



CASE STUDY

Closing the Skills Gap

Xi'an Eurasia University: Developing 21st Century Leaders

April 2018



IFC | International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities



Table of Contents

- 1** Introduction
- 2** Building a University
- 6** Taking a New Perspective
- 7** Implementing a New Strategy
- 11** Making Data-driven Decisions
- 12** Moving Forward



Xi'an Eurasia University

Country: China

Sector: Education

IFC Investment: \$35 million

A company's success depends on being able to find the right mix of skilled employees to meet the needs of the business. In China, the biggest cities can attract or train sufficient numbers of high-skilled workers to meet the needs of the companies located there. But for companies in more remote mid-size and small cities, the skills gap is a big challenge.¹ Companies need skilled workers and are unable to find qualified candidates.

This was a challenge faced in Shaanxi, a landlocked province in central China. Its capital, Xi'an, is one of China's oldest cities, the starting point of the Silk Road, and home to the Terracotta Army of Emperor Qin Shi Huang. But in modern times, Xi'an has not kept pace with the rapid development in China's biggest cities. For its economy to grow effectively and new industries to emerge, the supply of skilled graduates needed to increase.

But in the early 1990s, students in China had limited options to develop the skills that companies needed. The best of the best could attend public universities. But public universities had a limited number of places available, and the vast majority of good students had very limited options. As of 1995, only four percent of university-age youth in China were enrolled in higher education.² Similar to elsewhere in the country, Shaanxi's top tier universities simply could not accommodate the growing demand for higher education.

Xi'an Eurasia University (Eurasia) was founded in 1995 to address the gap in high-quality, employment-focused private education in Shaanxi. Led by its founder, Hu Jianbo, Eurasia aims to maximize the employment potential of its students through a combination of practical classroom-based learning and on-the-job training, an applied curriculum, and student-centered learning. Its faculty is selected for their hands-on industry experience and the university provides students with important international exposure.

Eurasia offers degrees in over 50 disciplines, including three-year associate degrees in vocational areas and four-year bachelor's degrees. In 2015, it ranked first among private tertiary institutions in Shaanxi and fourth in China, based on criteria including student performance, faculty capacity, program development, campus infrastructure, and overall reputation.³ As of 2017, 20,164 students were enrolled at Eurasia's 11 colleges; more than 50 percent of the student body is female. In 2016, 85 percent of students secured a job prior to graduation.⁴



BUILDING A UNIVERSITY

An Emerging Opportunity

In 1984, Hu Jianbo was a recent college graduate with a mechanical engineering degree. As was typical at the time in China, Hu received his professional assignment from the government—to teach at Xi'an University, which had been established by the municipal government in the capital of Shaanxi province. At that time, enrollment and tuition levels for both public and private universities were strictly capped by the Chinese government. For Xi'an University, enrollment was capped at 1,000 students.

As private higher education institutions in Shaanxi began to emerge (see Box 1), they began to offer short-term training and self-study programs in foreign languages, accounting, and tutoring services for students who failed the *Gao Kao* but who wanted a second chance at college. These institutions were opening the door to higher education to a wider group of students. Tuition rates were low and regulated by the government, which enabled access to students from small cities and rural areas.

Hu saw a market opportunity to address the gap in supply of private higher education. In 1992, he co-founded Xi'an International University, serving as president and vice chairman of the board and gaining valuable experience in running a private university. By 1997 he had transitioned to Xi'an English Training School where he became the school's Chairman and President. The school had focused initially on English language training, but expanded to offer tutoring services for self-study students who failed the *Gao Kao*. The school was re-branded as the Xi'an Eurasian Training Institute and, taking advantage of the removal of enrollment caps, its enrollment reached nearly 7,000 students after just two years.

Expansion and Change in Status

The Xi'an Eurasian Training Institute was among a select group of privately-run universities in 1999 that were granted the authority from the government to start offering degrees.⁶ This gave these universities a great

BOX 1. THE EMERGENCE OF PRIVATE UNIVERSITIES



Public universities in China admit only the very top performers on China's national placement exam—the *Gao Kao*.⁵ Wanting to address the limited supply of higher education, over time the government took steps to encourage private sector actors, including:

With the implementation of the "Reform and Opening Up" policy in 1978, the government began to allow private educational institutions to operate and grant diplomas, with rapid growth coming in the mid-1990s. Following the Asian financial crisis, new regulations were issued in the 2000s when the central government took action to stimulate economic development.

