

The Road Ahead: The Royal Automobile Association (RAA) of South Australia.



By Ian Stone and Andrew Olivier. October 2009.

Ian Stone is CEO of the RAA and Andrew Olivier, who is presenting this paper, is an external advisor who has assisted the Organisation on its transformational journey. This is the first part of a Case Study, presented at the Third Biennial World Conference of the Global Organisation Society in Buenos Aires, 2009.

Background

The RAA is a Southern Australian icon which since 1903 has been serving its members in providing roadside assistance, travel information and more lately insurance. The Association, with more than half a million members, (representing more people than any other organisation, outside State Parliament), liaises with State Government bodies and plays an advisory and advocacy role on their behalf. It is a member of a global association of motoring clubs.

In mid October 2007 the over a century old RAA, had a new CEO appointed. Mr. Ian Stone was the fifth CEO in its 105-year history.

Ian wanted to reposition the Organisation and refresh its strategies, structures, systems and the way it managed its people. The culture was sensitive, as it was a “family” organisation, with many of its just under 1000 employees having served for twenty years plus, the average period of service being 12 years.

Ian had been introduced to the ideas of Elliott Jaques when he headed up the RAA Insurance Company and wanted to introduce the same concepts and leadership principles in RAA.

The OD intervention. August 2007 – September 2008.

The Executive Team

This period started with a change to the executive team and over the next six months new General Managers were appointed in Finance, Sales and Marketing, and IS. The other divisional areas of Operations, Public Affairs and Human Resources remained unchanged, except for the fact the HR manager's position was upgraded to General Management. An external consultant was appointed to assist the project as an external adviser.

Current capability and future potential were all key aspects of General Manager Selection and the new CEO set about building himself a competent team of high potential individuals. He had great plans for the future.

The Strategy

Automotive clubs around the world are built on a strong foundation of responding to people in need. For multiple decades, in some cases more than a century, they have provided the answer to one of the motorists biggest concerns - that their car will break down and they won't know how to fix it.

Providing such as a valued service has been reflected in the internal culture of motoring clubs, which are often considered to be wonderful working environments with many lifelong friends made in an atmosphere that resembles a large family company.

The need is to maintain costs and in some markets competition have driven a need for more long-term focus and diversification. This has often seen success as consumers immediately associated the value from roadside assistance into other products and services. The need for efficient operations and other profitable businesses has never been higher, but this requires strategies and execution that now takes place over a number of years.

The Royal Automobile Association of South Australia (RAA) has embarked on such a journey; it's new CEO leading a scenario planning session to create a ten year strategic plan. This strategic plan has called for an overhaul of the business, its structures, its people strategies, systems and the move towards an entrepreneurial performance based culture.

At the same time the world was entering a global financial crises and the transport industry would be facing its toughest ever challenge as traditional models of transport came under scrutiny with global warming.

The team, once everyone had their feet under the table began a process of crafting a ten year strategy based on different scenarios. The new strategy had a number of moving parts, dealing with not only the ongoing core of the business, the 24x7 roadside emergency service, but also with understanding their membership base better. This was translated into allied service offerings with deeper penetration and increased product uptake. New exciting entrepreneurial ventures were also identified. The strategy was fully endorsed by a very active board and the organisation was firmly placed on a new growth strategy, which allowed for diversification.

Understanding the Talent Pool, a peek into Structure and People Day

Over the next ten months while the new Executive Team were being recruited the talent pool was mapped out. All senior managers went through capability interviews and the entire organisation was mapped using Rapid Talent Pool Evaluation (RTPe). This exercise, which relies heavily on the Manager and Manager Once Removed process, was done for all departments.

Each department with its General Manager went through a structured exercise to understand its human capital; the opportunities and vulnerabilities. The outcome of each exercise was fed into a People Day, when the CEO and his executive team review talent. This happened in November 2008 and was the first exercise of its kind to provide organisational birds eyes view of human capital. The People Day is now held annually.

Part of the RTPe process involves looking at structure from a Levels of Work perspective. Two departments were identified for restructuring on Levels of Works and Requisite Principles. The Rapid Talent Pool Evaluation process provided a solid return in terms of being a relatively quick way of *assessing people and structure* with full managerial support and input.

The Manager Once Removed (MoR) Review and Performance Management

The performance system, called the CDP (Continuous Development Process) is an annual cycle and was upgraded with the introduction of the MoR review. The CEO performed this with his skip level reports, the GMs and managers with theirs. The CDP as a result of these and other performance related changes is being upgraded and migrated to an online environment. Performance information will be added into individual data for the People Day Sessions, which will be held annually.

