

Keeping afloat: how ACE organisations adapt in uncertain times

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Abstract

This paper reports on research exploring the adaptiveness of providers within the NSW Adult and Community Education (ACE) sector. It examines how a number of ACE centres understand and apply adaptiveness and considers the contexts that they operate within. The research, sponsored by the NSW Board of ACE, sought to identify how ACE centres adapt in the context of substantial changes in their operating environment over recent years.

The literature on adaptiveness is replete with overlapping and interacting terminology such as ambidexterity, agility, learning-centred, generativity, resilience, and sustainability, to describe an organisation's responses. The different ways organisations respond to change can be seen as falling within one of five approaches - co-ordinated, planned change; reactive change; disaster recovery; pre-emptive response to a changing environment; and sustainability over time.

How then might we understand the concept and practice of adaptiveness as it applies to ACE providers, especially given the often competing expectations placed on centres by their clients and their funding providers? The researchers developed a model of distinct but overlapping factors - Knowledge, Culture, Strategy and Resources - and conducted interviews with a selection of ACE leaders and community stakeholders. Drawing on this framework the paper outlines ways the providers are adapting within the constraints of current funding arrangements.

Introduction

The Adult and Community Education 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. In particular, they have needed to act more like businesses than hitherto.

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. This paper is based on research sponsored by BACE (Brown et al 2007).

We begin with a review of the literature on adaptiveness, from which we distilled a way of characterising forms of adaptiveness and a model of the factors affecting adaptiveness. We then provide a brief description of our research methodology, and present our findings from our field research with seven ACE colleges and their partners, and discuss these findings using the characteristics and models derived from the literature review. Finally we draw some conclusions about how adaptiveness in the ACE sector can be characterised, and what implications this presents for ACE and for policy directions.

Understanding “adaptiveness”

The concept of adaptiveness is a relatively recent one in examining 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 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 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 organization 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).

Following Senge, Stephan Haeckel set out the ‘sense-and-respond’ concept of adaptive business design in 1992, further elaborating on it in *Adaptive Enterprise* (Haeckel 1999). He 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 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. Gibson and Birkinshaw 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 argue that organisations need to simultaneously develop structural and contextual ambidexterity (Gibson and Birkinshaw 2004, p.209). Denton suggests that while rigid rules, regulations, routines, and strict lines of authority can help maintain organisational order, systems must provide the support for individuals to act and think independently. The more characteristics an organisation draws on the more adaptive they are, and what gives added value is where those characteristics are interrelated (Denton 1998, p.84).

A number of recent studies of education and training organisations are similarly seeking to identify characteristics associated with organisational adaptiveness relevant to the Australian context. These include examining changes to the organisation of work, the composition of the labour force, and modes of employment, and the particular impact they are having on vocational and adult education providers and the services they provide (Hall, et al. 2000). Similarly the impact of what is described as ‘merging 'bottom-up' initiatives with 'top-down' strategies’, is being investigated (Figgis, in progress). Others have posited a model of sustainability for VET organisations that has three core organisational characteristics - innovative, adaptive and networked (Landy and Fitzgerald 2004). Mulcahy reports on the changing character of work within VET organisations, and suggests that what might be called innovative VET management is directed to creating conditions for the convergence of commercial and social/community values (Mulcahy 2003).

Toner and his colleagues concluded that Group Training Organisations (GTOs) were ‘highly adaptive and responsive’ to a changing policy and commercial environment (Toner, et al. 2004). Growth in their operations over the past decade are presented as evidence of this. 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. Their findings touch on concerns that are relevant to the broader mission that ACE has traditionally espoused.

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 vary greatly 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; ambidexterity; agility; learning-centred; generativity; sustainability; resilience; and emergence.

These different approaches 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. 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 argue this is a necessary development to counter the lack of forward planning in a “learning organisation” approach (Vogelsang 2006). Others (such as Rahi 2003) simply argue that the methodologies developed in biology 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 (e.g. Epstein 2003).

The key feature that characterises all these approaches to adaptability (or 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).

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.

