

ADAPTIVE ACE ORGANISATIONS:

Responding to uncertainty

Tony Brown

Andrew Chodkiewicz

Geof Hawke &

Keiko Yasukawa

Oval Research

January 2007

A Key Research Centre of the University of Technology, Sydney



NSW BOARD OF ADULT & COMMUNITY EDUCATION

Contents

EXECUTIVE SUMMARY	1
KEY FINDINGS	1
INTRODUCTION	4
THE BRIEF	5
OUR RESEARCH APPROACH	5
UNDERSTANDING “ADAPTIVENESS”	7
A FRAMEWORK FOR THINKING ABOUT “ADAPTIVENESS”	12
EXAMINING ADAPTIVENESS IN ACE PROVIDERS	13
KNOWLEDGE	13
STRATEGY	19
CULTURE	26
RESOURCES	29
CONCLUSIONS	35
RECOMMENDATIONS:	37
REFERENCES	39

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 organization 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 organizations 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 organizational 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 organizations, 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 organizations (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:

- | | |
|---------------------------------------------------|----------------------------------------------------------------------|
| • 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 organizations 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.

One college has a specialised business unit that has been established for more than 10 years. There is a key member of staff there who is experienced and entrepreneurial in approach, who the Principal can rely on to develop this side of the college operations. In contrast to another Principal who spoke of using a “best guess” approach, this college engages in intensive research of trends and opportunities, and came across as being one of the most strategic of the colleges. They have successfully identified new market opportunities arising from changed government requirements, tendered for programs that extend outside their regional area, are preparing for online delivery of new courses and are in the process of contemplating offshore delivery of the Training and Assessment Certificate IV.

One larger regional College embarked on a very different project when a funding application for a 12 month youth project was rejected. Dissatisfied with the short-term project funding that was on offer as a means to address young people’s needs the College decided to establish a Year 11 and 12 alternative school. The College successfully approached the Federal government for recurrent funding and now provides a high school education for thirty-six students who had stopped attending school and in most cases had stopped living at home.

Another smaller regional College focussed on providing accredited childcare training, which it considered was an area of expertise that it had, and was a growing need in its community of young families. The College worked to develop partnerships with local childcare centres and the childcare industry more generally.

The Principal of another college on the other hand found herself, somewhat unexpectedly, in the role of being an entrepreneur when she became the Principal. She said that she felt unprepared and with little accessible corporate knowledge to draw on. However, the college secured funding to engage staff in a change management process to envisage a range of alternative possibilities for responding to the changed environment. Although the alternatives that emerged out of the process, that is to set themselves up as a skills training “brokering” centre for local businesses, was unsuccessful, she found the process helpful in forcing staff to think differently about how the college needed to operate, that is that they did need to think of alternative possibilities.

A number of ACE partners had difficulties in commenting on the way ACE providers were changing or diversifying the range of their provision, because they felt they did not know enough about their provision. Generally, they felt better able to point to a number of niche areas where they felt ACE providers could move into. Among the suggested niche areas were:

- training of cross cultural staff in small Non-Government Organisations (NGO’s);
- training people involved in work for the dole programs;
- training for single parents /young mothers, to re-enter the workforce, following the federal government’s new Welfare to Work changes;
- training parents to help children with their homework - especially maths and English;
- continuous flow manufacturing techniques;
- communication courses for employees;
- leisure and quality of life courses - including those aimed specifically at retirees.

Awareness of the possibilities of existing capital and talent

All colleges rely on the existing talent of the college staff, and to some extent their Board members. One college, for example, has relied and built on the Principal's interest in new technologies to make a strong investment in software systems. Another college also has a staff member knowledgeable in the area of Information Communication Technologies and has relied upon him for advice and direction in related matters. Colleges also use the talent and expertise of Board members. For example, one college receives investment advice from the Board of Management in addition to their own research and professional advice they may seek. For some colleges, advice from the Board appears to be sought when they happen to be aware of people with interest or expertise in a particular area, rather than as a mutually agreed course of action. In many cases the College has benefited from this expertise however it is as often a fortunate circumstance and not one that is not necessarily the result of forward or strategic planning

All colleges are aware of the limitations of their own capital, although this varies, and the potential for sharing resources with external partners. The danger for all colleges is partnering with organisations that are equally resource poor. Some colleges commented on the difficulties of sharing classroom facilities with local schools because of the poor maintenance of premises by the latter, while some organisations own or are looking to purchase real estate and recognise the benefits of this arrangement in terms of raising their profile, but most significantly providing them with a financial base from which they can explore more innovative, and risky, growth strategies.

Strategy

The model identifies 9 strategies that adaptive organisations may exhibit:

1. A common vision/strategy
2. Clear leadership
3. Constantly open up new strategic growth opportunities
4. Continuously capitalise on innovations of products and services
5. Compelling visions as alternatives to dying strategies
6. Taking calculated risks
7. Rapid response to new opportunities
8. Flexible networking and partnering
9. Enhance strategic alliances

The extent to which these nine strategies are exhibited by community colleges will be examined.

