

# PERFORMANCE IMPROVEMENT FRAMEWORK

## Review of Education New Zealand

April 2016

New Zealand Government

State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet

STATE SERVICES COMMISSION  
Te Komihana O Ngā Tari Kāwanatanga



## Lead Reviewers' Acknowledgement

Education New Zealand (Education NZ) sought this review as an opportunity to take stock of progress and to identify opportunities for improvement. We thank the Board, management and staff of Education NZ for their great support and insights during this review. Their commitment to strengthening and growing New Zealand's international education industry is commendable.

We appreciate the time that a cross section of the New Zealand international education industry and overseas stakeholders gave us. Their input was invaluable in reaching our conclusions. We also thank officials from the Ministry of Education, the Ministry of Business, Innovation and Employment and the central agencies who supported us and provided well considered advice. A number of other government agencies in the education and economic development sectors also contributed to the review.

### Conflicts of interest

Jenn Bestwick is Chair of Christchurch Polytechnic Institute of Technology, which is involved in international education. She was also previously on the boards of the New Zealand Qualifications Authority and Tourism New Zealand, which have dealings with Education NZ. These interests were declared and managed throughout the review.

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## Agency's Response

We would like to thank the reviewers, Jenn Bestwick and Trisha McEwan, for undertaking Education NZ's Performance Improvement Framework (PIF) review. We also thank all those who contributed to this review.

Since Education NZ's establishment in 2011, we have been undertaking activities to support the achievement of our core business areas. The PIF recommendations are in line with our Business Plan 2015-16 'Building a decade of growth' but we appreciate the PIF's call for us to implement some activities with greater urgency and a sharper focus. We believe the reviewers have provided a well-informed, forward-looking and useful assessment. We are committed to developing and delivering on the four-year excellence horizon for Education NZ.

We do have some important decisions to make, allocating resources around new directions and heightened areas of focus, and we are now working through those decisions and resource questions.

### Education NZ's leadership role

It is critical for New Zealand that the international education industry's current strong growth and position as a key export under the Business Growth Agenda continues so that international education is an important contributor to New Zealand's social, cultural and economic development. We concur with the review's finding that while there is a set of targets in place for international education, there is not a clear, aligned strategy across government agencies informing and leading the growth and development of the industry. We agree that is a gap for Education NZ to fill.

Since being established, we have built our credibility with the international education industry and stakeholders and earned the right to lead to take the industry forward. We believe the time is right for Education NZ to move into a much more strategic and influencing role to drive the international education agenda and enlist other agencies to support the agenda alongside our current operations. It will be vital that other agencies, primarily the Ministry of Education and Ministry of Business, Innovation and Employment, understand and embrace our role.

We agree that Education NZ should not have a policy or regulatory function but should move into a more strategic space to influence and drive policy alignment across agencies. To do this, the role and focus of the International Education Senior Officials' Group needs to grow to enable us to deliver a more cohesive and planned approach to cross-agency work to support the industry. We will use the Group to enlist the support of other agencies to proactively drive international education forward.

We will work with the Ministry of Education and the Ministry of Foreign Affairs and Trade to clarify our respective roles in the area of international diplomacy, in particular the leading and corraling of offshore efforts of NZ Inc to advance educational issues, and the use of diplomacy activities such as Ministerial Missions and Free Trade Agreement negotiations to promote New Zealand education internationally.

We have been providing mainly retrospective information and intelligence about international student attraction and the value of the industry. We will step up to provide the industry, other agencies and decision-makers with authoritative, targeted information and intelligence that gives New Zealand a competitive edge.

Education NZ faces a big immediate challenge in stepping up to provide informed, highly valued information, data, analytics and insights to drive industry and government agency decision-making. We must become a knowledge-led organisation, generating highly useful and sought after intelligence and making sure it gets to the people who really need it.

We also see a leadership role for Education NZ working with the industry. In addition to supporting those providers who are active in international education, we need to work to broaden and deepen the pool of players in international education. This means sharpening the value proposition that we demonstrate to existing and potential providers, both across Goal 1 student attraction activities and in the area of Goal 2 offshore delivery initiatives.

Across these leadership areas, the review usefully speaks of Education NZ becoming the “go-to” agency for all things international education.

## **Working with international students and the industry**

Our role is complex as we work with international students, New Zealand education providers (including prospective providers) and other government agencies in New Zealand and overseas, and across New Zealand’s education and economic development systems. Since being established we have focused on energising and building the capability of New Zealand education providers to enable them to grow the international education elements of their organisation. We have also been engaging with prospective and current international students and their key influencers through our promotional activity and in-market teams.

As we move beyond our establishment phase these complexities do not diminish. We will continue to build the capability of the industry and collect student feedback and map those against global benchmarks to ensure a quality student experience. These include developing the current work on student personas from a marketing tool into an organising principle of Education NZ interventions, from attraction and recruitment through to students’ experience in New Zealand and deepening the post-study engagement with students as alumni.

The review places considerable emphasis on the international student as customer, and we have had a lot of discussion about the ramifications of this. We take a pragmatic position on this. The consumers and users of many of our services are and will continue to be international education providers. We need to understand their needs and address them as customers. But having, in addition, a strong focus on the needs of existing and potential international learners is also extremely important. Placing international students at the centre of our approach is vital if we are to stay abreast of current and future needs and trends, avoid capture by existing providers and ensure New Zealand continues to present an attractive, compelling proposition to internationally mobile learners.

## Promote New Zealand as an education destination

We have been focusing on growing the number and value of international students studying in New Zealand by raising awareness of New Zealand education and improving our understanding of prospective international students' decision-making and those that can influence the decision on where to study such as agents and alumni. We will continue this strong focus on attracting students to New Zealand – it is our core proposition – while focusing even more strongly on building value (rather than just numbers), building the geographic diversity of the countries they come from and working to ensure a better regional spread of students throughout New Zealand.

We will do this by:

- ▶ continuing to work to diversify where international students come from and where in New Zealand they study
- ▶ having a highly informed focus on current and future student expectations and drivers
- ▶ growing the pool of internationally committed providers by encouraging existing international education providers to focus their efforts and new entrants into international education
- ▶ continuing to examine Education NZ's network and whether our New Zealand and internationally based staff are located most effectively to support the industry.

In promoting the growth of international education in New Zealand, we see there is also a leadership role for Education NZ in bringing international perspectives to the core of New Zealand educational delivery. Not merely to remain internationally competitive, but also to help ensure education in New Zealand is truly leading edge for all students, Education NZ's intelligence, market insights and readings of international trends and issues in education can be highly valuable for the whole sector. We have an onus to provide that leadership.

Through these initiatives, we believe Education NZ will help ensure the country continues to be well-positioned to benefit from a dynamic, growing business centred on international students coming to New Zealand for part of their education.

## New Zealand's education programmes, products and services delivered offshore are sought after

At present only a small proportion of the international education industry's \$3.0 billion value comes from delivering education offshore. Can and should offshore delivery grow rapidly as a part of New Zealand's educational offering to the world? We believe there is potential for growth but in order to unleash it, New Zealand providers need to understand much better the options and the potential, and Education NZ needs to really sharpen its value proposition in helping providers get there.

What is the scope and value for a small country with few institutions of scale or international brand recognition to dramatically lift international delivery? And what can Education NZ uniquely bring to the table to help them? We must rapidly work on those questions.

We will define our value proposition for the work we undertake to support this industry in this area. While we have a leadership role, it is the industry that will deliver on this area. We expect there are niche opportunities, and approaches that can bring real value to providers' core businesses, but we don't see a wholesale, rapid transition to offshore delivery within the next four years.

New Zealand education has not kept pace with changes in educational thinking, design and delivery occurring internationally. New ways of teaching and delivery combined with the new demands of learners need to be considered now to help the New Zealand education system continue to be one of the best in the world for the next 10-20 years. Gaining acceptance of the changes occurring globally across education systems can only be driven by New Zealand's education system agencies working together. This thinking has been reflected in the recent collective work on education system stewardship that we will be involved in implementing and will be reflected in our work in this area.

Since being established, we have been working with the industry to encourage them to take up opportunities to deliver New Zealand education internationally. We have appointed a supplier to assist in the development of a new valuation methodology for this area. This recognises that not all providers of New Zealand education internationally have been captured in previous analysis of this area. This will enable us to then work with these previously unidentified providers to identify how we can help these providers expand their businesses or the markets they operate in.

In summary, we are active at a level which we believe largely reflects industry and government appetite. We will sharpen our focus into this area, but our work will be balanced against our expectation that most of the changes to education will occur in the longer term and that for the near future the bulk of New Zealand's value from international education will come from attracting students to come to the country and learn.

## **Raise awareness of the benefits of international education in New Zealand**

Another major theme of the report is identifying and developing the benefits of international education for New Zealand. This includes aligning and articulating economic goals, being the "go-to agency" for all things international across the education system, playing a lead role in internationalising the education system itself, and creating a responsive and supportive environment in which the benefits of international education are widely understood. Without this understanding, the long-term, sustainable growth of international education is threatened. If communities don't understand and endorse the value of the students they are hosting, support for the industry will diminish. We are significantly stepping up our approach in building public awareness and endorsement of international education.

The report rightly identifies that the industry needs to operate with an accepted social licence in New Zealand. This includes raising the awareness of the benefits of international education, and addressing the societal impacts. Clarity on the public value of international education and engaging with the wider New Zealand to build greater understanding of the benefits of international education is the responsibility of Education NZ and other government agencies. We have been telling stories to build understanding and acceptance of the social, cultural and economic contribution international education makes to New Zealand communities, institutions and education.

We must also work with other agencies to ensure that government initiatives and policy settings are aligned to capture the benefits of international education. This includes the quality of New Zealand education, long-term labour market skill needs, the contribution of international students to the institutions and communities they live in and, critically, the overall experience that visiting students have in New Zealand. We will continue to fund the Prime Minister's Scholarships programme sending New Zealanders offshore to study to improve the international skills of the New Zealand workforce and strengthen New Zealanders' understanding of other cultures.

Education NZ's ability to drive these areas is through persuasion, leadership and enlisting decision-makers and influencers around a shared strategy.

## **Conclusion**

Education NZ has already drawn a lot of value from the PIF exercise. It has challenged us to move beyond approaches which have served us and the industry well in the implementation phase, to confronting bigger questions about the future of international education and our role in securing it.

We are at work on many of the paths identified in the PIF. We look forward to harnessing the insights gained from this process to make progress for New Zealand.

**Charles Finny**  
Chair

**Grant McPherson**  
Chief Executive



## Four-year Excellence Horizon

*In undertaking this review the Lead Reviewers considered: “What is the contribution that New Zealand needs from Education NZ and, therefore, what is the performance challenge? And if the agency is to be successful at meeting the future performance challenge, what would success look like in four years?”*

### Environment

International education is very important to the New Zealand economy, being New Zealand's fifth largest export, and second largest services export behind tourism. Currently generating export revenues of \$3.0 billion (2015) it sits behind fourth placed Logs and Wood as a key contributor to helping achieve the Government's Business Growth Agenda (BGA) Export Markets goal to increase the ratio of exports to GDP to 40% by 2025. The Leadership Statement for International Education set a target to grow the nominal annual economic value of these services to \$5 billion by 2025.

International education has a number of other important advantages to New Zealand. International connections have been shown to encourage diversity and acceptance of other cultures and increase the vibrancy of communities. International education helps New Zealand students to have a more internationalised education experience, and exposure to global views contributes to them being more globally relevant and competitive. It also helps attract highly skilled migrants to support New Zealand's economic agenda. It helps forge enduring friendships and relationships, providing strong networks and access internationally. For these reasons international education is seen as an integral part of the future of the New Zealand education system and of the New Zealand economy, not an add-on.

The international education industry encompasses six sectors; universities, institutes of technology/polytechnics, private training establishments, English language providers, schools, and offshore and online education service providers. There are about 850 providers, many of whom are small. Just 50 providers generate 60% of international student numbers and value. Of these 50 providers, 80% are government owned.

Globally education is a rapidly changing field, and this creates opportunities and risks for New Zealand's domestic and international education. Increasingly learners at all levels are demanding greater flexibility and educational choice in pedagogy, education delivery channels and assessment methods. Many of these reflect changing societal attitudes to the role of education and greater appetite for lifelong and/or self-directed learning and are increasingly being enabled through technology developments. Similarly the 'currency' of education is changing as education programme content becomes more readily accessible through open-source providers and the assessment and/or qualification becomes the way to monetise provision of education services.

