ACC media release

4 October 2013

ACC ramps up rebuilding trust and confidence

ACC Chief Executive Scott Pickering is signalling his intention to move the organisation forward in a way that will rebuild public trust and confidence.

Mr Pickering said the time was right for ACC to develop an operating model that would see the Scheme better meet the expectations of customers, levy payers, and other stakeholders.

"My assessment after five months in the job is that ACC is a good organisation but not truly fit for purpose in the 21st century.

"We are a complex entity with a paper-based bureaucracy that needs to be superseded by agile information technology systems that provides online access for our customers, and frees up staff time for higher-quality face-to-face interactions with customers.

Mr Pickering said there was also a need to better integrate ACC's various business groups to ensure greater recognition across the corporation of a customer's needs and relationship history with ACC.

We need to ensure customers are placed at the centre of what we do; that we provide better help, and that we make better decisions.

"Whether you are seeking injury prevention advice; information on levy payments, or needing care and rehabilitation services, ACC should be able to say 'welcome and here's what we can do to help ensure you remain safe or to return you to independence'.

"To chart the way forward we have a team working with subject matter experts and consulting with staff, customers, and providers to come up with a preferred operating model to put before the ACC Board in April next year.

"This team will also have access to some of the best business advisors available. The lead consultants will come from Bain and Company, an international consulting firm.

"I have briefed all ACC staff on the work. This is not about cost-cutting or job losses. This is about making a good organisation better by ensuring that ACC learns from customers and from the best performing organisations both in New Zealand and overseas," said Mr Pickering.

ENDS.

For more information please contact:

Glenn Donovan, Senior Media Advisor, ACC

Ph (04) 816 6591 or 027 504 3088

Email glenn.donovan@acc.co.nz

CHANGE ACC

Privacy Response & Change Programme

BOARD PROPOSAL

Developed by: ACC EPMO

November 2012

ACC
PREVENTION. CARE. RECOVERY.
Te Kaporeihana Āwhina Hunga Whara

Board Directional Decision

Solving for privacy or Delivering for the future

Solving for Privacy:

Solving for privacy alone will satisfy the immediate demands of the Privacy Report

Without review and consideration of ACC's business model, privacy additions will increase complexity and drive additional cost to the business

Solving for privacy alone ignores the opportunity to leverage the required re-engineering process to add value to the business and most importantly the customers we serve

Delivering for the Future:

Approach based on the premise that privacy breaches are a symptom of an operating model that has evolved through short-cycle, layered change causing inconsistent quality of service

Determines that inconsistent quality of service is a root cause of poor trust and confidence

Contends that the New Zealand public requires ACC to become a customer-centric organisation which is built on fit-for-future business processes and systems

Believes that the delivery of the above will give ACC greater long-term stability

CHANGE ACC: What This Pack Seeks

DIRECTION

- **APPROVE:** The commencement of a broader Organisational Transformation – Change ACC, as presented by Option 1 in this proposal and Initial Business Case

- **NOTE:** That this requires commitment of the organisation's forecast change portfolio spend for three years rather than setting direction for strategic change on an annual basis.

- **NOTE:** The first steps of the change programme, for this financial year, being:
  - *To reduce the incidence of privacy breaches*
  - *Implement short term Privacy Report recommendations*
  - *Secure external professional support to scope, document and confirm a new Business target operating model*
  - *Commence a cultural change programme aligned to the direction above*
  - *Commence a communications programme to support improvement in trust and confidence while we build our underlying improvements in process and technology*

- **NOTE:** The programme will report back each month on progress and will deliver a detailed full-programme business case in June 2013 to support a go / no-go decision on the full organisational transformation in the subsequent financial years. We anticipate working closely with the Board across March-June 2013 to complete the design of the Target Operating Model.

FINANCIAL

- **APPROVE:** Budget of $20.6m (inclusive of $3.1m contingency) as the financial baseline of the Change ACC Programme for FY12-13 to enable delivery of the above, accepting that this spend will have an impact on the SOI and SPA administration budget targets for this financial year by increasing it to $515m from the committed $495m

- **NOTE:** That financial years 2013-14 and 2014-15 expected to be in line with historic development spend distributed with a higher degree of OPEX

- **NOTE:** The low net impact will be achieved by moving to a holistic programme which will manage and integrate requests for development, that will arise in the PODs, through the establishment of a Design Authority

- **APPROVE:** The delegation for the draw down of funding against this financial baseline and the engagement of the strategic partner to the ACC Chief Executive (supported by Yellow POD Board)

3

Change ACC Agenda

Need For Change

Change Proposition

Change Costs

Benefits of Change

Change Risks

Delivering Success

Key Messages & Decisions

Change ACC Agenda

Need For Change

CHANGE

NEED FOR CHANGE: Influencers

More than Just Privacy

In responding to the Privacy report it is evident that ACC needs to look wider than solely addressing the root cause of Privacy breaches

Whilst the immediate focus must remain on these, ACC must consider wider market influencers, as well as being mindful of economic and market trends, in order to successfully transform to a customer and service centric entity and help us predict our future

We must also consider the existing challenges that are inherent within ACC and impact on our ability to successfully serve the ACC mission and goals on an on-going basis

Our role is to deliver an ACC that is customer centric, that regains the trust & confidence of the New Zealand public, that treats personal information management and security with appropriate respect and that can accommodate change as and when the landscape (politically and economically) fluctuates

Our challenge is to take ACC forwards whilst operating a business that:

On a daily basis

- Operates across 48 locations
- Sends 25,000 letters to claimants, levy payers and health providers
- Answers over 24,000 calls
- Processes up to 7,500 claims

On an annual basis

- Handles 1.6 million claims
- Purchases $1.7 billion health and disability services
- Engages 20,000 individual registered providers
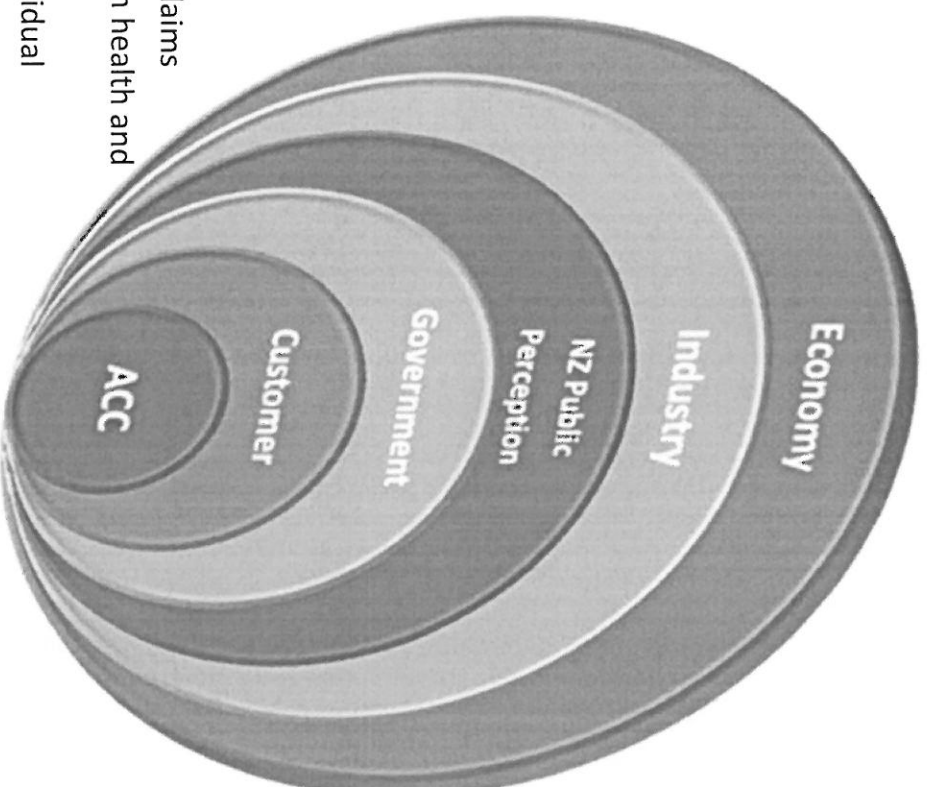
Economy

Industry

NZ Public Perception

Government

Customer

ACC

Personal Information Management

The Independent Review of ACC's Privacy and Security of Information Report (Privacy Report) has:

- Identified systemic issues and continuing risk of personal information management breaches that require significant change within ACC to address

- Noted that the issues are not confined to a particular segment or layer of operation in ACC, but are broad and include challenges in governance, culture and systemic process issues

- Stated that whilst ACC has a clear sense of its business purpose, events over the past six months have raised profound questions about the ways in which ACC delivers its core services and the depth of organisational change required

This has

- Led to a deepening in the organisational commitment to customer centricity and recognition that showing respect for the management of people's personal information is the foundation stone for ACC to build strong and lasting customer and stakeholder relationships

- Directed ACC towards a 3 year programme of effort to improve personal information management

It is accepted that ACC must implement the recommendations within the report and consistently achieve Personal Information Management Index maturity improvements (in line with specified targets), but these should not be achieved at the expense of:

- Historic focus areas:
  - o Substantial deviation from ACC's progress towards full funding targets
  - o Levy stability and reasonable financial management
- Required focus areas:
  - o The targeted increase in ACC's trust and confidence rating,
  - o The required improvements in customer centricity and customer satisfaction ratings

NEED FOR CHANGE: Culture & Capability

Current Operating Culture versus Preferred Culture

The following slides presents the broader organisational change considerations, and reflects the cultural changes targeted in order to move towards greater customer centricity

ACC Current Operating Culture
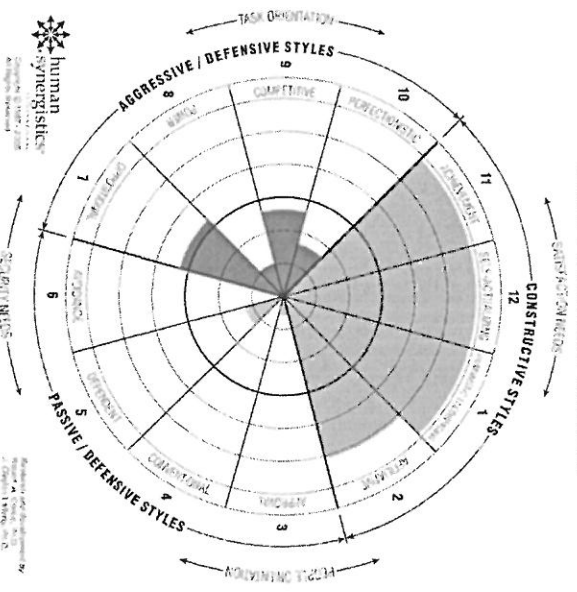
Primary Style	Secondary Style
Conventional	**Oppositional**
People are expected to:	
always follow policies and practices	stay detached and perfectly objective
make a "good impression"	look for mistakes
conform	point out flaws

ACC Preferred Culture

Primary Style	Secondary Style
Achievement	**Self-Actualising**
Ideally people should:	
pursue a standard of excellence	maintain their personal integrity
know the business	communicate ideas
openly show enthusiasm	enjoy their work

NEED FOR CHANGE: Culture & Capability

How ACC is benchmarked against the Human Synergistics historical averages

Desirable Gap

Benchmark

Undesirable Gap

0.40 0.20 -0.20 -0.40 -0.60 -0.80 -1.00 -1.20 -1.40

What our people would do... if they could

This gap will be what provides organisational support for a customer service transformation by our staff

What our people think our organisation currently delivers

- Do you expect to be with this organisation two years from now?
- Would you personally go out of your way to make sure that a customer/client feels good about the service you have provided?
- Are you satisfied being a member of this organisation?
- Do you clearly know what is expected of you as a member of this organisation?
- Would you recommend this organisation as a good place to work?
- Do you feel you comfortably "fit in" as a member of this organisation?
- Would you recommend this organisation to potential customers/clients seeking the products or services it offers?
- Does your job require you to think differently than would otherwise be the case?
- Do you receive inconsistent messages around what is expected?
- Does the organisation respond effectively to the changing needs of its customers?
- Do you believe the organisation will get positive feedback from its present customers?
- Does your organisation have a reputation for superior customer service?

