

2009 Washington Policy Center's Center for Education Kick Off Luncheon

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Thank you, Scott, for taking the time to prepare those remarks. That's very, very kind of you and I really appreciate it. I do love Spam. We eat fried Spam and rice at home periodically, and I like mine with brown gravy on it. I know. [laughter]

I should point out that Barack Obama likes Spam, too, so I'm not the only person ever to eat it. Now, I also have a comment about, it is the same Joel Klein who was Chief of the Anti-Trust division of the U.S. Department of Justice.

And a funny story is that Joel, after Mayor Bloomberg took office in January of 2002 as Mayor of New York City, he appointed Joel Klein to be the Chancellor of the New York City schools. And the Gates Foundation had been involved for many years in New York City in helping out.

And very much to the credit of the Gates Foundation, I wasn't present at this ceremony but as I understand it, there was a ceremony at which a new Grant was announced and that Mr. Gates was there on the podium with Chancellor Klein, and announced this major, new Grant.

It was something like \$40 million, or it was a big number. And in the middle of the ceremony, a voice shouted out from the audience, Hey Joel, imagine how big that check might have been if you hadn't prosecuted them! [laughter] So, I guess everybody's able to keep things in a larger perspective.

As Scott has said, my first study of schools, and if you can't see the screen, don't worry about it because I'm going to use it primarily as a prompt for myself. And I will relate to you everything that's up there, so don't worry about what's on the screen, please.

The first study had the aim of determining whether a decentralized school district in which principals are given substantial decision making authority at their schools would be associated with higher performance by students as measured on standardized tests.

At the time I did that first study, which began in the year 2000, there were only three school districts in North America that were decentralized. And those were Edmonton, Canada, the pioneer that had begun this in 1973 and is still going strong today with principals controlling about 94% of their school budgets now.

It's actually increased a little bit in the last two or three years. Seattle, where John Stanford, then Superintendent, had gone north with his new Chief Financial Officer, Joseph Olchefske, and they had spent half a day with Mike Strabitzky [sp].

And the idea was a very simple one and a very appealing one, and they brought that idea back to Seattle Public Schools and implemented it. And the third was Houston, which had started its own version of decentralization early in the 1990s, and then they heard about Edmonton and they sent, according to them, teams and teams of people to Edmonton.

So Edmonton is the innovator. The Edmonton approach subsequently traveled to New Zealand, to Australia, to Great Britain, and it is now the way they manage all publicly funded schools in Great Britain throughout the nation.

There were only those three. So I studied them and I compared them to the three biggest traditionally organized districts, New York, Los Angeles and Chicago. And the answer was yes, clearly over a period of years, the decentralized districts if you compare them before and after they decentralized.

And if you compare them to like students in the centralized districts, decentralization is associated with higher student performance. I can't tell you I proved it, I can't tell you I disposed of the issue forever. Only a fool would make such a claim. There are many flaws in the design.

The sample was too small, but it was the universe. It was all of them. However, I was convinced. My intellectual curiosity had been satisfied. I was sure that I knew that it was true. Now the next question was, okay, what is it that Principals do differently when you give them this freedom that accounts for the higher student achievement?

So I designed the new study which is my topic for today. As Scott said, we visited 440 some odd schools. We randomly sampled. But now there were eight districts, and indeed I was, I should disclose, an unpaid, pro bono consultant on an occasional basis, it's not like I was there all the time, to chancellor Joel Klein in New York City.

Probably, that has clouded my objectivity to some degree, but I disclose that to you and you can decide for yourselves by just how much I may have been biased as a result. The secret of TSL is, I don't know if my editor's going to let me actually use that title on the book or not. You know, book titles are marketing, their not scholarship, so.

I write the book but the publisher gets to decide what the title is, and I learned long ago not to sweat it. Just let them do their thing and don't get anxious about it. They can call it whatever they want, I don't really care. I got to write what goes between the covers.

But probably, most of you have never heard the term, TSL. But let me tell you that we did a huge, complicated, statistical analysis of these 440 some odd schools and of the eight districts, so it's a two stage leased squares kind of analysis for those of you who care about such things.

Which is probably nobody in this room including me. And, we looked at every kind of

educational reform these districts had tried in the last five or six years, from new math curricula to new reading curricula, to new Teacher training programs to block scheduling, to incentive systems, to all kinds of things.

And we looked at TSL. And among all these variables, the only thing that had an effect on student performance was TSL, Total Student Load. What is TSL? Think of it as the number of papers that a Teacher has to grade.

So, maybe you've all heard of Bronx High School of Science in New York City. There are three selective admissions schools that are academic, and one for the arts in New York. The three academic schools are Bronx Science, Peter Stuyvesant and Brooklyn Tech.

Approximately 24,000 eighth graders sit for an entrance exam in New York City every year, and of those, roughly 4,000 are offered admission to one of those three high schools. So Bronx has some of the most highly motivated, best prepared, brightest students in New York City.

And the contract with the Teacher's Union calls for up to 34 students per class in high school, and every teacher, basically everywhere in America, teaches five classes. So a teacher, if they assign a paper, has to read five times 34 papers, 170 papers.

