

WORKPLACE PARTNERSHIP – NORTHPOWER AND THE NEW ZEALAND PUBLIC SERVICE ASSOCIATION

A Case Study Commissioned by the Partnership Resource Centre

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The purpose of this occasional paper series is to provide case studies and other publications to promote best practice and share experience in partnership approaches.

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1. Introduction and Purpose

This is a story about Northpower, the largest electrical distribution contractor in New Zealand. It is a story about people and a traditional company in provincial New Zealand doing some seemingly unremarkable things and yet achieving some remarkable results. Specifically, it is about Northpower's Whangarei contracting team – the managers, the workers and the PSA¹ – and how they have chosen to work constructively together and solve problems jointly in order to succeed.

It hasn't always been this way. Although people have been full of good intentions and wanting to do the right thing, great results were difficult to achieve on Northpower's Whangarei network prior to 2003. Both managers and workers were frustrated on a variety of fronts, but that frustration has been replaced with satisfaction without complacency.

This case study is not a story about what to do to replicate the good results Northpower has achieved, and it is certainly not about "ticking the boxes". Those who want successful and enduring relationships by using quick-fix approaches are unlikely to read this account to the end – there's no magic bullet to reveal. Rather, this story tells of the typical challenges and temptations associated with people building and nurturing productive employment relationships.

Much of the material for this story is drawn from direct quotes from those interviewed. It is their words that tell the real story.

1 New Zealand Public Service Association

2. The Emergence of a New Relationship

Several years ago, Northpower recognised that, to continue to be a successful electricity network owner and service provider, it needed to change the way it configured its services to consumers and associated companies. This was not only necessary with respect to the way service delivery was structured, but important changes to the way work was organised would also be required to make that structure work. Of course, this meant new ways of working being adopted by both managers and staff.

"We had to make major structural changes in separating out our network and contracting services. Our financial performance on contracting was going backwards three to four years ago. The guys in the old network structure used to micro-manage the work allocation. This left them with little time to plan and design the work, so work was passed to contracting that wasn't sufficiently planned or ready to be completed. The resulting delays and performance problems led to even more micro-management by the network people and no progress on resolving the real issues. After restructuring, we proved in two years the value of what we did. We increased the financial turnover of Whangarei contracting from \$14 to 20 million, and that level of productivity came about using the same field staff – may have been slightly less. We took profit from zero to \$1.8 million and the next year to \$2.5 million. It was a fundamental change in the way we used to do the work, and we were devolving problem-solving."

Mark Gatland, Chief Executive

It hasn't always been a convivial productive relationship between the company and its workers.

"In the early days, management and employees stayed on their own side of the fence. We'd have wage negotiations for three weeks and they turned to shit. In that situation, no one wins. And the way the company handled redundancies 14 years ago when they wanted to get rid of dead wood, we were treated like a herd of sheep – we had a meeting and those to be kept went in one direction, those not in a different direction."

Foreman of 20 years experience/PSA Delegate

"Members were active early on and very critical of and frustrated with the existing circumstances. This was often relayed to the CEO. But the frustration was a clear indicator of commitment to the organisation and desire to do better."

PSA Organiser

Since those early days, there have been major changes to the structure of the electricity industry. Northpower changed from a traditional power board to a consumer trust-owned company with directors and senior management fully accountable for the company's day-to-day performance and long-term business outcomes. There wasn't one key turning point for Northpower, but rather certain events happened in parallel. There was a change in work design, a change in union and a change in structure. Specifically, there appeared to be five things that contributed to the initial shifting of the culture to become more commercial and performance

oriented, as described by one Northpower manager:

1. The contracting opportunity: This was the opportunity for Northpower to provide line maintenance under contract to other electricity providers. This was about capitalising on what this had to offer and understanding how it might be different.
2. Taking forward the best of the traditional approaches such as pride in workmanship.
3. Having strong characters in the workforce who believed in their skills and wanted to show they were up to the challenge (instead of being defensive of the status quo).
4. Separating design from project management teams: Before, the designers were also the project managers who priced the jobs, created the construction plans and issued these to the line teams who got on with the job. This was changed by a split into separate design and project teams.
5. Issues or problems were able to be sorted out in the teams: Changes were made that meant teams no longer had to come back to the centre for direction.