Groupings

- Role Clarity and Role Conflict
- Quality of Service
- Employee Satisfaction

ACC
Te Kaporeihana Āwhina Hunga Whara

NEED FOR CHANGE: Culture & Capability

Underinvestment in our people

The desired culture change will need to be underpinned by a substantial uplift in the capability investment in our staff. We need to reverse the historical underinvestment in People Capability compared to best practise

Training & Development Spend

% of Salaries & Wages	
Top 125 companies	4.5%
	4.0%
	3.5%
	3.0%
Good practice	2.5%
	2.0%
	1.5%
ACC	1.0%
	0.5%
	0.0%

Financial Year: 2007-08, 2008-09, 2009-10, 2010-11, 2011-12
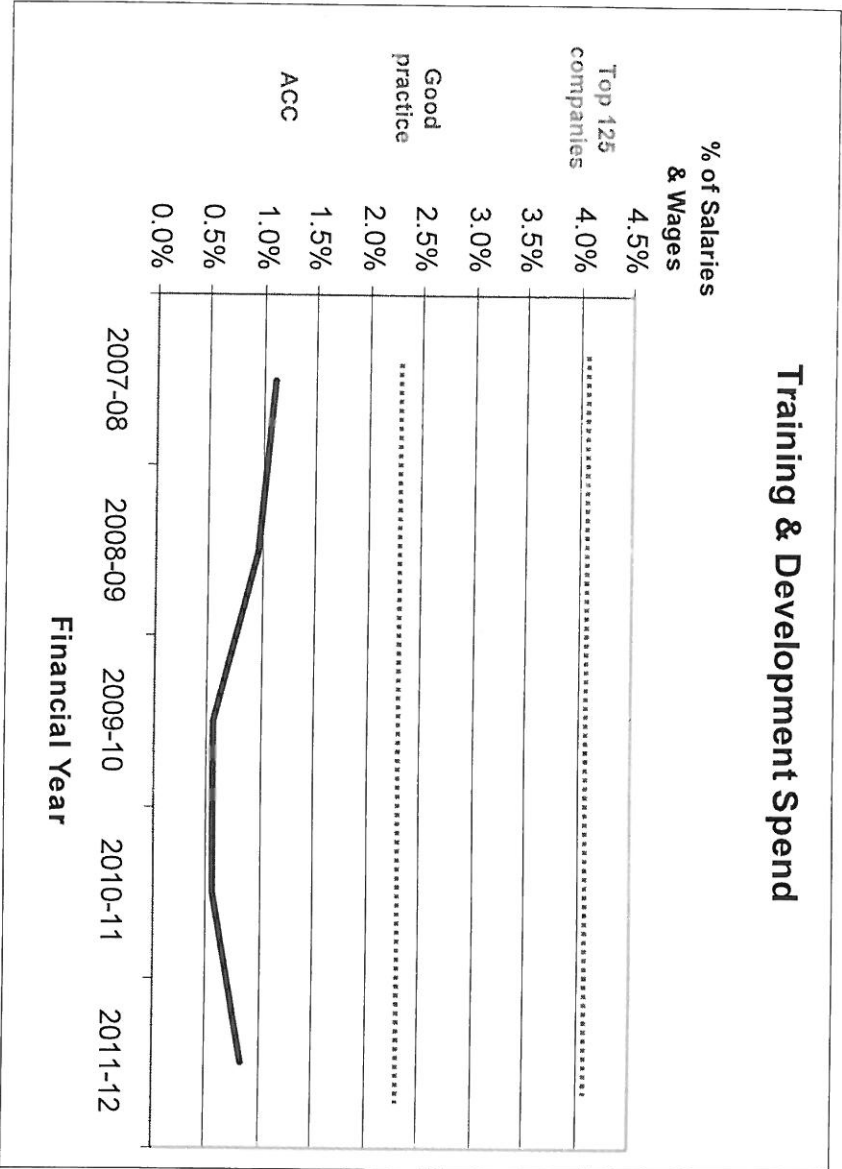
- Professional career pathways are at the discretion of the individual rather than pre-determined by ACC

- Variable spend across business groups (0.4%-7.3%)

- 300 suppliers engaged in range of disparate interventions and without standardisation of the ACC way

- Limited monitoring centrally of expenditure, supplier engagement and quality of training delivery

- Limited plans for L&D needs undertaken at strategic level across ACC

- Development planning and career pathways fragmented across the business, leading to a weakened succession pool

NEED FOR CHANGE: Current Operations

Nature of business operations

ACC has repeatedly achieved its short term goals over time and has successfully delivered a series of layered changes onto a base operation that has evolved through a series of short term strategies that:

- Delivered to a competitive market proposition at the end of the 90s and then withdrew from that within 12 mths in the beginning of the 2000s —substantial organisational reformation, structure, process and systems change

- Delivered part of a substantial business operations and systems enhancement programme to Claims Management in the mid 2000's (achieved one and a half phases of a three phase programme)

- Shifted operations to a workflow based, electronic document driven, semi 'digital' one without deeply considering the nature of our processes and operations

- Shifted Trust and Confidence upwards at the expense of liability in the later part of 2007-2009's

- Radically turned the business focus to 'value for money' 2009-2012

- 'Chased' short cycle improvements with a focus on 'tactical' process and system changes throughout

A history of evolution and layering of business change on an operational base that has always been challenged by performance focus...

...Has led to the need for wholesale operational (re)-design.

Layer		Meaning	ACC Example	Recent Change Focus	Description
L0	Organisation		Claims		ACC's Organisation is static and has been subject to limited changes / transformation in the recent past
L1	Service		Manage Claim		ACC's Service Model has been impacted by noticeable changes / transformation in the recent past
L2	Function		Decide Cover		ACC's Function Model has been subject to significant change as a result of operational and short term strategic change requirements
L3	Process		Refer to Specialist		ACC's Process Model is relatively volatile due to the large amount of manual processing. Changes are made frequently to support business and operational requirements. Loss of standardisation has contributed to poor customer experience
L4	Activity		Validate Contact Details		ACC's Activity Model is highly volatile, change is frequent, reactionary, and unpredictable

Diagram labels: Claims (Organisation); Compensation, Manage Claim, Claims Triage (Service); Function; Process; Activity
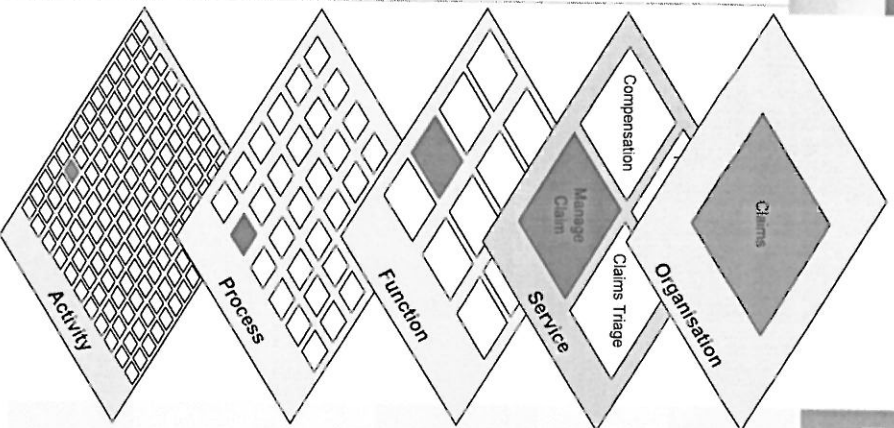
Frequent and extensive change at the lower levels result in lack of transparency, cohesion, and predictability across processes

NEED FOR CHANGE: ACC Transactional Volume

The diagram below depicts the volume of activity ACC manages within its claims environment.

It presents the contrasting business models ACC must operate in order provide consistent service across both the 92% of claims that are serviced through 'light-touch' and the remaining claims that require a much more interactive and engaged service model

FLOW OF CLAIMS – ALL CLAIMS – 2011

All New Claims lodged between January 2011 and December 2011 and all subsequent transfers.

New Claims

1,742,057

Claim Lodge ment

Re-Opened Claims (57,894)

Service Centres (36,372 on hand)

Short Term Claim Centres (10,695 on hand)

Branches (29,570 on hand)

Return To Independence

4,274

25,833

94,359

29,413

28,941

9,780

13,903

1,602,738 (92%)

26,180 (1.5%)

73,584 (4.2%)

30,202 (1.7%)

Total Exits 1,732,704
99.5% of New Claims
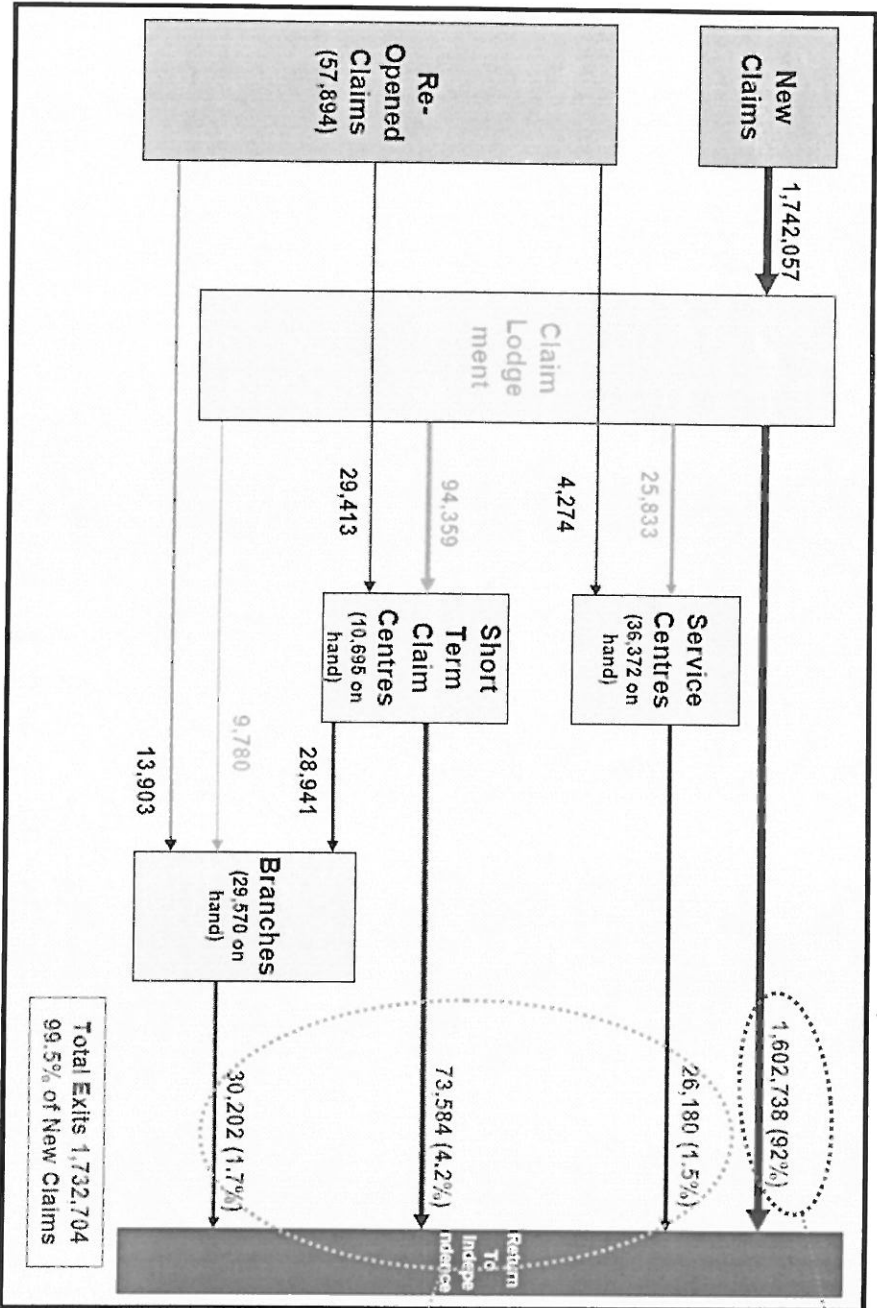
92% of claims managed on annual basis are straight-through

It is these high volume, transaction heavy processes that could benefit from improved process engineering and digital consideration

8% of claims require intensive customer service

NEED FOR CHANGE: Customer Perspective

Customers are challenged with ACC's current operations

40% agreed that ACC is an organisation that understands the needs of people who are injured

26% agreed that ACC is an organisation that is open and honest

17% of respondents are classified as 'Promoters'

30% agreed that ACC is an organisation that can be relied on to do what is right

23% of employers / self-employed agreed that ACC is an organisation that understands the needs of levy payers

59% of respondents are classified as 'Detractors'

36% agreed that ACC is an organisation that ensures people get the help they are entitled to

27% agreed that ACC is an organisation that appears to be run effectively

The wider environment

Looking globally a fundamental power shift is underway away from the social insurer to the consumer:

- The customer is increasingly powerful relative to the enterprise

- Customers are empowered through information transparency, social-network interactions and information availability

- Customer intelligence is critical to determine product and service needs

- Customer experience of convenience and quality service levels are expected not desired

- Customer based innovation and use of new technologies and service approaches will be critical to support the "consumer of the future"

What this means for ACC:

- ACC is a high-volume, high-transaction business. Effective process change has the ability to meet evolving customer needs and deliver far reaching efficiencies and benefits

- The value of decades old changes have now diminished. This is now developing into an "Achilles heel" of legacy operations, solutions and models that inhibit the ability of the organisation to evolve to customer demands

The emergence of a connected world, consumerisation in technology and evolution of customer needs requires innovation as the response

Long-held, traditional business and technology strategies inhibit future success. ACC must embrace new solutions to unleash innovation in critical areas (Customer, Service etc)

By innovating through new ideas and solutions, ACC can create a new foundation that leverages the shift and which will enable future growth and transformation

NEED FOR CHANGE: Digital Immaturity

Catching up with Digital

The velocity of digital is increasing worldwide and in recognising that ACC is an information business providing services to customers, we require a step change to address information flow challenges

Within New Zealand we currently have 84.5% broadband coverage and smartphones have reached 48.5% penetration and complete market saturation will have occurred in the coming 3 years.

