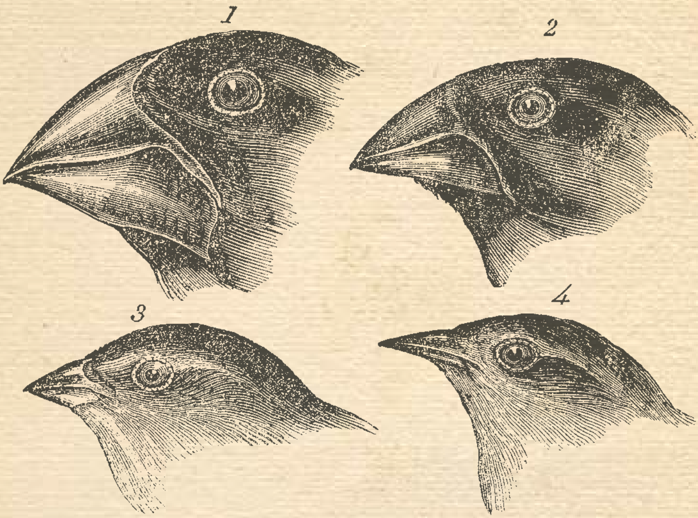
DARWIN'S FINCH

A SHORT HISTORY *of* COGNITION



Terry Bates

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To the people of
Multi Serve and Cognition
(past and present)
– this is your story

Darwins Finch: A Short History of Cognition
Terry Bates

Published by Cognition Education Trust (2017)
ISBN 978-0-473-40866-4

Design and typesetting by: Melissa Middleton

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Author's note:

To maximise readability, I have endeavoured to keep referencing to a minimum. Where references do occur, I have employed the Oxford system of footnoting rather than the in-text Harvard system which can be intrusive of the narrative.

The footnote abbreviations MS, CEL and CET refer respectively to: Multi Serve, Cognition Education Limited and Cognition Education Trust.

All monetary values are expressed as New Zealand dollars.

PREFACE

This short history of the Cognition family focuses on the intertwined stories of two entities: Cognition Education Trust (the Trust) and Cognition Education Limited (the company). The Trust is the owner and sole shareholder in Cognition Education and its subsidiaries: Wavelength, Begin Bright, and Visible Learning Plus. The commercial dividends paid by the company to the Trust, fund the Trust's programme of educational philanthropy – binding the two entities in a relationship of shared moral purpose. The history was commissioned by the Trust. Its primary audience is internal – to provide trustees, directors, staff and alumni with an overview, over almost three decades, of an extraordinary tale of establishment, development, change and adaptation.

Today, the Trust and company are almost unrecognisable from the entities founded in 1989 on residual functions of the Auckland Education Board. The Trust, which initially operated as a philanthropic extension of the company, is now very much an active owner and shareholder that appoints the company's board of directors, monitors commercial performance and manages the investment fund that underpins its granting programme. The company operates multi-nationally with a well-established reputation for education evaluation, consulting, training, publishing and media. In 2017, the transport division is the sole commercial function that survives from day one, although that too will shortly come to an end, following the recent decision of the Ministry of Education to take the function back in-house.

As a short history the focus is on the larger themes that have shaped the collective journey. The demands of those themes have caused the narrative to occasionally depart from strict chronological sequencing. Of necessity, there are things left out and things that only get a glancing mention. It is likely there will be readers who are disappointed that they (or events they were personally involved in) do not figure more prominently or at all in the narrative. The narrative traces the major pivot points that underpin the organisational story. Individuals feature to the extent that their words or actions provide illustrative colour to the story. Cognition Education is a business. Successful businesses energise teams and teamwork. This is intentionally the story of the family, the teams and the major events that have shaped them.

The title, "Darwin's Finch", is a metaphor drawn from evolutionary biology. The finches of the Galapagos Islands, first described by Charles Darwin, form a range of sub-species primarily distinguished by the adaptations of their beaks to particular environmental niches and food sources – adaptations which field studies show can occur at a remarkably accelerated pace.[1] Similarly, the company originally established as Multi Serve and subsequently Cognition Education has had to be highly resilient and adaptive over a relatively short life-span. On an almost cyclical basis (typically every six to seven years) the company's form, focus and scale has been subjected to intense pressure from disruptive shifts in market conditions.

The reasons for each of these disruptive episodes are inevitably multi-faceted, but at varying stages and to varying degrees, three large (disruptor) themes stand out. The first of these, ongoing, is the flux in education policy environments (both national and international) related to widespread anxieties about the performance of schools and education systems; a climate which invites potential opportunity but also feeds unpredictable political and policy shifts that translate into market uncertainty. The second disruptor was the instability caused

[1] Jonathan Weiner, The Beak of the Finch: A Story of Evolution in Our Time, Random House, 2000

by the Global Financial Crisis (GFC) and the restraining impact it had on governments' discretionary investment priorities – which is where education reform commitment tends to sit. The third, compounding the second, is the significant decline in international oil prices which has affected the ability of governments in Cognition's key Middle East markets to balance budgets. In the face of such pressures, what stands out is Cognition's remarkable resilience and its adaptive intelligence. The "beak of the finch" speaks pungently to the consistent ability of the company and its people to reshape and productively adapt to unpredictable forces of change.

It was my privilege to work for the company for more than 12 years. The last 40 months as chief executive was a career highlight. If there is a bias in this work, it arises from the deep affection in which I hold the people, the organisations (Trust and company) and their combined purpose. To be asked to be the chronicler is an even greater privilege, and I thank the trustees for the opportunity and their confidence.

My thanks to Aaron Smith for organising access to records and assisting with necessary liaison. Heartfelt thanks also to the many former colleagues who gave their time to be interviewed, clarified facts, offered viewpoints and provided source material. Particular thanks are due to Ian Cordes, Phil Coogan, and Ian Hall for the substantial time they gave to reviewing and commenting on various chapters. While ultimate responsibility for the text lies with me, the work is undoubtedly better for their input.

As we go to print in mid-2017, the company is navigating yet another cycle of significant change. I trust that the key themes of this story are a useful reminder to those now charged with making and remaking our commercial and philanthropic futures, of the spirit of the many who have gone before and the purposeful optimism that carried them. As the author and journalist, Eduardo Galeano once observed, 'History never really says goodbye. History says "see you later".'

Terry Bates – July 2017

Chapter 1
FOUNDATIONS
(1989-1996)

Multi Serve, the Trust and company that became Cognition Education, was born in 1989. These were the heady days of New Zealand's "Tomorrow's Schools" reforms. A new market language was at play in the affairs of the State, expressing the determination of the Labour government (first elected in 1984 and re-elected in 1987) to resolve the acute fiscal deficit it had inherited. Tomorrow's Schools was one of a number of reform contexts where government wanted to shrink the administrative apparatus of government and subject more of its functions to the discipline of market forces and price competition.

Multi Serve was one of thirteen "education service centres" established across the country, as part of the machinery of reform. The ESCs, as they were known, were initially funded under government suspensory loans. Their key role at 1 October 1989 was to take over functions previously managed by the outgoing Department of Education and Education Boards and now outsourced through commercial contracts, which would become contestable over time. The key contracts for the new Multi Serve ESC, serving the greater Auckland region, were schools' payroll and schools' transport.

Government reasoning appears to have been that the ESCs were a necessary transitional step in encouraging the development of a competitive supply market to schools. Whether they survived over time appears to have been a moot point. The Tomorrow's Schools policy document was unequivocal in stating that education service centres would be "one source of administrative support to institutions." It elaborated: "Institutions will be free to choose whether to use the education service centres or to buy services elsewhere." [2]

Almost 30 years on, what was novel language applied to the business of government in the late 1980s has become embedded. By contrast, the countdown to 1 October 1989 was super-charged, given the very short timelines to implementation. Just 18 months separated the release of the scene-setting "Picot Report" and the go-live date for the Tomorrow's Schools policy. That interval was jam-packed with the passage of complex enabling legislation, Prime Minister David Lange's nationwide stump of school and town halls, the first election of the new school boards of trustees and the formation of slimmed-down education agencies working to very different policy instructions than their predecessors. An off-shore commentator called it the "earthquake method" of education reform. Virtually all the new structures (including the ESCs) were created within a year. [3]

Earthquakes are, by their nature, unsettling. As critical infrastructure to the new system, the ESCs and their performance in the transition was an early and vital confidence test for government implementation planning. The teacher unions were vociferous in their criticism about the pace of change and the perceived heresies in the shift away from central arrangements. Schools might be about to become self-managing, but every school-based employee expected to be paid with the same accuracy and regularity as had applied before the changeover. Every parent of every child eligible for school transport expected school buses to run on time and safely. Hence, the relatively low-risk approach that was taken in initially staffing the ESCs. In exchange for a government-funded suspensory loan, abated over five years, the Multi Serve Board took over the employment of staff formerly employed by the Auckland Education Board.

The terms of the establishment had two significant effects. Multi Serve had secured the institutional knowledge and systems required to operate critical high-stakes contracts – school transport and teacher payroll. But in doing so, it had also paid the price of transferring a substantial bureaucratic mind-set and a range of service offerings (including property, finance, school stationery, warehousing) that had previously been free to schools but would now come at a cost to those schools. Multi Serve's first board chairperson, Stewart Germann[4],

2 Tomorrow's Schools, New Zealand Government policy document, Wellington, 1988, Section 1.5, p.14

3 Cathy Wylie, Vital Connections, NZCER Press, 2012, p.77

4 "First" chairperson belies the fact that Germann would go on to serve as Chair of both the Trust and company for almost 25 years. He shared this long-service distinction with two other "foundation" directors, Keith Goodall and Chris Morton (who also served as company chairperson from 2013 to 2016). The combined governance service of these three directors was more than 75 years.

recalls that the name "Multi Serve" emerged naturally from the multiple service lines that the company inherited.

Community enthusiasm for Tomorrow's Schools was high. Across the country only two schools failed to elect a board. The promise of self-management was a heady pheromone. From the perspective of many boards and principals, Multi Serve personnel might have had institutional knowledge, but it was old institutional knowledge at a time when schools were being remade in a new image of self-management. Thus Multi Serve risked being seen as the old Education Board reskinned. It probably didn't help perceptions that initially the company was housed in the former Education Board headquarters in Grafton, and the Government's suspensory loan, that capitalised the company was linked to its retaining former Education Board staff. The Government was exporting liability for potential public service redundancies.

Few, if any, personnel coming across from the Education Board, had experience of competitive markets and related commercial disciplines. Initially the company's financial planning was heavily conditioned by memories of the Education Board. Very optimistic assumptions were made about how schools would behave in relation to the new ESCs and the services they would seek. For example, in building the first company budget, it was assumed that every school in Auckland would contract financial management service support.

In reality, schools were price sensitive from the outset and immediately shopped around. Early on, management expressed concern that sales staff were not addressing, "the commitment … that clients are giving alternative suppliers."[5] In the event only around 80 schools took up contracts – less than a third of what had been anticipated. Overly optimistic projections were also evident in the property division where winning commissions were only half those stated in the business plan. By March 1990, sales figures for the stores contract, were being characterised as "perhaps optimistic", and concerns were being raised at the potential for the Ministry of Education to demand recovery on the losses sustained.[6]

The viability of the company in these initial years was thus highly dependent on two large scale contracts (payroll and transport) that were subject to central government procurement. In that sense, the initial mindset of the organisation would prove costly. In late 1991, just over two years from establishment, the company lost the Auckland payroll contract in a competitive tendering process. The successful bidder had gathered a group of other ESCs together and had significantly cut its labour costs. By contrast, Multi Serve based its bid on pricing that had been previously agreed with the Ministry in an earlier short-term extension of its original contract.

5 Multi Serve (MS) Board Minutes, December 1989, item 6
6 MS Board Minutes (special meeting), 29 March 1990

Alarmed by the resultant financial vulnerability of the company, the board endeavoured to sue the Ministry on the basis that the terms of the original payroll contract carried certain "legitimate expectations" of contract renewal. The action also applied for interim relief for lost income. In the event, the Court was unsympathetic. In delivering his judgement, Justice Temm accepted the Ministry's argument that the only reasonable expectation that the company could have was to be invited into the tender round. The tender, he ruled, was not a "meaningless ritual", but rather a "competition where there are [necessarily] winners and losers."[7]

Justice Temm went on to comment that while the company had apparently felt "safe" with the precedent of its pricing offer, it might also be characterised as, "perhaps a little complacent." [8] The Court pointed to the fact that the company had successfully bid for and won the tender for the Northland schools' payroll from that region's ESC. In complaining that it had lost the larger Auckland contract to a competitor (in a parallel process), the company appeared to be rather wanting its cake and eating it.

This was the company's first taste of competitive tendering with government. It was very much a sign-post to the future. The ESCs might have been important to the initial transition of the reforms, but they would not have favoured status in government purchasing beyond the initial contracts. Cost-competiveness mattered; the successful bid price was close to half what Multi Serve had tendered. Moreover, the political environment had shifted. The reforms had not rendered the expected savings, and there was a concern in policy circles that the full intent of the policy had not been realised. Those pressures were already affecting ESCs that were still in formative stage. At a special board meeting in March 1990, company managers expressed concern at the "hardening" of attitudes towards ESCs that were becoming evident in the Residual Management Unit of the Department of Education. The government commissioned a new cross-agency task-force of senior officials to review the processes and outcomes of the reform.

The consequent "Lough Report" was published in April 1990, scarcely six months after the implementation date of Tomorrow's Schools. The report recommended two key areas of change. The first was that the size of the education bureaucracy be further reduced. The second was that there be further devolution of personnel management to schools. Central to this next phase of envisaged devolution was the suggestion that payment of teacher salaries be moved away from central Ministry control and instead be directly managed by schools. The signals for the future of ESC administered payroll contracts were ominous. They darkened further in the air of fiscal constraint that accompanied the election of a National government some seven months later.

7 Germann v Attorney-General HC Auckland CP1890/91, 17 December 1991 at 11
8 Germann v Attorney-General, op.cit., at 6

The issue of where responsibility for the administration of schools' payroll should lie (centrally or locally) was a major theme of the education landscape through the 1990s. What was colloquially known as "bulk-funding" became a bitter battleground between the teacher unions and the Government. As a result, bulk-funding was never fully mandated by government and never advanced beyond voluntary subscription by schools. The effect was a lengthy period of policy irresolution which created considerable contractual uncertainty for the company.

