

Redesigning the Central Office to Deliver Better Value

Andrew Moffit

The corporate sector offers lessons in how district central offices might be redesigned to serve schools more effectively.

The central offices of large urban school districts are, in many ways, quite similar to the corporate centers of large corporations or other organizations. When designed effectively, these centers ensure that their key operating units – whether a handful of related businesses or a diverse set of units in thousands of locations – can achieve their shared performance goals (in terms of income and other key metrics). Similarly, the central offices of large urban school districts exist to ensure that their primary operating units – individual schools – consistently produce effective teaching and learning, which has the most direct impact on the district’s performance goals (in terms of student outcome and other metrics). The central offices of most large urban school districts, however, often are seen as ineffective bureaucracies, which impede, rather than enhance, the core efforts of their schools to improve student outcomes (Ucelli, Foley & Mishook 2007).

While nearly all large urban school districts regularly articulate ambitious goals and produce strategic plans to achieve them, few have rigorously

evaluated the role their central offices should play to ensure the success of those strategies. Instead, most central offices control a wide range of activities – from setting curricular policies and providing related training to recruiting and placing staff in schools to managing school facilities and providing back-office services – for historical reasons, as opposed to clear strategic rationale or even an understanding of the specific value they provide to support effective teaching and learning in their schools. As a result, there is often a misalignment between what the central office of a large urban district does and what the schools might actually need.

There is a growing recognition that to meet the ambitious goals of large urban school districts – in terms of dramatically improved student outcomes and elimination of achievement gaps – a significant revamping of the central offices is necessary (Ucelli, Foley & Mishook 2007). To that end, large urban school districts might look to the experiences of corporations or other large organizations with effective corporate centers.

Specifically, such organizations recognize the challenges of managing large, complex entities centrally and push to define a smaller “true”

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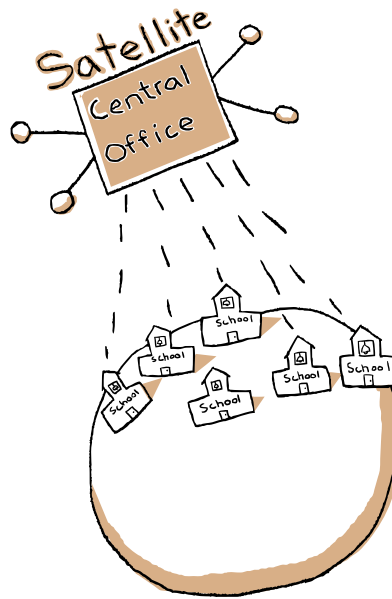
corporate center, responsible only for those activities with a clear rationale for centralization, such as significant strategic advantages or economies of scale. These organizations also restructure their centers explicitly around delivering these narrowed sets of activities.

To be sure, there is great variation in the effectiveness of corporate centers, and not all examples from the private or other sectors are relevant for large urban school districts. Nonetheless, the experiences of corporations or organizations – for which the impact of effective organizational design on their performance has been recognized (see, generally, Bryan & Joyce 2007) – can be instructive.

There is no single answer for the role or design of the center of any organization, and any organization's answer can shift over time, depending on the organization's context and its performance goals. However, there are three key steps that effective corporations or organizations – regardless of industry or sector – follow to ensure their center adds value to its operating units and is an effective driver of overall performance:

- Ensure a clear strategic mandate for the center, guided by involvement of key internal stakeholders, in alignment with overall strategy.
- Informed by this strategic mandate, categorize key activities according to the value they create and determine the center's role in their provision.
- Design formal organizational structure and key supporting mechanisms accordingly.

This article explores how the central offices of large urban school districts might apply these key steps to ensure that they deliver strategic value to their schools and, ultimately,



enhance the district's student outcome performance goals. It incorporates examples from select large urban school districts that have reexamined the strategic role of their central offices and redesigned their central functions accordingly.

Ensure a Clear Strategic Mandate

Frequently, discussions about optimizing the center focus immediately on organizational design. However, it is important first to define a clear strategic mandate for the center – in light of the overall strategy for the corporation or organization – detailing how the center will add value to its operating units. This strategic mandate will vary by the unique context and relative strengths of



the center, but it is important to focus the center only on those activities in which it can provide unique value to its units. As examples, the corporate center mandate of many financial institutions focuses on building and maintaining customer relationships and managing risk across a multitude of diverse businesses; at General Electric, in contrast, the strategic mandate has been more internally focused, famously revolving around developing and managing a world-class management team, entrusted to make critical decisions for their units.