In this space ACC can be directly compared to online services of Banks and the Inland Revenue Department through to the digital leading edge service of Air New Zealand. We are seen to be significantly lagging.

For some functions, back-end processing has not caught up to the front-end capabilities of portals. Manual processing increases lead times, introduces human error and exposes ACC to personal information management risks

Digital Foundations

Emerging	Developing	Defined	Advanced
1	2	3	4

Organisation & Governance

Customer Intelligence

Process

Technology

A clear regime for prioritising, funding, and maintaining visibility of digital work is required to ensure ACC's digital expertise can be brought to bear. Work is being done.

Technology is set for the greatest improvement, over the next 6 months, with the Online foundation capabilities being rolled out.

Legend
- Current maturity
- Being reprioritised (6 months)

A maturity assessment of our digital environment highlighted some of the steps we need to take
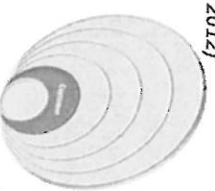
NEED FOR CHANGE: Managing Inconsistency

- ACC has consistently and repeatedly achieved the singular goals it has been set. It has the drive, commitment and vocational qualities to do the right thing, however:

  o Achievement of goals has been at the expense of previous targets, with each incremental change covered by complex, ingenious, even brilliant, **short-term** solutions, layered on top of the underlying systems

  o New challenges are delivered "as well as" rather than "instead of" causing growth in complexity

  o This has driven a paradigm where ACC oscillates between keeping the customer satisfied and managing financial sustainability

  o Regular organisational re-direction has resulted in its core services and process evolving inefficiently over time rather than being designed to service ACC's core goals and mission

- This inconsistency, and in particular changing client expectations, is a key driver of ACC's low trust and confidence scores and will continue to be an inhibitor for enduring trust and confidence improvements

- Clients' experiences are markedly different across political cycles. Expectations are repeatedly set, broken and reset. ACC is demonstrably inconsistent over time. Research into the causes of trust and confidence show that lack of consistency is a fundamental driver of dissatisfaction.

Policies and ACC (Inflation Adjusted) Payments

ACC fluctuation through Policy
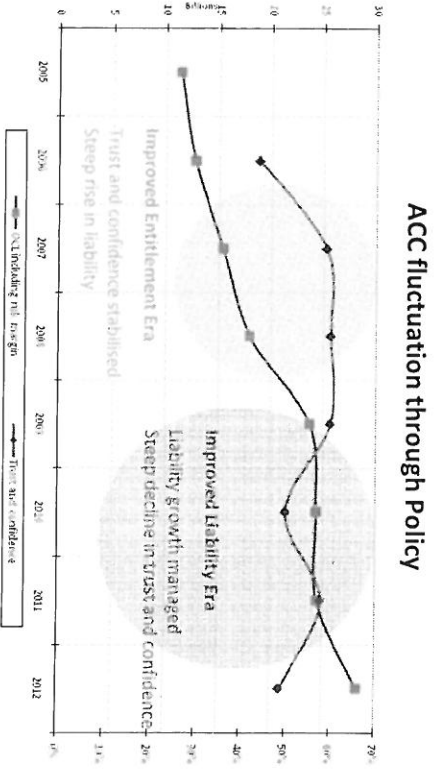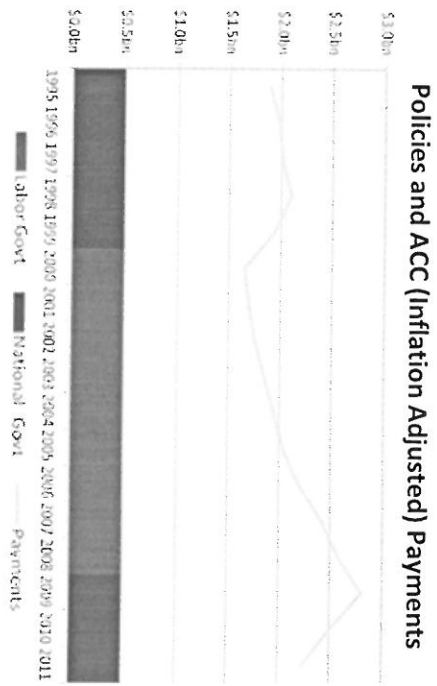
NEED FOR CHANGE: Organisational Evolution

Organisational evolution drives the need for business model innovation

It is important to recognise when the timing is right for change. A reaction to be risk averse during times of change is often considered, but economic history and industry precedents suggest that it is during these times we need to embrace change.

During periods of relative stability, companies can make incremental adjustments to their business model over extended periods of time as consistency provides the platform. During this time companies can continue to realise the benefits of their existing business model.

During **demands for, and reactions to extensive change,** as ACC is facing right now, enterprises may choose to harness disruptive technologies, re-address customer segments, dislodge behaviours, or face continuing challenges that should have been within their control. At that point, an organisation either faces its own demise or reacts to its drivers for change.

Business model innovation during periods of extensive environmental change

Source: IBM Institute for Business Value, 'Seizing the Advantage' (2009)

Degree of change

Change in the
environment

GAP

**ACC MISALIGNMENT OVER
THE LAST DECADE**

Incremental business model innovation
Balance between environmental and
enterprise change

Misalignment
Gap between environmental
and enterprise change

**Transformational
business model innovation**

During periods of
discontinuity,
companies will either
disrupt or be disrupted

Demise

Transformation or demise
Transformational business
model innovation or demise

Time

NEED FOR CHANGE: Economic Landscape

Revisiting the enterprise model during periods of economic challenge

Businesses are most likely to change their enterprise model during economic downturns as they seek new ways to gain cost and flexibility advantages

Looking forward:

- corporate profit margins are declining as governments rein in their deficits with the strong probability that low real interest rates could persist long term

- There are no quick solutions to Euro-Zone problems in addition to the significant risk of slow down in Chinese growth rates

- A long term low interest rate environment will lead to lower expected returns from ACC Investment Assets – down to 6-7% per annum against historical averages of 10.2% – and with lower Corporate profits, pressure will go on earnings from Equity market. Lower Investment returns reduces the ability to soften any decrease in claims performance

- A flatter yield curve applied to the OCL as in the chart below will lead to an additional $2b increase in the OCL

- Lower inflation and GDP growth rates will benefit underlying claim costs

Overall these factors will put pressure on the **future levy path and demands for operational efficiency to maintain Scheme performance**

Legend: Market expectations — Market expectations incorporating long-term actuarial assumption

Y-axis: 2.0%, 2.5%, 3.0%, 3.5%, 4.0%, 4.5%, 5.0%, 5.5%, 6.0%, 6.5%

X-axis: 2013, 2015, 2017, 2019, 2021, 2023, 2025, 2027, 2029, 2031, 2033, 2035, 2037
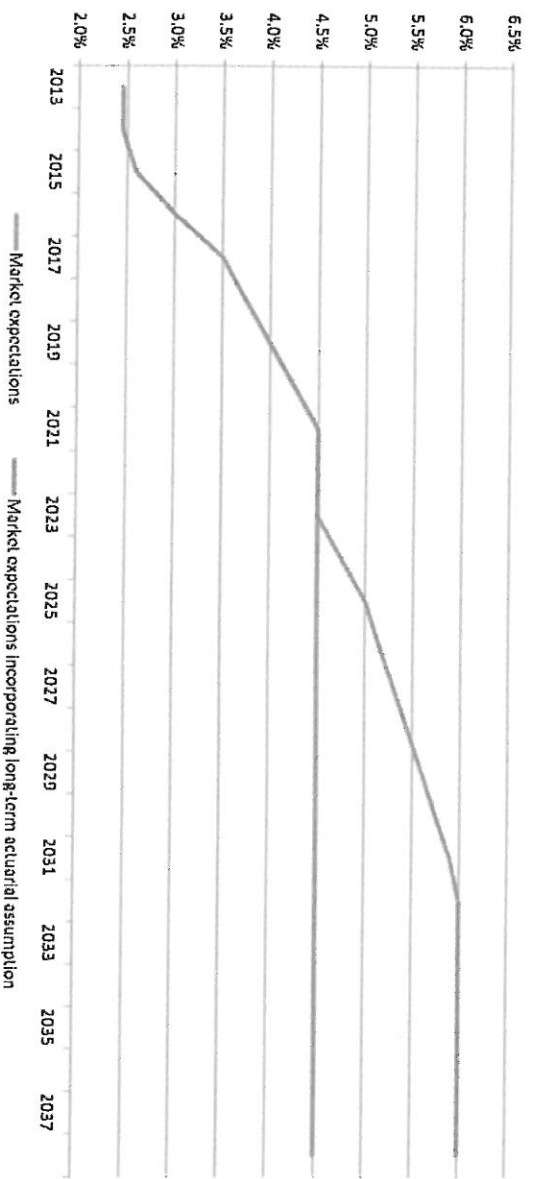
NEED FOR CHANGE: McKinsey's 7S across ACC

For ACC to perform well, the seven elements of the McKinsey 7S model need to be aligned and mutually reinforcing. The McKinsey 7S model provides a perspective on how to:

- Improve the performance of ACC
- Examine the likely effects of future changes
- Align departments and processes during a transformation exercise
- Determine how best to implement a proposed strategy

The model presented illustrates the core elements of the 7S model from an **ACC current state perspective**, showing a RAG (red, amber, green) status of the core elements and their linkages.

The model also provides a high level view of the current status of each element within ACC and the problems / opportunities within it.

Strategy

Status:
- Differently understood by different business units
- Status quo has not been transformed
- Binary (has been singularly focused)

Problem:
- Confusion caused by lack of common understanding of (& failure to accept) strategy
- Long-run instability caused by short-term focus

Skills

Status:
- Inconsistent customer focused communications and interactions
- Very limited expertise and knowledge in Personal Information Management
- Speed-to-delivery poor
- Project implementation still maturing

Problem:
- Inconsistent customer service and experience leading to lack of trust
- High level of inadvertent releases of personal information
- Organisational agility and flexibility challenged

Style

Status:
- Espoused support of One ACC, actual support of group KPI achievement
- Some highly effective teams exist within projects
- Hero Culture
- High performance culture not evident in all teams

Problem:
- Teams working in silos
- Limited engagement in cross-organisational projects (especially if not directly aligned to KPIs)

Shared Values

Status:
- Strong service ethos towards clients
- High support for and belief in the value of ACC
- Limited understanding of clients as customers

Problem:
- Does not encourage ACC to develop services from the customer's perspective
- Performance may not be optimised if processes would be designed to better fit the client

Staff

Status:
- Limited investment in training and developing staff
- High quality in some areas (e.g. NSIS)
- Customer service framework and principles are not well delivered

Problem:
- Limited staff development framework or career pathways
- Lack of effective training supports inconsistency
- Limited ability to develop customer centricity given current organisational DNA

Structure

Status:
- Hierarchical
- Relatively siloed
- Unclear operating model

Problem:
- Lack of co-ordinated decision making
- Lack of integration
- Lack of cross-organisational support for projects

Systems

Status:
- Limited connection between insurance and claims systems
- Legacy payment and processing systems
- Some core systems inflexible and expensive to change
- Degree of customisation in some systems limits ability to change
- Privacy not built into client facing systems

Problem:
- Change is slow and high risk in legacy systems
- Single view of customer and their interactions with ACC is not available
- Customer information is too readily available and shared within ACC causing substantial risk of inadvertent release
- Processing support of information management quality is not available leading to reliance on people

Change ACC Agenda

Change Proposition

OPTION 1: ORGANISATIONAL TRANSFORMATION

Takes an ACC wide approach to business process re-engineering, re-design and cultural change, including, but not limited to, the recommendations from the Privacy Report

TIMEFRAME: Up to 3 years

COST: Requires additional ~$20M funding (inclusive of contingency) in Year 1. Remaining programme costs absorbed in existing portfolio budget and will cause an ACC Admin Budget uplift over 3 years
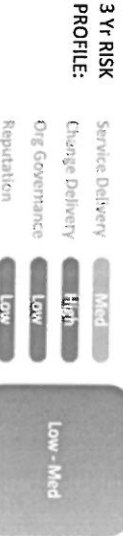
JUSTIFICATION:

Privacy is a symptom not the cause of ACC's problems

Our root problems are inconsistency and poor customer service. Get this right and we can get people on our side – for good.