A common vision/strategy

ACE centres now operate in a highly competitive education market. The creation of a private training market alongside public provision has led to the growth of a diverse range of adult and vocational education providers. Many are in specialist areas such as language schools, health and fitness, ICT, business services, workplace training, dance and the arts. In addition high schools, Universities and some TAFEs have moved into or expanded course provision in areas that once were the preserve of community education centres. Further ACE colleges find themselves in competition with non-education providers such as cinemas, theatres, sport, concerts and so on in the pursuit of adults' disposable income. This changing environment makes the need to understand a College's purpose and vision even more important.

The colleges that were part of this study were all able to outline a vision to meet their community's educational needs. They also had a broad common strategy, and that was to diversify their income source so that they could become independent of the BACE funding which they all felt was diminishing for many of the general education courses traditionally offered by the ACE sector.

Although all colleges noted that the number of accredited VET courses had increased in recent years, and that they had the capacity to generate more income than the general education courses, the colleges viewed cross-subsidisation from these VET courses to support the inadequately funded general education courses as an acceptable and necessary strategy. Their sense of accountability and commitment to the community through the continued provision of general education courses did not seem diminished by the lack of government support in this area. However, all colleges noted that they had to pay closer attention to the economics of running courses with low enrolments, and course cancellations due to low enrolments were not uncommon.

Within the organisations, there was usually a strong sense of united purpose. Both the core staff and the larger teaching staff shared a commitment to the organisation and the services it provides to their community. This was particularly the case for the organisations outside the major urban areas and those that were smaller. For these, the sense of community within the organisation was usually strong and was reinforced by frequent interactions in the array of community networks in which people participated.

Clear leadership

Interviews with the principals suggested that the leadership of the colleges depended very firmly on that which the principals could provide. Most colleges had only a small handful of fulltime staff so the concept of a leadership team does not adequately reflect the way leadership is provided in most of the Colleges. While many of the Colleges draw on the skills and expertise of a small group of 2 or 3 staff who make up a "management" group, the drive and inspiration for direction and change is predominantly provided by the Principal. Individual leadership underpins the idea and practice of leadership within ACE Colleges.

In one case the principal appeared to be somewhat taken aback at the amount of direction expected of him by his other staff who were relatively new, after having worked much more collaboratively with his former staff of many years. Another principal said that she felt the strong pressure to be an entrepreneur as one of the most central roles of the leadership position, and she devoted most of her time doing that, leaving the two program managers in the college to look after what the college "normally" does.

In a number of cases, the leadership of the organisation had recently changed and it was clear in every case that this signalled a significant shift in the organisation's priorities, focus and strategies. In most cases, the new CEO had been deliberately selected to lead change in the organisation to a more business-like and independent stance in response to their new operational environment. However, for some of these organisations, the expertise of the CEO in community linkages and development was an equally important quality.

One Principal was confronted almost immediately upon appointment with the situation that his College was insolvent. In response he moved to change the organisation's culture to one that was much more overtly business oriented. In order to achieve financial growth the College set new targets for cash reserves, invested in re-making the physical appearance of the classrooms and buildings, introduced a different mix of education programs including offering online courses, changed the culture of the organisation by introducing a business structure, introduced staff uniforms, focussed on developing new business partnerships with local commerce; an online enrolment systems, and specifically targeted enrolment brochures to replace the previous omnibus brochure. After five years the College has a healthy bank balance and has made an offer to buy its premises from the State government.

The Principal of a smaller regional College faced the challenge of bringing together two very different Colleges in a new merged organisation when one looked like it would have to cease operating due to falling enrolments. One College had embraced the vocational training opportunities on offer, the other had decided against becoming a Registered Training Organisation instead concentrating on servicing a discreet community in its catchment area. The challenge of bringing together these two cultures that existed at Board level and among the teaching staff was a challenge that appears to have been successfully managed.

Constantly open up new strategic growth opportunities

The Principals saw the need to be constantly opening up new strategic growth opportunities as a key to survival. This does not mean that all principals felt comfortable in this role. One principal said that she was qualified as an adult educator, and did not feel that being entrepreneurial came naturally for her, nor did she feel that was what she would ideally like to be doing.

The college that realised the opportunity to establish accredited training in a new area and deliver it offshore is a good example of a college opening up strategic growth opportunities. The principal saw a new area that could attract VET funding, and developed a course; this was followed by other courses in related areas. As one of the first colleges creating a market in this area, they are also developing an online version of the course. Another college likewise identified a new area of growth and was investigating the possibility of developing training programs for people in the industry.

In different ways, almost all of the colleges had recently moved into new program areas and were actively looking for new and emerging opportunities. However in almost all cases the scope for achieving significant growth is limited by the size of the organisation and the proportion of available funds at its disposal to take risks in areas that may not pay off. One, somewhat different approach, was the case of a provider whose linkages with other community organisations had led to it being able to win grants jointly with a range of other partners. Their involvement added an educational dimension to grants their partner might otherwise have sought but were now more attractive to the funding agency.

