



UNIVERSITEIT VAN PRETORIA  
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**Gordon Institute  
of Business Science**  
University of Pretoria

# **Scaling-up low fee private schools in South Africa**

Zelda Tshabalala

Student Number: 21044172

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## **Abstract**

The wide spread concerns on the access to quality education and the various challenges faced by the public school system in developing countries has promulgated the emergence of low-fee private schools that aim to meet the rising demands of access to quality education by making private schooling more affordable. The emergence of low-fee private schools is already evident in South Africa; these schools contribute to the education system by filling the gap where the public education system is lacking. It was based on this premise that a need for scaling-up this type of innovation in education was identified. In order to increase the positive impact made by these private schools and also increase access to quality education, we need to scale-up these types of schools by learning from evidence based mechanisms if we are to sustainably scale-up low fee private schools.

An exploratory study was undertaken; seventeen interviews with either a school principal or the founder of the school or an expert in the field such as investors, donors, researchers or policy makers were conducted. In order to obtain well-rounded insights this research consisted of inputs from three different samples. Sample one focused on school principals or founders of schools that have in one way or the other scaled-up their operations. Sample two focused on school principals or founders from schools that have not yet scaled-up but plan to do so in the future. Lastly, sample three focussed on various stakeholders in the education sector who provided input on the potential of scaling schools and growing the low fee private school sector in South Africa.

The innovation of an educational model that can deliver quality education at low costs will make it possible to increase impact without the school having to be bigger. There are external environmental factors and internal organisational factors that influence the ability to implement scale-up initiatives and the indicate that low fee private schools face the same challenges as small businesses and that they need to build capabilities as they increase in size and complexity. A scale-up model was developed to show factors necessary for scaling-up a low fee private school.

**Keywords:** Scale-up; growth, low fee private schools,

## **Declaration**

I declare that this research report is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Name: Zelda Tshabalala

Signature:

Date:

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## **Dedications**

To my daughters Nolwazi and Nomfundo of whom I am so proud, if anything is to become, it requires effort, nothing happens without effort. All goals are attainable with hard work, dedication and perseverance.

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## **CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM**

### **3.1 BACKGROUND TO RESEARCH PROBLEM**

In developing countries, providing universal access to education is a challenge and there are concerns about the failing public education system, the quality of education received and the fact that many of the developing countries are way below the scale needed to meet the Millennium Development Goals (MDG) set by the United Nations under the leadership of Kofi Annan in 2000 of achieving universal primary education (James, Frost, & Woodhead, 2013) (UNESCO, 2010). It therefore becomes imperative that we look at the market dynamics and innovative ways to address these gaps in the education (Dixon, 2012; Jowett & Dyer, 2012 and Hartmann & Linn, 2008). The challenge of equitable access to education in developing countries is due to demand that often exceeds the supply of resources, equipment and facilities, study material and trained teachers (Barrett, 2011); however, there has been evidence of initiatives in some developing countries that aim to assist with the achievement of the MDG's and also assist the failing public education system. Scaling these educational initiatives successfully and sustainably has always been a challenge and little attention has been paid to how best the concept of scale-up can be applied in the education sector and debates in this regard have stalled (Jowett & Dyer, 2012).

#### **3.1.1 Education and Economic Growth**

According to (Mendez, Galindo, & Bahmani, 2012) three main factors that have a direct relationship with economic growth is public expenditure, investments and human capital. Education improves human capital; it empowers people to improve their social, cultural and economic status and also increases opportunities for economic growth. A well-trained workforce enhances the quality and quantity of a country's labour productivity, hence human capital accumulation is monitored as one of the drivers of economic growth. The Human Development Index produced by the World Bank measures education as one of the three dimensions of human development. A study by Qadri & Waheed (2013) found that there is a positive relationship between human capital and economic growth and therefore investment in human capital is necessary for all the developing countries. Despite the benefits of education and the target goal of achieving universal primary education by 2015, a lot of developing countries are still facing the challenge of equitable access to education (UNESCO, 2010).

### **3.1.2 Access to Education in Developing Countries**

To ensure that there is universal access to primary education some countries have gone to the extent of even adopting a policy of free primary education for all, which advocates the abolishing of tuition fees with the belief that the removal of school fees will ensure universal access to basic education and contribute to poverty reduction, which in turn could help break the cycle of poverty (Avenstrup, Liang, & Nellesmann, 2004). Sub-Saharan Africa accounts for half of the world's out-of-school children but Nigeria heads the list with one in six of the world's out-of-school children – a total of 10.5 million. In 2010, 47% of children out of school were likely never to enrol; the proportion was highest in low income countries where 57% of out-of-school children could expect never to enrol. In addition to this, it is clear that it is not only about making education accessible but making sure that it is of quality because we have seen that the highest performing education systems across Organisation for Economic Co-operation and Development countries combine quality with equity.

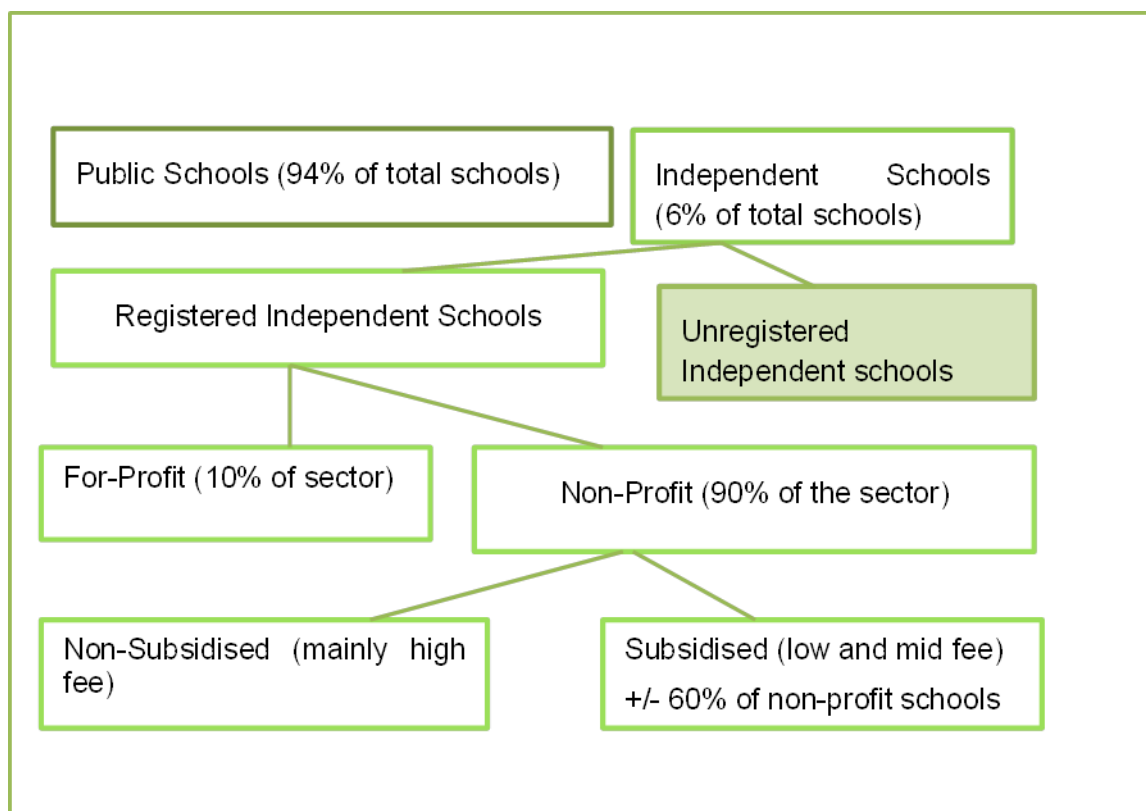
### **3.1.3 Access to Education in South Africa**

The South African Constitution, in Section 29 (1) (a) of the Bill of Rights, provides everyone with the “right to basic education”. Section 29 (1) (b) adds that everyone also has the “right to further education” (South African Government Information). The Schools Act of 1996 introduced compulsory schooling for all children aged seven to 15. South Africa has attained almost universal access to primary education (Statistics South Africa, 2011) and in 2011 there were 12 680 829 learners enrolled in all sectors of the basic education system, these learners attended 30 992 education institutions and were served by 441 128 educators (Department of Basic Education of South Africa, 2013).

*i. The Independent Schooling Landscape in South Africa*

In terms of the South African National Education Policy, all independent schools are required to register with the relevant provincial education department and independent schools must be legally registered as a non-profit organisation and meet all the eligibility conditions in order to receive a subsidy from government in accordance with their fee level. According to Galindo & Soriano (2012) “a non-profit organization (NPO) is a legally constituted organization whose objective is to support or engage in activities of public or private interest without any commercial or monetary profit” (p.265). The type of private schools currently mushrooming in South Africa are small schools owned and run by private individuals or entrepreneurs and funded solely out of parental fee payments (Centre for Development and Enterprise, 2012). Figure 2 below depicts the independent schooling sub-divisions of the independent schooling sector in South Africa.

**Figure 1: Overview of the Independent Schooling Landscape in South Africa**



Source: Hofmeyr, McCarthy, Oliphant, Schirmer, & Bernstein (2013) adopted from ISASA 2013

In South Africa there are many signs that show that there is a crisis in education. Despite the high enrolment rates each year, the matriculation pass rate in public schools is poor compared to the pass rate in private schools where year on year private schools on aggregate far out perform public schools and produce excellent results. It is clear that more attention needs to be focused on the quality of education. According to the Department of Basic Education in South Africa, the Gross Enrolment Ratio (GER) is defined as “the number of learners, regardless of age, enrolled in a specific school phase (e.g. primary phase for grades 1 to 7) as a percentage of the total appropriate school-age population (e.g. 7 to 13 year olds for the primary phase)” (P. 34). In 2010 South Africa’s GER for grades R to 12 (reception phase until matriculation) was 89%, this is an indication that tremendous progress has been made with regard to increasing access to education, nevertheless more still needs to be achieved with regard to substantial equity of access to education and quality education (Department of Basic Education of South Africa, 2013). This indicates that the problem in South Africa is not about access to education but about the quality of education received, merely making schools freely available in order to increase access to education without ensuring that adequate learning takes place, does not achieve the desired impact of improving human capital and therefore the economic growth of the country. Despite achievement of access to education there are still insufficient schools for all children.

#### **3.1.4 Emergence of Low Fee Private Schools**

The market for private schooling has been attracting attention and success of the private ownership is gradually being acknowledged and becoming recognised (Bernstein, 2005a; Rose, 2007; and Dixon, 2012). A lot of research has been conducted which shows that there is a phenomenal growth of low fee private schools in developing countries (Tooley, 2007); and the emergence of low fee private schools is already evident in South Africa where these private schools serve children from the poor communities (Bernstein, 2010), they are often run at the lowest possible fee level in order to appeal to as wide a market as possible, hence the term ‘low fee private’ (Harma, 2011). The perceived comparative advantages of low fee private schools is their ability to reach those marginalised by existing services, the flexibility to innovate and experiment with new approaches, and the ability to operate at lower costs (Jowett & Dyer, 2012). The significance of low fee private schools in providing quality education has also been accepted by parents in developing countries, as these families

appreciate the availability of choice where public schools are failing them (Harma, 2009). This opportunity to fill the gap is taken up by entrepreneurs (Tooley & Dixon, 2005) and based on the good service delivered by the low fee private schools, their acceptance by communities and the public education system challenges faced in most developing countries, the need to scale-up good schools has never been more important. Unfortunately a lot of good schools are non-profit organisations (NGOs) and NGOs “are all too often like pebbles thrown into a big pond, they are limited in scale, short-lived and therefore have little lasting impact” (Hartmann & Linn, 2008, p. 1) cited in Jowett & Dyer (2012).

### 3.1.5 Defining Low Fee

Before defining low fee private schools in this research, it is best to differentiate between low fee private schools and low cost private schools:

- **Low fee private schools** – these are defined in terms of the cost to the parent, the price that the parent pays in order to get their child into the school, therefore “cost for the buyer”.
- **Low cost private schools** – these are defined in terms of the cost of providing education, this is from the school’s perspective. It is the actual set up cost of running the school and providing quality education therefore “cost for the seller”.

A study conducted by Brewer (2011, p. 51) indicated that the not-for-profit low fee private schools fees “averaged R650 per child for a 10 month period for primary school per annum and secondary schools averaged R1235 for the same period”. In 2011 the average expenditure on a public school learner across all provinces in South Africa was estimated as R11 000 per annum (National Planning Commission, 2011, p. 13). Independent not-for-profit schools that charge up to a maximum of R30 000 per child per annum in school fees qualify for a government subsidy (Republic of South Africa, 1998). For the purpose of this study, low fee private schools are schools that charge up to a maximum of R20 000 per annum.



### **3.1.6 Scaling-Up Low Fee Private Schools**

A lot of innovation and good initiatives, especially those that have a social impact, often remain un- or under-developed, at times a lot of resources are invested in the process of reinventing the wheel, rather than reusing it; the question is no longer only about how we create schools that achieve outstanding results but also how we sustainably replicate good performing schools that have also been accepted by society and that provide a solution to the education challenges without sacrificing quality outcomes, within the constraints of the existing funding environment (Bradach, 2003). One of the challenges faced by educational entrepreneurs is that although they succeed in implementing individual (pilot) projects at local and regional levels, successfully scaling-up these initiatives is a challenge, and to date, researchers have not established any theoretical base from which to research processes of scale-up in education. Analysing the various mechanisms of scaling-up good performing schools therefore becomes an attractive approach to ensuring that as many children as possible gain access to quality education. It is also therefore imperative to establish what are the innovative, practical, relevant and sustainable mechanisms that can be used to sustainably scale-up good schools (Jowett & Dyer, 2012).

## **3.2 RESEARCH MOTIVATION**

In a country where the public education system is under-performing and delivers low quality education, an opportunity arises for private school business however, most private schools charge high fees and cater for an elite market and this has led to an unprecedented growth in low fee private schools which aim to serve children from the low-income households (Srivastava, 2006). Access to education is indicated by the number of enrolments, although these may increase, the lack of quality education manifests “silent exclusion” which is defined by Gilmour & Soudien (2009, p. 281) as “when children register and attend school but learn little” which is a critical feature when addressing access to education. This was based on the research findings that while developing countries manage to achieve higher levels of access at compulsory levels, they are not succeeding in transforming participation into achievement. This implies that the challenge is more than just about access to education but also about access to quality education. The research carried out by Bernstein (2010) found that low fee private schools contribute to increasing access to education and improving the quality of education; therefore by scaling-up low fee private schools that offer quality

education, more low fee private schools will be available, more children from low income households and communities will be reached, both the access and quality challenges will be alleviated and as a consequence it will provide low income consumers (parents) with a schooling choice.

### **3.2.1 Research Objective**

The objective of this research is to establish the factors influencing the scale-up of a low fee private school in order to determine the mechanisms that can be used to scale-up low fee private schools that offer quality education. In South Africa there is evidence of private schools that have scaled-up by expanding current operations or to other sites. The practical mechanisms used and the lessons learned from these, either planned or unplanned scale-up, successful or unsuccessful scale-up, are an important part in understanding the factors that influence the scale-up process. The conclusions made in this research will be useful for school operators (entrepreneurs, professionals, individual schools and organisations) intending to establish low fee private schools or existing low fee private schools that are planning to scale-up their operations and to other stakeholders that are or may support the growth of low fee private schools. This research will also add to and advance the discourse for literature building on scaling-up in education.

### **3.2.2 Research Scope**

The focus of this study will be on low fee private schools in South Africa, particularly focusing on those that are based in the Gauteng Province. In the confines of this study, a low fee private school is:

- 1 A for-profit independent school that offers anything from grade R to grade 12; not subsidised by government and charges attendance (school) fees up to a maximum of R23, 000 per pupil per annum.
- 2 A not-for-profit independent school that offers anything from grade R to grade 12; either receives or does not receive a subsidy from government and charges attendance (school) fees of up to a maximum of R23, 000 per pupil per annum.

## CHAPTER 2: LITERATURE REVIEW

The focus of this research is on the concept of scaling-up in order to increase access and have a greater impact. According to Klinger, Boardman, & McMaster (2013) scaling-up refers to a process by which an intervention is implemented on a small scale, validated and then implemented on a larger scale and McDonald, Keesler, Kauffman, & Schneider (2006) had a similar definition, they defined scale-up as a “practice of introducing proven interventions into new settings with a goal of producing similarly positive effects in larger, more diverse population” (p. 15). The similarity in the above two definitions is that scaling-up is a practise, a ‘process’ implies that it is about implementation of interventions that have been validated (proven to work) but for Mcdonald, Keesler, Kauffman, & Schneider (2006) it is not only about doing it on a larger scale but also about the kind of results produced. Jowett & Dyer (2012) referred to scaling-up as expanding, adapting and sustaining successful policies or projects to different places with the aim of reaching a greater number of people.

Coburn (2003) has a deeper and different view to what scale-up is, she views it as more than about quantities, it is about moving beyond the numbers to deep lasting change; meaning that for a scale-up to be considered effective and successful, there should be consequential change and the change is achieved through (1) depth, which is about the extent to which the scale-up improves the learning and teaching in class – the “quality” that takes place in the classroom for both teachers and learners; (2) sustainability, which is about the intervention being sustained in the original school as well as the subsequent school long after the influx of resources dissipates; (3) spread, which is defined as not only being about spreading structures, material, and classroom organisation but also about spreading the culture to those classrooms or schools; and lastly (4) shift of ownership where the ownership of the practice shifts to others. For Dede & Clarke (2009), in addition to the four dimensions of scaling-up advocated by Coburn (2003), context is another dimension. It is evident that there are different perspectives as to what scale-up is about; it also demonstrates the multidimensional nature of the problem and while there is agreement on the need to scale-up initiatives or programs that show empirical evidence of effectiveness, there is a lack of core literature that researchers and policymakers who are interested in scaling-up studies can use for guidance (Harwell, 2012; Jowett & Dyer, 2012; Coburn, 2003; Mcdonald, Keesler, Kauffman, & Schneider, 2006). The literature on scaling-up in education is

limited and a lot of the literature available focuses on methods to scale-up educational instructions where educational “learning” innovations are scaled-up in order to be adopted in various schools by a larger number of pupils, and not on scaling-up the actual institutions (physical structure), in essence the scale-up of the intangible aspects of the school and not the tangible aspects.

The lack of theoretical base has an effect on how scale-up is defined by the researcher, consequently how scale-up is defined will have a great influence on the ways in which the researcher studies the problem of scale-up (Coburn, 2003). In the context of this study, scaling-up is about expanding (in any form) by increasing capacity in order to serve a larger number of people. The emergence of low fee private schools is a new phenomenon (Tooley, 2007) and literature around these types of schools and their growth prospects is still at an embryonic stage. This, coupled with the absence of a literature base from which to research processes of scaling-up in education, required that the theoretical frame to analyse the scale-up of low fee private schools be assembled by borrowing from existing literature in other fields of study, taking into consideration that there are limitations in using literature from other fields. In the absence of literature, the logic applied in selecting the literature to use for guidance was based on the following; firstly, the outcomes from previous research indicates that the low fee private schools are started-up by entrepreneurs (Tooley & Dixon, 2005, & Bernstein, 2010) and based on this finding the assumption was that low fee private schools face similar growth challenges as small businesses; secondly, the majority of good schools that operate as non-profit organisations are limited in scale (Jowett & Dyer, 2012); lastly, the focus of this study is on scaling-up these schools, this can come about from either the private sector or a combination of private and public sector. It was fitting to borrow literature from the private sector and other non-governmental sectors; therefore in addition to the limited literature on low fee private schools and scale-up in education, entrepreneurship, social entrepreneurship, small business growth and sustainability were used to understand the conditions for scaling-up low fee private schools.

## 2.1 SOCIAL ENTREPRENEURSHIP

Santos (2012) defines social entrepreneurship as the pursuit of sustainable solutions to neglected problems with positive externalities, social entrepreneurs develop mechanisms to incorporate these externalities into the economic system. The author argues that social entrepreneurship addresses neglected problems in society involving positive externalities benefiting the society and finds that “externalities exists when economic activity creates an impact (spill overs) that lies beyond the objective function of the agent developing the activity” (p.340). He also states that positive externalities are public goods such as quality education which may be under-provided due to market failure. Therefore, as indicated in the preceding sections, in a country where the public education system is failing, independent private schools will enter the arena to take advantage and serve the demand for quality education. Based on Santos’s argument, independent private schools may enter the market and offer quality education at a higher price, making it unaffordable to a larger population and thus further exacerbate the problem of access to education and the under-provision of quality education thus causing a market failure. Neglected problems in this context are the under-served communities who are excluded from receiving or accessing quality education.

According to Santos, in instances where there is public system failure and existing market failure, “social entrepreneurs who feel passionate about the needs of a particular group or about the characteristics of the problem will enter this domain and develop solutions to the problem and raise societal awareness about it” (p.343). This, by default, excludes the types of private schools that cater for the higher end “upper class” of the market as they are the ones creating the market failure in education by offering quality education at a higher price, thus making it unaffordable to the larger population and therefore these types of private schools are not covered under the social entrepreneurship umbrella. However, this is an interesting perspective, basically what it means for scaling up low fee private schools is that, in a developing country with low income consumers being the majority of the population, for these schools to be covered under the social entrepreneurship umbrella, they have to charge very low fees so as not to exclude the larger population. In order charge these low fees in a capital intensive business, they have to have low cost operations and also use donor funding and subsidies to cover their operating costs and this inversely places certain restrictions on scaling-up.

Witkamp, Raven, & Royakkers (2011) have a business perspective to social entrepreneurship and they define it as a new business model, a model that combines a social goal with a business mentality. The authors view this new model as an important way to create social value such as sustainability and argue that social entrepreneurship manifests in multiple ways such as for-profit, not-for-profit and hybrid. The business has a mission then that is not solely focused on financial profit but uses an entrepreneurial stance to create social value of some kind. The new business models that use an entrepreneurial stance to create social value are referred to as interactive business models by Sanchez & Ricar (2010), where “the motivation of the firm is to create new sources of revenues through innovative products and business models while contributing to enhance the living conditions of the poor” (p. 147). Ana Mari´a & McLean (2006) defined social entrepreneurship as a process whereby a person or persons “(1) aim either exclusively or in some prominent way to create social value of some kind, and to pursue that goal through some combination of (2) recognising and exploiting opportunities to create this value, (3) employing innovation, (4) tolerating risk and (5) declining to accept limitations in available resources” This definition is similar to the one made by Mair & Marti (2006) where social entrepreneurship is defined as a process that involves the innovative use and combination of resources and takes advantage of opportunities that will also address social needs.

Low fee private schools, whether for-profit or not-for-profit, aim to provide quality education to the under-served market by charging fees that are affordable in comparison to the traditional high fee paying private schools. Based on the definition by Santo (2006) low fee private schools are in that domain where the current market of traditional private schooling disproportionately benefits a specific segment of the population – “those that are advantage by having more resources” and where the government education is failing to provide quality education. In this research the argument made by Santos together with the definition used by Mair & Marti (2006) is adopted to define low fee private schools either for-profit or non-profit as social entrepreneurship that explores market opportunities by using innovation and a combination of resources to find solutions to social problems. If we are to explore the various mechanisms to sustainably scale-up a low fee private school, it is then fitting to consider the business growth challenges that are encountered by the social entrepreneurs (Witkamp, Raven, & Royakkers, 2011) and in this research the founders of low fee private schools are regarded as social entrepreneurs.

