Macrothink Institute™

International Journal of Learning and Development
ISSN 2164-4063
2022, Vol. 12, No. 4

Exploring Competition in the Not-for-Profit Sector: The Case of Education in the United States

John D Branch

Ross School of Business, University of Michigan

Ann Arbor, Michigan, USA

https://orcid.org/0000-0002-5201-125X

Email: jdbranch@umich.edu

Received: November 25, 2022 Accepted: December 13, 2022 Published: December 15, 2022

doi:10.5296/ijld.v12i4.20555 URL: https://doi.org/10.5296/ijld.v12i4.20555

Abstract

Collaboration, not competition, is often considered the appropriate ideology for the not-for-profit sector, stemming from a belief that competition is a characteristic of markets. Consequently, competition is often demonised, discounted, or disregarded by not-for-profit leaders. This article argues, however, that competition is largely misunderstood by not-for-profit leaders. It aims to rectify this misunderstanding by exploring competition in the not-for-profit sector. Specifically, it illuminates the nature of competition by outlining Shelby Hunt's Resource-Advantage Theory of Competition. It then examines the implications of competition in the not-for-profit sector, by mapping the Theory to the not-for-profit sector, using the case of education in the United States.

Keywords: competition, not-for-profit sector, comparative advantage, competitive advantage, production resources, consumer value, resource-based view of the firm, market-based view of the firm, education, United States

1. Introduction

In the mid 2000s, while teaching at Washington University in Saint Louis, I was invited by a colleague in the school of social work to conduct a marketing workshop as part of a community outreach programme. I decided to introduce the fundamentals of marketing from a competitive perspective, underlining the notion that competition mandates the mastery of marketing tools and techniques. Feeling especially upbeat about sharing my passion for marketing with the workshop participants, I was floored when a woman approached me at the first break, who reprimanded me for my morning lecture. "You clearly know nothing about

non-profits," she railed. "That was obvious from the moment you opened your mouth." With an awkward grin, I started to speak, but she continued. "We don't have competition. We collaborate." Her voice rising, "Competition might work for corporations. But it has no place here!" Competition—the elephant in the not-for-profit sector—had evidently appeared.

It is several years later, but the 'C' word seemingly continues to be troubling in the not-for-profit sector. Indeed, for many people like the woman from the workshop, competition is rejected outright, with a sort of ideological demonisation. For other people, competition is more benign; they tend to acknowledge its existence, but discount its impact in the not-for-profit sector. And others appear to be blissfully naïve…unaware of any competitive forces at play in the not-for-profit sector.

The main objection to competition in the not-for-profit sector seems to stem primarily from a belief that competition is a characteristic of markets, and that not-for-profit organisations are incompatible with the notion of a market. Not-for-profit organisations are mission-driven, and competition, therefore, is thought to be a distraction. In a study of competition in blood donation 'markets', for example, Chetkovich and Frumkin (2002) suggested that managers of the Red Cross perceived that competition increased cost pressures and a subsequent loss of quality, equity, and availability of services. For these managers, competition forced the Red Cross into a lose-lose choice between failing to serve the organisation's mission, and failing to survive as an organisation.

I argue that this is a false choice. It implies first that social needs trump the efficient use of resources. A competitive view, on the contrary, contends that society is actually better off as a result of efficiency. In a very Darwinian sense, scarce resources ought to be allocated to those organisations which use them most efficiently. More importantly perhaps, efficiency allows more clients to be served with the same resources, thereby also increasing equity. And although GM, Ford, and Chrysler all cried foul when the Japanese automakers arrived in the 1960s, competition doubtless led to vastly improved quality…by all companies.

The lose-lose choice which the Red Cross managers perceived, also intimates that no alternatives would be available if the organisation were to fail. This is obviously an illogical claim, because its failure would occur as a direct result of competition. I sympathise with managers whose organisations meet their demise, but celebrate that more efficient (and effective) organisations would survive, and continue to serve society.

A more subtle rebuke of competition echoes the sentiment of the woman from the workshop, which suggests that collaboration is a more appropriate ideology for the not-for-profit sector. In a widely-read article in the Stanford Social Innovation Review, Kania and Kramer (2011) argued that isolated ventures are limited in their social impact, due to their inability to coordinate efforts. They wrote:

There is scant evidence that isolated initiatives are the best way to solve many social problems in today's complex and interdependent world. No single organization is responsible for any major social problem, nor can any single organization cure it. In the field of education, even the most highly respected not-for-profits—such as the Harlem Children's Zone, Teach

for America, and the Knowledge Is Power Program (KIPP)—have taken decades to reach tens of thousands of children, a remarkable achievement that deserves praise, but one that is three orders of magnitude short of the tens of millions of U.S. children that need help (pp. 38-39).

Instead, Kania and Kramer highlighted the benefits of "creating and sustaining the collective process, measurement reporting systems, and community leadership that enable cross-sector coalitions to arise and thrive" (p. 41). One of these benefits, they claimed, was the discovery of the 'best solution' to a social problem.