A number of ACE partners agreed that their partner college was being pro-active by, not only developing new relationships, but also seeking out new sources of funding. In one regional area, an ACE partner felt they had been successful in gaining funding so far, and that there was a great deal of potential for their local ACE provider to bid for various government grants at a federal, state and local level. They felt this was an important way of bringing these initiatives into the local community.

Most ACE partners commented favourably on how ACE providers had been increasing their marketing and promotion activities in the local community. Most mentioned the college brochures, flyers and mail outs about courses and programs and new initiatives.

A few ACE partners pointed to joint efforts with other education or training bodies to promote new initiatives, such as taking out joint advertisements with a number of educational providers in the area, or working closely with other community organisations to tap into their networks, groups and clients.

Continuously capitalise on innovations of products and services

Over the last 10 years, all colleges had invested in information technologies for their own administration, marketing and course delivery. One college had taken the initiative of developing a software product with the capacity to handle a number of the administrative tasks for the college, including online enrolment, payroll, payment of creditors and tutors, and provision of course information. They made this decision to give themselves a competitive edge, and were the first in Australia to have the capacity to conduct online enrolment. However, maintenance of the software became an increasing challenge for them, and they have overcome this by deploying the software to other colleges and going into a partnership with another organisation to undertake the ongoing support and development of the software.

All colleges have started to rely more on their websites to provide the information about their courses. Although one principal talked about the investment he made in the course brochure, others have found that the cost of producing and distributing the course brochures was becoming prohibitive. The other colleges were therefore phasing out the comprehensive brochures and devising ways of directing people to their websites for detailed course information.

Some other colleges had developed their expertise in multi-media and the internet and were now using these skills and the capacity they had developed to provide services to clients around Australia and, in one case, overseas.

Compelling visions as alternatives to dying strategies

All colleges are very aware of changes in government commitment to general adult education and are exploring alternatives that might strengthen their organisational sustainability. The strategies that the colleges are using to realise their vision of providing for and responding to community need are varied. Some seem to rely primarily on securing profitable accredited courses that can cross-subsidise the general education provision.

For others the recent funding trends have sharpened their focus on staying more connected with the most disadvantaged groups of the community. One college, for example, has been making a concerted effort to network with non-profit organisations such as Neighbourhood Centres and migrant centres to work with them to deliver courses that meet the existing needs of refugees and other groups most in need of basic English language, computer and pre-vocational programs. The principal saw the need to work with local community groups and seek funding from local businesses and clubs to raise the college's credibility and profile locally so that they can meet the needs of disadvantaged groups in the local area, including provision of free English courses.

And others have looked to develop more commercial linkages. One college is clearly organised around the need to have a strong business development arm, and has a manager whose role it is to manage the business training initiatives of the college.

The ACE partners were generally positive about the way their local ACE provider had been adapting to change over the last few years. A number said they could only comment on what they had observed from their relationship with a particular course or program, while a few had a broader view because of their wider involvement with both the college and other education and training activities in their area. One service manager pointed to the local college successfully linking up with local high schools, the local council, the local RSL club and partnering with another community college in the area.

In most cases the ACE provider was seen by its partners as changing for the better, and becoming a stronger local educational organisation. Their comments included:

it has become a strong organisation in the area.

they've been very active in their engagement with us and with the (local) community.

it is being very responsive to changes in the community and in government policy.

Thus ACE partners commented positively on the way ACE providers were extending their links into the community and the range of organisations they worked with locally.

Taking calculated risks

All colleges are aware that their entry into tendering for courses and being entrepreneurial carry risks. While they are not unaware of the risks, their capacity to assess and manage the risks in informed ways is limited. Many of the principals have a background as adult educators, not as business entrepreneurs, and feel that the imperative to act as entrepreneurs has been imposed upon them without the support in training or additional staff with the necessary expertise. Thus the colleges rely on chance access to people with financial and business expertise, such as people on their Board or some contact they have in their local communities. Others have responded by, recently, selecting leaders who bring that expertise into the organisation.

Although the risk analysis and assessment that principals spoke about did not suggest a high level of sophistication, each had some underlying principle that gave some guidance to what risks they would take, and what they would not. For example, one principal said that she generally approached government departments, rather than the private sector for running accredited training because the public sector organisations would generally have a greater understanding of the contexts in which the college was entering business arrangements with them than the private sector. Another Principal said that wherever possible, she would try to establish partnerships for running accredited courses with organisations that were likely to continue to need the courses, and to become their favoured provider.

Colleges are taking greater risks as funding is cut further. One college is contemplating developing courses that would be run interstate. Although the financial incentives are high, they are also aware of the challenges to ensuring quality delivery for interstate courses. For many colleges the effect of any reputational damage due to failure in quality assurance of offshore or interstate programs is probably still unknown.

Another aspect of risk-taking by ACE providers is noted by their partners. As well as developing a range of more co-operative and collaborative local relationships, according to a few ACE partners, ACE providers were becoming involved in real competitive relationships with a number of other educational providers in their area – especially as they moved into some new areas of both VET and community based learning courses. These were seen by some of their partners as risking the traditional social purpose of ACE provision.

