



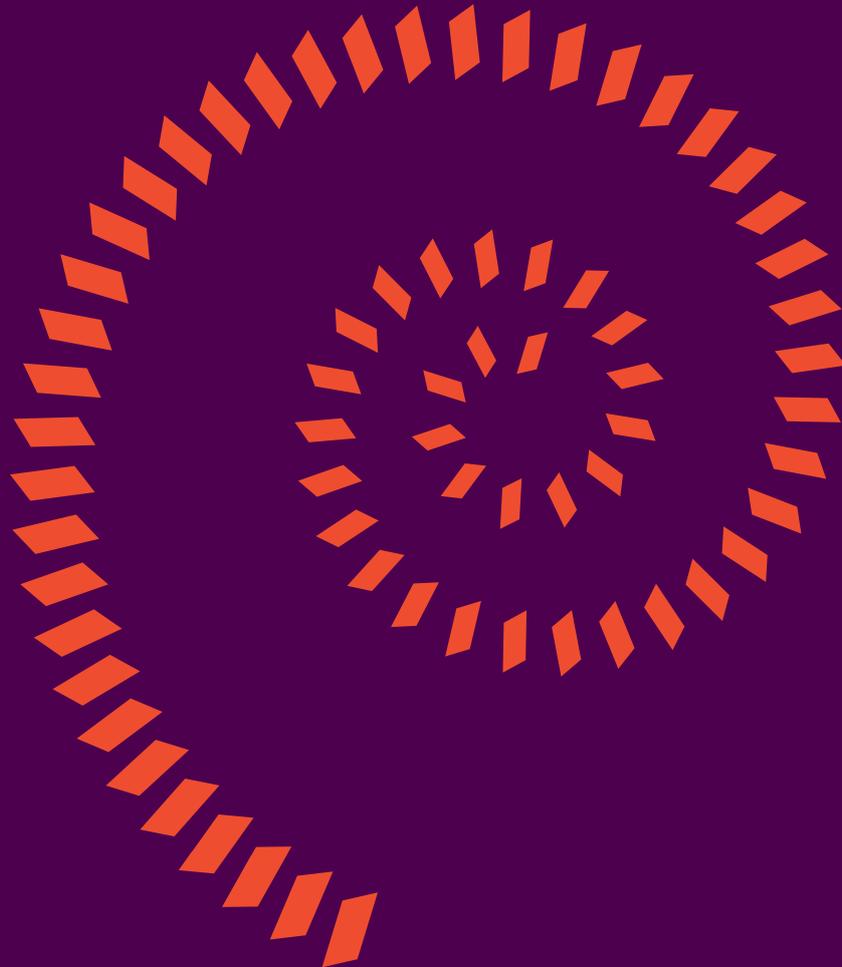
MARS



**Economics
of Mutuality**

Academica

An Economics of Mutuality case study



Responsible Business Forum: The Economics of Mutuality

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Academica



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About the Responsible Business Forum Case Studies

This series of case studies explores how mutual approaches to business can help companies and their partners tackle some of the most pressing global challenges. The businesses featured in this series share a commitment to objectives beyond purely financial performance, as well as a serious intent to implement mutual practices through new forms of ownership, governance, leadership, measurement and management.

In particular, these cases address the measurement of multiple forms of capital, ecosystem shaping approaches, leadership development, business education, and policy formulation through laws and regulation that promote mutual conduct. The authors appreciate the collaboration of participating companies in creating these cases.

These cases were first developed for the annual Responsible Business Forum, the convening event of the Mutuality in Business Project, a joint research programme between Saïd Business School, University of Oxford, and the Catalyst think tank at Mars, Incorporated. The Responsible Business Forum brings together global companies, MBA candidates, scholars and activists to share their experience in confronting key challenges in their ecosystems to generate financial, social and environmental value.

