holding private providers accountable for improving schools and raising test scores. In this brief,

- we examine the creation, evolution, and expansion of Philadelphia’s diverse provider model through the lens of this theory of change;
- we show that the beliefs and assumptions underlying the diverse provider model have been amended over time;
- we illustrate how district and provider leaders have reshaped the model in response to political realities, the pressures of NCLB, and the continuing tensions between provider autonomy and strong district guidance.

We argue that the story of Philadelphia’s diverse provider model is not an account of market competition and school choice. Instead, it is an account of how the outsourcing of educational management functions has led to the development of a “cross-sectoral collaboration” between Philadelphia’s public schools and a set of diverse providers. In this relationship, the district itself is positioned as the consumer of educational services as it strives to accelerate performance in low-performing schools and to take reforms to scale.

As previously mentioned, Philadelphia’s diverse provider model dramatically extends the practice of outsourcing educational services into the core functions of public schools—the design and delivery of educational programs. It has also served as a platform for developing a wide range of additional “partnerships” with other private sector organizations for a variety of services, including school management. As a result, the district is becoming what political scientist Jeffrey Henig and colleagues call a public/private hybrid system.2

Further, we caution that it is premature to herald the success of the diverse provider model. Preliminary test score data raise questions about the ability of the providers to accelerate test scores at a faster rate than district schools. As the diverse provider model enters its fourth year, it is time for a thorough assessment of the model and a broad public dialogue about its future. We pose questions that we believe should guide a comprehensive assessment of the model’s efficacy.


As part of our Learning from Philadelphia’s School Reform project, Research for Action (RFA) is tracking changes in the 86 schools identified as “low-performing” and targeted for intervention in 2002 following the state takeover of the School District of Philadelphia.3 Many of these schools have been part of Philadelphia’s diverse provider model and have experienced changes in their management structure, their grade configurations, the amount of additional per pupil funding they received (above levels allocated to all district schools), and their leadership. We will continue to follow these schools in order to learn how the reform, over time, addresses the needs of this group of schools or designs interventions to improve outcomes in these schools.
The Seeds of the Diverse Provider Model

The diverse provider model in Philadelphia is the result of a decade of ideological struggle and state/city conflict. In 1995, Republican Tom Ridge was elected governor of Pennsylvania. Governor Ridge, Lieutenant Governor Mark Schweiker and high-ranking state legislators believed that the introduction of market-driven models of education were necessary to invigorate the public education system.

At the same time, the School District of Philadelphia adopted a ten-point reform plan under the leadership of the new Superintendent, David Hornbeck. The reform plan, known as Children Achieving, represented a very different governance approach than the market-driven models Ridge favored. Children Achieving was a systemic, standards-based reform with strong accountability measures and an attempt at decentralization. In effect, Hornbeck and those surrounding him believed that the district, with adequate financial support, could reform itself.5

A major hurdle for Superintendent Hornbeck was to gain the support of state leaders in over-riding a 1993 law that capped funding to school districts and drove Philadelphia’s already precarious school funding situation deeper into crisis. Confidence in the Children Achieving reform, however, did not materialize; as a result, neither did the additional state support needed to fully fund the reform plan. In 1998, a standoff between the superintendent and the state occurred when Hornbeck announced that there would be no further reductions to district programs, even if that meant shutting down the district. State legislators, Republicans and Democrats alike, responded by passing Act 42, “draconian legislation” permitting state takeover of any district in financial and/or academic

Methods

Data collection for this paper included interviews, observations, and document review. Between September 2002 and January 2005, we conducted 35 in-depth interviews with School District of Philadelphia central office staff and representatives from the private providers, as well as several long-time observers of the district and school reform in Philadelphia. In addition, we interviewed 20 principals, three to four times each, between January and May 2003. We interviewed most members of the Office of Development—which had primary responsibility, during the second and third years of the diverse provider model, for recruiting and working with providers and other private groups who “partnered” with the district. We also spoke with several other central office staff knowledgeable about the model. Interviews used a semi-structured interview protocol1 and were tape-recorded and transcribed. In most cases, two researchers attended interviews.

In addition, we have observed most meetings of the School Reform Commission and a number of important gatherings related to district governance, including a 2004 conference on public/private partnerships, co-sponsored by the district and the U.S. Department of Education. We are also regular participant-observers of city-wide meetings of education activists and education reform groups. We have complemented interviews and observations with an extensive review of district documents, media coverage, and other related documents. We have collected additional data from the various stakeholders who provided feedback on our preliminary findings.

Based on a careful reading of the data, codes were developed and data were coded using a qualitative analysis software (Atlas.ti). Codes addressed issues such as the roles and responsibilities of both the district and providers. Analysis of the coded data led to the themes described in this paper.


distress, which observers agreed was directed at Philadelphia. In May 2000, the legislature passed additional takeover legislation, Act 16, aimed at Philadelphia and 10 other school districts whose students performed poorly on state assessments.

In June 2000, Superintendent Hornbeck resigned, refusing to preside over the dismantling of the reforms he had put in place. In summer 2001, despite the company’s declining finances and plunging reputation, Governor Ridge hired Edison Schools, Inc., the nation’s largest school management provider, a $2.7 million contract to review district operations and make recommendations for improvements and reorganization. That October, Ridge left for Washington to become head of the new Department of Homeland Security, and Mark Schweiker replaced him as governor. It was Schweiker, drawing heavily on Edison’s proposal, who announced a plan for state takeover that placed Edison in charge of many central office functions, as well as the management of 60 low-performing schools.

Student and community groups staged highly visible demonstrations against Schweiker’s plan and called for local participation in decision-making about new reforms. Their protests gave Democratic Philadelphia Mayor John Street leverage to re-negotiate the terms of the state takeover. Originally, the School Reform Commission (SRC)—which replaced the previous School Board, composed entirely of mayoral appointees—was to be composed solely of gubernatorial appointees. Significantly, Street gained two mayoral appointees to the five member SRC. The December 2001 takeover was thus recast as “friendly,” with the city and state working as partners.

