
Blurring the Boundaries: A Case Study of Private Sector Involvement in Philadelphia Public Schools

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As a result of a state takeover, the School District of Philadelphia has been implementing a “diverse provider model” in which for-profit and nonprofit organizations have been hired as school managers. This study explores the first three years of the model, examining the shift away from the rhetoric of competition to the evolution of a public-private hybrid system that emphasizes collaboration between the district and the providers and among the providers themselves. In this new hybrid model, both sets of actors are adapting to support cross-sectoral collaborative relationships. Although this hybrid system is directed toward strategically filling gaps in leadership and resources, the implications for improvement of schools, student achievement, accountability, and civic engagement are still unclear.

Introduction

The outsourcing of school management of persistently low-performing elementary and middle schools to a range of private sector groups, including for-profit companies, not-for-profit organizations, and universities, is a central component of Philadelphia’s most recent wave of school reform. This new arrangement for the management of more than 20 percent of district elementary and middle schools by private providers is referred to as a “diverse provider model” (DPM) of school governance.¹ In this article, we present Philadelphia as a case study of a large urban district contracting with private providers for school management services. We argue that Philadelphia’s DPM looks very different in practice than much of the theoretical literature on

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privatization predicts, in large part due to the influences of the complex political and institutional context in which it was created.

Since the beginning of this reform in 2001, the image of the School District of Philadelphia (SDP) has dramatically improved. Philadelphia is now regarded as a leading example of a district that is successfully leveraging the private sector to support its reform agenda. As early as fall 2004, former U.S. Secretary of Education Rod Paige enthusiastically endorsed Philadelphia's experiment in privatization, stating, at a Philadelphia-based conference jointly sponsored by the SDP and the Department of Education, that Philadelphia had "blurred the line between public and private. . . . Everyone in the nation should take notice of these [public-private] partnerships. They are a new frontier in school reform."² Philadelphia's growing reputation as one of the nation's improving large urban districts (Casserly 2005) has meant that a broad range of observers—other district officials, policy makers, legislators, business leaders, school reform experts, and the media—is tracking the outcomes of the district's experiment in privatization. Other cities, including Chicago, New Orleans, and Baltimore, have begun to explore their own versions of the DPM. Additional cities are likely to consider hiring private providers to manage persistently low-performing schools in response to the accountability mandates of the federal No Child Left Behind Act (NCLB). Given this environment, Philadelphia's experience is an example to watch.

The idea of a DPM has its roots in the work of Paul Hill, who has argued that creating a diverse portfolio of school options is the best strategy for

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transforming rigid, inward-looking professional education bureaucracies into flexible, innovative, and responsive institutions. Hill theorizes that contracting out school management develops a system of autonomous schools that can meet the needs of different students and communities. Such systems of schools would be accountable to both districts, through contracts for meeting performance standards, and to parents and students, who would have choices about which school to attend (Hill et al. 2000). We argue that while Hill's model aimed to instigate a radical turn away from powerful professional bureaucracies in public education, providers have ultimately become "part of the fabric" of the Philadelphia district rather than an alternative to it. We suggest that the DPM has contributed to the creation of a public-private hybrid system characterized by cross-sectoral collaboration between public and private sectors. Furthermore, we argue that within this hybrid system the district is neither marginalized nor weakened, as many proponents of privatization might have predicted. Instead, the district has reemerged as predominant in the public education arena and in its relationships with private sector entities. The legitimacy of the emergent system is buoyed by claims of district-wide improvement in standardized test scores. Analyses of test scores results thus far, however, are still inconclusive as to the overall effectiveness of the DPM.

This article is organized into five sections. We begin by describing the DPM's origins in state-city conflict. Then we examine three bodies of literature that anticipate and explain what happens when the private sector is used to fulfill traditionally public functions, such as public school management. Following our discussion of the literature is a description of our methods for tracking and analyzing the complicated development of Philadelphia's DPM over its first three years. We then provide a year-by-year chronicle of implementation, describing the adaptations made by both the district and the providers as they learned to work together, and we include an analysis of the impact of common political and institutional forces on the development of the DPM. In this section we also discuss the implications of the test score results, including the fourth year of the model, across district and provider-managed schools. We conclude with important questions for future research in Philadelphia and for other cities considering a DPM.

The Seeds of the Diverse Provider Model

Philadelphia's DPM was the result of a decade of political struggle between the state and the city. Many state leaders believed that the district's problems of fiscal distress and students' low academic achievement could be attributed at the institutional level to three interrelated factors: a lack of sound management practices by district and school leaders, collective bargaining agree-

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ments that institutionalized narrow work rules, and an insular professional bureaucracy that eschewed innovative practices. Like many proponents of applying market ideas to public education, state leaders believed that these problems could be addressed by increasing private sector involvement.

Not everyone, however, shared state leaders' diagnosis of the problem or confidence in market models as the remedy. In contrast, in 1995, the district adopted a systemic standards-based reform with strong accountability measures. Central to then Superintendent Hornbeck's approach was the belief that the district, with adequate financial support, could reform itself (Christman and Corcoran 2002).

The differing perspectives and strategies of state and district leaders during the mid-to-late 1990s heightened tensions over the state funding of public education, leading to a standoff. In 1998, after years of public wrangling about the state's responsibility for increasing funding for Philadelphia, Superintendent Hornbeck announced that there would be no further reductions to district programs, even if that meant shutting down the school district when funds ran out. State legislators responded by passing Act 46 in 1998 and Act 16, the Education Empowerment Act, in 2000. These acts allowed the state to take over districts in fiscal distress and/or academic distress (Boyd and Christman 2003; Maranto 2005; Useem 2005, forthcoming).

In 2000, when it was clear that the state would not increase funding to the district, Superintendent Hornbeck resigned. Following Hornbeck, Phil Goldsmith, who had a background in management and public policy, was appointed interim Chief Executive Officer (CEO). District officers quickly set to work on developing an empowerment plan as required by Act 16—seeking to convince the state that the district could reform itself.

By summer of 2001, however, then Governor Ridge was moving in another direction. Ridge paid \$2.7 million to Edison Schools Incorporated (Edison), the nation's largest for-profit educational management organization (EMO), to review district operations and make recommendations for improvements and reorganization—despite Edison's lack of experience in district evaluation. This decision escalated the state-city conflict. At the root of this strife were conflicting beliefs regarding the district's capacity to lead meaningful reform efficiently and effectively and the usefulness of private organizations, especially Edison, in education improvement.

In a 2006 interview, former Pennsylvania Secretary of Education Charles Zogby reflected on this time period: "We had a situation where more than 150 schools had over 50% of their students performing at a below basic level on the PSSAs [Pennsylvania System of School Assessment tests]. We believed that there was not the capacity on the ground to turn that situation around. We needed outside expertise. . . . We believed that the private sector could do a better job."³

In October 2001, Governor Ridge's successor, Mark Schweiker, announced a plan for state takeover that drew heavily on Edison's report. The plan called for Edison to run many functions of the central office and to manage 60 low-performing schools (Maranto 2005; Schweiker 2001). In a 2006 interview, Schweiker reflected on the faith that he had in Edison's capacity to bring about change, saying that at the time he saw Edison as having "a solid track record of success at helping kids learn. . . . If you are going to ramp up quickly, you need institutional help, and Edison provided that."

