Salvaging Assets:  
Considering Alternatives to School Closure

Lucy Steiner and Bryan Hassel, Public Impact

ncsrp working paper # 2008-9
Salvaging Assets: Considering Alternatives to School Closure

Lucy Steiner and Bryan Hassel, Public Impact

DRAFT

April 2008

NCSRP Working Paper #2008-9
Working Paper Series on Portfolio Management


This paper is part of a collection of nine working papers that provides research-based practical guidance to authorizers across the whole range of authorizer practices, from building supply and selecting applicants, through oversight and support, to intervening in and closing failing schools. Developed through CRPE’s “Providing Public Oversight” research initiative in partnership with Public Impact.

The views expressed herein are those of the author(s) and do not necessarily represent those of the Center on Reinventing Public Education, the National Charter School Research Project (NCSRP), the University of Washington, or project funders. NCSRP Working Papers have not been subject to the Center’s Quality Assurance Process.
Introduction
In a school system dedicated to continuous improvement, all of the components of the organization must be focused on performance. Inevitably, one of the thorniest conflicts that arises is how to respond when schools fail to meet their performance goals. As an initial response, system leaders can assess what the school’s needs are and provide targeted assistance in the form of feedback, training, assessment support, data analysis, and other “incremental” interventions. But what if student achievement continues to lag despite these interventions? The figure below illustrates the decision-making process for charter school authorizers or other system leaders who are faced with this situation.

Decision Tree for Failing Schools

School fails to meet goals in the area of academic, organizational or fiscal performance

Offer incremental interventions

Interventions are successful

School meets performance goals

Interventions are not successful

Continue to tolerate failure

Close the school

Salvage assets
At this point, school closure becomes a valid and perhaps necessary next step. In a system focused on developing high performing schools, closing chronically low performing schools ensures that the system as a whole continues to improve. But what if the school has assets that are worth salvaging? A committed and involved group of parents who want to continue to send their children to the school might be an asset worth preserving, for example. Goodwill and desire on the part of the surrounding community for the school to continue is another potential asset. Strong teachers who have not been able to succeed under the current leadership but who could be highly successful with a new leadership team are another. In areas where school facilities are very difficult to obtain, the building itself might be a very valuable commodity. And finally, what if the realistic school alternatives for the students currently attending the failing charter school are very weak? The students themselves are certainly an asset and providing them with a successful school alternative would be a much better choice than consigning them to a low-performing school.

What are the options for charter school authorizers or entities with similar responsibilities who want to salvage one or more of these assets?

The empirical data from this study suggests that authorizers rarely try to salvage these assets. In most cases, when authorizers recognize that a school is failing, they engage in a series of interventions. But ultimately, if authorizers decide that the school’s leadership team and/or governing board are incapable of improvement, they close the school. But this does not have to be the case. Hypothetically, an authorizer could use the information it has gathered in monitoring the school’s performance and diagnosing its problems and take action to salvage the school’s remaining assets. For example, it could implement a turnaround by replacing the school’s leadership and governance board and leaving other staff members in place (e.g. teachers, support staff). Alternatively, it could reconstitute the school and start fresh by replacing all of the adults in the building - the management company (if applicable), the board, the leadership team and the staff. In the latter case, only the students would remain in the school. And finally, the authorizer could salvage the building by closing the school but arranging for another school operator to take over the existing facility.

While the collective body of knowledge on this topic is extremely limited - there are very few examples of authorizers who have taken steps like these - the purpose of this paper is to begin to delineate why authorizers rarely exercise these options and to offer some guidance about how an authorizer could effectively salvage assets if the authorizing office determined that there was a compelling reason to do so.