**How did Philadelphia get to the diverse provider model?**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>State freezes school funding formula.</td>
</tr>
<tr>
<td>1997</td>
<td>PA legislature approves statewide charter school legislation. District, city, and community leaders file a lawsuit against the state contending that PA does not provide a “thorough and efficient” education.</td>
</tr>
<tr>
<td>1998</td>
<td>Hornbeck and city leaders “draw a line in the sand” and refuse to cut more programs—threatening to adopt an unbalanced budget. District, city, and community leaders file a federal civil-rights suit against the state, arguing that the state’s funding practices discriminate against school districts with large numbers of non-White students. PA legislature responds by passing Act 46, a state takeover law aimed specifically at Philadelphia.</td>
</tr>
<tr>
<td>1999</td>
<td>School district presents budget to City Council with projected $94 million deficit for 1999-2000 school year and refuses to make further cuts. Heated mayoral race with education as a central issue.</td>
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<tr>
<td>2000</td>
<td>Mayor Street selects a new School Board and appoints the first Secretary of Education for the city. PA Legislature passes and Gov. Ridge signs Act 16—the Education Empowerment Act—a state reform and “takeover” bill aimed at 11 school districts. A state takeover is averted through a financial settlement reached between the School District and Gov. Ridge. Still facing a deficit, the School Board cuts the budget and Supt. Hornbeck resigns in protest.</td>
</tr>
<tr>
<td>2001</td>
<td>School Board adopts budget with $216 million deficit, creating a new fiscal crisis with state takeover of the district possible. Ridge hires Edison Schools, Inc. for $2.7 million to make recommendations for state takeover. Ongoing student and community protests against privatization of schools.</td>
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</tbody>
</table>

Ridge appointed Homeland Security Director, Lt. Gov. Schweiker becomes Gov.; presents takeover plan drawn heavily from Edison report calling for private management of up to 60-80 schools and recommends contracting out most central administration functions. Strong community opposition prompts the governor to negotiate a new plan. State takeover becomes “friendly takeover” negotiated between Mayor Street and Gov. Schweiker, includes additional funds—$75 million state and $45 million city for the District. City agrees to put on hold the federal civil rights suit against the state charging discrimination.
schools and would thus be held accountable to the same performance measures.

The 2002-03 school year thus began with awards of five-year contracts to three for-profits and two non-profits and awards of three-year contracts to two universities. While offering providers a reasonable window of time to demonstrate measurable results in performing complex services, these multi-year contracts also inhibited competition by foreclosing access to alternatives, as the literature on privatization describes. These contracts covered the management of 46 low-performing elementary and middle schools, with providers receiving between $450 and $881 in additional per pupil funds. This influx of resources came from a pool of $75 million released by the state and specifically earmarked to support the diverse provider model. District officials explained that the disparities in per pupil funding levels were determined via a formula that combined the difference between teacher salaries at each school and average teacher salaries district-wide with presumed district savings for central office support. [See the box on this page for a summary of the providers, the numbers of schools assigned to each, and the additional per pupil funding they received.] Provisions of the contracts differed across the providers. The two universities negotiated for less management authority; their contracts focused on specific support services (e.g., professional development, curriculum development) that they would provide their schools.

While the theory of change underlying the diverse provider model had relied on a competitive process to spur organizational innovation, effectiveness, and efficiency, the lack of qualified applicants and the security of multi-year contracts ensured that providers were not thrust into immediate competition for either contracts or schools.

<table>
<thead>
<tr>
<th>Type</th>
<th>Provider</th>
<th># of schools</th>
<th>Extra per-pupil funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>For-profit</td>
<td>Edison Schools, Inc.</td>
<td>20</td>
<td>$881</td>
</tr>
<tr>
<td></td>
<td>Victory Schools, Inc.</td>
<td>5</td>
<td>$857</td>
</tr>
<tr>
<td></td>
<td>Chancellor Beacon Academies, Inc.</td>
<td>5</td>
<td>$650</td>
</tr>
<tr>
<td>Non-profit</td>
<td>Foundations, Inc.</td>
<td>5</td>
<td>$667</td>
</tr>
<tr>
<td></td>
<td>Universal Companies</td>
<td>3</td>
<td>$656</td>
</tr>
<tr>
<td></td>
<td>Temple University</td>
<td>5</td>
<td>$450</td>
</tr>
<tr>
<td></td>
<td>University of Pennsylvania</td>
<td>3</td>
<td>$450</td>
</tr>
<tr>
<td>District</td>
<td>Office of Restructured Schools</td>
<td>21</td>
<td>$550</td>
</tr>
<tr>
<td></td>
<td>“Sweet 16”</td>
<td>16</td>
<td>$550</td>
</tr>
<tr>
<td></td>
<td>Transitional Charters</td>
<td>3</td>
<td>$550</td>
</tr>
</tbody>
</table>

5-member SRC appointed to replace School Board (3 gubernatorial and 2 mayoral appointees). James Nevels, prominent suburban Philadelphia businessman appointed chair.

2002

No Child Left Behind is signed into law requiring states to define Adequate Yearly Progress targets and increasingly severe interventions for failure to meet them. Continued public opposition to extensive role of Edison in proposed reform.

SRC calls for an open process to select diverse providers and invites applications.

SRC chooses seven providers to manage 46 low-performing schools, giving each provider $450-$881 additional funds per pupil, creating the diverse provider model.

Paul Vallas hired as the CEO. District creates Office of Restructured Schools (ORS) to manage 21 schools. Contracts with providers are finalized. Vallas claims responsibility for the oversight of central administration functions from Edison, whom the SRC had named “lead provider.”

Ed Rendell, Democrat and former Mayor of Philadelphia, elected Gov. 22 schools meet all NCLB-mandated AYP targets.

2003

For 2004, Vallas implements core curricula in math and literacy with increased instructional blocks. SRC terminates contract of one provider; 3 others get additional schools.

District creates Office of Development to serve as single point of contact for providers.

Rendell wades funding battle with PA legislature and delays budget passage.

58 schools meet all of their NCLB-mandated AYP targets.

2004

160 schools meet all of their NCLB-mandated AYP targets (the state relaxed the criteria for meeting some AYP targets during 2003-04; 30 of the 160 schools would not have met all of their AYP targets in 2004 without these relaxed criteria).

SRC publishes Declaration of Education, a blueprint of district goals to be reached by 2008.

2005

District announces pairing 12 high schools with private “transition managers” to assist with their conversion into smaller schools.
Just as competition was constrained, so were the promised choices for students and families. There was not meaningful public input into the selection of educational providers or into the pairing of providers with schools. Philadelphia parents were not able to elect which provider they wanted for their child’s school. The diverse provider model opened up an entire sector of schools to alternative management models, as demonstrated by the charts above. Despite the emergence of this new sector, however, opportunities for parents to select their child’s school from a variety of options remained confined to the alternatives that existed prior to the diverse provider model: charter schools or special admission schools (such as magnets and vocational-technical schools).10

The Diversity of the Diverse Provider Model

The diverse provider model brought together organizations with diverse motivations and agendas; different capacities, histories and cultures; and varying levels of investment in the experiment. Research on alliances between the public and private sectors suggests that the distinctive missions and interests of the different economic sectors—public, for-profit, and non-profit—shape their respective contributions to any alliance.11 This research notes that effectively managing complex cross-sectoral alliances, such as the diverse provider model, poses significant challenges. It describes the public sector as still a relative novice in deciphering how to make the new systems work. Below we provide snapshots of the original providers to illustrate some of the organizational variation within Philadelphia’s diverse provider model.

