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# Building organisational capability the private provider way

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# About the research

This paper, presented at the 2008 annual conference of The Australian Council of Independent Vocational Colleges, summarises what we know about building capability among the VET sector's private providers.

Its insights are based on a comprehensive program of research, *Supporting VET providers in building capability for the future*, conducted from 2005 to the end of 2007. The research explored factors which enhance or inhibit vocational education and training (VET) provider capability.

Private providers are numerous, usually small, and diverse. Individually, they aim to create unique goods and services which provide features or benefits of superior value for their customers, especially in niche markets. They are the 'boutique stores' of the VET sector and are, collectively, significant providers of vocational education and training.

## Key messages

> To remain successful, private providers need strong and effective partnerships with their clients. They also need to build partnerships with other organisations and external people who have expertise which can complement and add value to their business, and with whom they can build a sustainable and productive relationship.

> Their capability relies on developing and maintaining a stable and uniform organisational culture. This requires effective leadership, good recruitment and induction processes, and a work culture which makes use of other peoples' skills and knowledge, and provides a rewarding working experience likely to attract new employees.

> Their human resource management (HRM) practices are relatively informal and flexible. This flexibility bestows a real advantage over public providers. Nevertheless, private providers are very vulnerable when they lose key staff or make poor recruitment decisions.

> When they grow, they risk changing the culture which has made them successful. They also risk losing the flexibility their informal and flexible HRM processes have given them. Growth may require the introduction of more formalised processes, but these must retain as much flexibility as possible.

The research program on building VET provider capability contains many useful insights for private providers. However, those of particular relevance are Smith and Hawke (forthcoming) on HRM practices, Hawke (forthcoming) on workforce development, Callan et al. (2007) on leadership and Clayton et al. (forthcoming) on VET provider cultures and structures.

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## Investigating private provider capability

Since early 2005, a team of 16 researchers has been examining the factors which affect and help build provider capability. They have focused on a wide range of issues, including leadership, organisational culture and structure, human resource management, workforce development, and how VET providers can create an environment to enable their staff to learn effectively through their work.

The team has used a number of lenses in researching this range of issues. One of the most important of these is provider type. This paper draws out the messages for private providers: an under-researched but very significant component of the VET sector.

To set the research findings in context, I will discuss the issue of organisational capability and then consider some of the features which characterise private providers.

Next, I will summarise what the research has said about private providers. In particular, the paper focuses on the critical factors which maintain and build capability. These include the ability to work in the broader VET environment, as well as creating the right internal environment through good leadership, human resource management and career development opportunities. Together, and along with appropriate staff recruitment and retention practices, these create an effective and rewarding workplace culture. However, one of the really challenging times for private providers in maintaining and building their capability comes if their business grows. This is especially so when this growth is rapid.

In concluding the paper, I want to focus on a few key messages and ways forward that seem sensible, given what the research is saying.

## What is organisational capability anyway?

What really underpins and affects organisational capability is a difficult concept to define. However, trying to understand the concept better offers insights into how providers might work most effectively—always with the understanding that each organisation operates in its own particular way and within a unique environment.

Building capability is about increasing an organisation's capacity to meet its goals and build the business. Organisations do this by effectively coordinating and managing their various resources, including:

➢ the 'tangible'—like their financial and physical resources

➢ the 'intangible'—like their reputation and culture

➢ the 'human'—that is, the leadership and management skills of their senior staff as well as the specialised skills and knowledge of other staff and the way they all interact, communicate and share knowledge.

Staff hold much of the corporate intelligence of the organisation in ways that are hard to replicate through sets of policies and procedures. Linking and integrating peoples' skills and knowledge through their relationships and an organisation's processes is central to building organisational capability. Capability is therefore more than just the sum of the parts; it is the value that gets added because of the qualities of the people that are there, the work processes in place, and the effectiveness of the ways they work together.

