

Challenges and Opportunities in Early Childhood: Views of the CEOs of the Big Three

Twenty-First Annual Status Report on For Profit Child Care

by Roger Neugebauer

For this year's Status Report we have elected to tap the viewpoints of the CEOs of the three largest for profit child care organizations in North America about trends in our field. You can learn more about the impact of these companies as well as other major organizations in the accompanying chart, "The Exchange Top 50: North America's Largest For Profit Child Care Organizations."

The three individuals whose views appear on the following pages (and who are featured on the cover of this issue) are:

- **David Lissy**, CEO, Bright Horizons Family Solutions
- **Felicia Thornton**, CEO, Knowledge Universe Education, U.S. (parent company for Knowledge Learning Corporation)
- **Bill Davis**, CEO, Learning Care Group

Exchange: What do you see as the one or two most serious challenges facing your organization?

Davis: One of the biggest challenges facing our industry is the need for highly trained staff. As we strive to meet new and higher standards, it is crucial to cultivate a qualified work force. We hope to see the U.S. invest in an infrastructure

that supports and rewards staff as other developed countries have done. Finding qualified staff is difficult, and unfortunately we do not have a delivery system to assist our industry in recruiting and developing teachers.

Thornton: One challenge facing our industry is with public schools adopting Pre-K programs that may limit choice and focus. Public schools face continuing budget and space issues; adding Pre-K to their portfolio has the potential for limiting the opportunities for existing public education programs. Private providers in the community have the capacity to support Pre-K.

Lissy: I think one of the biggest challenges facing the entire field is recruiting, training, and retaining talented early educators and encouraging the next generation of individuals passionate about the development of young children to pursue careers in child care and early education. With so many competing career choices that can be more lucrative and a continued lack of respect in our society for the serious and skilled work of early education, it is critical that we continue to find creative ways to overcome these obstacles.

Exchange: What do you see as the one or two most promising opportunities for your organization?

Thornton: A key opportunity is the increasing national awareness of early childhood education, particularly from birth to age three when over 70% of all brain development occurs. We expect this growing awareness will result in increased support for our industry.

Research in the last decade shows the return on investment in early childhood, both for society and the children, is greater than the return at any other level of education.

This escalating awareness also provides opportunities for us to elevate the professional profile of the entire early childhood education industry and the important contribution educators make in the development of young children. We have made a significant commitment to honoring and recognizing early childhood education teachers who are dedicated to excellence in education through the introduction of the Knowledge Universe Early Childhood Educator Awards. Beginning in 2008, five award winners will be selected to receive \$10,000 each from our company's 40,000+ teachers within its three U.S.-based ECE brands — KinderCare Learning Centers, Knowledge Beginnings, and CCLC. In addition, we also invest over a million hours in the development of our teachers and staff annually, through on-site training and two annual Professional Development Days.

We are passionate about creating a world of eager learners and feel we have a unique opportunity to serve the whole family along a continuum of children's lives. We are developing quality and stimulating programs to meet each child's individual learning needs from infancy to secondary education and beyond. We serve families through our nearly 1,900 community-based centers, 100 plus employer partnerships' on-site, near-site and back-up care options, more than 1,700 school partnerships including before- and after-school sites and academic tutoring programs, and online learning. Our proprietary enrichment programs in phonics, reading, math, Spanish, music, and Science Adventures™, offerings foster a lifetime love of learning and prepare children for future academic efforts.

Lissy: We are very excited about our continued ability to convince employers of the strong return that investing in quality early education has on their ability to attract, motivate, and retain an engaged workforce. We have over 60 new centers under development in our pipeline and continue to find smaller providers who are excited to join the Bright Horizons family through acquisition. Back-up child care continues to grow; and we are very pleased to be able to offer a very unique solution when working families experience breakdowns in child care and elder care across the U.S., U.K., Ireland, and Canada. Finally, we have invested heavily in our own capability to train and qualify teachers through Bright Horizons University, which among many other things, offers teachers the ability, at no cost, to earn their CDA and then to move on to further their early childhood credentials.

Davis: We've never seen the amount of focus our industry is getting — the Pre-K movement, the quality rating system movement, the presidential campaign with the attention the candidates are giving to early education and care, and, of

course, the current research that demonstrates the benefits to society when good early education and care is provided. We are seeing increasing activity monthly in all of those areas. So it is a huge opportunity for our industry to leverage that visibility. Learning Care Group is at the table in all 38 states where we have schools trying to take this visibility and turn it into real progress. We are actively communicating and assisting gubernatorial and presidential candidates with more knowledge about the industry so that they can shape appropriate programs. There is a great need to address some of the industry's core issues and with all of this visibility, it is the right time.

