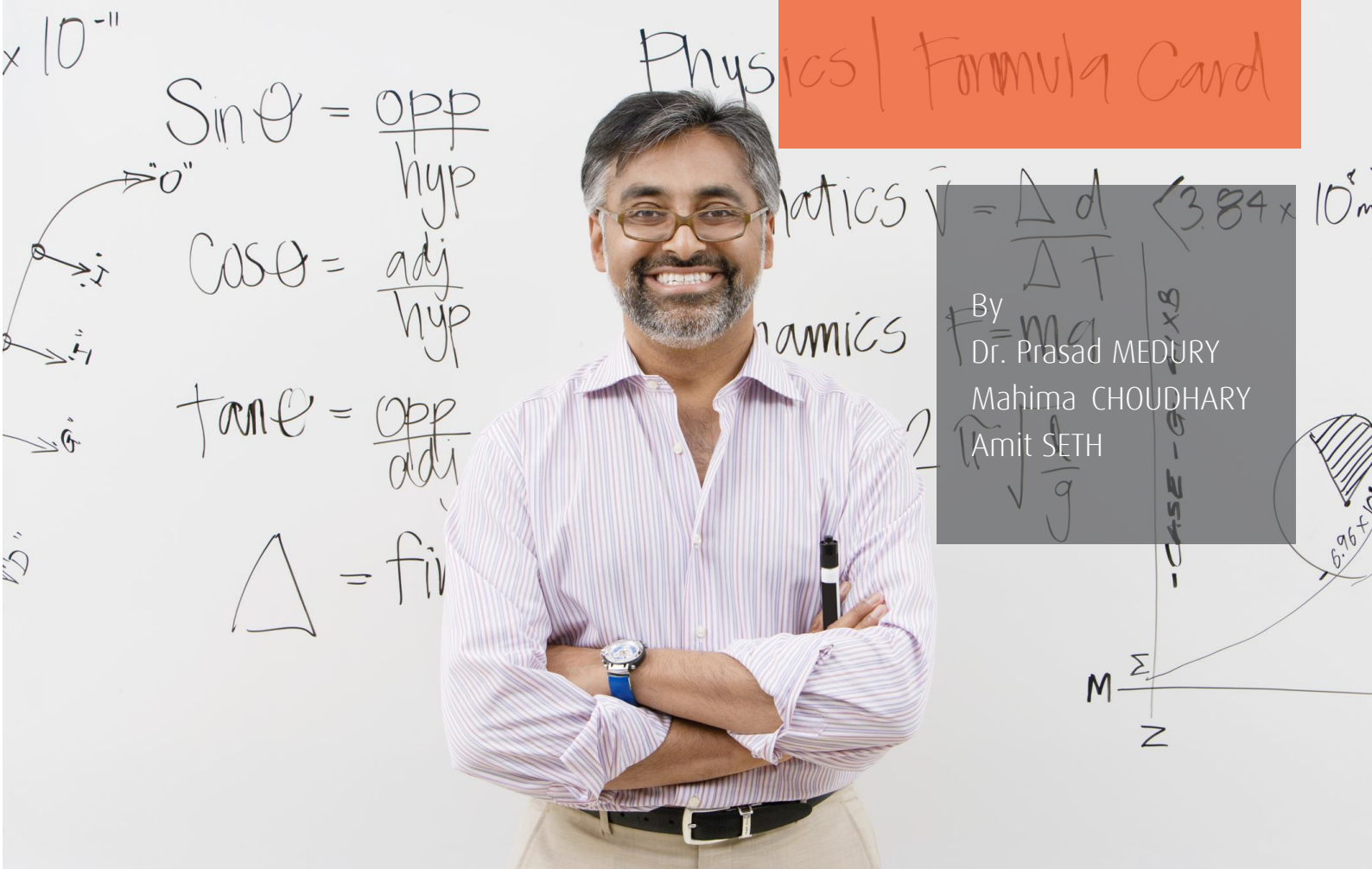


Amrop India What's Next Series

What's Next in Education in India

Learning a
Private Lesson



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Far from playing catch-up with India's policy framework, India's education sector is ahead of the game. Galvanized by private players, the rapid increase in demand for high quality education has transformed the education sector into a 'sunrise' sector. And a new category of demand is driving investment.