Methodology
For this project, the study team determined that charter school authorizers have the most experience responding to school failure in the context of a performance-based system. The study team conducted semi-structured interviews with district personnel and independent authorizers representing seven charter school offices: 1) the Mayor’s Office of Charter Schools in Indianapolis; 2) the Public Charter School Board in Washington, DC (PCSB); 3) the Office of Charter Schools at Central Michigan University (CMU); 4) the Charter Schools Institute at the
State University of New York (SUNY); 5) the Charter Schools Office of Volunteers of America – Minnesota; 6) the Charter Schools Office at the Massachusetts Department of Education; and 7) Chicago Public School’s Office of New Schools. In addition, the authors reviewed the research literature on school reconstitution and on organizational and school turnaround.

While there are relevant differences between districts’ and charter authorizers’ approach to school closure, the relationship between authorizer and charter school in many respects resembles the relationship between district and school in a portfolio-managed district. The examples and lessons offered here will be of use to charter authorizers, districts that are engaged in performance-based oversight, and traditional public school districts as well.

**Barriers to Salvaging Assets**
Authorizer interviews suggest that for the most part authorizers are reluctant to salvage assets. The only exception to this was the possibility of retaining the facility. A few authorizers mentioned that they would be interested in keeping the facility available to other charter school operators, but no one expressed a desire to turn around a school by significantly replacing the school’s leadership (the entire board and/or the entire school leadership team) or to reconstitute a school by replacing all of the adults in the building. Authorizers cited several reasons for this including: 1) legal and policy constraints; 2) philosophical concerns about their role with regard to school autonomy; 3) limited internal capacity; and 4) past experience with school closure.

**Legal and Policy Constraints**
Several authorizers said that under their state’s charter school law, they did not have the authority to replace the entire governing board, the leadership team and/or the management company. While charter school laws differ with regard to what types of entities are allowed to authorize schools and what legal arrangements authorizers have with the charter schools they approve, the charter contract is typically between the authorizer and the school’s governing board; the board is then responsible for hiring and firing the school leader and/or the management company. None of the authorizers interviewed for this study had direct legal authority to either hire or fire a school leader or a management company.

With regard to their legal authority to remove governing board members, authorizers reported that state laws differ. For example, charter school board members in Michigan are treated as public officials and individual board members can be removed by the authorizer if they are deemed unfit for office. In New York, some authorizers have the authority to approve or not approve board members as they are appointed. But in most other states, once charter schools are authorized, they are treated as independent nonprofits, and authorizers do not have the authority to approve individual governing board members or to remove them.

**Authorizer Approach to Autonomy and Accountability**
A few authorizers also commented that even if they did have the legal authority to do so, they did not believe it was their role to intervene in schools by replacing either the governance and leadership teams or the entire staff. Charter school authorizers have a contractual relationship with governance boards that is based on significant autonomy in return for accountability. Authorizers vary in how they interpret schools’ rights to autonomy; some are more hands-off in
their relationships than others. But authorizers who consider the accountability/autonomy balance a critical part of their mission are reluctant to play a role in replacing the governance and leadership teams or the entire staff because they think this is overstepping the boundaries of their role. One authorizer typified this perspective as she was describing her reluctance to intervene in a situation when a management company was not effective: “We may say informally to the board, ‘Don’t forget it’s your school. It’s not the management company’s school.’ But we are not going to tell them to fire their management company. That would be up to them.”

**Limited Internal Capacity**

Another constraint on authorizers’ ability and/or willingness to engage in salvaging a chronically low performing school’s assets is limited internal capacity. While there is little research to indicate how much internal capacity authorizers need to manage schools effectively, interviews with authorizers suggest that many of them feel they are under-funded and understaffed. This is not universally the case – SUNY in New York and CMU in Michigan are among the more well-resourced authorizers with regard to both staffing and funding – but many other authorizers report that their internal capacity is stretched as they approve growing numbers of schools. Authorizers who do not believe they have sufficient resources report that they would place a higher priority on other activities (e.g. attracting new operators, better monitoring systems) than they would on salvaging assets in a failed school. Taking responsibility for replacing an entire board or leadership team or an entire school’s staff would require a substantial amount of staff time and resources. In some cases, authors reported that they were not sure that the risks involved in trying to either turn around or reconstitute a failing school were worth this investment.

