CASE STUDY

Closing the Skills Gap for Global Tourism Jobs

CCA and ASHA: Empowering Culinary and Hospitality Leaders in the Philippines

February 2016
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International Finance Corporation, a member of the World Bank Group, is the largest global development institution focused exclusively on leveraging the power of the private sector to tackle the world’s most pressing development challenges. Working with private enterprises in more than 100 countries, IFC uses its capital, expertise, and influence to help eliminate extreme poverty and promote shared prosperity.

ABOUT THE CASE STUDY
Expanding access to quality and affordable education is a central element to eliminating extreme poverty and promoting shared prosperity. In developing countries, private education providers play a critical role in the delivery of education, skills, and training that is affordable and relevant to the needs of the labor markets. The IFC education practice is developing several case studies that showcase success stories in the IFC education portfolio around scale, skills, affordability, and innovation. The case studies highlight how IFC clients have contributed to meeting IFC’s strategic goals in education of (1) developing skills and enhancing employability of graduates and trainees, and (2) increasing reach and impact at all levels of education.

WRITTEN BY
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TECHNICAL TRAINING LEADS TO HIGHER PAYING JOBS

Roy de Quiroz was from a large family of twelve children. His parents struggled to afford basic necessities of food and education on his father’s modest farming income. The family situation became even more precarious following the untimely death of his father. Unable to finish his schooling and hoping to escape poverty, Roy left his rural village of Cataduanes at the age of 10 in the hope of a better future.

He found solace at a seminary where he lived and worked for several years and went on to complete high school. He later joined his brothers in Manila, working odd jobs as a corn vendor, and as a carpenter in the construction industry. His income was volatile since he was paid on a project basis. Roy said, “the only way out of poverty for me and my family was to have a college education.” His brother, a driver for Cravings, suggested that he consider the Asian School for Hospitality Arts (ASHA). It was an idea that changed his life.

Roy chose ASHA because of its “Earn as You Learn” tuition financing program. ASHA’s flexible approach provided an opportunity for Roy to balance course work and complete 800 hours of paid on-the-job training. Four years later, he graduated with a Bachelor of Science in Hotel and Restaurant Management. He is now a line cook at the Seven Suites Hotel, a venture owned by the Cravings Group. His new job increased his income 100 times and provided several stable economic and social benefits. Roy aspires to become an Executive Chef and will have many opportunities with Cravings since it is quickly expanding. The prospects for his family to break the cycle of poverty were transformed through his education and he now provides for his wife and son, as well as his mother and siblings.

How did ASHA help Roy and thousands of others like him to break the cycle of poverty? ASHA’s Dean Angie Blanco explains: “Graduates of our courses are in demand in the hotel and restaurant industry because an ASHA graduate is prepared for the actual rigors of work at an early stage.”

ASHA is part of The Cravings Group (“TCG”), a privately held, for-profit, hospitality company in the Philippines that is the creation of an entrepreneurial mother and daughter duo: Susana “Annie” Guerrero and Marinela “Badjie” Trinidad. Since Annie founded the Cravings bakeshop in 1988, she has had her finger on the pulse of opportunities in the budding tourism and hospitality market.
Twenty six years later, TCG is an emerging, diversified food conglomerate with revenues of US$35 million and three interconnected business lines: (i) restaurant and food service preparation, (ii) hotels and event venues, and (iii) tertiary education. Corporate social responsibility activities are channeled through the Culinary Education Foundation (CEF). At year-end 2014, TCG, the holding company, had a total of 21 brands, 38 restaurants, three hotels, two event venues and two well respected multi-campus schools: the Center for Culinary Arts, Manila (CCA) and the Asian School of Hospitality Arts (ASHA).

Opening its doors in 1996, CCA was the first formal culinary arts school in the Philippines offering a two-year diploma program. Annie developed the curriculum from scratch, and helped the Technical Education Skills Development Authority (TESDA)\(^1\) to develop accreditation standards in culinary arts; CCA became the first academic institution in the country with the accreditation. CCA was the first school in Asia to obtain accreditation from the American Culinary Federation Education Foundation (ACFEF), which operates a comprehensive certification program for chefs in the United States. Today, CCA offers 5 academic programs and 10 short courses on three campuses.\(^2\) Between 1997 and 2014, a total of more than 4,000 students graduated from CCA with a degree or a diploma, while more than 24,000 participated in short courses.

Following on the success of CCA, ASHA started operations in 2006 as a hospitality arts management school to address the skills gap between worker skills and industry demand. ASHA is a multi-campus chain of schools

\(^{1}\) TESDA is the regulatory agency promoting and overseeing technical and vocational education institutions.

\(^{2}\) The academic credit programs are Bachelor of Science in Culinary Management (4 years), Diploma in Culinary Arts & Technology Management (2 years), Professional Baking and Pastry Arts Management (9 months), Professional Chef-Accelerated Program (6 months), Professional Chef – Fast Track (6 months).

http://cca-manila.edu.ph/
for “front of the house” staff for hotels, restaurants and other tourism industry service providers. ASHA offers seven academic programs (three are Bachelors degrees) on five campuses that are certified by and accredited by the Commission on Higher Education (CHED) and by TESDA. Between 2006 and 2014, a cumulative total of nearly 10,000 students obtained a degree or certification from ASHA.

IFC’s 2010 investment in ASHA played a catalytic role in increasing access to quality education that enhances skills and employability by facilitating the expansion of four new campuses, three of which were in frontier regions. Prior to the investment, ASHA had to turn away more than 1,000 student applications per year, but this investment would increase capacity by 5,000 new seats. ASHA is the fastest-growing segment in TCG and between 2010 and 2013, student enrollment in ASHA grew at a compounded annual growth rate of 55 percent.

Through a second US$16 million equity investment, IFC is supporting TCG in its expansion plan 2014-2016 that would add two new hotel schools for ASHA and four new culinary schools for CCA at satellite locations in key cities and would increase capacity significantly.

TCG’s experience and key success factors can be adapted in other markets. A few essential replicability tips are:

1. Make the educational offer relevant to the needs of employers;

2. Provide students with intensive career guidance from the admissions stage to ensure the right fit between talents, aspirations and the realities of the marketplace; and

3. Provide students with theoretical training that is backed by intensive opportunities to get real world experience through structured apprenticeship programs that provide continual feedback. This combination makes students rapidly employable and helps employers make the right “skills-job” match at hiring time. It also allows the student to make a rapid return on their investment.