Throughout the summer and fall of 2001, student and community groups reacted strongly against privatization of the district, particularly against any involvement of Edison. Their protests gave Philadelphia Mayor John Street leverage to renegotiate the terms of the state takeover. The new terms allowed for additional state funding that was tied to the takeover; more city representation on the five-member School Reform Commission (SRC), which replaced the mayor-appointed school board; and additional financial support from the city. In December 2001, the takeover was thus recast from "hostile" to "friendly," with the city and state working together.

Despite these modifications, real fears remained locally about an Edison-dominated takeover, including the charge of a conflict of interest between Edison's roles as auditor and chief beneficiary of its own report. The state, however, remained steadfast: without private sector involvement, there would be no additional funding for the district. As this conflict heightened, Interim CEO Goldsmith began the path toward compromise. In a 2003 interview, he described his efforts in late 2001 before the details of the takeover were finalized: "On the one side, you had the traditional public school advocates who wanted things to stay as is, who felt the problem is that there wasn't enough funding. On the other side, you had 'let's privatize everything . . . the public sector's not capable of making change.' . . . During that time, I started to think with some other people, how [can] we have the best of both worlds? We started to come up with what we called the diverse provider model and really [used] that as a substitute to throwing everything Edison's way."

Goldsmith invited Hill, a prominent scholar and theoretician in support of "diverse provider models," to Philadelphia to speak with his cabinet. Then Chief Academic Officer (CAO) Diedre Farmbry recalled this meeting in a 2006 interview: "I had to be sold on the diversified model. The person who came in to really explain it to us was Paul Hill. . . . In the midst of an ugly situation, he made [it] more livable. He persuaded us that there's more than one way to get a job done and that it really is about finding the best provider for the service that is necessary."

The DPM gained momentum as a seemingly pragmatic solution to the contentious city-state politics that had come to dominate the environment for public education. A DPM would meet the state's requirement of involving

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the private sector. At the same time, the DPM allayed local fears by reducing Edison's role. In January 2002, the new SRC, at this time consisting solely of area businessman (and eventual chairman) James E. Nevels, announced that Edison would not be the only contractor invited in to manage schools. The SRC shortly released a Request for Proposals (RFP) for school management providers, and not long after the SRC announced that Edison would serve as lead consultant to the district's central office.

Parallel to the RFP process, Ed Williams, a longtime district educator and administrative leader, prepared and submitted a proposal for an internal reform model. According to CAO Farmbry, the motivation behind this proposal was a "passionate belief that [district staff] had the internal capacity and talent to at least match instructionally whatever was on the table." In spring 2002, the SRC selected seven external providers to manage schools—and also established the Office of Restructured Schools (ORS), which would provide oversight to schools designated for "reconstitution" along the lines laid out in Williams's proposal. Many district staffers and city observers considered the internal reform model a means to "save" district schools from privatization, spread around state dollars allocated for providers, and demonstrate the district's internal capacity to accelerate achievement. The SRC's inclusion of the ORS alongside its DPM effectively began to rehabilitate the image of the badly battered district.

The state accepted the move to a DPM, though there remained significant battles to be fought over funding, including support for the ORS schools. In July 2002, the SRC hired Paul Vallas as CEO. One of Vallas's first acts was to "kill" talk of Edison taking on an \$18 million role as lead consultant to the district. On the job two weeks, Vallas said, "I would be hard pressed to find any reason to use Edison for any other consulting contracts at this point. I would oppose it. There's no need for that. That's what I'm here for" (Brennan 2002). Together, Vallas and the SRC also pushed for the \$55 million in state funds designated for private providers to be more widely distributed to district-run schools and other reform efforts.

Secretary Zogby, in a July 2002 letter to the SRC, expressed his vehement disagreement with this approach: "Some now seem to be conducting revisionist history, as if the primary goal of the Governor's plan was to create some sort of education experiment where finances between schools would be kept precisely equal, in order to precisely compare the performance of privately managed schools to publicly managed schools. That was never the goal. . . . For the SRC to now stand against the state's effort to follow through on our long-standing plan to deliver significantly enhanced resources to the 45 partnership [provider-managed] schools would be, we believe, disingenuous and profoundly unfair" (Zogby 2002, 3–4).

After much debate, compromise was reached in which \$37.5 million was

to be directed to 46 privately managed schools, 21 ORS schools, 16 other low-performing district schools, and 3 schools designated as “transitional charters.”⁴ A month before schools were to open, the SRC finalized contracts with the three for-profit providers and two nonprofit providers, and memoranda of understanding were signed with two area universities. The remainder of the money was available for district-wide reforms.

While the creation of a DPM certainly signaled dramatic changes under way in Philadelphia’s public education landscape, there were also indications that the district would retain a central role in the education of Philadelphia children. The political process had modified the initial state push to alter radically the role of the district by having a single private company, Edison, dominate the central office as well as manage a large number of low-performing schools. The compromise allowed the district to retain a strong central role, and the management of low-performing schools was distributed among a number of private providers as well as allocated to the ORS. Additional funding would support the district’s own reform initiatives as well as the new private providers. With these decisions, public criticism subsided.

The Theory of Marketplace Models and the Reality of Political and Institutional Constraints

Overview

To understand how Philadelphia’s DPM has evolved on the ground, and in order to provide a framework for anticipating how other cities’ attempts to create similar models are likely to play out, we looked to three distinct literatures. First, we reviewed the work of Hill and his colleagues, who have articulated the theoretical model for contracting out school delivery to external management organizations. We examined the elements that comprise this market-based DPM and the rationale behind the concepts that guide it. We also considered the potential impacts ascribed to the implementation of a DPM. Second, we examined a broader empirical literature on the privatization of the public sector. Here we found case studies that explained how the private sector behaves when introduced into the public sector, which we saw reflected in the evolution of Philadelphia’s DPM. Third, we looked to institutional theory and its discussion of “isomorphism,” which focuses on the institutional pressures that contribute to organizational similarity, rather than diversity, within given organizational fields. This literature provided insights about the extent to which contracting out school management to a range of private providers can be expected to lead to the diversity in practice and innovation that proponents anticipate. We believe that these literatures help to contex-

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tualize and explain the Philadelphia case and to provide useful lenses for understanding the emergence of public-private hybrid systems in which the public sector maintains a position as the core institution in the public-private relationship. These literatures—and the Philadelphia case in particular—point to issues to watch for as the DPM is implemented in other cities.

What Is the Diverse Provider Model?

In theory, the DPM, attributed to Hill, has the following key features (Hill 2002, 2006; Hill et al. 2000):

- Districts build portfolios of schools, which may include charters, district-run schools, and schools managed by external providers with whom the district contracts.
- Districts select and assign providers.
- Districts write and monitor provider contracts, which include clear performance indicators and performance measures.
- Providers receive fixed per-pupil amounts and have increased budgetary discretion.
- Providers, not districts, employ their teachers and principals.
- Quality options and meaningful choice exist for students and families.

