

NAB INDEPENDENT SCHOOLS & INNOVATION SURVEY Q3'16



INDEPENDENT SCHOOLS ARE INNOVATIVE DESPITE FACING HIGHER BARRIERS.

NAB Behavioural & Industry Economics

Australia's next phase of growth must be driven by a culture of entrepreneurship and innovation, with our education system playing a central role. But how innovative are our schools and how do they compare to other businesses? In this report, we measure innovation among a sample of independent schools and identify the key barriers to innovation and constraints to growth and teaching effectiveness. Despite operating in highly regulated and scrutinised environment, innovation in Australia's independent schools compares favourably to Australian businesses in general - even though the barriers to innovate are greater.

INNOVATION IN INDEPENDENT SCHOOLS ON PAR WITH BROADER ECONOMY

The NAB Labs Business Innovation Index measures innovation based on what a business does "differently", "more quickly", and "more cost efficiently". The index measures innovation regardless of business size, type or sector. In this report, we apply this methodology to measure innovation in the independent schools sector.

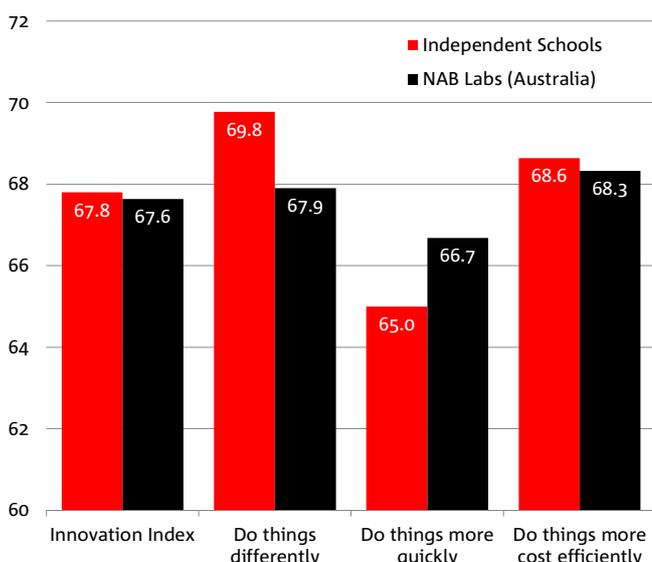
Labs measure for the broader economy (67.6 points). But there are some important differences in the underlying drivers of innovation. For independent schools, doing things differently (69.8 points) is the most important driver and noticeably more so than for the broader economy (67.9 points). In contrast, independent schools are visibly less innovative when it comes to doing things more quickly. In terms of innovation driven by doing things more cost efficiently, independent schools are broadly on par with the broader economy.

NAB INNOVATION INDICES

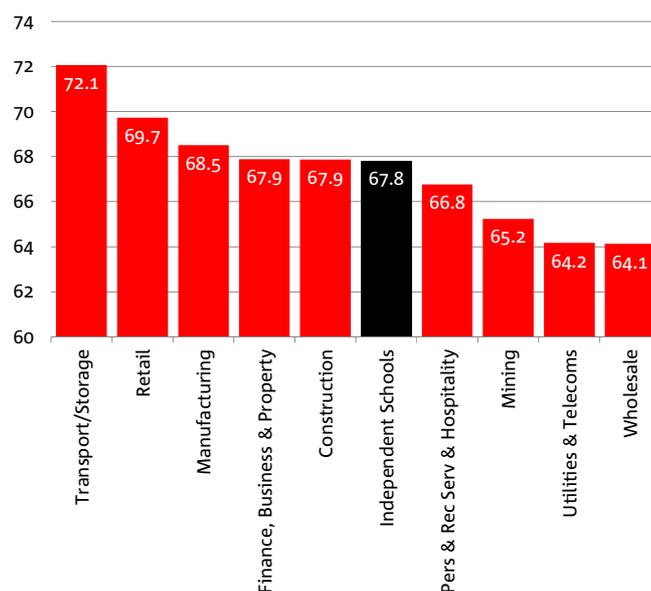
Innovation in independent schools led by doing things differently and cost efficiently

INNOVATION BY INDUSTRY

Innovation among independent schools compares favourably across industries



Independent schools scored 67.8 points for innovation (100 = extensive), slightly above the NAB



Comparing innovation in independent schools to broader industry groups shows that the sector

compares favourably. Independent schools also ranked second highest across all industries for doing things “differently” (after Transport & Storage), underlining the important role this plays in driving innovation for schools.