The combination of all these critical success factors reflects TCG’s overall value proposition, which is the cultivation of the next generation of emerging leaders who are armed with skills that have been mastered before entering the workforce and who have been ingrained with ethical and green values.

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3 Bachelor of Science in Hotel and Restaurant Management (4 Years), Bachelor of Science in Tourism (4 Years), Bachelor of Science in Entrepreneurship (4 Years), Diploma in Hospitality Management (2 Years), Professional Cooking with Certificate in Hotel and Restaurant Operations (1 Year), Barista with Certificate in Hotel and Restaurant Operations (1 Year), Certificate in Professional Cooking Series (6 Months). http://www.asha.edu.ph/

4 CHED is the regulatory agency overseeing Higher Education Institutions (HEIs).

5 Pampanga, Laguna, Cebu and Makati.
THE EDUCATIONAL MODEL

The success of the schools is attributed to an educational model that emphasizes high quality in all its endeavors, while integrating industry specific, on-the-job training that results in a 95 percent employment rate within 60 days of graduation. The key ingredients that contribute to their success are described below.

INDUSTRY-CENTRIC HARD AND SOFT SKILLS:
CCA and ASHA provide a holistic, industry-centric educational experience, specifically tailored to fit the industry’s requirements. TCG offers a high-quality curriculum that is backed by one of the most respected international industry certifications. The curriculum is constantly adapting to the rapidly evolving needs of the marketplace. TCG students are screened at the recruitment stage to ensure that they have the right basic abilities, attitude and personality to succeed with the hard and soft skills that TCG’s values-driven curriculum imparts. TCG recruits high-caliber faculty who have a minimum of 10 years of experience in their respective fields and who can bring real world experience to the classroom. These factors helped the schools build their brand reputations on excellence.

ACCESSIBILITY:
TCG helps students who cannot make a long-term commitment progress up the academic ladder through a modular approach based on a mastery of competencies. The “ladderized” approach allows students to work through various education levels and exit with certifications at different points while preserving the ability to re-enter and continue working towards higher level professional degrees. For instance, the certifications obtained through short courses for cooks in the Professional Cooking Certificate Program can be applied towards a Bachelor of Science in Hotel and Restaurant Management.

APPRENTICESHIPS THAT LEAD TO JOBS:
One of TCG’s key value propositions is the commitment from “Enrollment to Employment.” To complement the theoretical requirements, all students are required to undertake “experiential learning,” which consists of 300 to 2,000 hours of an apprenticeship that provides intensive, hands-on training in fully operational hotel and restaurants that are owned by TCG and TCG’s partners. The apprenticeships afford students the opportunity to refine and master skills developed in the classroom while interacting with real customers and getting paid for the experience. Through the experience, supervisors and professors become mentors and help students find jobs in their chosen career pursuits in TCG companies or through strategic alliances with industry partners.

PARTNERSHIPS:
TCG has leveraged a variety of partnerships that enabled it to develop an industry-centric curriculum and to place students in apprenticeships in five-star hotels, fine dining establishments and cruise ships. CCA students can also gain international exposure through study abroad opportunities with other partnering academic institutions in countries such as New Zealand, Australia and the United States.

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6 Due to uncertainties in the desired career path, limited ability to pay or family circumstances.
7 Courses that are longer than six months are eligible for academic credit through the ladderization program.
TCG’s success is attributed to an educational model that emphasizes high quality in all its endeavors, while integrating industry specific, on-the-job training that results in a 95 percent employment rate within 60 days of graduation.
COUNTRY CONTEXT

The Philippines is a lower, middle-income country situated in Southeast Asia in the Western Pacific Ocean. With a rapidly growing population of 101 million (2015) spread across seven thousand islands, it is the 12th most populated country in the world. Considered a “Tiger Cub,” with the fastest growth in the region after China and Vietnam, in 2014 it had a GDP that grew by 6.1 percent to a total of US$290 billion as it continued to transition from an agrarian to a services economy. Remittances from overseas Filipino workers continued to be an important driver of the economy, representing nearly 10 percent of GDP in 2014.

Notwithstanding reforms that have bolstered economic fundamentals, the National Development Plan 2011-2016 reports that economic growth “has largely bypassed the poor.” The Millennium Development Goals (MDGs) aim to halve extreme poverty to 17 percent by 2016. Still as of 2013 the incidence of poverty was at 25 percent and the Gini Coefficient was at 0.448. The Development Plan cites weak employment generation as one reason for persistently high inequality.

In 2014, the labor force for workers ages 15 years and over reached 41.3 million. The national unemployment rate recorded a low of 6 percent but the underemployment rate was 18.7 percent. Unemployment has hit youth particularly hard, with 80 percent of unemployed persons between the ages of 15 to 34 years of age. Furthermore, 45 percent of unemployed workers had completed post-secondary or college education, while 33 percent had graduated from high school. The lack of opportunities in the domestic market have led 10.5 million (2012) Filipino workers to find opportunities overseas. The business community surveyed by the World Economic Forum ranks an inadequately educated workforce and poor work ethic in the workforce among the most problematic factors for doing business.

Two big development challenges for the Philippines are (1) adequately preparing students for the workforce with skills, knowledge and abilities that improve employability, and (2) establishing conditions to stimulate job creation. The number of years of compulsory basic education had been one of the shortest in the world until 2011. To improve student readiness for higher education and for the workforce, the government is implementing a K-12 educational system that makes kindergarten compulsory and adds two years of high school. The reform agenda is backed by new funding, increasing basic education expenditure to 2.97 percent of GDP for 2015—rising to a level not seen since 2003.
The government expenditure in tertiary education was more limited at 0.4 percent of GDP, reflecting a smaller segment of the population that pursues tertiary education.\textsuperscript{19} For the academic year 2011-2012, 6.6 million students were enrolled in tertiary education institutions.\textsuperscript{20} Students tended to choose fields of study that would improve their chances of getting jobs abroad, such as hotel and restaurant management.