For-profit providers There were initially three for-profit management providers: Edison Schools, Inc., Victory Schools, Inc., and Chancellor Beacon Academies, Inc. Even within this for-profit sector, there was substantial organizational variation. At the time of state takeover, Edison Schools, Inc. managed more than 100 schools nationwide and in the United Kingdom. Chancellor Beacon Academies, Inc. was the nation’s third-largest privately owned, for-profit EMO, but still far behind Edison in both the number of schools it managed and its notoriety. Victory Schools, Inc. was a small, privately owned, for-profit school management organization with operations in New York and Baltimore.

Of the for-profit groups, Edison clearly had the most riding both on its performance and on the ultimate success of the diverse provider model. Its entry into Philadelphia came at a time when it was receiving harsh criticism for its performance in other states (including New York, Kansas, California, and Texas) and on Wall Street. In many ways, Philadelphia became a test case for Edison’s viability. Edison had the most

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8 Despite provisions in NCLB intended to provide choices to parents of children attending schools that are unsafe or ‘need improvement,’ Philadelphia, like many other urban districts, does not have nearly enough available slots at qualified schools to accommodate all of the students who are legally entitled to attend an alternate public school.

10 Despite provisions in NCLB intended to provide choices to parents of children attending schools that are unsafe or ‘need improvement,’ Philadelphia, like many other urban districts, does not have nearly enough available slots at qualified schools to accommodate all of the students who are legally entitled to attend an alternate public school.
to gain from the overall success of the diverse provider model and entered its assigned schools with full-blown curricula in the core subject areas and a sophisticated system of benchmark assessments for tracking student achievement. In contrast, Victory and Chancellor Beacon had significantly lower national profiles. Notably, however, Victory recruited a former district employee, who had helped design the diverse provider model, to head its Philadelphia effort, which touted an early literacy program and single gender classrooms.

**Non-profit providers** There were two non-profit providers: Foundations, Inc. and Universal Companies. Foundations designs and runs after-school programs across the country and provides technical assistance to charter schools. Of all the providers, Foundations had the most knowledge of the district and its operations. Foundations’ founder, Rhonda Lauer, was a former Associate Superintendent in Philadelphia and many of its staff members are former employees of the district. All of its assigned schools were located in the legislative district of influential State Representative Dwight Evans, a strong proponent of charter schools and state takeover. Foundations saw its involvement as a support to the community development work of State Representative Evans, with whom it had worked on other projects.

Universal Companies is a community development corporation founded and led by music mogul Kenny Gamble. It had recently established a charter school in the South Philadelphia neighborhood where its newly assigned schools were located and where it was already active in creating housing, boosting economic development, and providing social services. Even more than Foundations, Universal saw its management of schools as part of its overall effort to spark neighborhood improvement. It brought a deep knowledge of the local community and a strong web of relationships to its work with schools. Unlike Foundations, however, Universal had limited school management experience and needed to build a staff that could lead its educational efforts.

**University providers** The two university providers were Temple University, a state-assisted university in North Philadelphia, and the University of Pennsylvania, a private research university in West Philadelphia. Both universities had historical connections to schools in their immediate neighborhoods and saw their involvement in the diverse provider model as congruent with their goals of community revitalization in their contiguous neighborhoods. Both saw their schools as laboratories for training student teachers and providing research and development opportunities for faculty. Penn had recently partnered with the district to open the “Penn-assisted” Sadie Alexander School. Temple supplied more teachers to the district than any other higher education institution and intended to bring together resources from across the University to offer social supports to its schools’ students and families. In contrast to the for-profit groups, Penn and Temple were considerably less invested in the diverse provider model as a strategy for urban school reform. They saw their role more in terms of service provision—curriculum development, professional development for teachers and administrators, tutoring for students—than as school managers and therefore negotiated less management authority than other providers.

The district also created an internal Office of Restructured Schools (ORS) to manage 21 schools (17 elementary and four middle schools) in which it expended an additional $550 per pupil beyond its allocation to other district schools. By creating the ORS, the district diverted approximately $10 million dollars, which would have otherwise flowed to external providers, back into district-managed schools. In the process, the district also established a cohort of schools that was demographically and academically similar to those turned over to providers. By using these schools to pilot district-designed interventions, the district, in effect, created a “comparison group” against which the success of the external providers could be measured.

Research on the role and contributions of external partners in school improvement indicates that the value of the partnership depends in large part on the level of relevant knowledge and experience on the part of the outside partner.12

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Generally, these studies indicate that the functions of external partners fall into three arenas. First, external organizations support schools in tasks associated with school restructuring, such as locating or reorganizing school facilities, hiring teachers and principals, developing collaborative work structures, and facilitating outreach to parents and community members. Second, they provide professional development through coaching or workshops in areas such as content, pedagogy, and assessment. Finally, external organizations play important roles as advocates for their partner schools within the bureaucracy. External partners often have knowledge and connections that help schools negotiate or finesse district policies related to curriculum, assessment, material resources, staffing patterns, or facilities. In Philadelphia, the providers clearly brought very different experience, skill, expertise, and relationships to these functions. The overall success of the model would depend on each provider being able to capitalize on its strengths and to build capacity in areas of weakness.

Research also shows that districts matter in making such cross-sectoral collaborations work. Districts must pay close attention to developing a system-wide environment that truly supports school partnerships with external organizations. They must remove bureaucratic obstacles, monitor performance, ensure that partnerships are sustainable through turnover of school and district administrators, and create a productive tension between centralization and autonomy. Districts must also get to know each external partner well so that they can capitalize on the strengths of each organization and minimize the weaknesses.

Clearly, the diversity of the diverse provider model posed significant challenges to the Philadelphia school district. Given the literature on schools working in cross-sectoral alliances, it seems likely that the model’s success was dependent, to a large extent, on the district’s flexibility and vigilance in managing its relationships with the private sector.

Year 1 (2002-03): A Rocky Start to the Diverse Provider Model

The Challenges of “Thin Management”

The School District of Philadelphia’s approach to outsourcing school management, which it described as “thin management,” had two major impacts during the first year of implementation. First, thin management created considerable confusion about provider authority and accountability and about available supports for school personnel. Second, it inhibited providers’ autonomy as they tried to apply (and in many cases, develop) their educational interventions for Philadelphia schools.

Under thin management, schools were not turned over lock, stock, and barrel to providers. Instead, the district retained responsibility over such areas as staffing, facilities management, school safety, food services, the overall school calendar, and the code of conduct for teachers and students. On one hand, providers were generally happy to accept this division of responsibility; none of them was as well equipped as the district to handle the totality of managing schools. On the other, it was a steep learning curve for providers as they attempted to “work the system” and access the services due from the district to their schools. Provider staff and school principals complained that the district was often slow in responding to requests for services.