While the Manager answers the question “How am I doing?” many employees regard the MoR interview as the single most tangible and useful outcome of the OD exercise as it allow them to have another view on that fourth question - “*what’s my career?*”

The OD intervention. October 2008 – to the present

Organisational Pulse

Numerous Leadership Scans, Levels of Work Reviews and Capability Maps were prepared as benchmarks and to be clear where focus would deliver the best outcomes. Leadership Scans identified common themes across the Organisation such as the need for;

- ☞ *improved Tasking*
- ☞ *Performance driven outcomes.*
- ☞ *Roles unclear - work levels were compromised with key roles spanning two or more levels*
- ☞ *Authority and accountability unclear.*

Leadership Practices

In October 2008 the General Managers with the CEO undertook a **Requisite Leadership Programme**. Throughout the rest of 2008 and 2009 this process was cascaded into each department with the respective General Managers leading the workshop with the external advisor as facilitator.

Infrastructure Support.

The Leadership OD exercise was set up by the company as a full project, with the CEO as sponsor and an OD team to manage the project. The OD team was trained in levels of work analysis and in understanding the framework for support and training.

Restructuring

During 2008/09 the **Operations Department** restructured its Call Centre and Roadside Services, focusing on its reporting structure, roles in each level and introducing requisite authority and accountability into Front Line Managers and Managers. This was an extensive restructure and is ongoing at the time of writing.

The **Operations** division of RAA is the largest, employing in excess of 300 staff. The area encompasses all technical automotive products and services offered to Members (inc. Vehicle Inspections, Technical automotive advice, Repairer Accreditation, Automotive Battery sales). It is also responsible for the 24x7 delivery of core roadside assistance services to Members and Commercial Clients in South Australia and Northern Territory.

Provision of core roadside assistance services to Members is undertaken by the 24 x 7 **Operations Assistance Centre [OAC]** (*which manages the telephone requests for assistance & despatches relevant service providers*) and the **Road Service** team (*which comprise the employees and contractors who undertake the roadside diagnostics, temporary repair or recovery of vehicles*).

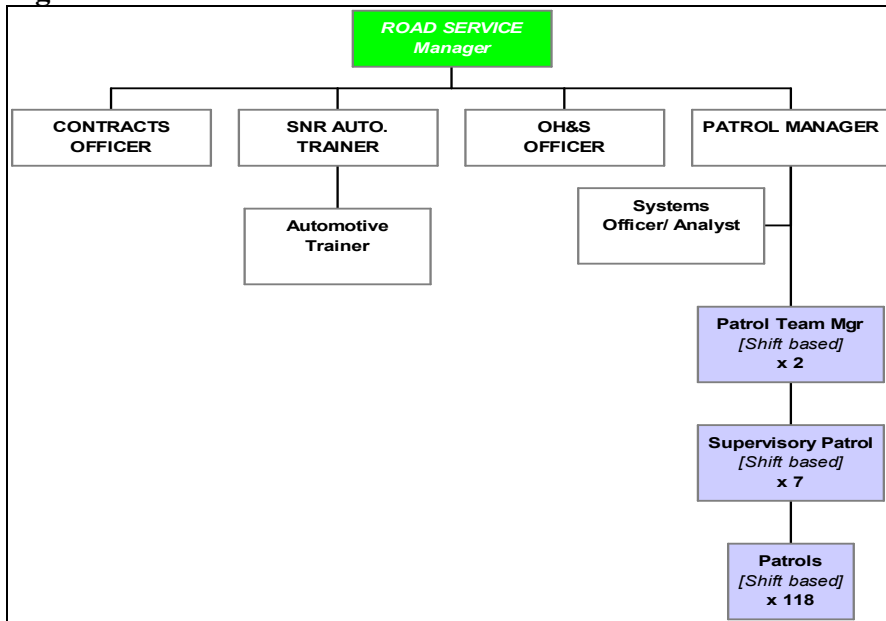
RAA also operates a small niche *Commercial Contact Centre* business using multi-skilled consultants within the **OAC** to service a diverse range of clients. Following a review of the strategic direction of the organisation, a decision was taken to cull unprofitable commercial clients and refocus the **OAC** on its core business.