To spur job creation, the government has directed investments to target sectors that “are job generating, where the country enjoys comparative advantage and has a high-growth potential.”\textsuperscript{21} The government has identified tourism as a priority sector for investment and sees increased demand for 2.5 million workers in tourism by 2016.\textsuperscript{22} In 2014, 54 percent of employed persons were in the services sector,\textsuperscript{23} of which accommodation and food service activities accounted for 1.8 million jobs. At the global level, in 2013, 266 million jobs were supported by the travel and tourism industry with predicted growth over 4 percent annually over the next 10 years.\textsuperscript{24}

\textsuperscript{19} Id.
\textsuperscript{21} The Philippine Development Plan 2011-2016.
\textsuperscript{23} PSA. Current Labor Statistics at Data Highlights.
\textsuperscript{24} PSA. Current Labor Statistics at Table 5
Two major development challenges for the Philippines are adequately preparing students for the workforce with skills, knowledge and abilities that lead to employment and establishing conditions to stimulate job creation.
BUSINESS TRAJECTORY, ORIGINS, MOTIVES AND VISION: ORGANIC GROWTH WITH A DASH OF SERENDIPITY

When Annie Guerrero was a young girl, she watched her mother go off to teach home economics courses to students at three universities and on the weekends, her mother taught cooking lessons at home. As an adult, the love of cooking Annie inherited from her mother led her to receive food order requests from neighborhood friends and family who would bring empty serving dishes for Annie to fill with her home-cooked recipes. Badjie also inherited the family love of cooking and her entrepreneurial drive became evident at an early age, as she sold her lemon squares at her high school. Unfortunately, the trendsetter had to cease her early commercial activities because the school principal said she and her other classmates who followed suit had to stop competing with the cafeteria!

The demand for Annie’s cooking continued to grow beyond the usual circle of neighborhood friends. When Badjie graduated from university, she was encouraged to join forces with Annie to launch their venture. The successful delivery of a bulk order of 6,000 meals over four days before the Philippine elections in 1987, without the convenience of professional ovens, gave them the confidence to take the plunge. They opened a small bakery and gourmet food take-out counter called “Cravings” in 1988. Without a business plan and with around US$14,000 of capital, their first major investment was a Eurofour oven which cost almost US$12,000. The concept proved popular and they quickly became a sit down café.

By 1990, the chain was launched with the opening of a second Cravings restaurant. They wanted to continue to expand the business but they were encountering challenges hiring skilled labor. Despite hiring graduates from the top universities, Badjie explains the skills gap she faced: “it was easy to hire cooks but it was more difficult to hire supervisory or managerial people who would have the technical background to lead the kitchen. New hires in management areas were really lacking in practical skills.”

Annie had been considering opening a culinary school for quite some time. She saw the potential in the resourcefulness and creativity of many Filipino chefs and bakers. She believed that given a curriculum that provided the basic foundation of knowledge, skills and attitude, supported by a talented pool of faculty and modern facilities, the hopeful chefs and bakers would be able to breakthrough into the global culinary arts scene.” Annie began consulting the University of the Philippines to begin to lay the groundwork for a culinary school when a dash of serendipity was sprinkled in.

As luck would have it, in the early days of opening the Orange Place hotel, another TCG venture, Badjie had the opportunity to chat with a group of guests who were faculty from the Northern Alberta Institute of Technology (NAIT) in Canada. Mr. Ken Ohashi asked Badjie: “where do Filipinos go when they want to be a chef?” She

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25 The foreign exchange rate on December 31, 1988 was 21.34.
26 http://cca-manila.edu.ph
responded, “We don’t go to formal school, we learn from our mothers.” Badjie mentioned that her mother was laying the ground work to open a culinary school in the Philippines and Mr. Ohashi invited them to visit their school. The partnership was born.

TCG was impressed with the competency based curriculum and NAIT explained how it was developed. Badjie reflected: “our eyes were opened to see that we needed the perspective of the academics and also of the industry.” NAIT told them that to develop a curriculum they needed to start with what the industry requires. They set out to determine what were the competencies required of an entry level culinarian. The list of competencies that NAIT used served as a reference point.

With the help of a consultant Mr. John Knapp, they organized workshops to develop the curriculum and invited participants from different vantage points in the industry, ranging from executive chefs to the general manager of a hotel. With inputs from these focus groups and consultations, they developed a list of competencies and skills, which they matched to the program TCG was trying to develop.

To their surprise, some of the courses they were intending to offer did not address any of the criteria, and so they eliminated those. They did, however, add new competencies such as the value of citizenship, nationalism and social responsibility, business communication, techniques in Asian and Philippine Cuisine, French language, management, legal requirements, cost control and marketing. It took three years to assess and address the needs of the industry, develop an effective curriculum, gather a powerful team of chef instructors and faculty members, and to construct the building that would eventually become the home to future culinary professionals.

In August 1996, Annie and Badjie incorporated the “Center for Culinary Arts, Manila” (CCA); it was the first culinary school offering academic diplomas in the Philippines and the first school—of any kind—in the country to offer an industry competency based curriculum. TCG was a key partner to TESDA, contributing to the establishment of the competency standards for the industry. The initial “batch” of 55 students began attending classes under the programs: “Diploma in Culinary Arts and Technology Management” and “Diploma in Pastry Arts and Technology Management” in June 1997.

27 http://cca-manila.edu.ph
Annie’s continual drive for excellence in all her endeavors led her to pursue the highest level of accreditation possible for CCA from the ACFEF, which was achieved in 2006. This important accreditation helped to distinguish CCA even further as the ACFEF is the only recognized organization to accredit culinary arts, baking and pastry arts programs in the United States. CCA was the second school outside the United States to have its programs accredited.

Operations were running smoothly when Badjie’s international travels led her to experience firsthand the level of service that international waiters were providing—they were very knowledgeable about the menu and about operations. She started thinking: “only 20 percent of staff is in the kitchen and the rest are in the front of the house or in other departments—and that is where the focus needs to be.” Furthermore, “we are having difficulty hiring servers and front of the house staff and yet this staff is crucial to the operation.” Only 15 percent of candidates who applied for a waiter position would get a job offer at TCG. Once hired, a new employee could not be put on the job right away—they would go through a five-month training program to fully acquire the needed skills and this was especially true for supervisors. She realized that they could build careers around the service component in the Philippines.

