



Growth with Integrity: Managing Growth and Quality in a Global Market

Professor Jeremy B. Williams

www.jeremybwilliams.net

Chief Academic Officer, Knowledge Universe Education

Adjunct Professor, Queensland University of Technology, Australia;
Reims Management School, France; Universitas 21Global, Singapore

Working Forum on Managing Performance in
Multi-Site Early Childhood Organizations

Kauai Marriott, Hawaii, USA
October 22-24, 2008



Themes to be discussed in the next 30 minutes or so...

- ✧ ***The economics of ECE***
... why it makes sense now and into the future
- ✧ ***The quality of ECE***
... what modern learning theory tells us
- ✧ ***The business of ECE***
... prospects and pitfalls
- ✧ ***The sustainability of ECE***
... the need for checks and balances

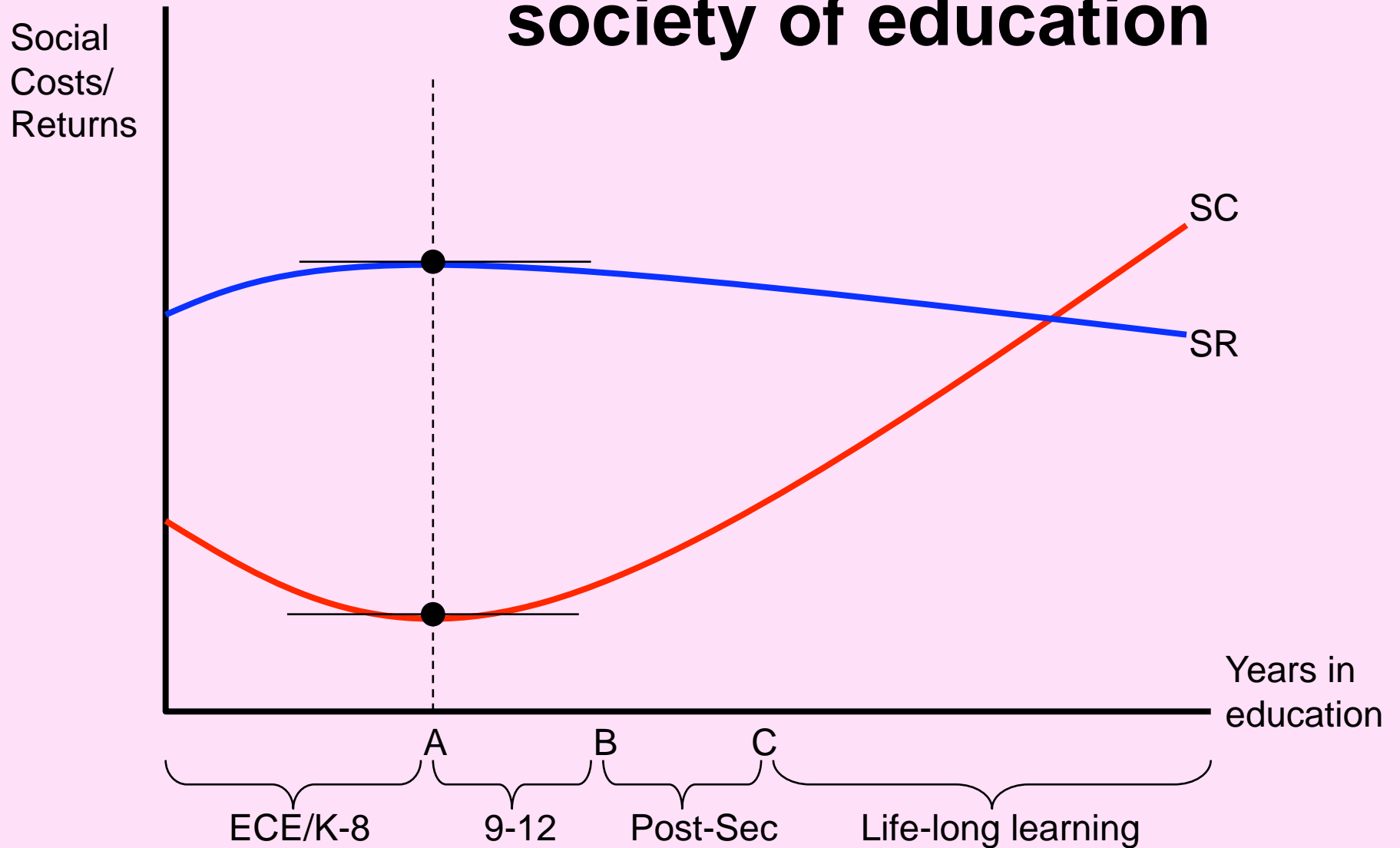
The economics

James J. Heckman

The best evidence supports the policy prescription: invest in the very young.



