

Chapter 13

Putting the Customer in the Driver's Seat

Making Schools Accountable to Parents

..... In the late 1980s, a group of parents in Minnesota's Forest Lake school district, about 30 miles north of the Twin Cities, began talking about creating an elementary school that used the Montessori method. Their children were in a Montessori preschool, and they were excited about the hands-on, self-directed learning style the school used. Joni Callahan, who knew the local public school well because her older child attended it, was concerned about what would happen to her preschooler there. "We were very worried that the self-initiating, the self-challenging, the self-evaluating skills that our children had developed in the private Montessori school would be squashed," she remembers.

First the parents investigated starting a private elementary school, but they decided the tuition would be too high. Then they approached their school district, meeting repeatedly with top administrators. Mark Gilchrist, a teacher in another district who also had a child in the Montessori preschool, remembers the frustration he experienced as these talks dragged on over several years:

Every meeting resulted in, "No, we can't do this." And the reasons weren't that it was an educationally poor concept. In fact, every school administrator and teacher we talked to agreed that this was very sound educationally. But, it was, "We don't know how we would arrange the busing," or "We don't have magnet schools, we have neighborhood schools," or "How would we train teachers?" It was "Yes, this is a good program, but we can't do it, we can't do it, we can't do it."



[Click Here to order](#)

From **Banishing Bureaucracy: The Five Strategies for Reinventing Government**, by David Osborne and Peter Plastrik.
©1997 by Osborne and Plastrik

Finally, in 1991, a glimmer of hope appeared. The state legislature passed the nation's first charter school law. In general, charter schools are public schools created by groups of parents, teachers, community members, or—in some states—even by institutions such as businesses and universities. They sign a charter with their sponsor, typically a state board of education, a school district, or a college, giving them the right to operate the school for three to five years. In essence, the charter is a performance contract: it spells out the results the school will produce, while granting it waivers from virtually all rules and regulations governing public schools. Minnesota already had statewide open enrollment, which allowed students to attend schools outside their districts. Reformers pushed through charter schools—though the legislature passed a fairly restrictive version—to give students more alternatives from which to choose. When families choose any public school outside their district or a charter school, most of their public education dollars move to the new school or district.

To the Forest Lake parents' group, the charter option looked like their salvation. They hired a consultant to help them draft a plan to start a charter school and began meeting with administrators and school board members, who, under Minnesota's new law, would have to approve their proposal. They passed the hat to raise money to finance their efforts. Finally, they took their formal proposal to a school board meeting. The board was receptive to the concept, but reluctant to let a charter school take funding away from the district.

"They said, 'We're gonna lose too much money if you guys do this charter school,'" remembers Jane Norbin, one of the parents. "You could see them adding and subtracting the amounts of money that each child represented, and once it looked like we had some economic force and we'd reached a critical mass number of students, we really had their ears."

Finally one board member asked, "Why don't we find a way to do this in the public school?" The board directed the administration to work with the parents to find some way to make it happen. When they met, says Norbin, it was as if night had become day.

One at a time, all the barriers that just weeks before were there, we started finding ways around. It was just amazing how those could be taken down when you wanted to take them down. And so the administration came back to the board several weeks later and said, "Yes, we found a way. We can put this in the public school and we can make it happen here."

The result was a small Montessori school within a school at Columbus Elementary, in which parents were intensely involved. When her two older chil-



[Click Here to order](#)

dren went through school, Norbin says, “My experience was that parents were always welcome into the school if you wanted to help raise money for special projects.” But when the Montessori program began, parents were asked to choose a representative to sit on the search committee for teachers—something “that was unheard of before.” “We have meetings now, as the program grows, to work on each particular problem as it comes up, to figure out how we are going to handle this and how we are going to handle that,” Norbin adds. “And we really feel more a partner in the educational process than I ever felt before.”

Julianne Carver, a teacher in the Montessori program, agrees that choice and charter schools have changed the role parents play. “The parents who choose the program are very much aware of what we’re doing, and because they’ve made that choice, they get very involved,” she says. “So I am accountable in different ways than I was in a traditional program.”

Has choice made principals more accountable? “I don’t think there’s a question about that,” says Larry Carlson, principal of Columbus Elementary.

You can’t toe the straight, narrow line. When there’s choice out there, you have to keep yourself aware, you have to keep yourself updated, you have to keep yourself informed as to what is going on and what the choices are out there. If you don’t keep yourself aware, I’m afraid you’re going to get pushed to the side. There’s always somebody looking over your shoulder that—hey, they know about it, they’ll take the job from you.

Bringing School Choice to Minnesota

The Forest Lake story is one of many similar stories in Minnesota, the first American state to give the customers of its education system their choice of public schools. As *Reinventing Government* reported, Minnesota gradually withdrew the monopoly status held by school districts between 1985 and 1991, because its leaders believed that when customers could choose, they would have the power to force districts to improve their schools and diversify their offerings. They believed that the key to transforming schools was changing the system of incentives, accountabilities, and control within which they operated. By giving customers choices, making districts compete for their students and dollars, and encouraging teachers, parents, and others to create new schools free of the red tape that constrained most principals and teachers, they believed they could create a system that would produce not just a few excellent schools, but thousands of excellent schools.

“The object of charter schools is not just to create a few good new schools,” explains Ted Kolderie, a leader in the reform effort.



[Click Here to order](#)

The object is to improve all schools. Districts do not want to lose kids and the money that comes with them. They will make improvements themselves to attract kids back from charter schools, or they may make improvements before a charter even appears.

Kolderie and his colleagues were successful because they found a governor with the courage to champion cross-district public school choice at a time when only 33 percent of adults in the state said they supported the idea. Rudy Perpich, who served as Minnesota's Democratic-Farmer-Labor (DFL) governor from 1976 through 1978 and 1983 through 1990, grew up on the edge of an iron pit in northern Minnesota's Iron Range. One of four sons of immigrants from Croatia, he didn't speak English until he was five. Like many immigrants, his parents saw education as a ticket out of the mines for their sons, three of whom became dentists and state senators and one of whom became a psychiatrist. Rudy, the eldest, began his political career by running for the local school board in Hibbing.

"Rudy Perpich was the first governor in Minnesota to take his oath of office on the stage of the high school in which he graduated," says Dan Loritz, who was Perpich's key advisor on education reform. "That's how seriously he took education. He used to talk about education as his passport out of poverty."

Perpich had also experienced firsthand the frustrations of a parent faced with an unresponsive public school monopoly, as he told us a year before his death in 1995:

I've often been asked why I emphasized this choice program. I always felt, as a member of the board of education for six years, that education in Minnesota was equal in every district, that we had the best educational system in the United States, and that wherever you went, the system was good.

And then when I was elected to the state senate and my children were of school age, I moved to the Twin Cities, which is 200 miles south of where my home is up in northern Minnesota. I just went and found a home and I figured, "Okay, this is it." I enrolled the children in school and in a short period of time, the children were saying, "This is like a review for us. We're really not learning anything."

Then my wife and I, we went to the school and said, "For us, for our children, this is repetitive. We would like to enroll our children in another school." We had gone and talked to the Department of Education and asked for a listing of what they thought were some of the more creative and better school districts. But we couldn't move them. You live there, that's it. And that's where I first began giving some real thought to a) people should have some choice, and b) we have to do a better job of equalizing and improving education in Minnesota.



[Click Here to order](#)

Taking office for the second time in 1983, the year that the seminal report *A Nation at Risk* was published, Perpich began looking for a strategy that would improve the schools. They were already well funded, and coming out of a deep recession, Minnesotans were in no mood for a tax increase. The governor said, “You know, we can’t really order them to improve,” remembers Loritz. “We can’t pay them to do it. I think we need to find a reason for them to continue to see improvement as something they should strive for.”

When the reformers pitched their strategy of customer choice, Perpich bit. It was exactly what he had been looking for. He instinctively understood the argument that different kids needed different kinds of schools, and that by making the schools accountable to their customers—by making them compete for their customers’ dollars—he could give them all a powerful reason to improve.

At the time, it was a radical new idea, pushed mainly by People for Better Schools, an activist group founded by a public school administrator and author named Joe Nathan, and by a group Kolderie had once led called the Citizens League. In January 1985, at an annual Citizens League breakfast, Perpich shocked the education establishment by proposing that every student in Minnesota be allowed to change districts—and take their public dollars with them.