In 2003, government policy began to shift in favor of private education, including attracting private sector investment and allowing "reasonable returns"; liberalizing tuition fees in several provinces; and encouraging privately-run application-oriented universities.

By amending China's Private Education Promotion Law in 2017, the government allowed private universities and high schools to choose "for profit" status for the first time. This policy has spurred capital markets activities, such as initial public offerings and mergers and acquisitions, and is expected to lead to the emergence of large education groups.

competitive advantage in the market and in one year the institute expanded its enrollment to 11,000 students.

Eurasia soon became a full-fledged private university—Xi'an Eurasia University—granting both three-year associate degrees for vocational topics and four-year



Eurasia's Value Chain

An Overview of Challenges and Solutions



Value Chain



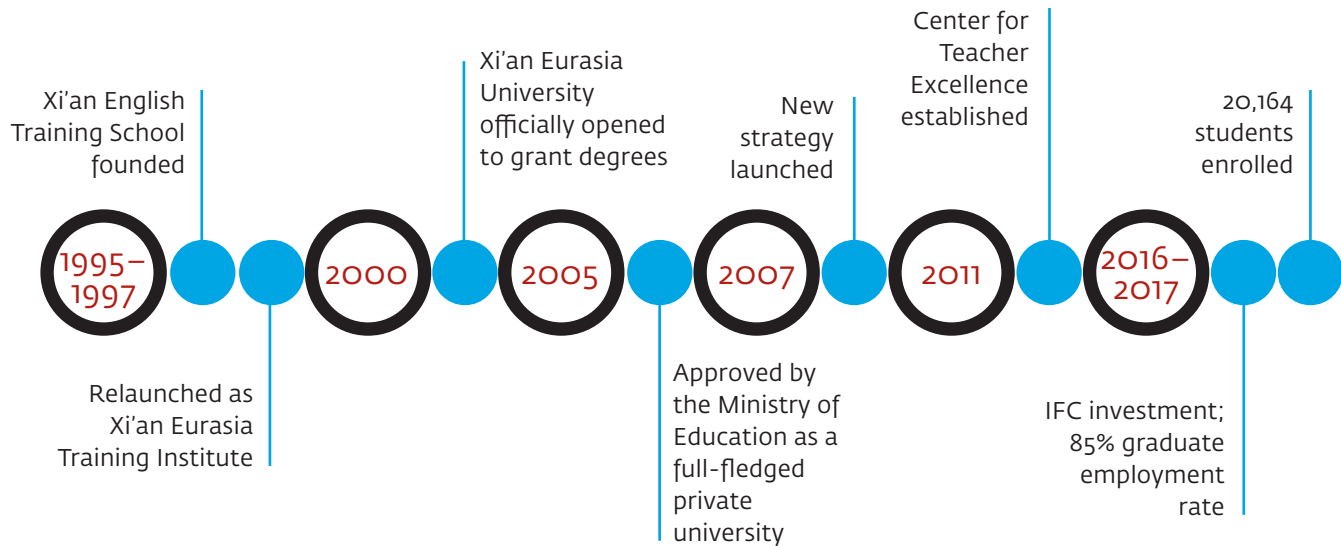
Challenges in providing employment- focused education



Eurasia's Solutions

| Procurement & Product Development | Distribution | Marketing & Sales | Customer Service |
|--|---|--|--|
| <ul style="list-style-type: none"> • Mainstream higher education does not prepare students for the changing job market and global work environment • Students lack critical job skills | <ul style="list-style-type: none"> • Gap in supply of high-quality higher education in China's interior provinces • Difficulty attracting teachers with private sector experience | <ul style="list-style-type: none"> • Negative perception of private education • Low-income youth cannot easily afford higher education | <ul style="list-style-type: none"> • Students do not know how to navigate the job market • Students have limited knowledge of career paths |
| <ul style="list-style-type: none"> • Develops applied curriculum based on market needs • Promotes student-centered learning • Equips students with English language, practical, and soft skills • Facilitates international exchanges • Ensures hands-on learning with the private sector | <ul style="list-style-type: none"> • Offers a model of high quality private education • Incentivizes teachers to gain practical experience • Imparts teaching best practices | <ul style="list-style-type: none"> • Meets international education standards and best practices • Offers a differentiated campus experience • Provides scholarships and loans | <ul style="list-style-type: none"> • Supports students throughout their journey to employment |