Badjie remarked, “we would work to change the culture and raise the standard for “front of house” workers in the Philippines. Whatever we had done for CCA for the kitchen, we would replicate for the service aspect.” In 2006, the Asian School for Hospitality Arts (ASHA) was opened with the mission: “to provide the global hospitality and tourism industry with competent workers through its industry led, demand driven and values laden curriculum.”

ASHA began by offering a one-year Certificate course in Hotel and Restaurant Operations with 80 students in 2006 and grew to six different course offerings ranging in length from three month short courses to four-year Bachelor of Science degrees. Growth was attributed to rising popularity of the profession through celebrity chefs, a new focus on institutional clients, as well as partnerships with foundations that sponsored scholarships for their students. ASHA’s growth was fueled by the high placement rates of graduates and the booming tourism and hospitality industry.
TCG’s growth has been organic and capitalized on opportunities as the ideas presented themselves. In terms of growth, both schools have done well. Between 2007 and 2014, CCA’s annual enrollment in academic programs grew by a compounded annual growth rate of 16 percent, but with ASHA, growth was much more accelerated; in only seven years it grew by 60 percent, signaling that they struck a sensitive chord in an underserved market. The success is attributed to deliberate, well thought out strategies and proper execution.28

28 IFC FDD, page 10.
ASHA opened in 2006 with a mission to provide the global hospitality and tourism industry with competent workers through its industry led, demand driven, and values laden curriculum.
THE BUSINESS MODEL

TCG’s overall business strategy capitalizes on the three business lines, which are interconnected and that support each other (see Figure 1). The food service, hotel, and events business lines served as a conduit to curriculum development by reverse engineering the skills that prospective students needed to develop. The restaurant and hotel business lines provided students with real world training facilities and opportunities to engage with paying guests. The synergies provided by the schools ensured a perpetual stream of highly qualified talent into TCG’s restaurant and hotel business lines—one that was not only trained to the exacting Guerrero/Trinidad standard of quality, but to an accredited level of service.

CCA and ASHA’s value proposition is that graduates are immediately employable with skills that are directly relevant to, and are in demand by, the global tourism industry. Graduates are competitive at an international caliber and they do not need additional training by the employer. Students graduate with confidence that the TCG “learn and earn” model empowered them with a mastery of complex skills.

In terms of TCG’s competitive advantage, CCA enjoyed 10 years of first-mover advantage setting the bar and professionalizing the occupation in the Philippines. CCA’s edge flows from an industry approved curriculum, state-of-the-art teaching facilities and laboratories, multiple fully functioning food service establishments where students practice their skills, an ISO 14001 certification, a “Green Chefmanship” philosophy, and opportunities to acquire certifications at various levels, and training on Filipino cuisine. It is certified by the ACFEF, the body that professionalized the culinary industry in the United States. ASHA stands apart from the competition because of its industry designed curriculum, paid internship program, modular courses, and affiliation with CCA.

The client base comprises high school graduates, college shifters, career shifters, entrepreneurs, and hobbyists. CCA tends to attract older students who have more experience and are seeking higher level skills for executive chef, manager and supervisor positions. These students tend to come from middle to upper income segments and have a greater capacity to pay a higher tuition fee. Meanwhile, ASHA tends to attract younger students with less exposure and experience, many of whom are fresh out of high school, or are returning Overseas Filipino Workers or disadvantaged students who are seeking an education for an entry level job in the sector. The schools have struck a gender balance with 48 percent of CCA students and 52 percent of ASHA students that are female.

When establishing the tuition price points for CCA, a key consideration was that they were introducing a unique, high-quality product into the Filipino market that was accredited and was at par with the highest international standards. They compared the cost of receiving an accredited culinary education on the international market and even though they adjusted it to the Filipino context, the tuition price was still significantly higher than the cost of going to college. The market accepted the price structure and CCA exceeded their first year target by 20 students.

In the case of ASHA, there was already competition in the market and they were sensitive to the economic brackets that students were from, thus they ensured that tuition was affordable. Compared to the competition,

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TCG’s overall business strategy capitalizes on the three business lines, which are interconnected and that support each other.
ASHA’s tuition is still higher, but students recover part of their investment in the second semester through paid apprenticeships.

Revenues are derived from student tuition in academic programs, continuing education, short courses and consultancies. In 2015, tuition prices for the entire academic program ranged from about $5,000 to $27,000 for CCA; for ASHA tuition prices ranged from about $2,000 to $6,000. The tuition prices reflect the entire cost needed to complete the program. The price structure includes tuition for the entire academic program, laboratory fees, knives (as appropriate), uniforms, ingredients and supplies, and an iPad.

Students self-finance their tuition because there are no student loans available in the market. Students can make payments monthly, quarterly, or annually. The revenue stream is stable with a drop-out rate of about 10 percent. Very low income students who are from disadvantaged conditions may be eligible for scholarships through TCG’s Corporate Social Responsibility (CSR) arm: the Culinary Education Foundation (CEF). In 2013, through the Manila Food and Wine Festival (another TCG pioneered venture), the CEF raised enough money to finance scholarships to transform the lives of 500 students.

The three biggest operating expenses for both CCA and ASHA are labor, including teaching staff salaries, utilities and rent. Labor costs are carefully managed. By November 2014, TCG managed 800 regular full time employees and 200 temporary part time or contract employees. TCG values stability in their team and has low churn, thanks to their faculty retention program. The management team is motivated and has expertise in their field. Reflecting the strong leadership of the founders, 52 percent of TCG full time staff is female.

The strategy concerning physical infrastructure was to maximize property that the Guerrero family already owned. The first CCA campus was built above the Cravings restaurant. The co-location model enabled CCA to minimize risk while testing the market, but the synergies quickly became apparent. The co-location strategy facilitated hands on training for students in a real world environment. When ASHA was under design, the campus was integrated into the Orange Place Hotel, which was owned by the family. As the schools grew, the co-location strategy continued, this time strategically located near partner institutions and malls where it was easy to recruit students.

