Entrepreneurship and Business Performance Indicators
as Determinants of Arizona Charter Schools Quality

by

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ABSTRACT

This dissertation focuses on entrepreneurial and business performance indicators as determinants of Arizona charter schools’ quality. The study utilizes a mixed-method inquiry with focus on qualitative research, exploration, and implementation studies. It draws data from surveys with charter operators performed by Education Team Partners (ETP). All survey results are drawn from the ETP database.

The study reviews the genesis and evolution of charter schools. It reviews the social agreement within the context of public policy analysis, and the public-private partnership nature within the context of entrepreneurship and business management. It attempts to develop a research-based foundation for future action research to complement the newly introduced performance management plan (PMP) measurement and evaluation system in Arizona.

The research includes four group indicators for measuring charter schools’ business productivity and performance. They are studied in relation to three groups of indicators for measuring charter schools’ quality. The case studies include two existing and two future charter schools. Study results indicate that all participating charter operators confirm the significance of the liquidity ratio in relation to any aspect of charter school quality covered in this study. The participants indicated a strong relationship between the capacities of their schools to utilize external resources and all indicators of charter school quality.
This study draws two important conclusions. First, charter schools are business organizations, despite the fact that they receive public funds. Operationally, they differ substantially from district schools and government agencies and depend on market forces. Second, charter schools cannot survive inefficient management practices, as market forces tend to drive them out of business, regardless of academic success and student achievement levels.

The intended implications from this study include: first, increased awareness about the importance of understanding business indicators in relation to charter school quality; second, the need for more research associated with the business and finance components of charter schools. As the body of collective knowledge about charter schools expands, the relationship between various business indicators to measures of quality should be routinely studied within larger populations, which may allow for an improved measurement system and applications of advanced statistical methods.
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# TABLE OF CONTENTS

ABSTRACT .................................................................................................................................................. i

ACKNOWLEDGEMENTS .......................................................................................................................... iii

1 INTRODUCTION AND DISCUSSION OF THE TOPIC ............................... 1
   Introduction to the Topic and Purpose of the Study ........................................ 1
   Nature of the Study ................................................................................................. 12
   Research Design ...................................................................................................... 17
   Relevance of the Topic ........................................................................................... 21
   Differences from other Research ....................................................................... 24
   Charter School Affairs and Research: Current Status, Future Prospects, and Expectations ......................................................... 27
   Showcase: Arizona Charter Schools .................................................................... 34

2 REVIEW OF LITERATURE ........................................................................ 39
   Charter School Definitions .................................................................................... 39
   Public Policymaking ............................................................................................... 43
   Social Agreement .................................................................................................... 51
   Accountability ......................................................................................................... 59
   Public-Private Partnerships .................................................................................. 63
   Research Methodology and Measurement Systems ........................................... 68

3 METHODOLOGY AND PROCEDURES ........................................... 72
   Logic Model of Study ............................................................................................. 72
   Qualitative Methods Used ................................................................................... 73
   Quantitative Methods Used ................................................................................ 77
CHAPTER 5  CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

.......................................................................................................................... 133

Summary Conclusions.........................................................................................133

Implications...........................................................................................................148

Recommendations for Future Research ..............................................................149

REFERENCES ...................................................................................................... 154
CHAPTER 1: INTRODUCTION AND DISCUSSION OF THE TOPIC

Introduction to the Topic and Purpose of the Study

This dissertation attempts to identify and explore entrepreneurial and business performance indicators as determinants of Arizona charter schools’ quality in the form of an exploration and implementation study. The main research question seeks to identify and explore relationship components between Arizona charter schools’ performance in entrepreneurship, business, and financial areas and the quality of the charter school. The study attempts to complement the accumulated collective knowledge and research effort in Arizona on charter school academic performance with an in-depth analysis of the non-academic business components while taking into consideration the charter school public policymaking process.

The nature of this study calls for a mixed-method inquiry with focus on qualitative research, exploration, and implementation studies. The study draws conclusions from surveys with charter school operators and develops four case studies as part of the exploration research process. Education Team Partners (ETP) – a decade-old charter school management consulting organization in Arizona, performed all the surveys. Survey results and primary data for the case studies are drawn from the ETP information database and knowledge management system. The case studies developed at ETP attempted to provide answers to questions exploring why certain decisions and action plans were made by charter school operators, and how those decisions and action plans were implemented by the same charter school operators.
The research in this study takes into account the fact that at this young stage of the charter school industry and its “un-uniform” nature of operations, it may be more risky to attempt to generalize, summarize, and draw conclusions about charter schools than to study, research, and explore particulars. Qualitative and mixed-method research are often deemed by critics as problematic in view of internal and external validity and the threat of researcher’s bias. Within the context of the research goals of this study it is deemed worth taking such risk in view of the possible discovery of constructs or “pre-constructs” that may lead to a major qualitative leap in analyzing charter school performance, systemizing charter school data, and developing a more precise and scientifically-based foundation for assessment of charter school performance, including the effect of charter school public policymaking.

On that conceptual foundation, the author of this dissertation study attempts to develop a research-based foundation that could possibly serve as the backbone for future action research for the development of a business performance management plan to complement the newly introduced performance management plan (PMP) measurement and evaluation system in Arizona. The existing PMP provides a detailed measurement and metrics system for the academic and educational aspects of charter schools. However, it just touches on business and finance components, primarily within their regulatory dimensions and compliance aspects. Such an approach does not indicate charter schools’ level of productivity and efficiency, return on investment, financial ratios, etc.
Making generalizations in charter school research is a difficult task at the current stage of development of the charter school industry and charter school research. This fact presents obstacles in developing a reliable and replicable method of charter school data measurement and analysis. The extra challenge of measurement is not just in the fact that the subject of this study is social by nature and applying physical instruments to measure social constructs may be extremely difficult, but also because of the fact that the charter school as a social construct is new and often times surrounded by political controversy. In many instances there are keen disputes and disagreements in regard to defining basic charter school concepts and social constructs, and no one has thought about establishing a related measurement system.

However, despite the political fights and controversies, charter schools have grown to be a significant player in public education. They are expected to bring innovation and positive change in public education even at the expense of allowing charter operators to take action out of the mainstream public education constructs, which occasionally may lead to shortfalls and failures. Such imperfections and unexpected turns may also be found in this study. But just as the charter school social agreement accounts for and accepts such risks with the expectation of much higher rewards, so does the author of this study in terms of taking the risk of occasionally breaking some traditional academic research methodology constructs and theorems within the course of exploration and discovery pursuit.
In general, the amount of research and evaluation on productivity and return on investments associated with public education is insufficient and touches just the surface of the subject. While such task is difficult in the case of district schools because of decades of inertia, often times heavy politics and heavy unionization of personnel, a seniority system for employees, and government-like organizational and funding structure - taxing and bonding authority, etc., a non-business format of budgets and financial statements, it is much more attainable in the case of charter schools, considered the “trigger points’ of public education reform, innovation, experimentation, discovery and adoption of better educational and business practices. The charter schools’ organizational structure and method of funding in the states with more progressive and favorable charter school legislation, resembles more independent and private sector organizations. In an era of chronic budget deficits at any level of government, developing a mechanism to measure and improve productivity in public education may be the next level of assessment of public education results and return on investments.

Charter schools are publicly funded and privately operated educational entities. They depend on effective public policies and the quality of the entrepreneurial and management effort of educational leaders and community members. Federal statute deems charter schools as public schools that are established according to individual State charter school laws. The federal government views the enactment of State charter school laws as solely a State prerogative, and the definition of a “charter school” under State law to be a matter of State policy.
The major concepts associated with the topic of this study outline the main components and constructs associated with the charter school movement, such as: charter school, charter holder, charter authorizer, public education reform, open enrollment policy, open meetings law, educational choice, accountability and competition in public education, educational entrepreneurship, performance / outcome measurement systems, privatization of education, public-private partnership, social agreement, etc. It draws information primarily from field research studies, literature review, review of legislative documents, and official statistics about charter school education.

Charter operators are educational and social entrepreneurs with ideas to transform public education. The bigger picture goal for charter operators is to create and sustain social values by implementing their vision of improving public education. Typically their vision is not just to create something new in the pursuit of legacy, but a quest to make their communities a better place by creating solid educational foundations for a better tomorrow. Hess defines their profile as “educational entrepreneurs [who] seek to teach children who have been ill served, improve the quality of teachers and school leaders, give educators more effective tools and deliver services in more useful and accessible ways. In short, educational entrepreneurs seek to tackle the same problems as other educators; the difference is in how they go about it” (Hess, 2006, p. 2).

The mission of a typical charter school entrepreneur is the creation of a social purpose venture that generates positive effects on society through education. The delivery mechanism for such social values is the private enterprise
– whether it is in the form of a non-profit or for-profit organization, it is based on
the private initiative of one or more educational entrepreneurs, who act as agents
of change. This feature makes charter schools locally controlled and highly
decentralized organizations with substantial variability, which is beneficial to
adapt and respond to local needs, but difficult to study in a larger group format
and make related generalizations.

This dissertation explores profiles and reviews interests of charter school
stakeholder groups and their respective roles in the charter school movement. It
identifies the following major charter school stakeholders:

- Students and their parents
- Teachers and other educators
- Education administrators
- Charter schools’ neighborhoods
- Educational entrepreneurs
- Policymakers
- Federal government
- State government
- Local government
- Charter school authorizers
- Educational reform movement activists
- Service providers and vendors to charter schools
- Other educational organizations – public, private schools
- Charter school research groups and think-tank organizations
The social agreement in the charter school movement is validated by establishing public policies regulating charter schools on one side and the strategic management practices of charter schools on the other. Key issues associated with charter school public policymaking include: who makes the charter school policies, what groups of people influence policy outcomes, what is the locus of power in the policymaking process, and have there been any policy shifts during different periods of time, etc. The charter school policymaking analysis takes into consideration and makes a number of assumptions such as: the cognitive limits and impairments of analyzing a fairly new phenomenon with limited data availability and existing policy analysis; the bounded rationality of drawing conclusions about policymaking and policy analysis; the complexity of the issue; the political nature of many charter school public policies and regulations.

The charter school public policymaking process can be dissected and examined by utilizing a step-by-step method: examination of how policy problems arise and appear on the policy agendas; analysis of how political actors formulate issues for action; analysis of how legislative action is taken; analysis of how administrators subsequently implement the policy; analysis of how policy outcomes are measured and evaluated (Lindblom and Woodhouse, 1993, p. 10).

The charter school public policymaking process has been historically an arena for hot debates, but only recently has there been more systematic research about the effects from the existence of charter schools. Ultimately, valid and reliable charter school performance data and true objective research freed from
various agendas can inform this debate and lead to better policymaking for the public good. While data related to student achievement is the first group of variables to determine charter school performance and policymaking responses, non-academic business performance indicators are key components as well, as the productivity and efficiency of the educational process is becoming a major factor for a society that is trying to find ways to exist and make progress in an environment of chronic government budget deficit conditions.

Charter school public policymaking is affected by the actions of educational entrepreneurs who tend to innovate and apply unconventional approaches to resolving problems in public education. When those educational entrepreneurs deliver educational outcomes different from the mainstream the school culture and demand for such educational services tend to change, which leads to changing the respective public policies. That holds for introducing rules that confirm best business practices and eliminating rules that cause glitches in the charter school model. In exploring that process Smith and Peterson point out “private experiments on organizing and using resources differently lead to public recognition and support, and a shift in the way things are done with public funds. Ideally, public policy would include repetitions of this cycle, with new entrepreneurial experiments and lessons continuing to inform policy over time” (Smith, K. and Peterson, J., 2006, p. 12-13).

The process of “maturation” of charter school operations and the charter school sector as a whole play a significant role in public policymaking, as premature conclusions about charter schools may lead to inadequate informing of
the public policy process, thus resulting in inadequate policymaking. It is critical for charter school stakeholders to have the awareness that effective charter school public policies create the foundation for efficient charter school management that in turn creates high probability conditions for effective charter school actions and desired outcomes, such as high student achievement and adequate returns on funds invested in public education.

The research questions explored in this dissertation study focus on entrepreneurial, business, and finance performance indicators as determinants of Arizona charter schools’ quality in the form of an exploration and implementation study. The main research question seeks to identify and explore relationship components between Arizona charter schools’ performance in entrepreneurship and business areas and the associated outcomes from the public education reform on one hand, and charter school policymaking in Arizona on the other. The study provides observations and makes an attempt to systemize data that allow drawing valid inferences about such relationships.

An action-oriented research goal of this study is to attempt a design of non-academic components of a charter school performance management plan specific to Arizona and related to the entrepreneurship, business, and finance aspects of charter schools. The overwhelming majority of charter schools are structured as nonprofit corporations that are forced to operate with maximum efficiency in order to produce strong results despite funding disparities and unique facility challenges typical for charter schools. Charter schools control multi-
million-dollar operations whose stakeholders include school boards, parents, taxpayers, charter authorizers, and the public at large.

One of the main reasons why charter school operators choose to structure their organizations as non-profit entities is the fact that a number of federal discretionary programs (start-up grant, charter management organization grant, investing in innovation grant, etc.) and entitlement programs (Title I, Title II, Title V, etc.) require non-profit status as part of the eligibility criteria. While the non-profit nature of the majority of charter schools opens possibilities for federal dollars, it somewhat limits possibilities for private capital to enter the arena of public education, other than through its charities, such as the Walton Family Foundation, Melinda and Bill Gates Foundation, and others. Certainly a reason why the private capital is reluctant to participate in public education is the lack of an adequate measurement of return on investments from the standpoint of academics, business, and finance.

Because charter schools are public schools, charters are publicly accountable not just for academic results, but also for sound management and responsible stewardship of public dollars. Charter schools are widely researched in their academic, instructional, and educational components, but rarely studied in depth about how they operate as businesses. Most charter school studies and action research stay within the academic components, and if they touch non-academic components it is limited to simple compliance factors. Those studies and performance models typically do not present a detailed analysis of the efficiency, effectiveness, and productivity of the non-academic business
component of the educational enterprise of the charter school. In that regard Nelson Smith, President & CEO of National Alliance for Public Charter Schools says: “No matter what kind of curriculum a school offers, no matter its mission or the background of its students, every charter school must be well-managed and capably governed. Its governing board must oversee the school responsibly and with fiduciary care. The school’s books must earn clean audits. Its student records must stand up to authorizer scrutiny” (National Consensus Panel, 2009, p. 3).

This dissertation attempts to complement the collective knowledge and research effort in Arizona on charter school academic performance with an in-depth analysis of the non-academic business and entrepreneurship components while taking into consideration the charter school public policymaking process. It draws conclusions while developing a case study as part of the exploration research process. Finally, it attempts to design a business performance management plan to complement the newly introduced performance management plan (PMP) measurement and evaluation system in Arizona. The existing PMP provides adequate measurement and metrics for the academic and educational aspects of charter schools; however, it just touches the business and finance components, primarily within their regulatory dimensions and compliance aspects, which do not indicate level of productivity and efficiency, return on investment, financial ratios, etc.

Nature of the Study

To reach its goals this study reviews the genesis of the charter school phenomenon and its subsequent evolution. The term “charter” first appeared in
the language of educational reform in a book called “Education by Charter” by Ray Budde in 1988. Budde viewed charters as educational systems, in which the school districts grant charter agreements to teachers who wish to create new curricula (Levin, H., 2001, p. 204). In some states with weaker charter school legislation, still that is the main expression of the charter school movement, which of course, limits the overall goal of the movement. Four years after the term “charter school” was mentioned for the first time, the first charter school opened doors in Minnesota – that was in 1992. Almost two decades after that historic event charter schools are still not universally defined and the research on charter schools is still in its initial phase of exploration and discovery.

This dissertation provides review and references of fundamental components related to charter schools such as the social agreement associated with the charter school movement within the context of public policy analysis, and the public-private partnership nature of the phenomenon. It reviews the scope and effectiveness of charter schools’ public policymaking issues and strategic charter school management approaches. The research takes a close look at the potential of the charter schools to mobilize human and material resources, employ public policies, and utilize social and political trends in their pursuit of better K-12 public education. The study explores how educational intentions, goals, and promises may translate into action plans, management results, and educational outcomes. The dissertation provides critical thinking on the future of charter school strategic management and public policymaking.
The major concepts associated with the topic of this study outline the main components and constructs associated with the charter school movement, such as: charter school, charter holder, charter authorizer, public education reform, open enrollment policy, open meetings law, educational choice, accountability and competition in public education, performance / outcome measurement systems, privatization of education, social agreement, etc. It draws information primarily from field research studies, literature reviews, review of legislative documents, and official statistics about charter school education.

The study attempts to systemize the charter school policymaking process in its stages, as being described by Anderson: policy agenda, policy formulation, policy adoption, policy implementation, and policy evaluation (1994, Anderson, p.37). The goal is to track and disaggregate data and activities associated with the charter school movement and policymaking that fall into those respective categories.

This study employs several different approaches to study charter school public policymaking. The political systems theory approach is used to address issues related to the political system’s responses to the demands for K-12 public education resulting from the discontent with the outcomes of public education. Elite theory is employed to answer questions related to the role of charter school movement leaders in policy formation. Finally rational-choice theory is utilized to address issues associated with the innovative and relatively young nature of the charter school movement.
A major issue in public education is accountability. It can be measured in several different dimensions: (1) accountability to taxpayers, since public education draws funding primarily from taxpayer monies; (2) accountability to society since K-12 public education is one of the primary long-term investments of society; (3) accountability to local communities, since local organizations, businesses, and individuals often support and invest directly in school activities, thus vesting their interest in K-12 public education; (4) accountability to sponsoring and charter authorizing agencies, since charters and the majority of the grant program monies are provided by government or independent agencies; and (5) accountability to students and their families, since they are the patrons of the movement through exercising their choice, participation, and support.

Accountability in public education within the context of charter schools is based on the idea that charter schools may be freed from some of the rules and regulations that govern traditional district schools in exchange for being held accountable for their performance on academic and business levels. The performance expectations for charter schools are founded on the general federal, state, and local laws, and the more specific charter contracts signed between the charter school and its authorizer. In that regard quality charter authorizing practices, quality monitoring of charter school performance, and a relatively new phenomenon - quality renewing of charter contracts (after the first 15-year term for Arizona) are key to designing an accountability system that may drive educators out of their comfort zone, but also designed to produce the results desired by the society.
One controversy about charter school accountability practices, including the ones in the state of Arizona, is that charter authorizers have been scrutinizing and even closing charter schools for facility, financial, and management problems, despite that considerably more effort has been made toward specifying the academic accountability components, while the non-academic indicators have been left in most cases to the general compliance minimum definitions. That fact outlines the need for better defined accountability related to non-academic business and finance components of charter school performance, so that they are not just monitored at near compliance minimums and never tracked any further, but projected to meet a higher level of standards that display indicators with prognostic potential and levels of quality grades above the bare minimum.

The challenges of accountability enforced by law may be rooted in the fact that sometimes accountability can be used as a political, not educational tool. Such approach may not be completely without grounds, as opponents of charter schools may seek laws and regulations under the pretension of accountability but with the goal to fight and limit the scope of influence of charter schools – that may be particularly true for states with weaker charter school legislation and stronger clout of teacher unions, school district lobbyists, and other charter school opponents. Clearly that opens a public debate about what exactly constitutes the construct of educational accountability within the context of charter schools, public education, and society. Harm to the attempts to introduce effective charter school accountability may come also from charter school proponents themselves, when those leaders fail to recognize the source of the problems in charter school
education, thus allowing incompetent charter school operators to make an entry and damage the image of the charter school movement with inadequate and disastrous academic, organizational, and fiscal practices.

The concept of competition in public education gained ground with the idea of choice-based reform. While choice may be deemed a first step toward creating an environment for educational improvements, it may not be sufficient by itself, for the mere fact that if a choice exists for parents and students, but the choice span is over only marginal performers – such environment does not benefit the cause. Developing effective public policies conducive to creating stimuli for competition in public education can elevate the choice system to the next level, and actually produce the desired results of eliminating mediocrity and waste of public resources while promoting and rewarding excellence in public education. The most obvious free competition tool is to empower parents with capacity to deny resources to underperforming schools and enable them to move resources to better performing schools. In that regard parents pulling out their children from underperforming schools and enrolling them in highly performing schools may be step one, but such actions will be truly effective when the policy process can create certain follow up conditions and incentives much like in the ones typical for private enterprises when customers change brands resulting from acknowledging better quality.

When analyzing how free market competition may play a role in charter schools Paul T. Hill and Lydia Rainey (2010) state that “the argument that charter schools will be efficient and effective because they have incentives to perform
well and freedom to find and use the most effective methods still might prove correct. However, like most market-based predictions, it applies only in the long run. It does not say there will not be failures, perhaps as many as in the case of new small businesses. It only says that markets allow entrepreneurs to learn over time so that strong entrants are continuously improved and the weakest competitors go out of business and are replaced by new ones. Over time the average quality of all competitors rises” (Betts and Hill, 2010, p. 115).

This study will also seek to find the balance point at the current level of development of the charter school idea and practice for a meaningful charter school accountability regulation system that recognizes the trade off of standardized government-based accountability and market-based accountability that pertains to the idea of competitive choice for parents, students, communities, businesses, and other charter school patrons and constituency. The review of the literature on the topic facilitates the selection of appropriate measurement methods and metrics. The existing performance management plan design in Arizona serves as the foundation for an implementation research effort to add on business, finance, and organizational components to complete the picture.

Research Design

The research method and analysis in this dissertation is primarily qualitative. The research questions focus on exploration and analysis of non-academic entrepreneurship, business, and finance performance measurement systems and metrics as determinants of Arizona charter schools quality. In that process it introduces, researches, and reviews findings associated with three
critical charter school business and finance performance components as follows: Measures, Metrics, and Indicators. One of the objectives of this study is to add to and complement existing knowledge and practical applications on charter school performance measurement in Arizona by developing research components that may fit into the format of the current Performance Management Plan (PMP) as being adopted by the Arizona State Board for Charter Schools and the Arizona Charter School Association.

The study draws conclusions from surveys with charter school operators, authorizers, and advocate organizations, and develops two case studies as part of the exploration research process. Education Team Partners (ETP) – a decade-old charter school management consulting organization in Arizona, performed all surveys. Survey results and primary data for the case studies were drawn from the ETP information database and knowledge management system.