The net benefits to society of education



END POVERTY 2015

MILLENNIUM DEVELOPMENT GOALS



GOAL #2

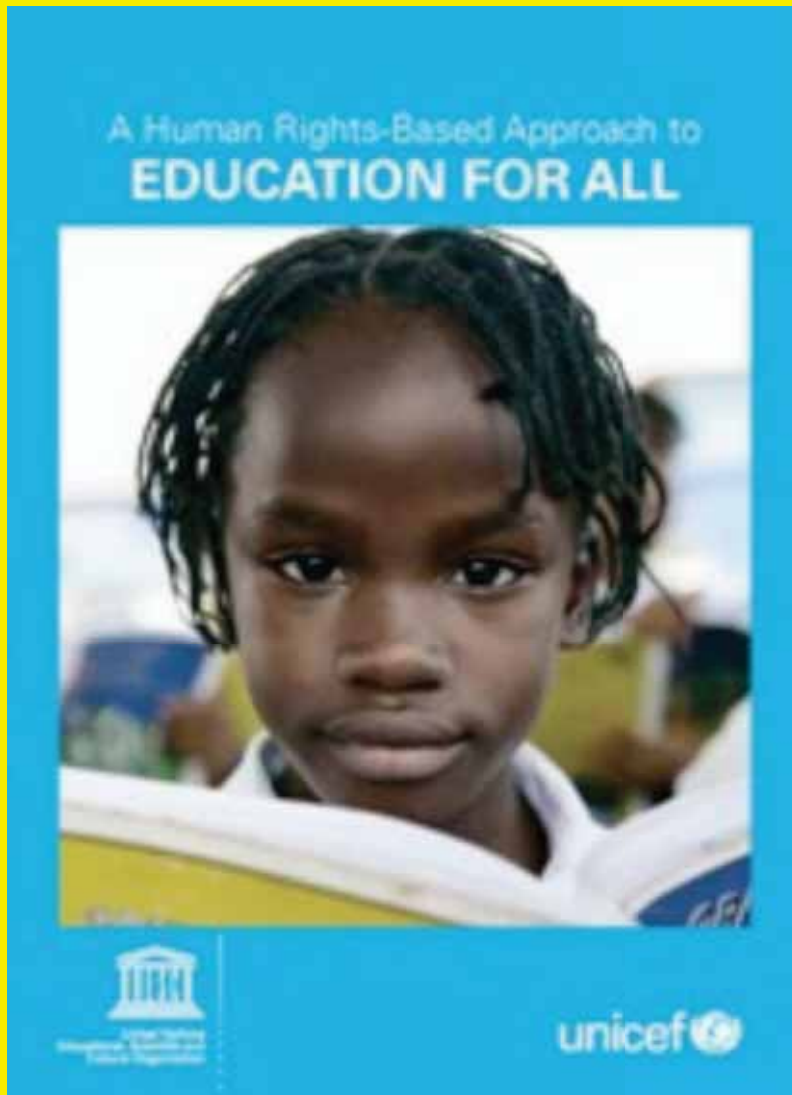
UNIVERSAL EDUCATION



INTRODUCTION

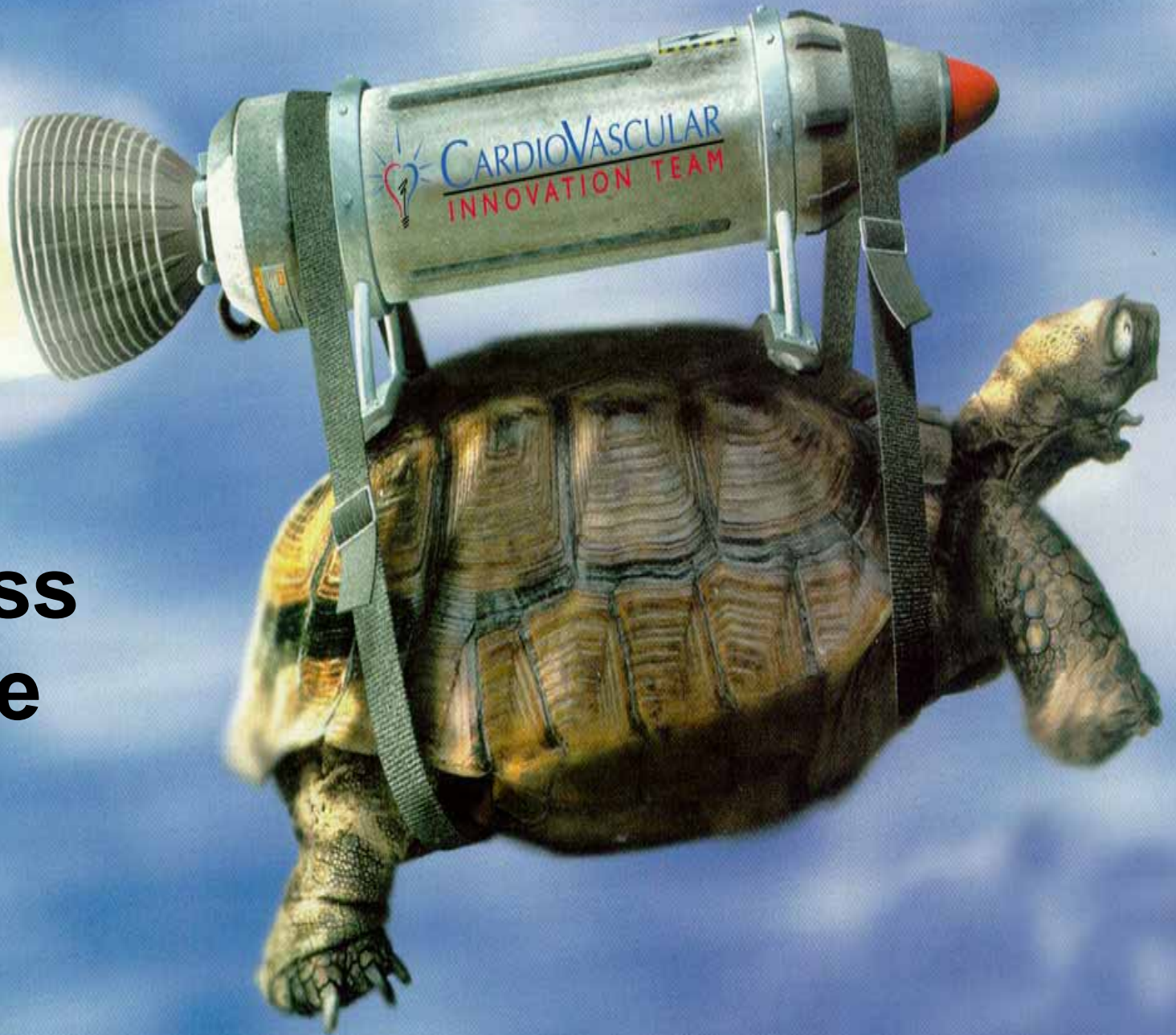
Every human being should have the opportunity to make a better life for themselves. Unfortunately, too many children in the world today grow up without this chance, because they are denied their basic right to even attend primary school. A sustainable end to world poverty as we know it, as well as the path to peace and security, require that citizens in every country are empowered to make positive choices and provide for themselves and their families.