## 2.2 LOW FEE PRIVATE SCHOOLS

Private schools are schools that are independently run and do not solely rely on government for support. These schools are not operated by government, they receive support from a number of sources such as religious organisations, government subsidies, donors or they can be run as for-profit operations. A lot of research has been conducted in countries such as Kenya, India and Ghana which show that there is a phenomenal growth of low fee private schools in developing countries (Tooley, 2007). Alderman, Kim, & Orazen (2003) also stated that low fee private schools provide the potential of giving access to education for poorer communities. These low fee private schools have been well received to the extent that even poor parents who are faced with numerous economic challenges choose to educate their children outside the public system (Dearden, Ryan, & Sibieta, 2010). This was also supported by the research conducted by Tooley & Dixon (2005) which revealed that the amount of poor parents choosing private schooling rather than public schooling is significant and on the rise. Oketch (2012) mentioned that the use of private schools by parents from low income households indicates that there is a willingness and ability to pay and this is a driver for the use of private schools and therefore the use of private schooling by the poor is a case of excess demand rather than differentiated demand. This is because the public schools in low income communities are over-crowded due to limited supply. Basically, low fee private schools are an innovation intended to increase access to quality education by making them affordable.

They not only provide quality education, but also assist governments in developing countries to provide access to education for all, however like all good innovations, there is always a problem as to how to sustainably scale them up and one cannot make assumptions about whether particular innovations will be easier on a larger scale (Jowett & Dyer, 2012). Based on these arguments, it is then imperative to understand the factors underpinning a sustainable scale-up of a low fee private school in South Africa. On the other hand Lewin & Little (2011) have a pessimistic view of low fee private schools, their view is that even though some have argued that low fee private schools make a significant contribution to increased access to education by the poor, the evidence for this is often partial and incomplete and fails to demonstrate that such schools generate additional school places rather than providing a choice for those who would otherwise not go to government schools. It is this pessimistic view that this research hopes to challenge by pulling together the various mechanisms that can be

used to sustainably scale-up a low fee private school in order to demonstrate that these types of schools are capable of generating additional school places in addition to providing a school choice for parents. According to the authors those households with little or no cash income are unlikely to be able to afford the cost of the fees necessary to support unsubsidised private schooling, therefore although these schools do indeed offer a choice, they do so for the relatively wealthy and have little or no impact on the access to education of the poor and have resulted in richer households opting out of the government schools. This would then create the added disadvantage of removing the possibility of influential community voices being heard from people who would have had a stake in government schooling. Dixon (2012) opposed this argument by saying that the policy of no school fees undermines parents as they are willing to pay because they feel that by paying fees and they can complain if there is underperformance. She made the point that on the other hand school owners can hold teachers accountable for not performing and that it is unreasonable to make the problem of education solely that of government especially in economically challenged developing countries – the private sector needs to assist.

### **2.3 SUSTAINABILITY OF LOW FEE PRIVATE SCHOOLS**

Scaling-up depends on sustainability (Coburn, 2003) and therefore “the distribution and adoption of an innovation are only significant if its use can be sustained in original and even subsequent schools” (p. 6). According to Srivastava (2006) low fee private schools are faced with the challenge of financial sustainability as most rely on attendance fees. Logically then, it means charging higher fees has an impact on the number of enrolments, so even if private schools are opened in poorer communities they cannot be accessed due to affordability challenges. The challenge with private schools is that parents are expected to pay for subsidised schools sufficiently for the schools to survive, thus making them unsustainable (Alderman, Kim, & Orazen, 2003) and since low-fee private schools aim to serve children from the low income households, it means that they still compete for enrolment numbers with public schools which offer schooling with no fees. The same argument is also made by Toma, (2005) and Ngware, (2009) as they also observed that low fee private schools face huge financial constraints because most are entrepreneur funded, receive no incentives and rely on attendance fees; therefore sustainability challenges stops the low fee private schools from achieving the intended impact which is the argument used by authors



such as Lewin & Little (2011) who oppose the thinking that low fee private schools contribute to education.

Recognising the sustainability challenges and the contribution made by low fee schools to the schooling system, Brewer (2011) conducted a qualitative study that developed a sustainable financial model for low fee private schools in South Africa. Basically the financial sustainability model indicates the organisational (internal and external) capabilities required for a low fee private school to yield sustainability. According to Brewer (2011) the factors required to ensure sustainability are financial operations (revenue and cost), leadership and/or school management and the performance of the school, with leadership being at the core of sustainability; hence the structural financial model (p. 128) has leadership at the top of sustainability. It influences the costs (capabilities and resources) which then levers performance to drive revenue, resulting in sustainability; furthermore all the levers of this model have to be in place otherwise there is no sustainability. This study is complementary to Brewer's study in that, if we understand what is required to ensure that low fee private schools are sustainable based on Brewer's study, and then we must now investigate how we can scale them up. The focus of this study is on scaling-up, basically by looking at the factors influencing growth and mechanisms that can be used to sustainably scale-up. Sustainable in this context refers to a sustained implementation of low fee private schools at scale and Brewer's structural financial model was used in this study as a backdrop for sustainability and a sustained implementation is one that is done in a manner that does not compromise the sustainability levers of the structural financial model.

## **2.4 SMALL FIRM GROWTH**

Scaling-up is about growth so it was suitable to look at the aspect of business growth in order to understand the external and internal demands that may influence the scale-up initiatives of low fee private schools. Literature on small firm growth was used for the reason that in the initial phases a school operates on a small scale and grows until it reaches planned scale; additional scope of work for the current school operators also presents organisational growth challenges because these schools are emerging so more entrepreneurs will enter this arena opening up for-profit low fee schools, the current schools will also have to enter different geographical areas and all these actions will result in more new schools being opened up. Small businesses have

features such as relatively simple and flexible structures, few employees, where the decision making process usually involves only a few people, sometimes only the manager, and has relatively limited managerial resources which can cause owner-managers to be simultaneously involved in several organisational functions (Fadahunsi, 2012). These features are similar to that of a new school and even to some schools that have been operating for many years. In essence, a hypothesis is that a new school comes across certain growth challenges as a small firm would and therefore the two, to an extent have similar growth challenges. For-profit schools are independent schools that are registered as private companies and are commercially operated.

Literature explaining the growth of small businesses is still fragmented despite the volume of research that has been done by Dobbs & Hamilton (2007); Fadahunsi (2012); Tell & Andersson (2009) and Wiklund, Patzelt, & Shepherd (2009) and in the absence of a unified theory of small business growth and models and approaches used to explain small business growth, there “exists little help in the literature on specific business practices to guide small firms that want to grow, coupled with the fact there is no agreement on the definition of growth or for a review of different concepts on how to measure growth” (Tell & Andersson, 2009, p. 587). There does, however seem to be an agreement that both related factors and entrepreneurial related factors to small firm growth should be taken into consideration when evaluating firm growth and that growth is dependent upon the balance of entrepreneurial and managerial knowledge acquisition and application (Macpherson & Holt, 2007). However, the not-for-profit businesses are inherently different from their for-profit counterparts (Mort, McDonald, & Weerwardena, 2010), and since the majority of the low fee private schools are non-profit organisations it is a challenge to apply business sector theories in this context.

#### **2.4.1 Strategic Orientation**

Consistent with the entrepreneurial factors, literature on entrepreneurship also points out the importance of the individual entrepreneur’s characteristics on the growth of the business (Tell & Andersson, 2009; Nieman, 2009; and Fadahunsi, 2012). According to Nieman (2009) for a business to grow there must be the desire for growth; the lack of an entrepreneurial mind-set of constantly seeking growth and innovation, strategic objectives or the desire to grow is the major barrier to growth. In order to achieve the

desired growth there should be a growth strategy in place which outlines the quantifiable growth targets and an expansion plan that is in line with the capabilities of the firm. Tell & Andersson (2009) also found the motivation of the entrepreneur to have the greatest influence of all the entrepreneur's characteristics. An active board in a non-profit organisation plays a vital role in setting entrepreneurial expectations and demanding accountability (Schindehutte, Coombes, & Morris, 2007).

Wiklund, Patzelt, & Shepherd (2009) view entrepreneurial characteristics from a firm level perspective rather than the individual perspective as some entrepreneurs start new businesses and others join existing ones and according to these authors, small business manager's attitudes in terms of goals, work tasks, growth aspirations, and expected consequences of growth can generate a more entrepreneurial orientation (EO) - "strategic orientation, capturing specific entrepreneurial aspects of decision making styles, methods, and practices" (p. 353) and thus, making them choose a strategy that facilitates growth; however strategic choices made by management in developing an EO of their firm have a strong independent influence on growth. It is clear that by some means, EO has a direct relationship to performance in a for-profit business (Wiklund, Patzelt, & Shepherd, 2009). There is EO in anon-profit organisations (NPO) as a result of their multiple market orientation (MO), dual MO firms are more entrepreneurial and perform better, however for NPOs simply serving clients better is not enough by itself to enhance performance (Schindehutte, Coombes, & Morris, 2007).

#### **2.4.2 Environment**

The environment in which the firm operates is also considered to have an influence on the firm growth in that shifting market demand presents opportunities and firms that have an entrepreneurial orientation are able to quickly respond and explore those opportunities and create firm growth (Wiklund, Patzelt, & Shepherd, 2009). The environment has an influence on the process of scaling-up for the reason that growth brings about variation which is introduced by the differences in the context (Mcdonald, Keesler, Kauffman, & Schneider, 2006) and "context focused approaches to scaling-up combines a commitment to establishing an evidence base on the effectiveness of the intervention, with the recognition that powerful environment influences mean that proven interventions must be implemented with fidelity and flexibility" (p.17). For

innovations to be successful, they must be responsive to the local context (Klinger, Boardman, & McMaster, 2013). The sustainable scale-up of initiatives is dependent on the environment within which they are implemented, therefore socio-economic factors that are context specific should be taken into consideration when scaling-up because the effectiveness of the scale-up is relative to the scope and depth of work needed to be done to sustain it (Schneider & McDonald, 2007) and both the industry and local environment have an influence (Wiklund, Patzelt, & Shepherd, 2009) as these factors capture the inherently uncertain external conditions that most small businesses tend to operate under (Fadahunsi, 2012).

### **2.4.3 Financial Resources**

Availability of financial capital encourages a change to a more EO, which in turn leads to higher growth (Wiklund, Patzelt, & Shepherd, 2009); consistent with Nieman (2009) that one of the challenges impeding growth in small business is sourcing financial capital; however merely providing a small firm with more money does not automatically mean it will expand, entrepreneurial capabilities are required to put resources to good use (Wiklund, Patzelt, & Shepherd, 2009). In low fee private schools, the leader directs the costs (resources and capabilities) such that they drive performance to generate revenue and ultimately the sustainability of the school (Brewer, 2011). The initiative of scaling-up requires additional resources to accommodate the expansion in output such as infrastructure capital, however financial constraints for low fee private schools and the amounts of money that can be raised from external sources means there is an “equity gap” in this challenge that impedes on growth (Watson, 2008).

### **2.4.4 Human Capital**

According to Macpherson & Holt (2007) human capital, which involves the skills sets of management and the founder of the organisation having an influence on the overall approach and supervision of growth which implies that the ability of the firm to grow relies on the ability to adapt these skills sets to the changing business demands. However, finding talented, competent and capable people is a challenge for small businesses and for the firm to achieve set growth targets it should be able to attract the resources required for growth and an inability to attract these resources will limit growth (Nieman, 2009). This is consistent with Watson (2008) that attracting and maintaining

qualified personnel is vital and that human capital is therefore one of the most important management challenges associated with growth.

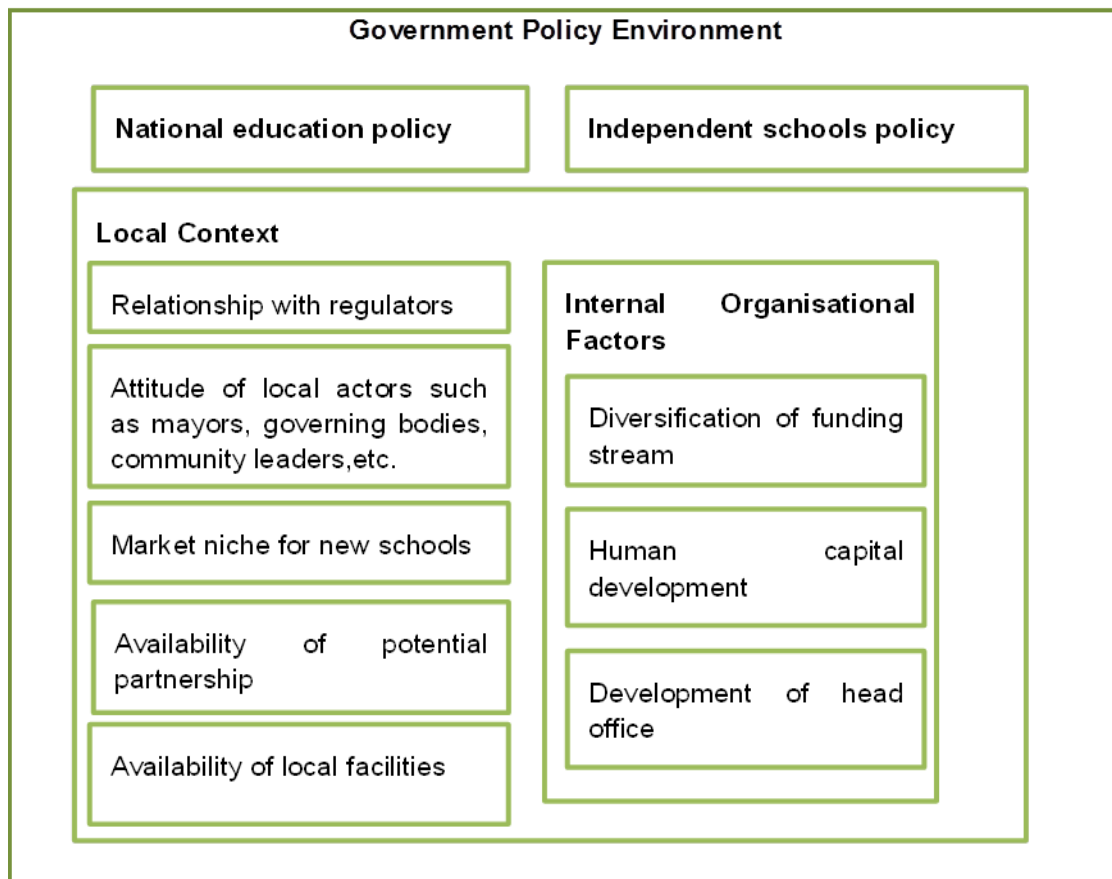
## **2.5 SCALING-UP**

The quicker we can manage to achieve the scaling-up of good schools, the better we can provide quality education to more students and given that many governments in developing countries are unable to achieve universal primary access to education, the need to scale-up good performing schools has never been more significant. The question is no longer only about how we create schools that achieve outstanding results but also how we sustainably replicate good performing schools that have also been accepted by society and that provide a solution to the education challenges without sacrificing quality outcomes, within the constraints of the environment (Bradach, 2003). Despite this, a lot of attention regarding scaling-up has been focussed on the health sector and limited in the education sector even though both the health and education sectors have some 'public goods' parallels (Jowett & Dyer, 2012). This is because the problem with scaling-up, especially in education is that it is multi-dimensional, the challenges in all their complexity, occur simultaneously and conceptualising all these dimensions of scaling-up surfaces dimensions that are difficult for researchers to measure (Coburn, 2003).

### **2.5.1 Growth Elements of a School**

A finding that was astounding in relation to what this study aimed to look at was that of Schneider & McDonald (2007 p. 265). According to these authors "schools do not grow, and if they do they are reacting to demographic pressure rather than to any internal imperative"; their evolution is as a result of the quality of results they produce, community pressure, or other extrinsic factors rather than the desire for revenue growth that drives profit business. This implies that the growth of schools is not driven by vision and a growth strategy and that growth is not intrinsically part of plan unless it is a for-profit school. A contrasting view is that NPO's (most schools are NPOs) growth is based on their MO, their internal orientation of serving and therefore they innovate in order to improve their service to their clients and serve more people and in return attract more donor funding. His studies found that contrary to popular believe, for NPO's the driver is to serve clients not their donors (Schindehutte, Coombes, & Morris, 2007). For Farrell, Wohlstetter, & Smith (2012), irrespective of the driver for growth whether extrinsic or intrinsic, there are external and internal conditions that affected growth of independent schools and these are depicted in Figure 2 below:

**Figure 2: Key Elements of Growth of Non-Profit Independent Schools**



Source: Farrell, Wohlstetter, & Smith (2012)

### **2.5.2 Implementing Scale-up Initiatives**

Scaling-up is about implementation, so to successfully implement scale-up interventions or practises, there should be a substantial understanding of conditions under which successful scaling-up occurs (McDonald, Keesler, Kauffman, & Schneider, 2006); even though scaling-up can be seen as an obligation of successful initiatives due to the increasing social needs, not all initiatives should be scaled-up, these promising initiatives must be carefully selected and once an initiative is judged a good candidate for a scaling-up, careful consideration of which manner of scaling-up should be made to ensure the sustainability of the initiative and prior to scaling-up there should be evidence of scale-up readiness (Jowett & Dyer, 2012).

Methods of scaling-up that ignore environmental factors, organisational capabilities and financial resources will not be sustainable, because the diversity of settings in which schooling occurs adds a dimension of complexity (Dede & Clarke, 2009). According to Clarke, Dede, Ketelhut, & Nelson (2006) scaling-up successfully depends on taking into consideration factors such as the impact and capacity of the initiating organisation, accountability and governance, desired scale, funding, quality, and internal processes and approach. Some scale-up methods have inherent limits and they require certain essential conditions for effective implementation (Dede & Clarke, 2009) therefore the decision about the desirability of scaling-up should not be taken lightly and once a school is judged a good candidate for scaling-up, careful consideration of which method to use is needed. The potential for different mechanisms should be weighed, as well as any possible advantages of pursuing more than one mechanism simultaneously, taking into account the individual school's circumstance, organisational capacity, culture, and the context in which it will operate Jowett & Dyer, (2012).

### **2.5.3 Economies Scale and Use of Technology**

There are fixed costs associated with operating a school such as salaries, rent and maintenance costs (Brewer, 2011). The process of scaling-up gives rise to costs, at the same time, through scaling-up, a business can benefit from economies of scale and according to Baye (2010) "economies of scale exist when long run average costs decline as output increases" (p. 279). Increasing production volume leads to sharing fixed costs such as sharing of administrative and support cost such as market analysis, information systems, legal services, accounting services and recruitment services over a larger numbers of units (Garg, Priem, & Rasheed, 2013). The evolution of technology and how it can improve efficiencies in operations has been astonishing, technology has enabled the development of curricular materials, method of delivering instructions, monitoring performance, and immediate provision of information for decision making. The use of a technology based educational system is likely to also have an effect on the success of the scale-up (McDonald, Keesler, Kauffman, & Schneider, 2006). Low fee private schools are faced with the task of developing a low cost operating model that will ensure maintenance of low school fees and at the same time deliver quality education. In order to achieve this, innovative learning models may have to be used. Scaling-up successful innovation from the initial setting and expanding it across a range of contexts where the variables and the diversity of settings in which learning occurs may not produce similar educational results as the initial setting and "therefore,



achieving scale in education requires designs that can flexibly adapt to effective use in a wide variety of contexts across a spectrum of learners and teachers” (Dede & Clarke, 2009, p. 353).

## **2.6 PATHS TO SCALING-UP**

Although the process of replication is usually referred to as scaling-up, it is only one of the paths to achieving scale-up. There are several paths through which scaling-up can be achieved (Jowett & Dyer, 2012) and these include:

### **2.6.1 Expansion**

Scaling-up can also be achieved by expanding current operations in order to accommodate a larger number of students. This form of expansion can be reached through initiatives such as tweaking the class size and/or school size by adding a few more pupils to a class to increase the class size or adding another grade. This form of scaling-up is internal i.e. within the organisation either through internal restructuring or decentralisation.

### **2.6.2 Spontaneous Diffusion**

As with the other initiatives, an operating model can be copied and replicated by competitors, this form of replication is unplanned and occurs when the demand increases, innovative ideas and practices are independently spread as competitors copy them and other players enter the market (Jowett & Dyer, 2012). Diffusion eliminates homogeneity, as the resources of entrants in the market vary, therefore an operating model that is copied and replicated will not be implemented in the same manner, the difference in resources will influence the adoption and implementation of the operating model (Schneider & McDonald, 2007). This implies that the schooling choice that is enriched by the variety of school types (e.g. faith based, value based and learning model based) in the independent schools sector is not under threat of being homogeneous unlike replication which requires standardisation in order to spread.

### **2.6.3 Replication**

Replication refers to a form of quantitative geographical scale-up in order to reach a greater number of people. This is expanding to other geographical areas and increasing the number of schools. The benefit of this method is that it allows scaling-up to be achieved at local, regional and international levels (Jowett & Dyer, 2012). Dede & Clarke (2009) cautioned against the "replica trap" of the erroneous strategy of trying to repeat everywhere what worked locally, without taking into account local variations in needs and environments. What the two authors are saying is that it is possible to replicate schools; however replication in education requires flexibility and adaptability. Even with this the challenges of lack of long-term funding, heavy reliance on specific factors such as a charismatic leader and lack of knowledge of the local market and about successful replication strategies are some of the factors that result in the failure of replication initiatives (Watson, 2008).

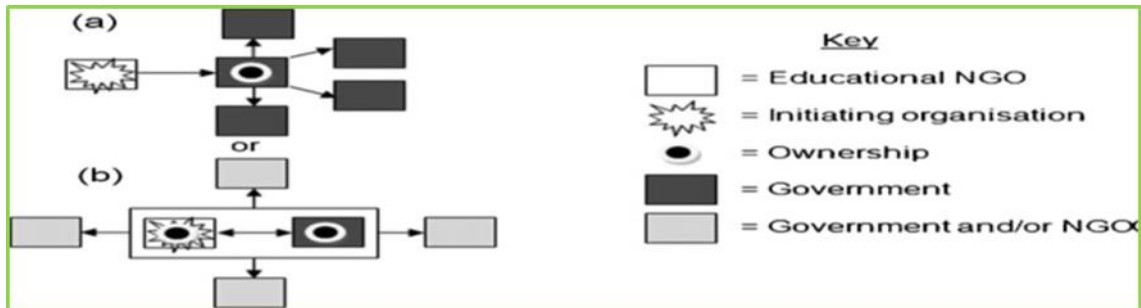
## **2.7 METHODS FOR SCALING- UP**

### **2.7.1 Public-Private Partnerships**

The objective is to increase the number of low fee private schools by partnering with government. Government support is used for implementation and these kinds of initiatives are known as public-private partnerships (PPP) which are projects embarked on through a partnership between the government and the private sector. This concept has also extended into the education sector where independent private schools are publicly subsidized by government; therefore both financial and non-financial challenges should be taken into consideration in evaluating the sustainability of a scale-up and PPPs. PPPs usually address one aspect of sustainability which is the financial challenge from a funding perspective and even though partnership with government can ensure that low fee private schools are easily up-scaled by providing funding, PPPs are not a panacea as government, investors and society may have different interests. It is still essential for identifying the success factors as perceived by the public sector, private sector endeavours and expectations from the community when considering a PPP (Thomas Ng, Wong, & Wong, 2012). Interestingly, Alderman, Kim, & Orazen (2003) conducted research which revealed that in Pakistan, subsidised private schools are a viable option for the urban poor but are less likely to succeed in rural areas. If this is the case, then logically this contradicts the literature that low cost private schools can

assist with achieving equitable access to education and that even through PPPs, the marginalised are still unable to access education. Figure 3 below depicts how replication through partnership with government can be achieved.

**Figure 3: PPP Replication**



Source: Jowett & Dyer, 2012

***i. Innovate, pilot and handover***

Figure 3 (a) depicts a form of replication through partnership where the educational NGO innovates, pilots the initiative, and then demonstrates it to government. If the initiative is successful and indicates this, it will assist the government to achieve its objectives and improve the educational level. This initiative will then be handed over to the government for replication. The educational NGO will continue working with the government however ownership will lie with the government.