Its staff are, therefore, a provider's most important resource. They are the basis on which its capability is built. Without capable people—supported by the right organisational environment— providers cannot be capable organisations.

Improving capability also depends on the extent to which learning is part of the organisational culture. Organisational learning processes require critical reflection, continuous improvement and sometimes organisational renewal. They include being flexible, innovating, taking risks and allowing mistakes. They also require effective teamwork and leadership within and across the organisation.[1]

The first phase of the consortium's research identified common approaches to improving organisational capability, including enhancing industry connections through improved client focus, collaboration and strategic alliances, working in partnerships that ensure provider collaboration rather than just competition, and increasing flexibility at both the whole-of-organisation and work-team levels (Clayton & Robinson 2005).

Clayton and Robinson (2005) also pointed out that the keys to improving organisational capability are to focus on: workplace learning and workforce development; meeting client needs through flexibility in delivery and customisation; effective strategic planning; using relationships and partnerships effectively; quality, quality improvement and accountability; and being committed to innovation and excellence. The subsequent research has strongly validated these approaches (see Harris, Clayton & Chappell 2007).

So what are some of the key characteristics of private providers? And to what extent do these contribute to, or affect, their organisational capability?

## What are the characteristics of private providers?

As Sir Winston Churchill might have observed of research on private providers: they are 'a riddle wrapped in a mystery inside an enigma'. The fact is, very little research has been done into them as a group—although some have been the subject of case studies in a range of research projects and programs.

What we know about their characteristics comes mainly from the national study of 330 private providers by Harris, Simons and McCarthy published in 2006 but based on 2003 data. This study tells us the following information:

➢ They are, collectively, very significant providers of VET training.

➢ There are a lot of them—over 3000 (NCVER 2007a).

➢ They are very diverse in their make-up and offerings—and include adult and community education providers, enterprise-based providers, industry organisations and commercial training organisations. This also makes it very hard to generalise about them. They are far less uniform a group than public providers.

➢ They are generally small. According to Harris, Simons and McCarthy (2006), approximately half of their sample had fewer than 100 students, while around 76% of private providers employed 20 or fewer staff in total—whether full-time, part-time or casual. They display many of the characteristics associated with small business operations

They are generally regarded well by industry clients. For example, a report published by the Australian Industry Group (AiGroup) in 2006 suggests that employers view private providers as flexible in response to their needs and willing to tailor training and offer it at convenient times and locations. Nevertheless, the NCVER survey of employer use and views (NCVER 2007b) shows that:

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[1] One of the consortium's facts sheets—*Organisational capability: What does it mean?*—discusses this issue in greater detail.

➢ 76.8 % of employers using private providers to train their apprentices and trainees were satisfied with the quality of training (This is similar to, but slightly lower than, the satisfaction levels for public providers.)

➢ 87.7% of employers using private providers for their nationally accredited training were satisfied with the quality of training (This is similar to, but slightly higher than, the satisfaction levels for public providers.)

➢ 94.4% of employers using private providers for their unaccredited training were satisfied with the quality of training (This is similar to, but slightly lower than, the satisfaction levels for public providers.).

According to this data, there is little difference in satisfaction levels between public and private providers in employers' eyes.

In addition, NCVER 2007b shows that public provider satisfaction levels have been stable and, in one case, have trended slightly up between the 2005 and 2007 surveys. On the other hand, private provider results have trended down slightly between 2005 and 2007 in two cases: for satisfaction levels with nationally accredited and unaccredited training.

The private adult and community education and commercial training organisations surveyed by Harris, Simons and McCarthy see two key inhibitors to their growth: 'competition from TAFE providers' and the 'absence of HECS for private students'. According to Smith and Hawke (forthcoming), 82% of the 114 private providers responding to their survey thought that competitive pressure had increased in the last five years, with 41% saying it had increased dramatically.

