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Market Expansion Challenge: Finnish School International

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SENIOR THESIS APPROVAL

This Honors thesis entitled

**“Market Expansion Challenge: Finish School
International”**

written by

Shelby Reams

and submitted in partial fulfillment of
the requirements for completion of
the Carl Goodson Honors Program
meets the criteria for acceptance
and has been approved by the undersigned readers.

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Date
March 25, 2018



Shkolla Finlandeze

Market Expansion Challenge

Finnish School Internationals

Team: 559

The Finnish School International already operates in several countries and is ready to expand the Finnish education system to new locations around the world. Accordingly, the company is seeking your help with identifying new promising markets and developing a market entry strategy, including:

1. Identify the most promising new markets, analyze the market, and decide on the best market entry mode;
2. Develop a product promotion and marketing strategy for the proposed new market;
3. Work out the operations management strategy for the proposed new market.

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1. Executive Summary

Objective: In this report, the key elements which would give them deep insights to expand Finnish education system to new locations around the world were summarized so that they can grow globally with huge market success.

Industry Survey: This section describes the growing need to have Private schools to meet the emerging needs of people by providing good quality education to their children as they focus on small size class groups and education in English, since English the most widely spoken second language, especially in the professional world.

Competition Position: This section describes competitive position for Finnish School International using SWOT analysis based on the X-Culture Webinar for Finnish School International and analysis of the existing education system. This analysis will help Finnish School International to flourish in the long run and expand its education system to new locations around the world.

Market success criteria for selection and analysis: This section describes the market characteristics considered for selecting potential markets based on geography and demographics, economic, political, legal, cultural and competitive environment.

Market Selection: In this section we have described unparalleled advantages of selecting Romania in comparison to other countries for market expansion. Here, Romania scored better in all market characteristics selected for market success.

- Mean Score in PISA 2015 below OECD average signaling need for education options.
- Romania offer high population and target audience.
- Romania's economic value far exceeds the comparable value of similar countries
- There is little to no political risk.
- Romania also offers limited to full autonomy in education curriculum.

Market Analysis: In this section we have analyzed the education market of Romania and listed advantages for selecting Bucharest, Romania for market expansion of Finnish School International. Further we provided details on Romania industry survey and major competitors for international schools in Bucharest, Romania.

Market Entry Mode: In this section we have considered the strengths and weaknesses of different entry modes and based on the analysis we selected the wholly owned subsidiary model. Additionally, we have mentioned pros & cons for this model.

Promotional Channels: This section describes the promotional channels for targeting the potential market. We chose to promote through social media, like Facebook ads, regular advertisement in the local newspaper about the Finish education system and online media publications. We will also be conducting an Education Fair aiming to register the maximum number of students in our courses.

Marketing Brochure: This section describes the detail design with complete information which will be available on Marketing Brochure.

Pricing: In this section, we have estimated the tuition fees at which Finnish International School will be offering its courses at different educational levels by taking into consideration the fee structures of Finnish School competitors in Bucharest, Romania.

Potential Partners: Though we have chosen wholly owned entity model as an entry mode for Finnish school but we have also focused on partnering with top notch Universities in Romania for an easy penetration in the competitive market.

Legal requirements: Since Romania follows a centralized education system every school must follow a certain set of rules regulations for its establishment. Private schools in Bucharest need to seek authorization from Romanian ARACIP and international accreditation. International accreditation can be taken by renowned bodies such as CIS which is recognize the Ministries and Departments of Education around the world.

Finances: This section throws light on the finance estimate, which we need to start up the wholly owned Institution. Various factors are being considered and analyzed like startup cost, land/building, banking operations, Tuition, Utilities, Operational.

Human Resources: In this section, we have discussed the staff which is required to run the Finnish School. Their hiring process and expected remuneration as per the market rate.

2. Introduction - Finnish School Internationals

The Finnish School International (FIS) is in partnership with Educluster to bring the Finnish School International to Romania. Educluster is instrumental in quality assurance in FIS's education. The Finnish education system is known for using innovative methods for assessment and individualized teaching approach. Teaching methodology includes social activities, games, and technology to ensure both a positive and an effective educational environment.

Finnish Schools has redefined the learning process; a definition that will hopefully change the education paradigm. Instead of focusing on standardized tests, the Finnish Schools focused on the individual. There would be no grading; but, instead, there would be an assessment of the children based on their performance. They would impart education using game based learning approaches, using technology, and by providing outdoor learning environments. From as early as the age of three, children will learn how to code and problem solve. The Finnish School system cultivates individuals with both intellectual and emotional intelligence, with proven results in PISA championships. This holistic approach aide's in the overall improvement in a child performance.

Current School Levels

- Preschool: 3-6 years
- Primary School: 1st-6th grade
- Low Secondary School: 7th-9th grade
- Upper Secondary School: 10th-12th grade

The key components of the Finnish Curriculum are:

- Focused on all aspects of literacy
- Ability to adapt with the changing world of work
- Rational thinking and better understanding of learning

- Building imperishable future
 - ICT competence
 - Cross cultural interaction,
 - Participating and creating impact
- (Finnish Schools International, n.d.)