***ii. Partnership model***

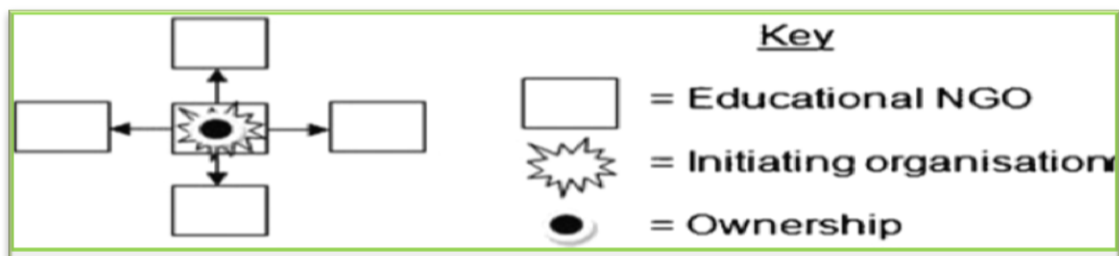
Figure 3 (b) indicates the partnership model where the educational NGO partners with government to replicate the schools. There is joint ownership and both the parties are responsible for all the financial and non-financial aspects of the school. This model capitalises on the skills and knowledge of the educational NGO to ensure that schools deliver excellent results.

## 2.7.2 Private Led Initiatives

### *i. Franchising (licensing)*

Replication is similar to the concept used in retail, of franchising, which has been long recognised as an attractive means of growing a business, however the impact of franchising for small businesses is relatively less researched and understood (Watson, 2008); but understanding the challenges of franchising contributes to a deeper understating of implications of scaling-up for low fee private schools. Geographical spread can also be achieved through franchising where there is a franchisee and a franchisor relationship or by creating a low fee schooling model that can be replicated by others who wish to open up similar schools in other regions and assume full ownership of the school. This is in line with the argument made by Coburn (2003) that to truly scale-up, ownership must be transferred to others. According to Watson, (2008) effective franchising requires formal planning in terms of site selection, recruitment and selection of personnel and clear communication with the head office. She also stated that franchisors are faced with the challenge of finding partners because, since they are financially challenged, they need to carefully consider the hidden costs of expansion as these may result in more financial pressures. Other key findings were that those that withdrew from franchising due to not being able to find a franchisee and those that were successful did so early in their development because franchising was always part of the planning in the initial stages. Franchises also “provide a balance between the control necessary for dealing with system externalities and the provision of sufficient autonomy to encourage local managers and volunteers to work productively” (Rangan & Grossman, 2001, p. 323). Figure 4 below depicts how replication through franchising is achieved.

**Figure 4: Franchise Replication**



Source: Jowett & Dyer, 2012

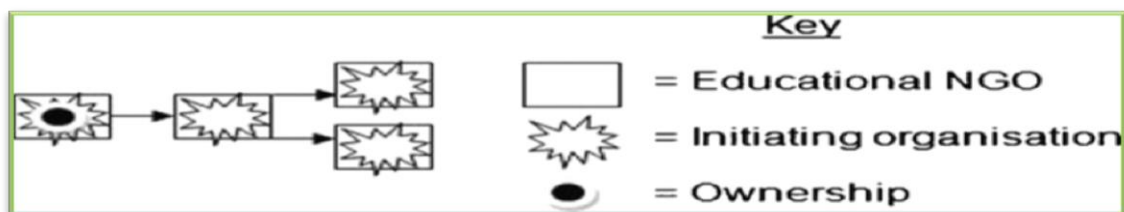
Before embarking on the franchising method according to Nieman (2009), the following criteria should be taken into consideration:

- Standardisation of product or service – there should a high degree of standardisation.
- Reproductibility – service must be easily reproduced.
- Distinctiveness – the firm must have something unique that others cannot copy.
- Straight forward operating model – simplified operating model to minimise the amount of time spent on training.
- Profitability – the firm must have a history of profitability and the market must be large enough to support the network.
- Regular supplies – regular supply of service that the firm depends on. For example broadband to access the internet for those schools that use technology based learning models.
- Legal constraints – compliance with legal requirements.
- Personal commitment – accepting the commitment for the well-being of the network and tolerance for failure.

## **ii. Staged replication (chain schools)**

Staged replication is usually carried out by the initiating organisation which generally retains ownership. This happens through the form of chain schools where, unlike in franchising, ownership is still retained by the initial school. With this type of replication the objective to replicate is part of the strategy from the inception, it is carefully planned and highly structured and the initial school is used as a pilot to determine viability and feasibility. Several schools are then opened to test the implementation and, if the model works, it is then rolled out and expanded to more locations (Jowett & Dyer, 2012). Figure 5 demonstrates the concept of staged replication.

**Figure 5: Staged Replication**

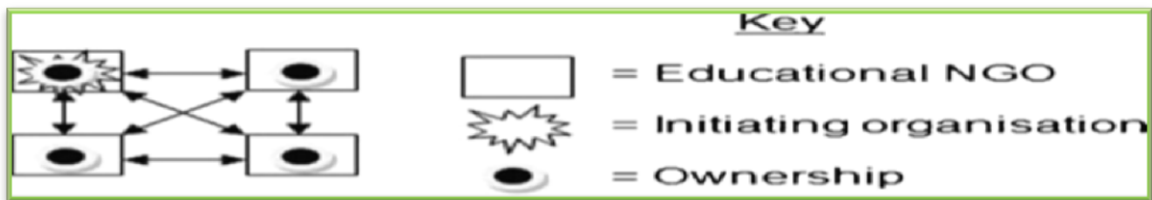


Source: Jowett & Dyer, 2012

### **iii. Network replication**

Network replication can be carried out by any entrepreneur who wishes to replicate by making use of only the core aspects of the original initiative or concept which has been proven to be successful. This form of replication is not only about local adaptation but also networking, two-way communication and mutual learning, with each school agreeing to join a network of organisations all working from the same original concept. The benefit of belonging to a network is that by retaining the core elements of the initiative, each school is in a position to support and learn from the other and assist future replication. Network replication is not the same as joining a network of different organisations but it specifically requires that the replicating member fully adopts, retains and adheres to the core aspects of the model. This form of replication is particularly important given the resource constraints common to many low fee private schools and additional capacity required to open schools in other locations or regions. This is shown in Figure 6 below.

**Figure 6: Network Replication**



Source: Jowett & Dyer, 2012

## **2.8 STAKEHOLDERS**

In order to achieve successful sustainable scale-up, the role of stakeholders becomes increasingly important and effective management of stakeholders will result in good relationships which may contribute valuable resources if ever needed by the organisation (Brewer, 2011).

### **2.8.1 Government**

Governmental support is necessary for the success and sustainability of low fee private schools, and “no country has achieved significant improvement in primary education without the government involvement” (Harma, 2009). This can be achieved through regulating the private education sector and also ensuring that developmental agency’s policies recognise the contribution of low fee private schools to the education system and the economic growth of the country, thus making them eligible for funding assistance as with other small business initiatives (Heynemann & Stern, 2013). Government support is necessary, although Harma (2009) found that even though the failing public education system has led to the emergence of low fee private schools and parents preferring these types of schools, parents actually still want a functioning government school system because a lot of parents still cannot afford even low fee private schools. The fact that markets do not deliver universal service delivery makes it imperative that we focus on the government system and establish how we can reform public schools rather than relying on increased markets to achieve universal access to education for all. These sentiments are also shared by Lewin & Little (2011) as they stated that low fee private schools are neither pro-poor nor equitable and therefore it was clear that the government remains the provider of last resort. The argument made by Harma (2009) and Lewin & Little (2011) of rather focusing on improving the government system suggests that the education problem is that of government alone whereas the point about sustainably scaling-up low fee private schools is acknowledging that it is evident that government cannot do it alone, the private sector has to assist government by bridging the gap where the public system is failing.

### **2.8.2 Private Investors**

The collapse of the public schooling system has opened up a vast opportunity for the private sector to fill the gap as entrepreneurs respond to the opportunity by offering private schooling and scaling it up to low income communities (Tooley & Dixon, 2005). A majority of small businesses are self-funded by the entrepreneur through retained earnings or from personal resources and the ability to scale-up is underpinned by substantial resources and financial resources is an impediment for small business to scale-up (Watson, 2008). As entrepreneurs take up the opportunity to scale-up quality education, it is important for funders to understand the drivers, challenges, processes and practises of scaling-up when deciding to invest their funds in the development of the sector.

### **2.8.3 Parents**

One of the most important ways in which parents become involved in their children's education is through choosing the school they attend, and with the emergence of low fee private schools, parents have more choice and are able to exercise school choice (Phillips & Goldring, 2008). Even though it is expected that parents in low income households will place their children in free public schools, more parents from low income households are placing their children in these low fee private schools (Ngware, 2009). Research conducted by Tooley & Dixon (2005) revealed that the number of poor parents choosing private schooling over public schooling is significant and on the rise which is an indication that parents are buying into the concept of low fee private schools. In order for low fee private schools to be sustainably scaled-up they also need to be accepted by parents and therefore the views of parents towards low fee private schools as a provider of quality education becomes important. The implication of more schooling choice may result in a social bias as parents with more access to information and with a wider social network will be able to participate better in the choice process (Phillips & Goldring, 2008). It is then imperative for low fee private schools to market themselves and ensure that parents are informed about their schools if they are to increase impact through scaling-up in order to increase access.



## **2.9 CONCLUSION TO LITERATURE REVIEW**

Developing countries are faced with the challenge of ensuring universal primary education for all by making sure that education is equitably accessed and moreover, that quality education is provided thus reducing the 'silent' exclusion that occurs due to the poor quality education offered. There is evidence that low fee private schools are on the rise in developing countries, these low fee private schools contribute to the education system by increasing access to education and also by providing quality education. Although there is a proliferation of these schools, there is limited literature with regard to low fee private schools which require development. These schools have low operating costs; they charge low fees, appeal to the low income consumers and may be a good model for replication. There are private led and PPP initiatives which provide options to scaling-up in the education sector. The impact of low fee private schools on society has not been thoroughly researched; however it is logical to assume that there will be a reduction in the socio-economic challenges faced by poorer communities, especially those marginalised from current service offerings, as better education improves their lives. These schools should be considered as social entrepreneurs who are still required to apply business management skills while pursuing a social vision and should be recognised by those agencies that offer developmental funding and business improvement to other small businesses. As with any other business, they are faced with the challenges of growth such as how to evolve from a small firm to a bigger firm, and what are innovative ways of growth that should be employed when attracting and retaining employees, funding and revenue. Financial sustainability is imperative for success. These schools are a viable alternative to providing access to quality education and should be supported by the private and public sector and therefore the concept of scaling-up in this sector should be explored if we are to deal with the challenges faced by the education system.

## **CHAPTER 3: RESEARCH QUESTIONS**

The objective of this research is to establish how low fee private schools can be sustainably scaled-up in South Africa. It will attempt to draw out information and evidence on what works and what doesn't work in the context of South Africa and how we can leverage this information as well as the various mechanisms that can be used to sustainably scale-up low fee private schools in South Africa.

### **3.3 MAIN RESEARCH QUESTION**

How can low fee private schools be sustainably scaled-up in South Africa?

In order to simplify this question, the following sub-questions will be addressed.

#### **3.3.1 Sub-question 1**

What are the drivers for scaling-up low fee private schools?

#### **3.3.2 Sub-question 2**

What are the challenges of scaling-up low fee private schools?

#### **3.3.3 Sub-question 3**

What are the pros and cons of scaling up?

#### **3.3.4 Sub-question 4**

What are the options for scaling up a low fee private school?

## **CHAPTER 4: RESEARCH METHODOLOGY**

This chapter will discuss in detail the research methodology that was used for this study in determining how low fee private schools can be sustainably scaled-up in South Africa. This was an exploratory qualitative study, which was conducted through the use of in-depth interviews and focused on understanding the drivers, the challenges, the pros and cons, the mechanisms used and the options for scaling-up a low fee private school.

### **4.1 RESEARCH METHOD**

Exploratory approaches were used to deduce emerging themes from the data, which were then used to develop theoretical perspectives (Saunders, Lewis, & Thornhill, 2009). Exploratory studies seek insights into a phenomenon (Struwig & Stead, 2001) which is useful in discovering general information about the topic that is not clearly understood by the researcher (Saunders & Lewis, 2012). A qualitative study is defined as an “interpretative method because the researcher needs to make sense of the subjective and socially constructed meaning expressed about a phenomenon” (Saunders, Lewis, & Thornhill, 2009, p. 163). An inductive approach also, by its nature, places emphasis on the close understanding of the research context, hence it was felt that it would be best for the researcher to adopt an inductive approach in order to fully understand the nature of the problem being studied and to also develop theory from data generated through interviews (Struwig & Stead, 2001).

### **4.2 RATIONALE FOR THE RESEARCH METHOD**

An exploratory approach was used to provide the researcher with an opportunity to conduct in-depth interviews, to probe for answers and explanations where clarity was sought; and to infer from the successful scaling-up processes and practises as well as challenges faced by the founders or head masters of low fee private schools in order to determine sustainable methods of scaling-up low fee private schools. Due to the fact that there is no known prior research on sustainably scaling-up of low fee private schools in South Africa, an exploratory qualitative research method was appropriate and relevant in answering the research questions (Saunders, Lewis, & Thornhill, 2012).

### **4.3 POPULATION AND UNIT OF ANALYSIS**

According to Struwig & Stead (2001) population refers to a complete set of data, it includes all possible respondents in a research project and is also used to draw a sample for testing. The population was the founders, head masters, and senior managers (collectively referred to as school leaders in this study) of private schools that have scaled-up and those that intend on scaling-up; and any other person from organisations that are involved or have an influence in the education sector (these people are referred to as other stakeholders in this study). The unit of analysis was the experience and insight of these individuals who are currently operating low fee private schools and those that are involved in the education sector.

### **4.4 SAMPLING**

#### **4.1.1 Sampling Method**

Non-probability sampling technique, namely, purposive and snowballing sampling techniques were used in selecting the schools and the organisations in the education sector. Purposive sampling is one of the non-probability sampling techniques, in which the researcher can exercise judgement in order to gain the necessary and relevant insight from the sample (Saunders & Lewis, 2012). To get rich information and different perspectives this study consisted of three sample categories; the make-up of the sample categories was follows:

*Sample 1:* Consisted of schools that have scale-up their operations.

*Sample 2:* Consisted of newly established schools or schools that were in the process of establishing and intended on scaling-up their operations.

*Sample 3:* Consisted of people who through their organisation's services had an indirect impact on low fee private schools.

The emphasis when using qualitative research methods is the quality of the study and not so much on solving problems, hence the purposive sampling was suitable as this method places emphasis on an information rich sample. It also reduces criticism on the bias of the researcher when selecting the sample (Struwig & Stead, 2001). The chosen techniques ensured that different perspectives were received from school leaders and the other stakeholders involved in the education sector.

#### ***i. Selection Criteria***

In order to ensure that only schools that served the purpose of this study were selected, in a sequential order the following are the criteria that were used for selecting schools:

1. The schools fees paid by parents were up to a maximum of R23 000 per annum; and
2. The schools were not only pre-primary schools, but were schools that offered either primary schooling or high school or both; and
3. Schools were based in Gauteng; and
4. The school was either a single school or a schools organisation that had scaled-up its operations; or
5. The school was either a single school or a schools organisation that had been newly established or was in the process of being established; and was either in the process of scaling-up or ultimately intended on scaling-up its operations; and
6. The school leaders interviewed were stationed at the school and were involved in the daily management of the school's operations.

The selection criterion for the other stakeholders was:

1. People from organisations that were involved in the independent education sector either as service providers, supporters or policy advocates.

## ***ii. Source of Information***

The source of information used for sample selection was the Independent Schools Association of South Africa (ISASA) web based database of ISASA affiliated private schools. ISASA is the largest and oldest association of independent (private) schools in Southern Africa. The database could be customise to filter and search for schools that had schools fees up to a maximum of R23 000 per annum, were not only pre-primary schools and were based in Gauteng. The information from ISASA had 23 schools charging fees below R23 000 in Gauteng, nine of these were pre-primary schools and were excluded from the sample selection process. Another source of information was the Department of Gauteng Education, a list of all registered private schools in Gauteng was available on their website in excel format, there were 731 schools on the list; however the data did not indicate the school fees for each school therefore the first sampling criterion could not be applied to this data in order to identify low fee private schools.

## ***iii. Sample Selection***

Ultimately the 14 (23 -9) remaining schools from the ISASA database that met the first three criterion were used for sample selection. All 14 schools were telephonically contacted to determine whether they fell into Sample 1 or 2 and only two schools fell into both Sample 1 and 2 and the rest of the 12 schools fell into Sample 1 category. The sample selection for Sample 1 was made from the 14 schools and was further narrowed down by applying selection criteria 4, 5 and 6. Snowballing was used to get hold of more schools that fell into Sample 2 and to also get hold of people that met the criteria for the Sample 3.

### **4.1.2 Sample Size**

This study consisted of a sample of 16 schools but 17 interviews were conducted. This was due to the fact that one of the schools fell into both Sample 1 and 2, so the school leader from this particular school was interviewed twice. The reason for this was to get information and a perspective for both Sample 1 and 2 as the school leader was in a position to provide information for both Sample 1 and 2. The interview questions for the two samples were slightly different. The breakdown of the sample size is in Table 1 below:

**Table 1: Sample Categories**

<b>Sample Category</b>	<b>Number of interviews</b>
Sample 1 : School leaders of schools that have scaled-up	7
Sample 2: School leaders of schools that intend on scaling-up	5
Sample 3: Other stakeholders such as investors, researchers, and independent schooling associations.	5
<b>Total</b>	<b>17</b>

## **4.5 DATA COLLECTION**

### **4.5.1 Data Collection Tool**

An interview schedule was developed and used to guide the conversation. This schedule was designed using the specific research questions and key aspects, pertinent to this study that emanated from the literature synthesis (Saunders, Thornhill, & Lewis, 2012). Three different schedules were designed for each sample category. Refer to Appendix A for Sample 1 interview schedule, Appendix B for the Sample 2 interview schedule and Appendix C for the Sample 3 interview schedule. The consent form which formed part of the interview schedule included a brief introduction to give background to the research topic.

Interview schedules were designed in a standard format for each sample category. Interview schedules for Samples 1 and 2 had 3 sections. Section 1 was the consent letter, Section 2 contained information on the school characteristics and Section 3 had questions that requested information regarding the scale-up process. The questions were aligned to the four research questions outlined in Chapter 3. The interview schedule which included the consent form was sent to each participant prior to the interview in order to enable the participant to prepare and familiarise themselves with the various themes that were covered during the interview. The interview schedule was composed of open ended questions and included sections for hand note taking during the interview. See Appendices A-C. A voice recorder was used to record the discussions during the interview session.

#### **4.5.2 Pilot Study on the Interview Schedule**

Pre-testing of the interview schedule was conducted among fellow students to ensure that there was no ambiguity and that the questions were easily understood (Saunders & Lewis, 2012).

The following was accomplished through this process:

- Finalised the structure and the questions included in the interview schedule;
- Ensured the participant fully understood the wording of the questions;
- Encouraged complete information when responding to the questions;
- Ensured that note taking, interpretation and analysis could be conducted while the interview was in session;
- Interviewing techniques were practised, specifically asking one question at a time; in addition to ensuring that leading questions and responses were avoided;
- The recording device worked accurately; and
- The interview session was within 60 minutes.

#### **4.5.3 Data Collection Method**

A semi-structured interview is a combination of structured and unstructured interviews. This is a method of interview where “predetermined questions are posed to each participant in a systematic and consistent manner, but which also allows the participant to discuss the issue beyond the question’s confines” (Struwig & Stead, 2001, p. 98). This method has made it possible to draw from the knowledge and experiences of the various respondents as it provided an opportunity to ask probing questions where the respondents were not clear. Face to face interviews were held at the respondent’s place of work during the week, and only two interviews were held in a restaurant. The time and date of the interview was also selected by the interviewee.



Prior to commencement of the interview the following were completed:

- The introductory overview which is part of the consent form was used to provide background and purpose of the interview;
- Confirmation was obtained of whether the participant had had an opportunity to go through the interview schedule that was e-mailed to them prior to the interview;
- Participants were informed about their voluntary participation and right not to answer particular questions and of opting out at any time throughout the interview if they wished to do so;
- Participants were informed that information given by them would be confidential;
- The participants were informed that if there were any concerns or need for clarity during the interview, they should request the researcher to clarify and elaborate (Saunders, Thornhill, & Lewis, 2012).
- A voice recorder was used to record the interviews and permission was sought from the interviewee prior to recording the interview;
- Each participant from Sample 1 and 2 was requested to provide background on their school and participants from Sample 3 were requested to provide background information on the role they play in the education sector of South Africa, in order to set the scene and ease the interviewee.

Although the background of the school did not form part of the interview schedule, it provided information that was found to important and which was then also used to extract more insightful information that was useful for this study. However, occasionally responses on some questions were short where the participant felt that they were repeating themselves. During the interviews there were several instances where participants were not certain as to whether they had correctly or sufficiently responded to a question, and requested confirmation from the researcher on their performance during the interview. Where the participant's response deviated from a question, the question was repeated and elaborated by providing an example. Interviews lasted between 25 and 60 minutes. Short hand notes were taken during the interview to aid data analysis. The interview recordings were then transcribed verbatim. Seventeen interviews were held, all in all as indicated in Table 1 above. Details of the schools and the interviewees are listed in Appendix D.

## **4.6 DATA ANALYSIS**

Content and narrative analysis was used to analyse the data. This process ensures that data is interpreted and categorised in order to draw meaning and insight across emerging themes, therefore attempting to answer the research questions, as outlined in Chapter 3 above. These are the most appropriate methods of analysing qualitative research (Saunders & Lewis, 2012). Data analysis involves a process of analysing the interview transcriptions to establish emerging constructs, similar constructs were categorised and coded using themes arising from the constructs. This is in line with exploratory study, which aims to identify similar information about a topic in order to provide a comprehensive perspective (Saunders & Lewis, 2012).

The interview recordings were transcribed into word format prior to being analysed. This process was carried out using one interview at a time, until all 17 interviews were transcribed. Quality assurance was conducted on each transcribed interview to ensure that the interview proceedings were captured accurately. Each transcript was read again to identify emerging constructs from the responses on each question; these constructs were captured onto a table and as more transcripts were analysed re-occurring constructs and any new constructs were identified. After all the transcripts were analysed the number of times a construct occurred was added together in order to determine the frequency occurrence on each construct, the constructs were then ranked based on the highest frequency. This process aided with the presentation of the data using frequency tables. The emerging constructs with a similar underlying perspective were grouped together to form a theme and these themes were then discussed in the results.

## **4.7 RESEARCH LIMITATIONS**

- This study was limited to the schools established in Gauteng.
- Government officials and parents were not part of this study.

## **CHAPTER 5: RESULTS**

This chapter presents the findings of the analysis of the data that was collected during interviews. The interview schedules which are aligned to the research questions were used to collect data with the aim of answering the research questions, the data was then analysed as outlined in Chapter 4. This study consisted of three sample categories, therefore the layout of this chapter is structured such that the results from each sample are presented separately with the exception of the results on the methods of scaling-up which were analysed to identify and group similar emerging suggestions. These results are presented together under Section 5.4. Sample 1 and 2 consisted of school principals, founders, chief executive officers, general managers and administrators. All these were senior people and leaders in their schools. In this report, the interviewees will be referred to as either respondents or leaders of the schools. Sample 3 consisted of senior and executive managers for organisations whose services directly or indirectly affect schools or schooling in South Africa. The interviewees are referred to as other stakeholders.

Three paths to scaling-up were discussed in Chapter 2, which are replication, expansion and diffusion. What transpired from the interviews is that schools from Sample 1 scaled-up by means of expansion and schools from Sample 2 by means of replication, hence the results from Sample 1 focused on expansion and Sample 2 focused on replication.

