

INTERNATIONAL SCHOOLS

SUPPLEMENT TO TEN TRENDS 2017/18



A Beginner's Guide to International Expansion

In this guide, **Russell Speirs, CEO and Founder of RSACademics**, provides guidance to schools considering, or in the initial stages of, setting up an international school abroad.

TOPICS COVERED:

- THE PROCESS – STEP BY STEP
- PARTNERSHIPS AND REVENUE MODELS
- THE PARTNER
- GOVERNANCE
- QUALITY ASSURANCE
- RISK
- PROFESSIONAL ADVICE SERVICES



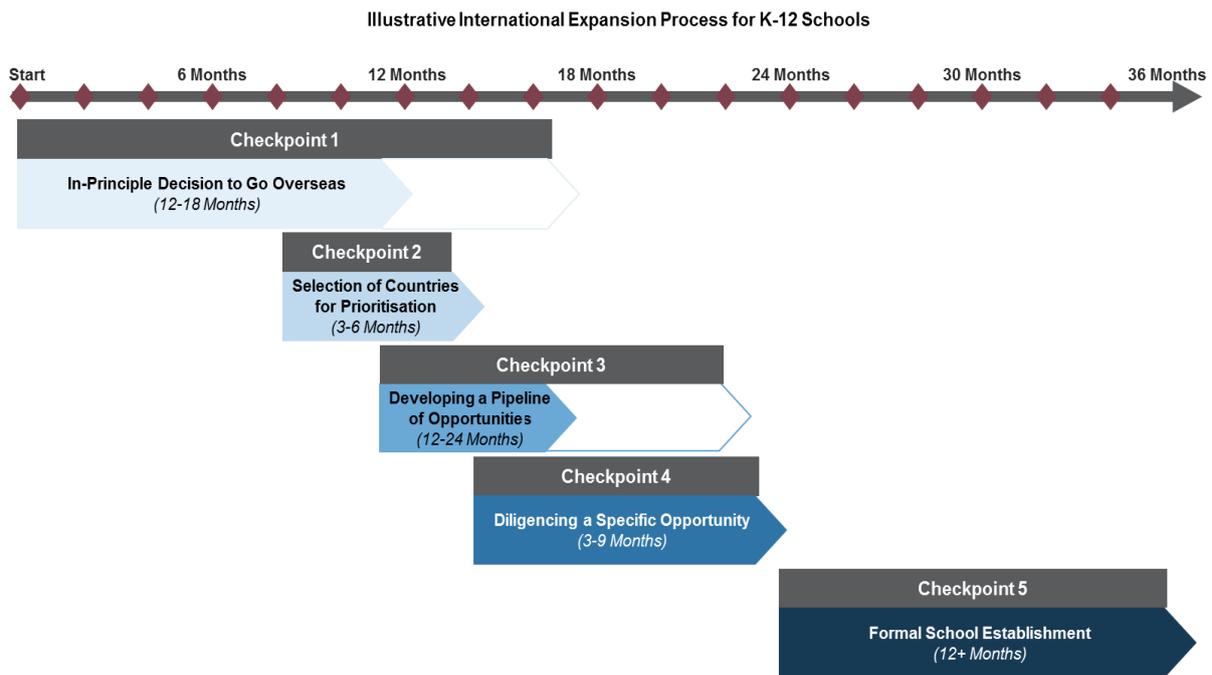
This Guide is a supplement to the **Ten Trends 2017/18** report, **Trend 3 'The Internationalisation of Education'**. For more information about the full report, visit:
<http://www.rsacademics.co.uk/publications/ten-trends-201718>



THE PROCESS – STEP BY STEP

The timetable below has been produced by the Department for International Trade (DIT) for British schools considering their international expansion options who wish to have an idea of how long the whole process can take and what the various stages might involve. It is worth noting that one of the phases which takes the longest is the process which the Governors need to go through in order to make the decision, in principle. Without the full backing of the Board, such a move should not be considered, and it may take some time before the Board of Governors feel they have all the information they need and have had the time to consider and discuss it.