Although the **Operations** workgroup is comprised of a loyal and dedicated management team that understands the primary business, and has the skills to successfully manage the day-to-day activities of delivering excellent outcomes, there was a lack of capacity and capability to meet the challenges of a changing external and internal environment.

After introducing *Requisite* concepts and principles during the Leadership Framework program, a series of management workshops were undertaken to review the nature of work being undertaken across the main work-groups and apply the Leadership Framework principles in establishing appropriate roles and structures. Authority and accountabilities were set to match the role type (aligned with vertical and cross functional role relationships). Clear business purposes and context for each role was defined. The restructuring sought to create clearer role accountabilities with increased authority, allowing removal of non-value adding activity and excessive supervisory & managerial layers.

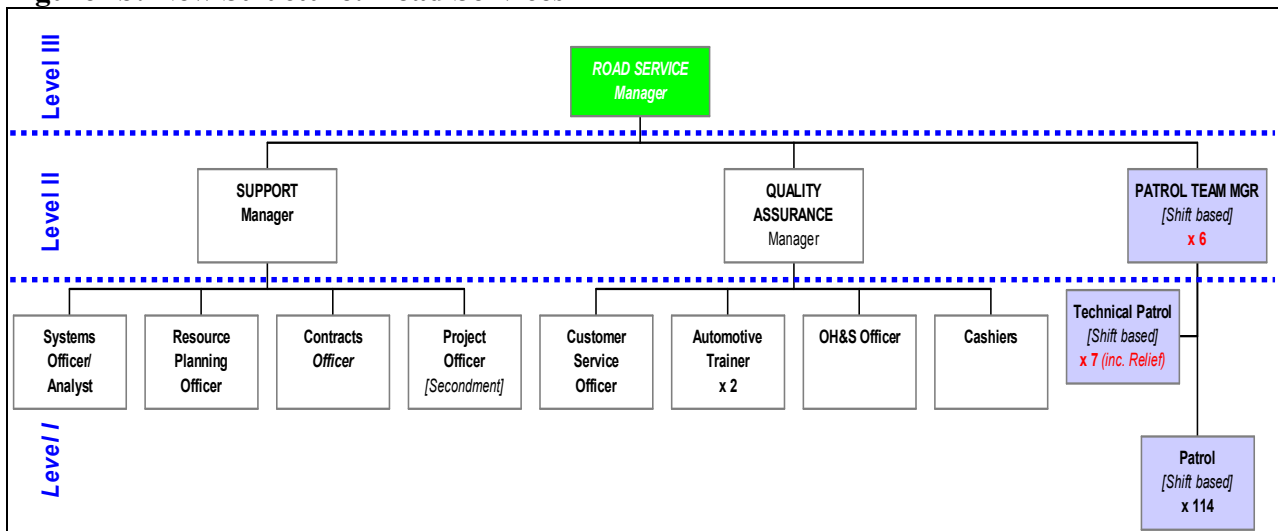
Figure I shows the old and new structure of Road Services while Figure II, shows the old and new structure for the Operations Assistance Centre.

Figure I: Old Structure: Road Services



six levels

Figure Ib: New Structure: Road Services



three levels

Figure II: Old Structure – Operations Assistance Centre: (five levels)

