

Challenges of managing an international educational business and building infrastructure

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1. A challenging context

It will come as news to no one that most UK independent schools are facing unprecedented pressure to generate substantial, long-term income streams. This pressure is compounded by a number of significant challenges. These include competition for talented students (which helps ensure that the schools do well in the examination league tables), not only from other independent schools but also from rapidly improving non-fee-paying state schools. At the same time, whilst their overheads (including teaching staff salaries) continue to rise, the ability to increase school fees is limited and parents are becoming increasingly demanding as regards the quality of the schools' facilities.

However, UK schools are particularly fortunate as they are now in a position where there is a real appetite for British education in developing markets, particularly in the Middle East and Far East.

As a result of these challenges and growth opportunities, the business models of many UK independent schools are undergoing a transition from traditional schools to international educational businesses. Whereas historically these schools have relied upon income from tuition fees generated in their local catchment areas, where the brands are well known and well respected, they are now looking to develop internationally renowned brands capable of generating substantial revenues from international operations, including not only traditional tuition but also educational technology and consultancy.

Over the coming years, the challenge for UK independent schools will be to compete with established international educational businesses and the substantial income they generate from their international footprint. Many schools are considering international expansion and have been approached by potential international partners.

Choosing international expansion is obviously a key component of broader strategy formulation. The portfolio of strategic alternatives for the decision-makers in schools includes improving their existing operations and reducing their cost base;

expanding into new markets such as nurseries and early years; introducing added value services, such as EdTech, which improve efficiency; and entering foreign markets.

2. **Careful planning is the critical success factor**

Given this competitive landscape, how can a school increase its chances of being successful in achieving international growth?

In a survey we have conducted on over 40 independent schools that have embarked upon international growth, we have identified the characteristics typical of those schools that are successful, and of those that have encountered substantial difficulties or failed.

The survey reveals the following key success factors:

- understanding the school's current limitations and adopting a clear plan as to how to build the necessary infrastructure;
- clear objectives set out in an international business plan;
- conduct of appropriate due diligence on potential partners;
- access to expert advisers with a proven track record in each relevant area; and
- strong implementation due to a well-designed infrastructure.

Essentially, the fundamental questions a school must address in evaluating the international option are:

- Are we ready for internationalisation?
- What is the best solution for our international growth?
- How should we deal with approaches from potential business partners?
- What kind of infrastructure should we develop to support our international expansion?
- How should we progress an approach deemed to be worthwhile pursuing?

In a nutshell, the secret of international success is careful planning in order to outline different scenarios, choose the one best suited to the needs of the school, and minimise risks. Unfortunately, our experience shows that many schools embarking on the international path have not devoted enough time and energy to planning their future.

A thorough and bespoke business plan is the cornerstone of successful planning. We have summarised in Table 1 a top-level outline of a business plan for independent schools.

Table 1: Typical structure of a business plan for internationalisation of schools

Business plan section	Key items
Section 1: Are we ready for international expansion?	<ul style="list-style-type: none"> • SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis • Readiness diagnostic findings • Sustainable competitive advantage(s) for the school
Section 2: The way forward	<ul style="list-style-type: none"> • Mission statement for international growth • Segmentation, targeting and positioning for international markets • Evaluation of recommended options for international growth • Recommended option with strategic rationale
Section 3: Achieving the ambition with a fit-for-purpose infrastructure	<ul style="list-style-type: none"> • Educational vision • Institutional capacity (structure, roles, resources, technology) • Processes • Quality assurance • Financial support
Section 4: Financial modelling of the proposed solution	<ul style="list-style-type: none"> • Revenues (eg, application fees, admission fees, other revenues) • Expenses (eg, teaching staff costs, non-teaching staff costs, utilities, marketing) • Cash flow projections (including project financing)

3. **Are we ready to go international?**

Rigorous assessment of the strengths and weaknesses of a school is the necessary starting point for successful international strategy development. At Baseline we have found five considerations to be particularly relevant in evaluating a school's preparedness:

- *Primary motivation*: what is driving the school to embark on an internationalisation project?
- *Educational vision*: what values, ethos and culture can the school leverage in this initiative?
- *Institutional capacity*: what resources can the school deploy?
- *Financial scope*: what level of cost, contingency and return can be expected from the project?
- *Quality assurance*: what level of control over the project does the school require during its delivery?

