

Educational Entrepreneurship

Frederick M. Hess

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To an unprecedented degree, this is the era of educational entrepreneurship. You know this; you also know that entrepreneurial activity remains distressingly sporadic in K-12 schooling. Here, I'd like to pull back to 30,000 feet and talk about why entrepreneurship is vital in K-12, why it's so rare, and what this means for policy and school reform.

Why Entrepreneurship Is Important in Education

Today, our schools confront challenges that our education system was never designed to and may not be equipped to answer. Erected haphazardly over the course of two centuries, our system of schooling has been configured to process large numbers of students for lives in an industrial nation. Given the demands of globalization and the knowledge economy, arrangements that may have worked passably well 50 years ago are no longer adequate.

Decades of earnest efforts to reform public schools have shown remarkably little ability to substantively alter routines or results, even when confronted with changing student demographics and needs. Reform tides have rolled out and in and out again, with little attention to implementation or execution.

This "spinning wheels" problem is caused not by innovation per se, but by the failure to root innovation in organizations characterized by intense, widespread commitment to them. In organizations led by officials without the tools to compel cooperation, where those who do more or devise new approaches are often stymied, and where keeping one's head down is the surest path to professional success, implementation tends to be half-baked and the results disappointing.

Successful entrepreneurs, on the other hand, build organizations populated by committed, self-selected team members and staff. The ability to build strong, coherent cultures that foster commitment and trust are critical determinants of entrepreneurial success.

From an Industrial to an Entrepreneurial Society

Why is educational entrepreneurship, largely ignored for so long, now deserving of attention? For starters, there is widespread agreement that, whatever its failings, the astonishing performance and adaptability of the broader American economy in recent decades has been fueled by entrepreneurial activity.¹

This revolution has become an organizing principle of American life. In the 1960s college graduates could expect to hold five jobs in the course of their lifetime. Those same graduates today can expect to hold four jobs by the age of thirty. Talented, energetic college graduates no

longer automatically queue up to patiently scale a corporate ladder or queue up in a seniority-driven bureaucracy.

Advances in technology and communications have created new possibilities for autonomy, decentralization, and customization. In 1991, the internet as we know it didn't exist. By 2004, 61 percent of households had internet access. In 1993, just 23 percent of households owned a computer. By 2004, two-thirds did.² The iPod didn't exist in 2000; by the end of 2006, more than 50 million had been sold. This technological revolution has created previously unimaginable communication and instructional opportunities.

Changes in policy, including charter school legislation and the growth of alternative licensure programs have made schooling more hospitable for entrepreneurs. Meanwhile, by 2005, at least one virtual school operated in almost every state.³

Finally, the advent of meaningful accountability has made entrepreneurship newly feasible. For nontraditional provision of schooling or services to prove practicable, providers must be held responsible for the results of their handiwork. Prior to the spread of sophisticated testing and benchmarking systems, the necessary tools simply did not exist.

Making Entrepreneurship Work

For all the excitable prose that business books devote to entrepreneurs, the truth is that entrepreneurship is a headache. It entails risks. It presumes that even smart, well-trained experts cannot anticipate needs, develop solutions, and ensure progress in an orderly fashion.

The secret of successful entrepreneurial sectors—whether automobile manufacturing in the early 20th century or high tech in recent decades—has been their ability to attract and inspire talented risk-takers in a way that professional hierarchies and public bureaucracies do not. This should not be taken to romanticize entrepreneurship. Scholars estimate that 60 percent of all new products are abandoned before they ever reach the market, and nearly half of those that do reach the market don't pan out.⁴ Nonetheless, the entrepreneurial promise is its capacity to unearth a Fred Smith or Bill Gates, and to benefit tens or hundreds of millions by encouraging these pioneers to build large-scale organizations that make high-quality, affordable parcel delivery or software available to all.

Hesitant to contemplate “risky” alternatives when dealing with children, most education reformers—right and left—prefer solutions that minimize risk. This inspires calls for smaller classes, “best practices,” scientifically based research,” more discipline, and other seemingly “risk-free” solutions. Even those who champion proposals like school vouchers or charter schooling typically tout the results of positive studies while minimizing uncertainty.

Discomfort with entrepreneurial activity in education is due in part to how rarely our assumptions about reform are informed by frank consideration of how progress unfolds in other sectors and how expertise, research, and data are used in other fields.

