

ADAPTIVE ACE ORGANISATIONS:

Responding to uncertainty

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Executive Summary

Adult & Community Education (ACE) providers represent a segment of the NSW education and training sector that has undergone substantial change in the last decade. While this change has been occurring at a rate that has been accelerating, ACE providers have always operated in a context that is uncertain and greatly affected by external forces over which they have little or no control.

Indeed, operating in a climate of uncertainty has been the hallmark of most ACE providers for many years.

In that context, the NSW Board of Adult & Community Education (BACE) commissioned three interlinked research projects to examine the present standing of NSW ACE providers as a basis upon which future planning could occur. This report is the final outcome of one of those three projects. It addresses the question: "How and in what ways are NSW ACE providers showing adaptive responses to their changing operational context?"

Specifically, it sought to:

1. identify adaptive modes of operation of ACE providers
2. identify factors in the business environment that have encouraged adaptation
3. compare diversification with other strategies adopted by adaptive organisations
4. identify how adaptive organisations understand their community and enterprise clients and their needs, and how they respond with new services or programs
5. assess what role partnerships or linkages with other organisations play in adaptive modes of operation by ACE providers

To seek answers to these questions, the researchers interviewed Principals from a range of NSW ACE providers – urban and rural, large and small and also interviewed key informants from organisations with whom some of the ACE providers had collaborated in recent years. The data gathered from these sources was analysed within a framework of "adaptiveness" developed on the basis of an examination of the literature on adaptive organisations. As much of this literature examined the behaviour of "for-profit" organisations, it was expected that some aspects of the framework would be more useful than others in considering the behaviour of ACE providers, while recognising that these providers are being encouraged to adopt operational models more usually associated with entrepreneurial, for-profit firms.

Key Findings

The major findings of this research are reported against the five questions to which BACE sought answers:

Adaptive modes of operation of ACE providers

All of the ACE providers considered in the study showed significant modes of adaptive behaviour. Significantly, however, the ways in which they had chosen to adapt varied considerably as their circumstances and needs demanded. Indeed it was clear that a simple, uniform model of adaptiveness would not have suited all the organisations studied as the specifics of their circumstances demanded nuanced and tailored responses.

However, some similarities were evident in the choices that the providers had made:

- In some form or other, all had distinguished between a core program of offerings that they maintained and defended while also offering a more flexible and changeable array of peripheral courses that they might pick-up or abandon as needed.
- All but one had expanded the range of programs in which they were a collaborating partner with one or more other community agencies. These represented part of their peripheral program and operated when and as the partners were able to secure funding from some, usually governmental, source.
- Few have applied any long-term strategic model. Rather, most have found that constant alertness and agility are more productive ways of responding to the volatility and high levels of uncertainty that characterise their operating environment.
- All are risk-averse in the ways in which they manage their businesses. While many are willing to tolerate a low level of risk in new areas of activity, their core program is the one in which they are centrally concerned and where they will take few risks at all, if they can possibly manage it.

Factors that encouraged adaptation

The driving factor behind all the providers' decisions about adapting to their circumstances is survival: all have seen other providers fail and go out of business. While some of the larger, older providers had assets which provided some bulwark against financial disaster, all the organisations were "living on a knife's edge" in a financial sense and were intensely aware of the fact.

Their commitment to ensuring the organisation's survival is not, however, driven by the survival of the organisation *per se* but by their concern to ensure that their community continues to have access to the core services they provide.

Indeed this concern for the community represents the other significant factor shaping these ACE providers' responses. Most of the providers had had opportunities to engage in activities that were potentially profitable but did not fit well with their sense of "who they were". These opportunities had not been taken up and the organisations were determined that, wherever they could, they would retain their identity as community-based education providers.

Diversification as a strategy

As noted above, all of the ACE providers were willing to diversify the range of courses and services they offered, but only up to a point. Any diversification was only into new activities that they saw as consistent with their overall mission and, then, only to the extent that it did not pose any risk to their core program.

Understanding of clients and their needs

The ACE providers had a clear and sound understanding of their community-based clients that had been developed over many years. They were less comfortable in their knowledge of other actual or potential clients but all were aware of this and seeking to expand their knowledge in these areas. However, providers, especially the smaller providers, were not clear how to do this except by the slow development of experience over time.