3. Recommendation and Analysis of the New Market

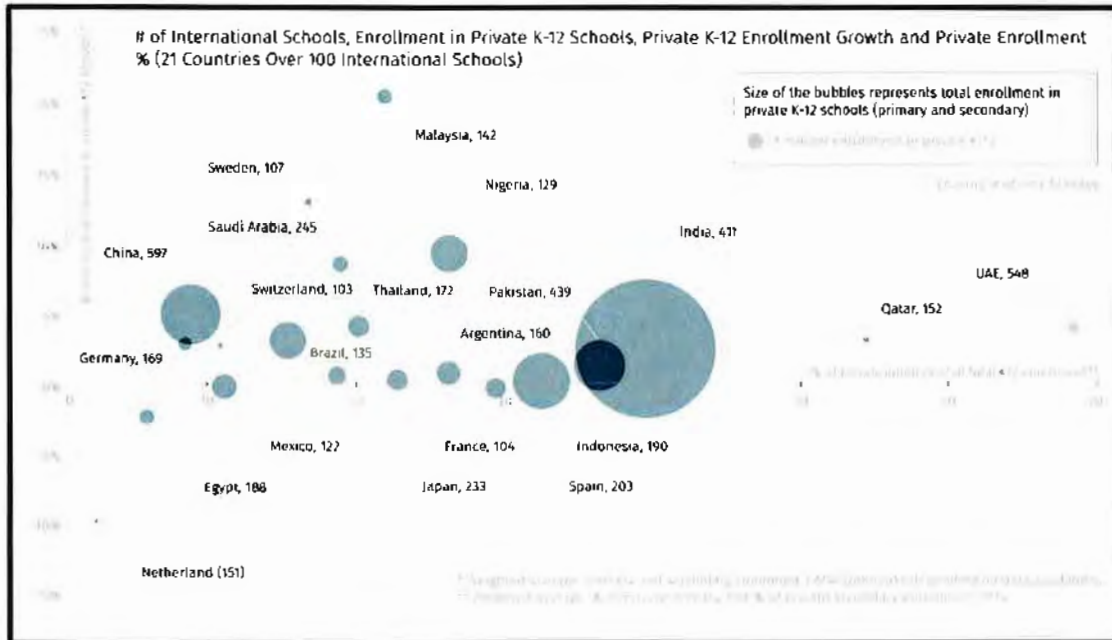
3.1 Industry Survey

By definition, private schools are not administered by government, to select students and do not have any dependence on public funding, instead, they are funded by charging students tuition. Private schools are expected to expand rapidly in developed geographical areas. According to “Emerging strategy” report there are around eight thousand international schools worldwide with around four million students enrolled in these schools. According to International School Consultancy estimates the demand for private schooling is going to be double by 2025.

This growth is driven with strong demand for education in the English language and is the most widely spoken language worldwide. Another factor attributing to the increase in demand is the inadequacies within public school curriculum and culture. Socioeconomic factors affect the demand for private school education. One example would be middle class families in emerging markets searching for alternatives to national schools. The perceived value of the private school education far outweighs the sacrifices necessary to cover tuition.

The success of private schools largely depends on its reputation for quality. Private schools mostly operate locally and have a low share in the market. The small class size, lower student to teacher ratios in the private school offers other advantages over public schools and thus providing them with good environments & individual attention. (EmergingStrategy, 2016) (ICEFMonitor, 2016)

Growth % of enrollment in private K12 Schools. (EmergingStrategy, 2016)



3.2 Competitive Position: SWOT Analysis

Strengths:

- Focuses on overall development of the children
- Follows game based learning methodology
- Arts, creativity and handcraft collaboration
- Motivates kids towards computational thinking and coding
- Promotes outdoor activities as part of the learning process
- Model priced for effectiveness
- Best teacher training system
- Highly dedicated staff
- Quality of teacher-student relationships
- Can teach without standardized test

Weaknesses:

- New entrant in market
- Lack of acceptance in new region
- Need for native teachers
- Challenge of finding local staff
- Tuition based
- Large startup costs

Opportunities

- No Finnish education provider in the market

- Penetration into a new market
- Support the Finnish school marketing and brand
- Address problems not addressed within the public-school system

Threats

- Competition from existing international schools
- Legal restrictions
- Limited autonomy
- Little to no familiarity recognition from target audience
- Entrance barriers

(Finnish Schools International, n.d.)

3.3 Market Selection

Market characteristics relative to success of entrance:

A. Geography and Demographics:

Location: Market expansion prospects were limited to Europe, due to the proximity and attempts to mitigate cultural issues. Kosovo, located in Europe, is the location of the first Finnish School further confirming the scope of expansion to Europe.

Education Level: The charts below illustrate the underperforming countries within Europe in the PISA 2015 evaluation. These countries scored below OECD average denoting academic distress making them prime candidates for the Finnish School.

Focus on Europe	Mean Score in PISA 2015			
Countries in Europe below OECD average	Average	Science	Reading	Math
Kosovo	362	378	347	362
Albania	415	427	405	413
Montenegro	419	411	427	418
Moldova	421	428	416	420
Turkey	424	425	428	420
Cyprus	438	433	443	437
Romania	438	435	434	444
Bulgaria	440	446	432	441

(OECD.ORG/PISA, 2016)

Population: The population of a country can provide insight into the stability of the government in addition to providing a more accurate picture of the culture.

Countries	Capital	Population 2016
Kosovo	Pristina	1,816,200
Albania	Tirana	2,876,101
Montenegro	Podgorica	622,781
Moldova	Chişinău	3,552,000
Turkey	Ankara	79,512,426
Cyprus	Nicosia	1,170,125
Romania	Bucharest	19,705,301
Bulgaria	Sofia	7,127,822

(The World Bank, n.d.)