In terms of the business strategies private providers might use, Smith and Hawke's survey suggests they are fairly evenly split between the three alternatives posed:

➢ *Cost leadership*—which emphasises efficiency by producing high volumes of standardised products. In this way the organisation hopes to take advantage of economies of scale. The product is often basic with no 'frills', can be offered at a fairly low cost, and can be made available to a large customer base (about 29% of private providers say they use this as their current business strategy).

➢ *Differentiation*—which involves creating a product that is perceived to be unique and which provides features or benefits of superior value for the customer (about 38% of private providers say they use this as their current business strategy).

➢ *Segmentation*—which concentrates on a few select target markets. It is a 'focus' or 'niche' strategy through which the organisation typically aims to achieve competitive advantage through effectiveness rather than efficiency (about 34% of private providers say they use this as their current business strategy).

To the extent that their findings can be generalised, it seems private providers try to differentiate themselves in the market through new and innovative products or by focusing on a niche segment. In contrast, public providers are currently much more focused on cost leadership than are private providers. However from their survey, Smith and Hawke suggest that, in the future, private providers believe they will move that way too, consolidating their market position in the segments they currently occupy through price. (Interestingly—according to Smith and Hawke— in the future public providers see themselves as behaving more like private providers do now: de-emphasising price and emphasising differentiation and segmentation more.) What really occurs in the future depends strongly on how the push for increasing contestability plays out. There are moves to increase contestability nationally, and in at least three states: South Australia, Victoria and Western Australia (for example, see Government of South Australia 2008, Government of Victoria 2008, and Campus Review 2008).

In summary, private providers are the 'boutique stores' of the VET sector. This is because they generally occupy a particular 'niche' in the VET market reflected in a relatively focused profile of offerings. They know what business they are in. They stick to what they know and grow or develop their business on that basis. If they don't, or things change, they either fix them or perhaps have to fold. There is no safety net under their trapeze, so they have to be as capable as they possibly can be.

## What contributes to private provider capability? Lessons from the research

The environment in which VET providers operate was described by one respondent in the consortium's research as a 'turbulent blancmange'. There is no denying the negative impact of some of the changes in the sector although, in general, this is more strongly felt in public providers. Private providers have simpler, slower and less complex change processes. On the whole, they are probably more likely to see change as providing opportunities.

The major drivers of change identified as impacting on a provider's daily work include changes in the VET workforce, technology, the degree of competition or collaboration, national/state environments and student demands (Clayton & Robinson 2005). The interviews which Callan et al. (2007) conducted with VET managers suggest that the greatest factors they see impacting on their work in the next five years will be new technology, more competitive training environments, further changes to funding, and the changing roles and work of teachers and trainers.

So a changing national and state landscape and more competition, changes to funding, changes to student demands, the introduction of new technologies and a changing VET workforce seems to be what we are in for. Providers, therefore, need to be agile, fast reacting, flexible, client driven, infinitely adaptable and responsive. They need to be competitive and business-like (Clayton et al. forthcoming). Arguably, private providers are better positioned than public providers to be all of these things. Why? Read on!

To explore the 'why', we need to look at two broad issues. The first is what affects a private provider's business in the broader environment (for example, levels of competition and regulation and policies which are tolerant of diversity). The second is the internal environmental factors—those things like leadership, culture, dealing with growing pains and human resource practices that providers are more readily able to 'control' in striving to be a capable organisation.

## Working in the broader environment

The consortium's research and the broader literature suggest that there are a number of key factors externally that affect a VET provider's ability to be as capable as possible. These include the degree of competition and contestability in the marketplace and how effectively private providers work with other people and organisations. The nature of regulation and the regulatory bodies—such as the Australian Quality Training Framework (AQTF) and the agencies that administer it—can also affect capability. Finally, capability is affected by the extent to which policy is hitting the mark, or is tolerant of a diversity of alternative, but viable, approaches.

