



Brand-Name Charters

The Franchise Model Applied to Schools

By Julie Bennett
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If you had been a 10-year-old on the streets of San Lorenzo, California, in the summer of 2003, you would have had a hard time avoiding Jason Singer and Cathy Cowan. Singer, now 37, had enlisted Cowan, a teacher, to help him recruit 5th-grade students for the charter middle school he planned to open in just a few weeks.

“We talked to children in parks and churches,” says Cowan, now 48, “sitting on park benches or playing in their own yards. If we spotted a likely child, we’d follow him home, then ring the doorbell and talk to his parents.”

The pair were unlikely stalkers. After college Singer had spent two years in Trinidad as a Fulbright scholar studying the impact of race on imagination. As part of the Mississippi Teacher Corps, he’d taught literature to high school students in Greenwood, then launched a nonprofit youth employment organization and a for-profit airline ticket exchange. Cowan, who holds an undergraduate degree in business and a master’s in education, had left a corporate job to join the New York City Teaching Fellows program.

Singer had just spent a year as a Fisher Fellow in a program run by the KIPP (Knowledge Is Power Program) Foundation in San Francisco, training designed to turn him into a school principal with an entrepreneur’s skill set. He’d spent weeks in college classrooms learning business practices and months in KIPP schools seeing how they are run. Then he landed in San Lorenzo, a racially diverse, low-income city about 15 miles south of Oakland, to start KIPP Summit Academy from scratch.

KIPP was founded in 1994 by Teach For America alums Michael Feinberg and David Levin, who now run KIPP schools in Houston and the South Bronx. In 2000, Gap founders Doris and Don Fisher donated \$15 million to start the KIPP Foundation, with a goal of replicating Feinberg and Levin’s charter school model across the country. Since then, more than 50 founding principals like Singer have launched 57 KIPP schools in 17 states, plus Washington, D.C., serving over 14,000 students. Another 13 Fisher Fellows are now searching for sites and teachers for schools they will open in 2008. CEO Richard Barth says the network expects to have about 100 KIPP schools operating by 2011.

That rate of expansion is rare in today’s charter school world. Beginning in the late 1990s, for-profit education management organizations (EMOs) like New York City-based Edison Schools

began expanding at what Steven F. Wilson, author of *Learning on the Job*, called a “dizzying pace.” Edison, founded by publishing millionaire Christopher Whittle in 1992, grew to 51 schools in just four years; Advantage, which Wilson started in 1997, was managing 16 charter schools within two years. But even that pace was not fast enough, and only a handful of EMOs became profitable before their capital ran out and they had to close some of the schools they had just opened. Edison spent a disastrous two years as a public company and now operates 31 charter schools and provides management services to 54 district schools. Advantage was merged into Mosaica, which runs 35 charter schools in eight states and the District of Columbia.

The great majority of charter schools are single institutions, founded by local education reformers. According to “Quantity Counts: The Growth of Charter School Management Organizations,” published in August 2007 by the National Charter School Research Project (NCSRP) at the University of Washington in Seattle, of the 3,600 charter schools, which served over 1 million students in the 2006–07 school year, only 9 percent were operated or managed by a nonprofit charter management organization (CMO) or for-profit EMO. According to the NCSRP, the country now has 24 EMOs and about 30 CMOs. Most of these organizations are controlled from a central office and are growing slowly because their headquarters staff can only manage the complicated task of opening schools one at a time. “Those who thought that proven models could be rapidly scaled up have concluded that they underestimated the difficulty of creating substantially better schools from scratch,” the NCSRP report explains. The entire charter school movement, once hailed as a vehicle for transforming education, serves less than 3 percent of the nation’s schoolchildren, less than the percentage who are schooled at home.