There are new provider entrants, education structures and modes of learning. Disruptive technologies will drive further rapid change in the coming months and years. Increasingly education delivery is becoming borderless, particularly for study beyond compulsory education levels. The implications for international education are that students have greater choice of how they wish to study; they can choose an immersive overseas experience, study at an international programme in their own country, or pursue online study from their home.

Alongside these disruptive influences, the more traditional inbound international education offered by New Zealand is facing competition from other countries that are emerging as study destinations, many of them markets that previously were sources of students for New Zealand. The increased choice of offerings available to the learner represents a challenge to New Zealand's traditional international education sector but creates significant opportunities for new delivery options.

The traditional inbound international education market in New Zealand has a number of constraints to growth. The existing education providers (across all existing sectors) have a range of reasons for involvement in international education and mixed incentives for growth. The absorptive capacity, supporting infrastructure, competitiveness and appetite for international students are likely to be a hindrance to meeting the growth goals. This means that for New Zealand to maximise the opportunity from inbound international education, it needs clarity on the students it wishes to attract and the outcomes it is seeking. Currently, other than through entry requirements there is no criteria whereby the contribution value of students who wish to study in New Zealand can be assessed.

The incentives on providers to innovate and provide new delivery modes and offerings are variable and experiences to date have been mixed in terms of their success.

The policy and regulatory environment for international education is complex with many areas of either shared or confused responsibility and/or lack of clarity and consistent policy interpretation. The totality of this context and the opportunities, risks and barriers are not clearly articulated in any cohesive manner. While Education NZ appears to understand the various components, neither it nor the Ministry of Education or the Ministry of Business, Innovation and Employment (MBIE) have developed a clearly articulated evidence based case for alignment of settings to support New Zealand's optimal outcomes from international education. The critical components of this context are:

#### *How and which students come to New Zealand*

- ▶ Immigration settings: Regulatory controls regarding source countries, visa conditions and potential pathways to migration for international students define New Zealand's ability to attract students to study in New Zealand
- ▶ Qualifications recognition: The international recognition of New Zealand qualifications, the ability for New Zealand institutions operating offshore to offer New Zealand qualifications, and the recognition of overseas qualifications for access/accreditation for study in New Zealand are critical to New Zealand being able to offer international education
- ▶ New Zealand workforce profile and requirements: Limited visibility of inter-agency profiles for projected workforce requirements and the role of skilled migrants in meeting demand restrict offerings to students

#### *Expectations of education providers*

- ▶ Alignment of domestic and international education settings: The funding provision and policy settings for the delivery of domestic education to New Zealand learners (including internationalisation) create incentives and/or disincentives for providers to engage in the delivery of international education

- ▶ Authorising environment: Policy concerns regarding the financial stability of institutions, both when operating onshore and offshore appear to result in ad hoc decision making in the authorising environment
- ▶ Crown investment: The role and expectations of publicly owned providers in delivering on the Government's BGA goals for international education are inconsistent and do not maximise the value of the Crown's investment in education institutions
- ▶ Pastoral care: Concerns regarding the quality of providers and student pastoral care are a risk for New Zealand's education brand, and the responsibility for managing this risk sits across several organisations

#### *New entrants/system innovations*

- ▶ Policy regarding direct investment and/or provision by non-New Zealand education providers: The ability for overseas education institutions to set up in New Zealand either in an operating capacity or through direct investment channels is unclear and can be limiting
- ▶ Access to grants: Rules limit the access of Crown owned institutions to research and development and export support grants

#### *Perceptions of international education/social license*

- ▶ Social license: Public and community perceptions and understanding of the role, value and benefits of international education for New Zealand's education, society and economy are low and risk negative reaction unless well managed
- ▶ Regional economic development: To date much of the growth in international education has occurred in Auckland, however wider regional distribution of international education delivery lessens constraints and is preferable educationally.
- ▶ Changes in education delivery, technology, and the constraints and risks for growth in international student attraction to New Zealand mean that trans-national education (the delivery of New Zealand education services offshore) is of great importance. But so far New Zealand is behind its major competitors in this field. While a small number of New Zealand providers are active in trans-national education, the experiences to date have been mixed with providers reporting significant challenges overcoming policy, regulatory and commercial barriers both in New Zealand and offshore and also limited financial success to date.

## **Performance Challenge – Outcomes**

Education NZ's purpose is to take New Zealand's education experiences to the world for enduring economic, social and cultural benefits. The functions of Education NZ are specified in Part 21 of the Education Act 1989. Education NZ's functions are aligned with giving effect to the Government's Leadership Statement for International Education which sets out three goals:

**Goal 1:** New Zealand's education services delivered in New Zealand are highly sought after by international students

**Goal 2:** New Zealand's education services delivered offshore are highly sought after by students, education providers, businesses and governments overseas

**Goal 3:** New Zealand makes the best possible use of its international education expertise to build skills in our workforce, to grow research capability and to foster wider economic connections between New Zealand and overseas firms.

Education NZ's focus in the four years since its establishment has been largely on Goal 1 of the Leadership Statement for International Education (promoting New Zealand as an attractive education destination) as this represents the greatest area of activity traditionally and represents the majority of economic benefit realised. Numbers of students coming to New Zealand were down following the Global Financial Crisis and Education NZ's predecessor organisations were not seen as effective in marketing New Zealand education globally. The last four years have seen that trend reversed as Education NZ has strengthened the New Zealand brand and put in place effective support for the providers in their student attraction efforts. Since its establishment Education NZ has placed considerable effort into developing and telling the New Zealand education story and is actively working to grow awareness of the New Zealand's international education brand. Numbers of students choosing to study in New Zealand have increased over this period which would tend to indicate that Education NZ's work is having a positive impact on attraction, although as always direct attribution is difficult with destination marketing.

In addition Education NZ has put considerable attention into developing its relationships with New Zealand's education providers and in doing so has built confidence and credibility with the sector. Over that period it has made significant gains in the strength of its relationships and is now generally well regarded and valued by the education sector for its in-market marketing and promotional work. This represents a marked improvement on its predecessors and Education NZ is to be commended for its progress in this area.

In the current year, Education NZ has started to develop more sophisticated profiles of target markets and student attributes that are intended to inform its marketing and sector support functions. While these are at early stages of development they demonstrate Education NZ's continuing evolution of its practice and strategy.

In summary Education NZ has completed a generally well-executed establishment phase that has seen it contribute to improvements in the numbers of international students currently choosing to study in New Zealand.

Education NZ's performance challenge is to move beyond this establishment phase into a much more strategic and influencing role. The environment for international education is complex and fast changing and Education NZ has two major challenges in delivering on the goals set out in the Leadership Statement for International Education. These are:

- ▶ Strategic and influential thought leadership
- ▶ Influencing the future of New Zealand's international education industry.

### *Strategic and influential thought leadership*

The Leadership Statement for International Education provides the goals for international education but the detailed value proposition and the policy environment that support the goals are less developed and are evolving over time, often reactively. Education NZ is the only organisation solely focused on international education. Education NZ, along with the industry, must work to increase the value of international education to \$5 billion per annum by 2025.

Education NZ is operating at the interface of the Government's economic and education agendas with a unique single focus lens on international education. This is an uncertain environment with an ill-defined interface. It is not clear how opportunities or trade-offs that fall across the economic and education agendas can be made. The Education NZ role is unique, complex and as yet not well defined.

Furthermore, Education NZ's work with existing education providers illustrates that New Zealand's international education sector is limited in volume and value unless current providers change their appetite and aspirations to provide greater international education opportunities, and new products and services that expand upon current providers and delivery channels are developed. And time is short. To date New Zealand has been a follower rather than a leader in international education in general and particularly in the disruptive technologies that are rapidly changing education worldwide. Its international education capability and offerings (both inbound and trans-national) are relatively immature and not particularly targeted compared to its key international competitors. There is a lot of ground to make up.

In this context Education NZ's performance challenge is to with confidence and certainty describe New Zealand's unique and compelling role and pathway in the delivery of global education services. It needs to understand the student customers' aspirations and preferences and based on this deep and rich understanding be able to articulate and evidence what New Zealand's international education value proposition is in a global and highly competitive market; describe the operating and enabling environment changes required for this to be realised; and clearly demonstrate its own value proposition in delivering against these goals.

It must articulate this in a way that supports the clarity required for other government agencies to align their policy and regulatory settings and to work across the New Zealand government system to support the growth of New Zealand's second largest service export sector with the associated benefits for New Zealand. Furthermore it must stay close to student customers to understand their experience of the New Zealand international education offering in order to grow preference for New Zealand international education in conjunction with providers.

As a delivery agency Education NZ rightly does not have a policy capability nor does it have regulatory or other levers available to it. However it cannot continue to be effective without a well developed value proposition and a clear strategy to influence and drive wider policy alignment. Delivering against the Government's goals will require tough decisions and strong collaborative relationships across a broad range of organisations operating on both the education and economic spectrum of government. Education NZ's challenge is to become the evidence based, market intelligence agency that with clarity and confidence can identify the opportunities, associated barriers and enabling strategies/policies that will unlock further potential from international education for New Zealand.

A key enabler in realising this challenge will be for Education NZ to help refocus the already established International Education Senior Officials Group (IESOG) as a critical vehicle to provide the direction and coordination that international education needs, with Education NZ directing the agenda, providing insights into the voice of the customer with the data and market intelligence to inform. IESOG needs to prioritise an aligned all-of-government response to delivery upon the BGA outcomes related to international education and make critical contributions to the New Zealand education system. IESOG under the active oversight of key agency Chief Executives needs to become a highly effective officials' body for international

education sector policy, aligning its collective levers to support the achievement of the BGA goals. This critically speaks to the roles of the Ministry of Education and MBIE providing policy framework clarity and direction for sector agencies regarding alignment of priorities to support the BGA international education goals.

Education NZ's role then becomes that of the expert organisation, using its connectivity and presence to harvest market intelligence and insights and using this information to become the critical influencer and linker between government agencies and education providers (both existing and new). In doing so it must work to identify and remove barriers, and identify and/or create opportunities to maximise New Zealand's education, social and economic benefits from the international education sector in ways that meet the expectations and preferences of the student customer.

As noted it is vital that Education NZ determine its value proposition, namely what is its intervention logic, where can it add the most value with the available resource, where does it not add value and what is the business model that will achieve this. We see this as a concentrated piece of work that Education NZ cannot do it on its own. How the government system works together to facilitate agreed international education outcomes is critical. The central government agencies, especially the Ministry of Education and MBIE, will need to commit strongly to this piece of work. Once clarified, Education NZ and the system can put in place a framework that identifies what Education NZ needs from its system partners and gain their commitment.

Education NZ also needs to undertake the following actions in relation to the three Goals set in the Leadership Statement for International Education.

#### *Goal 1*

It is likely that for the foreseeable future Goal 1 will continue to represent the largest economic opportunity for New Zealand in relation to international education delivery. For this reason Education NZ will need to maintain its current high level of activity and continue to innovate its practice in relation to this Goal. Education NZ needs to continue to work with education provider partners onshore to grow the number of international students choosing to study in New Zealand and move over time from a volume focus to more of a value focus, taking partners with it. With other central government agencies it needs to be able to articulate a clear value pathway that shows how New Zealand will maximise its international education opportunities in terms of the economy, education system and migration benefits available to it, and work to ensure the seamless realisation of that pathway to providers.

Education NZ is undertaking work to help understand the student customer to identify who New Zealand should be targeting, what those students want and how the New Zealand education system can effectively compete for their study choice. It is important to continue and develop recently completed student persona work further and to use this to increase the focus of its marketing and industry support. Education NZ has a range of customers including the New Zealand education institutions and New Zealanders. To date Education NZ has focused much of its efforts working with its provider partners viewing them as customer for its services. Education NZ must maintain strong relationships with education provider partners if it is to achieve the growth targets, however to maximise the international opportunity it must extend its horizons to focus growing its understanding of the student customer for New Zealand's education services. Only by understanding the student customer in depth and with intelligent



insight will Education NZ become acknowledged as the expert in international education and be able to work with education sector partners to help break out of existing provider paradigms and unlock new potential. We discuss this further in the Organisational Management section.

Protection of New Zealand's reputation as a provider of high quality, globally recognised education services and qualifications will be a critical underpinning element of a strategic framework for realising the opportunities in international education. Education NZ (in collaboration with other central government agencies) will have to carefully balance its promotional activities with its brand stewardship responsibilities, ensuring education providers operating internationally strengthen rather than damage the New Zealand education brand reputation. Working closely with education system agencies with responsibilities for assessment and accreditation of education qualifications and provision, as well as Immigration New Zealand, will continue to be critical to delivery against this goal.