INNOVATION BARRIERS

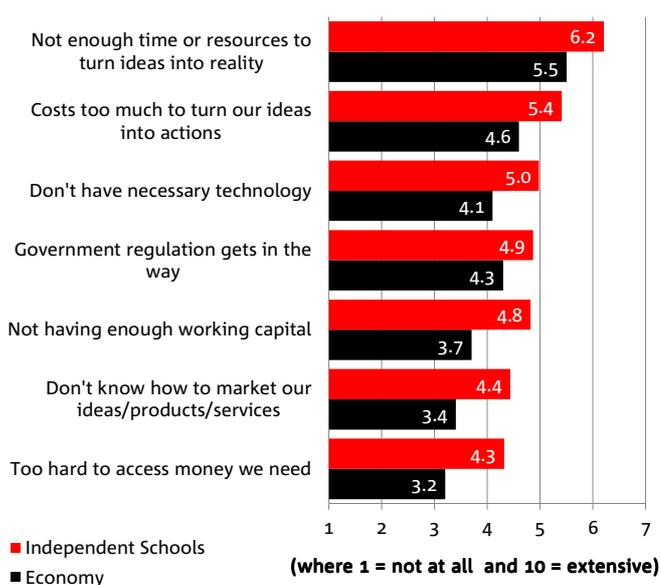
All businesses can face barriers which restrict the ability to implement business changes and innovation. But, independent schools view all barriers to innovation as bigger challenges compared to all businesses economy wide. As the sector already ranks relatively highly for innovation, removing these barriers could yield significant further gains.

The biggest barrier to innovation facing independent schools is not having enough time or resources to turn their ideas into reality. Lack of time was also identified by 1 in 2 firms across the economy as the biggest barrier to further innovation.

But, when asked to rate how “extensive” a lack of time was for innovation, independent schools scored 6.2 out of 10 points (where 10 = an extensive barrier). This was significantly higher than the broader economy average (5.5 points). Costs were the next biggest barrier for independent schools and also the broader economy, but again scored higher by schools than for the general economy.

BARRIER TO INNOVATION MORE DISRUPTIVE FOR SCHOOLS

Independent schools view all barriers as a bigger challenge for innovation

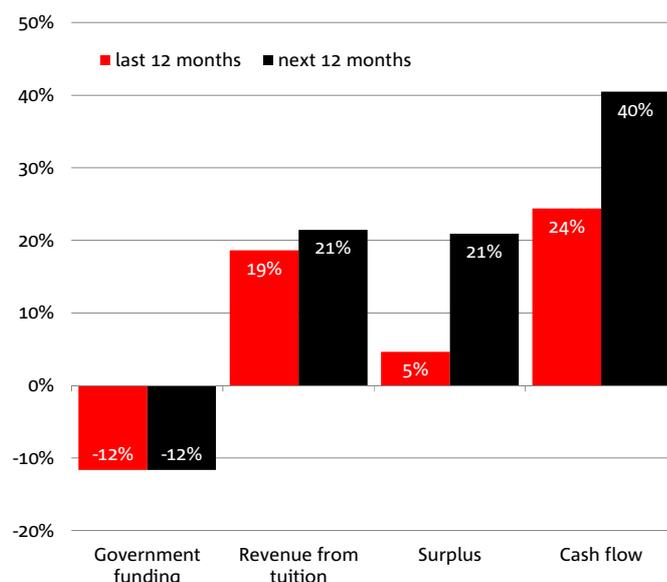


The biggest differences were in relation to marketing, which was rated a far bigger barrier for independent schools than for the broader economy.

Technology, working capital and funding were also rated as more extensive barriers to innovation by independent schools.

CONDITIONS FACING SCHOOLS (NET)

Independent schools expect government funding to remain negative, but surplus and cash flow set to improve



Business conditions for independent schools in relation to cash flows over the past year were “good” according to a net 24% of schools surveyed.

Positive cash flows were largely driven by revenue from tuition fees, according to 19% of schools.

In contrast, more schools on balance (-12%) reported “poor” conditions when it came to revenues from Commonwealth or state funding.

