

# The Business of Education: The Emergence of EMOs

Stephen C. Bronack, Ph.D.  
Editor's Choice  
September 1, 1999  
<http://www.courselinks.com>

*Good morning, students—welcome to class. In this course, we will discuss the core issues of our profession. To do this, we must first establish a common language. So let's begin with today's vocabulary. Can someone please define "venture capital" please?*

And so begins the class. Which class, you ask? Business 101? Concepts of accounting?

No.

Welcome to the new language of education—that is, the *business* of education. Of course, the concept of school finance is certainly not new—particularly to administrators. However, the concept of education as a *for-profit* business is gaining momentum from the schoolhouse to Wall Street. The for-profit market is now estimated at around \$20 billion, that is approximately 10 percent of the total education industry (which includes corporate training, higher education, and other educational endeavors). The trend of the future – depending upon whom you ask, of course – appears to be the emergence of “EMO’s” (Educational Management Organizations). EMOs are not only gaining favor in certain educational sectors, but also are quickly becoming the darlings of investors. Nobel Learning Communities (NLCI) is a publicly-traded company dedicated to establishing and running for-profit schools aimed at serving the Early Childhood market. Other similar companies include ARAMARK and the Tesseract group. The front page of a recent edition of *Education Week* announced that the Edison Project—a successful school management group—is going public and Wall Street is predicting great success.

So, why are these EMOs springing up, and—perhaps more important—why are investors flocking to them?

First, there's real money in education.

All told, around \$740 billion is spent per year on various components of education in the United States each year. Of this, approximately \$360 billion per year is spent on the K-12 sector – that is approximately \$6500 per student per year. If recent trends hold true, some are predicting that as much as 10% of publicly-funded K-12 schooling will be privately managed by the 2010. This translates into a potential market of over \$80 billion.

Second, there is a perception of mismanagement within many communities. Recent data suggests that as much as 50% of the per-pupil expenditures in K-12 education (around \$3200 per student) is spent outside of the classroom. When this much money is spent outside of the space where the service is rendered, some view this as an indication of waste. Obviously, others disagree. Some of this money translates into transportation, meals, and extracurricular activities, to name a few—and these are activities generally valued by the community, so this may be a bit misleading. The fact still remains, however, that many feel schools are no longer keeping up at a reasonable rate.

What are the driving forces in the business of education? There appear to be three major factors:

1. **population** – recent demographics suggest as much as a 15% increase in student populations this decade alone. With this many students, and this amount of money, some are looking for alternative ways to fund, manage, and measure educational experiences for K-12 students;
2. **choice** – School choice is still a very important issue for teachers, students, parents, and community members. Initiatives such as vouchers and charter schools are gaining momentum, and many are

becoming increasingly open to the idea that innovative alternatives to the typical schooling model may, indeed, be viable; and

3. **accountability** – As many as 48 states now have in place “high stakes assessments” or other mechanisms for increasing both the financial and the academic accountability of teachers, administrators, schools, and students. In many states, mandates are coming down from the state departments of education—exceed the benchmark or lose accreditation. As accountability issues become more entrenched, specialists who can provide an advantage will become increasingly valuable to schools fighting to remain viable.

So, what does this mean to us, as teachers? Well, potentially many things! But, perhaps most important, it means that we should stay tuned into what is going on around us—outside the school walls—in an effort to keep aware and ready to face new challenges in what many are arguing will be a drastically different schoolhouse in the very near future.

-- Steve