



ANZSOG Case Program

A journey to engagement: the reinvention of Vehicle Testing New Zealand (B)

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After the extensive consultations, during which most employees and all stakeholders had a chance to have their say, the VTNZ leadership identified key areas to prioritise for change. These were: hygiene, reward and recognition, communication and management/leadership. Picking up on the expressed feeling that 'it was money before people...and people were secondary' the company looked to 'do some quick wins' to demonstrate commitment to its employees and to making meaningful changes, starting within the organisation.

One 'no-brainer' intervention was to add thermals and shorts to the uniform list to ensure employees were comfortable working in both the winter cold, and the heat of summer. There was then a move to ensure staff had access to adequate staff-rooms and also the space and equipment to safely and effectively carry out vehicle inspections.

A comprehensive health insurance scheme which included pre-existing cover for employees and discounted rates for their families was welcomed when it was introduced relatively early in the change process, Melissa Jordan said.

We were never going to be the top payers, so introducing a medical scheme was a quick win. We have an ageing workforce, 50 years plus, and we had a staff member who lost their home because their partner got cancer and they couldn't get private medical cover. We had several team members with age-related deterioration of joints, mainly hips and knees. With our medical scheme they all get cover for pre-existing for them and their families.

This case study has been written by Hamish Crimp, Victoria University of Wellington, for Dr Geoff Plimmer, VUW, from field research and published information. It has been prepared as the basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation.

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Torque magazine was introduced to improve internal communication between senior management and employees. *Torque*, to be found on most smoko room tables, was circulated amongst VTNZ employees and included stories about staff events, personal interests outside work, employee weddings and customer care. In addition to *Torque*, a six-weekly team brief outlining business matters began to be distributed to employees, as well as roadshows outlining business changes, and an intranet page dedicated to keeping staff informed about organisational changes.

Walking the same path, going in the same direction

‘One of our strengths is that the leadership team are all very consistent. None of this could happen unless the Chief Executive and his leadership team were all on the same path’, Jordan reflected, looking back on the period of organisational change. Chief Executive Mike Walsh and senior management made a concerted effort to demonstrate that they were aligned and consistent in what they were saying and doing and in their commitment to the need for change. This meant that the general managers need to get along amongst themselves and with the CEO. While sharing the same values and working with the same overall strategy, it was also important that the rest of the organisation could see there could still be lively debate about how change might be brought about.

As the change process gained momentum, Melissa Jordan sounded out the concept of a flatter hierarchy, where area and to some extent station managers took over what had been the two regional manager roles. Implemented following a positive response, and redeployment to a new position, the change would prove to work well. With area managers reporting directly to head office, communication both ways between area managers, station managers and the senior management team improved. Chief Executive Mike Walsh made a point of visiting every station every year.

The importance of station managers

A longer term focus for the change process was the behaviours and competencies of the 64 station managers who were in direct contact with their employees every day. People skills were paramount, Jordan said:

If you see a station manager who really cares about their people you can tell. If they’re faking it our people can tell and you’ll see low engagement. So they actually want a manager who generally cares about them.

But for VTNZ’s growth orientation, other skills were also important, and there was a major review of the station manager job description, with area managers influential in driving the change. There was now a focus on managerial rather than mechanical skills, and taking direct responsibility for managing the station’s budget and profit and loss. Acknowledging this could involve a major mindset change for some, focus groups of staff were asked ‘What makes a good manager? What makes a bad manager? What are the qualities you want to see in a good manager? What skills do they need?’

The exercise brought out a number of role and organisational competencies that were captured to be incorporated into recruitment and performance management activities. Specific role competencies for station managers included having knowledge of general business principles, the ability to make timely and sound decisions, and having effective delegation, negotiation and conflict management skills. Organisational competencies which station managers are also expected to possess include having a customer focus, acting with integrity and trust, being an active listener, an effective motivator of others, and being dedicated to building effective teams. With less emphasis on mechanical skills, more women were attracted to apply to be station managers.

Performance management was overhauled to ensure the process became a two-way meaningful conversation. Managers could still give a numerical rating to employees, but only if they felt it would add to the feedback process. As well as the task of performance review, station managers were given

the direct responsibility for setting employee remuneration through the use of budgetary guidelines. This was not popular with some, although training and support was available. Again it was made clear to managers that they needed to be on the organisation's side, and if not, VTNZ might not be the right organisation for them. Some managers took the challenge to change their ways, some chose to leave the organisation, and in a few cases there were assisted departures.

The concept of two-way conversation was extended beyond performance reviews and into day-to-day workplace interactions, with managers having a ten-minute conversation with all employees on a regular basis. This could involve talking about their work, or personal lives, but it must be authentic with the manager genuinely caring about what the employee has to say. As Melissa Jordan said:

We've moved into a very competitive environment and so what we need is for our people to be happy, to want to be here. We need to create an environment that people want to be there. And the biggest thing around that is communication, and so communication on all levels, being more chatty right down to one to one performance reviews.

