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Kearins, Kate and Hooper, Keith and Luke, Belinda G. (2006) Caron Taurima and Carich: Entrepreneurial success?

This publication is a case study on CD-rom accompanying the book 'Organizational Behaviour in a Global Context' by AJ Mills, Helms Mills J., Bratton J., & Forshaw, C. (Ed.), Toronto: Broadview. ISBN: 9781551930572

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Caron Taurima and Carich: Entrepreneurial Success?

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Case manuscript & teaching note submitted to Dark Side Case Competition, May
2004

Caron Taurima and Carich: Entrepreneurial Success?

At EY we know the importance of recognising and realising potential. Once a year we welcome the opportunity to applaud an individual who through their enthusiasm, drive, and determination brings fresh ideas and entrepreneurial spirit to New Zealand businesses.¹

Caron Taurima was founder and CEO of Carich, a computer and English language school, based in New Zealand. Named Ernst and Young New Zealand Entrepreneur of the Year in October 2003, Caron Taurima became the much-maligned owner of a collapsed company just three weeks later. What happened? And what can be learnt from a situation like this? How do you define entrepreneurial success? And what process might you follow if you are ever involved in organising or judging these kinds of business awards?

Carich - The Business

It was from humble beginnings that Carich established itself as the largest private training establishment (PTE)² in New Zealand, with turnover in excess of NZ\$33 million in 2002. At the height of its success, Carich claimed to have 11,000 students on 11 campuses across New Zealand, and 450 staff. Back in 1988 that Caron Taurima, then aged 21, and her husband Richard, founded Carich, as an information technology training provider. The company started with a 12 week Maori Access³ course for less than ten students. Taurima initially established the business in an effort to address increasing difficulties faced by mature age people and sometimes marginalised groups such as Maori and Pacific Islanders trying to re-enter the workforce. Both Taurima and her husband were unemployed prior to establishing Carich: "We needed to survive more than anything at the time,"⁴ Taurima recalled. Having set up a computer training centre previously, Taurima had applied for a number of similar positions but was unsuccessful. Eventually, she decided to address the situation by establishing her own training centre.

With the deregulation of New Zealand's tertiary education industry in the 1990, signaling increased competition through the availability of government tertiary funding to the private sector, and the notable increase in foreign students coming to New Zealand for tertiary studies,⁵ the PTE sector represented a lucrative market with significant business opportunities. PTEs entering the market were typically small, owner-operated firms providing niche tertiary education services

By 1991 Carich had received accreditation from the New Zealand Qualifications Authority, and began offering nationally recognised courses and qualifications in computing. As an accredited training provider, Carich was also eligible for significant subsidies and government grants, based on student intake numbers.

Carich's horizons broadened and it began to serve new markets. In addition to its computer training, Carich also served an increasing number of students coming to New Zealand to learn English - these "foreign-fee paying" students provided a significant boost to New Zealand's economy. Another initiative Carich pursued involved the production of CD-ROMs for various government departments, and a

Maori educational CD commissioned for use in schools. It also provided training courses in prisons.

In 2001 Carich launched Computer Gym, computer based learning⁶ on a flexible time schedule. The programme involved provision of a free computer to students once they had successfully completed the course. Numbers enrolling exploded⁷ with a thousand people reportedly enrolling in a three week period. Reports of the 'free' computers being sold by students who had not attended class surfaced and these reports led to misgivings at the Ministry of Education. Responding to these reports, Taurima maintained that the computers were paid for from funds provided by foreign students rather than government money. However the offer was withdrawn for a second intake of students, but by then a special government audit had been instituted and problems with Carich's management systems and resourcing noted. The New Zealand Qualifications Authority was reported as continuing to monitor the quality of Carich's programmes.⁸

As the private training industry evolved and a number of providers went in and out of business⁹, the government had become increasingly concerned about maintaining control and quality standards, and introduced a limitation on student numbers within PTEs, referenced to 2001 student levels. This move was particularly damaging to Carich, effectively requiring the company to reduce student numbers from 3,600 to less than 600. To address this restriction, Taurima searched for other opportunities, and liaised with two other tertiary education providers, Te Wananga and Tai Poutini Polytechnic. As polytechnic institutions, these organisations were not subject to the limitations imposed on PTEs, and arrangements were made with each institution such that the students would officially be enrolled at the polytechnics, but attend Carich training courses. Similar arrangements were instigated with other tertiary education institutions, and Taurima began to focus on international operations, commencing a training course in South Africa, with further plans to expand into China and Australia.