Figure 1: Key Milestones in Eurasia's History



bachelor degrees for business and liberal arts. Its enrollment had nearly doubled from five years earlier, exceeding 20,000 in 2005. It positioned itself to fill the gap for students who were left out of the public university system. For its four-year programs, it enrolled students in the 40th percentile in liberal arts and 55th percentile in science. For the three-year vocational programs, the cut-off was the 80th percentile both in liberal arts and science, providing average students from an academic standpoint an alternative: a quality educational experience leading to employment.

In its first ten years, Eurasia followed a similar development model to other privately-run universities—that is, focus on the construction of the campus and enroll a high number of students. While Hu was interested in other approaches, the high level of governmental regulation reduced the incentive to differentiate Eurasia's strategy.

Eurasia focused predominantly on lower-middle income students, with 60 to 70 percent of its students coming

from households with per capita annual income of less than \$4,347⁷ and about four percent coming from extremely poor households with per capita annual income of less than \$482.⁸ Over 60 percent of Eurasia's students were from Shaanxi, where average incomes are 20 percent below the national average.⁹

An Affordable Education

Running a financially sustainable and high quality private education institution that serves lower-middle income students called for careful balancing of tuition rates and costs. In 2015, the Shaanxi government began to relax regulation on tuition rates for private universities, allowing Eurasia to set its own rates for the first time. As of 2016, the average tuition across its programs was \$3000 per year, putting it on par with other universities.

In addition to competitive tuition rates, Eurasia maintains a nearly \$6 million scholarship fund for merit and need-based scholarships. To do this, Eurasia contributes seven percent of its operating revenue to the fund and combines this with



nearly \$3 million in grants from the government. In 2017, the fund awarded 459 merit-based scholarships totaling \$383,000 and 6,075 need-based scholarships totaling over \$2 million.

Eurasia also facilitates access to government loans that cover tuition and accommodation expenses for financially disadvantaged students. A Student Financial Assistance Advisory Group supports students with the application process. In 2017, nearly 3,000 students received over \$3 million in loans, with an average loan size of approximately \$1,200 per year.

To make its tuition rate work and allow for financial support, Eurasia maintains a low-cost structure, including its costs for staffing, facilities, and external service providers.



STAFFING: The cost of central administrative and operational staff amounts to only seven percent of Eurasia's operating revenues, significantly lower than the international

standard. This extremely low-cost base is a strong competitive advantage for Eurasia. In addition, Eurasia has streamlined marketing, shifting from in-person marketing in 30 locations across China to a model that leverages telemarketing.



FACILITIES: Eurasia installed energy-efficient lights and a water saving system to cut utility costs. As a result, while campus infrastructure continues to expand, the overall cost of water and electricity stays low.



EXTERNAL SERVICES: Eurasia engages an external firm for services such as accounting, construction, landscaping, and catering. Eurasia sees this as an efficient way to outsource non-core academic activities to a third-party, that can provide specific services in a more cost-effective way than an in-house operation.

Figure 3: Eurasia's Programs



FOUR-YEAR BACHELOR DEGREES

Focus: Business and Management, Arts, Engineering

Majors: 33

Percent of degree students:
Approximately 60%



THREE-YEAR ASSOCIATE DEGREES

Focus: Vocational (including Construction, Real Estate, Tourism, Financial Management, etc.)

Majors: 21

Percent of degree students:
Approximately 40%



CONTINUING EDUCATION

For **part-time** students and working **professionals**

TAKING A NEW PERSPECTIVE

As Eurasia grew, Hu grappled with how to ensure that Eurasia would continue to meet the needs of students and how to differentiate it from other private universities. His goal was to build the largest private university in China and so began to engage with venture capitalists and thought about acquiring other private higher-education institutions and franchising. In 2005, Hu began a Master of Business Administration (MBA) program at the China Europe International Business School. He came to understand that simply expanding the campus and student enrollment would not work without a parallel improvement in the business model, personnel, and supporting infrastructure. As he began to think about the future for Eurasia, there were three principles that he knew he wanted to integrate across the institution:

- **QUALITY:** Hu had originally been driven by the market opportunity to close the access gap in tertiary education and aimed for scale. But reflecting on his courses and recognizing that the cohort of upcoming university-age youth was shrinking in China, he realized that only focusing on scale would not be sustainable. Hu wanted to fine-tune the university's values and focus on providing a high quality education.