TCG’s green environmental management services philosophy has translated into operational savings and income for the Group. Annie pioneered multiple green programs (discussed further in the section on Innovation) to ensure that all ingredients are used efficiently, strategically and sustainably. The costs of utilities are reduced for instance by building facilities that have ample natural light, using CFC light bulbs, and practicing earth hour every day. TCG uses Ozonation to provide high-quality drinking water resulting in significant savings in the purchase of bottled water and uses Bokashi liquid fertilizer composted from all kitchen waste to enrich the soil at TCG’s Antipolo farm. This fertilizer and other green products are also sold, thereby generating additional income (see Table 1). The result of all their green efforts combined is an estimated US$63,000 in annual savings and US$101,000 in additional income.
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<th>TABLE 1: ENVIRONMENTAL PROGRAMS</th>
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<td><strong>Zero Waste Management</strong></td>
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<td><strong>Earth Hour Everyday</strong></td>
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<td><strong>Anti-littering and Smoking</strong></td>
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<td><strong>5S of good housekeepings</strong></td>
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<td><strong>Paperless communication</strong></td>
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<td><strong>Energy efficiency</strong></td>
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<td><strong>Preventive maintenance</strong></td>
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CCA’s and ASHA’s graduates are competitive at an international caliber and they do not need additional training by the employer. Students graduate with confidence that the TCG “learn and earn” model empowered them with a mastery of complex skills.
INNOVATIVE FEATURES: HIGH-QUALITY INGREDIENTS YIELDS HIGH-QUALITY GRADUATES

1. THE EDUCATIONAL MODEL: STUDENTS WITH SKILLS AND EXPERIENCE GET THE JOBS

Corinthia Pastor, an ASHA student, was interviewed for a highly coveted, year long, apprenticeship at the Ritz-Carlton Culinary Chef Training, in Amelia Island, Florida, USA. She described the questions the Executive Chef asked as situational and she explained that: “what I learned from my studies in ASHA, I was able to apply in my answers.” As further evidence that employers are hiring employees who have hard and soft skills, Ritz-Carlton Executive Chef, Thomas Tolxdorf, described the candidate selection process he used: “I prioritized applicants who held college diplomas, but more than that, I choose those who have the attitude and drive to deliver work in a fast-paced environment.”

The right attitude is cultivated through TCG’s educational model, which imparts core values and soft skills that are critically important for the tourism and hospitality industries. TCG believes that excellent service begins with core values of integrity, stewardship, prudence, innovation, commitment, customer orientation, and excellence. These core values lay the foundation for students to hone soft skills of critical thinking, oral communications, problem solving, commitment, and a positive attitude. (see Figure 2 and 3)

The emphasis on imbuing students with values and fine tuning soft skills complimented TCG’s strong focus on the “learning by doing” philosophy. Many other schools offer hands on approaches through simulated environments, but TCG found that this does not adequately prepare students for the real world. TCG took a completely different approach. Badjie explains: “If you don’t face a real customer who is paying for your product or service, you don’t really know what it is like. When a customer pays for a product, there is a certain expectation of quality.” The key sensitivity is that students must be ready to face the customer because TCG does not want paying customers to feel that students are practicing on guests.

TCG prepares students for the real world through a “sandwich approach,” whereby students layer classroom time (20 percent) learning the theory, science and the procedure, which is then followed by students practicing hands-on techniques (80 percent). CCA and ASHA have different minimum classroom requirements. For the two-year programs, CCA students are in the classroom for the first eight months. As food handling is more sensitive, students first study the fundamentals, such as sanitation, knife skills and “green chefmanship.” ASHA students are in the classroom for the first six months and study foundation skills, such as housekeeping, food and beverage service, cookery, front office, and bartending.

Next, TCG turns up the heat on the students and the value of studying through a major conglomerate becomes evident. CCA and ASHA students are now ready to go “on the floor,” intermingled with regular TCG staff, and in any of TCG’s commercial operations. CCA students will do one month of 200 hours of practicum training.
FIGURE 2: CCA - CORE VALUES AND SOFT SKILLS

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<th>CORE VALUES</th>
<th>SOFT SKILLS</th>
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<tr>
<td>EXCELLENCE</td>
<td>Passion</td>
</tr>
</tbody>
</table>

**CORE VALUES**

- **INTEGRITY**: We believe that excellent service begins with respect, responsibility and honesty in everything we do.
- **STEWARDSHIP**: We believe that giving back to society and caring for its natural environment is central to the success of any institution.
- **PRUDENCE**: We regard a high-moral standard in everything we do as our responsibility to our students, guests and other stakeholders.
- **INNOVATION**: We believe that creativity and the desire to constantly improve and find new ways of doing things is essential in the development of our students and the culinary industry as a whole.
- **COMMITMENT**: We are committed to giving our 100 percent in everything we do, most specially in realizing our vision of fulfilling culinary dreams.
- **EXCELLENCE**: The best we can ever be in all that we do.

**FIGURE 3: ASHA – CORE VALUES “I-SUCCESS” AND SOFT SKILLS**

<table>
<thead>
<tr>
<th>CORE VALUES</th>
<th>SOFT SKILLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Oral Communica-tions</td>
</tr>
<tr>
<td>S</td>
<td>Customer Service</td>
</tr>
<tr>
<td>U</td>
<td>Filipino Hospitality</td>
</tr>
<tr>
<td>C</td>
<td>Values Laden</td>
</tr>
<tr>
<td>E</td>
<td>Green Hotelier</td>
</tr>
<tr>
<td>S</td>
<td>Positive Attitude</td>
</tr>
</tbody>
</table>

**CORE VALUES**

- **INTEGRITY & INNOVATION**: We believe that the provision of excellent service begins with respect, responsibility and honesty in all our intents and actions. We are the first to factor in the Filipino passion and use it as a springboard to educate, train and help employ the best in the industry.
- **SOCIAL RESPONSIBILITY/ STEWARDSHIP**: We believe that giving back to society and caring for its natural environment is central to the success of any institution.
- **UNITY**: As an institution belonging to a larger group of companies, with unity, we are able to fully realize the achievement of our student’s personal, academic and career goals.
- **COMMITMENT**: We are committed in the delivery of our programs in order to uplift the Filipino workforce in the global hospitality industry.
- **CUSTOMER ORIENTATION**: We believe that the student is the main reason for our existence.
- **EXCELLENCE**: We believe that following a high standard of excellence in our work is the only way to produce graduates worth showing off to the world.
- **SERVICE LEADERSHIP**: We are pioneers in the hotel, restaurant, and hospitality education and we shall continue to lead this field through our industry-based learning programs.
ASHA students go on to do six months of rotations consisting of 200 hours of practicum per trade skill for a total minimum practicum of 1,000 hours. In the second year, CCA students spend another 8 months in the classroom followed by an additional 400 hours of practicum training. ASHA students do an additional 1,000 hours. In summary, CCA students gain a total of 600 hours and ASHA students gain 2,000 hours of on-the-job training.

