

## **Kunskapsskolan – An Entrepreneurial Success Story**

**A private company uses vouchers to improve public education in Sweden.**

### **Executive Summary**

- A private Swedish company, Kunskapsskolan, has been successful in building a network of independent schools.
- With all its revenues are derived from a system of school vouchers implemented in the early 1990s, the company is growing rapidly, mostly in cities.
- It saves significant money by operating all its schools through a central administrative unit.
- It has successfully recruited students of differing abilities from a wide range of socio-economic backgrounds.
- Kunskapsskolan uses a ladder system to measure student achievement and tailors its programs to the needs of individual students.
- Learning offsite through the Internet saves money, and teachers act more as tutors.
- Teachers' salaries go up with student achievement, not seniority.
- Expensive school resources like laboratories are uniquely shared and computers abound.
- Administrative efficiency is achieved by organizational streamlining.
- Satisfaction levels are high and waiting lists for entrance long.
- Kunskapsskolan is working well, but its future depends on the ability to clear a small profit.

### **Background**

At the start of the 1990s, few people realized the impact school reform would have on the Swedish educational system. Not many politicians anticipated the development of large companies owning several schools. They generally believed that independent schools would resemble the small number that had always existed in Sweden, and were going to be smaller, autonomous units. To actually make them profitable on a larger scale was not really seen as an option. Today, ten years after the reform was launched, twelve different companies are operating five schools or more each. Kunskapsskolan is one of those companies. The unintended consequences included a dynamic revitalization of the Swedish school system. Operating schools became big business.

### **The idea**

When Kunskapsskolan started in 1999, it had always contemplated ownership of several schools. An American corporation, Edison Schools, served as the inspiration. But the conditions for this type of venture actually seemed to be better in Sweden than in the US, and the reason is the introduction of the school voucher – the most important component of public school reforms.

To a large degree, Kunskapsskolan is the brainchild of Peje Emilsson, also one of the founders and owner of a communication consultancy company, the Kreab Group. Emilsson is the major owner of the company and the chairman of the board of directors. Other owners are the Stockholm Chamber of Commerce and the investment companies Investment AB Öresund and Investor.

The CEO of Kunskapsskolan, Anders Hultin, is a former advisor to the non-Social Democratic government in power between 1991 and 1994). Per Unckel, another member of the board, is a former Minister of Education in the same administration.

### **Rapid growth**

Kunskapsskolan's schools are open to all students and financed by municipal school vouchers. It started off by opening five compulsory schools (for students between the ages 12 and 15) late in the summer of 2000. Kunskapsskolan further expanded by starting seven new schools in August, 2001, and four more in 2002. By buying "Mobila Gymnasiet" at the end of 2002, Kunskapsskolan added four high schools to the group, and another two high schools started in the fall of 2003.

Presently 6,000 students are enrolled in Kunskapsskolan's schools and the total number of employees is 500. This makes Kunskapsskolan the largest operator of independent schools in Sweden.

Kunskapsskolan wants to establish schools only in municipalities where they feel welcome. Independent schools are often met by suspicion and even hostility by local politicians. Not surprisingly, about half of Kunskapsskolan's schools are located in the Stockholm area, where local politicians tend to be more welcoming to independent schools. Other schools are located in other densely populated areas of the country. There are plans in the works to create a model for distance education, so that students in the more sparsely populated parts of the country also could take part of Kunskapsskolan's educational concept.

Even though Kunskapsskolan mostly operates schools in the cities, there is not one type of area where the schools are mainly found. There are schools in both wealthy neighbourhoods and not-so-wealthy ones.

All of the company's 22 schools are supported by a central organizational unit. That unit takes care of recruitments, international exchange, administrative tasks and further training of the staff.

### **What kind of students?**

What kind of students are enrolled in Kunskapsskolan's different schools? It is an interesting and diverse bunch. "Lagom" is a Swedish word that often is claimed to embody the heart and soul of the modern Swedish society. It is a concept that has no exact equivalent in English, but roughly means "just right, not too much, not too little."