Role of partnerships or linkages

Across the range of organisations studied, there was a clear process of the ACE providers moving from just having links with other organisations (e.g. using facilities in the local community), to more co-operative and collaborative efforts in which they have been working closely with other local organisations to develop and deliver a range of programs and services.

However, the extent and character of these linkages is greatly affected by the extent to which external, usually public, funding is available to allow the two organisations to come together for a specific project.

Recommendations

Three recommendations arise from the research. While the research shows how ACE centres have adapted and continue to adapt to the circumstances that confront them, it also shows that they are extremely vulnerable. If governments wish to retain the capacity to influence public interest outcomes in this area they will need to act in ways that can preserve this capability.

The Board should consider how it can develop support for the Colleges to both better understand and apply the positive features of the adaptive organisation to service their individual communities in particular and NSW education and training in general. Further developing the framework used in this report, which has its origins in the literature and practice of large for-profit organisations, so that it has greater relevance for community based not-for-profit organisations such as ACE colleges would help in developing the professional development and organisational support referred to above. Finally the scope of the ACE colleges to be adaptive in the most positive sense of the word is severely limited by the precarious financial position of the colleges, which has been exacerbated by a series of government funding reductions over recent years. A successful case to support an expanded view of how ACE colleges can service and strengthen learning communities across NSW would be a vital contribution that the Board could make in nurturing adaptive ACE organisations in NSW.

Introduction

The Adult and Community Education (ACE) sector has, for some years now, been subject to significant and rapid changes in its operating environment, expectations about its role and its place more generally within the context of post-compulsory education and training.

Key drivers of these changes include new funding arrangements that reflect a different relationship between state agencies and service providers such as ACE organisations. Moreover, these changes have occurred within a context of increasing budgetary constraints and at a time of a changing marketplace within which the sector operates.

Changes in state government grants since 2004 combined with a high level of exposure to changes in the economy, such as interest rate and petrol price rises, and therefore the availability of disposal household income, means that ACE centres are in a fragile financial position. The centres can be roughly equally divided between micro organisations, small organisations and medium to large size organisations. The precarious position of many colleges can be seen where half of all providers break even which means there are little reserves to meet any unanticipated downturn in business, and where the other half operate on a loss, or profit of less than 5% of income.

In this context the number of ACE centres, with a direct funding relationship to the Board, has steadily declined in the past fifteen years from around 75 to 57 providers. In some regional areas the number of community education centres has halved, while in some metropolitan areas some colleges have moved in to absorb colleges that have ceased to exist. In some cases, the surviving college covers a large geographical area and moves beyond serving what would previously have been considered a defined community territory.

As part of its strategic response to these changes, the NSW Board of Adult and Community Education (BACE) is planning to develop a range of policies and procedures that require ACE providers to be more self-reliant while retaining their core identities and roles as “community-owned and community-managed providers serving those communities most in need”.

There is clear evidence that already many ACE organisations have adapted to the changes in their environment in a wide range of ways. For BACE, however, a critical question concerned just how this adaptation was occurring and what it might mean for the future. Accordingly in May 2006, the Board called for expressions of interest in a number of related projects that would inform their future policy approaches. This report represents the outcome of one of those projects.

The brief

The Board indicated that the “purpose of this study is to gain a better understanding of innovative modes of operation by ACE providers in response to a changing policy and funding environment and thereby inform public policy on ACE and provider practice. The specific objectives are to:

1. identify adaptive modes of operation of ACE providers
2. identify factors in the business environment that have encouraged adaptation
3. compare diversification with other strategies adopted by adaptive organisations
4. identify how adaptive organisations understand their community and enterprise clients and their needs, and how they respond with new services or programs
5. assess what role partnerships or linkages with other organisations play in adaptive modes of operation by ACE providers.

The study will be undertaken through comparative case studies of seven Community Colleges spanning metropolitan and rural communities and reflecting different modes of adaptation.”

Our research approach

The research project was undertaken in three phases:

1. review of relevant Australian and international research, policy and statistics, and development of a draft conceptual framework;
2. data collection and analysis from seven selected sites; and
3. preparation and submission of report.

Phase 1:

In the first phase of the project a review of published research, policies, and official statistics and documents was undertaken. This provided background to the research and informed the development of a conceptual framework that can be used to capture and describe the relationships and dynamics of adaptive ACE organisations.

