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CASE  
STUDY

## KUDOS SERVICES – A MUTUAL SOLUTION TO A COMPLEX PROBLEM



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## INTRODUCTION

Founded in 2018, Kudos Services (Kudos) is the trading name of the Child and Youth Services Mutual Ltd., an Australian Public Company Limited by Guarantee. Located in Adelaide, South Australia, Kudos is a mutual enterprise, and a Public Benevolent Institution and charity registered with the Australian Charities and Not-for-profits Commission (ACNC).



Kudos is a provider of specialist allied health, support, and coordination services for both children and adults. Its client base comprises a diverse range of individuals including people with disabilities, Aboriginal and Torres Strait Islander people, migrants, refugees or asylum seekers, and people with a wide range of cultural and linguistic backgrounds. These services are delivered within the Adelaide metropolitan area and across the rural, regional, and remote communities of South Australia.

In 2020 Kudos employed 58 full-time and 62 part-time employees and had an annual turnover of just over \$11.32 million (Kudos, 2020a). The mutual is a registered provider of specialist services to people with disabilities under the National Disability Insurance Scheme (NDIS). This includes therapy services (e.g., speech therapy, occupational therapy), psychology, positive behaviour support, specialist support coordination and coordination of supports. Kudos is an employee-controlled mutual with its origins in the South Australian public service.

## BACKGROUND – THE CREATION OF THE NDIS

The creation of Kudos was a direct result of the implementation of the NDIS, as such it is worth examining the history of the scheme, which continues to play an important role in the mutual's future. The emergence of the NDIS, evolved over many years through public debate relating to the most effective way to address the delivery of support services to people with disabilities.

In 2007 the Senate Standing Committee on Community Affairs issued a report into the funding and operation of the disability services agreement between the Commonwealth Government and the various State and Territory Governments (Humphries, 2007). This report recommended that a national commitment be made to the provision of funding to address the need for specialist disability services, with particular focus on accommodation and support.

The report also recommended a “whole of government, whole of life approach to services for people with disabilities” be adopted. This included a partnership between the federal, state and territory governments, with a clear allocation of funding and administrative responsibilities, clear articulation paths for people with disabilities to access these services, and a commitment to regular independent monitoring of how such services were being delivered. A total of 29 recommendations were made (Humphries, 2007).

Prior to 2009 the funding of specialist disability services had been managed through the Commonwealth State/Territory Disability Agreement (CSTDA). However, the agreement had been subject to significant criticism from a wide-range of sources such as people with disabilities,

advocacy groups, the State and Territory Governments, and the Australian National Audit Office (ANAO) (Buckmaster & Clark, 2018).

These criticisms focused on a lack of certainty over federal funding of the system, and a lack of transparency and consistency in how the agreement was being applied across the country. For example, there were significant differences in how services were provided and funded across the various state and territory jurisdictions.

There was also no portability of funding for people with disabilities, which imposed significant issues for those moving from between the States and Territories. Further, as many of the people with disability were also aging, there was no linkage between the disability services and aged care portfolios within the government agencies (Buckmaster & Clark, 2018).

### ADOPTING AN INSURANCE MODEL

A major outcome of the Senate Standing Committee on Community Affairs report was the recommendation for the development of a National Disability Strategy, which would facilitate a coordinated national approach to the delivery of services to people with disability (Humphries, 2007). The election, in 2007, of the Labor Party government of Prime Minister Kevin Rudd led to an acceleration of momentum for change to the CSTDA.

In 2008 the Prime Minister organised the *Australia Summit 2020*, designed to assemble a cross-section of the Australian community to address major issues requiring long-term policy reform. Disability advocates Bruce Bonyhady and Helena Sykes made a submission proposing the introduction of a national insurance scheme that would be modelled on the existing systems that applied to people injured in workplace or motor vehicle accidents (Bonyhady & Sykes, 2008). As they noted in their submission,

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*First, with an insurance model the families of people with disabilities can have confidence that the needs of their family member will be met, reducing stress and risks of family breakdown. Second, a life-time approach to care ensures that early intervention and equipment is available immediately following diagnosis or injury, leading to better and lower cost long-term outcomes. Third, active case management facilitates as normal a life as possible and minimises the risks of over-dependence on publicly funded support. Fourth, a NDIS would provide funding for research, development of best practice models and public education to reduce the incidence of risky behaviours leading to disability (Bonyhady & Sykes, 2008 p. 3).*

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Their proposal was supported by the summit and led to a recommendation that an NDIS, like the superannuation scheme, be established. However, it was not recommended by the Rudd Labor government when it announced its response to the summit in 2009. Despite this, the momentum for an NDIS continued.

Labor had taken a policy commitment for a National Disability Strategy to the 2007 election, and this process was commenced in 2008 with the formation of a Disability Investment Group (DIG),

tasked with the development of a policy framework. This resulted in a final report to the government in September 2009, with the recommendation that a feasibility study for an NDIS be immediately implemented (Buckmaster & Clark, 2018).

The Productivity Commission was therefore tasked in December 2009 with the investigation into the feasibility of an NDIS. Their report, which was delivered on 31 July 2011, described the existing system of disability support as “underfunded, unfair, fragmented, and inefficient” (Productivity Commission, 2011). It recommended the system be replaced by an NDIS.

## IMPLEMENTING THE NDIS

At the centre of this NDIS was the creation of a single National Disability Insurance Agency (NDIA) that would be responsible for the administration of the NDIS funding and its allocation to relevant service providers. These were to be non-government organisations engaged in the provision of disability services, including individuals and businesses located across the various states and territories (Buckmaster & Clark, 2018).

Following further negotiations between the Commonwealth, States and Territories, the *National Disability Insurance Scheme Act 2013* (NDIS Act), was passed on 21 March 2013. Following the recommendations of the Productivity Commission, the NDIS was implemented in stages, with the first stage commencing on 1 July 2013. The full roll out of the NDIS program commenced in all states but Western Australia from July 2016, with that state joining the system from 1 July 2018.

Since the launch of the NDIS system, debate has primarily centred around funding. The original vision for the scheme was that it would be self-funding. However, political party bickering has seen the Labor Party argue it had allocated sufficient funding during its time in government, while the Liberal, National Party (LNP) Coalition, which came to power in 2013, claimed that the funds allocated were insufficient. The funding gap of around \$3.8 billion by 2020 was forecast by the LNP Coalition government, and they announced an increase in the Medicare levy in their 2017-2018 budget to cover the shortfall (Australian Government, 2017).

Reviews undertaken into the NDIS produced mixed findings. For example, an independent study by the University of Sydney found that people with psychosocial disability had low participation rates within the NDIS, and that people with severe mental health issues had to seek services outside the system (Smith-Merry, et al., 2018). The report also identified gaps in how the NDIA was administering the system, and assisting people found ineligible for NDIS support. In response the NDIA rejected the report’s findings, although the federal government, in the 2017-2018 budget, allocated additional funding for people needing psychosocial support and who were previously ineligible for NDIS services (Buckmaster & Clark, 2018).

A further report into the NDIS undertaken by the National Institute of Labour Studies found the system to be “well designed and built on sound fundamentals”, and that it was essentially delivering the outcomes it had been designed to achieve (Mavromaras, et al., 2018). Satisfaction levels amongst NDIS clients were generally found to be high.

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## THE CREATION OF KUDOS SERVICES

The origins of Kudos date back to 1976 with the foundation of a dedicated child therapy and support services team within the South Australian government. As explained by Gabrielle Hummel, Manager, Strategy and Member Experience, Kudos, these services were initially administered through a government statutory authority, with multidisciplinary service teams for therapeutic early childhood services (e.g., 0-6 years), school age and youth, working in coordination with other therapy services and specialist units.

Reforms to the management of disability services within the State undertaken in the early 2010s led to the creation of the Child and Youth Services (CYS), which operated as a business unit within a new Disability SA Division that was part of the Department of Human Services (DHS). The role of the CYS was to provide specialist paediatric services to children and youth with disability or developmental delay. The workforce included specialist, highly skilled and experienced allied health practitioners (e.g., Psychologists, Physiotherapists, Speech Pathologists, Occupational Therapists, Developmental Educators, and Social Workers), working in multi-disciplinary teams and supported by administrative and corporate staff.

### RESPONDING TO THE NDIS

The introduction of the NDIS in 2013 led the South Australian government to examine ways to move its CYS activities out from the public service and into the market. This transfer of government agency services within the disability area was not just restricted to children's services and encompassed a wide range of adult disability services as well. According to Hummel, the thinking within the State Government was that the NDIS was a market-based solution, with a focus on competition. Therefore, it was not appropriate for the State Government to continue to operate in the service delivery area.

As explained by Kudos Chair Penny Gale, the implementation of the NDIS made the ongoing operation of the State Government's Early Childhood Early Intervention (ECEI) services as a part of a government agency impossible. However, she noted that the idea of creating a mutual entity was not the State Government's first option,

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*The need for Kudos was really identified within government. When the NDIS came to town the services that the state government were providing in the early childhood space were deemed to be no longer viable to be delivered from within government. So, they looked around for some outside group they could transfer these services to, but they could not find anyone suitable. Then, Lois Boswell, who is now the Director of the SA Department of Human services, suggested that the government spin-out the ECEI services into an employee owned mutual.*

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This view was supported by Hummel who described the legislative context in which the decision to create Kudos took place. The passage of the *National Disability Insurance Scheme Act 2013* and the establishment of the NDIA saw the commencement, from 1 July 2013, of a series of national



trials of the NDIS system across Australia. South Australia was chosen to be a trial site for the NDIS services targeted at children, and the CYS Therapy services were selected to participate.

The CYS was funded by the NDIA to conduct the primary work of testing the NDIS children's services delivery during trials undertaken in 2013-2015. This collaboration helped to build up expertise and trust within and between the NDIA and the CYS, which was to later play a key role in the creation of Kudos.

