

ANZSOG Case Program

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

(TEACHING NOTE)

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Synopsis of case

Vehicle Testing New Zealand (VTNZ) is a former government agency, state owned enterprise and, most recently, a private sector firm. It was privatised in 1999 for a sale price of \$NZD 19.2 million. In 2013, sixty per cent of it was purchased by the German testing company DEKRA for \$36 million, despite limitations by its majority owners (a trade association of garages called the Motor Trade Association) that had limited its activities to date so it would not compete with the activities of its members. In 2014 VTNZ won an award as the most engaged workplace in New Zealand.

This case is a good example of the introduction of private sector management techniques to a once public organisation. The case – of a shift from public to private sector management – provides a lens with which to explore the following:

- whether the introduction of private sector techniques would ever have taken place under public management, and if not, why not
- how to introduce strategic human resource management techniques
- whether private sector strategic management techniques are effective and in what circumstances they may or may not be effective.

How this case might be used

This case deals with HRM in a former government agency undergoing transformational change. This teaching note focusses on three conceptual areas for analysis:

1. Change Management.

Change management initiatives in both the public and private sectors often fail. This case can outline 'success factors'.

This teaching note has been written by Dr Geoff Plimmer, Victoria University of Wellington. The use of teaching materials is restricted to authorised persons.

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2. Human Resource Management

VTNZ used a number of specific management practices to improve organisational performance. These practices have evolved through two changes of ownership. The case can explore the evolution and success or otherwise of VTNZ's initiatives.

3. Contextual issues and differences between public and private sector management.

Finally, it will explore whether they could have been applied when VTNZ was under government ownership, and the role of owners, whether government, a trade association or most recently as a subsidiary of a German multinational in shaping strategy and outcomes.

Target audience

Senior public sector managers; post-experience and postgraduate students.

Possibly advanced undergraduates.

Suggested teaching plan:

Preparatory note: Decide whether this case will be taught as a one-off, or part of a course; if the latter, also consider where the case would be placed, what would precede and what would follow.

Teaching from a Human Resource Management (HRM) perspective

The **objectives** here are to:

- Analyse and evaluate HRM processes by describing the HRM practices at the time of privatisation
- Describe aspects of the HRM culture and status of HRM in an organisation
- Analyse HRM practices as a mechanism for organisational change. This could cover a number of aspects:
 - An analysis of the current state and context of VTNZ, including market and customer needs and their relevance to organisational strategy
 - What are HRM implications
 - How HRM was used as a lever for change
 - What internal or contextual factors allowed these changes to take place

A possible **opening question** would be to ask for a show of hands:

How would you describe the state of VTNZ at the time Mike took over?

Then a **transitioning question**:

How would you describe VTNZ HR at the time Mike took over?

- *HR practices – covering recruitment and selection, performance management, pay, training*
- *The HR culture and context – the underlying ethos and the drivers.*

These could also be charted on a white board, with a column for recruitment, selection, training and development, performance management and pay. Encourage participants to make inferences based on prior knowledge of similar organisations.

This discussion might bring out things like the possibility of VTNZ having poor customer focus, weak direction, unskilled managers and little autonomy or accountability. HR practices could be described as secure for staff but with low investment and involvement, and not performance focussed.

A **clarifying question** could concern the psychological contract when Mike took over.

A new whiteboard with headings of 'consequences' and 'culture', where people could try to map the dynamics or inter-relationships between HR and culture might help. For instance, if people suggested chaotic and authoritarian, connections could be drawn between poor performance management of branch managers, poor feedback loops and poor incentives.

The **major question** concerns the redesign of HR – and what were the steps to reform:

What opportunities and barriers did such a change face? [Such as a cohesive management team but a remote long-tenured workforce].

What data sources were available at the start (and what were not?) [Engagement surveys, customer surveys, revenue and turnover (rigged)].

Options for change could be white boarded, seeking a reasonable amount of detail.

Sequencing of change could then be discussed.

A **final question** could concern HR systems and implications for other workplaces:

In what situations can unions be pro-productivity?

How common are tales such as that, and what are some other trajectories VTNZ could have taken?

Is VTNZ an exemplar? A freak? Or a standard change management initiative?