In 2003, Carich faced a number of challenges. Instructions to cease enrolments which violated earlier government regulations, non-renewal of contracts by Te Wananga, and NZQA concerns regarding Carich's enrolment details and pass rates, gave rise to significant operational and financial challenges. This problem was compounded by a series of discrepancies relating to Carich's student enrolment numbers, resulting in a dispute with the Ministry of Education over funding entitlements involving several million dollars. In September, the first intimations of difficulty were announced, not by Taurima but by Carich's Communications Manager, who blamed changes in Government policy for a 42% drop in foreign students and a Government decision to cap student funding at 600 students translating into a possible loss of up to one hundred jobs at Carich after restructuring.¹⁰ The *Sunday Star Times* came up with new revelations that there were concerns about Carich's programme to train prison inmates. Certain inmates were registered with NZQA under different names or aliases. Resisting these disclosures Taurima sent a letter to all stakeholders stating, "We will not be shutting our doors and we do not believe we owe the TEC any money."¹¹

Based on newspaper reports and the EY website, Carich's turnover was reportedly NZ\$33 million at its peak, and in an interview in March 2003, Taurima had projected earnings to reach up to NZ\$80 million.¹² The company was declared insolvent and

KPMG appointed as receiver in late 2003, just weeks after Taurima had been named Entrepreneur of the Year. Taurima insisted Carich was solvent, maintaining the sums demanded as repayment by the government agency were not accurate. Taurima further contended that the parties had agreed to an independent audit, which would prove the company right. Moreover, she said that in Carich's view the "TEC owed it substantial money."¹³ Taurima attacked the government claiming the Government had breached the Treaty of Waitangi¹⁴ by planning the company's closure. The TEC responded by revealing to the media that Carich had overstated student numbers three times, was over-paid \$3.266 million in taxpayer money and may owe well more than \$1 million to education authorities. Ann Clark of the TEC said she had serious concerns about the business administration of an organisation that had soaked up tens of millions of taxpayer money since its inception in 1988, and that KPMG had estimated debts of \$5 million. Taurima replied that, "Ann Clark's recent comments ... appear to be malicious attempt to damage or close down a valuable, successful and innovative Maori education provider."¹⁵

Two weeks later Carich's doors were closed and typed messages read, "No classes today. We apologise for the inconvenience." Taurima was unable to pay her staff the \$430,000 owed them and KPMG was called in as receiver by agreement with the ANZ bank. Early estimates indicated Carich owed between \$4 million and \$5 million and was unlikely to be sold as a going concern. It seemed there would be no funds for creditors. Taurima alleged that the Tertiary Education Commission owed her \$1.3 million, and that it had been obstructive, influencing "a major provider to cancel a course delivery contract with Carich."¹⁶ Carich went into voluntary receivership on 29 October closing 11 sites, leaving 3700 students with incomplete courses and 233 staff out of work.¹⁷

In the wake of the closure, staff and student disillusionment with Carich and the way it had been run was apparent. The business had been unable to meet its fortnightly wages bill although for some time staff had been asked to do extra work, including tutors being "roped in to do the cleaning of the place because they hadn't paid the cleaners".¹⁸ Students were perhaps the most vocal. One student of computer modelling commented, "It's disgusting the way they ran the place. The head of department was a recent Carich graduate, promised industry wizards coming to take classes never appeared, and as staff left students went for several days without tutors. Students were left with the same hardware problems for weeks and some days couldn't even get on the Internet".¹⁹ Another student declared, "It was a waste of time and money. The only things I got out of it was a headache and a student loan".²⁰ In a press article in the wake of the closure, titled "Carich Diplomas worthless", two students were cited as saying of the company run by Caron Taurima, "The computers were too slow to run the programmes we used and they were always crashing. They promised a blue room for digital video and that wasn't there. There was no organisation whatsoever".²¹