## 5.1 RESULTS: SAMPLE 1 – SCHOOLS THAT HAVE SCALED-UP

### 5.1.1 Sample Description

This sample consisted of independent schools that have scaled-up their operations over a certain period. Seven leaders of schools that have scaled-up were interviewed. One of the seven school organisations went further and replicated by opening up more schools in different geographical areas. The school fees for all seven schools ranged from R4,800.00 per annum to R23,000.00 per annum, on average school fees for primary school were R10,000.00 per annum and for high school R15,000.00 per annum. All seven schools are not-for-profit schools and therefore significantly received a government subsidy. The years of operating ranged from 11 to 24 years and on average the schools had been operating for 19 years.

As indicated in the introduction, schools in this sample category scaled-up by adding more classrooms, grades, pupils and teachers to the initial school; that is, they have expanded the initial school. These schools did not replicate to other sites hence their results focused on scaling-up by way of expansion.

The profile of the schools in Sample 1 is outlined in Table 2 below:

**Table 2: Sample 1 Profile: Schools that have Scaled-up**

	Description	Number
Interviewees		
	Owner/founder	1
	School principal/head master	4
	Teacher	0
	Administrator/manager	2
Type of school		
	Fee-paying and for-profit	0
	Fee-paying and non-profit organisation	7
	Primary school (grade R to grade 7) – all or some grades offered	3
	High school (grade 8 to grade 12) – all or some grades offered	1
	Combined school (primary and high school) – all grades offered	3
	Receive government subsidy	7

	Description	Number
	Registered with the Department of Education	7
	Franchise	0
	Belonging to a group of schools – network of schools	3
	Single school ( not a franchise or part of a network of schools)	4
Range of school fees per annum (average fees for the school)		
	R4,500.00 and below	0
	R4,501.00 – R10,000.00	2
	R10,001.00 – R15,000.00	3
	R15,001.00 – R23,000.00	2
Number of years operating		
	10 years and less	0
	11 years to 15 years	2
	16 years to 20 years	1
	21 years and above	4
Location of the school		
	Suburb	4
	Township	3

### 5.1.2 Content Analysis

The different paths of scaling-up and the meaning of scaling-up in the context of this study were explained to the interviewees at the beginning of the interview. However, throughout the interviews the respondents in this sample category often used the words “scale-up” and “growth” interchangeably to imply expansion of a school by way of increased capacity (teachers, pupils, number of classrooms or number of grades offered). The responses provided by the interviewees in this sample group were transcribed and an analysis of the content of the responses provided to each question on the interview schedule was conducted; the results of the interviews are presented in Table 3 to Table 9.

Table 3 below lists the types of scale-up initiatives the schools have embarked since the inception of the school and are in ranked order as well as showing the frequency of occurrence.

**Table 3 : Scale-up Initiatives**

Rank	Initiative	Example	Frequency
<b>Expansion</b>			
1	Increasing the number of grades offered	Originally only offered grade 1-5 but now offer grade 6 and 7	7
2	Increasing the number of pupils in a class	Increasing the number of pupils in a class from 20 to 35 per class	7
3	Increasing the number of classes per grade	Two more classes of grade 5, another class for grade 6	5
4	Adding another type of school	Initially the school was only a primary school and over the years a secondary school or a FET college or a pre-primary school was opened	4
5	Opening a different type of school (primary school, high school, pre-primary school, special needs school) in another geographical location	A satellite school that only serves grade 11 and 12, while the initial school only serves grade 8 to 10 or opening a primary school in another location	2
<b>Replication</b>			
6	Replicated the school to other geographical sites – staged replication	Established same school in other areas or franchised the initial school	1
7	Merging with another school to belong to a network/group of schools	School A merging with School B in order to belong to the same network or group	1
8	Web-based schooling	Offer access to school and learning through the web	0
9	Franchising	Schools are sold to different owners – similar to the fast food franchising model	0
10	Public Private Partnership	Contract school – publicly funded but privately managed	0

Some respondents made the following remarks when asked about scaling-up a low fee private school:

- *I am sceptical of scaling-up (replicating); I don't think you can scale (replicate) excellence in education. If you are serious about education you just don't and the ones that are scaling-up (replicating) are doing it at the*

*expense of public schools by attracting good teachers and charging fees that are not low; R20 000 per annum is not low.*

- *I think when one gets too big, one loses that personal touch.*
- *I have never thought of this school expanding to other geographical areas, that was not my dream, the vision was to establish one good educational place.*
- *Instead of opening up schools in other geographical areas and have one class per grade it is better to have everyone in one property with three classes per grade. – it is easier to manage the school.*
- *Low fee private schools can never be run for profit. Not a chance because the margins if any, are low but the costs are significantly high.*

Table 4 below outline who initiates the scale-up initiatives described in Table 3. The table below also lists the various drivers to scaling-up a low fee private school in any way, the results are in a ranked order as well as showing the frequency of occurrence.

**Table 4: The Initiator and the Drivers for Scale-up**

<b>Rank</b>	<b>Initiators of the scaling-up initiatives</b>	<b>Frequency</b>
1	Founder. entrepreneur, managing director or CEO	3
2	Board of trustees	1
3	Partners, associations, network or donors	1
4	Collective initiation by the school management team (founder, school principal, teachers and administrators)	1

**Table 5: Drivers to scaling - up**

Rank	Drivers to scale-up operations	Frequency
1	Pressure from parents (unplanned scale-up)	7
2	Change in the political landscape of the country or legislation	4
3	Attracting more funds/subsidies (seeking financial stability)	4
4	Entrepreneurial e.g. need in the market identified –opportunity	3
5	Philanthropic reasons	2
6	Personal experiences e.g. initiator encountering the need or experiencing a challenge in their personal capacity	2

There are challenges and lessons when scaling-up operations whether by expanding or replication. It is important to understand the challenges and learn from the experiences of those who have done it in order to appreciate the effort required to sustainably scale-up a low fee private school in South Africa but even more important is to take into consideration these challenges by planning and finding solutions prior to embarking on an initiative to scale-up operations. Table 6 and 7 respectively list the challenges and lessons learned from implementing the scaling-up initiatives

**Table 6: Challenges of Scaling-up a Low Fee Private School**

Rank	Challenges encountered	Frequency
1	Availability of premises/facilities	5
2	Staff being overworked	5
3	Attracting and retaining competent teachers	5
4	Mandate from the donors	4
5	Maintaining low school fees	4
6	Managing a larger pool of teachers	4
7	Regulatory compliance requirements	4
8	High staff attrition	3
9	Costs management	2
10	Infrastructure financing	1



**Table 7 : Lessons Learned from Scaling-up**

Rank	Lessons learned from scaling-up	Frequency
1	Job fit – placement	4
2	Teamwork	4
3	Skill and professional development programmes	3
4	Strategic planning	3
5	Have courage and endurance to scale-up	3
6	Knowledgeable school management team	3
7	Leadership – having the right leader, a person who is a visionary and also passionate about education	3
8	Parents keep up demand for more	3
9	Performance recognition strategies	3
10	Collaborative/inclusive decision making	2
11	Scaling-up also means improvement in culture, processes, systems, controls, and governance structures	2
12	Extensive understanding of the community – history of community	2
13	Networking capital	2
14	Build community trust	1
15	Thorough due diligence before opening up a school	1

Some respondents made the following remarks when asked about the challenges and lessons learned through the process of scaling-up a low fee private school:

- *We employ the best people for the money we have.*
- *The people are really the stress, not the kids. If I could put a robot in class to teach I would rather do that. Teachers live in a box; they don't like change and growth mean change.*
- *It is not just about having an educational consideration, it is having both the economic and educational consideration when planning to scale-up.*

There are pros and cons of scaling-up, respondents were requested to identify the pros and cons of the type of scale-up they had chosen to embark on. When asked about the cons, all respondents paused and most stated that they had actually never thought of this, what they saw was the benefit brought about by expansion. Table 8 outlines the pros and cons of scaling-up by way of expansion

**Table 8: Pros and Cons of Scaling-up by Way of Expansion**

Rank	Pros	Frequency
1	Benefits more students	7
2	Benefits from economies of scale	4
3	Easier to maintain standards and the quality at a single site	3
4	Builds trust with the community	2
5	Securing pupils for the next grade – pupil “pipeline” management	1
Rank	Cons	Frequency
1	More subsidies from the government implies more compliance requirements to be adhered to	3
2	Never thought of disadvantages	3
3	Increase in property maintenance costs	2
4	Loss of an opportunity to share operational costs	1

The following remarks were made by respondents:

- *There is no advantage to the school. The advantage is on the consumer side as more pupils are able to have access to quality education which is what we want, for the school it just means more administration and more stress to management but what can we do, parents keep asking for more and more and when you are doing a good job they will ask for more.*
- *People trust you when they see growth.*
- *A number of pupils are lost during a scale-up, because schools fees have to increase to in order to cover for the cost of scaling-up; however what we have seen is that this change only occurs in the year that the*

*fees increase but eventually in the subsequent year pupils start registering in numbers.*

A key objective of this research was to look at mechanisms used in order to ensure that the scale-up of a low fee private school is sustainable. Mechanisms that emerged for scaling-up a low fee private school by way of expansion are listed in Table 9 below.

**Table 9 : Mechanisms Used to Ensure Sustainability of the Scale-up (Expansion)**

Rank	Mechanisms used	Frequency
1	Dedication to continuous fundraising and securing sponsorships	5
2	Gradual expansion	4
3	Importing affordable teachers	4
4	Strategic planning that involves all the managers of the school	3
5	Being innovative and establishing other commercial ways unrelated to the school operations to help raise additional revenue	3
6	Producing excellent student performance results	3
7	Use of spare capacity to raise additional income	3
8	A narrow offering that is deep focus in order to achieve excellence rather than a broad offering that is average	3
9	Partnering with corporates that sponsor a larger number of students for a long term or throughout their schooling years	2
10	Good governance structures and processes in place	2
11	Belonging to a wide network (academia, independent schools society, funders, corporates)	1
12	Reducing reliance on donor funding – having more fee paying students than scholarship students	1
13	Continuously marketing the school to ensure that parents know about the school's existence	1
14	Managing the school as you would a normal business	1
15	Using technology to enable delivery of the curriculum at a reduced cost without compromising the quality of education	1
16	Building a relationship with the community by employing people from the local community, thus getting them involved in the operations of the school	1

The following remarks were made by respondents:

- *The issue is not about the sustainability of your scale-up, what needs to be sustained is the effort of establishing and growing a school in a poor community, because it's complex, it is full of ups and downs, it's a dirty job, it's ugly, it's not fun, it takes a long time and it's hard.*
- *Organic expansion – do not expand too quickly, a low fee private school should expand organically unless there is considerable funding available, fees that are affordable for a poor community are too low.*
- *Gradual expansion without replicating is the only sustainable form of scaling-up a low fee private school serving a low income community.*

## 5.2 RESULTS: SAMPLE 2 – SCHOOLS THAT INTEND TO SCALE-UP

### 5.2.1 Sample Description

This sample consisted of schools that are planning to scale-up in the future. Five interviews were conducted at five organisation schools (for example Nova schools, Spark schools) – these were school organisations that are or intend on forming a chain of schools for their organisation by geographically spreading their schools. Two of the five schools have been operating for less than a year; they started operating in 2013; one of the five schools was in the process of establishing and planned to start operating in 2015; one school had been operating for a while, this school was also used in Sample 1 but because it belongs to an school organisation that intend on scaling-up it was also used under this sample category and the last school was relatively new and had started opening more than one school. The fairly newer schools used technology blended instructional models. The school fees ranged from R2, 400.00 per annum to R12, 000.00 per annum, on average the school fees were R8, 000.00 per annum.

Note that due to the fact that one of the school organisations was not yet operational at the time of the study, certain information regarding the characteristics of the school were not available, this did not have an impact as rich responses were received on the interview questions. The detailed description of the sample is provided in Table 10 below.

**Table 10: Sample 2 Profile: Schools that Intend to Scale-up**

	Description	Number
Interviewee		
	Owner/founder	2
	School principal/head master	1
	Teacher	
	Administrator/executive manager	2
Type of school		
	Not yet operational	1
	Fee-paying and for-profit organisation	1
	Fee-paying and non-profit organisation	3

	<b>Description</b>	<b>Number</b>
	Primary school (grade R to grade 6) – all or some grades offered	1
	Secondary school (grade 7 to 9) – all or some grades offered	1
	High school (grade 10 to grade 12) – all or some grades offered	1
	Combined school (primary and high school) – all grades offered	0
Number of grades the school currently has :		
	1 to 2 grades	1
	3 to 4 grades	2
	5 to 8 grades	1
	Receive government subsidy	2
	Registered with the department of education	3
	Belong to a network/group of chain schools	5
	Owned and managed by a board of trustees	4
	Privately owned	1
Range of school fees per annum		
	R0 – R300	1
	R301 – R3,000.00	1
	R3,001.00 – R8,000.00	2
	R8,001.00 – R13,000.00	1
	R13,001.00 – R23,000.00	0
Number of years operating		
	Not yet operating	1
	< 1 year	2
	1 to 5 years	1
	6 years to 10 years	1
Current location of the school (s)		
	Suburb	1
	Township	3

### 5.2.2 Content Analysis

One thing that was very clear from the onset of the interviews was that the objective of the schools in this sample category is to replicate and increase the number of schools. The vision to replicate their schools to other areas was the first thing the respondents spoke about; three of the schools immediately provided their growth targets that they plan to achieve. All five respondents expressed a firm belief that they knew what the children from the communities they served needed and that their educational/instructional model carried hope for these children.

Although most of these schools were starting out with a small number of grades in relation to the planned number of grades, they did not raise concerns about the ability to expand and increase the capacity of the current 'initial' school to the planned capacity; the respondents spoke a lot more about increasing the number of schools, reaching to other geographical areas and their academic model that will improve the standard of education, develop the student and produce excellent student performance results. Therefore issues regarding scaling-up by way of expansion were not part of the agenda. The reason that the initiative to scale-up using expansion ranked second, was because it is a process the schools will have to go through as they replicate. In all the interviews for the sample category, the focus of the interviews was on replication (increasing the number of schools) as a method of scaling-up, hence the focus in this sub-section is on scaling-up by way of replication and the results are presented in Table 11 to 17. Table 11 below, outlines the types of scale-up initiatives planned by respondents, which indicates that the schools are planning to replicate.

**Table 11: Types of Scale-up Initiatives Planned**

Rank	Planned scaling-up initiatives	Frequency
Replication – staged replication		
1	Replicating – opening a number of similar schools in different geographical locations (a chain of schools)	4
2	Replicating by using a “franchising” model	1
Expansion		
3	Increasing the number of grades offered by the original type of school for example a primary school that only offers two grades but plans to offer all primary school	3

Rank	Planned scaling-up initiatives	Frequency
	grades	
4	Opening access to school by offering lessons via the web	0

The following remarks were made by some of the respondents when asked for their thoughts on scaling-up low fee private schools in South Africa:

- *A lot of people will say there is a problem with education but very few will make a stand, some try but a lot just talk. If we [low fee private schools] can scale-up, we would not have to talk, it would speak for itself and speak volumes for our kids and what they can achieve and prove that it is possible in South Africa.*
- *If we are to scale low fee private schools into townships and other poor communities, we have to do better and provide quality education; not take advantage of the situation by offering a down-graded education.*

In order to achieve sustainability of the scale-up initiative, it was important to understand the underlying drivers and the motivation for wanting to increase the number schools. The drivers identified are listed in Table 12 below:

**Table 12 : Drivers for Wanting to Scale-up**

Rank	Drivers	Frequency
1.	Opportunity – there is demand for these low fee private schools	5
2.	To improve the education standards for more children – deliver quality educational standards	4
3.	Making an impact in communities and improving lives through education	4
4.	Passion of the leader	3
5.	Unhappiness with the performance results of the public schooling system – want to assist with improving the educational outcomes	3
6.	Pressure from parents to open up more schools	3



One of the respondents was very passionate about the type of work and embraced the challenges that came with managing multi-site schools and commented as follows:

- *I would not do this if it was a one school show, I would get bored very quickly. I love the challenge of having to start a school, grow a school, and create culture...all of that. I love it.*
- *We want to show the world and prove to the sceptics that even children poor communities can academically compete at an international level.*

To build on the planned scaling-up initiatives listed in Table 11 above, the following were described as strategies or mechanisms that can be used to ensure that scaling-up by replication is sustainable.

**Table 13 : Mechanisms to Ensure the Sustainability of the Scale-up (Replication)**

Rank	Mechanisms to achieve planned scale-up initiatives	Frequency
1	Start a school with one grade and then add a grade each year until the planned maximum capacity is reached.	3
2	Test the fidelity and the replicability of the academic model before aggressive replication	3
3	Different types of schools within the organisation with different pricing strategies	3
4	Cluster model – replicate in one province or country before entering new provinces or countries	1
5	Use of a different co-founders to fund each new school to be opened	1
6	Partnership with government through the contract schools model – privately managed public schools	1

\*Note that one grade does not mean one classroom. The number of classrooms for each grade may vary.

The reasons for choosing replication and a particular mechanism further indicate what is the motivation or the driver for replication. The reasons that emerged are listed in Table 14 below:

**Table 14 : Reasons for Scaling-up (Replication)**

Rank	Reasons	Frequency
<b>Reasons for replicating</b>		
1	Offer more children an opportunity to receive good education	4
2	To test and prove that the model is scalable and can be applied to different contexts/areas in South Africa	4
3	Opportunity – there are not enough schools	3
<b>Reasons for the mechanisms intend on using</b>		
1	To build capacity and resources	4
2	Financial sustainability	4
3	The academic model is designed for scaling-up	2
4	To take advantage of economies of scale	2
5	The ability to open up new schools in a more manageable manner	2

The following comments were made when asked about selecting replication as a form of scaling-up:

- *We need to make an impact in society and leave a dent; it is not good enough to have one or two schools in five years.*
- *If we are serious about growth and systemic change we need to be quite aggressive in our growth plans.*
- *To ensure delivery of quality education at low operating cost, the academic model was developed to suit a specific level of pupils, it would not work if we expanded and rolled it out to other levels.*
- *It is not so much about a low fee private school, but it is about the academic results that can be produced.*

Scaling-up has its own pros and cons; the following constructs emerged as the pros and cons for scaling-up by way of replication:

**Table 15: Pros and Cons of Scaling-up a Low Fee Private School (Replication)**

Rank	Pros	Frequency
1	Opportunity to test and refine the model	4
2	The impact that can be achieved by having more schools	3
3	Fulfil needs of customers	3
4	Increased capacity, therefore more influence	3
5	Benefit from economies of scale	3
Rank	Cons	Frequency
1	Unavailability of funds in order to scale-up	4
2	Training costs	4
3	Externalities that come with scaling-up	3
4	Recruiting teachers that will be able to deliver the academic model	2
5	Buy-in from the community	2
6	The complexity of managing different schools in different geographical locations	1

One of the respondents made this comment when asked about the cons of scaling up:

- *For a non-profit low fee private school, it will take a long time to break-even, even though the losses to break-even may be low, five to eight years to break-even is a long time so at some point, in order for the school to be able to scale-up to other geographical areas, it has to consider infrastructure debt funding and that is another process on its own.*

Any form of scaling-up has its own challenges and that may impede on the sustainability of the scale-up. These were some of the key challenges respondents thought lay ahead as they replicated their schools; these are listed in Table 16.

The first comment made by one of the respondents when asked about challenges that lay ahead was that:

- *Growth is a very big challenge. We were told this and it is very true. There are challenges in opening one school but there are more challenges in running two schools.*

**Table 16: Anticipated Challenges of Scaling-up by Way of Replication**

Rank	Challenges	Frequency
1	Unavailability of infrastructure finance	5
2	Availability of premises/facilities	4
3	Quality assurance – consistently maintaining the same level of quality across all schools	3
4	Regulatory compliance requirements	3
5	Allowing other people to take ownership (delegation)	2
6	Managing growth	3
7	Developing systems for continuous improvement	2
8	Unavailability of trained teachers and leaders	2

In order to ensure that this method of scaling-up is sustainable, there are certain tools and techniques that can be applied; tools and techniques are the mechanisms that can be used to ensure the scale-up is sustainable and these are outlined in Table 17 below. Respondents emphasised that commercial viability is key if one is exploring this method of scaling-up; and implied that for schools that are based on other financial models such as donor funding, scale-up can happen but will happen at an extremely slow pace. This was further emphasised in this remark made by one of the respondents:

- *If you want to scale-up (replicate), you cannot rely on people's goodwill because you cannot scale that therefore you have to make sure that your model is commercially viable.*

**Table 17 Planned Mechanisms to ensure that the Scale-up is Sustainable**

Rank	Planned mechanisms	Frequency
1	A centralised administration management structure	5
2	Performance matrices, continuously measure overall performance	4
3	Conservative growth in the initial years in order to build internal capability and capacity	4
4	A narrow offering – offer only key educational subjects	4
5	A commercially viable model	3
6	Start relatively small with a few grades	3

<b>Rank</b>	<b>Planned mechanisms</b>	<b>Frequency</b>
7	Strategic partnerships and networking	3
8	A combination of profit making and non-profit making business model in one structure	2
9	Secure supply of teachers – teachers training college	2
10	Invest time in the recruitment and selection process	1
11	Strict financial management controls	1
12	Thorough due diligence on the community before opening up a school	1
13	Simplify processes, implement systems and processes	1

## 5.3 RESULTS: SAMPLE 3 – OTHER STAKEHOLDERS

### 5.3.1 Sample Description

This sample consisted of various people who belonged to organisations that provide some form of service that contribute towards development of education in South Africa. The respondents in this sample category directly or indirectly provide services that have an impact on the independent school sector or the education sector in general. The aim of this sample group was to draw from the knowledge, experiences and observations of these respondents. Five interviews with five experts were conducted and of the five interviewed, one interviewee was from an organisation in the financial services sector, two interviewees were from organisations in the education sector and two interviewees were from independent “think-tank” organisations that, through their work, stimulate debate on key issues in the country. A list of the experts interviewed is included in Appendix D, Table 3.

### 5.3.2 Content Analysis

Respondents were asked whether they thought that low fee private schools could contribute to alleviating some of the educational challenges in South Africa and if they should be scaled up. The reasons for supporting the scale-up of low fee private schools in South Africa are found in Table 18.

**Table 18 : Reasons to Scale-up**

Rank	Reasons	Frequency
1	There is demand for these types of schools	5
2	Provides parents with a schooling choice	5
3	Advantages from economies of scale	3
4	More competition and variety in the market – consumers benefit	2
5	Fill gap in the schooling system	2
6	Private education is getting too expensive in South Africa	1
7	To attract investment finance	1
8	To de-mystify the belief that private education is only for the elite	1
9	Untapped potential of independent schools as providers of education and support of the public schooling system	1

Although respondents thought low fee private schools could contribute and fill the gap in the education sector, they were reluctant in responding to the question on whether they thought low fee private schools were able to scale-up, instead they responded by making reference to challenges facing low fee private schools. The point the respondents were making in this case was that low fee private schools would be able to scale-up if they managed to overcome these challenges.

The following were some of the remarks made by the respondents:

- *The problem is that school fees of R10 000 per annum is not low especially if parents have more than one child to take to school.*
- *If we can get to offer good education and produce excellent results at R5000 per annum or below (which is impossible) sustainably; then we will be able to reach a lot more children.*
- *The education sector is not an easy one, the demand for quality education is massive, and the challenges to offer quality education are also high.*
- *We have problems regarding education in this country that need to be fixed but it takes a long time for change to happen, it may take 15 years and more to get things right. Unfortunately kids cannot wait for 15 years for change to happen, their future is affected. So we need to work as a collective to find ways to improve the education system in the country and not juxtapose public and private schooling. Let's start seeing it as one schooling system in this country.*
- *Do not allow everyone, only the ones that have a good academic, financial management and school performance records. We still want our schools to be a safe place for our children.*

The table below lists challenges that emerged as hindrances to scaling-up:

**Table 19 : Challenges Experienced by Low Fee Private Schools**

Rank	Constructs	Frequency
1	Depends on the type of leadership	5
2	Subsidies not transferred timeously	2
3	Regulatory requirements and compliance costs	2
4	Commercial viability	2
5	Keep costs and fees low	2
6	Ability to manage a school	1
7	Reliance on government subsidy	1

One of the respondents described low fee private schools as small businesses and this was the statement made:

- A lot of these schools are emerging and demonstrate features of a small business – they are facing the same challenges as a small business; and some do not have adequate financial and governance systems in place and therefore they do not display features of a sustainable business that will provide a return in the long run, hence the inability to attract investments. We need to support them to ensure that they are well rounded and are not good in just one set of skills. They need to have a combination of skills to provide quality education – good business management skills and good property management skills.*



The following are the pros and cons that may come about as a result of scaling-up.