Climate: The climate of the country is of moderate importance. We have taken inputs from climate risk index ranking to compare favorable climate conditions between countries.

Countries	Climate	Climate Risk Index Rank (1996-2015)
Kosovo	Winters – relatively cold, heavy snowfall, Summers, Autumn – hot, dry, maximum rainfall between Oct and Dec	79
Albania	Winters – wet, cloudy, cool, mild temperate, Summers - hot, dry and clear	140
Montenegro	Winters – cold, heavy snowfall, Summers, Autumn – hot, dry, maximum rainfall between Oct and Dec,	79
Moldova	Winters - Moderate Summers – Warm	73
Turkey	Winters – wet, harsher in interior, Summers - hot, dry, mild temperature	122
Cyprus	Winters – Cool, Summers - hot, dry, Mediterranean	105
Romania	Winters - cold, cloudy, frequent snow, foggy; Summers – Sunny, frequent showers, thunderstorms	28
Bulgaria	Winters- cold, damp; Summers - hot, dry	62
Finland	cold temperate; subarctic potentially	169

(NationMaster, Geography > Climate: Countries Compared, n.d.) (Sönke Kreft, 2016)

Economic environment: The economic environment will directly affect the performance of students and stability of the school. For the purposes of this venture, a developing first world country would offer prosperous conditions for a private school. GDP stands for gross domestic product.

Countries	GDP PPP (\$ Billion) 2016	GDP per capita PPP (\$) 2016	GDP Current (\$ Billion) 2016	GDP per capita current (\$) 2016	Ease of doing Business Rank
Kosovo	18.28	10,066	6.64	3,661	40
Albania	34.3	11,928	11.92	4,146	65
Montenegro	10.49	16,853	4.17	6,701	42
Moldova	18.94	5,333	6.74	1,900	44
Turkey	1927.69	24,243	857.74	10,787	60
Cyprus	27.65	32,580	19.8	23,324	53
Romania	465.56	23,626	186.69	9,474	45
Bulgaria	136.84	19,199	52.39	7,350	50

(The World Bank, n.d.)

B. Political environment: Political risk is essential to consider in foreign direct investments or expansions. It is imperative that a country offer favorable conditions in both political stability and receptiveness to foreign business.

Countries	Political Stability Index (Weak is -2.5, Strong is 2.5), 2015
Kosovo	Not Available
Albania	0.36
Montenegro	0.13
Moldova	-0.39
Turkey	-1.28
Cyprus	0.54
Romania	0.20
Bulgaria	0.02
Finland	1.04

(TheGlobalEconomy, n.d.)

C. Cultural Environment: By understanding the cultural environment, the Finnish School International can outline potential issues and conflicts.

Religion: In efforts to understand the cultural environment of a country, it is important to understand the religions practiced within a country. The beliefs and practices of these religions will have a direct relationship with the culture within the classroom.

Countries	Predominant Religion
Kosovo	Not Available
Albania	Muslim - 70%, Albanian Orthodox - 20%, Roman Catholic - 10%
Montenegro	Serbian Orthodox, Protestant, Roman Catholic, Muslim
Moldova	Eastern Orthodox - 98%, Jewish - 1.5%, Others - 0.5% (2000)
Turkey	Muslim - 99.8% (mostly Sunni), Others - mostly Christians and Jews - 0.2%
Cyprus	Greek Orthodox - 78%, Muslim - 18%, Others - Maronite, Armenian Apostolic - 4%
Romania	Eastern Orthodox - 86.8%, Protestant - 7.5%, Roman Catholic - 4.7%, Others mostly Muslim and unspecified - 0.9%, None - 0.1% (2002 census)
Bulgaria	Bulgarian Orthodox - 82.6%, Muslim -12.2%, Christian - 1.2%, Others - 4% (2001 census)
Finland	Lutheran National Church - 84.2%, Greek Orthodox - 1.1%, Christian - 1.1%, Other - 0.1%, None - 13.5% (2003)

(NationMaster, Religion > Religions > All: Countries Compared, 2017)

Language: Though not a primary contributor in determining market success, the language a country speaks is necessary to be both noted and understood in moving forward with investment and expansion activity.

Countries	Languages
Kosovo	Albanian - 94.5%, Bosnian - 1.7%, Serbian - 1.6%, Turkish - 1.1%, Others includes Romani - 0.9% , Unspecified - 0.1%
Albania	Albanian - 98.8%, Greek - 0.5%, Others - 0.6%, Unspecified - 0.1% (2011 est.)
Montenegro	Serbian - 42.9%, Montenegrin - 37%, Bosnian - 5.3%, Albanian - 5.3%, Serbo-Croat - 2%, Other - 3.5%, Unspecified - 4% ((2011 est.)
Moldova	Romanian - 80.2%, Russian - 9.7%, Gagauz - 4.2%, Ukrainian - 3.9%, Bulgarian - 1.5%, Romani - 0.3%, Other - 0.2% (2014 est.)
Turkey	Turkish, Kurdish, Other minority languages
Cyprus	Greek - 80.9%, Turkish - 0.2%, English - 4.1%, Romanian - 2.9%, Russian - 2.5%, Bulgarian - 2.2%, Arabic - 1.2%, Filipino - 1.1%, Other - 4.3%, Unspecified - 0.6%, (2011 est.)
Romania	Romanian - 85.4%, Hungarian - 6.3%, Romani - 1.2%, Other - 1%, Unspecified - 6.1% (2011 est.)
Bulgaria	Bulgarian - 76.8%, Turkish - 8.2%, Romani - 3.8%, Other - 0.7%, Unspecified - 10.5% (2011 est.)
Finland	Finnish - 88.3%, Swedish - 5.3%, Russian - 1.4%, Other - 5% (2016 est.)