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. While based largely on studies of for-profit firms, we have reorganised these, based in part on Hamel’s model (Hamel & Valikangas, 2003) to provide a set of factors that we believed to be meaningful in the specific context of ACE.

Table 1: Draft model of factors affecting adaptability

KNOWLEDGE	CULTURE
Awareness of what is occurring in the environment and of the implications for the organisation of the changes. Awareness of alternative possibilities	A culture that is aimed at growth and accepts that this may mean the diversion of resources from one activity to another. A culture that is opportunity-driven
STRATEGY	RESOURCES
A compelling vision/strategy based on clear leadership and which constantly opens up new strategic growth opportunities. Taking calculated risks Flexible networking and partnering within strategic alliances.	Promote and mobilise human talent and creativity Maximise effective and efficient use of resources

Research method

The first phase of the project reviewed published research, policies, official statistics and documents. This provided background and informed the development of a conceptual framework used to capture, describe and analyse the relationships and dynamics of adaptive ACE organisations.

The second phase consisted of data collection and analysis. Semi-structured interviews were conducted with the Principals of two metropolitan (one 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 partners nominated by the college principals. These included a medium sized manufacturing business, a local council, a government agency, a TAFE college, and two neighbourhood centres (one regional, one metropolitan). Their data provided a cross-check on the information provided by Principals.

The Principals and partners were interviewed in order to identify instances of how they were adapting to the changes they had experienced. The data was examined with

reference to the framework, and key themes and conclusions about the characteristics of adaptiveness in ACE colleges were derived.

Findings

Knowledge

Nearly all the colleges in the study 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 delivering accredited training offshore; and four 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.

The most profound change experienced by the colleges, and commented upon by all Principals, was the decreased BACE funding, historically the most significant funding source outside student fees. The Principals expressed a strong sense of accountability to their local community and believed that the funding changes jeopardised their capacity to meet their community's general education needs. This made it imperative for the colleges to be able to pick up signals about threats and opportunities both within their own immediate communities, and more broadly at the state and national policy levels. The extent to which colleges had been able to respond successfully to these signals varied. Some organisations were actively involved in networks that "amplified" the signals, others were less proactive and relied on information through formal channels. In the latter case, they often faced situations that were already "faits accomplis" forcing them to react to situations rather than being prepared for them.

One regional College typified a systematic approach to knowledge and information gathering. It had regular meetings with the local business community to identify their needs, sought out information about broader contextual trends from research reports, used statistics and regional organisations' research for indicators of future areas of growth for the region. The College had used this information to develop a new accredited course in an emerging niche market that had also led to spin-offs into other general education courses. This level of research was not possible for smaller colleges, and for those colleges, some initiatives were based on taking a "good guess" approach based on information that was not gathered in particularly systematic ways. In all cases, the colleges drew heavily on their networks of experts for information about future needs and trends in their areas.

The colleges have been exploring alternative approaches to program provision. A strategy adopted by some 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 around this construct a collection of subjects that may come or go as demand rises or

falls. These programs are less certain as income sources but provide a level of flexibility that allows them to respond flexibly to their market.

One larger regional College embarked on a very different project when an application for a 12 month youth project was rejected. Dissatisfied with the very nature of short-term project funding, and in particular as a means of addressing young people's needs the College decided to establish its own 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.

Strategy

The colleges all had a commitment to meet their community's educational needs that reflects the distinctive nature of the sector. They also had a broad common strategy to diversify their income sources so that they could become less dependent on BACE funding. They viewed cross-subsidisation from VET courses to the inadequately funded general education courses as a necessary strategy. Their sense of accountability and commitment to the community through the continued provision of general education courses did not seem diminished by declining government support in this area.

The Principals saw the need to constantly search for new strategic growth opportunities as a key to survival, reflecting a change in the way some Principals saw themselves. One 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.

While almost all of the colleges had moved into new program areas and were actively looking for new and emerging opportunities, in almost all cases the scope for achieving significant growth was limited by the size of the organisation and the proportion of available funds at its disposal to take risks in areas that might not pay off. Thus all colleges were aware that their entry into tendering for courses and being entrepreneurial carried risks. However, the Principal's capacity to assess and manage the risks in informed ways was limited and they relied on chance access to people with financial and business expertise, such as their Board members or contacts in their local communities.