In 2016, the NDIA created an ECEI Partner role within the NDIS. This is targeted at providing support to children aged 0 to 6 years, and it is designed to assist children with disabilities or developmental delays, to develop the necessary skills and abilities to undertake daily activities. During the establishment of the ECEI Partner role, the NDIA invited submissions from within South Australia for service provision but was unable to identify any suitable partners.

Faced with this challenge, the NDIA approached the South Australian DHS to assist it to find suitable ECEI Partners. The CYS was then engaged in collaborating with the NDIA as the ECEI Clinical Partner for the NDIA in the state. According to Hummel, the CYS specialists provided the NDIA with their expertise in assessing the children, determining the level of care required, and then engaging service providers to deliver the services, and then monitored the performance and outcomes.

## THE ORIGINS OF THE CYS MUTUAL

The decision to create a mutual enterprise was something that evolved from the South Australian Government's desire to ensure that the skilled workforce that had been created within the CYS was not lost through a dispersion of personnel elsewhere within the public service. In 2017, with the roll out of the NDIS now underway, the State Government decided to move its service delivery out into the market. However, the decision as to how to implement this transfer remained dependent on finding a way to protect the existing CYS team and maintain effective services to the South Australian community.

As noted above, in considering the future business model for the new entity the SA Government, unable to find any relevant local enterprises able to take over the CYS, looked at the experience the United Kingdom (UK) had had with spinning-off public service activities to mutual organisations. This model of an employee-owned mutual seemed to satisfy the State Government's desire for a non-government entity that would retain the skilled workforce from the CYS and deliver the ECEI services within the state. It was an idea that gained support not only from the SA Government, but also from the Federal Government and the NDIA.

However, the success of this model was dependent upon the willingness of the existing CYS workforce to embrace the idea. For these specialists, the decision was not without risk. They were being asked to surrender their relatively secure employment within the State Public Service, to work within a new and largely untried business model.

On the positive side, the proposed mutual would allow them to continue working within their chosen field, delivering the same services they had developed over past years. Yet the downside was that the new entity was only guaranteed of funding for five-years, and there were few



alternative employers within the State for people with their specific skills. However, if they remained in the SA Public Service, it would be unlikely that they would be able to continue to work in the ECEI services field and would be redeployed to alternative duties.

According to Penny Gale, the majority of UK mutuals that had spun-off from government, were from local councils. She and others were taken on a study tour of these organisations organised by the Business Council of Co-operatives and Mutuals (BCCM). In most cases, the former public servants who were transferred out into the mutuals were given little option. According to Gale,

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*If you look at the UK, most of the mutuals spun-out from local government authorities. The employees were given no choice. They were told, if you don't want to form this mutual, the private firms are going to come in and deliver these services. Yet in the UK as here in South Australia, the people who deliver these services really want to make a better world, it is a calling not a job, so they were kind of forced into it.*

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### MEMBERS' PERCEPTIONS OF THE CREATION OF KUDOS

Discussions with Kudos members suggest that while they were consulted, the decision for the creation of the mutual had already been made. Redundancies were not offered, they could either join the mutual, or remain in the public service and hope to be redeployed. Further, at the time, the opportunities for work within disability services within the State Government were limited, as all these services were being simultaneously moved out of the public sector. Although the idea of a mutual was of interest, there was little real choice if they wished to continue to pursue their chosen professions. As the following member comments reflect,

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*For me the choice came down to sticking with the consistency and security of your role, versus being able to continue to do the same thing you had been doing, and the only way to do that was to become a member of the mutual.*

*Yes, there wasn't much choice.*

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Although the general level of interest in a mutual structure was good, most members had little or no understanding of what a mutual business model was prior to this time. As noted by one member,

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*My knowledge of mutuals was almost zero, but by the time I came to make the choice, our theoretical knowledge was strong, but our practical knowledge was non-existent. So, we still jumped into this with no practical knowledge, but really good support and theoretical understanding as provided by the BCCM.*

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The members of the CYS were provided with education and information workshops about mutual enterprise and the theory and concepts of mutuality. These were delivered by people who had

been recommended by the BCCM and included representatives from mutuals and co-operatives located in other states. While these workshops were viewed positively, they did not focus on other business models. As noted by one member,

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*However, within that education and information program no other model was ever presented. So, that's what you consider a top-down approach. It was just it's this, or it's nothing. But the education they gave us was really broad and useful.*

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According to the members interviewed, the main information provided was about the creation of public sector mutuals in the UK, and how that had enabled employees from the public service to continue to deliver their services for the benefit of the community, but via a different means. Yet, as mentioned above, the information was only focused on mutual business entities, not even co-operatives. Issues of how the members might be involved in the running and governance of the mutual were also not dealt with other than in a general way, as the board structure and governance seemed to have been decided in advance. As one member explained,

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*We were not given any alternatives to the mutual, nor provided with information on the board and governance structures of other such as co-operatives. I wonder if part of that the issue of was feeling that the members did not have the right skills to run a board.*

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A view held by the members was that while there was little engagement with them over how the mutual would be governed and managed, they also recognised that they were not experienced in running a business, as explained by one member,

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*Yes, we all said we're therapists, we're not businesspeople., and we don't know how to run a business.*

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Despite this, the general view of the members interviewed, was that they were starting out on a journey, they had a lot to learn and were starting from a very rudimentary knowledge of what a mutual enterprise was. The education and information provided to them was very helpful in their ability to assess what they were being asked to sign up to, and that while member ownership and control was a fundamental feature of mutual enterprises, it would take time before the members were able to run Kudos. As one member expressed things,

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*This is probably important, the way the story was told was to convince and encourage people of the idea of forming a mutual too. Because one of the heaviest slants on it was the idea of member control, member voice in decision making. Then as we rolled out and had to practice what we preached, it influenced what we do, learning to go from crawling to walking to running. You don't hit the nirvana in six months.*

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## KUDOS LAUNCHED

The financial and legal impetus for the establishment of the CYS Mutual (Kudos Services) stems from an agreement between the South Australian Government and the NDIA to establish a new entity to deliver the ECEI Partner services in South Australia. The five-year grant agreement was initially made with DHS to deliver the service while the concept of the public sector mutual was developed with the CYS team, with agreement that once the mutual was established it would take over the delivery of the service (with the contract novated accordingly) from October 2018.

In announcing the establishment of Kudos in 2018, the South Australian Minister for Human Services, Michelle Lensink, stated that the pre-existing contract between the NDIA and the CYS as an ECEI Clinical Partner, had ensured that there would be a smooth transition for the foundation of the mutual entity. As she explained,

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*There were a number of options considered to deliver the best outcomes for our staff and for people with disability. However, an employee-led mutual provided an exciting opportunity to our highly qualified, professional workforce including many allied health professionals in disciplines including physiotherapy, speech pathology, social work, developmental education, psychology, and occupational therapy, who have been working in partnership with the NDIA since 2013, when the NDIS was introduced in South Australia.*

*Staff decided to join together to create Australia's first public sector employee-led mutual. They can continue working with their existing clients as well as be involved as voting members in making decisions about how the organisation is run. The mutual will also support the growth and development of disability services for children and young people in South Australia (TNS, 2018).*

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In her speech, Minister Lensink pointed out that over 70 percent of the former CYS staff chose to join the mutual and noted that 106 of the 112 members were women. The contract to provide ECEI services to South Australia under the NDIS over the five-year life of the agreement was worth around \$47 million (TNS, 2018).

This funding agreement provided Kudos with a financial foundation upon which the new entity could develop its self-sufficiency and sustainability. According to Gale, the challenge facing Kudos in 2021 was to expand its range of business services to ensure that the mutual was not totally dependent on the ECEI contract. To this end, Kudos was planning to offer new fee-for-service activities, which the Board is keen to grow. As she explained,

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*These services are areas that we really want to go. We have just settled a three-year plan, and at the end of that three-year plan we want to move from an enterprise that is about 75% funded by government, and 25% fee for service, to a balance of 50/50.*

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## THE NEED FOR FINANCIAL SELF-RELIANCE

Despite its fast start-up, by 2021 Kudos was facing a market environment in which the NDIS services sector was in a state of rapid change. In 2020 the NDIS sector comprised around 20,138 businesses, the majority of which were very small, and employed an estimated 126,000 people. The overall sector was estimated to be worth more than \$25.7 billion (Harrison, 2020).

The roll out of the NDIS over the period 2016-2020 had seen the sector grow at an astonishing average annual rate of about 83%, with employment following at an annual average rate of 57% during the same period. However, average profitability across the sector was a modest 8% and the overall trend throughout the 5-years to 2020 had been downwards. Further, the forecasted growth over the period 2021-2026 was a much more subdued 4.7%, with profitability showing little sign of improving (Harrison, 2020).

From an industry perspective, the outlook facing Kudos in 2021, was an NDIS service provider sector characterised by many small, niche specialists with limited resources, and very thin profit margins. For any business trying to remain competitive in the sector, at least four key success factors are essential. First, the entity must maintain effective control over its costs, specifically wages and salaries. This requires the entity to possess modern, well-managed financial and operational control systems, including Human Resource Management (HRM) processes.

A second key success factor is the entity's ability to possess a highly skilled workforce, and to ensure that its personnel have the required training, education, and experience. In turn, a third success factor is the ability of the entity to have access to the latest and most efficient technology and techniques. This comprises the systems needed to track and schedule how human resources are allocated within the service delivery process, while coordinating client engagement and the necessary reporting to the NDIS. Finally, success is likely to depend on the entity's overall reputation within their market.