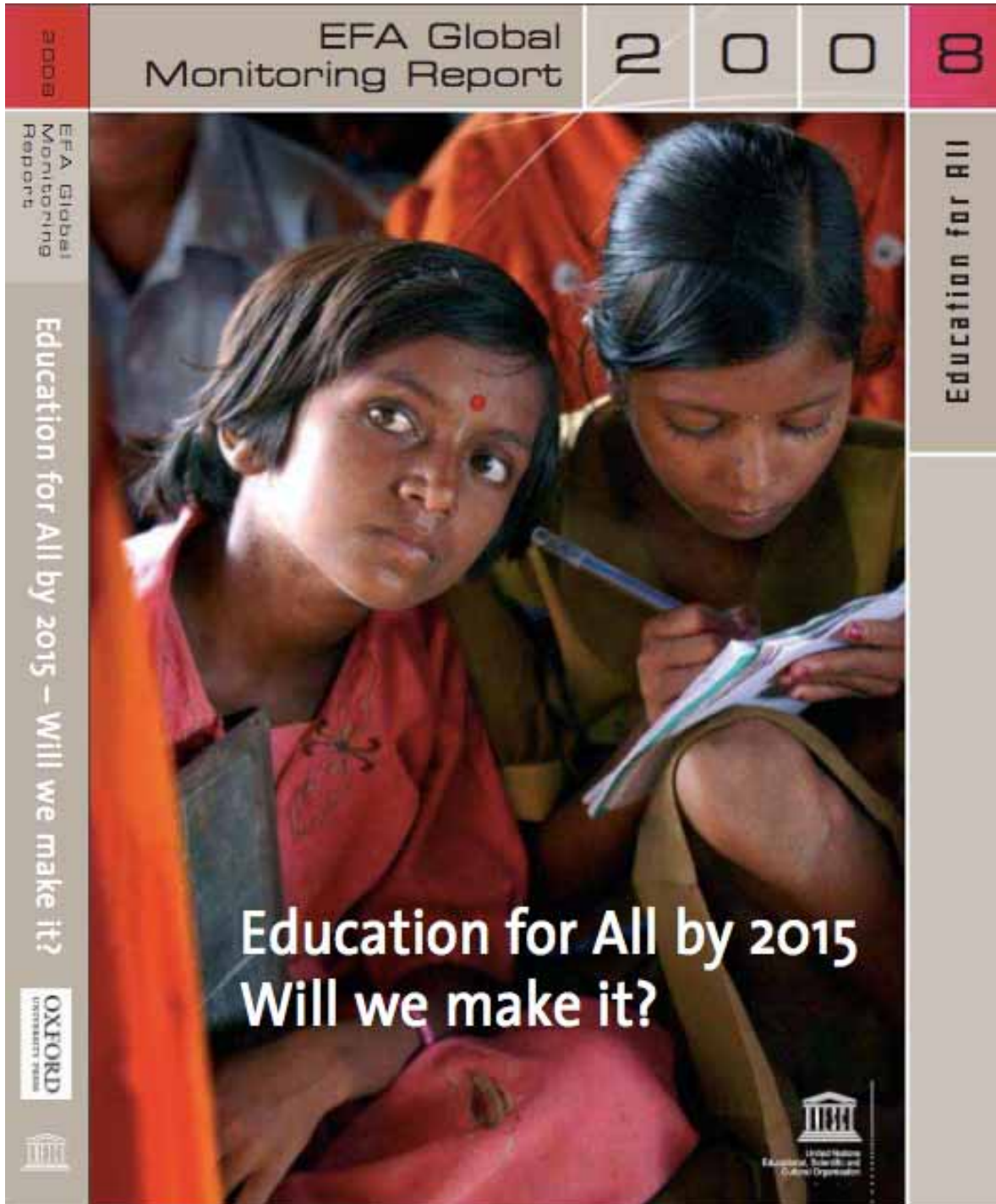
Education for All (EFA) by 2015



- **More than 100 million children remain out of school (Source: UNFPA)**
- **Universal primary education would cost \$10 billion a year**
- *... about half what Americans spend on ice cream*
(Source: Action Aid)
- **Young people who have completed primary education are less than half as likely to contract HIV as those missing an education (Source: Oxfam)**

**Progress
over the
last 8
years?**





- Projected teacher shortage by 2015 ...

18 million



United Nations Educational
Scientific and Cultural Organisation

N° 42 / January – March 2008

UNESCO Policy Brief on Early Childhood

Strategies for Reaching the EFA Goal on ECCE

- The **2008 EFA Global Monitoring Report** stated that *only 53% of the world's countries have ECE programs* for children under three
