The importance of people in back-office transformation

How to create a high performance culture that embraces innovation and change

Insights from Airways NZ, New Zealand Post and Auckland Council

New Zealand businesses, like others around the world, are feeling the pressure to improve their operating structures to maximise productivity, reduce costs and improve agility.

Whether it is through shared services, automation, outsourcing or offshoring; New Zealand businesses are realising the importance of leveraging technology to improve service delivery in a market that is increasingly becoming dominated by digital.

While value is the final prize of business transformation, it's not easy to achieve. Business transformation not only requires investment in the right technology, systems and processes; it also requires a significant investment in people.

Without employees on board with change, business transformation can become a very sticky venture. As a result, for all organisations – large and small, public and private – creating a high performance culture that embraces change is critical to the success of transformation.

Ahead of **Business Transformation New Zealand 2015**, SSON takes a look at the strategies New Zealand Post, Airways New Zealand and Auckland Council are using to transform their back-office through people and processes and how this is driving productivity and reducing inefficiency throughout each organisation.

Putting the customer at the heart of service design

Airways New Zealand

As digital is providing customers with more choices than ever, it has never been more important for businesses to leverage new technologies to meet changing customer demands and remain competitive in a changing market.

While customer satisfaction is traditionally associated with the front-facing side of a business, more organisations are realising the importance of putting the customer at the heart of back-office design, in order to drive better processes and service delivery.

Airways New Zealand is one company putting the customer at the heart of business transformation in order to drive wider organisational efficiency and productivity.

And what's unique about their approach, is the role their shared services team plays in driving customer centric service design; a strategy which Mark Loveard, Chief Financial Officer at Airways NZ says 'begins and ends with the internal customers - the employees.'

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"Business transformation begins with knowing our internal customers' business. We believe you really have to stand in your customers shoes to understand their pain points and needs," he says.

To achieve this, half of Airways NZ shared services team – 45 people – are embedded in different teams throughout the organisation and attend weekly management meetings with those teams, to gather feedback about what's working and what's not.

Loveard and his team have also set up monthly 'Purple Shirt Days,' where everyone in the shared services team walks around a different part of the business to gain feedback from staff on services and pain points. These insights are then shared with the wider business to improve processes and services moving forward.

"Once a month we get everyone together to gather feedback from our 'Purple Shirt Days' to understand what's working, what's not working and what steps we need to take to fix pain points that arise," Mark explains.

The collaboration with employees about service design and delivery has not only boosted employee engagement, but also done wonders for overall customer satisfaction.

"We monitor the customer satisfaction every six or 12 months. When we first set up shared services in 2013 we had a 63 per cent satisfaction rating. At the end of this financial year that figure has climbed to 75 per cent.

We've achieved this because we're out there with the customers and we hear in real-time through our employees the pain points they have and we're fixing them," Loveard says.

But achieving this result has not been without challenges. According to Loveard, one of the biggest issues his team has faced is getting employees to think outside their specific functions to drive better service delivery.

"In a broad shared services team, people tend to focus on their functions. For example, the 'people function' or their 'finance function.' It's a challenge to get them to think outside their function and to think from the customer's perspective.

Whether you're interfacing with a finance system or a people system, the look and feel is the same in each for the customer. It's important to get employees to think from this perspective and present it seamlessly to the customer," he explains.

In order to create this seamless customer experience moving forward into the future, Loveard says the core aim of shared services at Airways NZ is to build and support a business model for innovation.

"As a shared services team, we've got to accommodate different cultures and enable them to co-exist and grow successfully in different environments and markets," he says.

Creating a 'we' culture to facilitate change

Auckland Council

The transformation at Auckland Council began in November 2010 with the bringing together of eight councils into one. There were four clear objectives: achieve operational stability, embed new governance, kick off the new planning regime and develop a single culture.

The vision? To make Auckland the world's most liveable city and deliver great value for money for Aucklanders.

