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Education



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I feel the company addresses one of the most basic needs we have in South Africa; that of quality education services at affordable prices. Education is a matter close to my heart. Occur Holdings Ltd constructs, acquires and manages private schools in South Africa and is listed on the SSE stock exchange since 2011 under the primary and secondary education sector(92002). 2. History and background Chris van der Merge found Occur in 1998. Today he is the CEO of the company. Van der Merge, being a previous educator at Model C schools, found that the opportunities in public education were limited and opened a school in a private capacity.

He and his wife started with 28 learners. Today the company has four different brands with 31 schools. Van der Merge designed a model similar to the Model C schools to offer people an affordable private education. He states that the company does not want to compete with the state, he believes he relieves pressure from the state's current burden and is saving them money, he believes the one complements the other. Occur is the current market leader in providing quality education at an affordable price to the middle class of South Africa. 3.

The education sector in South Africa The quality of South African education has been a problem for several years. The lack of education in younger people results in unemployment which hinders economic growth. According to the Dataset website the South African education system faces the following challenges: -Lack of quality teachers -Poor functioning of schools -A backlog of infrastructure -Absenteeism from both students and teachers - Poor delivery of the curriculum The lack of education is the biggest cause for poverty, after unemployment, even though it is a basic constitutional right.

[Http://dataset.investigators.com/dataset_AR_2011](http://dataset.investigators.com/dataset_AR_2011)

[/integrated-report/business-strategy-and-objectives/the-education-sector-in-south-Africa/](#)) The South African government spends 20% of total state expenditure on education. With this being about 7% of GAP it is also the highest spend on one sector. This is one of the highest expenditure on education in the world. Even though this sounds promising, pupils are still not finishing school and the unemployment rate keeps increasing annually. (<http://BMW.Southeaster.info/about/education/education.Tm#.Illuminable>)

Currently, registered private schools only provide 3.7% of South Africans total schooling population. 4. Occur as a system A system is a regulated sets of relationships. Parts interacting and interrelating for a puppets, the nine has an impact on the other. Schools within the holding company function independently but if one of the schools should lag and not perform it could drag the brand's reputation down. This could have a detrimental effect on the portfolio of the company which will negatively influence the share price.

When applying Albrecht law that with interaction of the parts the whole gains meaning, we will see that the value of Occur does not lie in one school, but in the network of schools together as the Occur brand. 5. The 7 forces driving an organization 5. 1 Ethos The ethos is the most important building block of an organization, it should clearly define the reason why the organization exists, its purpose. The ethos forms the foundation of the rest of the 6 forces in an organization.

The culture and core values of an organization will determine the way the organization operates on a day to day basis and will influence how decisions are made. Cursor's ethos is to supply affordable private education to the <https://assignbuster.com/individualmoolman-assignment/>

middle class of South Africa, while operating within a Christian values. Their aim is not to compete with the state or Advance, but to differentiate themselves in the current uncovered APS in the market. 5. 2 Environment In context of its transactional environment (industry and market). Occur does not aim to compete with the state.

The only other listed competitor is Advance which caters for the higher-end market. Cursor's customers are the middle class parents of South Africa. 5. 2. 1 PEST analysis to understand contextual environment (macro environment) The organization has no control over this environment and have to adapt to it. They need to be able to identify drivers of change and identify opportunities and threats in this context. If a factor has an influence it will be discussed, otherwise t will not be explored. One needs to identify drivers of change in this context and identify what will change to what.

POLITICAL The government of South Africa is currently spending a huge amount of their capital budget on education, but will most likely focus on expanding schools into poorer areas which is not the target market of Occur. The state will thus not be a threat to Occur and as Van deer Merge states, he is of the opinion that Occur is relieving some of the financial burdens of the state. Thus the one organization is complementing the other and the two can co-exist. Currently the government is thus not a driver of change. Some investors believe that it is unethical to exploit a market such as education to make a profit.

This might have a detrimental effect on the share price if more people starts to feel this way. **ECONOMIC** Independent private schools do not receive any

financial support from the government. Educational facilities get tax benefits though, and should this change it could have an impact on Cursor's bottom line. Occur makes use of debt funding to an extent. The interest rate will thus be a driver of change, since it will influence the financial position and specifically the bottom line of Occur if the interest rate fluctuates.

They use their properties as security I presume, so if there is a decline in the property market it will influence the valuation of Occur as it will affect their balance sheet. SOCIAL The current middle class of South Africa is growing rapidly, which means the demand for good quality education will increase over the next years. The demographics of South Africans population shows that the younger population will be a higher % than the rest of the age categories of the population in the near future. (See Appendix A.) Here the driver of change is the fact that the demand for education will only increase in the future.