I also question the taken-for-grantedness of the competition-collaboration dichotomy—the almost blind acceptance that they are extremes of the same objective dimension. Instead, competition might be described more accurately as a feature or characteristic of a market economy. It is derivative of a laissez-faire, anarchistic approach to production, consumption, and the allocation of resources. The opposite of competition, therefore, is not collaboration, but central planning—the government intervention in, and the regulation of, the production, consumption, and allocation of resources.

Collaboration, therefore, is not the opposite of competition, but instead a kind of 'business model'. It is a method by which a company structures its operations. It is endogenous to a company, and can occur in either a market economy or planned economy. The opposite of collaboration, I would argue, is isolation. But the notion that a company—in either a market or planned economy—can go it alone successfully is increasingly far-fetched. Indeed, seemingly all companies develop complex 'ecosystems' of different kinds of partners (distribution channel members, agencies, brokers, suppliers, outsourcing providers, and so on), all of which collaborate to make the business model work. Consider the airline industry—an industry which is rife with competition—and its multiplex of partners, not to mention the very collaborative strategic alliances among competitors which have emerged because of, not in lieu of, competition. It is also noteworthy that the examples of collaboration which Kania and Kramer describe arose in response to perceived 'market failures'. That is to say, the collaborations were developed because of competition…as alternatives to the existing business models in the 'market'.

I also find fault with Kania and Kramer's claim that collaboration will lead to the 'best solution' to a social problem. Who would decide if the solution is best, and by which criteria? If the great experiment of the Soviet Union taught any lesson, it is that the demands of the human collective are difficult, if not impossible, to predict. And what happens when conditions change? Commerce is on-going; consequently, competition and its kissing cousin innovation have no end point. We would still be using crank telephones and switchboard operators to communicate otherwise. Indeed, competition drives innovation. It leads to the creative destruction which Schumpeter (1975) identified so insightfully. Competition ensures that someone out there is always trying to do it better…in isolation or with collaboration.

It is worth mentioning that, despite all the somewhat knee-jerk reactions against competition in the not-for-profit sector, the number of not-for-profit organisations continues to rise. From 1999 to 2009, through two severe recessions, public charities and private foundations in the

United States rose by 59% and 55% respectively. Likewise, a report from Johns Hopkins University Institute for Civil Society Studies showed that from 2000 to 2010, employment in not-for-profit organisations grew by 1.9% per year compared to a 3.7% loss in for-profit companies. Competition indeed!

I suggest, therefore, that not-for-profit leaders—ideologues, discounters, and even the blissfully naïve—would de well to understand the basic nature of competition, and its impact on their organisations. In this article, therefore, I explore competition in the not-for-profit sector. Specifically, I illuminate the nature of competition by outlining Shelby Hunt's Resource-Advantage Theory of Competition. I then examine the implications of competition in the not-for-profit sector, by mapping the Theory to the not-for-profit sector, using the case of education in the United States.

2. The Resource-Advantage Theory of Competition

Drawing on a variety of disciplines, from philosophy to economics to strategic management, the Resource-Advantage Theory of Competition (the R-A Theory) by Shelby Hunt of Texas Tech University defines the essence of competition, and in doing so, also identifies the link between competition and performance. It incorporates both the resource-based and market-based views of the firm. According to the R-A Theory, competition is the on-going, disequilibrium-provoking process which consists of the constant struggle among companies for comparative advantage in organisational operations and competitive advantage in market position, and, thereby superior performance.

The R-A Theory begins with the basic assumption that human behaviour is motivated by constrained self-interest. This means very simply that people do things for themselves. In this sense, therefore, the R-A Theory parallels closely the core tenets of individualism as espoused by such authors as Ayn Rand, Friedrich Hayek, and Ludwig von Mises. Philosophically, individualism is the belief that the individual person is the primary unit of reality, and the standard of value. It recognises that all people are the owners of their lives, and that they have the right to live their lives in any manner which they choose, as long as they do not violate the rights of other people. The primary role of the government in individualism, accordingly, is to ensure that these rights are upheld.

The assumption in the R-A Theory that human behaviour is motivated by constrained self-interest translates directly to the notion that companies are driven by superior performance. That is to say, companies aim to win. They win by outperforming their competitors. With publicly-traded companies, this drive for superior performance is especially salient. Superior performance is rewarded with higher stock prices, when analysts judge that a company is outperforming its competitors. And clearly, the converse is also true. In effect, therefore, superior performance is *de facto* mandatory. More pragmatically, superior performance makes it easier (and less costly) for a company to acquire its needed production resources. A company with superior performance will receive a loan with more favourable conditions, for example. It can engage the best suppliers of raw materials. And it can attract the best employees.

Now, companies do not win outright; competition is not a discrete, time-bound, zero-sum game in which one team wins and the other teams lose. No, it is not football, with the match ending after ninety minutes. Competition is on-going, with companies only winning at a finite moment in time. In other words, performance is, temporally-speaking, relative not absolute. The obvious question which follows, therefore, is how to achieve superior performance.

The R-A Theory suggests that any company conducts two basic activities: 1. the management (acquisition and deployment) of production resources in service of 2. going to market with a product. Production resources are about organisational operations—the back stage of a company—and are the foundation of the resource-based view of the firm. Going to market is the essence of, err, marketing. It is the front stage of a company, and reflects the market-based view of the firm. Very simplistically, a commercial farmer (as opposed to a gardener) grows carrots *and* takes them to market.