The dissertation study outlines charter school performance indicators, which are divided into two major groups – Internal Indicators and External Indicators. They are classified as internal or external on the basis of the level of control over the factors associated with specific performance on the part of the charter school operators and stakeholders. The dissertation research defines the internal indicators of charter school performance within the following areas: leadership, governance, organizational structures, management, finance, and community. The external group is defined within the following major indicators: legislation / jurisdiction (federal, state, and local); charter school authorizers;
One of the objectives of the charter school movement is educational choice in K-12 public education. Charter schools promise to fulfill a set of academic and operational goals set for their respective charter operations that provide students, parents, neighborhoods, and communities with a choice and availability of alternative educational goals. Assessing the charter schools’ performance is sometimes difficult because of the “niche” nature of many charter school operations. In many cases they do not target mainstream basic education for the general public, but specific aspects of public education geared to specific student populations.

As a result it is often difficult to apply traditional performance evaluation approaches to charter schools. Respectively it is difficult to obtain reliable data that would allow for generalizations. For example, a small charter school in Phoenix, Arizona, which specializes in identifying and attracting drop-out “at-risk” students in “problem neighborhoods”, might appear as one with a high student turnover ratio and low graduation rate when measured with traditional public school measurement tools. Actually, it has been successful in attracting at-risk students who tend to be dropping out from all other educational settings and could not find an environment where they could catch up academically with their peers, thus continually falling behind. Once accommodated in this alternative educational program, the charter school helps them until the students catch up with the minimum mainstream education grade level requirements, and then sends
them back to the district or other schools where they can continue their education at a normal pace and expected academic performance results. General education statistics may characterize and label this process as high student turnover and low graduation rate and may even label the students as drop outs, while the charter school principals and stakeholders feel strongly that such development successfully fulfills their mission and goals. This is just an observation that may be useful in understanding that disaggregating data and qualitative analysis may be the key to analyzing the micro effects associated with many specialized niche charter school operations.

This study attempts to expand the awareness about possible errors resulting from applying standardized public education measurements when evaluating charter school academic performance. While it is too ambitious to believe that a uniform method for charter school evaluation is possible and reliable, it is doable to target development of understanding about the capacities of various evaluation methods, their strong points and limitations. The design of this dissertation targets development of public awareness about strategies and approaches that may be utilized by various charter school stakeholders when attempting to make academic and non-academic component evaluations and assessments about charter schools’ performance.

Analyzing the charter school movement and public education reform is a challenging task as the charter school movement is still very young. The reliability and in many instances the availability of data, especially reliable time series type of data, is a major challenge. Some of the discussion in the literature is
focused on the pro-market theoretical foundation. It is a challenge to draw inferences, make conclusions, and generalizations whether the charter school movement creates effective market conditions, which in turn drive the educational reform toward improving the overall social welfare in the aspect of public education. Buckley and Schneider (2007) argue that charter schools can be thought of as encompassing five dimensions: three Cs – Competition, Choice, and Community; and two As – Accountability and Achievement. They argue that following such a matrix makes the empirical analysis of charter schools more tractable (Buckley and Schneider, 2007, p.13). Such studies may provide valuable foundation for researching concepts that may provide measurement system components for charter school quality and ideas about associated metrics.

Relevance of the Topic

Literature reviews indicate that public policy analysis related to charter schools is done more often than charter school strategic management analysis. That could be debated, since both areas do not have long enough histories of scientific inquiries. But from mere observation it is obvious that charter school entrepreneurs may be pursuing their vision and the mission of their organizations vigorously, but it is not a common practice that a charter school develops a formal, periodically updated written strategic plan that reflects the vision and mission of the charter school and implementation progress and stages. This study explores and provides inferences about the public-private partnership aspect of charter schools in view of charter school public policymaking and strategic
planning as two areas that are integral and indivisible components of this socio-economic inquiry.

Strategic management helps the charter school stakeholders to learn how to assess their charter school’s environment and position their organization so that it can fulfill its mission, goals, and objectives. A well-designed strategic plan allows charter school stakeholders to comprehend their school’s weaknesses, strengths, opportunities, and threats in time and within the context of its environment. One major difference in applying strategic planning and management methods toward charter schools in comparison with private sector organizations stems from the fact that charter schools are public-private partnerships that are originated mostly by educational entrepreneurs with public sector background (in most cases that is district school experience). However, the charter school industry is primarily publicly funded and predominately privately operated, which may be the main argument why public policymaking cannot be separated from the process of strategic planning.

Setting organizational goals and objectives as part of the strategic planning process constitutes a major difference between public and private organizations. While private organizations can clearly define their goals in view of bottom line, and then communicate them to their customers through products and services, thus testing their approval or disapproval, public organizations, including charter schools, are limited to goal setting that involves ambiguity of means and ends, and often times political debate as well. Often public policy goal-setting associated with charter schools is subject to not just liking or not liking certain
policy outcomes, but weighing policy outcomes within the larger picture of politics and policymaking. Often this process involves trading financial benefits across various unrelated divisions of the public sector, and in the case of charter schools such trigger points may be the opponents of the charter school movement, such as teacher unions, school district lobbyists, and other opponents. For example, about a decade ago the State of Arizona cut the financial support for charter schools related to student transportation. It was a policy decision that relieved the State budget from one expenditure line item, thus limiting the scope of charter school operations. It shifted competitive advantages to their competition and the benefits from the taxpayer dollars went toward different state budget line items.

Charter schools are in a unique position to make strategic management decisions while operating in an environment where they are affected by public policy and at the same time have the ability to exercise considerably more discretion compared to most other public sector organizations. With that in mind the need for adequate strategic management is even more important in comparison to other public organizations. This research study attempts to respond to strategic management matters associated with charter schools, with emphasis being placed on analyzing the environment in which charter schools operate and the process of setting goals and action plans for charter operators. Additional focus is placed on the methods of applying business and economic forecasts, and the methodology of measuring management performance.
Within the context of analyzing charter school strategic management this study explores the methods of effective mobilization of operational capacities for charter schools. It tries to reveal the potential of charter schools to mobilize human and material resources, as well as employ public policies and social and political trends so that they can translate the intentions, goals, and promises into action plans and actual management outcomes.

The study attempts to provide critical thinking on several models for charter school strategic management. Some of those models utilize pure private sector approaches to strategic management; others emphasize more public policy analysis. The research in this study attempts to review and synthesize charter school strategic management issues and public policymaking within the context of the public-private partnership nature of charter schools.

This study seeks to find the balance point at the current level of development of the charter school idea and practice for a meaningful charter school accountability regulation system that recognizes the trade-off of standardized government-based accountability and market-based accountability that pertains to the idea of competitive choice for parents, students, communities, businesses, and other charter school patrons and constituencies. The review of the literature and current practices in Arizona on the topic facilitates the selection of appropriate measurement methods and metrics.

Differences from Other Research

This study attempts to provide evidence from the contemporary experience associated with charter schools and build capacity to forecasts and
outline trends that would shape the outlook of the charter school movement in the future. It attempts to track the goals and aspirations of different charter school stakeholders and find generalities and differences in terms of expectations. The primary data collection method for this aspect of the study is field research results and case studies. Most conclusions are drawn on the basis of participatory action research (Babbie, 2002, page 294). The author of the dissertation has chosen such research methodology because of the fact that he is an active participant and contributor to the charter school movement and for the purposes of utilizing already existing primary data compiled by the author of the dissertation in his work as a senior consultant in Education Team Partners – a leading Arizona charter school consulting organization.

Given this status of the author of the dissertation, just tracking trends and building paradigms for future development without accounting for and putting emphasis on factors determining the charter school movement success would yield inadequate research goals. Such an approach may result in an incomplete inquiry or futile attempt to trade possible bias of the inquiry for ambiguous and vague research goals not contributing to the undisputed and unanimously supported goal of society to improve public education. However, because of the fact that the participatory nature of the research could impact the objectivity of the inferences, the author discusses all possible objectivity limitations of the study and looks for ways to reduce and where possible eliminate research bias.

The performance of charter schools has been studied a lot, but not much action research has been directed toward the perspective that charter schools are
public-private partnerships. Most of the action-research traced in the literature focuses on academics and educational outcomes, and comes from professionals with such background, experience, and education. Most of the research and literature on charter school performance does not employ advanced in-depth business knowledge and clear understanding of how the private sector operates on a level of analysis of the individual business.

Charter schools are generally publicly funded and privately operated educational entities. They depend on effective public policies and the entrepreneurial management effort of educational leaders. Since charter school operations are primarily funded by taxpayer dollars a key issue in the process of developing effective public-private partnerships is the accountability of the charter school operators and the value that they can provide to their communities in return to the public trust and investment. Measuring the results from this interaction is not a one-dimensional activity. Analyzing and disaggregating data to smaller denominations and often times “localizing” the conclusions to specific expressions in the wide spectrum of charter school profiles (schools specializing in serving children at risk, bilingual education, transient communities, higher income communities, etc.) is one of the features of this study and may be the key to a successful charter school policy outcome analysis.

In an attempt to provide a better understanding about the nature of the public-private partnership in the charter school movement this study analyzes the politics behind the movement, the policymaking process, the entrepreneurial drive, and strategic management issues associated with charter schools. The goal
is to integrate those topics into a cohesive research study and attempt to paint a picture of the public-private partnership aspect of charter schools in its holistic and all-encompassing nature. At present, most individual studies have researched in separation the issues of charter school strategic management and public policymaking. However, there is a need for integrating those areas and exploring further the alignment between public policies and private management related to charter schools.

Charter School Affairs and Research: Current Status, Future Prospects, and Expectations

The research in this dissertation draws conclusions and reflects on the latest trends as presented in state and federal government reports and bulletins, research studies, and practical action research done by charter authorizers and advocate organizations. It draws information from the most recent research studies in the field, from professional publications, and news releases. Finally, it provides inferences about future trends and developments associated with charter schools in Arizona.

Researching charter schools is a difficult process not only because generalizations are difficult, but also because the industry is still young. It appears that qualitative methodology and “localized” analysis may yield better and more valid results, yet public policy must be made not only on local but also on state and federal levels. Julian R. Betts and Paul T. Hill (2010) argue that the future of charter schools to a great extent may lay in the quality of the evidence that allows valid research inferences and “groundwork for strong recommendations about
how states, localities, philanthropies, and researchers can improve the quality of
evidence about charter schools” (Betts and Hill, 2010, p 211).

On the perennial question whether the charter schools deliver the promise
of improving public education, the compilation of studies provided by Betts and
Hill (2010) concludes, “that in some grades and locations charters outperformed
traditional public schools, and in other grades and locations they underperformed.
Overall, when weighting studies by the number of charters in each study, they
found more evidence of positive achievement effects of charter schools than
negative, but again the results varied by grade and subject” (Betts and Hill, 2010,
p. 56). In reviewing about 70 studies done after 2008 Betts and Hill (2010)
concluded that the majority of estimated effects of charter schools are positive
(Betts and Hill, 2010, p. 56). The authors of this study caution that drawing
research conclusions about charter schools on a nationwide aggregate basis may
pose validity challenges when brought down to a specific state as the variance
between the different states may be substantial.

Often times data about charter school performance appear to be
incomplete, or have validity and reliability problems. In that regard, Paul T. Hill
and Lydia Rainey (Betts and Hill, 2010, p. 113) explore an interesting area about
evaluating charter school performance – the process of charter school maturation
as a factor in their performance assessment and accountability. They provide
observations that “new charter schools appear to have special problems. Some
close before ever teaching a class or during their first year of operation.
Moreover, charter schools that survive their first year often have relatively low
test scores, which tend to improve over time, a phenomenon that has been documented using diverse methods” (Betts and Hill, 2010, p. 113). This study provides indication that performance evaluation of charter schools may not be an easy task and may require assessment of the level of “newness” and “maturation” of the specific charter school, so that the inferences bear validity and an acceptable level of reliability.

The charter school movement has also gone global as Sweden’s largest for-profit 33-school network organization Kunskapsskolan plans to open its first charter in New York City in the summer of 2011 that will be called Innovate Manhattan Charter School. The school’s future principal is projected to be trained in Sweden to be able to lead and apply the specific educational model of this Swedish school operator. Importing education is not unusual for charter schools in terms of curricular approaches such as Singapore Math and the International Baccalaureate Program, but importing a whole school system may be something that elite K-12 educational establishments from outside the U.S. may consider more often in the near future.

One difficulty in creating a competitive environment for charter schools is that the “true competitors” – the for-profit businesses are still not seriously considering embarking into educational charter school enterprises despite the fact that in most states they are allowed to do so, but they are still reserved for the simple fact that the funding sources for for-profit charter schools are still very restricted, especially those from discretionary and entitlement federal sources.
While substantial progress has been made so far in promoting choice, true competition in public education will be possible only when the for-profit business is allowed to enter the public education arena on equal terms compared to its not-for-profit counterparts. Such public policies will likely open doors for the much-needed private capital infusion for the start-up and expansion of public charter school education. At the present time that is accomplished either as a philanthropic endeavor and specialty business arrangements, or through highly expensive school revenue tax-exempt bond markets (in most cases unrated, or when rated being issued at near-junk bond levels), which unfortunately benefits a plethora of middlemen, and passes on the burden of servicing huge debt to the charter school operator, thus limiting the number of dollars effectively entering the classroom in the long run. Transforming parents’ choice into true school competition may ultimately mean passing public policies that allow the for-profit charter operators equal grounds with those who operate on a not-for-profit basis, thus allowing the larger private capital to enter confidently the arena of public education.

A component that is likely to be studied in greater detail in the future is efficiency of charter school education, including measuring return on investment and productivity. Actually, evaluating productivity in public education must be a goal not only for charter schools but also for all public schools including districts. In business terms, productivity constitutes the value or benefit received in exchange for invested funds, often times indicated in the private sector as cost-benefit analysis.
In public education the academic achievement that a public school produces should also be made relative to its educational spending, with consideration of factors and indexation, such as cost of living, students in poverty (possibly measured by the student population eligibility for free and reduced lunch). Efficiency and productivity in public education are particularly topical elements for evaluating public education within socio-economic volatility and conditions dominated by recessionary trends, economic slow downs, high level of unemployment, chronic budgetary deficits on all levels (federal, state, local, LEA, etc.), and specifically for the charter schools in Arizona – in view of the state equalization funding cuts and delays/deferrals of such payments as being the case during FY2010 and going forward.

When better measurements of non-academic charter schools performance is in place, charter school education policymakers on all levels – school board, state legislature, and federal administration may be able to create better performance-focused management systems that are more flexible on inputs and stricter on outcomes. State and federal governments should also provide charter school educators with the tools, technology, and training required to succeed with limited school dollars. Finally, the probability for academic achievement returns on publicly allocated funds by federal, state, or private sources may be better defined and considerably higher.

Charter schools have been subject to various academic ratings. They have been assigned various performance labels – both on state and federal levels. With the anticipated future growth of private market-driven dollars invested in charter
school assets, primarily school facilities, there may be a growing need for introduction of a standardized credit and financial performance rating system for charter schools that is over and above the traditional annual audit reports and the general business ratings such as the ones generated by Dun & Bradstreet, Standard & Poor’s, Moody’s, etc.

An area of charter school activities, subject to credit rating, has been the issuance of school revenue tax-exempt bonds for facilities. However, the inadequacy of such bond rating systems that are generally geared more toward entities with taxing authority, such as municipalities, and various taxing districts, including school districts, yields rather inadequate results in rating charter schools. Using such a rating system leads to most charter schools being rated just a notch above the junk bond level at best. As a result charter schools are being advised to go unrated to avoid the risk of eventual downgrading and increasing the costs associated with their bond financing. With that in mind the introduction of a finance rating system for charter schools that accounts for the unique nature of the charter school business entity and charter school finance is a much needed socio-economic construct to be studied and more importantly to be applied as a business practice. At present there is a huge gap in that area that presents major challenges to both charter operators and charter school creditors and investors.

The future prospects in terms of financial rating of charter schools is clearly in the creation of some sort of a charter school credit rating agency that would be uniquely equipped to be a charter school financial and credit data hub to serve adequately charter schools and their creditors and investors. Such
development may open widely the doors of the “big capital” to charter school facility financing provided by larger public institutional investors or private investment groups. Investment in charter school facilities, whether in the form of long-term debt or equity, appears to be lucrative, but not practiced widely because of the lack of adequate measurement system and metrics in that particular area of charter school operations, thus putting investors at odds about measuring financial risk, calculating risk/reward ratios, and measuring the return on investments.

Charter school facilities are one of the biggest “non-academic” challenges for charter schools. Solving the charter school credit rating problem may be a major long-term solution to the charter school facility problem as well. Approximately 9 out of 10 charters in Arizona that seek a “good cause extension” to sign their already approved charters within the 12-month stipulated by the statute period of time, do so because of a lack of secured facilities.

The research on charter schools may be growing in volume, but still a majority of it is focused primarily on social, macroeconomic, educational, and political aspects of the phenomenon. Little to nothing has been done so far in terms of research, studies, and applied knowledge pursuit with regard to the microeconomics, management, finance, and marketing of charter schools. It may be so because the attention is so much focused on the politics of charter schools and the related fields of studies, or maybe because accountability and the social agreement is still focused primarily on academic outcomes and pays little attention to productivity and efficiency. Or it may be because of the inertia of practicing public education for so long in a government format without much
accountability beyond pursuit of basic compliance and balanced budgets. Taking a look at charter school management as a form of business management where quality (academic outcomes) must go hand-in-hand with productivity (efficiency of utilization of resources) is clearly a wide open territory for new studies, research, and practical applications, which at the present time may not always be perceived as a vital component. But as the competition within public education increases, the pursuit of efficiency and productivity will inevitably make a call for it. Much could be done in that area in academic format, field research, executive curricular development, and development of related executive training programs for charter school personnel.

Showcase: Arizona Charter Schools

Arizona has been viewed as the “legislative haven” for charter schools for a number of years since 1994 when the charter school legislation was passed in Arizona. In many states the charter schools are just surrogates to the public school districts and do not have the status of an LEA (Local Educational Agency). On the contrary, charter schools are independent organizations in Arizona that can be for-profit or not-for-profit corporations. They have the status of an LEA, which gives them greater autonomy and more flexibility in pursuing individually set educational missions and goals, as well as the establishment of individually set management models. For those and other “liberal approach” reasons the charter school movement in Arizona proliferated during the 1990s. According to the Arizona Charter School Association web site accessed in February 2011,
approximately 120,000 K-12 grade students attend 510 charter schools in Arizona, representing approximately 25% of all public schools in Arizona.

Academic performance of charter schools in Arizona has been studied more consistently in nominal and comparative values. Arizona charter schools are statutorily mandated to improve student achievement (A.R.S. § 15-181(A)). AIMS (Arizona's Instrument to Measure Standards) data are deemed to be the most accurate measurement to track student achievement in Arizona. On its web site (accessed in February 2011) the Arizona Charter School Association has provided data on the performance of charter schools in comparison to district schools on the basis of the Spring 2009 AIMS data released in July 2009 from the Arizona Department of Education:

Overall

- Of the 15 schools with an average of 99% passing and above in math overall, 8 are charter schools.
- Of the 9 schools with an average of 99% passing and above in reading overall, 5 are charter schools.

Reading

- Of the 14 schools with 100% passing in 4th grade reading, 10 are charter schools
- Of the 14 schools with 100% passing in 8th grade reading, 9 are charter schools
- Of the 9 schools with 100% passing in HS reading, 7 are charter schools
- Average charter school passed 75% of 4th graders in reading compared to 70% in district schools.
- Average charter school passed 72% of 8th graders in reading compared to 70% in district schools.

**Math**
- Of the 17 schools with 100% passing in 4th grade math, 12 are charter schools
- Of the 10 schools with 100% passing in 8th grade math, 7 are charter schools
- Of the 9 schools with 100% passing in HS math, 7 are charter schools
- Average charter school passed 74% of 4th graders in math compared to 72% in district schools.
- Average charter school passed 70% of 8th graders in math compared to 71% in district schools.

**Science**
- Of the 4 schools with 100% passing in 4th grade science, 4 are charter schools
- Of the 4 schools with 100% passing in 8th grade science, 2 are charter schools
- Of the 2 schools with 100% passing in HS science, 1 is a charter school
- Average charter school passed 61% of 4th graders in science compared to 55% in district schools.
- Average charter school passed 52% of 8th graders in science compared to 50% in district schools.

During the period 2010-2011 leading researchers and practitioners in Arizona who are engaged directly in organizations that advocate, regulate, or authorize charter schools (such as the Arizona Charter School Association, Arizona State Board for Charter Schools, Arizona Department of Education, and others) adopted a new comprehensive model for academic planning and management labeled Performance Management Plan (PMP). This new model evidences major progress toward establishing a more accurate system for reporting, managing, and planning academic measures, metrics, and targets, as well as a new level of alignment, assessment, accountability, and benchmarking related to charter school academic performance with the ultimate goal of creating and sustaining high quality charter schools. While charter school practitioners deem this new model as the new generation of planning and managing academics in charter schools, it is somewhat limited to primarily academic and educational components and only briefly touches on non-academic components. As part of the explorative nature of this study and in an attempt to establish a link between academic research and practical application, the author of this dissertation is taking the challenge to administer action research and attempt to develop a design for a Performance Management Plan model for charter schools related to the non-academic business performance aspects of charter schools.

Chapter 2 of the dissertation provides review of literature on charter schools. In addition, it examines government documents, charter school
associations’ data, charter authorizers advocate organization’s information and data, and other sources that provide relevant information and data about charter schools. The literature review includes comments on evaluative statements, as well as synthesis of authoritative knowledge on the subject matter.
CHAPTER 2: REVIEW OF LITERATURE

The literature review of this dissertation covers several major streams of writing and research on charter schools: definitions of the charter school phenomenon; public policy analysis; social agreement; accountability, public-private partnerships and strategic management; and research methodology and measurement systems. There is a limited amount of continuing research on the topic, especially on the part that involves business and management. The literature review will be an integrative study drawing data and information from research associated with more general concepts: policy analysis, strategic management, and public-private partnerships, as well as utilizing information from specific individual charter school research. Ultimately the goal is to synthesize authoritative knowledge in each one of the aforementioned fields and build capacity and grounds for research on the dissertation topic.

Charter School Definitions

In order to reach its goals and establish a maximum level of validity this study starts with reviewing the genesis of the charter school phenomenon and its evolution. The term “charter” first appeared in the language of educational reform in a book called “Education by Charter” by Ray Budde in 1988. Budde viewed charters as educational systems, in which the school districts grant charter agreements to teachers who wish to create new curricula (Levin, H., 2001, p. 204). Four years later (1992) the first charter school opened doors in Minnesota. Almost two decades after that historic event charter schools still are not universally defined and the research on charter schools is still in its initial phase.
of exploration and discovery. The following charter school definitions can be found in the literature:

“... charter schools are a new breed of public schools – a hybrid that mixes elements of traditional public schools (universal access and public funding) with elements usually associated with private schools (choice, autonomy, and flexibility)” (Mirron, G. and Nelson C., 2002, p. 2).