Exchange: *In looking at U.S. demographics, what projections do you have for the demand for child care services?*

Lissy: I believe the demand for high quality care and early education will continue to be strong over the next ten years. There continues to be a shortage of infant and toddler care, and for high quality child care for all ages designed to meet the unique needs of working families. In addition, for work-site care, we see an increased demand as employers continue to compete with each other for talented employees as baby boomers will continue to age out of the workforce and fewer numbers of qualified new entrants replace them.

Davis: We couldn't be more optimistic about the demand for high quality early education in the coming decade. We see the industry as a whole increasing, but within that we see a significantly higher demand for high quality programs. And that's all going to come about because of the visibility our industry is currently experiencing.

Thornton: We expect to see continued demand for high-quality, strong curriculum-based offerings for children from birth through school-age. Projections provided by the Bureau of Labor Statistics report that women are

expected to represent nearly 48% of the U.S. workforce by 2012; and that in the U.S., approximately 60% of mothers with children under the age of six are employed. We also see in U.S. Census Bureau statistics that population of children age five and under is expected to increase from 24 million today to 27 million by 2015.

This expected population increase, combined with increasingly stringent education standards, will drive the need for new education programs that enhance a child's education at an early age.

Exchange: *In the past five years the largest three for profit organizations in North America have grown primarily through acquisition. Do you expect this pattern to continue, or will your organization return to adding to the overall supply of child care?*

Davis: We believe you need to take a long-term approach to early education. Being associated with a strategic global player like ABC, with access to capital, has allowed us to do that. So we approach the growth in early education/child care as a three-pronged program:

First, there is the organic growth of our core business — the schools that we now have. To move toward full capacity in these schools we are investing heavily; doing major refurbishments and bringing them up to very high standards; and we have a big accreditation push with an expectation of getting over 90% of our schools accredited in four years.

Second, acquisition is a way that we will continue to grow. We believe there is a value added that we can give to schools, in training, technology, and marketing. We can improve the quality of the U.S. delivery system by adding more schools to our system.

Third, there is actual new development. We believe that the U.S. is made up of a hundred or more different markets that

have a need for new buildings. We are ramping up our development program to build new schools in areas of the country where population has grown.

Thornton: I see us growing both through new center development and new opportunities to partner with quality child care providers that share our approach to high-quality curriculum and investment in human capital.

An example of such a partnering opportunity we have made recently is with Fran and Ty Durekas' at CCLC (Creative Children's Learning Centers). Fran and Ty are two of the industry's leading child care operators and they have joined with us to lead our expanding employer-sponsored care division.

Known for their personal approach and high-touch client interaction for more than 15 years, they have provided thousands of children at several Fortune 500 companies with high-quality education and care. As we look to 2008, we continue to focus on acquisitions, seeking leading quality child care and education providers that aspire to make a difference as leaders in our organization and our industry.

Lissy: As for Bright Horizons, although we are very pleased to have joined forces with other quality providers over the years, we have never grown primarily by acquisition. We have historically, and continue to grow approximately 30% by acquisition, but the vast majority of our growth is in the development of new child care centers. We create thousands of new child care spaces and thousands of new jobs for early educators every year.

Exchange: *In recent years, most new public funding for early childhood services has come through public schools systems. Has your organization been a major beneficiary of this funding so far? Do you expect to increasingly take advantage of this funding?*

Thornton: We are involved in state-funded early childhood programs in over 20 states, including New York, Florida, Geor-

gia, and Illinois. Through our school partnerships programs, we have relationships with hundreds of school districts nationally and, going forward, we think we can leverage these relationships into Pre-K collaborations, as well. Our industry and our company are already everyday partners with public schools in educating children; indeed, we think it's in the best interests of everyone involved — ECE providers, schools and, most importantly, children — that everyone is focused on what is best for preparing students academically. Private providers have the capacity, the history of serving younger children, the early childhood expertise; and we can play a significant role in the success of schools if we are afforded the opportunity to lay a foundation of learning with these children before they enter the public school system.

So, we do have a number of centers — and children in those centers — that benefit from publicly-funded early childhood programs. Turning things around, we think it's extremely important for Knowledge Learning to invest back in the communities where we operate. For two years running, we have been the sixth largest contributor and fundraiser for the March of Dimes. Through an annual drive that largely takes place at our centers, we raised \$2.6 million this year. We make a concerted effort to use the framework of this campaign to create a first lesson in community involvement for tens of thousands of children in our care.