Authors' Note

The conclusions and recommendations of any Saïd Business School, University of Oxford, publication are solely those of its author(s), and do not reflect the views of the Institution, its management, or its other scholars. These cases are based on information provided to the researchers by participating companies.

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About Academica

Founded in 1999 and headquartered in Florida, Academica is an education service provider (ESP). It serves and supports seven networks of 190 tuition-free public charter schools across the United States in eight states. Charter schools are publicly-funded tuition-free schools that are outside the state school system. Two decades after inception, Academica now serves over 100,000 charter school students within 150 sites. Since 2009, Academica has offered International Dual Diplomas to 13,000 students at 500 schools in eleven countries. Students can earn American High School diplomas alongside their national high school credential.¹ Noted for its distinctive, hybrid governance structure – which combines non-profit, for-profit, and public elements – Academica believes it has identified a model that tackles the central problem of achievement gaps between income groups within the American school system, as there is high disparity in school performance between students of different income households.

Academica's core strategy and mission derive from its student-centric focus. To keep the emphasis on student success, Academica tailors its approach to the specific needs of each school within its network, thereby addressing challenges and making the most of opportunities that arise in local contexts. Academica does not own any of the charter schools. The charters are granted to, and therefore owned by, non-profit entities which are each governed by their own volunteer boards. The organization manages the "back office" processes for the schools and, unlike comparable organizations, Academica supports, rather than replaces, its clients' management functions.² Support and consultation is given in functions from strategic board support to human resources and budgeting and accounting. Such practices help address schools' individual needs and, at the same time, enable best-practice sharing across Academica's networks.