- **DATA-DRIVEN DECISION-MAKING:** As part of his MBA, Hu had been introduced to the market data that were available for China's higher education sector and had created a model to project and analyze the future market. The notion of using data to guide decision-making was a fresh idea for him. He would go on to implement a data collection platform that would touch every aspect of Eurasia's business.
- **INTERNATIONAL BEST PRACTICE:** Learning about other education models made Hu reflect more deeply on what a good education is in the global context. He recognized a need for education that emphasized 21st century skills, like communication, leadership, and critical thinking. Drawing on his teaching background, Hu wanted to help chart a new path for vocational education.

Following Hu's MBA, Eurasia developed a new strategy for the 2009 to 2018 period that would incorporate these principles throughout.

IMPLEMENTING A NEW STRATEGY

Eurasia's new *Four-Four-Two* strategy—its title a reference to the three phases of its implementation over ten years—had three focus areas: 1) Implementing an applied curriculum that focused on employability; 2) Applying a student-centered pedagogy; 3) Providing students with international exposure.

Focusing on Employability

Eurasia wanted to better prepare its students for employment and become the most respected private university in China. It wanted to differentiate itself from public and private tertiary education providers by tailoring its courses to the needs of Shaanxi's local economy and labor market.

To achieve these goals, the company took a deliberate approach to develop an applied curriculum, facilitate concrete opportunities for students to work with the private sector, and support them in finding jobs.



1. APPLIED CURRICULUM: The curriculum development process revolves around three driving factors: first, the background of students, their learning capabilities, and preference for liberal arts or science; second, industry development trends and the demand for labor within Shaanxi; and third, the capabilities of Eurasia's teaching staff. Eurasia leverages data to dynamically adjust its curriculum and develop new academic programs.



2. PRIVATE SECTOR LINKAGES: Eurasia helps students develop and hone their skills according to what is needed in specific industries. It brings in leading industry experts and faculty from other universities to help reinforce the applied focus of its curriculum. In addition, all students are required to participate in industry-linked internships or initiatives to gain hands-on experience. These include: *Order Class*: The curriculum is tailored specifically for an employer that will hire a cohort of students after graduation.

High Employability

6,258

Number of students that graduated from Eurasia in 2016

85%

Percent of students that secured a job prior to graduation

\$544

Graduates' average monthly income

- *Bespoke Class*: In the final year of their program, students are placed into faculty-supervised one-year internships that align with their studies. Bespoke classes have 100 percent employment rates.
- *On Campus Incubator*: A startup incubator helps student entrepreneurs test new business ideas that build on their academic experience.
- *Enterprise Service*: Teachers and students work on live projects assigned by companies to gain hands-on experience. In this consulting-oriented model, the student works almost like an employee of the company but under the oversight of a faculty member.

Each of Eurasia's 11 colleges are responsible for building partnerships with the private sector. This ensures that partnerships are built upon an in-depth understanding of specific industry trends and market demand. It also allows each college to mobilize resources more efficiently. Eurasia has succeeded in working with leading companies such as the Shell Group, Oracle Corporation, Tencent, Pizza Hut, Shangri-La Group, and Alibaba.com.



3. JOB PLACEMENT: Eurasia prioritizes career services through a combination of hands-on and back-end support. Four staff



from the central management team along with 10 staff at each college focus exclusively on this area. They not only design strategies and manage the operations of Eurasia's career services, but also provide services such as organizing events and seminars on career development and bringing in private sector professionals to discuss career paths.

To support its focus on employability, Eurasia made it a priority to hire faculty from the private sector. Eurasia considered this important so that faculty could provide practical advice to students on career paths in the private sector.

But attracting faculty that had private sector experience, as well as the requisite English language skills that were imperative for the school's internationalization, was difficult. Moreover, while the university's expenditures on faculty aligns to international benchmarks, its low-cost

operational structure does not allow it to pay the high salaries that many teachers with private sector experience expect.