As is sometimes the case when creating shared services, a core challenge was to ensure eight legacy organisations weren't replaced with 28 new silos in the form of the new council's departments. They span everything from Parks, Sports and Recreation to Legal and Risk services.

"Previously, the eight councils actually prided themselves on doing things differently to each other; there had never been a huge appetite for a regional approach across Auckland with just a few exceptions – people operated in isolation.

We didn't just want our teams to consolidate; the aim is to create better systems and better sets of processes than we had before," says Patricia Reade, Transformation Director at Auckland Council.

Five years down the track and Reade and her team have achieved this integration, now leaving the 'transition' stage and moving into 'step-change' – which means shifting to the next level of transformation.

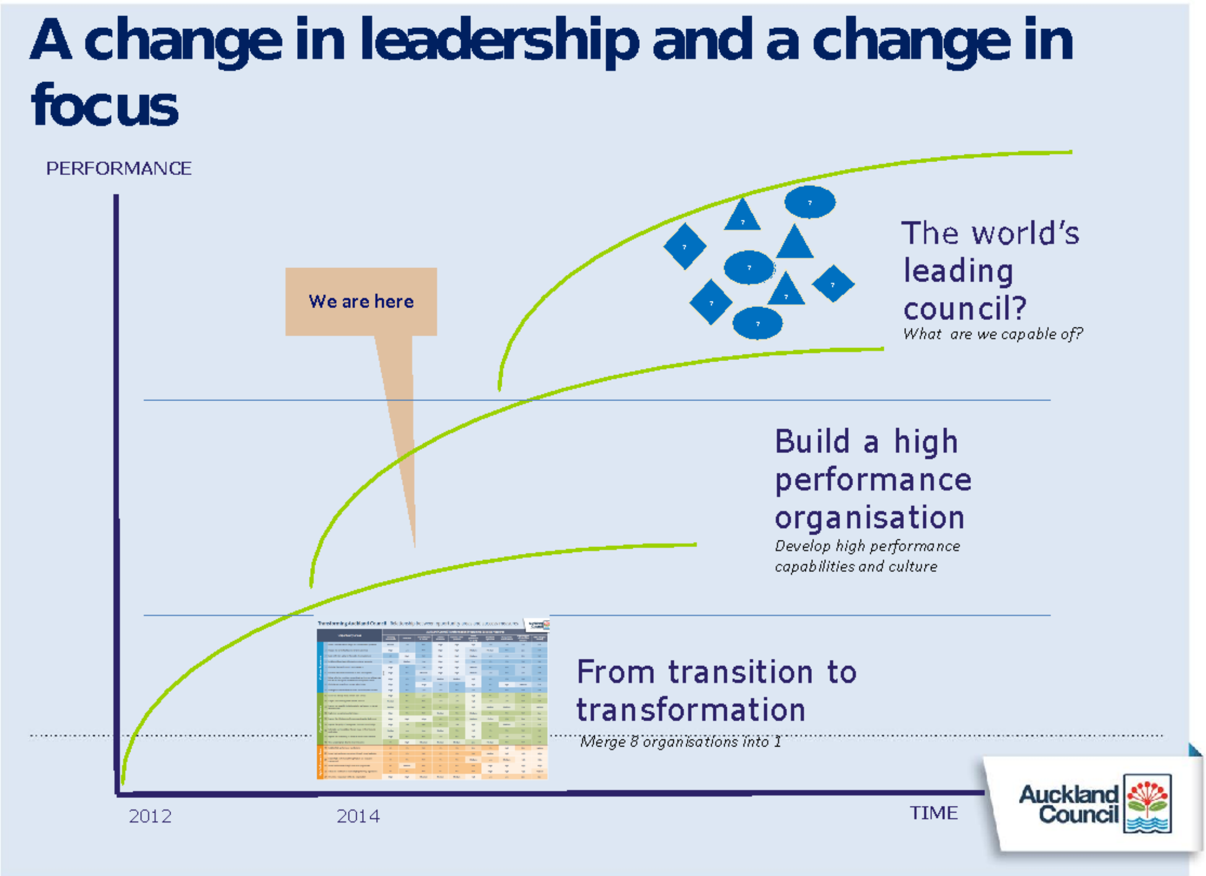
This involves committing to a long term savings goal of 1.7 billion dollars set out in 2012, which is to come from improved procurement practices, process automation, system rationalisation, resource optimisation and enhanced commercial management.