In one way, Kunskapsskolan focuses on the students that do not fit in the "lagom" mould. To put it the other way around, the students that do not feel that they fit in municipal schools are often attracted by Kunskapsskolan. Hence, its schools have an exciting mix of students. There are many high-achieving students as well as students with difficulties. The former group is perhaps too ambitious to fit in with the pattern of municipal schools, the latter has problems keeping up with their pace. In Kunskapsskolan, both groups are able to work side by side, but at their own pace.

How is that possible? It all starts with Kunskapsskolan's strong focus on the individual student.

## **Educational concept**

Before students start to study in a Kunskapsskolan school, their knowledge in the core subjects (Math, Swedish, English and one other modern language) are measured, and after that they are placed somewhere on a scale from 0 to 35. This ladder system is seen as a more accurate way of measuring the actual knowledge the students gain than the national grade system. But of course there are grades as well. For example, if a student has reached 35 when graduating, he or she automatically receives the highest grade in the national system. To get a passing grade, step 20 has to be reached. In this way Kunskapsskolan's ladder system is linked to the national grade system.

But the level of knowledge is not all that is taken into account. Every student's needs, learning style and requirements are analyzed and, based on that analysis, the students get their own learning program, tailor-made to fit them as individuals.

The design of that individual learning program is made by the student together with a teacher, who becomes that student's tutor. This tutorship is crucial to Kunskapsskolan's educational concept. Every student has a specific tutor with whom he or she meets with on regular basis, to see that the goals in the individual plan are met and the learning strategies are working.

The teachers' function in Kunskapsskolan goes beyond the conventional role. Teachers in Kunskapsskolan are more like coaches, presenters and tutors to the students. Even though the concept is focused on the individual, the students are not isolated from each other. There are plenty of workshops, group discussions and seminars.

Especially in high schools, students have a lot of freedom to choose how – and where – they want to study. It is possible to carry on much of their schoolwork from home, since a lot of Kunskapsskolan's learning resources are web-based. There is freedom, but also responsibility, and the tutors keep close contact with the students so that no one loses focus.

There is also a link between teachers' salaries and the knowledge advancement of students. Seniority is not used as the basis for higher salaries – skill and professionalism are. Salaries are negotiated individually with teachers by each school.

The core subjects aside, the courses are integrated and theme-based. The subjects are not separated in a traditional manner. Problem-solving is also an essential part of the learning process.

## **Economies of scale**

The Swedish National Agency for Education has established a set of requirements that each school has to meet in order to be allowed to operate. Some requirements concern what classes that must be offered. A number of these compulsory subjects are studied for only a short period of time, but require access to expensive equipment. Thanks to its size, the company has been able to solve this potential economical problem.

All students spend one week each semester at one of Kunskapsskolan's two "kunskapsgårdar", which are learning centres with the necessary equipment for non-theoretical classes such as domestic science, woodwork, music and painting. It is all about economies of scale. Since these centres are used by students from all the company's schools, they are an effective way of saving resources. Separate schools do not have to make the heavy investment that otherwise would have been necessary.

But there have been some heavy investments, especially in computers. Kunskapsskolan's schools have about one computer for every four students. Municipal schools are generally nowhere close to that.

Another way of saving money has been the creation of a more streamlined organization than municipal schools generally have. This means that the amount of student counsellors, janitors and administrative staff are kept down to a minimum. If the need of such services increases, the necessary staff can be hired temporarily.

The buildings are open and modern with a high-tech touch to them: a lot of glass walls, no dark corridors and few traditionally sized classrooms. There are also flexible solutions, which allow the space to be used in a number of ways. Compared to public schools, Kunskapsskolan has a lot less space at its disposal, but tries to use it more cleverly. In public schools, the average ratio of square meters to student is 12:1, in Kunskapsskolan it is 7:1.