¹ "Academica en el Mundo," *Academica*, <https://www.academica.school/>

² "Who We Are," *Academica*, <http://www.academica.org/about>

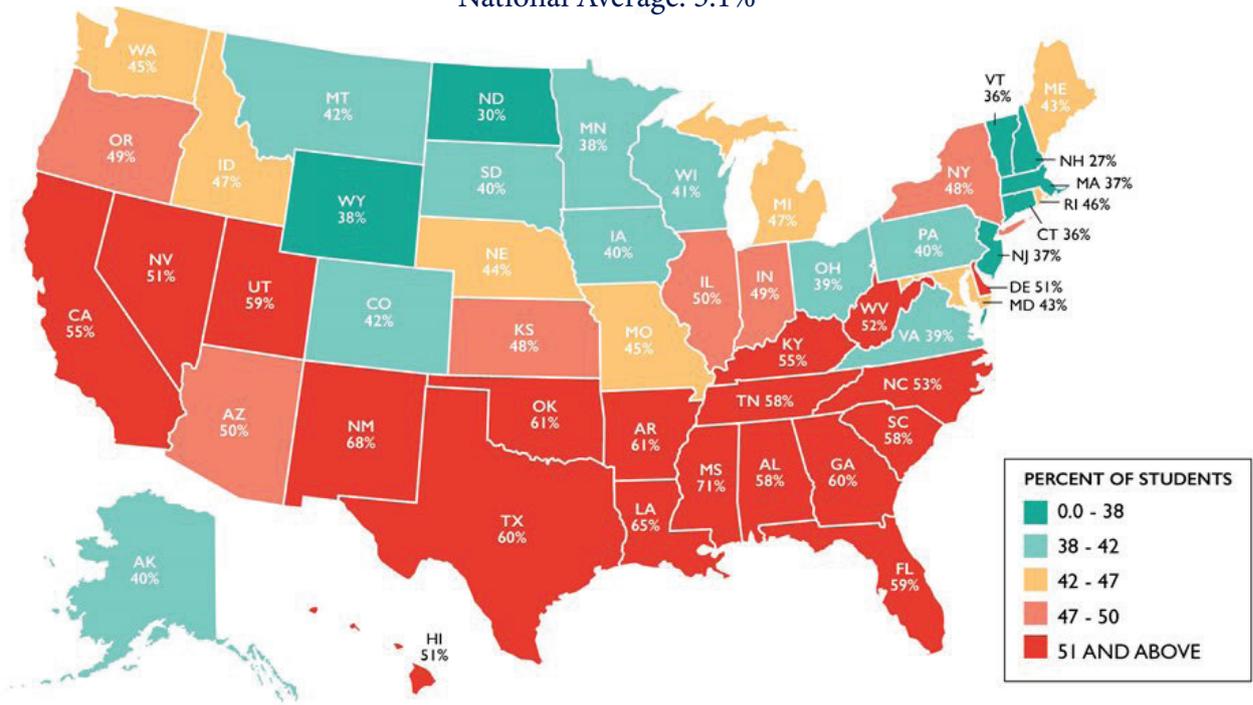
Economics of Mutuality Strategy

Achievement gaps, which “occur when one group of students (such as, students grouped by race/ethnicity, gender) outperforms another group” in statistically significant ways, have plagued educational systems across the United States.³ Although achievement gaps by categories of race and ethnicity have witnessed a gradual decline over time, income-based gaps have remained static in public primary and secondary schools.⁴ Addressing the persistence of income achievement gaps, for this reason, remains a pressing, but often elusive, goal for contemporary education.

In view of this, charter schools have become a flashpoint within American education. Established as an answer to poor performance within government-operated public, state-funded schools, charter schools operate according to a charter that “grants autonomy to develop” in line with the school’s mission.⁵ Although charter schools currently “educate only a small share” of United States public school students, overall enrolment is on the rise.⁶ According to federal figures, as of 2018, charters operate in 44 states, account for approximately 7,000 schools nationwide, and educate 3 million students.⁷ As a “tuition-free school of choice,” each individual charter school is “publicly funded but independently run.”⁸

Percent of Low Income Students in U.S. Public Schools 2013

National Average: 5.1%



SOUTHERN EDUCATION FOUNDATION | SOUTHERNEDUCATION.ORG
 Data Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data

3 “Achievement Gaps,” *National Center for Education Statistics*, <https://nces.ed.gov/nationsreportcard/studies/gaps/>
 4 Michael Hansen et al., “Have we made progress on achievement gaps? Looking at evidence from the new NAEP results,” *Brown Center Chalkboard*, *The Brookings Institute*, 17 April 2017, <https://www.brookings.edu/blog/brown-center-chalkboard/2018/04/17/have-we-made-progress-on-achievement-gaps-looking-at-evidence-from-the-new-naep-results/>
 5 Zachary Jason, “The Battle over Charter Schools,” *Harvard Ed. Magazine*, *Harvard Graduate School of Education*, Summer 2017, <https://www.gse.harvard.edu/news/ed/17/05/battle-over-charter-schools>
 6 Arianna Prothero, “Charter Schools,” *Education Week*, 9 August 2018, <https://www.edweek.org/ew/issues/charter-schools/index.html>
 7 Arianna Prothero, “Charter Schools,” *Education Week*, 9 August 2018, <https://www.edweek.org/ew/issues/charter-schools/index.html>
 8 Arianna Prothero, “Charter Schools,” *Education Week*, 9 August 2018, <https://www.edweek.org/ew/issues/charter-schools/index.html>

Ordinarily, charter schools are structured according to either non-profit or for-profit ownership models. In other words, non-profit charter management organizations (CMOs) or for-profit education management organizations (EMOs) generally run charter schools on the basis of contractual agreements (i.e., charters) between the management organization and authorizers such as “independent chartering boards,” “state education agencies,” or “local school districts.”⁹

Hailed in many quarters as the next frontier of “school choice,” giving parents a key say in their children’s educations and cutting through bureaucracies to meet local communities’ needs, charters have also been the sites of controversies as teachers’ unions and district schools have become increasingly concerned about competition over funding, resources, and talent.¹⁰ Although on the one hand, champions of “free markets” and “free choice” have praised charters as a welcome change within the American educational landscape, critics, on the other hand, have expressed caution and skepticism about the transfer of public funds to the private sector.¹¹

In light of such challenges and opportunities, Academica entered the education space with the intention of eliminating the entrenched disparities along the lines of income and addressing some of the operational concerns charter schools often face. Integral to realizing this goal is Academica’s governance structure.