A focus on customer service

With a number of internal changes under way at VTNZ, the company could turn its attention to customer service. Each station already had at least one Customer Service Representative. However, there was considerable variation in their role and tasks. Some were prioritising back office administration work over serving customers, and others carrying out unnecessary tasks. It was clear that some stations were well over-staffed.

The change team now started a project to determine best practice and ensure performance expectations, processes and customer service levels were consistent across all stations. This resulted in a productivity measure being developed to determine the appropriate number of Customer Service Representatives required at each station. It would provide some consistency to decisions made when, after a downturn in the WOF market, VTNZ for the first time needed to downsize its workforce, 'one of the most difficult things we had to do' in Jordan's view.

To 'take customer service from good to great,' the customer CARE project was launched. A project team identified the four moments of truth for a customer visiting the station: the look when they walk in, how they are greeted, handing over the results and the farewell. Each site was then invited to discuss how they would manage each moment of truth in the style that felt right for them.

Each year an awards dinner is held to recognise top performing VTNZ teams and individuals. The Customer Service Award is given to the station with the best results that year. Individual awards include the Cameron Award, which incorporates customer service criteria, a Sales Star Award for sales, an Internal Customer Service Award, and Station Manager of the year award.

By early 2014 staff were also receiving instant feedback on their standard of customer service, with customers able to provide feedback using their receipts; excellent feedback is celebrated within stations and sometimes displayed on the wall, while 'wows' are put on the intranet.

In November 2014 VTNZ was awarded the coveted IBM Kenexa Best Workplace award. VTNZ topped 227 other New Zealand organisations to take out the award which recognises excellence in twelve categories including leadership, culture and engagement. The win follows VTNZ's 2013 success when they were named the IBM Kenexa most improved workplace.

VTNZ statistics before and after the change process		
	2004/5	2014
Engagement Profile	37% Hewitt (Best employers @ 79%)	58.1% JRA/IBM Kenexa (Top 25% @ 54.4%)
Staff Turnover	23% plus	12%
Customer Satisfaction	60%	85%

A new era?

The 2013 purchase of 60% of VTNZ for \$36 million by German owned DEKRA has presented VTNZ with a range of opportunities and challenges.¹ VTNZ now has some involvement in global issues and has experienced some compliance-related change such as moving their financial year to align with DEKRA. Senior managers, and CE Mike Walsh especially, undertake more international travel meaning they are away from VTNZ for a greater proportion of the year.

DEKRA has made it clear it admires many of VTNZ's practices; the idea of moving away from numerical performance ratings and formal annual reviews has already been the subject of lively debate. DEKRA hopes to emulate the successful engagement journey of VTNZ across their global companies. Mike Walsh is leading a global culture change initiative, with assistance from Melissa Jordan.

Events continue to underscore the need for VTNZ to be an agile and 'change able' company that can handle both competitive threats and growth opportunities. The New Zealand regulatory environment continues to change with amendments to the WOF and COF regimes announced in 2014. From July 2014, vehicles first registered after 1 January 2000 only require WOFs every twelve months, as opposed to six. For new vehicles, after their initial inspection, another will not be required until third anniversary of their first inspection. The COF market was also de-regulated with the NZTA opening the market up to more COF providers, and also allowing COF providers to also carry out vehicle repairs.

In 2015 VTNZ was awarded the practical driver testing contract for New Zealand. This required the recruitment and training of a large number of people in a short period of time (3 months). The company achieved this in the time frame required with the systems in place to support them. Melissa believes 'a major contributor to our successful delivery was our highly engaged team members who went the extra mile to make this happen'.

A national shortage of heavy vehicle inspectors has also required VTNZ to recruit internationally. This has resulted in a much more diverse workforce with staff from Zimbabwe, Canada, South Africa as well as the Fijian Indians who have been part of the business for some time, especially in Auckland.

VTNZ has decided to place more emphasis on developing a sales culture which includes the use of performance incentives, and also on marketing VTNZ's strong internal and people-centred brand to the external market. VTNZ also expects to align future developments with the safety focus of DEKRA. As staff photos (see exhibits) show, VTNZ has become a different organisation over the past decade. Melissa Jordan says there is still a long way to go. 'Our brand internally is very strong, but in the market people still think we are a government agency and a place where old mechanics come to retire. We've got to change that.'

¹ DEKRA is a large international organisation headquartered in Stuttgart, Germany. Its three major business units 'Automotive', 'Industrial' and 'Personnel' provide a range of services in more than 50 countries.