A VET partner in a regional area felt that by moving into vocational courses, such as nursing and teacher training, the local college was moving into an area that was already well served. They also expressed concerns that the college may be introducing risks on the quality of courses and helping to drive prices down:

it's a crowded (training) sector here...there are lots of private RTOs...its when they (the college) start to mirror private RTOs and start to be aggressive and drive prices down that I get concerned.

Several partners also suggested that ACE's expansion into new areas posed threats to the partners themselves because in some cases, those areas were traditionally their territory. In these cases, there is a tension between the the notion of partnership and competition.

There was also concern in another region that ACE providers were losing their role in the provision of courses for the local community, by no longer offering some community based learning programs and by being forced to charge too much:

our philosophies are moving away from each other...(with some courses) they have had to make sure they would make money on them and not run them anymore for a social purpose.

There was also concern in another region that ACE providers were losing their role in the provision of courses for the local community, by no longer offering some community based learning programs and by being forced to charge too much:

Rapid response to new opportunities

Traditionally ACE Colleges have been noted for their responsiveness to their communities and are recognised for their ability to respond to new and emerging trends and needs within their community. Principals recognise that they operate within a competitive environment both within the education sector generally as well as among adult education providers. Colleges now routinely undertake strategic planning however at times the ideal practice of planning for the immediate and mid-term can be thrown off course by unanticipated pressures arising from the short cycle of program delivery and external factors, factors such as a downturn in enrolment, a rise in petrol prices or interest rates, or a clash with big events such as Olympic Games or World Cup. The aim to be responsive to community need and the pressure to react to immediate pressures creates a planning tension for ACE Colleges and shapes the commitment and confidence in planning within the Sector. It is these pressures that leads Colleges to adopt a more reactive response rather than one of planned adaptiveness.

One principal commented that the three year strategic plan that the college prepares goes out the window in practice because the opportunities are not known ahead of time, and when they emerge they have to respond immediately. Another Principal highlighted the need to not only respond quickly to new opportunities but to be aware of how other competitors are responding. She mentioned that in one instance they did not foresee the effect of increasing competition on a major tender and therefore did not restructure their own pricing to remain competitive; this meant that the funding from this source dropped significantly this year.

Indeed for most of the colleges, the pressures on them to respond rapidly are such that their, usually annual, planning cycle now only provides them with overall guidance. One organisation has responded to this by instituting regular strategic reviews throughout the year. Even this, however, has not precluded them taking on new opportunities that were not a part of their planning horizon only a few weeks earlier. "Flying by the pants" was that principal's description.

Flexible networking and partnering

Almost all colleges mentioned the role that networking and partnerships play in the work that they do, and in all cases there were examples of working partnerships that ranged from working with other community organisations, other education providers, local state and federal governments, and with local business and industry. A distinction was made between informal networks where staff met to exchange information, collaborate and learn from each other, to more formal partnerships that were often determined by formal contracts.

Some examples, such as the small regional College developing a specialisation in accredited childcare, or the larger regional college's concentration on developing local business partnerships, or the inner city College that has developed award winning programs in equity education highlight that decisions about partnerships are now being guided by strategic thinking rather than because 'it seemed like a good idea'.

Many of the partnerships are formed around equity related programs. For example, one college had partnerships with charities, TAFE and a migrant association to jointly develop a number of programs including English programs, an accredited program for people with disabilities, and a community leadership program for women and girls. Other examples included a College entering a partnership with a youth justice centre to deliver a program for young inmates; another College jointly secured extra government funding to offer English language, computers and goal setting courses by partnering with a local organisation in a project to assist refugees; while another has close ties with its local DET regional offices.

In the regional areas, more than in the metropolitan areas, there is a greater tendency for colleges to network with each other and to explore opportunities to pool their resources together. One metropolitan college principal saw that this approach was going to be increasingly necessary for them as well.

While all Colleges could point to successful partnerships the extent and depth of recognition of ACE within communities remains a question confirming earlier research on the extent of ACE recognition among employers. (McIntyre 1995, 91) Some Colleges are clear that they only want to partner with a small number of organisations to make those relationships most effective and beneficial; others point to the staffing and time costs involved in developing partnerships that have an uncertain return and potentially can be a drain on the College's resources.

Enhance strategic alliances

The college principals were all seeking to develop strategic alliances. What was “strategic” falls into two categories. One is the type of alliance that would secure an additional income stream, hence partners for offering accredited training programs. Many colleges are finding themselves entering fields that go beyond the traditional areas that they had been offering programs in, for example training for the security industry.

The other type of alliance is that which helps the colleges to better understand and meet the needs of their communities. Hence, many of the alliances are with local community organisations whose alliance with the college gives the college greater credibility in their own community. However, these are often alliances among under-resourced organisations, and their ability to implement the programs of mutual interest rely on the cross subsidisation made possible by the first type of strategic alliance.

In some areas, the range of potential alliances is constrained by history and local politics. In the case of one organisation, the community had been polarised around the issue of the introduction of non-TAFE providers of accredited VET some years ago and this continues to restrict the organisation’s capacity to work with local industry groups and with TAFE.

