Improving efficiency and effectiveness through back-office transformation in government

Lessons learned from Victoria Police, New Zealand Post and Auckland Council

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Australian Government organisations, like most 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; public sector organisations 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. 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 Public Sector Transformation 2016, SSON takes a look at the strategies New Zealand Post, Auckland Council and Victoria Police are using to transform their back-office through people and processes and how this is driving productivity and reducing inefficiency throughout each organisation.

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.

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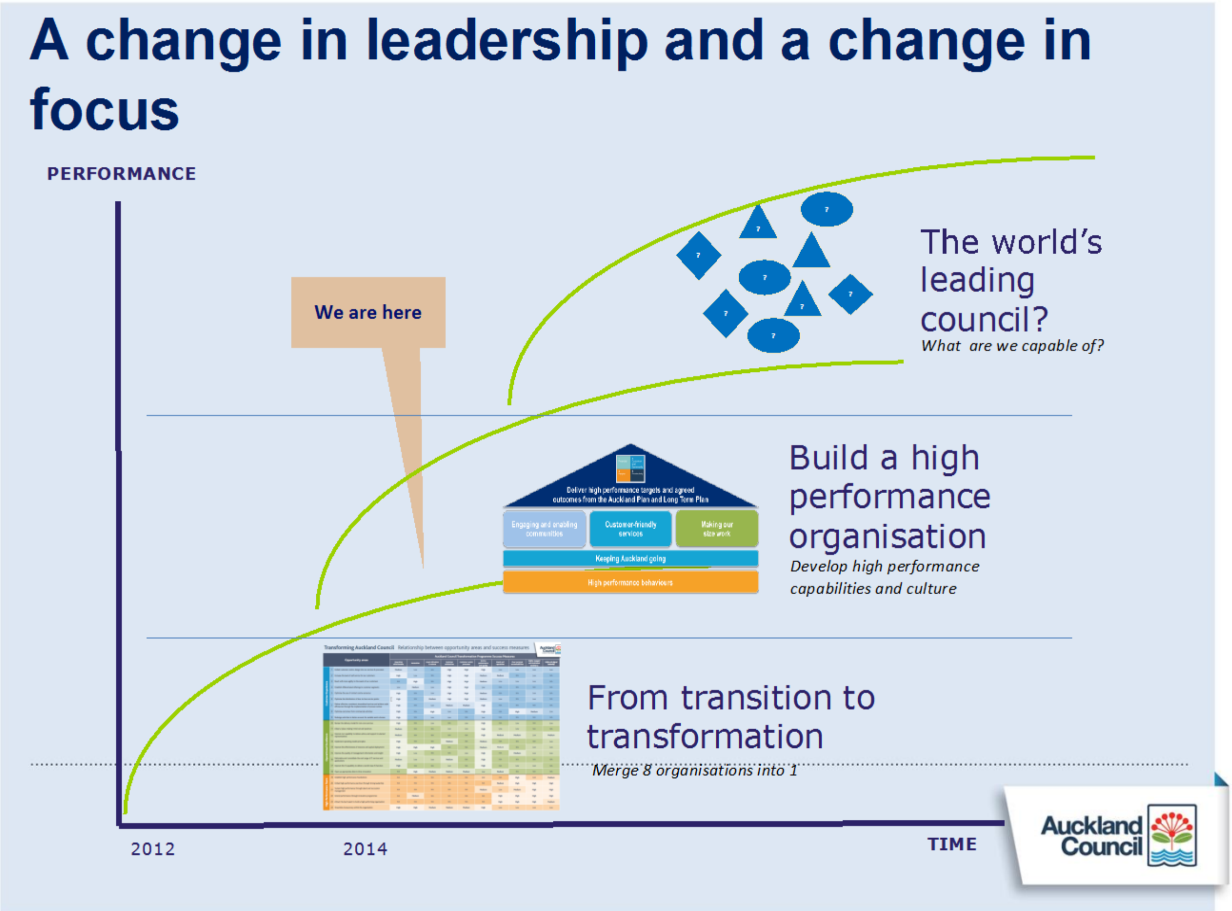
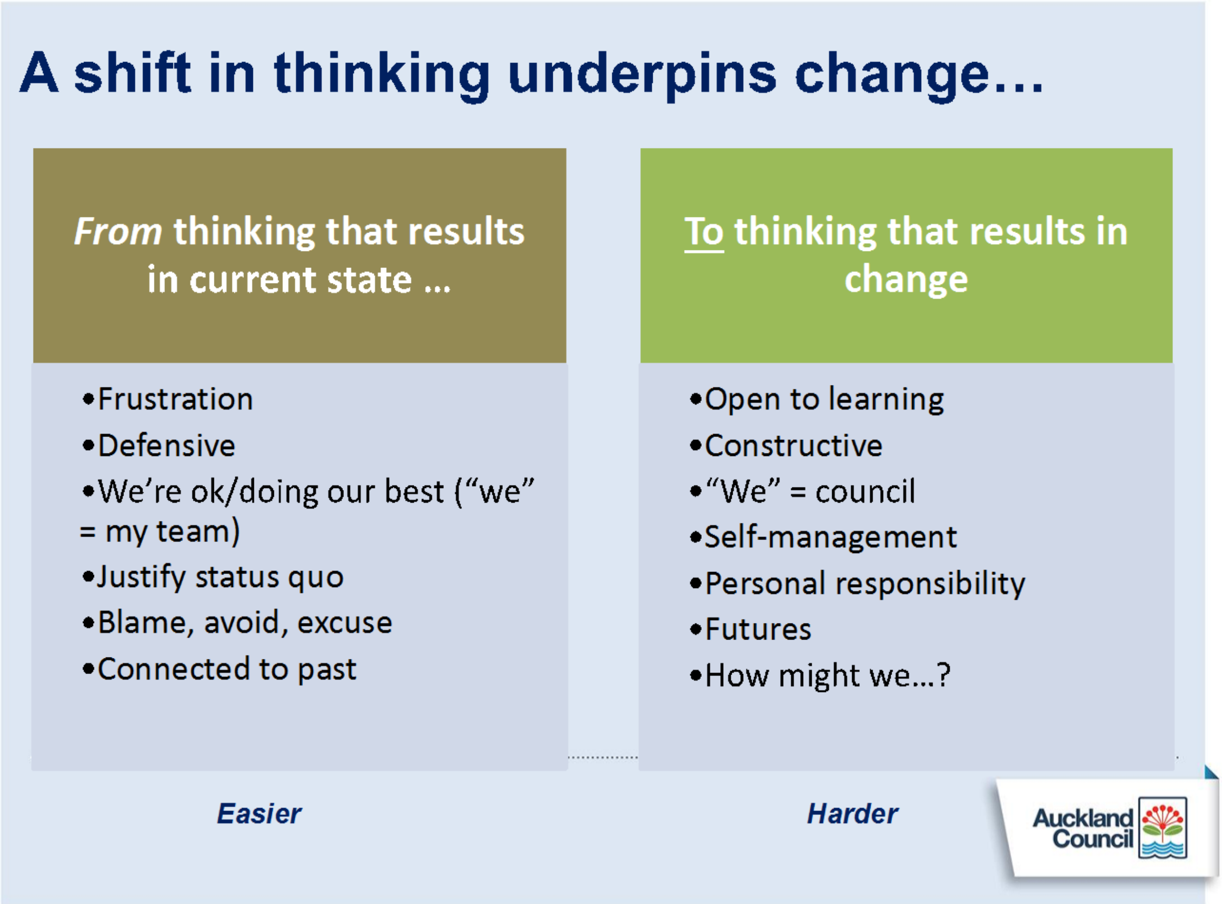
“Some of our ways of working had definitely reached their use by date and our culture needed to be re-examined. We have a goal of becoming a high performance organisation, but does that mean for Auckland Council?