BENEFITS:

Privacy breaches successfully managed

Privacy report responded to adequately

Plus

Improved customer satisfaction

Improved trust and confidence

More consistent rehabilitation (leading to better average performance and therefore lower cash costs and liability)

Administrative savings through industrialisation of core processes

3 Yr RISK PROFILE:

Service Delivery	Med
Change Delivery	High
Org Governance	Low
Reputation	Low

Aggregated Risk

Low - Med

RECOMMENDED CHANGE PROPOSITION

OPTION 2: PRIVACY FOCUSED

Satisfy Privacy Report recommendations, including process and cultural change directly associated with stated recommendations

TIMEFRAME: Up to 3 years

COST: Requires additional ~$15M funding in Year 1 (inclusive of contingency) plus a significant redirection of existing Change forecast over years 2 and 3 to complete the remaining work streams ACC has committed to in the privacy report

JUSTIFICATION:

Privacy is the reason we are coming under fire

Underlying financial performance has been good so there is no reason for fundamental change

BENEFITS:

Privacy breaches successfully managed

Privacy report responded to adequately

3 Yr RISK PROFILE:

Service Delivery	Med-High
Change Delivery	Low-Med
Org Governance	Med-High
Reputation	High

Aggregated Risk

Med - High

NOT RECOMMENDED

This will not deeply solve for privacy in the long-term and will layer further complexity on to existing processes

CHANGE PROPOSITION:

Illustrative cost to benefit relationship

Cost

Option 1
Transformation

Option 2
Privacy only

Time

1yr   2yr   3yr

Recommendations
only

Recommendations +
Change ACC

Benefit
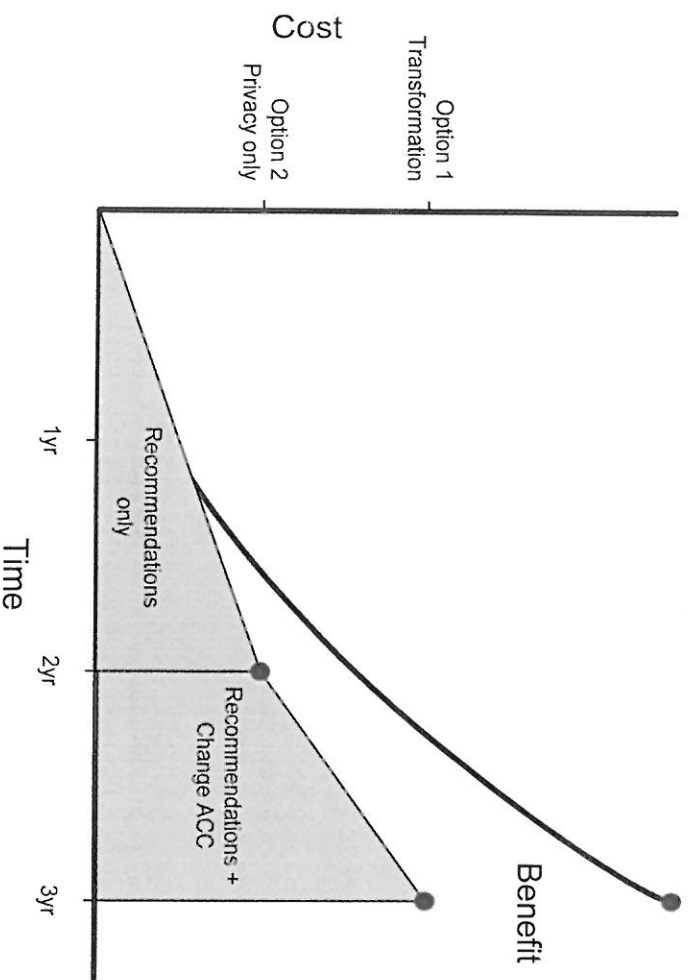
Implementing the privacy recommendations alone will do very little to address the fundamental drivers of ACC's low trust and confidence, nor deliver the deeper change required to ensure the Business model is fit for the future. Given the scale of process redesign involved in meeting the privacy recommendations, there is only a linear increase in costs to extend the scope of this activity.

The increase in benefits of creating a customer-centric organisation are envisaged as being exponentially greater than privacy alone.

CHANGE PROPOSITION: Ways & Means

The assessment and delivery planning of the Target Operating Model for ACC will use three key 'lenses'

Customer experience driven design: Through the use of customer research, stakeholder design input, established 'customer personas' and the development of customer journeys and 'moments of truth', we will ensure that the proposed target operating model encompasses service ethics, processes and systems – along with Digital First as a primary principle – that will drive a deep attention to meeting customer needs.

Business Process Re-engineering: We will deliver to the target operating model of the transformed ACC organisation by focusing on the design of our business processes from the outside looking in.
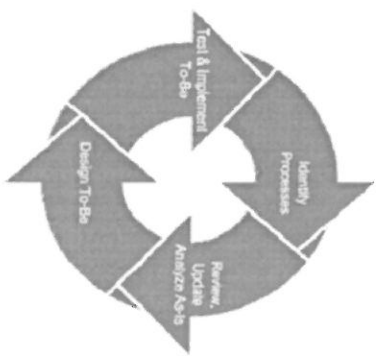
The re-engineering exercise will focus on holistic business objectives and the processes related to them, encouraging full-scale re-creation of processes, rather than the repeated tweaks and optimisation of business unit specific processes that reinforce silos within an organisation.

Privacy by Design: We will build privacy into ACC's systems and processes and aligned to the developing international standards, such that privacy breaches are ultimately designed out of how we operate. This is based on the belief that robust personal information management can never be achieved solely by compliance but is dependent on information principles being built-in to how the business operates.

Te Kaporeihana Āwhina Hunga Whara
PREVENTION. CARE. RECOVERY.
ACC

customer experience business

Business Process Reengineering Cycle
Identify Processes
Review, Update Analyze As-Is
Design To-Be
Test & Implement To-Be

www.PrivacybyDesign.ca
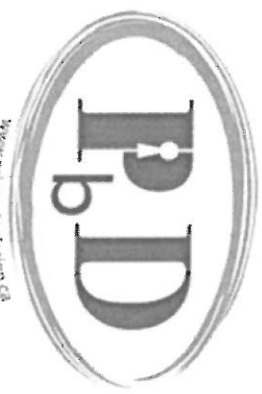
CHANGE PROPOSITION: Digital First

A trusted digital option for every customer

New technologies have transformed customer service expectations. Most importantly, the internet is a critical thread through which business strategies and innovation must be embraced and has radically changed the way people communicate, interact and reconfigure their relationship to organisations.

The customer is increasingly powerful relative to the company, and they are empowered through information transparency, social-network interactions and information availability. **Consequently, customers have come to see convenience and quality service levels as expected not desired.**

Customer-centricity means adopting our services to align with our customer's expectations. The shift to digital has already been established as a Government priority. Change ACC provides a framework to ensure that digitisation is integrated across ACC's systems and processes and actually delivers the intended improvement in customer service

In developing the future state target operating model for ACC as part of the change programme, ACC will adopt the design principle 'Digital First'.

Digitisation is not intended as a primary challenge for some customer groups, for example high-touch clients needing intensive support and rehabilitation. However, for the vast majority of our clients digital will provide a reliable, fast and efficient service channel

Digital First is fully aligned to the Government's Better Public Services result areas 9 & 10, in that it will:

- Enable ACC to realise the government priorities in providing New Zealand businesses with a one-stop online shop for all government advice and support; and
- Allow New Zealanders to complete their transactions with the Government easily in a digital environment

CHANGE PROPOSITION:

Target Operating Model – early thinking

ACC must look to transform its operating model from its current focus on **Claims, Levy and Scheme** to **Customer, Service and Insurance**

Current Operating Model

Claims

| Claims Management | Health, Treatment & Rehabilitation Procurement | |
| Client Management | Payments | Compensation |

Insurance & Prevention

Revenue Management	Sales & Distribution Management
Marketing	Policy Management
Product Management	Scheme Management
Prevention	

Actuarial & Risk

| Actuarial Services | Risk |

Enterprise & Technology

| EPMO | Technology Operations | Business & Technology Architecture |
| Delivery | Change Management | Security |

People & Communication

| HR Management | Corporate Communications |

Governance, Legal, Policy & Research

| Legal Services | Policy Management |
| Privacy Management | Research Management |

Finance

Indicative Target State (Service Centric)

	Prevention	Social Insurance	Cover
Channel			
Customer			

Insurance

Actuarial Services	Risk Management	Policy Management
Scheme / Revenue Management		
		Compensation
		Treatment
		Rehabilitation

Corporate

| Governance, Legal, Policy & Research | Enterprise Planning & Information Technology |
| People & Communications | Finance & Asset Management |

One ACC

26

Target Customer View – early thinking

ACC — PREVENTION. CARE. RECOVERY. Te Kaporeihana Āwhina Hunga Whara

Client

CURRENT VIEW OF ACC

Dependent Doris
Long term client

"I know how it all works; I just want to be treated with respect."

- Variable Case Manager and communication quality
- Inflexible rules and policies that affect her life
- Hidden agendas to reduce or stop her entitlements
- Unable to get information specific to her

FUTURE VIEW OF ACC

- ACC treats me as an individual and has a clear view of my history
- I have a dedicated Case Manager and if she is not available the person I am in contact with knows all about my case
- There is an online option available to me but I prefer to deal directly with my Case Manager. I do use online to access my records.
- ACC is consistent and transparent on what I am entitled to and I no longer feel that the rules are going to change
- I still have to keep in touch at regular intervals but I no longer feel I have to justify myself and I feel more in control of my future

Provider

CURRENT VIEW OF ACC

Eager Eric
Health provider

"ACC is 10% of revenue but up to 40% of my paperwork. Help me make this easier to manage."

- ACC claim records on his own PM system don't have all of the information from the ACC system
- Have to fill out paper forms for patient records
- Claimant's medical records need to be printed and faxed when it should be sent electronically

FUTURE VIEW OF ACC

- My PM system is now directly linked to ACC so I know immediately if a claim has been accepted or needs more information
- When ACC request additional information I can submit this electronically which saves on paperwork
- ACC also provides me with indicative timeframes based on best practice for how long a patient can be expected to be off work, so I can manage my client's expectations. If I don't agree I can send ACC a note.
- I am more of an advocate for ACC and understand what entitlements that they offer so I can let my patients know

Business

CURRENT VIEW OF ACC

Frustrated Felix
Self employed

"Making a claim was painful. ACC doesn't know how to handle self-employed people"

- No time to think about ACC – just send him reminders ahead of time
- Different parts of government has all my information, why do I need to keep telling you the same things
- I feel like I pay ACC a lot of money and I am not sure what I get for my money

Helpful Helen
Large organisation H&S manager

"I need to be the ACC expert, so I can advise our staff"

- Desires information regarding injury prevention. Overall, tends to be more concerned/engaged regarding IP than medium-sized companies
- Often hard to get information about status of employee claims, especially non-work-related claims
- Spends a lot of time tracking down ACC documents sent to the wrong person

FUTURE VIEW OF ACC

- I can check on the status of my claim and weekly compensation payments and why they might be delayed
- ACC treats me as an individual and has helped me understand what I get for my money
- I can access the information I need online, correct any errors and I receive reminders when my levies are due
- I can go online and get a complete view of our organisations' interactions with ACC, from the levies we pay through to the claims we've made and injury prevention information that is relevant to us
- I've signed up to alerts which I receive about new health & safety information and research that helps me do my job
- I can now access all of the documentation I need via our online account
- I still have contact with our Account Manager but now our conversations are less about admin and more focused on how ACC can help us improve

CHANGE PROPOSITION:

Target State – early thinking

Skills

FRONTLINE
- Customer at the heart of all decision making
- Staff understand how to exercise discretion and accountability to make the right customer decision

CORPORATE
- We can make a robust decision in reasonable time and execute well
- We have the right staff with the right skills to enable the above

Style
- Every worker feels a stake in ACC's success
- Cross-organisational effort is rewarded
- Performance culture is consistently applied
- Our frontline is empowered and our staff are capable and accountable

Strategy
- Single understanding of strategy across the organisation
- Balanced goals
- Long run fit for purpose business that achieves world class results for NZ
- Aligns to expected technological change (future proof)

Shared Values
- Service ethic maintained
- Customer centricity embedded
- Shared values aligned with Customer

Staff
- Effective staff training and development
- Clear career pathways
- Customer centricity embedded as a staff competency

Systems
- Rationalised and simplified enterprise estate
- Systems integrated where required
- Privacy built in to client facing systems
- Embedded Digital systems environment
- Single view of customer and interactions support business need

Structure
- Greater integration between functions
- Structure supports clear accountability, organisational agility and excellence in service delivery to customers
- Clearly defined operating model