Entrepreneurship recognizes that progress is messy, partly because workable solutions change over time. What worked in 1950 may not prove as effective in 2000. By definition, new solutions are going to be untested and are going to emerge from trial and error. Clay Christensen has reported that in over 90 percent of all successful new businesses, the strategy the founders deliberately adopted was not the strategy that ultimately led to success.⁵ Entrepreneurship rejects the notion that we can somehow anticipate the future and then race there in an orderly fashion. A key problem is that our imaginations are limited by what we already know. As Chris Whittle, founder of the Edison Schools, has observed, “There was a time in aviation when the propeller was the only way to move a plane forward. Designers could not envision getting beyond a certain speed with a prop. Then came jet engines, and the speed of airplanes doubled overnight.”⁶

Examples of our limited ability to anticipate or gauge the utility of advances are legion. In 1861, German inventor Philip Reis invented a primitive version of the telephone—but gave up when no one expressed interest and he couldn’t conceive of any viable commercial applications. Fifteen years later, American inventor Alexander Graham Bell had more luck. In 1902, Wilbur and Orville Wright were asked how long it would be before someone would first build a working airplane; they said probably 20 years. The very next year, in 1903, they were the first to fly.⁷

The Edsel may be the most famous commercial flop of the 20th century. What many forget is that it was the most carefully designed car in American automotive history. Its massive failure, despite extensive research and planning, led the Ford Motor Company to revisit its assumptions. The unexpected result was the Mustang—one of the most successful cars of the 20th century.

If it’s tough to anticipate which inventions will prove useful, when inventions will occur, or what products will be popular, it may be even harder to predict which ventures will succeed. In 1910, there were about 200 U.S. firms producing automobiles. By 1960, just four of these firms were left standing. There was not a soul on earth who could have predicted in 1910 which firms would be standing 50 years later. These aren’t isolated phenomena; just ask anyone who failed to predict in 1998 that eBay, Google, and Amazon would become corporate giants while hundreds of competitors would fold.

A telling example is provided by onetime computer industry leader Univac which, based on careful analysis, predicted in 1950 that 1,000 computers would be sold, worldwide, by the year 2000. Of course, the analysts had in mind the hulking, room-sized machines of their day. After all, no one could foresee a day when laptops or handhelds would be casually sold at Wal-Mart. The notion that Michael Dell would one day make a fortune by selling computers out of a dorm room seemed ridiculous—including to those professors who passed up the invitation to invest—right up until he did.

If industries focused on producing straightforward products face such challenges, it should come as no surprise that matters get even more difficult when it comes to knowledge-based sectors. Consider the television industry: highly-paid experts, backed by enormous resources, equipped with incredibly sophisticated audience research, and operating in an immensely competitive environment, struggle to predict what will amuse or engage. How do they fare? Each year, the major television networks evaluate thousands of new series ideas and purchase approximately 600 pilot scripts.⁸ Just forty or so ever make it to the airwaves, and only a few survive more than

a season. For instance, among the 52 primetime pilots that aired on various U.S. networks in 2004-05, just 17 were still on the air in 2006.⁹ For all their efforts to anticipate audience tastes, major networks are routinely shocked by the performance of “breakout” shows like *American Idol* or *Lost* and by the failure of assorted “can’t miss” propositions.

As Robert Laughlin, Nobel Prize winning physicist, admonishes, “The search for new things always looks like a lost cause until one makes a discovery. If it were obvious what was there, one would not have to look for it.”¹⁰

In education, even leaders heralded for their entrepreneurial bent are often more enamored of yesterday’s entrepreneurial successes than with nurturing tomorrow’s entrepreneurs. More than a few “cutting-edge” superintendents tackle school reinvention by identifying some seemingly successful models and saying, “I want more of those.” Because today’s winners are, by definition, simply the best of what we already do, enshrining today’s best practices in statutes or policies can impede new providers and hinder the next generation of problem-solvers.

While the KIPP Academies have accumulated an impressive track record and national recognition, Mike and David are the first to acknowledge that their greatest triumph is proficiently executing a traditional model of schooling. They have succeeded by relentlessly focusing on results, recruiting talented educators, and forging a culture of commitment and hard work—rather than devising a fundamentally more productive model of schooling. KIPP deserves its accolades, but should be celebrated as a glimmering of what an entrepreneurial environment makes possible—not the culmination of that process.