Colleges were taking greater risks as funding was cut. As well as developing a range of more co-operative and collaborative local relationships, the providers were involved in real competitive relationships with a number of other educational providers in their area. As one partner observed – "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."

Principals acknowledged the role that networking and partnerships had in the work they did, and pointed to 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. 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 had developed award winning programs in equity education highlighted that decisions about partnerships were now being guided by strategic thinking rather than because 'it seemed like a good idea'. What was "strategic" fell into two categories. One was the type of alliance that would secure an additional income stream, and some colleges were entering fields that went beyond their traditional areas of activity.

The other type of alliance was that which helped the colleges to better understand and meet the needs of their communities. Alliances with other local community organisations could give the college greater credibility in their community. However, these were often alliances among under-resourced organisations, and their ability to implement programs of mutual interest rely on the cross subsidisation made possible by the first type of strategic alliance.

Culture

The ACE providers did not see growth, of itself, as a primary objective. Continuing to grow in order to build additional resources and a stronger foundation to be able to service its community was however an important focus.

Few of these organisations would wish to be involved in a shift of focus "from excellence to opportunity-driven". Indeed, all were strongly committed to maintaining the highest possible standards, yet many expressed concern that the pressures under which they were operating increasingly made this focus a difficult one to maintain. However, some also accept that their behaviour is now much more "opportunity-driven" than had been the case and are able to give recent 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.

Resources

The staff of all the ACE providers were seen by management as being their key resource and as such, were valued and supported. However, few had the capacity to take the more active developmental role with the staff that they would wish. The Principals indicated that where possible 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."

All 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. One noted 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."

The challenge they faced was how to develop strategies to make the most of their existing resources in the context of the financial uncertainty they were experiencing. This emerged as a particular problem in refurbishing accommodation to meet special learning needs or to meet the expectations of commercial clients.

Conclusions

The information gathered from ACE Principals and a selection of partner organisations 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 organisations 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.

A series of cuts 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. Some simply collapsed, others have merged with neighbouring colleges. In some regional areas the number of community education centres has halved, while in some metropolitan areas some colleges have moved into absorb colleges that have ceased to exist with, in some cases, the surviving college covering a large geographical area and moving beyond what would previously have been considered serving a defined community territory.

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 organisations adapting in a very challenging environment. In this context we can conclude with some general observations about the framework of factors affecting adaptability and its relevance for ACE organisations:

- *Knowledge.* There is limited and filtered knowledge of overarching policy development and wider market opportunities. There is however good knowledge of local circumstances and opportunities within the provider's community. Therefore the range of choices available to the ACE organisation is often constrained.
- *Culture.* There is no inherent resistance within the Colleges to adapt, and this is a positive aspect of ACE organisations. What is more the case is the context of insecurity and uncertainty that has created an approach more oriented to survival rather than innovation or growth, which are aspects of the organisation's culture but not its core concern.
- *Strategy.* In such highly uncertain and variable environments ACE organisations can't really strategise other than to be as responsive and flexible as possible. This is very evident in the area of risk management where the predominant concern is around the loss of government funding, but not on for example the loss of a CEO, failure of the online enrolment systems or loss of critical databases; or a crisis affecting local partnerships. A planning process is common yet the resulting plan is something that too often 'goes out the window' as it cannot sustain or withstand the pressure of a changing environment
- *Resources.* The lack of resources for most ACE centres is so acute that many struggle to even invest in the resources they have, such as staff, facilities, and technology. In this situation it is perhaps wisest that ACE centres are generally risk averse rather than risk takers as their ability to absorb any loss is extremely limited and it is one more factor limiting the scope of their adaptiveness.

While the ACE colleges currently exhibit positive examples of adaptive behaviour it would be more accurate to describe them as highly effective survivors and opportunity takers. It is doubtful they could be anything else given the lack of certainty that surrounds them as organisations.

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