The literature review and analyses then informed the second part of phase one: the development of a draft conceptual framework that can be used to identify modes of adaptation by providers and factors in adaptation. This draft conceptual framework was then used to develop focus questions for semi-structured interviews and focus group consultations at the selected sites.

Phase 2:

The second phase of the project consisted of data collection and analysis. Qualitative data was collected through semi-structured interviews from the following groups at each site:

- College management and staff
- and, where appropriate, local firms and community agencies and/or other education and training providers

The groups were consulted in order to obtain their perceptions of:

1. the changes to policy and funding environment over the last 15 years that have encouraged a diversification of service provision in ACE;
2. innovative organisational models that have emerged as ACE providers adapted to these changes;
3. the extent to which diversified program funding and service provision are linked to the targeting of particular clienteles and community needs.

Data from the interviews was then analysed. Themes that emerged from the data were identified and compared with reference to the draft conceptual framework. The framework was then refined accordingly.

Phase 3:

The final phase involved preparing the report and presenting draft findings to the Board's research committee and researchers involved in the other projects. That discussion assisted in preparing this final version of the report. The report does not present the findings from the selected college sites as case studies. Rather the data from these sites was analysed, in relation to each other and to the scholarly research in order to distil key themes and comparisons.

Understanding “adaptiveness”

The concept of adaptiveness is a relatively recent one in examining both organisational development and in particular the development of education and training providers. Early expressions of the concept focussed mostly on the adaptiveness of individuals to changing economic and social factors such as changes in the world of work and the availability of new information and communication technologies. Much contemporary theorising about the learning process rested on individual adaptation to a changing environment. More recently the focus has shifted to how organisations adapt to similar pressures.

Senge set out the basic rationale for learning organisations in his landmark 1990 book *The fifth discipline*. He argued that in situations of rapid change only those organisations that are flexible, adaptive and productive will excel. (Senge 1990, p.4) For a “learning organisation it is not enough to survive, ‘survival’ or ‘adaptive learning’ is a necessity”, and further it must be accompanied by what he calls “‘generative learning’, learning that enhances the capacity to create” (Senge 1990, p.14). This is achieved by mastering the five basic disciplines or ‘component technologies’ that became the centrepiece of his Learning Organisation model.

Following Senge, Stephan Haeckel set out the ‘sense-and-respond’ concept of adaptive business design in 1992 and further elaborated on it in his 1999 book, *Adaptive Enterprise* (Haeckel 1999) where he provided a prescriptive framework for sense-and-respond organisations. Haeckel argued that a rapidly changing marketplace makes it impossible for any business to thrive for long just by making products and selling them. “It does not matter how good you are at making widgets if the market for widgets disappears or if your competitors offer dramatically new and improved widgets faster than you can,” (Haeckel 1999). In his view companies can only succeed by knowing how to adapt to customers even before those customers themselves know what they want.

In considering the concept of adaptiveness in relation to organisations we can distinguish between two domains, firstly the internal operations of the organisation and what features can be identified that assist an organisation to develop the capacity to adapt, and secondly, how organisations adapt to external influences.

Combining the emphasis on learning organisations with the need for organisations to construct a future, adaptive systems theorists point to key issues for the organisations to consider that include the need:

- for clarity about purpose and values so that they structure modes of communication that support interconnectedness among the various stakeholders
- to optimise and construct relationships in the organisations to foster complexity, self-organisation, and futuring
- to encourage resiliency in the organisation—the flexibility, durability, openness to learning, and decision making and problem solving skills to make complex, reliable decisions in the presence of often conflicting input and the tension between order and chaos; and
- to find the alternative outcomes already contained in the current situation (Vogelsang 2006)

Gibson and Birkinshaw (2004) suggest that successful organisations are those that are efficient in their management of business demands, while also adaptive to changes in their environment. They describe this ability to succeed in a dynamic environment as being ambidextrous, and further develop their argument by referring to the need for organisations to simultaneously develop structural and contextual ambidexterity (Gibson and Birkinshaw 2004, p.209).