In the larger U.S. economy, more than a thousand new business ventures are born every hour of every working day.¹¹ In 2005, 182 venture capital funds attracted over \$25 billion in new investment.¹² That’s a lot of new ideas, energy, and resources. In the U.S., the Global Entrepreneurship Monitor reports that 11 percent of jobs involve either starting or managing new businesses. Even in France, hardly a hotbed of entrepreneurship, the figure is over 5 percent. In Slovenia, it’s 2.5 percent. What’s the comparable figure for the education sector? Zero percent.¹³

Entrepreneurship Is Not a Question of School Choice

One common mistake made by many who claim to be friends of entrepreneurial reform is to conflate entrepreneurship and charter schooling or school vouchers. They seem to assume that endorsing entrepreneurship can be reduced to supporting choice-based reform. But that involves a fundamental misunderstanding of entrepreneurship—on at least two counts. One, they seem to imagine that choice is the key barrier for many efforts—when school choice can actually be a hindrance to certain entrepreneurial ventures. Second, entrepreneurship isn’t about “choices” so much as Darwinian selection.

While Belgium, for instance, has one of the world’s most expansive choice-based systems, few would deem it a hotbed of educational entrepreneurship. In fact, in Moscow in 1975, consumers could choose among scores of grocery stores. Few would argue that this yielded a vibrant or entrepreneurial marketplace. Why? Entrepreneurship is only tangentially concerned with choices—it requires choices to be coupled with opportunities for entrepreneurs to enter the field,

obtain resources, recruit talent, compete, and benefit from success. Choice fosters entrepreneurship *only* to the extent that it promotes these opportunities.

For instance, while both France and the United States have market economies, they vary enormously in the incidence of entrepreneurial activity. Of the 25 largest firms in France in 2005, not a single one had been founded since 1965.¹⁴ The American picture is radically different. Of the nation's 25 biggest firms in 2005, three-quarters didn't exist in 1965.

One limit on choice as an entrepreneurial engine is that consumer choice has historically been an uncertain spur for reinvention. For instance, when radio technology was first introduced, it was primarily used for Morse code and limited voice communication. It wasn't until David Sarnoff's 1915 suggestion that it could be employed to broadcast news, music, and baseball games that the possibilities of the new technology were really exploited. Providers driven entirely by current consumer demand have little opportunity to anticipate unrealized possibilities.

Choice-based arrangements are neither necessary nor sufficient for educational entrepreneurship. They aren't sufficient because removing formal barriers to new schools is only one step towards nurturing entrepreneurial activity. Choice isn't absolutely necessary because, at least in theory, a vibrant entrepreneurial sector can deliver educational services, tools, and products to teachers, schools, and districts absent additional school choice.

Rejecting a New “One Best System”

What, then, does all this mean for school reform? Since the 1974 publication of education historian David Tyack's seminal *One Best System*, much analysis has proceeded from the premise that the factory-inspired urban school systems we've inherited need to be redesigned using “best practices.” In many ways, the struggle has been to replace the 20th century “one best system” with a model redesigned for the 21st century.

The entrepreneurial presumption rejects that aim. Rather than determine what schooling “should” look like in 2040, it seeks a flexible system that welcomes talent, focuses on results, rewards success, removes failures, and doesn't stifle the emergence of better solutions. There are five essential principles that should guide the design of an entrepreneur-friendly system.

First, the system must be dynamic and responsive to the challenges presented by a changing world. This requires the dissolution of familiar monopolies and the removal of barriers that stand in the way of new providers. A dynamic system demands new knowledge, produced by rigorous models of research and development, and supported by public and private investment. This “R&D” model should emulate areas like medicine and technology, where products and services deemed state-of-the-art in 1987 now seem hopelessly antiquated.

Second, a healthy entrepreneurial environment is transparent with clear accountability for learning, service provision, and financial practices. It requires readily available data on student learning and various other performance considerations (from procurement to maintenance to hiring), compelling providers to compete on both quality and cost.

Third, the system should strive to attract and nurture excellence. Whereas today's school systems too often favor seniority, obedience, and uniformity, the aim should be a culture of meritocracy in which teachers and school leaders have the opportunity and tools to succeed. The training pipeline for educators should be rethought accordingly, to reduce the emphasis on formal certification while focusing on selecting quality candidates and adding value.

Fourth, today's funding arrangements discourage creative problem-solving, the emergence of niche providers, and the search for new efficiencies. State and federal regulations require nearly every district to provide similar bundles of services, while districts rarely use specialized providers to improve performance when it comes to services like human resources, facilities, or remedial instruction. Education finance should be configured to accommodate nonprofit and for-profit providers of niche instructional services and reward cost-effective performance.

Finally, the system must move from one designed around inputs and institutional needs to one designed around individuals and results. This requires recognizing students' varying needs and conceding that education is not a one-size-fits-all enterprise. For instance, NCLB-style accountability, premised on tracking average student performance across conventionally organized grades, constricts the scope of entrepreneurial activity. Such policies create new obstacles for nontraditional problem-solvers, without regard to promise or performance.