Growing Charters

If the charter movement is to fulfill its promise, high-quality schools must be replicated quickly. In the business world, when the owners of restaurants or retail stores want to expand, they choose between two models: corporate-style growth with central management or franchising. Chains like Starbucks scale up corporately; each of its 7,087 U.S. stores is owned by and managed from its Seattle headquarters. Others, like McDonald’s, follow a franchise model. Though they look and feel much the same, the vast majority of the 14,000 McDonald’s restaurants in the United States are operated by a founding franchisee. The advantage of franchising is that it allows an organization to grow rapidly without putting its own intellectual and financial capital at risk. While franchisees are building individual units, the central organization can spend its resources on promoting the brand and developing new products and services.

KIPP has adapted the franchise model to its goal of preparing disadvantaged urban children to succeed in college and beyond. The process Singer and KIPP’s other founding principals use to locate sites, raise funds, and find their young customers is very similar to the efforts of America’s 900,000 franchisees, operators of the nation’s restaurants, print shops, and senior-care services. Each KIPP school pays 1 percent of its annual revenues to the KIPP Foundation; business format franchisees pay a percentage of their revenues, called royalties, to their franchisor in exchange for using its brand name, products, and support system. If a business franchisee fails to pass inspections or falls behind in payments, the franchisor has the right to pull its name, but in most cases the franchisee keeps the business premises. If a KIPP school fails

to pass an annual inspection or meet its enrollment goals, or if its students fail to achieve, KIPP, too, will take away its name and support, but the school itself may remain open.

Unlike a typical business franchisor, KIPP grants its new schools considerable freedom in deciding how they will earn and keep the KIPP brand. Choices regarding specific curricula, for example, are made by local school leaders. Nor does KIPP have specific requirements for its facilities, and KIPP schools operate in everything from new buildings to leased space in shopping centers. KIPP LEAD College Prep in Gary, Indiana, for example, rents classrooms from the local YMCA.

The majority of CMOs, however, opt for greater control over each site and take a corporate approach to growth. The leaders of corporate-model CMOs oversee the building and operation of each new school themselves. The trade-off for the slower growth is the assurance that each new school replicates the CMO's standards for building design, staffing, and programs.

Even centrally managed CMOs, though, come in different flavors. Mike Ronan, CEO of Lighthouse Academies in Framingham, Massachusetts, says he has tight control over his organization's 11 schools. "I'm literally in every school at least once a month," Ronan says. "I sit on all our boards and I like visiting with our school leaders." Lighthouse schools all look alike, with bright blue and yellow walls; use the same educational resources; and share a culture that Chrissy Hart, 29, a former KIPP teacher who is now principal of the Lighthouse Intermediate School in Gary, Indiana, calls "arts-infused, warm, and lightly responsive." Procedures for tasks like paying bills and ordering supplies are spelled out in operations manuals. Hart and her fellow principals can hire and fire teachers, but if student scores start slipping, Ronan and his corporate staff will replace the principal and keep the school.

New Haven-based Achievement First, with 12 charter academies in central Brooklyn and the state of Connecticut, and 3 more opening this year, can be characterized as providing "central support," says CEO Doug McCurry. "Our model is evolving. We don't see it as a cookie-cutter thing, but we do have common benchmarks, a common scope, and an emerging set of best practices. We provide a robust back office to take the heavy lifting—budget, initial teacher recruiting and screening, curriculum development, and operations—off our principals so they can focus on academics."

Uncommon Schools, with a home office in Manhattan, follows yet a different corporate model, with its nine schools arranged in five geographic networks in New York and New Jersey, plus two "associate" schools in Boston that participate in professional development activities but are not managed by the CMO. CEO Norman Atkins says that each network has its own managing director and that the configuration will enable Uncommon Schools to grow "reasonably" to 30 schools in the next few years.

Such reasonable growth is supported by the NewSchools Venture Fund in San Francisco, which announced in 2007 that it would focus its current wave of funding on Achievement First, Lighthouse Academies, Uncommon Schools, and a handful of other centrally managed CMOs that are growing within specific geographic areas. CMOs that are replicating their original schools in targeted cities—New York, Chicago, Los Angeles, Washington, D.C., and Oakland—

provide a consistent design and are “opening slowly, to make sure they get each one right,” says Julie Peterson, communications director for the fund.