(CentralIntelligenceAgency, n.d.)

D. Competitive environment: Most of today’s educational systems are focused on competition illustrated by standardized tests to class ranks. Competition takes place globally, but it is not the crucial ingredient in private school education. A mid-level number is optional.

Countries	The Global Competitiveness Index Rank 2017-2018
Kosovo	Not Available
Albania	75
Montenegro	77
Moldova	89
Turkey	53
Cyprus	64
Romania	68
Bulgaria	49

(WorldEconomicForum, 2017)

E. Other factors: Evaluation to see if there is already market expansion consideration.

Countries	Market Expansion can be considered	Reason
Kosovo	No	School exists in this location already
Albania	Yes	
Montenegro	Yes	
Moldova	Yes	
Turkey	No	Through X-Culture Webinar it was informed that they are already planning here
Cyprus	Yes	
Romania	Yes	
Bulgaria	Yes	

Market Selection: The chart below graphically illustrates the market success characteristics for the individual countries.

Market Success Characteristics		Kosovo	Albania	Montenegro	Moldova	Turkey	Cyprus	Romania	Bulgaria
Geography & Demographics	Location	+	+	+	+	+	+	+	+
	Education Level	+	+	+	+	+	+	+	+
	Population(High)	+	+	-	+	+	-	+	+
	Climate Risk Index(<80)	+	-	+	+	-	-	+	+
Economic Environment	GDP(High)	-	-	-	-	+	+	+	+
	Ease of doing Business Rank(<48)	+	-	+	+	-	-	+	-
Political & Legal Environment	Political Stability Index(>0.10)	NA	+	+	-	-	+	+	-
Competitive Environment	Competitiveness Index Rank(<70)	NA	-	-	-	+	+	+	+
Other Factors	Already Considered/Exists in Market	-	+	+	+	-	+	+	+

- Based on the above market success characteristic's analysis, Cyprus, Romania, and Bulgaria offer ideal landscapes for market expansion.
- Accordingly, further analysis is necessary to determine autonomy in the educational system. Cyprus has no autonomy. Romania and Bulgaria offer limited to full Autonomy. This autonomy translates to the freedom to implement the school.

Countries	Autonomy
Cyprus	No
Romania	Limited/Full
Bulgaria	Limited/Full

(European Commission, 2012)

Looking at the aggregate of the stated research above, Romania offers the ideal market for expansion in conjunction with the Finnish School.

3.3 Market Analysis

Country Selected: Romania

- It has high GDP per capita
- Limited to full autonomy in education institutes.
- In Romania, there are 77 accredited private high-schools and 115 accredited private post-secondary schools, representing about 50% of this kind of schools.

City Selected: Bucharest

- Bucharest is capital of Romania
- Largest city of Romania and is 10th largest in EU
- It has per capita GDP of Euro 26,100
- Most of the international schools are in Bucharest
- In year 2015-2016, around 20,000 students in Bucharest attended private schools.
- Bucharest Municipal Schooling Incorporate administers around 450 schools in the city. (Ro Insider, 2017) (WikipediaforSchools, n.d.)

Romania Industry Survey

The National Ministry of Education oversees the public-school system in Romania. The curriculum is standardized throughout the country. The school system is divided into twelve to thirteen grades. From age six until 4th grade, children participate in primary education. 5th grade through 12th grade is secondary education. School attendance is compulsory from ages six to sixteen.

The majority of students attend public schools. Private schools account for less than 3% of total school attendance. Unless the parents explicitly opt otherwise, a child is assigned to the nearest public school.

Primary and secondary education in Romania:

Primary school starts with kindergarten at the age of six. It is dedicated to developing reading and writing skills. The school calendar is the same in all the country, and it runs for 35 weeks September 15 to June 15. For kindergarten through 4th grade, there is a single

teacher who is responsible for teaching all subjects. The primary school curriculum is focused on Romanian language, math, sciences and foreign languages.

Secondary education is usually continued at the same institution as the primary school. However, the curriculum is taught by different teachers and evolves in focus. Mathematics, Romanian language, literature, and science continue to be taught; however, new subjects are introduced such as humanities, foreign languages, technology, and art.

The eight grade is the last year of secondary education. Upon completion students are required to pass an assessment exam; the exam covers the Romanian language and literature, and mathematics. (EasyExpat.com, 2016)

Private School in Romania

There has been an increase in private schools in Romania in the last few years. Private schools usually do not follow the national curriculum and provide education from kindergarten until high school. The fundamental subject areas are the same as in public education; however, the teaching methods, the level of teacher preparedness, and the teacher to student ratio are of better quality than the public system. (EasyExpat.com, 2016)

Private School Tuition in Romania

Romanian private schools charge high tuition fees. Predominantly only wealthy, local families can afford to pay tuition price. Fees usually have a range from 4,000 to 20,000 euros per school year, depending on the school. (EasyExpat.com, 2016) (Tuition fees and living cost in Romania, 2016)

Main Private School Competitors in Romania:

- British International School
- British School of Bucharest
- Cambridge Kindergarten
- Cambridge School of Bucharest
- Bucharest Christian Academy
- Mark Twain International School Junior Campus
- Lycée Français Anna de Noailles
- American International School

- Little London School
 - British Council
 - Scoala MEA
 - Secondary School Step by Step
- (TheDiplomatBucharest, 2016)

3.4 Best Market Entry Mode – Wholly Owned Subsidiary

Entering Romania as a wholly owned subsidiary is most practical in conjunction to Romanian policy regarding foreign investments agencies engaging in local business activities. This implies that the company will invest its own capital.