“... charter schools will receive enhanced autonomy over curriculum, instruction, and operations. In exchange, they must agree to be held more accountable for results than other public school” (Mirron, G. and Nelson C., 2002, p. 3).

“A charter school is a publicly supported school governed by a private board under performance contract with a charter authorizer for a defined term” (Berends, Springer, Walberg, 2008, p. xiii).

“Charter schools are publicly funded schools that operate outside the direct control of local school districts, under a publicly issued charter that gives them greater autonomy than other public schools have over curriculum, instruction, and operations” (Zimmer, Gill, Booker, Lavertu, Sass, and Witte, 2009, p. iii).

“Charter schools are autonomous public schools organized by like-minded parents and educators to provide choices in the educational philosophy or mission of schools, in the delivery of education, and in the governance and organization of schools. These parents receive autonomy and flexibility of governance of their schools in exchange for high levels of accountability in meeting their mandate, for parental satisfaction, and for the enhancement of student learning in some measurable way” (Hepburn, C., 2001, p. 102).

“By allowing citizens to start new public schools (or convert existing ones), freeing the schools from state laws and school district policies, and holding them accountable for results and “customer” satisfaction, proponents hope charter school programs will stimulate the formation of promising new educational options for children” (Hassel, B., 1999, p. 1).

“Charter schools are publicly funded schools that are granted significant autonomy in curriculum and governance in return for greater accountability. In addition, the charter establishing a school is, ideally, a performance contract that details the school’s mission, its program and goals, the population served, and ways to assess success (or failure)” (Buckley J. and Schneider, M., 2007, p. 1-2).
“Charter schools are publicly funded schools operated by independent groups under contract with government agencies... Charter schools are based on freedom of action and choice” (Hill, P., 2006, p. 1).

“Charter schools are public schools established under state law, they do not charge tuition: and they are nonsectarian. These schools enter into charters with authorized chartering entities and are granted varying degrees of autonomy from state and local rules and regulations. In exchange for this autonomy, they are held accountable for meeting the terms of their charters, including achievement of academic and related outcomes stipulated in the charters” (Murphy, T. 2002, p. 35).

“Charter schools are publicly funded schools of choice that operate autonomously, outside the direct control of conventional school districts under the authority of a quasi-contract, or “charter”, granted by a public body (Zimmer, R. et al, 2003, p. 1).

“Charter schools are publicly sponsored, autonomous schools that are substantially free of direct government control, but are held accountable for achieving certain levels of student performance and other specified outcomes” (Broulette, L. 2002, p. 3).

Federal statute deems charter schools as public schools that are established according to individual state charter school laws. The federal government views the enactment of state charter school laws as solely a state prerogative, and the definition of a “charter school” under state law a matter of state policy. However, in order to receive federal funds through the U.S. Department of Education Charter School Program (CSP), a charter school must meet the definition in Section 5210(1) of ESEA, which is as follows: “The term ‘charter school’ means a public school that:

1. In accordance with a specific State statute authorizing the granting of charters to schools, is exempt from significant State or local rules that inhibit the flexible operation and management of public schools, but not
from any rules relating to the other requirements of this paragraph [the paragraph that sets forth the Federal definition];

2. Is created by a developer as a public school, or is adapted by a developer from an existing public school, and is operated under public supervision and direction;

3. Operates in pursuit of a specific set of educational objectives determined by the school's developer and agreed to by the authorized public chartering agency;

4. Provides a program of elementary or secondary education, or both;

5. Is nonsectarian in its programs, admissions policies, employment practices, and all other operations, and is not affiliated with a sectarian school or religious institution;

6. Does not charge tuition;


8. Is a school to which parents choose to send their children, and that admits students on the basis of a lottery, if more students apply for admission than can be accommodated;

9. Agrees to comply with the same Federal and State audit requirements as do other elementary schools and secondary schools in the State, unless such
requirements are specifically waived for the purpose of this program [the PSCP];

10. Meets all applicable Federal, State, and local health and safety requirements;

11. Operates in accordance with State law; and

12. Has a written performance contract with the authorized public chartering agency in the State that includes a description of how student performance will be measured in charter schools pursuant to State assessments that are required of other schools and pursuant to any other assessments mutually agreeable to the authorized public chartering agency and the charter school.” (US Department of Education Non-Regulatory Draft Guidance, August 31, 2003)

This study attempts to provide a synthesis of the charter school definitions by finding common threads about the phenomenon within authoritative research, field data, and government documents. Its primary purpose is to discover, integrate, and systemize knowledge that may serve as foundation for future research and practical applications.

Public Policymaking

In a nation with a diverse population and a culture sensitive to freedom and choice debates about norms of public education can rest uneasily when decades of inertia and cosmetic changes in public education all of a sudden face the challenge of a major proposed change that has the potential to shake significantly the status quo of public education. Mirron and Nelson (2002) state that “charter schools... are a hybrid form of school, combining elements of
traditional public schools with those usually associated with private schools” (Mirron and Nelson, 2002, p.12). In exploring the charter school phenomenon Mirron and Nelson (2002) point out that:

“Whether education is constructed as a public or private good has tremendous practical consequences. Generally, policy analysts argue that public goods are best distributed through the democratic majority rule while private goods are best distributed through the market processes. Traditionalists, while not denying the private good aspects of education, generally emphasize the public good aspects” (Mirron and Nelson, 2002, p.10).

In reviewing education, being predominantly a category of the public domain, Mirron and Nelson (2002) point out that those researchers that have more traditionalist views draw generalizations from the field of economics and argue that markets would do a poor job of producing public goods, including public education. Further on, they state that the critics of traditional government-run public education find two sets of problems associated with the majority rule of democracy applied to public education – first, a practical problem, which is the result of the fact that public decisions are not always unanimous and thus the majority rule produces winners and losers, and second, a moral problem, that the winners get to use public authority to impose their policies on the losers (Mirron and Nelson, 2002, p.10). On the contrary:

“Advocates of choice and privatization do not deny the public good aspects of education but argue that the private good components are more important... and that government intervention through majority rule is just as likely to create problems as to correct any market failures” (Mirron and Nelson, 2002, p.10).

Mirron and Nelson (2002) state that choice-based reformers like the idea of charter schools, as they see in them an opportunity for implementing a
mechanism of market-driven accountability, which unlike the democratic/political accountability, requires that schools be evaluated primarily by individual consumers (parents and students) (Mirron and Nelson, 2002, p.11). Furthermore, “market accountability, then, effectively suspends normal democratic processes. Instead of having to convince majorities of their worth, schools must satisfy one customer at a time” (Mirron and Nelson, 2002, p.11). The same authors explore further the ideology of choice proponents and state that “a school is public not by virtue of lines of authority or chains of influence, but whether it performs important public functions” (Mirron and Nelson, 2002, p.14). They explore the public-ness of charter schools through the view of the New Jersey Supreme Court, which in 2000 reasoned that “The choice to include charter school among the array of public entities providing education services to our pupils is a choice appropriately made by the Legislature so long as the constitutional mandate to provide a thorough and efficient system of education in New Jersey is satisfied” (Mirron and Nelson, 2002, p.15). The authors cite this statement of the New Jersey Supreme Court as interpretation that government should support public education but not necessarily run it.

Mirron and Nelson (2002) explore the introduction of charter school legislation in Michigan, one of the states considered to have stronger charter school legislation. They point out that the political coalition that initiated the charter school reform included neo-liberals who support markets and privatization and neo-conservatives, who tend to support measures that improve efficiency and reduce government spending (Mirron and Nelson, 2002, p.26).
When analyzing the charter school policymaking process Buckley and Schneider (2007) quote Charles Lindblom, who wrote in 1959 that a test for a good public policy might rest on the fact that a diverse set of actors can agree on a public policy even if they cannot agree on the motive why they approve the public policy. Further on, Buckley and Schneider (2007) state that:

“By this criterion, charter schools seem to be good policy; indeed, there sometimes seems to be as many arguments in favor of charter schools as there are charter schools themselves...this collection of rationales can be boiled down into three main categories: standards-based or systemic reform, local autonomy, and neo-liberal market-based reforms” (Buckley and Schneider, 2007, p. 5).

Buckley and Schneider (2007) indicate that despite the existence of a strong neo-liberal, pro-market theoretical foundation of charter school policymaking, there is no strong evidence that consumer choice and more competition among suppliers (public schools) can create markets for schools:

“That actually improve overall social welfare. We also know that since schools have a strong public good dimension and they generate many externalities, their non-market dimensions are as important as their more narrowly defined efficiency” (Buckley and Schneider, 2007, p. 13).

Sarason (2002) state that ideological opponents and proponents of charter schools generally agree on one thing - that public schools in America do not accomplish their educational mission. Despite their ideological differences, obviously no party in this debate can bypass the fact that the society as a whole is overwhelmingly disappointed by the status of affairs in public education. The main difference of views in this debate stems from the fact that the opponents and proponents of charter school see the roots of the problem in a different way.
Hence the approaches to resolving the problem may differ dramatically, thus creating fierce opposition to the charter school idea and movement.

A difficulty in analyzing and making generalizations about charter schools is posed by the fact that the charter school laws in different states are very diverse and differing from each other. One common phenomenon is the initiation process – in almost all states the charter school laws have been enacted as a result of legislative entrepreneurs’ actions and their vision about education. In that process “[they] had to bargain, make deals, and overcome powerful opposition in order to gain votes and secure passing of those bills” (Hill, 2006, p.5). In only a few states was charter school legislation initiated by a governor’s defined packages.

Charter school bills and legislative entrepreneurs had to deal not only with powerful opposition, but also with the indifference of some of the legislators and the fears of other legislators who neither supported nor opposed such laws, but just had fears about the potential of losing constituencies if taking one or the other side. Finally, the charter school legislative entrepreneurs had to fight teacher unions and school board lobbyists who were trying to get uncommitted legislators against the charter school bills (Hill, 2006, p.5). Further in the research Hill analyzes the primary motives of those who opposed charter school laws – school boards feared that charter schools would be a competition to district schools that may bring a better quality choice for parents and students and shake the district school system status quo, and teacher unions feared that as charter schools grow the number of jobs for unionized teachers may shrink.
The battle of enacting charter school laws and the greater or weaker support of charter school laws in different states resulted in substantial differences in how charter schools operate in different states. While the opponents of charter schools were not successful in a complete blocking of the obviously progressive charter school movement, they were able to strike certain gains in restricting the scope of activities of charter schools. In some instances they were able to accomplish the task in a proactive fashion by initiating charter schools laws that were restrictive by nature and allowing a commanding position of the opposing subjects, i.e. the school district boards. One such action was to allow only school districts to grant charters (be the charter authorizer), virtually making all charter schools a surrogate of the school districts and an entity that is limited to operate only within the satisfaction limits and the mercy of the school districts. In that regard Hill states that “[charter school] law often did not require districts to consider charter proposals at all, or set the standards to use in evaluating proposals if they choose to do so” (Hill, 2006, p. 6).

In some states where the opponents of charter schools dominated the scene, such as Illinois and Massachusetts, caps were set on the number of charter schools allowed in the state – for example, that is fifteen charters in Illinois and twenty-five in Massachusetts. By doing so the charter school opponents curbed legislatively the amount of financial risk and competition that the districts could ever face from charter schools. Additionally, Hill states that cap restrictions naturally discourage private firms from developing expertise and specializing to
provide essential services to charter schools such as accounting, payroll, insurance, lending, employee benefits, facility maintenance, etc. (Hill, 2006, p. 7).

Yet in some states the opponents of charter schools made gains by legislatively prohibiting for-profit entities from holding charters thus cutting out for-profit corporate bodies and private investment capital to enter the arena of public education. The teacher unions made their blockage on public education progress by placing a provision limiting the time a unionized teacher can work in a charter school without losing seniority rights. That forced experienced and progressively thinking teachers to make a choice between working for a charter school and the benefits earned through seniority – the obvious goal of the teacher unions was to cut access to qualified and experienced teachers (Hill, 2006, p. 7). Another major pitch made by the opponents of charter schools was to pass laws that force charter schools to pay rent for facilities from operating funds, and also pay for services such as health screening, student transportation, and teacher training in contrast to school districts who obtain those services for free (Hill, 2006, p. 7).

In addition to having charter school laws sponsored by charter school opponents with the idea of severely limiting charter schools, the charter school proponents had to accept compromises in order to secure votes, such as: (1) limited funding, often as little as 75% of what districts obtain to educate students; (2) charter terms, in some cases limited to five, even three-year terms; (3) allowing no specification of the duties of school districts as charter school
authorizers, thus setting grounds of no standards and principles guiding the actions of the charter authorizers (Hill, 2006, p. 8).

All of the above factors try to politically and legislatively limit the clout and strength of charter schools and cut out valuable resources, for example: less funding limits the amount of resources that may be channeled for education; charters authorized with a short-term limits the ability of the charter school organization to strategically plan and decide, as well as borrow money, attract quality personnel that is looking for long-term employment positions, enter into better long-term facility lease terms, etc.; and finally, if the charter authorizer is the “competitor” – the school district that is already set up without well-defined responsibilities and set of standards, then the charter authorizing action is left to subjective momentary and even political judgments, including actions or inactions not necessarily geared toward the interest of the charter school and its community that may be looking for strong and accountable public education operators.

In a subsequent analysis, Hill (2006) generalizes the charter school public policymaking limiting factors on the basis of four elements: caps limiting growth (occurring in 21 states); only districts may authorize (occurring in 18 states); less than full per pupil funding (23 states); no for-profit charter holders (36 states) (Hill, 2006, p. 10). Hill states that the above statistics are based on data collected through 2006 that includes charter school laws existing in only 41 states at the time of publishing that particular research study.

Charter proponents have continued to work to liberalize charter school laws and make them more equitable in comparison to public education laws
regulating district schools. However, the opponents of charter schools – lobbyists for school district boards and teacher unions, have also continued with activities targeting the eroding of charter school laws and charter school freedom in an effort to perpetuate the status quo and dominance of the district schools.

Social Agreement

The social agreement associated with the charter school phenomenon is explored from the genesis of the charter school movement and its evolution since the early 1990s. It touches on the ideas of Milton Friedman about alternative economic models for public education. It outlines the political and policymaking processes associated with the charter school movement. Finally, it explores the public-private partnership component and related social agreement between different political strata and charter school stakeholder groups.

The social contract associated with charter schools is still not firmly defined and may vary from state to state and even from community to community. One of the points of discovery associated with the social contract for charter schools is providing practical grounds for the debate about the balance between the level of academic standardization and the level of introducing free market mechanisms in public education. The literature tracks the actions of visionary educators, who believe that the process of increased educational standardization brings certain benefits and economy of scale for uniform measurement of academic progress, but also they believe that valuable components are lost, especially in terms of identifying and responding to local community educational needs, local culture, local problems, and local opportunities. Charter schools, as
agents of change in public education and carriers of the new social contract are
the most sought after experimental grounds of the public education reform debate.
Much of the research and attention of educational experts and the public is
focused on how they respond to this challenge and whether they provide the much
needed answers and outcomes.

According to the U.S. Department of Education’s Office of Innovation and
Improvement:

“The promise charter schools hold for public innovation and reform lies in
an unprecedented combination of freedom and accountability. Underwritten with public funds but run independently, charter schools are
free from a range of state laws and district policies stipulating what and
how they teach, where they can spend their money, and who they can hire
and fire. In return, they are held strictly accountable for their academic and

It should be noted, though, that not all states’ legislation offers the same
degree of freedom to charter schools and the same type of accountability. In some
states the charter schools are still entities that are somewhat of a surrogate and
subordinate to the school districts, which to a great extent defeats the idea of the
charter schools movement and autonomy as a choice of public education and
competition to the district schools. Finally, not all local jurisdictions offer
favorable grounds for charter schools – while counties and cities generally do not
interfere in education in terms of direct legislative action, they can ration the level
of charter school activity in the respective areas by imposing “non-tariff” barriers
such as those that pertain to charter school facilities, zoning, public improvements
requirements, etc., which is a major challenge for all charter schools in general.
According to Buckley and Schneider (2007) the perspectives and practices of charter schools may vary, however, there is a general social agreement about what charter schools are supposed to do. That includes generating market forces, namely competition among schools, in which the poorly performing go out of business and the excelling thrive, grow, replicate, and scale up. The authors indicate that this approach stems from the “pro-market orientation that has helped to shape education policy reform in the United States for the last fifteen years (Buckley and Schneider, 2007, p.2).

In addition to the free market forces some states, including Arizona, have already established and instituted the so called “replication process” as a supporting mechanism for the pro-market notion. In this process the eligible and qualified charter holders of schools labeled “Excelling” or “Highly Performing” can apply for new charters in a separate “fast track” process outside of the window for regular new charter applications. Obviously, the incentive is to support and grow the charter schools with outstanding academic results. In addition, those schools’ administrative and management processes also have to be in compliance as measured and indicated by the annual charter school audits, in order to be eligible for the replication procedure.

The U.S. Charter Schools web site (http://www.uscharterschools.org/pub/uscs_docs/o/index.htm, accessed in February 2011) attempts to describe the intentions of the charter school legislation in the different states and the reasons prospective charter school operators apply
for charters. In general, the state legislations’ intentions related to the charter school movement and social agreement are presented in the following way:

- Increase opportunities for learning and access to quality education for all students
- Create choice for parents and students within the public school system
- Provide a system of accountability for results in public education
- Encourage innovative teaching practices
- Create new professional opportunities for teachers
- Encourage community and parent involvement in public education
- Leverage improved public education broadly

The same web site also outlines the reasons why charter school operators apply for new charters and choose to pursue this approach in public education for the following general reasons:

- Realize an educational vision
- Gain autonomy
- Serve a special population

Buckley and Schneider (2007) imply that major aspects of the social agreement for the charter school movement are parental satisfaction (customer service) and choice in public education. Those concepts emphasize the pro-market approach toward public education. The choice component is deemed as the premise of two competing ideas from the standpoint of ideology and political
perspective - charters vs. vouchers, as means to reform public schools (Buckley and Schneider, 2007, p.3).

Literature sources indicate that a key component for sustaining the social agreement is the invention and reinvention of performance indicators for charter schools. A more universal agreement in charter school performance measurement and metrics can provide better understanding of that social agreement on the part of non-stakeholders and stakeholders themselves. While it appears that academic performance is the primary focal point of any educational entity, it is clear that charter schools as public educational entities are more business-driven than administration-driven type organizations. Unlike district schools charter schools do not have taxing or bonding authority to solidify their position regardless of level of efficiency, nor have they any other coercive way of obtaining revenues. Prior to being educational entities they must be solid and sound business operations in order to sustain their start-up and existence in the first place, and then be able to pursue higher-level academic results. With such argument it is clear that the non-academic performance indicators play a critical role in the quality and success of charter schools.

Charter schools are unique forms of public-private partnership. As such they came into existence on the basis of a unique social agreement. A key element of the social agreement associated with charter schools is the process and quality of charter school authorizing. Charter authorizers have the authority to approve, renew, and revoke charters, as well as oversee and monitor the performance of charter schools as part of the accountability process. The above obligations of the
charter authorizers are part of the social contract, but also charter authorizers are asked to be fair, transparent, and respectful to the school autonomy within the limits of the law. Charter authorizers may differ by their organizational structure. Most numerous are the Local Educational Agencies (LEA), followed by the Higher Education Institutions (HEI), State Education Agencies (SEA), Non-Profit Organization (NFP), Independent Chartering Boards (ICB), and in two states (Illinois and Wisconsin) charter authorizers may also be Mayors / Municipalities (MUN). As of January 2009 there were a total of 819 charter authorizers in the forty states that have charter school legislation.

According to the National Association of Charter School Authorizers (NACSA) a quality authorizer engages in responsible oversight of charter schools by ensuring that charter schools have both the autonomy to which they are entitled, and also meet the public accountability standards for which they are responsible. NACSA summarizes the process of charter school oversight in three core principles:

1. Maintain high standards for schools.
2. Uphold school autonomy.

The principle of maintaining high standards for charter schools on the part of charter authorizers reflects the following major components: (1) charter authorizers must be setting high standards associated with new charter applications; (2) once a charter is approved the charter authorizer must make sure that the school meets the high standards set forth in the charter application and
charter contract; (3) charter authorizers must effectively cultivate quality charter schools to meet identified educational needs; (4) charter authorizers must oversee charter schools, which over time have the obligation to meet the performance standards and targets set forth in their charter contracts on a range of measures and metrics; and (5) charter authorizers must close charter schools that fail to meet minimum standards and targets sets forth in law and by charter contract (NASCA, 2010 Edition, p. 6).

The only charter authorizer in the State of Arizona at the present time - the Arizona State Board for Charter Schools developed a pilot program for the charter replication process that was adopted in November 2006, in a quest to cultivate more quality charter schools. Such process provides additional stimuli for charter schools that meet certain criteria of high performance and academic excellence to replicate their success by going through a more relaxed and flexible charter authorization process. The first pilot replication charter in the State of Arizona was approved in 2007. Since that point of time a number of high performing charter schools utilized this approach, which triggered their growth and expansion, as well as the replication of best practices in charter school education.

The principle of charter authorizers upholding charter school autonomy is expressed in allowing independence in terms of establishing the school vision, mission, culture, design of the instruction programs and curriculum, school governing board process and decision making, school administrative and management process and decision making; school budgeting process and fiscal practices. The main theme in this process is to accentuate the accountability
components and minimize any intervention related to administrative and compliance components.

The third major principle of charter school authorizing is vital in view of the social contract – that is protecting the interest of students and the public. This principle breaks down into three components, as follows: (1) Charter authorizers hold charter schools accountable to meet fundamental public education obligations such as access to the school for all eligible students and fair treatment of all student applications. Once admitted the students must be treated fairly in terms of educational services and disciplinary actions in accordance with the laws; (2) Charter authorizers hold charter schools accountable to meet their obligations to the public in view of school governance, management, and stewardship of public funds, as well as public information and operational transparency in accordance with the law; and (3) The third component reflects the quality of the charter authorizing process such as ethical conduct, clarity, consistency, and public transparency in authorizing policies, practices, and decisions, effective and efficient public stewardship (NASCA, 2010 Edition, p. 7-8).

While the three core principles of charter authorizing represent the value system associated with the social contract, the standards associated with charter authorizing provide guidance associated with the practical application of the core principles. NACSA identifies five major standards areas that relate to: (1) agency commitment and capacity; (2) charter application process and decision making;
(3) performance contacting; (4) ongoing oversight and evaluation; and (5) revocation and renewal decision making (NASCA, 2010 Edition, p. 10-19).