- These are mostly in North America and Western Europe, Central Asia, and Latin America and the Caribbean
- Sub-Saharan Africa and the Arab States are among the regions that are lagging behind
- Expansion of these services is closely related to rising female employment rates
... need this be the only driver?

Preschool Education and Its Lasting Effects: Research and Policy Implications

W. Steven Barnett, Ph.D.

National Institute for Early Education Research
Rutgers, The State University of New Jersey

September 2008



EPRU | EDUCATION POLICY RESEARCH UNIT

Education Policy Research Unit

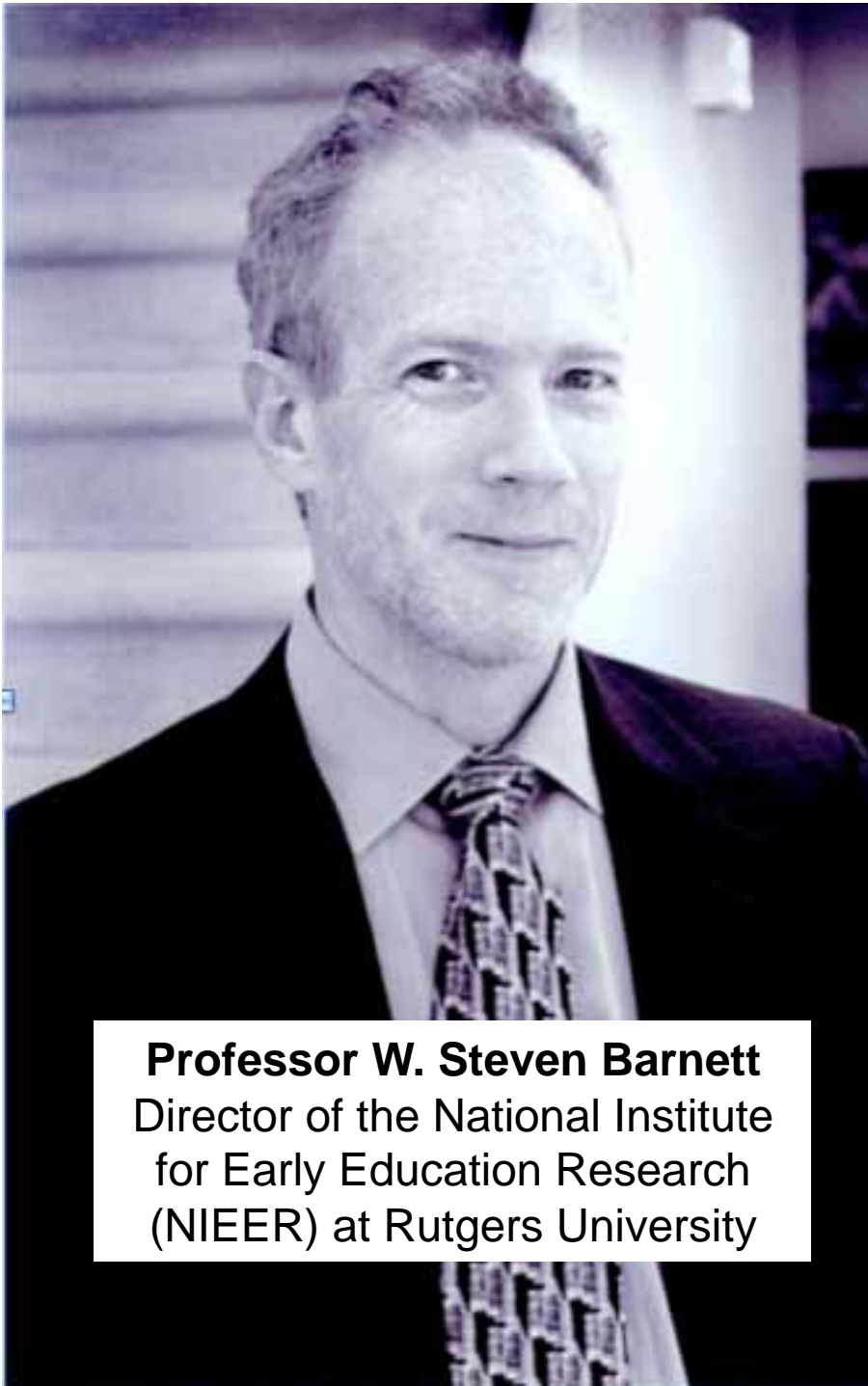
Division of Educational Leadership and Policy Studies
College of Education, Arizona State University
P.O. Box 872411, Tempe, AZ 85287-2411
Telephone: (480) 965-1886
Fax: (480) 965-0303
E-mail: epic@asu.edu
<http://edpolicylab.org>

