

## VTA State Conference 2015

### Theme: Leading Transformational Change

#### Organisational Transformation: Chisholm Case Study

17 July 2015

Thank you Tracey for the opportunity to address the complex topic of organisational transformation.

I am pleased and privileged to talk about Chisholm's story, our journey, one that we are still on, and to share our experiences. I am sure it does neither fits the text book blueprint nor the theories about transformational leadership. We did all the things you read about and know you should do: we had a clear, relevant strategy to guide us; we planned well; and we tried to implement as best that we could and not lose our momentum. But it is more than that. Our story is one of courage by all involved, of staying true to a vision, coupled with a realisation that we needed to adapt to the policy changes.

A lot of what I am about to say might appear to be self-evident; however, this story is about how it is all put together and the will with which transformation is undertaken. You have to be really focussed and, in this case, we were really focussed on education and training. But we also were guided by a reality check, i.e., we needed to focus on being a sustainable education organisation, so that we would be strong to fulfil our commitment to our communities, to industry, and other partners through the delivery of quality education and training. We believed that to fulfil this vision, we needed to control our destiny and not have it decided for us. Such was the climate at the outset of the reform.

We think we have done a good job at Chisholm in recent times, but I can tell you quite openly that it has been a long journey. And that journey continues. So this case study sits squarely in the middle, it has preconditions; it does have consequences; and further change is in the air.

I have to turn back the clock for you now to the middle of 2012.

Prior to that it is not a secret that Chisholm had some turbulent times.

But by early 2012, we had moved from being an Institute at risk to a TAFE Institute that was, we believed, quite well positioned in the market. The Board had developed a strong strategy, we had lots of students and we were finally in a solid financial position, but not wealthy. Just as we were complimenting ourselves and taking a deep breath at having got out of the woods, came the introduction of a contestable market and the Victorian Training Guarantee.

The Government policy had the effect of shifting the market and its directions, and gave us some early warning signals about our future place as a TAFE Institute if we didn't pay attention. We had to do some soul searching and try to understand the nature of the competitive market and our capacity to succeed. We had to inspect who we were and where we were headed. The conclusion was obvious: we had to transform our business, recognising that we had started the process, but now it would have to be brought forward. And this was not going to be easy, but we thought we had time.

And then the second component of the policy position called Refocusing Vocational Training was announced in May 2012.

There were further interventions in the competitive environment, changes to government subsidies, tuition fee flexibility and an immediate bottom line reduction for Chisholm of over \$30 million. I'll repeat that, over \$30 million out of a \$ 140, 000 million business.

This combination left us in no doubt that our course delivery, revenue, students and staff would be affected. We had to plan our way through this and the business transformation program that we were working on was dramatically brought forward. In that program we knew we had to do the same with less; now we had to do more with much less. We also had to firmly remind ourselves why we were there: teaching and learning for our communities.

We couldn't afford to wait and test the market. We had to absorb the immediate loss and, furthermore, we did not have the reserves to sustain consecutive losses. We needed to review and reposition straight away.

I have to pause for a moment and give you one of my perceptions about Chisholm that is probably only available in hindsight. At that time we had strong pre-conditions for getting this right.

- We had a strong and supportive Board, with a will to preserve the community service role of a TAFE Institute and to focus on our principal purpose, of providing teaching and learning
- We had talented people in key positions who worked well as a team and who were neither cowed nor bowed by the prospects that we were facing
- The team had a strong belief in Chisholm and its future success. They also appreciated the urgency and the importance of what they were doing, particularly as it would affect our staff and students
- We were not afraid to seek advice and to engage consultants to provide a considered opinion on what we were proposing
- We had a broad planning approach. This was about a whole Institute and not just a forensic examination of our finances. We needed a new way of operating, of keeping our educational purposes front and centre. We had to put customers' needs first.
- It look leadership at all levels of the organisation
- We communicated openly, honestly and frequently with our staff. We were courageous and made tough calls. What shone on each occasion was our commitment
- The majority of staff joined the journey. They made not have agreed with all of the decisions, but they were passionate about what the organisation represented and joined the journey

We also recognised that we could not continue to be all things to all people. We had to make decisions to transform Chisholm and we had to do this in a way that our stakeholders could understand.