A formal expression of the social agreement associated with charter schools is the charter contract between the charter school and its authorizer. In its third annual report released in February 2011, the National Association of Charter School Authorizers defines the principles and standards of the charter contract as follows:

“A quality authorizer executes contracts with charter schools that articulate the rights and responsibilities of each party regarding school autonomy, funding, administration and oversight, outcomes, measures for evaluating success or failure, performance consequences, and other material terms. The contract is an essential document, separate from the charter application, that establishes the legally binding agreement and terms under which the school will operate” (National Association of Charter School Authorizers, 2011, p. 31).

Accountability

Accountability in education and in particular in relation to charter school performance became a central topic for discussion during the last decade. In more recent years the discussion evolved into development of performance-based management and planning models that became an evaluative, measurement, and planning tool. In January 2002 the federal government introduced the No Child Left Behind Act, which made performance-based education accountability a federal mandate.

Charter school laws create the legal framework of charter school accountability, while the charter school boards, educators, and management fulfill its content. Hill and Lake (2002) state that:
“Charter schools are freed from rules and regulations and then are held accountable for results defined in the charter. This is the basic bargain of autonomy for accountability, [which] defines public charter schools and distinguishes them from alternative public schools or vouchers” (Hill and Lake, 2002, p.14).

While the authors confirm that charter schools are a new successful model where government can oversee schools on the basis of results instead of politics and rules, they admit that this model is still in its infancy stage and requires more studies and refinements. Furthermore, Hill and Lake (2002) point out that “charter school laws put schools in a situation of mixed accountability; they must answer to private parties as well as to government in pursuit of the public purpose” (Hill and Lake, 2002, p. 85).

The literature also reviews the relationship, similarities and differences between governance and accountability. In that regard Jones (2006) states that:

“Though governance and accountability are often closely linked, they are not functionally equivalent. Governance involves the power to control the operations of school systems, and particularly to control the critical functions of personnel, budget, curriculum, and instruction. Accountability involves the power to assess school and school system preference and outcomes, preferably against standards; to hold schools and school systems responsible for their performance and outcomes; to impose requirements for improvement when performance and outcomes are less than adequate; and to decide how to proceed when outcomes and performance do not improve” (Jones, 2006, p.138).

There has been a debate whether accountability should be approached as a guideline, within the context of a suggestive nature and a recommendation, or as a coercion that is enforced through a system of performance measures, incentives for excellence, and punishment for underperformance. In that regard Hess concludes that:
“Left to their own devices, most employees in any line of work will resist changes that require them to take more responsibility, disrupt their routines, or threaten their jobs or wages. To overcome that resistance... it is essential to make inaction more painful than action. In education this means making a lack of improvement so unpleasant for local officials and educators that they are willing to reconsider work rules, require teachers to change routines, assign teachers to classes and schools in more effective ways, fire ineffective teachers, and otherwise take those painful steps that are regarded as “unrealistic” most of the time” (Hess, 2006, p.79).

In his study Hess (2006) explains that the challenge is not to increase the workload, but to force otherwise unpopular decisions and unpleasant choices to bring up the pressure that leads to improved performance on all levels – LEA, administrators, teachers, students. Ultimately, he points out that the challenge is fundamental and based on rethinking systems and practices with the idea to deliver effective and efficient educational organizations. Further on he asserts that the idea is not just to force an improvement path that may be painful, but one that leaves no alternative choice in that matter (Hess, 2006, p 80). In a metaphor he compares the “old practices of education” with the old practices of the Detroit automakers in the late 70s, which produced:

“Oversized and poorly designed cars, had gotten lazy about quality control, had permitted costs and union contracts to spiral out of hand, and had added layer upon layer of middle management. The emergence of fierce foreign competition and a dramatic loss of market share shocked those firms into action” (Hess, 2006, p.80).

Hess (2006) concludes that any education leader who deems that there is no way to drive change is clearly mistaken and society can and will drive change “by requiring educators to meet clear performance goals and attaching rewards to success and consequences to failure” (Hess, 2006, p.80). Hess asserts that in today’s quest for accountability in education school leaders must make five
politically sensitive sets of decisions: (1) designate a prescribed body of content to be tested (in that regard he recognizes that such approach may marginalize other goals, objectives, content, and skills that may fall outside that prescribed area); (2) impose assessment that accurately measures student mastery levels; (3) must clearly specify what constitutes student mastery; (4) must decide what to do with students who fail to demonstrate mastery required levels; and (5) the system must reward or sanction educators on the basis of student performance (Hess, 2006, p. 81).

In addition, Hess (2006) points out that much like the government-imposed accountability system, the market-based competitive environment can be a meaningful method for improving education, and can be even more painful in the process, as markets and free competition are “neither gentle nor forgiving” (Hess, 206, p. 106). Hess concludes that when a highly competitive environment is in place, organizations, including educational, either reinvent themselves or yield to more productive competitors. Certainly, that holds for both the district and charter schools, which compete for student enrollment and may be hurt badly, and more so in the case of charter schools – be completely erased, when student enrollment is low.

Finally, when approaching the subject of accountability Jones (2006) views this social construct in relation to the values and the evolution of society. He argues that there is a direct relationship between the predominant values in society present at a given time and the generally accepted system of accountability for public schools, including charter schools.
Public-Private Partnership

Charter schools are a unique form of a public-private partnership. Mirron and Nelson (2002) conclude, “At the heart of the charter concept lies a bargain. Charter schools will receive enhanced autonomy over curriculum, instruction, and operations. In exchange, they must agree to be held more accountable for results than other public schools” (Mirron and Nelson, 2002, p. 3). They state that the formal expression of that public-private partnership is the charter contract, which prescribes the condition, under which the school operates and the goals it must accomplish in order to remain in operation. Further on, Mirron and Nelson (2002) develop a social construct of the public-private partnership, which consists of three components: (1) structural changes associated with public education (choice, accountability, and deregulation); (2) opportunity and goals associated with the delivery model (governance, parental community involvement, teacher autonomy and professionalism, curricular and pedagogical innovations, equity/access to new educational opportunities, privatization, customer satisfaction); and (3) outcomes and field goals (student achievement and customer satisfaction) (Mirron and Nelson, 2002, p. 4). Mirron and Nelson (2002) point out that one of the most important components of the charter school concept – choice, is achieved through two distinctive mechanisms: (1) competition, which is expressed in the market quest for attracting and enrolling students that in turn is the main factor for obtaining state funding, and (2) a sorting process or variability, meaning that when there is a wide variety of schools providing different educational services to
choose from, customers will choose the ones that best fit their needs and preferences (Mirron and Nelson, 2002, p. 5).

Mirron and Nelson (2002) view the other two components that constitute structural change in public education through the charter school model – accountability and deregulation, in comparison to district schools. For example, accountability in a district school primarily covers only the educational process employed (i.e. curricular, teaching methods, school calendar, etc.), while charter schools accountability covers those processes and also expands into outcomes as measured by student achievement and customer satisfaction (Mirron and Nelson, 2002, p. 5). In other words, for as long as education follows the prescribed procedures at district schools, the accountability goals are met. In the case of charter schools the accountability aspects that are taken into consideration at district schools are just the start and minimum point of compliance – then accountability expands into market and bottom-line components such as student achievement and customer satisfaction. Mirron and Nelson (2002) review the deregulation aspects primarily within the thesis that excessive administrations and overhead structures are not the primary source of achieving the overall goals, but the systems of empowerment of qualified and inspired personnel that is directly involved in the trenches doing the teaching of students and managing charter school operations.

Mirron and Nelson (2002) provide a valid observation that many charter schools in Michigan switched from initially being private schools to converting/becoming public charter schools (Mirron and Nelson, 2002, p. 21).
This practice is also valid in the state of Arizona. Such observation provides a clear evidence of the public-private nature of charter schools and the fact, that private education outcomes may be possible in a public school setting as well.

In assessing the outcomes from public education, Coulson (2001) states that:

“Contrary to the popular conception, the preponderance of the evidence shows free education markets to have far more benign effects on their societies than state-run school systems... Heterogeneous societies have been able to exist in comparative harmony thanks to the freedom of parents to obtain the sort of education they valued for their children without forcing it on their neighbors. State school systems, by contrast, have consistently been used by powerful groups (whether democratic majorities or ruling elites) to discriminate against weaker groups” (Hepburn, 2001, p. 70).

The author encourages the participants in the charter school debate to consider historic precedents about public and private educational models when analyzing the public-private nature of charter schools and the relative societal benefits/losses associated with state school systems versus free education markets.

There is not a perfect system standing between the two observed options, but within a public-private partnership set up certain positives from each system can be incorporated and certain negatives from each system can be excluded. It may also be true, as experience provides such evidence, that negatives from the two systems may plague a charter school venture when the process of establishing the charter school violates the new social agreement and/or when the process of legislating and authorizing charters does not provide sufficient safeguards and opportunities for a meaningful application of the charter school idea and concept.
Wells and Scott (2001) argue that the privatization associated with charter schools is a qualitatively new step in comparison to any other form of privatization in public education existing prior to the introduction of the charter school concept. They note that previously privatization existed in public district schools in fragmented expressions such as outsourcing functions to private for-profit companies in the form of services such as cafeteria/food services, transportation, maintenance, and special education services (Levin, 2001, p. 236). However, they view the expression of privatization within the charter school phenomenon as a major shift that includes three “overlapping and intertwined dimensions of privatization in education: economic, political, and social” (Levin, 2001, p. 236). As a result of this new status of public and private affairs within public education, Wells and Scott (2001) state that “the charter school reform movement... unites people who support such a conservative, market-based agenda with people who consider themselves to be more liberal and opposed to privatization” (Levin, 2001, p. 237).

The research and literature on the public-private aspects of charter schools may be growing in volume, but still a majority of it is focused primarily on the social, educational, political, and macroeconomic aspects of the phenomenon. A very small body of studies and no known systematic research is done so far in regard to the microeconomics, management, finance, and marketing of charter schools as public-private partnerships. The attention of formal research is focused so much on the politics of charter schools and associated fields of studies that the business and management parts are clearly left behind. It may be so because of
the fact that so far charter school studies and research gravitate toward academia, think-tank organizations, professionals, and practitioners with expertise primarily in the field of education, social studies, political studies, and the closest that it gets to business analysis may be in the field of macroeconomics.

The inertia of practicing public education for so long in a government-like administrative format without much accountability and sensitivity beyond the pursuit of basic compliance standards and balanced budgets leaves its mark at the start of the charter school practical process as well. In a rare study about strategic management aspects of charter schools, Frumkin (2003) states that:

“There is a long tradition in many schools of education of focusing the attention of students on building an educational philosophy and developing innovative curricula. This approach may have worked when public schools enjoyed a near monopoly and when many graduates planned to spend most of their careers within the public school establishment. As this monopoly has weakened and as charter schools have become an increasingly important instrument of change within the system, the needs of school leaders have taken on a new dimension. Charter school leaders cannot focus on educational matters alone, but instead must have an understanding of how to manage and position an organization, usually a nonprofit organization, in a changing environment in which they are responsible for the stewardship of resources and the mobilization of support. It is within the context of a new managerial imperative that the approach to school management must be understood” (Frumkin, 2003, p. 38).

Taking a view of charter school management as a form of business management where quality (as measured by academic outcomes and client satisfaction) go hand-in-hand with productivity (as measured by efficiency of resource allocation and utilization) is clearly a wide open territory for new studies, research, and practical applications. While those aspects of charter school operations may not yet be perceived as vital components for the charter school
existence and success by both researchers and practitioners, it is obvious that as the competition within public education increases and the markets become more saturated with a greater variety of educational opportunities and choices, and as communication technology brings about more effects of allowing people to be better informed and stay connected, the pursuit of efficiency and productivity will inevitably make a call for such a mindset shift at all levels. In that regard Frumkin (2003) wrote, “rarely do charter school entrepreneurs have substantial experience or training in strategic management. This can be a problem because running a charter school ultimately means managing a large organization” (Frumkin, 2003, p. 1). Much could be done in that area in terms of academic studies, field research, executive curricular development, and development of related executive training programs for charter school personnel.

Research Methodology and Measurement Systems

The nature of this study calls for a mixed-method inquiry with focus on qualitative research, exploration, and implementation studies. In the process of exploring charter schools it is important that an adequate description of the phenomenon is provided and paired with adequate explanations. In that regard King, Keohane, and Verba (1994) state that:

“Social science research, whether quantitative or qualitative, involves the dual goal of describing and explaining... We cannot construct meaningful causal explanation without good description; description, in turn, loses most of its interest unless linked to some causal relationship” (King, Keohane, and Verba, 1994, p. 34).

Since charter schools represent a major and recent qualitative shift in the public education paradigm, qualitative research methods are predominantly
utilized in this dissertation. A key assumption in utilizing field research is the fact that the author of the dissertation has been involved as a consultant to charter school operators, thus being engaged professionally in charter school action research for almost a decade.

In that regard Dafinoiu (2003) points out that:

“Action research has its origin in the need of dialogue between the academic researchers, ‘experts’ in a certain field, and the researched ‘social actors’... Action research is characterized by a strong participative dimension, whose goal is the power equalization by a strong participative dimension, which implies something more than just being informed or consulted” (Dafinoiu and Lungu, 2003, p.124).

The pragmatic approach and goals in this study may also be viewed as an attempt to build an agreement and rapport between the traditional academic knowledge production process and the social change practices resulting from the evolution of public education in its current and arguably most evolved form – the charter school.

Being engaged in action research has been described also as learning in action. Coghlan and Brannick (2001) describe how the action researcher engages in the cycles of diagnosing, planning action, taking action and evaluating action. While the author of the dissertation is not directly a member of a particular charter school organization in need of individual organization action research, the action research methodology is applied in view of the typical charter school performance description. In that process “both the action research and meta learning are undertaken... [While] the rigor is demonstrated by how these activities are exposed to critique and how conclusions are supported by development of theory.

Clearly by itself the scope of the dissertation limits the study to completing only the first two components of the above-mentioned cycle in practical terms. However, the two case studies developed in the dissertation allow for virtual action research applications that complete the action research cycle and allow users of the dissertation to apply their own action research approaches in regard to those two case studies. Such desired outcome is accomplished by designing the action research process to include the following components as described by Coghlan and Brannick (2001): (1) systematically collecting research data about an ongoing system relative to some objective or need; (2) feeding the data back to relevant others; (3) conducting a collaborative analysis of the data; (4) planning and taking collaborative action based on the diagnosis; and (5) evaluating the results of that action, and leading to further planning (Coghlan and Brannick, 2001. p. 85).

While the action research analysis of the data may not be collaborative in nature within the context of the dissertation, the case study format allows for follow-on and build-up opportunities for action research based on the model provided in this dissertation. This model will allow case study users to take steps
4 and 5 as described above and establish a framework of their own action research, by taking the following steps: (1) determine the need for change and the degree of choice; (2) define the future state, after the change has taken place; (3) assess the present in terms of the future to determine the work to be done; and (4) manage the transition state (Coghlan and Brannick, 2001. p. 86).

As a part of research projects at Education Team Partners, the author of this dissertation has engaged in collaborative efforts reflected in the dissertation that included open-ended and participatory survey design applications. Part of the survey process that includes unstructured interviews is structured in that way in an effort to provide opportunity to investigate the subject matter more deeply and in the pursuit of exploring and identifying ways to arrive at a design of effective performance management plan components. However, Cunningham (1993) warns that while “open-ended interviews provide rich assortment of information... [It] is often presented in ways which are difficult to interpret and generalize” (Cunningham, 1993, p. 94). In addition, Cunningham (1993) points out that the “experimental effect” also known as the “Hawthorne effect” may also be present during those interviews – all of those facts are taken into consideration as being limiting factors of the research outcomes and conclusions.
CHAPTER 3: METHODOLOGY AND PROCEDURES

Logic Model of Study

The charter school movement is a relatively new phenomenon. For this reason the research focus of this study is primarily exploratory and descriptive related to the topic and research questions. To a lesser degree it attempts to explain the phenomenon. The exploratory aspect of the research methodology targets not just developing a better understanding about charter schools, but also providing grounds for undertaking future more extensive research on the topic, as well as outlining specific areas and methods for subsequent research studies. Streb (2009) states that “the exploratory case study investigates distinct phenomena characterized by a lack of detailed preliminary research, especially formulated hypotheses that can be tested, and/or by a specific research environment that limits the choice of methodology” (Streb, Christoph K., 2009).

In addition, Streb (2009) asserts that:

“Exploratory case studies are by definition often applied in a research context that is not clearly specified and still requires data for the formulation of valid hypotheses, [and] their broad concept provides the researcher with a high degree of flexibility and independence with regard to the research design as well as the data collection, as long as these [studies] fulfill the required scientific criteria of validity and reliability. An exploratory case study is therefore not limited in terms of its qualitative or quantitative specificity” (Streb, Christoph K., 2009, SAGE Publications accessed online on 27 Apr. 2011).

Often exploratory case studies are taken as a foundation, basis, or means to define research questions and develop hypotheses for future research and studies. Given their nature it is not uncommon for exploratory case studies to be lacking preliminary propositions, hypotheses, and even well defined research questions.
The logic model of the dissertation study follows several major qualitative research method paths, including: descriptive theory, action research, and the case study method. One of its goals is to articulate knowledge about the charter school phenomenon that exists in a less structured format. Another goal is to discover aspects of the topic that either have not been a subject of major research or not researched at all. The descriptive case study approach brings focus, detail, and articulation on components associated with entrepreneurship and business performance indicators as determinants of Arizona charter schools quality in a fashion that may lead to discoveries, propositions, and new research questions about charter schools.

In an attempt to advance theory development, the research model applied in this study seeks to identify patterns, connections, and inferences that relate to more general theoretical constructs. The research findings may be deemed as the starting point for future research to test if the particulars found and applied in the case studies have implications in terms of other subjects of research (charter schools), and to what degree the generalizations apply in larger population groups.

Qualitative Methods Used

The qualitative research methods in this study focus primarily on field research. A key assumption in utilizing field research is the fact that the author of the dissertation has been involved as a consultant to charter school operators for more than a decade. To a great extent that determines the role of the observer (i.e., the author of the dissertation) in the process of making field observations and
research. A smaller portion of the field research, primarily processing already collected primary data and researching public access information about the subjects of the study, is conducted specifically for the purposes of this dissertation. The author of the dissertation informs about his role in the field studies and the established relationships with the subjects of the studies, so that a productive complementing mix is achieved in the continuum of participatory-observatory field research experience. Because of the fact that the participatory aspect prevails, the objectivity limitations are also discussed.

As a supplement to the qualitative research approach this study also utilizes components of action research. The action research components in this study cover elements of planning, theorizing, learning, and development. This process stretches in the continuum of research learning implementation with emphasis on the experiential aspects. One of the objectives of implementing action research in this study is the discovery of the balance point between the “pure scientific” research approach, typically expressed in identifying trends by a certain type of statistical analysis, and the practical everyday applications observed in charter school education in relation to non-academic / business performance measures. The need for such approach is based on the relative newness of the charter school phenomenon and respective lack of data and solid foundation of previous research, but also with the understanding that any experiential type of analysis may expose the study to some risks of eclectics and subjectivity. Last but not least, it should be noted that the author of this study is actively involved in the charter school movement.
While traditional approaches in research studies suggest a division between research and practical action, this may not be possible within the context of this study, as it is done in the midst of every day active involvement of the author of the study in charter school action. With the understanding of the limitation of such approach, emphasis is placed on its strengths and potential to convert observations into a systematic process that leads to recording facts, which in turn allow identification and definition of relevant variables. Once that is accomplished, those variables are placed into a framework of valid data that permits analyzing aspects of interest about charter schools. In short, such exploration attempts to trigger a process of discovery.

Dafinoiu points out that:

“Action research has its origin in the need of dialogue between the academic researchers, ‘experts’ in a certain field, and the researched ‘social actors’... Action research is characterized by a strong participative dimension, whose goal is the power equalization by a strong participative dimension, which implies something more than just being informed or consulted” (Dafinoiu and Lungu, 2003, p.124).

The pragmatic approach in this study may also be viewed as an attempt to build an agreement and rapport between the traditional academic knowledge production process and the social change resulting from the evolution of K-12 public education in its current most evolved form – the charter school.

The typical outcome of the action research usually is change in an organization. The outcome of the action research in this study is not targeting a single charter school organizational change, but rather the introduction of measurements, metrics, and planning tools for non-academic performance of
charter schools. Hopefully, such step may either be the initial step or a major step toward understanding and introduction of a system of non-academic business-type performance measures for charter schools.

While charter schools are considered public schools and that is well documented, regulated, and monitored, they are rarely discussed in-depth as being businesses that should be evaluated also in terms of their financial and business performance, not just in terms of achieving balanced budgets and basic administrative compliance status. Productivity of charter schools measured in business and financial terms, whether being recognized with a higher or lower level of awareness, is a key component of the long-term success and viability of charter schools.

This study utilizes components of action research within the context of developing the case studies. That is specifically expressed in the two cases of charter schools that are still in a design and establishment stage. Coghlan and Brannick (2001) outline the following steps utilized in implementing action research:

(1) Diagnosing – this component includes identifying the issues related to non-academic performance measurement of charter school’s quality and articulation of the theoretical foundation and authoritative knowledge base as the provision for taking action.

(2) Planning the action steps – that process includes framing of the diagnosed issues into a context defining the purpose of the action
taken, specifically, outlining the non-academic aspects of the
dermal performance management plan of charter schools.

(3) Taking the action - in the context of this study it is the introduction of
a design for a charter school performance management plan with
business performance indicators.

(4) Evaluation of the action plans – since the action research associated
with this study does not cover a single organization but a group of
organizations, the evaluation aspect is designed as a survey that may
be a link to a more detailed and in-depth analysis in future research
(Coghlan and Brannick, 2001, p.18).

Action research is often deemed by its critics as problematic in view of its
internal and external validity and the threat of researcher’s bias. Within the
context of the research goals of this study it is deemed worth taking such risk in
view of the possible discovery of constructs or “pre-constructs” (for example,
building a theoretical foundation for the development of a model for performance
management plans associated with charter school business measures) that may
lead to a major qualitative leap in analyzing charter school performance,
 systemizing charter school data, and developing a more precise and scientifically-
based foundation for assessment of charter school performance, including the
effect of charter school public policymaking.