Fortunately for Kudos, the funding agreement that provided the initial capital to facilitate its launch, and the transfer of the majority of the original CYS team, provided the mutual with a strong platform for future growth. Within the ECEI segment, Kudos had a dominant market position, and the experience it gained during the initial NDIS trial period ensured that its expertise within the local South Australian market was largely unchallenged. Nevertheless, the Kudos board recognised the need for the mutual to not remain complacent. For this reason, Darrin Johnson, Kudos CEO, was appointed due to his commercial experience. As he explained, the financial challenge the mutual faced in 2018-2020 was significant,

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*In many ways my appointment was the board recognising that challenge, and I come from more of a commercial background than a disability services one. Yes, we've had the blessing of a block funding for longer than other providers, and we've got the security of the contract and being an ECEI Partner, and we have benefited from that. However, on the other hand we have this more traditional NDIS fee for service business. About 12 months ago we were like many other NDIS service providers. We were losing money on the therapy side, which wasn't really viable for us.*

According to Penny Gale, the business planning undertaken within the State Government that preceded the launch of Kudos was focused more on the preservation of the CYS team and overestimated the potential business that the mutual could expect within its market. This view was supported by Johnson, who suggested that the data on potential clients that had been generated from the SA Government agency was unreliable. As he explained,

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*I think what we found was that there had been a fair bit of double counting within the data. So, clients that were receiving maybe occupational therapy, and physiotherapy, and psychology support etc., may have been counted more than once. So, the actual numbers of clients that ended up in our books was substantially less than we thought. As a result, we started off from a much lower base than the original planning had forecast.*

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Due to this somewhat rocky start, the Board and Executive management of Kudos spent much of 2018-2020 getting their business model right. This comprised an examination of the therapy team's productivity, as well as providing them with suitable IT support to make their work easier from an administrative perspective. In addition, the mutual invested time into ensuring that its financial systems were configured to get client billing correct. This was an important area of focus due to the complexities of what can and cannot be billed for within the NDIS system. The payback from this work on the operational and financial management systems resulted in Kudos turning a profit from January 2021.

### MEMBERS' PERCEPTIONS OF THE FORMATIVE YEARS OF KUDOS

Within the membership these early years were seen as a test of the mutual enterprise business model, and the need for Kudos to build upon the foundations provided through the initial NDIS ECEI Clinical Partner contract and widen the range of services to enable the business to become self-sustaining. However, concerns were expressed that primary loyalty of many members is to their professional work rather than to Kudos. As one member expressed it,

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*The people in the 75% NDIS ECEI Partner contracted part of the business are more connected to the work they do now, than they are to Kudos. So, if Kudos was to lose the NDIS grant, I don't know if they would choose to stay here or chose to follow the work. So, that is where we need to focus on what that "Member Value" is within our organisation so that they are connected to Kudos and not just their specific work. So, what Kudos needs to offer them is not just a job doing a specific service.*

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This observation highlights a strategic challenge facing Kudos. As a somewhat top-down driven process, the formation of Kudos, was focused upon finding a solution for the South Australian Government's desire to spin-off its disability services area and retain the employment of its CYS team. In this regard, the members of Kudos, while consulted and educated in relation to the concept of a mutual enterprise, are still connected to their professional vocations rather than the purpose of Kudos. Once they cease to be employed by Kudos, they cease to be members.

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## TRANSITION FROM PUBLIC SERVICE TO MUTUAL ENTERPRISE

Both the Chair and the CEO agreed that the initial years since the launch of Kudos had been a process of learning. The impact of the COVID-19 pandemic during 2020-2021 had not made their ability to deliver services and maintain cash flow any easier. However, they had learnt the importance of being able to access timely and reliable data, and their members also had to adapt their mindsets from being public servants to the owners of a mutual enterprise. As Penny Gale explained,

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*We've taken a whole lot of people who were public servants into a whole new world of accountability in understanding every day how they're going against their targets. And to his credit, Darrin has assisted these people to not be frightened about meeting these targets and being accountable. Then also getting them to understand what a mutual is all about, and the accountability of members. This has really helped the cultural change that we have seen in the last 12 months.*

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From Darrin Johnson's perspective, this transition from public service to mutual enterprise had happened much faster than he had anticipated. He noted that many of the other CEOs he knew, who were heading up entities that had moved from public to private enterprise had found such a transition had taken much longer. However, the mutual concept, once it was fully explained to members, quickly gained traction and buy-in. As he noted,

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*What I found is that the Mutual model gains such traction around buy-in. Once there is a good understanding amongst the members and what needs to be done, the buy-in was phenomenal. So, we literally went from a 3.2-hour average billable rate per day, to basically 5 hours billable rate per day, which is where we needed to be for financial viability, in three-months.*

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This transition was also assisted by the recruitment into Kudos of non-public service specialists, who had worked in the private sector and who therefore understood the need to maintain their accountability and meet the billable hourly performance benchmarks. However, according to Gale, the overall organisational culture within Kudos meant that these non-public servants, integrated well and a unified team emerged.

### HOW MEMBERS EXPERIENCED THE TRANSITION FROM GOVERNMENT TO MUTUAL

From the members' perspective, the foundation years had been an exciting, but challenging time learning how to operate within the new mutual. As was noted by the members, the rather top-down way in which Kudos was developed meant that the initial Constitution, governance, and administration structures were undertaken by the State Government rather than the members. This meant that the first 18 months of the mutual's existence saw the members trying to learn how to understand and develop the practical aspects of the mutual enterprise business model. As one member expressed things,



*So, I think we spent a good year and a half really establishing our business so that we were running efficiently, making sure that we were making money, and meeting our requirements (under the contract). Before we could really step into the space of what does it really mean to be mutual? Kudos wasn't ignoring these issues but was trying to do everything at once. We were also pushed out in a way that may have set ourselves up differently if we'd been the creators of it.*

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This view was supported by others, who pointed to the members' overall focus within the initial 18 months to be on getting the new business working. However, as time passed they began to ask questions about what it meant to be members of a mutual rather than public sector employees. Of particular importance was what were they getting from Kudos, compared to what they had been promised in the months leading up to their having made the decision to quit their employment with the public service. A challenge, from day one, for the team leaders in the organisation was managing these expectations.

Over time, the focus of the members shifted from daily operations to more strategic issues such as member involvement, and member voice in how the mutual was being managed. This led to discussions over how to better engage members and get them to invest their time into the way that Kudos runs, and explore the benefits that mutuality brings to the business. It was admitted that perhaps too much attention had been given to the daily operations and not enough at engaging the members. As one team leader explained,

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*This is only just now becoming recognised. Because in the first 18 months we were focused on getting the business going. So, we probably consulted less with our members. However, what is done is done, and we got the business up and running. Now there is a focus on that we have to have a more engaged membership.*

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There was a consensus among the members interviewed that what mutuality meant from a practical perspective was that every member was accountable to each other and that the board and senior management were accountable to the members. This was expressed as follows,

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*As a member I'm accountable to my fellow members, I'm accountable to the senior management, I'm accountable to the Board. And then, the Board is also accountable to us, the senior management is accountable to us as members, and in effect we're all accountable. There is that two-way thing that is becoming more self-evident.*

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These comments illustrate the challenge that Kudos faces in its transition from a public service entity into a mutual enterprise. Although the idea of mutuality is inherently appealing, the reality of its application within a business entity, particularly one where the members are the employees is a more complex matter. Of importance is how well the members understand and embrace the





purpose of Kudos as a mutual entity, and how well Kudos can create a compelling proposition of the value that membership brings to them beyond simply having a job.

## PURPOSE AND MEMBER VALUE PROPOSITION

An important strategic issue for co-operative and mutual enterprises (CMEs) is the identification of a clear purpose, and member value proposition (MVP) that can engage and unite members, while providing the organisation with a strategic focus in its decision making (Mazzarol et al., 2018). For the Kudos Board and Executive Management, the need to secure a clear purpose and MVP is well understood and has been a point of strategic focus since 2018.

In October 2021, Kudos issued a new constitution that updated the initial one that had been developed during the period leading up to the formal launch of the mutual. This document outlines the organisation's vision, purpose, and objects (objectives), as well as its principles. It also makes a clear statement of the benefits of membership, and what active membership means (Kudos, 2021). The vision and purpose statements of Kudos as outlined in the new constitution are:

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**Vision:** *We believe that every child, young person, and adult, along with their families and caregivers, has the right to belong to a supportive community. We work in partnership with people living with disability to affect positive outcomes, so they are empowered to contribute, participate, and belong to the wider society.*

**Purpose:** *As a community of skilled and experienced therapists, early childhood practitioners, support staff and other professionals, our purpose is to work in creative and innovative ways to provide inclusive and accessible services and supports to people living with disability, enabling them to lead fulfilling lives.*

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The 2021 Constitution also outlines ten principles that Kudos views as important to the maintenance of their mutuality (Kudos, 2021). These have been developed with reference to the International Co-operative Alliance (ICA) seven principles, and CME governance principles.