Lissy: We have worked with the UPK systems in Florida, Georgia, and a few other states in a limited manner. Although it is not a significant source of funding for us, we will continue to participate in those programs when and where it supports the provision of quality care and education in a financially feasible manner. That said, we do not expect it to be a major source of funding for us within the next 18 months. Beyond that, I do expect that as more

states continue to explore UPK they will incorporate the existing successful private sector offerings in order to make their systems effective and efficient.

Davis: We have been very successful in this area. Currently we are participating in 18 state Pre-Kindergarten programs. Many of our schools have contracted directly with the states and some have worked through local public school systems. Because of the strong relationships we already have with our local school districts, these collaborations have not been difficult for us. We anticipate participating in new programs over the next 18 months as well as expanding the number of schools involved in other states.

We embrace partnering with the public schools systems. We believe our 0 to 5 delivery system is where the actual work should be done — you can't just start at age four to deliver a quality service. If we can partner with a local school system to align our programs with theirs, it makes a lot of sense and it's very efficient.

Exchange: *North American child care organizations have traditionally expanded within North America. Do you see your organization starting to get more actively involved in growing outside of North America?*

Lissy: Bright Horizons has actually been growing significantly beyond North America for several years. We started back in 2000 with nine centers in London; and today we have more than 100 centers outside the U.S., primarily in the U.K. and Ireland. We will continue to grow in those areas and other locations where our clients are looking for child care solutions and where we believe we have the resources and expertise to provide those solutions at the high quality levels that our parent and client partners expect of us.

Davis: We have schools in Australia, New Zealand, and the U.K. And, one of our brands, Tutor Time, has schools in Indonesia, the Philippines, and Portugal. We clearly embrace the global early

childhood profession. We believe that there is so much benefit in being involved in an organization that is global. We have access to best practices all around the world.

Our affiliation with ABC has given us great insights into how a high quality national early childhood system is run. They've had a mandate from the Australian government since 1991 to have credentialed teachers and accredited centers. You see the success of both of those programs in actual performance.

It is driving a lot of the priorities that we have in the United States. All of that is made possible by being part of a global group that understands the long term business.

Thornton: Globalization is occurring in almost every industry, and early childhood education and care is no exception. Many countries have realized that the investment in human capital starting at an early age will support the expansion of their global competitiveness and their economic growth. Knowledge Universe has recently made two acquisitions of high quality providers in Singapore and continues to explore other international opportunities.

A New Voice for Providers in DC



Private providers of early childhood services, both non profit and for profit, can now have their voice heard through a new organization, the Early Care and Education Consortium (ECEC). ECEC is a non profit alliance of America's leading national, regional, and independent providers of quality early learning and development programs for young children. ECEC member organizations operate more than 7,500 centers enrolling nearly 800,000 children in 49 states and the District of Columbia. ECEC works closely with major national early childhood organizations such as YMCA-USA, NAEYC, NACCRRA, NCCA, the National Women's Law Center, and the Center for Law and Social Policy.

ECEC works collaboratively at the state and national level to support the critical investments in early childhood necessary to America's future success. Key issues include assuring that state-funded prekindergarten programs include wide participation of community-based providers; supporting initiatives that raise the level of quality by tying funding to standards; and increasing access to child care assistance for working families. For more information, visit <http://ececonsortium.org>.