TECHNOLOGICAL Technology can change the face of education with the next few years. Occur should keep up to date with the newest developments, but this may mean even more capital injections might be necessary. This can also be seen as an opportunity to be the leader in their market. Occur is already busy developing a communication system that makes communication with parents easier and helps track pupils when doing homework and assignments when not at school. This shows that they are pro-actively embracing new technology and using change in the environment to their benefit. 5. 2. 2 Internal environment - SOOT analysis

A SOOT analysis on the internal environment can discover new opportunities and manage and eliminate threats. It helps you to identify gaps in the market and shows how you can create a sustainable competitive advantage for yourself. STRENGTHS Occur is a settled brand with a unique business model that has been proven successful. They address a basic need, and fill a gap in the market in South Africa Industry expertise - the CEO is a former teacher from model C schools Efficient operating model Occur is the market leader with their own niche in the market They invest in the training of their own personnel

Occur finances their operations with debt, which means they make use of hedging. WEAKNESSES Occur is capital intensive since it constructs or acquires all of the property on which schools are situated. This improves risk for investors. There's a very high fixed cost base in running a school, with virtually no variable cost per scholar. They need numbers in pupils to cover their fixed costs and debt obligations. OPPORTUNITIES With the exponential population growth expected for South Africa for the next few years, the middle class in South Africa is also expected to grow more, so this being Cursor's target market there are huge opportunities.

The state is aiming to build schools in poorer areas so will not be competition, and advance is targeting the upper class market. Technology advancing - online and distance learning will be an opportunity in the nearby future. Cursor's profit drivers “* South Africans public education system is in decline * A growing middle class that's placed an emphasis on a quality education * Private school attendance has the potential to double * No new schools being built in affluent areas * Operating in areas where private

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schooling is lacking * Barriers to entry for other players * Affordable fees could drive student numbers. " THREATS

With Occur being capital intensive and funded by debt, it can create cash flow problems for the company if not managed well. Competition - Advance is the only other listed company in the private education sector. They are currently catering for the high-end market, but they might choose to expand into Cursor's market, since this is where the most opportunities for growth will lie in the near future. The cost of education is growing at a rate higher than inflation. Occur operates on a low-cost model, but will not choose to compromise on quality of their personnel and will thus face this increased cost as a threat to their profitability. 3 AIMS The most important role of aims is to provide direction, the means to the ends through process. Other roles are to inspire, motivate, organism information and create alignment. Aims are multi-dimensional. " Occur is firmly of the view that the purpose of education is to empower every person with the opportunity to achieve their potential as individuals and members of society. Education is one of the cornerstones of society, providing the main strategic thrust to long-term South African development. Occur will therefore expand its group of private schools by means of new developments and acquisitions.

This strategy will not only support the public sector, but will also provide parents with additional options for their children's education. Occur believes that private schools will increasingly improve educational standards, which will lead to the further development of the South African population, which in turn will contribute meaningfully to enhancing economic growth. " 5. 3. 1

Vision and Mission The long term goal of Occur is to make education more
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accessible to learners, grow to 80 schools by 2020 and accommodate 80 000 learners. They are well on their way doing this, currently growing by an average of 10 schools per year.

Their website stipulates that Occur strives toward excellent learning. Their curriculum is relevant to the changing world we find ourselves living in. The positive values and norms indicate that Occur functions within a Christian ethos and strives for the following: A child friendly environment – core value: respect Positive discipline – core value: self-respect Creativity Excellence – core value: independent thinking The schools aim to include all learners: fast, average and slow. Smaller classes accommodates individual attention. Occur encourages faster progress for advanced pupils.

They believe in investing in human potential, both their earners and staff. Cursor's teachers are bilingual and well qualified, but most importantly they all love children. Positive thinking forms an important part of the schools ethos, they believe there is a future for each and every child. To achieve the vision, Occur divided the original brand into five brands, or lines of business - Occur Private Schools -Meridian Private Schools -Select Private Schools - Occur Castle Nursery Schools -Member institute for teacher education These brands enables Occur to differentiate themselves in the market and serve a broader spectrum of customers. See Appendix C) ([http://www. Maniacally. Co. AZ/business/2013/01 /22/big-business-in-schools](http://www.Maniacally.Co.AZ/business/2013/01/22/big-business-in-schools)) 5. 3. 2 Business Model The Occur business model has two pillars. -Teaching in classrooms – Building their own schools to minimize costs The second pillar allows Occur to offer affordable education to the middle class of South Africa. Occur differentiates themselves in the market by targeting middle class areas which are not <https://assignbuster.com/individualmoolman-assignment/>

currently being served. They offer a unique product in a niche market where they are the current leader, their value proposition is unique, to offer quality education for an affordable price.

The business model adapt with the changes in the curriculum to stay relevant and up to date with market changes. (See Appendix B) Cursor's success recipe is to provide an affordable option of an essential service that can be applied to a profitable section of a mass market. They have tweaked their original business model of building their own schools to also acquiring existing schools. Occur is focused on the successful delivery of new schools, the efficiencies of their personnel, their management information systems and debt funding.

Building on their values of quality assurance and innovation they focus on Occur curriculum development, heir teacher's college, international benchmark testing(Cambridge A-levels), extensive personnel training and aggressive introduction of technology as educational aid. (Laptops, projectors, interactive boards and tablets.) " Occur works very hard to create facilities and opportunities for learners to participate and achieve on the sports field and on cultural terrain, because Occur sees education as a holistic process.