See Page 20 for current state

ACC
PREVENTION. CARE. RECOVERY.
Te Kaporeihana Āwhina Hunga Whara
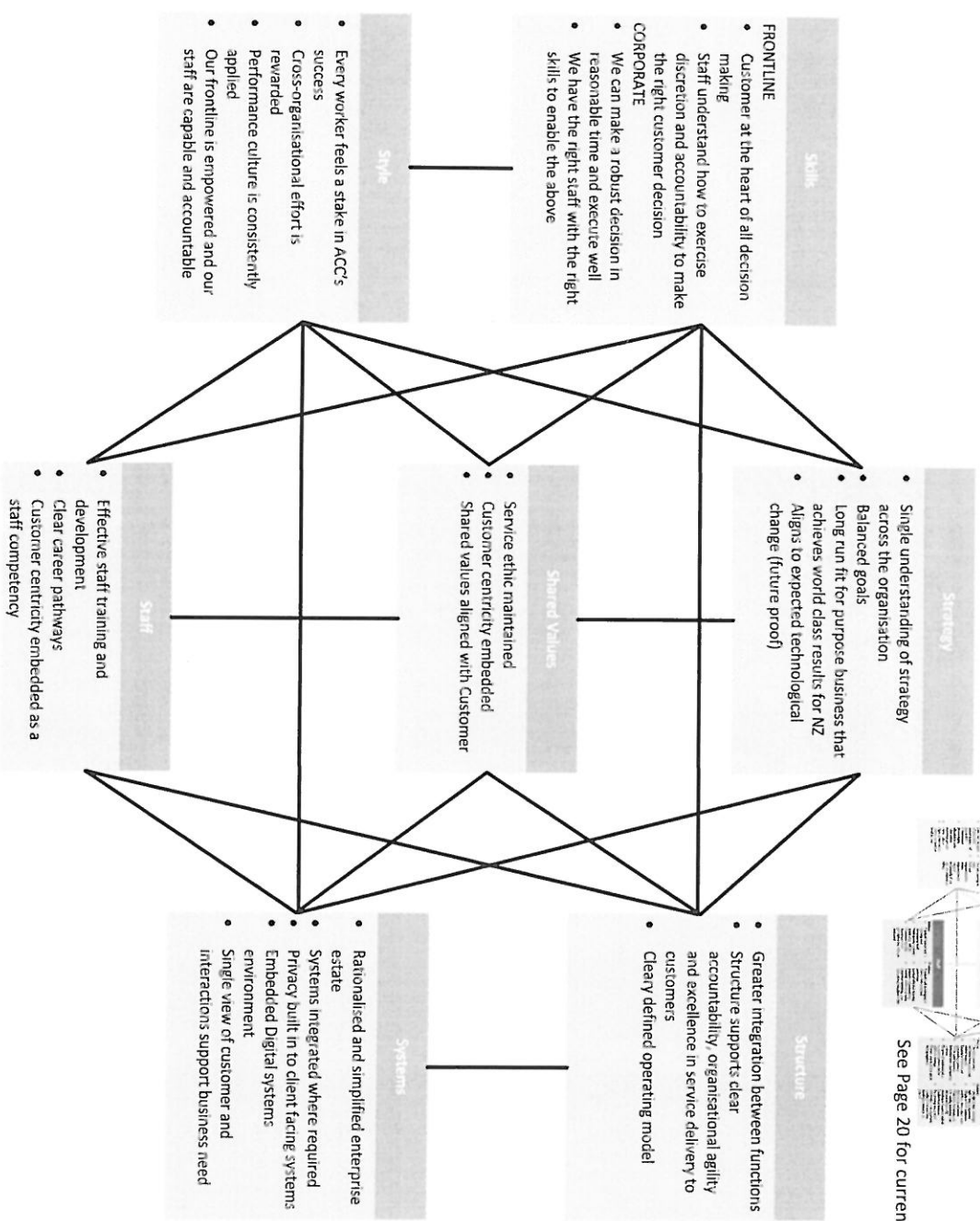
CHANGE PROPOSITION: Our People

What's in it for me?

A clear career path for all roles

A qualification framework that is NZQA accredited and enhances the capability and professionalism of ACC staff

A structured, documented learning pathway for frontline roles, including NZQA accredited qualifications

The learning pathways for staff will be mapped to the competencies required for the role, and will directly contribute to their professional skill development

All staff will have exposure to the ACC Academy through different "schools" – from entering ACC and completing mandatory core programmes (e.g. Orientation) to technical competencies supporting roles in Claims and IPS to leadership and management development

A model which directly grows and develops our staff, which in turn will enable customers to have faith in staff capabilities

Staff will have the systems, tools and processes to facilitate the customer service elements in their roles, not constrain them

Digital will be integrated into how staff work with customer
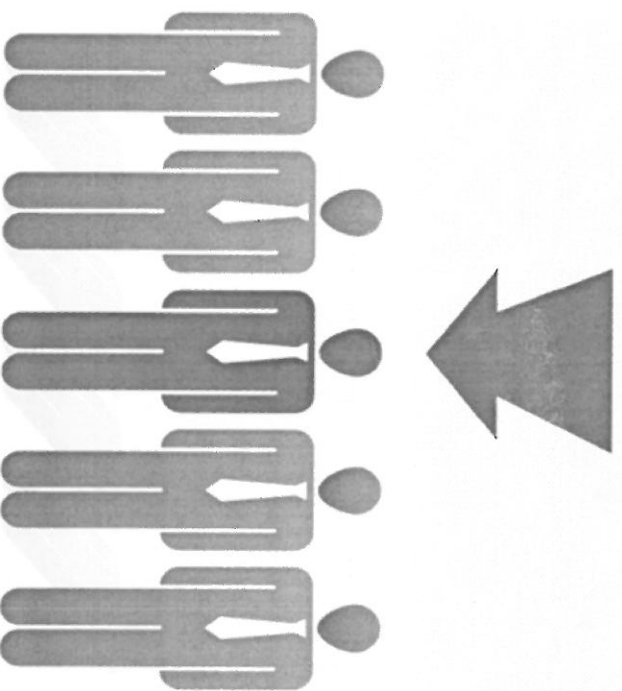
A culture shift from *conform* and *comply* to *empowerment* and *trust* through increased discretion in achieving client outcomes

CHANGE PROPOSITION:
Capability development driven through the 'ACC Academy'

Culture: Conventional, detached, oppositional, follow the rules

Culture Change Programme:
Increase leadership capability and effectiveness with customer centricity as core value

Change the mindset to needing to earn the right to serve our customers

Cascade down the organisation for alignment and consistency

ACC Academy Joint Venture

Culture: Customer centric, standard of excellence, enthusiastic, empowered staff

Current state

Leadership & Mgmt Capability: weak senior mgmt succession pipeline (3% "ready now", 6% in 1yr);

Skills Development: staff attend a mix of orientation and / or technical induction courses; staff attend a range of skills courses that are fragmented and short-term need driven rather than part of career pathway

Tailored coaching for Tiers 2 & 3 only

Professional Development: approx 60 frontline staff through Disability Mgmt modules and/or achievement of IDMSC certification; 75 extramural study

Total capability investment for FY 11/12: actual spend 0.9% of salaries & wages ($1.7m) against budget of 1.1% ($2.3m)

Future state

Critical competencies for talent leadership; leadership success profiles;

Mentoring/coaching for Tiers 1-5

Comprehensive professional, leadership management development and induction programmes, customer centricity established as integral part of culture and reinforced throughout all training interventions; structured learning frameworks in place for each business area; learning pathways mapped to required competency levels for roles

Establishment of professional standards & capabilities in specialist functions, supporting accredited organisational capability

Consistent approach to leadership; all leaders supported to make successful transitions from one level to next; leadership pipeline strengthened to best practice levels (13% "ready now" & 16% ready in 1 yr)

Improved quality and consistency of training through standardisation; enhanced knowledge/skill base; front line staff empowered to make decisions; greater discretion to meet needs of customer; improved systems, tools and processes resulting in more time to deal with customers

Professionally qualified staff (Case Managers) through accredited qualification programs; improved access to academic knowledge

Capability investment increased to 2.3 % of salaries & wages (approx. $5.2m – based on FY 12./13 figures)

CHANGE PROPOSITION:
Empowering Our People - A Network of Change Agents

Our 'change agents' will allow us to form a tight connection across our network, to encourage change to be embraced, welcomed and worked through positively

We will invest in Change Management to ensure that our Managers have the skills and ability to lead our staff and that the formal and informal networks are 'activated' in support of Change ACC.

Through this we will develop and champion our best people throughout the organisation to ensure people:

- Show demonstrable leadership
- Empower the front-line to be actively involved in change planning and to *push-back* where initiatives / extent of change may impact customer service
- Feel that they can contribute to ACC's future and direction
- Develop and grow a positive relationship with ACC
- Widen their career network and circle of colleagues
- Encourage a sense of purpose in being an ACC professional

Change Ambassador

Change Director

Change Agent

Whangarei
Auckland • North Harbour
• Counties Manukau
Waikato •
Tauranga
Rotorua • Whakatane
New Plymouth •
Gisborne
Wanganui
Palmerston North •
Hawke's Bay
Nelson •
Paraparaumu
Porirua • Masterton
Hutt Valley
• Wellington
Greymouth
• Northwood
Christchurch
Timaru
• Dunedin
Alexandra
• Invercargill

CHANGE PROPOSITION:
Key milestones this financial year

Key Milestones

	Sep	Oct	2012 Nov	Dec	Jan	Feb	Mar	Apr	2013 May	June	FY End July	August
Change ACC			Change ACC Proposal / Change ACC Initial Business Case	Strategic Change Partner Commences			ACC Target Operating Model [-2] / Change ACC Phase 2 Business Case [-2]	ACC Target Operating Model [-2] / Change ACC Phase 2 Business Case [-1]	ACC Target Operating Model [-1] / **ACC Target Operating Model**	**Change ACC Phase 2 Business Case**		
Act Now	Commence Act Now							Act Now Tactical Complete			Act Now Project Complete / Privacy Reduction Measurements	
Change the Future	Commence Change the Future											
Change the Way we Think	Commence Change the Way we Think											

Change ACC Agenda

Change Costs

CHANGE COSTS: Financial Year 2012-13

Mandatory vs Discretionary Expenditure: What are you getting for $20.6m?

(Inclusive of $3.1m contingency)

CHANGE ACC

DISCRETIONARY	MANDATORY				
BPR ANALYSIS	CHANGE THE WAY WE THINK	CHANGE THE FUTURE	ACT NOW	PIM	PRIVACY BREACHES

PRIVACY BREACH REDUCTIONS — $3.4m

PERSONAL INFORMATION MANAGEMENT INDEX CHANGES — $5.2m

ACT NOW PRIVACY REPORT RECOMMENDATIONS
Recommendation 23 Feb 2013 — $1.5m

CHANGE THE FUTURE PRIVACY REPORT RECOMMENDATIONS
Recommendation – Late 2013 — $3.1m

CHANGE THE WAY WE THINK PRIVACY REPORT RECOMMENDATIONS
Recommendation – Late 2014 — $3.1m

BUSINESS PROCESS RE-ENGINEERING
ORGANISATIONAL CHANGE — $4.3m

Timeline: Aug, Sep (2012), Oct, Nov, Dec, 2013, 2014, 2015, 2016 — YEARS
FY 12/13

A commitment to the wider change programme (Option 1) exposes ACC to ~$4.3m worth of risk should the June 2013 business case not prove the case for the argued benefits

