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Businesses invest in charter school innovation

Bay Area is hotbed for giving to new education models

By Sarah Duxbury

The entrepreneurial urges and massive wealth of Bay Area Business folk are fueling a revolution in public education.

While many corporate philanthropy programs support education, some of the Bay Area's most innovative business leaders have been investing in charter schools. Traditional corporate philanthropy programs have begun to follow their lead.

Perhaps owing to the innovative, entrepreneurial spirit that is this region's business hallmark, the Bay Area is a nexus for the charter school movement, which borrows freely from business in the name of public education.

Some of the country's highest-performing charter management organizations – essentially a branded network of charter schools united by management principles rather than geography – are based here, including Aspire Public Schools, the Knowledge is Power Program (KIPP) and Leadership Public Schools.

New Schools Venture Fund, a venture capital-like enterprise that is raising a third \$75 million fund and has already invested \$125 million in charter schools and entrepreneurial ideas nationwide, is based in San Francisco.

So, too, are some of the charter movement's biggest funders, including Doris and Donald Fisher of Gap, Reed Hastings of Netflix, John Doerr and Brook Byer of Kleiner Perkins and Charles Schwab.

SAP, Applied Materials, Wilson Sonsini, Wells Fargo, Goldman Sachs and Gap Foundation are

some of the corporate and foundation supporters of local charter schools.

When talking about business principles in the context of education, these philanthropists mean a spirit of entrepreneurship coupled with clear goals and outcomes that are routinely measured. Individual accountability supplants bureaucracy.

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While charter management organizations like KIPP or Aspire consolidate back-end operations, each school is run like an individual business. Locally, schools run by these CMOs have outperformed district schools, garnering better results for the largely low-income, underserved kids who attend them.

All Aspire schools open at least five years are in the top 20 percent of schools in the state. Its East Palo Alto school is on a par with schools in Palo Alto.

"That's a big accomplishment for these kids," said Don Shalvey, Aspire's founder and CEO and a former public school superintendent. "We believe we can make up the deficit that happens as a result of income."

Business interest in charter schools has been a financial boon. "The business community, both business leaders through their personal philanthropy and also corporate giving programs, have undoubtedly been a critical component of our fundraising success," said Thompson of KIPP Bay Area Schools.

KIPP Bay Area receives 22 percent of its \$20 million budget from philanthropy to run seven schools that will serve 1,800 students this fall.

Aspire's annual budget is \$56 million, and most of that comes from government. It only accepts

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philanthropy to open new schools, and businesses donate up to 15 percent of that money, though Shalvey is starting to see more businesses get involved.

Thompson called KIPP's work with the business community a "natural partnership" based on shared values and approach.

"I'm a businessman, and I think education is a business, and I think each school is a separate entity – it's not much different from a Gap store," said Don Fisher, who has given tens of millions of dollars to support charter schools, most significantly KIPP schools. "And the person running the school should have responsibility for executing and providing results. Unfortunately, today's public school system doesn't allow that."

Businesspeople know that a company is only as good as its employees, and they believe the same is true of schools; only many districts are saddled with bad teachers and are unable to promote the best young teachers. Not so charters, which operate under different rules from the district.

Shalvey said that embracing a hybrid team of education and corporate types is the smartest thing he did in Aspire's early days. Aspire hired a chief financial officer and chief operations officer straight from the business world, as well as an HR head, in part because he knew targeted growth would be a focus.

"The moment you have some talented folks in the business world with you, it makes it easier to talk with business and the corporate community about what you are doing because they understand the language," Shalvey said. "I only knew one bottom line, the social return on investment."

"At the same time, we think the education business is a tiny bit different," and Shalvey believes that education people are better at culture and remaining focused on mission than are business folks.

Ultimately, it's the results, not change for its own sake, that has won over business leaders.

"What became really clear is the education system needed not just good and interesting programs, but wholesale evidence that different education outcomes could be achieved for traditionally underserved kids," said Ted Mitchell, New Schools' CEO and the former president of Occidental College. "From their beginning, charter schools have accepted that challenge. They say: give us the same kids with the same or fewer resources,

and we think we can create higher and better outcomes. That's a pretty compelling business proposition."

Business support goes beyond the financial. Thompson cited how having the Fishers serve on their local board has helped KIPP Bay Area shape its priorities and strategies and devise different ways to measure outcomes.

Similarly, she said the Schwab Foundation has been there every step of the way to help KIPP define what outcomes it wants – and can measure. "We've learned that some successful business leaders make it with a big idea, like Reed Hastings (of Netflix), but some, like Don Fisher, make it on how many pairs of jeans they sell and where they set up stores," Shalvey said.

Both kinds of experiences, the big idea and the operational execution, are critical to a successful charter school.

John Walton, the billionaire son of WalMart Stores founder Sam Walton, wanted to help Aspire build efficiencies and economies of scale and to ensure consistency as Aspire grew. John Doerr and Steven Merrill by contrast, both venture capitalists, were more interested in the key, unique idea of Aspire that would captivate students, parents and teachers, Shalvey said, noting, "We talked to John Walton about steak and to Reed Hastings about sizzle."

New Schools Venture Fund, one of the biggest national supporters of entrepreneurial education ventures, was born in the Kleiner Perkins offices in 1998.

"New Schools came out of that frustration in the corporate world of supporting programs rather than organizations and being able to harness a sense of urgency that is typical of the very best businesses," Mitchell said.

Business people keen to effect real change, therefore, see charters as the place to do so. And charter leaders say they are working ever more closely with public school districts to share their best practices and perhaps improve all public schools.

"I think philanthropists have been drawn to the charter school movements because, unlike individual programs, what they are supporting is the whole school, the whole organization," Mitchell said. "It's a more holistic kind of philanthropy."

“Initially, the appeal was entrepreneur to entrepreneur. There really was a genetic similarity between people starting charters and CMOs and entrepreneurs like Michael Dell who started businesses that scaled well,” Mitchell said. “But now that CMOs have proven their staying power, they are becoming more attractive to established corporations. The Financial services sector is an example of an industry really awakening to the promise of charter schools.”

[sdubury@bizjournals.com/](mailto:sdubury@bizjournals.com) (415) 288-4963