Now ask any teacher, if you were to assign a paper that's intended to prepare a senior high school student for college that would probably be a research paper of some sort with a length of 10 or more pages. I mean, when I was in high school, my senior paper was about 80 pages. But I know nobody does that anymore, but let's just say 10 pages or more.

And then ask that teacher, how are you going to read 170, 10 or 15 page papers and write thoughtful commentary on each one on the logical development of the argument, the use of evidence, paragraph development, sentence structure, proper use of simile, metaphor and analogy, notation style, presentation of tables, proper citations, spelling, punctuation and so on and so forth?

And you know it just isn't going to happen. And the result is that students at Bronx Science, the best students in New York City, each semester write two short papers and one long paper. And you might think that's not so bad, but what do you think the definition of a short paper is?

Well, what's the standard all across America in high school? It's a five paragraph paper. A five paragraph paper. At Bronx Science, it means two page paper. And they write one long paper per semester. What do you think the definition of a long paper is? Three to five pages.

In the L.A.U.S.D, it's often said, I can't prove this, that nobody reads written student work anymore. The teacher checks off whether each assignment is handed in, but never reads any written work. So if your child hands in every assignment, they get an A. A parent sees a series of

As and thinks everything's fine until that child takes the PSAT and they discover far too late that everything is not fine.

Ask a teacher, how are you going to get to know each semester, 170 new adolescents well enough that that child will permit you to kick them in the behind when they need it, and will come to you for guidance when they need it?

And any teacher will tell you that will not happen. And at Boston, the Total Student Load is 140, in Los Angeles, 225, and in Clark County, Nevada where they encourage teachers to sell back their preparation period and teach an additional class, it's 260.

Now, if you should be lucky enough to send your child to one of the elite private schools of this country, what do you suppose their Total Student Load is? 60 to 65. Now in a sense, that's the entire difference between a public and a private education. It's the Total Student Load.

In New York City, the decentralization began two years after Mayor Bloomberg and Chancellor Klein took office. Two years of study and preparation, which you will see was extensive, which culminated in the beginning of implementation in 2004 in September, by giving full autonomy to the principals of 29 schools.

Increasing that in 2005 to 48 schools in total, scaling it up in 2006 to 320 schools, and then in 2007 going district wide to all 1,467 schools. I've been following for five years now, the first two cohorts of those schools, the ones launched in 2004 and 2005.

Remembering that the contractual maximum average Total Student Load in New York City high schools is 170, the actual average including magnet schools, special ed schools, alternative schools, all of which have very low total loads, the average of all schools is about 111.

But the average for all schools that are regular schools, excluding magnets, special ed only, and alternative schools, is 140. So that's the appropriate comparison, 140 TSL. In these first two groups of autonomous schools in New York City, after five years, the average total load is 87.

Now, some of them are new. Some of them have new principals, have changed course, so their TSLs are still up to around 90 or 100. And that means others of them are down around 64, 65 and 66 students per teacher.

And I want to say to you that my conclusion, after spending the last nine years with my research team visiting some 700 schools across this country, is that in the end it's still Mark Hopkins on one end of a log and a student on the other.

Whether you're talking about first grade or twelfth grade, if you cannot identify the mechanism through which every single student has a one on one opportunity with every one of their

teachers at least once a week, education is not happening. That's the only way it ultimately happens.

For example, there is a selective admissions school in San Francisco. It's a very large school. It has the most unusual schedule I saw anywhere in the country. I did not see any other like it. And, what they have done is to create a schedule based on 20 minute long modules.

Now, no class is as short as 20 minutes, but that's the planning module. And the reason is that it has permitted them to create a schedule in which every single student is able to have one-on-one office hours with every single one of their teachers every single week.

Because they're committed to the notion with these very, very high performing students, who are not going to raise their hand in class and say to their teacher in Calculus BC, or in Astrophysics, I need help. They're not going to do it.

There has to be an opportunity for them to seek out that teacher one on one. And to get that, go get them that help, that piece of technical advice or whatever it may be. Now, why is this an issue? My field is the study of the structure of very large organizations, typically companies.

I've studied computer companies, semi-conductor manufacturing companies, semi-conductor equipment companies, automobile companies, that sort of thing. And what we know about the study of the organization of very large companies and also of government agencies, is that centralization is a bigger problem, the bigger the organization is.

That if you have more than 150 professional employees or if you have more than about 1,500 hourly employees performing repetitive tasks such as in a call center or an assembly plant, you have hit the pathologies associated with large size.

Now, in this country, before World War II, we had 25 million students. And they were organized into 127,000 school districts. And then, in the 1950s, Sputnik went up. And we were all afraid that the Soviets were going to rain down bombs on us from outer space.

And a big question was, how on earth did they beat us there? And the answer that ultimately emerged was, it's because we have too many small high schools and they cannot offer a sufficiently sophisticated curriculum with advanced courses.

And thus began this massive national movement to replace these small high schools with larger and larger high schools, with what came to be known the California Plan. A gigantic cafeteria of very sophisticated courses for every student.

And the result is that today we have twice as many students as we did before World War II. We have 50 million students now, not 25. But instead of 127,000 school districts we have only

16,000. And the result is the typical school district in this country has 15 times as many students as it's predecessors of the 1930s.