Caron Taurima - The Entrepreneur

Taurima was earlier recognised as being driven by commitment and persistence,²² a notion Taurima herself reinforced, referring to a Japanese proverb: "fall seven times, get up eight". She believed in learning from mistakes and in the importance of business planning: "There is a saying that goes, if you have eight hours to chop a tree

down, spend six sharpening your saw. The same principle allied to business", she told an attendees at an education summit.²³

Of the Mormon background she shared with her now former husband and initial business partner, Taurima declared, "It has provided a grounding for both of us. I don't think of my faith as Sunday only, I take a holistic approach with good and honest decisions made every day."²⁴ She credits her father who backed her business with her overriding philosophy, "You can do anything; you just have to sort out a way to do it", and reflects on her entry into business as audacious: "I was cheeky enough to make it work. I used all the streetwise traits I had learnt over the years, and somehow it worked."²⁵ Taurima had literally learnt on the job. Her formal training in business management and in education was minimal.

Taurima's reported motivation for establishing Carich was to improve the skills of the unemployed, particularly young mothers trying to re-enter the workforce, and Maori and Pacific Islanders who typically represent a significant segment of New Zealand's unemployed. "A lot of my dad's friends were unemployed. There were so many people we knew that didn't have jobs, but could have, if they were trained", Taurima recalled. According to Taurima, the company found its niche in training indigenous people. "Because we are a Maori-owned company...we understand how indigenous people learn."²⁶ She espoused her own educational philosophy:

Many unemployed people have not been able to learn in the traditional school situation – it has not suited their way of learning. On a marae [traditional Maori meeting ground and tribal home] people may be semi-asleep on a mattress on the floor but they are learning subconsciously. Because people are not looking at the teacher doesn't mean they are not listening. We provide self-paced learning at a speed the students are capable and comfortable with. Like a marae we have colourful bean bags as well as desks in many classrooms. People relate to this. Beanbags are the modern interpretation of the marae.... We move desks, there is interaction and hands-on learning. We even work directly with students to find their best learning situation – for example facing the window or back to the window.²⁷

One media commentator argued Taurima's 'methods' could be transferred across countries and her programmes could be used to help Australian aborigines and South African blacks.²⁸

Carich, originally named as a combination of the two founders' first names, was later said to be founded on six fundamental principles: Co-operation, Accountability, Respect, Innovation, Communication, and Honesty. Taurima considered these principles to define both the Carich brand, and the manner in which everyone involved with Carich approached business. "Profit is not a bad word. It is what you can do with it, how you can make a change and make a difference"²⁹, she claimed.

In an newspaper article written by Taurima in November 2000,³⁰ her focus centred on the importance of education to increase employment within New Zealand, and strengthen the country's economy. The article continued to identify associated benefits of further education, such as better work ethics and higher paid employment;

resulting in improved housing and health, a higher standard of living, and overall community development.

That Taurima's espoused economic philosophy was in sync with that being espoused by New Zealand's government at the time, was not in doubt. And that she represented the kind of Cinderella success story³¹ favoured by politicians and the media at the time of her company's rise, was not in doubt either. Starting out in business as a young, Maori woman without resources and specialised training in business or education and continuing on at the helm of a burgeoning business, as a single working mother of four, Taurima captured considerable attention. "Caron Taurima, managing director, is refreshingly young, female and Maori - all three stumbling blocks that could be put in the path of business. She is a gifted business woman who has learnt the business from a very hands-on approach but with a vision of what could be achieved."³² Another commentator had earlier reported: "Eight years ago Taurima (then 21) was practically destitute, with a six-week old baby, no home and no business. Today, she is the director of Carich Computer Training with its turnover of \$1million plus, 70 computers and a suite of stylish offices in central Christchurch, which she runs alongside a family of four children".³³ For her efforts, Taurima gained increasing public recognition, receiving a number of earlier business awards culminating in the New Zealand Entrepreneur of the Year in October 2003 when she was recognised for her "enthusiasm, drive and determination ... a visionary with the practicality needed to put strategies into action."³⁴

Ahead of the award being announced, more than one person had attempted to contact the judges to warn them all was not well with Carich, and Taurima herself emphasised that she had made the judges aware of the difficulties Carich was facing prior to the award being finalised. Reportedly, after the award was announced, Taurima offered to return the award. While she was allowed to keep the award, EY New Zealand advised she would no longer be eligible to compete in the firm's World Entrepreneur of the Year awards. Even as Carich's insolvency was announced which Taurima disputed, she was actively liaising with potential investors, seeking additional funds, and looking at additional opportunities in international markets, and wanting to fight on....