Academica’s distinctive model makes it well placed to address some of the most pressing issues facing K-12 education within the United States.¹² Unlike others operating within the same education space, who rely on non-profit, for-profit, or government elements, Academica draws on elements from all three. Observing that non-profit models (CMOs) faced the omnipresent challenge of raising capital because of an inability to tax private citizens, and for-profit models (Education Management Organizations, or EMOs) encountered issues with perverse incentives that undermined cohesion at the school level, Academica decided to create a hybrid model that combined the best elements of the available models and eliminated the worst features. Academica’s hybrid structure offers a means of supporting its client schools through “back office services,” while at the same time leaving room for schools within its networks to customize their operations “and focus on their mission as education institutions.”¹³

A Hybrid Governance Model

In contrast to hierarchical governance typical in most U.S. school systems, Academica’s hybrid model results in a flat structure. A distinctive governance structure rests at the

core of Academica’s mission and strategy. Accountability and autonomy are diffuse throughout the organization. Organizational control is also diffuse. The model relies instead on communication and cooperation throughout its networks. Academica serves as hub where the non-profit school networks exchange experiences and cooperate.

Academica acts as a service provider that offers key operational elements to individual schools such as: accountability and compliance; board support; strategic planning; academic support; human resource support; budgeting and accounting; facilities planning, design, and development; and governmental liaising.¹⁴ The organization also assists non-profit and for-profit real estate providers in gaining access to financial markets. Academica facilitates the individual charter school’s governing board’s vision. Drawing from research and experience, it provides specialized strategies targeted to each school’s needs. Embracing a student-centric approach, it additionally tailors services to the individual, local needs of different schools. In this way, the larger management structure helps Academica share best practices and foster collaboration between networks, while at the same time also focusing on customization.

To identify the best modalities of governance, Academica facilitates interactions across its networks. Independent volunteer boards govern each non-profit school network. The boards aim to capture a holistic view and include a variety of stakeholder perspectives. Teachers, administrators, and even alumni of the schools, serve on governing boards. The organization encourages individuals from one network to serve on a sister network’s board. This cross-membership strategy facilitates cooperation, best-practice sharing, timely access to research and development (R&D), and mistake avoidance.

Academica has structured the system to prevent profit-seeking considerations from affecting educational goals. To safeguard against challenges other charter schools have faced by limiting school resources for financial gain, any fees payable result from services rendered, rather than from profitability. In other words, Academica, as a service provider, does not benefit from any financial surplus generated by the schools. Surpluses remain within the non-profit school networks. Since fees, in this model, are not tied directly to profitability, there is no motivation to constrain resources to generate profits for the organization, or to create and increase fees for students. The provider, then, has no incentive to adjust elements of cost that might enhance earnings at the expense of students, school resources, or performance.

9 Arianna Prothero, “Charter Schools,” *Education Week*, 9 August 2018, <https://www.edweek.org/ew/issues/charter-schools/index.html>

10 Zachary Jason, “The Battle over Charter Schools,” *Harvard Ed. Magazine*, *Harvard Graduate School of Education*, Summer 2017, <https://www.gse.harvard.edu/news/ed/17/05/battle-over-charter-schools>

11 Diane Ravitch, “The Myth of Charter Schools,” *Brookings Institute*, 11 November 2010, <https://www.brookings.edu/articles/the-myth-of-charter-schools/>

12 A summary description of the US American primary and secondary education level and is a short form of referring to “from Kindergarten through Grade 12.”