No organization can grow 15 fold without decentralizing it's decision making to the smallest units, or if it's in a competitive industry, it will fail. But school districts, especially without charter schools, live in a non-competitive world.

Schools continue to get students and budgets, whether they are failing their students or succeeding. And so they've had no incentive to change their ways, and the result is the organizational structure of the 16,000 school districts has not budged one inch in the last 70 or 100 years.

They are organized in a way that might have been appropriate in 1930, but is completely centralized and is completely unworkable at their current size and with the current complexity of student bodies that they have.

So, I'm not going to dwell on the gap, the gap in standardized testing results between White and Asian-American students on the one hand, and Black and Latino students on the other. But, if you were to examine the data carefully, what you would see, but it's very interesting that most people don't observe, is that the size of the gap gets bigger and smaller over time.

Over a period of four or five years, the gap will get steadily smaller. And then over the next three or four years, it'll get a little bit wider again. And then these changes could be as much as 30 to 40% change in the size of the gap.

And no one is sure exactly why that happens, but it gives you evidence that, indeed, these results are subject to improvement. But, one thing you can say for sure is that percent, proficient or above, even for White or Asian students, is abysmally low.

I mean we're looking at 40-something percent of the students in this country who are White and Asian-American performing at the level of proficiency or above. How could that be satisfactory for anybody? Now, the big question, of course is, in a school, if it's actually the students who do the work, not the teachers.

The students are the one who have to learn. So the role of the school is primarily to motivate the student to want to learn. At least that's the way it works in my school, where I've been teaching for 40 years now.

If I can motivate my students to want to learn, the rest of it's easy. But it's not so easy to figure out how to motivate them to learn, because what motivates one student doesn't motivate

another. So sometimes I hear a superintendent saying, I came into this school district and they were in a mess.

They had 14 different reading programs in the schools. That was too complicated, nobody could figure it out. Couldn't train the teachers. So I think about that to myself, and I say, well let's see, does that mean that each second grader was being asked to simultaneously read from 14 different systems?

Now I don't think so. Each student only has one. Does it mean that each teacher had to master 14 different reading systems? No, I don't think so, every teacher only has one. Does it mean that every school had to have 14 different reading programs?

No, it's just one per school. So I guess what it means is that the superintendent's staff can't master 14 different systems. They'd rather have to master just one.

But do you really think that the same one approach is going to motivate equally successfully the students in one school where 40% of the students come from three different African countries, four different Central American countries, Mexico, and otherwise non-native English speakers, as well as in another school that has an 80% upper middle class, two parents at home, right-handed, blonds.

No learning disabilities, native English speaker. Probably not. So think about it as an issue in motivation. I've got to make this machine work [inaudible]. I know I'm doing something wrong. What one result has been charter schools.

Charter schools are now approaching 2% of all students in the U.S. In Los Angeles, they now educate 7% of the students. In Dayton, Ohio, they educate about 30% of the students. In Detroit, in Washington DC and in New Orleans, Louisiana, charter schools now educate approximately 50% of the students.

There has been a strong backlash by teachers' unions, because most charter schools are non-union. But not all of them. There has been the recent rise in popularity of an approach sometimes known as the thin contract, which was first initiated for the so-called pilot schools in Boston, which have a three page long teachers' union contract.

And, in fact, gives tremendous flexibility to a principal that other schools in Boston do not enjoy. Green Dot Charter Schools in Los Angeles have a seven-page, but that's double-spaced [laughs] thin contract.

So, it's essentially the same as the three-pager in Boston. Charter schools in every city that I have studied, except Seattle, were instrumental in starting the willingness of the school district and of the teachers' union to consider real, meaningful change.

Because they saw, number one, that small schools, autonomously managed, were better. They were better for the teachers, who flocked from the school district to these schools. They were better for the students and their families who formed waiting lines to get into these schools.

They were better for the results of the students. In our charter school in Los Angeles, one of them, our first graduating class was a year ago. 100% of our graduate; this school is 90% Latino, 10% African-American and approximately 90% low-income students.

When they entered at ninth grade, they tested, on the average, in the fourth grade level on math and reading. When they graduated from our school last June, 100% passed of them the California High School Exit Exam, and 40% of them, excuse me, and 90% of them are now in four-year colleges.

So we have existence proofs that populations of students that are difficult to reach are reachable, but a one-size solution won't do it. And charter schools have really made that case all over the country. Why haven't more people tried it?

Of all the forms of education reform you can imagine, adopting new curricula, new teacher training programs, block scheduling, open classrooms, team teaching, looping, Waldorfing, I mean, whatever you want to imagine, the most difficult, by far, is decentralization.

There's nothing that even approaches decentralization of a district in difficulty. However, if you're bigger than 150 teachers, there is no other solution that works. My conclusion is that if you do these other things, all of which are important, you're pouring new wine into old wineskins.

Into the same centralized, top-down district, in which teachers are restricted in their ability to use the new things they've learned. In which their need to have innovative approaches to curriculum designs, scheduling and selection of the books and materials is restricted, because a central office makes those decisions.