Hill (2006) describes typical public school systems as unable to accommodate big new ideas, to address core structural problems, or to embrace broad change. This appraisal of education bureaucracies is echoed in critiques of the public sector more broadly. For example, Goldsmith and Eggers (2004, 7) point to the problem of the delivery of public services as “rigid bureaucratic systems that operate with command-and-control procedures, narrow work restrictions, and inward looking cultures.” Effectively delivering public services requires technical expertise and responsiveness to complicated local environments and a range of constituencies. Critics of the public sector believe that public bureaucracies too often fail when addressing complex problems, because they are limited in their capacity to develop solutions that involve expertise outside of familiar institutional boundaries. Public choice theorists also critique public bureaucracies as inherently inefficient, guided not by the public good, but by politics and self-interest. They argue that public funding disconnects the services that public bureaucracies provide from an incentive structure that promotes effectiveness and efficiency (Lubienski 2006; see also Niskanen 1971; Stigler 1971).

Proponents of the DPM believe that contracting out can address these problems. “Today, boards oversee a central bureaucracy which owns and operates all the schools in a given district. It is time to retire this ‘command-

and-control' system and replace it with a new model: portfolio management" (Hill 2006, 2). According to Hill and his colleagues, a portfolio containing diverse providers of school management services, like a successful stock portfolio, should be flexible enough to replace nonperforming contractors and to contract with new providers when environmental or demographic conditions demand it. Ultimately, a contracting system should create a competitive school marketplace in which survival depends on both successful student performance outcomes and the perception of consumers (parents and students) that providers are responsive to their needs (Bulkley et al. 2004; Hill 2006).

The Public Sector and Privatization

The marketplace, however, rarely behaves in the ways that theoretical models would predict. We examined several empirical studies that investigated how a range of privatization initiatives across several different public sectors developed in practice (Goldsmith and Eggers 2004; Henig et al. 2003; Richards et al. 1996; Sclar 2000; Wohlsetter et al. 2004). Although none of these studies look specifically at a DPM, they do illustrate a set of factors that serve to reduce competition, encourage stasis, and confound accountability, making it challenging to create true market environments in the public sector. While these empirical studies recognize the potential for the effective strategic use of providers to fulfill traditionally public services, they caution that such initiatives may result in the private sector's impact being less radically transformative than predicted. Though the theory behind the DPM does not consider these factors or their impact, we found them quite relevant to understanding Philadelphia's experience with a DPM.

In practice, private sector actors do not operate in a political vacuum and are often proactive in working to shape their political environment—working to secure advantages and undercut the competition is central to their theoretical effectiveness. For example, a number of Washington, DC, charter schools banded together in order to influence policy and funding (Henig et al. 2003). The survival of these charter schools, Henig and his colleagues argue, is dependent not only on the satisfaction of their "customers" but also on their capacity to be effective political actors.

Competition is also reduced as a result of the complexity of many public functions and the lack of private providers that have the required expertise to handle this complexity. Often, the public sector is left merely looking for "the best deal" from among a small number of options (Sclar 2000). The example of privatized school management services is no exception (Molnar et al. 2006; Richards et al. 1996). Furthermore, once a private sector provider becomes established, it is common for the provider to be awarded other

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contracts. In effect, an “oligopoly” of contractors with a degree of immunity to competition develops (Sclar 2000). Public sector reliance on a small number of private sector partners can undermine the public sector’s ability to find providers to meet changing needs or to dismiss a contractor for underperformance, thus limiting the very flexibility that Hill says is critical to a DPM.

Competition is further mitigated by the desire by both contractors and public sector managers for multiyear contracts. The private sector prefers stable markets that are more reliably profitable than turbulent ones (Sclar 2000). The public sector has an interest in long-term contracts because the task of selecting and monitoring contractors can be onerous and costly, and because longer terms are often necessary to generate meaningful results when delivering complex services. Again, the behavior of contractors—here abetted by the needs of the public sector—creates a stable environment in which contractors are protected from the rigors of marketplace competition, undermining the very conditions that Hill has articulated as essential to a contracting environment.

In addition to contrary findings about competition, these empirical studies also raise questions about the increased accountability that proponents argue is an advantage of privatization—by assuming, for instance, that it is often easier to dismiss contractors than it is to dismiss public employees who are providing a similar service (Hill et al. 1997). When the provider is responsible for the delivery of a complex service such as creating learning cultures in which practitioners are continuously reflecting on and revising their practice, a contract may be an inadequate instrument for clearly delineating the obligations of the contractor (Hannaway 1999).

Furthermore, public sector employees must learn a new set of skills, including how to negotiate and manage contracts and how to hold contractors accountable for their work (Goldsmith and Eggers 2004; Richards et al. 1996; Sclar 2000). In addition, the ability to hold the private sector accountable can be compromised as public sector administrators develop strong relationships over time with their private sector partners. Strong relationships, ironically, may be necessary to make the larger system work, even as they undercut the ability of the public sector to hold the private sector accountable (Sclar 2000).

Contracting raises accountability dilemmas not only at the operational level, for the explicit services for which a private contractor is hired, but also at the broader level of responsibility for the public good to which private contracting is in service (Goldsmith and Eggers 2004; Hannaway 1999; Richards et al. 1996). Contrary to assumptions made by Hill and others that clear contracts can be strong mechanisms for public accountability, the entry of the private sector into the public arena can actually reduce public input into policy making (Leone 2000).

Homogenizing Forces in the Institutional Environment

The third literature we examine, institutional theory, helps to explain some of the key forces that may actually reduce the innovation anticipated by Hill and others when a DPM is introduced. Institutional theory situates providers of school management services within an “organizational field,” comprised of a number of interdependent institutions, entities, and organizations (DiMaggio and Powell 1983). This literature describes isomorphic forces—largely deriving from the state and the professions—that act on organizations operating within this field, helping to explain the similarity that often emerges where diversity might have been anticipated (DiMaggio and Powell 1983; Hanson 2001). This literature notes that while there might be variation in organizational approaches and forms during the initial stages of a field’s life cycle, increasing homogeneity in both organizational form and practice is likely to emerge once a field becomes well established (see also Henig et al. 2005). Proponents of the private sector argue that competition and efficiency drive organizational decision making, resulting in innovative, flexible approaches. Institutional theory, by contrast, argues that the need for legitimacy, not competition or efficiency, drives organizational decision making and leads to the emergence of similar practices within an organizational field.

DiMaggio and Powell (1983, 148) described an organizational field as “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (see also Burch 2005). During times of creation or upheaval, such fields undergo a process of institutional definition, or structuration, in which participating organizations increasingly form patterns of interaction with each other, generate information with which other organizations in the field must contend, and develop mutual awareness that they are involved in a common enterprise. In becoming a part of a field, organizations also become subject to the institutional dynamics and isomorphic forces, or constraining processes, that operate within that field. This is true, they note, regardless of whether the organizations are operating within market or public environments.