A wholly owned subsidiary suggests that the company will set up new operation in Bucharest. This type of operation is referred to as a green-field venture. It means foreign direct investment where a company builds its operations in a foreign country from the ground up. The parent company will then fund, if needed, building new distribution hubs, offices and in this case, schools, another option – buying or renting already established infrastructure. (Foreign Direct Investment in Romania in 2016, 2016)

Benefits: The establishment of new schools has higher risks and higher costs associated with it. However, Romania as a developed country offers tax breaks, incentives & subsidies to make green field investments. In the short term, companies can take advantage of lower corporate taxes and over the long term the economic benefits and profit potential can deliver positive returns. This also provides some advantages, such as the highest degree of control, for example managing employees, making sure educators and administration staff are trained to company/school standards and services, etc.

Risks: One of the greatest risk is the relationship with the host country is legal, accounting regulations, and civic norms in a respectful behavior with all the citizens. Any event or mistake in a project can be financially devastating. Other risks include difficulties in accessing available resources and handling issues with local workers because of cultural differences (2014 Investment in Romania Climate Statement , 2014).

Pros

- High performance level
- Larger control in decision making
- Minimal technology risk
- Good strategy for long term

Cons

- Higher risk in investment
- Higher commitment of resources
- Significant planning required
- Slower entry in market
- Huge effort required to access local government

4 Recommendation for Promotion & Marketing

4.1 Promotion channels

Traditional forms of advertising, such as direct mail, billboards, paid advertising, prints ads, are now less effective than before and do not help educational institutions to attract more students. Also, these methods are difficult to measure, their ROI is quite small and they are relatively expensive.

Online channels

With a population over 20 million, Romania is one of the top five CEE countries by internet users. More than half (53,8%) of the Internet users in Romania have a degree, 27% of users are 25-34 years old, and as we target higher educated and mid age families this is very important statistic for us.

Demographically 8.9 million of Bucharest residents are active Internet users, most them (72%) have a Facebook account, which is the most representative social media platform in Romania. (Gemius Audience, 2013)

In this environment, the only option for online advertising we would suggest is paid Facebook ads as it allow to target specific user groups and would reach desired audience and

generate acceptable ROI. Expenditure for online advertising may vary depending on desired outcome, but it should be in range of 100-400 USD per month.

Another suggested advertising option would be to incorporate regular paid articles about Finish education system and its results in a local paper and online media publications. The top news publishers that drive a most traffic are cancan.ro, libertatea.ro, realitatea.net, gandul.info, stirileprotv.ro, adevarul.ro (Joinville, 2013).

The suggested publisher would be cancan.ro as it drives most traffic from target group. Sending exclusive stories to Cancan newspaper is very simple – it's possible to get in touch with website reporters and share stories via toll free phone 0741226226 or email pont@cancan.ro.

Educational fairs

The biggest educational fair, “World Education Fair – Romania,” is held in Bucharest in February each year. The fair would strive to attract students to undergraduate, postgraduate, MBA providers and independent schools. The closest fair dates - 22 Feb 2018 - 27 Feb 2018. The estimated cost for exhibition: -€1,890.00, additional representatives -€253.00 (per person), Presentation (Room) - €274.00. The total estimated costs for fair participant – 2417€. Info for enquiries: Tel: +44 (0)77 0203 6404, E-mail: info@universityfairs.com. Studycentral Ltd, Unit 2, Nexus, Roushill Shrewsbury, SY1 1PT, United Kingdom. (World Education Fair - Romania - Winter 2017, 2017).


Possible school marketing besides online advertising and fairs

- Developing and distributing school information packets that includes a brochure (or flyer) with info about the school.
- Updating the website with current programs, relevant information, tour dates and times, recruitment information.
- Involving local city councilmember/elected officials in school marketing - invite councilperson to a school meeting to offer their viewpoints and ideas for supporting in marketing the successes of school.

4.2 Marketing brochure


Letter from the Principal

Something that must be shed light upon is the fact that groundbreaking educational systems, like the Finnish ones, are truly weakening traditional systems. These Finnish systems are changing teaching, using a more personalized approach. These systems are involving the students using games, activities and healthy habits, allowing the kids to learn while making better choices. In Romania, they are aiming to revolutionize their education system, by including the students' satisfaction into the lesson, like Finnish systems do.



Finnish School International

New Parent Information



Shkolla Finlandeze

© Finnish School International

Finance Business 400 hrs
Tax Address 1907
Tax Address 1907
Tax Address 1907

Phone: 355-152-5166
Fax: 355-15-1154
E-mail: romania@fshs.com

Ve: 355 365 3365 (R)

Bringing to Bucharest the #1 School System in the World


Children are actually excited to learn about the world around them. They have a natural curiosity and desire knowledge. The Finnish School was created based on this principle, and the very heart of the Finnish School is curiosity. This fact is proven through utilizing games and technology to teach the children. Games are attractive to children. They seek to learn and find a way to win while simultaneously learning in ways that a traditional classroom cannot offer. By using technology, children learn valuable skills for the professional world. They will be prepared to engage in a globalized, technology-based world.