The Ministry was squeezed between two imperatives: maintaining orderly (but ageing) systems for the centralised payment of schools' payroll and keeping options open for full devolution to schools. The result was a series of relatively short-term payroll management contracts. Each contract iteration represented a pragmatic response on the part of the Ministry to necessary platform changes but kept the door open to the possibility of schools directly managing the function for themselves. [9]

In late 1991 the payroll contract was lost. A year later it was won back. However, the significant loss of income through 1992 forced a dramatic reshaping of the company. The board and management had been well aware of the risks. Affidavits in the payroll appeal case noted that, "the payroll service is a lucrative contract which, the Trust emphasises, has enabled it to fund every one of the [other] services that it supplies."[10] In other words, the payroll contract was an existential anchor. Without it, the company lost the means to subsidise the ambitious range of service lines it had originally established, many of which were under-performing.

In 1992 revenue fell to less than $3 million annually – around a third of what it had been in 1991, the first full year of trading. The number of people employed by the company also fell dramatically. At establishment, staff had numbered 120. Now it was around 40. Restoration of the payroll contract in 1993, was critical. Otherwise, as Ian Cordes, then company CFO, recalled, "Multi Serve would have closed the doors."[11] Yet even with the payroll contract restored in 1993 and expanded to include the Waikato region, the company's financial position was difficult. To win back the contract, Multi Serve had been forced to reduce both its staffing and its margin. The author of what came to be known in popular culture as "ruthanomics", Ruth Richardson, was in the ascendancy as Finance Minister. Cost savings were a significant motivation in government procurement processes.

Compounding the company's revenue woes was the limited success in selling direct to schools. Schools were still finding their "self-managing" feet, and

9 Ernst Young, "Review of the Transfer of the Education Service Payroll" October 1996, p.3
10 Germann v Attorney-General, op.cit., at 3
11 Ian Cordes, formerly Chief Financial Officer at interview, May 2016

part of that was managing their own fiscal pressures. From the outset there were significant numbers of principals who considered that school operational funding was insufficient. That mind-set grew steadily, reinforced by the general air of restraint evinced by the Bolger government, particularly prior to 1996. Schools boards were cautious in their spending and were inclined to take the no-cost/low-cost option. Colleges of Education had taken over the functions of the old Department of Education's advisory service. This meant they were able to provide teacher development services at no cost to schools – free was a difficult price point for ESCs to compete with.

Multi Serve board minutes and management reports from these early years convey significant anxiety that core contracts carrying "major financial and other marketing benefits to the Trust,"[12] were relatively short-term and at risk of not being renewed. A board member from that time, Chris Morton, characterised the operating environment as one of, "constantly trying to invent the future."[13] The payroll contract was up for negotiation year-on-year. Although it was won back for the 1993 calendar year, directors noted the effects of both a reduced contract margin and the ongoing policy uncertainty that lay behind short-term contractual cycles: "uncertainty will continue … until the Government, schools and employee unions finally decide the future handling of payroll administration."[14]

The anxiety was exacerbated by uncertainty over the school transport contract, the company's only other sizeable revenue source. The directors commenting that "devolution of funding for the school transport service is under review and uncertainty as to Multi Serve's role will continue until that is finally resolved by the Government."[15] The depth of organisational disquiet surfaced strongly at the board meeting in August 1992. Directors were looking for diversification and concerned at over-reliance on what they considered was an unpredictable education services market. They agreed that, "the Trust must get equity participation in a profitable non-educational business venture." All trustees were asked to pursue options as a matter of urgency.[16]

A number of attempts were made. The names of new ventures subsequently appear and disappear from the board's minute book: "Home Study Video", "Blueprint", "Kaha Media", "Educational Travel International" and "Facilities Management Services." None provided a sufficiently sustainable medium-term growth platform. At a special meeting of the board in February 1995, the minutes ruefully note the directors' agreement that, "developing new services

12 MS Directors' Report, Annual Financial Statements (March 1993), Multi Serve Education Trust
13 Chris Morton, former Board member at interview 2016. Morton ultimately served as company board chairperson from 2013 to 2016.
14 ibid
15 ibid
16 MS Board Minutes, August 1992

for the education sector had proven costly over the past three years."[17]

Multi Serve was not alone in its pain. Other ESCs were also finding the going tough. Chief executive Ron Perkinson noting, with understandable frustration, that "no ESCs were making money."[18] Consolidation was inevitable and the majority would not survive the outsourcing of the previously centralised education services payroll engine when it finally took place in 1996. Moreover, the highly discounted price at which the company was subsequently able to buy out the balance of its suspensory loan suggested a degree of pragmatism on the part of the Government. ESCs had served their transitional purpose in the reforms; it was time to move on.

Nevertheless, the pattern of marginal trading continued. Early in 1995, directors reiterated their frustration at the company's dependence on a market "constantly constrained by the Ministry of Education and Government policy."[19] The same report noted the success in securing the payroll contract again but worried that the price had once again been reduced. Faced with the continuing downward pressure on costs, directors questioned the viability of the business.[20] Nor was the situation improving in terms of direct trading with schools. Two months later board minutes recorded a lukewarm market response to Multi Serve's newly launched school management offering which was competing with a free service from the School Trustees Association: "Inevitably schools … go for the free service."[21]

An even bigger challenge was looming. The Government finally made the long-expected decision to fully out-source education payroll functions to a third party. The Cabinet decision was made in July 1994 with an expected go-live date of 1 July 1996. The successful contractor was expected to provide an end-to-end solution to encompass the management functions previously performed by the Ministry and the schools' service function that the ESCs had picked up. A key component of the new contract was the expected development of a new software platform to replace the Ministry's ageing system.

A contract was signed between the Ministry and the successful tenderer, Datacom, in late August 1995. Datacom's bid included Multi Serve and Schools Support Services in the South Island as delivery partners. The difference for Multi Serve was that instead of directly contracting to the Ministry, as it had since 1989, it was now a sub-contractor to Datacom. The company could be pleased that its emerging reputation for reliability and performance had been recognised and that it had retained the business

17 MS Board Minutes, Special Meeting, February 1995, item 6
18 ibid
19 MS Directors' Report, Annual Financial Statements (March 1995)
20 ibid
21 MS Board Minutes, 28 June 1995, item 6

stream most critical to viability. For other ESCs their exclusion from these arrangements effectively spelled the end of the road.

However, with less than twelve months to the expected implementation date, the company faced new pressures. Restructuring was again in the air. The agreement with Datacom required a significant reduction in payroll staff numbers – never helpful to organisational morale. More significant were the risks arising from a highly compressed implementation time-line and poor understanding from the Ministry both as to the nature of the task and the standard of project management required for such a complex undertaking.

Although there are around sixteen years between the two documents, the 1996 Ernst Young review of the implementation failings of the education services payroll transition to Datacom reads uncannily like the report of the 2013 Ministerial Inquiry into "Novopay" – the latter now colloquial shorthand (in New Zealand) for bureaucratic "screw-up". Datacom had less than a month from the contract signing to provide a full software specification and less than eleven months from there to "go-live". Somewhat predictably, the results fell short. Ernst Young subsequently commenting: "We believe that had the full functionality of the required … system been exhaustively explored and documented … at the outset … the complexities … would have been better understood and planned for in the implementation."[22] It appears to have been downhill from this point.

The implementation date was initially delayed by around six weeks, but the extra time did not prevent the system failing on day one. By day two of implementation, things were working after a fashion but the software was not fully functional, and the initial failure had left a huge backlog of payment errors. These issues were compounded by the fact that pre-implementation development pressures on the head contractor had translated into incomplete training of the subcontractors. Multi Serve staff were now in the unenviable position of trying to operate a new system they didn't fully understand, while simultaneously endeavouring to shake the faults out of the system and responding to an unprecedented level of complaint from schools and teachers. All of this accompanied by the predictable siren songs of media and politicians looking for someone to blame.

The crisis was a significant reputational test for the company. The board considered transferring the payroll division to a new standalone company, so concerned were directors at the potential damage to the core brand. Teachers and school boards were not interested that the fault lay elsewhere. Teachers had been paid accurately by Multi Serve before and now they were being paid inaccurately. The new system took months to become fully operable and the error back-log cleared.

22 Ernst Young, op. cit. p.16

At the peak of the crisis the company was managing around 10,000 calls a day. Under the new contract, staffing in the payroll division had been reduced to fewer than 25 but now had to be doubled to manage demand. Short-term, the company was delivered a hard lesson about the risks of commercial partnerships and subcontracting. But the enduring story was the admirable resilience of staff under pressure, a quality which would become something of an organisational hallmark over time.

Ultimately, the operational partnership between Multi Serve and Datacom became very strong. When the parties separated more than sixteen years later, having lost the contract to what became Novopay, it was with genuine regret and a sense of a job-well-done over a lengthy span of time. But as staff and board gathered in 1996 for Christmas drinks, 2012 would have seemed an eon away – particularly given the policy and commercial turbulence of the company's first six years, the wearying contractual uncertainty and the sense of being almost consumed by the recent cataclysm.

Nevertheless, directors and staff could also look back on those first years with a modicum of satisfaction. The company had survived where other ESCs were faltering or had closed. It had shaken off the naivety of establishment and the overly bureaucratic mindsets it had inherited. It had paid off its suspensory loan to government, and it was establishing a new tradition of philanthropic intent (the subject of a later chapter) unmatched by its competitors.

Albeit unsuccessful, Multi Serve had stood up to the Ministry of Education in court – an early test in a critical commercial relationship. A tougher and more focused commercialism was beginning to underpin its decision-making. It had lost key contracts and won them back. It had tried new ideas and had the good sense not to pursue unpromising initiatives for too long. It had entered into a commercial partnership with Datacom which would provide core sustenance for the next decade and a half. Somewhat bruised, it was nevertheless hungry and looking for new opportunity. It was now a genuine business, tougher for the experience and with an emerging confidence to look further afield.

Chapter 2

BROADER HORIZONS

(1997-2003)

The story so far has focused primarily on the company's role as a service support agent for schools – in education but not of education. By contrast, the next several years would see the emergence of a range of educational training, support and consulting opportunities in international markets – precursors to the substantial expansion of the business that occurred in the Middle East between 2004 and 2010.

Over time the company has been the beneficiary of several opportunities that have required extraordinary agility, audacity and resilience to pull off. Each of these moments has contributed substantially to the scale of the company and its reputation. The first was the invitation from the Government of Brunei in late 1996 to establish a private international school under the patronage of Prince Jefri, brother of the Sultan. This was part of a wider strategy in the Sultanate to drive improved academic outcomes against international benchmarks.

Those who work in the company know well the costs of competitive tendering for complex international projects. In this case the client came to the company having done its own search and apparently attracted to the recent school reforms in New Zealand. The phone call to then CEO Ron Perkinson inviting him into negotiations was unexpected. The Bruneians were seized with urgency. Sensing that fact, Perkinson caught the first available flight. The contrast with dealings over the New Zealand schools' payroll contract could not have been greater.

Eager to secure the work, the company offered a sum of $0.8M to manage the design of a new school and its curriculum as well as establish operating systems and recruit teaching staff. Later the scope would expand to include a boarding hostel. The initial deal was done on the spot, but the Bruneians were not convinced the price was sufficient and they increased it by twenty percent – probably the first and only time in the company's history that a major client has voluntarily offered to increase a price.

Prince Jefri took a close interest. The development was managed through his personal investment company Amadeo. He personally intervened with local education officials to sort out problems with the school accreditation process. He also approved the details of the boarding hostel and provided a substantial personal cheque ($30M) to underwrite the first year of school operations. He even tried to get involved in staff appointments – championing the wife of a resident ambassador as a potential appointee.[23]

The contract ran for slightly more than two years, but ultimately became the victim of the sudden collapse in the Prince's fortunes (both political and fiscal) in 1998. *Vanity Fair* magazine described him as, "The Prince who blew through Billions." For the company, the pace and scale of the work, as well as the physical distances that needed to be managed, were new territory. Despite the challenges, the school was successfully built, staffed and opened within budget and on time. Although project manager, John Faire, reported a "much higher than expected level of personal contact to manage the political and cultural environment."[24] That comment would prove prescient in the even more demanding circumstances of Qatar and Abu Dhabi a decade later.

Board discussions on Brunei noted persistent "difficulties". Among these difficulties were the air pollution problems associated with fire haze caused by illegal agricultural and forest burn-offs more broadly across Borneo and Indonesia. The possibility that the school might need to be temporarily relocated to the United Kingdom was discussed by the board. [25]

Notwithstanding these challenges, the ultimate success of Jerudong International School (JIS) has often been a shared reference point between local officials and the company in its subsequent work in Brunei. JIS was one of the few Amadeo operations that avoided closure when the Sultan took over his brother's affairs.

The project became a psychological catalyst for the company's international growth ambitions. It rendered a rare and welcome taste of a client who was

23 MS Board Minutes, April 1997, item 6.2
24 MS Board Minutes, July 1997, item 6.2
25 MS Board Minutes, [both] April 1997 & April 1998, item 6.2

willing to place a significant value on the quality of independent professional advice. More significantly, it gave the company critical experience in managing cultural and project complexity in an unfamiliar jurisdiction. It cemented the idea that the conceptual framework of Tomorrow's Schools could be adapted to market demand elsewhere. Although as events in the Middle East would later reveal, this idea had its limits and at times was something of a barrier to consistent implementation.

It was unfortunate that the abrupt termination of the Jerudong contract closed off further opportunities that were under development at the time. One of these was a proposed foundation tertiary facility to provide post-school bridging for students preparing for university entry; the other was a major Bruneian teacher supply programme in conjunction with a local partner. Both of these opportunities were seen by senior management as offering the potential to underwrite a more permanent presence in the Bruneian market. As the subsequent history of the company reveals, maintaining a cost-effective business and marketing presence within specific markets beyond New Zealand's shores, particularly where major contracts have ended, is a significant commercial challenge.

The still-born teacher recruitment programme for Brunei was a relatively organic segue from a New Zealand-based contract that was part of a government response to teacher shortages in the local market. Through 1996 and 1997 the company's professional services division was busy recruiting teachers from the UK, Australia and Canada. Almost 200 overseas teachers were successfully placed in New Zealand schools through this programme. The project reinforced the emerging internationalism in the commercial mindset. These ambitions were underscored in early 1997 by a meeting in Brunei of Multi Serve's international recruitment agents. Given that the recruitment business did not grow beyond the New Zealand placement programme, the Brunei event was perhaps a little premature.

Nevertheless, the taste of international work and profile remained enticing, particularly given the somewhat pessimistic board analysis of the domestic outlook in mid-1999: "Economically the longer term projection for the country, without a significant change in policies, is for a steady downward slide in relation to other OECD countries."[26] As part of the consequent strategic review, directors again affirmed the desirability of developing an international strategy. There was hope for new opportunities in Jamaica, one of which involved a partnership with Professor Warwick Elley from Massey University. In a pattern that would become familiar in later years, significant time and effort went into bid preparation and in-market visits only for the effort to founder on the resistance of local officials.