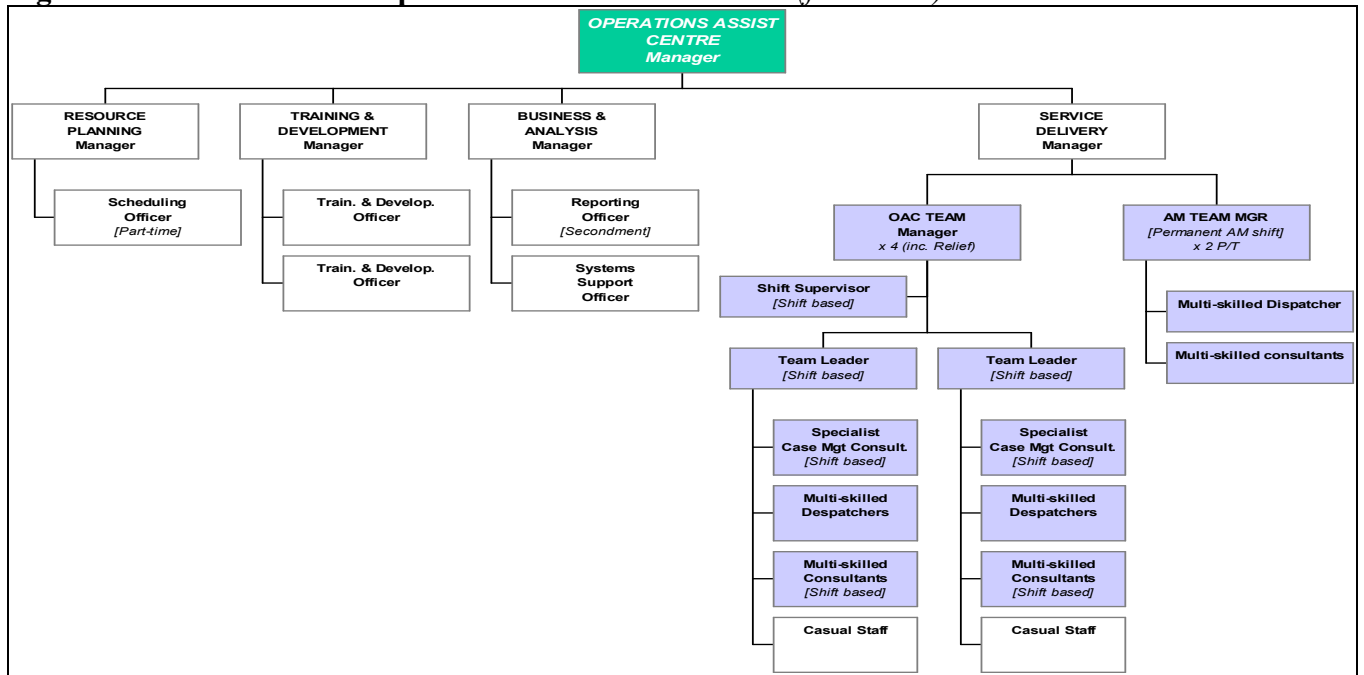
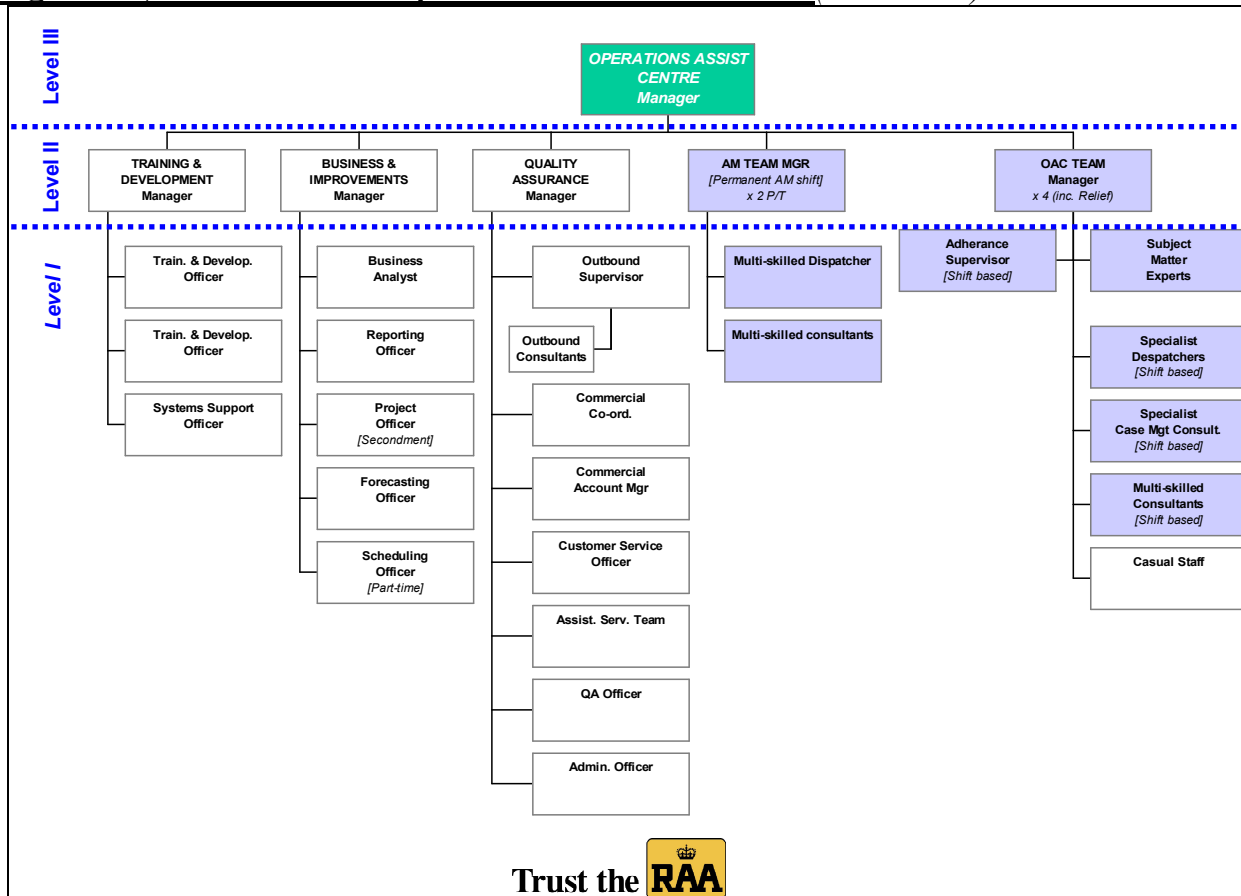