The teachers unions, principals, and superintendents were aghast. And they wielded enough power in the legislature to knock out Perpich’s “open enrollment” provision. But they passed another provision he and House Majority Leader Connie Levi had inserted in the broader education bill for fear of offending both the DFL governor and the Independent Republican majority leader. Called “Postsecondary Enrollment Options,” it allowed juniors and seniors in public high schools to take courses at any college in the state, with their high school funding following them to pay for tuition, fees, books, and in some cases transportation.

Postsecondary Options quickly became wildly popular with students: those who were bored with high school; those who needed more demanding courses; those who were worried they wouldn’t be able to afford college; and those who just didn’t fit in in high school. Some took only a few college courses, while others attended college full-time. Within two years, 5,700 students were participating: 5 percent of all juniors and seniors in the state, and 10 percent in the Twin Cities, where so many colleges were concentrated.

Not all were high performers in high school—60 percent were B, C, and D students. At the University of Minnesota, 50 percent were from the inner city. “Some of our students just can’t function anymore in high school,” says Darryl Sedio, who runs the University of Minnesota’s program for these stu-



[Click Here to order](#)

dents. “A lot of our kids come here because they need to learn faster; they’re just bored stiff.”

Not surprisingly, surveys showed that both the high schoolers and their parents loved the program. But it was not so popular with teachers, principals, and superintendents, who watched it drain money from their high school budgets. In 1986, after just a year, the teachers unions and the School Boards Association tried to gut it. But students and parents descended upon the legislature en masse to protect what for them had been a lifesaver. “I’ve never had in the ten years as governor any program that had as much support,” Governor Perpich told us. “I mean, people kiss me on the street, literally.”

After their aborted attempt to strangle the initiative in its crib, the school administrators had no choice but to compete with it. They quickly doubled the number of advanced placement (AP) courses they offered and began contracting with colleges to train their teachers to offer courses for college credit, at their high schools.

In 1995 a superintendent quietly mobilized another attack on the program, and again Sedio and his allies called out their students and parents to beat it back. After the House defeated the effort by a 102-31 vote, its members requested that the Legislative Auditor’s Office do a review. Published in March 1996, its report was overwhelmingly positive.

The auditor’s office found that by the 1994-1995 school year, participation was up to 6 percent of Minnesota juniors and seniors (12.5 percent in the Twin Cities). Most took their college courses very seriously; on average, they had a higher grade point average than college freshmen at all postsecondary institutions except technical colleges. Some 73 percent of Postsecondary Options students said they were “very satisfied” with their experience, and 95 percent of parents said they would “probably” or “definitely” encourage their children to participate again.

Even more impressive was the effect the program had had on the high schools. By 1996 almost two thirds of secondary schools provided at least one course for college credit, and 38 percent of high schools provided courses under contract with colleges. Overall, the percentage of Minnesota juniors and seniors who took an advanced placement exam had tripled.

Reframing the Debate

The overwhelming popularity of Postsecondary Options gradually weakened the resistance to school choice, particularly in the legislature. Meanwhile Governor Perpich, Commissioner of Education Ruth Randall, and the reformers went to work to bring the teachers unions around. After Perpich’s 1985 defeat in the legislature, says Kolderie, “He got really ticked and he went downstairs and had a press conference, and told everybody that when he ran for election



[Click Here to order](#)

again next year he would neither seek nor accept the endorsement of the teachers unions.”

That shook up the unions. When they and the school boards, superintendents, and principals associations approached the governor to try to heal the wound, Perpich made them an offer. He proposed that they participate in a “governor’s discussion group,” to come up with an education reform package on which they could all agree. To their surprise, however, he also invited the reformers: Kolderie; Joe Nathan; Citizens League Executive Director Curtis Johnson; John Cairns from the Minnesota Business Partnership; former Republican governor Al Quie; and several others. By the end, there were 61 participants, representing 24 groups with a stake in education reform.

As Kolderie explains, the governor cleverly boxed the unions in.

Perpich made it very clear to the education groups that there were going to be no end-runs. He was not going to take to the legislature in 1987 anything except what came through the governor’s discussion group. So if you had anything else you wanted, like more money, or whatever else, you had to get it through the governor’s discussion group.

The group met once a month for 18 months. The reformers gradually re-framed the terms of the debate. Their most effective argument had to do with equal opportunity for disadvantaged students. Verne Johnson, one of the reformers, pointed out that for most families choice already existed.

You can go to private school, or you can move your place of residence to another district, and people in fact do this all the time. So choice exists. But it’s related to your personal family wealth. It costs money to move into a different kind of suburb, to get a different kind of house, it costs money to pay tuition. You can even go to a different public school without moving, if you’re willing to pay tuition. If you have a lot of money you have a lot of choice. If you don’t have a lot of money, you don’t have a lot of choice.

The reformers were prepared to take that argument to the people of Minnesota and let the unions fight to deny equal opportunity to poor and working families. “I think it became clear to the unions for the first time how vulnerable they were,” Kolderie says.

Still, the negotiations were not easy. Perpich had set a deadline of December 19, 1986, for the group to produce a reform plan, but deadlock loomed on the issue of choice. Finally, during a stormy meeting as the clock ticked down on December 19, the two sides came to a compromise. Their reform plan



[Click Here to order](#)

would give districts the right to offer choice on a voluntary basis, give schools more freedom through site management, and establish mandatory statewide testing to measure performance. The reformers also managed to shame the teachers unions into an agreement in principle—with no specifics—to do something to give at-risk students more choices.

In January, when Perpich put together his budget, he called the group back together to reiterate their agreement. At that point, he fleshed out the proposal for at-risk students: it would give students who had dropped out or were at risk of dropping out their choice of public schools.

Mandatory statewide testing failed to pass the legislature, and the site management bill that passed was voluntary. But with all sides now backing the compromise on choice, the other bills passed easily in the spring of 1987. Perpich and his allies then pushed hard for districts to participate voluntarily. They succeeded beyond their adversaries' wildest dreams: 96 districts—22 percent of the total—opened their borders.

By 1988, the opposition to choice had wilted. Though Perpich chose to take a back seat this time, DFL Senator Ember Reichgott introduced an amendment to make open enrollment mandatory. After all the Sturm und Drang of the previous three years, there was an almost eerie lack of debate on the issue. In February the state Department of Education had released an extremely positive evaluation of the Postsecondary Options program. The teachers unions and administrators associations were split, because so many districts were already offering choice voluntarily. Parents testified in support—particularly those disappointed that their districts had not yet agreed to open their borders.

The final bill required large districts to allow interdistrict transfers (except when student departures would hurt desegregation efforts) in 1989-1990, but gave smaller districts, which faced more financial risk, an extra year to prepare. With the departing students would go most of their public dollars.

On the strength of little more than good ideas and the convictions of a courageous governor, the reformers had won.

The Scramble to Survive

Open enrollment had an immediate impact on school districts in Minnesota, just as Postsecondary Options had. Two academicians at Northwestern University, James Tenbusch and Michael Garet, did a survey of 126 high school principals in the spring and summer of 1990, after the large districts had opened their borders and just as the small districts were about to. Most of the principals said they were making changes to compete: lengthening their hours, adding more counseling, and developing new educational programs, new after-school programs, new career programs, and new programs for gifted and tal-



[Click Here to order](#)

ented students. Smaller schools were working to specialize in particular academic areas to attract students.

In addition, Tenbusch and Garet concluded, “Open enrollment has stimulated an increase in parent decision-making power, which is characterized initially by administrators involving parents more in school planning efforts and day-to-day operations. School administrators were seen to become more responsive to parent wishes and demands in an effort to keep them satisfied.”

Small rural districts faced the greatest consequences, because the loss of just a handful of families could force them to cut back their meager course offerings and trigger an even greater exodus. Indeed, all three schools that closed in their sample were rural. Not surprisingly, Tenbusch and Garet found rural districts listening the most intently to what parents wanted and making the most dramatic changes. Rural school administrators, they said flatly, “have been forced to expand their educational programs in order to stay competitive.”

Perpich was elated by the changes taking place. He saw schools suddenly doing—on their own initiative—many things he had been unable to get them to do before choice. He had long pushed both the legislature and the school districts to lengthen the school day, for example. The legislature had refused to appropriate any new money, and the schools had refused to lengthen their days without compensation. By 1988 only a handful of schools had an extended day. Choice changed their attitudes quickly, he explained.

In a short period of time, before I left the office of governor, 90 some districts had an extended day. Now, we didn't pass a law that said you have to have an extended day; we didn't appropriate any money. But because choice was there, the parents or the family could decide, “I think I will change and go to this school because it has an extended day and I won't have to worry what's happening to my children after 3:00 in the afternoon.”

