EY

Building a better working world

Learnings from Australian TAFE Transformations

Approach

Our brief included examination of key trends and **transformation case studies** of relevance to NZ polytechnics

This involved a collection of one-on-one interviews with **Tafe CEOs** along with analysis of their transformation approach and initiatives

Our research was also supplemented with insights from a range of **local engagements** across providers and government clients

Australian organisations that are shaping our views

- Commonwealth Department of Education and Training
- ACT Education and Training Directorate
- State gov Department of Education and Training
- Department of State Development, Business and Innovation
- Advanced TAFE and Gipps TAFE Strategic Advisor Project
- Royal Melbourne Institute of Technology (RIMT)
- South West Institute of TAFE
- Box Hill Institute of TAFE
- University of New South Wales (UNSW)
- Australian Defence Force
- Northern Territory Department of Trade, Business & Innovation
- New South Wales TAFE
- Western Australia TAFE
- Queensland TAFE
- University of Tasmania
- Melbourne Polytechnic
- Southern Australia TAFE

Dos

- Embrace technology and digital media for content, engagement and internal analytics
- Remain updated on courses, offerings, technology and industry needs
- Focus on regional and industry partnerships
- Provide greater autonomy to individual institutes
- Consolidate institutes and staff to improve cost efficiency

Don'ts

- Duplication of products and services
- Red tape mechanism and slow decision making process
- Focus on commercial outcomes to the detriment of quality of offerings and education
- Loosing focus on market and students because of internal complexities
- Institutes working in silos without synergy amongst each other

Case studies

State TAFE system: Case for change and key transformation initiatives

Challenges	Initiatives	Key Observations
▸ Government Policy Change ▸ Demand driven model ▸ Need to go digital ▸ Centralised Strategy ▸ Develop modern relevant skills	▸ **Revenue growth and Diversification** – grow external (non government) revenue ▸ **Staff reduction and cost saving initiatives:** Operational efficiencies – FTE reduction of 700 (25% of total work force) ▸ **Campus rationalisation and cost reduction programs** – enhanced campuses training facilities ▸ **Digital and online:** Target digital courses, develop help resources, focus on data warehouse and analytics	▸ Cost optimisation and consolidation ▸ Centralised Governance ▸ Adoption of new learning models and programs ▸ Customer focus and addressing workforce needs

Regional TAFE: Case for change and key transformation initiatives

Challenges	Initiatives	Key Observations
▸ Declining Student enrolments ▸ Funding model changes ▸ Increased Competition ▸ Asset maintenance	▸ **Integrating governance and management practices** – Structured partnership with neighbouring institutes ▸ **Preserving identity** – Each site/ campus retained its separate trading identity ▸ **Commercial autonomy and removal of legacy operations** – Improve South West TAFE identify, usage and commercial value ▸ **Regional and industry partnerships** – Regional TAFE focuses to establish an effective regional support and maintain a long-term relationship with institutions	▸ Rationalisation and focused courses ▸ Industry partnership ▸ Putting the student needs first ▸ Business model re-invention

State TAFE: Case for change and key transformation initiatives

Challenges	Initiatives	Key Observations
▸ Lags competitors on convenience, ▸ Large centralised structure ▸ One strategic focus ▸ Challenges to simplify enrolment systems ▸ Challenge fo respond to local needs ▸ Further improve marketing	▸ OTEN Success: Open Training and Education Network (OTEN) supported more than 105,000 enrolments in around 320 courses in 2015. OTEN is the largest provider of distance education in Australia ▸ State wide branding and recognition: Centralisation of State TAFE assisted it to make it state wide brand recognition and increase its strength	▸ Centralised systems like State TAFE can become very complex to be governed from the top ▸ Challenge in providing independence to institutes: Complex organisations can benefit by allowing decisions to be made at the lower levels where an issue can be addressed effectively

Metro TAFE: Case for change and key transformation initiatives

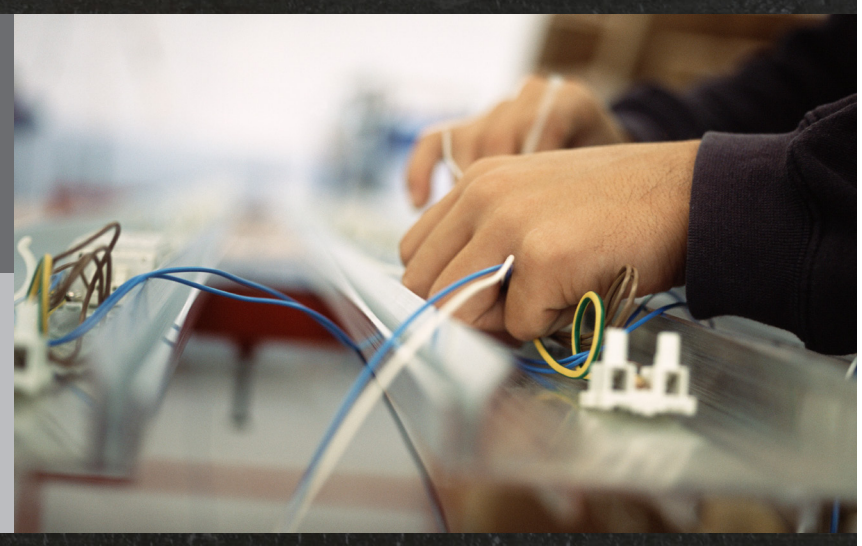
Challenges	Initiatives	Key Observations
▸ Financial ▸ Increased Competition ▸ Brand and strategy ▸ Decline in Enrolments ▸ Competitive disadvantage	▸ More efficient business structure ▸ Creating a more financially viable business model was a key priority within the Metro TAFE transformation agenda. To this end key reforms were initiated in 2014 including the introduction of a new faculty and services structure that is more responsive to student and industry needs ▸ Develop new relationships with industry, government, and other external business groups, analyse and respond to market trends ▸ Develop and implement strategies to grow Institute Accredited Courses (short courses), VETiS programs, and other commercially targeted training ▸ Single brand ▸ Rebranding as Metro TAFE in 2014. Up until that point the only campus that had been fully branded as Metro TAFE was Prahran while all other campuses and training centres had continued to run under the NMIT banner	▸ Clarity of purpose ▸ Focused on student outcomes ▸ Industry connected ▸ Organisational effectiveness ▸ Innovation ▸ Continue to stabilise cost and improve efficiencies