Most critically, under the diverse provider model, principals and teachers remained district employees. Providers had to abide by the district’s union contracts, including provisions for salary, teacher transfer, time allotted for professional development and meetings, working conditions, and other rules. Providers also had to follow the district’s notoriously centralized and often cumbersome procedures for hiring new teachers, leaving them little control over the hiring process. The SRC had negotiated these provisions with the union during the summer of 2002. Needless to say, these restrictions created ambiguity and inevitable conflicts about

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lines of authority. Principals especially tended to feel caught between conflicting obligations to two sets of administrators: their provider and their regional superintendent within the district. They expressed dismay at having to attend two sets of administrative meetings (sometimes scheduled for the same time) and bewilderment over who was evaluating their performance. They characterized their predicament as "serving multiple masters."\(^{15}\)

Furthermore, increased teacher turnover exacerbated the uneasiness that pervaded many provider schools. Following takeover, teachers had the option to transfer without penalty if their school was being turned over to a provider. Departures (voluntary and forced) of popular principals who did not want to serve in an externally managed school and high teacher turnover in some schools increased instability in already precariously staffed schools.\(^{16}\) Teacher transfer rates shot up in schools assigned to Edison (19 percent to 40 percent), Victory (17 percent to 40 percent) and Universal (14 percent to 36 percent). This trend was especially prevalent in the four schools slated to be converted to charter schools, where teachers feared they would lose union membership and their status as district employees.\(^{17}\)

Research suggests that the district’s continued control over school staffing might well pose one of the most formidable obstacles to innovation in the diverse provider model. Economist Elliott Sclar argues that until management and labor work together in order to free labor to be creative, little innovation can occur.\(^{18}\) This, he argues, is true regardless of whether the public or private sector guides management.

### NCLB and District Recentralization Inhibit Provider Innovation

Under “privatization Philly style,” providers did retain authority over curriculum and instruction. Given providers’ varying levels of management experience, however, the extent to which they implemented a distinctive and coherent educational approach varied. In addition, looming NCLB sanctions strongly influenced the academic programs across all providers; providers were bound to align their curricula with the all-important Pennsylvania State System of Assessment (PSSA) exams, the state assessment used to measure schools’ progress toward NCLB’s Adequate Yearly Progress (AYP) targets.

Furthermore, CEO Vallas showed the centralizing stripes he had worn in Chicago. He unveiled an array of district-wide reforms for which provider-managed schools were also accountable: a strict zero-tolerance discipline policy; massive transition to K-8 school organizations; and extended day programs and summer school for students scoring “below basic” on standardized tests.\(^{19}\) Throughout Year 1, thin management, NCLB, and the district’s own recentralization efforts worked as homogenizing forces on the diverse provider model.

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\(^{17}\) Spiridakis, K. (2003).


**Year 2 (2003-04): Making the Diverse Provider Model Work**

During Year 2, the district and the providers both took steps to strengthen their collaborative relationships and to put the diverse provider model on firmer ground, even while the district continued efforts to recentralize some of its authority. CEO Vallas created an Office of Development charged with overseeing the providers (as well as the growing number of other private organizations “partnering” with schools to provide assistance or management services) and facilitating their interaction with the central office. The Office of Development became the providers’ primary point of contact with the district. Many central office staff credited Vallas for reaching out to external groups, which they saw as evidence of a long-overdue “culture shift” taking place. One district staffer expressed the philosophy behind this shift: “We have to take away every barrier for the partners [here, referring to the school management providers] so they can succeed on their own merit. Then they can teach us something.” This staffer is referring to the district staff’s tendency to remain insular and to disdain the potential and real contributions of “outsiders” to improving school and district performance. Improving schools and helping students to overcome many obstacles to learning is very hard work—work that is often invisible and unacknowledged. District and school staff feel simultaneously resentful and demoralized when “outsiders” enter the district with fanfare and the attitude: “We’re here to turn around this failing system.”

During Year 2, Vallas and the SRC made some headway in opening up this closed culture because of the Office of Development’s responsiveness. They received praise for their willingness to partner and strong leadership in doing so; a provider leader claimed, “It [the diverse provider model] could easily have been derailed. It could have failed in the first year.” Questions remained, however, about the extent to which this culture shift extended beyond the Office of Development and permeated the general district culture.

The providers also worked to create an increasingly collaborative atmosphere. Instead of competing with one another to enlarge their “market share” of schools, the providers focused on working together and on ensuring the success of the model as a whole. Following Chancellor Beacon’s dismissal, the providers focused on not being “the laggard” on student test score gains; none of the providers wished to fall too far behind. At the same time, however, they seemed to want success for all. Providers sought to identify their common interests and concerns and to voice them collectively to the district through the Office of Development. Interestingly, though, the providers did not cast their fate solely with the district. Individually, they sought to develop a broad base of political support by maintaining direct relationships with SRC members and with state and city officials. This ongoing political maneuvering by providers served as a further hindrance to the competition envisioned in the original theory of change.

Even as the district took steps to make life easier for the providers, it continued re-centralization efforts. Most importantly, it issued a district-wide core curriculum aligned with state standards and the PSSA. CEO Vallas believed that a standardized curriculum was a much needed tool for teachers. Upon learning about Edison’s benchmark assessment system, he also instructed district staff to create a similar system to accompany their core curriculum. Vallas made the core curriculum/benchmark system available to providers for use in their schools if they so chose, and most adopted the system selectively or entirely. The core curriculum served to level the playing field for providers, like Universal, that had not arrived with ready-made curricula.

The district also instituted a city-wide school quality review process, including schools with outside management providers and charter schools. A team of educators visited schools, conducted interviews of staff, observed classrooms and reviewed school documents. The team then issued recommendations for how the school could improve its academic programs and school climate. Implicit in any school review process is a set of assumptions about what constitutes an effective school. Like the core curriculum, the school review process was a way for the district to exert its influence on providers and their schools. Both processes reflected Vallas’ stance that all schools are district schools.
Clearly, the district and the providers both made significant accommodations during the second year to ensure the success of the diverse provider model. Both recognized that good communication and strong relationships were essential to developing a constructive interdependence. The providers recognized that the stability of collaborative relationships would promote a more beneficial environment than a tumultuous marketplace marked by competitive relationships. For their part, Vallas, the SRC, and other district leaders believed that turning to the private sector and leveraging its human and material assets to address the district’s persistent problems—including low student achievement, a lack of leadership, and resource gaps—offered a pragmatic means of accelerating performance in failing schools.