Initially, students complete a practicum inside the TCG group operations; TCG also encourages students to seek exposure to other work environments and offer students the option to do apprenticeships with partner institutions in the second year. Students are required to apply through the partner’s recruitment and training process. While on apprenticeship at the sponsoring partner institution, students do a work rotation program and are required to create a portfolio of work experience.

Students are paid for their work-study experience. Students who are newly placed receive 75 percent of minimum wage and just like regular employees they can be promoted and earn salary increases. By the end of the two-year program, an ASHA student would have accumulated one year of work experience and would have generated income to help offset the cost of tuition. TCG distinguishes itself from the competition because other schools do not offer paid apprenticeships. Badjie explains: “CCA and ASHA graduates have an edge over someone who has had practically no work exposure in the industry.”

The advantage of the experience is evident at the point of hiring and results in a 95 percent job placement rate within 60 days of graduation. In the tourism industry, employers place a heavy emphasis on work experience. Often times, many companies will hire new graduates with the expectation that the new hire will spend one year
in training but many employers tell TCG that when they hire a CCA or ASHA graduate they can take on the job from day one. As a result of the significant job experience gained, a large number of apprentices go on to get job offers and are absorbed by the sponsoring company.

2. CAREER GUIDANCE

Another key element of the education model is career guidance. TCG takes a holistic approach to the student and as part of the strategy to ensure that their students are immediately employable upon graduation, TCG starts career counseling at the recruitment stage. In contrast, traditional institutions provide career counseling toward the end of their academic experience.

At the intake interview, students are counseled to ensure that their chosen career is in line with their expectations. TCG provides students with information concerning their expressed interests, as well as other careers that are often overlooked because they are less visible to the public, but still provide important functions and may be a better fit for the student’s personality. The key is to facilitate the right career choice for students before they make their academic program selection. Students are then screened for soft skills, such as ensuring they have the right attitude and “can show up to class punctually at 6:00 a.m.” Both are mission critical values for the industry, where dependability is critical to the success of the operation. Finally, all candidates undergo a background check. All of this is done at the interview stage before a student is accepted to the schools.

3. QUALITY FACULTY

One of the most challenging aspects for TCG had been the hiring of faculty that meets TCG’s stringent requirements. TCG requires all faculty members to have formal education credentials, as well as 10 years of relevant industry experience. The trouble was that Badjie found that most applicants did not have the industry experience making it impossible for them to share experiences with students that they did not possess. TCG’s entire faculty meets this ambitious requirement and all have extensive industry experience. The value that this level of experience imparts to students not only sets TCG apart from the competition, but it assures that the training that students are receiving comes from first-hand experience and is not only theoretical. This strategy has been the key success factor for the schools.

Once they met the minimum requirements, putting together a cohesive team of faculty and administration was the biggest
challenge TCG faced. Drawing personnel from academia and the culinary world was difficult because their personalities were about as compatible as oil and vinegar. Chefs are creative people, known for getting their way and academics can be very rigid and require structure, yet Badjie needed them to emulsify and find a modus operandi to work together. To help them in the process, TCG laid the ground rules—they needed to co-exist and they needed to understand the importance of being role models for their students. Since most chefs do not have a teaching background, they put in place a program that helps chefs to become more effective educators.

When competition arrived, it was very aggressive with attempted poaching of faculty and administration, copying the curriculum and advertising competing programs near CCA property. Most of the faculty stayed with TCG, but the experience helped TCG to develop a stronger faculty incentive program. TCG began by sponsoring a few faculty members who pursued an MBA at the University of the Philippines, but TCG found that the faculty was less focused on the academic programs and more interested in building skills, so TCG assisted them in their professional development by sponsoring their next level of certification or accreditation with the American Culinary Foundation. Ten faculty chefs have ACF Accreditation and more are expected in the future. Thus, the faculty retention program is working, for school year 2014-2015 the retention rate is 86 percent for CCA and 92 percent for ASHA.

4. ROLLING ADMISSIONS AND GRADUATIONS

CCA and ASHA’s programs became very popular and the administration was managing long waiting lists. In response, TCG devised a “rolling enrollment” and a “rolling graduation” approach to accept and graduate students five times a year. Unlike traditional academic institutions that typically accept students and start classes in September, TCG structured modular courses so a student can begin a course in February and not have to wait seven months for the next course to begin.

The modular term structure also facilitates “ladderization” whereby an academic program can be broken down into smaller components and then parts can be summed up for full credit. For instance, ASHA’s flagship program is the one-year certificate in Hospitality and Restaurant Operations, which comprises five areas of competence: (1) food and beverage service, (2) front office operations, (3) housekeeping, (4) commercial cooking, and (5) bartending. Students can take these courses independently and they can enter and exit at multiple points in time. The flexible rolling nature of the enrollment to graduation model has boosted enrollment, helped students get a jump start on their careers and helped students to access higher compensated employment sooner.

5. CRAVINGS GROUP GOES GREEN

Since the early days of Cravings, Annie believed in frugal management of resources, reduction of the carbon footprint, and stewardship of Mother Nature. The kitchen is considered the biggest source of domestic waste and Annie wanted her students to be more conscientious about the environmental and bottom line impact. She began to promote her philosophy of an “environmentally sound kitchen,” with a “zero waste” advocacy for the restaurants and she encouraged employees to adopt a green lifestyle.

She went on to propagate the adoption of a green mindset to CCA and ASHA students. Annie personally developed a 12-hour course for CCA called “Green Chefmanship.” It teaches students the value of using the right amount of ingredients to reduce kitchen waste, such as making the effort to carefully peel and slice fruits,
vegetables and meats to reduce volume waste; saving energy while cooking food, such as using a blue flame in cooking; and using minimal packaging and reducing the use of plastic wrap.