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.



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.

Transforming Finance Services to reduce duplication and costs

Victoria Police

In 2011, Victoria Police embarked on a journey of transformation from a de-centralised accounts payable (AP) operation to a centralised shared services model.

At the beginning of the project, Victoria Police had 23 Finance hubs across the organisation, totalling 660 million dollars worth of transactions. According to Mark Spaziani, Finance Manager, Shared Services at Victoria Police, 60 per cent of invoices were being paid early, but 30 per cent of invoices were being paid very late – which was causing massive inefficiencies across the organisation.

“We did not have an integrated process. We did not have one, systematic way across 329 police stations to manage and supply invoices. Back-office functions did not support contemporary policing. We asked ourselves: how do we ensure operations can be supported in an effective and efficient way?” he says.

The result was the decision to move from a highly inefficient, paper-based and manual-intensive process to a streamlined AP shared services model – a project which was based around four drivers for change:

•Victoria Police did not have an integrated p2p model, which was causing inconsistent service delivery across the organisation and impacted relationships with suppliers.
•‘Back office’ finance functions would not support a contemporary policing organisation.
•Sourcing and related financial processing activities were manual, often duplicated and require heavy resource intervention (costly and inefficient).
•No Victorian government department/agency had a higher level of reliance on manual processing and ‘people’ intervention including.

But according to Spaziani, the biggest driver was the backing or direction from the then Chief Commissioner of Police *to ‘Immediately explore opportunities to modernise processes, system and infrastructure to better support a front-line policing and a holistic p2p process across Victoria Police.’*

“The highlighting and elevation of the process to one of executive buy-in from the Chief Commissioner was an incredibility important reason for the success of the project,” he explains.

In order to fully understand the challenges and complexities of transformation, Victoria Police undertook extensive research to move towards a centralised model which best suited their organisation.

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After interviewing 12 private and public sector organisations and completing data capture across 23 individual finance hubs, Spaziani and his team established the following transformation objective:

“to identify then implement effective business transformation that will contribute towards ensuring maximum organisation resources are focused on supporting frontline community policing and thus a safer Victoria.”