**Past Experience with School Closure**

Authorizers past experience with school closure had an influence on their willingness to consider the merits of salvaging assets. A few of the interviewees who had experienced acrimonious school closures were very reluctant to get involved in a turnaround or a reconstitution. They felt that the negatives aspects of closure – responding to dissatisfied parents, unfavorable press attention, political pressure to act quickly – would be intensified in a turnaround or a reconstitution because the authorizer would be taking responsibility for improving school outcomes rather than just highlighting and documenting the shortcomings of the present leadership team.

**Is Salvaging Assets Worth Considering?**

Clearly, authorizers are skeptical about the idea of salvaging assets. Very few have tried it, so there are few lessons learned. And, as the other papers in this series indicate, there are a number of challenges associated with authorizing that compete for authorizers’ attention. And yet there are reasons to think that in some cases, authorizers who decide to turn a school around or to reconstitute a failing school or to salvage a facility could be successful at creating a high quality schooling option for students who need it. Therefore, it is worth exploring what salvaging assets might look like and whether research offers any guidance about strategies for doing this that avoid potentially negative outcomes.

---

School Turnaround

Legally, there seem to be serious impediments to an authorizer removing a school’s entire governing board and/or its leadership team if the school continues to operate under the same charter and if the parties involved resist this action. What is not clear is whether a governing board or leadership team could voluntarily agree to these steps, and if under these circumstances the school could remain open under the same charter. This would be an issue for each authorizer to determine based on its own state’s law.

If the parties agree to step down so that the school can continue to remain open for the students and families who want it, then the authorizer could play a critical role in facilitating this process. First, the authorizer would need to make the case to the board and leadership team that all other options have been exhausted and that school closure is imminent. Once they have established that continuing to operate is not an option, the authorizer could invite the board and/or leadership team to voluntarily step down and allow the authorizer to approve a new group to lead the school. Conceivably, the authorizer could then run an RFP process inviting applicants to lead this particular school under the condition that the students who are currently enrolled be allowed to remain and that the current staff members be allowed to reapply for their jobs.

There are a couple of possibilities at this point. One possibility would be for the authorizer to play an active role in seating a new board, but once the board is established allow it to assume control and hire the new leader and/or management team. Another option would be for the authorizer to stay hands-on throughout the hiring process. In either case, the authorizing staff would need to be familiar with the characteristics of successful turnaround leaders because they would need to find board members who have this knowledge or equip them with this knowledge if the board takes on the leadership hiring process.

Organizational turnaround led by new leadership, while relatively new to education, is not a new strategy in other fields. A robust body of literature in both the public and private sectors provides support for turnaround, as long as the newly selected leader and/or leadership team has the skills needed to implement an effective, swift turnaround. Cross-industry research indicates that nearly 70% of the successful turnarounds that occur in the business sector include changes in top management, so it is critical to select leaders who have the ability to take the actions that research suggests are necessary to improve dramatically organizational performance.

---


Authorizers who are interested in facilitating an effective turnaround should familiarize themselves with these findings so they select people who are highly likely to take these actions.

Briefly, research documenting and analyzing cases in which public and private organizations that were failing by many measures made very rapid, dramatic performance improvements indicate that effective turnaround leaders take the following actions:5

- **Identify and focus on a few early wins with big payoffs**, and use that early success to gain momentum. While these “wins” are limited in scope, they are high-priority, not peripheral, elements of organization performance.
- **Break organization norms or rules** to deploy new tactics needed for early wins. Discard failed rules and routines when they inhibit success.
- **Act quickly in a fast cycle** of trying new tactics, measuring results, discarding failed tactics and doing more of what works.

Ideally, the selection process would identify applicants who have direct past experience turning around failing organizations. Because this is a high bar and it is unlikely that the authorizer could identify a large enough pool of people who have this level of turnaround experience, the next best screen would be to look for people who have the characteristics that would enable them to take the actions described above. Screening candidates for the characteristics that research suggests are necessary to lead an effective turnaround (e.g., high achievement drive, persistence, self-confidence, high levels of analytical and conceptual thinking)6 would enable the authorizer to have increased confidence that the turnaround would be effective.