As a result, just 5% of schools reported “good” levels of surplus over the past year.

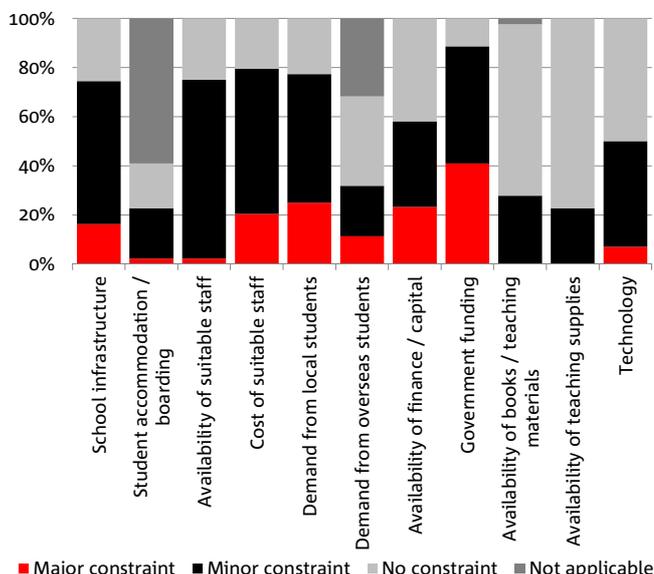
Looking ahead, there is a noticeable increase in the number of schools (+40%) expecting an improvement in their cash flow positions.

At the same time, revenue expectations from tuition fees are slightly more positive for 21%, but government funding conditions on balance are still expected to remain “poor” (-12%).

As a result, 21% of schools are anticipating “good” levels of surplus in the next year.

FACTORS CONSTRAINING GROWTH OR TEACHING EFFECTIVENESS (%)

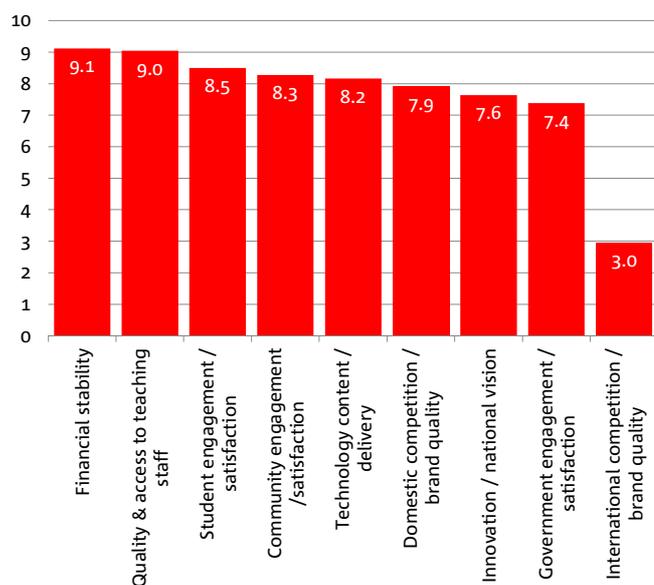
Government funding, finance and demand from local students the biggest constraints



A lack of government funding is not only detracting from business conditions, but it is also seen as a “major” constraint to growth or teaching effectiveness by 41% of independent schools. Other “major” growth constraints included local student demand (25%), the availability of finance or working capital (23%) and the cost of suitable staff (20%).

IMPORTANCE TO YOUR SCHOOL OF...

(average score where 1 = “not at all” & 10 = “critically” important)



Financial stability and quality and access to teaching staff are considered to be “critically” important for

independent schools, and were rated 9.1 points and 9.0 points respectively out of 10 (10 = “critically” important).

Student engagement and satisfaction, which revolves around meeting students expectations into university or TAFE acceptance, teaching quality, facilities and culture was rated next most import (8.5 points), ahead of community engagement (8.3 points) and technology (8.2 points).

International competition and brand quality was considered to be of least importance to independent schools (3.0 points) by some margin.

ABOUT THE SURVEY

In July 2016, NAB introduced the NAB Labs Business Innovation Index. The index provides a unique measure of innovation based on what a business does “differently”, “more quickly”, and “more cost efficiently”.

NAB is grateful to the 45 independent schools across Australia that participated in this survey.

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