DiMaggio and Powell argue that “coercive isomorphism” plays a key role in the process of creating greater similarity, rather than difference, of “structure, culture, and output” (1983, 147). Coercive isomorphic forces can be in the form of formal or informal political influences, legal requirements, or pressures to establish legitimacy. These forces can lead educational organizations, for example, to make a range of similar curricular, assessment, accountability, and governance decisions. The current national education policy context, as shaped by the federal NCLB, is an example of this dynamic; it exerts extremely strong formal pressure on organizations in the education field through man-

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dates, regulations, sanctions, and persuasive arguments (Burch 2005). As we will show, the local policy context also can serve as a coercive isomorphic force.

The Emergence of the Public-Private Hybrid System

Given the influence of the factors and forces described above on the creation, implementation, and evolution of theoretical models such as Hill's DPM, we believe that it is most useful to think about Philadelphia as an example of an emergent public-private "hybrid" system characterized by cross-sectoral collaboration. The practical difficulties in establishing theoretically "pure" market models of competing educational providers, combined with the strong homogenizing pressures that operate on organizations within a common field, contribute to the development of hybrid systems that "blur the lines" between public and private. Such hybrids, often identified as "networked organizations" or "joint ventures," are characterized by a set of cross-sectoral relationships among the public, for-profit, and nonprofit sectors (Goldsmith and Eggers 2004; Sclar 2000; Wohlsetter et al. 2004). In the field of education, several scholars (Henig et al. 2003; Rufo-Lignos and Richards 2003) describe the blurring of public-private boundaries within hybrid systems as occurring along a number of dimensions, including governance, finance, ownership, and politics.

The strength of such hybrid systems is in the mutual recognition among public and private sectors of their interdependency. This new relational model of governance is contrary to a strong competitive market. A "stable network model" of this sort is characterized by a core public organization that develops long-term relationships with a fixed and trusted set of private providers (Goldsmith and Eggers 2004; Sclar 2000; Wohlsetter et al. 2004).

In order for privatization to be effective, the public sector must develop the capacities necessary to carry out its new role as the core organization managing a variety of organizational relationships within an expanded field (Sclar 2000). Despite the beliefs of some privatization advocates that the public sector does not have the capacity either to perform in an efficient, effective, and accountable manner or to meaningfully reform itself, successful collaboration between the public and private sectors depends on the public sector's capacity to learn new practices and to make cultural adaptations. Specifically, the public sector must gain new skills and knowledge, such as how to create competitive markets, in order to seek the best-qualified private providers. Public employees also need to learn how to write and manage cost-efficient contracts for services that often involve complex human interactions in complex environments and go well beyond the execution of a delimited technical task. In addition, the public sector must learn how to monitor these complex

contracts for compliance and quality. Finally, the public sector must learn how best to leverage the assets of the private sector in the face of strong homogenizing pressures that can neutralize any advantages that the private sector might bring to a public enterprise.

Data and Methods

This article is a case study of a large urban school district contracting with external private providers for school management services. This case study focuses on the political and institutional context in which Philadelphia's DPM has developed and the effects of this context on its evolution. This article is part of a larger comprehensive examination of the state takeover of the SDP, known as Learning from Philadelphia's School Reform (Learning).

This case study draws in part on the data and analyses from two prior Learning studies (Gold et al. 2005; Simon et al. 2004). These studies provided us with a rich initial source of data for the current case study and pointed to the changing nature of the district as a public system, the contextual forces that were shaping the DPM's development away from the path anticipated by the theoretical models from which it emerged, and issues of public participation and accountability within the newly emerging system.

As a follow-up to our initial studies, in 2004, we conducted a second round of interviews with central office staff and with representatives from the private providers. In the district, we interviewed most members of the Office of Development, which was directly in charge of monitoring the providers' contracts and facilitating their interactions with the district, as well as other central office staff members working with the providers. Interviews focused on descriptions of the evolving contracting environment and decisions being made by both the district and the providers as they built their relationships and cocreated a new environment for their work together.

We also interviewed a number of longtime observers of the district. In total, from 2002 to 2006, we have conducted interviews with approximately 45 administrators inside the district; 27 political, civic, or community leaders (some twice); and the locally based directors of external school management groups (twice, with the exception of the director of Chancellor Beacon Academies Incorporated [Chancellor Beacon], whom we interviewed only once).

Interviews for all our studies have used semistructured interview protocols (Patton 1990), and most were recorded and transcribed. Interview data were coded using Atlas.ti, a qualitative analysis software. Codes addressed issues such as how partnership was defined and the roles and responsibilities of the district and private-sector actors. They also addressed perceptions of continuity

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and change in the nature of the district itself and the impacts of the emerging system on civic and community participation and public accountability.

Our analysis of Philadelphia's experience with a DPM was informed by our regular observation of the semimonthly meetings of the SRC, since its inception in 2002, where policy and contracting decisions are introduced, discussed, and voted on. We have observed dozens of other important gatherings related to district governance and have taken extensive field notes and combined these with reflections on the events observed. Observing such gatherings and events has provided us with ongoing data regarding new district initiatives and the district's evolving relationships with the providers, as well as insight into the emerging contracting environment at large. In order to collect regular data on public and civic reaction to these developments, in addition to our interviews, we have also served as regular participant-observers of city-wide meetings of education reform groups.

The analysis we provide in this case study was further informed by a review of key documents (SRC resolutions; state, district, and provider press releases; weekly e-mails to all district staff; internal policy documents; contracts between the district and providers and other "partners"; standardized test score reports; etc.) and local and national media coverage. The literatures, noted earlier, expanded and refined our interpretation of the data and provided conceptual frameworks that helped us to make sense of the complicated picture that was emerging.

Our analysis was further aided by regular presentations by Learning researchers to key district, provider, and public stakeholders, including national funding organizations, local and national media, and education reform organizations. These occasions served as a check on the accuracy of our data, the fit of our description with the lived experience of district and provider staff, and a test of our conceptual frameworks and interpretation of the data with other researchers and the wider school reform community. This multifaceted analytic process has been instrumental in developing a clearer theoretical explanation for why the DPM is not behaving in practice as might have been anticipated by the theoretical model that underpins it.

The Philadelphia Case: The Diverse Provider Model in Practice

In this section, we examine, year by year, the evolution of Philadelphia's DPM. We highlight the complex contextual forces that have shaped the DPM and have mitigated the change that the DPM is supposed to generate.

TABLE 1

Characteristics of Providers and District: ORS, 2002–3

Provider	No. of Elementary Schools	No. of Middle Schools	No. of K–8 Schools	Extra Funds per Pupil (\$)
Education management organizations:				
Chancellor Beacon Academies Incorporated	2	2	1	650
Edison Schools Incorporated	6	8	6	881
Victory Schools Incorporated	3	2	0	857
Nonprofit providers:				
Foundations Incorporated	3	2	0	667
Universal Companies	1	2	0	656
University providers:				
Temple University	3	2	0	450
University of Pennsylvania	2	0	1	450
School District of Philadelphia: ORS	16	4	1	550

NOTE.—ORS = Office of Restructured Schools.

Winter/Spring 2002: Selecting the Players for the Diverse Provider Model

In January of 2002, in response to the SRC's RFP, the district received responses from 27 organizations, many of which had little or no experience running schools. From a shallow pool of qualified contractors,⁵ the SRC selected seven private providers in April 2002 to manage elementary and middle grades schools. Edison was contracted to manage 20 schools—far more than any other provider, but far less than the 60 originally proposed by the state. We provide snapshots of the providers that the SRC selected in table 1.