Culture

The literature suggests that organisational culture plays a critical role in the adaptability of organisations. In particular, we have focused on four specific features:

1. A culture aimed at growth
2. Acceptability of the diversion of resources from one activity to another
3. Culture shift from excellence to opportunity-driven
4. Continuously work on corporate culture and break down barriers to change

A culture aimed at growth

Most of the ACE providers examined in this study did not see growth, of itself, as a primary objective. Continuing to grow in order to build additional resources and a stronger foundation be able to service its community was however an important focus. Some saw growth as one possible strategy for sustaining their place in their community but did not see this as an end that over-rode their primary focus on providing the services that they believed their community wanted and needed.

One of the providers interviewed said that they had deliberately sought to expand their range of offerings as a means of trying to ensure that, as needs changed over time, they would have a “cushion” against the possibility of a sudden downturn in demand. However, a number of the organisations observed that, in a somewhat similar vein, they had invested in both technology and staff to respond to the substantial upturn in demand for IT programs some years ago only to find that now they had facilities that were under-utilised.

Others indicated that, while they often extended their program to cover new areas of need, they were careful not to do this at the expense of their core offerings. This core program was seen by many as one that, while it may evolve over time, nonetheless remained their “raison d’etre” and, thus, their primary focus.

The danger of chasing growth was illustrated by two organisations that had, some years ago, won contracts to provide large publicly-funded program across its region. In one case the program, while quite lucrative, placed such demands on the provider that it came to dominate its profile. Indeed the organisation was unable to offer many of what it saw as its core programs because it now lacked the accommodation to do so. There was considerable discussion in the organisation about how this should be handled. In the other case the newly appointed Principal saw that the Job Network program the College had been involved in for over 3 years was losing the College money and so he gave notice and shut the program down.

Acceptability of the diversion of resources from one activity to another

The degree to which these ACE organisations accepted the need to divert resources from one area to another varied both across the organisations and, within them, on the specific programs involved.

As with the case reported above, some organisations regarded parts of its offerings as core or fundamental and diversion of resources from these was seen as something to be avoided. In other cases, however, the organisations accepted readily that, given their limited resources, it was necessarily the case that new activities could only be introduced if other more established activities declined or ceased.

However, the most common position observed was that organisations would only consider introducing a new area of activity if it brought with it its own, additional sources of funding. One of the organisations participating in this study had, over recent years, been able to establish a core set of activities that were reasonably stable, mostly self-supporting and that involved a group of teachers who formed a cohesive and mutually supportive team. This stable core provided the base from which it was able to engage in a range of new initiatives in collaboration with other partners. These additional activities were funded either by the partner or, often, as a result of a joint application for funding. Such activities may or may not run over years depending on the availability of the external support, but they represented an ongoing collaboration with a loose network of other community agencies.

In some cases, there was a strong enough commitment by the college to meet the emerging English language needs of particular disadvantaged groups in the community that free courses were set up that were cross-subsidised by other income generating programs.

The rationale behind diversification as a strategy for cross-subsidising the core community based programs were not always evident to the ACE partners. A few ACE partners noted their view that ACE providers were moving away from the community education provision and 'sacrificing parts of the community', especially those people and groups in the community who were unable to afford to pay the higher fees colleges needed to charge to run a course.

we worry about those who can't afford to pay (the course fees)...the government and funding bodies don't see the value of bringing people together...the value of the social content.

In these instances, it appeared that the reasons for the strategies employed by the providers to address the same concerns about equity and meeting core community needs were not understood by their partners, and could therefore require some further explanation between the ACE provider and their partners.

Culture shift from excellence to opportunity-driven

Few of the organisations in this study would wish to be involved in a shift of focus “from excellence to opportunity-driven”. Indeed, all are strongly committed to maintaining the highest possible standards for all that they do. Rather, many of those we interviewed expressed concern that the pressures under which they were increasingly operating made this focus a difficult one to maintain.

Many, however, also accept that their behaviour now is much more “opportunity-driven” than has been the case in the past. Most of those we interviewed were able to give examples of numbers of recent cases where they had identified a potential opportunity, had developed a proposal in response and had been successful in gaining additional funding to support their extension into a new area of activity. Some examples of this included providing training support within a more comprehensive program targeted at people with disabilities, developing multi-media resources for various community organisations in the area, and developing new self-support programs for separated or divorced fathers.

These “opportunities” are, in most cases, of fixed duration and subject to competitive tender. As a consequence, as one Principal put it, “... we have to regard these as providing great experience or chances to develop new skills, form new networks and the like. It would be irresponsible, though, to rely on them.” This sort of view reflected a common perception that the future of ACE organisations would involve a carefully balanced mixture of a core of programs that were reasonably enduring and predictable and an, often changing, mixture of short-term activities that were the result of a combination of community demands and the availability of external funding.

Continuously work on corporate culture and break down barriers to change

For most of the ACE providers in this study, corporate culture was not seen to be a driving issue. Rather, most of the organisations involved a very small core of ongoing staff and a large pool of sessional and casual staff whose identification with the organisation varied according to the extent of their involvement.