To date, the team has delivered about 400 million dollars of the target, which is on track in the ten year savings plan. Despite this, Reade says change management and leadership has now become even more important than before.

This is mainly due to the fact that many of the systems and processes put in place back in 2010 have now reached their used-by date and need to be examined.

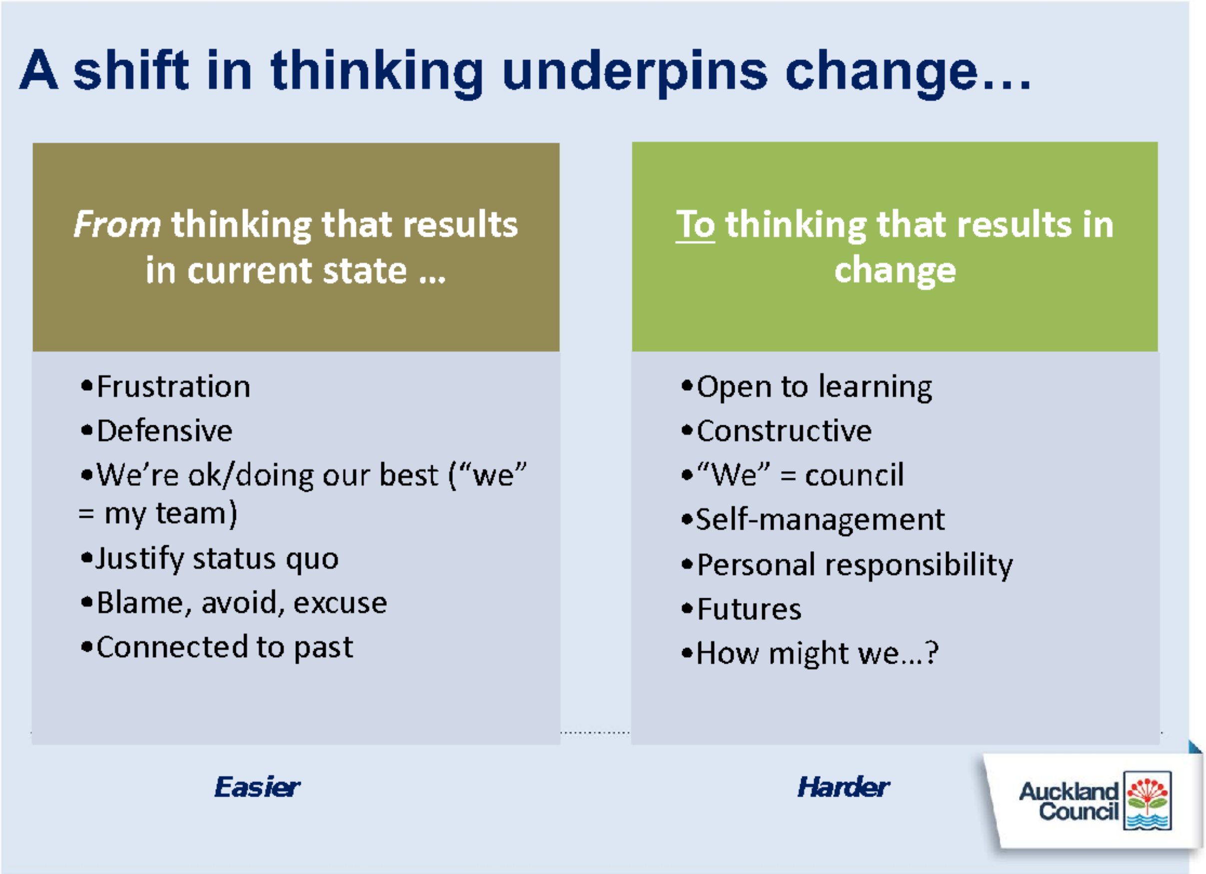
“Some of our ways of working had definitely reached their use by date and our culture needed to be re-examined. We have a goal of becoming a high performance organisation, but does that mean for Auckland Council?