Beginning with production resources, Adam Smith, the father of modern economics, enumerated the three requirements of capitalism: land, labor, and capital. Any capitalist, he argued, must acquire these resources, and then make them 'work' in production (deployment). Stated more directly, without production resources, a company cannot produce. If it does not produce, it has no product. If it has no product, it cannot go to market. If it does not go to market, it does not exchange. And if it does not exchange, it earns no money.

Today, however, few (if any) people are nobles lording over large agricultural estates. The R-A Theory updates Smith's prescription for capitalism, by identifiying six requisite production resources:

Financial: capital for facilities and equipment, employee wages, operating cash

Legal: health and safety certifications, product approvals, licences, permits

Physical: land and buildings, equipment, computers, raw materials

Human: employees

Organisational: technologies, processes, organisational culture, leadership, logistics

Relational: relationships with media, government, creditors, employees, suppliers, unions

The R-A Theory, in concert with the resource-based view of the firm, observes that these production resources are heterogeneous and immobile (difficult to acquire and copy). Consequently, different companies have different cost structures. Similarly, companies vary in their operational efficiency. That is to say, companies differ in how they deploy their production resources. So again, different companies have different cost structures. Consider the Toyota Production System, for example, which according to analysts allows Toyota to produce a vehicle in significantly less time than General Motors, and with fewer defects (Palmer, 2004).

A company's relative ability to acquire and deploy production resources, therefore, results in its *comparative* advantage (or disadvantage) in organisational operations. It is analogous to

international trade theory, in which nations have comparative advantage (or disadvantage), based on their relative productivity in specific product categories.

Production resources costs, however, are only half the story. Remember that the R-A Theory suggests that any company conducts two basic activities: 1. the management (acquisition and deployment) of production resources in service of 2. going to market with a product. Competition, therefore, also means 'getting in the game'. Indeed, a commercial farmer does not earn money by growing carrots…the farmer must take them to market.

Commercially, a company goes to market with more than just its 'carrots'. Indeed, it configures four elements (the 4 Ps), often referred to as the marketing mix: 1. product (the tangible or intangible object which is for sale), 2. price (the exchange rate for the product), 3. place (the distribution channel for getting the product to the market), and 4. promotion (the advertising, public relations, and other types of communication) in the market. Another shorthand for the 4 Ps is the 'offering'.

In competitive markets, different companies go to market with different configurations of the 4 Ps. In concert with the market-based view of the firm, these different offerings reflect different interpretations of, and responses to, market conditions; they are operationalisations of different go-to-market strategies. Consider Levi-Strauss and Wrangler, for example. The companies target different consumers, and seek different competitive positions in the market. Accordingly, the jeans themselves are different (different cut, different fabric, different drape), the prices are different, the distribution channels are different, and the promotions are different. In short, the offerings are heterogeneous.

Similarly, consumers are heterogeneous. Indeed, consumer populations are not monolithic. Consumers differ in terms of education, lifestyle, ethnicity, postal code, etc. Most importantly, they differ in terms of the benefits which they seek from the jeans. Consequently, different people ascribe different value to the different offerings. In short, value is subjective not objective. A company's ability to configure its 4 Ps, therefore, results in its *competitive* advantage (or disadvantage) in market position.

Combining the two basic activities (management of production resources and going to market) yields a 3×3 matrix (See Figure 1.) on which a company's performance can be situated. According to the R-A Theory, comparative advantage is achieved when production resources costs are relatively lower. Indeed, having costs below those of competitors yields higher profit margins; a company could also pass on cost savings to consumers by way of lower prices, which, it would be expected, would lead to higher volumes and, in turn, higher profits. Having the same costs as competitors is not ideal, but acceptable. And obviously, having higher costs is less than ideal. As suggested by Henry Ford, "[c]ompetition is the keen cutting edge of business, always shaving away at costs."

On the consumer value axis, the R-A Theory suggests that competitive advantage is achieved when consumer value is relatively higher. Because consumers are value-maximisers—they purchase the offering in the market which yields the most value—going to market with an offering which consumers value more than the offerings of competitors generates more

sales…more profit. Delivering the same consumer value is not ideal, but acceptable. And lower value is less than ideal.

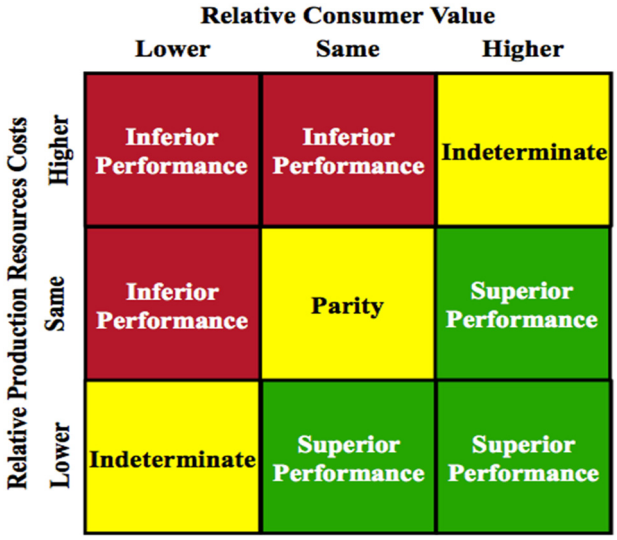

Figure 1. Performance Matrix

Adapted from: Hunt (2000)