26 MS Board Minutes, item 7.7, June 1999

Concurrently, a number of relationship development visits were made to the World Bank in Washington and to education authorities in Brazil. A new specialist business unit, "Curriculum Projects", was formed with a focus on strategy and change management in international schools. A joint venture company was formed with Cambridge Consulting to assist in the further development of international consulting work. However, little eventuated from the relationship, despite the involvement of former Prime Minister Jenny Shipley. Hopes were expressed that exploratory work to build a school for underprivileged students for the Sampoerna Foundation in Indonesia would bear fruit.

A series of small review and development contracts were won with international schools in Manila, Bali, Tokyo and Fiji. In one notable case, Heather McRae (later head of education operations) recalls that she got an inkling of key issues when she discovered the principal of the Manila school moonlighting as a saxophonist in a nightclub. There was also success securing contracts in Lesotho (school-based management) and Egypt (educational ICT), both through the World Bank. Officials from the Lesotho Ministry of Education were hosted by Multi Serve on a visit to New Zealand in late 1999.

However, sustained success through World Bank contacts remained elusive. Lead times for this nature of work were typically extended and relative to the sales effort, international revenue after JIS was limited. Through 1998 and 1999, there was a significant push in Indonesia for work funded by the World Bank, but uncertainty arising from political changes in the country affected decision-making. A contract to develop a teacher education facility with Sampoerna was apparently won,[27] but then not implemented.

Relationship management and maintaining key contacts at a distance continued to be a challenge, particularly where local civil service capability was relatively undeveloped. Symptomatic was the rueful note in the board minutes in mid-2000: "Lesotho project [is] progressing slowly. Mrs M… difficult to contact." The aid-funded[28] Lesotho work would continue in occasional bursts through to 2005, including participants spending time in New Zealand schools. Contracts with Brunei came again in several stints between 2004 and 2008. The primary focus was training school inspectors in school effectiveness evaluation, but the apparent largesse of Prince Jefri's time was a distant memory. A more conventional approach was being taken to procurement in Brunei. Budgets no longer sustained curriculum documents "bound in leather and gold."[29]

Conditions in the New Zealand market continued to be mixed, although by the late nineties there were signs of a greater stability creeping into the Ministry

27 MS Board Minutes, May 1999, item 6.7 & August 1999, item 6.4.1

28 Through the World Bank – see MS Board Minutes, September 1999, item 9

29 At interview [August 2016] Heather McRae told the story of the curriculum documents for JIS needing to be bound in "leather and gold".

of Education's procurement processes. Core contracts such as payroll and transport were now subject to longer terms and a greater frequency of roll-over and extension. The transport division saw opportunity to expand the business by offering management services to direct resourced school network groups to augment the centrally controlled contract. In the event, school network sales results were relatively modest as were the returns. Not for the last time the company was served a reminder that direct trading with schools was often characterised by levels of price sensitivity that were not commercially sustainable.

More significant were new pressures on the Ministry of Education arising from disquiet at the pace of change with curriculum and assessment reform. Poorly supported implementation was biting politically, as was the faltering performance of parts of the schools' network. The 1994 TIMSS results for mathematics and science suggested systemic teaching weaknesses in primary schools in these curriculum areas.[30] Critical Education Review Office reports (through 1996 and 1997) on the performance of schools in South Auckland, Northland and East Coast suggested the need for a system response. So too the 1999 Literacy Taskforce findings which noted wide variations in teacher expertise amongst schools, resulting in a smorgasbord of approaches that were neither effective nor sufficiently evaluated.[31]

Taken together these pressures suggested that the Ministry needed to expand its role and more actively "lead the system" than had been initially assumed in the 1989 reforms. A change of leadership in the Ministry helped. The new Secretary of Education, Howard Fancy[32], applied a more nuanced policy intelligence. He recognised the need for the Ministry to more actively steer from a distance. That meant underpinning devolved school management with greater system capability and actively engaging with the "front-line" in building that capability.

The result was a greater frequency and scale in centrally funded professional development and support opportunities. In the classroom the focus was on building the effectiveness of teaching, assessment for learning, lifting achievement in the core curriculum and implementing senior secondary qualifications. For principals and school boards there was a parallel emphasis in development contracts that encouraged a more strategic focus on lifting educational performance and leading learning in their schools. The company successfully secured a range of major contracts, building in-school capability in the upper North Island. Key contracts over the period included: "Assessment for Better Learning" (ABEL), "Leading and Managing", "Board Training and Support" (BTAS), "Assess to Learn" (ATOL) contracts.

30 Wylie, pp. 142-143
31 Wylie, op. cit., p.141
32 Howard Fancy joined the company board as a director when his tenure as Education Secretary expired.

Moreover, the Ministry was better understanding its role in growing and fostering a competitive supply market. Contracts began to be tendered on three-year terms instead of the shorter terms that had previously applied and this positively affected the business model. In the early years, what was then called "professional services" (later "education operations") relied on external contractors organised by a small internal administration team. Ash Newth, a former District Senior Inspector of Primary Schools, coordinated much of this work, his extensive relationships in the sector enabling him to bring together flexible delivery teams under secondment from schools. Typically these contracts were relatively short-term (up to a year) and the way they were organised made for consistent profitability as well as further cultivating relationships in schools. Despite changes in other parts of the training and consulting business, the Newth-model endured for successive iterations of school trustee training and support contracts up until 2013, when the political decision was made to fund the work-stream wholly through the School Trustees Association.

However, there were also difficulties in the approach. Maintaining work-force stability and consistent quality in the face of uncertainty and delays associated with official decision-making about contract extensions, roll-overs and replacements as well as the time often taken in the procurement process was an on-going challenge. It was difficult for company managers to keep potential school-based secondees committed to the next contract cycle (outcome as yet unknown) when they were also under pressure from their employing schools looking for certainty over their presence or otherwise.[33]

The Ministry, seeing the potential benefits of more stable contractor supply chains as well as the advantages of sending stronger investment commitment signals to schools (particularly after the election of the Labour-led government in 2000) responded positively. As major professional learning contract cycles extended, it became possible for the company to contemplate retaining a larger scale, permanent education training and development workforce – forming the core of what would ultimately become the consulting division.

The nature and quality of personnel attracted through these more stable professional development contracts, was significant to later success in winning large scale schooling improvement and system development projects in the Middle East. It was this grouping that generated the intellectual capital in the winning tenders and provided critical leadership and management capability in what were always high stakes implementation contexts. A scaled up consultancy and the nature of the ATOL contract which continued until 2005, was also key to the company engaging critically with the thinking of key education researchers and theorists – work that sign-posted subsequent

33 Interview with Heather McRae, August 2016

commercial relationships with Professor John Hattie (*Visible Learning*) and Professor Russell Bishop (*Culture Counts*) a decade later.

In the shorter term, the work and the confidence that came with it encouraged the company to break new ground in supporting the establishment of new schools in the greater Auckland region. A surge in immigration in the early 2000s required a significant expansion of the Auckland schools network. Under pressure, the Ministry took an innovative approach to contracting support for these new school establishments, allowing a significant degree of diversity in the design approach.

The model required governance support for establishment boards of trustees to be integrated with design and build consortia. Drawing on its domestic consulting profile and with the success of Jerudong as a key reference point, Multi Serve was particularly well-placed to take on this work. In each case the company's role was to support the school's "Establishment Board" to appoint a principal, establish an operational infrastructure prior to opening while concurrently developing a design brief for the architects that was well-grounded educationally and could be translated into affordable construction.

Multi Serve advice was critical in assisting boards to develop the preferred educational approaches that fed into design briefs. Typically it took several months to appoint a principal. Complex design, consent, and build processes of this scale could not afford that delay, and big decisions often had to be made in advance of a principal's appointment. Thus the key responsibility for forming the advice that informed those decisions lay with the Multi Serve "governance facilitators". The success of the work was reflected in the uniformly high praise for the company's input at each opening.

Between 2003 and 2009 five new schools – Oteha Valley Primary, Baverstock Oaks, Tupuranga (now Kia Aroha College), Silverdale Primary School (a relocation) and Albany Senior High School – were designed, built and opened in a partnership between Arrow International and Multi Serve. In terms of budget and complexity, Albany Senior High posed challenges that prior contracts had not. The chosen site was very small and ecologically sensitive, restricting the building platform. Community opposition to the proposed site was significant and the Ministry had not yet obtained the necessary site-use designation from the local authority, normally a preliminary to an establishment board being appointed.

Delays were such that a temporary transportable school had to be built on a corner of an adjacent existing school. Ultimately the site's restrictions, combined with a management and board commitment to flexible-use learning spaces, drove an inspired creative and architectural response. The result crowned a seven-year work-stream staffed by a group of agile and skilled consulting staff but, paradoxically, it also ended the company's involvement in this type of work.

The Ministry had changed the rules along the way and had based the Albany contract on standardised hours for governance support. Officials were unwilling to acknowledge the significant additional input required from the company to support the board over extended implementation timelines and through very complex and contentious planning issues. Discussions with the Ministry suggested the funding framework for future work would be similarly constrained. The company did not tender again.

Through this period, the company continued to look for opportunities to reduce its dependence on a single domestic client. Part of that search spawned two significant educational ICT initiatives. The first of these, "Edcom", enjoyed conspicuous success for a time. The other, "Edgenet", failed. In partnership with Telecom, Edcom was formed to provide ICT guidance to schools, primarily through a "help desk" service. This was a subscription business model that offered discounts on school phone services as a benefit of membership. Seven hundred schools signed up in the first year, although Telecom (with an eye to corporate image) rather blunted the appeal of membership by extending the call discount benefits to non-member schools.

The following year Edcom won a national tender, supplying Microsoft software and licenses to schools on a discounted basis. Membership neared a peak of close to 1200 over a period of four years. The favourable Microsoft pricing deal was the key attraction, and Edcom was very profitable. For a short time Multi Serve was the largest supplier of computer software to New Zealand schools. Then, in late 2001, the newly elected Labour Government reached agreement with Microsoft to provide computer software to all state schools for a one-off $10 million fee, effectively removing the major incentive for continuing membership of Edcom. Initially Edcom had a fixed-fee distributive role in the new arrangements, but the contract was only transitional – just 12 months. The major source of the division's revenue fell victim to broader political considerations and the bulk purchasing power of government. In this case the politics won. The government's actions were enthusiastically welcomed by cash-strapped schools.[34] By 2004 Edcom had closed.

Although short-lived, Edcom's success was a reminder of how complex the management of business partnerships in a relatively small market could be. Datacom had also bid for the initial Microsoft schools' contract and had not appreciated losing to what it considered a junior business partner; feathers were ruffled. Ian Cordes recalled that displeasure being informally but pungently conveyed. It was Datacom that won the re-tendered Microsoft distribution and support contract which effectively sealed Edcom's fate.

The company's parallel foray into the digital world never got traction.

34 See announcement by Hon Trevor Mallard, Minister of Education, 5 February 2002, www.beehive.govt.nz.

"Edgenet" was an ambitious attempt to develop a piece of software to track and report student progress aligned to the levels of learning that set out in the New Zealand national curriculum documents - overly ambitious as it turned out. A significant development grant ($0.8M) was obtained from Technology New Zealand, a government digital innovation funder. Over time two software developers were engaged, but both appear to have overstated their capability. Consequently, the project was subject to delays over several years. Edgenet never got to the demonstration stage. Key personnel departed.

Given the uncertainty, Multi Serve directors declined requests for further investment calculating that the business risks were too high. The death of the project was a cautionary tale of the challenges and costs of developing bespoke software compounded by an over-reliance on the technical expertise of an external party and insufficient internal expertise to properly oversee the project. Whatever the failings of the software developers, there also appears to have been a high degree of naivety in the company's management approach and an obvious opportunity lost. Technology NZ's reaction to the failed investment is lost to the record, but contemporary observers will note the contrast with the strictures of current government procurement processes.

There was, nevertheless, a small "upside" to this unfortunate episode. Edgenet usefully embedded itself in the company's institutional memory. A decade later, memories of the Edgenet failure and the struggle of the early months partnering with Datacom in a software transition were uppermost when the company declined the offer to subcontract to Talent 2. Talent 2 were about to take over the schools' payroll contract with their evidently incomplete Novopay software. As we will see in a later chapter, the wisdom of that decision was clear within days of the contract transfer.

However there was one ICT project from the late nineties that produced sustained success and a business partnership that lasted a decade. In early 1999 the company, in association with Copeland Wilson Associates (CWA), won a Ministry of Education contract to develop the education portal and web community that became Te Kete Ipurangi (TKI). This was before the Ministry formalised a national ICT strategy for schools. Consequently, as David Copeland (then head of CWA) observed, there appeared to be opportunity to influence officials' thinking as to how a national strategy might be framed and implemented.

Accordingly, the approach to the tender was ambitious and intended to catalyse subsequent policy thinking. Early discussions also involved Learning Media, but the latter company, apparently concerned to maintain its then pre-eminent place as a provider of educational content to New Zealand schools, decided to put in its own bid. The Multi Serve-CWA had two parts: (a) the development of a web-enabled resource centre (CWA); and (b) an ICT help desk for schools

(Multi Serve) – in effect Edcom on a large scale but pre-funded by the Ministry. So CWA was to be the TKI content builder and Multi Serve an ICT service desk and call centre.

Although the proposal won the tender, it was only accepted in part. The Ministry argued the help desk function was not affordable, although it did subsequently create its own in-house service and recruit a number of former Multi Serve staff to run it. The change in scope of the TKI tender was an early test of a new partnership. On the face of it, there was no role for Multi Serve. It is a tribute to the spirit of the relationship that it was quickly agreed that the remaining work would be divided between CWA and Multi Serve. CWA would be responsible for content creation, but the Multi Serve team would provide formal quality assurance on that work.

For a while the two teams were co-located. The combined staff exceeded 30 at peak, with Multi Serve contributing around a third of that number. Despite its longer-term success, the relationship was not without its tensions. CWA's creative team was in almost daily contact with the Ministry of Education, whereas there was much less interaction possible for Multi Serve's quality assurance team. At times, Multi Serve felt confined to the shadows of the contract. Inevitably this brought a degree of *frisson* to relationships within the partnership. At one point directors discussed resolving "relationship difficulties" by either party buying out the other. [35]

Ultimately however, these occasional tensions were managed. As with Datacom, the relationship with CWA proved adaptable and durable – successfully managing shifting political circumstances and renewing the contract over multiple development cycles. Almost 20 years on, TKI has assumed a ubiquity in the New Zealand schools' eco-system that belies the innovation of its conception and original creation. The significant part that company personnel played in that creation is a source of on-going pride.