The organization’s reluctance to support a franchise model hinges on the issue of leadership. Kim Smith, cofounder of the NewSchools Venture Fund says, “The KIPP model works as long as you have really exceptional leaders to replicate the network’s high quality. Over time they will be more difficult to find.”

KIPP leaders and those of two other franchise ventures, the Big Picture Company in Providence, Rhode Island, and EdVisions Schools in Henderson, Minnesota, insist the franchise approach to growth can work. Darryl Cobb, KIPP’s chief academic officer, explains: “We are building a bench of leadership capacity throughout the network. Our Fisher Fellowship training program receives about 500 applications a year to fill 8 to 15 places.” Melissa Gonzales, 28, was a founding teacher of KIPP Heartwood Academy middle school when it opened in San Jose in 2003; today she’s a Fisher Fellow preparing to open a high school there in 2008. “Now 70 percent of our fellows are coming out of KIPP schools,” Cobb says.

“We have a design that we are looking to make happen wherever we can,” says Dennis Littky, one of the cofounders who started the Big Picture Company with “the Met” (the Metropolitan Regional Career and Technical Center) in 1996 in Providence. That design replaces traditional coursework with a curriculum individualized to each student for the three days they are in school. The other two days, students serve internships in community workplaces. In 2000, Bill Gates toured the Met and “loved what he saw so much, he gave us money to build 12 more like it,” Littky says. Today there are 51 Big Picture schools in this country, 7 in the Netherlands, 1 in Australia, “and we could create 50 more,” he says.

Littky’s partner, Elliot Washor, who operates out of an office in San Diego, says, “We are a loose franchise model and think of ourselves as the mother ship. We help new charters with building and facilities design, pedagogy, community relations, and principal development, and employ eight coaches who act as school consultants.” Instead of collecting a set percentage of each school’s revenues, Big Picture Company is exploring charging established schools fees for specific services. One challenge facing Big Picture is that current college admission standards are not compatible with that organization’s style of personalized, real-world learning. Washor says, “One of our next ventures is to open our own college.”

EdVisions is even more educationally progressive. Students in each of the 50 EdVisions schools started since 2000 (44 are charters) take only math classes—all other learning comes from standards-based projects they complete during the school year. Schools are led not by principals, but by founding teachers, and all pay fees for services. “If we help a school from the start, we charge them \$75,000 over the first three years,” CEO Doug Thomas says. Fifty more schools are in EdVisions’s pipeline, ten of which should open soon. EdVisions assigns a coach to each school, explains Thomas, who visits on a regular basis, and provides a summer institute and professional development days for all its teachers. “We have an evaluation system to hold schools accountable to our design and practices,” Thomas adds.

Some CMOs that initially adopted a franchise model changed course when unable to grow the brand while maintaining quality. In 2000, Larry Rosenstock started the first High Tech High in San Diego, a small school that combined rigorous courses with technology-based projects and community internships. Like Big Picture, the school attracted national attention and a replication grant from the Gates Foundation. By 2004 Rosenstock had created a network of 16 more urban High Tech High charter schools, in California, Arizona, Illinois, New Mexico, Massachusetts, Oregon, and Pennsylvania. A 2004 Forbes article, titled “Where Everyone Can Overachieve,” says each affiliate paid Rosenstock’s organization 8 percent of its operating budget for services ranging from building management to charter compliance work.

Two years later, Rosenstock dismantled the network and retrenched, focusing on opening and operating schools near his original San Diego facility. “Basically, the problems with a network strategy are distance, the differing charter laws in each state, different political environments, and different theories of action [for running a school],” Rosenstock says today.

Getting It Right

The history of business franchising is rich with failures. Franchising as a business model has been around since the Middle Ages, but gained traction in the United States in the 1950s when McDonald’s, Burger King, and Kentucky Fried Chicken began their inexorable march along our highways. For many years, franchising thrived in a “Wild West” fashion, with no laws to fence out scoundrels and no guidelines for conscientious franchisors to follow. The Federal Trade Commission reined in the industry in the 1970s by establishing rules for what franchisors must disclose to prospective franchisees before signing them on. By then, the franchisors still standing had developed their own strategies and procedures that now represent the industry’s best practices.