Several forces are strongly influencing Polytechnics around the world

Increased competition
Traditional and new non-traditional competitors will disrupt the Polytechnic market to attract students

Digital and technology disruption
Traditional, digital and hybrid delivery and operating models are being disrupted by technology and digital

The future of work, demographic changes
Changes in the future of work, globalisation and demographic changes, are impacting strategic change



Less public funds
Public funds are declining, and Polytechnics are reviewing strategies to be less reliant on public funds for sustainability

Higher student expectations
Students are requiring more from Polytechnics, i.e. increased quality, facilities and work experience

Increased demand from communities
Communities are more engaged. Lobbying and requiring more from Polytechnics i.e. attracting industry, and creating jobs

Our research has revealed that six critical success factors are emerging as the basis for a modern sustainable Polytechnic

Critical success factors

Sustainainable business model
- Rationalise portfolio of B2B, B2G and B2C market. Rationalising assets in regional areas to increase effective use
- Dedicated fully digital offerings through their digital delivery strategy

Exceptional customer and student experience
- Enhanced campuses, migration to an industry hosted model. Industry collaboration to improve pathway to employment
- Significant focus on digital strategies to enhance Student experience

Quality training and effective governance
- High quality controls and check to verify accreditations. Continuously working with government to increase quality standard

A more focused, commercially viable and market relevant offer
- Delivering courses that are profitable and scalable
- Dedicated analytics team to monitor which courses are cost efficient, scalable and profitable
- Focused digital offer in direct response to market needs

Commercially minded, diverse, industry relevant and agile staff
- Challenging and training staff to keep up to date with industry developments. Recruitment strategy to attract more commercially focused teachers maintain right balance between teaching skills
- Strong union and staff engagement to optimise staffing, workforce profile matching and campus rationalisation.

Effective Industry, Community and Government engagement
- Through effective stakeholder engagement able to re-invent their business model, effective industry and community collaboration
- Effectively negotiated with the Unions to optimise FTEs and negotiate retrenchments

Where to from here?

- How will any change in the polytech sector enable industrial and economic growth in NZ?
- Should NZ further centralise the polytechnic sector and how should they do it?
- What approach should be taken for industry involvement?
- How to properly serve shallow regional markets?
- How do we consolidate institutions without having impact on local economies?
- How do we progress with digital and is it ready?
- How do we best address the need for asset utilisation and infrastructure renewal?
- How do we decide what skills to invest in?

Bios

Ben Bishop
Partner, Education
Transaction Advisory

Ben is a partner in EY's education practice. Ben supports governments and tertiary organisations to make major capital and funding decisions, particularly around education funding models, campus / infrastructure development and the costing of education policies. Ben has led funding and structuring advice to public and private clients on major projects in Australia, UK, Europe, the Middle East and the Americas.

More recently, Ben led the advice to the NT Government on the modernisation of its Vocational Education and Training funding model, developing an evidence base to asses skills demand and supply and investment prioritisation. The advice covers funding model redesign, a skills funding model to target education investment and developing an investment framework to target the funding to the skills needs. Ben has also advised Jobs Queensland to provide future scenario forecasting of anticipated skills needs and economic modelling of employment in industries and occupations at the State and regional level. Ben Supported the South Australian government to model the impacts of the closure and consolidation of TAFE campuses.

Andrew Sprague
Director,
Strategy and Education Advisory

Andrew is a Director in EY's Strategy practice. He is recognised for providing strategic advice to government and business relating to complex and strategic matters.

He has deep experience in the Education sector including working extensively in the VET / Polytechnic sector regarding student, operational, strategic and policy issues. Andrew also brings extensive knowledge of international strategies in this area.

More recently, Andrew has developed strategies for a range of TAFEs from large metro/state level to smaller regional providers; developed VET sector strategies and operational plans for state governments; and provided advice to industry bodies and companies regarding skills acquisition, and the changing nature of work and strategies arising from digitisation of their business.

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