Notably, by the end of Year 2, the original theory of change—competition among providers to perform well, to attract more students to their schools, and to win additional contracts with the district—had been amended considerably. Cross-sectoral collaboration (between the public school district and the private providers) and greater investment in the success of the model as a whole had replaced competition among providers, although none wanted to be seen as the laggard on test score improvement. Likewise, choice for students and families never materialized as a potential lever for bringing improved effectiveness, efficiency, and innovation.

**Year 3 (2004-05): Heralding the Success of Privatization and Expanding Its Role**

During the 2004-05 school year, the district strove to inspire confidence in its diverse provider model and to expand the scope of its private sector relationships. In October 2004, it co-hosted a two-day conference with the U.S. Department of Education’s Office of Innovation and Improvement. CEO Vallas framed the event in advance: “From day one, we have said that schools cannot improve without the help of the Philadelphia community and our partners in the public and private arenas.” As the conference got underway, providers picked up this theme, emphasizing the uniqueness of Philadelphia’s partnerships with the private sector and highlighting the diverse provider model.

By creating a platform to champion Philadelphia’s diverse provider model publicly and by linking recently released news of district-wide test score gains to the theme of partnerships, district officials and partners alike used this conference to inspire a sense of positive momentum and to engender public confidence. They presented lessons learned from their successes and offered advice on how other cities might replicate these successes. Their goal was to re-position Philadelphia as a cutting-edge, reform-minded district that is ahead of the national curve on the strategic use of the kind of public/private partnerships advocated as education remedy under NCLB.

U.S. Secretary of Education Rod Paige gave a ringing endorsement of Philadelphia’s efforts, stating, “This school district has embarked on one of the most aggressive implementations of NCLB.... You have blurred the line between public and private.... Everyone in the nation should take notice of these partnerships. They are a new frontier in school reform.” Praise from local political figures—such as Mayor John Street, who said that the partnerships “give a sense of momentum and progress in the city,” and State Representative Dwight Evans, who added that they “reflected a spirit of cooperation”—were further evidence of the district inspiring public confidence in its efforts. Such praise signaled that rising public confidence in Philadelphia’s new role as forerunner and a front runner was starting to replace the exhaustion

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**STATUS OF DIVERSE PROVIDER MODEL**

**June 2004**

The district and SRC did not contract with any new providers or terminate the contracts of any existing providers. No schools were reassigned to other providers. The diverse provider model remained stable.
and demoralization that had marked the contentious years of former Superintendent David Hornbeck’s Children Achieving reform agenda during the 1990’s.

**Student Test Scores**

Standardized test scores in Philadelphia, since the inception of the reform, have moved upward and the resulting media attention has boosted the public’s confidence in the school district. District-wide scores from the Pennsylvania System of School Assessment (PSSA) tests have increased over the first three years following the state takeover in the tested grades (5th and 8th) at the elementary and middle levels. The percentages of students scoring in the proficient and advanced categories in reading increased by 14-15 percentage points from 2002 to 2005 for 5th and 8th graders. In mathematics, gains have been more impressive: the proportion of 5th graders’ scoring proficient or advanced jumped almost 27 percentage points over the three-year period while 8th graders’ scores increased more than 21 points. At the 11th grade level, however, scores did not improve. Test score gains on the nationally normed TerraNova exams in grades 3-10 in four subjects show increases in district performance as well, although score trends vary by subject and grade. Overall, absolute score levels remain low: on the 2005 PSSA tests, 37 percent of the district’s students scored proficient or advanced in math and 35 percent did so in reading.

In addition, the number of schools meeting all of their NCLB-mandated Adequate Yearly Progress (AYP) targets went from 22 in 2002 to 160 in 2004, then dropped back to 132 in 2005 when state AYP targets became more stringent. Fifteen of the 45 schools still under private management made AYP in 2005. District officials have attributed gains in test scores and AYP attainment to the diverse provider model and to centralized reforms, notably the core curriculum, use of regular Benchmark tests to chart students’ progress, professional development for teachers, and more time devoted to instruction in math and literacy during the school day and after school.

District administrators, researchers, and stakeholder groups are especially curious about how trends in achievement among students attending schools included in the diverse provider model compare with those of students in district-run schools. Whether test score gains in the provider-run schools increase at a faster rate than others is of particular importance given the additional resources directed to the takeover schools and the district’s interest in expanding private sector involvement in school management.

The district itself and independent researchers, including Research for Action, are planning longitudinal value-added analyses of student performance. These studies will look at the achievement growth of individual students by school and subject over a period of years. Subsequent comparisons of results among schools and providers will be more meaningful than comparisons based on test scores of different cohorts of students in the same grade from year to year. In the meantime, two independent research groups have conducted preliminary analyses of variations in test score trends among providers, and the district itself has published test-score breakdowns by provider or intervention strategy. These studies include the following:

- John Easton and Steve Ponisciak of the Consortium on Chicago School Research found that 5th and 8th graders in the 86 schools targeted for additional resources and/or intervention after the state takeover (see pie chart, page 8) did not show significantly different trends in Terra Nova scores between 2003 and 2005 than students in district-run schools. The results of the study, commissioned by Research for Action, are reported in *Learning from Philadelphia’s School Reform: What do the research findings show so far?*  
  
  Easton and Ponisciak also compared test-score trends of four sub-groups of the 86 schools against each other. The sub-groups include: 1) schools run by the district’s Office of Restructured Schools (ORS); 2) schools run by school management providers; 3) district schools (dubbed the “Sweet 16”) that received extra financial resources to continue their school improvement efforts; and 4) “drifters”—schools

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21 For a full description of these subgroups, see Useem (2005).
that migrated from one provider or intervention to another. The researchers did not find significant differences in gains in student scores or decreases in the percentage of students in the bottom quartile by provider or by intervention strategy. The data did suggest, however, that in the case of 8th grade math, the 86 schools targeted for intervention showed greater gains than the rest of the district’s schools, with the Sweet 16 and schools run by external managers showing the most substantial gains over the two-year period studied.

- Preliminary findings by Mac Iver and Mac Iver in 2005 on growth in PSSA math test scores of students in high poverty middle grades schools identified similar results about the impact of the diverse provider model. The Mac Ivers tracked the scores of two cohorts of students from 5th to 8th grade, using PSSA data through spring 2004. (Further analyses using the 2005 data will be forthcoming.) One cohort experienced the new reforms only during the 8th grade and the other cohort experienced the changes in both 7th and 8th grades. They documented substantial gains overall in PSSA math achievement in 2004—near the end of the first year of implementation of the core curriculum in math—but found that gains among students in schools managed by providers were not accelerating faster than among students in district-managed schools.