A stable operating environment is the exception rather than the norm for the majority of organisations today, and where there is pressure to compete then the organisation needs to be able to respond to change and adapt to shifts in demand. Denton (1988) points to a number of adaptive characteristics that can assist an organisation. Some are very general and include the ability to change directions, think in new ways, and respond in a flexible manner. More specifically he notes the capacity for rapid decision-making, quick response to changing market conditions and devoting resources to research and development. Conversely he suggests that rigid rules, regulations, routines, and strict lines of authority can help maintain organisational order but do little to assist responsiveness. He argues however that systems must exist in order to provide the support for individuals to act and think independently. The more of these characteristics an organisation draws on the more adaptive they are, and while the number of those characteristics are important, what gives added value is where those characteristics are interrelated, so that for instance increased attention to training or research has an effect on increased speed in decision-making (Denton 1998, p.84).

A number of recent and current studies of education and training organisations are similarly seeking to identify characteristics associated with organisational adaptiveness relevant to the Australian context.

Changes to the way work is being organised, in the composition of the labour force, modes of employment, the types of skills needed, and funding arrangements are having a particular impact on vocational and adult education providers and the services they provide (Hall, et al. 2000).

How adult and vocational education institutions are responding to the new forms of practitioner learning arising from changes in the way work is organised, policy demands in areas such as equity and diversity provision, and the availability of information and communication technologies, in what is described as 'merging 'bottom-up' initiatives with 'top-down' strategies', is underway (Figgis, in progress).

Others argue that VET organisations need to respond to changes in work and employment, and the way goods and services are traded, whether in the local, national or international context, if they are to be sustainable. They posit a model of sustainability – acknowledging that the model remains a 'work in progress' - that has three core organisational characteristics - innovative, adaptive and networked (Landy and Fitzgerald 2004).

Mulcahy presents a different perspective in describing how VET managers are adopting new management strategies in order to adapt. Based on case studies and interviews with VET managers Mulcahy reports on the changing character of work within VET organisations, and suggests that what might be called innovative VET management is directed to creating conditions for the convergence of commercial and social/community values (Mulcahy 2003).

In their research into Group Training Organisations (GTOs), Toner and his colleagues concluded that GTOs were 'highly adaptive and responsive' to a changing policy and commercial environment (Toner, et al. 2004). Growth in the size and breadth of their operations over the past decade are presented as evidence of this. The project sought to identify the factors that drive GTOs to change their structure and function. They noted that GTOs are less financially dependent on government grants for core functions relying instead on accessing government funds aimed at labour market and training programs. Deregulating government financial support has meant less government supervision and the need to find alternative means of income has led to 'a greater emphasis on price as the basis for competition rather than provision of support services' for students. Their findings touch on concerns that are relevant to the broader mission that ACE has traditionally espoused.

One result they point to from this change is an increased focus on high growth, high turnover traineeships at the expense of a traditional 'pastoral care' orientation and '[providers] are less focussed on disadvantaged groups'. Being more commercially driven may also threaten the 'quality of training generally'. They note that an important corollary to the shift in government support and increased reliance on market considerations is that government policy needs to be aware of the effects of these changes on the viability and growth of those organisations (Toner, et al. 2004, pp.43-45, 5).

The notion of an organisation that responds effectively to change is one that is widespread in the literature. However, the understanding of this phenomena and explanations for it are greatly variable and a key reason for this is that the particular concerns being addressed by the authors range from concerns about the organisation's response to crises to concerns about long-term change.

Consequently, the literature is replete with overlapping and interacting terminology including:

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|---|--|
| • adaptability (e.g. Stankey 2003) | • generativity (e.g. Curtin Business School 2003) |
| • ambidexterity (e.g. Gibson and Birkinshaw 2004) | • sustainability (e.g. Jones 2001) |
| • agility (e.g. Palmieri 2003) | • resilience (e.g. European Monitoring Centre on Change (EMCC) 2004) |
| • learning-centred (e.g. Leonard 2005) | • emergence (e.g. Seel 2003) |

These different approaches also are shaped by the extent to which they are derived from one of three distinct metaphors that characterise the way an organisation is conceived as operating.

The first of these adopts the metaphor of the "learning organisation" and is focused on the collective, super-ordinate learning that occurs within an organisation above and beyond the learning of its individual members. Jones (2001), for instance argues that building capacity within an organisation is fundamentally achieved through developing a culture and system of organisational learning. Such an approach is being implemented on a grand scale within the Royal Australian Air Force (Leonard 2005) specifically to address the uncertain environment in which it operates.