The challenge is to design a system in which, twenty-five years from now, tomorrow's entrepreneurs can focus on solving problems rather than dismantling roadblocks we have unwittingly strewn in their path. Popular proposals to limit class size or to require that districts spend 65 percent of their funding "in the classroom" are counterproductive because they will stifle a new generation of educators just as thoroughly as collective bargaining provisions and licensure hamper the current one. We should seek not to erect a new "best" educational system, with buildings and policies that will serve as monuments a half century from now, but one capable of evolving with those it serves.

There are at least three specific sets of obstacles that must be addressed to do this: barriers to the entry of new providers, a lack of venture capital, and a pinched human capital pipeline. Typically, at this point, I walk through the three. Here, because it's after lunch and it's been a long two days, I'm going to skip this piece—and figure that it will give us something to discuss in Q&A, if anyone cares to.

Nothing Ventured, Nothing Gained

Let me close by noting the entrepreneurial paradox: it requires accepting the risk that some ventures will fail so as to address a larger risk—that of ending up mired in a staid mediocrity.

Entrepreneurship is not about quick fixes. In K–12 schooling, where all are quick to declare grandiose aims and then demand immediate solutions, such a stance approaches apostasy. Nonetheless, the greatest risk we confront today lies not in embracing entrepreneurship but in clinging to an inadequate, anachronistic status quo. Failed ideas, providers, and schools are indeed a high price to pay. It is one worth paying only when compared to the stagnation and ceaseless, pointless tinkering that have long been the face of school reform.

¹ Carl J. Schramm, *The Entrepreneurial Imperative* (New York: HarperCollins, 2006); Paul A. London, *The Competition Solution: The Bipartisan Secret Behind American Prosperity* (Washington, DC: AEI Press, 2005).

² U.S. Census Bureau, "Computer Use in the United States," *Current Population Survey (CPS) Reports* (U.S. Census Bureau, October 1993), Table A: Level of Access and Use of Computers.

³ John F. Watson, *Keeping Pace with K-12 Online Learning: A Review of State-Level Policies and Practices* (Naperville, IL: Learning Point Associates, October 2005).

⁴ Clayton M. Christensen and Michael E. Raynor, *The Innovator's Solution: Creating and Sustaining Successful Growth* (Boston, MA: Harvard Business School, 2003), 73.

⁵ Clayton M. Christensen and Michael E. Raynor, *The Innovator's Solution: Creating and Sustaining Successful Growth* (Boston, MA: Harvard Business School, 2003), 221.

⁶ Chris Whittle, *Crash Course: Imagining a Better Future for Public Education* (New York: Riverhead Books, 2005), 129.

⁷ For a more comprehensive history of entrepreneurship in America, see Chapter 9 and 15 of Peter Drucker's *Innovation and Entrepreneurship* (New York: HarperBusiness, 1985).

⁸ William T. Bielby and Denise D. Bielby, "Controlling Prime-Time: Organizational Concentration and Network Television Programming Strategies," *Journal of Broadcasting & Electronic Media* 47 (December 2003): 373-96.

⁹ Author's calculation based on the National Association of Television Program Executives *2004 Pilot Bible* (Los Angeles, CA: NATPE, May 2004) and two television database websites, www.tv.com and www.imdb.com.

¹⁰ Robert B. Laughlin, "Reinventing Physics: The Search for the Real Frontier," *Chronicle of Higher Education*, February 11, 2005, B6.

¹¹ William D. Bygrave, "The Entrepreneurial Process," in *The Portable MBA in Entrepreneurship, 3rd Edition*, ed. William D. Bygrave and Andrew Zacharakis (Hoboken, NJ: John Wiley and Sons, 2004), 1-27.

¹² Thomson Financial Venture Economics/National Venture Capital Association review of 2005 private equity fundraising activity, "Private Equity Enjoyed Record Fundraising Year in 2005" (January 2006), available online at www.nvca.org/pdf/FundraisingQ42005final.pdf

¹³ Zoltan J. Acs et al., *Global Entrepreneurship Monitor: 2004 Executive Report* (Babson Park, MA: Global Entrepreneurship Monitor, May 2005), Table 1 and 3. Available online at <http://www.gemconsortium.org/download.asp?fid=364>

¹⁴ Anne Dumas, "What's American and Envied by France?" *Washington Post*, June 5, 2005, p. B2.