Perpich also pointed to foreign language courses, which he said were traditionally among the first programs cut when money tightened up. By the time he left office, he said, there were almost three times as many foreign language courses taught in the state. “Program after program is initiated because if you don't make that offering, students are going to go elsewhere. It's market forces at work.”

Rather than cutting language and arts programs, districts were cutting their administrative costs. “Before, as programs were closed down, it was kind of circle the wagons, and administrators were safe,”

Perpich said. “I think that's changing. I believe that programs are safer under choice than are management people.” The proof of the pudding was a great



[Click Here to order](#)

flowering of alternatives to the traditional public school. Joe Nathan, who runs the Center for School Change at the University of Minnesota's Humphrey Institute, does a regular survey of nontraditional schools in the state. He found that between 1986 and 1994 the number increased from 108 to 300, and he says it has continued to grow.

Expanding Choice for the Disadvantaged

Opponents of school choice often argue that it will help the brightest and most affluent students, but leave poor students behind in inferior schools. In Minnesota, that didn't happen. Because of the 1987 legislation for at-risk students, the greatest number of alternative public schools have sprung up to help them.

The High School Graduation Incentives Act, known informally as the "second chance" program, let students aged 12 to 21 who had dropped out or were at risk of dropping out (two or more years behind academically, pregnant or a custodial parent, or expelled from school), choose any traditional or alternative public school in the state. In 1988 the governor got the legislature to remove the age cap, so any adult who has not graduated from high school can go back to school for free.

A companion bill passed in 1987, the Area Learning Centers and Alternative Programs Act, allowed people to create innovative schools for at-risk kids. These schools tend to be very small, work on an intensely personal level with students, and offer very nontraditional services. One of the models, for example, is called City Inc. Built around individualized education and personal relationships between students and teachers, it offers a group home for girls, family counseling, day care for the children of teenage mothers, a job program, and a night-course program.

By 1996 there were more than 140 alternative schools for at-risk students. Thousands of dropouts had returned to school to attend them. Indeed, in 1994-1995 alone, roughly 3,000 of their 42,749 students were adults.

There is little hard evidence available, at this writing, on the outcomes for second-chance students. An early survey did find that after students enrolled at second-chance schools, the percentage who said they planned to graduate and go on to further education jumped from 19 to 39 percent.

A group at the University of Minnesota School of Education, led by Cheryl Lange and James Ysseldyke, has done a series of studies of the second-chance students and schools. They found that many students who were labeled "emotionally disturbed" and placed in special education classes, at enormous expense to the taxpayer, were suddenly no longer emotionally disturbed after they enrolled in area learning centers. "You just don't see disruptive behavior; you don't see disrespectful behavior," says Lange. "And we've been in these schools a lot."



[Click Here to order](#)

She believes there are four reasons for this. First, “students tell us they are treated differently; they are more respected by staff.” Second, the schools offer more counseling and related services. Third, “if you look at area learning centers and alternative schools, their characteristics are close to what the ideal special education service-delivery system would be—individual learning plans, contracts with students, one-to-one tutoring, and so on.” Finally, “If the student does not conform to the rules or their contract, they’re out. They do kick kids out. That’s what a choice system allows you to do, because the kid chose to come, and there are other alternatives he or she can go to if they aren’t willing to meet the terms the school sets.”

Lange and Ysseldyke recently completed an in-depth study of 60 students at three alternative schools. They surveyed the students at enrollment and again a year later, and they did in-depth interviews with many students and teachers. It is very clear, Lange says, that these students are more satisfied than they were in their traditional schools. Their attitudes and commitment are better. Based on test scores, those who have stayed in school are making progress in math, reading, and writing. In math and reading, they fell within the average statewide range. Perhaps more important, “Half of the students surveyed report they would not be attending school if they were not in the alternative school.”

“There’s a theme that comes out of all of our surveys and interviews with students and teachers, and that is the importance of relationships,” says Lange.

These students really desire an environment that fosters relationships between staff and students. It emerges in every element of our research—from the teachers and directors, from the students, when they talk about why they left their school and are attending this one. And you see it in the outcome data.

The second thing is that school choice for these students is, I believe, a very great motivator for retention. If we look at all the information we have, that piece is very important. If you’re going to set up programs for at-risk youth, allowing them the choice is very important.

The third theme is flexibility. We have a group of students that needs a lot of flexibility in programming and schooling, and these programs provide that.

Another set of alternative schools—some 19 by 1996-1997—are charter schools. Some of these focus on at-risk youth, like area learning centers. Others are for more typical kids, but use progressive teaching techniques. The New Country School in LeSueur, Minnesota, for instance, offers year-round



[Click Here to order](#)

operation, extended daily hours, flexible scheduling, “active learning,” personalized learning portfolios, and “performance/product based assessment.” It has no courses and no classrooms. Its learning activities include community service, youth apprenticeships, a youth entrepreneurship program, and heavy use of computer technology.

One of the most interesting charter schools is the Metro Deaf School. It teaches in American Sign Language, which allows for much faster communication than English translated into sign language, the method most public schools use with the deaf. A group of parents and teachers created the school because they wanted a place where children could communicate quickly and fluidly, in their first language. Marcia Passi, one of the founding teachers, describes what happens to many deaf kids in normal public schools:

What we've seen a lot of times, a child is in one particular classroom and they use some sign system. It might be sign system A. And then the next year, within the same building, they'll move on to another classroom and that teacher will use sign system B. Can you imagine going through a system—by the time you've gotten to high school, you might have seen 17 different sign systems?

With the traditional school system, most of the time, our students will get up to the third-grade reading level and then plateau out.

At the Metro Deaf School, students do not plateau out. Metro Deaf was created to fit the particular needs of its customers—not to force them to fit the needs of a school district. Marcia Passi says it eloquently:

Here at MDS all of us are responsible for what these kids learn. Within the other education system, we were accountable for making sure all of the “t's” got crossed and the “i's” got dotted. And the child's learning was secondary. We had to make sure that all the paperwork was taken care of, that the IEP's [individual education plans] were filled out, the proper forms were used. Here, for some of our kids, we don't have all of the paperwork just so. However, the child's education is most important. That's what we're most accountable for.

The Bottom Line

By the 1995-1996 school year, 19 percent of all public school students in Minnesota—more than 150,000 students—attended schools chosen by their parents. (This includes most students in Minneapolis and St. Paul, which offer choice within their districts.) “Most of the studies indicate that academics is,



[Click Here to order](#)

in fact, the factor named most frequently by parents who request a switch—about one-third of them,” says Joe Nathan. Perhaps the second biggest reason is convenience: parents often choose to send a child to a nearby school in a neighboring district rather than a faraway school in their own district, or to send them to school near where they work rather than near where they live.

The most in-depth study of the effect of open enrollment in Minnesota was conducted by Cheryl Lange at the University of Minnesota. Using surveys and interviews, she examined its impact in 8 of the state's 435 districts. She found that, in most of these districts, “Administrators and school board members take open enrollment's potential impact into account when deciding on buildings, programs, services, extracurricular activities, student discipline plans, and staffing. Seven of the eight school districts reported several instances of how the transfer of students or the threat of transfer affected their planning.”

All four districts that worked to make improvements gained students. “Districts whose superintendents and school boards took a proactive role towards open enrollment, were aware of the implications for their district, and implemented strategies to attract or retain students gained students,” Lange writes. “Districts in which these strategies and actions were not taken lost students.”

One district, which had a serious fiscal crisis on its hands, provides a good example of how choice forces administrators to make different decisions than they would if they still enjoyed monopolies. Lange quotes the superintendent at length:

We have just gone through massive restructuring and a reduction of our budget. We were very concerned. When we first came out with an approach of [making change] the traditional way, we were going to wipe out two-thirds of our extracurricular activities. We were going to wipe out a lot of the electives the kids in the upper levels had.

Because they knew that would cost them students—at \$3,050 per student—they figured out other ways to save money. The superintendent had to lay off teachers. But, says Lange, he sent other “teachers out around the country to get new ideas, and he said, ‘We're going to restructure our school around these new ideas.’ They changed all kinds of things.”

The superintendent of the smallest district, which lost 22 of its 117 students and was only able to stay whole because its community passed a tax increase, made a similar comment:

Open enrollment has a lot of impact on us. One of the things it does is that we don't dare, even under budget constraints, we don't dare curtail pro-



[Click Here to order](#)

grams. We don't dare curtail. In almost anything we say we won't do anymore, you have to consider if we lose one family as a result of that, where are we at?