In which their ability to continue their development of teachers through professional development is restricted, because a central office controls 100% of the professional development money, and makes them go to programs designed by somebody in the central office, which the teachers very rarely find to be useful.

So it's not that all of those other things aren't of huge importance, they are. But it's, to think about the issue, if we pour all of those investments into the same old structure, for what reason do we expect behavior of the teachers to change?

Thank you. So total load, let's move on from this one. We already talked about total load. I'm just going to extract one point. This is the simplified result from this big, gigantic analysis that we did, and here's what I want to extract.

Our analytical model says, give the principal control over more of her budget. She will make a variety of changes in the school, which I will, about to describe. Those will result in a lower total student load, which will produce higher student achievement.

And the summary is, the amount of gain you get in student achievement varies hugely from one to another of our eight districts, depending on the consistency with which the district has implemented the change. And it has been done most consistently in New York City, by far.

In New York City, for every 10 percentage points that you increase the principal's control, let's say from 10% of the budget controlled by the principal, to 20%, student performance, as measured by percent who are proficient or above, goes up by 11 percentage points.

It is an enormous gain. I have never seen any other measure that comes even close, even in the same neighborhood as that. It means that, when you increase principal's control by 20 percentage points, percent proficient rises by 22 percentage points.

Now that's not equally true when you go all the way up to 80% principal's control. You get an asymptotic effect, I think, as you get towards the top. I don't have a large enough sample to allow me to test that. Go to the next one, please.

So why is total student load so important? It's fundamentally the issue of Mark Hopkins on one of a log, and the teacher on the other. And, in addition, it's very important to have a small school. Why? Because it's easier to manage a small school.

A large school, say 4,000-student high school has a budget approaching \$50 million. It will have about 600 employees. Now, just think about what kind of a principal you need to run an organization that large and that complex, and run it so well that every student gets what they need.

You're talking about a principal who is so broad in experience, so deep in knowledge, so skillful as a leader that they probably don't exist. But, on the other hand, in a small school, you've got 15 to 20 teachers and a principal also has a maximum total student load they can cope with.

The principal's students are the teachers. The principal's job is to teach the teachers how to be more effective. And a principal can handle 15 to 20 teachers. A principal who, herself, is a

skilled educator can do that. And there's lots of those people available. Go to the next one, please.

Thank you. So there are four things that all four of these districts are doing. If you are going to give principals this kind of autonomy, you must embed them in a dense web of accountability. You can't just give them all this autonomy and say, go do whatever you feels good to you.

And the most important element in that web of accountability is school choice for families. So, in New York City it used to be that you could only attend the school in your zone. And if you wanted to depart from that assignment, you had to request a waiver from the central office, which they would always tell you was easy to do.

But the fact, everybody knew, was that it was impossible to do. So much so, that nobody bothers to try. Same in Boston, same in most of these other cities. But now, every family in New York City lists up to 12 schools they'd like their child to attend.

And then there's a great big computer match, and almost everybody gets one of their top three choices. Now here's the key. If the principal is no good, what is a weak principal? A weak principal is one who cannot keep, train, develop good teachers.

And parents know, believe me, which schools have good teachers. They follow them around like they follow celebrity chefs. And if you have a weak school, you're going to have a lot of empty seats. And that's going to be very hard to explain away.

So choice is a crucially important thing for a lot of reasons. Second is each principal must have four crucial freedoms: freedom over how they spend their budget, freedom over how they staff their school, freedom over their curriculum, and I distinguish that from the standards that are set by the state.

So the state says, for example, in the eighth grade, every student must be able to show, by a narrative example and definition, the proper use, as we've already said of simile, metaphor and analogy. But it doesn't say whether they need to learn that by reading Shakespeare, or by reading Maya Angelou.

That's the curriculum decision. So the schools need to have that freedom over curriculum and, finally, over schedule. Those are the crucial four freedoms that all the autonomous schools have in all eight of these districts, and in Edmonton.

Now, there are some; the world is not made up of ideologies in pure forms. So nobody is perfectly corresponds with that. New York City has adopted a standard reading curriculum for the elementary grades. However, they are not ramrods about how they implement it.

If a school pushes back and says, well wait a minute. We very carefully selected a different reading curriculum, have trained all our teachers, invested in it, and we're doing just fine with it, thank you very much, look at our results. Then the district backs off and lets them do it.

In Los Angeles, by comparison, when they picked, what was it, it was one of the directed reading programs, Open Court, they said, you will use Open Court, K through 6, and you will be on the correct page, on the correct day, we're going to send the Open Court Police around to your school.

And if you're not on the right page, we're going to write you up, and you will go to training. So all the teachers were smoking outside the auditorium while somebody was teaching Open Court. I mean, they were insulted. They should have been, they're trained professionals.

So, there are subtleties the one needs to understand. The accountability system, I'll show you, in New York City. It's a dense, rich accountability system that ends up in every school, meaning every principal getting a letter grade: A, B, C, D, F. Get, I said last night, two, but it's actually if you get, if a principal gets three Cs in a row, three years in a row, they're out of a job.