Grade Levels

- Preschool – 3-6 years old
- Primary School – 1-6 Grade
- Low Secondary School – 7-9 Grade
- Upper Secondary School – 10-12 Grade


Pricing Per Year in Euros

- Preschool – 7500
- Primary School – 10000
- Low Secondary School – 10000
- Upper Secondary School – 15000



Children will engage in learning in many different ways:

- Computational Thinking and Coding
- Arts, Creativity, Handicraft – Collaboration
- Science with kitchen experiments
- Outdoor Learning



© Finnish School International

Finance Business 400 hrs
Tax Address 1907
Tax Address 1907
Tax Address 1907

Phone: 355-152-5166
Fax: 355-15-1154
E-mail: romania@fshs.com

4.3 Pricing

Pricing of Competitors:

Schools	Category	Group A	Group B	Group C	Group D
International School of Bucharest	I	8750	11125	11688	12375
British School of Bucharest	I	9570	18975	21570	21570
International British School of Bucharest	I	9000	12550	14950	14950
Cambridge School of Bucharest	III	6750	7800	8100	8550
Bucharest Christian Academy	II	8155	13955	14555	14555
Mark Twain International School	No Details				
Lycée Français Anna de Noailles	I	4980	4980	6370	6370
American International School	IV	15760	15930	17222	17250
Little London School	V	4000	7000	7500	7500
Scoala MEA	II	2200	7400	7400	5220
Secondary School Step by Step	V	6330	6330	6680	6680
Kings Oak British International School	VI	8500	9950	13950	13950
Verita International School	I	7300	8300	8700	-

Groups	Category I	Category II	Category III	Category IV	Category V	Category VI
Group A	KG/Foundation	KG/Foundation	KG/Foundation	KG/Foundation - 5	KG/Foundation	1-4
Group B	1-6	1-6	1-5	6-8	0-4	4-5
Group C	7-9	7-8	6-8	9-10	5-8	6-8
Group D	10-13	9-12	9-12	11-12	9-12	9-12

(International School of Bucharest, n.d.), (British School of Bucharest, n.d.),

(International British School of Bucharest, n.d.), (Cambridge School of Bucharest, n.d.),

(Bucharest Christian Academy, n.d.), (Lycée Français Anna de Noailles, 2017),

(American International School, n.d.), (Little London School, n.d.), (Scoala MEA, n.d.),

(Secondary School Step by Step, n.d.), (kingsoak school, n.d.), (<http://www.veritaschool.ro/tuition-and-fees/>, n.d.)

Finnish Schools Pricing Proposal:

Competitors	Group A	Group B	Group C	Group D
Average	7608	10358	11557	11725
Max	15760	18975	21570	21570
Min	2200	4980	6370	5220
Median	7728	9125	10194	12375
Range Proposed in Euros	6500-7500	9000-10000	10000-11000	10500-11500

Category Proposed:

The proposed Category Group I is used in most the schools.

Group	Grade	Age Group
A	KG/Foundation	2-4
B	1-6	5-10
C	7-9	11-13
D	10-13	14-18

4.4 Potential partners

As the selected entry model is a wholly owned entity, limited options for partnerships are available and as one of best options we see is partnering with one Romanian University - if such a university approves the curriculum and feel close to it, such partnership is possible.

Benefits of such partnership with Finish School International:

- universities already have infrastructure and can cheaply rent or lend some of its space, help build academic town like in Kosovo, etc.;
- university lecturers can teach some disciplines, consult school teachers, etc.;
- universities usually have relations with business institutions which may be interested in helping to build/maintain academician town (like banks for example) - if children will be familiar with their business from yearly years it will mean loyal future customers for them.

Benefits for university:

- prestige and fame;
- steady Finish School International student's enrollment flow in the future.

Such possible partnership must be discussed at the highest levels with universities authorities and must be done by Finish Schools International itself, so we can just suggest universities that are worth considering it. All 3 suggested universities are top best ranked Romanian universities list

- Alexandru Ioan Cuza University
 - Babes-Bolyai University
 - University of Bucharest
- (Top Universities, 2016)