ASHA has a course on environmental management services (EMS) and will institute “The Green Hotelier,” which imparts green values through teaching practices, such as segregation at the source, practicing earth hour (lights off during 12:00–1:00p.m.), serving water upon request, providing guests with one napkin and not using plastic straws.

Chef instructors and school staff are required to have taken the course themselves before they implement it in their class. Students are graded—and points are deducted—whenever a student generates too much waste at the work station and forgets to segregate garbage at its source. Many graduates have gone on to implement the practices that were ingrained in them in their own work.

In 2013, in parallel with having obtained stringent ISO 14001:2004 certification, which is the framework for setting up an effective environmental management system, Annie and Badjie launched the Cravings Group Goes Green (CG3) initiative. It is an environmental policy that aims to empower students, faculty, employees and customers on ecological awareness, waste management practices, and all other aspects of environmental protection.

The CG3 program is a fundamental that is taught in class from day one. Badjie explains: “For values formation, you cannot just tackle it in one session; it has to be incorporated in all the subjects that students take until they graduate.” By the time that students graduate, the Green attitude is fully engrained in all they pursue. Further, the Green values that students embrace at CCA and ASHA help give them a competitive edge at hiring time because they have mastered skills that can translate into cost savings for prospective employers.

THE FUTURE OF TCG

By 2020, TCG’s vision is “to be a globally recognized hospitality company that provides innovative food concepts and quality education while upholding the tenets of environmental stewardship.” TCG sees opportunities for scaling up through additional expansion into frontier cities, as well as positioning itself to become an educational hub for Asian students. It is well poised to become a regional hub since the Philippines is strategically located, English is the official language, the cost of living is competitive, and TCG’s standard of education is high with the international accreditation from the ACFEF.
ASHA and CCA integrate green values in teaching. “For values formation, you cannot just tackle it in one session; it has to be incorporated in all the subjects that students take until they graduate” — says Badjie
Growth in TCG’s companies was self-funded with internally generated cash and shareholder equity in part because long term financing was not available at reasonable interest rates in the domestic market. In 2007, the three owners, Annie, Badjie, and her husband, Fredrick Trinidad, a lawyer and civil engineer, decided to set up a holding company, called “The Cravings Group” (TCG) to access additional financing and to simplify the debt structure so that the borrower would be the holding company rather than the smaller, individual operating companies. This proved effective and in July 2008, they secured their first long term-loan of US$10.5 million from Deutsche Investitions und Entwicklungsgesellschaft (DEG).

In July 2010, TCG’s financial advisor suggested they seek additional financing on the international market and TCG approached IFC. TCG was keen to do business with IFC because it valued a long term, stable source of funding, which was critically important for ASHA due to the construction that was necessary to expand the facilities, as well as the long term nature of education cycles. The relationship was strategic for TCG since an investment from IFC would act as a “seal of good housekeeping,” that would help position TCG in the market for an eventual Initial Public Offering (IPO).

From a technical standpoint, TCG saw IFC’s expertise in the education sector as helpful to facilitate ASHA’s strategic growth in regional markets. The ability to leverage broad perspective of the IFC’s industry specialists could translate into faster global benchmarking, insights and lessons learned on best practices from other hospitality programs in IFC’s portfolio. This knowledge sharing enabled ASHA to take on a range of key design decisions that maximized the sustainability and the development impact of the project. In addition, IFC facilitated a dialogue between TCG and other private education providers to explore opportunities for partnership and knowledge sharing.

An investment in TCG offered IFC the opportunity to enter the education sector in the Philippines. IFC saw several areas of compatibility with its global education strategy, which aims to enhance skills and employability of youth, through Technical, Vocational Education and Training (TVET). ASHA’s competitive price points, educational offer in sectors that are in demand, and regional expansion into markets in frontier Filipino cities that are largely underserved were attractive to IFC.

In March 2011, IFC approved the first loan for the Philippine Peso equivalent of US$15.8 million. The funds were earmarked for ASHA to support the expansion of existing facilities in Antipolo and Quezon City and for establishing four new campuses in the frontier regions, as well as one new campus in Manila. IFC was able to provide long-term financing with a grace and tenor structure that matched the projected cash flows. Through the IFC investment, 5,000 new students from underserved communities would gain new skills in the high-growth tourism and hospitality market. ASHA is the fastest-growing segment of TCG and out-performed IFC’s financial projections for two campuses.

The strong performance led to a second IFC investment in the form of an equity stake valued at US$16 million and a US$4 million loan (in the Philippine Peso equivalent). The equity investment is a significant event for TCG since IFC will be the first external stakeholder to join the privately held family business. The equity investment will signal to the market IFC’s confidence in TCG’s management and business lines, as well as the ripeness of the Filipino market, thus paving the way for a future IPO. Given the nature of equity investments, all of TCG’s business lines will benefit from the investment. In terms of the educational business lines, the new investment will increase student numbers by several thousand students in regions not well served by post-secondary education.

31 Pampanga, Tarlac, Naga and Taguig
32 IFC’s financing is expected to enable growth in student capacity of ASHA from 1,400 to 6,400 students when the expansion is completed.
REPLICABILITY IN OTHER MARKETS

How can others replicate the success of CCA and ASHA such that students can acquire skills and knowledge to gain employment and bridge the skills gap? TCG is able to develop their apprenticeship program by leveraging the resources of the overall Group, but other institutions can provide similar experiences by partnering with establishments in their local communities.