### THE BENEFITS OF MEMBERSHIP

Although the Kudos Constitution does not contain a specific statement of its MVP, it does provide a statement of the benefits of membership, and what active membership within the mutual is characterised as. The benefits of membership are stated as follows,

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*The main benefits of membership are:*

*1. Being part of an inclusive organisation that aims to build on and sustain a positive, can-do workplace culture designed to benefit Members and make Kudos a great place to work.*



- 
2. *Having the opportunity to develop skills through active participation in the governance of Kudos and the shaping of our strategic direction and priorities; and*
  3. *Enjoying the chance to experience a high level of engagement and meaning in our everyday work roles, knowing that as Members we have a say in how the organisation goes about achieving its objects.*
- 

According to Kudos Chair Penny Gale, the enshrining of these elements within the Constitution is to provide the membership with a clear understanding that they have a say in the operation of the organisation, that they are part of the “Kudos Way”, which allows members the right to make important decisions at general meetings where each member has equal voting power, and a say in how things are run. She acknowledges that some members are happy to just come to work, do their job, but for many, particularly those who came out of government, have not previously had the type of power that Kudos offers to its member-employees. By comparison, “*Kudos offers a much more empowering environment.*”

### MEMBER VIEWS OF THE PURPOSE OF KUDOS

Discussions with the members suggests that the recent constitutional revisions have been beneficial in clarifying the sense of purpose within Kudos. However, while some members feel that the organisation’s purpose is very clear, others are less likely to fully understand this concept. As noted by one member,

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*I think there is an element in the broader membership where people still really struggle, more in that ownership category. Most people are happy to just come to work, do their job, they’re clear about why we do it, but they’re happy to leave. So, we’ve had to focus on what “active ownership” and “active membership” and “member engagement” looks like. And I don’t know if that is just our newer staff who have come on after, I think there is even some of our older staff who came out of government with us.*

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This view was echoed by another member as follows,

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*Yeah, my gut would be that we share an ideology, one of being kind centred, and possessed of a shared heart, but the purpose is probably less consistent and less clear. The core purpose of why we are a mutual, and what the organisation exists for is alien. People are really driven in the individual work they do, but that collective understanding is probably less clear than we think it is.*

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In response to this, the changes to the Constitution are viewed as playing an important role in helping educate and inform the members, while also demonstrating that the organisation’s vision, purpose, objectives, and principles have a significant and enforceable role to play within the mutual’s operation. Nevertheless, there needed to be a focused effort at education of the members about what a mutual enterprise is. As one member explained,

*I'm a member of the member's council, and my whole point for the next year is about educating our members more about mutuality, and more about what it means to be an active member. More about what it means in terms of clarity of purpose.*

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## DEVELOPING THE MVP AND ACTIVE MEMBERSHIP

While the communication of the organisation's purpose, objectives and principles is important, the ability of a CME to clearly identify its MVP and relate that to active membership is crucial. The primary focus of any CME is to create value for its members, and therefore the organisation's Purpose and its MVP need to be in alignment (Mazzarol et al., 2018). If these elements are aligned, and effectively communicated to the members who understand and accept them, it should be easier to secure active membership.

Active membership is where the members' roles as patrons and owners of the CME translate into their willingness to become actively involved in the governance of the organisation. This takes the form of participation in general meetings, committees, and directorship roles (Verhees et al., 2015). In 2021 these issues remained an ongoing point of discussion within Kudos.

Within the mutual's Board and Executive management team these issues were being viewed as part of the evolution of Kudos from a public sector mindset and culture to that of an independent mutual entity. As noted by CEO Johnson, the active membership of members from a patronage perspective is not an issue as all members are employees within the mutual. This requires them to make a minimum commitment of time to working for Kudos so that they can meet the needs of clients.

The formal declaration of the organisation's purpose, principles, benefits of membership, and active membership are viewed as the foundations of developing the MPV and active membership engagement from members within Kudos. A set of key performance indicators (KPIs) has been developed to measure client satisfaction, and employee satisfaction surveys and member engagement surveys have been implemented.

The set of KPIs used by Kudos has drawn upon the Mutual Value Measurement (MVM) framework developed by Monash University and the BCCM. With at least some of the common measures used along with metrics developed by Kudos. Over time, it is the aim of the mutual's executive team to create systems that can monitor both its overall performance as a service delivery organisation, and as a mutual entity. Of importance is how data is collected and used.

As explained by Gabrielle Hummel, the new constitution and three-year strategic plan would benefit from the use of these KPIs, with some of the MVM measures used to provide Kudos with benchmarks of how well it has embraced mutuality,

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*We plan to set up systems to monitor these areas and use the MVM to examine the mutuality side of things. We aim to be inclusive in the way such data is gathered, and be accountable for it, but to use this data to reinforce the Members Value Proposition (MVP). To continue to remind people about the values of the organisation and its purpose.*

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*This will be part of our new Constitution and governance framework, but this is far more about our being able to demonstrate that we 'walk the talk' and to allow members to see that their contributions are listened to and acted upon.*

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From the members' perspective, the challenge facing Kudos in relation to the development of its MPV and member engagement is the history of how the mutual was established. Rather than a member-driven, bottom-up development, it was a top-down model driven by government. As noted above, while the founder members were generally positively disposed towards the mutual business model, their choice of alternative options was limited. Despite this, the members were largely united in a common community of purpose, which is an essential element in the success of CME business models (Mazzarol et al., 2018). As noted by one member,

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*Although the formation of Kudos was in many respects top-down driven, it did comprise a group of people who were joined together by a mutual interest in and passion for the work they were doing, and the choice to do it. The alternative was that you would not be able to continue on in the role that you did have.*

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The challenge for Kudos going forward was seen as the ability to build on this foundation and use education and internal communications strategies to educate members of what mutuality is. In doing so, this would help members view Kudos as more than just a place to continue to work within their chosen fields of professional interest. This is also important when onboarding new members. A key message that should be communicated, as one member expressed it was the power that mutual ownership offers,

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*I think it is about having control over your own destiny, and also being able to deliver their services in such a way that it benefits our community.*

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There was strong recognition amongst the members interviewed, that issues such as the MVP and active membership, while important, must also be related to the long-term financial sustainability of Kudos. Members were also employees, and while their active involvement in the strategic and operational decision making within the organisation was desired, the process of consulting with members over every issue was impractical. For example, as one team leader expressed it,

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*So, if we wanted to go out to our 150 staff with every decision, we'd get nothing done as a business. So, the issue of mutuality has been something we have been living and using in recruitment, but there is still a block in the systems that sit behind it. I know of one private organisation that we deal with, and I feel that they run more like a mutual than we do. Maybe a co-operative business model might have been a better structure for what we do?*

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This highlights the challenge facing Kudos as it navigates from being a public-sector spin-off into a self-sustaining mutual enterprise. Words enshrined in the Constitution, member education programs, and use of MVM metrics, will only go so far to create the required culture and mindset within the membership. As noted by the Executive management team, when Kudos was established there was no equivalent peer operating in Australia that could have been used as a role model for the foundation team to learn from. Further, despite the valuable education and information programs provided by the BCCM and State Government about mutuality, the founders were not given a “guidebook” for how to set-up and operate a mutual such as Kudos. This view was echoed by the members who were interviewed. As one member explained,

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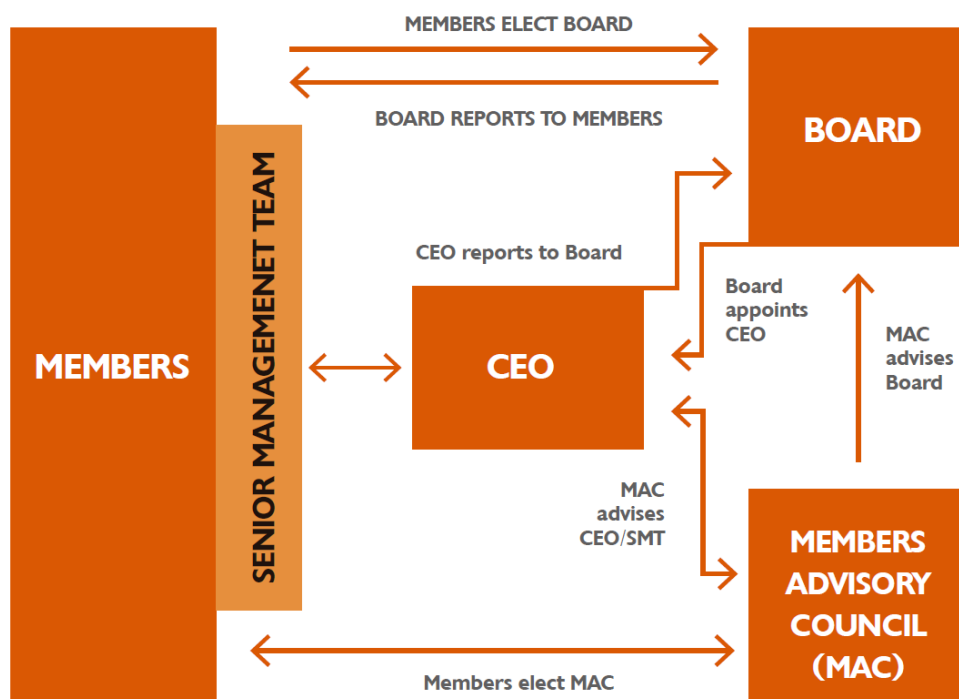
*How we are doing it, explaining it, and trying to live it, is probably the best that we can do. The governance and the clarity of the decision making is getting there, but it doesn't feel 100% clear.*

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## GOVERNANCE

As illustrated in Figure 1, the governance model of Kudos comprises the Board, which is elected by the members, and the Members' Advisory Council (MAC), which is also member-elected, and which advises the Board. The Board appoints the CEO, who reports to it, and who also takes advice from the Members' Advisory Committee (MAC).

**Figure 1: The Kudos governance model**



Source: Kudos (2020b).

As discussed earlier, the Constitution of Kudos was substantially revised in 2021. During the establishment process undertaken prior to the 2018 launch, the State Government hired a legal firm to prepare the necessary documentation required for incorporation. This saw the original Constitution being a document that was not ideally suited to the long-term needs of the mutual.

As described by Gabrielle Hummel it was, an “off the shelf constitution” for a company limited by guarantee (CLG), that gave more power to foundation members than those who were to join afterwards. It was, “designed to protect the interests of the founder members”. However, in 2019 amendments to the constitution were made that incorporated the MAC, although these new provisions did not provide specific details of how that membership committee would operate. These issues were something that Kudos, ‘had to learn on the job’. According to Kudos Chair Penny Gale, the way the initial constitution was drafted reflects the lack of awareness within the legal and commercial advisory community of the nature of CME businesses.