Education and the Public Interest Center

School of Education,
University of Colorado
Boulder, CO 80309-0249
Telephone: (303) 447-EPIC
Fax: (303) 462-7090
Email: epic@colorado.edu
<http://epicpolicy.org>

• Suggested Citation:

Barnett, W. S. (2008). *Preschool education and its lasting effects: Research and policy implications*. Boulder and Tempe: Education and the Public Interest Center & Education Policy Research Unit. Retrieved [date] from <http://epicpolicy.org/publication/preschool-education>



Professor W. Steven Barnett
Director of the National Institute
for Early Education Research
(NIEER) at Rutgers University

What Barnett (2008) tells us ...

- A **substantial body of research** establishes that ECE can improve the learning and development of young children, effects varying in size and persistence by type of program
- **‘Well-designed’** preschool education programs produce long-term improvements in school success, including higher achievement test scores, lower rates of grade repetition and special education, and higher educational attainment
- Some preschool programs are also associated with reduced delinquency and crime in childhood and adulthood
- *The strongest evidence suggests that economically disadvantaged children reap long-term benefits from preschool*

Published by
Council of Prevention Fund
and the
University of Chicago
Harris School of
Public Policy Studies



“The real question is how to use the available funds wisely. The best evidence supports the policy prescription:

Invest in the Very Young.”

James J. Heckman, PhD
Nobel Laureate in Economic Sciences
2000



J.J. Heckman (2000)
‘Policies to foster human capital’, *Research in Economics*, 54(1), 3-56.

**The economic
debate is over**



<http://www.youtube.com/watch?v=jMRazyRAXhE&NR=1>



The quality

W. B. Yeats

*Education is not the filling of a pail, but the
lighting of a fire.*



A few words from the father of child psychology



Jean Piaget 1896-1980

“Eat it ... it's good for you!”

- The **instructivist** view of education presumes knowledge exists independently of the knower, and that understanding is coming to know what already exists



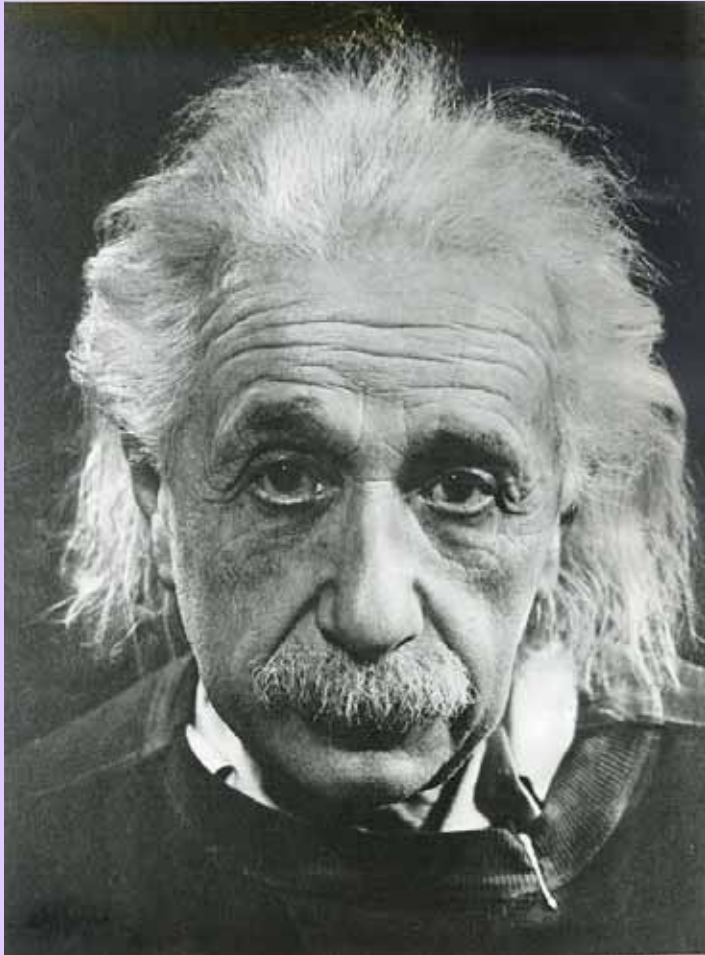
A close-up photograph of a young child's face, focusing on the eyes and nose. The child has brown eyes and is looking slightly to the right. The image is framed with a grey border. Overlaid on the top left is the text "What do you think it is?" in white. In the center, there is text describing the constructivist view of learning.