Figure IIb; New Structure – Operations Assistance Centre: (three levels)



The **IS department** will be restructuring its software and business development Division to introduce Front Line Managers with full authority and accountability and also to look at cross functional working and the authority of TIRR roles.

New Business Development

A department was set up to investigate new business opportunities and moribund parts of the existing business were focused on for rejuvenation.

RAA Security

RAA Security is a business of the RAA providing home security and personal alarms to members, general consumers and commercially. Commencing in 1994, it has been built to a multi million dollar turnover business through the dedication of its manager and loyal staff. The same manager is in charge of the business today. Reporting structures of the business had seen it passed between General Managers as the business structures around it saw no obvious place for it to reside.

The last three years had seen a noticeable plateau in terms of business growth, and attempts to generate additional business through increased marketing did not have expected effects.

Acknowledging that the business was operating well below its potential, general management responsibility of the business was given to young manager transitioning into Work Level IV who was employed in the new Business Development area. In addition, the Marketing Department assigned responsibility for the marketing and distribution of the security business to a newly-hired high-level III product development manager. Thus the organisation was deploying its human capital in line with its organisational needs - high potential individual being focussed onto a growth area.

An analysis using RO principles uncovered the following:

- The business needed to be managed at Work Level III and led at IV.
- Level II Front Line Management was problematic resulting in the manager operating at level II, thus leaving a Levels of Work gap
- Linkages to other areas in the organisation suffered as plans were not able to be made and seen through, for example marketing. Role authorities lacked definition.
- Overall purpose of the business was not clearly articulated along with clear goals to be achieved.

From December 2008, these issues were addressed using the budgeting and planning cycle as the catalyst. A clear profit objective was agreed and plans put into place with immediate results seen in terms of marketing and distribution.

The Security Manager underwent a process of restructuring the business, in particular re-assigning an overwhelmed level II manager to his preferred high-level I technical role and recruiting a high-potential young level II manager without industry knowledge. Level II Front Line Managers were reinforced, with another new level II manager and reassigning of role authorities, unique value adds of

the roles were made clear to create a solid layer to manage the frontline work of the business – thus freeing the time of the level III manager. Role clarity and authorities were sought into the matrix reporting relations for marketing and market research.

A presentation by the general manager to all staff in April demonstrated that the business was now connected into the overall organisation, made clear the contribution the business could make, and set the challenge. In the words of one employee "I've been waiting for that speech for years".

Work continues on a daily basis by the Security Manager to gradually extricate himself from the day-to-day. The habits of years are not easy to break. Although there is still some way to go, trend results for the first half of the calendar year show a clear increase in turnover and net profit. Overall, the business is well on its way toward making the financial contribution the organisation saw as its potential, and is now moving toward leading the organisation into a new category of business.

Recruitment and Position Descriptions

The system to support the agreed recruitment requirements for role and individual is still being developed. It will serve as an organisational database for storage of interactive position descriptions which reflect;

- ☞ Authority linked to accountabilities,
- ☞ Role Type
- ☞ Level of work defined through Unique Value Add (UVA),
- ☞ Time Span of Decision Making
- ☞ Systems and processes which impact the role and related authorities

Recruitment and Selection, Position Descriptions and Talent Management Policies have been put in place, linked to RO principles for work, people and role effectiveness.

Conclusion

This project is ongoing and this report forms Part I.

Ian Stone, CEO RAA and Andrew Olivier, External Advisor. October 2009.