Multi Serve's legacy was embedded in the DNA of TKI content. The development of the TKI style guide, the guidelines for content management and associated links that framed the core work of content editing and sourcing links to other educational resources was critically Multi Serve's work. The TKI contract also provided a compelling reference point for some subsidiary but related tenders that the company subsequently won in its own right - managing online teacher communities through Arts On-Line and English/ESOL On-Line.

In the seven years that followed the Jerudong contract, diversification success was mixed. Nevertheless, the scale of the business grew by around a third over the period – the TKI contract making a significant contribution to that growth. At March 2003 annual revenue stood at a little over $10 million. However as

35 MS Board Minutes, November 2003, item 6.5

the year progressed, domestic market uncertainty was again creating anxiety. There were deep concerns about the roll-over of both the payroll and transport contracts and the related proposal to once again reduce contractual timeframes.

Compounding these issues, the Ministry was concurrently calling for expressions of interest in a new payroll system and signalling that a longer-term transport contract was likely to differ significantly from previous arrangements. Confidence in the quality of Ministry decision-making was low. A related meeting with the Ministry's transport management team had left company representatives with an impression of "short staffing" and "disorganisation".[36]

The search for greater sustainability was being driven by a new CEO, Des Hammond (appointed in July 2002). Hammond was increasingly concerned at the apparent paucity of new Ministry of Education professional development contract opportunities. He worried that those tenders that were available did not appear to be truly contestable but were being weighted in favour of existing suppliers.

In October 2003, the board noted that, in the past six months only one new tender opportunity, "Dance in the Curriculum," had gone to market. In November a literacy support proposal was reported as unsuccessful. Hammond suggested that long-standing relationships between the Ministry and traditional suppliers such as Learning Media and the University-based school support teams were major influences in procurement decision-making that Multi Serve could not match. There was frustration at perceived "subsidies" enjoyed by University of Auckland's Team Solutions group and the competitive advantage those rendered. Rubbing salt into the wound, Team Solutions had recently advertised a further 45 vacancies.[37]

Yet again, and despite modest past results, the notion of growing the direct-to-schools business was revived. The education operations division was reorganised into three regional service hubs: Auckland, Hamilton and Wellington. In the case of Auckland and Hamilton, education advisory and financial services teams were integrated to improve the interface with schools. Company directors asked if a faltering Edcom could be similarly integrated. When the Wellington regional manager resigned, the Board suggested that an "influential principal" be sought as a replacement.[38]

Despite these changes, "direct to schools" was not growing quickly enough. However, another international opportunity, requiring even more agility and audacity than Jerudong, was about to present itself. It would propel the company into an extraordinary period of growth and to a previously unimaginable scale. It is to those events and the first contract in Qatar that the story now turns.

36 MS Board Minutes, August & September 2003, items 6 & 7 respectively
37 MS Board Minutes, October 2003, item 7
38 MS Board Minutes, December 2003, item 7

Chapter 3

DESERT SANDS

(2004-2010)

The Jerudong contract encouraged the idea that there were broader opportunities for the company in South East Asia. As part of the company's marketing strategy, its senior members began to attend the annual EARCOS Conference (East Asia Regional Conference of Schools) on a regular basis. As we have already seen, the ASEAN market had proved somewhat more intractable than was initially hoped, but the EARCOS connection was critical in securing the first contract in Qatar.

Jo Mullins, relatively recently appointed to head education operations at the company, attended EARCOS in November 2003. It was there that she first heard of plans led by Rand Corporation, to reform schools in Qatar. Reorganising education operations had dominated her first months in the job. As a result she was well aware of the commercial challenges that the company's heavy reliance on the domestic market represented. Instinctively, she sensed that New Zealand's devolved schooling system and Multi Serve's experience in that system might speak to Qatari education reform aspirations.

Given three distinct policy options by Rand, the Qataris had chosen an adapted charter school model "which decentralised [schools'] governance and encouraged variety through a set of schools independent of the Ministry".[39] The four key principles underpinning the reform – autonomy, accountability, variety and choice – appeared to resonate strongly with the policy logic and rhetoric of Tomorrow's Schools. Mullins flew back to New Zealand determined to get the company's profile and the New Zealand experience in front of Rand.

Initially, CEO Hammond was cool on the idea. The company had recently been through a protracted, costly and ultimately unsuccessful tendering experience in Jamaica. "Why should this be different?" he asked. Mullins and her deputy Andrew Short, were persuasive. A brief proposal was written. Within the month Mullins and Short were in Santa Monica, California, presenting to a joint panel of Rand personnel and Qatari officials. As Short recalls, the initial body language of the Rand people at the presentations suggested low interest in Multi Serve as a potential provider. The sales pitch began with a full mihi and waiata – the key message being "a bicultural approach; support from a small country like yours." One of the Rand panel walked out, but the Qataris beamed.[40] Multi Serve had proposed supporting four of the newly independent schools, the resultant contract offered five. The delivery team needed to be in Qatar within three months.

Although negotiation for later cohorts (six over the full term of the project) was more difficult, initially the behaviour of Qatari officials suggested the early spirit of Jerudong. The bid price of $6.5M received a nonchalant nod of approval. However, there was a potential sting in the tail. The apparently easy agreement on price came with a standard contract that was poorly drafted and somewhat one-sided. The company's legal adviser put significant energy into a revision, but that was waved away. The simple message was, "this is how we do business." From the outset then, the potential scale of reward was balanced with significant contractual risk.

The relationship was soon tested. By early 2004 Multi Serve had a team of around 20 people in-country along with personnel from a number of other international school support organisations (SSOs). Initially, living and working conditions were difficult. Allocated apartments were incomplete and the lack of digital connectivity made communications and working conditions trying. Mullins reported: "… drivers did not turn up, there was no water or power for several days … no phones or internet connections. The flats needed extensive cleaning and repair work … those issues continue with water, plumbing and electrical issues the substance of daily living."[41]

39 See Rand Corporation, "Education for a New Era – Design and Implementation of K-12 Education reform in Qatar," 2007, p.xix
40 Andrew Short at interview, June 2016
41 Jo Mullins, Report to MS Board, item 6a, April 2004

As ostensible project manager, Qatar's Education Institute was completely unprepared for demands on office space and was unable to provide sufficient working space for the SSO teams. Early plans to house all the SSOs in one of the newly independent girls' schools were undone when the principal refused to allow male consultants on to the premises. "As a consequence," Mullins reported, "four [SSO] teams shared a small office space with patchy internet access. There were often up to 15 people from the four organisations working in this space with laptops literally on their laps."[42]

In all of this there was something of a culture shock. The client interface was complex and Qatari civil service capability underdeveloped. In no sense was the project brief fully formed and it continued to change. As an early example, SSOs were required to assist the new school operators draft performance contracts and associated budgets with the Education Institute. Regular meetings had to be held with the tripartite structure of RAND, the Charter Schools Development Centre and the Education Institute – all of them settling into unfamiliar roles and new relationships with each other. Official clarity was in short supply. Team reports highlighted long hours and considerable strain arising from apparently arbitrary decision-making, unrealistic deadlines and unexpected changes of direction.

Communication difficulties with school operators, arising both from language barriers and uncertainties about their operations and resourcing, compounded the difficulties. Operators struggled to formalise their thoughts, contractually, at the level Rand and the Supreme Education Council (SEC) expected. It fell to the Multi Serve team to fill the gap, and the gap was complex. The contracts (effectively draft Charters) operators had submitted with their bids had to be substantially reworked, then translated back into Arabic first for the reluctant approval of the operators (who felt that they were being bound well beyond what had been initially agreed) and then the SEC. Despite these challenges, the Multi Serve team met the first critical milestone – producing the required contracts and budgets on time. Competitor SSOs did not.

Again there was a cost, with the company sandwiched somewhat uncomfortably between operators and officialdom. Team frustration over lack of access to capable translators was a strong theme in operational reports. Mullins observed that the whole exercise had unnecessarily fuelled resentment and tension between the operators and the Education Institute, compounded by the eccentric approach officials had taken to budgets. Framing all of this was a growing awareness of the costs of doing business in an unfamiliar environment. Securing residency and work visas for staff was proving considerably more bureaucratic and time-consuming than had been originally

42 Mullins, ibid

anticipated. This was difficult for staff whose goodwill was being tested daily. It was impossible to buy a car, have a mobile phone or even get a key cut without a residency card. Typically, obtaining a card took around six weeks – a process involving X-rays, blood tests, finger-printing, multiple photographs and seemingly endless paperwork. Obtaining exit visas was an equally opaque and time-consuming process.

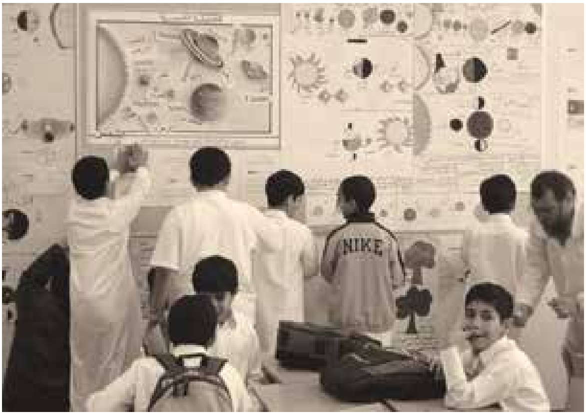
Advice on local tax compliance was also somewhat ambiguous. The challenges of a small company managing business compliance demands from a distance were an inevitable growing pain, but would become a recurring theme when operations later expanded into the United Arab Emirates and then Malaysia. Mullins commenting: "[with] hindsight there was probably a need to have expert assistance available to us in Qatar, over and above the team we had on the ground, to assist in the areas of finance and Qatari law. This is something that is worth considering for future contracts."[43]

Rand, sensing the difficulties, appears to have temporarily taken a more dominant role. In May the Board was advised that Rand was "taking direct control," and that senior officials had been removed.[44] Directors expressed concern that unnecessary stress on staff had arisen from the Education Institute adding "extra requirements not specified in the contract."[45] What the company was in the process of learning was that a signed contract in Middle Eastern terms rarely meant a fixed programme specification. Time and again in Qatar and later in Abu Dhabi, Saudi Arabia and Kuwait, it would become evident that in the client's mind the "black letter" of the contract was simply a starting point – a broad legal framework for the relationship. In practice, contract terms were often highly iterative and particularly susceptible to new priorities emerging from executive decision-making in the political domain almost always without regard for the operational and fiscal consequences.

Although largely unseen on a day-to-day basis, the conventions and assumptions of autocratic political leadership drove a civil service culture very different from democratic jurisdictions and company experience. Civil servants were there primarily to execute instructions from above, not to give free and frank advice to their political masters, nor to be unduly troubled by notions of responsiveness to either the broader public or their contractors. In short, the company was adapting to an environment where contractual terms were frequently subject to change at very short notice, where the decision-making that lay behind those changes was often opaque, and where client performance expectations took little account of the impact of their *ad hoc* changes to previously agreed project specifications and approaches.

43 Mullins, op.cit.
44 MS Board Minutes, May 2004, item 6.3
45 MS Board Minutes, April 2004, item 7.2

Original offices for Multi Serve, Grafton, 1991



A Cognition Classroom in Qatar, 2004

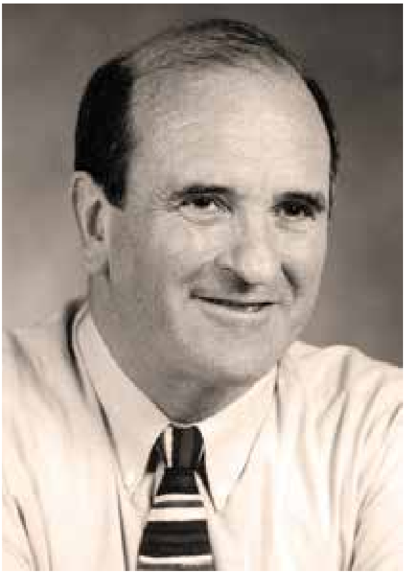
Group of students with Chris Sullivan, Qatar, 2005

Student project HBABJ Science Club

Al Wajbah primary school girls, 2005

Group of Qatari school boys, 2004

CERT and CEL Board, 2006. Back row: Janet Kelly, Nola Hambleton, Wyatt Creech, Terry Bates, Keith Goodall, Dr Russell Bishop. Front Row: Margaret Bendall, Des Hammond (CEO), Stewart Germann, Mary Sinclair (Executive Trustee)



Ron Perkinson (CEO), 1990–1999

Jo Mullins, whose sales leads led Cognition to the step change in the Middle East

Cognition Education Ltd Board of Directors, c2008. Left to right: Prof John Hattie, Chris Morton, Stewart Germann (Chair), John Langley (CEO), Carol Moffat, Ian Cordes, Keith Goodall

NEiTA 2010 Cognition Education Ltd Award with Hon Anne Tolley, Minister of Education

Alastair Kerr (Chair), 2016–

Tina Lucas (CEO), 2016–

Festival of Education (2014). Shane Ngatai, Associate Minister of Education Hon Nikki Kaye, Minister of Education Hon Hekia Parata, Jesse Lee

Cognition Education Trust Board, 2017. Left to right: Sarah Martin, Richard Jefferies, Candis Craven (Chair) and Tim Livingstone

Cognition Education Trust's assessment panel reviewing grants. Left to right: Executive Director Anne Rodda, Trustee Sarah Martin, Advisers Soana Pamuka and Margaret Bendall, and Trustee Richard Jefferies by teleconference

Rt Hon John Key delivers address at the NEiTA Awards, co-sponsored by Cognitition

Multi Serve Service Medal

All of that said, there was also a great sense of adventure about the Qatar project. As Chris Sullivan, a member of the original project team, recently observed, “it was in equal measure often exhilarating, never dull, and undertaken with a degree of optimism that we could, and were, making a difference.”[46] With talk of an additional seven schools for “Cohort 2” already well advanced, the company was motivated by the potential volume of work and margins not seen since Jerudong.

However the opportunity also came at a fiscal cost. From the outset frustrations arose from slow and convoluted client payment processes which over time presented significant cash-flow challenges for the company – later compounded by similar administrative inertia in the Abu Dhabi contracts (which scaled up rapidly from 2007). This meant building new relationships with the company’s bankers to secure necessary lines of credit – at the height of the Middle East projects in excess of $16M. Critical sector comment back in New Zealand about the apparent scale of the company’s off-shore work not being matched by its charitable distributions was oblivious to very real cash-flow challenges – a combination of arthritic client payments and the need for capital to fund expansion on a scale hitherto unimaginable.