“What do you think it is?”

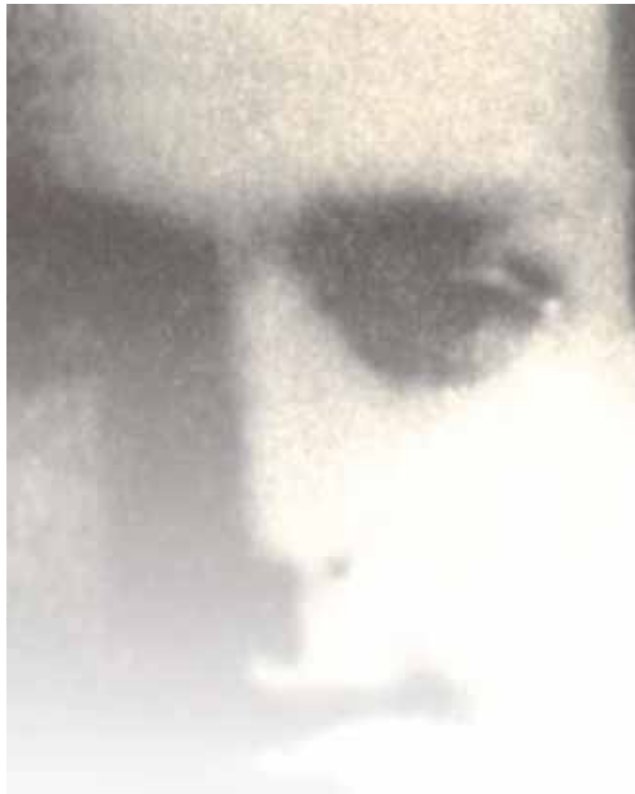
The constructivist view...

... learning is an active,
social, constructive
process

The role of teachers



- “I never teach my pupils; I only attempt to provide the conditions in which they can **learn**”
– Albert Einstein



Vygotsky



Bruner



Dewey



Piaget



Gardner

The theoretical
debate is over.
What about

practice?

The business

Eddy Groves

As quick as it can come, it can go.



The market opportunity

- Feminization of the workforce the major driver
- Public sector/ non-profit provision insufficient to serve excessive demand
- Supply creates its own demand
- Lower barriers to entry

Case study: ABC Learning

- **March 2001:** ABC Learning Centres becomes first listed childcare stock on ASX (with 41 childcare centres) – IPO price \$2
- **September 2002:** Westpac signs up ABC to provide about 1000 places for the children of Westpac staff. Share price rises to \$12.50
- **April 2003:** ABC acquires Melbourne's listed childcare company FutureOne for \$14.6 million. Share price continues to rise, and shares are split four ways
- **December 2003:** Signs an agreement with ANZ to build 14 childcare centres for bank staff
- **September 2004:** Acquires Peppercorn Management to create an \$800 million childcare company
- **October 2004:** \$300 million raising to fund the Peppercorn acquisition oversubscribed by \$100 million.



**Eddy Groves, CEO
ABC Learning
Centres**

Ref:

<http://www.theaustralian.news.com.au/story/0,25197,24472714-5018061,00.html>

“Cradle snatcher”; 11 March 2006



Announces plans to expand by
four new centres a week

Eddy Groves

smh.com.au
The Sydney Morning Herald

Eddy goes global

- **January 2006:** Becomes the *world's biggest publicly listed childcare operator* after snapping up US-based Learning Care for \$213 million
- **June 2006:** Buys 24 Tudor Time centres in southern California for US\$33.7 million
- **July 2006:** Launches \$96.2 million takeover of Hutchison Child Care Services in Australia
- **August 2006:** Buys Texas-based Children's Courtyard for US\$66 million
- **December 2006:** Becomes the *world's largest childcare company with 2100 childcare centres* after paying US\$330 million for the La Petite chain in the US, \$178 million for the Busy Bees chain in Britain and \$65 million to acquire 49 childcare centres in Australia and six in New Zealand from Macquarie Leisure Services.



Ref:

<http://www.theaustralian.news.com.au/story/0,25197,24472714-5018061,00.html>

© Jeremy B Williams 2008



Eddy Groves



Craig Gore



Paul and Andrew Bassat

YOUTH AND BOOTY BRW's YOUNG RICH LIST

RANK	NAME	INDUSTRY	AGE	WALTH CRE	2008
1	Eddy Groves	Child care	40	272	260
2	Angus and Richard Grinham	Fin. services	35 & 37	40	250
3	Shaun Bonett	Property dev.	35	n/a*	220
4	Nicole Kidman	Entertainment	39	190	200
5	Peter Hosking	Manufacturing	39	170	160
6	Craig Gore	Property dev.	39	160	160
7	Matthew and Nicole Perrin	Investment	34 & 33	120	127
8	Ross Makris	Property dev.	36	70	114
9	Paul Bassat	Technology	38	55	99
10	Andrew Bassat	Technology	40	44	98