*Competition and contestability*

Private providers are, generally, more used to the pressure of competition and being business-like in their approach than their public sector colleagues. While no-one doubts that there has been a policy push for increased competitiveness, private providers seem to have felt this less than their public sector colleagues. For example, in the survey reported in Smith and Hawke (forthcoming), 41% of private providers say competitive pressure has increased dramatically, while 61% of

public providers believe the increase has been dramatic. It is clear that contestability is firmly on the agenda both nationally and in a number of jurisdictions at present, and that capability will be built on the ability to be competitive in this increasingly contestable environment. What is not clear yet, however, is how this push for increased contestability will be manifested and managed.

*Working with others*

Working with others is traditionally seen as the active partnerships that exist between providers and their clients, such as enterprises. Providers are part of the clients' supply chain. However, there is a broader conception: one that is particularly relevant to private providers. As many of them are small, they may not have the capacity to undertake all the functions required—and so may outsource some of these functions because other people or organisations with the required expertise may exist outside. In some cases they outsource on a regular basis (for example, using an external accountant) or for a specific purpose at critical times for the business (e.g. the preparation of AQTF documentation or developing resources for a new program). Finding the right people and organisations to complement and add value to their business—and with whom they can build a sustainable and productive relationship—is critical. These 'consultants' can also build the skills and capacities of provider staff best by working not just 'for', but 'with', them.

*Regulation*

It is generally accepted that VET is a very regulated sector. Some would say it is over-regulated. The level and nature of the regulatory framework, as well as the level of regulatory burden, can affect a private provider's organisational capability. Over-regulation and very compliance-focused approaches to auditing are often cited as environmental issues which affect VET providers of all persuasions. Provider capability requires a balance between autonomy and the governance requirements of the broader system.

*Tolerating diversity*

Diversity is a major strength of the sector, and policy-makers must expect a diversity of provider responses in the implementation of policy and regulation. It is important that policy-makers assess the potential impact of policies and regulatory arrangements on providers, and take account of provider size and type, to ensure that they do not constrain the range of responses essential to meeting the needs of diverse clients (Harris, Clayton & Chappell 2007).

*Keeping up with it all*

This is one of two important roles I will outline for the organisations which represent private providers. It is key to keeping their members informed about these environmental issues and their likely effect on providers and their business. Regular newsletters, 'heads-up' emails and organising or tapping into relevant sessions run by government agencies and other bodies are some of the ways they can help keep their members competitive and capable. Individual providers may just be too busy to do this, so these are some of the major value-added services that representative associations such as the Australian Council of Independent Vocational Colleges (ACIVC), the Australian Council for Private Education and Training (ACPET) and others can provide. They 'keep their ears to the ground' on their members' behalf, represent their interests, and keep them in the picture. These representative organisations have other potential roles too, as we shall see.

# The internal factors

These internal factors are the ones individual private providers can more readily control. They include leadership, culture and structure, dealing with growing pains, and human resource

management. Key to all these factors are effective and comprehensive approaches to workforce development.

*Leadership*

There are two issues for providers here: first, the quality of current leadership and, second, developing leaders.

The chief executive officer—and the qualities and management style they exhibit—play a pivotal role in shaping the culture and 'mood' of the organisation. They also play the major role in human resource management practices of the organisation, as we will see shortly. They are the key decision-makers. If a provider has good managers and leaders, the organisation should succeed.

Because private providers are small, there is strong potential for participative and collaborative styles of leadership and management. There is also a strong chance of greater harmony from the top to the bottom of the organisation, and for all staff to be far more attuned to the vision and mission of the organisation, than in larger providers. In part, this is a size thing, but it is also because private providers generally have a far clearer and more uniform idea about who they are and what they are trying to do.