To address this gap, Eurasia created incentives—an evaluation framework and financial rewards—as well as formal opportunities for faculty to gain practical experience. In contrast with the traditional culture of many Chinese universities, Eurasia encourages its faculty to make individual choices leading to specialization and gives them the option to undertake service/consulting-oriented or applied research projects. Eurasia assesses faculty on three dimensions—teaching, applied research, and service/consulting—and continues to work on onboarding faculty with the right mix of experience and language skills. As of 2018, about a quarter of Eurasia's more than 1,000 faculty would come from the private sector.

Pursuing an Alternative Teaching Model

The second focus of Eurasia's new strategy was to institute a student-centered pedagogy and create a new student experience. It wanted to strengthen learning outcomes while providing opportunities for individualization and personalization.

In 2011, Eurasia established a Center for Teacher Excellence to improve teaching practices as well as to spread its student-centric learning and teaching methodologies to other universities in Shaanxi. The Center established a partnership with Duquesne University in the United States whereby Duquesne professors hold training sessions at the Center on topics including the concept of moving from teacher-oriented to student-centric teaching; creating a student-centered syllabus; and using technology to improve course management efficiency and enhance students' learning experience.¹⁰ To date, the Center has trained hundreds of teachers and professors in Shaanxi to deliver a more efficient, student-centered learning experience.

Another facet of Eurasia's new student-centered pedagogy was to help students develop cross-cutting skills such as critical thinking, communication, and leadership for the demanding labor market and knowledge economy—a departure from the prevailing model of memorization in China. Eurasia supports the use of technology in learning as a tool for individualization and personalization. It has also designed its campus to support the new student experience. Traditionally, universities in China have high walls around the campus to protect students from the complexities and inclemency of society. Eurasia promotes the notion of 'live and study' and has redesigned its campus following contemporary concepts with dedicated spaces for teamwork and collaboration.

International Exposure

Helping graduates to be competitive in an international working environment was the third component of Eurasia's new mission. While Eurasia had already been offering international exchange programs, like many other institutions, it wanted to move away from an opportunistic

BOX 3: BRINGING ON IFC



As Eurasia pursued its new strategy, it looked for investors that would support its new focus on employability and internationalization, as well as the second phase of its "green" campus expansion.

In 2016, IFC came on board with a \$35 million loan. Beyond financing, IFC shared international best practices from other universities and facilitated connections to other private education institutions. Eurasia's commitment to employment-focused education, high-value addition and inclusive education impressed IFC.

IFC also valued Eurasia's Green Campus Initiative—Eurasia was one of the first private universities in China to have a program designed to lower carbon emissions. Eurasia knew that beyond the positive environmental impacts, the program would also lead to a better educational experience for students, attract faculty, and expand linkages with the local business community.

Eurasia was the first educational institution in China to meet IFC's Green Buildings standard and is in the process of obtaining Leadership in Energy and Environmental Design (LEED) certification for one of its buildings. Green space covers approximately 60 percent of Eurasia's campus.





approach to something that would be more systematic and comprehensive. In addition to its study abroad programs, Eurasia developed a new approach that includes three modules: perspectives, benchmarking, and standards.

- **INTERNATIONAL PERSPECTIVE:** Eurasia aims to equip graduates with an international perspective and skills—through courses and an alternative academic experience—that enable them to perform in an increasingly globalized context. The company's management team is also guided by international best practices.
- **INTERNATIONAL STANDARDS:** Eurasia adopts international standards for university operations. For example, Eurasia follows the U.S. Baldrige Performance Excellence Program¹¹ for organizational assessment and

evaluation. Eurasia also uses the BlackBoard¹² learning management system to improve students' learning experiences.

- **INTERNATIONAL BENCHMARKING:** Eurasia conducted in-depth case studies on Stanford University in the United States, Nanyang Polytechnic (NYP) in Singapore, and Shantou University in China, and is in the process of adopting some of their best practices. Since 2015, Eurasia staff have visited NYP several times to exchange ideas on topics such as the school's philosophy of applied learning and working with the private sector, innovation activities, and campus design.

