

Delivering the Future – New Zealand Post’s Journey Into the Digital Age

Vishnu Nair, Grant Pryde | Feb. 22, 2016

A winning formula for a successful transformation process from one of the most traditional organisations in the New Zealand market.

New Zealand Post (NZ Post) has a rich history stretching back 170 years. Back then, the organisation was dedicated solely to the business of mail.

Today, as the New Zealand Post Group (the Group), it is a modern, sophisticated, state-owned enterprise, providing an extensive range of mail, parcel, logistics and financial services in a competitive marketplace. The Group, which has approximately 9,000 staff, consists of three main businesses:

New Zealand Post (NZ Post) is the mail business which delivers just under 700m mail items per year to around 1.94m delivery points. It also provides postal, parcel and bill payment services through a nationwide physical store network, processing more than 19m transactions a year.

Express Couriers Ltd (ECL) is a wholly-owned subsidiary of NZ Post and a former joint venture with DHL, which supports the Group’s primary domestic parcels and logistics business, delivering more than 41 million parcels a year.

Kiwibank, the third and final component of the Group, is the fifth largest bank in New Zealand, providing a comprehensive suite of financial services to over 850,000 customers across the country.

The writing on the wall

In 2013, the Group decided to confront head-on, a key challenge to its existing business model – the increasing use of technology in everyday life.

Over a five year period, NZ Post had seen its letter deliveries drop from 914m to 697.5m. According to Group forecasts, this decline was set to continue (and possibly, accelerate) over the next four years, with mail volumes expected to drop below 500m.

This trend was clearly reflective of the global marketplace where physical mail was rapidly being disrupted by electronic communication and payment methods. E-commerce was delivering greater speed and efficiency in business-to-business and business-to-consumer transactions.

With mail deliveries being a cornerstone of the Group strategy, something needed to be done, and done quickly. As Brian Roche, Chief Executive of the New Zealand Post Group put it, “The biggest risk was of status quo, that we would do nothing.” Those thoughts may well have echoed around the Group boardroom table, resulting in a development that would determine the organisation’s future until 2017.

Unveiling the future

Launched in November 2013, the five-year ‘Delivering the Future’ strategy is aimed at shifting the cultural mindset surrounding NZ Post, helping it to move from a product-oriented business to a services business more attuned to its customers. The key thrust of this strategy can be boiled down to a single tenet – deliver greater value to earn greater returns.

Through this strategy, the Group committed to three key themes to ensure financial and operational sustainability: Grow the parcel and logistics business; Innovate and serve by utilising technology to allow customers to interact with NZ Post, when, where and how they want to; and reduce operating costs across the business.

However, to implement this strategy successfully, NZ Post would need to explore synergies with its courier subsidiary, ECL.



Merging cultures

With the steady drop in mail volumes, NZ Post estimated that it was losing approximately \$30m annually in revenue, which needed to be offset by growing other parts of the business. In line with its growth strategy, an obvious solution appeared to be merging the Post and ECL businesses. This would allow utilisation of the existing Post network and other considerable economies of scale to run a streamlined, commercial and more cost-effective parcels and logistics business.

However, the proposed merger of NZ Post and ECL could not be discussed without considering the elephant in the room: the cultures within both organisations could not have been more different.

Historically, NZ Post had a more paternalistic culture, supporting employees often throughout their careers, aided by building strong ties with communities across the country where mail centres were based. In contrast, ECL was considered more agile, employed contractors and adopted a faster, more commercial approach.

As described by Jo Avenell, Group General Manager – Customer Experience, Brand and People, these cultural differences became starker when the two entities merged in 2015. However, it gave rise to a particularly fruitful initiative aimed at supporting the organisation's core resource: its people.

Future Zone

“No man steps in the same river twice,” said famed Greek philosopher Heraclitus, referring to the constancy of change.

NZ Post was an organisation coming to terms with its legacy as an ageing postal service. It would need to embrace change rapidly, if it wanted to stay relevant. However, as a state-owned organisation, it could not adopt a radical plan of change that would alienate its employees or its stakeholders.

Prior to the merger, staff at NZ Post were concerned about their future. A significant number had spent most of their careers with the organisation and had never considered transitioning to other careers before. The possibility of the change impacting upon their long term employment was very real.

Driven by official announcements made in 2013, the following initiatives were aimed at reducing staff numbers by 2,000 over subsequent years:

- A move to alternate-day delivery for standard mail in urban centres;
- Reduction of processing sites down from 55 to three;
- Integration of mail and courier functions across key provincial sites;
- Trialling Integrated Delivery Agents – battery-powered, mid-range mail delivery vehicles as an alternative to postie-powered bicycles and courier-driven vans.

In order to minimise the negative impacts of these changes and to honour its commitment to its employees, many of whom had served the organisation for three generations, NZ Post launched the ‘Future Zone’ initiative. Targeted at those whose jobs were changing or being made redundant, the programme offered a suite of career support initiatives interweaving retirement, budgeting and interview skills workshops, amongst others.

