Four Approaches to Education Performance Contracting

The movement toward accountability in education has resulted in the creation of many innovations (for example, developmental capital and performance contracting) as well as the rejuvenation of some older ideas (for example, education performance program budgeting). All of these approaches, new and old, are receiving increasing impetus from an aroused public. In an environment which seemingly is demanding radical changes in our public school systems, education performance contracting will surely be considered the first radical departure from traditional modes of education in the 1970's.

With the advent of performance contracting on the education scene, various new educational technology firms have appeared. These new firms, as well as many of the more progressive, well-established publishing concerns, are primary instigators in the revolution now occurring in the instructional materials market. The qualitative and quantitative nature of this market is being radically altered as school districts, for the first time, begin to purchase "outputs" (for example, student learning) rather than "inputs" (for example, textbooks).

As a result of this "revolution," many school staff members find themselves unable to manipulate the new market in a way which is most beneficial to their district. If manipulated properly, however, this market can provide school systems with an economically feasible, instructionally sound, and politically palatable alternative to the traditional "buy and hope" method of securing instructional materials and systems.

Within this article, four models for entering into performance contracts are presented, along with the relative advantages and disadvantages of each. Each model assumes that the following four activities have been completed: (a) a specific need has been identified; (b) the population has been selected; (c) the site and available facilities have been determined; and (d) the time and cost constraints have been formulated. School districts interested in performance contracting should analyze their needs and resources in relation to each of the models presented before selecting one.

Competitive Performance Contracting Model

The Competitive performance contracting model involves writing and distributing a request for proposals (RFP). The RFP

includes, among other things, a definition of the school district's needs; a description of the target population; available district resources, such as teachers, classrooms, and paraprofessionals; time and cost constraints; and the district's expectations for the project. The RFP should be distributed to interested firms with capabilities in the areas under consideration (for example, reading and math). The education firms answering the RFP do so in proposal form in accordance with specifications enumerated therein. Upon receipt of the proposals, the district evaluates each proposal in terms of rationale, corporate commitment, cost effectiveness, methodology, etc. On completing the evaluation phase, a contractor is selected, negotiations begin, and a contract is drafted and ratified by the school board. The contractor is then notified and the start-up and operational phases begin.

Advantages: Most school systems are required by law to secure competitive bids for every non-one-of-a-kind item, from buses to paper and pencils. It seems only logical that when the ultimate product of education (student learning) is at stake, there should be equal concern for quality control and accountability. Without competitive bidding there is no reason to assume that educational firms will provide any level of guarantee above that which they can now provide with ease and little risk.

Competitive bidding through the use of the RFP can establish cost-effectiveness standards requiring educational firms, through their proposals, to reflect their confidence in their instructional systems. These firms are also compelled to be competitive, both in cost and service, as they are evaluated on the basis of a comparison with other firms. One way in which the Competitive model can be employed is to utilize it as a search mechanism for innovative approaches to the problems facing a school district.

The Competitive model, therefore, encourages the educational firms to employ the best people available for any particular problem. Through the use of RFP, a district can solicit proposals from many companies, a technique which often results in a number of quite innovative approaches to the problem. The district then can review these various approaches and determine which best meets its needs and expectations. The district may even wish to consider a consortium arrangement which utilizes the best of several legitimate possibilities.

The Competitive model also allows district administrators to carry the decision process to the board in a language they understand. A school board is generally better able to relate costs to achievement gain than to compare learning theories and methodologies.

Disadvantages: The Competitive model is the most costly and time-consuming of the four models presented here, especially if the district does not have the in-house capability to plan a Competitive performance contracting project. The solution most districts choose is to contract out the planning effort to a management support group, which is nat-
urally more costly than handling the planning in-house. However, one considerable benefit to a district's choosing this model is that, at the proper time, the expertise of the management support group can be "turn-keyed" along with the instructional system. Thus, the district, by turn-keying the management support group's planning expertise, might acquire the in-house capability for future performance contracting projects.

This model necessitates more time than the other models, but this time, if available, is time very well spent. A timetable for the Competitive model might take six months and contain the following steps:

1. Conceptualization and drafting of planning document (one month)
2. Drafting the RFP (one month)
3. Proposal submission (one month)
4. Proposal evaluation and negotiation (one month)
5. Start-up phase (one to two months).

Though the above is more the ideal than the real, such a timetable does increase the likelihood that the district will have a successful performance contract project. Districts interested in engaging in such projects should begin the above process early—generally six to eight months ahead of time. A general "rule of thumb" for allocating resources to the planning of a Competitive performance contracting project is to set aside approximately 5 percent of total project budget. This figure varies depending upon the in-house capability and support available.

Sole Source Performance Contracting Model

This model requires that the school district initially select a single educational firm with capabilities in the areas specified (for example, vocational education, mathematics, or reading). The selected contractor, after being appraised of the problem, the target population, and time and cost constraints, is asked to submit a proposal for the alleviation of the problem.

This proposal is usually rather brief and does not go into much detail about the instructional rationale or methodology to be employed.