### **What do the "customers" think?**

To evaluate satisfaction levels on the part of students, parents and members of the staff, an anonymous survey is carried out annually. Overall, the results have been very positive. According to these surveys, the vast majority of the students in the schools likes the methods of learning (85 percent), appreciates the possibility of working at one's own pace (89 percent), think that the tutors care about them (89 percent) and that the schools have good teachers (86 percent). The parents have similar opinions, and seem to be even more enthusiastic.

It would be interesting to compare these results with municipal schools. That is easier said than done. Unfortunately, no survey measures the level of contentment in all schools nationally. These types of surveys are instead conducted by the municipalities, independently of each other. Since there is no coherent model of measuring, benchmarking becomes difficult. But even though there is a lack of material for comparison, Kunskapsskolan's schools are very popular. Long waiting lists of students who want to enrol in the schools is a strong indicator of that.

### **The future**

The company goals have been ambitious. One goal is that every student should exceed their individual goals and receive a passing grade. A passing grade *or more*, that is. Other goals are to have Sweden's most satisfied teachers, students and parents and that before the end of 2005 the company should be leading the market in its field. As mentioned above, it is difficult to compare the level of contentment due to the lack of a national survey. But Kunskapsskolan's schools are already leading the market.

The most controversial goals have to do with money. The company planned to show a positive cash flow before the end of 2004, and in the long run it hopes to make a 5-7 percent profit.

### **Profit**

Unlike the situation in Denmark, independent schools in Sweden are allowed to yield a profit. That has been a hot potato, since critics often claim that it is "cynical to make a profit on children's education".

Other accusations are easier to refute. That independent schools are not able to meet high-quality standards is simply preposterous in the case of Kunskapsskolan. The tenacious idea that independent schools are only for the rich is simply wrong, since

Kunskapsskolan is completely financed by school vouchers. It is perhaps due to the word's ideological connotations that the need for profit is harder to explain.

Without the possibility of profit, Kunskapsskolan would probably never have been able to start. The investors who have been putting money into the company would naturally like to get something in return. The goal of 5-7 percent profit will ensure that.

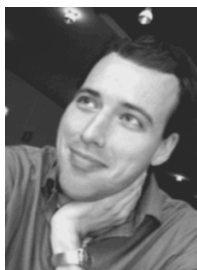
So far the company has not been profitable, but it has shown a positive cash flow. Large initial costs have been covered and a lot of money has also been invested in new schools in the expanding group. But it seems like it is going according to the plan. The investors and the board of directors have been aware of the costs from the beginning, and the future looks bright.

Profit is also important for another reason. There is a significant difference between one of Kunskapsskolan's schools and a municipal school: the latter can not go bankrupt. There is always that safety net provided by the municipalities. But the municipality would not be there if one of Kunskapsskolan's schools did not attract enough students to get sufficient economical resources to carry on its operation. To get some economic margin of safety, profit is essential.

The lack of competition and lack of a business-like atmosphere in municipal schools have led to a massive waste of tax money over the years. That conclusion is made clear by the fact that Kunskapsskolan and other companies like it are attracting as many or more students than municipal schools, while spending less money per student.

During the first half of the 20<sup>th</sup> century Sweden had a Minister of Social Affairs (a Social Democrat) who said that "every coin of the taxpayers money inefficiently used is like stealing from the poor." Kunskapsskolan can not afford to use their money inefficiently, and are consequently less likely to steal from the poor.

The development of school companies such as Kunskapsskolan has brought effectiveness and a good portion of quality into the educational system. The unfamiliar thought that big companies could provide a good education is a now a reality. Few saw it coming, but that is not surprising. The invisible hand moves in mysterious ways.



#### **About the Author:**

Kristian Tiger is a Swedish journalist living in Stockholm. He has a Bachelor of Arts in journalism from Södertörn University College in Stockholm and has also studied political science. He is a member of the editorial staff of the Swedish magazine Nyliberalen and also does occasional work for Timbro, Sweden's largest independent think tank.

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