Key
Mandatory Activity
Discretionary Activity

A significant proportion of the requested budget for this financial year is required regardless of the option selected
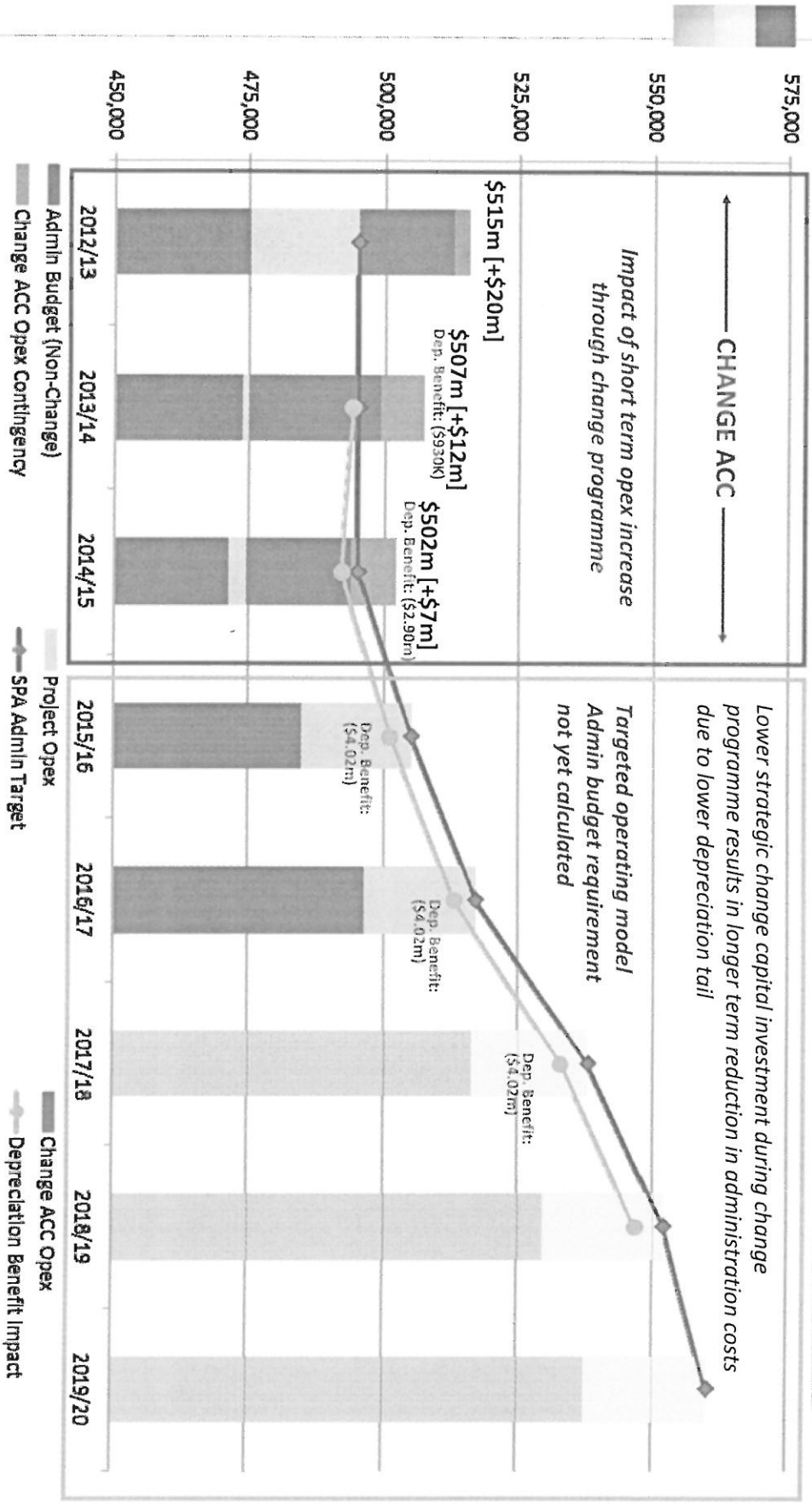
CHANGE COSTS: Impact on Change Portfolio
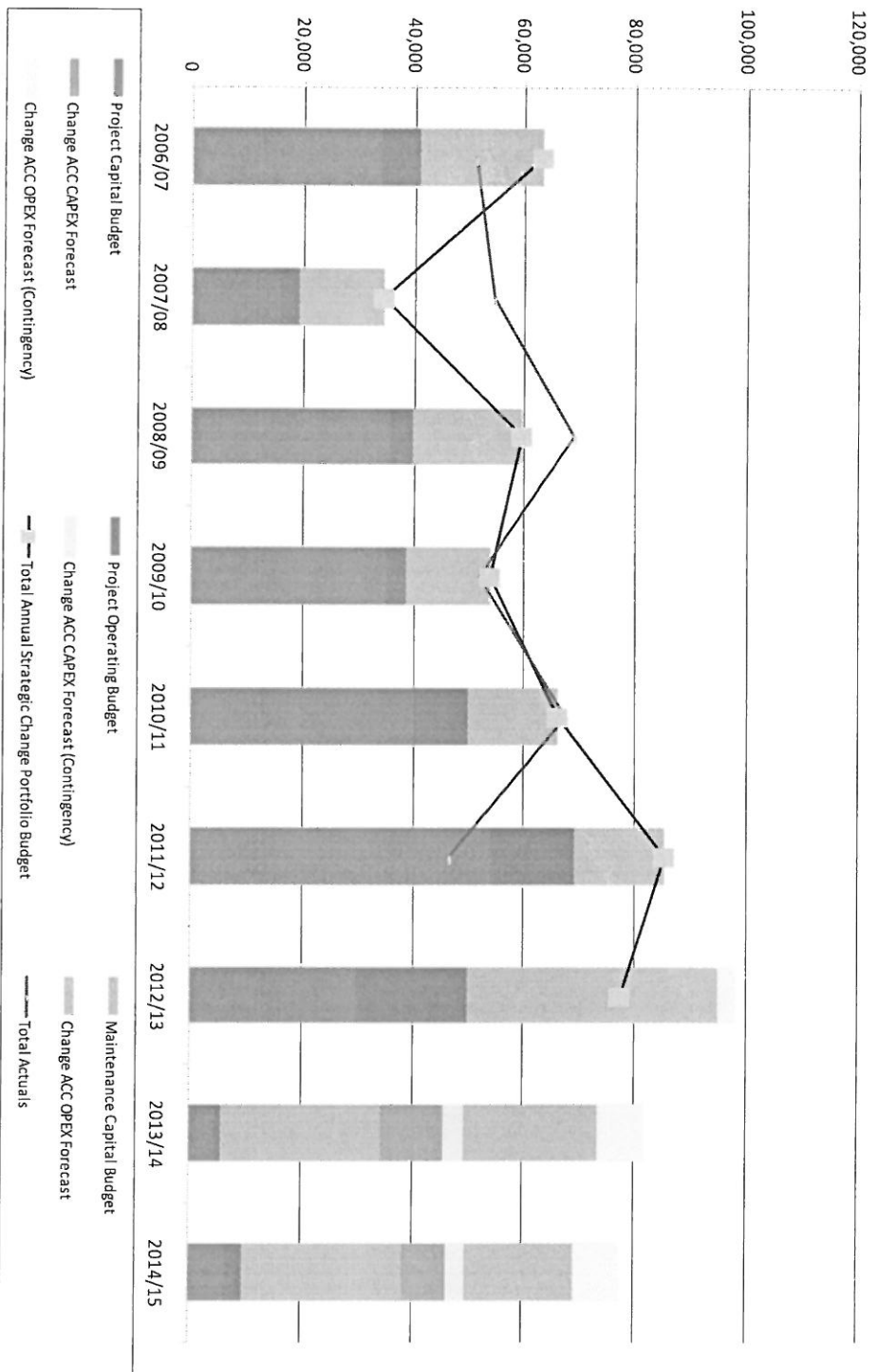
- Change ACC costs are incremental against committed change portfolio for coming financial years
- Change ACC activity across three years **includes ~65%** of predicted portfolio spend activity for that period
- Change spend precedents depict an affordable and manageable model

Legend:
- Project Capital Budget
- Change ACC CAPEX Forecast
- Change ACC OPEX Forecast (Contingency)
- Project Operating Budget
- Change ACC CAPEX Forecast (Contingency)
- Total Annual Strategic Change Portfolio Budget
- Maintenance Capital Budget
- Change ACC OPEX Forecast
- Total Actuals

Chart categories: 2006/07, 2007/08, 2008/09, 2009/10, 2010/11, 2011/12, 2012/13, 2013/14, 2014/15

Axis values: 0, 20,000, 40,000, 60,000, 80,000, 100,000, 120,000

CHANGE COSTS: Impact on Admin Budget

← CHANGE ACC →

Impact of short term opex increase through change programme

Lower strategic change capital investment during change programme results in longer term reduction in administration costs due to lower depreciation tail

Targeted operating model Admin budget requirement not yet calculated

$515m [+$20m]

$507m [+$12m]
Dep. Benefit: ($930K)

$502m [+$7m]
Dep. Benefit: ($2.90m)

Dep. Benefit: ($4.02m)

Dep. Benefit: ($4.02m)

Dep. Benefit: ($4.02m)

575,000
550,000
525,000
500,000
475,000
450,000

2012/13
2013/14
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20

Legend:
- Admin Budget (Non-Change)
- Change ACC Opex Contingency
- Project Opex
- SPA Admin Target
- Change ACC Opex
- Depreciation Benefit Impact

The above graph demonstrates the impact to the ACC Administration Budget of the short term 'opex bubble' and the depreciation benefits expected as a result of Change ACC. This is based on the current opex assumptions of Change ACC which are expected to drive a significant reduction in strategic change portfolio capex spend in the coming financial years.
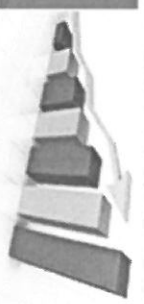
Change ACC Agenda

Benefits of Change

BENEFITS OF CHANGE: FY2012-13 Investment

Degree of impact on privacy management ←

Low · High

Act Now: Implementation of the privacy report recommendations

Privacy governance structures established, Management systems formalised, Privacy culture starts being established.

Limited impact on number of breaches

FY2012-13: Resolving problems

Tactical improvements to process and systems made following root cause analysis of privacy breaches. These will drive tangible reductions in the risk and number of breaches committed by ACC through re-designing processes and re-configuring systems where there is a high risk of privacy failure.

Measurable impact on the number of breaches evidenced by:

- Privacy breach reduction by 50% achieved by 30 June 2013
- Personal information maturity index improvement to 3 out of 5 (average) achieved by 30 June 2013
- Supports trust and confidence target of 55% by 30 June 2013

FY2012-13: Laying the foundations for future success

Investigation and analysis to support future work streams. Resetting of ACC's communications and substantive drive to lift staff capability to support effective business transformation.

- Target operating model developed & detailed business cases for future work streams
- Staff capability development programme begins
- Corporate Communications strategy implemented

The FY12/13 investment will deliver a range of improvements to the management of personal information at ACC. In addition, the investment will clarify what changes need to be made over the next two years and present a business case to support that investment

High · Low

Visibility outside ACC →

FY12/13
Work Stream 1
ACT NOW

Privacy Recommendations

		% Complete	Cost	Impact	Completed
	Governance				
Reduction in breaches	Leadership & Privacy Strategy	55%		L	1. 30% of recommendations completed
Capability improvement	Privacy Programme	50%		L	2. Monthly incidence of breaches reduced by 50%
New line of defence	Accountability	31%	$16.2m	M	3. Copy centres established and managing all copy files requests (8,000)
Improved monitoring	Business Process & Systems	60%		M	
	Culture	-		L	

110 Actions

+

Change ACC

		% Complete	Cost	Impact	Completed
Business Model	Change ACC Implementation	100%	$4.3m	L	1. Change ACC Target Operating Model completed
Complete	BPR Analysis & Recommendation	-		-	2. Implementation business case completed
Cultural Change Programme in play		-		L	3. Launch cultural change program

New

+

Operating Strategies

	% Complete	Cost	Impact	Completed
Delivering Quality Results for the Injured	60%		H	1. Target service, rehab and weekly com targets achieved
Better Service for Levy Payers	25%		L	2. Online, ease of doing business & satisfaction achieved
Improving Health Sector Outcomes	60%	$22.0m	H	3. Quality treatment & provider engagement targets achieved
World Class Operating Performance	33%		M	

Tracked progress to existing 2012/13 targets

59 Projects

=

Service & Purchase Agreement

	% Complete	Cost	Impact	Completed
Improved Trust & Confidence	20%		L	1. Trust and confidence results approved from 45 to 55
Improved Management of Personal Information	47%		H	2. Reduction in breaches and improvement of privacy management capability
Maintain focus on Levy Stability & Financial Sustainability	33%	$42.5m	M	
High Quality Service to Clients	20%		L	
Ensuring Early Resolution of Disputes	25%		L	
Performance of the Accredited Employer Programme	33%		M	

Progress against targets:

6 Priorities

+

KEY: OPEX / CAPEX

	Cost	Impact
Capital Budget	$29.0m	L
Maintenance Budget	$28.0m	H

TOTAL 12/13 $99.5m

The Benefits have been assessed in relation to the attainment of the SPA priorities. Implementing the privacy recommendations, completing the change programme and reprioritising the existing ACC development programme

BENEFITS OF CHANGE: Across the Years

The Benefits have been assessed in relation to the attainment of the SPA priorities. Implementing the privacy recommendations, completing the programme and reprioritising the existing change programme all contribute to the attainment of the SPA priorities