The second adopts a biological metaphor that attempts to explain and understand organisational dynamics using concepts from biology that describe the behaviour of complex organisms in attempting to evolve and adapt to changing environments. Some advocates of this approach have argued that it is a necessary development to counter the lack of forward planning that often follows the adoption of a "learning organisation" approach (Vogelsang 2006). Others (such as Rahi 2003) simply argue that the methodologies developed in biology, such as computer modelling of biological systems, provide powerful tools to help predict and plan organisational behavior.

The third dominant approach derives from computer science approaches that employ autonomous adaptive agents that operate independently within computer software systems, and interactively with each other and their environment. These approaches are, most commonly, linked with an understanding of organisational adaptability as linked to large system-wide information and communication technology systems that control the organisation's behaviour and keep management highly centralised (e.g. Epstein 2003).

There is, however, another dimension that cuts across these three approaches to some degree and which also determines the terminology and underlying assumptions of the various approaches. This concerns the way in which the changes occurring in the organisation's operating environment are constructed. Essentially, the different approaches to change can be seen as falling within one of five approaches. These characterise the focus for adaptability as being concerned with:

- 1. Co-ordinated, planned change.** This body of literature concerns itself with different approaches to systematic planning for the future. It advocates a range of methodologies and conceptual stances that are built around envisioning the future and, then, developing a clearly articulated strategy for future action (Curtin Business School 2003, Denton 1998, Future Health Care Network 2005, Pickett 1997, Pudlatz, et al. 2002, Vogelsang 2006).
- 2. Reactive change.** The underpinning approach in most of the literature focused on responsiveness is concerned with "readiness". Unlike the planned change approaches, this is constructed as preparedness for an unlikely, unpredictable future and the strategy for such responsiveness is generally built around various approaches to scenario planning (Bentley and Wilsdon 2003, Curtin Business School 2003, Palmieri 2003, Paton 2005, Rahi 2003). A key concept here is that of anticipation (European Monitoring Centre on Change (EMCC) 2004).
- 3. Disaster recovery.** There is a very extensive literature on recovery from natural disasters (such as Paton 2005) and most of this literature uses the concept of resilience as its central model. This notion has now extended into related fields such as computer system failure recovery and into occupational health and safety (e.g. University of South Australia 2006) and, more generally, related ideas are applied to organisational survival in response to catastrophic events.
- 4. Pre-emptive response to a changed/changing environment.** Literature in this style emphasises entrepreneurial approaches to creating markets and opportunities as a proactive strategy that recognises the reality of change. (Examples of the link between innovation in products and/or services and adaptability can be found in Toner, et al. 2004, Tuominen, et al. 2004).
- 5. Sustainability over time.** In more recent times, the literature has turned towards consideration of the ongoing survival of an organisation in the context of changes to its operating environment or to internal factors such as the ageing of its workforce or the new knowledge/skills demanded by new technologies (Bierman 2004, Jones 2001, Laycock 2005, Sorrenti and King 1998).

While, potentially, all of these are relevant to any organisation at some stage in its life, much of the literature tends to focus on one of these to the exclusion of the others.

The key feature that characterises all these approaches to adaptability (or any of the other terms) is that it involves finding or developing solutions that lie outside the current way in which the organisation operates. When translated into organisational terms, it is common for authors to propose that these solutions should involve both structural and cultural change. Indeed, many argue that the changes to cultural practices within the organisation are the most fundamental (Boreham and Morgan 2004). Even those who work in structural terms (Denton 1998, Plane 2003) using the language of "reengineering" the organisation acknowledge that this flows from an analysis of the organisation's culture.

However, while much of the literature contrasts the “adaptive” organisation with one whose behaviour is directed by inertia, there are also clear indications in much of the literature that it is important that organisations demonstrate both inertia and adaptability (see, e.g. Rahi 2003).

This literature has formed the basis for a number of potential ways in which one could conceptualise “adaptability” and, in the next section, we propose one potentially useful framework that could assist ACE organisations to think about how they are positioned and what strategies they could adopt to respond to the uncertainties of their operational environments.

In the subsequent sections, we then report on our investigations of a number of NSW ACE using this framework to guide our analysis.