Quantitative Methods Used

The quantitative methods and approaches are more seldom utilized in this
study and focus primarily on simple descriptive statistics. Where applicable, some
measures of central tendency (mean, median and mode) are used to provide summary information and comparative analytical tools about various aspects of charter school performance. Frequency distribution analysis is used primarily for demographics analysis associated with charter schools. Some measures of dispersion (range and standard deviation) are used to establish an understanding about the differences between charter school operators and a group of charter school operators compared to already measured and established averages in the industry. In general, the research in this study takes into account that at this young stage of the industry and “un-uniform” nature of the charter school operations, it may be more risky to attempt to generalize, summarize, and draw conclusions about charter schools than to study, research, and explore particulars.

Case Selection Methodology and Study Participants

A key component in case study research is the case selection and selection of study participants. Bleijenbergh (2009) states that in contrast to survey research, case study research samples are ideally selected strategically, not randomly. It is a strategic consideration to select cases that give a maximum amount of information about the research questions. Further on, she clarifies that the criteria for case selection depend on the type of the research question: descriptive, exploratory, or explanatory. Bleijenbergh (2009) indicates that with a descriptive research question, the cases selected should give maximal information about the specific features and characteristics of a particular social phenomenon. Bleijenbergh (2009) states that when an exploratory research question is posed, researchers tend to select cases that maximize the opportunities for developing
hypotheses or theories, which then provide a better explanation of the social
phenomenon. She asserts that since case studies are based on inductive research
design, screening of the cases has to be based on empirical considerations, where
the researcher selects a single case that obviously differs from other instances of a
social phenomenon.

The participants and cases in this dissertation study have been selected on
the basis of the observations and evaluations of the author and in consultations
with other charter school consultants. Personal experience and involvement and
actual participation in some of the processes described in the case studies have
been a factor in the selection process. This approach ensures first-hand experience
that provides an opportunity for in-depth analysis and articulation of the
phenomenon. Case study research is always prone to the criticism on the “case
selection criteria” and it is difficult to find a solid foundation for consensus as to
what may constitute a “true case” that is most representative of the phenomenon.
One of the criteria for selecting the particular charter school cases for this study is
a strategic elimination or narrowing down of multiple cases reviewed to a select
few that are deemed to be providing highest probability and best chances for the
research study to discover the basis for testing the inferences made and, hopefully,
higher potential for finding solid grounds for generalizations.

While the concept of a “true case” is generally unattainable, and even the
best possible selection may always be at risk of being argued in regard to its
validity and reliability of data, there is generally an agreement that a multiple-case
study design offers improved capacities for testing theories or hypotheses. Such
approach allows researchers to take a more systematic approach and be able to develop comparative analysis. It also allows research of the variability between different cases. The comparative case study approach provides improved grounds for replication and validation, which in turn lead to the emergence of improved theoretical foundations and more clear definition of hypotheses associated with relatively new and not systematically studied social phenomena, such as charter schools. The analysis leads to assertions that apply to each individual case, but also to the collective case that more fully represent the entire domain of the problem and research questions.

Bleijenbergh (2009) asserts that researchers have to report the criteria they use and the screening process they follow in the process of selecting cases to be studied. She points out that the selection of cases should be based on the research question, whether descriptive, exploratory, or explanatory, and may be driven by empirical or theoretical considerations.

Quality, Features, and Strength of the Research Design

The quality of research design in this study should not be sought in its capacity to necessarily reach generalizations, extrapolate trends, or draw simplistic inferences to describe the charter school phenomenon at large. Rather, the quality is sought in the process of exploring and analyzing select case studies and in the discovery of a related knowledge base. It may also be sought in the alignment of the research questions in time and space. It is in the quest to extend the knowledge base and may be measured in the progress made within a relatively new research agenda that may lead to trustworthy results and compelling
arguments reflecting the emergence of a new area of inquiry – the entrepreneurship and business components of charter school quality. It may also be sought in the developed capacity for case-to-case synthesis, and in the depth of the examination of a collection of case studies, in particular the commonality of focus, method, and outcomes.

One goal of this study is to seek in-depth explorations and build capacity to synthesize across cases that hold promise for building a knowledge base. The preliminary work associated with not only determining the case selection, but also to establish a research infrastructure is critical. In that regard Robert Yin states that:

“When engaged in case study research, the development and use of a case study protocol is imperative. A well-designed protocol will define questions of study, remind researchers about field procedures, and identify data to be collected. Most important, the protocol should explain the relationship between the questions of study and the data to be collected. If needed, important adjustments to the case study protocol can be made throughout the fieldwork. Key to understanding a case study protocol is that it is not a field instrument. The protocol's language is directed at the researchers involved in the case study, not potential interviewees or field informants. Thus, the protocol is not to be carried around in a physical sense but as a plan held in the researcher's head.” (Mills, Albert J., Durepos, Gabrielle, and Wiebe, Elden, 2010, online access on April 26, 2011).

Developing the case study protocol for the purposes of this study can be compared with building a road – the better the quality of the road the further and faster the “research vehicle” can travel and reach out. Robert Yin describes a case study protocol as a formal document capturing the procedures involved in the collection of data for a case study. He outlines the information components of the case study protocol as follows: (a) Procedures for contacting key informants and
making field work arrangements; (b) Developing explicit language and reminders for implementing and enforcing the rules for protecting human subjects; (c) Keeping in mind a detailed line of questions, or a mental agenda to be addressed throughout the data collection, including suggestions about the relevant sources of data; and (d) Developing a preliminary outline for the final case study report (Mills, Albert J., Durepos, Gabrielle, and Wiebe, Elden, 2010, online access on April 26, 2011).

Robert Yin recommends that a typical case study protocol should have five sections, as follows: (1) Section One is a brief overview of the case study, its main research questions, the cases to be studied, the broad data collection strategies, and clarification about multiple methods study, if applicable. (2) Section Two describes how the case study researcher contacts key informants, makes fieldwork arrangements, and specifies other procedures to be followed throughout the data collection process. (3) Section Three discusses the specific concerns to be raised and monitored in protecting human subjects. (4) Section Four is the most substantive component. The section may be divided into subsections, and each subsection should consist of a series of questions to be investigated. (5) Section Five presents a tentative preliminary outline of the final case study report (Mills, Albert J., Durepos, Gabrielle, and Wiebe, Elden, 2010, online access on April 26, 2011).

Primary Data

The main source for primary data in the dissertation study is the database and knowledge management system of Education Team Partners, LLC that
include notes from observations, data from interviewing surveys, and data from field studies combined with action research. In an attempt to improve the validity and reliability of the primary data all data-collecting procedures are transferred into specially developed protocol datasheets. The method of sampling for each data-generating procedure is described in detail. Where possible, it is justified with the respective body of available authoritative knowledge and analysis of the specific charter school circumstances.

Scientific observations, though often times subject to polemics about their possible exposure to subjectivity and limitation of scope, also have the potential of discovery and identifying details about relatively new phenomena such as the charter schools. Both direct observation and indirect observation are utilized in this study as the foundation for the next level of qualitative data collection – interviewing surveys. Even though one of the main goals of this study is exploration, in an attempt to minimize the influence of the interviewer and provide a reliable set of data, the interviewing surveys are designed as structured interviews requiring short and clear answers. At the end of each major section of the surveys each participant is given the opportunity to answer 2-3 open-ended questions and add personal comments to allow for personal opinion and not block the way or miss the opportunity of possible additional discoveries. The action research component, seeks data related to measuring the current level of awareness of charter operators and charter school service providers in relation to the process of discovery of business performance indicators of charter schools,
and how those indicators could be structured within a charter school performance management plan.

Secondary Data

The main sources for secondary data are: existing research studies, articles from professional publications, U.S. Department of Education databases, Arizona Department of Education databases, charter school associations’ data sources, and publications by various think-tank and professional association organizations.

Measurement Methods

Given the nature of this study, one of the goals is to provide a classification of categories and concepts associated with charter schools’ business performance. In that regard proper use of nominal measures is the key in the pursuit of exploring and describing the phenomenon. Ordinal, interval, and ratio measures are also used. However, their utility is limited given the status and young age of the charter school industry and related research.

Special attention is placed on the validity aspect of the research. Testing for validity is made following the method described by Welch and Comer: tests for face validity, content validity, predictive validity, and construct validity (Welch and Comer, 1988, p. 44).

Making generalizations in charter school research is a difficult task at the current stage of development of the charter school industry and charter school research. This fact presents obstacles in developing a reliable and replicable method of charter school data measurement and analysis. The case study approach attempts to outline areas and specific aspects of the charter school industry that
might be less vulnerable in terms of data limitations and applicability of
generalizations.

The extra challenge of measurement is not just in the fact that the subject
of this study is social by nature and applying physical instruments to measure
social constructs may be extremely difficult, but also because of the fact that the
charter school as a social construct is oftentimes surrounded by political
controversy. In many instances there are keen disputes and disagreements in
regard to defining concepts and social constructs associated with charter schools,
to say nothing about establishing a related measurement system.

Nonetheless, charter schools have grown to be a significant player in
public education. They are expected to bring innovation and positive change in
public education even at the expense of allowing charter operators to take action
out of the mainstream public education constructs, which occasionally may lead
to shortfalls and failures. Such imperfections and unexpected turns may also be
found in this study, but just as the charter school social agreement accounts and
accepts such risks with the expectation of much higher rewards, so does this study
in view of occasionally breaking some traditional academic research methodology
constructs in exchange and pursuit of a discovery.

Research Hypotheses, Research Questions, and Research Design

Formulations

Research hypotheses and research questions generally seek to find
relationships between two or more phenomena measured by usually
predetermined variables. During the course of exploration this study also seeks to
discover applicable variables within the domains of business performance and entrepreneurship that may relate to the quality of charter schools in Arizona.

With that consideration, the quality of charter schools as being measured by various indicators (dependent variables) is the variable on one end of the function equation. On the other end of the function the research targets to test and/or discover variables that relate/determine the charter school quality (independent variables). In consideration of that objective the research design includes mostly “a posteriori” formulations of hypotheses and research questions.

The main research hypothesis and research question seek to identify and explore the relationship between Arizona charter schools quality indicators and Arizona charter schools productivity and performance indicators in the areas of entrepreneurship, business, and finance. The main research question breaks down into exploring four group indicators for measuring charter schools productivity and performance in relation to three groups of indicators for measuring charter school quality.

The four groups of charter school productivity and performance indicators are measured on a scale of 1 to 3, with 1 being below average, 2-average, 3- above average. They include:

1) Management Performance Measures with indicators in 3 subgroups - financial management, marketing management, and facility management:

   a. Financial Management Indicators (Liquidity Ratio and Annual Audit)
b. Marketing Management Indicators (Cost per Enrolled Student)

c. Facility Management Indicators (Debt Service Coverage Ratio, Functionality and Appeal of Facility)

(2) School Policymaking Measures – measures the capacity of the school governing board (mix of skills, educational background, and years of professional experience in certain key professional areas).

(3) Parent and Community Involvement Measures, i.e. external organizations and human resource management indicators (parent / volunteer hours per year, per student, per classroom; commitments and endorsements from community organizations and business corporations; estimated annual financial effect in relation to total annual charter school expenses).

(4) Capacity to Utilize External Resources Measures, i.e. external financial resource management – indicators associated with utilization of grants (entitlements and competitive/discretionary grants from private and public sources), donations, and education tax credits (Arizona only), etc.

The quality of charter schools includes variables related to three major groups of school accountability and performance status, each consisting of several subgroups. They are measured on a scale of 1 to 3, where 1 means below average, 2 means average, and 3 means above average. In addition, their relationship to all independent variables is assessed on a scale of 1 to 3, where 1 means no
relationship at all, 2 means weak relationship, and 3 means strong relationship.

They include:

(1) Standardized Government Measures (external institutional measures of quality):

a. Adequate Yearly Progress (AYP) - A measurement defined by the United States federal No Child Left Behind Act that allows the U.S. Department of Education to determine how every public school, including all charter schools, and every school district in the country is performing academically according to results on standardized tests.

b. AZ LEARNS – The Arizona public schools’ achievement profile, which is based on changes in statewide AIMS math, reading and writing test scores over both the previous year and a longer period. The state gives schools one of six labels: excelling, highly performing, performing plus, performing, underperforming, or failing. The state determines a school's profile based on a point system. Schools gain points if they: increase the overall percentage of students passing the AIMS exam; increase the number of students who earn the top scores on the exam, known as "exceeding standards," and for reducing the percentage of students in the lowest achievement level, known as "falls far below standards"; on average, improve student AIMS scores even if students don't pass the exam;
improve graduation rates, decrease dropout rates and improve the reading and writing skills of English-language learners.

(2) School Community Measures (external non-institutional measures of quality) - level of parental satisfaction; level of community satisfaction; student waiting lists; high quality school programs – curricular and extracurricular.

(3) School Founder Measures (internal measures of quality) – a measurement of quality provided by the charter school operators describing their own level of satisfaction from results achieved in relation to originally set goals. This measurement of charter school quality tracks the extent to which a charter school has reached the original goals set by the charter school founder(s) and community. Each interviewed charter school operator is asked to define 3-5 major goals originally set at the time of establishing the school and discuss the relationship of the business indicators to those goals (indicators of quality).

The multiple case study format collection of information attempts to establish foundational grounds for the research study, where both the independent (charter school productivity) and dependent (charter school quality) variables are explored and tested for degree of validity and relevance on the basis of the assessments made by the informants of the case studies. The informants, who represent major charter school stakeholders (founders, CEOs, executive directors, etc.), are asked to assess the degree of relationship between various dependent and
independent variables where “1” stands for no relationship at all, “2” stands for mostly insignificant relationship and “3” stands for mostly significant relationship. Each variable (dependent and independent) is defined and presented to the informants so that they have a clear understanding about the respective socio-economic construct, which is the subject of the research inquiry.

Case Study Selection

In the case study search phase the following main criteria have been applied for selecting cases to be studied: (1) review of ETP business databases developed by the author of the study during the period 2000-2011 with regard to charter school performance; (2) assessment and ranking of cases that provide maximum information related to entrepreneurship and business performance in relation to charter school quality; (3) direct involvement and participation on the part of the author in various aspects of those cases for extended periods of time; (4) comparative observations and availability of data associated with the charter schools participating in the case studies.

The four cases selected for this study include: (a) Mohave Accelerated Learning Center (MALC) - a mid-size charter school located in Bullhead City, Arizona; (b) Highland Free School (HFS) - a small charter school located in Tucson, Arizona; (c) BigSky Charter School (BigSky) - a future small charter school projected to open doors in Chandler, Arizona in 2012 – at the time of the study the school was still in its design and charter application development stage; (d) Paideia Academy (Paideia) - a future mid-size charter school projected to open
doors in Phoenix, Arizona in 2013 – at the time of the study the school was still in its design and charter application development stage.

The selections of charter schools for case studies include the following research agenda: (1) the research on the existing and established charter schools (MALC and HFS) places emphasis on tracking data associated with the entrepreneurial effort and business performance of the charter schools with the goal of establishing measures associated with the relation between business outcomes and charter school quality; (2) the research on the future charter schools (BigSky and Paideia) places emphasis on the discovery of indicators associated with the entrepreneurial effort, which may allow a comparative review of the outcomes during the charter school design stage and the outcomes achieved after the schools become operational.

Another emphasis is placed on the assessment of the relevance of the strategic business planning effort during the early stages of a charter school design and implementation. Finally, it is the author’s notion that entrepreneurship can be studied best at the time when the entrepreneurial effort occurs, not when the business establishment is already a fact – rather then recording the entrepreneurial effort from a historic point of view, it is tracked and analyzed from the position of “live” observations.

The Case Study Process

The case study process includes six phases, as defined by Robert Yin (2009). They include: plan, design, prepare, collect, analyze, and share. Each one of them consists of the following components:
Plan – The rationale for doing the study is mainly exploration of whether certain performance variables relate to all considered measurements of charter school quality. The strength of using the case study is in the fact that an assumption of such relationship may be tracked in the genesis of the decisions of charter schools to pursue a certain course of action (“why”) and the way that is accomplished (“how”). Robert Yin (2009) explores various definitions of the case study method and finds the one proposed by Schramm in 1971 as most descriptive – “the essence of a case study, the central tendency among all case study, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result” (Yin, 2009, p. 17).

Design – In this stage it is important to define the units of analysis (Yin, 2009, p.24), which in this study are the various charter school business and finance performance indicators as independent variables and the charter school quality indicators as dependent variables. The charter school performance is measured in relation to all variables (dependent and independent) on a 1 to 3 scale, where 1 is below average and 3 is above average. The relationship is also tested on a 1 to 3 scale, where 1 is no relationship at all, 2 is a weak relationship and 3 is a strong relationship. The measurements of all variables and strength of relationship is based on available data or the opinion / observation of the charter operator. Such measurement may be deemed simplistic, but the purpose of the study is not to reach depths, but rather “trigger” the start of such analysis that hopefully would find more systematic expression in the future.
Prepare – This stage targets the development of skills of the investigator both in terms of methodology and the subject area. Yin (2009) states that in this stage the researcher must develop a protocol for the case study (Yin, 2009, p. 66). The author of the dissertation has accomplished that phase in his capacity as consultant at Education Team Partners, LLC.

Collect – Evidence for the case studies may be collected from six sources: documents, archival records, interviews, direct observations, participant-observations, and physical artifacts (Yin, 2009, p. 98). The author of this dissertation has utilized all six sources, whereas all interviews have been taken in his capacity of a consultant at Education Team Partners, LLC.

Analyze – Analyzing the case study evidence utilizes both qualitative and quantitative methodologies. Robert Yin (2009) states that several strategies for analyzing case studies may be utilized, including: pattern matching, explanation building, logic models, cross-case synthesis, and time-series analysis (Yin, 2009, p. 126). All, but the last described strategy have been utilized in this study. Empirical evidence has been sought by examining, categorizing, tabulating, and testing evidence. Exploration and discoveries of business indicators relating to charter school quality have been the focal point.

Share – This phase of the study, Robert Yin (2009) defines as the “bringing of the case study to a closure” (Yin, 2009, p. 164). This component is associated with the format of the presentation of the evidence and the audience, to which it is presented. In this study all participants (charter schools) are noted with their actual names and locations.
Limitations of the Study

Some of the limitations expected to be an issue for many critics of qualitative research and in particular the case study method, is the level of generalization and external validity of the research conclusions. When a case study is reviewed just as a sample in a population and assurance is sought that the conclusions made remain valid for the entire population - the problem is obvious. If such criticism of this study is presented, it is important to revisit the research goals and agendas of the study, in particular the exploratory and discovery nature of the study.

While the limitations of the case study method in terms of generalization can be viewed as inherent, it should not be viewed as a problem without cure or at least some kind of “treatment” that may lead to higher quality theoretical construct, theoretical sequence of event, better propositions and hypotheses for the outset of future research. In short, the awareness of the limitations of the research should not impede the process of exploring and finding ways to make discoveries that might serve as a bridge for future more informed and structured research, which is one of the goals of this study.

To a great extent the limitations of this study are within its theory-building nature, which requires taking risks in pursuit of finding bridges toward more structured knowledge that would have the capacity to test new probabilistic propositions, hypotheses and research questions prone to quantification. Streb (2009) explains that exploratory case study research is often regarded as little more than a preliminary step toward specific and focused causal research to
generate required hypotheses. The degree of flexibility in terms of data collection methods and the lack of specific, theory-based prior assumptions may be deemed as a weakness and a limitation of the study. However, without that level of flexibility the process of discovery may be immensely impeded and limited (Streb, Christoph K., 2009, SAGE Publications accessed online on 27 Apr. 2011).

The risks and trade offs associated with generalization and validity of findings associated with the research methodology of this study may be worth taking for the sake and benefits of future research and analysis. Streb (2009) asserts that criteria such as validity and reliability serve as indications of the soundness of research. However, criticisms focused entirely on components taken out of the general purpose of the inquiry may result in a general underestimation of the potential value of an exploratory case study. This method provides value beyond the provision of a hypothesis, especially with regard to emerging topics and fields of research (Streb, Christoph K., 2009).

The next chapter outlines the strengths of the charter school case study research, and description of the exploration and discoveries made. Each charter school case study explores variables and relations that bring forward existing evidence, and most importantly provide grounds for future detailing of the inquiries and more in-depth research.
CHAPTER 4: DATA ANALYSIS AND FINDINGS

This section of the dissertation reviews two cases of established charter schools and two cases of future charter schools. The future charter schools have been considered for this study for the purposes of having “live” observations on entrepreneurial processes. While historic reviews of entrepreneurship contribute to the knowledge base of the phenomenon from after-the-fact stand point and analysis, observations during the stage of “actual happening” highlight details for more accurate and genuine understanding of the decision-making processes during the entrepreneurial process. At that stage many business variables are still not well known and others not defined at all. For the purposes of this study the choice of the case study research method may also be an advantage, as Yin (2009) states that: “In case studies, the richness of the phenomenon and the extensiveness of the real-life context require case study investigators to cope with a technically distinctive situation: There will be many more variables of interest than data points” (Yin, 2009, p. 2).

That challenge may also be considered an opportunity for “wider” research territories for exploration and discovery. Business generally operates in a high level of uncertainty, especially in the start-up phases. Charter schools are no exception. Studying those entrepreneurship processes at the point of their occurrence may also provide a better understanding about the mindset of the charter school entrepreneur, and the decisions that she or he is facing in the early stages of business.
The founders of the charter schools that were considered for the case studies participated in interviews and responded to surveys carried out at the consulting firm Education Team Partners. The design of the interviews targeted communication and interaction that lead to establishing structure for initial analysis of entrepreneurship and business performance indicators and indicators of charter school quality. Each indicator from the two major groups was introduced to the respective school founder with the request that she or he rate the school performance and establish the strength and significance of each business indicator in relation to each school quality indicator.