So what did we do?

We developed a strategic response that recognised the impetus for transition and a way forward. We purposefully decided to fast track our reforms, to deliver as broad a range of

training programs as were sustainable and to commit to an organisational restructure to position for growth.

We also needed a framework against which we would make clear, relevant and robust decisions that were defensible within our community.

We had to make decisions about courses that operated in thin markets, which are prevalent at Chisholm. Most people believe that thin markets only affect the regionals but I can assure you that they exist in metropolitan Melbourne.

Retail is a good example. There were umpteen providers in the region; the subsidy price was very low; they were offering incentives or zero fees, neither of which we did; and we did not have the flexibility in our products to compete without some investment. Our decision to suspend delivery was simple and straightforward.

Aligned to our strategy and our areas of excellence, the flagships, we deliberately decided that we wanted to continue with the courses that were related to the local industries and economy and that took longer for skills to develop or were associated with high cost facilities. If there was to be a market edge for Chisholm, it would be found here.

We had to do much more than that in terms of our approach and strategy. Who were we going to be? A cut down version of what we were previously or a bold, new Chisholm that knew what it wanted to be. We decided on the latter. We were not going to look back; we were going to look forward. Our strategic analysis of the market showed us the way and made a compelling case for restructuring and for the supporting initiatives that would enable success.

How can you possibly be thinking about innovation in the middle of a transformation?

Remember that our initial strategy is to restructure in order to position for growth, and growth we believed could not be driven by doing the same old, same old. Our focus is still teaching and learning and the initiatives that will make us successful in a reformed market.

At the time, the middle of 2012, we highlighted the local market, in particular youth, networked campuses, Chisholm Online, and centralising customer service innovations as part of our future. We have implemented each of these and more student centric product innovation and flexibility.

These changes have equally exposed things about Chisholm's operations that we could not address at the time and that involved future innovations. This remains a focus for Chisholm now and into the future.

But let me bring back our strategic response.

To remain a strong TAFE, we planned that course restructuring would drive growth and would underpin the development of financial sustainability. We needed to rebuild our core business model.

So we brought forward our training profile forecasting that looked at the markets, student access and characteristics, delivery expenses and revenue, delivery models, community or industry significance. We contracted price sensitivity analyses. Each course and delivery location was inspected according to the criteria we had selected. We did not move away from these as they provided a bedrock that was free from individual preference and opinion.

We were forecasting delivery scenarios and translating these into human resource and financial plans over a three year time period. It took many iterations before we could settle on what we believed could offer maximum benefit to our students and staff. And then we tested our conclusions with our mentors and consultants.

We did not remove courses from our scope of registration; we suspended operations until we could assess the impact of the reforms on the overall market in the coming year. We also did not close any of our campuses for much the same reasoning. We decided that we needed to continue a service delivery profile to our local industries and communities until it was demonstrated that it was not needed. However, we did have to make staff redundant, as the financial loss to the Institute of the reforms was significant.

I would advise anyone approaching this type of transformative exercise not to underestimate the skill, time and energy that it will take. It is expensive, and tough on the people involved. We spent six months working solidly towards a repositioning within the market and into a future. We felt drained at the end of it, and then had to gather the energy to implement the changes.

It takes a strong Board, a strong team and the commitment of your people to do this.

## SLIDE 7

As you can see our business transformation spanned 2011 – 2014.

Chisholm undertook an extensive examination of all aspects of its business, and I mean all, which culminated in three financial scenarios based on differing market responses.

We had to plan for a 32% dip in Government-funded revenue, a 70% increase in student tuition fees, an 18% dip in total revenues, organisational realignment and the redundancy of staff.