As can be seen, a company which occupies cells 6, 8, and 9 enjoys superior performance. That is to say, the company is performing better relative to its competitors, because of its comparative advantage, competitive advantage, or both comparative and competitive advantages. Conversely, a company which occupies cells 1, 2, and 4 suffers from inferior performance. Indeed, the company is performing worse relative to its competitors, because of its comparative disadvantage, competitive disadvantage, or both comparative and competitive disadvantages. In the center (cell 5), a company has neither a comparative nor competitive advantage, and, therefore, is at parity with its competitors. The corners (cells 3 and 7) are indeterminate, because it is uncertain if an advantage or disadvantage dominates.

Logically, if a company enjoys superior performance, it means that other companies suffer from inferior performance. It follows, therefore, that these companies would be motivated to 'catch up'. And according to the matrix, there are two methods to catch up: decrease production resources costs and increase consumer value. Stated a different way, companies are forced to follow industry leaders as a result of their comparative or competitive disadvantages. Likewise, the industry leader has an incentive to maintain superior performance. To do so requires it to decrease production resources costs, or increase consumer value. And in some cases, a company attempts to leap-frog past the industry leader, also by decreasing production resources costs, or increasing consumer value. In summary, to improve (relative) performance means to move down and to the right.

It is this moving down and to the right which the R-A Theory refers to as innovation. Indeed, innovation is the reactive (catching up) or proactive (maintaining or overtaking) decrease in production resources costs, or increase in consumer value. Competition, therefore, never

stands still, never has an equilibrium. A company with superior performance, although pleased, must continue to innovate or risk losing its leading position; complacency is rewarded with downfall. Likewise, companies with inferior performance are compelled to adopt a leader's innovations in order to pull even with the leader. And through their own innovations they hope to surpass the leader on organisational operations and/or market position. Competition, therefore, is on-going and disequilibrium-provoking. Voilà the Resource-Advantage Theory of Competition.

But can it be applied to the not-for-profit sector? Are not-for-profit organisations subject to the same economic logic as for-profit companies in competitive markets? The following section maps the R-A Theory to the not-for-profit sector, using the case of education in the United States.

3. Mapping the R-A Theory to the Not-for-profit Sector

To begin, it ought to be noted that using education in the United States as an illustration for exploring competition in the not-for-profit sector is flawed from the outset. First and most obviously, the not-for-profit sector refers to non-governmental, not-for-profit organisations. Education in the United States, however, is largely controlled by the government. But with more and more private not-for-profit and even for-profit schools emerging, this distinction is beginning to blur. Moreover, the R-A Theory is indiscriminate when it comes to an organisation; competition is blind to ownership.

Second, recall that competition is a feature or characteristic of a market economy. As largely a public service, education in the United States is more aligned with the notion of a planned economy. Indeed, taxpayers do not enjoy the full rights and privileges which are normally afforded to consumers, instead being relegated in most instances to 'recipients' rather than consumers of public education. The exception, of course, is private education.

And third, there is an extremely high degree of government intervention in, and regulation of, education in the United States. It is somewhat analogous to 3M, the largest manufacturer of bandages, having the power to specify the design of all bandages for users, to stipulate the appropriate usage of bandages, and to penalise users for inappropriate usage of bandages.

I suggest, however, that education in the United States makes an interesting case for illustrating competition in the not-for-profit sector. Education appears to be increasingly market-like in many ways, with the corresponding competitive characteristics open for scrutiny. Indeed, despite (or perhaps because of) both the limitations on taxpayers, and the degree of government intervention and regulation, competition seems to be rising in education in the United States, notably from private and charter schools. Education in the United States is also enormous. Public education alone accounts for more than 600 billion USD in economic activity; private education yields an additional 100 billion USD. And finally, because Kania and Kramer used the case of public education in the United States to support their claims for collaboration, it seems fitting to follow suit.

As a reminder, the R-A Theory begins with the basic assumption that human behavior is motivated by constrained self interest. Although at first glance, it seemingly serves as only a

kind of bit player within competition, self interest, as intimated in the discussion of individualism, raises fundamental questions about the role of the government in the economy. In the context of education in the United States specifically, self interest prompts the central and very controversial question in curriculum studies of who decides what is being taught.

Individualism of course holds that this decision ought to rest with the consumer—that the individual right to decide what is being taught trumps the power of the government. President Ronald Reagan, who is often considered a champion of neo-liberal economics, convened a national commission in 1983 to explore the state of education in the United States, in response to the perception that American students were falling behind their peers in other countries. The commission's report which is entitled *A Nation at Risk: The Imperative for Educational Reform* laid out a number of reforms, among them a recommendation for the transfer of power from the government to citizens. In 1998, however, a group of educational reformers, business leaders, and policy-makers authored *A Nation Still at Risk*, in which they contended that this transfer of power had not occurred. On the contrary, "[p]ower over our education system has been increasingly concentrated in the hands of a few who don't really want things to change, not substantially, not in ways that would really matter". Today, the individual right to decide what is being taught remains controversial.