A further consideration in relation to this is understanding the student customer's experience in New Zealand as a crucial part of the New Zealand education brand proposition. At present Education NZ does not have good line-of-sight to the student experience. Education NZ needs to work with its government sector partners to achieve better access, improved quality and timely information regarding the student experience in the future.

## *Goal 2*

Delivery of educational services offshore currently represents a relatively small area of international education delivery for New Zealand which is in contrast with many other countries. This represents an economic opportunity for New Zealand and one to which over time Education NZ can play an important contributing role. In addition to working with its central agency colleagues, Education NZ needs to broaden its focus beyond the delivery of onshore international education by traditional providers and leverage its offshore presence and market intelligence to stimulate consideration of new delivery models and paradigms.

An enabling and supportive policy and licensing environment that supports New Zealand's education and technology value proposition is critical to growing offshore delivery of international education services. Education NZ's unique focus on international education means it is ideally positioned to influence alignment of policy and operational settings across other agencies and work with provider partners to achieve a positive disruptive impact in New Zealand's provision of international education services and products. Education NZ must work with the other sector central government agencies to develop co-ordinated policy settings, ensure effective hand-over mechanisms are in place to encourage innovation in product and service design, and partner with current and new providers of trans-national and edtech services to grow successful models of offshore delivery and in doing so grow the economic benefit of international education to New Zealand.

In owning the role of the expert agency in New Zealand's international education response, Education NZ must work with other education system agencies to improve the environment in which New Zealand providers can offer education and training services offshore and provide timely, commercially and educationally successful models of delivery that meet the needs of the international student customers. In particular this will involve aligning qualification recognition and credentialing and working more closely with economic development agencies to support new providers to go offshore.

### Goal 3

Education NZ must develop a strategy that supports wider economic goals and in doing so align its scholarship and recruitment support. Education NZ plays a critical role through its attraction of international students in influencing decision-making to study and potentially live in New Zealand. Education NZ's performance challenge in this area is to move from a 'volume' attractor to a 'value' attractor and potentially recruiter. Education NZ must work with other agencies to understand the medium term skills and workforce requirements to support New Zealand's economic goals. It must develop a rich picture of the education pathways and qualifications required to meet the demand from our industries, and work with education providers to prioritise required skill and education pathways with our international education positioning and offerings.

Education NZ must work with central government agencies to align policy settings that support New Zealand's attractiveness as a migration destination for required skilled migrants and in doing so support New Zealand's regional economies, high-value sectors and education providers.

Creating a receptive and supportive operating environment for international education is a further critical role for Education NZ. Other sectors (eg, dairy and increasingly tourism) have experienced constraints on growth where a sector has sought growth without necessarily having obtained the social mandate, addressed the societal impacts of doing so, or without understanding of the benefits and associated opportunities. While not currently a factor outside of limited issues in the Auckland central city, international education risks being constrained or otherwise under-perform through lack of social understanding and appreciation of the positive impacts for New Zealand. Education NZ is ideally placed to lead work to raise awareness amongst New Zealanders of the benefits of international education for New Zealand learners, the education system, wider communities and the economy and must do so with urgency. In doing so it must focus on both the passive benefits for participants in New Zealand society but also the active benefits for those with the skills and ability to participate in this increasingly important and growing sector for New Zealand's export agenda.

In summary, Education NZ needs to:

- ▶ develop deep and rich insights and understanding of the international student customer, including their educational needs, preferences and experiences of New Zealand's education system and apply this intelligence to support New Zealand education system delivery partners to develop and deliver education products and services that meet the customer's needs and expectations into the future
- ▶ determine with the sector, Education NZ's value proposition, where it adds most value and what it needs from its system partners
- ▶ in an uncertain policy context, provide thought leadership and clarity for the direction of New Zealand's role in international education and influence other sector central government agencies to align their policy settings and responses to support the delivery of education services that meet student customer demands



- ▶ while continuing and increasing the momentum and appetite for onshore international education delivery, build on its intelligence and insights from in-market presence to develop greater clarity of the opportunities for New Zealand in trans-national education; stimulate the development of new providers and delivery models; and influence other agencies to align policy settings to support student preference and delivery against the BGA goals
- ▶ influence others to align policy and provider settings to ensure that New Zealand's workforce and skills shortages can be mitigated by the attraction and retention of high-value student customers who go on to make wider contributions to New Zealand, by pursuing planned and attractive migration pathways
- ▶ undertake underpinning work to raise awareness, acceptance and understanding of the contribution and value of international education to the New Zealand education system, economy and wider society and in doing so support providers, communities and international students to have positive and rewarding experiences.

### *Influencing the future of New Zealand's international education industry*

Education NZ does not own the international education providers or product. The providers are mainly small autonomous institutions that lack the critical mass and balance-sheet depth for significant investment in product research and development. In this environment Education NZ needs to become the expert thought leader for the industry providing rich insights into the student customer and other market intelligence. If international education is to be successful, Education NZ needs to play a lead role in identifying opportunities and developing successful pathways to market for the sector.

New Zealand's education export economy cannot be constrained by its onshore education delivery constraints (real or imagined). Accordingly Education NZ must develop a clear understanding of the learner customer; develop critical insights into decision making processes; grow preference for New Zealand products and services; and develop critical intelligence into market and competitor activities and offerings. A key role for Education NZ as New Zealand's expert lead for international education will be to provide rich market intelligence to existing and potential provider partners and where necessary provide support to realise potential.

Education NZ needs to understand the voice of the international student, communicating the customers' aspirations and developing insights into their education needs, decision making processes and educational experiences. Education NZ also needs to work with its sector partners and industry to address the capacity constraints that threaten the achievement of the BGA targets. In regard to these supply side constraints, while Education NZ does not own the international education product, it and its government sector partners the Ministry of Education, the Tertiary Education Commission, the New Zealand Qualifications Authority and the Education Review Office have levers that can influence capacity and capability. The response must be a coordinated effort by these agencies that recognises the significant contribution international education makes not only to the economy but also to the New Zealand education system. At the moment that coordination is lacking. Understanding and embedding this contextual alignment will be critical not only to Education NZ's success but also to the education system's ambitions.

Becoming a critical collaboration partner will be an important part of supporting the industry. This is especially the case for Goal 2, New Zealand education programmes delivered offshore, as this area is currently much less developed. This may involve Education NZ taking a more active role in both stimulating and supporting providers to develop different and more commercially successful approaches. Education NZ's ability to undertake competitor analysis, identify and support innovation opportunities and broker more joined-up approaches between institutions and/or sub-sectors of the educational system will be important. Onshore there may be the opportunity for more New Zealand, rather than institution centric, approaches to recruitment. There may be greater pathways for overseas students across multiple providers throughout the New Zealand education system rather than the current focus on individual courses and/or institutions.

All this will require different, more commercial, skills from Education NZ. Education NZ's role will require greater clarity regarding targeted outcomes for the customer and wider benefit to New Zealand, and require Education NZ to take a more confident approach to working with the education sector.

We also note here the recently announced inquiry by the Productivity Commission into New Models of Tertiary Education. This inquiry will examine the changes and trends in tertiary education including increasing internationalisation. Findings are likely to inform Education NZ's role in growing international education.

In summary, Education NZ needs to:

- ▶ listen and understand the student customer to develop its understanding of the products and services New Zealand needs to develop to meet demand, and use this information to stimulate and support provider product and service offerings
- ▶ be the guardian of the New Zealand international education brand protecting New Zealand's reputation as a provider of high quality educational services
- ▶ with urgency determine where service innovation and delivery is likely to come from and align capability to support its development, avoiding being captured by existing delivery partner paradigms where it is not in the customers' or New Zealand's interest
- ▶ work with sector agencies to address capacity and capability constraints
- ▶ leverage in-market intelligence to support provider development and successful pathways to market
- ▶ work with other agencies (eg, Callaghan Innovation and New Zealand Trade and Enterprise) to support innovation and market entry for high potential providers.

Education NZ's achievements in the four years since its establishment are considerable. It has done very well to bring together disparate international education marketing efforts, build the brand and supporting networks, and build confidence and credibility with providers. However the performance challenge in front of it remains large. The speed of change in education delivery globally, Education NZ's limited levers and the gaps in the supporting environment and infrastructure mean that Education NZ has a significant challenge ahead of it. The PIF model ratings we have awarded are forward looking and reflect the size of that challenge, rather than the achievements of Education NZ to date.

We are supportive of Education NZ shifting its focus from establishment and ‘earning its stripes’ to becoming a more strategic influence in the system as the New Zealand expert in international education. To achieve this Education NZ needs to become very clear about its role and functions and align its operating model accordingly. It is a well resourced organisation and is mandated to continue its path to maturity with speed, to assume a confident thought-leadership role, partnering with central and education provider partners to continue to grow New Zealand’s international education reputation and activities.

While Education NZ is the only agency that has international education as its sole focus and must become the expert, other government sector agencies must recognise and understand their role in making international education successful and should read this report to determine in their work with Education NZ what they need to do to harmonise the system to achieve the Leadership Statement Goals.

## **Performance Challenge – Agency**

To realise these opportunities, Education NZ needs to:

- ▶ rapidly step onto its next organisational performance curve beyond ‘establishment and credibility building’ into owning its position as the New Zealand expert agency with a sole focus and purpose to build and grow a sustainable and competitive international education sector for the benefit of all New Zealanders
- ▶ strengthen and build on its work to understand the student customer, and develop critical insights into customer preference and experience to benefit growth of the industry
- ▶ model interdependent sector leadership and innovation
- ▶ develop and implement an operating model to deliver the challenge.

### *Purpose and Business Strategy*

Education NZ is characterised by a culture that is energetic, open, enthusiastic and passionate about the international education opportunities New Zealand can offer global learners. It has made significant progress in the promotion of New Zealand as an education destination in its life to date. It has improved relationships with incumbent education sector providers and developed a number of tools that, based on the increase in international students studying in New Zealand, appear to have contributed to growth in inbound student numbers.

The performance challenge for the organisation is to move beyond establishment and credibility building towards strategic and influential leadership of New Zealand’s international education brand. The leadership of the organisation needs to develop and present a compelling vision and strategy that delivers against the goals of the Leadership Statement for International Education. To achieve this:

- ▶ the Board needs to further develop Education NZ’s strategy and associated value proposition across the various areas of its activity and ensure Education NZ’s leadership is empowered and accountable for its delivery

- ▶ the leadership team needs to think and act differently to collectively own the strategy and performance of the organisation. It needs to raise its collective performance and provide credible thought leadership both internally and externally. It needs to be clear about how it delivers against Education NZ's value proposition in relation to all three of the agency's goals. It needs to be clear on the agency's strategy and work as one, providing visible leadership to the rest of the organisation
- ▶ Education NZ needs to develop a strong and compelling value proposition that provides clarity on the ways in which it can contribute to the achievement of the goals for international education and in doing so benefit learners, providers and wider New Zealand. This will build on its unique interface between the key government agencies, education providers and international students
- ▶ Education NZ needs to build upon the existing culture to foster innovation in international education delivery. This will involve developing new ways of partnering with existing and new providers and embracing commercial capabilities to support business innovation amongst its provider partners
- ▶ the leadership team needs to demonstrate the smarts and intelligence that make Education NZ the 'go to organisation' for anyone who's thinking about opportunities in international education. Education NZ needs to become the global reference site for good ideas, smart and responsive partnering and excellent execution drawing upon its New Zealand Inc partners for support and facilitation of opportunities
- ▶ in line with the recent collective work on education system stewardship, the Education NZ leadership needs to be recognised as New Zealand's expert repository upon which the wider system can call for insights and intelligence on international education and in doing so deliver against the New Zealand education system aspirations.

### *Operating Model*

Once Education NZ has determined its value proposition, it needs to consider its operating model to ensure it is well positioned to deliver. The model will need to reflect Education NZ's reality of being a networked delivery agency, with high dependencies on other agencies and delivery partners while maintaining focus on the ultimate customers, namely students.

To achieve this Education NZ needs to embrace an approach that is focused on delivering value to the student and is highly collaborative, innovative and transparent. Education NZ will need to develop clearly differentiated service models in response to its three diverse goals and ensure alignment across its entire business model. The fast changing nature of education delivery means that the operating model must be intelligence rich, embracing disruptive design and partnering models to ensure innovation potential is realised.