Research suggests that management and leadership development has a substantial and positive impact on organisational performance when there is a fit between management development and the organisation's business strategy. Organisations that invest in the training and development of their managers and leaders experience a range of organisational benefits, employee benefits and wider community benefits. However, Callan et al. (2007) report that a number of respondents from mostly smaller private providers commented upon the challenge of finding the right people to invest in as future managers and leaders. A director of a private registered training organisation explained as follows:

> The big challenges for us are the risks as a smaller enterprise when our managers reach
> their potential. You know it when the innovation and responsiveness to the market peters
> off. Should we invest in them still, and the costs for a smaller organisation can be large, or
> do we bring in new people?

New managers may need to be brought in from outside to sustain and grow the organisation, but then cultural fit will also be important. How much does a private provider want to shake its organisational tree exactly? Shake the tree too hard, or in the wrong ways, and they run the risk of losing valuable limbs (that is, staff) that they can't do without.

'Reframing the future' and 'Learnscope' programs have both been used by private providers to challenge manager attitudes. Two areas are cited by Callan and his colleagues: being less risk averse and being more prepared to look beyond the organisation through benchmarking and partnerships to help the organisation improve. But they cannot rely solely on outside funding. Sometimes they will have to do it on their own; but there are ways, I think, of getting help and support.

The best investments in management and leadership development are made through systematic approaches. These use training needs or gap analysis, strategy planning and evaluation. But many of the efforts reported are piecemeal, using what is available locally or through national programs such as those I just mentioned above.

Helping to support leadership and workforce development is another way in which representative bodies can add value to their members' businesses. They can do this by organising courses, helping members to build partnerships, and by coordinating networks, benchmarking and mentoring arrangements as well as communities of practice amongst members. It's hard too for

small providers who are focused on their business, but they need to make the time, and find the money if necessary, to develop their leaders and managers.

*Culture and structure*

Two of the important strengths private providers have are the stability of their organisational culture and the uniformity of their culture and purpose. Simply, culture is 'the way we do things', 'what is going on here', 'why we do what we do' and 'how did we get to where we are now'[2].

A private provider's structure—the framework which underpins the way they work—tends to be simple and informal because the providers are generally small. There is little disjunction in culture between the top and the bottom—everyone is so much closer and 'on the same wavelength' than they are in larger VET organisations. A single desired culture is embedded in the organisation and is spread by osmosis (Clayton et al. forthcoming).

Smith and Hawke's research on human resource practices suggests private providers have a real focus on creating a capable workforce as a guiding principle for their business. Their major operational priorities are recruitment and selection and staff training and development, while organisational development and strategic workforce planning are longer-term priorities. Generally, it seems private providers enjoy good employee relations (Smith & Hawke, forthcoming).

Hawke's work (forthcoming) on how providers make their workforce development decisions suggests that one of the major drivers of private providers is the need to maintain and grow their organisation's distinctive culture. Both the private providers in his study were able to draw on discussions with colleagues in similar organisations and noted that they felt their strength lay in the highly personalised and customised services they were able to supply to their customers. In turn, this was highly dependent on having employees who 'fit' the organisation's culture.

Cultural fit is therefore their dominant objective in recruitment and a key factor in staff retention. Induction processes are important processes in promoting their organisation's culture. As one of Callan et al.'s (2007) respondents remarked, it's about 'getting the right people with the right attitude'. 'It's not a qualifications thing, but an attitude thing', said this senior executive from a regional community college. The importance of attitude and cultural fit is confirmed in Smith and Hawke's work. In addition, their survey found that private providers appear to have very low levels of staff turnover. This is important in maintaining culture.

Simons and her colleagues' forthcoming report on careers in VET suggests that job satisfaction, support from their colleagues and their own self-esteem and confidence are very important and so these features need to be a part of the organisation's culture. They also found that it is important to provide opportunities for enjoyment, and for staff to learn, change, and undertake personal development. This can be a challenge for smaller organisations, but these are needs which have to be addressed. In simple terms, I think this means keep people's work interesting and rewarding. This can be possible in smaller organisations because staff can have broader roles, embracing not just teaching but also other administrative functions. There are opportunities for a private provider's staff to develop skills in areas which will not only be rewarding and stimulating for them personally, but also add value to the business.