If they keep getting Bs, then they're doing a lot of explaining. The Upper East Side schools in Manhattan that have the children from the most privileged families, a lot of enrichment, a lot of travel, a lot of parental attention.

They score at the top, always, in the standardized tests, and those principals are accustomed to seeing their schools listed at the top in the newspaper every year, and go around congratulating each other. Well now I was sitting with one of those principals several months ago and I said, how are things going?

He said, pretty well. I said, well, what letter grade did you get [laugh]? He put his down he said, I got a B. I said, well do you know why you got a B? He said, no, I don't understand it. Look at my Regent's Examination results.

92% passing, 93% passing, 91 1/2 % passing on all these different tests that high school students take in New York City. I said yeah, but given your students, shouldn't you be 90% honors passing, and 99% passing? Do you think that's why you got a B?

He said, yeah, I think so. So it's a real accountability system. It's meaningful. Weighted Student Formula is the fourth element that every single district uses. Mike Strembitsky [sp], the innovator in Edmonton, was a very successful principal.

At the same time, he was called Big Mike. They still call him Big Mike. He raised and slaughtered each year, 3,000 hogs. And on the weekend he built apartment buildings and houses to supplement his family income.

And, at age 35, they brought him into the Central and made him Director for Social Studies. They gave him a budget of, when am I supposed to quit, Liv [sp] [laughter]? Liv, where is she? What? A few more minutes, five more minutes? Really? Okay, okay, I'll settle on 10 or so. [laugh]

So, Mike, they gave him a budget of \$50,000 to buy maps and globes for all the schools in Edmonton. So Mike asked his colleagues in Central, well how am I supposed to know what maps and globes to buy? Oh they said, well easy.

You go and hire a consultant [laughter], you have them run some focus groups, do a survey, put out an RFP, buy the maps and globes, rent a warehouse, put them in there and then hire a truck to send them to the schools as they need them.

Mike says, wait a minute, I was a principal last year, and I remember how much I hated it when you guys did that to me. Here's what I'm going to do. I'm going to take \$50,000. I'm going to divide it by 80,000 students and then I'm going to send a pro-rata check to every principal in Edmonton.

I'm going to say, here, you go buy your own maps and globes. They said, Mike, what if one of those principals buys a microscope instead. You could go to jail [laughter]. That's a violation of the Ed Code. So they sent Mike away to New York City for a year to chill out [laughter].

And when he came back in the spring, they said Mike, you're the superintendent now. So Mike Strembitsky went through the entire budget of the Edmonton Public Schools and did exactly what he had done with maps and globes.

And that is what John Stanford and Joseph Volchefsky learned about when they went up there, and that is what they brought back to Seattle. Thanks. Now, go to the next one please, let me get in trouble if I don't.

So, just as an example, in Edmonton we got a little over 50%, actually, of students attending, choosing to attend a school that's other than their normal zone school.

In Denver, about 30%, in San Francisco now 40%, in Oakland, after just two years 30% choosing to attend a school other than their zone school because, under autonomy, each school becomes unique.

And now families choose the school that meets their needs, whether it be wraparound, before and after school programs, or whether it be an emphasis on arts or on music or on science or whatever it may be.

Ouchi

Next one please [clears throat]. We already talked about the four freedoms. Go to the next one please. Okay, so in my first study, I found that, I just want to make one point. New York City principals controlled 6.1% of the money spent in their schools. In Edmonton they controlled at the time 92%. It's now gone up a little bit.

Let's go to the next one. In my second study, after Mike Bloomberg and Joel Klein were in charge of the schools in New York City, principals now control 85% of the money spent in their schools. In Seattle, on the other hand, principals have gone down from controlling about 79% of the money in their schools to, as of two years ago, controlling 48% and falling.

Now the same thing happened in St. Paul, Minnesota, and the problem is that you get turnover in school board membership. You know, those of you who are on school boards deserve a giant medal. I mean it's like the most thankless job in the world. You go to meetings till 2:00 in the morning. You get called names by all kinds of people.

You have to listen to professional gadflies go on and on about whatever it is that doesn't make any sense and you don't get paid, and who wants to do that for very long? So there's turnover on school boards, and after about four, five, six, seven years you have nobody who was on the school board during the years when they studied decentralization and weighted student formula and made the decision.

And the superintendent gets tired of it and says I'm having to re-explain everything and fight every decision to a school board that doesn't understand why we are where we are and why the school performance is as good as it is, and they quit. And the school board goes out and hires somebody; well, out of 16,000 schools in America, how many of them are decentralized? Eight.

So they hire somebody from the outside who has to be a person who has never worked in a decentralized district, has no idea what they're talking about which is fine because neither does the school board. And then the whole system reverts back to a centralized form where it was because that's the natural human tendency is you want to get control of things and make sure they're done right.

Unfortunately, in a large organization that's exactly the wrong tendency because you really can't control it and all you do is stifle appropriate responses from the principals that you'd like to have. Next, thanks. Okay, so here's what happens. Why don't we go to the next one and I'll just quickly summarize what happens.

I'll give you an example of a school in the South Bronx, but this is also a school in Boston, it's also a school in St. Paul, Minnesota and it's also a school in San Francisco, where I've seen the

exact same thing. So the principal says the first thing I'm going to do is I'm going to eliminate nonteaching positions.