The following behaviour shifts sit at the core of the new operating model:

#### **Becoming a highly respected thought leader**

- ▶ To be more influential Education NZ needs to develop deeper business analytical capability alongside innovative marketing and intelligence insights into the evolving student customer preferences.

## **Be responsive and change agile**

- ▶ An organisation's internal rate of change has to be as fast as the rate of change of its external environment. The education system is changing fast and international education is no exception so it is critical that Education NZ develops its lateral capability ie, its capability to bring the right people together quickly around risks and opportunities. Education NZ has a distinct advantage over larger agencies that will allow it to rapidly respond to shifts in priorities.

## **Build on its start-up mind-set and culture**

- ▶ Education NZ has the advantage of being a small, young and a relatively agile agency unencumbered by deep structures and bureaucracy. It can capitalise on this to build a culture of entrepreneurialism where learning, ideas and innovation prosper.

## **Move from intelligence to insight**

- ▶ It is critical that Education NZ optimises the benefits that flow from having staff located in offshore markets and create mechanisms that capture knowledge and information to better serve the industry. Staff raised with us that strategy, intelligence and business development need to have closer links to ensure these do not develop in a random way, rather they develop based on customer and market needs mechanisms for capturing and translating information into insights to benefit the wider system as a whole.

## **Embrace strategic partnering**

- ▶ Continuing to grow onshore educational delivery (Goal 1) as well as expanding into Goals 2 and 3 will require a willingness and understanding of the benefits of strategic partnering.

## **What will success look like?**

In four years the New Zealand international education system will be globally connected, be held in greater international regard, valued for its quality and innovation and will support achievement of wider education, economic and social goals for New Zealand. The targets to 2025 from the Leadership Statement for International Education will almost be reached.

By 2020 success will be demonstrated as follows:

### **Strategic and influential thought leadership**

- ▶ Education NZ, working with its government sector partners, is acknowledged as New Zealand's expert agency in international education and has led significant innovations in New Zealand's international education delivery and presence.. By working with other central government agencies it operates in a clear and consistent policy, regulatory and strategic leadership environment that supports the achievement of the goals for international education and is the envy of other countries. Education NZ's role and mandate is clear to all. A strong culture of collaboration among the central government agencies exists to ensure New Zealand realises the maximum value from its education services capacity.

- ▶ Education NZ is globally recognised for its in-depth understanding of the student customer and the way it uses customer preference, insights and market intelligence to support the development and success of New Zealand's international education sector. Education NZ is admired globally for its strategic targeting for value, consistent quality and achievement of strong New Zealand customer brand preference.
- ▶ The international education industry, including current and new education service and product providers, are working in a collaborative way to achieve the growth objectives for international education and growing New Zealand's market share and presence. Education NZ's work is recognised as being a key contributor to the growth of the New Zealand industry.
- ▶ Education providers, communities and employers understand and appreciate the economic value and wider benefits of international education services to New Zealand. International education is an integral part of the New Zealand education system for the richness it brings and international students are encouraged and welcomed by other students and all New Zealanders.

### **Shaping the future New Zealand international education industry**

- ▶ New Zealand's international education is diversified by market, product and service, globally connected, with new entrants offering new and different products and services that respond to, stimulate and grow demand. Innovation in delivery is embracing global themes and this benefits both New Zealand and international learners. New Zealand providers have strong offshore links.
- ▶ The international education industry is operating in a connected way to sell the benefits of the New Zealand education system. Education NZ customer insights support providers to understand the needs of potential learners and to offer them a comprehensive experience including coordinated options and pathways to make New Zealand a compelling overall destination. The awareness and preference for New Zealand as a provider of international education services is dramatically raised. International students from all over the world choose to study with New Zealand providers through a range of products and services. There will be a strong value focus.
- ▶ International education is New Zealand's fourth biggest export industry based on its sustainable and consistent growth having overtaken Logs and Wood in value of exports to New Zealand.
- ▶ International education is an important contributor to New Zealand's workforce skills and research capability. Highly skilled migrants choose New Zealand as a study and migration destination and have seamless migration pathways to residency.

### **Education NZ's way of working**

- ▶ Education NZ's clarity of role, purpose and value proposition see it as a prized jewel in the education and economic development systems. Its agility, influence and intelligence are recognised and valued by all.
- ▶ Its proximity and understanding of New Zealand's international customers is second to none and is consistently demonstrated through New Zealand education's strong brand preference as a leading global provider of education services.

- ▶ Education NZ's rich data, analysis and the insights from its global customers underpin the sector's and industry's strategies and interventions for international education, resulting in highly relevant and valued education services and products.
- ▶ To deliver on its international education leadership role, Education NZ has developed and implemented a new operating model to deliver across its three goals. Without losing focus on Goal 1 activities, Education NZ has developed further its strategy and value proposition in relation to Goals 2 and 3 and is working collaboratively and with influence to grow the benefit to international students, provider partners and wider New Zealand. The operating model ensures it can work flexibly across central government and with industry to ensure that learners are offered solutions that meet their needs.

**Jenn Bestwick**  
Lead Reviewer

**Trisha McEwan**  
Lead Reviewer



## Central Agencies' Overview

Education NZ was established in 2011 and the review notes its successes since then in building the New Zealand international education brand and in supporting providers in their student attraction efforts.

The central agencies agree with the reviewers' findings and see the review as timely, given the dynamic environment for international education and the stage of development of Education NZ. Increasing global mobility of students and education delivery models that harness the opportunities of technology are changing the nature of education systems around the world. The content and desired outcomes of education are also changing, increasingly focusing on developing competencies for working in a more mobile labour market, and helping to solve global problems. The implications of this complex dynamic are as relevant to all New Zealand agencies' roles across the education system, as they are for Education NZ's particular focus on growing direct economic value to New Zealand from international students.

We encourage Education NZ's acknowledged commitment to increasing its understanding of changes in educational thinking, design and delivery internationally, and to apply this to setting the strategic direction of its work. We see this as strengthening its value proposition as the 'go to' leader for international education in New Zealand.

A key message from the PIF review is that all government agencies working in the international education space need to be well connected to support Education NZ in achieving the Goals of the Leadership Statement for International Education. As well as a continuing focus on the Goal One target to increase the economic value of international education on-shore to \$4.5 billion by 2025, this must include an increasing focus on delivery of education and sale of products and services offshore, ensuring that international education contributes to building needed skills in our work force, and to growing research capability and fostering wider economic connections internationally.

There is significant potential for other government agencies to provide greater support to Education NZ in its economic development role working with education products and services. The existing policy, regulatory and analytical capabilities, particularly in the Ministry of Business, Innovation and Employment and the Ministry of Education, need to contribute more effectively to ensuring policy and regulatory frameworks facilitate international education growth. Increased focus across agencies on data and analytics to improve information and research, and understanding of emerging education trends is also required.

This support will help Education NZ to develop a clearer view on the types of students that will add most value to the goals and the broader outcomes we are all seeking. We see that Education NZ's developing leadership role will require it to build a greater ability to lead work across agencies, to articulate roles and priorities, and to address issues and risks within the international education sector.



As the central agencies we will do three things in particular in the short to medium term to help Education NZ in this developing leadership role and to ensure the government agencies working in the international education space are well connected. We will:







- ▶ Drive a short term practical set of actions to support international education, through a Chief Executives’ forum of the key agencies involved in international education that will meet regularly for an initial period.
- ▶ Produce a strategy and work programme coordinated across central government to support Education NZ and the targets for international education, through working with Education NZ to reframe the International Education Senior Officials Group (IESOG) as a forward focused leadership body for international education.
- ▶ Assist Education NZ’s interactions with central government and put in place ongoing ways to work together better, by seconding system and business development capability to Education NZ for a set period.

|   |  |  |   |   |
|---|--|--|---|---|
| <p><b>Iain Rennie</b><br/>State Services<br/>Commissioner</p> | <p><b>Gabriel Makhlouf</b><br/>Secretary to<br/>the Treasury</p> | <p><b>Andrew Kibblewhite</b><br/>Chief Executive,<br/>Department of the<br/>Prime Minister and<br/>Cabinet</p> | <p><b>Peter Hughes</b><br/>Secretary for<br/>Education, Ministry<br/>of Education</p> | <p><b>David Smol</b><br/>Chief Executive,<br/>Ministry of<br/>Business,<br/>Innovation and<br/>Employment</p> |
|---|--|--|---|---|

# Summary of Ratings









## Results

| Government Priorities  | Rating  |
|--|---|
| Support the achievement of the Leadership Statement for International Education and its contribution to the Business Growth Agenda |  |

| Core Business  | Rating<br>(Value to Customers and New Zealanders)                                  | Rating<br>(Increased Value Over Time)   |
|--|--|---|
| Promote New Zealand as an education destination  |  |  |
| Ensure New Zealand’s education programmes, products and services delivered offshore are highly sought after                |  |  |
| Foster wider economic connections between New Zealand and overseas through New Zealand’s international education expertise |  |  |






## Organisational Management

| <b>Leadership and Direction</b>                  | <b>Rating</b>   |
|--|---|
| Purpose, Vision and Strategy                     |    |
| Leadership and Governance                        |    |
| Values, Behaviour and Culture                    |    |
| Review   |    |
| <b>Delivery for Customers and New Zealanders</b> | <b>Rating</b>   |
| Customers  |    |
| Operating Model                                  |    |
| Collaboration and Partnerships                   |   |
| Experiences of the Public                        |  |

| <b>Relationships</b>                     | <b>Rating</b>   |
|--|---|
| Engagement with Ministers                |    |
| Sector Contribution                      |    |
| <b>People Development</b>                | <b>Rating</b>   |
| Leadership and Workforce Development     |    |
| Management of People Performance         |    |
| Engagement with Staff                    |    |
| <b>Financial and Resource Management</b> | <b>Rating</b>   |
| Asset Management                         |   |
| Information Management                   |  |
| Financial Management                     |  |
| Risk Management                          |  |

Note: There have been four significant upgrades to the Performance Improvement Framework since it was implemented in 2009. The first was the inclusion of the Four-year Excellence Horizon in October 2011. The second was the Strategic Financial Management upgrade in December 2012. The third was the Better Public Services upgrade in January 2014. The most recent is the Customer refresh which is being applied in this review. These upgrades affect comparability with previous PIF reports.

## Rating System

| Rating  | Judgement                       | What it means  |
|---|---------------------------------|--|
|    | <b>Strong (Excellent)</b>       | <p><b>Best practice/excellent</b></p> <ul style="list-style-type: none"> <li>▶ High level of capability and sustained and consistently high levels of performance</li> <li>▶ Systems in place to monitor and build capability to meet future demands</li> <li>▶ Organisational learning and external benchmarking used to continuously evaluate and improve performance.</li> </ul>  |
|    | <b>Well placed</b>              | <p><b>Capable</b></p> <ul style="list-style-type: none"> <li>▶ Delivering to expectations with examples of high levels of performance</li> <li>▶ Evidence of attention given to assessing future demands and capability needs</li> <li>▶ Comprehensive and consistently good organisational practices and systems in place to support effective management.</li> </ul>   |
|    | <b>Needing development</b>      | <p><b>Developing</b></p> <ul style="list-style-type: none"> <li>▶ Adequate current performance – concerns about future performance</li> <li>▶ Beginning to focus on processes, repeatability, evaluation and improvement and management beyond and across units</li> <li>▶ Areas of underperformance or lack of capability are recognised by the agency</li> <li>▶ Strategies or action plans to lift performance or capability, or remedy deficiencies are in place and being implemented.</li> </ul> |
|  | <b>Weak</b>                     | <p><b>Unaware or limited capability</b></p> <ul style="list-style-type: none"> <li>▶ Significant area(s) of critical weakness or concern in terms of delivery and/or capability</li> <li>▶ Management focuses on tasks and actions rather than results and impacts</li> <li>▶ Agency has limited or no awareness of critical weaknesses or concerns</li> <li>▶ Strategies or plans to respond to areas of weakness are either not in place or not likely to have sufficient impact.</li> </ul>         |
|  | <b>Unable to rate/not rated</b> | <p><b>There is either:</b></p> <ul style="list-style-type: none"> <li>▶ No evidence upon which a judgement can be made; or</li> <li>▶ The evidence available does not allow a credible judgement to be made.</li> </ul>  |

## Agency Context

Education NZ leads the development of New Zealand's international education industry. Education NZ commenced operations on 1 September 2011. It combines the previous international education activities of several government agencies and the Education New Zealand Trust, a non-government organisation.