We would also add that the process of “diligencing” (a combination of conducting due diligence on an investment partner, gathering market intelligence and scrutinising the key elements of any financial negotiation and business plan) can take considerably longer than 12 months if, as is very often the case, it needs to start again and be repeated when an attractive-looking deal or seemingly reliable partner slips from one’s grasp.



SEEKING PROFESSIONAL ADVICE

Of course, any school which is considering embarking on this route should talk to other schools which have trodden the same path and take professional advice from experts. There are many sources of specialist advice and some of the main providers are listed at the end of this guide.

PARTNERSHIPS AND REVENUE MODELS

Schools have developed a variety of partnership and revenue models, often depending on the stage of maturity the venture has reached or the level of ambition when first setting up. The clean 'services and licensing agreement', whereby the home school receives an annual management fee in return for services provided, has much to commend it for a school starting out.

Schools may also enter into a joint venture with a partner or intermediary or, further down the line and once a chain of schools has been established, set up an operating company. The latter generally at some considerable cost, but with the potential for significant long term returns through a future stock market listing.

The operating company may be a subsidiary of the home school itself, or a separately owned venture paying an annual return to the home school. Ownership of the partner school may reside with the investor, the developer, the operating company or a separate holding company that sits above or alongside a wide possible permutation of the entities described.

Below is a brief summary of the main ownership and management parameters along with the pros and cons of different approaches:

Type of relationship	Description	Advantages and disadvantages
Equity Stake	The home school puts up a proportion of the initial investment to build the school. This is extremely rare (Marlborough College Malaysia may be the only example).	Higher risk but higher return, full operational control. Substantial capital investment and extensive local knowledge required.
Trademark license	The investor purchases the right to use the brand and the UK school provides a limited amount of input, e.g. provision of a basic curriculum and, in some cases, some oversight and occasional visible presence of key staff members.	Higher possibility of reputational damage, particularly if the trademark gains a high profile and is of poor quality. Relatively low financial returns but much less time and attention required. Best used with an experienced and trusted international school operator.
Managed franchise	The home school allows the partner to purchase the rights to the name and brand, within certain limits. The partner sets up the property company and the operating company. The home school provides high levels of control of the management of the partner school and the	Most frequently used model or variations thereof. Home school keeps relatively high levels of control, and can earn significant sums, but has to make a major time investment. Risk that the local partner may, in time, not need the input

	delivery of its curriculum and ethos. In return, the home school receives an up front fee for the use of the brand (depending on its reputation) and an on-going fee, usually a % of the school's own income, or in the form of a management fee.	from the UK school can be mitigated by a penalty clause (although this could prove hard to enforce in some jurisdictions).
Operating company	Either the home school itself or a third party, or a combination, creates an Operating Company, which holds a high level of control over the project as it runs the school day to day. The UK school may own a share of the operating company, not necessarily requiring any financial investment.	Higher start-up costs but less risk of attention drift for the Head, Chairman and Bursar. Usually only considered by schools that already have an international programme that is up and running. Possibility of selling on operating company.

THE PARTNER

Finding the right partner is the key to a successful venture. Generally, partners will be investors of one sort or another, often asset managers, sovereign wealth funds or property developers. The best, in addition to wanting to make a return to their equity partners, will want to raise standards within their local educational community, perhaps with a touch of altruism and good citizenship as motivation, and they will be in it for the medium to long term. Home schools will want to assure themselves of the ownership and status of the proposed site, the mechanism for financing the project and the partner's long-term strategy.

Of course, it is not easy to find the right partner and generally a multi-pronged approach is required. The law firm, Bird and Bird, suggests three main routes in their 2016 supplement to Independent Education Today magazine:

- The school's professional advisors may know of potential partners through their work and advice for other schools or via other sources
- The DIT has a list of potential partners who have approached them or otherwise made them aware of their interest in working with a UK school
- The local partner contacting the UK school (which they cite as the most common source of partner) because the school "publicises the fact that that it is considering international growth".