Most of the Principals interviewed did not see internal barriers as their primary concern. Their staff were, in the main, a cohesive group who shared common purposes and goals. Nor, typically, were there issues of culture or differences of direction between the employed staff and their Boards or Management Committees. On the contrary, there were usually clearly understood and observed complementarities of role that provided the organisation with a sense of purpose and direction while freeing it to be responsive to emerging needs when required. One informant described the Board as “providing an important and useful reality check when my enthusiasm gets the better of me”.

The greater issue of culture faced by most organisations was that it was an ongoing challenge to achieve a new image or standing within their community. A number noted that, as they extended the range of activities with which they were engaged, they experienced resistance and confusion in some key sectors of their community as “this isn’t what we’re supposed to do”. One, for example, had experienced strong opposition from employers and others in the area when they sought to expand their vocational programs. This was seen to be the role of TAFE, industry RTOs and employers, but not ACE.

Among the key factors in adapting to a changing environment that were mentioned by ACE partners were:

- being responsive and building on their knowledge and links to the local community;
- the ability to work with partners;
- being able to access funding to run programs;
- concentrating on their community base; and
- balancing the need to earn money and service the community and the issue of costs and charges.

Being responsive and building on the knowledge of and links with other education, training and community based organisations, was an important factor in how well an ACE provider could respond to change:

the college is being very responsive to changes in the community and government policy... they are being as responsive as much as they can be.

Also important was the ability to work with other educational partners:

they need to understand how to co-operate and work together ... it's important to work together, not against each other, even if we are still competing.

A major concern among ACE partners in the community sector was their ability to continue to find funding to run established or start up new programs – especially to access various state, federal and local government funding initiatives. One neighbourhood centre said:

a lot is dependent on what funding is available... and we are not sure what happens if the college doesn't have money to run the courses.

Concentrating on its role and connections within its community base, rather than moving more into vocational education and training, was seen as a key to future success in one regional centre:

they are from a community base ... that's where their main focus should be...and they do have a place in the secondary school market... [to provide] the non-vocational but special interest programs, that are adding to human capital in the community.

Balancing the need to earn money, while still meeting the wider learning needs of the local community, was also seen as important. This was linked to the cost of courses, what ACE providers charged, and who would be able to access courses:

across the board the cost of courses is an issue .. they are being pushed into offering vocational education and training courses... I am concerned about the costs they would have to charge ...it would leave a large number of the community who couldn't afford them and couldn't access them.

Resources

The use of resources, human and physical, by an organisation is also an indicator of its adaptability. Following from our analysis of the literature, we've organised the following discussion around these nine indicators:

1. Promote and mobilise human talent and creativity
2. Build connectivity within the organisation and with partners
3. Encourage diversity, risk-taking and challenging views

4. Promote learning from experience
5. Establish clear guidelines on what is not to be done rather than directing what is to be done
6. Develop structures based upon integration not compartmentalisation
7. Incentive systems that reward learning and adaptation
8. Manage finances conservatively
9. Maximise effective and efficient use of resources

Promote and mobilise human talent and creativity

The staff of all the ACE providers included in this study were seen by management as being their key resource and as such, were valued and supported. However, few of the organisations had the capacity to take the more active developmental role with the staff that they would wish. Wherever possible, the Principals indicated that they gave teaching staff opportunities to engage in new areas of activity but none indicated that they were in a position to fund staff to undergo training or other development activities.

Indeed, one commented that: "We're very lucky, really, because we benefit from the learning and development that many of our staff undergo in other employment or at their own expense. To a very large extent, most of the new areas we take up are the result of one of our teachers suggesting that this is a trend we should cater to, or an emerging need that they've recognised from other areas of their life."

It is probably fair to say that the organisations more commonly react positively to recognise and reward talent and creativity, rather than them having taken a pro-active stance to promote and develop it. One example was where an organisation had been offering fairly traditional IT programs and, seeing them in decline, discussed the likely need to scale them back with their teachers. One, who was very keen on new technologies, had taught himself skills in web design, interactive graphics and the like. He was offered the chance to advertise a course in the area and, when he had many takers, decided to run the course around a common project of making a promotional DVD for the local council's youth section. This was so successful that the organisation has been approached by other organisations to do something similar for them, and they are now developing this as a new area of activity in its own right.

Build connectivity within the organisation and with partners

A feature of the way ACE providers have been delivering their courses has been their involvement with other educational and community service organisations across their region – in particular neighbourhood centres, local councils, schools, and other community organisations.

For most of the organisations studied here, the focus, from the providers' perspective, was on building networks external to the organisation. This, however, was not seen primarily in terms of building and maintaining close, ongoing relationships. Rather it was aimed at building an extensive network of mutually supportive community organisations that might, should the opportunity arise, be able to form a partnership to bid for funding that becomes available and/or to take the initiative to seek funding for an emerging need they've identified.

Most of the organisations focused their partnership building on other community organisations or on other public sector agencies. A few, for example, were building strategic relationships with their local DET regional office.

Very few had found that there was much latitude to build relationships with commercial organisations other than for one-off training programs. Even these were not common although this was not for lack of trying.