Private players were quick to spot an opportunity at K12 level (primary and secondary education), and international schools sprang up across the country. Today, a new segment of Indians is demanding world class institutions in higher education: parents want global education, in Indian conditions, close to home.

It was India's UPA government¹ who first whetted appetites with promises to deliver new, global-standard educational institutions. But with legislation still pending, domestic entities are stepping in to fill the gap.

As a result, higher education has become a hot target for private players. Over the next decade, we expect higher education (K12, vocational and skills development) to become a key investment area for the private sector, even as K12 continues to expand.

As disposable income in India rises, spending on education is becoming a key priority. The world's best global higher education institutions are run in a professional, 'corporate' and profit-oriented way, and equally experienced professionals will be needed to lead India's equivalents.

In this briefing, we explore five key trends likely to impact the future of higher education in India in the coming years.

¹ United Progressive Alliance: a coalition of center-left political parties formed after India's 2004 general election, of which one member is the Indian National Congress

1 The PPP Model is Emerging in the Higher Education and K12 Segments

As the higher education and the K12 segments turn to the PPP model, private organizations or educational trusts will take over the management of government-funded education. This move will be driven by the need to improve the efficiency of systems and processes, and to institutionalize sound governance frameworks. Our conversations in the market reveal differing views; if some believe that private players would prefer to stay away from public institutions (given relatively high levels of regulation and interference), others believe that businesses will seek *more* collaboration with 'for profit' public institutions.



Impact on leadership talent

The impact of the PPP model will be felt not only in governance structures, but also in the leadership talent domain, where it will trigger a change in construct. As private sector talent enters publicly-funded education, we anticipate a professionalization of management and greater transparency in culture and working style.

2 Private Equity to Pump Funds into Higher Education

'Higher education' includes Corporate and Vocational Training Centers, even Pre-School Centres. Some industry leaders we spoke to believe private equity investors will make increasing numbers of buyouts in the private higher education and K12 sectors, given the high margins in play. Others, as stated, believe investors will stay away due to regulation and government interference. In our view, private equity players are likely to enter the for-profit higher education segment in a big way. Private equity investment in the Indian education sector was about INR 5640 crores (\$840 million USD) between 2007 and 2012, according to VCCEdge, a research platform for private equity and venture capital. We expect this to increase 2-3 times over the coming years. On the other hand, private investors, donors, and foundations are continuing to invest in the traditional not-for-profit higher education sector, and the trend is likely to continue. To cite an example, about INR 400 crores (\$59 million USD) have been raised by 65 private investors for Ashoka University which opened in 2014 in Haryana, 20 kilometers north of New Delhi.

2X
increase expected in private investment in higher education in the coming years.



Impact on leadership talent

A typical private equity approach focuses on driving growth to improve valuation and maximizing returns on exit in a defined medium term of 5-8 years. The owner approach in the education sector is different: the entry of private equity into the higher education and K12 segments will likely lead to the need for higher governance (through more autonomous Board appointments) and more professional management structures, with in turn more empowered general management and finance functions, compared to the current promoter-led ownership and management structures.

3 The Emerging Role of the Business CEO in Private Higher Education Institutes

As big businesses explore the higher education sector in India, whether for profit or not-for-profit motives, private education institutes are increasingly seeking corporate CEOs to drive the top- and bottom-line. A clear demarcation is being drawn between the role of the academic leader (historically also the business leader for the University) and the business leader. This is primarily because academics in India still tend to lack general management skills and business acumen, and are inclined more towards academic and R&D domains, than managing growth and balance sheets.

Impact on leadership talent

The leadership teams at universities will look very different in the coming years as academic institutions start to attract CEOs from the corporate world. The role of the Vice Chancellor, which has historically combined academic and business leadership, will now be split into distinct roles and positions. As private players in higher education employ business CEOs/Directors, they will prefer to keep them on the payroll of the corporate entity rather than that of the university, to avoid any issues of compensation parity with academic staff.



Private Education Institutes are increasingly looking for corporate CEOs to drive the top-line and bottom-line of their institutes.

4 Expatriate Talent is Being Sought for Academic Leadership in New Private Universities - with Compensation and Relocation Challenges

New higher education establishments funded by private businesses are looking to the West to build their academic leadership. A series of factors are driving their focus on expatriate talent. Firstly, a lack of the requisite skills in India. Secondly, the weak focus of Indian faculties on R&D as compared to their counterparts abroad, with low receptiveness to collaboration with industry and foreign universities. Yet this collaboration is critical for private universities.