A framework for thinking about “Adaptiveness”

Our approach to identifying the factors associated with adaptability has been shaped by those authors in the literature who have attempted to move beyond exhortation and have attempted to hypothesise the specific indicators of adaptability within organisations. Six of the papers reviewed for this study have proposed some sort of list or model of the key factors (European Monitoring Centre on Change (EMCC) 2004, Hamel and Valikangas 2003, Pudlatz, et al. 2002, Seel 2003, Stankey 2003, Tuominen, et al. 2004). Each of these has produced a distinct but overlapping set of factors. We have reorganised these, based in part on Hamel’s model, to provide a set of factors that we believe are meaningful in the context of ACE.

Table 1 Draft model of factors affecting adaptability

KNOWLEDGE	CULTURE
1. Awareness of what is occurring in the environment	1. A culture aimed at growth
2. Awareness of the implications for the organisation of the changes	2. Acceptability of the diversion of resources from one activity to another
3. Capacity to pick up weak signals	3. Culture shift from excellence to opportunity-driven
4. Awareness of alternative possibilities	4. Continuously work on corporate culture and break down barriers to change
5. Awareness of the possibilities of existing capital and talent	
STRATEGY	RESOURCES
1. A common vision/strategy	1. Promote and mobilise human talent and creativity
2. Clear leadership	2. Build connectivity within the organisation and with partners
3. Constantly open up new strategic growth opportunities	3. Encourage diversity, risk-taking and challenging views
4. Continuously capitalise on innovations of products and services	4. Promote learning from experience
5. Compelling visions as alternatives to dying strategies	5. Establish clear guidelines on what is not to be done rather than directing what is to be done
6. Taking calculated risks	6. Develop structures based upon integration not compartmentalisation
7. Rapid response to new opportunities	7. Incentive systems that reward learning and adaptation
8. Flexible networking and partnering	8. Manage finances conservatively
9. Enhance strategic alliances	9. Maximise effective and efficient use of resources

This four-fold framework will be the focus of our analysis, but we will also consider the extent to which the organisation’s strategic focus is on Planning for future growth/change; Reacting to change; Responding to crisis; Pre-emptive action and/or Survival over time.

Examining adaptiveness in ACE providers

This section examines the data obtained about adaptiveness in ACE providers that were obtained from semi-structured interviews of the Principals¹ of two metropolitan (one of which is in the inner city, the other in the larger metropolitan area), and five regional ACE colleges (one in a large regional centre, the others in smaller regional areas), and representatives from six ACE partners that were nominated by the college principals. The partners were located in the four different regions in NSW where their partner ACE colleges were located, and included one medium sized manufacturing business, one local council, one government agency, one VET provider (a TAFE college), and two neighbourhood centres (one regional, one metropolitan). Interviews with college Principals were conducted at the college sites in person; interviews with partners were conducted by telephone.

Data obtained from these interviews have been examined and are presented in relation to the aforementioned four-fold framework.

Knowledge

The model identifies 5 dimensions around the knowledge that community colleges have and draw upon that mark their adaptability to change. These are:

1. Awareness of what is occurring in the environment
2. Awareness of the implications for the organisation of the changes
3. Capacity to pick up weak signals
4. Awareness of alternative possibilities
5. Awareness of the possibilities of existing capital and talent

These dimensions are examined in relation to the colleges involved in this study.

Awareness of what is occurring in the environment

The colleges in the study gave an overall impression that they were aware of what was occurring in their environment. Nearly all had undergone significant operating changes in the past five years or had managed the transition of new leadership and direction within their organisation. One College had moved from being insolvent to being in a sound financial position and looking to purchase its main street building; another smaller regional centre had merged with a neighbouring provider and was providing education services outside the region; another mid-size provider was delivery accredited training offshore; and four Colleges had recruited new Executive Officers. All those interviewed were able to point to demographic changes in their area; the changing and expanding network of adult and vocational provision in their area; how technology was being used to broaden the profile and administration of Centres; how marketing ACE courses was constantly being reviewed; and the impact of non-education changes such as increased petrol prices and interest rates on their operations.

¹ We have used the term Principal in this report as a generic term for the most senior Executive / Manager / Leader of each of the ACE centres.