Just like every other organisation we’re looking to leading practice and our own trial-and-error for improvements. We reviewed where we had come from in the previous years and we responded for the need for clear direction and prioritisation from our people,” Reade explains.



Business Transformation NEW ZEALAND

At the core of the next stage of the council's transformation process, is culture. According to Reade, the focus is to move from 'we' as defined as 'my team or department' to 'we' meaning the council.



"Culture change is a long term game. You have to break it down and create the right foundations and it doesn't happen over night. For us, it's key to unlock the key of motivation for our staff to make a difference to our city," she says.

Moving the non-core offshore to improve service delivery

New Zealand Post

"We're challenging the traditional way we've been doing things and finding leaders who are going to manage and lead through this. The culture we want moving forward is around being change agile and delivering value for our customers."

Changing customer behaviors in the face of a digital age were the main drivers behind New Zealand Post's decision to embark on business transformation in the 2013 'Delivering Our Future' strategy.

In recent years, the age-old organisation has seen a major shift in customer behaviour – people and organisations switching from traditional mail letters to digital alternatives – which has had a considerable impact on the financial viability of the business.

To offset this impact, New Zealand Post is revamping its back-office processes and systems with the aim to improve digital services to customers, as well as re-vitalising the organisation.

Theresa Kim, Group Manager of Financial Services at New Zealand Post says technology has been the main driver of change for business transformation.

"Technology means we've had to change and innovate to reflect how the business environment and our customers are changing. Going digital and delivering better value for our customers is going to be the way of the future," she says.

In order to achieve this, New Zealand Post is looking to new methods of efficiency by reviewing all options including offshoring, rebuilding internal systems, and identifying opportunties to simplify and improve end-to-end processes.

Earlier in 2015, the 170 year old organisation announced the decision to outsource and transfer financial services work, including payroll and accounts payable, to Converga, a New Zealand Post subsidiary with an office in Manila.

Shared Services

- Accounts Payable
- Accounts Receivable
- Finance Administration
- Box/Bag Administration

Employee Information Services (Payroll)

- Payroll Operations
- Customer Response
- Application Support

With the aim to reduce duplication of services and lowering costs, the decision to move offshore has not been without challenges. According to Kim, culture change should not be underestimated by any business undergoing transformation – no matter what model is chosen.

“We’re challenging the traditional way we’ve been doing things and finding leaders who are going to manage and lead through this.

The culture we want moving forward is around being change agile and delivering value for our customers.

We’ve focused on offshoring to look at our processes and understand how we can work smarter and create new opportunities to improve. Success is dependent on engagement and communication with our people.

This has been a key learning for us. As an organisation, we have a diverse range of people – some have already undergone major changes in their work experience and others who have not. It is critical to provide real support to our people through change, because it’s these people who will make the changes themselves down the track,” she says.

Join Theresa Kim and Patricia Reade at **Business Transformation New Zealand 2015**, to learn more about how leading businesses are improving their operational agility by:

- Identifying the most efficient operating structure, through shared services, automation, outsourcing and offshoring, to maximise productivity, reduce costs and improve agility
- Leveraging analytics to maximize the value from back office data, and use it to support strategic decision making
- Enhancing the performance of employees rather than relying on expensive technology upgrades
- Reducing cost, creating efficiency and cutting waste through business improvement, process innovation, standardisation and consolidation

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