It was not only international expansion that was causing headaches. As the Qatar project began to scale, the company was advised by the Ministry of Education that it had been unsuccessful in the tender round to renew the main ATOL (Assess to Learn) contract for the next three years. This was a major blow. The three major educational services contracts the domestic consultancy held at that time were TKI, BTAS, and ATOL, and of these TKI and ATOL were the revenue streams that underpinned the bulk of staff retained in the domestic consultancy. By contrast, BTAS was largely managed through a network of external subcontractors.

So on top of the initial culture shock of Qatar came a second culture shock as the company was forced to rapidly rethink its approach to educational services in the domestic market and downsize the local consulting team. The relatively recent reorganisation of domestic consulting into three regional service hubs also came under scrutiny. This reorganisation had occurred on the assumption that core Ministry contracts could be augmented by growing direct trading with schools through “bundled services” offers. A typical example might comprise a contract for senior management appraisal, combined with agreed hours of assessment and curriculum support for teaching staff and a financial services package. In the event that growth was not realised. The “direct to schools” market was dominated by sole operators or very small consultancy groupings who were able to operate at a much lower price point than was possible in the company.

46 Chris Sullivan at interview, Aug 2016

Such work as was won, typically principal performance appraisals and small scale evaluations, was thus marginally priced and sometimes further discounted on a buy one, get one free basis. On early acquaintance (having just joined the company at this time) the author heard well-meaning staff justifying such arrangements as part of the charitable mission of the Multi Serve Trust. Analysis of the Financial Services division (primarily accounting services to schools) suggested that commercial performance was also being compromised by a culture of marginal and discounted pricing, especially in Auckland. This confusion needed to be addressed in the process of reorganising and refocusing the consultancy. The need for the commercial arm to make a profit in order that the philanthropic arm could distribute that profit seemed to be habitually overlooked by too many staff.

The challenge then was how to better differentiate the company's consultancy offerings and people from small suppliers (typically sole traders) as well as to build capability and profile likely to enhance competitiveness in government procurement, both domestic and international. The nature of contracts such as ATOL meant that the education operations staffing profile tended to be weighted towards people who were more "trainers" than "consultants". The reorganisation of the consultancy saw a deliberate focus on recruiting lead staff whose personal and professional reputations were likely to generate client interest and revenue.

The immediate objective was to recover and supplant the revenue that had been lost with ATOL through a more diversified approach and a focus on work that generated higher margins. The second objective was to back the international growth strategy with greater in-house technical and development capability. A new programme evaluation offering was launched, and a swathe of PHDs joined the team to augment the additional public policy expertise that had been recruited at about the time ATOL was lost.

The strategy worked. Within three years annual consulting revenue was up almost 30 per cent to more than $4M, despite no single contract having replaced ATOL in value. In April 2007, for example, the Board noted five new evaluation contracts recently won by the domestic consultancy, collectively worth $2.3M. The striking diversity of this work highlighted the shifts that were taking place in company capability and market perception. The nature of these contracts ("Developing Effective Leadership and Planning for ICT", "Making Language and Learning Work", "Survey of Special Needs Resourcing in Schools", "Study of the Food and Nutrition Environment in Schools") also suggested a growing interest in the company's emerging strength - evaluating public policy.

These shifts also marked the beginnings of a growing diversification in the domestic client base beyond the traditional relationship with the Ministry of

Education. Notable examples over the following decade evaluated a range of high profile policy programmes for a range of government agencies and NGOs: community education for the Tertiary Education Commission; education in prisons for the Department of Corrections, road safety education for the Ministry of Transport; "Enviroschools" for the Enviroschools' Foundation; the "Sky's the Limit" reading programme for the New Zealand Book Council; and the "Roots of Empathy" programme for the Ministry of Social Development. An initial relationship with the Ministry of Health evaluating a food and nutrition initiative in schools was followed by the Health Promoting Schools (HPS) contract, first signed in 2010 and ongoing. This primary healthcare initiative focuses on improved health and wellbeing outcomes for school students and their communities and has involved around 70 percent of schools nationally.

Over the period, the company also reaffirmed its place in the digital education space, which had diminished with changes to the TKI contract. For the Ministry of Education the company developed the "Digital Technologies Framework" and evaluated the "Laptops for Teachers" initiative. It managed the delivery of English Online, ESOL Online, Social Sciences Online and Arts Online, all very significant teacher digital communities. Arts Online represents one of the company's longest contracts – more than a decade in duration. In this time the company also produced a series of DVDs to assist teachers with the English language needs of diverse learners and to assist teachers of languages other than English.

Concurrently, the Qatar project continued to grow at pace. By the end of the 2006/7 financial year, revenue was almost $10M annually with significant growth prospects. The company was one of 19 nationally selected finalists for the New Zealand Trade and Enterprise, "Exporter of the Year Award". The company was now in a credible position to bid for and win a parallel schooling improvement project in Abu Dhabi, the dominant Emirate within the UAE. Over the next three years, the revenue scale of this project would be more than double that of Qatar. The pace of expansion required in both jurisdictions and the overall volume of work (particularly the demands of recruitment and business compliance) would initially test the company's organisation and infrastructure.

In December 2007, the executive management team met in a strategy review session. The mood was upbeat. Despite the emerging international liquidity crisis, which was shaking financial confidence in the United States and Europe, the outlook for further growth in the Middle East looked good. The company's international profile appeared to be broadening as well. Earlier in the year, a small team had worked in New York with Professor John Hattie (University of

Auckland) in an asTTle[47] training trial with 12 schools in Harlem, a foretaste of a relationship that would ultimately result in the commercial partnership that became "Visible Learning Plus". Prospects for a contract to train school inspectors in Brunei were encouraging. There was also excitement at potential opportunities from the upcoming ICSEI conference (International Congress of Schooling Effectiveness and Improvement) scheduled for Auckland in January 2008. A company team had played a major role in the organisation, and the programme indicated that Cognition staff would be well profiled. For the first time in the company's history, annual revenue was projected to break the $20M barrier. In the event it exceeded $26M – almost double the ($13.7M) average of the preceding five years.

The day concluded on an ebullient note. Drinks were served with an ambitious five year revenue growth target, $55M annually by 2012, scrawled on the whiteboard. In a sense it was a fitting final meeting for CEO Des Hammond who departed early in the new year. Hammond could take considerable credit for initiating the growth platform that would take the company to a significantly different scale and focus over the next four years. He could also take credit for leading a process that had resulted in the company's recent change of name. Multi Serve had become Cognition Education. [48]

Aspirational though that five-year target seemed, it was achieved within 18 months of explosive growth and acknowledged with an export award in 2010.[49] Annual revenue almost doubled to $46M the following year and accelerated to $66M the year after, crowning the company and Trust's twentieth anniversary celebrations in 2009. Annual turnover for the three financial years 2009 to 2011 averaged $55M. More than 60 percent of that revenue was due to growth in Abu Dhabi sales.

The rate at which the organisation was forced to scale was a significant challenge compounded by the selection of an Emirati sponsor of dubious efficiency. The major mistake was the company agreeing to combine the role of sponsor (ordinarily a largely pro- forma role) with that of immigration agent. The agent's inability to process work visa and residency applications at the expected rate created considerable inconvenience for incoming staff. The need to clog the weekend with a "border-run" (a bus-ride into Oman to renew a temporary visa) became something of a grim and wearying joke for staff. Project manager, Sally Smart, described it, "as an exasperating time."

The reputational and legal risk for the company eventually led to protracted

47 asTTle is a proprietary assessment tool owned by the New Zealand Ministry of Education and initially developed by a team led by Professor John Hattie.

48 Although the name "Cognition" was actually a moment of inspiration from Jo Mullins following an executive team brain-storming session.

49 [Air NZ Cargo] Export Awards – 2010, Consultants and Services Exporter of the Year.

litigation to terminate the sponsor's contract – no easy task in a small country with different legal conventions and a judicial system subject to protracted delay and political influence. The company was reminded again of the price to be paid arising from naïve judgements and hasty decisions in a complex compliance environment with very different cultural norms.

As in Qatar, the supply chains for the company's schooling improvement work were people-intensive. A typical Cognition (in-school) change management team in either country comprised a lead adviser supplemented by two or three advisers in specified areas of curriculum and a translator. With families added to those personnel, the company found itself with a substantial job not only of recruitment and initial training but also settling in-country residency arrangements, arranging work visas and securing housing for employees – all of which had to be achieved under compressed time frames.

By mid-2010 (the peak of these projects) Cognition had close to 300 employees in Middle East markets and related residency responsibility for a further 115 partners and children. Through 2007/8 in Abu Dhabi particularly, there was a shortage of residential stock. The author has particularly vivid memories of days spent with senior colleagues in new subdivisions literally emerging from the desert and meeting landlords' agents in houses that were barely past foundations stage.

The confident assurances that these buildings were only a few weeks from completion and a lease should be signed immediately to secure them stretched credulity, but there was simply no alternative. One particularly absurd conversation of this sort ended with Cognition managers standing beside a pile of builder's rubble, helpless with laughter at the comedic brashness of the land agent. In the event, a number of incoming employees had to be initially accommodated in hotels – an additional project cost, but necessary when balanced against the need to establish credibility with a high-value client in an intensely competitive market.

Personnel in the school advisory teams were sourced from a range of countries with New Zealanders comprising the largest proportion. A typical Kiwi "can-do" attitude underpinned the resilience of Cognition teams who initially confronted trying circumstances. Leaving aside the vagaries of actually getting fully settled and housed, the dilapidated state of school buildings and equipment, as well as the uncertainty of local teaching staff as to the role and purpose of these "foreigners" in their schools, could present significant challenges of relationship management and planning.

Although not a uniform reaction, it was not surprising that some teams encountered resistance, both overt and covert, from principals and teaching staff. The Abu Dhabi project had initially been presented as a public-private partnership (PPP). Successful tenderers were to be directly responsible for the appointment and performance management of staff in schools. In the event, local political considerations caused the Abu Dhabi Education Authority (ADEC) to resile from that commitment, but the original intent affected the initial reception that incoming Cognition personnel experienced.

Parents and local communities were also apprehensive. ADEC had declared that the primary language of instruction in schools would be English, a very significant and culturally unsettling change in a school-age population for whom Arabic was the primary language. Then there was the obvious question: "Who are these non-Islamic people come to change our schools and to what purpose?"

Compounding the apprehension was the fact that the local education authorities were themselves in the throes of significant structural change and had not adequately communicated the purpose or processes of the intended reform programme to those affected. All of this against the accelerating sense of culture-clash inherent in the Western response, first in Afghanistan and later Iraq to the event universally referred to as 9/11.

In these early years and against this broader backdrop, the reassuring "New Zealand-ness" of the Cognition teams was an asset. It quickly became evident that the instinctive ease of Kiwis in cross-cultural settings and the ability to forge constructive relationships was helpful in creating an accelerated climate of acceptance in the schools. Also helpful was that New Zealand as a country was seen by locals as small and unthreatening. The company's induction programmes for incoming personnel stressed the need to avoid modes of behaviour and advice that might be interpreted as representing a "colonising mind-set" and to be acutely sensitive to local social and religious norms.

Knowing that longevity in the market would require results, it was also important that warm relationships did not become an end in themselves. The challenge for the school teams was to translate hard-earned warmth and trust into sustained pressure for a step-change in teacher and principal practice. This was no easy task in a professional culture which was teacher-centred rather than student-centred and placed control and compliance ahead of self-management and performance. There were also some senior advisers (usually ex-principals) who initially took a New Zealand self-managing schools mind-set into the work. There were two risks here. The first was potential offence to the client education authorities who had a clear expectation of maintaining central control and expected that message to be reinforced by their contracted SSOs. The second was the risk to demanding project accountabilities, particularly in Abu Dhabi, of a plethora of individual change management approaches.

In contrast to the more qualitative focus on outputs that characterised the Qatar contracts, ADEC's performance measures were much more demanding, as they were primarily quantitative, required aspirational improvements in student achievement and set aggressive English-language competence targets for principals, teachers and students. It was thus imperative to focus school teams on a common, research-based intervention methodology supported by the development of value-added measures to assess student, teacher and principal progress.

In that process the company developed the concept of "voluntary milestone reporting" underpinned by analysis that went beyond the black letter of the contract and gave the client a richer view of progress and performance. The methodology was heavily influenced by key theorists such as Hattie, Fullan and Levin. It focused Cognition teams on the process factors most likely to engage principals and teachers in productive change and the teaching approaches most likely to catalyse the quality and pace of student learning.

These shifts were reinforced by the introduction of an internal evaluation programme, developed and operated by senior members of the core consultancy. The programme monitored the performance of school-based teams at regular intervals, reported the comparative consistency of programme performance across schools and created an evidence base which actively engaged the project management team in the dialogue of continuous improvement. This "coaches of coaches" approach proved highly effective both in creating common expectations of performance and building relationships between the domestic and international teams.

Most significant was the adoption of a Hattie-inspired effect-size methodology to judge the impact of the project on the principals, teachers and students in Cognition-managed schools. Students were the subject of nationally generated assessments, known as "EMSA", in English, mathematics, science and Arabic. To complement these external assessments, Cognition developed internal common assessment tools (CATs) to monitor student progress more regularly. This was a hefty additional design and data management task for which the local leadership team deserved considerable credit. Over the three years of the project that followed the introduction of this monitoring regime, the average annual student gain, across multiple curriculum domains, was 0.86 – highly accelerated student learning when compared with the 0.4 annual effect size that Hattie's research indicates is "significant".

Average annual teacher and principal gains over the same period, also using standardised observation tools developed in-house, were 0.94. The effectiveness of the Cognition approach, as illustrated by these gains, was enthusiastically acknowledged by ADEC officials, yet they were reluctant to demand the same performance disciplines from competitor SSOs. As a direct consequence, officials were unable to give their political masters a consistent story about improvement return on project investment. By late 2011 the view emerging from the upper echelons of ADEC was that the PPP investment had largely failed.

This was frustrating for Cognition personnel who had a clear story of success to tell. The author recalls a conversation with a senior procurement manager in ADEC in early 2012 who bemoaned the performance and ethics of some providers and noted that in contrast Cognition "had always been a very ethical company." When asked why ADEC did not terminate unsatisfactory operators and hand the work to proven performers who could supply evidence of impact, he responded that the greater policy interest was in fostering a competitive supply market. That objective required a willingness to tolerate a greater range of operator effectiveness than might otherwise be considered desirable, but ADEC were wary of allowing a single company to become market dominant.