KEY: OPEX / CAPEX

WORK STREAM 1 – ACT NOW

	FY12/13	FY13/14 Work Stream 2 Change The Future			FY14/15 Work Stream 3 Change the way ACC Thinks		
		% Complete	Cost	Impact	% Complete	Cost	Impact
Privacy Recommendations	110 Actions						
Governance		22%		L	23%		L
Leadership & Privacy Strategy		25%		L	25%		L
Privacy Programme		54%	$51.0m	M	15%	$23.0m	M
Accountability		20%		M	20%		M
Business Process & Systems		28%	$15.0m	H	72%	$11.0m	M
Culture		50%		H	50%		H
Change ACC	New						
Change ACC Implementation							
BPR Analysis & Recommendation		45%		M	55%		H
Operating Strategies	59 Projects						
Delivering Quality Results for the Injured		20%	$4.0m	L	20%	$7.0m	L
Better Service for Levy Payers		50%		H	25%		H
Improving Health Sector Outcomes		20%		L	20%		L
World Class Operating Performance		33%	$33.0m	M	33%	$35.0m	M
Service & Purchase Agreement	6 Priorities						
Improved Trust & Confidence		40%		H	40%		H
Improved Management of Private Information		23%	$35.0m	M	30%	$30.0m	H
Maintain focus on Levy Stability & Financial Sustainability		33%		M	33%		M
High Quality Service to Clients		30%		M	50%		M
Ensuring Early Resolution of Disputes		35%	$48.0m	H	40%	$46.0m	H
Performance of the Accredited Employer Programme		33%		M	33%		M

BENEFITS OF CHANGE:

Benefit to delivery relationship

Start Now, Rewards Later (Impact Lag)

Trust and Confidence %

- 100%
- 80%
- 60%
- 49%T&C
- 40%
- 45%T&C
- 20%

Act Now

Change the Future

Change the Way ACC Thinks

FY 12/13   FY 13/14   FY 14/15   FY 15/16   FY 16/17   FY 17/18

55%
(SOI Target)

50%
(Act Now projected)

55%
(projected tbc)

60%
(projected tbc)

65%
(projected tbc)

SOI target for FY12/13 unlikely
to be met as impact lag of Act
Now is delivered and beds in
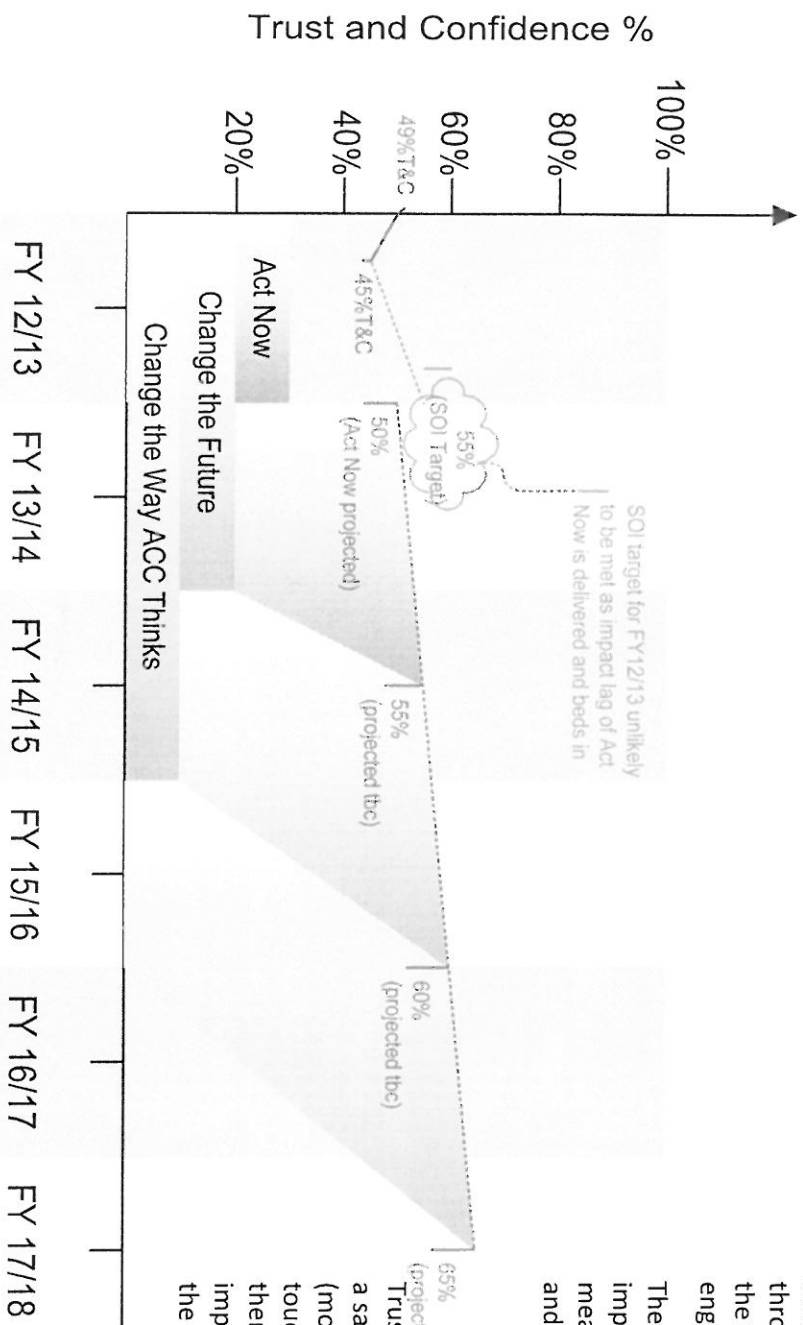
Improvements to service will be
directly felt by our customers and
staff and are measurable, e.g.
through client satisfaction scores,
the service quality index and staff
engagement results.

There is a lag between these
improvements and the
measurable change to the trust
and confidence scores.

Trust and confidence is based on
a sample of the whole population
(most of whom have little or low-
touch experience of ACC). It will
therefore take time before the
impact of change is noticed by
the wider population.

Change ACC Agenda

Change Risks

CHANGE RISKS: Governance and Reputation

The traditional classification for risk (Reputational, Financial and Non-financial) have been risk rated by the Corporation and the Audit and Risk Committee. Accepting that some risks are out of our control (Government Policy changes) the Change ACC programme will contribute to a reduction in the major Reputational and Non-financial risks by 2013, and make a contribution to the management of Financial risk through out the change programme.

		Change ACC				
		Current	2013	2014	2015	
Reputational Risks						
Privacy & Information Security						The programme will deliver the SPA objective of implementing all the Independent review recommendations by 2013
Trust & Confidence in ACC						The programme will change the claims management experience contributing to improvement in trust and confidence
ACC's ability to move to a customer centric model						The programme will change the way data is managed by third party providers contributing to a reduction in counter party risk
Third party operational error or failure						
Reputational risk associated with staff fraud						
High-impact Court rulings						
Financial Risk						
External economic factor – real rate of return on Bonds						The programme is premised and measured on changes to the claims process and claimant experience which will in part contribute to greater visibility of core claims costs and experience drivers
External economic factor – general price inflation						
External economic factor – equities market movement						
Loss of momentum – claims performance						
Maintain quality health provision at a sustainable cost						
Board Continuity						
Non-financial Risk						
ACC's ability to respond to Government policy changes						The programme will impact the core ICT system and contribute towards greater use of technology to support core business process and lower ICT risk
ACC's ability to develop and implement new products						The programme recognises the low maturity of ACC change ability and includes the use of strategic change partners to support the implementation of the change programme
Adequacy of response to natural disaster in a major hub						
Lack of ICT system performance						
Ability to deliver on its change portfolio						

Forward view of the risk profile for the delivery of Change and Service Delivery to customers

	Change ACC			
Service Delivery Risks	Current	2013	2014	2015
Operational compliance with personal information management practices				
Risk exposure of the quality of the current personal information stored				
Staff productivity impacts of current privacy process requirements				
Consistency of Service Delivery outcomes for customers				
Support of process and systems for customer centric service provision				
Service delivery model not keeping track with the evolving needs of customers (Digital)				
Change Delivery Risks				
ACC business operations are unable to absorb the volume of business process, system or people change required				
ACC does not adequately balance change demand between Change ACC and other change areas				
ACC lacks the capability to execute the change effectively				
Change Resource constraints impacting on the ability to execute across the overall change portfolio				

Service Delivery Risks — commentary

The programme will deliver the change required to ensure operational compliance with the IPP's as presented by the Privacy report.

ACC currently has 57 million documents stored electronically and a substantial holding of older paper records. Current stats show that for every 400 pages that the teams are checking for release, they are finding an incidence of personal information on the wrong record. The change programme will implement changes to reduce ACC's risk from this stored information being incorrect.

The programme will address the inconsistency of service delivery and related people, process and system requirements to ensure excellent service outcomes for customers.

The programme will ensure that ACC's operating model is fit for the future, delivering to the emerging service needs of customers as represented by customers demand for Digital services

Change Delivery Risks — commentary

ACC will ensure that the wider change portfolio is mapped out and deployment timeframes and scales are tested and agreed with business operations to ensure BAU change needs and workloads are accommodated whilst delivering change.

ACC has spent the last year developing portfolio and project management disciplines, including prioritisation, through the EPMO to improve and assure the delivery of change projects.

Recognising the nature of this change, ACC is in the process of engaging a Strategic Change partner to provide expertise to deliver Transformational change. Alongside this, ACC expects to allocate high calibre business SME's to ensure resource availability and appropriate input into the change programme activity

Change ACC Agenda

Delivering Success

SUCCESS

Governance model features:

- Provides ability for senior leaders of government to have insight and provide feedback on change progress

- Use Independent Quality Assurance to provide support to the Board and Chief Executive on controls and risk.
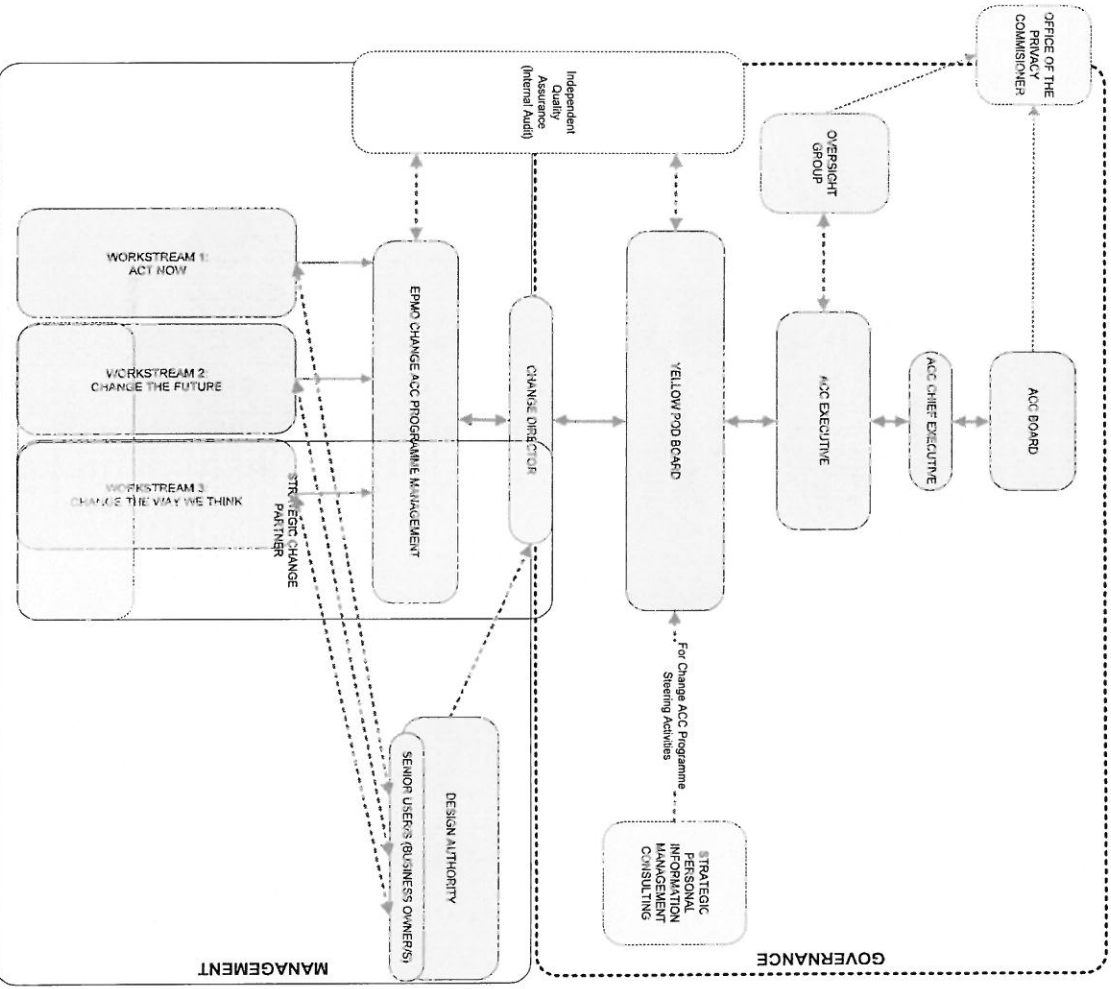
Governance model features:

- Contains clear line of accountability through the CE to the Board for the Change

- Makes use of external expertise to support design and execution

- Contains strong design based discipline to achieve a predictable change outcome

- A member of the executive (Change Director) directly accountable for outcomes of change

DELIVERING SUCCESS:
Keeping the show on the road

Implementing a new operating model will require change across all levels of the ACC enterprise estate, moving towards new processes, or changing the operational structure of the business – major changes that need to be pushed through the organisation effectively, **without compromising the objectives of the operation.**

To achieve this, our approach is to work with a carefully selected and experienced partner right from the design stage through to implementation. We will support this by co-opting senior members of the operating model design team – from the business, from the technology side, from the partner – onto a central design authority.