Impact on leadership talent

Collaboration, with the introduction (and induction) of expatriate talent, will be a requisite for the smooth functioning of an institute. We foresee a large pool of low-paid Indian staff who prefer permanent positions and are less inclined to focus on R&D, as compared to expatriates who prefer shorter tenures (with the ability to return to their tenured jobs in the West), often relocating without their families and at disproportionately higher compensation levels. Any absence of collaboration may lead to significant dissonance in the academic structure.



5 Foreign Universities Are Setting up Joint Ventures with Corporate Clients for L&D

The Foreign Education Providers Bill passed by Parliament during 2012-13 imposed onerous conditions on foreign universities seeking to set up higher education institutes.

The bill has not been a success. Major foreign universities have not shown interest in forming joint ventures with a local academic partner in India to set up a university, as mandated by the Bill. Instead, foreign universities are trying to gain back door entry into India by setting up joint ventures with Indian corporate clients. Indeed, most of the prominent US and European Business schools are already present in India in the form of such a joint venture for the purpose of corporate L&D and training.

Impact on leadership talent

Corporate India seems more willing than ever before to invest in improving the business and functional leadership skills of its employees, and dedicated to doing so. The emergence of joint ventures between Indian corporates and foreign universities is likely to improve the quality of corporate leadership talent in the long run, and this, we believe, will reduce India's dependency on expatriate talent for leadership roles.



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In Conclusion

The professionalization of leadership at universities will likely change the calibre and quality of general management in higher education. Importing expatriate talent for academic leadership roles will raise a unique set of challenges pertaining to cultural adaptation, relocation and integration, quite apart from the preference for short tenures in India. Lastly, the emergence of the PPP model and the injection of private equity into the sector will be a major trend. As a consequence of the entry of private players, governance structures and transparency levels will need to transform.

Briefing prepared by:

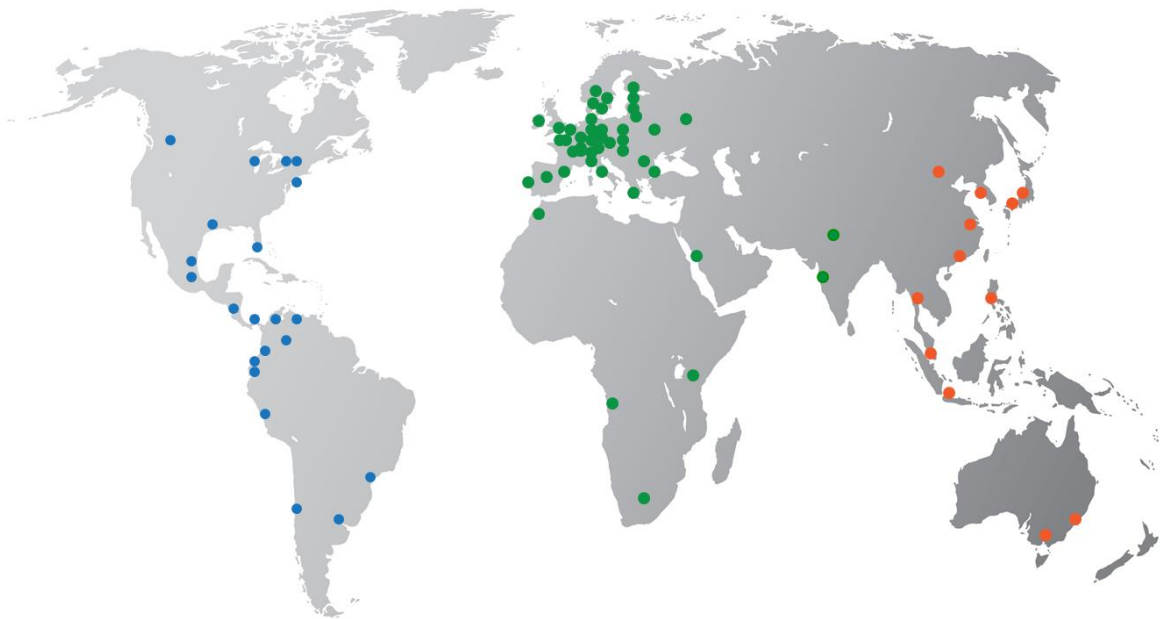
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