Education management organizations.—There were initially three for-profit management providers: Edison, Victory Schools Incorporated (Victory), and Chancellor Beacon. Of the EMOs, Edison was by far the largest and clearly had the most riding both on its performance and on the ultimate success of the DPM. 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 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. Victory touted an early literacy program and single gender classrooms.

Nonprofit providers.—There were two nonprofit providers: Foundations In-

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corporated (Foundations), and Universal Companies (Universal). Foundations designed and ran after-school programs across the country and provided technical assistance to charter schools. Its founder and CEO as well as several of its staff were former district employees, giving it deep knowledge of the district and its operations. Foundations saw its involvement as supportive of the community development work of influential State Representative Dwight Evans.

Universal was a community development corporation founded and led by music mogul Kenny Gamble. Universal has been very active in creating housing, boosting economic development, and providing social services in the South Philadelphia neighborhood where its newly assigned schools were located. It had also recently established a charter school there. Through these activities, Universal had developed a deep knowledge of the local community and a strong web of relationships; however, it had limited experience in school management and needed to build internal capacity in this area. Universal saw this work in schools as part of its overall effort to spark neighborhood improvement.

University providers.—The two university providers were Temple University, a state-assisted research 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 DPM 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. In contrast to the EMOs, Penn and Temple were considerably less invested in the DPM as a strategy for urban school reform. They saw their role more in terms of providing educational services—including curriculum development, professional development for teachers and administrators, and tutoring for students—than managing schools. They therefore negotiated less management authority than other providers.

Restructured schools.—The district also created the ORS to manage a subset of schools, which effectively prevented almost \$7 million from flowing to external providers by diverting the money back into district-managed schools. In the process, the district also established a cohort of schools—schools that were demographically and academically similar to those turned over to providers. This was the district's way of participating in the new model of reform.

Thus, Philadelphia's DPM brought together organizations from both the for-profit and nonprofit sectors with wide-ranging motivations and agendas both within and across sectors; with different capacities, histories, and cultures; and with varying levels of investment in the model as a whole. Some were national, some local; each maintained different relationships with state leaders, the district, and their surrounding communities; and each had different knowledge and experience with school management. According to Hill and others,

systems with such diverse management providers hold an advantage over traditional public bureaucracies. In theory, they can be more responsive to the unique needs of their students and are thus more capable of accelerating student achievement. Given the range of organizational characteristics among Philadelphia's providers and the theoretical model underlying their introduction to the city, they could have been expected to implement a wide range of educational approaches. The nature of Philadelphia's DPM, however, was influenced by political and institutional realities in place even before it came into existence.

Our examination of Philadelphia's experience implementing a DPM showed that its development, in fact, closely paralleled the actual experience of other public sectors that have contracted out key services to private providers (Goldsmith and Eggers 2004; Sclar 2000). In Philadelphia, the limited number of qualified school management providers and the need for long-term contracts worked to constrain marketplace competition.

Year 1, 2002–3: A Rocky Start for the Diverse Provider Model; The Contradictions of No Child Left Behind, “Thin Management,” and District Recentralization

From the theoretical perspective, Hill and his colleagues (1997) describe contracting as a means of turning what have traditionally been public sector functions over to the private sector. In Philadelphia, however, the autonomy granted to the private sector was drastically reduced as a result of the political and institutional context for Philadelphia's experiment. In this section we discuss the effects of NCLB, the district's thin management approach, and the newly appointed CEO's predilection for strong central authority.

No Child Left Behind.—Several factors limited providers' capacity to implement the distinctive and coherent educational approaches they were ostensibly contracted to bring. Their varying levels of management experience—particularly the depth of their previous experience in designing instruction—was one limitation. With its emphasis on state standards, statewide standardized testing, and an escalating series of accountability measures for low-performing schools and districts, NCLB, which took effect at the same time as the introduction of Philadelphia's DPM, was another.

During the first year of implementation, the providers offered differing curricular approaches. Nonetheless, providers were bound to align their curricula with the all-important PSSA exams, the state assessment used to measure schools' progress toward NCLB's Adequate Yearly Progress (AYP) targets. In interviews conducted in the latter half of the first year, several principals across the range of providers reported that they felt compelled to focus on instruc-

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tional strategies that were most likely to yield rapid test-score gains (Blanc and Travers 2004). The pressures of NCLB thus acted to mitigate the further development of variety in educational approaches among the diverse providers.

The NCLB has served both to open public education to the increasing involvement of a range of private sector school managers and, paradoxically, to encourage conformity in organizational practice by demanding that providers align curricula and assessments with state standards rather than promoting innovation. The pressures exerted through the legislation's focus on accountability and punitive sanctions closely correspond with the notion of coercive isomorphism. The effect is greater similarity than difference in "structure, culture, and output" among organizations operating within a field, as described in the work of DiMaggio and Powell (1983).

Thin management.—Given the continued existence of strong legal and collective bargaining agreements, the SRC adopted an approach to contracting out school management that maintained district control over several key school functions. This approach—thin management—had a similar homogenizing effect to that of NCLB. Under thin management, schools were not turned over lock, stock, and barrel to providers. Instead, the district retained responsibility over such key areas as staffing, school grade configurations, facilities management, school safety, food services, the overall school calendar, and the code of conduct for teachers and students. Providers were generally happy to accept this division of responsibility because none of them was as well equipped as the district to handle the totality of managing schools. Nevertheless, thin management limited providers' capacity to develop their educational programs. First, in the initial year of implementation, it created considerable confusion about lines of authority, accountability, and available supports among both school personnel and providers. Second, it inhibited providers' autonomy as they tried to apply their educational interventions for (and, in many cases, develop their educational interventions to) Philadelphia schools.

Under thin management, principals and teachers at provider schools 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.⁶ This approach to hiring and staffing was very different than that laid out by Hill and colleagues (2000), who stressed that providers, not districts, must employ teachers and principals. Edison CEO and founder Chris Whittle commented that "with the exception of principal selection, we would have little or no role in personnel decisions, and we had no real authority

over the school budget. . . . Two critical levers [were] removed from our approach” (2005a, 83).

District recentralization.—Vallas’s orientation toward strong central authority further reduced providers’ ability to develop or implement unique educational approaches. Soon after arriving he unveiled an array of district-wide reforms for which provider-managed schools were also accountable: a strict zero-tolerance discipline policy, a massive transition to K–8 school grade configurations, and extended-day programs and summer school for low-performing students. These mandated policies reduced the potential arenas for provider innovation and reasserted the district’s authority within the emergent system. They created a pattern of organizational dependence on a predominant institution that DiMaggio and Powell (1983) describe as a condition for greater similitude.

This dynamic was further enhanced at the end of the first year when the district terminated “for convenience” Chancellor Beacon’s contract and granted new contracts to Foundations and Temple. Chief Executive Officer Vallas pronounced that the district was “dumping what doesn’t work and expanding what does” (Dean 2003, 10). This action, while it reinforced the authority of the district, was one of the few public gestures that suggested that the private providers would be held accountable. Despite the organizational variety within the DPM and the anticipated array of educational approaches such variety was assumed to bring to the reform effort, the capacity of providers to bring innovative approaches to their schools was constrained, as the literature on institutional theory predicts it is likely to be (DiMaggio and Powell 1983).