13 “Who We Are,” *Academica*, <http://www.academica.org/about>

14 “What We Do,” *Academica*, <http://www.academica.org/services>

Incorporating Non-financial Measures

The challenge of closing the achievement gaps in the United States has largely eluded the American school system. Academica and its non-profit client networks distinguish themselves by targeting the income-achievement gap in measuring educational success. The organization focuses on ensuring that students from low income homes perform as well as their peers from high income homes. By targeting this metric and at the same enacting its vision of prioritizing student outcomes, Academica has made strides towards eliminating the disparity in achievement between rich and poor.

Academica 2017-18 Results

	2018-19 Students	2017-18 Students	FRL	Minority	Year End Surplus	Total Net Assets	Annual Revenue	%
Somerset	33,976	29,593	68%	58%	\$9,718,054	\$76,976,648	\$225,993,312	4%
Mater	18,190	17,181	95%	80%	\$8,848,735	\$82,235,626	\$141,569,628	6%
Doral	11,165	10,003	49%	48%	\$5,804,548	\$38,323,382	\$73,053,033	8%
Pinecrest	10,670	9,619	61%	53%	\$7,806,610	\$33,093,943	\$78,272,906	10%
Ben Gamla	1,982	1,771	51%	51%	\$283,093	\$3,126,540	\$14,091,718	2%
SLAM	3,686	2,617	82%	60%	\$695,724	\$1,029,835	22,492,353	3%
Single Sites	3,998	3,841	72%	61%	\$1,203,425	\$13,947,848	\$31,789,613	4%
Utah Schools	15,113	14,259	25%	25%	\$14,021,088	\$56,296,237	\$125,549,482	11%
Total/Average	98,770	88,884	64%	55%	\$48,381,277	\$305,030,059	\$712,812,046	7%

Source: Academica Presentation, Oxford 2019.

With the core issue of educational equity in mind, Academica has kept addressing the income achievement gap at the center of its strategic planning. In contrast to prevailing models that prioritize profitability above all in evaluation metrics, Academica's model takes a decidedly different approach. Financial metrics emerge as the byproduct of non-financial metrics. Put differently, non-financial metrics such as student performance guide growth and profitability. The table above summarizes some of Academica's financial results from recent years.

Non-financial KPIs

In line with its student-centric mission, Academica focuses primarily on educational attainment and, relatedly, on teacher retention as metrics of success. Academica's non-financial key performance indicators (KPIs) reflect these core priorities. The organization's KPIs center on classroom results, average educational results at school level, teacher retention rates, population development and lack in educational capacity, and educational results of regions. Taken together, these KPIs help Academica assess the effectiveness of its strategy across its networks.

Academica tracks its non-financial KPIs alongside its financial ones to measure performance and impact. Since Academica has a flat governance structure, it does not rely heavily on vertical performance reporting. Each of the classrooms, schools, and networks tracks local non-financial metrics, such as educational attainment, whereas other metrics, such as retention rates, are tracked at school and network level. Each school is encouraged to use these insights for its own benefit. Academica shares results among all schools to encourage competition and cooperation.

Incentivization Models

In addition to focusing on innovation, Academica's approach also looks to the past for inspiration, seeking to revitalize time-tested approaches to collaboration. Thinking about how groups have come together throughout history, Academica's president and founder Fernando Zulueta, says that emphasizing shared incentives can lead to improved outcomes for all. Rather than focusing purely on competition and individual attainment to motivate performance, Academica concentrates its strategy fostering shared group goals. This process yields increased cooperation and better results across the networks.

To encourage cohesion and shared attainment, Academica helps schools within its networks to adopt non-financial incentives for students at both the individual and group levels. For example, at the student level, even though pupils earn rewards on the basis of good individual academic performance, the entire class gets to partake in the reward. Treats such as visits to theme parks and classroom parties are particularly motivating for students and increase inter-student collaboration. This model, Academica believes, reminds students that they have a duty to both themselves and their peers to achieve excellence.