Lange is careful to point out that parents move their children for many reasons, including convenience—and some small districts get hurt in the process despite the high quality of their programs. (Overall, studies show that more students are moving into small districts than out of them, according to Joe Nathan.) Despite the fact that not all the competition is based on quality, however, she reports that it does drive administrators to do what they can to maximize customer satisfaction.

Open enrollment impacts the parent-educator dynamic by subtly changing the degree of power held by each player in the system. . . . Rather than the debate occurring at the legislative level, it is occurring at the district level. Parents are flexing their political muscles by demanding desired programs and services. If the requests are not honored, many threaten to leave the district. Findings suggest that it doesn't take a large number of families threatening transfer for administrators to take seriously the requests.

It is impossible to say yet whether choice has improved student learning in Minnesota. In all three charter schools whose charters have come up for renewal, student test scores have improved. But the state only began requiring standardized tests in all schools in 1996, and only at one grade level. Even if more test scores were available, however, standardized tests are a relatively limited barometer of student learning. And in any case, many of the reformers believe it will take more time to see significant improvements in student outcomes, because it will take time for schools to make dramatic changes in the way they teach. John Brandl, who led the charge for choice in the state senate, told us in 1995:

I think that even if we did have the measurements, the measurements wouldn't show much yet. We have not implemented anything ambitious enough yet. When we did let people choose, there still wasn't much variation in what they could choose from.

This is gradually changing, and the reformers continue to push for more charter schools and a more competitive system. The second-chance schools are already an exception. With more than 40,000 students attending at least 140 of these schools, Minnesota may already have changed those students' educational experiences fairly dramatically. Unfortunately, with no standardized



[Click Here to order](#)

testing or other assessment, we do not have enough data to know the impact for certain.

We do know two things. First, choice has not led to the negative outcomes its opponents predicted, such as increased racial segregation, the decimation of small districts, and widespread shifting of schools for “frivolous” reasons like the pursuit of better sports teams. Second, the people of Minnesota think it is a big success. By 1994, 86 percent of adults surveyed said parents of public school children should be allowed to send their children to a public school in another district and 71 percent said increased competition from choice would improve the quality of education.

Even public school teachers have accepted choice. As early as 1989, 61 percent of teachers surveyed supported choice. Hundreds have used it to create charter schools, second-chance schools, schools within schools, and the like. Even some of those still teaching in traditional schools find that it relieves them of the burden of trying to meet every student's needs in the same classroom, because kids who don't fit in can find different schools that suit them better.

But the last word should be reserved for parents, hundreds of thousands of whom have used school choice to pursue what their children need in a school. Jane Norbin speaks for many when she tells the following story:

My oldest child is now 21 years old, but when she entered the school district in second grade, she went to the second grade teacher and said, “I've already finished these reading books in my previous school.” And the teacher told her, “Well, I'm sorry, that's all we have, you'll have to read them again.” At the time, I was blissfully flying through public school education and didn't really realize what was happening. It wasn't until she graduated from high school and she told me that story that I was horrified. And that's when this sort of a choice meant so much more to me. My son does not have to go through that.

THE CUSTOMER STRATEGY

Minnesota made its schools accountable to parents like Jane Norbin. It did so by giving parents the power to withdraw their children from their district and take most of their public dollars with them. The schools are still accountable to their school boards and to the state, which set their overall rules and standards. But now they are accountable to parents as well.

In the past, teachers and principals were responsible for delivering the required curriculum in the required number of days, following the required rules. “As traditional teachers, we've always been accountable in a traditional



[Click Here to order](#)

sense,” says Bob Holewa, a teacher at Columbus Elementary School. “We’ve always had the reporting formats. We’ve always had to make sure that we’ve covered certain components in the curriculum.”

Once school choice hits home, teachers and principals are accountable in a new way. They may teach the curriculum and follow the rules, but if they don’t please their customers, they will face consequences.

Education is not the only arena in which governments are using customer choice. It is common, for example, in health care, housing, job training, day care, and recreation programs.

Nor is Minnesota alone in having applied choice to public education. In New Zealand, the Labor Party introduced full school choice and shifted most school funding to a per capita basis, so dollars follow children not just to the district, but to the school their parents choose. It gave most governance authority over each school to a board made up of elected parents, and it allowed groups of parents to create new schools, much like charter schools in the U.S.

The British have taken similar steps. All parents can choose their children’s schools—if their school of choice has room—and roughly 80 percent of the money follows the child to the selected institution. For four-year-olds, the government now provides vouchers parents can use to pay for nursery school, public or private. It also offers low-income students full or partial tuition at nearly 300 independent private schools, and provides “youth credits” that 16- and 17-year-olds who are not in school full-time can use to pay for part-time education or training.

British schools are run by “governing bodies”: boards of directors made up, typically, of about 20 people—one quarter elected by parents, one quarter appointed by the local council, and the rest teachers and volunteers from the community and local businesses. The governing bodies control school budgets and hire and fire head teachers (principals). Local councils—the equivalent of city and county councils in the U.S.—must hand over at least 85 percent of their education budgets to governing bodies, leaving only 15 percent for central services. (As we write, the government is considering increasing the percentage to 95.) If they are not satisfied with their powers and a majority of parents vote to do so, governing bodies can apply to “opt out” of their local education authority—the local government’s education department—and receive funding directly from the central government. (About 90 percent of these applications are approved by the education minister.) By 1995, 1,100 of the nation’s 25,000 state schools had opted out, to become what they call “grant maintained schools.”

In addition to encouraging schools to withdraw from their districts, the government has pushed the formation of new “city technology colleges”—inner-city secondary schools focusing on science and technology, set up through



[Click Here to order](#)

partnerships with business—and “technology schools,” which are centers of excellence with enhanced technology facilities and a vocational emphasis. Recently it added programs to stimulate the creation of specialized secondary schools focused on language, arts, and sports. (Since 1944, churches have also sponsored roughly one quarter of all state schools.) And in 1993 Parliament gave voluntary bodies, whether existing schools, universities, nonprofit organizations, or groups of parents, the right to set up the equivalent of charter schools.

In the U.S., some 17 states had passed laws by mid-1996 creating some form of interdistrict choice, and 25 states had passed charter school laws. A few states with strong versions of choice or charter schools have begun to achieve some degree of leverage.

Massachusetts is one example. Several years ago the Boston School Committee and the teachers union were discussing an initiative to create five “pilot schools” free of many regulations and union contract rules. They had not been able to reach agreement when the state passed a charter school bill, allowing the creation of 25 charter schools state wide. Faced with the reality that 18 of the first 64 charter school proposals had come from Boston—and that charter schools would take money out of the district—the school committee and the union quickly resolved their differences and announced the pilot school initiative.

In Marblehead the school committee and teachers reacted to a group of parents who created a charter school as if they had declared civil war. But forced to compete, the local middle school site council began implementing many of the same reforms the charter group was planning.

In Essex, a small town that has no high school, the school committee voted in 1995, when its existing high school contract with a neighboring district was about to expire, to sign a contract with a district that was 30 minutes away by car. Though many parents objected, the school committee pushed ahead. Only when parents organized a survey showing that all but one or two families would use school choice to send their children (and their dollars) to closer high schools did the school committee relent.

When public organizations become accountable to their customers, it alters their behavior. It is a powerful lever of change. The customer strategy builds on the consequences strategy by making organizations accountable for their performance not just up the chain of command, but also to their customers. This could be viewed as simply one approach to creating consequences. As we said in Part V, the consequences strategy does change both the incentive system and the accountability of public organizations. But in our research, we have found that when governments that already use the conse-



[Click Here to order](#)

quences strategy build in accountability *to the customer*, it adds a powerful new dimension. While the core strategy defines *what* organizations are accountable for and the consequences strategy changes *how* they are held accountable, the customer strategy changes *to whom* they are accountable.

In the U.K., for example, the Next Steps initiative used performance management to create consequences, but performance was defined primarily in terms of efficiency. Even when Next Steps agencies measured effectiveness, few of them asked their customers how they would define effective services. It was only when John Major launched the Citizen's Charter that most British agencies began surveying their customers and measuring their performance in terms of whether they were satisfying those customers. It added a qualitatively different dimension to British reinvention.