Year 2, 2003–4: Making the Diverse Provider Model Work

By the end of the first year of the DPM, both central office staff and provider staff recognized the challenges involved in creating a new network of public-private relationships. In the second year, both the central office and the providers took steps to strengthen their relationships and to put the DPM on firmer ground, resulting in a system increasingly characterized by collaboration and in which there was increasing blurring of the boundaries between public and private sectors.

In response to the tensions experienced by principals, providers, and others during the first year of implementation, CEO Vallas created an Office of Development. It was charged with overseeing the now six original providers (as well as growing numbers of other partners with which the district had contracted to provide assistance to or management of schools) and facilitating their interaction with the district’s central office. Many central office staff began to un-

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derstand that a “culture shift” away from the district’s ingrained tendency to be insular and disdain the potential contribution of “outsiders” was being introduced. In the words of one Office of Development staffer, “we decided very early that we were going to make sure that there were no obstacles in the way of the EMOs [here referring to the full range of providers], that the EMOs were either going to fail or succeed on their own and they were never going to come back and say, well they [the district] didn’t let us [succeed].”

The providers, for their part, increasingly saw themselves in the context of a larger system. They made efforts to “become a part of the fabric of the district” through building relationships with central and regional office staff members, adopting all or part of the district’s new core curriculum, and seeking to align their intervention efforts with existing district initiatives. One district official noted that what “the EMOs [here referring to the full range of providers] learned is that they had to do it within the framework of what was already here. They had to become part of us, not [expect] us [to] become part of them.” A provider representative echoed the district perspective, describing the providers’ organizational subordination to the district in the following way: “I defer to [the district’s] judgment on any number of things, because they are the client. . . . My core relationship is with the district.”

Although proponents of privatization have often assumed that the logical end result of contracting out would be the withering of the public sector and its increasing irrelevance (Sclar 2000) or, minimally, a dramatic reduction of its roles and responsibilities (Hill et al. 2000), that was not the case in Philadelphia. Several scholars who have studied the use of the private sector to fill public functions have pointed out that in order for privatization to be successful, just the opposite needs to occur. Somewhat counterintuitively, economist Elliot Sclar (2000) argues that reforms that seek to alter systems through privatization must strengthen the public sector even as privatizing occurs. Goldsmith and Eggers (2004) likewise argue that in successful examples of privatization, the public sector must restructure itself and develop the capacities needed to fulfill its new role as a manager of contractors. In contradiction with the theory behind the DPM, but more in line with privatization in other public sectors, Philadelphia’s experiment with privatization has occurred concurrent with a resurgence of the central office.

Clearly, during the second year of implementation, the district and the providers made significant accommodations to ensure the success of the DPM. Both recognized that good communication and strong relationships were keys to developing a constructive interdependence. As the literature on contracting out in the public sector has suggested (Goldsmith and Eggers 2004; Sclar 2000), the district and its subcontractors tightened their bonds, and the providers became integrated into the district. In the process, we observed the beginnings of what Wohlsetter and colleagues (2004) describe as cross-sectoral

collaboration rather than a flourishing of a competitive environment. In fact, following the termination of Chancellor Beacon's contract, competition among the providers seemed to focus on simply not being "the laggard" on student test score gains (Christman et al. 2006). Overall there appeared to be a growing realization among the providers that their future as school managers was based not only on their own individual success but on the success of the model as a whole. This sentiment varied across providers, with Edison, in particular, the most committed to the model. As one Edison leader stated in 2004: "I'm supportive of all the partners. I want all of us to succeed." Nonetheless, within a system in which there was increasing blurring of the boundaries between public and private in areas such as governance and finance (Henig et al. 2003; Rufo-Lignos and Richards 2003), there were clear signs that the district was successfully positioning itself as the core institution. Although the relationships between the district and the providers had begun to gel in the freshly emergent hybrid system, a number of inherent contradictions and paradoxes related to issues of accountability, district capacity, and ongoing political activities also began to surface in the second year.

Accountability.—In theory, one advantage of contracting out school management is that the private sector will bring a sharper sense of accountability for its performance than a large public bureaucracy does. This, however, is not necessarily the case: In Philadelphia, marketplace competition was far from vigorous and was not the lever for accountability that many might have predicted it would be. In fact, the evidence is that the relationships between the district and providers and among the providers themselves were increasingly collaborative, with the providers and the district seeing themselves as working for the success of a shared endeavor. Although collaboration—and the trust that builds up within collaborative efforts—might have been to the benefit of the system as a whole, it also potentially undercut mechanisms for accountability.

In theory, accountability increases by an agreement between the contractor and public agency that clearly delineates the obligations of the contractor (Hill et al. 2000; Sclar 2000). In actual practice, however, public agencies must provide oversight of contracts for the lowest possible administrative costs. As a result, they tend to rely at least as much on relational trust with their vendors as on close scrutiny of service provision (Sclar 2000). Paradoxically, the trust between the public agency and private provider that is built up over time can make it more difficult to hold the contractor accountable (Sclar 2000).

In addition, contracts can be weak instruments of accountability in arenas such as education (Hannaway 1999). The complexity of the work—as well as the need to be flexible—complicates the monitoring requirements of public sector managers, who often are just developing the skills needed to monitor contract compliance and contractor quality (Goldsmith and Eggers 2004; Richards et al. 1996; Sclar 2000). As relationships between public and private

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sectors get well established, the tendency, therefore, is once again to rely on relational trust.

District capacity.—As described earlier in this article, in Philadelphia, the district emerged as the dominant partner in the public-private collaboration, despite the initial lack of confidence at the time of the state takeover—at least at the state level—in the capacity of the district to manage reform. In the second year, the district further extended its authority, especially where the providers lacked expertise and experience—such as services for special education students and English Language Learners. It also instituted a school quality review process for all district schools, including the provider-managed schools and charters. Most important, the district issued a district-wide core curriculum for elementary and middle grades aligned with state standards and the state assessment and made it available to providers for use in total or in part. The core curriculum (along with a benchmark assessment system inspired by Edison's) led to increasing similarities in the educational practices of the providers, particularly for those, like Universal, that had not arrived with their own ready-made curricula. Overall, these extensions of the district's authority and support served strongly to influence the approaches of the providers and directly reflected CEO Vallas's publicly articulated conviction that "all public schools are my schools."

Political activity.—Despite mutual efforts by the district and providers to strengthen their relationships, the emerging collaboration was not the sole basis on which the providers let their futures rest. The providers, for example, did not place their fate only with the district but maintained direct relationships with SRC members and state and city officials, many of whom had a direct say in approving the extra funds awarded to providers each year.

Although the intensity of these contacts varied considerably across providers, there was a clear trend among providers to develop a broader base of political support for their organizations beyond the district itself. By continuing to operate as political actors, the providers further undercut the competition that was, in theory, to drive their decision making, which is reminiscent of the effect of the political activity, documented by Henig et al. (2003), by charter schools in Washington, DC.

