

“New Oriental Way”

An Interview with Michael Minhong Yu,
Founder, Chairman, and Chief Executive Officer,
New Oriental Education & Technology Group

EDITORS' NOTE Michael Yu is also the Vice Chairman of the Beijing Young Entrepreneurs Association and Vice Chairman of the Central Committee of Education of the China Democratic League. Prior to founding New Oriental, Yu was an English instructor at Peking University between 1985 and 1991. He received his bachelor's degree in English from Peking University.



Michael Minhong Yu

COMPANY BRIEF Founded in 1993, New Oriental (<http://english.neworiental.org>) is the largest provider of private educational services in China. They offer education for a lifetime, teaching skills that give students a crucial competitive advantage in the workplace and help improve their quality of life. Their range of educational programs, services, and products includes English and other foreign language training, overseas and domestic test preparation courses, primary and secondary school education, educational content and software, and online education. Since it began, New Oriental has had over 7 million student enrollments, including approximately 1.5 million enrollments in fiscal year 2009. They have a network of 48 schools, 270 learning centers (including the schools), 23 New Oriental bookstores, over 5,000 third-party bookstores, and approximately 5,200 teachers in 40 cities, as well as an online network with over five million registered users.

How much of an impact has the global economic crisis had on the China market, and have you seen the market stabilize in recent months?

The impact of the global economic crisis was felt differently in different parts of the country, depending on how exposed a given area was to exporting and the overseas consumer. For example, Beijing felt the effects much less than did Guangzhou or Shanghai. Overall in China, the crisis seems to have been less acute than in other parts of the world, and up to now, from what I see in my travels, is things are coming back more quickly than maybe initially feared.

How has New Oriental been affected by the economic crisis, and what is your outlook for growth for 2010?

We have been fortunate versus other sectors. The segment that we think may have been impacted from the financial crisis is adult English, but our high-end adult English program – called Elite English – continues to grow at a fast pace. Our core – kids, middle school, and students preparing for overseas study – all have continued to grow nicely through the downturn.

Did you always have an entrepreneurial spirit, and what made you feel, in 1993, it was the right time to start New Oriental?

I think few entrepreneurs can get the timing exactly right for when they should start a new venture. Sometimes, events that seem unfortunate at the time can push you in a direction that leads to tremendous opportunity. In my case, I had graduated from Peking University and decided to become an English language instructor at the university while saving money to study abroad. I quickly realized it would take decades to save enough money on just my teaching salary, even if I assumed I would be able to get a scholarship. So I decided to work part-time “moonlighting” as an English language instructor at a local private training organization. Initially, it was just to make money while I simultaneously prepared to study abroad. But the year I chose to apply to graduate school was unlucky; visas were particularly tight, so while I was admitted to a number of U.S. universities, I had trouble securing a visa. I had to give up my pursuit of an overseas education and put more of my time and energy into working with Chinese students to help them improve their English and realize their own dreams of studying abroad. At that time, I also discovered how much I enjoyed working with students in this way, and that I was pretty good at it too. At one point, I started asking myself, “Why can’t I start my own training school that can be even stronger and more able to serve the needs of Chinese students than the one I’m teaching at now?” Also, Peking University had a policy at that time that its instructors could not teach outside of the university, so it soon became apparent that I would need to make a choice. In 1993, I decided to found New Oriental and devote all of my time to

making it a success. It just so happened that not being able to get a visa to the U.S. ended up being the most “fortunate” thing that ever happened to me.

As New Oriental has grown, has it become harder to maintain an entrepreneurial culture within the company?

This is an issue that all organizations face at a certain time in their growth cycle, and it’s something I’ve spent a lot of time thinking about. New Oriental, until now, has remained quite entrepreneurial, even as it is growing so quickly. But it is something we have to continue to cultivate or risk becoming complacent. Part of what I’ve tried to develop is a compensation system that rewards innovation at the local level. China is actually very different depending on the province in which you are living, working, or doing business. The people of Sichuan are worlds apart from those in Guangdong; people from Shanghai may think about things a lot differently from those in the Jilin or Liaoning province. So from several years ago, when we first started moving from Beijing to open centers in cities across the country, our school heads have always had a lot of autonomy to develop the classes and set the curriculums that best suit the needs of students in their respective provinces. So part of it is process.

The other is company culture. Creativity is one of the core characteristics that define the “New Oriental Way.” For that reason, I am unrelenting in asking our people at every level of the organization, but especially my senior managers, to demonstrate not only results but to show that they continue to have new ideas, and ultimately plot these new ideas in the marketplace.

You also serve as Vice Chairman of the Beijing Young Entrepreneurs Association. How much of a focus is there on entrepreneurship in China?

In China today, entrepreneurs have almost become celebrities. The positive is that more young people are inspired to test their business ideas and try to see their own thoughts and dreams become reality. The negative is that now everyone recognizes me, so it’s even harder to have private time to myself, unless I am overseas with my family. For the most part, people still don’t recognize me there. ●