5 Recommendations for Operations Management

5.1 Legal requirements

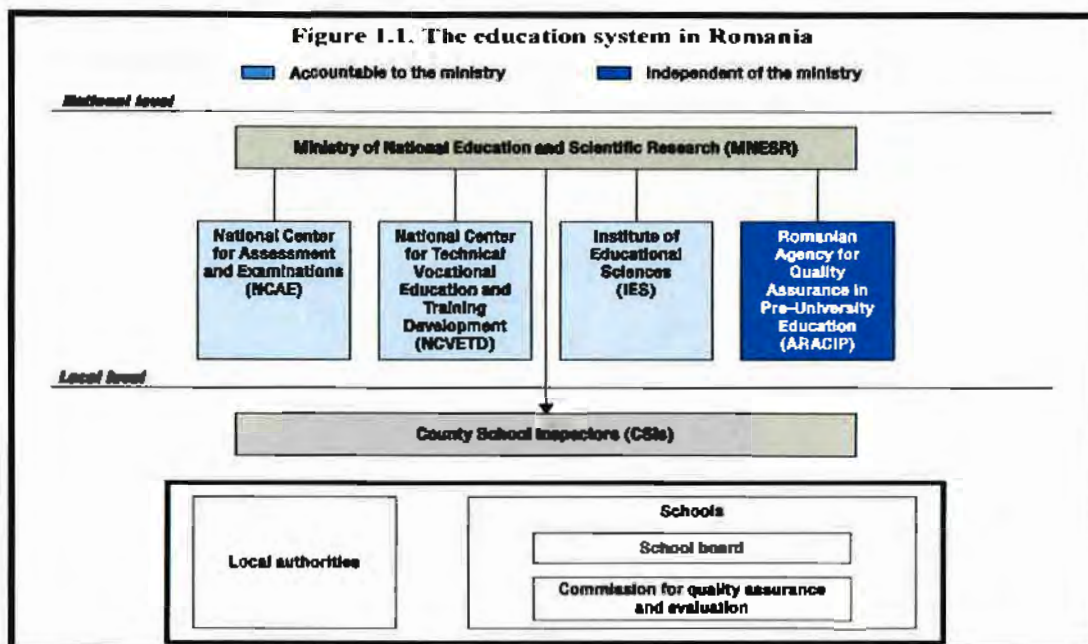
Governance: Romania's has a centralized education system – The Ministry of National Education and Scientific Research (MNESR) oversees education strategy, education system policies and deliverables. There are no fully independent specialized evaluation institutions, but several of them provide input to the ministry. Local elected official have very little say so in educational policies, the MNESR monitors and manages the implementation of national policies with the appointed County School Inspectorates. Specialized institutions associated with the MNESR provide technical expertise on the educational matters:

IES: The Institute of Educational Sciences (IES) is responsible for Romania's education system research and analyses of the performance, it also co-ordinates the development of new curriculum.

NCAE: The National Centre for Assessment and Examinations (NCAE) designs and manages national student examinations and assessments, sets the exams for permanent teacher certification and teacher tenure, and organizes the school textbook evaluation process.

NCVETD: The National Centre for Technical Vocational Education and Training Development (NCVETD) develops the qualifications and the curriculum for vocational education and training (VET) in upper and post-secondary education.

ARACIP: The Romanian Agency for Quality Assurance in Pre-University Education (ARACIP) ensures that all schools meet minimum quality standards and supports the development of quality assurance processes at the school level (Figure 1.1).



County School Inspectorates are central to local school governance: The MNESR is represented by CSIs at county level - MNESR appoints the general school inspector and the deputy general school inspector in each county. They are responsible for ensuring that schools implement national policies, appointing school principals, providing teacher professional development and proposing enrollment quotas for their county.

Schools' decision-making authority continues to be limited: Following the 2011 Education Law, school boards and principals have been given the responsibility for school quality. An independent evaluator, ARACIP has been established for reinforcing

accountability to local constituencies by creating a Commission for Quality Assurance and Evaluation in each school.

The European Union has influence on national policy: Romania has developed five national education strategies to help meet its EU 2020 Strategy targets. These strategies focus on the 2011 Education Law -reducing early school dropout, improving the quality of tertiary education, developing lifelong learning and investing in educational institutions' infrastructure. (OECD Publishing, 2017)

Accreditation/Authorization: For all paid private schools it is required to get authorization from the Romanian Ministry of Education. There is a difference between authorization and accreditation:

Authorization is used to make sure the school meets nationally educational standards such as well-trained teaching staff and sufficient teaching facilities. Private schools that follow Romanian curriculum that have had two generations of graduates are required to receive an accreditation. Exception for these rules is only if a private school in Romania were to follow the national curriculum of England and Wales, it would then need to seek accreditation from the UK Ministry of Education and authorization from ARACIP. (Law of National Education, n.d.)

Authorization:

ARACIP: The Ministry of Education and Research is a legal entity with its own income and expenses established by the Government Emergency concerning quality assurance in education. ARACIP does authorization, accreditation and evaluation of the education institutions, external evaluation of the quality of educational institutions of secondary education and other education providers;

ARACIP Contacts:

Strada Spiru Haret no. 12, Sector 1, Bucharest – 70738, Tel: (021) 310 42 13, (021) 405 56 18, Fax: (021) 319 20 96, E-mail: aracip@medu.edu.ro, Website: <http://www.edu.ro/ARACIP>. (Ministerul Educatiei Nationale, 2017)

International Accreditation:

CIS: CIS provides schools evaluation and accreditation worldwide. The precision and quality of CIS International Accreditation is recognized by the Ministries and Departments of Education all around the world as to how dedicated the schools commitment to high quality international education really is measured.

CIS Contacts:

Netherlands Office, CIS Administration & Communications, School Membership, Accreditation, Career & Recruitment Services, Leadership Search Services, Schipholweg 113, 2316 XC Leiden, The Netherlands, Phone: +31 (0) 71 524 3300, Email: info@cois.org, Website: <http://www.cois.org/page.cfm?p=1824> (**Council of International Schools, n.d.**)

5.2 Financial Analysis:**Currency:**

Finland uses the Euro as its national currency. Romania uses the Leu. The Leu and Ron both refer to the currency used in Romania. For the sake of consistency, the Ron will be used for all calculations and references. The exchange rate for Euro to Ron is 1 Euro = 4.64 Ron

Start Up Costs

Land: There is currently a 4,877.00 sqft lot for sale. It is located at 31-33 Sec 1 RACORDARII Strada, Bucuresti, Bucharest. This lot of land will cost 1,522,627 Ron. For the purposes of this report the school will be built at this location.

Given the size of this investment, the purchase of land will be funded through loans.

According to Expat Finland the average rate for a land loan was 1.66% in September 2016.