¹ Ernst and Young New Zealand www.ey.com, 2004f.

² A Private Training Establishment as defined in the Education Act 1989 is "an establishment other than an institution that provides post-school education or vocational training." Institutions (or tertiary education institutions) in New Zealand include those state owned and funded universities and polytechnics that compete against PTEs.

³ A previous government funding scheme designed to improve access to employment particularly for marginalized groups. Maori and Pacific Islanders tended to over-represented in New Zealand's unemployment statistics.

⁴ New Zealand Herald, 2003a.

⁵ The foreign student market was valued at NZ\$1.7 billion by 2003 (New Zealand Herald, 2003d).

⁶ New Zealand Herald, 2003b

⁷ Marketing Magazine, (2002, July). Better than a free lunch, p. 2.

⁸ Pullar-Strecker, T. (2003, February 17). Carich giveaway boosts PC sales, *Dominion Post*, p. 11.

⁹ There were more than 840 PTEs registered with NZQA as at July 2001, some 53% of which received some form of government funding to provide tertiary education or whose students qualified for loans and allowances. Associate Minister of Education (Tertiary Education), (2001, 24 July). Media release: Funding moratorium for new private training providers announced.

¹⁰ King, D. (2003, September 4) Downturn in foreign students hits language centre. *The Press*.

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- ¹¹ Milne, J. (2003, October 19). Entrepreneur of the year may shut doors owing millions of public money. *Sunday Star Times*, p. 3.
- ¹² New Zealand Herald, 2003c
- ¹³ Milne, J. (2003, October 12). Entrepreneur's prison training sparks worry. *Sunday Star Times*, p. 7.
- ¹⁴ The Treaty of Waitangi signed in 1840 guaranteed certain customary rights to Maori, which the New Zealand courts have extended to cover equal Maori opportunities in a range of government sponsored activities.
- ¹⁵ Smith, N. (2003, October 31). Carich student numbers false. *National Business Review*.
- ¹⁶ Chapple, I. (2003, October 30). End of an education dream. *New Zealand Herald*.
- ¹⁷ One outcome of Carich's Collapse was the introduction of a controversial "export education levy" announced by the government on PTEs to protect international students in failed ventures. The existing tax of \$183 per person was to be supplemented by a levy of 0.45% of fees.
- ¹⁸ Torbit, M. & Chapple, I. (2003, October 30). Shock as education company collapses. *The Dominion Post*, p. 5.
- ¹⁹ Perrot, A., Dearnaley, M., & Watkin, T. (2003, November 8). Where it all went wrong for Carich. *New Zealand Herald*.
- ²⁰ Ibid.
- ²¹ Robson, S. (2003, October 31). Carich diplomas worthless. *The Press*.
- ²² www.ey.com, 2004g
- ²³ Newman, K. (2001, September 24). Business woman wants Maori to seize chances. *Marlborough Express*.
- ²⁴ McManus, G. (1999, October 18). Tapping the right keys. *NZ Business*, p. 18.
- ²⁵ New Zealand Herald, 2003c.
- ²⁶ Ibid.
- ²⁷ McManus, loc cit.
- ²⁸ Chapple, I. (2003, March 5). Goodbye mortgage, hello international success. *New Zealand Herald*.
- ²⁹ New Zealand Herald, 2003c.
- ³⁰ New Zealand Herald, 2000.
- ³¹ National Business Review (2003, October 10).
- ³² McManus, loc cit.
- ³³ DuChateau, C. (1996, September). Pacesetters for the future. *Management Magazine*, p. 30.
- ³⁴ www.ey.com/global 2004g