In our discussions with UK Heads, Bursars and Development Directors/Deputy Heads with responsibility for international ventures, the choice of the right partner was clearly central to the success of a project.

'It is also worth noting the impact of the sponsor – for example we had an Indian partner in the UAE who gave half of his money to Indian charitable projects. The key challenge is choosing a sponsor who values this international mix and outlook – not just a property developer who wants a return'. –Head of a UK group of schools

We asked what the investors might be looking for from the UK school and it was clear that, in most cases, they wanted to take the ethos of the home school and clone this abroad for both local and ex-pat children. It was emphasised that there must be clarity between both parties as to each other's responsibilities:

'Investors need to capture the essence of our brand – but also need to be careful of not over-promising and under-delivering. There have been many mistakes in Dubai with a flag-planting view of UK education'. –Director of a group of schools

GOVERNANCE

In addition to the host school providing quality assurance, we were told that establishing an effective Governing Body for the school abroad is essential but challenging. In the UK, schools can draw on alumni, ex and current parents, ex and current Heads and well-wishers of the school to put together a Governing Body with a range of skills and experience to support and challenge the senior leadership. However, for schools abroad many of which may have been founded quite recently, it is harder to build a Governing Body with the right skills and the correct motivations given that parents – particularly ex-pats - are itinerant and in many countries there is little experience of altruistic governorship.

Governance of the kind UK schools are used to, namely via an extensive board of unremunerated directors working to sustain a range of charitable objectives, is not a model that is seen in international schools that have been set up with the support of a UK franchiser, or equivalent. Generally the investor with the leading proprietorial interest will act as the chair of a small group of advisors, though partner schools are now beginning to exercise a much stronger influence on such groups through a variety of models as the ventures mature. Close cooperation and good relations with the local regulatory authority are key.



The challenges that Heads face in these situations are well documented in our own report entitled **The Art of International School Headship** which can be downloaded for free from <http://www.rsacademics.co.uk/publications/art-international-school-headship>.

The following comments are taken from **The Art of International School Headship**:

"This is incredibly complex in my situation. I have five different groups that I report to and communication between those groups relies on me. Formal documentation that defines how these groups work together and interact is sketchy." - Head of a British franchise school in S E Asia (which has been operating for more than 7 years)

"The big issue, in my view, is Governance. The quality of this varies enormously. With some notable exceptions, it is generally not good. The challenges come equally in some of those schools owned for profit (which make up 80% now), and in others dominated by parental governance structures. Boards too often lack clear structure, or fail to develop it as they grow and change; some lack clear procedures and records; some even lack any clear written rules or articles."

- Head of an international school in S E Asia

QUALITY ASSURANCE

It became very clear from our discussions that quality assurance of the educational provision of the satellite school is central to the success of the project.

"Quality Assurance (QA) is the biggest challenge of all and the hardest to get right. The biggest concern of our investors is that the local Principal doesn't deliver. QA starts with the recruitment of staff. International recruitment fairs are the worst way to find staff – with their speed dating approach. You then need training programmes in the UK where newly appointed staff experience the host school – that's expensive for travel. We monitor closely with 4 visits in the first year with a particular focus on subject inspections. This is much more detailed than a typical ISI inspection and it's all about exchange of ideas rather than imposition. We also crawl all over the academic and financial results. As the school grows bigger this level of scrutiny becomes more difficult. At our school abroad, a large proportion of our teachers are UK passport holders. The key challenge is standards – ensuring, for example, that the staff buy in to the pastoral care aspect of the school. We have had international teachers move to the host school in the UK and this sort of transfer helps greatly with links."

- Head of a UK school with a satellite abroad

It was also mentioned that schools often did not fully appreciate the costs, financial and in terms of time, which quality assurance requires. This sometimes is not factored into the initial business plan and then it comes as a shock to Governors when the financial return from the school abroad is considerably reduced owing to these unforeseen costs.