This loan would be financed for 15 years. Given these constraints the monthly payment will be 9,625.51 Ron. The loan would be financed through Nordea Bank of Finland.

Building/Construction: The average price per square meter in Romania is 7382.85 Ron. The lot of land is 1486.5 meters. That means the cost of the building would roughly be 10,974,606 Ron. The cost of construction would also be a loan. The loan would be at the 1.66 interest rate and 15-year term. The monthly payment would be 832,530.95 Ron. This loan will also be provided through the Nordea Bank of Finland

Equipment: Given the volatility of both prices and need for equipment, the school will issue a budget for all equipment. The total amount would be 972,175 Finland. This amount will be provided by the Finnish School International.

Banking Operations: All banking operations will be done through the Commercial Bank of Finland (BCR). BCR has several different fees for operations. A list can be found at <https://www.bcr.ro/en/public-and-nonprofit-organizations/informatii-utile>. An estimate of 1,000 Ron in fees per month will be used for the financial statements.

Legal and Accounting: Legal and Accounting matters will be handled by TPA in Bucharest. There will be anticipated cost of 10,000 Ron per month.

Utilities: An anticipated 20,000 Ron will be budgeted to cover utilities. This will include water, gas, electricity, and internet.

Donors: It is anticipated that the school should receive 100,000 Ron in donation each month. The school will be running at a deficit for the first few years of operation. Until it builds both the student and donor base, it will be dependent on the Finnish School International.

Tuition: By assuming we will charge the highest in the proposed range for tuition, the amount charged would be 7500,10,000,11,000, and 11,500. Translating them to Ron would be 34,803, 46,404, 54,044, and 53,464. Assuming there are four students in each age bracket, tuition revenue should equal 754,860 - ((34,803+46,404+54,044+53,464)×4).

Taxes: All income is taxed at a flat 16% rate. Because Romania utilizes a flat tax rate. The Finish School International will likely fall into the stated bracket.

The Income and Balance Sheet are as followed:

1	Income Statement	1st Month	Explanation
2	REVENUE		
3	Tuition	\$ 393,156.25	Number of Students * Tuition/12
4	Donation	\$ 100,000.00	Assumption/12
5	TOTAL REVENUE	\$ 493,156.25	
6			
7	EXPENSES		
8	Wages & HR	\$ 71,200.00	14000*three teacher's monthly + 3100*two agents +23,000 for increase based on enrollment
9	Accounting and Legal Fees	\$ 10,000.00	
10	Bank Charges	\$ 1,000.00	
11	Depreciation and Amortization		No Depreciation on first month
12	Utilities	\$ 20,000.00	
13	Maintenance	\$ 10,000.00	
14	TOTAL EXPENSES	\$ 112,200.00	
15			
16	NET INCOME BEFORE INCOME TAXES	\$ 380,956.25	
17	INCOME TAXES	\$ 60,953.00	
18	NET INCOME	\$ 320,003.25	
19			

ASSETS	Amount Ron	LIABILITIES	Amount Ron
Current Assets:		Current Liabilities:	
Cash in Bank	43,143.98	Accounts Payable	841,736.88
Petty Cash	500.00	Wages Payable	71,200.00
Accounts Receivable	165,595.83	Loan Payment	532,253.70
Total Current Assets	209,239.81	Total Current Liabilities	1,445,190.58
Fixed Assets:		Long-Term Liabilities:	
Land	1,522,627.00	Long-Term Loans	5,965,348.97
Buildings	10,974,606.00	Total Long-Term Liabilities	5,965,348.97
Less Depreciation	219,499.51		
Net Land & Buildings	12,277,733.49		
Total Equipment:		Equity	
Equipment	972,175.00	Donations	6,000,000.00
Less Depreciation	48,608.75		
Net Equipment	923,566.25		
TOTAL ASSETS	13,410,539.55	TOTAL LIABILITIES	13,410,539.55

5.3 Human Resources

School Head/Deputy School Head: The school will need both a school & deputy head to handle the daily operations of the school.

Annual Gross Salary for School Heads:

Education Level	Minimum Salary	Maximum Salary
Pre-Primary	3,374	10,371
Primary	3,374	10,371
Lower Secondary	3,903	11,201
Upper Secondary	3,903	11,201

Teaching Staff: The staff will be from Finland, as they are trained within Finland.

Annual Gross Salary for Teacher's in Romania

Education Level	Minimum Salary	Maximum Salary
Pre-Primary	2,934	8,297
Primary	2,934	8,297
Lower Secondary	3,122	8,297
Upper Secondary	3,122	8,297

Management & Support Staff for Admin/Promotion: We will need management & support staff for admin/promotion and we would like to hire them locally.

(EuropeanCommission, 2014/15)

Work Permits

- Foreign Nationals, except the citizens of EU/EEA member states and Switzerland, will be required to have a work permit to be employed in Romania.
- Romanian General Inspectorate for Immigration in accordance with Government Ordinance number 25/2014 on employment for individuals in Romania is who issues the permits.
- There are some categories of foreigners under the GO 25/2014 who may work for individuals or legal entities without obtaining a work permit.
- There can be diverse types of work permits issued based on their employment structure while in Romania.

- Work permits can be issued for definite or indefinite amounts of time for non-Romanian nationals who will have employment contracts with only one Romanian employer.
- If the employees brought over from Finland are residences of Finland they will not have to have a work permit to work in Romania. Information is provided for any employee that is not part of the EU/EEA member states and Switzerland. (Investment in Romania, 2016)

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