Cross industry research suggests that while there is evidence that replacing a leader with a new leader who has the skills to implement an effective turnaround can determine the success of the turnaround,7 replacing the staff does not seem to be a critical factor in successful turnarounds.

---

5 School Turnarounds: A Review of the Cross-Sector Evidence on Dramatic Organization Improvement, Public Impact for the Center on Innovation and Improvement (2007)
On the contrary, research indicates that wholesale staff replacement is not necessary for a successful turnaround, although it is important to be able to replace individual staff members who are unable to make needed changes. Therefore, authorizers should consider whether a reconstitution of the entire staff is warranted, or whether a new leadership team that has the capacity to implement a turnaround would be less disruptive. However, if the idea is to bring in a new organization to operate the school, that organization may well insist on the autonomy to build its team “from scratch,” as one study of such providers demonstrated.

Reconstitution
The advantage of the reconstitution option is that it plays to the authorizer’s experience and strengths. All authorizers run a selection process that involves gauging whether a particular applicant group has the capacity to open and run a successful school. In some cases, authorizers issue RFPs that invite applicant groups to apply to open a school that meets specific criteria (e.g. a particular type of school, in a specific neighborhood, or for a specific age range of students). In the case of a fresh start that is designed to salvage a failing school’s remaining assets, setting these types of parameters would be necessary depending on what aspect of the school the authorizer is salvaging - the current student body, the geographic location, and/or the building.

A few examples of salvaging assets by reconstituting schools did emerge in this study. In response to the scarcity of facilities for new schools, the Office of New Schools (ONS), the office within the Chicago Public Schools (CP) that is responsible for new school starts, has issued request for proposals that invite applicants to apply to open schools in buildings they have recently closed. One of ONS’s priorities in this process has been to ensure that students who attended the former school have the option of applying through the lottery or are even given priority to attend the new school, so in this respect they have experience with salvaging not only the building but taking steps to salvage the existing student body. More recently, CPS has taken this a step further and actively recruited outside providers to take over existing failing schools and their entire student bodies by bringing in a new staff and leadership team. In this way CPS is deliberating structuring the intervention so that the current students remain in the school. At a public meeting in the spring of 2007 announcing a reconstitution, there was widespread parental support for the new leadership that was to be put in place for the 2007-2008 school year.

---


The research on school reconstitution that should inform this strategy is cautionary at best. Despite some reports of success, overall these efforts have been disappointing. Case studies have documented that reconstituted schools have been plagued with reports of inexperienced staff, high levels of teacher turnover, and inconsistent improvement in student achievement. Because the experience base behind school reconstitution is relatively small, there is reason to believe that this option could work better if policymakers took steps to avoid the problems described in these studies and instead develop coherent systems to implement this approach that are more likely to work. For example, ensuring that the new leadership team has the internal capacity to lead the change effort would be a critical step in the process. Additionally, giving the leadership team time to plan and the authority and knowledge to hire teachers and other staff who will be effective in the highly charged, chaotic atmosphere of a reconstitution could make the effort more successful.

Facility Acquisition
Facility acquisition emerged as the most appealing option for salvaging assets among the authorizers interviewed for this project. One authorizer, Josephine Baker at the PCSB in Washington, DC, reported that her board chair was in the process of lobbying for a change in the charter law that would allow acquisitions to occur in cases of school failure. In DC, charter facilities are very difficult to obtain, and one of the primary goals of this change was to make sure another charter school was able to take over a failing school’s facility after the school was closed. If students were at the same grade level as the new school’s students, then her office wanted to encourage the new school operators to allow former students to enroll in the reconstituted school, but at this point her board did not have a mechanism to ensure that this would happen.

A few other authorizers also mentioned that they would be interested in allowing new school operators to take over a failing schools facility rather than let the facility be used for another purpose, but cautioned that more often than not, in their experience, failing schools do not have attractive facilities that would be worth salvaging.