Aware of the risks of unpredictable policy change on a single high value contract, the company endeavoured to use its substantial SSO presence to develop a more diverse range of regional offerings. In Qatar the strategy enjoyed some success. Over several years the company won a range of contracts intended to buttress the school-based reforms in a broader policy sense and to grow system capability. These included contracts developing curriculum standards, early childhood policy, teacher licensing implementation, school evaluator training, school board training, professional standards for teachers, principal leadership training, and blended e-learning environments. The most enduring of these additional contracts was the QORLA project, which established the framework and administrative processes for the licensing of teachers over four years.

Regionally, however, the appetite for the costs of large scale development projects was waning as the impact of the global financial crisis began to weigh negatively on governments' accounts. From historically heady peaks, oil prices dropped dramatically in late 2008, a decline of almost seventy percent. The value of GCC investments in both US and European markets also suffered as a result of the wider financial melt-down. The relatively slow recovery of oil revenues over the next two years and the financial trauma of Dubai, which required heavy emergency support investment from other Gulf states (primarily Abu Dhabi), created a predictable caution in the region as to the scale of discretionary public investment. It also generated a greater focus on the value to be derived from such investments.

In Qatar the Digital Oasis (blended e-learning) contract was hastily abandoned within six months of starting. Qatari investment in intensive school reform ended a year later in mid-2010 as cohort six came to an end. Although Cognition could take considerable satisfaction from being the sole remaining SSO in the final year of the programme, the team departed with something of a sense of unfinished business. Disappointing as the Qatar wind-down was, a larger shock was in store.

In December 2010, ADEC unilaterally changed the Abu Dhabi contract from fixed price to cost-plus terms and used this as the basis to reduce contract payments – the reduction being in excess of $8M. Although subsequent negotiations clawed back about half the deducted sum, the company's resilience was tested as was its relationship with its insurers (Zurich) who refused to honour their contract frustration insurance. Directors resolved to pursue the matter. It would take protracted litigation over the next four years, ultimately to the level of the New Zealand Supreme Court, to achieve a settlement with the underwriters.

December 2010 was also the spark in Tunisia that lit the fuse for the large-scale regional unrest that became known as the Arab Spring. Particular flash-points were Bahrain, Libya and Syria, three countries where the company had been prospecting hard. Heightened social and sectarian tensions in Bahrain and the rapid collapse of political and administrative order in Libya and Syria forced those expansionary intentions to be put on hold. Within the GCC, the wider political tumult was watched with some anxiety. In Saudi Arabia and the UAE, military expenditure began to rise sharply as did tensions with the traditional (Shia) foe, Iran – suspected by the conservative Sunni Gulf monarchies of using the disorder to bolster its regional influence. In this atmosphere, and as we will see in the next chapter, large-scale education reform would struggle to compete for resources.

Chapter 4

THE BRAIDED RIVER

(2011-2016)

The rapid shift in market conditions saw an accelerating decline in the company's revenues from mid-2010. Revenue in the Middle East was under particular pressure, and the outlook for sizeable growth opportunities was not promising. By early 2012 total income had halved from a peak of $66M two years previously. The scale of Middle East contracts was now around $10M annually, a drop of seventy-five percent over the previous two years. The effects were compounded by the imposition of cost-plus contractual terms that severely restricted margins while significantly increasing the costs of administration and operational compliance for the company.

Despite the greatly varying levels of commercial risk, the gross margin on a contract with ADEC was now about the same as a contract with the Ministry of Education in New Zealand, and this change significantly reduced the company's profitability. At least temporarily, it appeared the domestic business needed to shoulder greater weight and the international business model had to be diversified. However, the domestic market also had some immediate challenges. The most significant of these was the schools' payroll contract, a key fiscal anchor for more than 20 years, which seemed likely to end within the year.

On the plus side, new opportunities were presenting in the domestic professional learning and development (PLD) market and in the Middle East, and the Abu Dhabi authorities were signalling the likelihood of Cognition continuing in a reform programme, albeit of more modest scale. The contract with a private school provider in Kuwait, that had commenced the previous year, also seemed likely to be renewed, and there was strong enquiry from Saudi Arabia for assistance to upgrade school transport systems in the Kingdom. Hopes were also high for larger scale schooling improvement prospects out of a newly established commercial beach-head in Malaysia. In parallel, international trading seemed likely to be augmented by the developing relationship with John Hattie and a vision of turning his "Visible Learning" research into packaged evaluation and development programmes for teachers and schools globally.

Nevertheless, fiscal pressures were intense and were accompanied by a change of company leadership. In the second half of 2012 the author replaced Dr John Langley as CEO. In his four years with the company, Langley had been a colourful figure with a strong media profile as a political and educational commentator. This personal commentary could sometimes detract from the company's broader commercial interests.[50] For the incoming CEO, the current circumstances underlined the need for commercial performance to be front and centre.

For a time, it had been possible to liken the effect of the Qatar and Abu Dhabi contracts to the convergence of two great rivers. Now the company's book and outlook seemed more akin to a "braided river", and a new strategy was built around that metaphor. Revenue had dropped considerably and the large contracts in the Gulf had been supplanted with many smaller pieces of business. The next five years would see a number of innovations in the way the company worked and some significant shifts away from the traditional business model. In the home market one of the most significant of these shifts was already gathering force as the company's leadership changed.

From late 2010 it had appeared that a number of long-standing domestic PLD contracts were coming to an end. There were strong signals that these were unlikely to be re-tendered on similar terms. Most critically, these changes included ending the preference universities and colleges of education had enjoyed in providing core school support services on a regional basis. Ministry of Education briefings stressed the desire to see a new era of "collaboration" in PLD delivery.

The consultancy division was under pressure. Revenue had halved over the previous two years. Thus the initial round of PLD tendering leading into 2011 was seen as a must-win opportunity. The intention was to take advantage of a significant new opening in the market and speak compellingly to the Ministry's

50 As in mid-2010 when the Board publicly distanced itself from a Langley opinion piece in the *New Zealand Herald* that strongly criticised Prime Minister John Key for leaving a trade mission to the GCC earlier than originally planned. Predictably media interest was strong as was the company's interest in reassuring government and its network of trade officials.

new "collaboration" mantra. The result, in a move initiated and substantially brokered by Cognition, was the formation of the Te Toi Tupu consortium (TTT), which ultimately combined the talents, skill-mix and experience of Cognition, CORE, the University of Waikato, NZCER[51] and the Tainui Endowed College[52] in a formal market coalition.

For Cognition, the seed of the idea had been formed from observing the behaviour and operation of various design and construction consortia that the company had worked with in the new schools programme discussed earlier. That experience highlighted the ability of the construction industry to dynamically and efficiently form and re-form multi-party coalitions to deliver to particular market opportunities. Given the potential benefits for opportunities of scale and complexity in the new PLD environment, the question was whether a comparable model could be created in the education sector. The strategy also mitigated the risks of diverting resources into tendering and pricing competition in an environment where profit margins were highly constrained.

Having agreed in principle to a collaboration, initial time pressures on what was initially a loose "coalition of the willing" were acute. Compounding the difficulties was the fact that the narrow window for bid preparation overlapped with CORE's annual "uLearn Conference" to which its senior staff were heavily committed. A Cognition writing team decamped to Christchurch for a week to maximise liaison. The consulting division's subsequent report to the board noted the challenges: "We had to speed-date, negotiate the nuptials and prepare a complex five-strand bid inside a month."[53] In terms of future bids, it was evident that there was an urgent need to build a platform of shared values, to standardise tender development processes and to agree on delegations of control.

Significant bidding success was immediate. This gave breathing space to develop the required policy platform relatively quickly. In the context of shared bidding and delivery, the consortium partners agreed to common pricing schedules and operating protocols, including rules for head contractors and subcontractors. Each agreed to commit resources and funding to establish a common secretariat (managed out of Cognition) and contract management regime. Cognition's influence within the consortium was particularly marked by the focus on project impact – a vivid feature of the TTT website as it ultimately developed. The collaboration endured for six years, finally winding up in December 2016 as government engineered another major change in domestic PLD resourcing.

Over time, work won through the consortium was diverse. Cognition led the national Mathematics (years 1-8) project. It subcontracted regionally for "Learning with Digital Technologies" (previously known as Blended

51 The "New Zealand Council of Educational Research".
52 Now renamed "Waikato-Tainui College for Research and Development".
53 Consulting Division Report to CEL Board, October 2010, output 3

e-Learning), "Gifted and Talented Education" (GATE), "National Aspiring Principals Programme" (NAPP), New Zealand Curriculum (years 1-8) and Science in Primary Schools. The effect significantly boosted the scale of Cognition's domestic consulting business. Between 2013 and 2016 annual revenue grew to around $13M – around forty percent of total business. This was four times the average for the preceding decade. The mathematics contract also created a scale and platform to consistently measure the impact of its intervention on students' learning. The 0.98 effect size was comparable to what was achieved in the Abu Dhabi PPP – students consistently learning at more than double the rate ordinarily expected.

In contrast to elation arising from the early success of TTT, there was considerable sadness as the final months of 2012 marked the end of more than twenty years of involvement in the school payroll contract. Although subjected to considerable delay, the old arrangements were being replaced by a new web-based approach to payroll management ("Novopay"). Development and implementation were in the hands of a new Australian contractor, Talent 2, who had won the tender against a Datacom proposal (which included Cognition) some four years earlier. However, it was struggling with adapting its generic software to the complexities of the New Zealand schools' payroll system.

It was certainly a difficult period for Cognition's payroll staff. Concerned with potential reputational risk arising from the obvious shortfalls with software development as well as Talent 2's high-handed approach to negotiations, Cognition had already declined the offer to continue as a payroll subcontractor. That meant looming redundancy for a large group of personnel but uncertainty (and hope) arose from frequent extensions of the Datacom contract as the Novopay implementation timeline continued to slip.

The Ministry compounded the uncertainty. Just months before the revised Novopay "go-live" date of August 2012, Datacom and Cognition were asked to develop contingency plans in the event the Novopay contract was cancelled. Hope sprang again, but by June the option had expired. Probably because of perceived political risks and considerable money already spent, the Ministry was reluctant to exercise contractual penalties. A subsequent Ministerial Inquiry found that as late as June 2012, the Ministry had actively "misrepresented" the state of the contract to responsible Ministers. This allowed a combination of significant risks to be carried into "go live" and overestimated the ability of the Ministry, Talent 2 and schools to manage those risks. [54]

Despite the uncertainty and disappointment, the commitment of the affected personnel stood out to the end. The operations group report to the board in June commented: "We have five fortnightly pay-runs to go … The

54 Ministerial Inquiry into the Novopay Project p.10

professionalism and calm of the affected staff is extraordinary … it feels like we are bringing a big venerable ship back to port for the last time. Hard to keep emotions in check and a real tribute to the character of the team."[55] The company's farewell was an emotional affair, with the departing team, a number of whom had served from the very beginning in 1989, welcomed into a gala event on a red carpet flanked by applauding colleagues.

The failures of Novopay's implementation were widespread and protracted. In these circumstances Cognition's decision not to subcontract to Talent 2 proved prudent. Yet there was considerable irony in early 2013 when the Ministry established part of the "Novopay Backlog Clearance Unit" in the company's former payroll division space, employing significant numbers of former Cognition personnel to staff it. Even more perverse, given the lengthy history of successful outsourcing, was the subsequent establishment of a new State trading company, Education Payroll Limited.

Yet as the payroll division closed, it was becoming increasingly evident that another innovation, the company's investment in its new "Visible Learning Plus" (VL) brand was paying early dividends. The apparent pace of growth had the potential to almost immediately offset the long-standing revenue stream that had been lost and render significantly higher margins. In late 2010, John Hattie, then an academic at the University of Auckland and also a member of the Cognition board, had approached the company looking for a new home for the nascent commercial platform that had been developed out of his landmark meta-analysis of impactful teacher practice, *Visible Learning,* published two years earlier.

Somewhat surprisingly, University of Auckland's Faculty of Education had decided not to support the work beyond the end of the 2010 academic year. Given the international acclaim which greeted Hattie's work on publication, (the *Times Education Supplement* described it as "the holy grail of education") and the close fit with the company's desire to ground its intervention designs with measurable impact on student learning outcomes, it did not take long to reach agreement on a commercial partnership. The key focus was converting the critical principles of the VL research to a graduated professional learning curriculum (targeted at teachers and school leaders) that could be modularised and sold as such. In return Hattie received a royalty on all VL-related income.

From a standing start in early 2011, revenue for the new division grew very quickly. In the year payroll closed, VL achieved just short of $2M in revenue. The following year's result came close to matching the average annual payroll division's earnings ($2.7M) for the previous decade. The small difference was more than compensated for by the much higher margins that VL achieved.

55 See CEL Board Agenda, Operations Group Report, June 2012

The relatively weightless business model helped. From the outset, the company had been able to take advantage of a profit-sharing arrangement originally developed between Macmillan (Australia) and Uniservices.

Macmillan was keen to transfer the arrangement to the new order. Initially Australia was the primary focus of activity with Macmillan managing sales and events while Cognition supplied the programme and people. At the same time both Hattie and a small Cognition support team were struggling to manage demand for VL-related appearances and services in a number of countries. Hattie was clear that he wasn't much interested in *ad hoc* one-off "appearances". He wanted to see his work directly applied to building more effective teaching practice and improved student learning. Accordingly he encouraged the company to think less about events and more about sustained intervention opportunity. As Hattie put it in a subsequent business review discussion: "I want to have a positive educational impact on the lives of students. I want schools and systems to privilege expertise in their adults; and I want systems to provide resources to schools to maximise and privilege this expertise."[56]

The initial Macmillan experience, combined with the need to respond to broader market demands, spawned a larger idea to license established providers in their home markets to sell and deliver specified elements of the VL programme. Licensees were subsequently determined through a competitive tender process for each market. In relatively short order James Nottingham Associates (Scandinavia), Osiris Education (UK) and Corwin (initially the US/Canada and later Australia) entered into licensing agreements with Cognition.

The advantage of the model was that it enabled the VL business to expand quickly into multiple markets on relatively modest initial revenue expectations. The company avoided the operational and compliance costs which would have come with establishing as Cognition Education in each market. The model also avoided the capital commitment and risk of establishing an unfamiliar brand in new markets, thus freeing resources, as licensor, to develop and refine the programme.

To date, the most significant large scale opportunity for the VL programme has been with the Department of Education in Australia's Northern Territory (commencing in mid-2012) although it has been powerfully augmented by a companion offering, "Culture Counts Plus" (CC). This is built on a similar business model and approach, with CC content developed in parallel with VL from the relationships-based learning research of Professor Russell Bishop, then of University of Waikato. His research had found first practical expression in the "Te Kotahitanga" programme funded in a number of New Zealand secondary schools by the Ministry of Education.