In *The Right to Learn: A Blueprint for Creating Schools That Work* by highly-regarded educator Linda Darling-Hammond, the central conviction (as intimated by the title) is that the children of the United States have the right to learn. Education in the United States, however, she argued, has altogether failed to uphold this right. Indeed, a right "is not something you beg the system for. If the system gets to decide whether you will receive it or not, it's not a right. It's only a right when it belongs to you and you have the power to exercise it as you see fit…when you are your own power broker" (p. 27). The eduction section of capitalism.org makes a similar (and more extreme) argument, but which is aimed squarely at constitutions throughout the Union which provide for a free public education on the basis of a right to education.

There is no such thing as a 'right to education', since such a 'right' makes slaves of those who are physically forced to pay or teach for someone else's so called right. For this reason alone public schooling should not be saved, or reformed, but it should be abolished—as it is a violation of individual (human) rights.

In 1955, neo-classical economics Milton Friedman proposed that the funding for a child's education ought to be mobile, thereby allowing parents 'school choice'. This funding would be issued as a voucher which a child's parents could apply to the cost of public or private schooling, religious or secular, or to offset the costs of home-schooling. School choice, however, is not widespread; indeed, according to edchoice.org (2020), there are only 29 voucher programmes in 18 states. The Friedman Foundation estimates that about 220 000 children in the United States receive some form of voucher. School choice with vouchers remains controversial, and research on the topic is scarce. A recent study by Chigos and Ptersen (2013), however, suggests that school choice has a positive impact on the college-level enrolment of African Americans who had received vouchers in a lottery.

The conclusion, therefore, ought to be that in the main, education in the United States is inconsistent with the R-A Theory. Indeed, the basic assumption that human behaviour is motivated by constrained self interest remains unsupported in the case of education in the United States. Instead, when it comes to education, American taxpayers continue to be subjected to a large degree of central-planning with a high degree of government intervention and regulation, even for private institutions.

Now, remember that the assumption in the R-A Theory that human behaviour is motivated by constrained self-interest translates directly to the notion that companies are driven by superior performance. That is to say, companies want to win, and they win by outperforming their competitors. At first blush, it appears that this same argument—that schools are driven by superior performance—holds only partially true in the case of education in the United States. Indeed, private schools depend on their organisational operations and market position to survive. But traditionally, public schools have been largely immune to competitive pressures. Districting which forces students to attend the schools in their local neighbourhoods, means that schools do not 'compete' in a market…although school choice changes that, at least in terms of market position.

Similarly, at the aggregate level, education in the United States has mostly been protected from competition. Indeed, my children are required by law to attend school, either public or private, and consequently, the Porterian threat of substitutes is low. That is to say, system-level alternatives to education in the United States remain scarce, because the government retains control. To be fair, there is significant competition for subject-level tutoring. Witness the growth of Kumon, Mathnasium, and other extra-school franchises which serve students from pre-K to pre-college. But remember, these are complements to, not substitutes for, education in the United States.

Two relatively recent government-led initiatives have increased competition and accountability within education in the United States. The first initiative is the charter school, a publicly-funded but independently-managed institution, which often operates with a focused curriculum, and which typically responds to the demands of a specific population of students. Central Academy in Ann Arbor, Michigan, for example, has an Arabic-centred curriculum, and was founded to serve the large number of children in the region whose families hail from the Middle East.

The 1988 booklet *Education by Charter* by the late Ray Budde of the University of Massachusetts at Amherst served as a major catalyst of the charter school movement. By 1991, the first state charter legislation was passed in Minnesota, and by 2009, 40 additional states and the District of Colombia had followed suit with their own charter laws. A charter school, by definition, is mission-driven, and its existence relies to a large extent on its performance. Indeed, a school's charter can be revoked, if the school fails to perform to government standards. Today, about 4.2 million American children (4.2% of all school-aged children) attend charter schools; another 600 000+ children are in the queue. Research on the success of charters has been mixed, but the general consensus is that charters do no better but

also no worse than other public schools.

The second government-led initiative is *No Child Left Behind*, the standards-driven education policy which was implemented by the Bush administration in 2001. The policy gives schools some degree of autonomy in their pedagogy, but also enacts penalties for those schools which are underperforming, as judged by scores on standardised tests. The policy has been criticised greatly for its reliance on standardised tests, with some opponents suggesting that education has become a test-taking factory. But it has resulted in a 'drive' toward performance which the R-A Theory would welcome.

From the perspective of the R-A Theory, however, neither of these government-led initiatives has injected true competition into education in the United States. Indeed, performance is often a buzzword—a necessary political platform—rather than a true indicator of competitiveness. And although school closing is a possibility, it is rare, which intimates that there remains little incentive for schools, especially public schools, to achieve superior performance.

Continuing, recall that the R-A Theory suggests that any company conducts two basic activities: 1. the management (acquisition and deployment) of production resources in service of 2. going to market with a product. Beginning first with production resources, it is clear that education is not impervious to the idea of production resources. Indeed, schools gobble up vast resources; the Department of Education alone employees over 4 300 people who manage a budget of about $60B, serving the 55 million children who attend more than 100 000 public and 34 000 private schools (www.ed.gov).