Exhibit 1 VTNZ Timeline – Key organisational and legislative changes

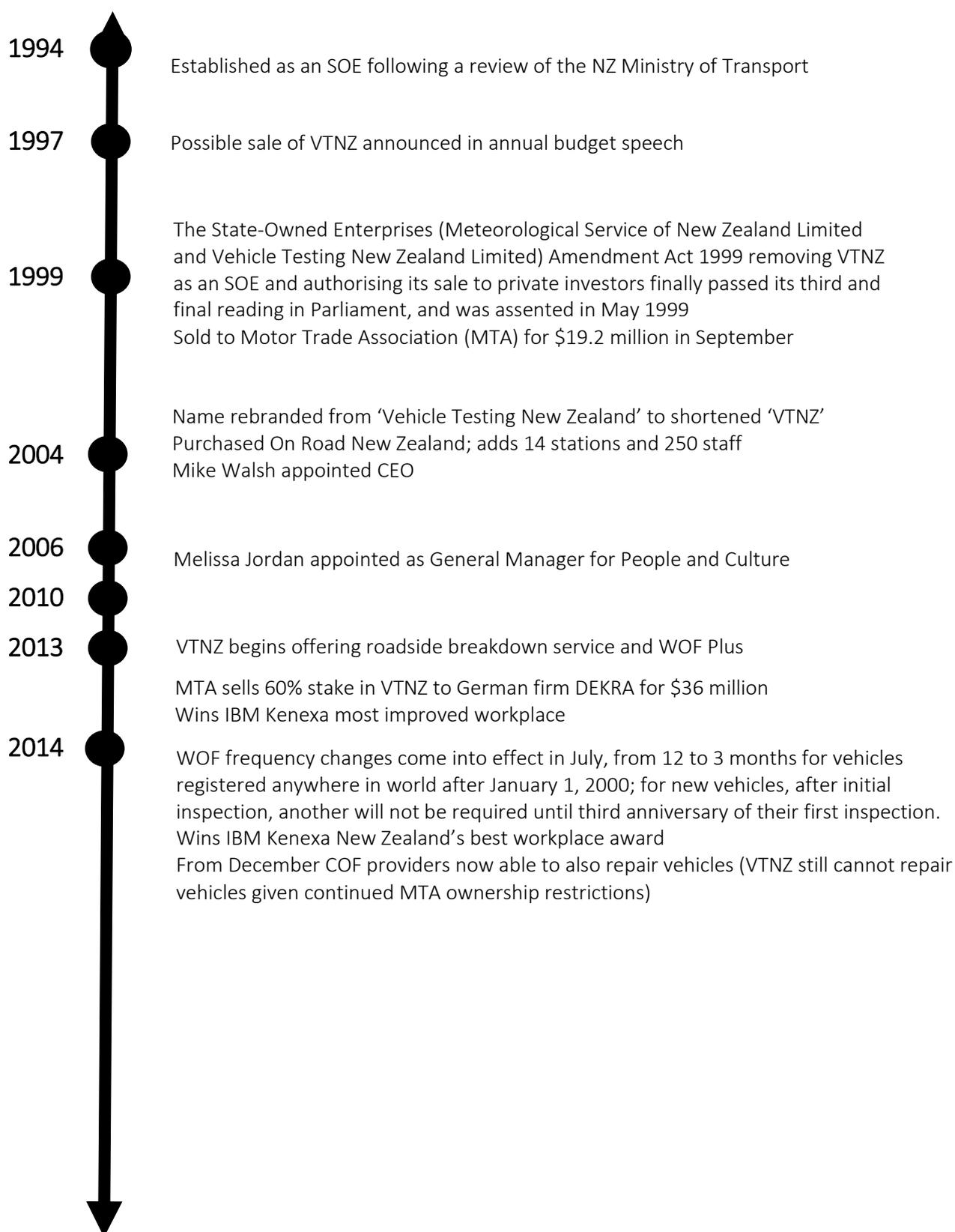


Exhibit 2: VTNZ Values

Our values

We will always value:

Our customers and their time

We understand that the customer's time is valuable so their service requirements will be processed in a matter that is efficient and informative without compromising quality.

Operating a professional and successful business

We operate a successful business through the achievement of identified strategic goals and business objectives including profitability, growth, customer satisfaction, staff satisfaction and quality.

Working as a team, sharing ideas, helping and encouraging

We have open, honest and transparent communication channels that inform others about relevant issues on a timely basis and encourages the sharing of ideas and feedback.

Having fun and celebrating our achievements

Culture that rewards and recognises behaviours that adds value to the organisation and acknowledgement of these behaviours to motivate further.

"The loveliest person I have ever met in customer service served me, she was friendly, observant, funny and helpful, and everything you would want in an employee."

Our Pact

At VTNZ, through loyalty and our can-do, will-do attitude, everyone will feel valued and we will delight each customer.

Code of Ethics

The VTNZ Code of Ethics promotes an ethical environment where all parties: management, employees, customers, suppliers and partners are treated with honesty, respect and professional integrity". VTNZ upholds this code in their Employment Policy.



New Driver Testing Officers on training.

Source: www.vtnz.org.nz