Education NZ is a Crown entity (Crown Agent) monitored by the Ministry of Business, Innovation and Employment (MBIE) and the Ministry of Education. It is governed by a Board appointed by the Minister of Tertiary Education, Skills and Employment. Special Advisors to the Board are the Chief Executives of the Ministry of Education and of the Ministry of Foreign Affairs and Trade, the Deputy Chief Executive Science, Skills and Innovation, MBIE and the Deputy Chief Executive Immigration NZ, MBIE.

International education is New Zealand's fifth largest export, estimated to contribute \$3.0 billion to the economy in 2015 with 110,000 international students studying with New Zealand education providers in 2014. The Leadership Statement for International Education sets out three goals for Education NZ and the sector:

- ▶ New Zealand's education services, delivered in New Zealand, are highly sought after by international students
- ▶ New Zealand's education services in other countries are highly sought after by students, education providers, businesses and Governments overseas
- ▶ New Zealand makes the best possible use of its international education expertise to build skills in the New Zealand work force, to grow research capability and to foster wider economic connections between New Zealand and overseas firms.

Growing the international education industry contributes to the Government's BGA goal to increase exports as a percentage of gross domestic product to 40% by 2025. In line with this economy-wide objective, an ambitious target was set to grow the value of New Zealand's international education industry to \$5 billion a year by 2025. In addition to attracting international students to New Zealand, Education NZ is working with the industry to develop the export and offshore delivery of New Zealand education programmes and services.

In promoting New Zealand offshore, Education NZ works closely with other New Zealand Inc. agencies such as the Ministry of Foreign Affairs and Trade, Immigration New Zealand (part of MBIE), Tourism New Zealand, and New Zealand Trade and Enterprise. It works with other New Zealand education agencies such as the Ministry of Education, which leads international education policy work, the New Zealand Qualifications Authority, which works to promote and achieve the international portability of New Zealand qualifications and monitors provider quality; and the Tertiary Education Commission which funds and monitors New Zealand's tertiary education providers.

Education NZ is funded through Vote Tertiary Education (Non-departmental Output Expenses). Budgeted funding for the 2015/16 year is \$30.92 million comprising International education programmes – \$30.12 million and International student scholarship scheme - \$800,000.

At 30 September 2015 Education NZ employed 88 staff including contractors. They are based in New Zealand and at 18 overseas locations.

## Results Section

### Part One: Delivery of Government Priorities

*This section reviews the agency’s ability to deliver on its strategic priorities agreed with the Government. While the questions guide the Lead Reviewers to retrospective and current performance, the final judgements and ratings are necessarily informed by scope and scale of the performance challenge.*

**Government priority 1: Support the achievement of the Leadership Statement for International Education and its contribution to the Business Growth Agenda**

Performance Rating: **Needing development**



The Leadership Statement for International Education sets a target to grow the nominal annual economic value of international education services to \$5 billion by 2025. This is an important contributor to helping achieve the Government’s BGA Export Markets goal to increase the ratio of exports to GDP to 40% by 2025. The \$5 billion target is said to be comprised of a target of \$4.5 billion for the onshore delivery of education services (Goal 1 of the Leadership Statement) and \$0.5 billion for the offshore delivery of education services (Goal 2 of the Leadership Statement).

The annual economic value of international education was \$3.0 billion in 2015, up from \$2.7 billion in 2011. This value is helped by an increase in student numbers (recovering from a downturn after the Canterbury earthquakes) and an increase in average value per student. The Leadership Statement and its targets linked to the BGA are a key focus for Education NZ and are prominent in its business planning and performance reporting. The targets have driven Education NZ’s focus on Goal 1 and the attraction of students to New Zealand which represents 90% of the \$5 billion target. As noted under Core Business 1 below, Education NZ has performed well in this area.

Education NZ is well aware of the need to diversify risk, develop new products, segment markets, target value, understand capacity constraints and support more joined up approaches if the target of \$4.5 billion is to be met. Increasingly New Zealand education providers will start to experience real and perceived barriers to continued growth of their onshore education delivery. A number of the larger providers interviewed indicated that they were approaching 75% or more of their desired maximum international student enrolments which indicates that Education NZ may have a number of placement challenges unless it is able to influence provider behaviours and expectations. Education NZ will need to work with government agencies and education providers to remove any such barriers if New Zealand is to achieve the Leadership Statement targets.

Education NZ also needs to increase the focus on Goals 2 and 3. Recent figures published by the Australian Government show that Australia’s higher education providers had 85,800 international students in study offshore and 25,500 international students studying online in 2014. New Zealand tertiary education institutions had 3,200 students in study offshore in 2013. The opportunity for New Zealand in this area is dramatic and in many ways less constrained than opportunities onshore. Education NZ needs to determine its value proposition in relation to this area with urgency to stimulate activity.

## Part Two: Delivery of Core Business

*This section reviews how well the agency delivers value to customers and New Zealanders and how well it demonstrates increased value over time. While the questions guide the Lead Reviewers to retrospective and current performance, the final judgements and ratings are necessarily informed by scope and scale of the performance challenge.*

### Core business 1: Promote New Zealand as an education destination

Performance Rating (Value to Customers and New Zealanders): **Well placed**



Performance Rating (Increased Value Over Time): **Needing development**



This core business area aligns with Goal 1 of the Leadership Statement for International Education: New Zealand's education services delivered in New Zealand are highly sought after by international students. Education NZ has performed well in this area since its establishment in 2011. Education NZ took over from its predecessor organisations which were not seen as effective and has seen student numbers grow to 110,281 in 2014, the highest level for a decade. The markets for competitor countries have also grown in this time but commentators consider Education NZ has improved the marketing of New Zealand as an education destination and this has been an important element of New Zealand's growth.

Industry is supportive of the role of Education NZ in the promotion of New Zealand as an education destination. Education NZ's role has three components: marketing, including operating [www.studyinnewzealand.com](http://www.studyinnewzealand.com) and [www.enz.govt.nz](http://www.enz.govt.nz); overseas representation including in-market presence and trade fairs; and business development including working with education providers to support them to go to market. Education NZ's public documents give more detail on its activities in this area and achievements.

There are some significant risks to the continued growth in the numbers of international students studying in New Zealand. They include a concentration in the number of students from China and India and possible disruption in those markets; the impact of further intensification from those markets on New Zealand education providers; a likely slowdown in the number of students from India studying low level qualifications resulting from tightening of immigration and NZQA entry criteria; constraints both real and self-imposed in the capacity and appetite of New Zealand institutions for greater numbers of international students; perceived constraints in the popular Auckland destination being balanced with other regional destinations being promoted; availability of supporting infrastructure to accommodate more students, particularly in the school system (eg, homestays); more competitor countries entering the market; new and improved product offerings from existing competitor countries; and disruption from new modes of learning including digital delivery.

At the same time there are considerable opportunities for further growth. It is important that these are explored both for their own sake and as possible mitigations for the risks noted. Some opportunities are:

- ▶ Increased value – work with the university and institutes of technology/polytechnics sectors to focus on higher value qualifications in key markets

- ▶ Increased volume – working with provider partners to remove barriers to continued growth in international student numbers while maintaining education quality outcomes for both domestic and international students
- ▶ Increase market segmentation/targeting, aligning education offerings with particular opportunities based on well-developed market insights and intelligence (both student customer and government goals)
- ▶ Develop clear, transparent and easily accessed pathways that support high value students to pathway through the New Zealand system and where appropriate into employment and residency
- ▶ Develop courses and programmes that respond to international student needs and requirements and that New Zealand is well positioned to provide
- ▶ Work with international providers who wish to establish a footprint in New Zealand and where there are opportunities either to provide greater access to offshore markets or opportunity to leverage existing education reputation
- ▶ Create a more seamless ‘landing’ for students through coordination of pre-qualification for visa and entry criteria, giving students greater confidence regarding their ability to study in New Zealand
- ▶ In markets where there are concerns about student quality, develop agent programmes or other channels to actively manage risk
- ▶ Work with the New Zealand Qualifications Authority, the Ministry of Education and the Tertiary Education Commission to ensure all international education providers working in the international education sector are providing appropriate quality education services and experiences.

Education NZ is aware of these opportunities but to date has not either prioritised or felt it had the mandate to pursue them actively. Across government support is also required. As noted elsewhere in this report, Education NZ is working at the interface of the education and economic agendas and an understanding across government of the priorities and trade-offs is vital to Education NZ making progress. The review concludes that as the only government agency focused exclusively on international education, Education NZ must progress the thinking for New Zealand on this critical service sector.

The ratings for this core business area reflect Education NZ’s good performance to date in promoting New Zealand as a student destination and the value to customers and New Zealanders that goes with it. The rating for ‘Increased Value Over Time’ reflects the need to explore the opportunities to better understand and target customer needs to further grow the size and value of the market and mitigate the considerable risks faced.



**Core business 2: Ensure New Zealand's education programmes, products and services delivered offshore are sought after**

Performance Rating (Value to Customers and New Zealanders): **Needing development**



Performance Rating (Increased Value Over Time): **Weak**



This core business area aligns with Goal 2 of the Leadership Statement for International Education: New Zealand's education services in other countries are highly sought after by students, education providers, businesses and governments overseas. Education NZ understands the potential importance of this goal to diversify from a heavy dependence on student attraction with its risks, constraints and historically cyclical nature.

However Education NZ knows it has not prioritised progress for this goal particularly strongly during its establishment phase, rather focusing on the larger economic target and opportunity associated with Goal 1. This is understandable during the establishment phase, however Education NZ recognises it must now start to spread its focus to include Goals 2 and 3 in its strategy and operations.

To date it has taken a largely reactive role with providers looking for support or assistance rather than a more active 'market maker' role. New Zealand education providers have limited experience and success in trans-national education delivery with the exception of some education publishing and edtech companies, and a small number of institutions that have the scale and incentives to develop this market. There is limited understanding of what makes New Zealand delivery offshore attractive to customers and this must be the basis of further progress on this goal.

The business case and methodology for the measurement of benefits for Goal 2 are not clear, with onshore students delivering a greater economic return and the margins on offshore education said to be small. But the \$0.5 billion target is not large and the potential markets and growth are much larger than for onshore education. Other countries (in particular the United Kingdom, Canada and Australia) have developed significant markets through trans-national delivery and in doing so created spillover benefits in the form of raising awareness of their in-country education offerings, often using their in-market provision to staircase learners into other programmes or courses in their home domain.

While Education NZ is aware that it needs to plan and progress this goal over the coming period it has not yet developed clarity regarding its approach or value proposition. Given other countries are significantly more advanced than New Zealand in this area, Education NZ should understand the learnings and mistakes made by others to help fast track successful outcomes. Education NZ needs to understand and help providers to understand customer needs and New Zealand's value proposition. Education NZ then needs to access commercial and international capability to develop a clear strategy based on its value proposition including how it is going to stimulate provider interest and appetite to deliver trans-national education services, including whether it plays a role in identifying and bringing opportunities to the New Zealand market to meet demand.

A key factor in making delivery offshore an attractive proposition for providers will be Education NZ's ability to work with sector central government agencies, particularly the New Zealand Qualifications Authority to increase the ease with which providers can offer New Zealand qualifications offshore and New Zealand Trade and Enterprise to provide support to providers

going offshore for the first time. If it is to stimulate interest and growth in the Goal 2 area, Education NZ has to be an active player in identifying, developing and packaging opportunities for the New Zealand education providers to respond to. This is a very different role to that which it currently plays and one that it doesn't currently have the capability to deliver.

**Core business 3: Foster wider economic connections between New Zealand and overseas through New Zealand's international education expertise**

Performance Rating (Value to Customers and New Zealanders): **Needing development**



Performance Rating (Increased Value Over Time): **Weak**



This core business area aligns with Goal 3 of the Leadership Statement for International Education: New Zealand makes the best possible use of its international education expertise to build skills in our workforce, to grow research capability and to foster wider economic connections between New Zealand and overseas firms. The Leadership Statement for International Education targets for this goal are to increase postgraduate students in New Zealand from 10,000 to 20,000, increase the transition rate from study to residence for degree level international students and increase New Zealanders' skills and knowledge to operate across cultures. International postgraduate student numbers have increased from 10,275 in 2011 to 14,327 in 2014.

To date Education NZ's major activity in this area of core business has been the establishment and administration of scholarship programmes including the establishment of the Prime Minister's Scholarships for Asia. Education NZ's scholarship work, whilst important, is relatively modest compared to the total scholarships offered by New Zealand. In 2015 Education NZ will administer approximately \$3 million in both inbound and outbound scholarships. Recent work by Education NZ indicates that across all New Zealand government agencies there are approximately \$160 million of scholarships granted each year with Ministry of Foreign Affairs administering by far the largest in value. Given the relative size of Education NZ's programme it may be worth considering whether there is potential to realise efficiencies by working more closely with other NZ Inc agencies in this area.