On the teaching staff and administration side, collaboration and high individual performance leads to benefits for the entire group. As an example, although teachers gain promotion, recompense, and recognition on the basis of their success with students, the entire school also sees rewards. To discourage zero-sum thinking, Academica sets competitive targets for schools within its networks and rewards all schools that meet the goals. In other words, no school does better at the expense of another's success or failure in meeting a specific target. In this way, moving from student to teacher, and from school to network, Academica's system of incentives reaches all levels to motivate higher performance.

Impact on Decision Making

Academica uses its non-financial metrics to make key strategic decisions. By doing so, the organization is able to help address challenges such as income achievement gaps through its strategy, prioritize student attainment, and reward individual performance at the group level.

Significantly, Academica uses non-financial KPIs to improve its clients' schools and to advance its growth strategy. At the granular level, Academica's KPI of classroom results tracks factors such as graduation rates, school attendance, and absenteeism, to assess the performance of schools within its network. These metrics help Academica measure the success of each of its schools and identify any performance weaknesses right away. Such insights help Academica create customized plans for its client's schools.

Additionally, in terms of growth, Academica supports a non-financial, rather than a financial, expansion logic. Whether or where new schools are placed is based on a function of population growth and poor educational attainment. Since these variables often correlate with poverty levels, Academica's approach highlights the social mandate of its growth strategy. Employing such a strategy contributes to educational development and closing achievement gaps in poorer urban and rural areas. Non-financial metrics, in this way, are integral to guiding and formulating Academica's growth strategy.

Performance and Non-financial Assessment

Academica has already seen indicators of the efficacy of its hybrid model and prioritization of non-financial metrics. Schools within Academica's networks have received awards for their performance at the state and national levels. These include 25 schools being recognized by *U.S. News and World Report* 2019 Best High Schools and three additional schools within the networks receiving 2019 National Blue-Ribbon schools for closing achievement gaps.¹⁵ Stanford University's Center for Research on Education Outcomes (CREDO) identified Academica supported school networks among the highest achieving in the U.S., with results being especially notable for low income and minority students.

In addition to such recognition, Academica's schools have some of the highest retention rates of staff in the sector. Given the high turnover rates (nearly double the rate of traditional public schools) many charter schools face,¹⁶ Academica's ability to attract and retain talent represents a key attempt to avoid a critical problem within the wider educational ecosystem. Moreover, the program continues to scale and Academica and its client school networks have experienced a 15% student enrolment growth average between 2010 and 2018 (see table on the next page).

Academica Enrollment Growth 2010-18

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Avg Growth
Somerset	8,620	10,743	12,188	14,185	15,478	16,635	17,500	20,500	22,022	13%
Mater	7,352	8,861	9,330	10,859	12,228	13,057	13,990	15,217	15,995	10%
Nevada, Texas	3,042	5,098	5,315	6,670	6,880	13,986	18,297	21,623	25,503	34%
Utah	6,760	7,768	8,484	9,528	11,595	14,250	13,743	14,259	15,113	11%
Doral	2,841	3,541	3,975	4,456	4,607	4,968	4,721	4,725	5,195	8%
Pinecrest	2,755	3,235	3,539	4,013	4,045	4,000	4,567	5,520	6,245	11%
Ben Gamla	903	1,341	1,497	1,722	1,741	2,039	2,052	1,771	1,982	12%
Single Sites	1,410	2,475	2,789	4,058	4,222	4,631	4,716	5,719	6,755	24%
Total/Average	33,683	43,062	47,117	55,491	60,796	73,296	79,586	88,884	98,770	15%

Source: Academica Presentation, Oxford 2019.