High-performing school systems vary in the mandate and role they define for their centers. Some high-performing school systems are highly centralized, leaving very little but execu-

tion to the schools (e.g., Singapore), while other systems have pushed much greater autonomy to their schools (e.g., New Zealand, Sweden). In general, there is a trend toward greater school-level autonomy, which, research suggests, under the right conditions, can drive overall performance.¹

A few large urban school districts, including New York City, Oakland, and Edmonton, have adopted districtwide strategies that emphasize devolving significant control over key budgetary and operating decisions to their schools. These districts also have taken the important step of redefining their strategic mandate for their central offices – principally, to focus on setting clear expectations and accountability measures and providing selective supports to their schools – in alignment with those overall strategies. In so doing, they purposefully have narrowed the key areas in which the central office attempts to add value to its schools and have reorganized many of their central activities and functions accordingly. Select examples of the application of these strategic decisions for their central offices are addressed more fully in the next section of this article.

Regardless of the resulting nature of this strategic mandate, it is important for key internal stakeholders to be directly involved in the process of defining it. Engaging leaders of both central office departments and schools can be instrumental to accurately defining the needs of the schools and

¹ “System factor that was associated with performance even after accounting for socio-economic background: Education systems where schools reported a higher degree of autonomy in budgeting (students in education systems with one additional standard deviation on the index of autonomy in budgeting score 25.7 points higher, all other things being equal)” (OECD 2007, p. 44).

evaluating how well the central office currently meets those needs. Moreover, this type of engagement can produce the necessary buy-in and commitment to the new strategic mandate for successful implementation.

Categorize Key Activities

Once the strategic mandate for the center has been defined, the entire roster of activities potentially performed by the center can be evaluated to determine who should control and/or provide them. Although the most appropriate approach differs by context, highly effective centers focus on the leanest design possible, pushing decision making to the operating units where possible, unless there is a compelling reason, such as significant strategic consequences or economies of scale, to centralize. This is particularly true in complex organizations such as large urban school districts, where significant local variation in the needs of individual units such as schools is often present.

There are three distinct types of activities for which the center can add value to its operating units: safeguarding, servicing, and shaping. *Safeguarding* activities primarily serve to protect the entity from threats to its survival, generally with little upside potential. These are the core fiduciary and compliance tasks of the center. *Servicing* activities refer to services that generate cost savings if consolidated. They typically have modest potential to improve overall performance. *Shaping* activities typically reflect the primary strategic rationale for the center and most impact the organization's core businesses and their performance. These activities could include providing strategic guidance to the units, setting expectations and managing their performance, building core capabilities

across the system, and promoting synergies across the units. As they have significant potential to create or destroy value and exponentially impact attainment of overall goals, the center's role must be chosen carefully.

For all the activities in each category, the potential benefits of retaining control in the center, given its strategic mandate and relative capacity, can be weighed against those associated with devolving control over decision making to the operating units, which are closest to the needs on the ground.

Simply identifying the key activities to be controlled by the center, however, does not fully inform the role of the center in providing each activity. Certain services controlled by the center could be delivered by third parties through a contract arrangement (which the center would manage); alternatively, for activities controlled by the units, the center – depending on its relative capacity – could serve as one of several eligible providers of that activity.

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Safeguarding

Safeguarding activities protect an entity from threats to its basic survival, but generally do little to help achieve the organization’s performance goals. In the private sector, these might mean handling financial distress, major lawsuits, reputation problems, or criminal problems. As they implicate core fiduciary or compliance responsibilities, the center nearly always owns these activities.

School districts face an analogous set of regulatory, financial, and political “threats” that must be rigorously monitored and actively managed. Specifically, districts need regular processes for setting, and ensuring compliance with, both internal and external policies or regulations – for example, use of funds, special education programs, workforce provisions – to avoid risk of lawsuits. Moreover, in light of state accountability systems, districts must effectively

and consistently measure performance of their schools. They also need transparent financial reporting and controls in place to prevent budget-driven interruptions to ongoing operations. Finally, they also need effective external relations and communications functions to ensure consistent messaging to, and proper engagement of, key stakeholders, particularly those members of school boards or other oversight bodies, parents, or other local leaders with significant influence on the district’s strategic direction (and its leadership, in particular).

Given their critical importance to the basic existence of the school district (and risks associated with variances in their approach), these activities are uniformly controlled, and nearly always delivered, by the central office of school districts.

Servicing

Servicing activities derive their primary benefit from aggregation across the system, but their execution generally has limited potential to impact key performance goals. As such, there is a presumption that the center should control their provision as the benefits of scale typically outweigh any benefits

accrued through empowering individual units. These include activities that, when aggregated, are more efficiently performed for at least the same quality, or those that can only be done cost-effectively when aggregated (e.g., various procurement, human resources, or information technology functions; transportation; food services).

For such activities, corporations typically create internal “shared services” functions (if they believe they have significant internal capacity to deliver it effectively) or manage a contract with a third party (if they believe costs associated with developing requisite internal capacity are not justified). There is an emerging trend in “professionalizing” shared services through service-level agreements (SLAs), which incorporate key performance indicators (often made easier by the transactional or operational nature of such activities), or other accountability provisions.