While these things happened over time, many of those spoken to note that a significant opportunity arose for the company when the Auckland Vector Project emerged. One senior manager described the opportunity as it unfolded in the early days:

“Four years ago, I moved into the area manager role in charge of contracting in Whangarei. When the team who undertook contract work outside of Northpower’s geographical area was set up, they performed very well and were paid very well. The network manager observed that he’d love to have that performance level in Whangarei, but it was a case of the guys away being very focused on the work without the usual distractions of home. They could work longer hours – they weren’t expected to be home with their families or completing other community responsibilities. They had finite chunks of work to deliver, and their work was not mixed with maintenance or fault repair work.”

One of the early movers to the new way of working explained:

“Once the Vector opportunity opened up in Auckland, the guys working that contract had pay rates that were reasonably inflated compared to the guys in Whangarei. We worked on three-month contracting trips all over the place and came back to Whangarei. I eventually got job offers from Auckland, but at the time, I wanted to stay in Whangarei. I thought the guys needed to have their rates increased compared to what others were getting around the country.

I decided to approach the local PSA Organiser, Mark Furey. He was a straight shooter, and after having a few words, he said he thought he could do something. Ten of us then joined the PSA and I became a delegate.”

3. Significant Drivers and Opportunities

Both the company and the union recognised that, in particular, there were three significant drivers and opportunities for Northpower that were all inter-related.

The first opportunity related to staff retention. In a highly specialised industry and with a desire to be a leader in its field, the company could not afford to lose key staff. The staff themselves could not afford to lose experienced colleagues in an industry where their own safety and well-being, and that of their colleagues, is paramount.

The second opportunity related to productivity. While major changes at a strategic level (i.e. separating out the network from the contracting service) would facilitate productivity, these gains needed to be made on a day-to-day basis. Gains in productivity were largely going to be made as a result of work being organised differently; greater levels of efficiency were needed without compromising safety. For this to happen, staff needed to actively engage in thinking about more effective ways of working.

This led to the third linked opportunity: remuneration. Each party (the employer and the PSA) needed the other to embed significant changes in structure and gains in productivity. Both parties realised this meant mutually agreeable changes in remuneration were essential.

A collaborative approach

The attitude the parties have to one another in pursuing these opportunities demonstrates commitment to one another based on action.

When asked if the parties had adopted some form of agreement or written expression of intent, the Group HR and Safety Manager said:

“In terms of how each party (PSA and the company) is committed to each others’ success, we do whatever needs to be done. We don’t have to say we are committed to each others’ success – we just behave that way.”

Out of changes in union representation and the worker desire to pick up efficiency opportunities that had been shown to be beneficial to the company and staff outside Whangarei, a number of senior contracting staff, PSA and management got together to discuss what it would take to improve remuneration for all staff (not just those contracting outside Whangarei). Over a period of one year, during which time the parties were undoubtedly patient with one another, a collaborative approach resulted in the development of performance criteria and a measurement system that all parties were reasonably happy with. But this was not something that has happened by accident. As the CEO said:

“Following some bad behaviours in some meetings, we talked about Northpower being a family and needing to behave like one. At the point where we had established business in Auckland, we were at risk of having some problems around divisiveness. Mark Furey helped bring in a system where guys were assessed on performance, and that performance was recognised in their pay scheme.”

We've had the philosophy that staff and management are close knit. There is recognition that experts in the field are equal to others in the company – there is mutual respect irrespective of what union staff belong to, and the agreement sits in the background."

Despite the success of the collaborative approach, the company has not attempted to force the situation across the whole company or even across all staff in Whangarei. It has taken the position that, as staff can choose which union they belong to, it is perfectly acceptable to have two collective agreements operating in the workplace. It might be considered problematical to have two unions covering the same types of worker; however, this has not proven to be the case.

"I could see a potential obstruction and big risk in the relationship between the two unions involved with Northpower. We've been careful not to favour one over another, and even though we have historically enjoyed a better communication relationship in Whangarei with the PSA, we have been more than fair in our dealings with the other, and Mark Furey would accept that. We don't want the two union groups fighting."

Chief Executive

The two agreements are the Northpower/PSA agreement (Northland Contracting Collective Agreement) and the Northpower/EPMU/PSA Whangarei Employees Collective Agreement. The joint union-company agreement effectively covers all positions except those who choose to be covered by the contracting collective or individual agreements.

The Northland Contracting Collective Agreement incorporates pay rates and sets out a review

and progression system that is based on nine mutually agreed criteria. This agreement provides for placement in the scale of pay to be determined by way of a personal appraisal process, undertaken at six-monthly intervals. There is a moderating committee in place to ensure decisions are fair to both parties (the employer or manager and the employee). Either party can request the moderating committee to assess the six-monthly decisions.