Despite the obvious differences between serving hamburgers and providing public education, the best practices of the franchise-model CMOs look remarkably similar to those of business franchising.

First, successful franchisors carefully select and train their franchisees. “The secret of making a franchise system sustainable is selecting good franchisees and preparing them well,” says Darrell Johnson, president of FRANdata, a franchise-research firm in Arlington, Virginia. Industry leader McDonald’s screens all applicants through written and in-person interviews and requires all its franchise candidates to spend 2,000 hours working in existing restaurants and several more weeks in classrooms at Hamburger University in Oak Brook, Illinois. Most franchisors offer classroom and hands-on training programs that last one to five weeks.

Applicants to KIPP’s yearlong Fisher Fellowship program must have at least four years of teaching experience, strong communication skills, and critical thinking abilities. KIPP’s recruiting staff screens candidates through written applications and telephone and in-person interviews; selected candidates travel to California for a final round of interviews. Glenn Davis, 26, who teaches 6th-grade math at KIPP LEAD in Gary, Indiana, says he’ll apply to the Fisher Fellowship program in two years, because he hopes to start a high school for his current students. Davis and his principal, April Goble, 32, are both alumni of Teach For America (TFA), as are a

majority of KIPP's teachers and leaders. That pipeline will get larger; TFA, which has 5,000 teachers working in urban and rural schools this year, plans to expand to 7,500 by 2010.

Thomas Carroll, chairman of the Brighter Choice Charter Schools and the Brighter Choice Foundation, a charter school developer in Albany, New York, says that CMOs wishing to adopt a franchise model could create programs similar to KIPP's fellowship to train their own crops of education entrepreneurs. "It's hard to protect intellectual property in the charter school world; there's no formula for a secret sauce. If someone wanted to set up something similar to KIPP, no one could stop them."

In fact, other organizations are adding to the ranks of potential charter school founders. Building Excellent Schools, in Boston, has a fellowship program for independent charter school leaders that is similar to KIPP's. Fellows receive practice-based training and guidance while they are designing, launching, and sustaining new charter schools. The nonprofit New Leaders for New Schools, founded in New York City in 2000, has trained 431 principals who are now serving as leaders in urban schools and plans to build a 2,000-person national principal corps by 2018. A pilot master's program at Hunter College bypasses traditional education courses and focuses on coursework specific to the needs of teachers and principals who will work in urban locations. KIPP, Uncommon Schools, and Achievement First are all providing support and instructors to the program.

Second, experienced franchisors provide specific instructions for launching the business. Commercial franchisors send new franchisees off with thick operating manuals, detailing exactly what their unit should look like and how they must prepare their products or deliver their services.

At KIPP schools, what must be replicated is the culture, says Ryan Hill, 31, director of KIPP's regional office in Newark, New Jersey. "There's no overseer who says we must do things a certain way, but when you visit our schools you'll see similarities." Although they are 2,000 miles apart, the atmospheres in KIPP Summit and KIPP LEAD feel almost identical. Students move quietly down the halls in straight lines. In class, their eyes stay focused on the teacher; when a question is asked, students' hands shoot up to show they know the answer. Ask a 5th-grade class in any KIPP school when they'll start college and they'll all chant "2015."

Third, successful franchisors perfect their prototypes before replicating them. In *Time to Make the Donuts*, the late William Rosenberg reported that he spent five years tinkering with the layout, beverage menu, and donut varieties of his first five stores before launching the franchise program for Dunkin' Donuts in 1954. Like Rosenberg, the founders of KIPP and Big Picture spent years working on their prototype schools before opening more schools. High Tech High's Rosenstock, however, expanded quickly, without conducting a long-term test of his prototype.