¹⁵ "Report Card," *Academica*, http://www.academica.org/report_card

¹⁶ Zachary Jason, "The Battle over Charter Schools," *Harvard Ed. Magazine*, Harvard Graduate School of Education, Summer 2017, <https://www.gse.harvard.edu/news/ed/17/05/battle-over-charter-schools>

Prognosis

Academica believes that it has created a model which will help solve some of the entrenched problems of educational inequity that have, for years, confounded educators and policymakers across the United States. Based on the successes that resulted from the hybrid model and the strategy of sharing best practices across the networks, Academica continues to develop new tools to track student achievement beyond K-12 and into college and career performance.

Although challenges and obstacles in reaching those key aspirations include defining relevant metrics and collecting data to compare outcomes, Academica aims to continue advancing mutual practices within the education space in the years ahead. Encouraging teachers' and school leaders' interconnectedness within school networks enhances social capital and the capacity to tackle problems such as the income-achievement gaps. Additionally, Academica's effort in human capital creation has the explicit ambition of tackling low-income and poorly performing educational environments. The school networks' hybrid governance structure additionally allows for the creation of shared financial capital, since schools enjoy greater financial freedom without the tuition fee pressure that exists within EOMs.

Finally, as its performance and growth demonstrate, Academica has created a system that emphasizes non-financial KPIs with the aim of improving educational access and equity. Academica's economics of mutuality strategy suggests that investments into non-financial considerations, such as academic achievement and teacher retention rates, do not have to come at the expense of financial ones such as fiscal soundness. To the contrary, the two are mutually reinforcing and promote improved performance across multiple metrics. Furthermore, Academica is expanding internationally, seeking to bring its success models to other countries where educational entrenchment is a problem, and where its model might help address such persistent issues.

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Saïd Business School at the University of Oxford blends the best of new and old. We are a vibrant and innovative business school, but yet deeply embedded in an 800-year-old world-class university. We create programmes and ideas that have global impact. We educate people for successful business careers, and as a community seek to tackle world-scale problems. We deliver cutting-edge programmes and ground-breaking research that transform individuals, organisations, business practice, and society. We seek to be a world-class business school community, embedded in a world-class university, tackling world-scale problems.

Mars Catalyst and the Economics of Mutuality programme

Mars' approach to business has long since been guided by five principles – quality, responsibility, efficiency, freedom and mutuality. Together they inform and guide the actions of all Mars associates every day as they do their jobs and interface with the outside world.

The origins of the Mutuality principle go back to 1947 when Forest Mars Snr, who led and grew the business through the 1920's to the 1960's, wrote a letter to all 500 associates of the company that said "the sole purpose of the company is to create a mutuality of benefits with all stakeholders that the company touches; from suppliers to customers as well as governments and competitors and naturally associates and shareholders". This far-sighted thinking, that the company could only be successful if everyone around the company was being successful, has been a cornerstone of Mars' business philosophy ever since.

Mars has therefore always been interested in how it can best live up to this principle; and to find new ways of driving mutuality with all stakeholders it touches. This led to Mars' leadership tasking its economic research unit, Catalyst, to start new work into unexplored territory for business; to identify critical drivers of mutuality and, using business pilots, to develop and test new metrics and management practices that can help boost mutuality in business situations. This work has been called the Economics of Mutuality.

This work has established promising links between increasing social, human and natural capital (that can be measured with simple & stable metrics) and a corresponding increase in financial capital – demonstrating how a company can do both good and well at scale. A number of pilots have now been completed in the areas of micro-distribution, the employees of Mars and in agricultural development that suggest that these relationships are true in different places and situations.

The Oxford Mars partnership

On the back of these promising findings, a multiyear partnership with Oxford University's Saïd Business School was established in 2014 to focus on the development of a business management theory for the Economics of Mutuality with corresponding teaching curriculum, new management practices, and case study research. The research programme has combined the pursuit of normative questions – what is

mutuality and how should it be enacted? – with grounded, ethnographic research on current thinking and practices. This has led to the development of field experiments and case studies examining how large corporate actors conceive of and pursue responsible business practices, and how these relate to their financial and social performance.

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