While interest in this option appears to be driven by contextual factors (e.g., how hard it is to obtain a school facility in a given locale, if there are existing operators who want to expand into a new building or if there are new operators who want to open in the neighborhood where the

existing facility is located), further exploration of the pros and cons of this option as more examples emerge would be valuable to existing authorizers considering this strategy. In many respects, it is the least difficult of the salvaging assets options to achieve because it aligns most closely with authorizer’s existing practices.

**Recommendations for Salvaging Assets Effectively**

In a performance-based education system, it is easy to look at the choices as stark – in the case of a chronically failing school, system leaders can either continue to tolerate failure or close the low performing school. The results of this study indicate that authors rarely attempt alternative strategies that have the potential to offer better educational options to students who need them, options such as school turnaround, school reconstitution and facility acquisition. And yet, for the students in those schools and the communities where they are situated, closing the school may mean consigning students to schools that are extremely low performing or forcing a community to give up the possibility of having a strong neighborhood school.

Admittedly, the barriers to implementing these alternatives are high. There are legal, philosophical and capacity issues that could easily prevent or discourage authorizers from taking these steps. But if the evidence suggests that far too many low performing schools remain open because of the challenges of school closure, there is a mandate to at least explore these alternatives, and there is some reason to believe, based on what is currently known about turnaround, reconstitution and facilities acquisition, that an authorizer could be successful.

Drawing on evidence from other sectors and the information we gathered during interviews, this section includes recommendations about how an authorizer or other performance-management entity could salvage assets effectively.

1. **Use existing processes wherever possible**

Most authorizers have experience with several critical steps that would be necessary in a turnaround or school reconstitution. Authorizers have multiple processes already in place, for example, to identify a new leadership and governance team. These processes include generating interest among likely candidates, issuing an RFP that outlines what the needs are for the new operator, being transparent and clear about the selection criteria, putting together a screening process that includes reviewers who are knowledgeable about what is needed to do this work well, and comparing candidates on key indicators. In the case of facilities acquisition, many authorizers have experience evaluating whether an existing school operator is ready for expansion as well as selecting a new operator. In addition, many authorizers have experience with reaching out to families and community members in order to build consensus for change.

2. **Investigate lessons from effective turnaround**

And yet, there are differences involved in turnaround and reconstitution that authors need to understand in order to support this work successfully because turnaround and reconstitution are not new starts – they involve taking a failing organization from bad to great rapidly. There is an existing body of research in education and in other sectors that explores the lessons learned and the inherent difficulties involved in turnaround, and authors who want to engage in this work would need to become familiar with what is already known, and they would
need to change their existing processes where necessary to accommodate the additional demands inherent in these alternatives.

3. **Design a selection process that identifies leaders with capacity for turnaround**

In particular, the urgency and “press” of turnaround necessitates leaders who have unique skills and characteristics. If students who have been failing academically remain in the building, then there is a culture of failure that has to be reversed rapidly. All of the stakeholders involved in the turnaround or reconstitution – the new governing board, the leadership team, the staff and faculty – need to be able to engage in a set of actions that will get results in a short time frame. And it is the authorizer’s responsibility to select leaders who will be able to not only engage in these actions themselves, but will be able to hire and appoint people who share this sense of urgency and who have the capacity to engage in these types of actions.

**Conclusion**

In a performance-based system, evidence of student learning is valued above all. When student learning does not occur, or does not occur with enough intensity, then the system needs to respond effectively. To date, systems have either not responded aggressively enough to chronic school failure, or they have responded by closing down the school. This paper argues that there are alternatives that have the potential to be successful, if appropriately and knowledgeably implemented, and these alternatives should be considered, they should be tried, and the results should be rigorously evaluated.
The views expressed herein are those of the author(s) and do not necessarily represent those of the Center on Reinventing Public Education, the National Charter School Research Project (NCSRP), the University of Washington, or project funders. NCSRP Working Papers have not been subject to the Center’s Quality Assurance Process.