**Table 20 : Pros and Cons of Scaling-up**

Rank	Pros of scaling-up	Frequency
1	The impact achieved from scaling-up – providing access to quality education	4
2	Sharing of resources	1
3	Elimination of duplicate efforts	1
4	Provide schooling choice for parents	1
5	Diversity in the schooling sector	1
Rank	Cons of scaling-up	Frequency
1	Impact it may have on public schools	3
2	Availability of funds to scale	1
3	Requires shrewd strategic planning capabilities	1
4	Lack of capacity to scale	1
5	It is costly to scale-up	1
6	Homogeneity due to standardisation	1

These were the remarks made by respondent with regard to the pros and cons of scaling up:

- *They face the same challenges as any small business. If you grow too fast you may fail.*
- *Commercial viability is a challenge for low fee private schools which may hinder on their ability to scale-up.*
- *Scaling-up may result in a crisis in future – these schools may cream good teachers from the public schools.*

There are several mechanisms that could be used to ensure that scaling-up, either by expanding or replicating, is sustainable

**Table 21: Mechanism to ensure that the Process of Scaling-up is Sustainable**

<b>Rank</b>	<b>Mechanisms</b>	<b>Frequency</b>
1	Partnerships with communities, associations and other schools – partnership and networking	3
2	Government improving regulatory framework to support and manage these schools	3
3	Sound financial and property management skills	2
4	Performance – producing excellent results	2
5	Good governance systems	1
6	Looking for a business model that can optimise the use of both subsidies/grants and investments	1
7	Differentiation strategies	1
8	Creation of a support business development support service for entrepreneurs starting up schools	1
9	Central administration structure	1
10	Membership to support agencies – partnerships	1
11	Standardisation to minimise costs	1

## 5.4 RESULTS FROM SAMPLE 1, 2 AND 3 - METHODS FOR SCALING-UP A LOW FEE PRIVATE SCHOOL

Scaling-up is about being able to reach more pupils and make a greater impact. Respondents were also requested to provide other options that could be used if low fee private schools in South Africa were to be scaled-up. The options that were identified are listed in Table 10 below in rank order and showing frequency of occurrence.

**Table 22 : Methods for Scaling-up a Low Fee Private School**

Rank	Methods for scaling-up	Frequency
1	Independent hub model – a school management hub that is not necessary for a group of schools but for any type of school	3
2	Government to lease out dilapidated school buildings that are not in use to entrepreneurs who want to run schools	2
3	Partnering with the government – publicly funded and privately managed schools	2
4	Government leasing out premises of public schools, that are no longer operational, at low or no cost; where facilities are no longer in use they should also be leased to schools that aim to scale-up their operations in one way or another	1
5	Building large school campuses that can accommodate a large number of pupils, share resources and benefit from economies of scale	1
6	Having virtual classroom only for high school pupils	1
7	Partnering with property development companies, since they have the capital for infrastructure, they can also build the school and lease the premises to entrepreneurs who wish to scale-up	1
8	Have bigger classes but with an excellent teacher	1
9	Partnership of the religion-based school bodies that rely on donor funding with investment companies that can provide funding to unlock rapid scale-up	1
10	Franchising	1

Although respondents were in support of scaling-up low fee private schools, they still emphasised that entrepreneurs should come up with other forms of interventions for improving public schools.

## CHAPTER 6: DISCUSSION OF RESULTS

This chapter discusses the results of this study by answering the four research sub-questions in Chapter 3 in order to ultimately answer the main research question on how low fee private schools can be sustainably scaled-up in South Africa. The literature review in Chapter 2 was used as a lens through which to analyse and interpret the results of this study presented in Chapter 5. The constructs that emerged from the results of the study were firstly examined for underlying perspective; then constructs with similar perspectives were grouped together to form a main theme and lastly the main themes are now discussed in detail in this chapter. The data was collected from three different samples, therefore the discussion of results under each research sub-question is a combination of results from all three samples. This chapter is structured such that the research questions are used as sub-headings.

For easy reporting, the three sample categories will be referred to as Sample 1, 2 and 3. The numbering is the same as that used to present results from these samples in Chapter 5. The description for each sample category is as follows:

- Sample 1: Schools that have scaled-up
- Sample 2: Schools that intend on scaling-up
- Sample 3: Other stakeholders

Throughout the years some schools have gone through a variety of complex changes as they scaled-up and in the process leaders in these schools also changed as did the vision and mission of the school, making it difficult to observe the scale-up process. As new leaders or funders or changes in the management structure may bring in a different flair to the growth, these changes raise questions in terms of where the focus of a scale-up study should be. Despite this, the respondents in Sample 1 and 2 had all been with the school for a period ranging from five to more than 20 years and all the respondents were involved in the school scale-up process during their period, they were therefore able to provide insights based on their experiences. In total 17 interviews were conducted in 16 schools; one of the schools fell into both Sample 1 and 2 hence the respondent from this school was interviewed for perspectives on both Sample 1 and 2.

## **6.1 RESEARCH QUESTION 1: WHAT ARE THE DRIVERS FOR SCALING-UP A LOW FEE PRIVATE SCHOOL?**

Table 2 indicates that all seven schools in Sample 1 have scaled-up by way of expansion. The dominant path of scaling-up for Sample 1 was expansion and for Sample 2, replication. This is an indication that there are varying factors influencing the choice to scale-up and also the path for scaling-up. The respondents were requested to describe what drivers were involved in the lead up to the scale-up of the school; the results from Sample 1 and 2 were analysed to draw common themes and the drivers for scaling-up a low fee private school are discussed below.

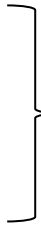
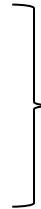

### **6.1.1 Drivers for Scaling-Up**

Table 4 and 12 indicate the drivers to scaling-up by those that have done it (Sample 1) and by those that intend to scale-up (Sample 2) respectively. The fact that the characteristics of the schools in this study vary, in that the average years the schools have been operating range between one to 22 years; that the economic conditions in the country in which these schools were started are different to today's conditions, the resources available to each school are different; as the school progresses throughout the years, the objectives and goal may have changed and the motivation of the leaders may have evolved. These are some of the factors that may have had an influence on the initial drivers for scaling-up and should be taken into consideration when evaluating the drivers for scaling-up.

The following were the top five and common drivers that emerged from comparing Tables 5 and 12:

- Pressure from parents
- Opportunity in market
- Service delivery
- Attracting more subsidies
- Passion of the entrepreneur/leader

The results in Table 5 (drivers for expansion) and Table 12 (drivers for replication) were analysed and constructs with similar underlying perspectives were grouped together in order to identify a common theme. The following are the themes that emerged and are discussed below.

<b>Constructs</b>	<b>Themes</b>
<ul style="list-style-type: none"> <li>• Pressure from parents</li> <li>• Change in legislation</li> <li>• Unhappiness with underperformance of the public schools</li> </ul>	 External “market” drivers
<ul style="list-style-type: none"> <li>• Passion</li> <li>• Philanthropy</li> <li>• Achievement</li> <li>• Making an impact in communities</li> </ul>	 Intra “personal” drivers
<ul style="list-style-type: none"> <li>• Part of the strategic plan</li> <li>• Attract more subsidies</li> <li>• Opportunity – gap in market</li> <li>• Service delivery</li> </ul>	 Internal “organisational” drivers

The frequency of occurrence of each construct making up a theme, were added together to get the total frequency of occurrence. This total was then used to weigh the themes. The themes were then ranked based on the weight from high to low. The themes which indicate the drivers for scaling-up are presented in ranked order.

### *i. Internal “organisational” drivers*

According to Santos (2012), “social entrepreneurs who feel passionate about the needs of a particular group or about the characteristics of the problem will enter the social entrepreneurship domain and develop solutions to the problem and raise societal awareness about it” (p.343). We saw the emergence of low fee private schools in South Africa when the apartheid laws were abolished. Four of the seven schools interviewed started operating during the political unrest in South Africa and when the legislation was amended to allow children from black communities to attend schools that were only for white children, this created an opportunity to provide intervention or remedial schools. Children from “black” schools needed remedial lessons in order to transition into “white” schools. Over and above the passion, the change in legislation created an opportunity for growth. An entrepreneurial orientation is required for a firm to grow according to Wiklund, Patzelt, & Shepherd (2009). This phenomenon has been observed in recent years where there is dissatisfaction about the performance of ordinary public schools, hence we are again seeing emerging entrepreneurs who want to fill the gap by providing quality education and this is a phenomenon that will grow in South Africa in the long run as long as the public ordinary schools are regressing. This supports the finding by Tooley & Dixon (2005) that the collapse of the public schooling system has opened up a vast opportunity for the private sector to fill the gap as entrepreneurs respond to the opportunity by offering private schooling and scaling it up to reach low income communities. At the same time, the results differ from the argument made by Santos (2012) that when the public schooling system fails, independent “private” schools may enter the market and offer quality education at a higher price, making it un-affordable to a larger population and thus further exacerbating the problem of access to education and the under-provision of quality education thus causing a market failure and neglected problems. The results indicate the emergence of independent schools that are entering the market and offering quality education at an affordable if not low price.

The entrepreneurial mindset is related to the personal motivation of the leader to constantly seek opportunities in the market in order to enhance growth of the current school. This indicates that however planned or unplanned the scale-up, the ability to identify opportunities is a major driver to scaling-up (Tables 5 and 12). Having a strategic plan and growth targets in place was seen to be a contributor to scaling-up (Table 12) by those that plan to open up schools in more than one site. The schools in

Sample 1 expanded their operations without a plan, meaning the scale-up was unplanned and the expansion was organic and determined by whether there was a demand and funds to expand. For most of these schools scaling-up was never part of the plan, it was a matter of the circumstances and pressure from parents and if they were lucky enough to get donor funding (Table 6). This is supported by a comment from one of the respondents: *“I have never thought of this school expanding to other geographical areas, that was not my dream, the vision was to establish one good educational place”*.

The widespread concerns about access to education as outlined in Chapter 1 and moreover access to quality education in developing countries has promulgated the emergence of low fee private schools that aim to meet the rising demands of access to quality education (Tooley & Dixon, 2006). This was also noted in this study, since one of the constructs that emerged in Table 12 was the desire to deliver quality education. All the schools in Sample 2 are planning to scale-up, they have a plan and their objectives to replicate are clearly articulated. Amongst the top reasons for replicating was the desire to offer more children an opportunity to receive good education and thus making an impact on society (Table 14). Expanding the operations of the school increases the cost but it means that a larger number of children are being served. Although scaling up has its own disadvantages such as increased operating costs (Table 8), there are also benefits brought about by economies of scale (Tables 8, 15 and 18). More pupils imply a larger pool of school fees, a higher subsidy, more funding donors, or investors and these assist in covering operational costs in the long run. Investors also want to see growth; high volumes attract investment finance (Table 18).

## **ii. External “market” drivers**

The pressure from the parents was the dominant construct in this theme. The pressure from parents for the schools to scale-up and provide increased access to their children supports the finding that parents from low income households are willing to pay for education (Tooley & Dixon, 2006; Oketch, 2012; and Dixon, 2012) and that there is a demand for good schools that are affordable. Parents keep on demanding more (Table 7). Two of the schools interviewed started operating in 2013 and in the first year of opening had enrolled the maximum number of children the school was capable of accepting. According to Oketch (2012), the demand for private schooling by parents



from low income communities is a case of excess demand rather than differentiated demand. The finding of this study indicates that there is indeed a demand from parents for affordable quality education, whether it is a case of excess demand or differentiated demand, it is still something that has to be tested in South Africa because when parents noticed the good work and results produced by the school, this emerged as one of the mechanisms that was used to ensure that the scale-up was sustainable, was maintaining excellent standards and was delivering quality education (Table 9). This indicates that the pressure from parents is driven by the performance of the school and this implies that more than just excess demand is required, they also evaluate the service offered and demand a level of service and performance similar to that offered by differentiated 'high-end private schools'.

The results indicate that scale-up of operations for schools in Sample 1 was unplanned in that constructs such as planning, strategy or direction did not emerge. This may support Schneider & McDonald (2007 p. 265) in their statement that "schools do not grow, and if they do they are reacting to demographic pressure rather than to any internal imperative"; their evolution is as a result of the quality of results they produce, community pressure, or other extrinsic factors rather than the desire for revenue growth that drives profit business. Although the results from Sample 1 support Schneider & McDonald in that these schools expanded due to pressure from parents and the excellent performance results they produce, the contradiction is that, ultimately it is the internal organisation factors that drive the initiative to scale-up. The results in Table 12 indicate that strategic planning was considered to be the important driver for scaling-up. The pace and the ability to scale-up is influenced by whether scaling-up was part of the vision and the plan. Similar to the small firm growth literature for a business to grow there must be the desire for growth (Nieman, 2009) although desire alone does not guarantee growth. The extent of demand and pressure from parents also poses a risk that should be taken into consideration by new entrants into this sector; for a small school with limited resources, the pressure may be overwhelming, resulting in forcing the school into premature scale-up and this poses a threat to available resources and capabilities as each new community entered may have even more demands. Jowett & Dyer (2012) also emphasised that careful consideration of which manner of scaling-up should be made to ensure the sustainability of the initiative and should be made prior to scaling-up. As mentioned by one respondent from the other stakeholders "these schools face similar challenges to small business, if they grow too fast they fail"

### **iii. Intra “personal” drivers**

The constructs that had a higher frequency rate in this theme is the passion of leader (motivation to grow). *“What needs to be sustained is the effort of establishing and growing a school” one respondent said.* Courage and endurance (Table 7), having a passionate leader (Tables 5 and 12) are the other two important ingredients for scaling-up. The ability of the low fee private school to scale-up depends on the type of leadership (Table 19) and a leader passionate about education and reaching more children makes it possible despite the challenges. These results support the findings by Brewer (2011) that leadership is at the centre of sustainability, hence the metaphor used of comparing leadership to the “heart” that pumps the “blood”, finances to keep the organ “school” alive. However, the passion of the leader and the type of leadership should be distinguished as these are two different aspects, for Sample 1 and 2 the passion of the leader was seen to be important when scaling-up (Tables 9 and 13) whereas Sample 3 thought it was the type of leadership within a school (Table 19) that makes it easy for a low fee private school to scale-up. Although the energy and passion of the leader emerged as a driver for scaling-up sustainably, Watson (2008) cautions against heavy reliance on factors such as a charismatic leader that may result in the failure of replication initiatives.

The emphasis on the passion of the leader from Sample 1 and 2 imply that more reliance is placed on the leader whereas the emphasis on the type of leadership from Sample 3 indicates a collective leadership that involves both the leader and the school management. It is therefore no surprise that one of the lessons learned from the process of scaling-up is inclusiveness – strategic planning that involves the management of the school (Table 7). Based on the interviews and results of this study, leadership is a condition for scaling up but it is uncertain as to what type of leadership is most suitable for successfully scaling-up. According to Fadahunsi (2012), growth is not universally desired and is not sought by all businesses and this is evident in that from twelve of the schools interviewed in this study, there were two schools that were established purely because the leader was passionate and had a philanthropic itch but there was no desire to replicate *“I have never thought of this school expanding to other geographical areas, that was not my dream, the vision was to establish one good school”* one respondent said, whereas the other mentioned that *“we need to make an impact in society and leave a dent, it is not good enough to have one or two schools”*. These two respondents had a different vision of the school although they were both

passionate about their work; these results indicate that the passion of the leader has an influence, but it is not conclusive that it has a direct impact on the school's ability to scale-up. In any case, intra "personal" drivers' change over time, people start initiatives for different reasons which may cause the leader to have little or no intention of scaling up (Fadahunsi, 2012).

### **6.1.2 Reasons for supporting the scale-up of low fee private schools**

An interesting perspective was that of respondents from Sample 3 – the other stakeholders who are not involved in the daily operations of a school. Based on Table 18, there were two top reasons for supporting the scale-up of low fee private schools and these were:

- The existing demand for low fee private schools; and
- The schooling choice for parents.

The reason for the demand is consistent with demand from parents that emerged as a key driver to scaling-up as discussed above. The reason for the schooling choice is an indication of the lack of schooling choice in South Africa for parents with a low income, this finding supports the findings by Dixon (2012) that the initiative of low fee private schools in developing countries is seen to be contributing to education in that they provide access to quality education, give poor parents an alternative choice of schooling, and promote competition and accountability in the education sector. The three reasons mentioned by Dixon also came out in this study, the reason for providing access to education ties up with the desire to deliver quality education (service delivery) in Table 12, providing choice of schooling and competition in the market (Table 18); however the aspect of competition and accountability in the education sector did not come out strongly, in fact it was very weak as it was only mentioned once in all the interviews held. This is not surprising because as opposed to other countries (Ghana, India, Pakistan, Kenya) where the emergence of low fee private schools was first observed by researchers such as Dixon, (2012); Alderman, Kim, & Orazen (2003); and Tooley (2007), the schooling landscape is different in that private schooling in those countries is the order of the day. Low fee private schools in these countries are profitable and self-sustaining, whereas in South Africa the independent sector, although growing, only serves a small number of learners, about 3.8% in 2010, the rest being provided by government. Even though the independent sector is growing, low fee private schools in South Africa are not perceived to be proliferating to

an extent that they can create competition in the education sector, a majority of these schools rely on government funding, donor funding and the majority are not commercially viable but there may be potential in the independent schooling sector in future. One respondent from Sample 3 said, *“In South Africa there is an untapped potential of independent schools as both the providers of education and supporters of the public education system...”* Based on this argument of competition in the education sector, there is an opportunity for edupreneurs to come up with innovative solutions suited to the South African context which could disrupt the market and unpack its potential. This is an attractive market, it has barriers to entry therefore less competition, the demand exists for volumes and processes could easily be standardised; however despite the attractiveness of the market there are a lot of challenges.

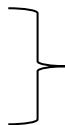


### **6.1.3 Conclusion on Research Question 1**

The results indicate that the main drivers to scaling-up are the internal “organisational” factors; meaning the intention for wanting to scale-up should exist, should form part of the strategic objectives of the school and targets should be clearly set. Aligned to this, is the entrepreneurial orientation of constantly identifying opportunities and exploring them, which has to be in place, even if the school is an NPO. A strategic choice to scale-up has to be made.

## 6.2 RESEARCH QUESTION 2: CHALLENGES IN SCALING-UP A LOW FEE PRIVATE SCHOOL

Tables 6 and 16 list the scaling-up challenges that were encountered by the schools that have scaled-up and the challenges anticipated by those schools that are planning to scale-up. There were ten constructs that emerged from Sample 1 (Table 6) and eight constructs from Sample 2 (Table 16). When comparing Table 6 with Table 16 there were only five common challenges emerging and these related to funding, attracting good teachers, compliance requirements, leadership and availability of premises.

A number of variables come into play and a challenge is a dependent variable and cannot be generalised; consequently the challenges encountered will vary depending on the profile of the school (Tables 2 and 10) such as the type of school, for example for-profit or non-profit, age of the school, drivers for scaling-up, resources available, internal capabilities and the scope of the school. Too many variables make it difficult to generalise. Acknowledging that resources available to each school vary, by implication the challenges experienced will also vary. However, the objective is not to present the results as opposites, but to indicate the effort required to scale-up sustainably. Although the individual challenges may not be generalised, they can be grouped into themes to extrapolate absolute challenges that are experienced by most schools irrespective of age, vision, location or era in which the school was started. The constructs in Tables 6 and 16 are listed here, analysed for similar perspectives and then grouped together to form a theme.

<b>Constructs</b>	<b>Themes</b>
<ul style="list-style-type: none"> <li>• Availability of premises or land</li> <li>• Cost management</li> </ul>	 Property and facilities
<ul style="list-style-type: none"> <li>• Infrastructure financing</li> <li>• Maintain low school fees</li> <li>• Mandate from donors and reliance on donor funding</li> </ul>	 Financial resources
<ul style="list-style-type: none"> <li>• Compliance requirements</li> <li>• Influencing legislation and policy</li> </ul>	 Regulatory environment

- Over-worked staff
  - Attracting and recruiting competent teachers
  - High staff turnover
  - Delegation and sharing of ownership
- } Human capital
- 
- Managing a larger number of teachers
  - Leadership and availability of trained teachers
- } Leadership
- 
- Managing growth
  - Quality assurance
  - Systems for continuous improvement
- } Implementation of governance structures

### 6.2.1 Challenges of Scaling-Up

Challenges indicate the factors that have an influence on the ability to scale-up and the emerging five themes are discussed below:

#### *i. Property and facilities*

In order to scale-up, either by expanding or replicating, premises are needed. For those that want to replicate, finding affordable premises may be a challenge and expanding may be limited by the capacity of the current premises. One of the major costs of operating a school is premises or rent (Brewer, 2011). Of the schools that were part of this study, one of them had to expand by adding more grades and classes, the limitation of their current premises meant that the school had to extent off site but this created a challenge especially with managing the timetable, because staff and pupils had to commute between the two school premises. The results indicate that the availability and affordability of facilities have an impact on scaling-up and the type of scale-up that can be chosen.

The challenge is not only about availability of premises but about premises being in the right location that are conducive to be easily reached by the children. Ideally, schools should be located in the residential areas in order for children to commute for a shorter distance between their homes and schools. This challenge results in the majority of schools opting for premises in the city centre, according to the report by Bernstein (2005), who found that a majority of the low fee private schools are operating in abandoned factories, abandoned shopping centres, shacks and high rise buildings. The implication of the unavailability and unaffordability of premises is that most edupreneurs will open up single schools in city centres as it is easier to rent premises and saves on additional travel costs for parents.

The further the location from the school, the higher the transportation costs. Therefore transportation costs plus school fees means a higher cost for the parents to send their children to these schools which then become unaffordable to some parents. Their children are then excluded, resulting in loss of revenue to the school which then has an impact on the sustainability of the school that has scaled-up to take in more children. These findings are supported by Farrell, Wohlstetter, & Smith, (2012) who argue that availability of local facilities is one of the key elements for growth. The challenge with property and facilities is not limited to finding premises. Another major problem with premises is managing them (Table 8). This indicates that as part of school management, managing facilities is a core skill that is required. This is supported by a comment made by one of the respondents in Sample 3 where she mentioned that good property management skills are necessary in order to attract more funding, investments and more customers. In Table 22, a recommendation was also made by two respondents that the government could assist with minimising the facility challenges by leasing out dilapidated public schools to entrepreneurs wanting to start up a low fee private school and for local municipalities to also share unused public schools with these low fee private schools. The availability of facilities is a condition for scaling-up.

## **ii. Financial resources**

In order to successfully scale-up, funds should be available to do so (Table 21). Finance makes it possible for the school to afford premises and to attract competent teachers. It is a challenge for low fee private schools to obtain funding; some even go to the extent of taking the risk of using all their personal investments (Table 19). Schools that have to rely on donor funding for capital investments did not have a plan to scale-up or an aggressive scale-up plan, for these schools scaling-up has been at a pace controlled by the mandate of the donors (Table 8). Most of the scale-up that was done by donor funded schools was done prior to the economic meltdown when donors could afford to be more generous. The challenge with donor funding is that it comes with a mandate and these funds are limited to the donor's mandate (Table 8) and cannot be used on any other activities, this creates an abundance of some resources while others are constrained. The reliance on donor funding places limitations scale-up plans. The evolving economic position of companies that grant funding presents challenges for low fee schools that want to scale-up utilising donor funding as economic changes in these companies pose a threat to the schools that are busy with their scale-up initiatives or have scholarship contracts with these companies. Entrepreneurs entering this sector face the challenge of sourcing finance and in order to obtain investment finance the school has to be commercially viable. Based on these results, the source of funding has an influence on the chosen pace and degree of the scale-up.