- The district’s own breakdowns of PSSA results by provider and by other intervention types from 2002 to 2005 show that schools run by the district’s Office of Restructured Schools registered greater gains among 5th and 8th graders than the providers in both math and reading. District data also show that schools partnered with the University of Pennsylvania demonstrated the next-highest score gains in reading, while both Penn and Edison were runners-up to ORS schools in math improvement over the three-year period (Appendix 1).

Test score data thus far show some improvement in math and reading, with overall levels remaining comparatively low and with no provider or intervention strategy standing out as being much more effective than others. Early comparisons among providers and intervention efforts reveal complex patterns of results. For example, PSSA results over the three-year period suggest that ORS schools have been more effective than those managed by external providers. But further analyses of TerraNova scores for Research for Action by Easton and Ponisciak demonstrate actual declines in average math and reading scores among 5th and 8th graders in ORS schools over the same period. The district’s decision in the spring of 2005 to disband the ORS sub-district after its three-year experiment removes a natural comparison group from future analyses. The variations in the numbers of schools being managed by providers—Edison and ORS had many more schools than others—further complicate comparisons. These variations prompted Easton and Ponisciak to aggregate provider scores in their analyses. Clearly, judgments about providers’ effectiveness await more sophisticated longitudinal analyses of student test scores.

**Expanded Privatization**

Despite these questions, generally positive test score results across both district-managed and provider-managed schools have buoyed the confidence of both the district and the providers. Both seized the opportunity to herald their successes in such national publications as Forbes magazine and *Education Leadership*. Subsequently, the district has taken advantage of a surprisingly non-contentious political climate to expand the outsourcing of school management and related services to the private sector.


- Other partners—Microsoft, Inc., the Franklin Institute (Philadelphia’s science museum), the University of Pennsylvania, and the National Constitution Center—began or intensified their efforts to develop new high schools.

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In winter 2005, the SRC announced the awarding of contracts to four private entities to consult with 12 high schools in their conversion to "small high schools." Described as "transition managers," these companies (Princeton Review, ResulTech, Inc., Kaplan K-12, and SchoolWorks, LLC) would apply their expertise in managing these transitions. The district had worked previously with three of the companies; none, however, had experience managing high schools.

The district also granted extended authority to three national for-profits specializing in the management of alternative disciplinary schools: Community Education Partners (three schools), Camelot Schools (one school), and Cornell Companies (11 sites within other district schools). At this writing, the district has outsourced all its disciplinary schools. The numbers of students referred to such schools has jumped from 1,000 in the year 2000 to nearly 3,000 by spring 2005.

Despite this expansion of privatization, however, questions about the cost effectiveness, success, and equity of the diverse provider model re-emerged at the end of the 2004-05 school year. In spring 2005, the SRC voted 3-2 to give Edison two additional schools. While not a single member of the public stood up to object to the decision, one of the two mayoral appointees to the SRC, Sandra Dungee Glenn, explained her vote to oppose awarding Edison the additional schools:

I am against giving two schools to Edison. I got a report from the Chief Academic Officer and I think there is insufficient data to draw valid conclusions about overall performance on EMOs so far…. I see a very mixed performance, in my view…. Our Restructured schools do better on most of the indicators than the Edison schools. And in some subject areas in some schools, other providers do better. We need a bigger overall review of the EMO experiment. I am not sure they are accelerating school improvement more than other groups. Edison is not so outstanding that they should get two more schools.

Furthermore, despite the district’s painstaking efforts to avoid public comparisons among providers and to herald all providers’ contributions, a spring 2005 disagreement between the district and Temple became very public. After the district announced it would take two schools away from Temple and place them in the district’s newly created “CEO Region,” the schools’ leaders energized their communities to protest this decision. Ultimately, these schools were able to maintain their connection with Temple, although they will also be part of the CEO Region, which Vallas established to provide intensive, district-led, customized support for 11 schools failing to meet state performance targets for six consecutive years.

At the same time, district leaders decided to disband the Office of Restructured Schools and reassign its 21 schools either to their geographic regions or to the CEO Region. The ORS had been established to pilot the district’s interventions, to keep within the district state funds earmarked for the diverse provider model, and, significantly, to serve as a “comparison group” against which the providers could be evaluated. In dispersing these schools to the regions, the district argued that the school improvement efforts initiated under ORS could be sustained and that ORS resources could now be diverted to the CEO region’s schools.

Despite the expansion of privatization, questions about the cost effectiveness, success, and equity of the diverse provider model re-emerged at the end of the 2004-05 school year.

**STATUS OF DIVERSE PROVIDER MODEL**

**June 2005**

The district disbanded the Office of Restructured Schools (ORS) and dispersed its schools to the appropriate regional office for supervision and support. Two ORS schools were assigned to the newly-created CEO Region. Two schools under Temple University management were dually assigned to Temple and the CEO region. The SRC assigned two additional schools to Edison Schools, Inc.
Revisiting the Theory of Action

There is no question that the diverse provider model has changed the face of the School District of Philadelphia. While ushering in a dramatic increase in outsourcing arrangements with both for-profit and non-profit groups, the state takeover opened wide the door to new forms of private sector involvement in the city’s public schools. This involvement, in turn, is blurring boundaries between public and private and clearing the way for new institutional relationships, often characterized by cross-sectoral collaboration. The district is becoming the kind of public/private hybrid system described in the literature on privatization in education as well as other sectors.25

Our research indicates that the form of privatization that has emerged on the ground differs substantially from the version originally described by state leaders.

The diverse provider model has also brought positive attention to Philadelphia. District leaders have capitalized on that attention—as well as on rising standardized test scores across the district—to boost public confidence in the system and quell the political turmoil that marked the previous reform era. Philadelphia is now at the national forefront of privatization of school management, is negotiating a myriad of relationships with private sector organizations, and is viewed as improving student performance. These perceived accomplishments have altered public opinion. Rather than viewing the School District of Philadelphia as an isolated bureaucracy beset by ideological battles, many now view it as a district engaged productively with a variety of external partners. The relatively calm political environment has offered district leaders extraordinary rein to expand privatization at a rapid pace, with little public opposition.

Our research indicates, however, that the form of privatization that has emerged on the ground differs substantially from the version originally described by state leaders. In this section, we return to the theory of change underlying the diverse provider model to offer an analysis of how the model in practice varies from the model intended.

The original intention of state leaders in establishing the diverse provider model was to apply market ideas to public education. Like other privatization initiatives, the diverse provider model was established to: 1) leverage competition among providers in order to stimulate more efficient and effective practices and to enforce greater accountability; and 2) capitalize on the expertise and the distinct approaches of providers in order to spur educational innovation and to provide choice for students and their families.

Our analysis indicates that the extra value private sector involvement may bring to solving the problems of the Philadelphia school district will not accrue from competition and choice. The limited number of qualified providers, the necessity of long-term contracts, providers’ reluctance to take on larger numbers of schools, and their ongoing political activities to build support among government officials all work to constrain marketplace competition.