### CREATION AND COMPOSITION OF THE BOARD

A feature of the Kudos governance structure is that as of 2021 there were no member-directors. The original Constitution required Kudos to have a Board of between three and nine directors, with at least two being residents of Australia. It also required that the Board comprise a minimum of one director “with appropriate experience in the delivery of health, disability or other allied health services” (Kudos, 2018, p.19).



**Members of the foundation Board of Kudos Services (l-r) Penny Gale, Deputy Chair, Adam Wilson, Chair, David Syme and Madge McGuire (source: Kudos)**

An initial foundation board was appointed in 2018 that comprised Adam Wilson (Chair), Penny Gale (Deputy Chair), Madge McGuire, David Syme and Sarah White. The foundation board met eight times during 2018-2019 and provided the necessary governance and strategic direction required during the first year of the mutual’s operations. However, in October 2019 all directors resigned at the Annual General Meeting (AGM), and a new board was elected by the members. According to Hummel, “this gave the members a realisation that they had the power of strategic decision making.”

The first member-elected Board comprised Penny Gale (Chair), Pete Madsen (Deputy Chair), Sam Scammell (Company Secretary), Gillian McFee, Elaine Nash, and Tom Laundry. The Board meets monthly and one of its first decisions was to create two standing committees. These comprise the

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Finance and Audit Committee, and the Risk and Governance Committee. In 2020 the Finance and Audit Committee comprised Tom Laundry (Chair), Penny Gale and Sam Scammell, while the Risk and governance Committee was comprised of Penny Gale (Chair), Elaine Nash, Gillian McFee, and Pete Madsen.



**Members of the first member-elected Board of Kudos Services (l-r) Pete Madsen (Deputy Chair), Sam Scammell (Company Secretary), Penny Gale (Chair), Gillian McFee, Elaine Nash, and Tom Laundry (source: Kudos)**

## SELECTION OF DIRECTORS

The selection of the new Directors for Kudos was a major issue for the mutual and its members. A considered process was undertaken to identify, screen and select directors, which involved the members, as well as the services of a professional recruitment agency.

According to Gale, the selection of Directors for Kudos is an important factor in setting the “tone and culture” of the entire organisation. She notes that Kudos looks at the selection of new Directors seriously and is not just interested in their skills and experience. Of more importance is their ‘mindset’. They must understand and appreciate what mutuality within a business such as Kudos is about, and this is not always easily found within the business community. As she explained,

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*It is not easy to understand mutuality, and if you come from a more commercial background, and I can see with our foundation board and some other boards that there were people who just really didn't get it. You must make sure that you have a really good balance of people on the board. You don't want everyone to have drunk the Kool Aide of the wonderful world of mutuals, but you need to have the people with the right mindset that gives them the ability to understand what's important in running a mutual business and enterprise.*

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When asked about the outcomes of the election of the new Board at the AGM the response from the members was mixed. They expressed some disappointment at the outcome. These views reflected frustration that the members' voice was not being fully represented on the board, while acknowledging that while the members have deep experience in disability services, they lack the business management experience that is perceived to be required for a Board Director position. The following comments reflect this,

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*We may have differing opinions. Because we just did some new board elections, and I was quite disappointed with the results. I think we need more people with strategic headsets on the board. Currently, we are still establishing, and what we have within the members is an extremely experienced group of people who know our industry better than a lot of others out there. So that is why I think our member voice should be on that board. Yet what we don't have is a good business, or strategic mindset yet, and that is where our board should balance the knowledge that sits internally.*

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*I agree, I was also disappointed in the results [of the board election].*

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It was noted by the members interviewed, that Kudos used a professional recruitment agency to identify potential directors, a process described as being, "a broad external type of recruitment." However, members also participated in notifying people within their personal networks who they felt might make suitable Directors to apply. It was also acknowledged that a broad range of candidates were screened and that members were involved in the screening and selection process. Despite this, members were still not satisfied. This dissatisfaction appears to have stemmed from a perception that leveraging the members' networks and then filling in any specialist gaps by using a recruitment agency would have led to a better outcome. For example,

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*I was just going to say that for me the reason why becoming a mutual would be to our benefit were things like this board election, because I thought we're members, there's some 135 members, so why wouldn't we go out to our networks and think about what our gaps were. Why would we be bringing in external recruiters and external this and that? When we should be using already our expertise, and if we don't have the connections, that is when we go outside. If I don't know anyone who is good in the financial space and we need a director with a good financial headset, then that is when we go out and get help. But not just broadly.*

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Nevertheless, it was agreed that the process of recruiting and selecting a board was a new experience for Kudos, and it was a learning experience. As one member commented,

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*We've not satisfied everyone. With 135 members you cannot satisfy everyone. However, we've decided, and we will have to live with it. Now must just make sure that we push the strategy and the strategic point of view as much as possible.*

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## MEMBER DIRECTORS ON THE BOARD

The initial Constitution specified that the membership should appoint to the Board, directors having “a mix of allied health, business, financial, governance, legal or other skills or experience” (Kudos, 2018, p. 19). It also specified that Directors would not become members, and that the CEO would not be a director.

By comparison, the 2021 Constitution expanded the requirements and responsibilities of the Board. For example, it emphasised the Board as being “accountable to the Members”, and formally stated that members are eligible to join the board, although unlike a co-operative, the Constitution specifically states that, “non-Members must make up the majority of Board Directors at any time” (Kudos, 2021a, p. 9).

Other features of the 2021 Constitution are that it stipulates the Board must comprise at least one Director with “appropriate experience in the delivery of health, disability and allied health services”, plus at least one Director, “who is a person with lived experience of disability (Kudos, 2021a, p. 9).”

According to the Chair and senior executive team of Kudos there is a desire to have member Directors appointed to the board. At time of writing, it was considered too early to bring members onto the Board. This was explained in terms of their not being sufficiently experienced in business, and member feedback suggested that they did not want to take up Directorships.

The focus of the Board and Executive Management was to use the MAC as a mechanism to connect the Board with the members’ voice and use the MAC to “upskill” the members on that committee to prepare them to assume Directorships in the future. There was also view expressed that the membership of Kudos, while expert in disability services, were not able to provide a pool of future Directors with skills in areas such as financial management, business strategy, operations, and marketing,

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*The members are allied health professionals and typically lack business experience and training.*

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However, a somewhat different view was expressed by the members interviewed, as the following comments reflect,

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*I think there is a keen desire to have, if not fully members, at least to have partially members on that board.*

*Totally agree.*

*Yeah, yeah, I think there may not be a total recognition that the organisation is ready for this yet, but I believe it is universal that this is what the members will want to see happen in the future.*

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The advantages of a member-controlled Board were viewed as an important part of what Kudos as a mutual enterprise was originally designed to be. For example, when asked about the lack of members on the Board the following comments were made,

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*I think it is that broad level understanding and ability to control your destiny, and the destiny of your peers. I think that is really showing, and it the thing that will give us the real opportunity to live what we're talking about.*

*Yeah, so it is not so much an issue of the people putting their hands up, I think part of it is that people are drawn to the values that they hold really tightly in the people they elect, not recognising that those values that they hold dear are the ones that we already have, and the things that you don't have are the ones that you need to bring into an organisation. Having members on the board means that you have that skill set both in a knowledge of our sector and even in our version of mutuality. So, what you need from a board are the bits you don't have.*

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## ENGAGING THE MEMBERS VIA THE MAC

The need to build the organisational culture within Kudos was recognised from an early stage by the Board and Executive management. A key part of this was how to engage the members and give them both an understanding of the nature of a mutual enterprise, and how to get the most from their membership.

Within Kudos, the process of member engagement was facilitated by creating a Members' Advisory Council (MAC). As described earlier, this forms an important part of the mutual's governance system and provides an active voice for members within its governance structure. This includes helping the Board in relation to strategic planning and ways to better support and engage with members (Kudos, 2019; 2020b).

The MAC was established on 16 May 2019 as a six-member interim entity, tasked to work with the foundation Board. The initial members of the MAC were Paula Harris, Karen Temple, Steven Elcombe, Bethany Taylor, Nenalyn Chan and Christine Devine. This interim MAC played a significant role in the development of the strategic planning work undertaken during 2019 and 2020. It provided an important link between the board and executive team and the members, keeping the latter informed and engaged, while providing feedback to the board and executive over the appointment of directors and future MAC members.



**Members of the Kudos Services interim Member Advisory Committee (MAC), (l-r) Paula Harris, Karen Temple, Steven Elecombe, Bethany Taylor, Nenalyn Chan, Christine Devine (source: Kudos)**

During March-April 2020, members were engaged in the nomination and election of a new MAC, with twelve nominees applying for seven positions. An online ballot was held and 78% of eligible votes participated. The new MAC comprised Keli Blake, Matt Sanders, Karen Temple, Bec Morris, Bethany Taylor, Gemma Hogg, and Paula Harris. This elected MAC took up its role in April 2020 and focused on the development of the members' awareness of the MAC's role, as well as establishing its relationship with the board and executive team. To assist with developing the leadership skills of the members, the role of Chair within the MAC is rotated every two-months.



**Members of the Kudos Services MAC (top row l-r) Keli Blake, Matt Sanders, Karen Temple, Bec Morris (bottom row l-r) Bethany Taylor, Gemma Hogg, Paula Harris (source: Kudos)**

In June 2020, a survey of all members was undertaken by the MAC seeking suggestions and perspectives about issues of importance to the membership. A total of 69 Kudos members and employees responded and the findings from the study were used to develop a workplan for the MAC in 2021 (Kudos, 2020b). As noted by CEO Darrin Johnson,

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*The MAC is a member elected group of their peers that acts as the voice of the members in our decision-making process.*

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A key measure of the success of Kudos is the development of member culture and the engagement of members. Within the senior executive team Gabrielle Hummel is responsible for the member engagement. The role of the MAC is to provide strategic level input and advice to help guide such things as major capital expenditure decisions, and the type of services to be offered. According to Johnson, the members are actively engaged in this process.