And schools compete for production resources, not only with each other, but with other government sectors and with other industries altogether. Consider financial resources. Education is continually threatened, held almost ransom-like at budget-setting time. Or take human resources. Schools must try to attract qualified teachers and administrators who are also being wooed by countless companies in the broader economy.

Production resources are also scarce and heterogeneous. Real estate for new schools is increasingly difficult to find, or too expensive to buy. The number of available school charters is limited. And (willing) qualified teachers are, in some states, almost impossible to find, exacerbated by the government's insistence on a teaching certificate.

It ought to be mentioned, however, that individual schools have become very creative in acquiring production resources…perhaps a testament to the 'power' of competition. Consider the flurry of fund-raising endeavours, from auctions, to bake sales, to car washes. In a more blatant nod to the market, more and more schools are selling naming rights to their gymnasia and other athletic facilities. Likewise, advertisements from local and sometimes national companies are beginning to appear in schools settings.

One larger scale production resources innovation which is particularly noteworthy is *Teach for America* (TFA). Created by Wendy Kopp as her senior-year project at Princeton University, TFA builds on Kopp's premise that a significant problem in education in the United States is the scarcity of quality teachers. It responds by recruiting graduates of

America's leading colleges and universities for a two-year teaching commitment, principally in resource-poor urban and rural schools. By 2010/2011, TFA had a budget of $229B and had placed 4 500 teachers from a pool of more than 46 000 applicants.

Acquisition of production resources, however, is only half the battle. Companies must also deploy their resources—make them work in service of going to the market. Although schools are beginning to be more creative in the acquisition of production resources, when it comes to deployment, they appear to remain relatively inefficient. Consider the lengthy periods during which schools lay dormant. What would General Motors do if one of its assembly factories had similar downtime?

I am reminded of my own childhood, growing up in Canada, where two separate but publicly-funded school systems existed side-by-side. The first was a secular system which was colloquially referred to as 'public school'. The second was a Catholic system (also publicly-funded, remember), which was a kind of by-product of the Canada's history between the English and French populations. The result of this polarity, however, was a duplication of machinery. Each morning at 08:05, a yellow school bus would arrive to drive me to my secondary school. Not more than 5 minutes later, a second full-size school bus would lumber down my country road, but picking up only a handful of kids to be be delivered to the Catholic secondary school, which was located less than two blocks from my secondary school.

Stories like these, unfortunately, are familiar in schools in the United States. Indeed, inefficiency, waste, and irrational spending are symptomatic of a system which lacks the inherent motivation to decrease costs which competition brings to an economy. Berliner and Briddle in their book *The Manufactured Crisis: Myths, Fraud, and the Attack of America's Public Schools* summed it well.

[E]ven at their best, bureaucracies tend to force their definitions of 'reality' on people, in and out of the system; and this is pernicious in large districts…At their worst, educational bureaucracies become endlessly expanding financial sinkholes that eat up resources and create only mischief and red tape (p. 57).

Remember, however, that costs are only half the story; companies must also go to the market with their products. But as mentioned previously, schools in the United States have never really been a market…at least not a free market, in which schools had the liberty to configure their 4 Ps, and in which school children (parents) had the rights and privileges which are normally afforded to consumers.

Despite the market-like experiments of charter schools and vouchers, the vast majority of students in the United States continue to be served by public schools. And the overall consequence is a 'market' with heterogeneous offerings which seemingly offer little value to consumers. According to a Gallup poll, only 18% of Americans gave public schools an A (1%) or B (17%) grade. It is reminiscent of the Lada 2100, the Fiat-based Soviet automobile which was introduced in 1970 and produced (more than 20 million units for domestic consumption and export) until 2010 without any significant changes. With no other option, however,

Soviet citizens simply had to 'put up with' the Lada.

In summary, schools in the United States, with little to no real competition, continue to muddle along, providing a service to taxpayers with which they are largely dissatisfied, and which, despite its huge budget, delivers mediocre results. As argued by capitalism.org, [i]f educational institutions had to compete for the value that is attached to the diplomas they offer, educational standards would necessarily rise. Like all goods and services provided in the free market, quality education would become a service that would be available to nearly all of the population because of its high demand. Just look at what a (basically) free market has done to the computer industry, with cheaper and more powerful computers being made every few months. Just imagine what it could do for education. Schools should be competing with each other to provide the best education at the lowest price to all consumers.

Finally, the R-A Theory suggests that companies which have inferior performance are forced to follow industry leaders as a result of competition, lest they die. This 'catching up' in turn motivates the leaders (or other competitors) to innovate, resulting in a kind of virtuous spiral of competition and innovation. How might this competition-innovation spiral play out in education in the United States?

First, consider charter schools. As mentioned previously, the evidence suggests that charter schools are, on a whole, no better or no worse than public schools. The Center for Research on Education Outcomes group at Stanford University found that 25% of charter schools reported academic gains which were significantly better than traditional public schools, 56% showed no difference from public schools, and 19% were significantly *worse* than their traditional public counterparts.