Furthermore, the district’s thin management approach to contracting, its re-centralizing initiatives—especially the core curriculum and benchmark assessment system—and the impact of NCLB have all likely inhibited innovation, reducing variation among the providers and further inhibiting competition. Steps taken by both the district and providers to alter organizational practices and to adopt a discourse of partnership are evidence of new collaborative relationships between the public and private sectors; together, they are working to ensure the success of the diverse provider model as a whole. The lack of genuine competition among providers in Philadelphia’s education marketplace is consistent with what research has demonstrated to be the case in other areas of public contracting.26

Neither has Philadelphia’s diverse provider model enhanced choice for students and parents, despite CEO Vallas’ consistent references to the management providers as an example of how his administration has opened up more education alternatives within the district. In reality, the district has adopted the role of “consumer” of school management services. It is the district that exercises the power of choice in selecting


the providers, pairing them with schools, and setting the terms of their contracts. It will be interesting to observe if choice will emerge in the district’s newest high school restructuring initiative that will transition the system from about 55 high schools in 2002 to between 70 and 80 smaller high schools by 2008. Building on the diverse provider model, this initiative will also partner many of these schools with private sector providers.

**Conclusion**

In conclusion, we raise questions that we believe should guide a comprehensive and rigorous assessment of the diverse provider model. These questions emerge from our analysis of what is actually happening in Philadelphia and from our reading of the literature on privatization in education and other public sectors. We believe these questions to be critically important both locally — where the district will soon be deciding what, if anything, of this reform effort should be carried forward — and nationally, where other districts will be using Philadelphia as a model for how to engage the private sector in the management of persistently low-performing schools.

First, we pose a question about the continued evolution and sustainability of Philadelphia’s diverse provider model:

1. **Will the School District of Philadelphia continue to develop the capacities needed at all levels of the system to establish and sustain a cross-sectoral collaboration that can improve the city’s persistently low-performing schools?**

**Capacity to Ensure Accountability**

The ability to effectively regulate, manage, and monitor the outsourcing of school management is one such capacity. This oversight capacity is key to ensuring accountability, not only for narrow contractual provisions, but also for the greater public good. (In the context of urban education, we use “serving the greater public good” to refer to the need to address such perennial problems as inequitable access to educational opportunity and strong learning outcomes for students that have traditionally been disadvantaged by race and class.) A theoretical advantage of outsourcing is that the private sector will bring a sharper sense of accountability for its performance than a large public bureaucracy does. As we have seen, however, marketplace competition is far from vigorous and has not been the lever for accountability that many imagined. Our analysis is consonant with that of other observers of privatization of the public sphere: the outsourcing of public school management raises accountability dilemmas both at the level of explicit contractual provisions for which a private contractor is hired and at the level of responsibility for the greater public good.27

At the operational level, an agreement between the contractor and a public agency is supposed to clearly delineate the obligations of the contractor. This can be exceedingly difficult in a complex arena such as education.28 It complicates the work of public sector managers who are on a steep learning curve for monitoring contract compliance and contractor quality.29 Further, the requirement that monitoring contractual agreements be accomplished at low administrative cost necessitates that, in actual practice, public agencies rely at least as much on relational trust with their vendors as close scrutiny of contracts to ensure quality.30 Paradoxically, the trust between the public agency and private provider that is built up over time can, in turn, make it more difficult to hold the contractor accountable.31

Other concerns about accountability are related to the concept of public accountability. First, the diverse provider model is largely characterized by top-down decision-making and lack of transparency—for example, the decision to disband the Office of Restructured Schools and disperse its schools to their geographic regions. Given that preliminary analyses of PSSA results indicates that ORS schools improved comparatively rapidly on...
at least one important measure, the PSSA tests, we ask what criteria the district used to make its decision to break up the ORS. In doing so, it dismantled the comparison group against which providers could be measured and has decreased the resources and attention directed toward the 21 low-performing schools the ORS served.

The central administration selected the providers, assigned them to schools, and established the criteria for judging their performance. Research on privatization in other public sectors, as well as our own studies, indicate that despite the potential benefits of cross-sectoral collaboration, privatization often narrows, rather than expands, public engagement.\textsuperscript{32} We believe, however, that credible answers to questions regarding the impact of Philadelphia’s diverse provider model can only come from vigorous debate that meaningfully includes the public.

In addition, Philadelphia grassroots community and civic groups—traditionally the city’s strongest advocates for educational equity—have become service providers themselves. This new role may compromise their ability to advocate for students and their families and to critique district practices. Outsourcing to these groups “shifts the locus and meaning of accountability.” These new organizational relationships may ultimately undercut accountability to parents and community members for a larger public good.\textsuperscript{33}

All of these concerns lead us to ask: Will the district be able to ensure accountability within the diverse provider model for improved educational opportunities and outcomes for students who have been disadvantaged by racial discrimination and poverty?

**Capacity to Capitalize on Providers’ Diverse Strengths**

A second area of capacity involves the district’s ability to be creative and flexible in order to capitalize on the providers’ diverse expertise, experience, material resources, and networks. This capacity is key to the district’s ability to take reforms to scale. We ask: can the district utilize the providers in such a way that the diverse provider model becomes one of a number of robust strategies aimed at ramping up school improvement across the district? This question goes to the heart of a central dilemma of “privatization Philly style:” the challenge of striking a productive balance between district oversight and guidance and provider autonomy.

Research on public/private hybrids, in education as well as other areas, suggests that the distinctive missions and interests of the different economic sectors (public, for-profit, and non-profit) shape their contributions to a cross-sectoral alliance. We have already described the considerable diversity of organizations that comprise the diverse provider model. Potentially, these providers can help the district to address persistent problems, including low student achievement, resource shortages, and a dearth of leadership, thus allowing for increased attention to improving instruction and raising achievement in schools. Effectively managing this diverse set of organizations in order to tap this potential, however, poses significant challenges to a school district that is still a novice at figuring out how to effectively leverage the diverse assets of the private sector.

The cultural shift from a closed, suspicious bureaucracy to an organization that engages productively with outsiders offers some evidence that the district is developing this capacity. This shift has been most evident in Philadelphia’s Office of Development, where staff has removed bureaucratic obstacles that initially undermined the providers’ work with schools. It is unclear, however, whether this shift in the way the district conducts business permeates other offices of central administration or individual schools. The extent to which the district’s strong centralizing measures and the homogenizing effects of NCLB may dilute the distinctive and potentially positive innovations of providers is also unclear.

Next, we pose a question about the efficacy and affordability of the providers’ work with schools:

2. Can school management providers generate robust and sustainable interventions—at costs that both the district and the providers can afford—that will result in stronger schools and improved achievement for students who live in some of Philadelphia’s highest poverty neighborhoods?