For the purposes of rating the school performance a nominal scale of 1 to 3 is used, where 1 is considered performance below average for the charter school industry; 2 – average charter school performance; and 3 - above average charter school performance. Additionally, each management indicator (independent variable) has been assessed for strength and significance of relationship to each charter school quality indicator (dependent variable). The strength and significance of relationship has been assessed by the charter school operators with the following numerical expressions: 1 – no relationship; 2 – weak relationship; and 3 – strong relationship. In the process of assessing the significance of relationship between the variables, some of the interviewed charter school founders requested using decimals for higher precision, for example 2.5 to indicate that the relationship between variables cannot be defined as strong, but it is not weak either.
The following six groups of indicators have been used to measure charter school entrepreneurship, management, and financial performance:

1. Financial Management Indicators
   1.1. Liquidity Ratio
   1.1. Annual Audit Financial Outcomes

2. Marketing Management Indicators:
   2.1. Marketing Cost per Enrolled Student

3. Facility Management Indicators
   3.1. Debt Service Coverage Ratio
   3.2. Functionality and Appeal of School Facility

4. School Policymaking Indicators
   4.1. Capacity of School Governing Board

5. Parent and Community Involvement
   5.1. Parent / Volunteer Hours per Year
   5.2. Commitments from Community Organizations

6. Capacity to Utilize External Resources Measures
   6.1. Entitlement Grants
   6.2. Competitive Grants
   6.3. Financial Donations
   6.4. Education Tax Credits

The indicators to measure charter school quality have been divided into 3 groups. The first group is associated with government measures, respectively federal and state (Arizona). The second group is labeled community measures of
quality. The charter school operator in view of her or his definition of charter school quality formulates the third group, and the priority given to aspects of quality not covered by the government or school community measures. Below is the list of the three groups of indicators for charter school quality used in this study:

1. Government Measures
   1.1. Federal – AYP (Adequate Yearly Progress)
   1.2. State - AZ LEARNS

2. School Community Measures
   2.1. Parent Satisfaction
   2.2. Community Satisfaction
   2.3. Student Waiting List
   2.4. Curricular Programs
   2.5. Extra-Curricular Programs

3. School Founder Measures (individually determined by the school founder)

Case Study 1: Mohave Accelerated Learning Center and Mohave Accelerated Elementary School

Mohave Accelerated Learning Center (MALC) was established as a charter school in 2001 to serve students in the high school grades in Bullhead City, Arizona. The school originally began operations in a temporary classroom space provided by Riviera Baptist Church. After two years of operations, it
became apparent that more space was needed so the school acquired a 15-acre vacant land and started development of a larger school campus.

The educational challenges in the school vicinity and the success of MALC prompted the community to seek from the founder of MALC expansion of the school grades to serve younger students. The sister charter school - Mohave Accelerated Elementary School was established in 2004, which allowed the school team to service students from K to 12th grade. In 2010, the North Central Association accredited MALC/MAES. Today MALC serves approximately 400 students (6-12 grades) and MAES – 180 students (K-5 grades). MALC is labeled by the Arizona Department of Education as a Performing school, and MAES is labeled as a Performing Plus school. All employed teachers at the two schools are certified, experienced, and highly qualified.

The defining moments of the school history in terms of critical management decision-making can be divided in 3 chronological groups: start-up period; growth management period; sustained management period. This study focuses primarily on the start-up and growth management periods to reflect the entrepreneurial efforts and critical decision-making made on the part of the founder that resulted in reaching certain levels of school quality. During the start-up period the founder of the school Vickie Christensen made several strategic management decisions related to: (1) defining the school mission and communicating clearly her vision for education and community involvement in the process of building the identity of the new school; (2) seeking and acquiring top expertise in critically important management areas through highly qualified
personnel - employed internally or independently contracted; (3) starting the process of building internal capacity by internalizing resources and expertise toward long-term organizational sustainability.

In its mission statement MALC targets “to use community partnerships, technology, and gifted educators to provide a nurturing learning environment, in addition to re-engaging students to recover credits in order to achieve a high school diploma, and prepare students socially for life after high school” (http://mohavelearning.org/?q=node/19, accessed on April 30, 2011). While utilizing those approaches in the start-up phase MALC was able to deliver several business accomplishments that defined the quality of the school as follows:

**Personnel Decisions** – MALC was able to attract quality personnel (teachers and staff), which started building the foundation of quality education and community involvement. The vision for the new school inspired excellent teachers and top professionals to engage themselves with the school, such as a two-time Emmy Award winner to teach TV Communications, and a Broadway professional to teach Drama Theater. The vision of the school founder was not just to improve education as being measured by standardized tests, but also to respond in a creative and positive way to the unique problems of the community through developing various approaches to participate in and combat crime and street violence.

The school’s decision to create its own cable channel provided a choice for many young people to pursue action on the small screen and not on the street, while the drama theater class provided grounds to keep the drama on stage, not on
the street. The school actively participated with local organizations in crime prevention initiatives to redirect the focus of youth from the street to the classroom, sports fields, and extracurricular subjects and activities. Through independent study, classroom tutoring, and online learning, MALC is helping its students to make up credits at their own pace to get back on track and even graduate early.

The school founder’s vision is not just to graduate students from high school, but also to prepare them for the next step in life as productive members of society. Whether that may be a college path or starting a working career, the goal of MALC is to build an educational and life skills foundation so that school graduation day becomes a well-planned first day of the next stage in the life of MALC alumni in their quest to become productive members of society. That is accomplished by a number of vocational options training that take place while the students are still at MALC. The vision of the founder and the quality of selected personnel involved in this process has been the key criteria for the success of MALC in the areas outlined above. In that process the founder of the school emphasized that the school should plant a life-long hunger for education and strive for continuing improvements. The founder of the school defined this goal as one of the determinants of school quality.

**School Facility Decisions** – Many charter schools, including MALC started operations in a leased church facility. However, the school’s fast growth triggered the need to move out of the church property, as obviously more space
was critically needed. The school hired a consultant with the task to design and implement a way for financing a larger and more functional school facility.

Charter schools, though public by definition, do not have a taxing or bonding authority like district schools. No structured government funding for capital outlays is available either. During 2004-05 when MALC was facing the school facility challenge the Educational Facilities Financing Center of Local Initiatives Support Corporation developed a study on charter school facilities, which concluded that: “While the charter school facility financing has expanded, it is still in its early stages of development – characterized by a scarcity of resources, fragmentation, and inefficiencies... The fragmented nature of the charter school facility financing sector means that individual charter schools must navigate a complex landscape with no assurance that financing will be the end result of their efforts” (Page, B. et al, 2005, p. 2-3). At the time the only way that a charter school can secure facility financing is either by developing its own creditworthiness to qualify for facility financing through the financial markets (bonds financing from investment banks or commercial mortgages from commercial banks), or rely on private investors to develop the charter school facility, which then is typically leased to the school, with or without an option for purchase.

Bond financing typically provides 100% of needed funds for charter school facilities, but experience indicates that it is an extremely costly and very inflexible for a long period of time. Commercial mortgages can be considerably more efficient in terms of cost of issuance of debt proceeds and with a loan
structure that offers much more flexibility. But the underwriting criteria of commercial banks generally find the financial structure of charter schools difficult to understand and underwrite. More importantly – commercial banks require a major capital infusion on the part of the borrower to meet loan to value (LTV) and/or loan to cost (LTC) ratios. That is typically a requirement of a major capital infusion on the part of the school, measured between 10-35% of the total facility costs, which could be millions of dollars. Charter schools typically do not have such cash reserves or readily available access to secondary funding sources.

A lease of commercial space is also an option for a charter school, as is the case with many charter schools located in leased space in strip malls, commercial complexes, etc., but such approaches have their own limitations – large upfront costs for tenant improvements (TIs) to bring a non-specialized facility up to code, usually inadequate space for school operations (no school yard or any adequate outdoor environment, limited multipurpose or cafeteria space, multi-tenant arrangement posing many limitations, unwanted people traffic in the same building complex, etc.)

With all of the above-mentioned considerations and constraints in mind, the founder of MALC identified a suitable property (15-acre vacant land) located not too far from the church campus of the school. The challenge was to secure funds to acquire the property, as the school’s assets were minimal, mostly current assets. Facing those challenges the school hired a consulting firm to design and implement an approach for facility financing.
The MALC facility consultant and the school crafted the following plan:

(1) the consultant developed a successful competitive grant application, with which the school purchased 13.5 acres of land; (2) the school founder secured a small private loan to purchase the adjacent 1.5 acres frontage piece of land and consolidated the two parcels for the development, which led to increase of the value of the two properties when combined; (3) On the strength of already achieved favorable LTV ratio gained from the acquisition of the main piece of land with grant funds (resulting in a free and clear property), the consultant developed a business plan and financial projections that were presented to several local community banks, one of which committed for phase one financing; (4) upon completion of phase one financing it became clear that the same bank is capped for larger loans, so the project had to seek an alternative source of financing to move to the next phase; (5) The consultant explored several different options, including a bond issue and other commercial bank funding. It appeared that an investment bank was ready to issue bonds for MALC, however, the school founder made a choice to decline such an offer and continue the search for better quality funding sources rather than settle for an expensive and inflexible proposition through bond financing; (6) After the completion of phase one the consultant made plans for major technology infrastructure development and secured through a grant project more than half a million dollar grant for that project. (7) Since technology infrastructure development is considered a property improvement a favorable new loan to value ratio (LTV) was gained for phase two funding. After a major commercial bank reviewed the plans, it expressed an
interest in financing the entire project, but the current enrollment of MALC still did not appear to be supportive of larger loans to cover the entire development. The consultant proposed to the bank and to MALC that the school commit to a performance-based, multi-phase development model and business plan. This model called for two additional phases of facility development. It projected next phase financing through a loan amount, for which the commercial bank felt comfortable and willing to fund on the basis of the enrollment status and revenue stream of the school. Then the business plan called for the school to reach certain new enrollment level and revenue performance numbers, which would qualify the school for funding for the final completion phase of the facility development. That is what actually happened.

The consulting firm played a substantial role in delivering specialized expertise and creative approaches for facility financing and in identifying and designing an efficient and productive way for achieving such a goal. However, it was the school’s founder decisions and active role in evaluating various options and making critical decisions to ensure not only immediate solutions for the problems, but also optimal choices for a long-term sustainable development of the school. This approach has been critical as many other charter schools limited their decisions on the first available choice to fund their school’s facilities. Often times those decisions led to accomplishing the immediate goal of having a charter school facility, but at the expense of inefficient and inflexible facility financing structures that place a long-term negative impact on the charter school’s cash flow and obstacles to managing efficiently school finances and facilities. On the
contrary, the managerial decision of the founder of MALC positioned the school with an efficient and productive facility financing structure that allowed the school in the long run to keep more funds where it matters the most – the classroom.

*External Resource Management Decisions* – The mission statement of MALC clearly spells out the priority of the school to use community partnerships, technology, and be able to provide a nurturing learning environment for students. Accomplishing such goals by using only state equalization funding in a state (Arizona) that pays one of the lowest per pupil amounts in the nation is a difficult task. The founder of the school developed an understanding that external resources must be employed to accomplish that part of the mission statement. In that regard Peter Frumkin (2002) wrote that: “Operational capacity is conceptually different from “organizational’ capacity. Operational capacity is broader in that it allows that significant capacity exists outside of the boundaries of the school and reside in partnership, joint efforts, and collaborations, which draw an outside actors and organizations in the quest to build capacity” (Frumkin, 2002, p. 23).

In order to reach the school’s goal the founder of MALC worked consistently to establish various partnership arrangements with local and national educationally focused organizations. Additionally, she hired a consulting firm with a solid track record for winning competitive grant applications. Together with the consulting firm the founder of the school developed a school’s needs assessment for various educational and infrastructure components. In less than 4
years the school competed and acquired numerous grants that helped in developing state-of-the-art technology infrastructure, library, start-up funding for the elementary sister school, funds for teacher development, etc.

The school became well known in the charter school community in Arizona for its capacity to win various discretionary competitive program funding. The work with the consulting firm helped MALC not only to win major grant funding for its programs, but also to build internal organizational capacity in developing ongoing needs assessments, information databases, and knowledge management systems. The continual build up of external resource base and active participation of the school personnel in the grant management process helped the school in developing its own capacity to pursue discretionary funds during the sustainability phase.

The personnel, facility, and external resource management decisions made by the founder of MALC and MAES during the first two phases of establishing and growth of the schools determined to a great extent the material resource base of the school, the capacity of the schools to sustain operations in the long run, and the development of an organizational culture of hunger for continuing improvements and capacity building. This managerial goal for the school’s personnel matches the goal of the school founder to plant in students hunger for education.

The process of resource acquisition and capacity building has been accomplished in a balanced mix of using external resources and capacities, and gradually internalizing them into the system of MALC as the school grew and
built strength. Acknowledging that opportunity and investing in a mix of internal and external factors for growth and sustainability was a strategic management decision on the part of the founder of MALC that was supported by its board policies and key school board and executive personnel during the first 6-7 years of school operations.

Interview Results

The founder of MALC and MAES participated in an interview carried out at the consulting firm Education Team Partners. This study established structure for initial analysis of six groups of entrepreneurship and business performance indicators in relation to three groups of indicators for charter school quality. Those groups of indicators have been explained in detail to the school founder, who rated both the school’s management performance and the school’s quality. Additionally, each management indicator (independent variable) has been assessed by the school founder for strength and significance of relationship to each school’s quality indicator (dependent variable), as follows:
### Table 1
Mohave Accelerated Learning Center
Analysis of Business Performance Indicators

<table>
<thead>
<tr>
<th>Business Indicator</th>
<th>Performance Self-Rating</th>
<th>Relationship to School Quality Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financial Management</td>
<td>2.25</td>
<td>Mean 2.00, Median 2.50, Mostly Strong</td>
</tr>
<tr>
<td>1.1. Liquidity Ratio</td>
<td>2.5</td>
<td>Mean 2.50, Median 2.50, Strong</td>
</tr>
<tr>
<td>1.2. Annual Audit Outcomes</td>
<td>2.0</td>
<td>Mean 2.00, Median 2.00, Weak</td>
</tr>
<tr>
<td>2. Marketing Management</td>
<td>2.14</td>
<td>Mean 2.05, Median 2.00, Weak</td>
</tr>
<tr>
<td>2.1. Marketing Cost Per Student</td>
<td>2.0</td>
<td>Mean 2.82, Median 3.00, Strong</td>
</tr>
<tr>
<td>3. Facility Management</td>
<td>2.75</td>
<td>Mean 2.05, Median 3.00, Strong</td>
</tr>
<tr>
<td>3.1. Debt Service Coverage Ratio</td>
<td>3.0</td>
<td>Mean 2.68, Median 3.00, Strong</td>
</tr>
<tr>
<td>3.2. Facility Appeal &amp; Functionality</td>
<td>2.0</td>
<td>Mean 2.82, Median 3.00, Strong</td>
</tr>
<tr>
<td>4. School Policy Making</td>
<td>2.5</td>
<td>Mean 2.05, Median 3.00, Weak</td>
</tr>
<tr>
<td>4.1. Capacity of Governing Board</td>
<td>2.5</td>
<td>Mean 2.05, Median 3.00, Weak</td>
</tr>
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<td>5. Parent &amp; Community Involvement</td>
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</tr>
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<td>5.1. Parent/Volunteer Hours Per Year</td>
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<td>Mean 2.14, Median 2.00, Weak</td>
</tr>
<tr>
<td>5.2. Community Organizations Inputs</td>
<td>2.5</td>
<td>Mean 2.14, Median 2.00, Weak</td>
</tr>
<tr>
<td>6. External Resource Management</td>
<td>2.5</td>
<td>Mean 2.59, Median 3.00, Strong</td>
</tr>
<tr>
<td>6.1. Entitlement Grants</td>
<td>2.5</td>
<td>Mean 2.68, Median 3.00, Strong</td>
</tr>
<tr>
<td>6.2. Competitive Grants</td>
<td>2.5</td>
<td>Mean 2.73, Median 3.00, Strong</td>
</tr>
<tr>
<td>6.3. Financial Donations</td>
<td>1.0</td>
<td>Mean 2.59, Median 3.00, Strong</td>
</tr>
<tr>
<td>6.4. Educational Tax Credits</td>
<td>1.0</td>
<td>Mean 2.36, Median 2.50, Strong</td>
</tr>
</tbody>
</table>

### Table 2
Mohave Accelerated Learning Center
Analysis of School Quality Indicators

<table>
<thead>
<tr>
<th>School Quality Indicator</th>
<th>Performance Self-Rating</th>
<th>Relationship to All Business Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government Measures</td>
<td>2.25</td>
<td>Mean 2.00, Median 2.50, Weak</td>
</tr>
<tr>
<td>1.1. Federal – AYP</td>
<td>2.0</td>
<td>Mean 2.25, Median 2.00, Weak</td>
</tr>
<tr>
<td>1.2. State - AZ LEARNS</td>
<td>2.0</td>
<td>Mean 2.25, Median 2.00, Weak</td>
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<tr>
<td>2. School Community Measures</td>
<td>2.40</td>
<td>Mean 2.40, Median 2.50, Mostly Strong</td>
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<tr>
<td>2.1. Parent Satisfaction</td>
<td>3.0</td>
<td>Mean 2.08, Median 2.00, Weak</td>
</tr>
<tr>
<td>2.2. Community Satisfaction</td>
<td>3.0</td>
<td>Mean 2.38, Median 2.50, Mostly Strong</td>
</tr>
<tr>
<td>2.3. Student Waiting List</td>
<td>2.0</td>
<td>Mean 2.33, Median 2.50, Mostly Strong</td>
</tr>
<tr>
<td>2.4 Curricular Programs</td>
<td>2.0</td>
<td>Mean 2.50, Median 3.00, Strong</td>
</tr>
<tr>
<td>2.5 Extra-Curricular Programs</td>
<td>2.0</td>
<td>Mean 2.71, Median 3.00, Strong</td>
</tr>
<tr>
<td>3. School Founder Measures</td>
<td>2.49</td>
<td>Mean 2.49, Median 3.00, Strong</td>
</tr>
<tr>
<td>3.1. School Graduation Rate</td>
<td>2.0</td>
<td>Mean 2.46, Median 3.00, Strong</td>
</tr>
<tr>
<td>3.2. Quality of Teachers</td>
<td>3.0</td>
<td>Mean 2.42, Median 3.00, Strong</td>
</tr>
<tr>
<td>3.3. Safe Environment</td>
<td>3.0</td>
<td>Mean 2.50, Median 3.00, Strong</td>
</tr>
<tr>
<td>3.4 Hunger for Education</td>
<td>2.0</td>
<td>Mean 2.58, Median 3.00, Strong</td>
</tr>
</tbody>
</table>
Case Study 2: Highland Free School

Highland Free School was founded on February 19, 2010 as a private community school. The founder of the school Nicholas Sofka embarked on an educational experiment to provide a unique learning environment for parents and students looking for an alternative to public schools. The school was founded upon innovative educational principles such as the concept of the open classroom, where students no longer had to sit in straight rows of desks, and on the concept of the student-based curriculum that eliminated standard textbooks in favor of educational programs based on a student’s individual readiness and interests.

The school involved students and their parents and built a school community that integrates the child’s school life and family life into one continuum. The observations and history of such experiments from the previous century indicates that not very many schools founded on similar principles during the 1970s were able to survive and continue operations. After the charter school legislation was passed in Arizona the founder of the school and its governing board decided to convert the school from a private school to a public charter school. The school’s goal was to maintain its original high standards of excellence and basic educational ideals in a public school format.

At present, Highland Free School maintains a 12 to 1 student-teacher ratio. This low ratio allows the school to individualize academic instruction for each child. Students are able to work at their own pace and skill level. The Highland Free School curriculum is aligned with the Arizona Academic Standards and includes individualized, skill-based packets and workbooks for the
introduction and practice of basic skills. The educational emphasis is on integrated, thematic units that use hands-on, innovative activities and projects that are designed to give students practice and application of those basic skills.

Student achievement is measured using a variety of assessment tools, including teacher observation and documentation, pre-testing and post-testing, quizzes, curriculum-based measurements (CBM), and AIMS/Stanford 10 assessment. Teachers compose narrative progress reports charting each child’s accomplishments and skill levels three times a year. Although teachers are in contact with parents on a daily basis, conferences are scheduled at least twice a year to discuss their child’s progress. While utilizing the above-described philosophy the founder of Highland Free School was able to accomplish several major business outcomes, as follows:

Positive Discipline and Problem Solving Mindset on the Part of Children, Teachers, and Parents: A major characteristic of Highland Free School are the regular parent workshops conducted by the school and the regularly scheduled parent-teacher-child sessions. Main emphasis in those sessions is placed on problem solving. The educational philosophy at Highland Free School is based upon the fact that children are naturally inquisitive and excited by learning. One of the goals of the school is to keep that inquisitiveness alive throughout the entire course of education in school and beyond. Students are given freedom of choice and provided with an environment to learn to take responsibility for their choices. The school emphasizes the development of self-discipline and self-control, rather than external forceful control. The school follows the prescription for positive
discipline that is based on the theory of logical and natural consequences, developed by Alfred Adler (1956) and Rudolf Dreikurs (1964). Highland Free School achieved remarkable results in that area, including strong attention focus on the part of the students on the educational process, respect to others, responsibility for own actions, and verbalization of choices and decisions. The reinvention of that process extends in some instances to include three consecutive generations graduating from Highland Free School, where the school alumni continue their participation and involvement initially as students, and later on as parents and grandparents. In that regard Frumkin (2002) wrote, “by incorporating parents into the school culture, problems that have seemed intractable in the past turn out to be more amenable to change in the charter context” (Frumkin, 2002, p. 16).

**Financial Discipline and the Thrifty Approach to Spending:** A major part of the overall success and organizational sustainability of Highland Free School can be found in its fiscally conservative policies and practices carried out by the school and its founder. A simple formula has been the ongoing quest of the school to bring in “a $1.25 value for the cost of $1.00 in all transactions” as being metaphorically simplified and verbalized by the school founder. Another common sense financial and management approach of the school founder is the consistent quest to be able to “fix the roof on a sunny day, not on a rainy day”. In short, the founder of the school explained that he has developed a strategy to anticipate future financial problems even when the school finances appear to be in good shape and there are no indicators for future shortfalls. The idea of this school
approach is simple – operating in a world driven by constant changes means high volatility, for which no business is immune in today’s economy.

The founder of the school has effectively implemented a school policy for financial downturn preparedness of the school to ensure stability if and when economic danger strikes. At the present time all schools are facing challenges with the massive cuts in education and the reduction of state funding for charter schools. But that will not have an impact on the quality of the Highland Free School’s operations, nor would the educational philosophy change and suffer qualitative cuts. Instead, the measures taken during the “good times”, as explained by the school founder, such as paying off the school facility, aggressively pursuing educational tax credit donations, and other money-saving initiatives have contributed to the stability of the school in any economic environment.

During the interview the school founder stated that one of his mottoes and premise for long-term stability and sustainability is to “manage and adapt [the school], but always keep the teachers at ease, so that they do not have to know about financial problems, or have to engage in solving them”. The dichotomy of teaching and managing the school is understood in the separation of two different types of problem solving – the business problems are solved only in the school’s office, and the educational problems are solved only in the classroom by the teachers, and they should not be mixed or cross-assigned. Finally, it is the school founders belief that if financial cuts would have to be made as a last resort to overcome a fiscal shortfall, the school founder resolves such financial challenges by implementing cuts starting form the top (the pay of the executive director) and
then going down, rather than starting from the bottom, which he believes is the foundation of the school organization.