With the objective to improve the payment cycle and improve overall process and system efficiencies, Spaziani and his team set out to transform the invoicing process.

After working with major stakeholders across the organisation to understand the needs of the business, the Invoice Automation Solution (IAS) went live in February 2014.

Spaziani says while automation provided a number of benefits to drive efficiency, like supplier data cleansing and procurement reform, the biggest transformation was the people-aspect.

“We centralised accounts payable – we moved 23 hubs into one hub and we essentially moved people. We had a massive reduction in FTE across finance roles in the organisation and underwent realignment of current practice and knowledge of existing use of requisitions, purchase orders, invoicing and payments,” he says.

The change impact was on 17,000 Victoria Police employees and 9,500 third party vendors – a part of the journey which was much more challenging than rolling out invoicing automation technology.

“Culture change and the delivery of change, comes with loss. You are tasked with bringing people along with change, then you have to embed a new culture in the organisation to move on. That is a harder task to achieve then putting in an automated solution,” Spaziani says.

In order to deal with change management effectively, Victoria Police used a phased approach during implementation. Finance hubs were brought in over tome to minimise the impact of change and ensure greater user acceptance.

“We took a phased approach because we have to change not only the people, the culture and the back-end processes; but we needed to get them to understand, to accept and to look at the value of the process,” Spaziani says.

Nearly four years since embarking on the journey and Mark and his team have realised some impressive results so far.

Invoice automation has improved on-time payments, and supplier data cleansing and maintenance has reduced 13,500 suppliers to 9,500, improving communication with suppliers to drive efficiency. What's more, consolidated invoicing has already reduced the number of invoices by greater than 30,000.

But Spaziani says despite the progress, transformation is an ongoing journey – and it comes down to people, not the process.

"Transformation is not just about transforming the process. You are transforming people who have views, opinions and feeling about outcomes. They might not understand change initially. Communication and change management are critically important in any business transformation project," he says.

Improving service delivery by moving offshore

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

The rise of digital and changing customer behavior were the main drivers behind New Zealand Post's decision to embark on business transformation in 2013.

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

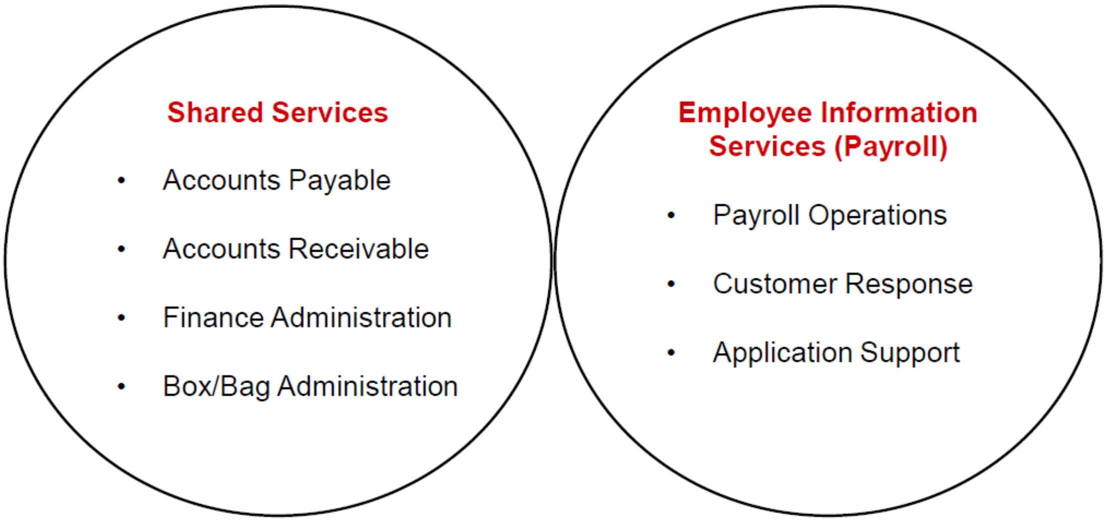
To offset these losses, New Zealand Post is revamping its back-office processes and systems with the aim to improve digital services to customers, as well as to re-vitalise the organisation.

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

"Technology is changing the way we do business. We've had to innovate to transform with 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, NZ Post is looking to new methods of efficiency through offshoring to rebuild internal systems.

Earlier this year, the 170 year old organisation announced the decision to outsource and transfer financial services work – including payroll and accounts payable – to Converga, a NZ Post subsidiary based in Manila.



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 the model they choose.

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

We’re focusing on offshoring to look at our processes to understand how we can work smarter and create new opportunities to improve. But the success of this is around engagement and communication with people.

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

*To learn more about the service delivery models currently being investigated by Australian and New Zealand government and utilities, join organisations like the, **ACT Government, NSW Government, Department of Finance, Sydney Water** and more at the **Public Sector Transformation Summit 2016**.*

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