School districts regularly aggregate demand across their system – and in so doing, enjoy scale benefits – by controlling a wide range of key servicing activities, such as those related to human resources (payroll processing, benefits management), information technology, transportation, food service, and procurement. However, except for transportation and food service, large urban school districts are much less apt to manage contracts with third-party providers for servicing activities. More important, perhaps, even fewer large urban school districts have established clear metrics to manage the performance of their service providers (whether internal or exter-

nal). A notable exception is Oakland Unified School District (OUSD), which utilizes a set of operating performance metrics to evaluate all of its central office functions and service providers.

Shaping

Shaping activities typically reflect the primary strategic rationale for the center and most impact (or “shape”) the organization’s business units and their resulting performance. The center’s role in shaping activities typically shows the greatest variance, as effective corporations or other large organizations strive to define only a few areas – often called “centers of excellence” – in which they can truly add value to their operating units. Most often, corporate center shaping activities revolve around the top talent development, business performance management, and mergers and acquisitions. Other activities, such as staff selection, training, and development, are often managed within business units.

In most large urban school districts, on the other hand, a broad set of key shaping activities – ranging from staff recruitment, selection and place-



ment, professional development and training student supports – remain the dominion of the central office. In fact, most districts do not differentiate between the control needed for safeguarding and servicing activities from that most appropriate for shaping activities. Of course, there are many shaping activities – such as intervening in low-performing schools, managing a school portfolio to ensure appropriate options, creating a pipeline of talented applicants, managing the performance of school leaders – which should remain under control of the central office, in nearly all cases, for strategic and/or scale reasons. But for the remaining activities (which potentially could be controlled by either central office or the schools), there is an opportunity for district leaders to rigorously examine and, based on the district’s relative capacity and strategic mandate, identify the narrow set for which the central office can provide significant value to its schools.

It is important to address mechanisms that align incentives with these organizational structure changes, inculcate the changes in employees, and drive accountability for the changes across the organization.

As mentioned earlier, several large urban school districts have empowered their schools to control provision of select shaping activities, which significantly changed the role of their central offices. For example, since 1994, Edmonton Public Schools (EPS) has provided its schools with significant control over their budgets, including the ability to select from various services and providers. In response, the district’s central office was renamed Central Services, which continues to provide teacher professional development and student assessment tools to schools, in competition with outside vendors. Similarly, the New York City Department of Education (NYCDOE) enables its school leaders to select the provider for a suite of teaching and learning functions, including instructional coaching, professional development, and student supports, from among a set of external and internal options (to create the latter, NYCDOE transformed key portions of its Teaching and Learning department into independent Learning Support Organizations to compete with one another and other providers). In both instances, however, the central office retained control of key shaping activities, such as setting curricular guidelines, managing accountability of schools, developing knowledge management opportunities, and building a pipeline of qualified teachers and principals, for which it determined it was best positioned to add value to its schools.

Rigorously determining the appropriate role of the central office in the provision of key activities in each of these three categories can be a critical step to ensuring that the strategic mandate of the central office is actually put into practice.

Design the Formal Organizational Structure and Key Supporting Mechanisms

A well-defined strategic mandate for the central office can provide clear criteria to redesign its formal organizational structure accordingly (e.g., Which activities should be grouped together? Who should report to whom? Are staffing levels of central functions aligned with revised strategic role?). It is equally important, however, to address mechanisms that align incentives with these organizational structure changes, inculcate the changes in employees, and drive accountability for the changes across the organization.

To ensure clarity regarding respective responsibilities, both NYCDOE and OUSD publish detailed guides for their school leaders, describing the nature and promised output of key services, identifying key contacts for particular services, and outlining processes for customer service. To ensure accountability, the performance expectations for each such service in NYCDOE and OUSD were formalized in SLAs, which detail not only what service levels customers can expect to receive, but what happens if those levels are not satisfactorily met. OUSD, EPS, and other systems utilize feedback surveys of their customers and widely publish their results. Finally, both NYCDOE and OUSD use straightforward selection processes to ensure that artificial “barriers to switching” do not materially depress incentives to perform.

Separately, the central office’s organizational culture – the predisposition of its people to behave in certain ways – needs to be aligned with its strategic role. Such cultural change must begin with clear and regular articulation of the kinds of change the central office desires and visible effort



of leaders to listen to staff reactions. Employees must believe that they have the ability to behave in new ways, which might involve programs to upgrade talent (hiring, replacing, retaining) and/or build capabilities (on-the-job development, training programs, support tools). To promote its new focus on customer service, OUSD supplemented significant training and development opportunities with other “softer” efforts, including a popular T-shirt (modeled on the Oakland Raiders football team logo) highlighting OUSD’s key customer service aspirations, which central office staff could wear on select Fridays. Marrying organizational changes with reinforcing

mechanisms increases the likelihood of achieving culture change.

A thoughtful and rigorous examination of their strategic role – a process which might be revisited every few years – can improve the ability of central offices of large urban districts to deliver strategic value to their schools and, in so doing, achieve their student outcome performance goals.

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