DN: 04/11/08 14:50K *Debut SOURCE: BRW



- **Early 2007:** share price trades at \$8.80 (equivalent to \$35.20 *cf.* IPO price)
- **May 2007:** Temasek emerges as the second-biggest shareholder in ABC with a 12% stake
- **August 2007:** Records a 75% increase in profit as the first full year of benefits of overseas acquisitions start flowing in

- CEO Eddy Groves is a hero to shareholders, *shares rising in value 18 fold in 6 years*

Ref:

<http://www.theaustralian.news.com.au/story/0,25197,24472714-5018061,00.html>

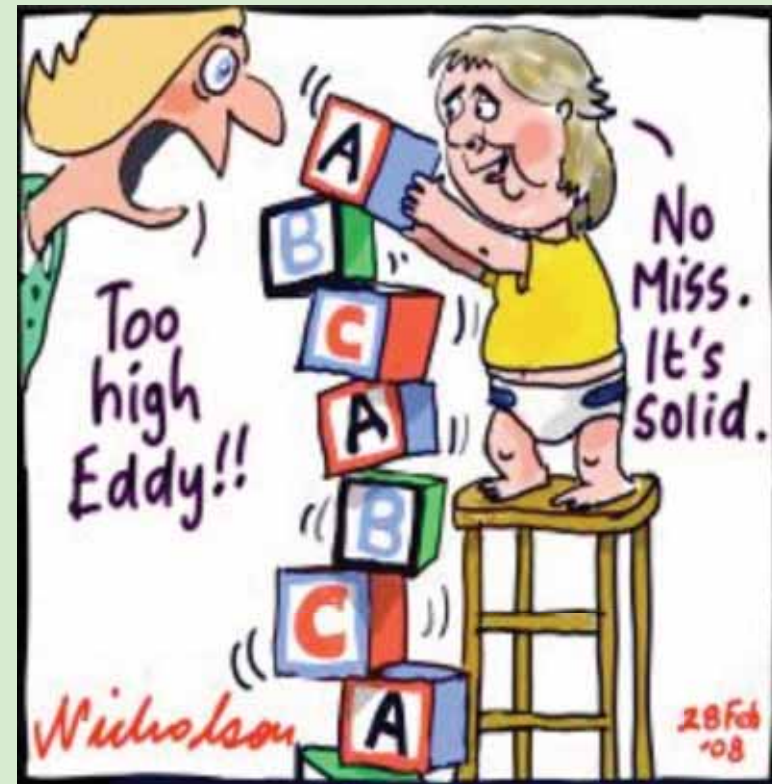
- **November 23, 2007:** Downgrades earnings guidance for the full year, surprising investors, who send its shares down almost 5%
- **February 26, 2008:** Groves admits he and his wife were among ABC directors who had used margin loans to buy shares in the company
- **February 27, 2008:** Directors forced to dump \$52 million worth of shares as mystery investors emerge with the potential to seize majority ownership
- **February 28, 2008:** Temasek increases its stake to 14.7%, buying the bulk of the shares as other investors dump their stock.



Ref:

<http://www.theaustralian.news.com.au/story/0,25197,24472714-5018061,00.html>

- **March 2, 2008:** Groves is in the US trying to find a buyer for the US business
- **March 5, 2008:** ABC confirms it will sell 60% of its US business to a private equity firm and use the expected \$750 million proceeds to pay down debt
- **March 9, 2008:** Groves tells a meeting in Brisbane attended by 1100 Australian and New Zealand ABC Learning Centres operators that the company would continue trading
- **April 22, 2008:** ABC finally seals deal to sell 60% of its US business to Morgan Stanley Private Equity for \$742.71 million




Ref:

<http://www.theaustralian.news.com.au/story/0,25197,24472714-5018061,00.html>



LATELINE.



 <http://www.abc.net.au/lateline/content/2008/s2386769.htm>

“It was ambition, not greed”