Our findings show a district that was simultaneously contracting out key management services and restructuring itself in order to retain a dominant position within the resulting set of new institutional relationships. By the second year, the district had made a number of decisions both to reassert its strength (e.g., hiring a strong CEO, retaining key management authorities under thin management) and to develop the capacities needed to manage new realities (e.g., creating an Office of Development, making centralized reforms available to provider-managed schools). In the third year, it began to capitalize on rising

test scores across the system to build the legitimacy of the emergent hybrid system.

Year 3, 2004–5: Standardized Test Scores, Heralding the Success of Privatization, and Expanding the Role of the Private Sector

Early in the 2004 school year, the district began touting test score gains and has continued to do so. The district's analysis showed that from 2002 to 2005 the percentages of fifth and eighth graders scoring in the proficient and advanced categories on the PSSA in reading increased by 14–15 percentage points.⁷ In mathematics, gains were even greater: the proportion of fifth graders scoring proficient or advanced jumped almost 27 percentage points over the three-year period while eighth graders' scores increased more than 21 points.⁸ In addition, the number of schools that met all of their NCLB-mandated AYP targets went from 22 in 2002 to 160 in 2004, then dropped back to 132 in 2005 when state AYP targets increased as scheduled.⁹ Fifteen of the schools under private management made AYP in 2005 (Research for Action 2005). The gains resulted in positive media attention, inspired public confidence, and assisted the district in building a national reputation as a rapidly improving urban district (Casserly 2005).¹⁰

In October 2004, when the district cohosted a conference with the U.S. Department of Education's Office of Innovation and Improvement, CEO Vallas projected the main event message: "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 under way, providers picked up this theme, emphasizing the uniqueness of Philadelphia's partnerships with the private sector and highlighting the DPM. "No other place is doing what Philadelphia is doing," exclaimed one EMO leader. Together, Vallas and the providers linked recently released news of district-wide test score gains to the theme of partnership.

In the process, they hoped to position Philadelphia as a cutting-edge, reform-minded district ahead of the curve on the strategic use of public-private partnerships (Christman et al. 2006). Evidence from the conference suggests their success. Paige gave a ringing endorsement of Philadelphia's efforts, Philadelphia Mayor Street said that the partnerships "give a sense of momentum and progress in the city," and State Representative Dwight Evans added that they "reflected a spirit of cooperation." The messages of this conference were further reinforced in early 2005 in articles by SRC Chair James Nevels in *Forbes* magazine (Nevels 2005) and by Edison CEO Chris Whittle in *Education Leadership* magazine (Whittle 2005b), as well as by local and national media.

While both district and provider leaders cited test-score gains in fifth and

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eighth grades and AYP attainment as evidence of the DPM's success, district officials also increasingly attributed the gains to its centralized reforms—namely the core curriculum, the 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. By positioning the DPM as one among a number of district-led reforms contributing to district-wide improvements, district leaders reinforced the public perception of the district as the core institution in Philadelphia's public education system.

Buoyed by the surprisingly noncontentious political climate that accompanied these efforts, the district expanded its outsourcing of school management and related services, frequently at the high school level, which had not been the district's focus in the first two years.¹¹ The accrued effect of these actions was to institutionalize the provider-managed schools within the district. This outcome was further reinforced in the fourth year, when the district created a special region for all provider schools, folding the DPM into the preexisting school governance framework. Overall, the presumed success of the district as a whole has legitimated the emerging public-private hybrid system and has offered district leaders extraordinary rein to expand privatization at a rapid pace, with little public opposition.

During the same time period, district leaders decided to disband the ORS and to reassign its 19 remaining schools into either their geographic region or a newly created CEO region, where persistently failing schools were to get intensive interventions. Despite the apparent improvement among schools that had been part of the ORS, it seems that the overall sense of success meant that the district no longer felt that it needed to justify its capacity through the continuation of its internal model. Another consequence was the dispersal of a set of schools that had been a natural comparison group to the DPM. This decision is further evidence of the growing sense of the legitimacy of the emerging hybrid system.

In the 2005–6 school year (year 4), more nuanced test score analyses started to become available. Three teams of researchers undertook longitudinal analyses (including two “value-added” analyses) comparing gains in student test scores from 2002 to 2005 among students in provider-managed schools and district-run schools.¹² Overall, the completed studies and preliminary evidence from the study still in process show some improvement in math and reading in the fifth and eighth grades, with overall levels remaining relatively low and with no provider or intervention strategy standing out as being much more effective than others. These analyses call into question the extent to which providers have brought unique, innovative educational approaches into their schools, even with the additional resources they received. This is consistent with predictions in institutional theory that, as new organizations become

established and legitimated within an organizational field, they become increasingly similar to each other (DiMaggio and Powell 1983).

In summary, given the most recent, most nuanced test score analyses available, evidence of the effect of the DPM on increasing schools' responsiveness, building schools' capacity for innovation, and accelerating student achievement is not strong. In the concluding section, we review important outstanding questions for a full assessment of Philadelphia's experiment in privatization. These questions have local import, where critical decisions about the future of the model and expanded privatization will be made over the next few years. They are also important nationally, as other districts turn to the private sector to manage persistently low-performing schools, and as public education systems are increasingly likely to become public-private hybrid systems.

Concluding Comments and Questions

What we have described in Philadelphia is the emergence of a hybrid model characterized by cross-sectoral collaboration guided by a strong central office, which resembles more closely the actual experience of private sector involvement in other public sectors than does the theoretical DPM promoted by Hill and his colleagues. Importantly, in the case of Philadelphia school reform, as in the cases of other public sectors introducing private sector vendors, competition as a regulating force is constrained. Our examination of Philadelphia as a case study of the DPM also indicates the importance of the impact that local and federal policies can have on how the initiative will actually function. Nonetheless, the implementation of the DPM in Philadelphia is still relatively young, and our study has revealed several questions that are important to pursue in future investigations.

Will the District Be Able to Capitalize on Providers' Diversity to Leverage Innovation?

A primary premise for the introduction of the DPM was to open an insular system to innovative ideas. Our study has shown that incipient culture changes—designed to open the district to new players and ideas, first through the efforts of the Office of Development and later through changes in the collective bargaining agreement with the teachers that altered the highly centralized hiring system to permit greater site selection, and in the assignment of the DPM to its own region—were meant to be responsive to the particular needs of schools working with providers.

The considerable variety across the organizations that comprise Philadel-

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phia's DPM potentially means that providers could bring a range of unique approaches to addressing persistent problems such as low student achievement, resource shortages, and a lack of leadership. However, the providers have clearly become a part of Philadelphia's education organizational field, as described by DiMaggio and Powell (1983). They are key suppliers of critical school services, comprise a part of an interdependent set of organizations that make up the institutional setting, and share a mutual interest in the success of the larger endeavor. In becoming part of the institutional setting, they have been subjected to the isomorphism that affects all organizations in the field. In the Philadelphia example, the three strongest homogenizing forces have been the federal policy context, the district's thin management approach to contracting, and the district's centralizing tendency. The constraints of these policies have contributed to the tendency for educational approaches among all the providers to look more similar than different and have raised questions about the providers' capacity to bring innovative educational practices to their schools.

