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Australasia

Water Works

A couple of years ago, Jenny Bailey had a eureka moment. It was the realisation that her main task was not customer service. As the manager responsible for a call centre handling 800,000 customer contacts a year, that's a big statement.

Not that customer service was unimportant, far from it, but Bailey's role as General Manager Customer Operations for Yarra Valley Water (YVW) also gave her responsibility for the crucial metering and billing functions of the organisation.

While YVW has won awards for its customer service, the overwhelming majority of customer calls are about bills and accounts rather than service issues and faults. A few years ago, however, the business did not explicitly recognise that managing the billing process, rather than customer service, was the *raison d'être* of its customer operations group.

That has begun to change, and the water retailer, one of three servicing the greater Melbourne metropolitan area, is transforming its operations in a way that has it at the leading edge of water utilities.

That's not a bad place to be when the industry you are in is caught between a long-term drought eroding revenue growth and governments trying to increase supply without significant costs to users.

The Requisite Organization business model holds individual accountability as the key to employee performance. Jackie Allender reports on a call centre case study at Yarra Valley Water.

Requisite Organization

Bailey's realisation came two years ago, courtesy of an organisational system – Requisite Organization – that has since been adopted throughout the company.

The Requisite Organization (RO) approach is not new. However, it has had plenty of success in organisations, most notably in Australia at CRA (now Rio Tinto) where it was introduced by then CEO Sir Roderick Carnegie. During the early 1980s through to the mid-1990s, CRA underwent an RO-based transformation in organisational design.

Carnegie implemented the ideas of psychologist and psychoanalyst Elliott Jaques – who developed the notion of RO – to resolve long-standing productivity issues in the company's Pilbara operation among others.

It was a contrary approach to those taken by other mines in the region. Instead of continuing divisive employee/employer strategies, Carnegie felt that mutual trust would bring better results in a business that traditionally had little. He overhauled the way the mines were organised and managed, aiming to re-engineer relationships between managers and staff.

The results were seen in dramatic productivity improvements, including at Hammersley Iron (Pilbara) and Comalco Bell Bay (Tasmania).

The term *Requisite Organization* originates from the book by Dr Elliott Jaques, 'Requisite Organization', Cason Hall, 1998.

PeopleFit Australasia Pty Ltd
ABN 14 107 034 837
Suite 409, Princess Tower
1 Princess Street
Kew Melbourne VIC 3101 Australia

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Melbourne Phone: +61 3 9852 8307
Perth Phone: +61 8 6102 0088
Email: deane@peoplefit.com.au
Web: peoplefit.com.au

The organisational revolution in the mines of the Pilbara seems a long way from YVW's suburban Melbourne headquarters. But in her way, Bailey is aiming for something revolutionary.

"I am passionate about wanting to create an organisation where the business and the people can achieve their potential, whatever their role and level," she says. "Requisite Organization is about providing the framework that enables people to do that."

Tackling problems

When she took on the customer-operations role, Bailey's biggest challenge was to sort out what the real objective of the group was.

With a bachelor of engineering degree and an MBA, Bailey thought that she had all the tools she needed to get the best out of a diverse group of almost 200, including part-time call-centre operators and a team of six-sigma business-process specialists.



"I had never managed non-professionals or such a large number of people," Bailey admits. "I asked people what they thought our purpose was, and they gave me a lot of different answers; that worried me."

Although the group was performing well, some indicators either didn't seem to measure what the group was really about in the first place, or had stubbornly refused to improve. Other issues involved informal work requests from other departments that were overloading key staff. Role descriptions and accountabilities weren't clear, giving rise to conflicts. Furthermore, her business-process specialists were frustrated because they were blamed if process improvements weren't well implemented, despite the fact they were not responsible for implementation.

Bailey found the lack of clarity about the group's objectives was affecting activities all the way through. Call centres are notorious for high staff turnover and for operators not fully understanding the business they are representing. In Bailey's case, her call-centre staff believed their job was to answer phones: "Of course, it is that, but it's a lot more as well," she says.

So being able to successfully engage the operators to deliver what the business wanted – quality customer service that improved the efficiency of the billing process – was clearly a big task.

Bailey also had to establish and manage a major \$18 million IT billing project with significant implications for the rest of the business.