We did not have the time all of the theories tell you need to plan for effective transformation. I often think we were asked to execute our version of the 3 minute manager, that's the 6 minute transformation led by a half minute CEO as I hadn't been in the role long. But we had strong leadership across the institute and we had a strong will to succeed.

The numbers were frightening, but we had a plan, a new business plan based on an Institute that was willing to fight and to move into a commercial context. And we did.

Now we had to move forward and focus on the things that mattered to our business. Once again we captured this in our strategy.

This is our Board's current strategy. It articulates the strengths of how we got there and what we need to do going forward.

We took the term GPS but gave it our own spin: growth, people and systems. Our GPS at clear direction.

Supported by our Board and central to the transformation was Chisholm's drive and public commitment to deliver high quality responsive education and training. We understood that it would always have to be a balance between meeting individual and industry needs in educational terms and financial sustainability. We were a public institute and proud of it. We still are.

We also had to learn our lessons and retain the things that worked for us.

## **How do you work in a contestable market?**

One of the first lessons was that we had to continue with the good practice of analysing our business and not slip back into the ways of same old, same old. This would lead us on a journey of serious culture change, a journey we are still on.

Chisholm was now operating within a commercial market, with the responsibility to determine its program, pricing and positioning. High-level commercial forecasting is assisting the transformation to a more autonomous commercial model. The Institute conducts three-year commercial forecasts for every revenue stream, and this feeds into the Chisholm Strategy, the Financial Plan and Business Plans. We have had a major focus on diversification of revenue and forming enduring business, industry, education and other partners and having a local, state, national and international footprint.

All training programs are underpinned by market research and market intelligence, defining industry and individual skill needs and aligning to areas of the market where there are job opportunities and skill shortages, as well as looking to the future needs of industry and what skill needs and occupations may emerge.

We now design products to meet client, student and industry needs, not ourselves, offering flexibility and delivering excellence across all training and support services, from entry level training to tertiary.

Now I would have to say that it is not all a bed of roses and this is a space where culture change is most needed.

Business decisions are made within a risk and sustainability model that we know is successful. This operating model ensured that Chisholm was able to grow enrolments through a strategic and targeted business development program that focused on industry needs and client requirements. Its aim is to diversify revenue streams and reduce reliance on government funding over the longer term.

So we are moving from focussing inwards to outwards, from inputs to outputs, in keeping with our belief in a strong, reputable education and training Institute that has integrity, something that gives value to Chisholm awards and will do so for a long time.

## **What of the results?**

We have met all of our Board KPIs in relation to revenue, salary, maintenance and reserves, leaving the Institute with a net operating margin of 16.53%, the highest in the state.

In 2014, as with 2013, Chisholm was described as a low-risk TAFE Institute and was one of only two to make a profit for the year.

These are great achievements, ones we are proud of, but at the end of the day we need to be good at the reason we exist – **education**.

In our business model we strive for educational excellence, education that is at the cutting edge; strengthening access and equity; offering a holistic learning experience relevant to our cohorts' needs; providing opportunities in industry, pathways, jobs and driving and enhancing a student centric approach in everything we do. This is a must as we build on the transformation and evolve as the market demands.

We were recognised as both the state and national large training provider because I believe we successfully balanced educational and business imperatives through a transformational process.

Our people are our success.

For our staff, Chisholm's redesign and realignment of its entire operating model cut to the core of many of our staff's beliefs, but we needed to get them on board. We needed them to understand the impact of the change and pull together to make the transformation successful.

To align Chisholm's people culture with its strategic aims for Chisholm, we implemented a clear strategy that defines the drivers of the Institute's culture. An Accountability Framework created a defined set of performance expectations for all employees. In 2013 that framework was embedded in all people and development investment initiatives including leadership capability and opportunities for employees to develop these, new position descriptions, reward and recognition programs, manager and talent training programs, and recruitment and talent attraction.