An interesting aspect of this system is that the parties have agreed that a worker's pay may be reduced based on their performance, but such a worker has a three-month period to improve their performance to avoid a pay reduction.

The other collective agreement has maintained what might be considered a more traditional approach, with basic and merit steps. The basic rate is for employees who perform their job satisfactorily. A merit 1 step will be awarded to employees who are assessed as consistently performing above the satisfactory level. A merit 2 step will be awarded to those seen as consistently performing at an exceptionally high level. Any merit step must be earned on a year-by-year basis so, if performance is not sustained, an employee may revert to a lower merit step or basic rate as appropriate.

An essential difference between the two agreements is that, with the Northland Contracting Collective Agreement, both parties have determined and defined the criteria. It is very clear what the expectations are for moving up or down the pay scale. In the other agreement, there is no joint agreement as to what constitutes satisfactory, above satisfactory and exceptionally high levels of performance.

Over time, more and more staff have elected to be covered by the Northland contracting agreement – probably as a direct result of the greater clarity of expectation and reward it provides. It was a small group of ten who initially developed this agreement, and it now covers approximately 70 staff.

“Once developed and evolved, the process has shown to be so robust, that I have not had cause to become involved in any disputes about its application. There were some minor bumps along the way but as all the players were aware and saw solutions develop as we went, buy-in to the process is very strong. In my experience, this is very unusual for a performance-based system.”

PSA Organiser

Collaborative problem-solving

Although there are other differences between the agreements, the real issue is that the opportunity for collaborative problem-solving helps build a culture of respect and trust. While the focus might have been on improving pay and productivity, the process the parties engaged in allowed them to communicate at different levels and in a non-hierarchical way.

“I asked what they really wanted, and it turned out they were a competitive bunch, proud of their work, and they wanted to be as good as they could be and paid accordingly. We collectively realised we needed to develop a pathway we could agree on, and as a first strategy, we invited management to identify what a top lineman ‘looked like’. Alan [Jolly], Whangarei Contracting Manager took a while to mull this over, and when we got his answer, we looked at it and said we’d give it a go.”

PSA Organiser

Collaborative problem-solving hasn't been restricted to issues of performance and pay. When asked what it took to effectively solve problems using a partnership approach, the PSA Organiser said:

“I facilitate a meeting to make sure the parties say what they need to say and it's done without bitterness. I remember a meeting with Alan Jolly and a disgruntled worker, the three of us in a room. The guy, who was disgruntled, obliquely threatened him at one point but he didn't flinch a bit and, more important, didn't buy into reacting to the intimidatory behaviour. He just quietly made the right decision. He's the sort of manager who has a clear sense of what's right and what's needed to be done and does it. I didn't tell him what to do – I didn't need to. He heard what was wanted and found a way to weld it together. It requires a steely determination to do the right thing, no ego or fear.”

That manager (Alan Jolly) adds to these views:

“There is a very strong family feeling in the culture. Guys are intensely loyal. You can ring any one of them at 2.00am and they will come out and help if we need it. They take intense pride in the company, in what they do and in what they can do.”

In describing other aspects of the company's culture, the HR and Safety Manager said:

“We have had three Family Days where the focus has been on safety – Auckland, Whangarei and Central. They've all been on site. The idea is to bring the families in and let them see what their fathers do, the safety gear used to protect their Dad, so we create opportunities to have the safety message reinforced back at home.”

There is a sense of unity between work and home. With many of our families, Dad is the centre – he has to be well in himself so it's not just about safety – there's a whole wellness issue. We don't just focus on health checks. We see it more holistically."

Delivering value to customers

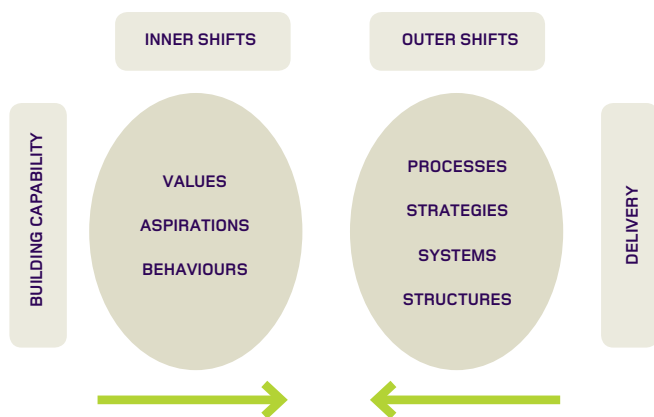
Northpower clearly believes that success comes from delivering value to its customers (the concepts of hassle-free service and cost of service/value of reliable supply equation). It believes that ability to deliver value comes from having sound ideas about what customers want and value, and how to organise and manage people to produce that value. In the Northpower Contracting Collective Agreement, customer service is one of the nine specific criteria staff are assessed against.