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[2] The consortium has produced two facts sheets related to culture: *Organisational culture—what is it?*, and *Managing culture—making culture work for you*. See the reference list in this paper for details.

*Dealing with growing pains*

Small providers face the issue of whether to grow as they become more successful, or stay as they are and focus on what they do well. The research (Clayton et al.; Smith & Hawke; Hawke; all forthcoming) shows that as smaller providers grow, they tend to adopt more formal approaches to management activities, human resource practices and other organisational practices.

Because most private providers are small, they have the capacity to be highly responsive and flexible. But rapidly growing ones—successful as small organisations—need to be wary of losing their flexibility as they respond to the pressures of increasing size and complexity (Harris, Clayton & Chappell 2007). In its current form, the small private provider that Clayton et al. (forthcoming) studied had a typically flat, 'start-up' company structure[3]. Further growth would require the addition of another layer in the structure and a distancing of the company directors from the bottom layer. For example, one of the private training organisations Hawke (forthcoming) studied had experienced significant growth in its staff base in recent years and there were many new staff in the organisation. These new staff did not have the same personal relationships with management (or even each other) which had characterised the organisation in earlier times.

Smith and Hawke (forthcoming) cite another example of the effects of rapid growth on small private providers. In this case, the organisation had been founded by two women with children at home. To support a major growth spurt in its home state, the owners deliberately recruited young women with children by offering them support in working arrangements which would allow them to work and care for children. This had proved to be a very successful human resource strategy to attract capable and committed workers who wished to stay with the organisation. Later, the organisation underwent another growth spurt, this time into other states. The increasing size of the organisation meant that the owners became compelled to hire professional managers, including a human resource specialist, to run the business whilst they stepped back from day-to-day management. They also realised that the informal human resource practices which had served the organisation so well in the past might not work with workers located interstate, who they could not supervise in any close manner.

Thus, the informal and flexible human resource management approaches of small private providers will tend to disappear as they face the business realities of growth. The need to formalise and proceduralise human resource management may stifle the human resource advantage that these providers enjoy. However, equity and fairness in human resource management processes are needed to maintain their best employees and attract new ones as they grow.

*Human resource management*

According to Smith and Hawke (forthcoming), the model of human resource management which prevails in private providers is that found in small business generally. HRM practices are relatively informal, non-proceduralised and not serviced by specialised human resource management staff. This is in dramatic contrast with public providers.

Smith and Hawke found that employment and working conditions in private providers are flexible. They make wide use of individual common law agreements, while some use enterprise agreements. Common law agreements give them a considerable advantage over larger, public providers whose processes are far more bureaucratic and bound by industrial awards—which does not give them the flexibility enjoyed by private providers.

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[3] The consortium has produced two facts sheets which deal with structural issues: *Organisational structure & change,* and *Organisational structure.*

Private providers use a diverse range of performance management systems. In addition, they involve casual staff in these processes because their performance is critical to their business. In general, private providers closely supervise their casual and sessional staff.

In the majority of cases, human resource management is handled by the chief executive officer (60%), or another manager—typically an office or administration manager (21%)—in private providers. Only 15% reported having a specialist human resource manager or officer, and very few had HRM departments. Where they were present, these departments were very small.

As Hawke says of one of the private providers he studied:

> One of these organisations had a senior officer whose role specifically included strategic planning for their workforce needs and this was a component of her performance appraisal. However, the small size of the management team and the regularity with which such issues were discussed in both formal and informal meetings had meant that they'd not seen the necessity of creating a formal documented [human resource] plan. Indeed, their approach was that, beyond a clear agreement on their future directions and goals, management needed to be free to respond flexibly and rapidly to emerging situations and to 'seize opportunities as they emerge'. Thus the organisation had recently recruited a senior, experienced teacher in an area where they were already strong because they 'couldn't afford to miss the opportunity of bringing her on board'.