Similar to small businesses, financial constraints are a particular impediment to growth (Watson, 2008). A Catch 22 situation for low fee private schools is that there is evidence of high demand (Tables 12 and 18) however, there are financial constraints to operating one school let alone multiple schools and at the same time obtaining infrastructure finance in order to serve the demand is a challenge (Tables 6 and 16). Another factor that makes scaling-up a challenge is maintaining low school fees and raising sufficient revenue to supplement funding received from government (Tables 6 and 16). Scaling-up increases cost and revenue has to be generated to cover for the cost. Some schools scale-up due to external pressure (Schneider & McDonald, 2007), parents may exert pressure and request additional services without the willingness to pay sufficiently to cover the costs. The government subsidy is also paid out a year in arrears and this has an impact on the cash flow of the school, as a result the school fees that are generated are used to manage the operational costs of the school leaving



no room for endowment. A school has to be financially stable before it can embark on scale-up initiatives in order to ensure that the scale-up is sustainable, hence it is imperative to carefully select the type of scale-up initiative and evaluate the mechanisms that can be used to reduce financial pressure. It is clear that the scope and scale is constrained by the funds that can be generated irrespective of whether it is through a grant from government or other revenue generation sources. Financial capability is one of the organisational factors that have been identified by Farrell, Wohlstetter, & Smith, (2012) as one of the conditions necessary for an independent school to grow. In order to attract funding, the management of the school should have sound financial management skills

### ***iii. Regulatory environment***

The compliance requirements emerged as another major challenge that may discourage scaling-up. In order for an independent school to receive a subsidy, it has to register with the Department of Education and has to be a NPO. Accepting more pupils means a relatively higher subsidy, however it also means more compliance requirements (Tables 5 and 16). The size of a school is then based on the number of pupils and not on the number of schools. Although this could be an incentive for school leaders to enrol more students, it is not an alluring incentive to open up and operate more schools. In South Africa, the regulatory environment requires independent schools to comply with various legislation despite the fact that they may not relate to educational matters. In fact most are related to the normal operations of any business such as health, safety, labelling of food, labour, facilities, employment equity and minimum wage. The regulatory environment indicates that external factors also have an impact on the ability of low fee private schools to scale-up. The burden to comply with regulations becomes costly for low fee private schools. This is consistent with the findings by Wiklund, Patzelt, & Shepherd (2009) who found that the environment in which a small firm operates has an influence on firm growth and is also similar to the finding relating on the challenge of scaling-up as noted by McDonald, Kessler, Kauffman, & Schneider (2006). The government policy environment was found to be a condition necessary for the growth of independent schools, both the national education policy and the independent schools policy are conditional factors as also noted by Farrell, Wohlstetter, & Smith (2012) in Figure 2 in Chapter 2. The results emphasised the importance of the government policy environment with regard to the scale-up of low fee private schools. In South Africa, there is a national schools policy and each

province or district also has their own compliance requirements. At a local community level context Farrell, Wohlstetter, & Smith (2012) found that the relationship with regulators also has an influence on the ability of a low fee private school to scale-up and the regulation environment is yet another barrier to scaling-up. Edupreneurs should build relationships with local regulators and authorities to get through some of these challenges which may be unnecessarily imposed by the local authorities if they do not buy into the establishment of a low fee private school in that community. The burden of regulation will result in an increase in unregistered schools. Although not a condition, the regulatory environment has an influence on the ability and the pace at which low fee private schools can grow and scale-up.

#### ***iv. Human capital***

Scaling-up causes a lot of movement in the number staff members in a school, some teachers leave the school as they seek job security, others are allocated to new roles and more teachers are recruited. Scaling-up puts pressure on the available teachers, hence a need arises to employ more teachers, however, the school is limited to the market it is able to access and if that market has limited resources it puts further pressure on the human resources. The inability to increase the number of teachers leads to an expanded scope of work for those remaining behind. Teachers and administrators are expected to “do more with less” hence the challenge of over-worked staff (Table 6). The notion of staff being over-worked insinuates that the scope of work is too wide relative to the compensation the teachers receive. It was clear from the interviews that the schools prided themselves on having dedicated and hardworking teachers despite the lesser salary they may be receiving as compared to what the market pays. This indicates that teachers are motivated by other factors that are perhaps non-monetary related and therefore the process of scaling-up should take into consideration those incentives that appeal to teachers and ensure that they are not jeopardised by the process of scaling-up as it may cause a lot of unhappiness. Some teachers may view change as a threat so scaling-up requires some organisational change management practises to be applied. The ability to attract competent teachers is another factor that contributes to the challenges for scaling-up. The inability to pay market related salaries or the conditions in a particular community (especially townships) are exacerbated by the inability to attract good teachers from urban areas into these communities. The growth impeding human capital challenges (Table 6) experienced by small businesses (Watson, 2008) are also evident in low fee private

schools. Nieman (2009) also found that sourcing talented, competent and capable people is a challenge for small businesses. The human capital challenge was also seen as a con to scaling-up (Table 15).

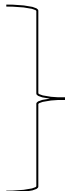



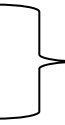
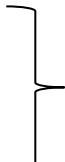
Unfortunately the ripple effect of having incompetent teachers reflects on the quality of results the school produces and non-satisfactory results will adversely influence the external “market” drivers to the detriment of the school. Low fee private schools are expected to have low operating costs in order to be sustainable, however the average teacher salaries in a public school are high and with teacher salaries being one of the fixed costs for a school, low fee private schools cannot afford to pay market related teacher salaries. The schools charge fees that are lower, rely on government subsidies and have to ensure that operating costs are kept at minimal in order to break-even. Keeping operating costs low means that only a few teachers can be employed and that means fewer pupils, thus compromising the ability to scale-up. Human capital is another condition necessary for scaling-up

#### ***v. Implementation of governance structures***

With replication, ensuring that all the schools adhere to quality standards will be a challenge. Effective small business expansion is dependent upon good planning and management of growth. Schools are measured on the quality of results produced (Table 5 and 9), therefore performance measures are critical and not only on the academic front but on the entire school operation from facilities to relationships with the parents and the community. Maintaining excellent results is the ultimate for the success of a school. Governance structures are important to ensure that school operations are effectively and efficiently managed. Adequate governance structures make it easier to manage the scale-up of a school and are a condition to scaling-up.

## 6.2.2 Lessons Learned From the Scale-Up Initiatives

The lessons learned are useful in that they embody conditions for scaling-up effectively in order to better handle some of the challenges that come with scaling-up. The lessons learned also unpack the insights in that they indicate the kind of organisational capabilities required by schools as they increase their size and complexity. Table 7 indicates lessons that were shared by the respondents from schools that have scaled-up. They were analysed for similar themes and then grouped together to identify emerging themes; the following are the six themes that emerged:

<b>Constructs</b>	<b>Themes</b>
<ul style="list-style-type: none"> <li>• Job fit – placements</li> <li>• Knowledgeable people</li> <li>• Skills development programmes</li> <li>• Performance recognition</li> <li>• Teamwork</li> </ul>	 <p>Performance and People management</p>
<ul style="list-style-type: none"> <li>• Extensive understanding of the local community</li> <li>• Building trust with communities</li> <li>• History of the community</li> <li>• Parents keep wanting more</li> </ul>	 <p>Client Relations/stakeholder management</p>
<ul style="list-style-type: none"> <li>• Guidance from experts</li> <li>• School management team</li> <li>• Being part of a network</li> </ul>	 <p>Support structure</p>
<ul style="list-style-type: none"> <li>• More governance controls</li> <li>• Pressure on the entire school system</li> </ul>	 <p>Processes and systems</p>
<ul style="list-style-type: none"> <li>• Courage and endurance</li> <li>• Right type of leadership</li> <li>• Delegation and decision making</li> </ul>	 <p>Leadership</p>
<ul style="list-style-type: none"> <li>• Planning and scheduling teachers and classes</li> <li>• Strategic plan</li> <li>• Managing a school as a business</li> <li>• Homework before scaling</li> </ul>	 <p>Strategic planning</p>

The frequency of the constructs were added together in order to weigh each theme. The themes are presented in ranked order based on the constructs frequency weight.

- People Management
- Strategic Planning
- Client Relations/Stakeholder Management
- Leadership
- Support Structure
- Processes and Systems

All the six emerging themes are discussed below:

***i. Performance and people management***

This covers the performance, recognition, training, placements and teamwork. People management is linked to the human capital challenges that have emerged in this study. The challenges of finding competent teachers (Table 6) and the time constraints in placing them results in having to place people not suitable for the position. The lack of people management capabilities, recruitment strategies, training and professional development plans, desperation for staff members, and financial constrains results in human capital challenges. This indicates that people management skills and performance management strategies are capabilities that are required in order to manage the process of scaling-up. Due to the market constraints – availability of competent teachers, capacity building is also required. One of the recommendations made by a respondent in Sample 2 (Table 17) was for entrepreneurs to start-up teacher training colleges; again in Table 6 the challenge of managing a larger number of teachers also emerged hence the need for people management skills. The following comments were made by respondents... *“We employ the best people for the money we have”. “The people are really the stress, not the kids. If I could put a robot in class to teach I would rather do that. Teachers live in a box; they don’t like change and growth means change”*. This finding on people management skills is consistent with the findings on small firm growth by Macpherson & Holt (2007) that the ability of the firm to grow relies on the ability to adapt these skill sets to the changing business demands. Scaling-up brings with it many demands that will change with the establishment of every school. The leaders of a school are required to have skills in managing people

and they should be able to adapt to new settings. Performance management and people management have an influence on the sustainability of the scale-up.

***ii. Strategic planning***

The constructs under this theme refer to the managerial actions that are taken to manage the risk of scaling-up in order to ensure that it is done in a more effective, efficient and sustainable manner. Related to this, is the support structure and leadership that emerged. Strategic planning in these contexts refers to long term vision and goals – planning to scale-up, hence strategic planning was a condition necessary to ensure that the scale-up is successful and sustainable. Strategic planning involves the review of all the factors, both internal and external that emerged from this study as factors influencing the scale-up of a low fee private school pulling them together to ensure that they are monitored in order to deliver. During this process the organisational capabilities, the customer needs and the environmental conditions should be taken into consideration.

These results are similar to the conclusions made by Nieman (2009) that for a business to grow there must be the desire for growth. The lack of an entrepreneurial mind-set of constantly seeking growth and innovation, strategic objectives or the desire to grow are the major barriers to growth; and to achieve the desired growth there should be a growth strategy in place, which outlines the quantifiable growth targets and an expansion plan that is in line with the capabilities of the firm. Geographic expansion requires a lot planning including formal planning in terms of site selection, recruitment and selection of appropriate personnel and the establishment of communication links between head office and the expansion. Planning is important for sustainability and for schools that are managed by a board of trustees, an active board is vital in setting the entrepreneurial expectations (Schindehutte, Coombes, & Morris, 2007).

### ***iii. Client relations/stakeholder management***

There are various stakeholders in a school, some primary and some secondary stakeholders, the constructs that emerged were related to demands from parents and the community in which the school exists. This implies that stakeholder management strategies that ignore these two stakeholders will not be beneficial to the school. This theme is linked to the external 'market' driver theme that emerged as a driver for scaling-up; it indicates the level of power that external forces can have on the school and the level with which they can influence the success or failure of the scale-up. This is supported by Klinger, Boardman, & McMaster (2013) in that innovations that are not responsive to the local community will not be successful. The importance and the extent to which the local context has an impact on the sustainability of the scale-up was also emphasised by Dede & Clarke (2009), they also found that methods of scaling-up that ignore the contextual factors will not be sustainable. Based on literature, this means that in order to be responsive to the local community, a school requires adaptability, flexibility, understanding of the demographics in terms of the level of income, source of income, number of school going children in a family, the norms and beliefs and the history of the community.

The process of scaling-up means entering new geographical areas and this will require building relationships with local authorities or various stakeholders in that community; therefore stakeholder satisfaction is important and has an influence on the ability to scale-up or on the sustainability of the scale-up. The same thing was identified by Schneider & McDonald (2007) who found that the ability to network is important and has an influence on the ability to scale-up. This finding ties to the construct on conducting a thorough due diligence exercise (Tables 7 and 19) which means that a lot of time should be invested in gathering field data about the communities earmarked for a school. What was interesting was that one of the schools utilises the companies that have long been serving a particular community to gather information about that community and its readiness for a school (Table 17). This relates to the external environment factors that has an influence and can be a barrier to scaling-up and which require strategic planning. The sustainability of the scale-up is dependent on the environment within which they are implemented; therefore socio-economic factors that are context specific should be taken into consideration when scaling-up (Wiklund, Patzelt, & Shepherd, 2009). Similar to small business, these factors capture the

inherently uncertain external conditions that most small businesses tend to operate under (Fadahunsi, 2012).

#### ***iv. Leadership***

The importance of leadership is clear by now, the schools identified the lack of leadership as a challenge (Tables 6 and 17) and it is no surprise that from the lessons learned, leadership was considered to be another condition that is required to scale-up and when to scale-up. It was established that personal motivation influences the orientation for scaling-up, but it bears no relation to the path of scaling-up that is likely to be chosen. The intra 'personal' driver has an influence on the style of leadership but it does not provide an indication as to which leadership style will ensure that the scale-up is successful. The leadership, in this context refers to a leader that is capable of providing direction by pulling together the various resources in the context of the school dynamics to ensure that the scale-up is successful and sustainable. This theme is related to the one of strategic planning; the leader has an influence on the strategic plan and direction of the school. Leadership is therefore a condition for scaling-up as it has an influence on the scale-up path that may be chosen. Leadership in this context does not only mean the founder or the school principal, it also refers to the board of trustees or anyone that make the final decisions.

#### ***v. Support structure***

Support Structure in this instance refers to the internal and external needs of the school for direct assistance or guidance from the internal structure of the school (teachers, board of trustees, shareholders) and/or the external structures which can be built through networking and partnerships (agencies, associations). The main constructs that formed this theme relate to internal support. The buy-in of the school management (teachers and administration staff) emerged as a necessary condition to be in place when scaling-up. The importance of the buy-in is linked to the high staff turnover (Table 6) that can happen due to lack of buy-in and team work, hence the entire school management team should form part of strategic planning – inclusiveness on strategic matters (Table 9). Communication is then critical in order to get buy-in from staff. Team work and synergies between the leadership and management of the school have an influence on the success of a scale-up initiative. Communication skills together with



people management skills are management capabilities required when scaling-up. It is evident that support from the school management team has an impact on the pace with which the school can scale-up, either from the ownership or operations perspective. Surprisingly, although the notion of external support did emerge, the frequency of occurrence was very low and perhaps an indication of the limited support provided by agencies and other support structures or an indication that a different kind of support is required when scaling-up as opposed to when establishing a school. Some respondents mentioned that they were able to scale-up because of the assistance they received from external social contact, raising the following questions:

- Does the social capital of the leader have a significant impact on the success of the scale-up?
- What are the additional support services that could be offered by agencies and associations to a school that intends on scaling-up?

#### ***vi. Processes and systems***

The results indicate that as scale-up is achieved more stringent controls are required (Table 7) in terms of pupil safety, facility management, governance, financial systems, and capacity to handle queries from parents, therefore scaling-up brings with it more risks that will require more controls and it costs money to put in more controls. Adequate processes and systems should be established ahead of the scale-up in order to minimize losses and inefficiencies due to lack of control as some of the risks may be reputational risks that may prompt an adverse pressure from parents, this is part of a capacity building strategy. Processes should allow for sharing of experiences and knowledge. One of the mechanisms that will be used by the schools that plan to scale-up was centralising administration to support all the schools (Tables 17 and 21), this means that a lot of time and money should be invested in developing and refining processes and systems. This is perhaps another reason why some schools do not choose to aggressively scale-up and why it took a considerable amount of time for those that have replicated.

Administrative processes should be refined to ensure consistency and quality assurance without removing the ability to be flexible as challenges differ with each school and community. These processes should ensure continuous interaction

between the internal and external factors identified in this section to ensure that the school organisation is kept abreast with changes in their environment and processes should be preventative of risks and responsive to changes that may arise. This supports the findings by Clarke, Dede, Ketelhut, & Nelson (2006) that scaling-up successfully depends on taking into consideration factors such as the impact and capacity of the initiating organisation, accountability and governance, desired scale, funding, quality, and internal processes and approach. Technology should be used to improve the operational efficiencies and have a great impact on the success of the scale-up (McDonald, Keesler, Kauffman, & Schneider, 2006); therefore use of technology can simplify and ensure compliance to processes and controls and putting processes and controls in place is a way of managing the growth challenge that is anticipated by those that plan to scale-up (Tables 16 and 19).

### **6.2.3 Conclusion to Research Question 2**

The results indicate that the challenges to scaling-up are as a result of a lack or limited internal organisational capabilities. The major challenges are financial resources, availability of facilities, and availability of human resources. Although the external environment has an influence of the ability to scale-up, the results indicate that if the intention of the school is to scale-up and the school builds the internal managerial capabilities necessary for scaling-up; the scale-up is likely to happen irrespective of the conditions of the external environment. This means that the school will find a way to adjust and respond in line with the dimensions of its context. The findings supports literature that low fee private schools experience the same growth challenges as small firms. Challenges are also as a result of the resources available to a school and since resources vary from school to school, the challenges cannot be generalised.

### 6.3 RESEARCH QUESTION 3: WHAT ARE THE PROS AND CONS OF SCALING - UP?

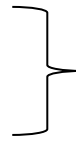
There are complexities with scaling-up and each method comes with benefits and challenges. As with all good innovations, there is always a problem with sustainability and we cannot make assumptions about whether particular innovations will be easier on a larger scale (Jowett & Dyer, 2012).

The constructs that emerged from Tables 8, 15, and 20, were combined and analysed to identify the emerging themes. The themes that emerged as the pros and cons for scaling-up low fee private schools are presented and then discussed below:

<b>Constructs – Pros</b>		<b>Themes</b>
<ul style="list-style-type: none"> <li>• Benefit more children</li> <li>• Fulfil customer needs</li> <li>• Impact achieved by having more schools</li> </ul>	}	More children are served
<ul style="list-style-type: none"> <li>• Economies of scale</li> </ul>	}	Economies of scale
<ul style="list-style-type: none"> <li>• Increased diversity in the schooling sector</li> <li>• Providing schooling choice</li> </ul>	}	Variety and choice in the education sector
<ul style="list-style-type: none"> <li>• Sharing resources</li> <li>• Elimination of duplicate efforts</li> <li>• Minimising student travel costs</li> </ul>	}	Reduction in costs
<ul style="list-style-type: none"> <li>• Builds society trust</li> <li>• Increased capacity to influence</li> </ul>	}	Builds trust of the society and influence
<ul style="list-style-type: none"> <li>• Opportunity to improve and refine the operating and academic model</li> </ul>	}	Tests the fidelity and replicability of low fee private schools

## Constructs – Cons

- Cost of scaling-up
- Maintenance costs
- Unavailability of funds



## Themes

Limited financial resources

- More subsidies or funds imply more administrative and compliance requirements



More administrative and compliance requirements

- Impact on public ordinary schools



Externalities from scaling-up

- Complexity of managing geographically spread schools
- Strategic planning capabilities
- Lack of capacity to scale



More organisational capabilities are required

- Availability of competent teachers
- Increasing teacher salary costs
- Training costs



Cost of teachers

Based on the themes identified, pros and cons of scaling up are discussed below:

### 6.3.1 Pros for Scaling Up

A major aspect that came out of the small business growth literature was that small businesses contribute to economic growth by making a contribution to job creation (Nieman, 2009). Surprisingly, job creation through scaling is something that was never mentioned in any of the interviews.

#### *i. More children reached*

Increasing volume and capacity will increase the impact that can be achieved by these schools as more pupils will have access to the services provided. The more children reached, the greater the impact that can be achieved and edupreneurs can achieve their objective of wanting to improve the level of education for more children (Tables 12 and 14). *“We need to make an impact in society and leave a dent...therefore we need*

*to be aggressive in our growth plans*” this is what one respondent said; serving more children will fill in the gap in the education system (Table 18). Reaching more children supports the desire to deliver quality services (Table 12), a construct as a driver for scaling-up and filling the gap in those communities and provinces where the public ordinary schools are failing.

### ***ii. Benefits from economies of scale***

The operations of a school involves a lot of fixed costs, it is a capital intensive business due to the high fixed costs, human resources and property and at the same time, because low fee private schools serve low income consumers they have to charge lower fees. A low cost business model requires high volumes in order to cover the fixed costs involved. Increasing production volume leads to sharing fixed costs over a larger numbers of units (Garg, Priem, & Rasheed, 2013). Through scaling-up, resources are shared and benefits from economies of scale are realised. This is also an opportunity to unlock the untapped potential of the low fee private schools (Table 18).

### ***iii. Variety and choice in the education sector***

It has been mentioned in Chapter 2, that low fee private schools provide schooling choice for parents. Parents deserve to have a choice and not just wealthier parents, even those that are from low income communities. It is a democratic right of all citizens to exercise their choice, unfortunately some parents are constrained by the low income they receive and the lack of services and products that they can afford further limits their choice. The main thing that is brought about by the private schooling sector is variety in that schools such as faith based schools (Anglican, Christian, Muslim, etc.) or schools that use a particular learning model (Montessori, blended learning models, etc.) can be opened up providing variety for parents to choose from. Low fee private schools also provide schooling choice in that parents can choose whether they want to take their children to a public or a private school. Unfortunately choice is tied to affordability – if you cannot afford something then it is not an option, it is not in the basket of your available options to choose from and as a result parents and children from low income communities have to take whatever is given to them. Harms (2009) also found that parents appreciate the availability of choice where public schools are failing them. However in this instance, these results are limited in that a study will have

to done wherein responses are collected from parents to determine their view of the low fee private schools and the choice they bring which is not covered in this study. However, even without input from parents, the high demand for these schools also indicates that parents want more variety and they want to have options.

**iv. Reduction in costs**

Parents are not only faced with the burden of having to pay school fees in order to provide better education for their children, they also have to consider other costs including, travel costs, uniform, lunch and educational outings. Although education is free in public ordinary schools, it is never entirely free in that there are costs involved such as the costs to commute between home and school on daily basis; this also is the case for low fee private schools that are mostly located in the city centre. Scaling-up low fee private schools will mean more schools in residential areas and this will minimise the expenses associated with commuting between home and school.

**v. Builds the trust of the society and influence**

Through scaling-up, more children are reached and more relationships are built. The more there are low fee private schools that are legitimate and deliver quality results, the more there is buy-in from parents. *“People trust you when they see growth”* one responded said. This indicates the scaling-up contributes to legitimacy of the school. This advantage of building trust and scaling-up is that the schools will have more influence (Table 15) because the more the equity in the market of low fee schools, the greater the negotiating strength with donors, investors or policy makers. The ability to influence is valued by these schools because they are relatively small, emerging and in South Africa basic education is largely offered by the government making it hard for these schools to have a say on policy matters in the education sector or on matters that directly affect them. The bigger the school the easier it is for them to attract investments or funding (Table 18).

**vi. Tests the fidelity and replicability of low fee private schools**

Scaling-up requires adaptability; by scaling-up the operating model has an opportunity to be tested for fidelity and flexibility to adapt to different settings and if proven suitable, the model has an opportunity to be adopted by other schools, prospective edupreneurs or even government, thus making contributions to the improvement of the quality of education in the country. This is an opportunity for low fee schools to gain influence and reach more children in that if edupreneurs innovate an educational model that can be replicated and is scalable to any location, there will be more adopters of their models. This will lead to increased demand and more people will talk about their service offering giving them a seat at the table where policy matters are discussed.