The **Design Authority** will be established to oversee the governance framework and advise on the practical implementation of the operating model. The Design Authority will not act as a policing authority but will act as a guiding light that drives towards 'zero defect' during implementation.
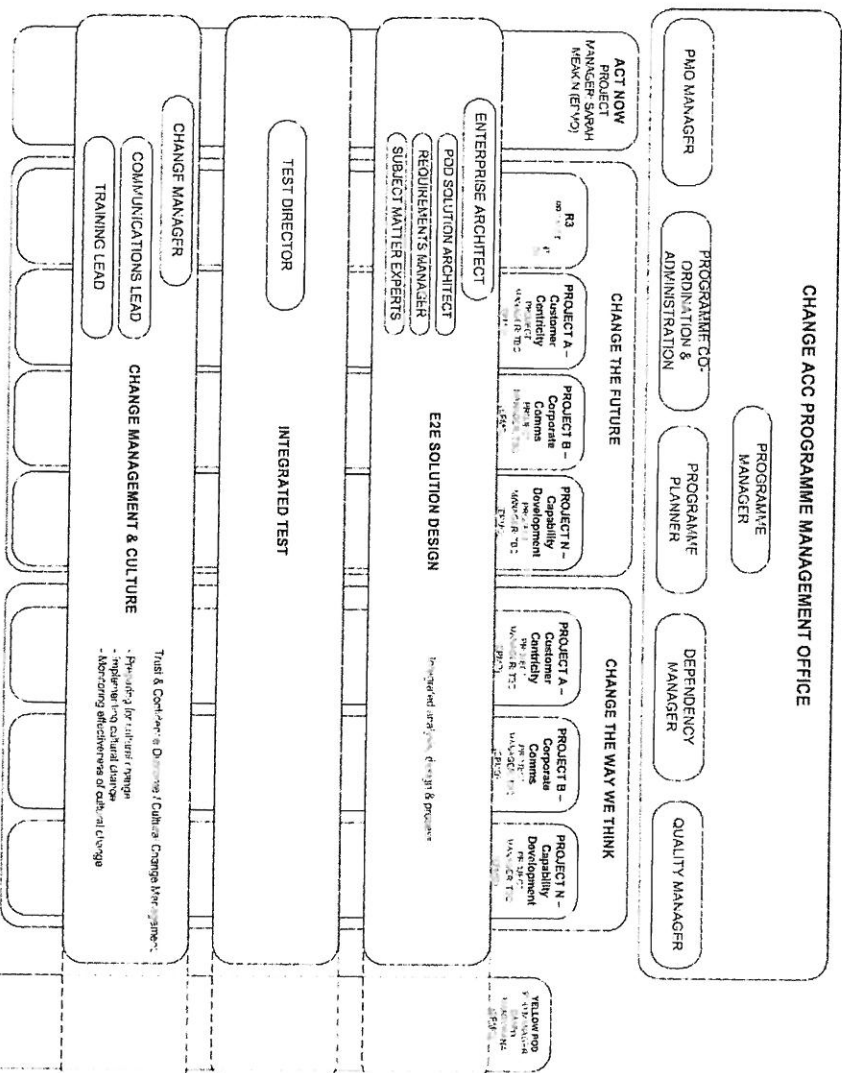
The ultimate goal of transformation is to reduce cost while increasing the speed, quality and value of the services provided to customers, however it does not release us from our day-to-day tactical duties – **Keeping the Show On the Road.**

Without the flawless execution and stewardship of operational services, we will find it increasingly challenging to gain the level of trust and confidence from within the organisation that is required in order to successfully undertake more value added and strategic activities.


Design Authority
- Strategic Architecture
- Operations
- Programme
- Governance
- Business
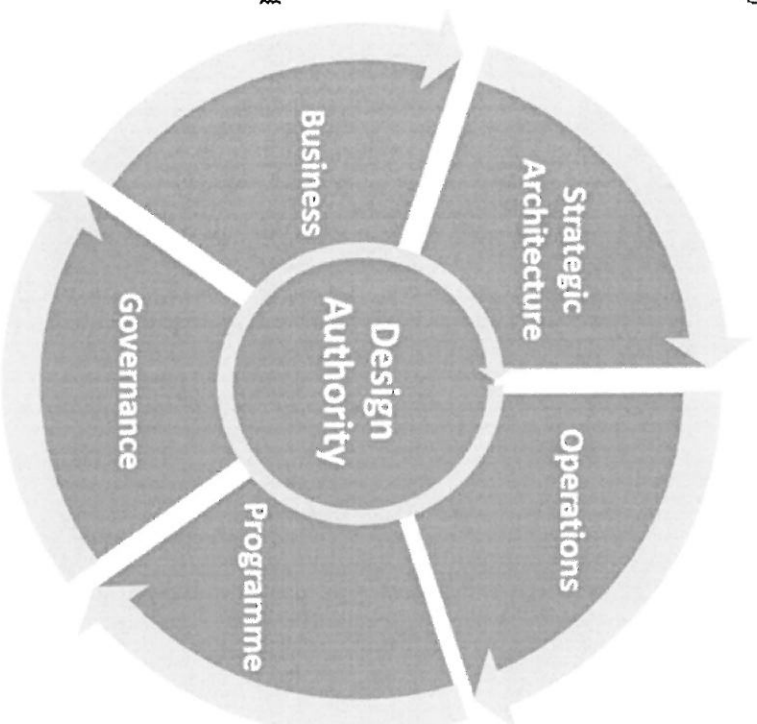
DELIVERING SUCCESS:
Change Delivery Structure

CHANGE ACC PROGRAMME MANAGEMENT OFFICE

PMO MANAGER

PROGRAMME CO-ORDINATION & ADMINISTRATION

PROGRAMME MANAGER

PROGRAMME PLANNER

DEPENDENCY MANAGER

QUALITY MANAGER

ACT NOW
PROJECT MANAGER: SARAH MEAK N (ERYO)

R3

CHANGE THE FUTURE

PROJECT A – Customer Centricity

PROJECT B – Corporate Comms

PROJECT N – Capability Development

CHANGE THE WAY WE THINK

PROJECT A – Customer Centricity

PROJECT B – Corporate Comms

PROJECT N – Capability Development

ENTERPRISE ARCHITECT
POD SOLUTION ARCHITECT
REQUIREMENTS MANAGER
SUBJECT MATTER EXPERTS

E2E SOLUTION DESIGN

Integrated analysis, design & produce

TEST DIRECTOR

INTEGRATED TEST

CHANGE MANAGER
COMMUNICATIONS LEAD
TRAINING LEAD

CHANGE MANAGEMENT & CULTURE

Trust & Confidence Driving / Cultural Change Management
- Planning for cultural change
- Implementing cultural change
- Monitoring effectiveness of cultural change

YELLOW POD

BLUE POD
POD MANAGER

RED POD
POD MANAGER

GREEN POD
POD MANAGER

ORANGE POD
POD MANAGER

PURPLE POD
POD MANAGER

Change Delivery features:

- Contains an integrated matrix based functional delivery model

- Illustrates the need for coordination of Change Management and Communications across the Change Portfolio
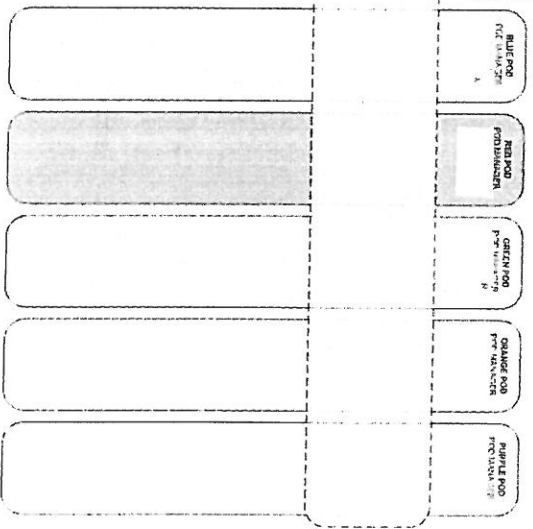
ACC
PREVENTION. CARE. RECOVERY.
Te Kaporeihana Āwhina Hunga Whara

Change ACC Agenda

Key Messages & Decisions

KEY MESSAGES & DECISIONS: Key Messages

NEED FOR CHANGE

- While Privacy has created a burning platform for change, privacy management is in reality only a symptom of systemic weaknesses in customer management

- Historic inconsistency in the management of the Scheme, inconsistency in process and a lack of customer centricity have helped to embed low levels of trust and confidence in the Scheme

- Evolutionary development of the organisation has resulted in an operating model not fit for the future of ACC

CHANGE PROPOSITION

- A solution based on resolving for privacy only will not address the underlying reasons for low trust and confidence and inconsistent service delivery

- Given the already high cost of business process re-engineering for privacy, there is strong economic logic to leverage this engagement to achieve wider transformational benefits

CHANGE COSTS

- In 2012-13 Change ACC is requesting $20.6m (inclusive of $3.1m contingency) in operating expenditure

- Approving this sum will mean ACC will exceed the Administration Cost budgets set in the Service and Purchase Agreement

- The projected cost of the change programme across financial years 2013-14 and 2014-15 expected to be in line with historic development spend distributed with a higher degree of operating expenditure

- Operationalising the expenditure is a more representative accounting treatment and protects future year administration costs from the depreciation impact of a large, capitalised project

KEY MESSAGES & DECISIONS: Key Messages

BENEFITS OF CHANGE

- In the short run, ACC will meet the requirements of the Privacy Report, increase our capability in personal information management and reduce the number of privacy breaches

- In later work streams, the Change Programme will deliver a transformational change to how ACC engages with its customers and its supporting processes

- Primary benefits will be delivered in client satisfaction and quality measures

- Secondary benefits will be delivered through increased process and administrative efficiency

RISK ENVIRONMENT

- The high volume of ACC's electronic and paper records, in conjunction with its existing processes, make continued breaches inevitable unless substantial change is made to how information is managed

- Effective programme management is essential to avoid Change ACC affecting claims management performance in the short-term

- Whilst embarking on a transformational change programme may appear high risk, once we aggregate the broader risk environment a much more positive and improved picture develops

DELIVERING SUCCESS

- Present a comprehensive Change Governance model
- Use consulting and functional expertise to support successful delivery
- Change delivery management and assurance will be provided through ACC's Enterprise Programme Management Office
- The risk of potentially adverse impact on ACC's underlying performance during programme delivery will be monitored and mitigated by the Organisational Design Authority

KEY MESSAGES & DECISIONS: Decisions

DIRECTION

- **APPROVE:** The commencement of a broader Organisational Transformation – Change ACC, as presented by Option 1 in this proposal and Initial Business Case

- **NOTE:** That this requires commitment of the organisation's forecast change portfolio spend for three years rather than setting direction for strategic change on an annual basis.

- **NOTE:** The first steps of the change programme, for this financial year, being:
  - *To reduce the incidence of privacy breaches*
  - *Implement short term Privacy Report recommendations*
  - *Secure external professional support to scope, document and confirm a new Business target operating model*
  - *Commence a cultural change programme aligned to the direction above*
  - *Commence a communications programme to support improvement in trust and confidence while we build our underlying improvements in process and technology*

- **NOTE:** The programme will report back each month on progress and will deliver a detailed full-programme business case in June 2013 to support a go / no-go decision on the full organisational transformation in the subsequent financial years. We anticipate working closely with the Board across March-June 2013 to complete the design of the Target Operating Model.

FINANCIAL

- **APPROVE:** Budget of $20.6m (inclusive of $3.1m contingency) as the financial baseline of the Change ACC Programme for FY12-13 to enable delivery of the above, accepting that this spend will have an impact on the SOI and SPA administration budget targets for this financial year by increasing it to $515m from the committed $495m

- **NOTE:** That financial years 2013-14 and 2014-15 expected to be in line with historic development spend distributed with a higher degree of OPEX

- **NOTE:** The low net impact will be achieved by moving to a holistic programme which will manage and integrate requests for development, that will arise in the PODs, through the establishment of a Design Authority

- **APPROVE:** The delegation for the draw down of funding against this financial baseline and the engagement of the strategic partner to the ACC Chief Executive (supported by Yellow POD Board)