I'll give you an example. The typical school of 2,500 high school students has 150 teachers and 150 nonteaching personnel. Many of those nonteaching personnel are credentialed teachers in non-classroom jobs. If you divide that 2,500 student school into 6 small schools of 400 students each, in the aggregate they will have about 30 total non-teaching personnel.

That means they put an additional 120 people into the classroom. That has enabled them to take their total load down to about 105. But they're not at 105, they're at about 70. How did they get from 105 to 70?

Well, what they'll do is they'll say to the teachers of English and Social Studies, for example, would you like to take a few extra courses, get a second credential, and each of you teach a Humanities course which combines English and Social Studies? So we'll give you 25 students. We've been able to take our class size down from 35 or 40 to 25 by getting rid of nonteaching positions.

So now you'll have a double period block of Humanities for, with 25 students. Then we'll give you another double period block of Humanities with another 25 students, so that's 50 students you have to get to know. And then you'll teach an elective with perhaps 20 students, and now your total student load is 70, not 140, not 170. Its 70 students you have to get to know.

Now, the students are in class the exact same number of total minutes as before. The teachers are teaching the exact same total number of minutes as before, but now every teacher has to get to know only half as many students as before, has to grade only half as many papers as before.

And then all of these schools have introduced advisories in which a teacher has roughly a dozen students made up equally of ninth, tenth, eleventh and twelfth graders who stay together with the same teacher for all four years of high school. So it's a way to vertically integrate the students of the school.

And then the advisors, the teachers meet by grade level, sometimes three times a week, sometimes once a week, so all the tenth grade teachers meet together and they discuss every student who's demonstrated a change in their behavior pattern. Maybe they've become bored and they need something more challenging.

Maybe something bad has happened to their family life and they need additional support or understanding, or maybe they just need a kick in the pants. And then the advisor gathering all

the intelligence about the 12 students for whom they have responsibility calls the family every other week and gives them a total readout on their child.

Now the first several calls each year are informative, positive calls and build a bond of trust between the teacher and the family. So when the trouble call comes what the teachers say to me is the parents are more than willing to hear whatever the problem is, and invariably support it because they know we're not just scapegoating their child.

They know we really know their child and we really care. And I'd say to them but here in the South Bronx your transiency rate must be around 70%. How can you build any kind of community in these advisories with that turnover? And they will say to, these teachers will say to me well, I'm not sure what you're talking about but last year we had 115 ninth graders and this year 112 of them came back.

I see this repeatedly. What does that tell me? It tells me that the children and their families feel so strongly attached to these schools that even while the families continue to move from one apartment to another, they're seeing to it that their child sticks with that school, and we all know that greatly enhances the likelihood of ultimate success for those children.

Let's move on, I have to do this fast. The hook's going to come out any moment. [laugh] Let's go to the next one please. The accountability system in New York City. So they take all the standardized tests like you have here, the NCLB required tests, the additional district tests, summarized and user-friendly form put on the website, sent to every parent.

They have high school graduation rates summarized for each school, as well as for the district put on the website. New York City has hired a consulting firm from Great Britain that sends a 2 person team of former principals to each and every one of its 1,467 schools every year.

They look at all the data. They look at how the school is using its student information system to identify the instructional needs of each child, and to deliver what that child needs. They interview the administrative staff. They interview a sample of teachers, parents and students, and they write a report that captures some of the qualitative essence that doesn't show up on standardized tests, and they give the school an overall rating.

In New York City, as in Edmonton, every teacher fills out a questionnaire every year. In New York City they're asked, do you trust your principal? Do you think your principal has good judgment? The results are published. They're there on every school website. Every student in grade 1 through 12 fills out a questionnaire every year. Do you feel safe at school?

Do other children make fun of you? Do the teachers try to help you? The results are made public. Every principal fills out a questionnaire once a year. How would you evaluate the quality

and responsiveness of the services that you receive from the central office staff? Public, all the data. The chancellor's accountability team takes all of these inputs and makes up a two-page school report card and gives them that letter grade.

And then finally in the accountability system is choice which applies to 100% of the students in New York City.

... next. We're almost done. We talked about weighted student formula, let's just keep going through that. You know, Seattle had a really model weighted student formula system. And the basic idea is, if you are going to give this kind of autonomy to principals, you've got to answer the question, how much money are we going to send to each principal?

Well, you're not going to send every principal \$5 million, regardless of how many students they have. That doesn't make sense. You're going to send them 4,000 per student, regardless of whether that student is special ed, or not? No, that doesn't make sense either.

Now, the will of the state, in every case, is that we're going to spend on each child whatever it takes to bring each child up to the state standards. And that means that children who are English learners, who are special ed, who are from low-income backgrounds, are going to get more money.

But that's not the way the money actually gets distributed. That's how it gets from the state to the district, and then every district redistributes it, largely because it has been forced to do so, by clause in the union contract with teachers, which gives the teachers the right, which was cured by the former school board in Seattle, I am told.

Gives teachers the right to laterally transfer, based on their seniority, into an opening in any school. And what happens, over time, is that not all of the teachers, but many, many of the most experienced teachers gravitate towards the schools with the highest income families.