The same thing happened in Sunnyvale, California, the American pioneer of performance management. In the early 1990s, during a severe recession, a couple of businesses moved out of Sunnyvale. With the state already slashing local government funds, the loss of tax revenue hit home. This led City Manager Tom Lewcock to start asking questions. Since Sunnyvale measured the performance of every unit, Lewcock knew that 85 percent of the people who came in for a permit from the Community Development Department got one the same day. It seemed like an impressive statistic. But for years, businesses that were frustrated in their efforts to get permits had been the number one source of complaints to the city council. Why, Lewcock asked, were there so many complaints?

"We did focus groups with our customers," he remembers, "and found what we thought was important was not what they thought was important."

"They told us we were too slow, too inconsistent, and what happened in the office wasn't followed through in the field," adds Director of Community Development Bill Powers. "That we had an attitude of creating problems rather than solving problems." Businesspeople also complained about having to visit several different departments, where they got different treatment and conflicting information. "Generally we got the feedback that Sunnyvale was a very hard city to do business with—and that's not the impression we wanted to give."

So Powers began making changes. He created one-stop shopping for all development and permitting issues. The department cross-trained its electrical, plumbing, and other building inspectors, so one inspector could do all the inspections. It turned the inspectors into project coordinators, who were responsible for making sure customers got what they needed through the entire course of a project. It created customer service standards and built customer satisfaction measures into its performance targets. It encouraged businesspeople to complain directly to Powers, who did his best to solve their prob-



[Click Here to order](#)

lems. It began surveying its customers, and it created a customer focus group to suggest further improvements. Out of that came an “advantage plan check” process. “If we have a company that wants to move in in a hurry, or wants to expand in a hurry, we will pull together a team of experts, and we will plan-check that project in a day—two days max,” says Powers.

“Now we have a great reputation,” adds Lewcock. “We were rated by the Chamber of Commerce in California as the number one community in which to do business.” The entire experience taught him, however, that “a satisfied customer is the ultimate performance indicator. I only learned after the fact that it’s not just the measures that are important, it’s the attitudes of the customers you’re dealing with.”

Sunnyvale now requires that every service it provides, external or internal, have some customer feedback mechanism in place. It has built customer service and satisfaction measures into its performance targets in every unit. One unit, called Leisure Services, has even adopted a customer satisfaction guarantee: if you are not satisfied with a recreation program or course, you get your money back, no questions asked.

Like Minnesota, Sunnyvale has discovered that when an organization empowers its customers, whether through choice or service standards or satisfaction guarantees, they become the engine of change. They keep the pressure on to improve—not once or twice a year, but constantly and forever. As Dan Loritz says of school choice, “I can think of no higher level of accountability than the fact that if the program is not performing, parents—who above all else want their children well educated—simply aren’t going to stand for it. They’re going to take them out of that program.”

Dual Accountability

As we said earlier, accountability to parents does not mean that schools are no longer accountable to elected school boards, governors, state legislators, or the courts. It means they are accountable to elected officials and the courts for complying with the basic rules and meeting the basic standards of the system, *and* they are accountable to parents for meeting their children’s needs. In Minnesota, for example, the rules set up by the legislature and the courts do not allow parents to make choices that further segregate the schools along racial lines. Minneapolis can let minority students leave the district for other districts, but not white students. Within the bounds set by the legislature and courts, however, parents can choose and schools are accountable to parents.

People who manage businesses in competitive markets also have dual accountability. They are accountable to their customers, but they are also accountable to their owners, usually through a board of directors that represents



[Click Here to order](#)

shareholders. When there is a conflict, accountability to owners trumps accountability to customers. When a company has products that customers love but is still losing money (think of Apple Computer in recent years), the board often steps in to replace the management. Similarly, if a public organization is pleasing its customers but not achieving what elected officials (or the courts) want, accountability to those officials takes precedence. They represent the organization's owners, the public.

The customer strategy works best when elected officials can define their goals for public organizations in terms of customer satisfaction and hold service providers accountable for satisfying their customers. In the long run, businesses are successful only if they are able to produce what both their customers and their owners want. The same is true of public organizations. There are several ways that elected officials can create this kind of alignment. They can give customers choices and set the rules of the market so that their choices force organizations to produce what the elected officials want. Or they can translate their definition of success into standards of customer service and satisfaction. These basic approaches, outlined below, align accountability to owners with accountability to customers—a powerful combination.

Some conflict between what customers want and what elected officials want is inevitable. Again, a good example is racial integration. Individual families may make choices that lead to more segregated schools, while the “owners” of the school system have integration as a goal. In such cases, the owners, who represent the collective interest, must overrule the customers, who represent individual interests. (Experience has proven, of course, that mandating something like integration of schools is most effective when the owners can give customers choices that let them exercise their self-interest in ways that do not undermine the collective interest. Otherwise most people use any means to pursue their self-interest, regardless of the collective interest.)

When customer choices are aligned with the goals set by policy makers, a system of competitive choice forces managers to take seriously what their customers want. If parents think a particular class has too many students, for example, the principal must listen carefully and try to resolve the problem. Our argument is that elected officials will find that their goals are met more often when they make that principal accountable to those parents, through choice.

In a nutshell, the reinvention paradigm asserts that systems in which accountability only flows up the chain of command are not as effective as systems in which a great deal of the accountability flows to customers—within a framework of rules and standards set up by those who steer the system.



[Click Here to order](#)

Defining the Customer

When public organizations try to sort out who their customers are, it can get very confusing. Sometimes the customer is the public at large. This is always true when the product is a “public good” such as police protection, defense, or environmental protection. With “private goods,” such as recreation programs, the customer is an individual, family, or group. Many public services combine both public and private aspects, however. Public education serves individual students and families, for instance. But it also serves the public at large, by creating an educated population with the skills necessary to sustain a competitive economy and the values necessary to sustain a civilized society. This is why we long ago made education compulsory to age 16 and set minimum standards for curriculum, length of school day and year, teacher qualifications, and the like.

Another source of confusion is the fact that some organizations serve members of the public, while others serve other public organizations. As we said in chapter 8, internal service units such as print shops and maintenance units exist to serve other public organizations. General Loh remembers what it was like when he began asking members of the Air Combat Command who their customers were.

*I said, “Okay, what business are you guys in? Who are your customers?”
Well, gee, we’ve got a lot of internal customers and we’ve got some external customers, we’ve got macro customers and micro customers.”*

“Well, “I started asking everybody, “who are your macro customers? Who is it that we’re really trying to serve?” And I got some wild answers: “Well, the president, the members of Congress, the American people.”

I said, “Wait a minute, they’re really not; you don’t go talk to the American people every day to find out whether they like your product.” So I said, “Who is it you’re really talking to?”

*“Well, in an operational context it is those commanders out in the field that we are supporting that are responsible for conducting operations.”
Okay, good. For example General Schwarzkopf and his group in Saudi Arabia. We provided all the airplanes to people for the Gulf War.*

Once we understand who that macro customer is, well, let’s go visit them and see if they like our product, if they like the way we fly, the way we operate, and how frequently we do it, and whether we’re satisfying them. For the Middle East, for Europe, wherever we have to deploy our air power to operate, let’s go out there and ask those guys if they’re happy with our product.

In our view, Loh has it right. *In the public sector, your primary customer*



[Click Here to order](#)

is the individual or group your work is primarily designed to help. Your customers give your work its purpose. The Air Combat Command is there to help military commanders in the field. Those commanders, in turn, are there to help the American people. Hence the commanders' primary customers are the president and Congress, the elected representatives of the people.

Sometimes an organization's primary customers may not even use its work. They may not know anything about it. But if it is designed to help them directly, they are the primary customers.

For example, if you work for the Department of Community Development in Sunnyvale—or most other permitting organizations—you interact constantly with developers and businesses. But your work is designed primarily to help the community at large: the residents of Sunnyvale. Hence they are your primary customers. The developers are “compliers.” To be effective, you often need to understand what they want and meet many of their needs. In other words, you need to treat them like customers. But if their needs conflict with the community's needs, the community's needs should take precedence. And who represents the community's needs? The elected officials. Hence you are accountable to the community by being accountable to the elected officials. (Occasionally a court steps in and overrules the elected officials, in which case you become accountable to the court.)

If you run a public school, we would argue that your work is primarily designed to help students and their parents. They are your primary customers. But as is often the case in the public sector, you have several secondary customers as well—groups that benefit from your work, but less directly than students and their parents do. They include the community at large and the employers who will someday hire the students you graduate. Both have a stake in your performance. In the long run, you serve them as well.