Table 1: Select Data Analytics at Eurasia

| Department | Type of Data Collected (Select Indicators) |
|-------------------------------------|--|
| Admissions | <ul style="list-style-type: none">• Major application rate• Major registration rate• Major admission rate compared to other similar institutions• Major transfer rate |
| Teaching | <ul style="list-style-type: none">• Average class attendance rate• Internship rate• Number of thesis topics stemming from a partner request (i.e. companies, government)• Use rate of labs, classrooms and other facilities |
| Learning Performance and Employment | <ul style="list-style-type: none">• Test scores• Pass rate of the College English Test• One-time employment rate• Number of students that study abroad• Dropout rate |
| Online Learning | <ul style="list-style-type: none">• Number of page visits of the online courses• Submission rate of online assignments |

MAKING DATA-DRIVEN DECISIONS

Eurasia tracked the number and type of career events hosted—job fairs, career education seminars, and individual counseling sessions—as well as the success of the career services team in job placement.

Eurasia implements the idea of data-driven decision making through a digital data collection platform. At first, data collection was limited to select functional departments, like admissions and career services. For example in 2015, Eurasia’s Career Services Office conducted 2,024 student career assessments and 1,228 career education sessions. Eurasia also tracks the types of jobs students pursue, how long it takes to find employment, salary levels, and the overall employment rate.

By 2017, Eurasia had expanded its data collection efforts across all of its colleges and functional departments. Information is now collected on more than 60 areas—

including student enrollment, teaching performance, faculty recruitment, and career services—either through reporting from each college, market research, or online research.

Eurasia uses data to diagnose and evaluate performance throughout its value chain and to achieve operational efficiency. For example, it has improved the allocation of resources for its admissions process based on metrics such as the application rate for each major, the student registration rate, and its admissions rate compared to other tertiary education providers.

Few students chose to pursue media-related majors, instead opting for other areas such as accounting. Students believed that there was little demand for media majors in the private sector and low employment opportunities.

But Eurasia’s data platform began to show that students from the New Media and Internet program were in high

demand in the private sector. Eurasia adjusted its curriculum and moved more resources towards developing its program further. It also established a partnership with Missouri Media College in the United States and set up an exchange program for students.

Other in-demand disciplines identified through the data platform include: Engineering and Costing, Real Estate Development, Cultural Industry Asset Management and International Business and Communication.

MOVING FORWARD

With its sights set on becoming the leading private university in Shaanxi and with the timeframe for Eurasia's *Four-Four-Two* strategy (2009 to 2018) coming to a close, Eurasia is currently launching its 'Internationalization 2.0' strategy.

The 2.0 strategy will fully integrate the concept of internationalization, including in-program set up, curriculum design, faculty development, student employment and a campus culture. It will deepen its collaboration with industry and integrate with the local

economy. And it will strengthen its investment in faculty development and continue its digitalization agenda so that students can study anywhere at any time.



ENDNOTES

- 1 McKinsey&Company. 2013. *The \$250 billion question: Can China close the skills gap?*
- 2 United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics. <https://data.worldbank.org/indicator/SE.TER.ENRR?locations=CN>
- 3 Evaluation criteria for ranking private tertiary institutions. <http://edu.qq.com/zt2012/2013dxph/>
- 4 Company data
- 5 Gao Kao is an abbreviation of the National Higher Education Entrance Examination. It is taken by students during their last year of high school. Students who achieve high scores in the exam may apply to degree programs at public universities. Those scoring above a lower cut off may pursue diplomas at a vocational college or private universities.
- 6 Although the government has permitted the continuing expansion of private institutions as a way to diversify higher education supply, there were strict enrollment quotas. Institutions that are not included under the national unified enrollment plan cannot grant degrees.
- 7 Exchange rate applied as of February 23, 2018: 1 RMB = 0.16 USD.
- 8 CNWest News. 2017. http://news.cnwest.com/content/2017-04/30/content_14803034.htm
- 9 National Bureau of Statistics of China. 2016. <http://data.stats.gov.cn>
- 10 Media News: Eurasia and Duquesne University co-establish Center for Teacher Excellence in Xi'an. <http://www.huaue.com/mxdt/2011129143344.htm>.
- 11 The Baldrige Performance Excellence Program provides a framework with seven categories that organizations can use to improve the overall competitiveness and performance through organizational assessment and development.
- 12 Blackboard is a virtual learning environment and course management system developed by Blackboard Inc.





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