This aspect of how Kudos operates is that consultation with members is both substantial and genuine from the viewpoint of the board and executive team. Although this process can be lengthy to get the members involved, but once the momentum develops the implementation is swift. In Johnson's view the mutual business model offered benefits that most not-for-profit entities did not. As he explained,

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*I've worked in lots of not-for-profits, but not-for-profits are very different to mutuals. Particularly, one of the things in the not-for-profit sector is that as the business gets a certain amount of size and scale it's just natural that they start to behave more and more like a traditional corporate, they lose some of that heart and soul ethos. They might still be structured as a not-for-profit, they might not take bonuses or dividends, but a lot of their actual management behaviour is very much a mirroring of the corporate world these days.*

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According to Johnson, there is an "inbuilt checking process" that exists within the mutual business model. For example, it might make sense from a financial perspective for Kudos not to focus on complex clients. This is because the hourly rate paid by the NDIS is the same regardless of how complex the client's needs are. However, the members would reject this proposition because for them the purpose of Kudos is to provide high quality services to all children who have a need. What this does is ensure that the Executive management and Board of Kudos, cannot arbitrarily make such decisions if they are not supported by the members.

## **MEMBERS' VIEWS ON MEMBER ENGAGEMENT AND THE MAC**

Discussions with the members suggests that while the MAC plays an important role in the overall governance of Kudos, there is still a lot of work to be done to fully engage the membership. Of importance is the ongoing education of the members, through a consistent and clear message as to what mutuality means, and that this must be part of the way Kudos undertakes the onboarding of any new members.

However, there was still some concern that Kudos has not fully defined what mutuality means for its members. as noted by one member,

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*I also think that we still haven't defined what mutuality means for us. Also, we haven't defined what membership means for us. Even though we've put the Members Council in our constitution, we haven't really defined what the role of that group is, and we haven't really defined the clear decision-making lines.*

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Members were still evolving their understanding of what mutuality means. The “top-down” way in which Kudos was created was attributed to this, and the main common purpose all the founding members had was their mutual interest in, and passion for the work they were doing within the State Government. Kudos offered them an opportunity to continue this work, and this mutual sense of having a common purpose was the key ingredient keeping the mutual united.

There was a view expressed by the members that despite the progress made, there was still work to be done on member engagement, the development of a better understanding of what “active membership” means, and how all of this helps Kudos to become more financially viable. It was suggested that the key elements to this were enabling members to get enjoyment from working for Kudos, but also generating sufficient profit to provide members with the benefits that had been promise. As one Team Leader member explained,

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*We need to get the organisation to be one in which members get enjoyment out of working for it. We have success for at least a proportion of our staff on this. The other part is a little bit of trust us and we will be able to deliver in the future. That is dependent on whether we can generate more profit as an organisation, if so, we can put more back into PD, into community and social enterprise. We cannot do that so far, and many of our staff are sticking with us in the hope that it pays off and that we can deliver on that in the future. Yet, how long does that go on for? Is it a three year or a ten-year thing?*

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There was consensus among the members interviewed that the MAC was a valuable element within the governance system of Kudos. In addition, it was viewed as having an important role to play in helping enhance member engagement with the mutual. The initial work of the MAC had been focused on revising the Constitution, and the development of a new enterprise bargaining agreement (EBA) for Kudos. However, now that these tasks were completed, it was the role of the MAC to focus on member engagement and education.

It was suggested that the MAC, while it had been very busy with the Constitution and EBA issues, had not been doing enough to bring the memberships' voice out and allow the members to be effectively heard. The process from 2018 to 2020 had largely been about passing information from the Board and the Executive down to the members.

The following comments from members reflect this,



*Even our members' council that has existed for several years have been very busy, redoing the Constitution, and new enterprise agreement, doing all these things to make the business work. So, although we go back and communicate with the members about those things, we haven't had the opportunity more broadly to listen to what the members want and bring that up. Instead, we have been getting information from the top and bringing it down. The challenge for the MAC is to find out via different means what the membership is lacking, feeling etc., and how we can address those things. Also, which are within our control, and which aren't.*

*We need formal education, and to ensure that the members' voices are heard almost continuously. We need different ways to continue with the members, but to establish formal lines that are working and that are being listened to.*

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## STRATEGIC OUTLOOK AND FUTURE DIRECTIONS

Kudos launched in 2018 with an initial business plan prepared within the SA Government DHS agency. This plan was found to be useful, but not sufficient, for where the mutual needed to go over the long-term. In 2021, the Board and Executive management team, in consultation with the MAC, developed a new three-year strategic plan. This plan for 2021-2024, titled "On Our Own Terms" identified four strategic directions, each with specific goals, as outlined in Table 1.

The previous strategic plan of 2020-2021 also contained four strategic directions and associated goals. However, these focused on:

- 1) **Mutual culture and governance**, focused on building a strong foundation for the mutual.
- 2) **Service excellence**, focused on putting clients, carers, and the community at the centre of the work undertaken by Kudos.
- 3) **People and partnerships**, focused on the development of the Kudos member-employees as a professional and skilled workforce.
- 4) **Financial sustainability**, focused on ensuring that Kudos was financially sustainable and accountable.

A comparison of the initial strategic plan with the new one suggests that the former reflected the foundation period from 2018 to 2020 that saw Kudos striving to establish itself as a mutual, maintain its efficiency and effectiveness in its service delivery outside the public sector, and assist with the transition of its members from a public to a private sector working environment, while also trying to breakeven and start to become profitable. By contrast, the new strategic plan exudes greater confidence and a clearer sense of direction.

According to Kudos CEO Darrin Johnson, the members were consulted and engaged with the development of the new strategic plan. The main message that the plan conveys to members via the title "On our own terms", is that once Kudos is profitable and has sufficient financial reserves,

it will be able to deliver benefits to the members either directly or indirectly via investment in new services. As he explained,

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*The 3-year strategic plan “on our own terms” focuses on what Kudos might do once it is generating profits. That is the point when the members have a serious role to play in deciding what to do with the financial surpluses. Decisions have so far been made in relation to what services to deliver. This has seen Kudos engage in the delivery of services in regional South Australia, which is notoriously unprofitable. However, the members want to try to do this because regional SA is terribly underserved. Kudos has now launched services in the far north of the State. This has been undertaken so that the services are marginal but viable, and this has re-established services in areas that had ceased to exist.*

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**Table 1: Kudos Strategic Plan 2021-2024**

Strategic Direction	Strategic goals
1. Partner with clients to co-design outcomes.	Partner with clients to co-design a tailored therapy service response appropriate to their needs and goals and grow further the reputation for excellence in our early childhood approach.
2. Continue our excellence in the early childhood approach.	Further develop and enhance the existing strong partnership with the NDIA, including continuing to meet and/or exceed KPI expectations in our innovative and thoughtful delivery of the early childhood approach.
3. Grow our quality Therapy services and supports.	Drive ongoing improvements to continue to deliver high quality services to a growing group of children, young people and adults living with disability.
4. Live the mutual culture.	<p>To bring our mutual to life through:</p> <ul style="list-style-type: none"> <li>• An active and engaged membership.</li> <li>• A clear decision-making and accountability framework to drive an employee-controlled culture based on our values of Camaraderie, Heart, enterprising and Knowledge.</li> <li>• Robust means of measuring value of our mutual to members, to the Kudos Community of Care and to the broader community.</li> <li>• Upholding principles of good governance, communication, and transparency.</li> </ul>

Source: Kudos (2021b).



A view expressed by the Chair, CEO and other senior management was that Kudos was not seeking to grow for the sake of growth. Any growth that Kudos might undertake was likely to be modest and designed to ensure that it could sustain the delivery of its services within South Australia. How any financial surplus generated by Kudos might be spent would be considered by the Board but only after consulting with the members. Investments might be made in professional development of the members, the creation of new services, the purchase of equipment, the establishment of childcare facilities for what is a largely female workforce, or as donations to charities.

### BEING A SPECIALIST IN COMPLEXITY

According to Darrin Johnson during the process of strategic planning, the members decided that Kudos should continue to focus on maintaining its established position as what he called a “specialist in complexity”. This refers to the way that Kudos has traditionally serviced clients with complex needs. The provision of services to such clients is more demanding of time and generally less profitable under the NDIS funding formula. However, the Kudos membership wanted to deliver such services due to the need they identified within the community. From a purely financial perspective servicing such clients is less profitable because it usually requires a more experienced therapist, and the NDIS will only provide a fixed rate per hour. However, because Kudos is not solely focused on profit, it is willing to undertake this work, so long as it can breakeven.

According to Johnson, the future development of Kudos will depend on how well it can balance the need to maintain the delivery of relatively high-cost, complex services, while expanding its services outside the ECEI Partnership, and trying to shape the future of how the NDIA supports such programs. As he explained,

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*The business operates in two halves. A primary aim is for Kudos over the next three years is to be viewed as an essential cog in the ECEI Partner network. This is necessary to allow for Kudos to get the contract renewed. However, this will require Kudos to be more innovative, and take new ideas back to the NDIA about how to deliver these services. Arguably, Kudos has the most experienced ECEI service delivery team in Australia, which is a legacy of being the NDIS trial site.*

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He noted that the work the CYS team had undertaken for the NDIA within the initial trials of the NDIS within the ECEI services area had resulted in Kudos now being held in high regard by the NDIA. It was the objective of Kudos to continue to innovate in ECEI service delivery, and feedback lessons and suggestions to the NDIA about how to achieve more cost-effective outcomes for clients.

However, a concern for Kudos is where the NIDA might, under government budgetary pressure, decide to do with the ECEI Partner contract. For example, this might see the NDIA place all existing ECEI services agreements out to open public tender, where the most important factor will be price. In this situation, Kudos would struggle, as it has relatively high costs because it pays its service delivery team, on average, better than most competitors.