Some people prefer to call these secondary customers “stakeholders,” but we think that can be confusing, because stakeholders and secondary customers are not identical groups. Some stakeholders are not secondary customers. For example, teachers are extremely important stakeholders in the public school system. Their unions are also stakeholders. But neither are by any stretch of the imagination *customers* of the system. The schools do not exist to serve teachers; teachers exist to serve schools.

Other people use different definitions than we have. There is no universally accepted practice, because most people in the public sector have only begun thinking in terms of customers in the past few years. Those involved in total quality management usually define the customer differently than we have, for example. Using a private sector model, they define the customer as the person or people who use the outputs an agency creates. In *Total Quality Management in Government*, for example, Steven Cohen and Ronald Brand



[Click Here to order](#)

say, “We define customers as the people who use the things that you produce.” President Clinton’s 1993 executive order, “Setting Customer Service Standards,” uses the same definition: “For the purposes of this order, ‘customer’ shall mean an individual or entity who is directly served by a department or agency.”

The problem with this definition is that it tells compliance organizations that compliers are their most important customers. It tells the police and prison wardens that criminals are their customers; it tells environmental agencies that the businesses they regulate are their customers; and it tells the IRS that taxpayers are their customers. Most of the time, as we said above, compliance organizations can improve their performance by treating compliers like customers, because that increases voluntary compliance. But it is dangerous to confuse compliers and customers. Obviously the safety of the public should be more important to the police and prison wardens than the satisfaction of criminals, and the safety of the public should be more important to environmental protection agencies than the satisfaction of business executives. Finally, consider what would happen if the IRS really made the satisfaction of taxpayers its highest objective. Tax revenues would plummet!

This is just one more example of the difficulty of bringing private sector practices into the public sector without any translation. Because so many public organizations exist to serve the public interest, not private interests, their customers are not always those they deal with day in and day out. We have taken pains to build these complexities into the definitions presented above.

Defining an organization’s primary customers is a critical step, because it helps the organization understand exactly whom it is there to serve and who should define what effective service means. Defining the secondary customers and compliers is also important, for the same reasons. When the needs of primary and secondary customers (or customers and compliers) are different, organizations must consciously determine what their priorities are and how to balance any conflicting needs. If the community wants less pollution but an agency’s compliers demand less burdensome regulation, for example, the agency must figure out how it can more effectively limit pollution while also minimizing and streamlining the red tape that frustrates the compliers. By reengineering processes, compliance agencies can often accomplish both goals. But when they cannot—when the goals conflict head-on and the win-win solutions have been exhausted—the agency needs to know who its primary customer is, because that is where its priority must lie.



[Click Here to order](#)

Definitions: Customers, Compilers, and Stakeholders

Primary customers: The individual or group your work is primarily designed to help.

Secondary customers: Other individuals or groups your work is designed to benefit—but less directly than your primary customers.

Compilers: Those who must comply with laws and regulations: for example, taxpayers in relation to the Internal Revenue Service; developers in relation to a permitting agency; or drivers in relation to the Highway Patrol. They are not customers.

Stakeholders: Individuals and groups that have an interest in the performance of a public system or organization. For example, teachers in the public schools, or unions and business groups in relation to a workplace safety agency. Some stakeholders may be customers; others are not.

The Customer Strategy's Three Approaches

Reinventing Government discussed at length why public organizations should be customer driven. It presented many of the ways they could deliver more value to the customer. This chapter asks a different question: How can we use accountability to the customer as a lever to force public organizations to change? Our purpose is not to explain all the ways in which public organizations can deliver better services to their customers. It is to help you understand how you can use accountability to the customer as a driving force of reinvention, to produce organizations that are more innovative and more entrepreneurial.

There are three basic approaches that make public organizations accountable to their customers. The first is to give customers a choice of public organizations. Choice has inherent value for the customer, as *Reinventing Government* explained. But as a lever to force change in public organizations, it is weak unless it is paired with consequences. The simple reality that one's customers can go elsewhere sometimes forces organizations to pay more attention to what customers want—even if they cannot take dollars with them. This is common: many of us can choose the motor vehicle offices we use to renew our drivers' licenses, or the public parks we frequent, or the library branches we prefer.

Some of us can choose the public schools our children attend. But public education provides a good example of why choice needs to be wedded to consequences to have real power. In many school districts parents have choices, but when they choose to leave a school, there are few negative consequences. The district simply fills that school up with other children. If enough customers leave a school, the district will probably look into the problem and try



[Click Here to order](#)

to help the school improve. If things are really bad, it may even transfer the principal. But until things get desperate, customer choice alone doesn't bring many consequences—or many changes.

Hence the second approach is to combine the customer strategy with consequences, by letting customers control the resources and take them to competing service providers. We call this *competitive choice*. It is quite similar to the enterprise management approach we described in chapter 8. But it stops short of organizing public units as enterprises that can determine their own prices. It allows parents to choose among schools and take their public school dollars with them when they move their children to a different school, for example—but it doesn't turn that school into a public corporation or enterprise fund.

The third alternative, called *customer quality assurance*, sets customer service standards and creates rewards for organizations that do a good job of meeting them and penalties for those that don't. It is the customer version of performance management. We introduced it in chapter 1, when we described John Major's Citizen's Charter.

Customer choice without consequences is certainly better than no choice at all, in most cases. It gives customers access to different kinds of services—different kinds of schools, different kinds of day care, different kinds of health providers. Customers who choose their service providers are also more committed customers: researchers have found that students who choose their schools are more committed to education, for example.

Reinventing Government discusses at length the advantages of customer choice and the wonderful things public organizations can do for their customers. (The list grows every year, from one-stop shopping to on-line service to electronic commerce to mobile service centers.) In this book, we address how to motivate public organizations to *habitually* do these wonderful things. And as a motivator, choice without consequences has limits. If service providers are not rewarded for attracting more customers and punished for losing them, choice has less power to change their behavior. The main thing at stake is pride, and pride is not always enough to overcome union resistance, political resistance, red tape, and the inertia built into large public systems.

Therefore, we recommend using competitive choice to improve service systems, whenever possible. When this is impossible, for political or other reasons, we suggest combining choice with performance management or managed competition, to create the consequences needed to drive improvement. Because of this, we have combined our discussion of customer choice and competitive choice into one chapter, which we call "Competitive Customer Choice." Much of what we say in Chapter Forteen about systems of compet-



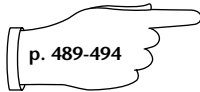
[Click Here to order](#)

itive choice applies to customer choice systems in which money does not follow customers, as well.

In policy and regulatory work, allowing for even simple choices is rarely appropriate; customer quality assurance is the only viable option. It makes no sense to create two or three institutions to write the rules covering some kind of behavior, and then let people choose which set they prefer to obey. The U.S. has long had two sets of rules for banks: they can apply for state charters and be regulated by their state, or they can apply for national charters and be regulated by federal institutions. This allows them to shop for the weakest regulator, undermining government's ability to prevent abuses in the banking system.

In compliance work, offering choices often makes sense, but competitive choice does not. A tax agency or permitting department can give compliers choices: to file taxes by mail, by phone, or electronically, for example, or to use different permitting offices. Some environmental protection agencies allow polluters a choice of responses: they can clean up their pollution, buy pollution credits, or use a combination of these strategies to meet the required standards. In Vermont, corrections reforms have dramatically expanded the choices given judges and community reparative boards—which represent the primary customer, the public—in sentencing criminals.

If compliance offices were funded according to the number of people or businesses they served, however—if the money followed the complier—they might have an incentive to overlook problems. A permitting agency would have an incentive to approve permits, when its real job is to protect public safety and standards by approving only those construction projects that meet those standards. An auto emissions inspection station would have an incentive to attract more customers by overlooking pollution and safety problems in autos, rather than forcing their owners to fix the problems. This is why competitive choice is not appropriate for compliance functions.



Where Each Customer Approach Is Appropriate

Approach	Function		
	<i>Policy & Regulatory</i>	<i>Service</i>	<i>Compliance</i>
Customer choice		X	X
Competitive customer choice		X	
Customer quality assurance	X	X	X



[Click Here to order](#)

One final observation: because the Customer Strategy makes organizations directly accountable to their customers, it takes significant political will to implement it. It is rarely successful without full and active support from the executive: the president, the governor, the mayor, the city or county manager, or the superintendent. (In some departments, in some governments, aggressive support from a department head is enough.) If you are going to force public organizations to compete for their customers and dollars—or if you are going to force them to set customer service standards and offer redress when they fail to meet them—you will encounter serious resistance. Without the political muscle of the executive behind you, you will probably fail.