The R-A Theory, however, would indeed predict this. The performance matrix demonstrates clearly that in any industry some companies will have superior performance, some will be on par, and some will have inferior performance. Variation on performance is expected; a dispersion of companies is normal. Otherwise, mediocrity and stagnation settle in.

Looking at charter schools in a more nuanced way, however, the evidence also suggests that charter schools have been improving over time relative to public schools. In 2009, for example, 17% of charter schools reported academic gains which were significantly better than traditional public schools; 37% were significantly worse than their traditional public counterparts. Perhaps more importantly, the competition from charters schools has also led to gains in academic performance in public schools. A study by Bohte (2004), for example, showed that the presence of charter schools contributed to modest improvements among students who were enrolled in local public schools. Not trivially, the study also demonstrated that the presence of charter schools changed the allocation of resources among schools.

Performance variance in and of itself, therefore, ought not to be considered negative. On the contrary, competition often leads to failure, but it drives innovation, and ensures that resources are allocated and deployed most efficiently. The skeletons of failed attempts litter Silicon Valley…but we also have Google, Amazon, and Apple.

In contrast to the direct competitive nature of charter schools, *Teach for America* is more obtuse, because TFA itself is competing with other employers for university graduates. Viewed from this perspective, the results of TFA are staggering. In 2009, for example, 11% of all graduates from the Ivy League applied to TFA. It has become the leading employer for graduates of Georgetown University and the University of Chicago. And building on the success of TFA, similar organisations like the Memphis Teaching Fellows have sprung up and moved into the same space through region-specific initiatives, thereby adding to the competition for university graduates.

High performing students, however, are not necessarily high performing teachers. As critics of TFA are quick to point out, the existence of strong human resources does not lead automatically to strong schools. Diane Ravitch of New York University wrote, TFA claims that its young recruits are better than other teachers, presumably because they are carefully selected and therefore smarter than the average teacher…But researchers such as Linda Darling-Hammond at Stanford, Barbara Torre Veltri at Northern Arizona University, Philip Kovacs at the University of Alabama, and Julian Vasquez Heilig at the University of Texas have challenged TFA's claims…Veteran educators resent the suggestion that new college graduates have arrived to save their schools; they know that novices with a few weeks' training, no matter how smart and idealistic, can't be expected to produce dramatic results in two or three years as a teacher.

While Ravitch's view is sobering, other research takes a more positive spin. In a recent study of comparative teacher performance, the researchers note the importance of making apples-to-apples comparisons by evaluating the performance of TFA teachers with only 'rookie' teachers. When compared to teachers with less than 5 years of experience, therefore, TFA teachers in North Carolina were better than their counterparts in 94/129 cases, no different in the remaining 35, and *never* less effective. Moreover, 90% of all principals who have had experience with TFA teachers have been satisfied, thereby intimating that TFA is indeed working.

Ravitch's counterpoint, however, is part of a healthy debate as to whether or not human (or other) resources alone can make a significant difference to education in the United States. But I would suggest that the existence of TFA simply reinforces the nature and impact of competition. Indeed, if the performance of TFA teachers was lacking, schools would avoid hiring TFA teachers. And if TFA teachers were failing to find placements, then TFA would doubtless initiate adjustments to its recruitment and training practices. And do not forget that many TFA alumni who are now career teachers would never would have gone into education initially, thereby exacerbating the limited human resources pool in the profession.

It is also imperative to consider how TFA has led to developments elsewhere within education in the United States…a reminder of the virtuous spiral of competition and innovation. Baltimore TFA alumna Michelle Rhee went on to lead the Washington D.C. public schools, and then later started the not-for-profit StudentsFirst policy organisation. And TFA alumni Dave Levin and Mike Feinberg founded the high-performing and oft-cited Knowledge is Power Program (KIPP) charter school system.

Those who lean towards collaboration (or even central-planning) might reiterate the importance of identifying best practices from all this experimentation (the approaches being used in those 17% of leading charter schools, for example) in order to scale across the entire school system. One of President Obama's 2007 campaign proposals, for example, was to expand educational models like the Harlem Children's Zone, which New York Times columnist Paul Tough described as a "blueprint for a more coordinated, more effective, more responsive way to direct the often haphazard flow of government money into urban neighbourhoods devastated by the multiple effects of concentrated poverty."

Harvard Sociologist Robert Sampson, however, warned again the notion of best practices, arguing instead that the specific cultural conditions of that which he calls a zone means that replication will not work—

Not even a program such as the Harlem Children's Zone can be isolated and set aside as a model for replication, as it has been in the popular press. The very concept of a 'zone' implies embeddedness, and two of the mysteries of the HCZ to date is what mechanism is doing the work and whether the program can be taken to scale in other contexts.

Indeed, with complex social problems, simple one-size-fits-all solutions are challenging, if not impossible, to identify. As a result, scaling up through central planning, however well-meaning, is counterproductive. On the contrary, allowing social entrepreneurs to pick and choose, to adopt and adapt, to innovate within specific contexts, and in response to the market, is a more logical approach.

But at an even more fundamental level, innovation itself would never happen if not for competition. The R-A Theory begins with the very notion that human behaviour is motivated by constrained self-interest. Innovation, therefore, is driven by the dissatisfaction with the status quo…by the desire to improve over that the current possibilities. Finding 'best practices', therefore, will never occur without competition; they are part and parcel of it.