The impact of the organizational restructure, whilst supporting the financial and commercial imperatives of the Institute, presented challenges when realigning organizational culture to adapt to a shifting market environment.

The **iMatters** Communications and Engagement Strategy was critical to supporting the culture change and transformation process that the institute was undertaking. The communication strategy was formed on key principles of clear and consistent messaging and enabling an engaged, responsive and collaborative workforce. A workforce that needed to understand where the Institute is going and was committed to their part in the Institute's success.

GPS has mobilised staff to embrace reform, to go on the journey. This is one of the hardest things to do in an organisation; but it is easier when they can see the success, can recognise the opportunity and are acknowledged for their contribution to the Institute's transformation and success. We remain committed to strengthening our people, supporting them through change, having ongoing open and transparent communication, building a skilled workforce for the future, building leaders, talent and succession and having a continued focus on reward and recognition aligned to performance and behaviours

Chisholm's program of building human resource capability continues; it remains the best thing about Chisholm and remains one of its ongoing challenges into the future

We cannot claim that the changes are continuing to deliver the benefits that were immediately available in 2013.

The market has changed again and there are new policies, and ever more providers within our principal catchment. We are learning how to adjust to the market more quickly than we have in the past and our staff are more adaptable and resilient. However, the culture change is slow.

It might be said that, as an Institute that has managed to cope with the impact of the significant financial cuts of a few years ago, we don't really need the money. I want to correct you of that misperception immediately.

Like all providers who have significant and expensive assets, we struggle with renewal and investment in them, our systems, business process enhancement, in our learning resources and in new technologies. We know that we would like to invest at least twice as much annually in our staff capabilities, learning resources, systems and facilities. For that we must make a profit.

So the journey continues.

We did a lot of learning in those very difficult and challenging times a couple of years ago and we have benefitted from our willingness to face and make the tough questions. We think that we might have hit upon the formula for Chisholm at that time. Our formula would not necessarily be a best fit for the next Institute, it is not saying we are right and know it all, but it suited us.

When I look back I would say that the transformation relied upon:

- Keeping our focus on our heart beat, our core, education and training
- Having a strong Board
- Understanding the balance between our core business and financial and organisational sustainability
- Innovative product to be responsive to industry and create a skills workforce
- Bringing together a dedicated and committed team
- Communicating with the staff, frequently and openly
- Using all advice and some dispassionate decisions
- Sticking with the agenda once decided
- Strengthening a student and customer centric responsive approach
- Product review, its innovation in delivery and product type

Once you have decided, you have to go with it.

What of the future?

Chisholm is very fortunate, we have a skilled and strategic Board that brings to every meeting a keen sense of where it wants Chisholm to be.

Even though we have transformed, the market continues to rapidly change and this moves us further along our journey and compels us to address our strengths and our weaknesses. I will suggest that what will differentiate Chisholm into the future is the quality of our products for all students and our partnerships. We invest in our people to realise this, another key investment.

Like all the TAFE Institutes, we must continue to be driven by being commercially focussed, and a readiness to operate differently. A focus on course design, student choice, partners and quality products will lead to growth and we need to convince the market that these are important.

We have maintained throughout that we will not compromise our brand or our reputation, and in fact, I think it is enhanced. Collectively, this needs to remain a focus and a message for us as public TAFE providers.

Our Minister wants to build a stronger vocational education and training system – one that gives Victorians access to high-quality training that develops the skills they need to get the job they want and also builds employer confidence in the skills and expertise of our workforce. TAFE can lead this and service the job needs of our local communities and industries.

This has been Chisholm's story so far, when you read about transformative workplaces, the message is not what you did; it's about the way you did it, and most importantly your people.

I will leave you with a final thought:

*Transformation cannot bring you back to yesterday; it can only bring you into tomorrow, if you are prepared to go there.*

Thank you