*School Facility and Utilizing External Resources:* A milestone of success for Highland Free School is the school’s facility management and external resource management. The school has been operating in a facility of a chapel that has been adapted to be the school’s facility. In 2005 a decision was made to build a historic design building and double the school enrollment. The school hired a consulting firm, which designed a business plan for low cost facility financing. Because of the fact that the school property was free and clear, the school had a loan-to-value ratio (LTV), which allowed 100% project financing through a commercial mortgage.

In addition, the school hired the same consulting firm to develop a needs assessment study for the school and identify school needs that could be met by discretionary competitive funding sources. Such approach, freed more flexible state equalization funds in the budget, which allowed the school to pay off the commercial mortgage in an accelerated way within 5-6 years. This task was accomplished during the “good” economic times when not only grant funds were more available, but also access to educational tax credits from individuals and families were an easier goal.

In challenging economic times such as the present times, when most people and businesses are nervous about the prospects of the economy the school has a smaller market for educational tax credit donations and less grant funding sources are available. However, the school managed to pay off the facility
mortgage during the good economic times and effectively eliminate a major expenditure line item in the school’s budget associated with the school facility. The most recent cuts in the state budget as a result of the global economic downfall affect the school’s revenue stream, but not the quality of the educational programs. The fiscal planning and management actions taken in previous periods effectively led the preparedness of the school for the negative economic cycle and built capacity to carry through without sacrificing the quality of the educational programs.

Classroom Size and Teacher to Student Ratio: The founder of Highland Free School realized from the beginnings of the school that the classroom size and teacher to student ratio is not just a result of an educational philosophy. It is a wish and the desire of every school and educator, but it can only be made possible as a result of the ability of the school to manage budgets that allow for the implementation of such ratios. The founder of Highland Free School developed approaches related to planning fixed cost expenses, including facility costs, and leveraging the school budget with external resources such as donations, tax credits, programmatic discretionary and competitive funds, and others. Part of the sustainability of the process has been finding ways to continually contain and reduce fixed cost components of the budget that do not affect the quality of instruction (facility, business services, etc.).

The adaptive business management and fiscal practices paired with exceptional educational philosophy obviously played a major role in the sustained success of Highland Free School. The school may be deemed as a role model for
many charter schools that prefer to stay small with under 100 students and pursue family-style school environment.

Interview Results

The founder of Highland Free School participated in an interview carried out at the consulting firm Education Team Partners. This study was targeted to establish structure for initial analysis of six groups of entrepreneurship and business performance indicators in relation to three groups of indicators for charter school quality. Those groups of indicators have been explained in detail to the school founder, who rated both the school’s management performance and the school’s quality. Additionally, each management indicator (independent variable) has been assessed by the school founder for strength and significance of relationship to each school’s quality indicator (dependent variable), as follows:
### Table 3

Highland Free School  
Analysis of Business Performance Indicators

<table>
<thead>
<tr>
<th>Business Indicator</th>
<th>Performance Self-Rating</th>
<th>Relationship to School Quality Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td>1. Financial Management</td>
<td>--</td>
<td>2.50</td>
</tr>
<tr>
<td>1.1. Liquidity Ratio</td>
<td>3.0</td>
<td>2.64</td>
</tr>
<tr>
<td>1.2. Annual Audit Outcomes</td>
<td>3.0</td>
<td>2.36</td>
</tr>
<tr>
<td>2. Marketing Management</td>
<td>--</td>
<td>1.09</td>
</tr>
<tr>
<td>2.1. Marketing Cost Per Student</td>
<td>1.0</td>
<td>1.09</td>
</tr>
<tr>
<td>3. Facility Management</td>
<td>--</td>
<td>2.50</td>
</tr>
<tr>
<td>3.1. Debt Service Coverage Ratio</td>
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<td>2.18</td>
</tr>
<tr>
<td>3.2. Facility Appeal &amp; Functionality</td>
<td>3.0</td>
<td>2.82</td>
</tr>
<tr>
<td>4. School Policy Making</td>
<td>--</td>
<td>1.82</td>
</tr>
<tr>
<td>4.1. Capacity of Governing Board</td>
<td>3.0</td>
<td>1.82</td>
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<tr>
<td>5. Parent &amp; Community Involvement</td>
<td>--</td>
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<td>5.1. Parent/Volunteer Hours Per Year</td>
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<tr>
<td>5.2. Community Organizations Inputs</td>
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<td>1.64</td>
</tr>
<tr>
<td>6. External Resource Management</td>
<td>--</td>
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<tr>
<td>6.1. Entitlement Grants</td>
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<td>6.2. Competitive Grants</td>
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<td>6.3. Financial Donations</td>
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</tr>
<tr>
<td>6.4. Educational Tax Credits</td>
<td>3.0</td>
<td>2.55</td>
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### Table 4

Highland Free School  
Analysis of School Quality Indicators

<table>
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<tr>
<th>School Quality Indicator</th>
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Case Study 3: Big Sky Charter School

Big Sky Charter School is in its stage of developing the charter application and establishment as a business. The mission statement of Big Sky Charter School stipulates that the school plans to provide a safe, nurturing, and rigorous academic environment where children recognize and achieve their fullest potential, so that they can make their best contribution to the school communities. The vision of the founder, Lisa Lacy is to encourage in children a sense of understanding and compassion for others while building a foundation in them as life-long learners. Her belief for success is based on the holistic approach to shape children’s development of intellectual, social, emotional, and physical needs.

The founder places special emphasis on building a college prep educational environment, which incorporates the International Baccalaureate “IB” program and methods of instruction appropriate for the elementary and middle grade level students. This method is projected to add a new school dynamic to successfully deliver the curriculum and methods of instruction within the IB program. Big Sky Charter School is projected to utilize best teaching practices supported by research to teach core academics and deliver sustainable knowledge that can be transferred to other subject areas. The school will use a combination of several teaching methodologies to drive academic instruction: the philosophy of natural learning and student self-discovery (Montessori), the constructivist approach to foster student engagement leading to higher order questioning (learner-centered), differentiated instruction, and culturally relevant pedagogy.
BigSky Charter School attempts to have an effective use of the outdoor environment as a key to learning basic concepts in reading and math. All children will spend hands-on time in the vegetable and flower gardens learning about plants, composting, water conservation, other sustainable systems, zero landscaping, and solar cooking. The outdoor environment will also provide great experience and authentic practice in taking responsibility. The natural world is essential to the emotional health of children. It is the vision of the school founder that just as children need positive adult contact and a sense of connection to the wider human community, they also need positive contact with nature and the chance for solitude and the sense of wonder that nature offers. When children play in nature they are more likely to have positive feelings about each other and their surroundings.

Additionally, BigSky Charter School targets to integrate and provide an opportunity of elementary grade students for action, play and physical activity. It is the belief of the school founder that the outdoor environment provides a special stage for action, stimulating play, learning, and physical activity. She researched and found convincing evidence that the way people feel within pleasing natural environments improves recall of information, problem solving, and creativity. Early experiences with the natural world have been positively linked with the development of imagination and the sense of wonder. The founder of the school found strong evidence that young children respond more positively to experiences in the outdoors than adults, as they have not yet adapted to unnatural, man-made, indoor virtual environments. The above-mentioned entrepreneurial educational
intentions for establishing a school encompassing the outlined qualities drove the founder of BigSky Charter Schools to make several business decisions at the early stage of the school development with the potential long-term positive effects, as follows:

*Securing the school facility early and entering into strategic partnerships:*

Securing a school facility early, especially one with a natural environment conducive to the school philosophy of education in a major metropolitan area is generally an extremely difficult task for charter schools. Most new charter applicants usually can only point out the approximate vicinity where they are planning to seek a school facility and operate. Additionally, unofficial statistics from the Arizona State Board for Charter Schools (typically found in the January board meeting minutes) show that 10-30% of the newly approved charters could not open during the first year after obtaining approval for the charter because of the facility problem. Rarely a charter applicant submits an application with an already secured school facility and a signed lease agreement. The founder of BigSky charter school teamed up with a preschool, a learning center, and a community arts center to share a specialized school building. The school building has large windows in each classroom thus offering natural light during daylight time, instead of the typical fluorescent lighting in many schools. It also features a spacious schoolyard with an area that could be developed as an organic mini-farm. The school’s yard also features lots of trees and other natural environment components.
A key decision on the part of the school founder was to team up with other educational organizations and enter into a collaborative agreement. That decision brought several major positive effects: (1) the school can start working on developing features of the facility a whole year before opening of the school; (2) a major hurdle in the new charter application is solved – securing the charter school facility; (3) the school negotiated a reduced first year rent that will be covered by the subletting revenues from the other three organizations in the complex; (4) the space intended to be used by the charter school will be temporarily utilized by the other three organizations in the complex during the first year so that the facility remains fully utilized at all times; (5) the preschool is likely to become a natural “feeder” to the charter school that would cut the need for larger marketing expenditures; (6) the community arts center with its programs for youth would attract parents and students who would be exposed to the opportunity to learn about the BigSky programs, thus creating synergy effects for all businesses; and (7) last but not least, studies made by the BigSky founder indicate that parents like and prefer the opportunity and convenience of “one-stop” shopping for all of their children’s needs, including same place services for siblings of different ages.

*Hiring a complete services management company early*: Many charter school entrepreneurs embark into the world of charter schools with the idea of improving public education. Often times those entrepreneurs have an extensive and rich educational background and experience, but insufficient business background. The founder of BigSky recognized that challenge and searched for a quality management expertise with the idea of finding one service provider to
cover all business needs. She made a decision to outsource this function of the
school with several considerations in mind: (1) the relatively small size of the
school would not allow much budget for hiring and employing personnel with the
necessary complete business management expertise and set of skills required at
the start-up; (2) contracting a full-service firm that is recognized for its track
record brings economy of scale and a variety of quality services to a relatively
small school, and some of those services have been agreed to be performed on a
contingency basis (such as development of ongoing school needs assessments and
competitive grant applications). A main consideration in this decision of the
BigSky founder was to ensure that business productivity and fiscal compliance is
in place at all times from the start-up, and in consideration of the opportunity to
employ experience that results in savings and acquisition of additional funds and
revenues for the school.

Interview Results

The founder of BigSky Charter School participated in an interview carried
out at the consulting firm Education Team Partners. This study established
structure for initial analysis of six groups of entrepreneurship and business
performance indicators in relation to three groups of indicators for charter school
quality. Those groups of indicators have been explained in detail to the school
founder, who rated both the school’s management performance and the school’s
quality. Additionally, each management indicator (independent variable) has been
assessed by the school founder for strength and significance of relationship to
each school’s quality indicator (dependent variable), as follows:
Table 5

BigSky Charter School
Analysis of Business Performance Indicators

<table>
<thead>
<tr>
<th>Business Indicator</th>
<th>Performance Self-Rating</th>
<th>Relationship to School Quality Indicators</th>
</tr>
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<tbody>
<tr>
<td></td>
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<td>Mean</td>
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<td>3. Facility Management</td>
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<td>6.4. Educational Tax Credits</td>
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Table 6

BigSky Charter School
Analysis of School Quality Indicators

<table>
<thead>
<tr>
<th>School Quality Indicator</th>
<th>Performance Self-Rating</th>
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<td>2.3. Student Waiting List</td>
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<td>2.4 Curricular Programs</td>
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<td>2.5 Extra-Curricular Programs</td>
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<td>3.3. Learning Community</td>
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Case Study 4: Paideia Academy

The Paideia Academy of South Phoenix (pronounced py-dee-a - from the Greek *pais, paido* that means the upbringing of a child) is a future charter school that is in the process of being established. Its founder, Dr. Brian Winsor, is a highly experienced charter school consultant and former charter school principal, who developed a concept of the learning center (TLC), where elementary school education is part of a larger community activity involving early childhood education, teacher development, tutoring, special education services, before and after school programs, and extracurricular activities with emphasis on arts, music, dance, foreign languages, and physical education.

The mission of Paideia Academy reflects the vision of its founder to focus on the ability of learners to discover their individual worth, immeasurable potential, and exercise their inherent gift of agency for the good of others. The Paideia Academy will serve K-8 students in South Phoenix, which represent a complex mix of diverse student population with different learning needs and styles. The program at the Paideia Academy at South Phoenix will address and strive to close all identified student achievement gaps. The Paideia Academy is planned and designed to increase the choices of parents in the South Phoenix area for high quality educational programs that bring the necessary rigor and relevance for students to succeed when they graduate. Students, graduating 8th grade in Paideia Academy will possess the necessary academic knowledge, skills and culture to join rigorous, high quality college prep high schools (district, charter or
private) of their choice and set the foundation for success later on in college and/or career.

The Paideia philosophy embraces the fundamental notion that discovering self-worth, reaching full potential, and exercising free agency is a lifelong adventure that begins with and is nurtured by an individual's formal schooling. The school’s educational philosophy is based on the assumption that all human beings are by definition activist learners, capable of a full life propelled by intellectual growth. According to the founder of Paideia schools across the country that have successfully implemented the Paideia philosophy into a learning center model are characterized by a consistent set of a concept defined by the school founder as *Essential Elements*, divided into five categories: teaching and learning; school culture; leadership; community involvement; and academic scheduling. These five areas constitute a systemic approach to schooling, where all aspects of a school community are dedicated to a holistic learning center model approach towards education for all children that possesses the necessary rigor, relevance and relationships to ensure the success of its students in school and in life.

In the process of implementing the Paideia philosophy, the founder of the school defines a measurement of charter school quality that he labels as *Walk Abouts*. The Walk Abouts is a complex variable that can be broken down into sub-components of charter school quality, that include: “*Student Friendly* - key learning points introduced, plainly posted, and frequently referred to; *Critical Vocabulary* - plainly posted, effectively practiced, and frequently referred to;
Critical Thinking - lower order - remembering, understanding, and applying; higher order - analyzing, evaluating, and creating; Language Enriched Learning - cooperative learning groups, partner activities, student discussions; Student Engagement - verbal, logical, kinesthetic, musical, interpersonal, intra-personal, visual/spatial; Differentiated Learning - skill level, learning interests, content; Classroom Management - transitions, instructional pacing, gaining student attention, music, orderliness, routines, consistent rules and consequences, positive environment” (Winsor, B., 2010, p. 1-2). The entrepreneurial educational intentions and goals for establishing a charter school with unique qualities prompted the founder of Paideia to make business decisions at the early stage of the school development with potential long-term positive effects, as follows:

**Strategic business partnership:** The founder of Paideia Academy established a strategic alliance agreement with a consulting firm that specialized in all aspects of charter school management and financing services. The school’s founder also owns a consulting firm that specializes in the delivery of educational services. The alliance with a consulting business that covers the business, finance, and facility aspect of the charter school enterprise complements and completes the required set of expertise and resources for a successful start up and development of the Paideia Academy model of education. The business partner committed to a 45,000 SF school facility development that will be ready in 2013. Additionally, the strategic partner business committed additional resources and made plans to secure substantial start-up funding from discretionary competitive grant program
sources for an 18-month period of planning and refining of the educational model of Paideia Academy.

*Smaller scale pilot project to test the concept:* The broader vision of the founder of Paideia Academy is to integrate the education in a K-8 charter school with the educational philosophy of participating preschool, learning center, and a community arts center. All of those educational establishments share the same educational facility complex and offer convenient quality educational and whole child services for the elementary grade student and younger siblings in the family. Because of its location and projections made for development Paideia Academy is designed to be a mid-size charter school operation with approximately 400 students to be serviced. That dictates a proportionately larger size for all other sister organizations in the learning center. All innovations in education inherently carry certain business and financial risks when being introduced. Those risks have been mitigated by the participation of the founder of Paideia Academy in a pilot project with a much smaller sister school – BigSky Charter School, that is projected to open an year earlier than Paideia Academy. Such development would allow the founder of Paideia Academy to test a number of educational and business concepts on a much smaller scale that would allow taking certain risks without much negative effects should the business and educational hypothesis not hold as being projected. Such arrangement also creates synergies for BigSky as this school would benefit from advanced educational concepts in which the founder of Paideia Academy has invested a substantial amount of expertise and
resources, as well as from copyrighted intellectual property and materials that
would be made available to BigSky at no cost.

Interview Results

The founder of Paidiea Academy participated in an interview carried out
at the consulting firm Education Team Partners. This study established structure
for initial analysis of six groups of entrepreneurship and business performance
indicators in relation to three groups of indicators for charter school quality.
Those groups of indicators have been explained in detail to the school founder,
who rated both the school’s management performance and the school’s quality.
Additionally, each management indicator (independent variable) has been
assessed by the school founder for strength and significance of relationship to
each school’s quality indicator (dependent variable), as follows:

Table 7

Paidiea Academy
Analysis of Business Performance Indicators

<table>
<thead>
<tr>
<th>Business Indicator</th>
<th>Performance Self-Rating</th>
<th>Relationship to School Quality Indicators</th>
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Table 8
Paidiea Academy
Analysis of School Quality Indicators

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<td>1.2. State - AZ LEARNS</td>
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<td>2.17 2.00  Weak</td>
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<td>2. School Community Measures</td>
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<td>2.1. Parent Satisfaction</td>
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<td>2.2. Community Satisfaction</td>
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</tr>
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<td>2.3. Student Waiting List</td>
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<td>2.92 3.00  Strong</td>
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<td>2.4 Curricular Programs</td>
<td>3.0</td>
<td>2.58 3.00  Strong</td>
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<tr>
<td>2.5 Extra-Curricular Programs</td>
<td>3.0</td>
<td>2.83 3.00  Strong</td>
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<td>3. School Founder Measures</td>
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<td>3.5. Articulated Teacher Expectations</td>
<td>3.0</td>
<td>1.58 1.00  Mostly None</td>
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</table>

Summary Analysis of the Cases and Interviews

The significance and strength of relationship between business indicators and charter school quality indicators for all reviewed charter school cases hold strong in most areas explored in this study. Exceptions are the following indicators: audit outcomes, school policymaking, parent and community involvement from the group of business performance indicators, and the federal and state government measures, and some school-defined specific measures of quality, such as hunger for education, teaching philosophy, and articulated expectations for teachers, etc. A common thread in the school-defined measures of quality is that those concepts relate mostly features of an adopted educational philosophy rather than components associated with ongoing operational activities. In other words, they are just a matter of being adopted, not a matter of being...
operational activities. Each one of the above mentioned indicators either does not have a significant effect on the school quality (if it is a business indicator, independent variable) or is not influenced by most business indicators (if it is a measurement of quality, dependent variable).

The government measures of quality appear to be least dependent on business indicators. This can be explained by the social agreement for charter schools. The social agreement calls for a maximum autonomy and minimum fiscal accountability to the government expressed mostly in meeting basic programmatic and financial compliance. In exchange for strict academic accountability the government measures allow full managerial autonomy to the charter school administrators. The survey results confirm the findings in the literature and the expected implementation of the charter school social agreement.

The two interviewed existing schools indicate weak relationship between charter school quality and the role of the school boards (policymaking) in comparison with the plans and projections of the founders of the future charter schools. The same holds also for parent and community organizations’ role as a determinant of charter school quality. That differentiation may be the subject for future more detailed and larger sample sized studies.

Overall, the projections for the future schools indicate greater significance of the business indicators over the quality of charter schools, except in the areas of government measures of quality and philosophical / non-operational constructs of charter school quality. In addition, the projections of the future schools appear
to be placing more weight and significance on parent and community involvement to determine charter school quality.

All charter operators appear to be sensitive to the significance of the liquidity ratio to almost any aspect of charter school quality covered in this study. It appears to be obvious to prospective and existing charter school operators that any cash shortfall could play a disastrous role not just on the quality but also on the existence of charter schools. Existing and future charter operators have a clear awareness that a charter school is privately operated and must be able to operate without any taxing or bonding authority typical for the district schools. This status of the charter schools explains the limited borrowing power for the purposes of fixing unexpected cash shortages. The liquidity ratio has been deemed as a significance factor on all operational aspects of charter school quality.

All participants in the study have indicated strong relationship between the capacity of their schools to utilize external resources and all indicators of school quality. The strongest relationship is indicated with the competitive grant programs, which appear to be instrumental in improving the school’s quality with all related indicators. In the same group of business indicators entitlement grant funding appear to be the second strongest factor to have an effect on school quality. Donations and tax credits, while deemed significant in relation to charter school quality appear to be more difficult to acquire and utilize.
CHAPTER 5: CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

Conclusions

This study provides foundation for two important general conclusions. First, charter schools are business organizations and not entities associated with the government-like public school stereotype from the 20th century. With that in mind, charter schools must operate as such in order to survive and sustain for the long run. Despite the fact that charter schools receive public funds they differ substantially from district schools and government agencies in view of the fact that they cannot tax to generate revenues. Thus, they are more dependent on market and economic forces than on political processes or taxes.

Second, charter schools cannot survive inefficient management practices and wasteful or excessive spending. While district schools can overcome inefficient administration practices by pushing bonds or borrowing against their taxing capacity, charter schools do not have such luxury and inevitably would go out of business if they become insolvent. Prioritizing expenditures and instituting sound business and financial practices is a key for the overall success of charter school operations. Institutionalizing those processes through common sense practices at the start-up and through systematic informed and sound management approaches can be the difference between success, sustainability, or business failure for charter schools, regardless of the level of success in academics and student achievement.
The study discusses the quality of charter schools which has become a perennial topic. Measuring the quality includes factors that are external and internal for the charter school. The main indicators of charter school quality in Arizona and the United States include:

**Legislation: Charter School Laws:** The social contract associated with charter schools is still not firmly defined and may vary from state to state and even from community to community. It can be best measured by the charter school legislation enacted on a state level. Not all state legislation offers the same degree of freedom to charter schools and the same type of accountability. In some states the charter schools are still entities that are somewhat of a surrogate and subordinate to the school districts, which to a great extent defeats the idea of the charter schools movement, the autonomy as a choice in public education, and the competition with district schools. Finally, not all local jurisdictions offer favorable grounds for charter schools. While counties and cities generally do not interfere in education in terms of direct legislative action or monitoring, they can ration the level of charter school activity in the respective areas by imposing “non-tariff” barriers such as those that pertain to charter school facilities, zoning, public improvements requirements, etc., which is a major challenge for all charter schools in general.