The Exchange Top 50 North America's Largest For Profit Child Care Organizations

| Organization | Headquarters | CEO | Centers | Capacity |
|--|-----------------------|--|---------|----------|
| KinderCare Learning Centers | Portland, OR | Elanna Yalow, COO and President | 1,770 | 250,000 |
| Learning Care Group, Inc. | Novi, MI | Bill Davis | 1,109 | 161,950 |
| Bright Horizons Family Solutions | Watertown, MA | David Lissy | 655 | 72,500 |
| Nobel Learning Communities, Inc. | West Chester, PA | George Bernstein | 150 | 25,000 |
| Childcare Network | Columbus, GA | J. Scott Cotter | 150 | 20,882 |
| The Sunshine House | Greenwood, SC | Dennis E. Drew | 147 | 19,837 |
| Mini-Skool Early Learning Centers, Inc. | Scottsdale, AZ | Douglas MacKay | 109 | 19,250 |
| New Horizon Academy | Plymouth, MN | Susan Dunkley | 85 | 12,852 |
| Minnieland Private Day School | Woodbridge, VA | Jackie Leopold | 100 | 11,904 |
| CCLC, Inc. | Sunnyvale, CA | Ty Durekas | 103 | 11,655 |
| Brightside Academy, Inc. | Pittsburgh, PA | Harold Lewis | 47 | 7,663 |
| Children's Friend, Inc. | Warner Robins, GA | F. Dewayne Foskey | 40 | 5,807 |
| Creme de la Creme | Greenwood Village, CO | Bruce Karpas and Pete Lungo | 19 | 5,700 |
| Sunrise Preschools | Tempe, AZ | Robert Orsi | 28 | 5,607 |
| Rainbow Child Development Center | Lathrup Village, MI | Patrick Fenton | 44 | 4,973 |
| Action Day Nurseries, Inc./Primary Plus, Inc. | San Jose, CA | Carole J. Freitas | 17 | 4,380 |
| Children's Choice Learning Centers, Inc. | Richardson, TX | Nate McClintock | 21 | 4,202 |
| Hildebrandt Learning Centers, LLC | Dallas, PA | William J. Grant | 36 | 3,900 |
| Youthland Academy | Cincinnati, OH | Mary Hanice Schmitt | 19 | 3,800 |
| Country Home Learning Center | San Antonio, TX | Sharon K. Ford | 9 | 3,638 |
| Creative World Schools | Tampa, FL | Billie McCabe | 19 | 3,471 |
| Children of America | Delray Beach, FL | Thad Prior | 16 | 3,300 |
| Stepping Stone School | Austin, TX | Rhonda Paver | 17 | 3,119 |
| Ascendere, Inc. | Lawrenceville, NJ | Harsh Chadha | 20 | 2,826 |
| Tot-Time Child Development Centers, Inc. | Plymouth Meeting, PA | Donna Fluehr | 21 | 2,735 |
| Rogy's Learning Place | East Peoria, IL | Wendy Pettett, Dawn Meyer, and Rick Rogy | 18 | 2,444 |
| Pinecrest Schools | Sherman Oaks, CA | Jeri Dye | 11 | 2,300 |
| The Children's Workshop | Lincoln, RI | Kevin Fusco | 17 | 2,082 |
| The Malvern School | Glenn Mills, PA | Joseph and Kristen Scandone | 15 | 2,043 |
| Creative Playrooms, Inc. | Soloni, OH | Joan P. Wenk | 7 | 2,031 |
| Rainbow Station, Inc. | Glen Allen, VA | Gail W. Johnson | 6 | 1,954 |
| Junior Academy Children's Centers | Colorado Springs, CO | Terri Carroll | 30 | 1,872 |
| Valley Child Care & Learning Centers/Cactus Preschools | Phoenix, AZ | James Emch and Mike Emch | 10 | 1,839 |
| Kid's Country | Snohomish, WA | Lynnda Langston | 11 | 1,800 |
| Next Generation Children's Centers | Westford, MA | Walter Kelleher | 8 | 1,761 |
| Sunny Daze, Inc. | Edmond, OK | Mike North | 10 | 1,735 |
| Bobbie Noonan's Child Care | Frankfort, IL | Judith Nevell | 13 | 1,700 |
| Kiddie Kare Schools, Inc. | Fresno, CA | James L. Fisher, Jr. | 11 | 1,640 |
| Creative Child Care, Inc. | Bedford, TX | Gene Little | 13 | 1,455 |
| Children's Discovery Center, Inc. | Maumee, Ohio | Lois Rosenberry | 8 | 1,377 |
| Group Kinderville | Montreal, Quebec | Manishi Sagar | 16 | 1,171 |
| Gretchen's House, Inc. | Ann Arbor, MI | Gretchen Preston | 9 | 960 |
| K.I.D.S. Day Care | Westmount, Quebec | Evelyn Wajcer | 10 | 900 |
| The Kids' Place | Wilbraham, MA | Scott L. Petersen | 8 | 872 |

National Child Care Franchising Organizations

| Organization | Headquarters | CEO | Centers | Capacity |
|--|---------------------|------------------------|---------|----------|
| Kids R Kids International | Duluth, GA | Patrick D. Vinson | 147 | 36,750 |
| Goddard Systems, Inc. (The Goddard School) | King of Prussia, PA | Philip A. Schumacher | 272 | 36,400 |
| Primrose Schools Franchising Company | Acworth, GA | Jo Kirchner | 180 | 31,000 |
| Kiddie Academy | Bel Air, MD | Michael J. Miller | 89 | 12,540 |
| Children's Lighthouse Franchise Company | Fort Worth, TX | George Michael Brown | 20 | 4,988 |
| Legacy Academy | Sugar Hill, GA | Melissa & Frank Turner | 21 | 4,200 |

Data on capacity in chart above and on page 36 is the total licensed capacity for all centers as of January 1, 2008. Data for "Franchising Organizations" include both franchised and company-owned centers. Based solely on information supplied by organizations listed.