



Mac Gamse

EDITORS' NOTE *Jonatban McCoy (Mac) Gamse is a leading authority in international education. Prior to Meritas, Gamse founded Educate Online for Educate Inc., which is parent to Sylvan Learning. While at Sylvan, Gamse also oversaw their European expansion and was Chief Operating Officer to Schulerhilfe GmbH. Early in his career, he assisted in the design and marketing of the College Board's first SAT software and online college application programs. He also spent time at Sterling Partners, where he worked with education-related portfolio investments.*

COMPANY BRIEF *Meritas (meritas.net) is a family of schools that is transforming pre-K-12 education through a unique approach to personalized learning. Driven by incredible teachers, personalized instruction, and innovative global experiences, their students graduate with the critical thinking skills needed to pursue a meaningful, purposeful life of learning. Within the Meritas family, each school has its own unique character; deeply rooted in shared goals and experiences that provide a richer learning environment than what other schools can offer.*

What is the history of Meritas?

Ten years ago, we realized that schools were struggling with globalization. In order to truly prepare our kids, we knew we had to do a better job of weaving internationalism into daily school life.

The other issue was personalization. We wanted to focus on creating a tailored environment for every student in every classroom.

Our thesis was to put together a family of schools around the world and create an environment where teachers could take risks, where our schools could share both best practices and what wasn't working, and where we could provide students and staff with significant resources to constantly learn and grow – a culture not only of internationalism but of innovation on a regular basis.

We provide unique international opportunities for our children and teachers. This includes everything from the curriculum with foreign language instruction to making sure our schools have local and expat students. We have a program called

Transforming Schools

An Interview with Mac Gamse, Founder and Chief Executive Officer, Meritas International Family of Schools

Touchpoints where our kids work on global issues around the world, even in the earlier years.

In middle school, traveling begins and kids start going to our athletic games where 1,000 kids represent 100 different countries in many sports.

In high school, we send kids to Oxford and countries like Switzerland to be Meritas ambassadors.

In addition, teachers are offered a robust professional development environment where they're meeting teachers from around the world, which drives engagement and provides better outcomes.

We had 10 schools around the world until we recently sold the majority to Nord Anglia, and our mission is to transform K-12 education. We have typically taken over schools that were struggling. Within three to five years of us taking over a school, it is normally number one in its market, and they're typically sending 25 to 40 percent of the kids to tier 1 universities. Teacher engagement scores go through the roof and retention rates are up over 90 percent. We do that by getting the best administrators and teachers, and revamping teacher compensation to incent teachers to do the right things. We drive better outcomes and people become interested in the school, which then drives the enrollment of more students and surpluses.

We do the things that everyone knows work well but we're disciplined about it. As we generate a surplus, we reinvest that surplus back into the school. As we do that, programming and facilities improve, and everyone wins. We're trying to create self-sustaining organizations that are driving world-class outcomes. If we are able to turn struggling schools around, people will look at what we're doing in the classroom and they will determine that they can do it too.

How scalable will this be?

Everything we do in our classrooms can be done in any private or public school, and it is imminently scalable. Our job is to provide schools with resources, help them set up a strategy and follow it, and share best practices and information. We keep very low overhead and make the schools 100 percent accountable.

The foundation for success in any organization has to be alignment of the interests among those allocating the capital, the management team, and the stakeholders. Most public schools have a dislocation of alignment with politicians who want quick results or with parents who don't know much about education. At independent schools, that model can get broken because there are boards made up predominantly of parents, who are not dispassionate third parties.

We completely changed the governance structure where we have boards of advisors locally that can help us with the local environment, but having a corporate management structure means we have people that are fundamentally sound businesspeople who understand strategy. Our job is to set the school free to execute on their strategy.

How do you attract investors?

I've been working with my partners for 15 years and we formed this idea together. Other investors haven't taken longer to come onboard, but they now get it.

Schools are now thought of as businesses. Our customers stay for 14 years so we have great visibility into earnings. Banks love to loan to us because we tend to be asset heavy, which is a strategic advantage. The environment can be one of weak competition since most schools are terribly undermanaged for a host of reasons, so we can add value very easily. There are also a lot of strategic barriers to getting into this. Additionally, there is significant pricing power in schools – they tend to increase their tuitions 100 to 200 basis points above labor rates, so they have ever-expanding margins. People also tend to pre-pay, so we know our revenue for the year before it even begins and we probably have 60 percent of our cash as the year begins.

Schools tend to be good cash generators, they are highly scalable, and it's a high-need service.

With your proven formula, why is the U.S. still struggling to improve K-12 education?

Governance is broken, especially in public schools. We need to admit that it will take several years to fix a public school system and that it will upset people. Because we are a for-profit institution, if we upset people, it's okay; sometimes we have to do that to fix something.

Also, most approaches I've seen are top-down business-type approaches. Strong CEOs create collaborative environments and that's how we scale – small teams that push accountability to the decision-makers. Schools typically don't follow this path. As an industry, unfortunately, we seem to be stripping responsibility from principals.

There is also pay-for-performance. Teachers are mission-driven – they aren't doing this for money. They want to have an impact and yet they feel isolated in their individual classrooms. We want to create a collaborative environment. Teachers won't do that if they are competing.

We increase the benefits for teachers through healthcare and retirement plans. After that, we provide professional development, which creates an engaged workforce. ●