**Authroizing: Quality of the Charter Authorizer:** The quality of charter school authorizing will continue to be a strong indicator of charter school quality. The principle of charter authorizers upholding charter school autonomy is expressed in allowing independence in terms of establishing the school vision,
mission, culture, design of the instruction programs and curriculum, school governing board process and decision making, school administrative and management process and decision making; school budgeting process and fiscal practices. The main theme in this process is to accentuate the accountability components and minimize any intervention related to administrative and compliance components. The Arizona State Board for Charter Schools (ASBCS) was created by statute in 1994, and opened its first charter school in 1995. ASBCS is the primary authorizer in the State of Arizona, although local school districts and the State Board of Education are statutorily allowed to authorize schools. Recent revisions to the statute also permit a university under the jurisdiction of the Arizona Board of Regents, a community college district with enrollment of more than fifteen thousand full-time equivalent students, or a group of community college districts with a combined enrollment of more than fifteen thousand full-time equivalent students to authorize charter schools. However, none have exercised this authority to date. This trend is likely to change as some charter school stakeholders feel that the monopoly of charter authorizing on the part of ASBCS has evolved this organization to be excessively technocratic and less programmatic in nature, and some stakeholders believe that the meticulous pursuit of compliance and technical details may result in ASBCS losing its vision for innovation in public education. It is likely that charter school stakeholders may organize around other organizations empowered by law and initiate charter school authorizing through alternative entities allowed by law to perform such functions.
Market Forces: Location and Parental Satisfaction: Two of the most powerful market forces related to the success of charter schools are the location of the school facility and the parent satisfaction from the educational services offered. Location is a key part of the marketing-mix for charter schools, just as it is for any other business. In order to serve best the target market and the needs of identified student population charter schools consider factors such as: accessibility; visibility; traffic count; convenience; and proximity to other public schools. Charter school research published in the May 2011 edition of Charter Schools Insider indicates that:

“… having the means to move to a permanent school site can be a critical step in cementing a charter school’s longevity within a community. Not only do permanent facilities address educational space and student needs, they also give schools the ability to budget year to year on known payments, without the stress of renegotiating leases. A dedicated site also provides the school and community with a powerful psychological lift – a sense of place.” (Junes, 2011)

Strong parental satisfaction when dealing with charter schools is translated in the free exercise of parental choice. Parents are the best advocates for the educational needs of their children. The ultimate factors driving them to charter schools are choice and competition - the same factors that drive them to decide between Fry's and Bashas' for their groceries, or the Post Office and FedEx for their mail. In his study Finn (2000) points out that for the most part, researchers seem to agree that parents who use charter schools are satisfied with them because they get to choose the school. Parents have the option to choose educational programs and school setting with best fit for their children. In that regard an indicator for charter school success is full enrollment in the charter school –
enrollment up to the full capacity of the facility, strong waiting lists, strong retention rates, and low attrition rates are all indicators recognized by the client as quality. The concept of “funding to follow the student” goes hand-in-hand with parental satisfaction and translates into a financially viable and sustainable business for charter schools. The opposite means lower student enrollment that may lead to closing of charter schools, just as happens for any business that loses its customer base.

**Business Management: Finance, Facility, Operations:** The business management indicators focus on the ability of charter schools to be good stewards of public funds as well as any other funds for education. Additionally, charter schools must be productive in order to deliver the educational effects desired by the public and meet the expectations of parents and students. Being subject to all market forces and not having taxing or bonding authority, charter school finance and management tend to become more structured and run in the same way as business corporations. This trend is likely to deepen and include more analytical components and tools, such as financial ratio analysis, financial forecast, and financial risk mitigation in relation to educational outcomes. Example are the classroom size and teacher-to-student ratio that are deemed to play a key role in delivering the education plans. The founder of Highland Free School realized from the beginnings of the school that the classroom size and teacher-to-student ratio are not just a result of an educational philosophy. They are the wish and the desire of every school and educator, but they can only be made possible as a result of the ability of the school to manage budgets that allow for the implementation of
such ratios. The founder of Highland Free School developed approaches related to planning fixed cost expenses, including facility costs, and leveraging the school budget with external resources such as donations, tax credits, programmatic discretionary and competitive funds, and others. Part of the sustainability of the process has been finding ways to continually contain and reduce fixed cost components of the budget that do not affect the quality of instruction (facility, business services, etc.). Last but not least, charter school facility management is likely to evolve to where more charter school facility development and holding companies step up to provide the much needed capital resources and long-term investment holdings related to charter school facilities. This trend may strengthen in Arizona in view of partial property tax exemption as incentive to investors.

**Education Plan: Philosophy of Education, Curriculum, Methods of Instruction, Assessment** - In most cases curriculum may be determined as an important factor of quality. The education philosophy of the founders of the charter school drives the vision and mission of the school and sets the climate for curriculum selection, instructional methodology and assessment – all of which need to be aligned.

The critical component related to charter school quality is the way a particular education plan is implemented. For example, the educational philosophy at Highland Free School is based upon the fact that children are naturally inquisitive and excited by learning. One of the goals of the school is to keep that inquisitiveness alive throughout the entire course of education in school and beyond. Students are given freedom of choice and provided with an
environment to learn to take responsibility for their choices. The school emphasizes the development of self-discipline and self-control, rather than external forceful control. Highland Free School achieved remarkable results in that area, including strong attention focus on the part of the students on the educational process, respect for others, responsibility for own actions, and verbalization of choices and decisions.

In another example, the Paideia Academy educational philosophy embraces the fundamental notion that discovering self-worth, reaching full potential, and exercising free agency is a lifelong adventure that begins with and is nurtured by an individual's formal schooling. The school’s educational philosophy is based on the assumption that all human beings are by definition activist learners, capable of a full life propelled by intellectual growth. According to the founder of Paideia schools across the country that have successfully implemented the Paideia philosophy into a learning center model are characterized by a consistent set of concepts defined by the school founder as *Essential Elements*, divided into five categories: teaching and learning; school culture; leadership; community involvement; and academic scheduling. These five areas constitute a systemic approach to schooling, where all aspects of a school community are dedicated to a holistic learning center model approach towards education for all children that possesses the necessary rigor, relevance and relationships to ensure the success of its students in school and in life. In the process of implementing the Paideia philosophy, the founder of the school defines a measurement of charter school quality that he labels as *Walk Abouts*. The Walk
Abouts is a complex variable that can be broken down into sub-components of charter school quality, that include: “Student Friendly - key learning points introduced, plainly posted, and frequently referred to; Critical Vocabulary - plainly posted, effectively practiced, and frequently referred to; Critical Thinking - lower order - remembering, understanding, and applying; higher order - analyzing, evaluating, and creating; Language Enriched Learning - cooperative learning groups, partner activities, student discussions; Student Engagement - verbal, logical, kinesthetic, musical, interpersonal, intra-personal, visual/spatial; Differentiated Learning - skill level, learning interests, content; Classroom Management - transitions, instructional pacing, gaining student attention, music, orderliness, routines, consistent rules and consequences, positive environment” (Winsor, B., 2010, p. 1-2).

**Human Factor: School Leadership and Teachers:** In a school built on strong education philosophy, the school leaders consistently articulate a common vision aligned with that philosophy. Decisions are made democratically on the basis of what is best for students. For a number of years, research on educational reform has emphasized the primary importance of strong and committed school leadership. In a study conducted by the Arizona Charter Schools Association (Gau, R. and Gemeli, M., 2008), the research identified “a leader with a purpose” as the first of four foundational elements of student-level growth, where the school leaders set the tone, modeling the attitude and behavior they want to see from every person – teachers, staff members, students and parents – in the school. The capacity, experience and strength of the leadership to implement the
education plan therefore become a major indicator for the long-term success and sustainability of charter schools.

The quality of teachers remains central in relation to the overall quality of charter schools. That has been true not only for charter schools but for all educational entities. The same organization may achieve remarkable results in one classroom and poor results in another. All things equal the quality of the teacher remains central. After years of research in the public education sector, the latest report of Bill and Melinda Gates Foundation “Empowering Effective Teachers: Readiness for Reform” published in February 2010, summarized the mere fact that has been known for a long time, namely that a teacher’s effectiveness and quality has more impact on student learning than any other factor under the control of school systems, including class size, school size, and the quality of after-school programs. Therefore, a major factor in that direction is the capacity of the school leadership to develop and implement policies and procedures for improving the recruitment, placement, evaluation, retention, and support of highly effective teachers.

The study also outlines major trends related to the future of charter schools and public education. Charter schools will continue to evolve as public education carriers of innovation and solutions to problems. The main charter school trends in Arizona and the United States are as follows:

Charter Schools Increase Market Share – from a Movement in 1990s to a Sector in 2010s: Since inception, charter schools have been increasing both in numbers and market share of students. Nationwide, as of 2011, over 5,400
charters operate in 41 states and the District of Columbia, educating over 1.7 million students. The first charter school established in Minnesota in 1992 was serving 30 students. In Arizona, approximately 120,000 K-12 grade students attend 380 charter schools with a total of 510 campuses, representing approximately 25% of all public school students. Some state legislatures are highly restrictive, but the pursuit of better public education inevitably looks at charter schools as the most fertile ground where real change may occur through the innovative entrepreneurial effort of visionary educators. For instance, Arizona’s Charter School Law gives full legal, governance, and fiscal autonomy of charter schools, with no cap on their number and initial contracts of 15 years and renewal of 20 years (the longest charter contracts in the nation). This trend will likely continue, though, the opponents of charter schools would also tend to increase the resistance and more importantly the true autonomy of charter schools.

**Charter Schools Improve Student Achievement:** More studies indicate that charter schools provide better quality education in comparison to district schools as measured by standardized test results and level of preparedness for higher education and the work force. In her studies of student academic achievement Harvard University Professor and Economist Caroline Hoxby (2004) summarizes that compared to students in the nearest regular public schools; charter students are 4 percent more likely to be proficient in reading and 2 percent more likely to be proficient in math, on their state’s exam. Additionally, more studies indicate that charter schools provide better education not only to children coming from affluent communities, but also to children coming from underserved communities.
- low income, inner city areas, including students with special education needs. In the same summary of charter school academic achievement research, Caroline Hoxby (2004) further states that compared to students in the nearest regular public school with a similar racial composition, charter students are 5 percent more likely to be proficient in reading and 3 percent more likely to be proficient in math. Additionally, in states where charters are well-established, such as Arizona and California the advantage tends to be greater.

Charter Schools Innovate: Charter schools, as organizations, tend to have no heavy bureaucracy and red tape. They have significant autonomy over education and management decision-making. Relieved from the stifling effect of teacher unionism, charter schools provide one of the most fertile grounds for innovation in education. For example, Carpe Diem Collegiate High School and Middle School, located in Yuma County, offers a “blended model” of schooling that includes face-to-face and computer-based instruction, where students rotate between online lessons and assignments and teacher-led sessions. A study found that the 2010 academic results ranked Carpe Diem first in its county in student performance in math and reading and ranked among the top 10 percent of all Arizona charter schools. Some charter school proponents suggest that the nation’s largest corporations may soon start their own charter schools to better prepare the future work force within the U.S. rather than look for highly skilled labor from abroad. Visionary individuals with celebrity status such as Andre Agassi have ventured into the charter school arena with their own charter schools. This innovation trend is likely to continue as society role models can not only promote
their own vision but also lend their names for highly effective marketing campaigns.

**Successful Charter Schools Tend to Replicate and Organize around Charter Management Organization (CMO) Models:** Creating charter management organizations is a strong trend in Arizona and nationwide. In Arizona there are public policies that allow charter schools to replicate their model into new charters instead of going through the rigors of the new charter application process. Success and public demand for quality education in general triggers tendencies for growth among charter schools, as is the case with business in general. One way of achieving economy of scale is through organizing multiple charters around a charter management organization. The CMOs act to some extent as corporate headquarters and central management and asset holding units. The main benefit of a CMO is the economy of scale, and the increased capacity to replicate successful models and best practices in charter school education and management.

**Charter Schools Save Tax Dollars:** Without having taxing and bonding authority charter schools save taxpayers a significant amount of money otherwise spent for public education. Charter schools in Arizona rely primarily on state equalization funding, title funds, and discretionary monies from public and private sources. In most general terms, in addition to the equalized base funding amount (which both district and charter schools receive) district schools can raise supplemental funding through non-voter-approved and voter-approved secondary local property taxes for overrides and by issuing bonds. Generally speaking, the students’ base equalization funding accounts to approximately only one-half of a
district’s total funding with a significant amount of property owners tax monies going only to the local school districts.

Prior to the introduction of the partial property tax exemption and enactment of ARS 42-11132 on January 1, 2010, charter schools that were leasing facilities on a triple-net term were paying all property taxes to the landlord (up to 22% assessment ratio). Ironically, up until 2010, those funds through the landlords’ payments of property taxes have been flowing to the pool of funds for education. Up until 2010 charter schools leasing facilities on a triple-net term were indirectly but effectively funding education through the taxation system. The enactment of ARS 42-11132 resolved this anomaly only for charter schools that are organized as non-profit corporations in the State of Arizona. ARS 42-11132 lowered the assessment ratio to 1% (partial tax exempt). However, for-profit public charter schools are still with the old status quo and may be paying up to 22% assessment ratio property taxes.

While the state equalization funding provides some sort of equity and equality between all public schools, including charter and district, the taxing authority of district schools still delineates a major difference between the government-style administration of district schools and business-type management of charter schools. The Arizona Public Education Network provides on its web site a detailed question and answer section about the school district taxing and bonding authority and the charter school public funding mechanism. In its “Public School Finance & Equalization Funding: Your Questions Answered” section it states that:
“District schools unlike charter schools can exercise the so-called non-voter approved tax assessments. For example, some school districts operate under government-mandated desegregation and civil rights agreements. The legislature allows the districts to generate revenues through additional property taxes that do not have to be approved by the property owners in the district. Another type of expenditure outside of the equalization base funding level is expenditure for adjacent ways. The state allows a school district to impose a non-voter approved property tax to fund costs for specific projects. Other non-voter-approved expenditures include spending on transportation costs in excess of those provided by the state’s equalization formula, small school adjustments, dropout prevention, and more. School districts add up the amount of revenue needed for each of these expenditures and, using the NAV, determine the additional property tax rate that needs to be charged to generate this revenue. This additional property tax rate is added to the rate necessary to fund the equalization base funding level (the QTR), and the district’s primary property tax rate is determined. This is why on many property tax bills, the primary property tax rate is likely higher than the QTR set by the state. The state allows school districts to ask voters to approve maintenance/operations and capital budget overrides to increase funding for schools during the seven-year life of the overrides. Currently districts can ask for two types of maintenance/operations overrides: a ten-percent K-12 override and a five-percent K-3 override. School districts can also ask voters to fund a ten-percent capital budget override. Finally, a school district can sell voter-approved bonds to increase capital expenditures beyond the unrestricted capital funds provided by the state’s equalization formula. School districts decide to ask for an override and/or capital bond issue, determine the tax rates required to fund the proposals and place the requests on their local ballot for voters to approve or reject. If approved, the additional tax rates are assessed and shown separately on the property tax bill as secondary property tax rates.”

Logically, it can be argued that if public charter schools can operate without taxing authority and be under the same obligation about matters for which district schools tax their community, district schools should be able to operate without taxing authority too. Furthermore, indirectly, the bonding authority of district schools allows them additional revenue streams and an opportunity to spend more while obligating or intending to obligate taxpayers. In contrast, school tax-exempt bonds can be issued to charter schools, but the issuer and investors are
private organizations that make decisions not on the basis of a potential revenue stream coming from a taxing authority, but solely on the financial standing, strength of management, and creditworthiness of the charter school. A second point can be argued that if public charter schools can operate without a bonding authority, district schools should also be able to operate in the same manner.

This public education social agreement matter is rarely discussed by charter school opponents, but it is likely to surface and become more pronounced in the near future. It could evolve into a discussion in regard to the social agreement for funding public education, as society braces for the new highs of the national debt ceiling, and increases scrutiny on taxation and spending. While such debate is still in its rudimentary forms, the charter school financing model may become a trend for financing public education in general.

**Teacher Unions Threaten the Charter School Movement:** The entrepreneurial model of charter schools and their organizations do not fit the environment parameters of teachers unions, which tend to operate primarily in heavily bureaucratic large organizational structures. However, the trend of teacher unions to fight charter schools will likely continue, as charter schools do not provide organizational structures and set-ups that nurture labor unionism. However, if any charter school becomes a larger organization, there may be a threat that teacher unions may attempt to penetrate those structures and attempt to limit the entrepreneurial and innovative aspects of the charter organization. One such recent example is in New York, which has a card-check law. In this state the teacher unions have penetrated and are organizing within the Knowledge is Power
Program (KIPP) charter schools. KIPP is one of the largest charter school system regarded as the nation's most-successful at teaching low-income at-risk students. The infusion of restrictive union work rules tends to undermine the autonomy of the charter school management and ultimately destroy KIPP's effectiveness. In this case the teacher unions are clearly seeking to limit the charter school effectiveness through bureaucracy and red tape. In addition, teacher unions consistently push for or back public policies that effectively cut charter schools from public funding or limit their scope of activities.

Implications

This study has many implications. The two most important implications include: first, increased awareness about the importance of the business indicators in relation to charter school quality; and second, the need for more structured research associated with the business and finance components of charter schools.

The need for greater awareness about the business side of charter schools is dictated by a number of factors: increased competition not only between charter schools and district schools, but also between charter schools with other charter schools; increasing demand for quality educational services; increasing effect for higher quality of education by means of use of technology and communication innovations; improved capacity on the part of the client (students and parents) to evaluate the quality of charter schools.

Recognition of the need for more structured research of the business side of charter schools is actually one of the goals of this study. The exploratory nature of most of the study attempts to trigger attention, interest, even controversy,
should that be the price of confronting the need for more structured research on business and finance matters associated with charter schools. In that regard, Frumkin (2002) states: “The use of evaluation data can allow charter school managers to shorten the learning curve and get quicker at allocating resources and managing capacity. In this sense, performance measurement is a critical ally of capacity building within schools... Performance measurement can thus be a tool for articulating and coming to consensus about the nature of the missions that charter schools are trying to realize” (Frumkin, 2002, p. 29).

It is also the hope of the author of this study that some of the discoveries and conclusions made in this study trigger processes for instituting a more structured approach to executive training programs for charter school operators. Executive training curricula could team up with practical research in the quest for more in-depth studies of charter school business indicators and their effect on charter school quality.

Recommendations for Future Studies

Future studies should expand into more variables in the group of business indicators. Also, they may be studied not in their entirety and all-encompassing effect, but in view of a single group of business indicators or even a single indicator. For example, the effect of charter school facility financing and facility management can be studied in relation to all aspects of charter school quality. Such studies would allow for the exploration in greater detail and drawing conclusions that may produce effects on major line items in the charter school expenditure budgets.
Future studies should also expand the primary data sources to include other charter school stakeholders besides educational entrepreneurs, such as: students and their parents; teachers and other educators; education administrators; charter schools’ neighborhoods; policymakers; federal government; state government; local government; charter school authorizers; educational reform movement activists; service providers and vendors to charter schools; other educational organizations – public, private schools; charter school research groups and think-tank organizations. One of the limitations of this study is the fact that primary data are derived only from educational entrepreneurs, in some instances facing risks of a self-serve bias. In addition, the strength and significance of the relationship between various business indicators and the measures of quality should be studied within larger populations with certain differentiations, such as size of the schools, demographics of the schools, etc. Such approach would allow for better measurement and applications of various advanced statistical methods to draw valid inferences.

Equally significant could be the studies on external resources, as the practice indicates that charter schools that have the capacity to attract competitive grants, private donations, educational tax credits, and any other form of outside expertise or resources, also have the opportunity to expand their programs and build extra capacity (through both curricular and extra-curricular activities), thus adding value to the overall quality of the charter school. This study, though representing a very limited sample, provides evidence that external resource management is a strong factor for charter schools quality. Since charter schools
are about choice and competition, a better understanding of the competitive forces and routes to extra resources may be an important key to understanding the quality of charter schools.

Another major area for future study is the multi-campus, multi-charter management as defined in the concept of the CMOs (charter management organization). To a great extent this approach resembles the consolidated management practices of large corporations that operate with multiple subsidiaries in multiple locations and states. Managing economy of scale plays a central role and the efficient utilization of common shared resources within the CMO structure can be the difference between business success and failure, regardless of academic outcomes. The cases reviewed in this study do not include a CMO type of charter school organization. However, the most recent trends indicate that CMO type charter organizations may be the ones that could tap into the economy of scale advantage and be able to provide growth, quality, and sustainability. In such organizations the business indicators, as determinants of charter school quality, may have to be studied on two levels of analysis – on the level of a single school-member of the CMO, and on the consolidated basis level.

Charter schools are rarely compared to home schooling. However, home schooling gained substantial popularity and the number of home schooled students grew substantially during the last decade to equal or exceed the number of students that are in charter schools today. According to USA Today from January 5, 2009 the number of home-schooled kids hit 1.5 million in 2007, up 74% from when the Department of Education's National Center for Education
Statistics started keeping track in 1999, and up 36% since 2003. The percentage of the school-age population that was home-schooled increased from 2.2% in 2003 to 2.9% in 2007. The motives of parents to teach their children at home have been primarily moral or religious reasons when parents are asked to explain their choice. Compared with other recent changes in the educational system, such as the growth of charter schools, home schooling has received relatively less attention. It could be argued, however, that home schooling may have a large impact on the educational system, both in the short and long run. Perhaps the largest impact of home schoolers has been the concomitant entry of new educational organizations into the field. Many private organizations and enterprises have entered the K-12 distance education field with their sights set on home schoolers as a primary audience (Hill 2000). A comparative and more inclusive analysis of home schooling in relation to charter school education may be an appropriate area for future research, especially when discussing the innovative aspects of education.

Research of charter school business indicators should take into consideration the state where the schools operate. The enacted charter school legislation has an effect on such studies. Better results in terms of validity can be accomplished with single-state charter school population studies, as the methods of funding, amount of funding, and most important - the degree of autonomy of charter schools can vary significantly from state to state.

Charter schools should not only be studied in the colleges of education or educational think tanks as has been the predominant practice during the last
decade, but also in the colleges of business and by business and financial research organizations. As of now, a majority of the studies are substantially skewed in the direction of the public education spotlight. Often times the measurements, terminology, and jargon closely resembles the district school style, format, and measurements. The path to student achievement in district schools differs substantially from the path to student achievement in charter schools. It appears that the paradigm of the school district will not stop haunting the perception of charter schools, as many of the format presentations for charter schools are molded after the school district perception.

Unlike district schools, charter schools are first of all businesses – they are the result of a private initiative, then they are established privately as corporations and structured as operational entities. Then they apply and receive their charter and public funding to pursue their public education mission. At any given time they operate on their own with all impacts from market and economic forces in pursuit of a better public education. In that regard the business aspect of charter schools differs from the administrative aspect of district schools much in the same way a corporate business office differs from a government agency office. Those differences determine the need for a differentiated approach in defining and studying the business aspect of charter schools. Better and more informed understanding about the business aspects of charter schools will likely lead to a better understanding of the determinants of charter school quality at all levels of such measurement: government, community, and school.
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155


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