Learning by doing; how to establish a school in China

N.J. Dwyer, October 2016
why?

Mission

• Internationalism
• Expansion

Commercial

• Hedge against decline in overseas students
• Hedge against decrease in government funding
• Investment
International schools in china

Schools for expatriates
• Foreign curriculum – A Levels, IB, AP, VCE, Canadian.
• Sit “outside” the system and generally closed to Chinese students.
• Market is static or declining.

Schools for Chinese students
• Sell a pathway to tertiary study overseas.
• Offer national curriculum + international program at 10-12
• International programs are being phased out of govt. schools leaving the field to private schools
Private schools in china

• Encouraged by the national government & permitted to make profits
• Sit “inside“ the system – regulated by provincial education departments and supervised by district education bureaux with “input” at county level.
• Generally invested by local investors.
• Most possess Chinese characteristics (leaving room for schools with credible international connections).
• Market is growing fast.
• Many use “international education as their point of distinction”
Establishing a school in China
- Pre-requirements

- Cultural knowledge – understand how China works & how to work in China.
- Brand attracts support.
- Relationships (guanxi).

…”time in China” is invaluable
In China, the partner makes it all happen…but it’s your job to make sure it happens for you. Be sceptical and trust no-one for the first five years!

Requirements:

- Financial strength and probity
- Good *guanxi* at government level
- Long-term relationship (delay returns)
- Aligned agenda
- Strategic input but “hands-off”
Structure

Need to ensure that:

• Ownership respects Chinese law,
• Operational control remains with Australian school,
• Returns (profits, licence fees, etc) can be repatriated cheaply,
• Risk of partner default minimised.
Market credibility requires a high level of international staff which is expensive and means that fees will be at the premium level. Choose only large markets in China that can afford such fees – Tier 1 & 2 cities. To minimise risk, locate near a hub: Beijing (JingJinJi), Shanghai, Guangzhou (Pearl River Delta), Chengdu. There still appears room in all these markets.
FINANCE

Go “asset light” – partner to finance fixed assets, which will then be serviced from cash flow.

Your share of initial working capital could be as low as $A 0.5M.

Payment of tuition fees up front plus discounts for early payment support a positive cash flow as the school expands.

Aim to break even in three years, with initial investment fully recovered in five years.
management

How Chinese?

Australians in a Chinese organisation.

Support and communications back home.
Sales & Marketing

Understand local channels: newspapers are out, *WeChat* is in, along with events, joint-marketing, and penetrating schools.

Agents are important, but build the so that you can phase them out.
Staffing

The “mix”:
• Home campus staff,
• Australians
• Internationals
• Bilinguals
• Chinese

Is there a boundary?
the cultural challenge

The knowns and the unknowns: Unconscious racism and arrogance
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Thank you
TITLE

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