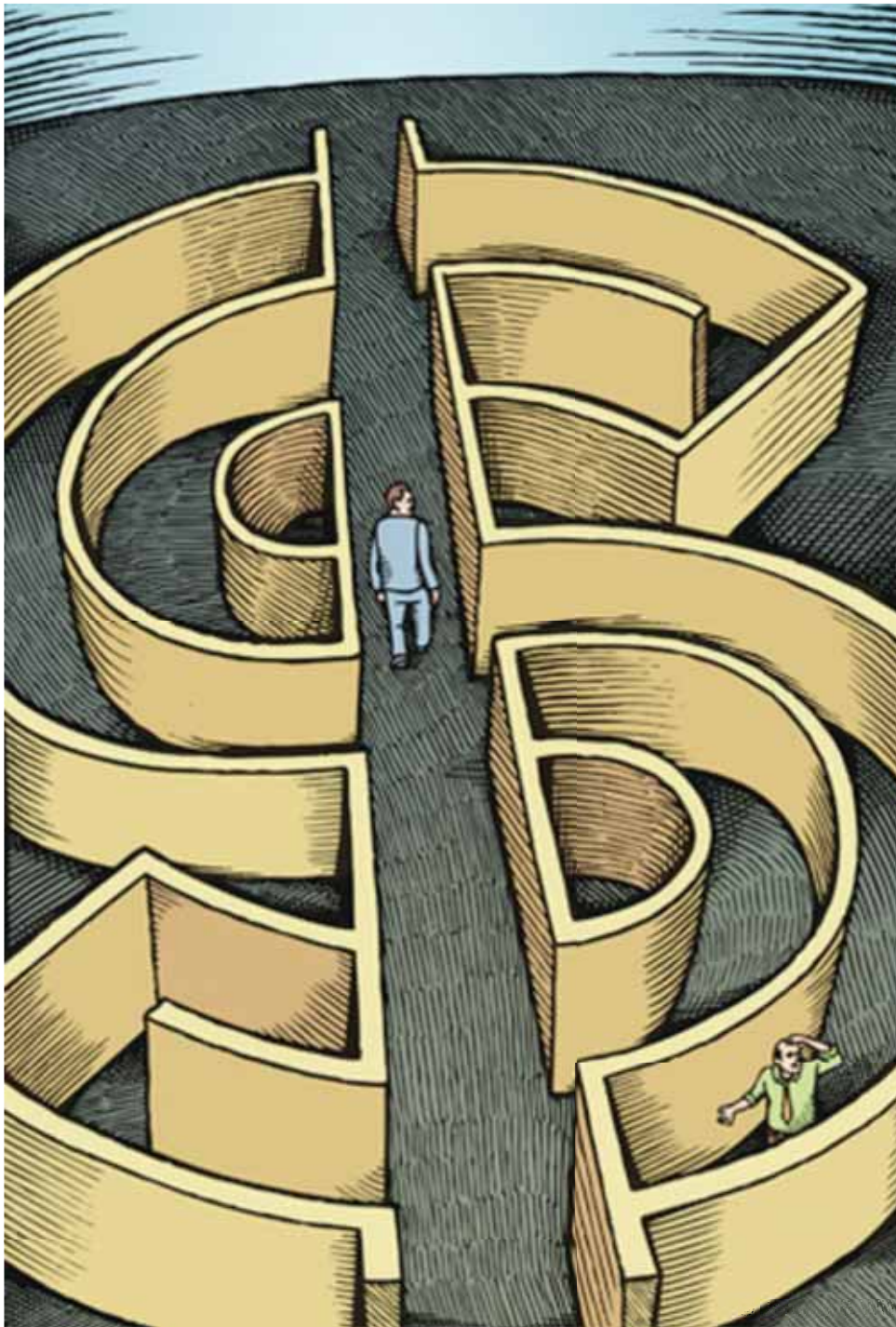
- **July 31, 2008:** ABC unveils a \$213 million write-down and restates its 2007 accounts
- **September 30, 2008:** Groves leaves ABC Learning
- **October 14, 2008:** Says still harbours hopes of buying back into ABC Learning



Ref:

<http://www.news.com.au/business/story/0,27753,24498348-462,00.html>

© Jeremy B Williams 2008



- *“There is an enormous amount of pressure that the public market can put on a company to continue to grow. Even though you tell yourself not to fall into that trap, it’s very difficult not to, because the share price continues to grow, the returns were continuing to grow, and people want you to maintain that pace.”*

- Eddy Groves, 14-10-08

The sustainability

Jeremy B. Williams

It's about quality before quantity.



Reality or rhetoric?

- Are governments really serious about ECE?
- If they are, where is the evidence that they are using their 'available funds wisely' (Heckman 2000)?
- Will blanket increases in ECE subsidies bring about meaningful improvement in learning and development without knowing something about the **quality** of the recipient ECE centres?
- If a government is truly viewing ECE as a **strategic initiative**, might it not want to know something about the educational effectiveness of the ECE provider?

What does a strategic approach to ECE look like?

1. Policy makers will be focusing on replicating ECE models that have *proven their effectiveness*. Typically these models have relatively small class sizes and well-educated teachers with adequate remuneration
2. Teachers in these model ECE programs (whether public or private) will be receiving intensive supervision and mentoring, and will be involved in a continuous improvement process for learning and teaching
3. These ECE programs will be regularly assessing a child's learning and development to monitor the extent to which they are meeting their institutional goals
4. Significantly, the ECE programs will embrace a pedagogy that develops the whole child (including social and emotional development and self-regulation) in order to produce positive effects on children's behaviour, which leads to later reductions in crime and delinquency.

Ref: Barnett (2008)

Priority for the disadvantaged

- In countries like the US and Australia, current public policies do not ensure that the majority of children will attend highly effective ECE programs
- Research clearly indicates that an earlier start produces net benefits to society, yet initiatives expanding access to children under 4 are limited
- More broadly, ECE policy needs to be developed within the context of comprehensive public policy to support child development from birth to age 5 and beyond, with priority for socioeconomically disadvantaged children who are likely to benefit most.
- A truly **sustainable, global** ECE industry (public and private) will also find innovative ways to bridge the education gap in the less developed world.

Thank you for listening

This presentation is available at:
www.jeremybwilliams.net/Presentations.html

Knowledge
Universe