Just as it is critical to gauge the district’s capacity to effectively manage providers, it is also necessary to assess the providers’ ability to generate and sustain genuine improvement in the schools they are managing. The central work of the providers is to strengthen school capacity—the ability of a school to advance the quality of the educational program and to help all students reach high standards. School capacity has four dimensions—human capital (the knowledge, dispositions, and skills of individual educators); social capital (social relationships characterized by trust and collective investment in improved student outcomes); material resources (the financial and technological assets of a school); and structural capacity (a school’s policies, procedures, and formal practices). Research suggests that in order to effectively intervene in persistently low-performing schools, the providers will need to work on all aspects of these schools’ capacity simultaneously. Such work is complex and demanding. The success of external organizations doing this work depends on the level of expertise and experience that they bring to the tasks of school restructuring, professional development for school staff, and mediating relationships within the school and with the district. A comprehensive and rigorous assessment of the diverse provider model must include a thorough assessment of the full range of providers’ work with the schools they manage. Research for Action will be examining providers’ relationships with their schools and their approaches to school improvement in order to assess what interventions made a difference.

One important piece of such an assessment involves tracking student achievement gains under the diverse provider model. Preliminary standardized test score data indicate that providers are not accelerating student performance in persistently low-performing schools at a faster rate than the district itself. The data to date suggest that it is far too early to declare the success of the model. In order to best make such an evaluation, one necessary tool is value-added analysis that provides a more nuanced look at test score data by longitudinally tracking cohorts of individual students. Research for Action is currently initiating such an analysis.

Such value-added analyses can play an important role in assessing whether the diverse provider model is cost effective. In Baltimore, where Edison has managed three schools for the last several years, a recent study commissioned by the Abell Foundation is raising questions about Edison’s management costs and its profits. The Abell Foundation is calling for a broad public discussion of the study’s findings into whether privatization is delivering the ‘bang for the buck’ that its proponents have promised. The same kind of conversation is very much needed in Philadelphia.

The scale and nature of Philadelphia’s diverse provider model represents a radical shift in the district’s use of the private sector to provide education services. On the horizon are several events that present prime opportunities for broad public discussions about the efficacy of the model. During 2006, the School District of Philadelphia will be gearing up for contract negotiations with all the providers (except the universities). In addition, the district will be preparing for an eventual turnover of leadership. By providing a rich and accurate description of the diverse provider model in theory and in practice and by suggesting questions that should focus an assessment of the model, our intention has been to lay a foundation that can inform both local public debates about the model’s future and the deliberations of other urban districts about if and how to use private sector management to improve persistently low-performing schools.

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APPENDIX 1: 2002-2005 PSSA Results

Percentage Scoring Advanced or Proficient by 2005 EMO Classification, Grades 5 & 8 combined

--School District of Philadelphia

<table>
<thead>
<tr>
<th>Reading</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Change 04-05</th>
<th>Change 02-05</th>
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<tr>
<td>District Managed</td>
<td>27.0%</td>
<td>33.5%</td>
<td>43.2%</td>
<td>43.9%</td>
<td>0.7%</td>
<td>16.9%</td>
</tr>
<tr>
<td>Edison</td>
<td>10.5%</td>
<td>10.1%</td>
<td>20.7%</td>
<td>21.7%</td>
<td>1.0%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Foundations</td>
<td>13.5%</td>
<td>17.5%</td>
<td>19.4%</td>
<td>22.5%</td>
<td>3.1%</td>
<td>9.0%</td>
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<td>Penn</td>
<td>13.1%</td>
<td>15.6%</td>
<td>22.3%</td>
<td>27.2%</td>
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<td>14.1%</td>
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<td>Restructured</td>
<td>11.9%</td>
<td>20.0%</td>
<td>28.0%</td>
<td>29.3%</td>
<td>1.3%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Temple</td>
<td>9.8%</td>
<td>10.0%</td>
<td>15.7%</td>
<td>16.0%</td>
<td>0.3%</td>
<td>6.2%</td>
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<tr>
<td>Universal</td>
<td>8.6%</td>
<td>7.7%</td>
<td>25.0%</td>
<td>19.2%</td>
<td>-5.8%</td>
<td>10.6%</td>
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<tr>
<td>Victory</td>
<td>10.8%</td>
<td>14.6%</td>
<td>24.0%</td>
<td>23.9%</td>
<td>-0.1%</td>
<td>13.1%</td>
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<tr>
<td>Charter</td>
<td>24.8%</td>
<td>32.6%</td>
<td>35.4%</td>
<td>36.6%</td>
<td>1.2%</td>
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<th>Change 04-05</th>
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<tr>
<td>District Managed</td>
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<td>38.2%</td>
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References


Acknowledgements

We are once again indebted to many people at the School District of Philadelphia. We thank the school and central office leaders who offered their insights and assistance, and we offer a special thanks to the district’s Office of Development. In addition, we thank the representatives from the providers described in this report for their thoughts and comments. We thank the numerous civic, activist, community, provider, and other stakeholders who offered valuable feedback on earlier versions of this brief. The authors would like to thank other members of the Learning from Philadelphia’s School Reform team, particularly Suzanne Blanc, Katrina Bulkley, Leah Mundell, Morgan Riffer, and Elizabeth Useem, for data collection and analysis that contributed to this brief.

Special thanks to Robert Maranto (Villanova University) and Jane Hannaway (The Urban Institute) for their thoughtful comments on an early draft of this brief. The views expressed in this report are solely those of the authors.

About the Authors

Jolley Bruce Christman, Ph.D. is a Principal of Research for Action and a research director of the Learning from Philadelphia’s School Reform project. She was a senior investigator on the evaluation of the Annenberg Challenge in Philadelphia and wrote about decentralization in “Guidance for school improvement: How much, what kind, and from where?” a study of the Children Achieving reform. In addition to governance, her interests include school reform, learning organizations, and evaluation theory.

Eva Gold, Ph.D. is a Principal of Research for Action and research director of the Learning from Philadelphia’s School Reform project. She has worked with Dr. Christman, Dr. Elizabeth Useem, and others to direct the governance work of Learning,…, focusing on the political and managerial components of the most recent wave of reform and is leading the research on civic engagement in an era of privatization. Her interests include parent, community, and school dynamics, home and school literacies, and the politics of urban education.

Benjamin Herold, M.Ed. is a Senior Research and Communications Assistant at Research for Action. His work at RFA includes research and communications assistance for the Learning from Philadelphia’s School Reform project. His M.Ed. is in Urban Education from Temple University. His interests feature postsecondary access for urban high school students. He is currently directing First Person, a documentary film chronicling the experiences of six Philadelphia public high school students as they prepare for college.