From the ACE partners' perspective, many of these relationships have been based on the ACE provider accessing facilities and working with these organisations to publicise and promote ACE college programs or courses. ACE partners said that the nature of these relationships had been changing most in two kinds of educational provision - VET and community based learning programs. They indicated that from their experience, their ACE provider had been moving from just having links (where they accessed facilities in the local community), to more co-operative and collaborative efforts (where they had been working more closely with other local organisations) to develop and deliver a range of both VET and Community learning programs with other educational and community organisations in their area or region.

A number of the ACE partners in this study indicated that they had been working with their local ACE provider over a number of years - usually on a specific initiative, program, or course - which was often driven by their joint success in finding and obtaining funding. According to one neighbourhood centre manager:

The only problem is that our collaboration is dependent on grant funding... we need it otherwise we can't run the program.

The relationships had often had developed over time and once established were able to stay in place for one or a number of initiatives over a number of years. Often the relationship developed from the ACE provider hiring a facility or being on a local consultative committee or an organisation's board. They suggested that as an ACE provider sought to develop and extend their provision, they approached organisations in their area to work together to develop new initiatives or to both develop and run a joint course or program.

In some cases it meant the ACE provider delivered a particular course or set of courses, while in other cases they became the organisation the partner turned to for any initiative that included a training component.

A few partners mentioned that they had selected their local ACE college to meet a specific VET or community training need. For a regional manufacturing company, they offered training in particular areas they could not provide themselves:

we provide most of (our) in-house training as we need it ... our relationship (with the college) is growing ... its not a formal one... its an emerging relationship.

For a government agency on the other hand the ACE provider was judged best in providing language and literacy courses:

we found the college was the best at delivering (a number of) courses and they have been very good adapting to working in our environment.

For one neighbourhood centre, the relationship had developed to the point where the ACE provider was like their ongoing training partner:

we see them as our RTO which means we can apply for funding with them to run other education programs.

Encourage diversity, risk-taking and challenging views

There is no difficulty within most of these organisations for challenging or opposing views to be heard. Indeed the very nature of most of these organisations involves an approach to debate that is open and forthright.

On the other hand, most of these organisations recognise that they exist from year to year “on a knife’s edge” (a Principal) and thus take a more conservative stance when it comes to risk-taking and to spreading their resources too thinly.

One of those interviewed described their situation as being one in which “we can’t afford to take too many risks. This doesn’t mean that we don’t try to do new things, just that we’re very cautious when we do and we don’t try to do too many new things at once. If something works we’ll keep it and then, perhaps, try something else new.” Another observed that “we’d only need to have one real disaster and we’d be history”.

So for most of these organisations, a little risk-taking is seen to be essential and desirable, but the total level of risk needs to be kept to within a level the organisation can absorb. The result is nearer to one of evolutionary change rather than to a more entrepreneurial risk-taking culture.

Promote learning from experience

As noted earlier most of the organisations have a process of regular and ongoing strategic review. Some are particularly focused on using their experience to refine and redirect their decision making.

There was no evidence of any of the organisations actively resisting the lessons of experience. More at issue was their capacity for analysing and understanding those lessons. Some were very open to change and keen to use their learning to enhance and develop their focus. Others were more constrained by their history and their understanding of their mission. For example, one had put a number of initiatives to its Board over recent years but the Board had not seen these as consistent with their understanding of “what we do”. In another case, an unsatisfactory experience of trying to develop a commercial strand of its business in the recent past has not had any discernible influence over the organisation’s entry into a new commercially-focused arrangement.

Establish clear guidelines on what is not to be done rather than directing what is to be done

The regulatory framework in which most of these organisations’ accredited training operates does not permit them to adopt this approach in its fullest sense. However, most of these organisations rely strongly on the integrity and professionalism of their teaching staff. Thus they are not organisations that micro-manage their activities, as with so much else of what we have described, these organisations seek to establish a fine balance between guaranteeing their regulatory obligations on the one hand and providing for a flexible, responsive and appropriate teaching and learning environment. This sort of tension is a defining characteristic of the management context of these organisations.

Develop structures based upon integration not compartmentalisation

For most of the organisations involved, their size is such that this is not an issue. However, for a few, the accumulation of changes over recent years has led to internal compartmentalisation. One, for example, established a position specifically dealing with the compliance costs associated with its status as an RTO (a substantial part of its activities). This position has become so focussed on that function that it now has little to do with the organisation's non-accredited courses or other activities. The organisational structure there is currently being reconsidered and as yet there is no clear indication of how this might develop in the future.

Incentive systems that reward learning and adaptation

While there has been a significant shift towards fixed term contracts and performance-based remuneration systems for the central employees of these organisations, this is less the case for their teaching staff. For this group, more traditional forms of employment continue to be the norm.

The general view expressed by these organisations was that their financial position offered little scope for any significant use of financial incentives and, that they had found that a significant proportion of their teaching staff are engaged in these activities for intrinsic satisfaction rather than external reward. Most Principals reported that they would love to be able to motivate their staff by providing training and similar incentives but simply can't manage it within their budget framework.