"In some UK schools there is a lack of understanding of the management oversight required. They may just give it to the Bursar!"

- Head of a UK international school

So, the time involved is not to be underestimated. Whilst the Head and Chair of Governors will be vital for key duties and wider ambassadorial functions, they must be protected from the day to day 'to do list', which becomes considerable as a venture grows. Equally, the level of expertise and specific knowledge required means that few members of the home school staff will be suitably prepared to undertake these functions.

A good starting point is to seek specialist external advice in the early stages, and then, once a venture is more mature, consider adding a permanent employee to the payroll to fulfil the range of quality control and wider duties that will be expected of the home school. There is, however, a key role for an existing member of the home school staff, namely as coordinator of the multiple educational and cultural exchange opportunities that exist once the partner school becomes fully functioning. In order to succeed these must be set in the context of strong leadership by the Head, to persuade the home school community that the venture will be vital for its future without lessening the quality of education that it provides.

There are also a number of associations which support schools abroad in ensuring quality, for example COBIS (the Council of British International Schools). Its membership standards look at Governance, quality of curriculum, CPD provision for all staff, quality of staff qualifications staff and school development plans. Schools also have to provide evidence of their commitment to Safeguarding and child protection. A COBIS member school's facilities, resources, policies, complaints policies and employment contracts are also evaluated. The standards required to be a COBIS accredited school are high but once schools are members, they are quality assured, currently on a 3 year cycle.

RISK

Whilst there undoubtedly is a commercial and reputational risk for the home school in such a venture, it is not as great as the financial risk assumed by the partner. UK governing bodies should focus their interest on choosing a partner whom they trust, and having done so pay specific attention to the areas of liability, health and safety and child protection when they draw up their 'red lines.'

It is our view that the issue of risk to the UK school is often over-stated. Indeed, there are several well-known examples of international schools which have struggled (for example, one which has had more than 6 Heads in 10 years, another from which the UK school chose to withdraw because of poorly aligned values with the local partner and several others which have failed to meet pupil recruitment targets in the first 3 to 5 years) while the corresponding UK "mother ship" has improved academic and financial performance, passed inspections with flying colours and thrived, by any measure, seemingly oblivious to the problems overseas.

PROFESSIONAL ADVICE SERVICES



Consilium Education is led by a former Head and Director of Finance and Operations, both who have worked in several international schools. They offer a wide range of advice to UK schools, from curriculum design to finding investment partners and developing business plans, as well as initial consultations with Boards. www.consiliumeducation.com



EduReach Ltd is one of the most experienced firms in the field, working with UK independent schools throughout the process of setting up and running an international campus. They are behind successful projects in the Gulf, Thailand and China and have their own approach which differs from Consilium. www.edureach.co.uk



ISC Research Ltd is the leading provider of market intelligence in the international schools market. Their regional and national reports will prove invaluable at different stages of the process, as will their advice and consultancy, based on over 20 years in the international education sector. www.iscresearch.com



Veale Wasbrough Vizards – Doug Locke is the Partner at VWV who advises independent schools on international trademark protection, often considered a crucial first step. He and other colleagues can provide advice on all stages of contract negotiation, drawing on considerable experience and working with their international network of lawyers. www.vwv.co.uk

RSacademics Ltd – provides support for the search and selection of school leaders and senior staff, including Founder Heads, the appraisal and coaching of senior staff and advice and training for governors. Various other forms of consultancy services may also be relevant, most likely once the decision has been taken to establish the school. www.rsacademics.co.uk



Russell Speirs is CEO and Founder of RSacademics and leads our international schools consultancy.

A graduate of Sevenoaks School, Oxford University and The European School of Management, and a Governor of a 3-18 (K12) school in Europe, Russell has a passion for international education. He leads our team of world-class specialists to support the development of international schools and has worked with over 700 schools in the UK and worldwide.

Find out more about our services for schools: www.rsacademics.co.uk

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