And fourth, the most successful franchise systems grow carefully, within one geographic area at a time. When Fred DeLuca started Subway in 1965, his goal was to have 32 sandwich shops in ten years. His first store was in Bridgeport, Connecticut, and all his early franchisees came from nearby towns. McDonald's founder Ray Kroc was less cautious and sold early franchises near his prototype in Illinois and in California, where the McDonald brothers had launched the

original 15-cent hamburger restaurant. “The California franchisees were impossible to control,” says John Love in his book *McDonald’s: Behind the Arches*. Kroc suspended franchising on the West Coast and “concentrated closer to home, beginning in Illinois and fanning out to neighboring states,” Love says.

Steven Wilson says that early on scattershot expansion—building a charter school wherever a group of local citizens wanted one—weakened EMOs because corporate personnel were always “shuttling to far-flung schools.” Most EdVisions growth is in the Midwest, but Big Picture Company would like to paint a nationwide canvas with its schools. KIPP’s director of network growth, Mike Wright, says that the network’s future expansion will be limited to target cities (there are 14 for the 2009-10 school year) or within one of eight designated regions where elementary, middle, and high schools are being built in clusters.

A Quality Brand

The charter school movement began nearly two decades ago with tremendous potential for narrowing the achievement gap by improving education for disadvantaged students. Two decades from now, charter schools will still be too few to have fulfilled their promise, unless the franchise model for growth takes hold. Even some corporate-model CMOs could adopt a franchise model for future expansion. These CMOs could still guide facilities design, pedagogy, principal and teacher development, and community relations, while trusting local leaders like Singer and Cowan to open and run their schools.

Together, KIPP, EdVisions, and Big Picture are seeding new charter schools at a pace that far outdistances the corporate-model CMOs. The danger, of course, is that expansion will outstrip quality. Wright admits he and other executives at the KIPP Foundation grapple with the problem of closing schools that don’t make the grade. “How do we balance autonomy with collaboration and with oversight?” he asks. “Thus far, we’ve attracted highly educated entrepreneurs who have made us into a great franchise model. If we transitioned to a wholly owned and operated model, we would lose what makes KIPP what it is today.”

Franchisors must protect the value of their brands by terminating franchisees who fail to maintain the system’s quality. The franchise-model CMOs have built in some safeguards: day-to-day decisions are managed by an entrepreneurial principal who has the flexibility to change programs that may not be working and to expand those that are. KIPP sends an inspection team of financial, academic, real estate, and legal personnel to each new school on an annual basis, and EdVisions and the Big Picture Company require visits from their own evaluation teams. EdVisions has removed its name from half a dozen schools, says CEO Thomas. Since 2000, KIPP has closed four schools—in Atlanta; Chicago; Asheville, North Carolina; and Edgewater, Maryland—and “deKIPPed” three more that are still operating although under different names.

Of course, KIPP’s brand name did not mean much to the San Lorenzo parents Singer and Cowan approached in 2003. Interest sparked, says Cowan, “when we told them about our longer school day, from 7:30 AM to 5 PM, Saturday classes, and four more weeks of school in the summer, time we’d use to improve their children’s skills and prepare them for college. The city has high

rates of crime and teen pregnancy, and parents were thankful we were offering a place where their children would be safe and productive, rather than being home alone.”

KIPP Summit opened in fall 2003 with a full roster of 5th graders, and added a grade and more students for each of the next three years until reaching its present status of 359 5th to 8th graders and a waiting list. Two years ago, Singer started the process all over again, raising money and interest in KIPP King Collegiate, the charter network’s first West Coast high school. Cowan prepared to become Summit’s principal by joining the Fisher Fellows program, and in fall 2007 Singer welcomed his new school’s first crop of 9th graders.

The bottom line? Done right, franchising can quickly provide hundreds more classrooms full of 5th graders chanting out the year they, too, will be ready for college.

Julie Bennett is the author of Franchise Times Guide to Selecting, Buying, & Owning a Franchise (Sterling Publishing, 2007).