Where the organisations have been able to provide social opportunities for their staff their motivation has been more concerned with community building than rewards.

One innovative initiative was in the way that a college engaged their sessional teachers for accredited courses. The college found that because of the competition for good teachers between it and other training organizations including a nearby TAFE college, they would engage the teachers earlier in the planning and programming stages and then at the end in the evaluation stage of each course. In this way, the teachers are engaged for longer with the college, earn income additional to the delivery of the courses, and provide valuable input into the planning, evaluation and continual improvement. The college found that this gave incentives for the teachers to continue to work with this college, and gave the college greater stability of staffing as well as the ability to implement more effective quality processes.

Manage finances conservatively

All of the interviewees demonstrated a strong commitment to a conservative financial management strategy. Most indicated that there were checks and balances in place to ensure that there was external oversight of financial transactions often in the form of a Board sub-committee or a designated director.

It was noted by one organisation that, "almost all our non-fee funding comes to us from some form of public purse and all of these funding bodies have strict accountability requirements that often don't allow us to operate with a surplus. When, sometimes, we do accumulate a surplus, there is no thought of spending it. Who knows, next year we might be operating at a loss, or, suddenly, some long-standing funding source might disappear. These surpluses are important to allow us to survive until we can find some new direction."

Maximise effective and efficient use of resources

All of the organisations were very conscious of the importance of making the most of the resources to which they have access. The challenge they face, however, is how they can develop strategies to achieve this in the context of financial uncertainty they experience. One organisation, for example, spoke of the issues it faced in most effectively utilising its accommodation when many programs require some degree of specialisation in fit-out or layout but the programs may only be operating on short-term funding arrangements. It has managed to deal with the situations through the creation of multi-purpose rooms that can be used for programs with quite different needs. However as it was noted "this has been a real turn-off for some commercial clients who had wanted us to run fee-for-service programs for them but didn't want then to run in what looked so much like a makeshift operation. One of the managers said 'We want it to look schmick, as well as being good'.

There was a suggestion from some of the ACE partners that ACE providers had to put more effort into their work with other community organisations to ensure they did reach those who were not as well off:

they need to look at more ways of partnering with other (community) organisations to reach the more disadvantaged parts of the community.

By working together with such organisations, the costs of running courses and what had to be charged could be kept down and made more affordable for groups in the community.

ACE partners said that delivering a range of both VET and community based courses, was still seen by them and their community as a very important part of role of ACE providers; it was a valuable way of contributing to the local community. It was something that distinguished them from other education and training providers.

Summing it up one manager in a regional centre said:

I like dealing with them because its not always about the dollars...they have undertaken some projects with us that don't make a profit...its part of their charter...which is to return things and enrich the local community.

Conclusions

This study into the adaptive characteristics of ACE organizations confirms what has been known about community based adult education for many years, that is that adult and community education providers are responsive to their community, flexible in that responsiveness and able to quickly adapt to new interests, demands and opportunities.

The information gathered from ACE Principals and a selection of partner organizations shows that colleges are adopting different ways of adapting to their changed circumstances that reflects their different environments, different communities, different organisational structures and traditions and different leadership approaches.

Viewed one way these educational organizations can be seen as constantly working on new ways of meeting an important need in the national education and training framework. The national data collection shows the scale of this effort, which is being achieved under difficult financial pressures.

While some of the providers in this study were more financially sound than others, all were — in commercial terms — highly vulnerable to small-scale fluctuations in the local or wider economies. Their financial exposure was made more serious by the continuing uncertainty about the size or character of any public funding they might be able to expect.

A noticeable change during recent years has been the arrival of new 'leaders' in the field. Where once ACE Principals had been primarily educators or former school-teachers moving into adult education management, Colleges in recent years have appointed professional managers to run a business. Inevitably this has meant new strategies and business procedures have been introduced in the field. However there remains an important continuity with the past and that is the reliance on the Principal/leader to set directions, establish and continue community partnerships and networks; build and cohere small team of educators; be accountable for financial management; set or guide marketing directions and introduce new technology to support innovation. The Principals continue to operate with a very small number of support staff and take on a large responsibility in getting the direction and settings right.

There is another way of assessing the position that the ACE centres find themselves in, and that is a question of their ongoing viability. Adaptiveness is not a simple pervasive concept, it derives from its context, and the context for the large majority of ACE colleges is that they are organizations existing on the edge. The factors driving adaptiveness and shaping its particular expression in ACE centres can be identified as:

- changes to the community sector in general as the state's role has been reduced through outsourcing and privatisation. A corollary of this shift has been the state's greater role in directing and monitoring the provision of services delivered by community agencies. This has also had the effect of leading community organizations to adopt more business-like methods
- the long term impact of the user-pays principle has led to a reduced ability to deliver equity provision as general fee based courses become more central to providing income replacement, and hence a search for quick-fix course offerings that can attract new business to offset loss of income elsewhere
- the policy context in which ACE operates has been in constant change (e.g. there has been a consistent shift in the priority of vocational programs over other areas of adult education) but the implementation of many changes has been unpredictable and episodic with the effect that ACE providers have little or no capacity for long-term planning