Staff were also offered the opportunity to gain additional educational qualifications by attending courses during the working week. With close to 1,000 employees registered in the program, the initiative and NZ Post have won a number of corporate awards for helping staff recognise the skills they have and articulate them successfully to prospective employers.

Benchmarking

The success of the “Delivering the Future” strategy also rested on NZ Post’s ability to leverage best practices from postal organisations around the world. On looking at various global models, the leadership team finally looked to two countries, both with state-owned postal services: the Netherlands and Norway.



While both organisations employed best practices NZ Post could emulate, Ashley Smout, Chief Operating Officer – Service Delivery, noted that Norway was the better model. This was because it mirrored New Zealand in population size and geography, thus providing more parallels between the services provided by the Norwegian postal service and NZ Post. As a logical next step, a team of top union officials and senior NZ Post leaders made a visit to Norway.

The trip was a learning experience and a resounding success. Key deliverables from the visit have since been integrated into the existing transformation process, and union officials have embraced the changes.

Measuring success

Prior to Christmas 2015, the NZ Post senior leadership team met for its final quarterly strategic review to discuss the progress of their initiative. An evaluation revealed that overall, the signs were very encouraging thus far.

The sell-off of non-core assets had freed up capital to allow NZ Post to focus on its core business following the ECL merger: parcels and logistics.

Engagement survey scores had trended higher despite staff reductions, signalling the success of the Future Zone programme. Internal communications had been strengthened with frontline leaders now empowered to take decisions and communicate change, a practice previously viewed more as a prerogative of the ‘head office’.

Road shows held at fixed intervals and involving the entire leadership team had proven successful in connecting with staff across sites, allowing them the opportunity to discuss issues at regional and personal levels.

In terms of cultural implications, members of the Group leadership team have already remarked on the new 'one team' approach that has characterised operations since the merger of the mail and courier businesses. This collaborative approach is marked by the greater emphasis now placed on commercial objectives and the bottom line, in contrast to the Group's prior reputation as a 'community based' organisation 'providing a service'.

Overall, the change process has been a tremendous learning experience, particularly for the organisation's leadership team. While other aspects of the cultural transformation process are currently being worked through, there is increasing evidence that leaders across the business have taken ownership of the change and are influencing more employees to get on board.

Looking ahead

NZ Post's challenge is to maintain the momentum built during its transformation. The senior leadership team has been successful in collectively making some tough decisions with, at times, imperfect information. The team also achieved what was thought to be impossible prior to 2013: it has inspired staff to embrace change as 'the right thing to do'.

The work isn't finished. Challenges remain in the form of adherence to change timelines and the ability to run the day-to-day business while simultaneously guiding change deliverables.

As an organisation, NZ Post is one of the most successful examples of transformation within New Zealand's state-owned enterprise sector. It has achieved this status by taking its employees along with it as it transforms from a traditional postal organisation into a customer-focused, technology-savvy digital organisation.

The next two years will be crucial for NZ Post as it accelerates towards the finish line. In hindsight, it's clear the right building blocks are in place. The majority of employees understand the rationale for change, the senior leadership team has taken key elements of the services business to inform strategic planning and the use of technology is geared towards making life simpler for the customer.



Vishnu Nair

Vishnu joined IRC New Zealand (Ichor Leadership Search) as a Researcher in October 2012. With interests in international business, he brings over eight years of experience across the banking and financial services industry. In November 2014, Vishnu was made Senior Research Associate.

Having lived, studied and worked in seven countries, Vishnu contributes a global perspective and has developed broad expertise across human resources, business development and operations management.

He has a keen interest in people and what drives them to achieve, and is constantly seeking new ways to uncover talent and build capability for our clients.

Utilising his extensive experience in shaping the recruitment and executive search strategies for a global banking and financial services brand, Vishnu works closely with our consultants in conducting a range of searches across multiple sectors.

He holds a Master of Business Administration (Merit) from Victoria University of Wellington and a Bachelor of Business Administration (Honours) from Cardiff University in Wales.

Vishnu is also responsible for managing Ichor's social media presence.

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Grant Pryde

Leading the IRC New Zealand (Ichor Leadership Search) team in Wellington, Grant has been a Director of the company since 1999.

Well-known for delivering advice that works to enhance organisational success, Grants particular expertise is in leading national and international search assignments and in completing complex projects that bring together the best leadership teams. Grant has over 28 years experience in executive search and has developed long-standing client relationships advising Boards, Chief Executives and senior leaders.

His consulting career began with an international search firm, which he became a Director of in 1991. He then joined an Auckland-based firm where he conducted international searches predominantly in the professional services, information

technology and government sectors.

Commencing his career in human resources and training and development, Grant moved to the information technology industry, where he held several national management positions before transitioning into management consulting.

Grant holds a Bachelor of Education from the University of Canterbury, and a Diploma in Business Studies from Massey University. He is a member of the Institute of Directors.

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