Information and data collected in these five areas will help to determine the best approach for the specific organisation. It is extremely important to develop a long-term strategy shared by both the governors and the management of the school: failure to do so will dramatically undermine the chances of success.

4. Which strategic options are available?

In the business plan, governors and managers must agree on the long-term international strategy of the school, choosing the best approach between bricks and mortar campuses, the delivery of unbranded educational consultancy services to local schools (eg, curriculum development, design and set-up of state-of-the-art science labs, recruitment of English teachers), and the so-called 'EdTech' option – that is, the development and sale of educational technology products.

Each institution will require a customised plan, and one possibility is a multi-generational plan that puts the different options in a logical sequence fuelled by the success of the initial bricks and mortar campus. For example, once an international school is established in the new country it could serve as a springboard for the development and sale of educational technology products that can be used to penetrate less accessible regions. In addition, the international school might provide the opportunity for the school in the UK to overcome entry barriers to new income streams – for example, running bespoke summer courses for the students of the 'sister' school.

This is why it is so important to get things right for the first campus.

5. How to get things right

There are two important elements in the successful implementation of the school's international business plan: a clear roadmap combining legal and management consulting support to minimise the potential risks in selecting the local partner, and the creation of a fit-for-purpose infrastructure.

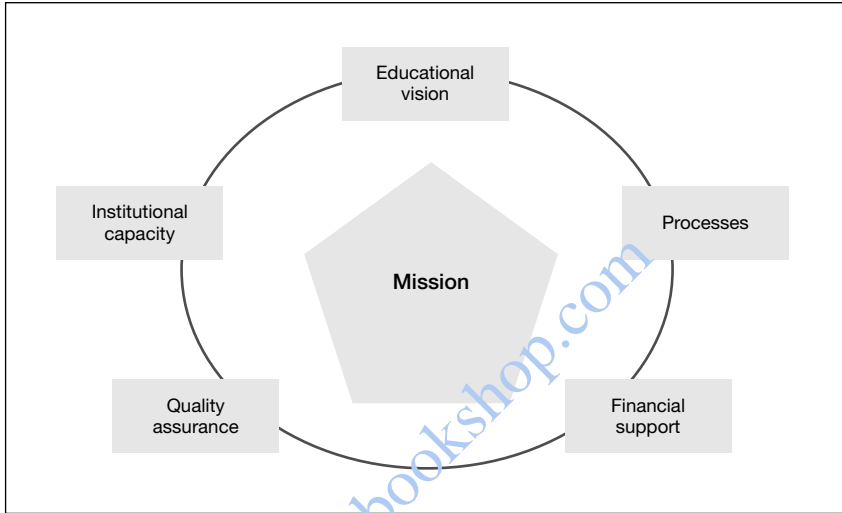
Typically this will start with an engagement letter between the school and its potential partner, which allows an initial exchange of aims and priorities and some basic due diligence. If that goes well then a Memorandum of Understanding might be entered into, outlining the essence of the commercial deal and the legal structure. The next level of due diligence on both the partner and the project is usually undertaken at this stage. This may be followed by either a Heads of Terms or the actual binding legal documentation, depending upon the preferences of the parties and the detail of the Memorandum. At each of these stages it is important to try to maintain a cost neutral position for the school and to understand the managerial and other resources required to take the next step.

The development of the business plan for the school and its subsequent implementation is also a crucial stage. Complete clarity as regards both timing and the obligations of each party is essential, as this is where some schools find that they are disadvantaged financially.

Combining a legal and business angle in an integrated solution helps the school adopt an appropriate risk profile that reflects its resources and strategic objective. We find that it is essential to build a matrix cataloguing all potential risks, their causes and potential impact, an appropriate mitigating strategy and detailed action points.

Once this is done it is essential that the school develops the right infrastructure for its international business – an efficient and effective operating model that will make the first campus scalable, profitable and properly controlled. The elements to evaluate are the same as those mentioned in the readiness diagnostic presentation:

Figure 1: School infrastructure building blocks



This is an extract from the chapter 'Challenges of managing an international educational business and building infrastructure' by Mark Abell and Edoardo Monopoli in Educational Institutions: A Legal and Regulatory Handbook for Setting up Overseas, published by Globe Law and Business.