56 Email note from John Hattie to the author, October, 2015

In the context of the Northern Territory, the Cognition team developed a system-wide intervention approach called "Collaborative Impact" (CIP). This was underpinned by a designed mix of Visible Learning and Culture Counts content, now called "Relationships Based Learning" (RBL). The mix made sense given the evident regard Bishop and Hattie have for one another's work. The focus of the CIP approach also drew on the company's larger-scale intervention history, tightly codifying critical intentions, behaviours, processes and interdependencies.

The objective was to create a sense of collective responsibility and efficacy to accelerate Aboriginal student achievement, through the designed collaboration of clusters of schools, in turn actively aligned to the efforts of officials and supervisors within the Northern Territory's Department of Education. The temptation to command change from a safe distance, rather than authentically model it, is not uncommon in education bureaucracies. With a background in senior public service management, it was a potential risk that project leader Mary Sinclair was well attuned to. The determination to affect everyone – students, teachers, principals, officials – was a key principle of the design and implementation.

The results have been dramatic and the work, known as "Schools South", is ongoing. In a letter to Hattie in late 2016, the chief executive of the Territory's Department of Education celebrated the gains evident in the preliminary NAPLAN test results: "Of the 20 measures for … testing … we have seen an improvement in 16 … with the largest increase in writing … The Northern Territory … has the highest national average when it comes to year level cohort gains." [57]

Although a major focus of work in the Northern Territory, RBL has not yet achieved the international scale of Visible Learning, nor has the product been licensed or franchised thus far. That said, the CIP methodology appears to have considerable potential to frame future system and schooling interventions. Nottingham Associates have been supported by Cognition to deliver a number of commune-specific CIP programmes in Denmark over the past two years. In the domestic market, the approach appears to be generating interest in newly established (PLD) communities of learning. Additionally, there is emerging interest in the approach from the New Zealand tertiary sector. RBL programmes currently or recently represent major PLD investment in a number of local polytechnics. RBL has also been fundamental to the design of "Te Kakahu", a three year joint initiative with seven secondary schools, funded by the Ministry of Education and managed between Cognition and Te Puna Mātauranga o Whanganui.[58]

57 Letter from Ken Davies (Chief Executive – Department of Education, Northern Territory) to John Hattie, August 2016.
58 The Whanganui Iwi Education Authority.

By 2012, outside of New Zealand and Australia, the story was one of emerging diversification. The Nauru project, which commenced that year and lasted a further three, was, as Phil Coogan, then head of consulting, dryly observed, "logistically and professionally challenging."[59] The core work was schooling improvement at the junior secondary level and the education of special needs students. Project funding was through the New Zealand Ministry of Foreign Affairs and Trade (MFAT) but managed in Nauru by AUSAID, a situation which created its own complexities, as did the economic pressures the tiny Pacific nation was under. Contract payments were something of a "lottery" throughout the life of the project.

Travel to the island was difficult with just weekly but often unreliable flights out of Brisbane. Internet access was shaky, making communications difficult. Project staff lived in a cash economy with no eftpos facilities. The only fresh food deliveries were weekly by the plane that delivered the island's lifeblood cash instalments. Local civil service capability and capacity were also low. Relationships between officials and project staff could be mercurial, with some individuals falling out of official favour on apparently whimsical grounds.

Notwithstanding the challenges, the contract was successfully delivered by an admirably resilient Cognition team. The work also helped open the door to a longer-term relationship with MFAT in delivering aid-funded work in the Pacific. Subsequently the company has designed a literacy and school leadership programme for the Solomon Islands, the Cook Islands and Tonga, followed by further work in the Solomons including major curriculum planning and review.

In a parallel development, the Malaysian beach-head had been established in the expectation that a government-business collaboration, the Khazanah schooling improvement initiative, would be expanded. The company saw Khazanah as a potential core business strand that could be used to showcase its capability and build a local market presence. Cognition had narrowly lost a protracted and hotly contested first round tender, but had been encouraged by the tender committee to renew its interest in an expected programme expansion.

This optimism was not rewarded. The Khazanah programme did not develop in the way originally anticipated. Nevertheless, strategically significant work was won in Malaysia and subsequently in Indonesia. In 2012 Cognition was commissioned to design and implement a corporate social responsibility programme for Malaysia's second-largest Telco, Axiata. The "Axiata Young Talent Programme" (YT) operated at secondary, pre-university and university levels, with the major investment being at the secondary level.

The YT programme was intended as an incubator to develop Malaysian youth leaders from rural and poorer areas. Younger secondary age students

59 Interview comment from Dr Phil Coogan – December 2016

had scholarships to Kolej Yayasan Saad, a well-regarded secondary school in Malacca. In a related project, Cognition ran a one-year teacher capacity building programme at the school, also funded by Axiata, to foster teaching approaches that reinforced the higher thinking and problem solving competencies that were central to the YT programme.

Axiata's Indonesian subsidiary XL was sufficiently impressed to engage Cognition in its own larger corporate social responsibility programme (CSR). The XL Future Leaders Programme aimed at identifying and fostering youth talent in Indonesia's universities. The first intake, catering for 120 students representing 25 universities, ran in 2013 with the Cognition team training and supporting local hub facilitators.

During the company's engagement, more than 500 students have graduated from what is generally regarded as Indonesia's most rigorous youth leadership development initiative. The programme is highly regarded for the real-life experiences that derive from the social innovation projects that form the second year of the curriculum. The focus on assisting communities affected by natural disaster and economic hardship attracted the attention of UNESCO, which short-listed it for a global innovation award in 2015.

As the relationship with Axiata developed in Malaysia, work in the Middle East was also diversifying although revenue from the region had reduced. As already noted, there was cautious optimism that the SSO contract with the Al Shaya Group in Kuwait would be extended for at least another 12 months. A small team had transferred from Abu Dhabi the previous year to assist in the redevelopment of a small private school provider in Kuwait City. The company had previously provided in-school support and training to a private school provider, Al Bassam, in Saudi Arabia on a smaller scale. It appeared that some offset for the decline in regional government contracts might be possible in supporting the development of privately owned schools.

In the event the Al Shaya contract lasted for around 18 months and although substantial progress was achieved it was not to the extent originally envisaged. The promised contract extension ultimately foundering because family shareholders were concerned that the required development investment was reducing their incomes. Recruiting and retaining promising staff was also rendered difficult by the need to have staff vetted by an Islamic cleric. The outcomes of this process could be both baffling and frustrating for Cognition staff focused on building and nurturing professional capability.

The company was also encouraged by approaches from the newly established Tatweer Educational Transportation Company (TTC) in Saudi Arabia (KSA), a government entity charged with managing the daily transport of school-age students across the Kingdom. As with Al Shaya in Kuwait, TTC executives had sought out Cognition to help build their capability, following a global search.

TTC had inherited contracts for daily transport of more than half a million school-girls and needed to expand the business over five years to include boys. Similar to work in New Zealand, KSA school transport services were sub-contracted to commercial operators. The ultimate objective was to extend the service to as many of the five million school-age students as possible. The contract evolved several times over a period of about four years. Cognition provided specialists in various aspects of public transportation to support TTC staff in Riyadh. The work later morphed into a multi-year contract to successfully develop an operator oversight and enforcement regime, preceded by a successful international schools transport conference in Riyadh, largely led by Cognition.

The company's organisation of significant conferences became something of a trademark over this period. In late 2013 the company was directly approached by the New Zealand Ministry of Education to lead the organisation of a series of "Festivals of Education" in Auckland, Wellington and Christchurch. These were to coincide with the fourth "International Summit on the Teaching Profession", jointly organised between the Ministry and the OECD, in March 2014. Education Minister Hekia Parata described the summit as the "Rugby World Cup of Education", so expectations on the company were high and timeframes very short.

Notwithstanding the time pressure, the company successfully organised a series of multi-day festivals in each city that were well received and enthusiastically attended. The festivals celebrated and showcased local students, schools, communities, and tertiary institutions as well as creating opportunity for the educators and the public to engage with educational researchers and practitioners. Buoyed by this success, senior people in the Ministry, suggested that a second round of festivals, aimed at provincial centres, would occur in the following year, but these did not eventuate. However, working with Visible Learning Plus partners, Cognition collaborated in a series of highly successful international VL conferences: Brisbane (2013), San Diego (2014), London (2016), and Maryland (2016).

Less successful was a collaboration with two other New Zealand companies, Maven and Uniservices, in Oman. The contract to provide a comprehensive review of Oman's K-12 education system was brokered through Education New Zealand (ENZ), an entity established by the government primarily to market New Zealand education services globally. Albeit well-intended, the effect was to significantly complicate contracting and implementation processes. The approach from the Omani government was an early test. As civil servants, ENZ staff were required to be even-handed in their relationships with potential suppliers. With a loose concept of "NZEdInc" as a primary driver, the easiest way to manage potential supply competition was to encourage consortium approaches.

Thus Cognition found itself in a hastily arranged and ultimately uneasy coalition with partners who were relatively inexperienced in Middle Eastern public contracting and culture. The consortium delivered on phase 1, but ultimately split over the best approach to phase 2 tendering. The primary cause was Cognition's unease at proposed approaches to the second tender as representing potential probity risks. Unable to resolve these difficulties and frustrated at a significant opportunity missed, Cognition officially withdrew from the tendering process.

In Abu Dhabi "PPP" morphed into "PLD" (professional learning and development). A new metaphor in the project name, "Tamkeen", signalled a change in reform intent and contractual purpose to what was loosely termed "Emiratisation". Tamkeen is an Arabic word that blends meaning from concepts such as empowerment, reinforcement, enabling. The effect was to move away from the close intervention of SSO in-school teams that had characterised the PPP. Training and support was to be delivered through clusters and implementation responsibility transferred directly to school leaders and management teams.

Perversely, what was initially presented as taking local capacity-building to a next level was somewhat confounded by the authorities insisting that contract performance should be monitored on an outputs rather than an outcomes basis. Only designated ADEC officials could gather evaluation data. In practice this was somewhat *ad hoc*. Training providers were expressly prevented from designing and gathering even survey data from training participants. Significant personnel and leadership change was taking place within ADEC, and the evaluative lessons of the PPP were apparently not transferred. Although the contract ran for 40 months, the company was not able to continue the level of student and teacher progress monitoring that had been possible under earlier arrangements.

Challenges also arose in 2013 from negative ADEC reaction to school visits by a small group of civil servants from the Afghanistan Ministry of Education. They were being trained in the UAE in a collaboration between Cognition and World University Services Canada (WUSC). Funded by the Canadian Government, this was one of several short and highly successful training courses for Afghani educators that Cognition and WUSC delivered. The Cognition team had the agreement of the school principals for these short observation visits but not the express permission of ADEC. Although the Afghanis had valid visas, officials made much of the need to manage potential security risks. UAE newspapers were increasingly carrying stories about the progressive withdrawal of NATO troops from Afghanistan and the deteriorating security situation in that country. Unusually, given its reputation for superior relationship management, Cognition found itself on the receiving end of a client reprimand.

A rare protocol mis-step could be overcome, but over the next two years, the voices for "Emiratisation" grew stronger. There was on-going uncertainty about what would replace Tamkeen or whether it would be replaced at all. Eventually a new contract ("Itqan") was promised. In August 2015, although details of the final contract were still to be finalised, the company was asked directly by the Office of the Director-General to staff up for the new school year and be ready to deploy as soon as schools opened.[60] As a gesture of goodwill, and as it had on a number of previous occasions in the region, the company responded in the expectation that a formal contract would quickly follow.

In mid-October, it came as something of a shock to be advised by ADEC that Itqan had been cancelled and that all work would cease from 1 December. This left the company seriously exposed to unrecoverable implementation costs and a compromised employment brand with a large project staff who had scarcely arrived back in the country. A number of supportive principals immediately made themselves heard in ADEC's corridors, arguing for the company to be retained. But they were fighting a head-wind. As senior officials explained, Cognition's performance in Tamkeen had well exceeded the quality and consistency of other providers. So while the principals Cognition had worked with were disappointed to see external support removed, that was not necessarily the feeling among principals who had worked with other SSOs.

Cognition's protests at the proposed terms of settlement resonated in the Director-General's office. A meeting was hastily arranged between the author, as company chief executive, and the Director-General, Dr Amal Al Qubaisi. It appeared that there had been a change of heart. While Dr Amal confirmed that Itqan had been cancelled, the company was invited to put together a new proposal for capacity-building. Dr Amal emphasised her regard for the company's past work and her desire for an ongoing strategic partnership. However, within weeks of that meeting, she had been appointed to a new role as President of the (UAE) Federal National Council and was no longer in a position to direct ADEC's decision-making.

In late January 2016 the company was formally advised that while the new proposal was, "very well designed … ADEC at this stage is more inclined to utilise in-house expertise."[61] The forces favouring full Emiratisation had apparently prevailed, but this was not the full story. It is likely that ADEC's decision was primarily a consequence of wider government-directed budget

60 Executive Management Report to the CEL Board, October 2015, Attachment 1 – paragraph 3.
61 Letter from Dr Mohammed Bainyas, Executive Director, ADEC, January 2016

cuts. The costs of a drawn out UAE military campaign in Yemen were biting, and oil prices were down. GCC governments have struggled to balance budgets when oil prices fall significantly below the US$100 a barrel where their budgets historically break-even.[62] Under broader fiscal pressure, Tamkeen/Itqan was an easy target to achieve some savings.[63] As with the PPP project that preceded it, Tamkeen had been inherently compromised by ADEC Procurement's tendency to place greater value on a competitive supply chain than on quality and consistency of delivery, a point Cognition negotiators had made over and over to their ADEC counterparts. Ironically the meaning of Itqan broadly translates as "perfection of action".

The years following the GFC have been characterised by a drift away from large scale PLD opportunities, both internationally and domestically. As this chapter demonstrates, those wider pressures forced the company to look beyond its traditional offerings to less congested and competitive market niches. Internal innovation, to create new market opportunity, has been the common theme that links developments such as Te Toi Tupu, Visible Learning, Collaborative Impact, Relationships Based Learning and CSR.

The company has also been alert to external acquisition opportunities. The sudden collapse of a long-standing domestic competitor, Learning Media, in late 2013 created an unexpected opportunity to acquire and grow new educational publishing capability at relatively low cost. The company leveraged the opportunity well. Within two years, publishing revenue had more than quadrupled and opened a new international market publishing school readers for China.

Publishing was complemented with the subsequent acquisition of Wavelength in early 2015. A small but highly profitable digital media company, Wavelength now operates as a separate commercial entity within the Cognition Group. It has since absorbed the publishing team and is now the umbrella brand for the group's publishing and digital media activities, accounting for revenue around $5.5M annually.