The most significant opportunity in this area is to increase focus and align policy settings to support the attraction and retention of high-value and skilled students who wish to both study work and live in New Zealand.

Education NZ needs to work with the sector central government agencies to develop a framework that describes the study/work pathways New Zealand wishes to offer to international students and then align the policy settings to help students and their families choose New Zealand as a destination. This requires Education NZ to be able to influence other agencies to identify migration workforce needs in New Zealand's sectors and industries and work with Immigration NZ to develop visa and migration packages that support the desired outcomes.

Another important activity that falls within this goal is progressing Education NZ's thinking regarding its alumni programme. Education NZ has not placed much emphasis on this aspect of its role to date and acknowledges it is a critical focus for the future. Education NZ needs to clearly identify the benefits of maintaining connection with international students who have received a New Zealand qualification/education and implement a strategy that supports the realisation of those benefits across multiple settings and channels.

## Organisational Management Section

*This section reviews the agency's organisational management. While the questions guide the Lead Reviewers to retrospective and current performance, the final judgements and ratings are necessarily informed by scope and scale of the performance challenge.*

### Part One: Leadership and Direction

#### Purpose, Vision and Strategy

How well do the staff and stakeholders understand the agency's purpose, vision and strategy?

How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?

Performance Rating: **Needing development**



#### Leadership and Governance

How well does the senior team provide collective leadership and direction to the agency and how well does it implement change?

How effectively does the board lead the Crown entity? (For Crown entities only)

Performance Rating: **Needing development**



#### Values, Behaviour and Culture

How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?

Performance Rating: **Well placed**



#### Review

How well does the agency encourage and use evaluative activity?

Performance Rating: **Needing development**



#### *Purpose, Vision and Strategy*

Education NZ's purpose is to take New Zealand education experiences to the world for enduring economic, social and cultural benefits. The Leadership Statement for International Education is the founding document for Education NZ and defines the vision as "New Zealand's quality education services are highly sought after internationally, and expand our international social, cultural and economic engagement". The vision and the purpose are underpinned by the three goals specified in the Leadership Statement. Education NZ has a fourth goal which is an internal continuous improvement goal.

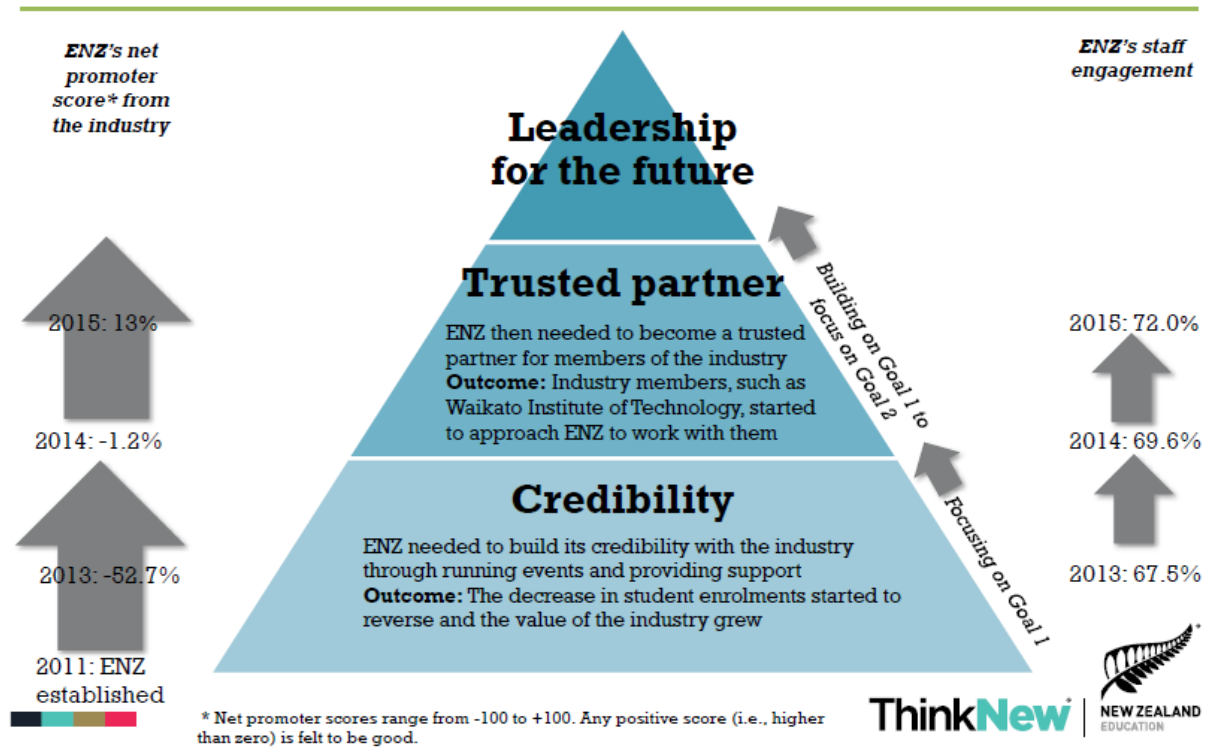
The purpose is very well understood by staff across all functions and at all levels. Goal 1 (Student Attraction) is equally well understood. The second and third goals (International Delivery and Working for New Zealand) are well understood by management and to a lesser degree by other staff. This reflects the strong emphasis on Goal 1 for most staff over the four year life of Education NZ. The goals are seen as motivating and collectively referred to as our 'light on the hill'.

Staff readily and enthusiastically respond to questions on the purpose and goals and how they link to the Government's priorities. Staff were less clear on the underpinning strategy, value proposition and operating model. The long term objectives as set out in the Leadership Statement and associated metrics are well understood as are the one-year targets set out in the 2015/16 Education NZ Business Plan. The PIF Self-review notes a lack of clarity around strategy, focus and evaluation in assessing performance in the other two core business areas.

Education NZ is acutely aware that the accelerating pace of change in education generally will impact its ability to achieve the medium to long term outcomes set out in the Leadership Statement. Disruptive education models embraced by Generation C/Millennium Generation learners will mean that new technologies, digital products and services and mobile apps will play an increasing role as the pace of change in the education sector rapidly gathers momentum. Capacity and absorption of international students coming to New Zealand to study will require collaboration with institutions and considered planning. There is an understanding from senior leadership within Education NZ of the need to diversify and focus on all three goals if the industry is to deliver on the Government's BGA.

Awareness of the need to adapt and move into the international delivery and working for New Zealand space is also high amongst the sector policy and monitoring agencies. There is agreement that Education NZ has made definite progress since it was set up four years ago and that having established a strong credible base it can now accelerate the pace of change and develop a more constructive and purposeful way to support strategic direction, ensure customer value and drive growth in the sector. There is strong support from most people we spoke to for Education NZ to step into a more proactive leadership/stewardship role and take responsibility for the development of a unifying strategy that provides clarity of purpose for all contributor agencies. The self-described journey that Education NZ has been on (see diagram below) needs to accelerate rapidly from building credibility to strategic thought leadership for the international education sector.

## Our stages of evolution



Working deliberately towards more interdependent practices with the sector central government agencies will foster collaboration and the ability to work more effectively across agency boundaries with openness and candour. Interdependent cultures and practices are characterised by the assumption that leadership is a collective activity that requires mutual inquiry and learning.

In our discussions with the sector central government agencies and key stakeholders there was strong support for and an understanding of the need for a strategy development process across all three goals. Collaboration and alignment will be essential to development of the strategy as will a well-defined business model that sees Education NZ taking a clear stewardship role for the industry as a whole, a value proposition for learners that defines long term value and an operating model that defines how to deliver the strategy.

### *Leadership and Governance*

In general there was support and in some cases strong support for individual members of the leadership team in relation to their leadership styles and leadership of the functions. There has been some churn and disruption over the last two years as Education NZ has worked to build competency and capability in New Zealand and in international markets. A new Chief Financial Officer has been appointed and very recently a new General Manager Marketing. Despite the changes staff do feel supported and report high degrees of satisfaction with the opportunities Education NZ and the wider education sector provide for career development.

The leadership team when they come together generally acknowledge that they operate more as a group of individuals rather than a leadership team. The word silo was used a number of times by staff to describe the way the leadership team functions. The focus has been described as tactical and operational with no real sense of a collective leadership agenda or collective

mandate to drive growth. Collaboration has also been noted as weak. The leadership team has been alerted to these observations in engagement surveys and some staff have noted differences in behaviour since the last survey, which is very encouraging. The leadership team's efforts to work together more effectively and to present a united front with staff are being noticed. Once implemented, the Country Activity Plans should provide further opportunity for working collectively.

An independent functional focus may have been appropriate during the start-up phase of Education NZ's organisational lifecycle, but the next phase of more complex strategy and execution across a range of stakeholders will require a strong interdependent leadership team to work collectively and with impact and influence across the sector. A more open system with permeable boundaries that enhances communication flow is critical for staff located offshore and particularly where staff are co-located and have to integrate within other agency cultures.

The Education NZ Board provides governance over Education NZ's strategy and future operating intentions. Internal and external perceptions are that the Board is strong, credible and has provided effective governance over the establishment of Education NZ.

Over the next four years, Board composition will remain critical to embed the capabilities and strategic leadership required for Education NZ to achieve the success outlined in the performance challenge. High level governance skills remain relevant as does experience in the education sector, specifically interest and experience in disruptive education models. There will be an increased need for intelligence and insight experience, digital marketing and commercial acumen generally. The Board will be critical to the strengthening and capability building required across the leadership group with a particular focus on ensuring the group operate as a team, setting collective strategic priorities and reallocating resources internally across areas of responsibility.

Similarly the Board has an important role in guiding and supporting Education NZ as the agency works to apply interdependent leadership skills to improve active collaboration with a range of agencies involved in decision making across the international education sector. The Board's role in ensuring a healthy tension exists between its role in influencing the necessary positive disruption of the New Zealand sector and the need to have strong linkages with provider partners will be important.

A Stakeholder Advisory Group is in place. The group has struggled to find clarity of the value it adds to date. Consequently there is a desire to re-purpose the group and agree a fresh mandate to focus more strategically on the growth challenges facing Education NZ. If this group is to make a valuable contribution, Education NZ must be really clear precisely how and what it wishes the group to consider and contribute.

### *Values, Behaviour and Culture*

Education NZ leadership developed a purpose, focus and spirit ladder (values) three years ago. The purpose has been retained in new work being completed this year aligning the external brand values (Think New) and existing internal values. Staff were heavily involved in the process and a new set of values incorporating many of the old has been developed. This is referred to as Education NZ Ways of Working (Think Bold, Think Open, Think Team). Early evidence suggests that staff are enthusiastic and enjoyed participating in the development process and have embraced the new values that are beginning to be expressed in everyday



language and situations. The new and inclusive value set will be an important linkage mechanism as Education NZ expands its strategic direction and international customer value proposition. Once the strategy and value proposition work is completed, it will be important to work with staff to assess the need for change in response to the renewed focus, particularly the emphasis on student customers.

A large proportion of staff we spoke to are clearly committed to education and the wider benefits of international education, and see their roles as contributing in a meaningful way to New Zealand's long term growth and prosperity. Equally staff are motivated by being part of an entity that has global reach and is an important part of the New Zealand growth story.

The staff in our focus group sessions were keen to discuss and share their views. There was a high degree of openness, honesty and enthusiasm and a willingness to put forward ideas for improvement. We asked a number of external and internal stakeholders to describe the culture. The most consistent comments were around Education NZ being supportive, positive and open and in particular "an enjoyable place to work". We did not observe too many of the entrepreneurial characteristics often seen in a start-up though as previously mentioned we certainly met staff who were enthusiastic and passionate about their roles. Work/life balance was mentioned several times as being available and valued. As a small agency with a global footprint Education NZ may wish to begin to subtly shift the conversation from work/life balance to work/life integration as a more sustainable and equitable approach.

Performance management processes generally are strong. There is a clearly linked flow down from the business plan into individual key performance indicators (KPIs). Metrics for operational staff are mostly time, quantity and cost based when they relate to Goal 1. The few relating to Goals 2, 3 and 4 tend towards being more subjective and indirect. Functional staff metrics leaned more towards being qualitative and subjective. The process links clearly through to performance evaluation and to remuneration through remuneration policy. Roles and responsibilities are clearly delineated and documented.