4. Conclusion

For-profit leaders are mostly pro-competition…at least in theory. I write 'in theory', because understandably they often hesitate in their full support—competition benefits the market overall, but for-profit leaders care about their own survival, something to which competition is indifferent. But it is the power of self-preservation which is at the heart of competition, driving leaders to innovate in order to survive and thrive, and in doing so, making the entire market more effective and efficient. It is ironic, therefore, that not-for-profit leaders are so dismissive of competition, favouring instead the rather fuzzy notion of collaboration. Indeed, not-for-profit leaders, considering that their organisations are mission-driven, ought to welcome the benefits of competition: more effective and efficient service of their populations. They ought to be more supportive of competition than their for-profit counterparts. Consequently, the message to not-for-profit leaders is clear—viva competition!

References

A Nation Still at Risk: An Education Manifesto. (April 1998). Retrieved from

http://www.edreform.com/pubs/manifest.htm

A Nation at Risk: The Imperative For Educational Reform. (April 1983). Retrieved from http://www.ed.gov/pubs/NatAtRisk/risk.html

Berliner, D. C., & Biddle, B. J. (1996). The manufactured crisis: Myths, fraud, and the attack on America's public schools. *Nassp Bulletin*, *80*(576), 119-121. https://doi.org/10.1177/019263659608057619

Bohte, J. (2004). Examining the impact of charter schools on performance in traditional public schools. *Policy Studies Journal*, *32*(4), 501-520. https://doi.org/10.1111/j.1541-0072.2004.00078.x

Budde, R. (1988). *Education by Charter: Restructuring School Districts. Key to Long-Term Continuing Improvement in American Education*. Andover, U.S.A.: Regional Laboratory for Educational Improvement of The Northeast and Island.

Chingos, M. M., & Peterson, P. E. (2012). *The Effects of School Vouchers on College Enrollment: Experimental Evidence from New York City*. Washington, U.S.A.: The Brookings Institution.

Darling-Hammond, L. (1997). *The Right to Learn: A Blueprint for Creating Schools That Work*. SanFrancisco, U.S.A.: Jossey-Bass.

Chetkovich, C., & Frumkin, P. (2003). Balancing margin and mission: Nonprofit competition in charitable versus fee-based programs. *Administration & Society*, *35*(5), 564-596. https://doi.org/10.1177/0095399703256162

Flinders, D. J., & Thornton, S. J. (2009). *The Curriculum Studies Reader* (3rd ed.). New York, U.S.A.: Routledge.

Henry Ford. www.brainyquote.com

Henry, G., Thompson, C., Bastian, K., Campbell, S., & Patterson, K. (2012). *UNC Teacher Quality Research: Teacher Portals Effectiveness Analysis: Presentation to the Joint Legislative Education Oversight Committee*.

Hunt, S. (2000). *A General Theory of Competition: Resources, Competences, Productivity Economic Growth*. Thousand Oaks, U.S.A.: Sage Publications. https://dx.doi.org/10.4135/9781452220321

Kania, J., & Kramer, M. (2011). *Collective impact* (pp. 36-41). Beijing, China: FSG.

Lukes, S. (1973). *Individualism*. Oxford, England: Basil Blackwell.

National Center for Charitable Statistics. *Number of Not-for-profits in the United States: 1999-2009*. National Center for Charitable Statistics. Retrieved from http://nccsdataweb.urban.org/PubApps/profile1.php?state=US

National Charter School Study. (2013). Palo Alto, U.S.A.: Center for Research on Education Outcomes.

Palmer, J. (2004). *Can Anyone Stop Toyota?: The No. 2 Car Maker's Vision of Being No. 1 is Bad News for Its Rivals*. Baron's. Monday 13 September 2004.

Ravich, D. (2012). *How, and How Not, to Improve Schools*. New York Review of Books.

Shadab, H. (2002). *Frequently Asked Questions*. Retrieved from http://www.ocf.berkeley.edu/~shadab/capit-2.html#1

Salamon, L., Sokolowski, S., Haddock, M., & Tice, H. (2013). *The State of Global Civil Society and Volunteering: Latest findings from the implementation of the UN Not-for-profit Handbook*. Baltimore, U.S.A.: Johns Hopkins University Institute for Civil Society Studies.

Schumpeter, J. (1975). *Capitalism, Socialism and Democracy*. New York, U.S.A.: Harper. https://doi.org/10.4324/9780203202050

Small, A. W. (1914). A vision of social efficiency. *American journal of Sociology*, *19*(4), 433-445. https://doi.org/10.1086/212281

Smith, A. (2003). *The Wealth of Nations*. New York, U.S.A.: Bantam Classics.

The 45th annual PDK/Gallup Poll of the Public's Attitudes Toward the Public Schools. (2013). PDK/Gallup.

Tough, P. (2012). What does Obama really believe in. *The New York Times Magazine*.

Wright, R. (2000). *Nonzero: The Logic of Human Destiny*. New York, U.S.A.: Pantheon Books. https://doi.org/10.1002/1099-0526(200005/06)5:5<45::AID-CPLX7>3.0.CO;2-J

Copyright Disclaimer