### **6.3.2 Cons to Scaling Up**

**i. Limited financial resources**

Low fee private schools have limited resources and this significantly constrains their ability to scale-up. Scaling-up requires resources such teachers and facilities and funds are required in order to provide these resources. Certain expenses come with scaling-up and even if there are funds available to cover these expenses, they require more time and attention; these are expenses such as property maintenance costs and the more pupils there are on the premises the more damages to the school property. The costs associated with scaling-up (Tables 6 and 16) are the limiting factors for these schools' inclination towards scaling-up. The fact that most of low fee private schools are NPOs means that they rely on the government subsidy and are not commercially viable and so they cannot scale-up as fast as they wish.

**ii. More administrative and compliance requirements**

The challenges brought by the regulatory environment has added a lot of weight to an extent that it was considered to be more than just a challenge but a disadvantage to scaling-up. The administrative pressure is brought about by the fact that low fee private schools operate with limited resources meaning that the school principal is usually also a teacher as well as the principal of the primary, secondary and high school in one school. The respondents felt that they were burdened by compliance

requirements although they understood that these are done to protect the consumer, however it was costly for them to ensure that they comply with all the regulations imposed on them despite them being a NPO that is financially constrained.

***iii. Externalities from scaling-up***

Scaling-up low fee private schools may have unintended consequences. These include creaming off of good teachers from public schools, creating another social class in a community as children from very poor households cannot be reached by these schools.

***iv. More organisational capabilities are required***

More organisational capabilities are needed to deal with the pressure that comes with scaling-up. Availability of leadership was also an identified challenge of scaling-up. We have seen in the previous sections that the leader has a great influence on scaling-up and the respondents considered leadership to be a critical part of scaling-up. The respondents also mentioned that, although there was a desire to scale-up, there major issue was the capacity to do so. More effective systems and structures are required to support an increasing number of teachers and students.

***v. Cost of teachers***

Another disadvantage is the availability of trained teachers, this indicates that the human resource challenge is serious and maybe posing a threat to the market of teachers, where affordable competent teachers are brought in from other countries. Perhaps the market will re-organise itself due to globalisation as entrepreneurs export affordable labour. Another respondent mentioned that the need to recruit qualified teachers also has an influence on the ability to scale-up because there are people who are passionate about teaching and good at certain subjects but do not possess a teacher qualification as required by the government regulations. In addition to the unavailability of competent teachers, another major challenge is the increasing teacher salary costs; this is a major challenge for low fee private schools. The teachers' salaries in the public ordinary schools in South Africa keep on increasing making it impossible for low fee private schools to afford these fees. This is a barrier to scaling-up as an increase in scope means an increase in the number of teachers. To mitigate



this challenge some schools decided to create their own teacher training colleges so that they could develop teachers that were suited to their unique school environments and preferred teaching styles.

### **6.3.3 Conclusion on Research Question 3**

The major pros for scaling-up low fee private schools is that more children will benefit and, more importantly, it will provide parents who are limited by their low income with more options for schooling. The cons identified for scaling-up are not static; they evolve and can be managed through planning and better management. The issues around operating on a larger scale that emerged are to do with the administration of schools and not necessarily about it carrying more cons than pros. The more low fee schools we have, the more the variety available to choose from and the more competitive the market becomes.

## **6.4 RESEARCH QUESTION 4: WHAT ARE THE OPTIONS FOR SCALING UP A LOW FEE PRIVATE SCHOOL?**

In Chapter 2, three paths for scaling-up were introduced; these are:

- Expansion;
- Replication; and
- Spontaneous diffusion

All twelve schools that were part of this study either chose expansion or replication as a path to scaling-up; there was evidence of spontaneous diffusion as some of the fairly new schools entered the market by adopting innovation from the international market.

Furthermore, in Chapter 2, the following methods for scaling-up were introduced:

- Public Private Partnerships (PPP) – increasing the number of low fee private schools by partnering with government.
- Franchising (licensing) – ownership remains with the initiating organisation.
- Staged replication (chain schools) – replication initiated by the initiating organisation which generally retains ownership.
- Network replication – belong to a network by retaining a core element of the network.

Staged replication, network replication, staged replication and a slightly different form of PPP to the one described in Chapter 2, were the methods of replication currently being used.

### **6.4.1 Methods for Scaling-up a Low Fee Private School**

Before delving into the details regarding the methods of scaling-up it is important to emphasise that when deciding on the method of scaling-up, it is important that the following factors are weighted: the costs, replicability and quality of evidence supporting the approach.

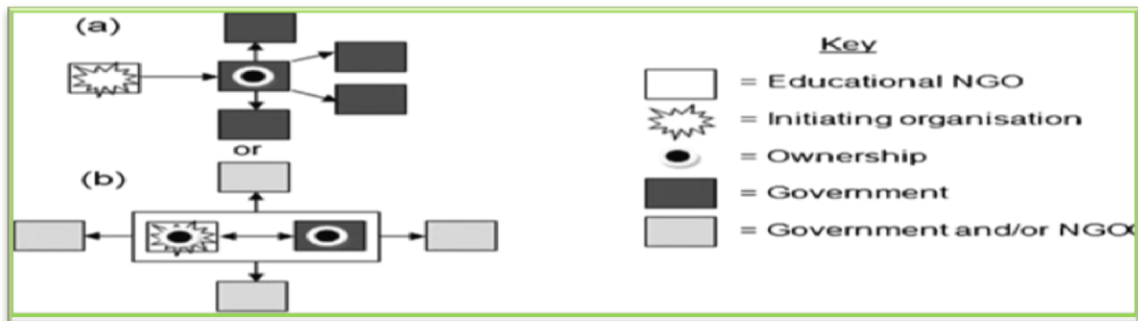
Each method will be discussed below by first presenting what the literature says with regard to that particular method and the diagram used in the literature review (Chapter 2) will be used again to elaborate what the literature says and then lastly the outcomes of this study will be discussed and a new diagram developed to depict them.

*i. PPPs*

The notion of involving the private sector by providing public facilities is becoming popular in developing and developed countries (Wong, Thomas Ng, & Wong, 2012). Government support is used for implementation and these kinds of initiatives are known as PPPs which are projects embarked on through a partnership between the government and the private sector.

The form of a PPP replication suggested by literature is depicted in the figure below:

**Figure 7: PPP Replication Suggested by Literature**



At the core of this method are partnerships with the government, where the government is used to support the implementation of low fee private schools. Government is used for financial and non-financial support.

Figure 7 above indicates that there are two types (a) and (b) of partnerships that could be explored.

#### **(a) Innovate, pilot and handover**

Figure 7 (a) depicts a form of replications through partnership where the educational NGO innovates, pilots the initiative, demonstrates and hands over to government for replication. Ownership lies with the government.

#### **(b) Partnership model**

Figure 7 (b) depicts a partnership model where the educational NGO partners with government to replicate the schools. There is joint ownership of the replicated schools. The two types of PPP depicted in Figure 7 were not found to be taking place from this study. This is an opportunity for edupreneurs, the private sector companies and government to explore these types of partnerships in order to scale-up low fee private schools. There were two more forms of PPP that emerged from this study and they are discussed below under (c) and (d).

#### **(c) Government subsidised independent schools**

The results of this study indicate a different type of partnership currently happening in South Africa which is not depicted in the diagram above. In South Africa, the government, in a way, partners with low fee private schools because they partially subsidise these schools – independent schools can receive up to 60% of the school fees they charge per child. However this subsidy is for operational costs and not capital expenditure. Tables 6, 16 and 20 indicate that the biggest financial challenge faced by low fee private schools is the ability to obtain infrastructure financing, thus funds that are needed for capital projects and unavailability of finance for infrastructure is a constraint to the schools ability to scale-up. The type of partnership happening is where the government grants a subsidy to independent low fee schools. The government in this instance only offers financial assistance. The school should look at others sources for non-financial assistance and this is usually achieved through networking. Ownership is retained by the school. However, the results show that scaling-up through this method is slow and usually limited to only expansion. Replication is not achieved

through this method as reliance is placed on the government subsidy and these schools also rely on other funding for capital investment in order to scale up. The figure below depicts this type of partnership.

**Figure 8: PPP Replication – Government Subsidised Low Fee Private Schools**

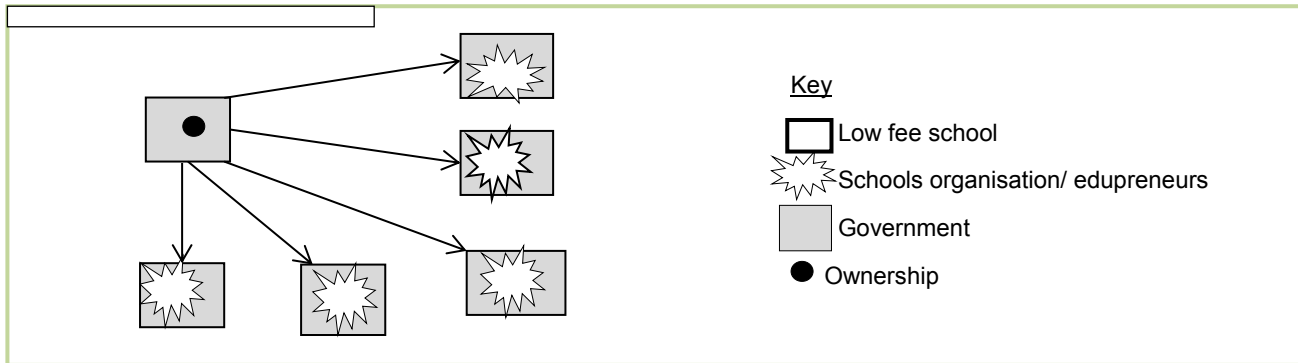


#### **(d) Contract schools**

Another type of a public private partnership that emerged from this study is the use of the contract schools model. This method is a form of partnership, where school organisations are contracted to manage and run a public school. In this case the public schools are independently run by edupreneurs or a school organisation. The government is responsible for fully funding the school. This is a similar concept to that of outsourcing, where the relationship is on a contract basis based on performance and the contractor has full autonomy to operate and deliver services. There is evidence of effectiveness of the contract schools model in the United States of America where the schools are known as charter schools. Charter schools are supported and funded by the government but are independently managed, often by for-profit groups, these schools are based on choice as students are not assigned to them, instead funding is attached to a student instead of the school and they can decide to go to a different school and in this way the school operators are forced to be effective in order to remain competitive (Lubienski, 2013 ). This type of partnership focuses on improving the performance of public schools and the pupils are not required to pay any fees to the school. The results of this study indicate that low fee private schools cannot reach everyone, as they scale-up fees increase and even without a fee increase, some are not able to pay any amount of school fees. Perhaps this is a model that will help reach those communities that cannot be reached otherwise. A glaring challenge that may be

encountered with regard to the level of autonomy afforded to these school organisations is that because these schools are still government schools, labour regulations and union related matters will have to be faced.

**Figure 9: PPP Replication – Contract Schools**

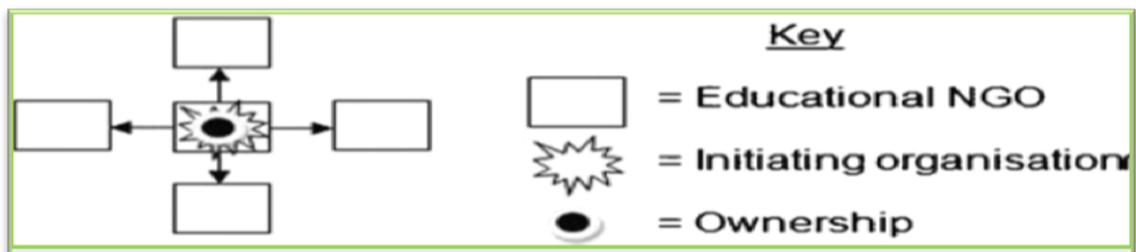


**ii. Franchising**

**(a) Licensing**

There were no schools using or planning to use this method of scaling-up. This method was not even recommended or discussed. According to literature this method of replication is similar to the one use by the fast food outlets, the difference here is that in the education context the focus is on development impact rather than profit, where the initiator acts as the franchisor and retains ownership. The franchisee is required to adhere to certain performance standards in order to retain the integrity of the scale-up initiative (Jowett & Dyer, 2012). There is no interference with management – the schools would make their own decisions.

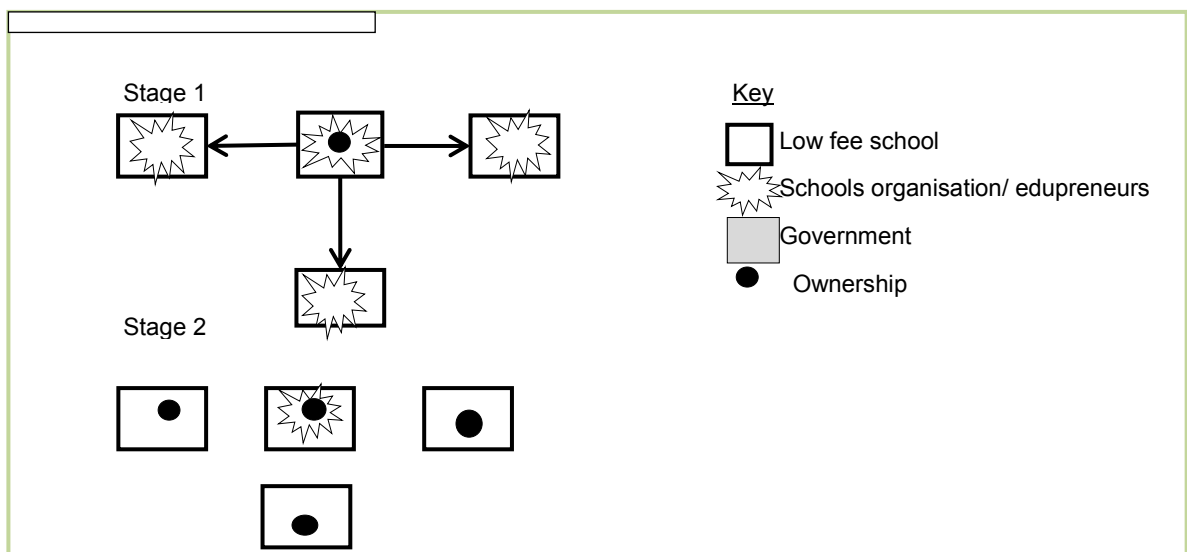
**Figure 10: Franchising (Licensing) Suggested by Literature**



### (b) Loaning

A different form of franchising emerged from this study, the concept and the principles behind it are the same as for licence franchising. The only difference in this case is that ownership at some point lapses. This is similar to a housing mortgage where the bank retains ownership of the house until the loan amount is fully paid and in the period that the mortgage is being re-paid the owner of the house cannot make any changes to the house without consent from the bank. This method of scaling aims to address both the financial and premises challenges. The school will be leased to edupreneurs on a loan basis with very low interest rates, the franchisee will be expected to pay back the loan amount over a certain period and after the loan has been paid back, the franchisee can cut ties with the initial organisation (franchisor) and until such time the franchisee is expected to abide by certain contractual agreements.

**Figure 11: Franchising (Loaning)**



### iii. Other methods

#### (a) Lease of government dilapidated school buildings

One of the major challenges that emerged from this study is the availability of premises and facilities for the schools wanting to scale-up. The government may assist in this case by leasing these dilapidated school buildings to passionate entrepreneur's and

allow them to use the facilities and for operating schools. Of course, thorough assessment of the location and its potential impact on the sustainability of the school should be first analysed.

**(b) Partnerships with property development companies**

Scale-up can be achieved in this instance by partnering with property developers, as they develop communities, school facilities can also be built in the development area and these schools “loaned” out to entrepreneur’s to operate them and pay back the loan in the process. The property developer attracts customers to remote locations by having schools in the near vicinity.

**6.4.2 Mechanisms to ensure that the Scale-up is Sustainable**

Tables 9, 14, 18 and 21 list various mechanisms that were used by the schools that have scaled up, mechanisms that will be used by those that plan to scale-up and recommended mechanisms. Similar constructs were grouped together to form a general theme and those themes are discussed below:

<b>Constructs</b>		<b>Themes</b>
<ul style="list-style-type: none"> <li>• Strategic planning</li> <li>• Stringent financial management</li> <li>• Put systems and processes in place</li> </ul>	}	Centralised management
<ul style="list-style-type: none"> <li>• Continuous fundraising</li> <li>• Use of spare capacity</li> <li>• Use non-school related ways to raise additional income</li> </ul>	}	Generate additional income
<ul style="list-style-type: none"> <li>• Maintaining excellent standards</li> <li>• Use of performance matrices</li> </ul>	}	Produce quality results
<ul style="list-style-type: none"> <li>• Start small</li> <li>• Start with a few grades and classes</li> </ul>	}	Gradual expansion
<ul style="list-style-type: none"> <li>• Get sponsorships</li> <li>• Use of labour from the community</li> </ul>	}	Partnerships



- Be part of an association
  
  - Employ teachers on a contract basis
  - Rent facilities for additional activities
- } Reduce costs
- 
- Innovate model to offer education below the cost of government
- } Use of technology
- 
- Belong to a network
- Strategic selection of partners – partner with universities and other schools
- } Networking capital
- 
- Reduce reliance on donor funding
- Product mix
- Minimise reliance on government subsidy
- } Self-sufficiency/commercial viability
- 
- Narrow offering
- Optional extra mural activities
- } Focused service offering

The following were mechanism that can be used to ensure that the low fee private schools can scale-up sustainably:

***i. Centralised management structure***

This was a common mechanism that emerged across the interviews. Respondents felt that establishing a centralised management structure would enable reduced costs and ensure that the school organisations that want to replicate are able to do so. A centralised management structure was perceived to benefit the school organisation in that resources and administrative tasks could be shared which will eliminate duplication of efforts – all these benefits will ultimately reduce costs. Low fee private schools should focus on reducing costs as this will allow them to also be self-sufficient. Centralising the administration of schools means that all the other new schools can also benefit from the networking capital that has been accumulated. Inclusive planning was considered to be very important in order to get buy in and also to ensure that everyone is on the same page with regard to the direction of the school. This is a process that was not only considered to be important during a scale-up, but year on year.

## ***ii. Generate additional income***

Generating additional income could be done through fund raising or use of spare capacity to generate funds. Fundraising was considered to be a critical aspect as most of these schools are NPOs, other forms of generating funds were critical in order to ensure that the school is sustainable throughout the years. This was important for schools to effectively ensure that fundraising occurs and these schools should ensure that there is a dedicated person appointed solely to look after fundraising. In addition to fundraising, some respondents utilised spare capacity such as renting out the school hall and holding classes during school holidays and weekends in order to generate more funds. Another mechanism used was to have a commercially viable business on the side that is not related to the school but that can be used to generate additional income. This could improve the cash flow of the school in order to keep the school running in cases where school fees or subsidies are outstanding. The use of scholarships was another tool that could be used to ensure financial sustainability even though it has an adverse impact in that a subsidy is not received for those children that are fully sponsored, and sponsorships that would cover the entire schooling years of a learner, from grade R to grade 12, are rare. Revenue enhancing strategies and cost reduction strategies are critical for the sustainability of the scale-up. Economic independence is critical for these schools to be able to grow and continue their operations and commercial viability is very important for a scale-up. The emphasis on generating additional income was based on the fact that in order to be able to scale-up, a school should be self-sufficient in order to be sustainable. It is not possible to either expand or replicate if there is no money available. Indeed not all schools would be commercially viable and some would rely on donors. It is important that the school management considers other commercial ways of generating additional income to ensure that the school is self-sufficient in order to ensure that the school is sustainable.

## ***iii. Commercial viability***

The main reason the respondents placed emphasis on generating additional income was because commercial viability was key to being able to replicate. In order to ensure financial sustainability and also to be able to expand, respondents felt that reducing reliance on donor funding was key. This does not imply that donor funding should be completely cut off, but the respondents implied that commercial viability is important for the school to be able to expand and also to be sustainable. One respondent mentioned

that “*If you want to scale-up (replicate), you cannot rely on people’s goodwill because you cannot scale that therefore you have to make sure that your model is commercially viable*”; supporting this is a comment by another respondent that “*for a non-profit low fee private school, it will take a long time to break-even, even though the losses to break-even may be low, five to eight years to break-even is a long time so at some point, in order for the school to be able to scale-up to other geographical areas*”. Commercial viability was a major concern with whether low fee private schools are able to scale-up considering that a majority of them are NPOs. In order to ensure commercial viability product mix strategies can offer advantages to the organisation, where the organisation provides schools for both the upper middle income communities and low income communities, a combination of for-profit and non-profit schools offering platforms and leverage of common offerings and systems for cost effective operations and adding luxurious amenities for the upper market.

#### ***iv. Reduction of costs***

Cost management is a major issue. Some respondents felt that it is impossible to scale-up, keep costs low and still offer quality education. One respondent commented that....*“if you are serious about quality education, you do not scale-up”*. Other respondents felt that technology makes it possible to scale-up, provide quality education and at a lower cost. Respondents suggested that a school does not have to have all the facilities like tennis courts and swimming pools. The focus on reducing costs meant focusing on delivering academic material and extra-mural activities that do not require large facilities. In order to reduce costs, processes have to be standardised but there should be some level of flexibility as each community has its own dynamics.

#### ***v. Gradual expansion***

Entrepreneurs who start-up schools should pace the growth of the schools and there should be a model or system in place to ensure that schools gradually expand.

#### ***vi. Producing excellent results***

The use of technology was emphasised as one of the greatest mechanisms that could be used and an enabler for offering quality education at scale. Respondents felt that a

lot of time should be invested in collecting data about the performance of the students to enable prompt response and technology would make it easy to collect data enabling faster decision making. A school is measured by the results it produces. School leaders must think critically how to balance quality produced by schools in line with the desire to scale-up. The pace of growth should be determined by measures of quality produced and not the external environmental influences like pressure from parents.

**vii. Focused service offering**

Respondents indicated a concern regarding costs. Their aim was to reduce operational costs in order to offer quality education at a low fee. Reducing costs meant focusing on offering only that which the leaders thought was important to education. A majority of the leaders believed in a narrow focused offering was better than a wide offering with extras which were not considered critical in influencing the academic performance of the learners. The focus was mostly on literacy and numeracy related skills – these skills tended to dominate the curriculum and most of the respondents believed that technology should be used more to collect data in order to identify areas of under-performance which might require attention and the competitive advantage for low fee private schools may lie here. Service offerings should be customised depending on the dynamics in that community and as a result, prices and offerings should be dictated by the community. While the push towards standardisation appealed to those who felt that too much teacher autonomy over curriculum was not good, others felt that standardisation limited teachers' abilities to develop lessons tailored to the specific needs of their pupils. Teachers like to have freedom to be able to do what they think would be best for their pupils.

**viii. Use of technology**

Technology can be used to maintain the quality of service and also gather information about student performance; hence the scale-up of low fee private schools is optimised by the implementation of an information system that can improve the quality of teaching for both the teacher and the student as well as adding processes to ensure consistence in service delivery.

### ***ix. Networking***

Network capital influenced scaling-up in two key ways, and of primary importance was the board of trustees, the entrepreneur or the school management's role in creating network ties. These various bodies were considered to have some impact on the ability to scale-up although it was not considered to be that significant.

#### **6.4.3 Conclusion on Research Question 4**

Additional methods of scaling-up schools emerged in this study, adding to the literature on the methods and options for scaling-up low fee private schools. In order to ensure that the scale-up is sustainable, mechanisms were also identified, these mechanisms will assist in reducing the pressure on financial resources associated with scaling-up.