For the other private training organisation Hawke studied, staffing had largely proceeded on the basis of personal and industry connections rather than any more elaborate strategic purpose. Moreover, this organisation had no formal internal staff training system but relied on its staff to self-identify any training needs they had. Where such needs were identified, management typically was able to assist with time or finances—'it's never really been an issue for us'.

Like providers in the public sector, private providers still concentrate professional development efforts on those with teaching/training roles (see Hawke forthcoming). But their individual decisions about development by staff seem more likely to be in harmony with organisational goals than in larger providers. However, this is strongly dependent on their sense of culture and on professional development being seen holistically as part of a total workforce development strategy so that the whole team has complementary skill sets.

In general, organisations also tend to concentrate on formal workforce development and performance management, and overlook that the informal can be just as, if not more, valuable. The informal approach involves creating a learning culture in the organisation—the ability to learn through work. Chappell and Hawke (forthcoming) looked at what characterises a learning VET organisation. They believe it involves characteristics like intentionally creating learning opportunities in the provider, using teams, providing useful feedback on performance and regular contact with a variety of people and ideas both internal and external to the organisation.

However, what few public or private providers have seriously attempted to achieve is to bring all the elements of effective leadership, culture and human resource management together within an integrated framework so that the different strategies can combine to work in concert and thereby create a learning organisation. As I have also suggested, organisations like ACIVC and ACPET, amongst others, have a role to play in supporting this 'learning organisation' concept too.

## In conclusion

As I have pointed out in another paper (Guthrie 2008), a capable organisation:

> ... plans effectively, has clear and shared goals and a collective vision which shapes organisational values and behaviour. Its chosen performance measures really reflect and measure what the organisation is trying to achieve. A capable organisation recruits, inducts

and trains well, and manages the performance of its leaders, managers and staff effectively. It trusts its staff and allows them the freedom to come up with ideas—and then supports them appropriately to turn ideas into reality. It capitalises on the skills, knowledge and qualities of its staff and therefore has effective approaches for managing and fully utilising the depth and breadth of the knowledge and experience its staff possess, as well as for effective succession planning

Capability is affected by the ability to recruit and retain leaders, managers and staff—particularly those who are energetic and innovative. Some vocational areas are now very competitive, and working in VET may not be the most attractive and rewarding option in a tight labour market. Capability is also affected by the extent to which the right operational procedures are in place to meet business needs, as well as regulatory requirements. Private providers also need to be offering the services their clients want, and be open to new opportunities which build on their strengths.

Private providers are in a good position in the emerging VET environment. They are small, nimble and flexible. They generally have a well-focused business. The dangers they face occur, firstly, as they expand and, secondly, as they try to maintain their organisational strength and culture. They have opportunities when they expand, but this may mean changing or giving up some of the things which have characterised their previous success. So, growth is a time of change, of opportunity and of danger. It also means that growing private providers may have to make some very hard decisions.

One significant risk private providers also face is maintaining their quality and culture. Small organisations are vulnerable to even small changes—such as the loss of a key staff member. This means not only keeping the current staff they value, but recruiting and inducting carefully. It also means that they have to maintain a work environment and set of working conditions which are stimulating and rewarding. Leadership is critical in all this, in that the culture will be determined in large part by the skills and characteristics of the chief executive officer.

Partnerships and other relationships are also very important too, as they provide the opportunity to source complementary skills and knowledge as and when these are needed. Structured carefully, they provide learning opportunities for a provider's own staff.

Professional organisations also have a key role to play. Two important functions have been highlighted here. The first is being a conduit of information which will help members maintain and grow their businesses. The second is being a support mechanism through which members can mentor and benchmark with other members, network and engage in communities of practice to exchange ideas, learn from each other and improve.

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