And as a result, those schools have an average salary that may be twice that of schools in the poor areas. And they end up spending two, three, 4,000 dollars a year more per student in the wealthy schools than in the poor schools, which is the exact opposite of the will of the state.

Now, when Seattle implemented weighted student formula during John Stanford's tenure, John Hay Elementary, on Queen Anne Hill, principal Joanne Testa-Cross was controlling only \$25,000 a year out of her budget.

In came decentralization and weighted student formula, and the very next year, Joanne Testa-Cross controlled \$2 million of her budget. And she and her teachers said, we're going to use that, plus our control over curriculums, schedule, and staffing to make some changes.

And what they did was, they hired 24 part-time, credentialed, retired teachers as math and reading coaches. They changed the schedule. Instead of having everybody do reading at 8 a.m., as all schools do across the nation, because the theory is, the children have the best attention span then?

They staggered it so they could send a flying squad of teachers to each classroom, and break down the 25 students into groups of 6 or 7, each with a reading coach or a math coach. Not coach, but additional qualified teacher.

And if you watched those teachers, they immediately broke their six or seven students into a red and a blue group depending on their reading level. And then they would set, perhaps the red group to work independently, and they would take the other three blue students, and work with each of them one on one, and then flip it.

If you can't identify how the instruction is taking place, one on one, in part of every day, you should believe that instruction isn't happening. I'll pass this one by.

You have Marguerite Rosa, great scholar at the University of Washington who's really an expert on weighted student formula and the way it addresses issues of equity, and I would add to her. Let's go to the next one please. I already said this. Let's go, keep going. I already did that.

You have to have good principals to make this work. There is no substitute. New York City has the best system for selecting, training, and coaching principals I have ever seen anywhere in my life. It's not cheap.

It's a 15-month program. They pay their salary usually at the assistant principal level. I calculate it costs them about \$180,000 to train a principal, a new principal. New York City used to be chronically short of principals. They used to drag in people off the street and call them a principal.

But that was because principals had no authority, and nobody wanted to be a principal. They got blamed for everything, and they had no authority. Now, it's changed completely. Now, everybody wants to be a principal.

So they have 65 openings per year in their principal leadership academy, and last year, they had 1,600 applicants, of whom they judged about 600 were fully qualified. And then, they offer up to three years of coaching for new principals.

They offer extensive hope to principals who are opening new, small schools. You know, I have been to the leadership training programs, the famous programs at General Electric, at IBM; I've been to all the leading graduate schools of business. None of them has a leadership program that is as good as the New York City leadership training program.

But if you don't have something like that, you're not likely to succeed, at least not at a high level. Liv [sp] is getting really nervous, almost. So, I'm going to go past this one, too. Couple of last comments. Big districts need small schools, because you are never going to have enough people to manage big schools well.

Small schools are easier to manage. You've got to have all of these freedoms in place. You can't pick and choose. This is not a menu. If you leave out school choice, or if you leave out budget freedom, you don't get a 25% effect, you get a zero effect.

The hardest part of this is reorganizing and realigning the central office, so that the central office staffers now get rewarded for helping schools, rather than for protecting state funds, which is the way their jobs are currently set up.

You can come in with a lot of style as a superintendent, and have an effect for a short while. But style doesn't last. What lasts is restructuring the organization. School-based management, I think, is not a good idea. It essentially corrupts the accountability system by getting in the way.

The superintendent needs to be able to hold principals accountable. If a principal can justifiably say the school-based, site-based management team decides what I can do, you're going to have a really hard time holding a principal accountable. You want to remove that excuse.

You've got to have principal training, and the biggest issue now is continuity of governance, as we said at the outset. So, my thanks. This one says that I want to acknowledge that my research was paid for by the Conrad Hilton Foundation, the Richard Riordan Foundation, and by my school, the UCLA Anderson School of Management.

And I should say the first study was paid for by the National Science Foundation, as well as by Peter Deng [sp] in Los Angeles, and the Brode [sp] Foundation. So, these are all kind of unusual foundations for funding schools research, because none of the schools research foundations would even give me the time of day.

They thought that studying the organization of school districts would be a waste of time. So thank you. [applause]

Liv Finne

Wait, wait, wait. They want to ask you questions. It's 1:30, and we understand that some of you may need to leave. So you're welcome to leave, but we're going to have a question and answer time for those of you who are interested in staying. And, do we have some questions?

Anybody want to ask about how to do this decentralization? What is the first step? Yes, sir.

Audience Member

How do you see the new Secretary of Education that's coming in, and how he is more supportive of [speaking simultaneously-inaudible].

Ouchi

Okay, how do I see the new Secretary of Education influencing these issues? Artie Duncan, the new Secretary of Education, has been the superintendent of schools in Chicago for the last six, seven years.

He has taken Chicago from having zero autonomously managed schools to having one third of its schools autonomously managed. He has embraced charter schools, whereas the typical superintendent sees charter schools as the enemy, Arnie Duncan took the view that charter schools were just another offering of the Chicago public schools.

And he has included them in all of the planning, training, and other activities. And he's also taken the view that his principals can learn from charter school principals how to really run your own school.