## **CHAPTER 7: CONCLUSION**

Education contributes to the economic growth of a country and sustainable economic development cannot be achieved without human development. The human capital of a country can be built through universal equitable access and assured quality education; thus also making progress towards the achievement of the Millennium Development Goals of universal access to basic education. The emergence of low fee private schools in developing countries has proved that they can fill the gap and contribute towards ensuring access to education but the challenge is scaling-up these educational initiatives successfully and sustainably. There are three paths identified in the literature through which scale-up can be achieved and these are discussed in this study. They include scaling-up through expansion, replication or spontaneous diffusion. The results indicate that if scale-up is to occur in order to increase impact, expansion is the slower path of the three, replication is much harder and diffusion is the most promising path with which scale-up can be achieved. However, even with an innovative model that can deliver quality education at a very low cost and that is flexible and replicable, the regulatory environment plays an important role. In order for diffusion to occur entrepreneurs are required. The results of this study indicate that entrepreneurs are important even in the education sector and not just in the business sector therefore the regulatory environment and other support functions such as availability of finance, business development and tax relief should be reviewed to ensure that they promote and attract entrepreneurs into the education sector. The burden of providing schooling to the entire population cannot rest solely with the government, there need to be partnerships in order to ensure that diversity, experimentation and innovation occur, partnership that can come up with novel ways of improving our schooling system.

### **7.1 CONTEXT MATTERS**

In countries like India, Kenya, Ghana where the emergence of low fee private schools has been observed and studied extensively, low fee private schools continue to grow and are self-sustaining and profitable despite the limited resources that they operate with. The majority of the schools that are proliferating in these countries are the “unrecognised” low fee private schools, they are unrecognised because they are unregistered, however literature indicates that they deliver quality education and produce excellent results. In South Africa, although there is evidence of the emergence of these types of schools, they have not proliferated to a similar magnitude as in other developing countries. This study showed that external environmental factors have an

influence on the ability of low fee private schools to scale-up. The increasing teacher salary inflation rates, regulatory and compliance requirements, availability of teachers and the fact that a majority of low fee private schools rely on the government subsidy all have an influence on the ability to scale-up. The lax regulations and compliance requirements and the lower cost of teacher salaries and lax labour regulations have enabled schools in other developing countries to find a way of being profitable which is possibly why they are growing in number. The double edged sword of the underperforming public schooling system and the burden of regulation create the growth of unrecognised unregistered schools that cannot be monitored to ensure that they meet certain minimum educational standards. Another factor that came out of the study is that “low” fee is relative to the local community the school is serving. The community socio-economic factors play a role in determining what is low. Low is a relative term and in this study indicates that the fees charged by these schools are not low in that they can be afforded by everyone but they are affordable as compared to the traditional private schools that are only accessible to certain income level earners hence the emergence of “affordable” private schools in South Africa.

## **7.2 INCREASING IMPACT WITHOUT HAVING TO BE BIGGER**

Literature shows that there are different views on what it actually means to scale-up and there is a lack of theoretical base with which the problem of scaling-up in education could be studied. Scaling-up was defined as any form of expansion that aims to increase capacity in order to serve more people. The results of this study indicate that there are a lot of challenges with regard to scaling-up and it is not an easy process. Replicating schools to multiple geographical areas is even harder and hence edupreneurs are faced with the challenge of how to reach more pupils who are often failed by the system and make an impact by improving their level of education. Innovative academic models that are flexible, replicable and easily adoptable are the only way to reach more pupils. Scaling-up in order to reach more pupils under the conditions which low fee private schools operate in will require more than replicating good schools; what is required is for spontaneous diffusion to occur – when an operating model is copied and replicated by competitors. Novel educational models that can bring the cost of delivering education significantly lower, produce excellent academic results, improve the skills of teachers and instructional methods in classrooms should be established. These models should be shared and be easily adoptable in order to encourage adoption by more edupreneurs. This study contributes

to the debate on scaling-up in education and supports the definition of scale-up by Coburn (2003) that scaling-up requires depth, sustainability, spread and shift in ownership. A true scale-up will happen where a model can be adopted by others and be freely used because through this even pupils in other developing countries can be reached. A true scale-up only happens when ownership is passed to others to adopt and implement. Increasing size either by increasing the number of pupils, teachers, classes, grades or schools is about growth. Despite the challenges faced by low fee private schools, these schools are able to grow and expand by increasing their size but will not be able to scale-up and replicate to reach a significant enough level to be able change the landscape of the education sector in South Africa.

### **7.3 HOW CAN LOW FEE PRIVATE SCHOOLS BE SUSTAINABLY SCALED-UP IN SOUTH AFRICA?**

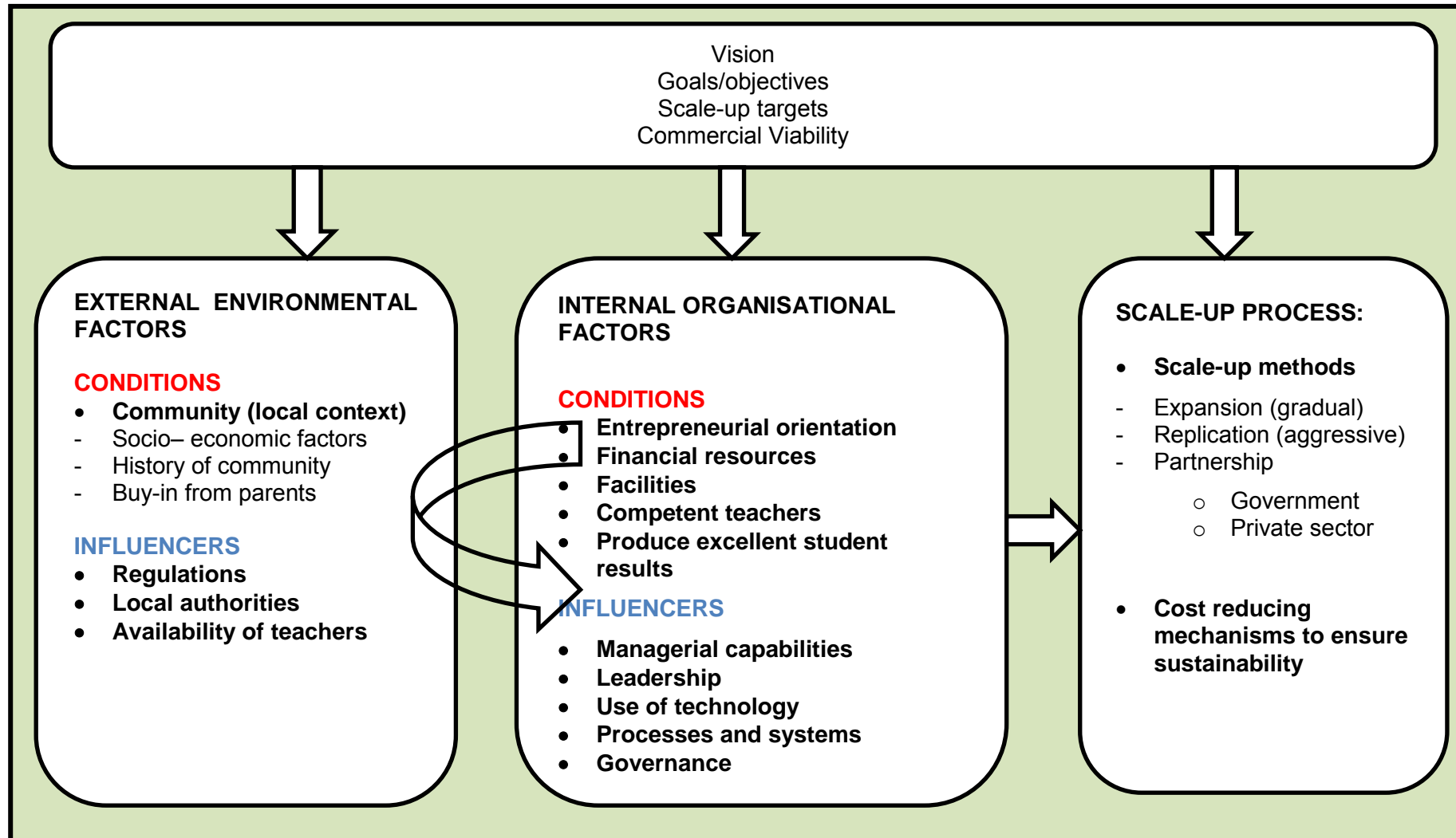
Although the scale-up of low fee private schools can be achieved more rapidly through diffusion, a greater impact can be achieved through a market where all three paths of scaling-up can collectively occur. As indicated above true scale-up happens when there is a shift in ownership, where academic models can be adopted by others and be freely used; therefore replication without transfer of ownership cannot be viewed as scaling-up, it is rather growth. In Chapter 2, growth is defined as an increase in size over a certain period therefore increasing the number of teachers, classes, grades, and schools can be seen as growth. There is evidence from this study indicating that low fee private schools are able to achieve growth either by replication or expansion. The advantage of replication and expansion, unlike with diffusion, is the element of trust that has been built in that these schools have proven that they can offer quality education, produce excellent results and are sustainable which explains the increasing demand for more of these pockets of excellence. Through replication more children can be reached as compared to expansion. However, not everyone can replicate because replication requires more funds, so only the schools that are able to show features of a sustainable business and have management systems in place will be able to get funds to finance their replication initiatives. Therefore the finance structure has a great influence on the both ability and pace for scaling-up. More methods of scaling-up emerged from this study, adding to the options that can be used to scale-up.



A model for scaling-up (Figure 12) was developed to demonstrate how low fee private schools can sustainably scale-up. The scale-up model pulls together the external environmental and internal organisational factors that have an impact on the process of scaling-up based on the results of the study and also indicate the connection between these factors. The model demonstrates the point that in order to scale-up, it should be the goal of the school to scale-up and these objectives should be clearly outlined in the strategic plan - the targets to be achieved should be set out. The findings show that schools that did not plan to replicate simply did not do so irrespective of whether the opportunity or funds presented themselves. The school as an organisation has to have goals and objectives to scale-up; the results indicate that when it is the mission of the organisation to scale-up, they are more likely to do so at a more rapid pace. The vision and passion of the leader have an influence on wanting to scale-up, as we have seen from the results that as opportunities presented themselves some leaders changed and explored the opportunities presented by replication.

Commercial viability is another important aspect that is required in order to scale-up; it is easier for commercially viable and sustainable businesses to source funds to expand and replicate. The factors as indicated in the model can either be the conditions necessary for scaling-up – meaning that the scale-up will not occur without these elements being in place or they can be factors influencing the scaling-up process – meaning these factors influence the sustainability of the scale-up and ease with which the scale-up initiative could be implemented. However, depending on the dynamics of the context, the goals to be achieved and the resources available, the elements making up the conditions or the influences can switch around. The financial constraints, the large capital investment involved the high fixed costs (such as teachers' salaries) and the regulation requirements indicate that this market has high barriers to entry. It is a capital intensive market with low margins – low fees, so in order to ensure sustainability, volumes are required. It is a high volume market, low fee private schools are therefore required to scale-up in order to reach a large number of pupils and to benefit from the economies of scale. The high barriers to entry perhaps explain why the low fee private school sector is so small and growing at a slow pace.

Figure 12: Factors Influencing a Sustainable Scale-up of a Low Fee Private School (Scale-up Model)



## **7.4 RECOMMENDATIONS**

### **7.4.1 Edupreneurs**

To deliver quality education at a low cost requires that edupreneurs or school operators come up with novel ways for learning that will produce quality outcomes by using technology to provide instructional practises that will, in turn, make learning more effective and so improve the quality of low fee private schools. The challenge is that educational innovations take time to prove themselves because the production line takes a while before output can be seen and at times, the impact is realised long after the direct recipient has received it. There is a great amount of endurance and effort required. This is unlike consumables where consumption is immediate and consumers are able to give a fair rating and everyone will buy into the idea (or not) and use it (or not). In order to sustainably scale up, low fee private schools need to adopt an entrepreneurial and competitive attitude, pro-actively recognising opportunities, minimising reliance on government funding and increasing governance.

Edupreneurs need to look at the processes and the value chain at a community level. If they don't look at the entire value chain system, value may be lost. New schools and innovations should take into consideration what is happening in the community, what is happening to the children after they leave the school, is there a good school nearby that can harness what has already been learned or will children have to now travel far to find other schools in order to ensure that value is not lost. Entrepreneurs need to be opportunistic and capitalise on facilities available as this is a major challenge. They should also capitalise on the momentum of the demand by parents for low and affordable quality education. Scale-up targets need not be highly premeditated in order to be successful and need to be reflected in the school or organisation's mission and goals as well as the management styles of its key administrators. One critical thing that entrepreneurs planning to enter this space need to look at is how to balance quality schools with the desire to scale-up. Increased transparency around the growth of low fee private schools is required because often the challenges and pitfalls associated with scaling-up a low fee private school remain the subject of high-level meetings between board members, executives and major investors and such practices do little to promote realistic or responsible growth across the entire sector.

### **7.4.2 Policy Makers**

Low fee private schools cannot reach poor communities where cost reductions are unavailable and so they can only offer a partial solution to the problem. Since the private sector cannot do it on their own and the public sector also requires assistance, collaboration between the two may provide the best solution to the problem. The level of direct costs required to run a school makes it difficult for low fee private schools to reach those very poor communities and rural areas where resources are scarce and where they are so critically needed.

Low fee private schools are forced to grow and become sustainable within the confines of the current policies and whether policymakers and educators believe in the value of low fee private schools or not, their continued presence is certain. Therefore, revising policy to allow successful low fee private schools to be sustainable and for them to grow as efficiently as possible makes sense. Revising or exempting low fee private schools from some regulatory requirements could be a starting point, even if it means developing separate regulations and streamlining legislation so as to allow successful low fee private schools to scale-up using fewer resources. It is important to note that amending regulation to support low fee private schools should not be seen as a *carte blanche* for unlimited scale-up and caution should be exercised against this in order to control “fly-by-night” schools and because some low fee private schools may not be a sustainable model for tackling challenges currently faced in the education sector.

## **7.5 FUTURE RESEARCH**

More empirical work could be done to improve knowledge on how low fee private schools approach growth, what is the optimal size of a school network and how to measure growth. Furthermore, more research could be done to determine how low fee private schools actually go about replicating. Potentially, the most important study going forward would be to determine whether contract schools will be a useful systemic educational reform in South Africa.

## **7.6 CONCLUSION**

By studying the challenges encountered and anticipated by these schools as they implement their scale-up initiatives as well as the lessons learned from those that have been through the scale-up process and the pros and cons, the outcomes of the study indicate that there are external environmental and internal organisational conditions required to successfully implement scale-up initiatives and factors that have a positive influence on the implementation of the scale-up initiatives. In order to manage the complexities that come with scaling-up and ensure that the school remains sustainable, schools need to build internal organisational capabilities to help deal with challenges of scaling-up and also take advantage of the opportunities that may arise. A scale-up model should be used by the schools that intend on scaling-up, edupreneurs that intend on opening up low fee private schools and schools that would like to improve on their operations. The factors in the scale-up model should be considered when implementing scale-up initiatives as they will contribute to the successful implementation and sustainability of the scale-up. Additional methods of scaling-up to the ones in the literature were identified in this study which should be considered as options for scaling-up along with the mechanism for ensuring that the scale-up is sustainable.

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## Appendix A – Sample 1

### Section A: Research Interview Consent Letter

Dear Sir/Madam

I am conducting a research on mechanisms to sustainably scale-up low fee private schools in South Africa, as part of the fulfilment of a requirement to complete my MBA programme with the Gordon Institute of Business Science (GIBS).

The research is based on the premise that developing countries are faced with the challenge of ensuring universal primary education for all by making sure that education is equitably accessed. There is evidence that low fee private schools are on the rise in developing countries; these low fee private schools contribute to the education system by increasing access to education and also by providing quality education. These schools have low operating costs; they charge low fees, appeal to the low income consumers and may be a good model for scaling. These schools are a viable alternative to providing access to quality education and should be supported and therefore the concept of scaling-up in this sector should be explored if we are to deal with the challenges faced by the education system.

Your participation is voluntarily and you can withdraw at any time without penalty. The interview is expected to last for an hour. Please be assured that confidentiality and anonymity will be maintained throughout and after the course of the research; in that no names will be recorded and that data will be stored without identifiers. The organisation's identity will also be protected by using aliases.

If you have any concerns, please contact me or my supervisor. Our details are provided below:

Researcher name: Ms Zelda Tshabalala

Email: zeldat@live.co.za

Phone: 072 685 7393

Research Supervisor name: Prof Margie Sutherland

Email: Sutherlandm@gibs.co.za

Phone: 011 771 4362

Participant      Signature\_\_\_\_\_      Date\_\_\_\_\_

Researcher      Signature\_\_\_\_\_      Date\_\_\_\_\_

## **SECTION B: SCHOOL CHARACTERISTICS**

### **Interviewee:**

- Owner/founder
- School head/principal
- Teacher
- Administrator

### **Type of private school?**

- Fee-paying, for-profit
- Fee-paying, not-for-profit
- School in a rural area
- Primary school only
- Combined school
- Secondary school only
- School in urban area
- Receive government subsidy
- Funded privately (e.g. investor, donor, community)
- Non-profit organisations (NGOs)
- Franchise
- Other: \_\_\_\_\_

### **Is the school registered with the Department of Education?**

- Yes
- No
- Comment:

How much are the school fees per annum?

In which year did the school start operating?

## **SECTION C: INFORMATION ON SCALING UP A LOW FEE PRIVATE SCHOOL**

1. Have you scaled-up your operations since the inception of the school?
2. Describe the type(s) of scaling initiative(s) the school has embarked on since the inception.
3. Who initiated these initiatives and what were the reasons/drivers for scaling-up your operations?
4. What were the challenges and the lessons learned from your 'scale-up' initiative(s)?
5. What are the advantages of the type(s) of scaling you chose?
6. What are the disadvantages of the type(s) of scaling you chose?

7. Describe the scale-up mechanisms used to ensure that the “scale-up” is sustainable in future?
8. What other options are available for scaling-up a low fee private school?

## Appendix B – Sample 2

### **SECTION A: RESEARCH INTERVIEW CONSENT LETTER**

Dear Sir/Madam

I am conducting a research on mechanisms to sustainably scale-up low fee private schools in South Africa, as part of the fulfilment of a requirement to complete my MBA programme with the Gordon Institute of Business Science (GIBS). The research is based on the premise that developing countries are faced with the challenge of ensuring universal primary education for all by making sure that education is equitably accessed. There is evidence that low fee private schools are on the rise in developing countries; these low fee private schools contribute to the education system by increasing access to education and also by providing quality education. These schools have low operating costs; they charge low fees, appeal to the low income consumers and may be a good model for scaling. These schools are a viable alternative to providing access to quality education and should be supported and therefore the concept of scaling-up in this sector should be explored if we are to deal with the challenges faced by the education system. Your participation is voluntarily and you can withdraw at any time without penalty. The interview is expected to last for an hour. Please be assured that confidentiality and anonymity will be maintained throughout and after the course of the research; in that no names will be recorded and that data will be stored without identifiers. The organisation's identity will also be protected by using aliases.

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Participant      Signature\_\_\_\_\_      Date\_\_\_\_\_

Researcher      Signature\_\_\_\_\_      Date\_\_\_\_\_

## **SECTION B: SCHOOL CHARACTERISTICS**

### **Interviewee**

- Owner/founder
- School head/principal
- Teacher
- Administrator

### **Type of private school?**

- Fee-paying, for-profit
- Fee-paying, not-for-profit
- School in a rural
- Primary school only
- Combined school
- Secondary school
- School in urban area
- Receive government subsidy
- Funded privately (e.g. investor, donor, community)
- Non-profit organisations (NGOs)
- Franchise
- Other: \_\_\_\_\_

Is the school registered with the Department of Education?

- Yes
- No
- Comment:

How much are the school fees per annum?

In which year did the school start operating?

## **SECTION C: INFORMATION ON SCALING-UP A LOW FEE PRIVATE SCHOOL**

1. What type of scale-up are you considering or planning?
  - Replication (opening more similar schools to the current one)
  - Opening different types of schools
  - Increasing school size and pupil number
  - Increasing access to disadvantages pupil (those who can't afford to pay fees at all)
  - Other:
2. Clearly describe your strategy for the type of scaling you are planning.
3. Why did you choose this type of scaling-up method?
4. What are the pros and cons of scaling-up a low fee private school?
5. What drives the desire to scale-up your operations?



6. What challenges do you think lie ahead for your “scale-up” initiative?
7. What are the mechanisms you will employ to ensure that the scale-up is sustainable and successful?

## Appendix C – Sample 3

### Section A: Research Interview Consent Letter

Dear Sir/Madam

I am conducting a research on mechanisms to sustainably scale-up low fee private schools in South Africa, as part of the fulfilment of a requirement to complete my MBA programme with the Gordon Institute of Business Science (GIBS).

The research is based on the premise that developing countries are faced with the challenge of ensuring universal primary education for all by making sure that education is equitably accessed. There is evidence that low fee private schools are on the rise in developing countries; these low fee private schools contribute to the education system by increasing access to education and also by providing quality education. These schools have low operating costs; they charge low fees, appeal to the low income consumers and may be a good model for scaling. These schools are a viable alternative to providing access to quality education and should be supported and therefore the concept of scaling-up in this sector should be explored if we are to deal with the challenges faced by the education system.

Your participation is voluntarily and you can withdraw at any time without penalty. The interview is expected to last for an hour. Please be assured that confidentiality and anonymity will be maintained throughout and after the course of the research; in that no names will be recorded and that data will be stored without identifiers. The organisation's identity will also be protected by using aliases.

If you have any concerns, please contact me or my supervisor. Our details are provided below:

Researcher name: Ms Zelda Tshabalala

Email: zeldat@live.co.za

Phone: 072 685 7393

Research Supervisor name: Prof Margie Sutherland

Email: Sutherlandm@gibs.co.za

Phone: 011 771 4362

Participant      Signature\_\_\_\_\_      Date\_\_\_\_\_

Researcher      Signature\_\_\_\_\_      Date\_\_\_\_\_

## **SECTION B: INFORMATION ON SUSTAINABLY SCALING UP LOW FEE PRIVATE SCHOOLS**

1. Do you think low fee private schools can contribute to alleviating some of the education challenges faced in South Africa?
2. What can be done to strengthen the sustainability of low fee private schools?
3. Should low fee private schools be scaled up? And why?
4. Is it possible for these schools to scale their operations?
5. Are there any forms of scaling that would be suitable for these types of schools if they are to scale their operations successfully?
6. What are the pros and cons of the scale-up options you have suggested?
7. What mechanisms could be used to ensure that scaling-up initiatives are sustainable?
8. What should be the role of government with regards to low fee private schools?

## Appendix D – List of Interviewees

List of interviewees for sample 1: Schools that have scaled-up

#	Name of school	Name of interviewee	Position
1	Sparrow School	Ms Jackie Gallagher	Founder
2	Vuleka Schools	Ms Melanie Sharland	School principal
3	Motheong primary school	Ms Merlyn Boshad	School Principal
4	Sekolo Saborokgo secondary school	Ms Judy Parr	School Principal
5	Prestige College	Mr Robby Pienaar	General Manager
6	Basa Satellite Primary School	Mr Dunken Moyo	School Principal
7	Masibambane school	Mr Pieter Styne	School Principal

List of interviewees for sample 2: schools that are planning to scale-up

#	Name of school	Name of interviewee	Position
1	Spark Schools	Ms Stacey Brewer	Co-Founder/ CEO
2	Nova Schools	Mr Mark Heidmann	CEO
3	African School of Excellence	Mr Jay Kloppenberg	Founder/CEO
4	Basa High School	Mr Dunken Moyo	School Principal
5	LEAP Schools	Ms Kirstin O'Sullivan	Client Relations Manager

List of interviewees for sample 3

#	Name of organisation	Name of interviewee	Position
1	Teach South Africa	Ms Mothomang Diaho; Mr Rivhard Masemola and Lerato Mathenjwa	CEO and Senior Managers
2	Old Mutual Investment Fund (OMIGSA)	Mr Lala Steyn	Investment Manager
3	Centre for Development and Enterprise	Ms Tessa Yeowart	Project Manager involved in the research on low fee private schools report (Hidden Assets)
4	Free Market Foundation (FMF)	Mr Eustace Davie	Manager at FMF
5	ISASA	Dr Jane Hofmeyer	CEO