**Advantages:** This is the least expensive and most uncomplicated of the four models. The Sole Source model requires only that the school district define its need and then request a specific educational firm to address the identified need in a proposal. Quite obviously, this process can be completed in a relatively short period of time. The time factor is what makes the Sole Source model so appealing to both educational firms and many districts.

**Disadvantages:** The fact that the performance contracting concept applied to instructional systems is new in education is a mitigating factor against school districts. The vast majority of school districts are relatively unsophisticated when pitted against a seasoned educational firm, familiar with all performance contracting models and the many payment criteria and schedules available. The Sole Source model exposes the school district to only one rationale, methodology, and approach to performance contracting, and does not allow for a standard of comparison other than an evaluation of the potential effectiveness of the program. This model allows the educational firm to minimize its guarantees and to increase profit margins.

A school district which contemplates using the Sole Source model should carefully evaluate the various trade-offs, and perhaps call in management consultants familiar with all types of performance contracting to assist in determining the best alternative for the district. The Sole Source model likewise does not allow the opportunity for the school district to employ the performance contracting concept as a market search mechanism. If the district is primarily interested in investigating all potential solutions to the identified problem, then the Sole Source model should not be utilized. On the other hand, if the school district is convinced that one particular educational firm can provide the best instructional system and the district simply wants to ensure that it will get its money's worth from that firm, then the Sole Source model provides a satisfactory approach.
Modified Sole Source Model

This model has been the second least utilized of the four presented, yet it provides some interesting alternatives within reasonable time and cost constraints. The Modified Sole Source model involves essentially the same procedure as the Sole Source model, with the exception that three or four educational firms are selected to submit proposals rather than a single one. After the proposals are evaluated, the educational firms are called into joint conference and are allowed to bid against one another in terms of costs and services. This model, if utilized effectively, offers the school district the opportunity to hear and evaluate each proposal and the critiques provided by the competing educational firms.

Advantages: The benefits of the Modified Sole Source model are essentially the same as the Sole Source model. The costs involved with this model are slightly greater than those of the Sole Source model, although the relative benefits more than compensate for the additional expense. Much less time is involved than in the Competitive model, but a bit more is required than with the Sole Source model.

The model also utilizes a modification of the Delphi Technique. The contractors first submit their proposals, then meet in conference to discuss the relative merits of each and the costing information. Following the conference, the contractors submit a revised proposal to the district, which when evaluated will determine the winning educational firm. This model allows for maximum input to the district of each firm's instructional system and methodology, provides for a straightforward, open-forum approach to proposal evaluation, and thus provides the essential information about the contractor's real costs and operating procedures necessary for a successful turn-key phase.

Disadvantages: A school district selecting this model should be somewhat familiar with the other performance contracting models and payment schedules so that it can achieve maximum benefits from the conference. Unfortunately, performance contracting in education is so new that few districts possess this in-house capability. This model is further limited, in that a district is restricted to three or four approaches submitted by the companies which the district has selected previously. The choice of the three or four instructional firms necessitates a subjective judgment regarding the relative merits of all potential contractors' instructional systems—a choice few districts are equipped to make. The model falls short of providing the benefits available through the use of the Competitive model, but does provide a cost-effective compromise between the Competitive model and the Sole Source model.

Comparative Performance Contracting Model

This model is as yet untried, but like the Modified Sole Source model, it provides some rather interesting possibilities. The Comparative model involves utilizing any of the
above three models as a basis for selecting two instructional firms with nearly equal potential for solving the stated problem. The district then requests proposals from the two firms, evaluates the proposals, and negotiates contracts with each firm. The target population is then divided as evenly as possible between the firms.

Advantages: The Comparative performance contracting model provides the opportunity for school districts simultaneously to evaluate two instructional systems (using homogeneous populations). The two instructional systems can be compared on such variables as cost effectiveness and capital versus labor intensive characteristics. This model affords the school district a more empirical alternative than others. Considerable doubt exists as to whether one can compare an instructional system which was successful in an urban area on the West Coast to one which was successful on the East Coast. The Comparative model provides for the comparison of two or more instructional systems with populations and locations possessing matched (homogeneous) characteristics.

In reality, a district is not concerned with the effectiveness of an instructional system utilized in another city, but with the question, "How well will it work here?" It is quite probable that some instructional systems are more effective in certain areas with certain populations and not so effective in other areas with similar populations. The Comparative model allows a school district to test several proven methods with its own unique population. In utilizing this model, a district may discover after evaluation of the first two or three years that a continuation of the two instructional systems may be best for its specific needs. If this is the case, the district may wish either to enter into a consortium arrangement or to redesign its own instructional system utilizing the best of the two demonstrated systems.

Disadvantages: The administration and evaluation of the Comparative model involve more time and resources than any of the other three models. The use of this model virtually mandates a full-time professional. The cost of using the Comparative model is slightly higher than that of the other three models because the district is paying for two start-up phases and a full-time professional. This Comparative model also requires a more extensive evaluation component if the district wishes to realize its full potential.

In conclusion, competition and turn-key are the two most critical ingredients for the performance contracting concept to make its greatest contribution. To conceive of performance contracting as an end product in itself could result in additional chaos within an institution already in such a state. When viewed as a process, however, performance contracting provides education with a politically and economically viable solution to some of the problems facing education in the next decade.

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