However, the learning process inside classrooms is Cursor's core business. " (HTTPS://www. Occur. Co. AZ/ home/corporate/core-business. Asps) Tit 4000 learners. Hostel accommodation ill be a feature at these schools FUTURE Rapid expansion " It's an ambitious plan at Occur: 40 schools and 45 000 pupils by 2020, with profits after tax of Rearm being penciled in. " Cursor's

strategy is to invest in both the mid-range and upper range of the private school market, where up to 200 new schools are needed in AS to meet the rising demand for quality primary and high school education.

The roll over the next few years will be intense, but efforts are focused on areas where government will probably not be building new schools and the likelihood of new private schools being set up is limited.

5. 4 Process Process is the activities of the system also known as the operating model. Process should be aligned to the strategy and business model of the organization. The operating model has already been discussed in section 5. 2 together with the business model.

5. 5 Structure and governance The role of structure in an organization is the channeling of process flow, promoting stability and order and tacitly prevents change.

Occur has a management philosophy of flat, decentralized and shared leadership. Each executive head is wholly responsible for his school, this includes academics, co - curricular activities, HRS and finance. Personnel are well remunerated and incentives, head office gives support to executive heads and regional heads are responsible for the inspection of education It is important for Occur to function as a brand with one vision to prevent the forming of silos, meaning each school should strive to achieve the long term vision and goals of Occur as a brand and not their own school's agendas.

The governance of a system consists of aim setting and regulation.

Governance originates from an external as well as internal point of view.

External governance will be the laws and regulations applied to education institutions by government. Self-governance in Occur will be the head office

that provides support and strategic direction, while each school that has a head that holds responsibility for the school and its activities. 5. 6 Resources Occur employs quality people and invests in their extensive training through their own teachers college. Occur makes use of financing through a combination of rights issue and long term bonds.

The issue of rights allows the company to reduce debt on the balance sheet. The planned future capital intensive investments will have to be balanced closely with the cash flow management of the company. The resource most worth mentioning is Cursor's intangible resource and that is Cursor's brand. The brand has been established over a period of 13 years, is associated with value and quality and has a very good reputation within the communities in which it operates. 6. Conclusion It would appear that Occur is a success story. One that has been growing rapidly and establishing its brand over the past decade, and I believe they are here to stay.

From an investor's perspective it would not be a bad investment, but would reckon that could be the sentimental side of me talking, the one that believes in a better South Africa for us all. En conservative in communicating our expand Management philosophy 7. APPENDICES Appendix A Population growth for South Africa " SOUTH Africans population increased by about 7-million to 51 , 770, 560 between 2001 and 2011, Statistics South Africa revealed on Tuesday as statistician-general Pail Aloha handed President Jacob Zamia the census results in Pretoria.

The country still has a young population, with most of the nearly 52-million under 39 years of age. The largest age group is the under-fives, which

Statistics South Africans demographic analysis executive director, Diego Traveled, said was uh either to an overstatement for the 5-14 age group in the 1 996 and 2001 censuses, or to the HIV pandemic tapering off. A breakdown of the population by age shows there are more children in the zero-to-four age group than in any other bracket. Over 5. 6-million South Africans are under the age of four, while 4. -million children are aged five to nine, and close to 4. 6-million are between the ages of 10 and 14. ”

[Http://www. Bedevil. Co. AZ/economy/2012/10/30/census-as -population-of-](http://www.Bedevil.Co.AZ/economy/2012/10/30/census-as-population-of-51.Mm-is-still-young)

51. Mm-is-still-young Appendix B Educational model for Occur schools

Appendix C Occur brands Occur Holdings offers different tiers of education under the auspices of their brands. The first brand is the Occur Traditional model. There are only 25 children in a class and 1 200 children in a school. These schools offer education from Grade R to Grade 12.

The cost for education in the traditional model is RE 500 monthly for primary school level and RE 500 for secondary level. In these schools teachers do not work in a high pressure environment as they receive tailor-made packages, only teaching what they have specialized in. There are twenty schools under this brand. The second brand is known as the Occur Select Brand. The Select Brand originates from the excitement of other private school owners when Occur Holdings listed on the SSE on the 2nd of June 2011.

The school owners were interested in selling, but were concerned about sustainability and were looking for a reputable buyer. Occur Holdings decided to branch out into this avenue and purchased a few schools. The purpose of the Select brand is that these schools could retain their own individual legacy and culture, but would fall under Cursor’s corporate

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governance. Occur Holdings criteria for identifying schools that could fall within the Select Brand were that they needed to be profitable and to offer excellent education.

The fee structure for schools in the Select Brand is about RE 800 for primary school and RE 800 for secondary schools. Currently there are two schools under this brand but Occur Holdings has already identified at least 20 more acquisitions which are aligned with the Select Brand ethos. The third brand, known as the Meridian Brand, has generated most excitement from the public. The Meridian Brand is different in that the classes are larger with 35 children in each class. The schools tend to have only one or two sports fields as extensive sports facilities are an added expense.