The TCG experience would suggest the following broader lessons:

**TABLE 2: CCA AND ASHA REPLICABILITY TIPS**

<table>
<thead>
<tr>
<th>Mission</th>
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<tbody>
<tr>
<td>• Make a commitment to address the skills requirements of the tourism and hospitality industry that is backed by an industry-led curriculum, delivered by an effective faculty and provides students with a range of apprenticeship opportunities to get real world experience; thereby, ensuring students are prepared for a successful career and life.</td>
</tr>
<tr>
<td>• Take a holistic approach to cultivating the student; “imbibe” them with social values that are weaved throughout the entire curriculum.</td>
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<tr>
<th>Leadership</th>
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<tbody>
<tr>
<td>• Bring top corporate leadership from within the sector itself. As a result of their restaurant and hotel businesses, Annie and Badjie were uniquely positioned to build up educational enterprises that address the skills gaps from the unique perspective of an industry insider.</td>
</tr>
<tr>
<td>• Recruit faculty whose values are aligned with the company so they can translate the vision and values into the day to day operation.</td>
</tr>
<tr>
<td>• Recruit faculty who have significant industry experience so that they can guide and mentor students around real world situations.</td>
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<thead>
<tr>
<th>Education Model</th>
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<tbody>
<tr>
<td>• Make the educational offer relevant to the needs of employers so that students are quickly employable and students can make a rapid return on their investment.</td>
</tr>
<tr>
<td>• Offer programs in smaller, modular segments that are more accessible and that add up to certificate, diploma or degree programs.</td>
</tr>
<tr>
<td>• Provide students with career guidance at early stages and accompany them throughout their career.</td>
</tr>
<tr>
<td>• Complement classroom lectures with experiential learning through a layering (sandwich) approach that staggers classroom lectures with hands on experience opportunities, and building on the previous layers.</td>
</tr>
<tr>
<td>• Develop a structured apprenticeship training program that is paid, provides opportunities to interact with paying customers and where professors and supervisors can provide continual feedback.</td>
</tr>
<tr>
<td>• Set the conditions to achieve the right skills-job match for the graduate and the employer so as to facilitate rapid absorption at hiring time.</td>
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</table>
Partnership

- Find partners that share the same values and who understand the importance of education.
- Work with partners across the industry ecosystem to identify hard and soft skills requirements, as well as skills gaps, then reverse engineer and develop an industry-centric curriculum. Through regular engagement with partners, ensure alignment of academic programs (supply) with the needs of the labor market (demand), continually adding new courses to reflect emerging innovations, technology and tastes, thereby ensuring that the curriculum addresses the evolving needs of the industry and preferences of tourism and hospitality customers.
- Develop partnerships with a broad array of businesses concepts to offer on the job training, for both front and back of the house.
- Provide students with international exposure through student exchange programs in other countries.
- Leverage partnerships to provide scholarships for students.

Financial Aid

- Consider the ability of students to pay in setting tuition prices.
- Break down programs into smaller segments that are more affordable.
- Establish flexible payment arrangements, such as monthly payment plans so that students can pay tuition while working.
- Pay students for all on-the-job training so students can earn income while they develop job experience.
- Involve Corporate Social Responsibility (CSR) programs, NGO’s and organize fundraisers to finance scholarships for need based students.

Enabling Environment

- Support the regulator with the development of certification requirements for new programs in emerging areas.
- Support the regulator with implementation of ladderized programs.
- Support regional mutual recognition of qualification efforts, such as the ASEAN Toolkit, to enhance employability at the regional level, and integrate these efforts into the course syllabi.

Quality

- Create a culture of excellence with faculty, staff, students and partners that embrace core values.
- Obtain the highest certifications available domestically and internationally for the institution (i.e. ACFEE, ISO) by harnessing high-quality faculty, facilities and curriculum.
- Ensure consistent quality across multi-campuses with proper communication of course content through the syllabus, training of faculty on training assessment methods and assigning the faculty to teach a specific trade skill across campuses. Utilize the same assessment tools.
- Supervise the apprenticeships and provide mechanisms for continual quality feedback.
- Set the conditions for the rapid insertion of students into the workforce.
- Measure quality by monitoring how graduates are performing in the workplace. Conduct employer satisfaction surveys to ensure the ability of graduates to perform above satisfactory levels, deliver expected tasks and practice the values the school imparted.

Infrastructure

- Invest in quality infrastructure to provide students with state-of-the-art facilities, libraries and technology.
- Strategically co-locate campuses near partners where students will get on-the-job training.
Financial Sustainability

- Never underestimate the power of the base of the pyramid to help grow a business sustainably through a low cost, high volume model.
- Manage resources strategically and sustainability and leverage international cooperation resources to implement growth plans.
- Get external funding at the right time and open up to like-minded investors.
- Stimulate faculty retention programs with international certifications.
Closing the Skills Gap for Global Tourism Jobs
CONCLUSION

Through Annie’s vision and Badjie’s entrepreneurial drive, the dynamic mother and daughter duo established two premier educational institutions for Filipino students to obtain a world class culinary and hospitality education, in a financially sustainable manner. Through their efforts, they have successfully set a high standard, contributed to the professionalization of the industry in the Philippines, and are transforming lives. Annie and Badjie have proved that with a high-quality technical and vocational education, it is possible to cultivate a cadre of expertly prepared culinary and hospitality professionals for the global and domestic tourism industry. With their reverse engineered, industry-centric curriculum, and extensive on-the-job training they have empowered graduates with a mastery of hard and soft skills that gives them a competitive advantage to get the right jobs and then perform well.

QUESTIONS FOR DISCUSSION

1. The global jobs-skills mismatch is a significant problem with serious financial consequences for economies ranging from decreased competitiveness of industries to a reduced tax base. Nearly one quarter of the world’s youth is jobless and yet one third of employers are unable to recruit because of shortages in the skills employers need. How can private, Technical and Vocational Education and Training (TVET) address the jobs-skills gap in the tourism and hospitality industry, and eventually in other industries as well? What are the core skills that the tourism industry looks for? What skills do employers seek that are the most challenging to find?

2. How does a small, growing education provider in a developing country gain access to international best practice and the latest industry trends to meet demand?

3. What did TCG do as an education provider to make itself relevant to the tourism and hospitality industry? What partnerships and collaborations has TCG formed through the different stages of its growth, and how did these efforts add value to the business?

4. What future business opportunities are there for TCG to expand its business model? Should the company look at expanding into other education sectors or expand geographically in neighboring countries, or continue to focus on tourism and hospitality?

5. Is there a scope for similar integrated business models in other sectors where critical skills shortages can also build up?

6. Employers are demanding workers with higher ethical standards. TCG addresses this issue with a values driven curriculum that transcends the entire academic program. How does embracing values and soft skills help the bottom line? What role can TVET institutions play in imparting values and soft skills to prepare students for the workforce?
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