The Principals, in their descriptions of their Colleges operating outlook, confirmed what previous research identified as the hallmarks of ACE. Those qualities of being client focused, flexible, able to respond to local demand, accessible and providing a platform for further education and training or as a return to study remain at the forefront of thinking and planning (McIntyre et al 1995). The most profound change experienced by the colleges, and commented upon by all the Principals, is the decreased funding from the Board of Adult and Community Education (BACE), historically the most significant funding source, outside of direct student fees. The first significant round of funding reductions for many NSW ACE Colleges occurred in 2004 and State government funding has continued to decline as a proportion of total public funding of the ACE Sector. The Principals in all of the colleges had figures at their fingertips in terms of changes to government funding. Reduced funding has made it imperative for colleges to be aware of changes to demographics and the market for courses in their locality and its surrounds much more closely now than before because the survival of many of the general education courses have increasingly come to rely on cross-subsidisation through income from vocational courses.

One regional College typified this systematic approach to knowledge and information gathering. It has regular meetings with the local business community to identify their needs. It seeks out information about broader contextual trends from research reports, such as those produced by the National Centre for Vocational Education and Research (NCVER) and the Australian Bureau of Statistics (ABS), for indicators of future areas of growth, and regional organisations and foundations for economic indicators for the region. It also networks with members of the Community College sector to assess future markets for their programs. An example of how the College has used the information gained from research and networking is a new and successful accredited course in an area recently identified as requiring accredited training. This was a new niche market and has led to the College developing broader programs that have not only been successful but have had spin-offs into other general education courses.

Another provider is actively engaged in a wide range of local community networks and these provide an on-going source of information on opportunities for collaborative work, changing local needs and provide opportunities for promoting and re-positioning the organisation's image in the community.

Another college likewise accesses a range of sources including the ABS, local Council social plan, and local community organisations to track demographic trends and potential markets. However, they do not feel that their current approach is sufficiently effective because they have had to cancel several courses that were developed on the basis of information gathered through these sources.

One college illustrates how its knowledge gathering relies mostly on its internal intelligence and the research that the staff undertakes. For example, the Principal who has a special interest in technology, would monitor developments in IT bulletins, newspapers and websites and engage his staff in discussions about future development possibilities. The Principal commented that they could not engage in as much research and testing as a corporate organisation might, and they take a "good guess" approach to planning. An example of the college's response to knowledge gained about market needs is to identify and offer accredited courses in new and fast growing areas as an income generating initiative. They had been aware of the limited life of computer courses, and recognised the need to have alternative sources of income when the computer courses became no longer viable as a major source of fee income.

In all cases, the colleges draw heavily on the experts who deliver specialist courses for information about future needs and trends in those areas. They therefore try to ensure that they hire experts with current 'real world' experience to develop and deliver the VET programs. The principal estimated that they would spend approximately \$5000 a year on staff training, including participation at the annual conference of community colleges; some years, they have had some extra funding for additional staff training programs. He estimates that his college would invest about \$30,000 annually in cash and in kind for staff training and professional development. One Principal thought that they would spend approximately 5% of their budget on externally provided professional development programs, as well as a number of other professional development programs such as Learnscope, Reframing the Future, and workshops organised by the regional cluster that the college participates in.

The ACE partners who were interviewed indicated that in their view their local ACE provider had become more involved locally over the last few years. They also pointed to some of the efforts ACE providers had made to try to better understand, and reach, various groups of clients and their needs. Examples that illustrated the colleges' awareness of their community needs through local engagement were provided in both the VET and community learning sectors.

One college was praised for its patience, flexibility, and concern in working in a demanding bureaucratic system (juvenile justice) and developing a successful and effective program for young offenders. Another had worked closely with a local neighbourhood centre to reach people in a local community who were unemployed and whose needs had been neglected (unemployed females and males aged over 45 requiring access to develop their computer skills).

A medium-sized manufacturing company was pleased that it had recently worked with its local ACE provider to find young apprentices and trainees for the company, and to reach students at local high schools. The company said they had worked together on a solar car competition that ran in a number of local schools, and had involved high school students learning about solar technology.

A regional VET provider mentioned how a number of educational providers had worked together to promote their vocational education programs; they included the ACE provider, the local VET provider and a number of high schools in the area. In a smaller regional area the ACE provider had worked with a neighbourhood centre to run a buddy program to train volunteers to work with disabled people in the area.

A local shire council mentioned their joint efforts with their ACE provider to reach new and more remote parts of the shire and to try and engage young people and young mothers in educational or recreational programs.