In the past year, the group has acquired an Australian company, Begin Bright, which franchises school readiness and tutoring programmes for pre-schoolers and school early years. The number of Australian franchisees grows monthly, and the underlying educational concept offers potential for wider international expansion. As wholly-owned subsidiaries of Cognition Education Limited, Wavelength and Begin Bright have recently been joined by Visible Learning in being made separate trading entities within the Group.

62 Source – Deutsche Bank, Special Report – Adjusting to Lower Oil Prices (Budget Breakeven Thresholds), May 2015.

63 Even after Itqan was discontinued a Cognition presence has continued in the Emirate. A small contract team continued with implementation of the ADEC sponsored Student Competence Framework (SCF) across all private schools in the Emirate. SCF concluded in late 2016 but a small PLD team, primarily marketing VL, keeps the Cognition shop window open in the UAE.

Chapter 5

GIVING BACK

One of George Orwell's best known essays is *"Why I write"*. It provides a useful "*Why we work*" analogy for those who do work or have worked within the Cognition Group and its predecessor Multi Serve. The owner and sole shareholder of Cognition Education Limited (the company) and its subsidiaries is Cognition Education Trust (the Trust). Both the company and the Trust are registered as charitable entities within New Zealand. The company funds the Trust by way of regular donations from its profits. The Trust's registered purpose is to provide benefits to the schools of the greater Auckland region and New ZeaIand. Usefully, that commitment is sufficiently broad to have enabled significant flexibility in the granting strategy since establishment. More importantly, the fact and substance of this "giving back" is one of the Cognition family's existential anchors.

As with the company, the Trust and its activities have evolved significantly over time. The Trust has always been the owner-shareholder, but for the first 20 years of its existence most outsiders and probably most employees would have understood it as simply the philanthropic arm of the company. The directors who formed the company board were also the trustees of the Trust. The records of proceedings over more than two decades shows that directors were punctilious about ensuring that the transactions and decisions of both entities were appropriately separated. However, as the scale of the company grew exponentially from 2006, directors recognised the inherent risks of continuing to wear two hats.

An obvious challenge was maintaining the required accountability of company to shareholder, particularly when balancing the need for growth investment against providing returns to the shareholder sufficient to credibly fund its charitable purpose. Accordingly, the decision was made in early 2011 to remove commercial directors from governance roles in the Trust and establish a separate Trust board. The Trust would now be responsible for the appointment of commercial directors, monitor the performance of the company, manage donations from the company and deliver the granting programme. Within the board, the key champion of this "cleaner solution"[64] was Keith Goodall. Goodall was a foundation director and trustee. He had been instrumental in establishing the original Multi Serve ESC in charitable terms and over the years had been a consistently strong voice for improving philanthropic performance.

The revised arrangements came into place in April 2011. Shortly thereafter, Multi Serve Education Trust became Cognition Education Trust (CET). Subsequently the relationship and performance accountabilities of company to Trust, including commercial growth targets and expected levels of donation, were negotiated into a Statement of Intent. The SOI as it is colloquially known, is a device borrowed from the hybrid world of state-owned enterprises. It is a companion document to the company's strategy framework (more latterly known as "the blueprint") and is iterated consistent with shifts in the commercial strategy. Conceptually and practically this was a very different arrangement from the Trust as a philanthropic extension of the company. The commercial directors and the company were now formally accountable to a body other than themselves, and the shareholder's expectations of commercial performance were central to that relationship.

The separation in 2011 was also the opportunity to rethink the basis of the Trust's funding and the sustainability of its philanthropic activity under the new arrangements. From inception the Trust's granting activities were underwritten by the company on the basis of annual donations which tended to vary according to profitability. For the first 15 years, the major focus of philanthropic activity was the annual Multi Serve Awards. Nominees from schools and their communities were celebrated for their outstanding performance and contribution to education. These were gala-style events featuring prominent New Zealanders as guest speakers and providing "Oscar moments", as Stewart Germann liked to observe, for outstanding principals, teachers, trustees, support staff, and school volunteers.

64 Keith Goodall at interview, August 2016

Although enthusiastically supported by the schools' community, by 2005, there was a growing sense among trustees that the awards had had their day. Events were catering for upwards of 500 people and the costs of event management and air travel for attendees were spiralling upwards. Moreover, as the work in the Middle East grew, it appeared the company was in a position to increase the level of donation. Trustees were keen to find another way to more directly celebrate the growth of effective educational practice.

The spirit of the original Multi Serve Awards continued in a new partnership with the Australian Scholarships Group (ASG) which had operated the biennial "National Excellence in Teaching Awards" (NEiTA) programme for some years. In partnership with ASG, the Trust agreed to sponsor a new category of education leadership awards run in association with the core NEiTA programme.

As with the Multi Serve Awards, the NEiTA programme was based on nominations from school and early childhood communities. Nominees went through an extensive screening and judging programme that culminated in a presentation luncheon and ceremony at Parliament presided over by the Minister of Education. Over time, NEiTA's purpose was overtaken by the establishment of the Prime Minister's "Education Excellence Awards" which CET saw as replicating purpose. Consequently, the Trust's involvement with NEiTA ended in 2014.

In parallel with the NEiTA involvement a new philanthropic entity was launched in 2006. Cognition Education Research Trust (CERT) became Multi Serve Education Trust's primary distribution channel. Foreshadowing developments in the 2011 governance separation of Multi Serve Education Trust and Cognition Education Limited, CERT was governed by an independent group of trustees representing the wider education sector in New Zealand. Day-to-day management was in the hands of an executive trustee - the first time that philanthropic activity was allocated dedicated staffing resource. More significantly, CERT shifted the focus away from the celebration of educational performance to researching and growing educational performance. This represented a significant reorientation of philanthropic intent.

CERT funded and supported domestic educational research programmes and interventions likely to make a significant difference to student achievement. The trustees were particularly keen to encourage productive discourse between practitioners, researchers and policymakers. A partnership was struck with Fulbright New Zealand through which the Trust funded an annual practising teacher research scholarship to the United States. Seven teacher research scholars were supported through the years 2008 to 2014. CERT also provided post-graduate scholarships to educators seeking to take time from work to undertake doctoral study within New Zealand. More significantly, CERT funded eleven domestic education research projects to a combined value of almost $0.7M with a further $0.25M spent on related symposia, research dissemination and publications.

In 2009 the findings of these research initiatives were published in "A Journey of Discovery", coinciding with the 20-year anniversary celebrations of Multi Serve's establishment. CERT also produced a second publication, "Tomorrow's Schools – Twenty Years On". This collection of essays, from a range of senior educators and policymakers, reflected on the achievements and challenges wrought by the policy and regulatory changes that had so dramatically changed the domestic education landscape in 1989. Both books formed the basis of well-attended symposia that were part of the anniversary celebrations. The "Tomorrow's Schools" publication was keenly sought after by practitioners and universities, and supplies were quickly exhausted.

The interest generated by these publications and associated convenings spawned another change. The formation of the Cognition Institute (the Institute) in 2010 was essentially an evolution of CERT. Although well-intended, with hindsight the initiative was probably premature. The CERT board was dissolved. Direct governance responsibility went back to Multi Serve Education Trust at a time when the Trust was increasingly preoccupied with the design of the broader structural reform that culminated in the 2011 separation.

Executive management of the new-born Institute also changed at a critical moment. The CERT executive manager, Mary Sinclair, was required to return to a major policy project in Qatar. Her experience and sectoral connections were not easily replaced. By early 2012 the new Cognition Education Trust board had concluded that the ambitious independent education policy and research think-tank aspirations that had framed the Institute's launch, were unlikely to be realised without substantial ongoing investment. The trustees felt they were not in a position to provide this funding. Given other granting priorities, the trustees felt they were not in a position to provide this funding and consequently discontinued the venture.

The more robust accountability arrangements between the Trust and the company also begged a large question about the sustainability of the Trust's revenue base and its ability to fund a credible level of philanthropic activity. Under the pressure of new expectations, it was clear that the Trust would require much greater certainty than had applied historically, about the level of annual donation it could expect from the company. A key question was how best to smooth the level of donation through the inevitable peaks and troughs of business cycles.

From her background with the ASB Trust (now Foundation North), Trust chairperson Candis Craven had substantial experience of managing investment funds that produced a return for philanthropic investment. That helped turn discussions to the concept of the Trust building and managing a perpetual investment fund that over time would generate a more predictable basis for granting activities. Given the aspiration, a key question was how to provide the initial capital base for such a fund.

For its part, the company, although managing a period of revenue contraction, had paradoxically built up a substantial level of cash reserve. This was due to final payments on large Middle East projects and associated performance bonds being released. The favourable settlement of the long-running compensation case with Zurich also made a substantial contribution. As a result, the three years 2012-2014 saw the company donate $7.85M to the Trust, with a further $1.0M donated in subsequent years to 2016. This substantial capital injection formed the basis of the Trust's investment fund which today stands at close to $8.5M.

Reflecting its inherent prudence as guardian of a perpetual investment fund, the Trust now has two key operating principles. The first is to draw only on income derived from the capital fund for its operating costs and granting programmes. The second is to ensure that the greater portion of such income is applied to grants and investment fund growth, which means keeping administrative overheads low.

The past four years have been a period of historically low returns in investment markets. Nevertheless, the fund has provided average annual income to the Trust in excess of $0.45M for granting and administrative purposes. On that basis the Trust has been wholly self-funding, a development of considerable significance. The Trust retains part-time executive management support, but has continued to shrink administrative costs.

Given current market constraints and its self-imposed operational disciplines, the funds available to the Trust for granting purposes are necessarily limited. Reflecting this reality, the trustees are focused on maximising the value of granting. To that end, investment preference is given to initiatives and associated research designed to increase teacher effectiveness and build the capabilities of children and youth from birth to school exit. The associated evaluation focus is the measurable impact that teachers have on learners. There is a strong echo of CERT in here but more importantly, a close match to the company's "methodological genome".

In recent years, the Trust has funded a diverse mix of research projects, PLD initiatives and resource developments, including the "Student Voice Portal". The recent extension of granting focus to initiatives in the critical pre-school years has supported the "Books for Babies" programme through the Storytime Trust. Application for Trust grants is invited through regularly advertised granting rounds but the market is still maturing. The Trust's executive officer, Anne Rodda, observes an on-going challenge in attracting applications that meet robust design and investment accountability tests, an issue which was also familiar to CERT trustees.

Prior to 2003, philanthropic activity was relatively modest, up to $0.15M annually. As the business grew in subsequent years, the Trust and its various progenitors provided aggregate granting in excess of $4.4M, an average, over fourteen years of almost $0.315M annually. As with the company, the granting vehicle has morphed considerably over time. CET has built on earlier CERT granting practice, but the investment fund has future-proofed its aspirations in a way that CERT could not have contemplated. It has also provided the Trust with a useful degree of insulation from the market pressures that cyclically buffet the company. Combined with the separation of governance structures that took place in 2011, the effect has created a more robust approach to both company donations and Trust granting policy. Looking forward, a slow lift in investment market returns seems likely. The effect will be both to increase the potential for granting and also the sums typically available to reinvest in the growth of the investment fund.

In the final analysis, what distinguishes the Cognition family from its competitors is the on-going determination to give back. It is apparent that the scale and focus of philanthropy has been "lumpy" at times, but the aspiration to give back has been a constant. The current granting focus on growing the effectiveness of teachers and the potential of students in their care is one that aligns well with the company's methodological focus. So too does the Trust's recently broadened scope to take in the pre-school years.

For the first 15 years, philanthropy tended to be about acknowledging and celebrating educational performance, a largely perceptual exercise. By contrast, the past decade has seen an evidence-based shift to investing in improving and growing educational performance. That very significant change, began with CERT, misfired with the Institute, but was picked up again by CET. In that evolutionary process, the "family" has come to the realisation that philanthropy is also a business and needs to be managed and resourced as such. The Trust has taken on that task with verve, discipline and creativity. The resultant operational and fiscal platform has an inherent sustainability, which although still modest, has considerable promise for the future, both in terms of growth and productive educational influence.

EPILOGUE

The Cognition story is on-going. Perhaps a decade or so from now, another writer will add the next chapter or two to this work. This account has tracked some profound changes in the Trust and company's focus and operation over almost three decades. Current indicators suggest that the form of commercial operations will continue to evolve significantly and at an accelerating pace.

As the leadership of the company transferred from the author to its new CEO, Tina Lucas, at the beginning of 2016, it was increasingly evident that the finch, yet again, was hunting for new feeding grounds in areas of reduced competition. The effect, since 2015, has spawned a number of sub-species, being the acquisition and spin-off specialist trading entities now described as the "Cognition Group".

Complementary to these developments has been a broader consideration of how the Group grows and operates globally. To that end Cognition has recently established commercial entities in Australia and the United Kingdom as well as reviving the Malaysia station. The company has recently achieved its first seven figure contract in the UK and continues to grow its international licensing and franchising footprints. The investment in digital media has considerable potential to grow beyond the current domestic base. That global pull, combined with significant shifts in the local market, means the scale and nature of the company's future domestic presence is something of an open question.

The schools' payroll and transport contracts were core functions of the company from the birth of Tomorrow's Schools. Over the past five years the Government has made the decision to progressively in-source these functions again. The transport contract finally terminated in June, 2017. Concurrently, the "Investing in Educational Success" policy has significantly reduced the role of central agencies in domestic PLD procurement and dispersed it to "communities of learning" still finding their feet but also paradoxically subject to significant bureaucratic and Ministerial controls. The domestic PLD playing field appears to have been tilted in favour of much smaller market players for the foreseeable future.

It is always hardest to make sense of the events that are closest to us in time. The extent to which the Cognition Group's current strategic intentions materialise remains speculative, but the potential for further reshaping appears high. Asked about the effects of the French Revolution, China's former Premier, Zhou Enlai, famously remarked, "it is too early to say" – an observation that seems particularly apposite to the uncertain and volatile market conditions that Cognition has consistently operated within. One expects that the Group's agility and adaptability will continue to be tested.

Notwithstanding the current uncertainties, the story so far should give considerable confidence that the organisation has the evolutionary DNA to successfully adapt and thrive. Darwin's finch continues to morph. Better, one might observe, to be an agile Galapagos finch than the proverbial canary in a coal-mine.

Terry Bates has worked in New Zealand education as a secondary school teacher, principal and "educrat" – holding senior management roles in both the Education Review Office and the Ministry of Education. The last twelve years of his career were with Cognition, coinciding with the dramatic growth and international expansion of the company after 2004. Initially appointed to lead the consulting division, he later became Chief Operating Officer and ultimately Chief Executive. He retired from the company in late 2015 and now devotes the bulk of his time to serving on the boards of a range of social enterprises.

Cover illustration:
Charles Darwin, A Naturalist's Voyage, London, 1889

cognition education Trust