This suggests a good rule of thumb. Before you launch a customer strategy, ask the following question: Is your executive personally willing to fight for its success? If the answer is no, your chances of success are not good.

Finally, there is an important competence every organization must have if it is to use the customer strategy: the ability to listen to its customers. We call *customer voice* a competence rather than an approach because, like performance measurement, it is necessary but not sufficient to force change. Many organizations survey their customers, use focus groups, and the like. (For 17 methods you can use to listen to your customers, see *Reinventing Government*, pp. 177-179.) But knowing what their customers want is not always enough to force them to provide it. Change is often painful, and public monopolies have many ways to rationalize their unwillingness to endure the pain. School officials in Forest Lake listened sympathetically for several years to parents who wanted a Montessori school, but there were always reasons they couldn't create one. Only when they realized that their customers could depart, taking their money with them—only when they became accountable to their customers—did they suddenly find the will to take action.

Some reinventors believe that customer voice is powerful in its own right. These same people often view the customer strategy as the central, most powerful, reinvention strategy. Much of the management literature from the private sector points in this direction: some of it reads as if honing in on what your customers want is the *key* to success.

In the private sector, there is some truth to this. Most private companies already face consequences in competitive markets, and few are embedded in administrative systems (budget, personnel, procurement) imposed from above that inhibit their ability to respond to their customers. They have administrative systems—but they have the power to change them.

In the public sector, as we have explained before, most organizations are monopolies, and most are part of larger systems that use bureaucratic rules to control them. Hence, using the customer strategy without also using conse-



[Click Here to order](#)

quences and control is rarely enough to produce significant change. Customer choice and quality standards usually add value for the customer. But to *force* public bureaucracies to transform themselves into more entrepreneurial organizations, they need to be wedded to consequences and decentralization of control.

Several years ago education consultant Michael Alves, who had helped design and implement choice plans in 14 American school districts, made a statement that accurately captures the limited power of choice to force organizational change:

We have found that there is no independent effect of choice on educational improvement. But we have found, however, that choice can identify schools that parents want and schools that parents don't want. In Boston, for example, we have fourteen schools that are overchosen by everybody (blacks, whites, Asians, Hispanics), and we have fourteen schools that nobody wants.

Alves might have added that if consequences were attached to parents' choices—by closing the schools parents didn't want and asking principals and teachers to replicate the schools parents did want in those buildings—most principals and teachers would try harder to please parents.

But these principals and teachers must also be empowered to make the changes necessary to improve their schools. If they are hamstrung by centralized budget and personnel systems and overly restrictive management and union rules, they will not be free to innovate. That is where the control strategy comes in.

Minnesota's experience illustrates the point. It has liberated teachers who have the imagination and courage to start a charter school, an alternative school, or an area learning center. But not all of those who have stayed within traditional schools have been empowered to make significant changes. Cheryl Lange's study of eight districts found that Minnesota's competitive choice system had a significant impact on school boards, superintendents, and principals—but not on most teachers. Only in one of the eight districts did teachers tell her they had changed their teaching methods or classroom offerings because of open enrollment.

In the other seven districts, Lange writes, "It was as if they were outside the cause and effect dynamic. Even if they acknowledged that parents' reasons for transfer may be program centered, they did not report any change of behavior." One teacher explained it this way: "Teachers were not given the power to make a difference, so they were incapable of it."

Because they had little control over how their schools were run, most teachers were, in effect, outside the loop. As a result, their behavior didn't



[Click Here to order](#)

change. This is a rather dramatic illustration of why the customer strategy must be wedded to the control strategy to be effective. Unless frontline employees feel it is in their power to make changes, they will not do so—even when their organization is accountable to customers and has clear financial incentives to change.

Paul Pryde, a veteran consultant on public sector redesign, says it well:

Freeing parents to choose is only one half of a well-designed choice system. The other, equally important, half is freeing teachers and principals as well. Allowing “producers” of education to innovate, to do what they uniquely know how to do, is vital to the success of choice. It is the combination of producer choice and consumer choice, not one without the other, that will produce improved educational outcomes.

QUESTIONS PEOPLE ASK ABOUT THE CUSTOMER STRATEGY

Q: Is the customer always right?

No. As we emphasized earlier, when a customer's desires conflict with the policies set by elected officials, those policies must take precedence. Customer empowerment should not mean letting racist families that want their children in segregated public schools have their way, for example. In the private sector the customer may be king, but in the public sector, things are more complex. Elected officials, who represent the citizens at large, set the overall rules of each service delivery system. Within those rules, providers should be accountable to customers and customers should be king. But customers must obey those rules.

Q: How do you get the politicians to care about customers, rather than just interest groups and constituencies?

Rudy Perpich and John Major cared about the customers of public services for personal reasons: because they had had bad experiences as customers themselves. Most elected officials do not have the same passion. They care about *voters* and *interest groups* and *constituencies* not customers. If voters get angry about their schools or police force or the condition of their roads, their elected officials will develop an intense interest. But how can you get them interested in customer service all the time?

The best way we know is to turn customers into constituencies. You can do this by empowering them: giving parents their choice of public schools, for example, or giving neighborhoods some control over police services. Once cus-



[Click Here to order](#)

tomers have power, they will defend it and use it to demand better services. Customers will also organize themselves as constituents whenever that power is threatened, as Minnesota legislators discovered when several of them tried to gut the Postsecondary Options program.

You can't always turn customers into constituents, of course. They must care a great deal about a service before they will mobilize as a constituency. Another way to get politicians to focus on improving customer service is to give them information about what customers think of their public services. Customer surveys can be very useful in calling problems to the attention of elected officials. But the most effective tactic we have seen is the use of *comparative data* to show how one jurisdiction's services are rated compared with those of others. This can embarrass public officials into paying attention, if their services look bad, or give them reason to be proud, if their services out-rank the competition.

Q: Is the customer strategy useful in policy and regulatory organizations? Absolutely. Policy and regulatory organizations need to know what their different sets of customers think and want. These organizations can use customer quality assurance and customer voice. A school board, for instance, can benefit greatly by listening to its customers and setting customer service standards, such as the quantity and quality of information it will provide to the public.

Q: What do you do when not all customers have adequate access to service providers or access to quality services?

This situation is common in the public sector. In education, for example, inner-city families and rural families often have fewer good schools within a reasonable commute than suburban families. There are a number of ways in which to minimize these problems and maximize equal opportunity:

- Governments can subsidize low-income customers, to increase the number of options they can afford or their ability to commute.
- Governments can encourage the creation of new service providers in underserved markets, through policies such as charter school laws.
- can divide large service providers, such as large public schools, into smaller organizations to create more choices.
- Governments can create incentives that encourage low-quality providers to improve their services and provide assistance to hurry them along.



[Click Here to order](#)

- Governments can provide information and counseling to customers to help them find quality service providers.

Q: Are government employees customers, too?

No, employees are employees. As we noted above, some public offices and agencies serve other public units, not the public. In this sense, one group of public employees can be the customer of another group. But when organizations call all their employees customers, we believe they confuse the issue of where their accountability lies. The organization does not exist to serve its employees; it exists to serve its customers. Employees are important stakeholders, and we will discuss the necessity of empowering them in the next chapter. But they are not the organization's reason for being—and never should be.

THE POWER OF COMMITMENTS TO THE CUSTOMER

The idea that public organizations have customers is a new one. If you read public management literature published prior to the 1990s, you won't see the word "customer." In 1990, it was a radical new idea, associated mainly with total quality management.

Even today, a great deal of confusion still surrounds the notion of public sector customers—and for good reason. In government citizens are ultimately more important than customers, and accountability to the elected representatives of those citizens is more important than accountability to customers. This dual accountability makes the customer strategy more complex and confusing than other strategies. As we noted earlier, even the White House got its definition of the customer wrong!

The customer strategy also needs to be paired with consequences and control to achieve real power. Despite these qualifications, however, it is a critical element of reinvention. When organizations listen to their customers, learn what they want, and commit themselves to producing services those customers value, they often turn themselves upside down.

Consider the U.S. Postal Service. When the National Performance Review cajoled the Postal Service into publicly committing to deliver local first-class mail overnight, in September 1993, the Service fell flat on its face. By December 1993 it delivered only 58, 52, and 66 percent of first-class mail overnight in Washington, New York, and Chicago, respectively. But with the spotlight on, those numbers rose to 89, 89, and 86 percent by May 1996. Nationally, the number rose from 74 to 90 percent. A simple promise to the customer made a big difference.