"I think the concept of hassle-free service is brilliant. It has to be. Back in the old days, you could do whatever you wanted if you were annoyed by a customer. You could temporarily cut off their power, drive into their paddocks, whatever. Now, the image of Northpower as a community company is important. Now we understand that if you did 1,000 things right, the customers don't necessarily see that. But they do see you do wheelies up the drive, and that one thing can bugger up the image."

PSA Delegate

4. Change Viewed from a Conceptual Perspective

While no one interviewed suggested the company has deliberately followed some sort of theory or conceptual model through this transformation, it has nonetheless attended to some broader dimensions of change, perhaps more so than many other companies. Comments thus far clearly indicate that the individual values and aspirations of people have been attended to and developed alongside the various developments of structure and service provision. For example, it is important to note that structural changes (separating network from contracting) and human resource practices (paying people according to how they perform) were both important in transforming the company. Thus, Northpower has attended to two broad dimensions of change: inner and outer shifts.



Not content with simply focusing on the delivery facets of change (as many others do), Northpower has attended to the inner shifts that are so important in sustaining change. The company and the union have facilitated both the shifts in staff attitudes and behaviours

and the shifts that occur in structures. It might be tempting for people to say, “Well, look, they are paying their staff well – of course, they are successful.” This overlooks the fact that the company’s growth has occurred over a sustained period where increases in pay are not substantially ahead of the market, but are regarded as fair by both parties.

The model above shows how, when the two shifts of change (inner and outer) are attended to, the facets necessary to make change successful and enduring come together to build internal capability, externally delivering what is required. Building capability with a focus on aspirations and behaviours will not, on its own, deliver what is required. Likewise, focusing on processes, strategies, systems and so on will not, on its own, deliver what is required.

High-performance practices

Northpower has restructured its service delivery and actively worked to meet staff and union concerns. It is also useful to consider from a theoretical perspective what else contributes to the sustained success of this company and its relationship with staff.

In his book, *The Human Equation: Building Profits by Putting People First*, Jeffrey Pfeffer (Professor of Organisational Behaviour, Stanford Graduate School of Business) identified seven practices that highly successful companies engage in. In many ways, Northpower reflects such practices, as highlighted below:

Employment security – fundamental to most of the following high-performance management practices.

Northpower are not looking just to be a low-cost company or one that competes only on the basis of cost. It operates a “values approach” rather than a cost-based approach. In Northpower’s case, this approach means it considers the value it provides to customers. This is evidenced by its adherence to hassle-free service for the customer and returning dividends to its consumers through line charge holidays. Because of this values-based approach, the constant threat to people’s jobs as a cost concern is not a feature of management or employee thinking. Through continued growth and by expanding its contracting base beyond Whangarei, the company is not only providing employment security, but is also increasing employment opportunities.

There is also evidence of how long-serving staff have suffered illness with significant time off (weeks as opposed to days) and been very well supported and able to return to work. Companies less focused on providing employment security tend to focus on what the employment agreement allows and the remedial actions that can be taken and enforced.

Selective hiring of new personnel through rigorous processes identifying appropriate attitude ahead of learnable skills.

Northpower maintains a careful approach to who it accepts into its “family”, and it is this family approach that assists it to be discerning about what is required. Most new employees are already known by someone in the company before they have their first interview and known by someone who is knowledgeable about what it

takes to succeed as an employee of Northpower. More than one interview may be necessary to secure a position, and because of its reputation in the community, it is an employer of choice.

“The relationship with the PSA is a definite part of the culture. I know Barbara Harrison [HR Manager] is working on a programme for developing skills in key positions so we have effective succession planning. We would rather keep key positions vacant and work around the difficulties with the vacancy, than get the wrong person who couldn’t sustain the relationship. We’ll get other people to stand in and take parts of the job if necessary.”

HR Advisor

Self-managed teams and decentralisation of decision-making as the basic principles of organisational design.

Significantly, more empowerment of staff was possible when the company separated its network business from its contracting business. Once where staff had to come back to the centre of the organisation for authority, skilled workers in teams can now make day-to-day decisions about how their team is organised and what its priorities are.

“Northpower has more paperwork than ever. It’s just a fact of life. But gangs have the freedom to make the call, and the bosses will back you up if you act within the rules and the scope of your authority. Cell phones are a great help for checking things out with the supervisors at home base. We’ve changed from having to get supervisors out to jobs. The gangs are smaller now than they used to be, and it tends to be that the team makes the call – not just the foreman.”