Such an open tendering process by the NDIA, should it occur, would potentially be offered as a nation-wide tender. This would disadvantage Kudos, which is a South Australian centric business. In this case, the tender would most likely be won by a larger national service provider. The outcome might be lower hourly rates paid to service delivery teams, and a lower quality of service for the clients.

### SUPPORTING AN IN-COMMUNITY THERAPY SERVICE MODEL

Apart from the ECEI Partner contract with the NDIA, Kudos has progressively developed its other services that focus on the needs of older children and adults. Here, Kudos has focused on delivery of an in-community therapy service. This involves delivering the services within the client's home, school, or workplace environment, and often doing so as part of a larger team of allied health professionals.

This model of service delivery within a client's natural environment contrasts with the trend being followed by most large corporate service providers, of having the client go to dedicated therapy service centres. These are like large General Practitioner (GP) "super clinics", which are visually impressive, with pleasant waiting rooms and well-equipped therapy rooms. However, such a delivery model takes the client, often a child, out of their natural environment. As explained by Johnson,

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*This involves taking the client (e.g., a young child) out of their natural environment, and have them sitting in a centre waiting room before being called to come to a treatment room within the complex. The problem with this is that such environments are not how the client lives or works and does not offer the best outcomes for the individual. Kudos is focused on delivering a better service, embedded in the community, although this is going to be more expensive.*

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For the Board and Executive management, the in-community model was a key point of difference for Kudos. With most other providers moving to the "super clinic" model, Kudos has a potential opportunity to position itself as offering a superior alternative. This has been incorporated into the mutual's marketing communications program, with the tag line, "*Your team becomes part of our team*", reflecting the way in which Kudos works in a holistic manner with the clients, their parents, teachers, and other medical service providers, to deliver the best outcomes. They argue that this team-based approach can only be delivered via an in-community model.

Although the in-community model is potentially more demanding of therapists' time, Kudos management do not feel that the risk of low-cost, price-driven competition is high. The NDIS funding formula offers relatively thin margins for all service providers and with little room for price competition within the market, it was considered unlikely that Kudos would face a price war in the foreseeable future.

In late 2021, Kudos is planning to launch a focused media campaign comprising social media and local radio across South Australia. This would be supported by some sponsorships funded by Kudos, to raise awareness of their brand. The communications strategy was designed to have real

clients talking about how much difference that the Kudos therapists had made to their lives. Clients would simply tell their own stories, focused on their relationships with the Kudos therapy teams, and highlighting how much different they are to other therapists they had experienced. This create strategy was explained by CEO Darrin Johnson in the following terms,

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*In terms of our value proposition, it is very much based on the relationship between our clients and our therapists. So, in the initial conversation we launched to the market, we almost didn't talk about the services we provide. We had real clients talking about how much of a difference our therapists make in their lives, and that the relationship between the therapist with us and the therapist they've had from other service providers is different. We expressed it in quite a creative way ... with the client talking about what a great person the therapist is, and how they have come into their chaotic life, and they help and make a big difference. We then filmed the therapists watching these films, and they got emotional and were obviously connected to the family. The underlying message was that if you don't have this kind of relationship with your therapist you should try us.*

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According to Penny Gale, a key challenge for Kudos is to make the case for this service approach as a better outcome for the clients. She suggested that the outlook for the NDIS sector is that it will soon face a crisis, with many of the smaller service providers experiencing financial difficulties. At that time Kudos can approach the NDIA and seek to negotiate an increase in hourly fee rates. This will benefit both Kudos and other service providers. She noted that while the new three-year strategic plan was focused on the main areas of importance, the Board had a longer-term horizon. Looking forward, all they could see within the NDIS system was uncertainty.

This view was supported by Darrin Johnson, who also explained that the profit margins of many NDIS service providers is around 5% to 10%. Kudos has not yet fully examined its profit margins, but since the start of 2021 has begun to generate a profit. He noted that as Kudos was established in response to the NDIS, its overall structure is very lean and flat, with few overheads and a small administration team. All support services (e.g., accounts, payments, ICT services) are outsourced, and most employees are members whose work is related directly to billable hours. This enables Kudos to remain profitable on the “skinny margins” that are a feature of the NDIS system.

However, for Kudos to sustainably deliver this in-community model there will need to be major changes to workforce productivity. This will require careful monitoring and management of how therapists expend their time, particularly in relation to travel time, which although funded under the NDIS is subject to limits. This means that time spent in long-distance travel may not be billable. In response, Kudos is developing a more sophisticated scheduling system that will assist therapists to better manage their travel time between clients and reduce unnecessary travel that cannot be billed.

In addition, Kudos has established a regional model with therapy teams located in different parts of South Australia, which are able to provide local-level support without the need for long-distance travel. By the end of 2021, two regional centres had already been established in the north of the State, and a third centre (most likely in the south) was planned within the life of the new

three-year strategic plan. Attention was also being given to the use of technology to deliver Telehealth services to regional areas. However, many clients, particularly in the north, were from low socio-economic backgrounds and were not easily able to make use of this technology. As noted by Penny Gale, such technology, while promising, remained under-developed,

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*I am personally of the view that this use of technology is going to be able to help us, but we need to talk further to others who can help us better understand what this technology offers by way of possibilities for the future.*

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### AMBITIONS FOR GROWTH IN AN UNCERTAIN ENVIRONMENT

Although Kudos is not focused on growth for the sake of growth, it does recognise that it must grow to a level where it can achieve a suitable economy of scale and ensure that it can support all its service obligations. According to Darrin Johnson, Kudos has not yet identified the optimal size that it must achieve to maintain its sustainability. However, he explained that this was a major point of discussion within the Board and Executive team. As he expressed it,

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*We are not just going to try to get bigger, but we need to grow to the level where we are sustainable.*

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The size that Kudos must achieve is contingent on its need to service the ECEI Partner contract that supports around 100 members' employment and absorbs 75% of the mutual's budget. The contract, which was due to expire at the end of 2022, has been extended to the end of 2023, thereby giving Kudos more time to implement its strategy. Kudos understands that the NDIA is seeking to establish a common due date for all ECEI Partner contracts, and that is why the contract was extended by 12 months. In 2021, Kudos was the only ECEI Partner in South Australia, which provides it with a monopoly position. This is unlikely to continue because ECEI service provider competition is very limited across Australia, which is a consequence of allocating the ECEI Partners specific territories. A problem is that when clients move from one area to another they must change their provider. If the contract is not renewed it will significantly change the organisational structure of the mutual.

Based upon the current strategic planning, Kudos needs to expand its client base from around 400 clients as at mid to late 2021, to around 1,000. A client base of this size would require Kudos to have a therapy service team of about 60 specialists. Analysis undertaken by the Kudos management, indicates that at this size, the mutual would be able to generate sufficient profits to allow it to weather any fluctuations in the market, and maintain the sustainability to deliver high quality services. This target of 1,000 clients and accompanying therapists, was a feature of the new three-year strategic plan.

Given that at the start of 2021 Kudos had only 300 clients and had added a further 100 by the year's end, the growth forecast within the new strategic plan is considered achievable. Further, in 2021 Kudos serviced only 2.7% of the total market within South Australia for people aged 7 to

25 years, with a diagnosed disability and an existing NDIS plan. There are around 15,000 people in the State who fall within this market, and so Kudos does not anticipate any major challenges in adding another 600 clients over the next three years.

According to Penny Gale, the aim of Kudos as a mutual was not to seek growth beyond what was necessary for sustainability. Once the optimal size was reached, the Board and membership may decide to suspend growth, but to focus instead on assisting new mutuals to be established that can mirror the same business model as Kudos and deliver disability services in other states and territories. As she explained,

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*That is a model that I personally find sits well with me. Because just growing bigger is not the objective. That doesn't work and we should have learnt that by now. We must find another way to function in business.*

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## MEMBER PERCEPTIONS OF THE FUTURE

Discussions with the members of Kudos over these strategic challenges found they were well informed of the strategic plan, and the need for the mutual to improve its profitability and retain the ECEI contract if possible. It was also felt that Kudos had developed an excellent reputation with the NDIA and a strong position within the NDIS, ECEI services field across South Australia. However, there was the risk that the ECEI contract might not be renewed. As one member declared,

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*We have an excellent reputation with the NDIS, and that makes it possible to build. So, we need to look at the worst possible situation, e.g., that we don't get our contract renewed, and then work out what we are going to do. Then, as the facilitator of the strategy process said, just put it in the drawer, and make sure that it's there when you need it. However, also have a strategy to make it almost impossible for the NDIS to not give us the grant.*

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Of concern to some members was the mindset of the Federal Government in relation to the future funding of the NDIS. As the scheme is an insurance model, it has been designed to deliver the most self-sustaining and cost-efficient outcomes. However, since the launch of the NDIS the budget forecasts over its cost have blown out and this might result in further cost cutting, which may place the ECEI Partner contract in jeopardy. As one member explained,

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*What worries me is that it [the NDIS] is an insurance model, so what they will want is something that's cheap, and works well for them. So, as amazing as we do, there is always going to be the thing in the back of the federal government's head that the NDIS budget has already blown out, so we will need to reduce our costs, so here's a cheaper option, from someone who will undercut what this partner is charging.*

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Faced with the risk of losing the ECEI service contract, the members, like the Board and Executive management, recognised the need for Kudos to maintain the ECEI services for as long as possible, while simultaneously growing new areas of service delivery. However, any growth would need to be sustainable, and focused on strengthening the long-term competitiveness of Kudos. This would require further investment in the recruitment of new members, and the professional training and development of existing ones. Yet, such initiatives required significant capital investment and without the ability to raise new capital (other than via donations or grants), Kudos would need to fund such growth from retained earnings.