[Click Here to order](#)

Notes

All quotations that are not attributed in the text or in these endnotes are from interviews with the authors or their associates. Only in cases where there might be some confusion about the source of a quotation have we indicated in a note that it came from an interview.

Chapter Thirteen

- P. IV/3: For a more complete definition of charter schools, see Joe Nathan, *Charter Schools: Creating Hope and Opportunity for American Education* (San Francisco: Jossey-Bass, 1996), pp. 1-4.
- P. IV/5: Ted Kolderie quotation: quoted in R. Craig Sautter, "Charter Schools: A New Breed of Public Schools," *Policy Briefs*, report 2 (1993), North Central Regional Educational Laboratory, Oak Brook, 111., p. 3.
- P. IV/6: "Within two years, 5,700 students were participating ...": Jessie Montano, "Choice Comes to Minnesota," in *Public Schools by Choice*, ed. Joe Nathan (St. Paul, Minn.: Institute for Learning and Teaching, 1989), pp.176-177.
- P. IV/6: "...60 percent were B, C, and D students": Ibid., p. 174.
- P. IV/6: "At the University of Minnesota, 50 percent were from the inner city": Memorandum from Danyl Sedio, director. Advanced High School Student Services, University of Minnesota, to Minnesota house and senate members, Apr. 17, 1995.
- P. IV/7: "They quickly doubled . . .": *Postsecondary Enrollment Options Program* (St. Paul: Program Evaluation Division, Office of the Legislative Auditor, State of Minnesota, Mar. 1996).
- P. IV/7: Statistics on Post-Secondary Enrollment Options program: Ibid.
- P. IV/7: "Overall, the percentage of Minnesota juniors ...": Ibid., p. 16.
- P. IV/8: "By the end, there were 61 participants ...": Nancy C. Roberts and Paula J. King, *Transforming Public Policy: Dynamics of Policy Entrepreneurship and Innovation* (San Francisco: Jossey-Bass, 1996), p. 53; personal communication from Ted Kolderie.
- P. IV/8: "Perpich had set a deadline...measure performance": Roberts and King, *Transforming Public Policy*, p. 59.
- P. IV/9: "The reformers also managed ... of public schools": Interview with Dan Loritz, Sept. 24, 1996. "They succeeded beyond their adversaries' wildest dreams: . . .": Roberts and King, *Transforming Public Policy*, p. 62.
- P. IV/9: "Though Perpich chose...open their borders": Ibid., p. 65, and interview with Dan Loritz, Sept. 24, 1996.
- Tenbusch and Garet survey: James P. Tenbusch and Michael S. Garet,
- P. IV/10: "Organizational Change at the Local School Level under Minnesota's Open Enrollment Program," paper prepared for presentation at the American Education Research Association Annual Meeting in Atlanta, Apr. 1993.
- P. IV/10: Tenbusch and Garet quotation: "Open enrollment. . .": Ibid., p. 34.
- P. IV/10: "Not surprisingly,...": Ibid., pp. 22-23.
- P. IV/10: Tenbusch and Garet quotation: Rural school administrators ... "have been forced ...": Ibid., p. 21.



[Click Here to order](#)

- P. IV/11: “By 1996 there were more than 140 ...”: Cheryl M. Lange and Camilla A. Lehr, *At-Risk Students in Second Chance Programs: Reasons for Transfer and Continued Attendance*, Research Report 21 (Minneapolis: University of Minnesota, Enrollment Options for Students with Disabilities Project, 1996).
- P. IV/11: “Indeed, in 1994-1995 alone,...”: Statistics from Minnesota Association of Alternative Programs.
- P. IV/11: “An early survey ...”: Joe Nathan and James Ysseldyke, “What Minnesota Has Learned About School Choice,” *Phi Delta Kappan*, May 1994, p. 685.
- P. IV/12: Cheryl Lange quotation: “Half of the students surveyed ...”: Cheryl Lange, “Open Enrollment Project: Review,” unpublished, p. 7.
- P. IV/12: “The New Country School in LeSueur, Minnesota,...”: Nancy Miller, “Innovation in the Land of the Green Giant,” *Charter School Strategies Inc.* Newsletter, vol. 1, no. 3 (July 1995), Minneapolis; and personal communication from Ted Kolderie.
- P. IV/13: “By the 1995-1996 school year, 19 percent...”: Personal communication from Joe Nathan, updating Mike Malone, Joe Nathan, and Darryl Sedio, *Facts, Figures and Faces; A Look at Minnesota’s School Choice Programs* (Minneapolis: Center for School Change, Hubert H. Humphrey Institute of Public Affairs, November 1993).
- P. IV/13: Nathan quotation: “Most of the studies ...”: quoted in George Cantor, “Public School Choice: A Catalyst for Change or a Waste of Time?” *Detroit News*, June 30, 1996, p. 5B.
- P. IV/14: Lange quotation: “Administrators and school board members...”: Cheryl P. Lange, “Open Enrollment and Its Impact on Selected School Districts,” (Ph.D. diss., University of Minnesota, 1995), p. 104.
- P. IV/14: Lange quotation: “Districts whose superintendents ...”: Ibid., p. 70.
- P. IV/14: Quotation from superintendent: “We have just gone through...”: Ibid., p. 56.
- P. IV/14: Quotation from rural superintendent: “Open enrollment has a lot of impact...”: Ibid., p. 67.
- p. 172 Lange quotation: “Open enrollment impacts ...”: Ibid., p. 108.
- P. IV/15: “In all three charter schools ...”: Interview with Joe Nathan, Sept. 24, 1996.
- P. IV/16: “By 1994, 86 percent...”: Gordon S. Black and John C. Geraci, “Minnesota Public Opinion Survey: Report of Findings and Questionnaire,” prepared for the Center of the American Experiment by the Gordon S. Black Corporation, Feb. 8, 1994.
- P. IV/16: “As early as 1989,...”: Rebecca Woosley, “School Choice Benefits Students, Teachers,” *Wingspread Journal* (fall/winter 1990): pp. 1-5; and interview with Joe Nathan, Sept. 24, 1996.
- P. IV/17: New Zealand school reforms: Scott, *Government Reform in New Zealand*.
- P. IV/17: British education reform: Much of this information is from the Department for Education. See for example, Department for Education, *Choice and Diversity: A New Framework for Schools*, Cm. 2029 (London: HMSO, July 1992); Department for Education, *Our Children’s Education: The Updated Parent’s Charter* (London: HMSO, 1994); Department for Education and Employment, *Self-Government for Schools*, Cm. 3315 (London: HMSO, June 1996); *The City Technology Colleges: A New*



[Click Here to order](#)

- Choice of School* (London: Department of Education and Science, Oct. 1986); and *The City Technology Colleges Trust: Who We Are, What We Do, Where We Are* (London: City Technology Colleges Trust).
- P. IV/18: “Several years ago the Boston School Committee ...”: Joe Nathan, *Charter Schools*, p. 85.
- P. IV/18: “But forced to compete,...”: James A. Peyser, “Changing the Monopoly Structure of Public Education,” *Dialogue*, Pioneer Institute for Public Policy Research, no. 12 (March 1966).
- P. IV/24: Cohen and Brand quote: Steven Cohen and Ronald Brand, *Total Quality Management in Government* (San Francisco: Jossey-Bass, 1993), p. 39.
- P. IV/24: President Clinton’s executive order: “Executive Order 12862, Setting Customer Service Standards,” in President Bill Clinton and Vice President Al Gore, *Putting Customers First: Standard for Serving the American People* (Washington, D.C.: National Performance Review, Sept. 1994), p. 63.
- P. IV/29: Michael Alves quotation: “We have found that there is no independent effect...”: Quoted in Edith Rasell and Richard Rothstein, eds., *School Choice: Examining the Evidence* (Washington, D.C.: Economic Policy Institute, 1993), p. 137.
- P. IV/29: Lange quotation: “It was as if they were outside ...”: Lange, “Open Enrollment and Its Impact on Selected School Districts,” p. 69.
- P. IV/30: Pryde quotation: “Freeing parents to choose ...”: Quoted in Rasell and Rothstein, eds., *School Choice*, p. 138.
- P. IV/32: U.S. Postal Service data: President Bill Clinton and Vice President Al Gore, *Putting Customers First ‘95: Standards for Serving the American People* (Washington, D.C.: U.S. Government Printing Office, 1995), p. 6. May 1996 figures are from U.S. Postal Service’s External First-Class Measurement System. Local overnight mail delivery is measured by Price Waterhouse, under a contract with the Postal Service.



[Click Here to order](#)