### *Review*

The PIF Self-review notes there is a firm desire for Education NZ to become a stronger learning organisation. It speaks of the range of market intelligence Education NZ has from data analysis, by virtue of having in-market staff and through the commissioning of surveys and research, but expressed concern about how it is used and shared across the organisation to plan and evaluate its activities. Off-shore staff are particularly keen to be more involved in Education NZ's planning and decision-making processes. They see greater opportunities for their in-market intelligence to influence international education regulatory environment policy discussions and Education NZ's strategy and resourcing decisions.

This will need to be supported by the corporate systems and capabilities to be a knowledge based organisation. Some encouraging steps are now occurring to build deeper capability in data and intelligence and the supporting systems. This will assist Education NZ's mandated role to provide industry and student customers with targeted information and intelligence. Importantly it can be the basis of evaluative activity to assist Education NZ as it considers its interventions and assesses where it is having an impact and where it is not. Better targeting and prioritising of Education NZ's activities and identifying new services and products will follow. This links closely to work discussed in this report to better understand Education NZ's value proposition.

## Part Two: Delivery for Customers and New Zealanders

### Customers

How well does the agency understand who its customers are and their short and longer term needs and impact?

How clear is the agency's value proposition (the 'what')?

Performance Rating: **Needing development**



### Operating Model

How well does the agency's operating model (the 'how') support delivery of Government Priorities and Core Business?

How well does the agency evaluate service delivery options?

Performance Rating: **Needing development**



### Collaboration and Partnerships

How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers?

How well do the agency and its strategic partners integrate services to deliver value to customers?

Performance Rating: **Needing development**



### Experiences of the Public

How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences?

How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly?

Performance Rating: **Needing development**



### Customers

Education NZ views its primary customers as the New Zealand education providers. While it acknowledges that international students are the ultimate consumer of New Zealand's international education services, it does not see them as its customer. Education NZ undertakes some work in the insights area and has recently undertaken some survey work to understand various market segments and consumer preference. It uses this to assist its customers (providers) to attract students.

If Education NZ is to deliver against its priorities it needs to redefine its relationship with international students and ensure that it understands and communicates their current and future preferences for education and the wider educational experience to providers. Education NZ risks being captured by current education providers who have expressed limited appetite or aspirations to deliver the growth required in international education if the Government's priorities are to be met. Education NZ needs to realign its focus to partnering with providers



to meet the customer demands and adopt more flexible and innovative approaches to identifying, developing and realising opportunities to meet the education demands of its international student customers.

Furthermore Education NZ has a critical role to play as the guardian of the New Zealand education brand. It will only maintain and grow the value of this brand if it ensures that its customers' education needs and expectations are consistently met. Hence Education NZ must place greater emphasis on building connection with international students who choose to study with a New Zealand provider and understand their experience and the outcomes achieved.

Education is a rapidly changing sector with a number of disruptive developments appearing in recent years that will alter the way students experience and participate in education. Education NZ needs to be more active in monitoring global trends and shifts in education design and delivery, understanding how the learners of the future want to experience their education. It needs to use this intelligence to provide critical customer insights to New Zealand education providers so they can adapt their products and services to meet current and future student demand.

Education NZ also needs to clarify its value proposition in relation to each of its three areas of Core Business. While it has developed an understanding of its value proposition in relation to inbound international education and is working to strengthen this, it does not yet adequately understand how it adds value in relation to trans-national education or opportunities to foster wider economic connections.

### *Operating Model*

Education NZ's operating model is largely designed to deliver against the first of its Core Business areas: Promote New Zealand as an education destination. Its focus is on raising awareness of the New Zealand education brand overseas and promoting New Zealand's education services and products in conjunction with New Zealand education providers. Accordingly its model encompasses two core disciplines: marketing and promotions; and business development. It works closely with current New Zealand education providers to support them to attract international students to their institutions operating across the New Zealand education system.

Education NZ's operating model is not well placed to deliver against the second and third areas of its Core Business, namely to grow delivery of trans-national education and foster wider economic opportunities from international education. Education NZ has acknowledged it has not prioritised these areas to date and does not yet have a well-developed strategy to deliver against these goals. Accordingly it has not resolved the operating model required to support the delivery of these. Any operating model should be based on seeking value for student customer, and thus it also has the potential to change the way student attraction (Core Business 1) is delivered.

As noted in the Four-year Excellence Horizon, Education NZ needs to determine its value proposition and then build an operating model to support this. The target operating model is likely to reflect the networked delivery agency model, with high dependencies on other agencies and delivery partners while maintaining a focus on the ultimate student customers. It will need to be intelligence rich, embracing disruptive design and partnering models in a world of rapidly changing educational delivery. These and its analytical capability will make Education NZ a highly respected thought leader.

### *Collaboration and Partnerships*

Throughout its first four years of operation Education NZ has worked to build credibility and trust with education providers. It has made some significant gains in this regard and is now generally seen as being a valuable contributor that is responsive to provider needs and providing useful market intelligence and promotion of the New Zealand brand.

The challenge for Education NZ is now to move beyond being a responder and contributor to being a critical partner. To do this Education NZ needs to be clear about its value proposition in relation to each of its areas of core business. It has already identified the provider partners (Goal 1) who represent the greatest potential for growth. It now needs to develop more strategic relationships based upon its value proposition and tailored to each partner's unique requirements. This will help cement its role as a strategic partner.

This section of the report discusses how Education NZ is using collaboration and partnerships with education sector providers to deliver results for customers. It can be distinguished from the Sector Contribution section below which discusses how Education NZ is working with its partner central government agencies in the education and economic development sectors to ensure a coordinated approach to international education and to ensure value is delivered in a joined up way.

### *Experiences of the Public*

This is somewhat complicated by Education NZ's view that education providers are its customers rather than international students. Education NZ has demonstrated several service innovations in response to provider needs. An example of this is the Sector Roadmaps that represent a significant commitment to working with the sector and provide a useful set of tools to support education providers that wish to grow their international education delivery. These have met with mixed results depending on the stage of development and maturity of the sub-sector and/or provider.

Education NZ is shortly to launch its Country Activity Plans which are designed to provide market intelligence to providers based on Education NZ's in-market intelligence and research. These are likely to be useful to many education providers but may not be relevant to some of the more established providers. As it continues to refine its approach Education NZ needs to take a more sophisticated approach to working with its strategic partners and continue to innovate its service to better meet the demands of the various provider segments.

Education NZ is growing its services to its international student customers. In the last two years it has increased its online offerings and now engages with potential students both through its customer facing website and social media. However Education NZ does not currently maintain contact with international students throughout their study journey with the New Zealand education system and so has no real visibility of how satisfied or otherwise they are with their experience.

Education NZ and New Zealand institutions participate in the International Student Barometer, a global survey of the perceptions and experiences of international students. Institution reputation and personal safety are top factors in deciding where to study. Students at universities, institutes of technology/polytechnics and private training establishments place more emphasis than the global norm on work and visa related issues ie, they see New Zealand as a place to not only study but also to work and stay. These high expectations are not always being managed. If the goals for international education are to be met, Education NZ needs to become much clearer on how it relates to international students and how it contributes value to their educational experience.

New Zealanders need to understand and embrace the benefits of international education. This can contribute to an improved student experience for both international and New Zealand students, provides the social license to operate and considerably reduces the constraints on growth at an institution and community level. Education NZ has a role, working with others, to better understand these issues and promote the considerable benefits of international education.

## Part Three: Relationships

### Engagement with Ministers

How well does the agency provide advice and services to Ministers?

Performance Rating: **Well placed**



### Sector Contribution

How effectively does the agency contribute to improvements in public sector performance?

Performance Rating: **Needing development**



Education NZ's relationship with its Minister is positive with the Minister reporting confidence in the organisation's performance to date. Education NZ is seen by the Minister as having executed a satisfactory establishment and made good progress in raising the profile of the New Zealand international education brand.

There is an awareness that the wider alignment of government agencies surrounding Education NZ needs to strengthen in support of achieving the Government's international education goals and targets and IESOG is seen as being the appropriate body to undertake this work.

While it is seen as appropriate that Education NZ's focus has been on establishment and progressing Goal 1, the Minister is now interested to see Education NZ progress its thinking and ability to deliver impact in relation to Goals 2 and 3. In doing so, the Minister encourages Education NZ to consider how it accesses and improves its and providers interfaces with other agencies operating in the economic development and education sectors to avoid duplication.

The strategic leadership and policy environment for international education is complex. If the goals are to be achieved, there needs to be a country strategy for international education with a shared understanding among the other central government agencies in the sector of the importance of the goals and the targets to 2025. Policy settings across central government need to be enabling. International education will not be the only or main focus for other agencies but they need to appreciate its importance and be actively exploring the choices and trade-offs necessary to support Education NZ in its role. The success of international education is much bigger than Education NZ and it will not succeed without the right environment.

The IESOG can provide the strategic leadership for the sector and put in place the policy and operational enabling environment that international education requires. As we comment in the Four-year Excellence Horizon, Education NZ needs to play a strong role in helping to make this happen (within the limitations of a small delivery agency) and the other central government sector agencies need to respond. As part of this Education NZ needs to ensure it captures market intelligence and learnings better and feeds them into strategy and policy. Education NZ needs to be a thought leader with the Ministry of Education on the future of education delivery, to inform strategy.

We have already noted under Core Business 2 the importance of the interface with NZTE to support organisations to grow offshore. Education NZ and NZTE have started discussing the organisations they have a common interest in and this needs to be progressed rapidly. Education NZ does not have the skills to nurture new organisations and a link to Callaghan Innovation can ensure these do not fall between the cracks.

## Part Four: People Development

### Leadership and Workforce Development

How well does the agency develop its workforce (including its leadership)?

How well does the agency anticipate and respond to future capacity and capability requirements?

Performance Rating: **Needing development**



### Management of People Performance

How well does the agency encourage high performance and continuous improvement amongst its workforce?

How well does the agency deal with poor or inadequate performance?

Performance Rating: **Well placed**



### Engagement with Staff

How well does the agency manage its employee relations?

How well does the agency develop and maintain a diverse, highly committed and engaged workforce?

Performance Rating: **Well placed**



The Education NZ People Strategy 2015-2018 sets the direction for people and leadership development. The document is currently in draft form and has four goals:

- ▶ Planning and resourcing
- ▶ Employee engagement and performance improvement
- ▶ Developing people
- ▶ Recognition and reward.

The document links the goals through the values to Education NZ's four core business goals and objectives. The strategy aims to give:

- ▶ A shared sense of direction and purpose for our people and a way to measure performance
- ▶ A tool to help integrate people commitments into business planning, policy and strategy
- ▶ An HR/OD framework for supporting commitments to attract, engage, perform, develop, reward and recognise our people.

The People Strategy in its current form is a short term development focused, business as usual plan. The HR/OD Operating Environment as set out in the plan could be developed to include a future focus. Currently the Education NZ story sets out under a series of helpful headings where Education NZ was in 2012 and where it is now in 2015. It would be a good exercise once a clearer strategic direction is in place to expand the story to include a section on the future and what success might look like in 2018.

The draft People Strategy does not set out medium to long term plans and initiatives for the future challenges facing Education NZ. A plan with a stated four-year time horizon would usually include elements such as organisation redesign, strategic resource planning, capability gap assessment and succession planning. These elements are equally important for smaller agencies with a longer term operating horizon as they are for larger agencies and of great importance to entities operating in a global context. Given the broadening focus and performance challenge facing Education NZ it will be important to develop and align the relevant longer term HR initiatives in conjunction with the design of the expanded operating model.

As a relatively small agency with a total staff of 88 spread across 18 different international locations, workforce planning is critical. This is particularly so considering that there are some locations where there is only one or two staff members which brings additional risks including capability risk. Generally organisations with offshore staff have minimum staffing level policies. Tourism NZ for example has a three to four staff minimum policy. To mitigate this risk in part Education NZ co-locates where possible with other New Zealand agencies. We heard comment from staff and institutions that the staffing of offshore offices may be a concern from a capability and coverage perspective and would benefit from review.

Education NZ promotes the 70/20/10 learning approach where 70% of learning happens on the job, 20% from feedback and coaching and 10% from formal 'classroom' training. The types of initiatives included have been acknowledged by staff as being valuable, particularly the secondments and offshore visits. There is a comprehensive annual learning and tracking process in place for all staff which documents development initiatives.

A range of training and development initiatives are available for staff that range from mentoring and coaching to formal academic study. Staff report a high degree of satisfaction with learning and development opportunities generally.