It was suggested that most of the Kudos members could potentially find work with other allied health organisations. However, there was a very “thin market” across Australia for allied health professionals, and with a deregulated open NDIS market emerging, members might be attracted to alternative organisations. Here the issue of balancing the ideals of a mutual entity with an attractive purpose and culture, with the pragmatic reality of generating sustainable profits begins to loom. This stimulated discussion and thought within the members about how Kudos should be approaching its service delivery and internal resource management. The following comments illustrate this,

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*I think a big part of it is us reimagining what our service delivery is in this space, and what we currently do and how we innovate it. There is a “thin market” Australia wide. So, do we come up with a telehealth service across Australia? Yet does this align with our purpose and objectives?*

*There are now some things that we can do under the NDIS due to the “thin markets”. For example, we can sub-contract between our ECEI and Therapy teams. The two teams provide a sort of balance within the business.*

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Overall, the members interviewed expressed the need for Kudos to follow its strategic plan, but to ensure that the membership were actively engaged in its design, development, and execution. It was noted that for many members, their daily focus was on their individual caseloads. The need for Kudos to meet its financial and service performance targets under a grant, were more a collective issue. Managing this individual and collective action whilst building up new services and financial self-sufficiency was the key challenge. As stated by one member,

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*The strategic planning process engaged some of our members and needs to be an ongoing process. We must see that the strategic plan focuses right down to the team level.*

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## KEY LESSONS FROM THE CASE

At time of writing the Kudos Services mutual was still in its infancy, although it had enjoyed a fast start thanks to the transfer of the ECEI Clinical Partner contract, and the support it had received from the South Australian government and the BCCM. Nevertheless, the mutual faced an

uncertain future, with the need to achieve financial self-sufficiency within the challenging environment of the NDIS sector. It also had an ongoing challenge of embracing its mutuality and ensuring that its members understood, accepted, and engaged with its purpose, principles, and perceived member value.

Kudos is both a pioneer of what an Australian public service mutual business model might be, and an experiment in whether such entities can live up to the optimism that governments, the BCCM and advocates of social enterprise have for them. As Kudos has no comparable Australian mutual enterprises to compare with, analysis of research from the UK is relevant to understanding the past, present and future of the mutual.

### LESSONS FROM UK PUBLIC SECTOR MUTUALS

Although research into UK public sector mutuals (PSMs) is relatively scarce, several papers provide a useful context. For example, Myers and Maddocks (2016) note that the understanding of what a mutual enterprise is within the UK differs between the definition held by the British Government, and those within the community involved in establishing CMEs. The main difference is in relation to ownership and governance.

Within the CME sector, members have ownership over their organisations through shareholding (albeit with a one-member-one-vote Constitution), and a dominant role in the governance, usually in the form of majority Member-Directors on the Board. However, the approach taken in the UK has typically seen the members with only limited or no representation on the Board, and little or no share ownership. Rather than genuine mutual enterprises Myers and Maddocks (2016, p. 56) suggest that “... *many of the new mutuals are best considered as multi-stakeholder or co-owned management-led spin-outs.*”

In 2017 an examination of 105 active PSMs in the UK concluded that only 12 could be considered *bona fide* mutuals registered as either co-operatives or community benefit societies, a few were non-distributing co-operatives, and many used the titles “mutual” or “social enterprise” without the necessary constitutional and governance structures required. This included companies limited by shares where there was only one shareholder, or organisations claiming to be “employee owned”, but legally owned by local government authorities (LGAs) (Myers, 2017).

A review of over 100 PSMs spun-out from government within the UK found a wide range of different approaches to governance and member control. This led Myers and Maddocks (2016, p. 57) to conclude,

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*There clearly is no particular view on what might be considered the ‘right’ model for PSMs, hence the adoption of various legal forms and the development of a variety of approaches to ownership rights and profit distribution.*

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The performance of UK PSMs has also varied following their respective spin-offs. Some have achieved independence from their government agency parent organisations, either growing their existing services, or diversifying into new areas, often facilitated by co-operative and multi-

stakeholder contracting relationships. Of particular importance to the performance of PSMs in the UK have been issues of legal ownership, member-employee control, and engagement (Myers & Maddocks, 2016).

A study of four PSMs spun-off from LGAs in the UK focused on organisational change behaviour in the spin-off process (Hazenberg & Hall, 2016). It identified four distinct phases that the case study firms went through. These are summarised in Table 2.

**Table 2: Organisational change in UK Public Sector Mutual (PSM) spinouts**

Phase	Description
1. Trigger phase	Problem is identified within the government that triggers a decision to spin-off the services into a PSM. This is shaped by government policy that favours the outsourcing and privatisation of public sector services, and political, social, and economic factors (e.g., budget austerity). Organisational characteristics such as the nature of the service, and the structure of the public sector team, is also important.
2. Catalyst phase	The decision to spin-out the service opens a window of opportunity to the 'social entrepreneur(s)' who may exist within or outside the government agency, but who provide the leadership required to organise the foundation of the PSM. Key issues are the structure of the spin-out entity, and engagement with external stakeholders (e.g., service users, partners), and internal stakeholders (e.g., public sector employees, senior managers, and politicians).
3. Spin-out phase	Launch of the new entity is facilitated by the transfer of employees (members), plus service contracts, facilities, and funding from the government agency to the PSM. Key issues in this phase are securing the engagement of employees to become members, plus financial and service contracts with parent agency, as well as retaining service users and marketing to new clients.
4. Outcome phase	In this phase, the PSM will either succeed or fail. A successful spin-off PSM will achieve financial sustainability and growth, while an unsuccessful one will fail to become self-sufficient. In this case it will either be reabsorbed back into its parent government agency, privatised (trade sale to an existing company), or wound-up.

Source: adapted from Hazenberg & Hall (2016).

Of the four PSM case studies examined by Hazenberg and Hall (2016), three had survived the initial three stages of the spin-off process, and were still active, although none were fully self-sustaining. The fourth case had failed to progress beyond the third phase and was placed out to open tender as a trade sale. The key findings from this study were that the role played by the senior management within the public sector agencies during the trigger and catalyst phases are critical to success. Their ability to demonstrate social entrepreneurship capacity, and to engage the external and internal stakeholders in the spin-out process is crucial. Although these cases are from the UK, they provide a useful context against which to examine the example of Kudos.

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## WHAT THE KUDOS CASE SUGGESTS ABOUT THE FUTURE OF AUSTRALIAN PSMs

If examined against the PSM spin-off framework outlined in Table 2, the establishment of Kudos followed this process quite closely. The factors influencing the creation of Kudos in the Trigger phase, were changes to Federal and State Government policy in relation to the establishment of the NDIS, and the existence of the CYS team within the DHS of the South Australian Government.

As the process moved into the Catalyst phase, the ‘social entrepreneurs’ who played a key role were the likes of Lois Boswell, the members of the foundation Board, and the interim MAC. Their ability to engage and mobilise the CYS team and leverage the support of the BCCM and other external stakeholders was vital to the foundation and launch of Kudos.

Also important was the pre-existing ECEI Clinical Partner relationship that had been established between the CYS and the NDIA during the testing stages of the NDIS. This helped to secure the transfer of the ECEI contract, the retention of the client base, and the conversion of the CYS therapy team from public servants to members of the mutual. These factors, and the appointment of a capable Executive management ensured that the Spin-out phase, while challenging, resulted in a successful outcome.

By the end of 2021, Kudos had successfully navigated the four phases of the PSM spin-out model and was poised to continue this sustainable development. In its short history, Kudos suggests that Australian PSMs, if properly designed, led, and supported, can deliver both economic and social value to the community. The commitment that Kudos’s members have demonstrated to providing quality services to children and young adults with disabilities across South Australia provides an exemplary role model for future PSMs.

The case also illustrates the importance of having the right balance of skills and mindsets on the Board and Executive management team. Knowledge and experience in the CME business model is not common within the mainstream business and management community. As such, finding and recruiting the right people to serve as Directors and Executive managers within PSMs is likely to be challenging. As this case shows, this has been the experience of Kudos, even though the composition of the interim and inaugural Boards has been very good.

A further lesson from the Kudos case is the role played by government in shaping the destiny of CMEs. Government regulatory powers can shape CMEs in both positive and negative ways. The use of CME business models, in this case PSMs, is another example of how government policy can stimulate change. The embrace of PSMs within the UK was motivated by British Government policy that sought to diversify the delivery of public services through open market mechanisms with mutuality and employee-ownership featuring as a means of social privatisation (Myers & Maddocks, 2016).

However, such mutual entities must still operate in a competitive market environment. If they are to become self-sustaining, these entities will need to learn how to operate as wise, efficient, and financially profitable businesses, while also maintaining their commitment to the delivery of social outcomes. In this, Kudos has, to date, achieved this balance.



Finally, the Kudos case highlights the importance of working simultaneously on creating an efficient and competitive business, an a compassionate, democratic and member owned mutual. As shown in this case study, Kudos has made important strides in pursuing both these goals. The revision of its Constitution, and the strengthening of the MAC, combine with the implementation of performance metrics, profit targets and accountability. This is a difficult balance to manage, but the foundations are in place.

It is clear from the discussions held with the Chair, CEO, senior managers, and members of Kudos that all are united in the task of making the mutual a success. The uncertainty within the NDIS sector, and the looming deadline when the ECEI Clinical Partner contract expires, have served to galvanise both the members and management of the mutual in a common commitment. Time will tell how successful Kudos is at executing its new three-year strategic plan. However, if the past three years are any guide, the outlook for success seems good.

In conclusion. Kudos provides a good role model for future Australian PSMs. Key success factors will be to ensure that they have the right purpose, leadership, and support through their formative years. Member ownership and control must be a central feature of these entities, and member participation on the Board, either as Member-Directors, or through sub-entities such as the Kudos MAC, are vital to securing member engagement. While PSMs are primarily focused on delivering services to end-user clients, how they perform such services, and what services they offer must be shaped by the members.

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