Africa Leadership Academy

Final Paper
S-356: Evaluating Entrepreneurial Opportunities

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Executive Summary

There is currently strong demand for high-quality, private education for the children of wealthy local and expatriate families living in Africa. In light of this demand, our team plans to establish a world-class private high school that will bring children from the 52 countries in Africa to one location in Cape Town and to prepare them for entry into the world’s top universities. Preliminary market research and financial modeling indicates that Africa Leadership Academy (ALA) is a viable business opportunity. We currently seek seed funding of approximately $250,000 to assist us in further developing the business plan for ALA and to initiate the first phases of implementation.

The Opportunity

Wealthy African parents are willing to invest heavily in their children’s education. This high willingness to pay is caused by the fact that many parents view investments in their children’s education as the optimal form of retirement planning in economies with poor social security systems. Despite this strong demand, there is currently a shortage of high-quality secondary-school education on the continent. This shortage is a result of, (1) significant increases in secondary-aged population caused by years of donor investment in primary education and by rapid overall population growth; (2) fiscal constraints faced by African governments who have not been able to maintain standards in increasingly over-crowded high schools; (3) an insufficient supply of quality private education, as illustrated by the extremely long waitlists at private schools across the continent; and (4) a growing pool of wealthy Africans, meaning that more and more parents can afford the few spaces available at expensive, elite schools. In addition, expatriates working in Africa have a demand for world-class education that will prepare their children for smooth re-entry into their schools systems when they return home. All these factors point to a significant opportunity to provide world-class secondary education that will serve the needs of wealthy African families and expatriate living in Africa.

Our Offering

The African Leadership Academy will be a private, co-educational school located in the outskirts of Cape Town, South Africa. The school will bring top students from around Africa to spend two years preparing for entry into the world’s top universities. The school will have the following distinguishing characteristics: (1) Expertise in University Placement: ALA will excel at helping students gain admission to the top universities in the world (Harvard, MIT, Oxford, University of Cape Town.); (2) Talented, Pan-African Student Body: admissions to African Academy will not be based on family wealth. Instead, admissions will depend on the potential and proven intelligence of every student. As a result, students who attend ALA will be surrounded by a talented, motivated, and diverse student body. They will also come away with a powerful network of friends to draw upon in the future; (3) Rigorous Academic and Extracurricular Preparation: ALA will follow the International Baccalaureate Program (IB), and will expose students to the academic rigor required at top universities. Students will receive individualized attention, based on a low teacher:student ratio. The teacher corps at ALA will be highly qualified and international, drawing highly experienced teachers from Africa, Europe and America. Outside of academics, African Academy will provide students with multiple extracurricular opportunities, including tennis, swimming, art theater, dance, and music; (4) A Moral Foundation: While ALA is not a religious school, students at ALA will be
expected to value honesty, fairness and integrity. To reinforce these values, ALA will require students to participate in public service projects and will also use a speaker series to expose students to outstanding adults who have made a difference in their community and nations; (5) **Entrepreneurial Training**: ALA will also prepare students to think about how they can use the resources around them to create financial and social value. Students will read case studies about entrepreneurs and will learn how to create their own entrepreneurial ventures. An annual business plan competition; (6) **Extensive Use of Technology**: finally, African Academy will acclimate students to the standard of technology used at the world’s top universities. In conclusion, African Leadership Academy will be the premier university placement school in Africa. Its academic and extracurricular programs will prepare students for the academic and social challenges of university life; while its expertise in university placement will help students to gain admission into the best universities in the world.

**Market Size**

A bottom-up analysis of the student population at elite private schools in Africa indicates that there about 40,000 students are currently enrolled in schools charging $5-15,000 per annum (excluding boarding) per child. Given that such schools typically have a waitlist equivalent to about 60% of their base enrollment, we estimate that about 65,000 children could be sustained in top-end private schools on the continent, charging fees of approximately $10,000 per child. This leads us to estimate the total market size to be about $650 million per annum. Most of this market, however, is concentrated in a few countries: Ghana, Kenya, South Africa, Ivory Coast, Egypt, Zimbabwe, and Botswana are among the top 10 markets for elite private education.