In recent times, YVW has employed a range of management/business improvement tools to improve the effectiveness of the business, most of which, Bailey says, have been useful.

Jaques's work focused on individual capability (and differences in capability) and the consequences of those differences for how organisations should be structured and work performed. In his lifetime (he died in 2003) he published widely in psychology, sociology and even economics (where he looked at pricing as well as employee compensation).

While he saw hierarchical structures as essential to perform work, Jaques wasn't into endless layers of bureaucracy. He saw individual accountability as the key to unlocking organisational performance.

How did RO help?

The first step was to clarify their task so that everyone in the group could engage with it. A workshop with her direct reports, facilitated by RO consultant Sheila Deane of PeopleFit Australasia, enabled Bailey and her team to identify the billing and account management role, and to realise that excellent customer service was a tool to achieve excellent billing management, not an end in itself.

The next step was to clarify accountabilities; to cut out informal work requests by ensuring that only managers could assign tasks, ensuring work requests were routed via the responsible manager. Likewise, it was made clear to those who wanted to use the services of business-process specialists that implementing their recommendations was the responsibility of the appropriate division or group.

A system of task assignments – a typical component of RO practice – was set up. Workshops were held to clarify complex tasks. For each project (from implementing a billing system to making process improvements), managers write up task assignments, briefing sheets that specify what is required, when, what resources are available, and so on.

Managers of divisions were made accountable for the tasks of their reports, minimising the temptation to pass the buck if something is not working out.

"It seems very simple," says Bailey, "but making people accountable not only for their own work, but for the output of their immediate reports is really powerful. It means managers are motivated to do their job – to facilitate the work that needs to get done and to quickly sort out any issues that arise."

This had the effect of moving real accountability downwards in the organisation, enabling team leaders in the customer-contact centre to genuinely engage their teams on the task in hand.

Gradually, as the process of accountability flowed through each level of her group, Bailey realised she needed to do more work on the group's structure.

One of the first things was to place the business process specialists in the areas of the organisation where they did most of their work. That way, their accountabilities were aligned with the part of the organisation that would benefit from their skills.

It also became clear that some parts of her group belonged elsewhere. An organisational restructure in mid-2007 gave Bailey the opportunity to ensure everyone in the group was aligned with the task of billing and account management. The group changed its name to Billing and Contact Services. At the same time, the group also shed some activities that logically belonged to other parts of the organisation.

"If I was into empire building I would have kept them," Bailey says. "But you have to look at how your business can optimise the resources it has."

Although results won't be seen immediately, recently, a number of performance measures have trended upwards, including those around caller satisfaction. The group also met its performance targets and came in under budget in 2006–07.

Says Bailey: "Elliott Jaques said it is wrong to try to change the people; you have to change the organisation. We've got more freedom now to focus on the things that really matter – process improvement and customer service – and that is better for the people here."

Jackie Allender is a Communications Consultant with Yarra Valley Water.

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Requisite Organization – a summary

Requisite Organization is a total systems model for organisational design developed by Canadian Dr Elliott Jaques.

- Work is the exercise of discretion to solve a problem over time within set limits. Properly enabled work is innovation, creativity and imagination.
- Human beings have legitimate psychological needs to work to their full capability and always look for ways of doing that. They are already motivated.
- As a species, we need highly productive, wealth-producing organisations.
- We can resolve the seemingly conflicting demands of the organisation with the legitimate needs of employees. They are both fundamentally and vitally interested in productive work.
- Human productivity is reduced by fear and enhanced by mutual trust.
- Humans naturally have different levels of capability and thus naturally form themselves into hierarchies.
- People see as their manager the person whose level and complexity of work is one level above their own (no matter how many other managers are intervened between the two).
- The level of complexity of work should be matched to the capability of the person expected to perform the work.
- Requisite Organization's aim is to clear the way for people to achieve their full capability. It places emphasis on getting the most appropriate (and simple) structure, ensuring that role relationships are appropriate and well understood, and matching tasks to people's capabilities.
- Accountability for effort (but not for things outside the employee's control) is fundamental to enabling people to achieve their potential.

Source: PeopleFit Australasia, Yarra Valley Water.