Nonetheless, even the literature on institutional theory (DiMaggio and Powell 1983; Hanson 2001) indicates that systems do change, often as a result of discontinuities within institutions. A comprehensive and rigorous assessment of the DPM, therefore, must include a thorough assessment of the providers' work with the schools they manage, with an eye toward variation in practice. Over the next year and a half, the Learning project will be examining providers' relationships with their schools and their approaches to school improvement in order to make a finer-grained assessment of their interventions.

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?

The ability effectively to regulate, manage, and monitor the contracting out of school management is critical to the capacity to ensure accountability. We have already discussed the dilemmas of ensuring accountability at the operational level for contractual fidelity. In this concluding section, we discuss the district's ability to ensure public accountability, or accountability 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 opportunities and strong learning outcomes for students who have traditionally been disadvantaged by race and class.)

Since its inception, the Philadelphia DPM has been largely characterized by top-down decision making and a lack of transparency. The SRC and central administration selected the providers, assigned them to schools, and established

the criteria for judging their performance. In effect, the district adopted the role of a “consumer” of school management services. Absent was any increase in choice for parents and students, which was theoretically supposed to ensure public accountability in the model projected by Hill and his colleagues (Hill 2006; Hill et al. 2000).

In addition, many 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. Contracting with these groups “represents a shift in the locus and meaning of accountability”: rather than the district being accountable to parents and the community for a larger public good, the community is accountable to the district for the terms of its contract (Gold et al. 2005, 12). Consistent with research on privatization in other public sectors, our studies (see also Christman et al. 2006; Gold et al. 2005) indicate that despite the potential benefits of cross-sectoral collaboration, privatization often narrows, rather than expands, public input into policy making (Leone 2000).

Will the School Management Providers Accelerate Achievement at Low-Performing Schools at Costs That Both the District and Providers Can Afford?

The Learning study is already conducting in-depth research on the providers’ educational approaches. Another important assessment of school improvement involves tracking student achievement gains. Preliminary standardized test-score data indicate that the district as a whole is improving and that providers’ interventions are not robust enough to accelerate student performance in persistently low-performing schools at a faster rate than the district itself. Findings from an even more nuanced examination of test-score results, using a value-added approach and incorporating five years of data (2002–6), conducted by the Rand Corporation in cooperation with our Learning study, will be available in January 2007. We are planning a second value-added analysis in 2008, when the district and DPM have moved beyond issues associated with the early implementation of any new initiative.

Our research has only addressed the costs of the DPM tangentially. We have noted that management services have been supplied with extra per-pupil funding coming from the state. Nonetheless, to date, there has been no systematic analysis of the costs of contracting with the private sector for school management services, including direct funding as well as transactional expenses. There also has not been any analysis of how the providers utilize their resources. In Baltimore, where Edison has managed three schools for the past several years, a recent study commissioned by the Abell Foundation is raising

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questions about Edison's management costs and its profits (Abell Foundation 2005). The Abell Foundation is calling for a broad public discussion of the study's findings regarding whether privatization is delivering the "bang for the buck" that its proponents have promised. We suggest that a thorough cost analysis, as well as a close look at how public tax dollars are allocated when private sector organizations become involved in public education, is important for Philadelphia and for other cities considering a similar path.

Furthermore, we note that funding for public education in Philadelphia continues to be a contentious issue. The future of the providers has been threatened twice this year as a result of budget crises. The first time was in April 2006 when the State House of Representatives threatened to withdraw \$25 million from their appropriation to the district. In response, CEO Vallas said that he would terminate contracts with the providers, a decision that did not have the backing of all SRC members. This crisis passed when the state legislature finally passed an allocation that included the \$25 million. The second time began in October 2006 when the district announced, barely two months into the school year, that it had identified an unanticipated shortfall of approximately \$70 million in what had been presumed to be a balanced budget. Terminating the providers, along with a host of other reforms, has been put on the table as a way to remedy the situation.

The scale and nature of Philadelphia's DPM has represented a radical shift in the district's use of the private sector to provide educational services. Yet, there has been little ongoing public discussion of the changes taking place. Without a full public review of effects and costs, little will have been learned from this experiment that can benefit Philadelphia or other cities. The DPM was the result of political wrangling and compromise. The decision of whether the providers' contracts are terminated or renewed is in danger of turning on politics as well, without a hard-nosed examination or informed discussion about whether the providers have contributed to improving Philadelphia's low-performing schools at a cost the district can afford.

Notes

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1. We use the term “providers” to refer to all private sector entities—including for-profit companies, nonprofit organizations, and universities—contracted to manage schools. Because they are unique in having existing missions that focus on providing educational management services, we refer only to the for-profit providers as Educational Management Organizations (EMOs). District officials and others, however, frequently use “EMO” and “provider” interchangeably. They also use the language of “partnership” to cover both relationships with providers of school management services and with other groups and organizations that have noncontractual relations with the district. In this article, we use the language of partnership only when we are referring to relationships the district has with external organizations outside the DPM.

2. All nonattributed quotes in this article come from our data corpus; quotes from speeches at conferences are paraphrases taken from researchers’ field notes.

3. The authors or related researchers conducted all interviews in this article, unless otherwise indicated. The interviews, with the exception of a few top state and district leaders, were on a confidential basis.

4. See Research for Action (2005) for a full description of these 86 elementary and middle schools, which comprise 42 percent of the total number of district elementary and middle schools.

5. This conclusion, drawn from a review of public documents, was confirmed by a district staff person who is very knowledgeable about the selection of school management providers in Philadelphia, and who commented that there was “an enormously shallow” pool of qualified providers and that the district had to settle for what was available.

6. The district successfully negotiated partial site selection in a new collective bargaining agreement with the teachers’ union in fall 2004. Learning researchers are currently examining the success in implementing these new agreements.

7. As of 2004–5 school year, PSSA scores among eleventh graders, however, have resisted improvement, a pattern similar to that found in urban high schools across the country.

8. As of 2004–5, test scores on the nationally normed TerraNova exams in grades 3–10 in four subjects have increased since they were first given in the fall of 2002, but score trends vary by subject and grade.

9. The state relaxed the criteria for meeting some AYP targets during 2003–4; 30 of the 160 schools making AYP would not have met all their AYP targets in 2004 without these relaxed criteria.

10. 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.

11. Partners working to develop new high schools included Microsoft, Inc., the Franklin Institute (Philadelphia’s science museum), the University of Pennsylvania, and the National Constitution Center. In addition, the SRC awarded contracts to four private entities to consult with 12 high schools as “transition managers” as these schools were broken down into “small high schools.” The district also granted extended authority to three national for-profits specializing in the management of alternative disciplinary 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. In spring 2005, the SRC voted three to two to award two additional elementary schools to Edison.

12. For a full discussion of two of these analyses—conducted by researchers at the

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Consortium for Chicago School Research and Johns Hopkins University—see MacIver and MacIver (2006) and Useem (2005). Results from work by a research team at the RAND Corporation in cooperation with the Learning study are expected in late fall 2006.

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