But Illinois has a very restrictive charter schools law that permits the city of Chicago only 20 or 30 charter schools. They hit that ceiling several years ago. So what Duncan started doing was creating contract schools, which are not prohibited, which are not under state supervision.

And contract schools are identical to charter schools, except they're not chartered by the state of Illinois; they're contracted by the Chicago Public School District.

So his posture has been very aggressively oriented towards increasing the number, and clearly, although he hasn't said so, aiming towards turning all of the Chicago Public Schools into autonomously managed schools, a la New York City.

Now the big question is, you know, the unions were very central to President Obama's election. Will the Obama Administration be willing to let the Secretary of Education take a position that is likely to be opposed by the teachers' unions?

Liv Finne

Any other questions? Yes?

Audience Member

Once these districts decentralize [inaudible words]?

Ouchi

So, what's the total annual cost, you know? Well, all I can tell you is, are you asking how much more does it cost per student, or per district, to run a decentralized system? Okay. It's less. There's a measure of how much less.

Another thing that Joel Klein did was, he said, I have to permanently re-orient the central office away from having power over the principals and telling them what they can and cannot do, okay?

So he took about half of the staff, so the central offices in New York City, which were tens of thousands of people. And he set up 11 independent educational service providing organizations. Roughly half of them are run by outside, non-profit, 501(c)(3)s that have been working with the city for years.

And the other half, he picked the very best executives within the New York City central office system, and put them in charge of their own service provider. And with the money he saved by doing that, he gave the principals an extra \$250,000 a year, each.

And he said, you pick out of these 11 the people you want to provide you with central office services. And they will each define an offering and a price. And you have to contract with them for two years, but if you don't like them at the end of two years, fire them and pick somebody else.

So he did that, and the biggest one is run by Eric Nadelstern. Eric Nadelstern is one of the most creative executives in school education I've ever seen. Eric is the man who created the first 28th, the 29 and the 48, then the 322.

And now, 522 principals have chosen to be part of Eric's organization. He runs more than a third of New York City's schools. He charges them something like \$15,000 a year, each, to provide service. The most expensive of the providers was going to charge 150,000 a year.

So Eric's principals each get 250,000 a year extra. They pay him 15,000 to provide service. They've saved 235,000 per school. That's a measure of the kind of efficiency that has resulted.

Liv Finne

Yes, one more question? Yes.

Audience Member

When Seattle did weighted student formula, every teacher was priced the same.

Ouchi

Yes.

Audience Member

So they didn't actually do actual budgeting. Doesn't that undermine the whole point of weighted student formula?

Ouchi

Okay.

Audience Member

Because you still allow the expensive teachers to migrate to the expensive [speaking simultaneously - inaudible].

Ouchi

Okay, so this is a really good point. A really crucial detail is, you use weighted student formula to get the money to the school. And then, the central, actually, you let them have their own bank account. The central office then cross-charges them for everything they use.

And about 95% of what a school uses is labor, mostly teacher. Now, there are two ways you can charge a school for labor. You can either charge them the actual salary of the people who work there, or you can use the average of all teachers, the average of all custodians, and so on.

Of these eight districts, only two use actual salaries: New York and Oakland. All the others are charging average salaries, which, continues a large part, not all, but a large part of the inequity that existed before.

Because the poor school that has only rookie or primarily rookie teachers may have an average actual teacher cost of, let's \$38,000 a year, but the average for the district is 46,000 a year, and that's what they charged, 46,000 per teacher.

And the wealthy area school, where all the long-serving, highly-experienced teachers have migrated, may have an average actual teacher cost of 80,000 a year, but they also get charged only 46. So I had a long conversation with Chancellor Klein on this subject, and I said, he was debating which way to go.

And I said, well, Joel, you can go for half a loaf, and you will encounter, I predict, virtually no opposition from anyone. You can go for the full loaf, charging actual salaries, and they're going to beat the heck out of you in the Upper East Side and the Upper West Side, on Staten Island, and every place there's a sizable middle class that's politically motivated.

And Joel Klein, which just endeared him to me, looked at me and he said, now, Bill, why do you think I took this job. And he went for the whole enchilada, and he got it. And Randy Ward did it, but Randy Ward got lucky.

They had a parcel tax that had not yet been spoken for; a three-year parcel tax had just been passed in Oakland. So he took that money and used it as hold harmless money. And he said to the wealthy schools in the hills of Oakland, I'm going to give 2,500 extra per student because of your payroll that is heavy with long-serving teachers.

But you have three years, as those teachers retire, to get your payroll down. That means you can't replace them with another long-serving teacher. You're going to have to hire a less expensive teacher, and actually help that teacher to develop.

In other words, do your job as a principal. And what happened was, people in Oakland were so happy with this system that when the parcel tax came up for renewal, they voted to make it permanent. But nonetheless, Randy Ward was very clear when he told everybody in the district this is an NBA-style salary cap, that's all there is to it.

And you principals have to get your payroll within your salary cap, period. And that does address the inequities.

Liv Finne

That's great.

Ouchi

Thank you all [applause].

Liv Finne

Thank you very much; that was fantastic.