The performance management process is well documented and well accepted. Individual objectives link to business unit plans and the Education NZ Business Plan which links to the Leadership Statement Goals. Strong processes exist around poor performance.

Engagement is an important employee linkage tool and Education NZ leadership and the HR team have placed considerable effort and focus on improving staff engagement over the last few years. Issues arising from the survey either have or are in the process of being addressed and have action plans attached to them. As a result staff engagement continues to build and has increased from 67.5% in 2013 to 72% for performance (satisfaction) index and 77.4% for the engagement index in 2015. This places Education NZ in the top quartile of government agencies and puts it in a strong position from which to launch an organisation development change agenda. It will be important then to expand beyond standard retrospective HR metrics such as turnover, engagement and performance to include forward looking metrics based on the value proposition and strategy work. Measuring and assessing interdependant leadership capability would be an example.

Education NZ has 88 permanent staff and contractors. Female staff make up 67% of the total and are well represented in management roles. Of the staff based in Wellington 32% are from a non-European background. This ethnic diversity continues to provide good access to a mixture of cross cultural knowledge, language and networks alongside offshore staff. This profile reflects a good diverse mix of talent up to management level though the leadership level remains predominantly New Zealand/European male. The Chief Executive and the Board may wish to review the talent list at level three to ascertain if there is a diverse pipeline of talent being developed for future level one and two roles and develop interventions as required.



## Part Five: Financial and Resource Management

### Asset Management

How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?

Performance Rating: **Needing development**



### Information Management

How well does the agency manage and use information as a strategic asset?

Performance Rating: **Needing development**



### Financial Management

How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?

Performance Rating: **Needing development**



### Risk Management

How well does the agency identify and manage agency and Crown risk?

Performance Rating: **Needing development**



Education NZ has a small fixed asset base (leasehold improvements, computer hardware, furniture and office equipment and motor vehicles) with a book value of \$0.701 million at 30 June 2015 (original cost \$1.112 million). Intangible assets (software) have a book value of \$0.519 million. Education NZ has 18 offices overseas which are generally located in Ministry of Foreign Affairs and Trade or New Zealand Trade and Enterprise premises. Maintaining an overseas footprint is difficult for an agency of Education NZ's small size and further opportunities to share or outsource services, including those involving NZ Inc partners, need to be explored. Trade-offs involving cost, quality and resilience need to be carefully considered, with the first objective being to achieve a workable level of service.

Education NZ has an ongoing programme to improve its ICT assets and capability. Connectivity and core systems are improving. Staff regard the newly formed ICT Steering Group as a step forward. The greatest problems are for the offshore locations and for the systematic capture of information. It is difficult for offshore staff to access, share or reliably store information. Education NZ is exploring an improved internet connection to overcome some of these problems and assist collaborative working between offices. A customer relationship management system and a document management system are in planning and are much needed. Among other things they will allow better capture and use of Education NZ's in-market intelligence and will assist a more joined up approach across its business groups.

Education NZ's role of understanding and marketing to a worldwide customer base, supporting the marketing and product development efforts of industry and ensuring coordination across the central government agencies mean that excellent information management is vital. This is particularly important as international education is rapidly changing. Information is a key strategic asset for Education NZ, the sector and industry and this needs to be further reflected in Education NZ's business planning and in the supporting ICT infrastructure. Similarly Education NZ's systems need to interface better with others to draw on the data and information held in other agencies to inform its operations.

Opportunities include obtaining better and more timely information from the Ministry of Education on enrolment, progression and completion rates to assist targeting; better capture, analysis and dissemination of research on students as the customer for international education; a portal for institutions to access data to use to assist their targeting; better analysis of trends and changes in markets; and feeding intelligence to inform the policy agenda.

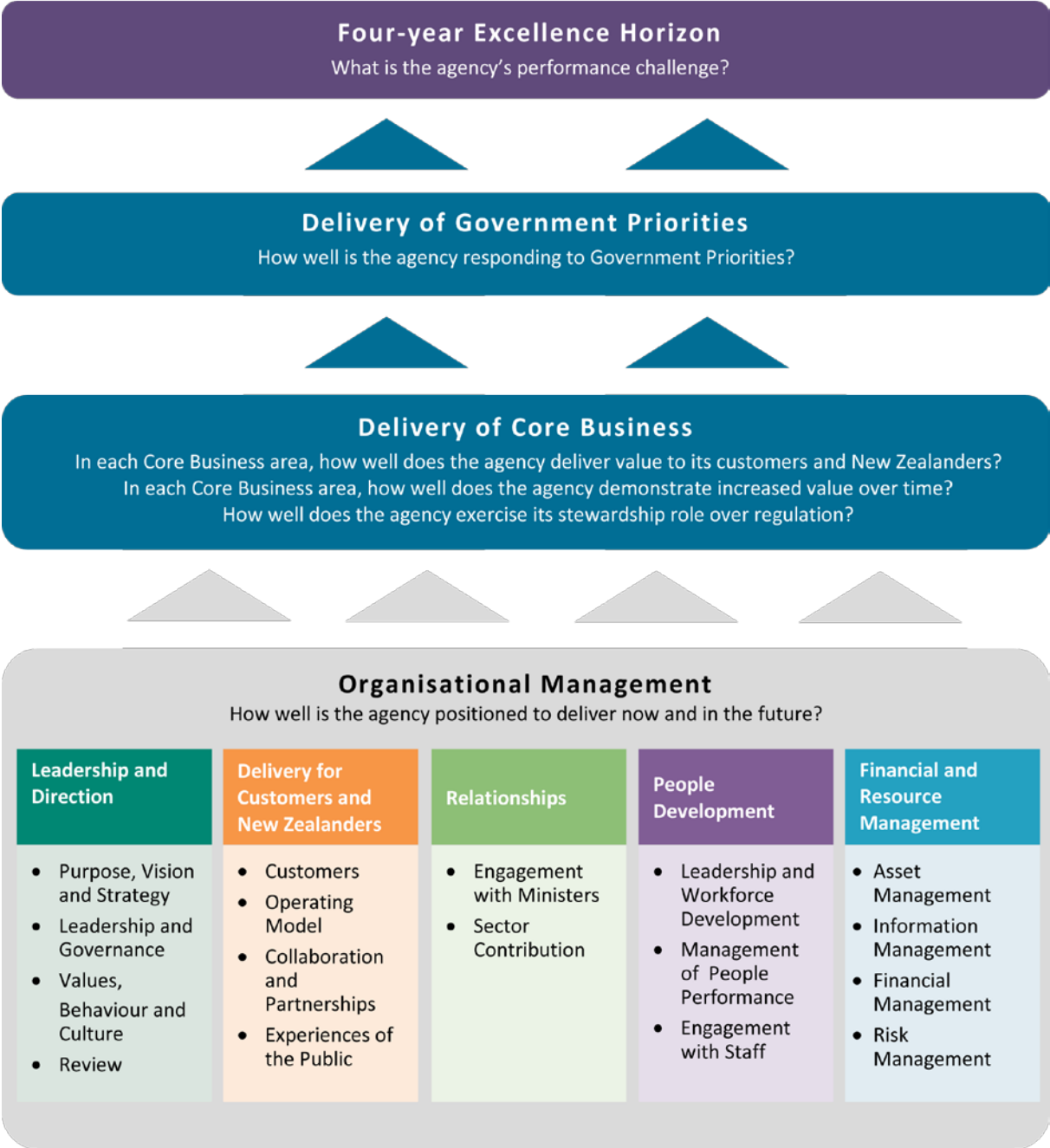
In summary Education NZ needs to become more market and industry facing, using timely information and analysis to inform its business decisions, to help the education institutions target markets and groups and to inform across government policy and operations. This will also help Education NZ to be more connected up internally.

The Education NZ finance function is small and has had a focus on putting in place a sound payment, recording and control environment. Currently strategic financial management is underdeveloped and business intelligence, performance and risk can be used more to drive resource allocation, effectiveness and efficiency. Education NZ is a small organisation with limited resources and a range of activity. As noted elsewhere in this report it needs to develop a better understanding of its impacts and where it is adding the greatest value. This will help Education NZ to prioritise and stop doing some things in a constrained budget environment.

Education NZ has a Risk Management Policy and a Risk and Issues Register. The Register is reviewed by the Audit and Risk Committee four times a year and covers strategic, operational and programme risks. The listing of risks seems comprehensive and this type and level of approach is appropriate for an organisation of Education NZ's size. Our question is, given the changing environment and challenges Education NZ faces, whether there is a clear enough understanding of the risk appetite and trade-offs required and whether risk is adequately integrated with strategic and business planning.

# Appendix A

## The Performance Improvement Framework



## Lead Questions

| Four-year Excellence Horizon   |  |  |
|--|--|--|
| What is the agency's performance challenge?                                |  |  |
| <b>Results</b>   |  |  |
| Critical area  | Lead Questions   |  |
| Government Priorities  | 1. How well is the agency responding to Government Priorities?   |  |
| Core Business  | 2. In each Core Business area, how well does the agency deliver value to its customers and New Zealanders? |  |
|  | 3. In each Core Business area, how well does the agency demonstrate increased value over time?             |  |
| 4. How well does the agency exercise its stewardship role over regulation? |  |  |
| <b>Organisational Management</b>   |  |  |
| Critical area  | Element  | Lead Questions   |
| Leadership and Direction   | Purpose, Vision and Strategy   | 5. How well do the staff and stakeholders understand the agency's purpose, vision and strategy?<br>6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?  |
|  | Leadership and Governance  | 7. How well does the senior team provide collective leadership and direction to the agency and how well does it implement change?<br>8. How effectively does the Board lead the Crown entity? (For Crown entities only)  |
|  | Values, Behaviour and Culture  | 9. How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?   |
|  | Review   | 10. How well does the agency encourage and use evaluative activity?  |
| Delivery for Customers and New Zealanders                                  | Customers  | 11. How well does the agency understand who its customers are and their short- and longer-term needs and impact?<br>12. How clear is the agency's value proposition (the 'what')?  |
|  | Operating Model  | 13. How well does the agency's operating model (the 'how') support delivery of Government Priorities and Core Business?<br>14. How well does the agency evaluate service delivery options?   |
|  | Collaboration and Partnerships   | 15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers?<br>16. How well do the agency and its strategic partners integrate services to deliver value to customers?                      |
|  | Experiences of the Public  | 17. How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences?<br>18. How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly? |
| Relationships  | Engagement with Ministers  | 19. How well does the agency provide advice and services to Ministers?   |
|  | Sector Contribution  | 20. How effectively does the agency contribute to improvements in public sector performance?   |
| People Development   | Leadership and Workforce Development   | 21. How well does the agency develop its workforce (including its leadership)?<br>22. How well does the agency anticipate and respond to future capacity and capability requirements?  |
|  | Management of People Performance   | 23. How well does the agency encourage high performance and continuous improvement amongst its workforce?<br>24. How well does the agency deal with poor or inadequate performance?  |
|  | Engagement with Staff  | 25. How well does the agency manage its employee relations?<br>26. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?  |
| Financial and Resource Management  | Asset Management   | 27. How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?  |
|  | Information Management   | 28. How well does the agency manage and use information as a strategic asset?  |
|  | Financial Management   | 29. How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?  |
|  | Risk Management  | 30. How well does the agency identify and manage agency and Crown risk?  |

## Appendix B

### List of Interviews

This review was informed by input provided by a number of Education NZ staff and Board members and by representatives from the following businesses, organisations and agencies.

| <b>Agency/Organisation</b>                       |
|--|
| Academic Colleges Group                          |
| AUT University                                   |
| Avondale College                                 |
| Christchurch Polytechnic Institute of Technology |
| Cognition Education                              |
| Department of Education and Training, Australia  |
| Education Perfect                                |
| Education Tauranga                               |
| English New Zealand                              |
| Glendowie Primary School                         |
| Global Education Systems                         |
| Independent Tertiary Education New Zealand       |
| Japanese Association of Overseas Studies         |
| Massey University                                |
| Ministry of Business, Innovation and Employment  |
| Ministry of Education                            |
| Ministry of Foreign Affairs and Trade            |
| New Zealand Qualifications Authority             |
| New Zealand Trade and Enterprise                 |
| Rangitoto College                                |
| Tertiary Education Commission                    |
| Tourism New Zealand                              |
| UniServices                                      |
| Unitec   |
| Universities New Zealand                         |
| University of Auckland                           |
| University of Otago                              |
| Waikato Institute of Technology                  |