Awareness of the implications for the organisation of the changes

There is some confusion among those interviewed about notions of accountability and this is more apparent as a result of the changes in funding from the NSW government. When asked to comment on who a College was accountable to, most Principals' first response was to say the Board of Adult and Community Education. It appeared that the financial accountability of reporting on how each dollar was spent was given highest priority.

When pressed the Principals would refer to accountability in terms of a relationship with their community, a very different concept of accountability. While the Principals will acknowledge a primary accountability to the community in which they are located, they were aware of the implications of the changes in their base funding from BACE. They express a view that the Board's funding jeopardises their capacity to meet the broader general education needs of the community. The term "survival" was used repeatedly in the interviews.

Although the principals were aware that they needed to seek alternative sources of funding for their survival, they were also aware that this may lead to options that could create tensions in meeting the educational needs of their community. For example, one Principal expressed the need to "develop a high profit area and that's what we intend to do"; however, he qualified this to say that any temptation to be lured into profit-making as an end in itself is tempered by his more conservative Board. He stated that although the pressure is to be stand-alone and independent of the NSW Government, the acceptance and establishment of the commercial side of the college operations have allowed them to refocus more strongly on the provision of equity courses. He said that over the last 5 years when they were building the College's financial security, the equity areas could not be a priority.

Some colleges responded most proactively to the changing environment. One college has a specialised business development unit that was established in the last decade in anticipation of the need to become more entrepreneurial in their operations.

Another, though perhaps less advanced in their commercial developments is nevertheless keenly aware of the need to achieve greater financial independence from the NSW Government in order to survive. Although now aware of the need to develop for-profit courses in order to sustain and indeed build their repertoire of courses that meet the needs of the community, the Principal expressed a view that the college was slow to really come to recognise this and that they and community colleges generally are not responding quickly enough.

For almost all of the organisations, a major part of their ongoing planning is a constant re-assessment of the implications of the changes that emerge and most, as a consequence, will modify their strategies two or more times each year as their circumstances change.

Capacity to pick up weak signals

The colleges need to be able to pick up signals both within their own immediate communities, and more broadly at the state and national policy levels. The viability of general education courses rely on the potential students having adequate disposable income; factors such as an increase in petrol prices could have a significant impact on course subscription and college principals seem to be closely attuned to such factors. The extent to which colleges have been able to respond successfully to these signals varies.

Some of the organisations studied were actively involved in key networks that "amplified" the signals. Others, however, were less proactive and relied on information through formal channels. In the latter case, they often found themselves facing situations that were already "faits accomplis" and this had meant that they needed to react to the situation rather than have been prepared for it.

Interviews with the ACE partners in this study confirmed that colleges were demonstrating a capacity to pick up signals about new client groups in their local community and they were reaching their needs. According to the ACE partners, they included groups from both VET and community based learning sectors including:

VET

- Young people seeking apprenticeships and traineeships;
- High school students interested in VET courses;
- Disadvantaged young people accessing child care training;
- Women taking on study to re-enter the workforce.

Community based learning

- Unemployed people;
- People from cultural and linguistic backgrounds;
- Juvenile offenders – addressing learning needs of juvenile offenders;
- Young mothers with children- often geographically isolated;
- Mature aged unemployed - for people aged over 45;
- Volunteers needing training to work with people with disabilities.

Awareness of alternative possibilities

In different ways the Colleges have been exploring, and where possible establishing, new course offerings in new fields, and new partnerships in recent years. This has occurred partly because Colleges see the need to diversify their programs and links, and partly because there is an expectation that government support for the adult and community education sector is weak and could remain that way. A common outlook expressed by the Principals is to achieve a greater degree of financial independence while at the same time they express a cautious note that the shift from public support to relying increasingly on commercial partnerships places at risk the availability of a broad general education and the provision of equity programs at a time when important issues that are non-vocational in nature such as environmental sustainability, racism and tolerance, English language provision as a means of assimilating new arrivals, understanding and appreciating Australian history are all critically important for Australia's immediate and future well-being.

A strategy adopted by a few of the providers was to build a core program around long-standing ACE offerings where they already derive a large part of their income from student fees and charges. Around this they are constructing a shifting collection of programs that may come or go as demand and need rise or fall. These programs are less certain as income sources in the long-term but provide them with a level of flexibility that allows them to respond flexibly to their environment.