**Target Customers & Value Proposition**

We will target 3 segments of customers: highly educated, primarily black, professionals with earnings above $80,000/year and 2-3 children; foundations, companies, and wealthy individuals interested in education in Africa; and expatriate parents living in Africa. We’ve identified the needs of parents as follows: they want a school in a rural setting that has a strong reputation, an intellectually rigorous academic program, an international student body, and a strong university placement component. Based on these needs, we think we’re offering them a compelling value proposition. Parents who send their children to ALA are making a worthwhile investment for both financial and non-financial reasons. Financially, they are improving the job prospects for their children, and thereby securing their own security in old age. Non-financially, they are investing in the greater emotional satisfaction that comes with seeing their children succeed in life.

**Competition**

We anticipate that competition for ALA will come from two main categories of schools: (1) the elite private schools founded along the lines of the British and French educational systems, and (2) “American” schools which are structured like typical high schools in the US. The elite “British-style” schools typically charge between $3,000-$10,000 per annum and have the advantages of established reputations and excellent facilities. However, there is a limited supply of spaces in these schools, and their focus on British and French education systems means that most of them do a poor job of placing their graduates into top US universities like Harvard and Stanford. The “American” schools typically charge about $10,000-$15,000 per annum.
annum, and also have the advantage of excellent facilities. However, these schools have a reputation for lacking academic rigor since admissions are typically based on ability to pay as opposed to children's academic ability. ALA plans to differentiate itself from the competition by being: (1) the most selective school in Africa, (2) the only top private school in SA with predominantly black student body (60-70% of the student population); (3) the only two-year, IB focused school in Africa (and the 11th in the world); (4) the only high school in Africa bringing children from 52 countries to one location (5) the school with the greatest expertise in Africa for placing its graduates into the world’s top universities.

Financial Needs

ALA seeks to raise $250,000 in a seed round of financing. With this seed funding, ALA will purchase land and begin construction and planning. It is projected that ALA will generate approximately $3.5 million in annual revenues by year 5. It will need to raise approximately $3-4 million of additional funding and is anticipated to reach profitability sometime in the second or third year.

HR Strategy

ALA’s strategy is to quickly establish a strong reputation by delivering results with its first class of students. To achieve this goal, ALA will invest in a strong administrative team from the beginning. A CEO, Head of Marketing, and IT Director will all be hired in year zero. The following year, ALA will add a principal and teachers, and will pay a premium to ensure that its educational staff is experienced and high quality. Going forward, ALA will continue to hire top-caliber teachers at a 1:10 ratio.

Market Research Done to Date

To date, we have conducted market research of parents, international educators, developers, and admissions officers. Our primary goal was to identify customer needs. In addition, we wanted to understand the main challenges and costs associated with starting a school. Finally, we wanted to know how admissions offices thought about African applicants. We developed survey tools and conducted a series of customer interviews, expert interviews, and an internet survey. Those polled included 27 African parents seeking private school for their children, 7 principals and administrators of similar schools, 16 parents across the African continent, and admissions officers from top U.S. universities. This data validated our assessment of demand and tested our emerging concept with customers.

Risk Factors

We identify the following risks crucial to the success of the venture: parent reluctance to enroll children in new, unproven school; access to customers; inability to raise sufficient funding; regulatory risk; and zoning regulations. Our next steps in mitigating these risks include developing marketing and financing plans, and identifying mechanisms for maneuvering regulations.

Outstanding Issues to be Investigated

We will engage in a more detailed write-up of the business plan by outlining a detailed operational plan and recruitment strategy for whom we will hire and how to recruit them. We will also investigate how to position ourselves on embassy lists and as an IB certified school. Other logistical issues include construction and development, land acquisition, and financing.
disadvantaged students through donor partnerships. We will talk to donors, and create more
detailed financials outlooks such as month-by-month forecasts for the first year to refine the
investment required and identify financing options.