PSA Delegate

While teams may have more active responsibility for problem-solving at the appropriate level, productivity and timeliness of performance is very much to the fore in team thinking.

“Contracting work is fully ready to be performed when it is assigned. People within the contracting team have their own project management and are empowered to solve their own problems. The mindset in the contracting group is how we can do three jobs instead of the two that may have been planned. One of the main contributors to this productivity is being very clear about what is required. The guys take pride in their work and know what it takes to do a superb job; they have a very clear understanding.”

Chief Executive

Comparatively high remuneration based on company performance.

“Anyone will say that the goal is to make money through others, but not everyone can carry it out. The key is to make sure everyone feels on the same team, and this is not just about being approachable, but sharing in the rewards of success.”

Chief Executive

“It took about a year of discussions but we asked how we could make this work, i.e. increase our rates yet provide greater performance. The company agreed that, if we performed, they’d pay. We looked at how it would work, how it would be monitored and how it would be fair to both parties.”

PSA Delegate

“My philosophy is nothing’s gonna change if you sit and do nothing. There were 11 of us at the time. We might have got a better deal if there was more but I did it for what I was happy with.”

In the end, it worked wonders – everyone is happy, and you can set goals to go for increased earnings. If you put extra effort in and a quality performance all round, you’ll get paid for it. The previous reviews, no one took seriously, there were no benefits we could see. Once people could see a benefit, they could look seriously at it.”

Tree Cutter

Extensive training, learning and development.

Northpower and its staff have a positive approach to training and skills development.

“We put a focus on training and showed that the skills people developed were portable qualifications.”

Chief Executive

“We have eight trade coaches across the company. They work auditing safety programmes and assist with training, coaching and supporting anything to do with safety, but their most important role is to be there for the guys.”

Group HR and Safety Manager

Reduced status distinctions and barriers, for example, dress, language, office arrangements and wage differences across levels.

“We’re all on the same level. Our pay is good and it’s linked to performance. Alan Jolly has his management talking to us regularly but it’s not finger pointing or putting guys in the firing line. If a guy doesn’t perform, we say you’ve let the boys down. It’s a tight team. If I called for help, I could guarantee they’d be there in half an hour. I expect a decent day’s work, and if someone’s attitude isn’t right, they hear about it.”

PSA Delegate

The concept of hierarchy – either between management and staff or within teams – is a redundant concept.

“We’ve also had a ‘new breed’ of worker who may have been here 5 minutes and who works with a guy who has been here 10 years, yet the 5-minute guy can put up his hand and say, ‘I can do a lot better than he’s doing’. These guys with four or five of the older guys plus future leaders we had identified who were a ‘quieter lot’ banded together to form the Super 10. The 10 became 12 and the 12 became 55 on the new agreement. Some staff have had the misperception that they’ve been shut out, but they haven’t. They are welcome to perform to the standards and be eligible for performance rewards.”

Area Manager

“It’s an awesome company – they listen and they are family oriented. It’s not ‘us and them’ as it is in other companies. When we have social events, all the bosses come and mingle. And workers don’t mind giving the bosses a bit of jip in a good natured way. On a personal note, they looked after me well last year when I had quite a bit of time off work. Bosses came round, seen me at home including arranging nurses from work. And they’d phone in and check on my progress. They cared about me – I wasn’t just a number. The company spends a lot of time on the ‘we’ concept, not an ‘us’ and ‘you’ company. If you feel like you’re part of the company, you perform better. You don’t just turn up as a worker who is clock-watching. The days go by quickly. We get our worksheets and are off and don’t come back till we have finished.”

Tree Cutter

Extensive sharing of financial and performance information throughout the company.

The company goes beyond being open in the sharing of information. It has a fundamental belief that joint problem-solving is dependent on openness and clarity about responsibility. The joint approach to problem-solving at Northpower is typified by the following quote from the CEO:

“If a problem arises, share the problem in the relationship. The company has an issue in that it needs to keep making profits. It has another issue in that it needs to keep people safe. If we take the view that the first issue is one for the management to address and the second is for the troops to address, we create inherent conflict. Where both parties share responsibility for both the issues, conflict is minimised.”

Chief Executive

This attitude to openness and clarity is based on a high level of self-awareness and reflection that exists in the management team and the leadership they provide.

“If things aren’t going the way we’d like them to, we have to discipline ourselves to look at what we (in management) are doing that is contributing to that and be prepared to change our perception of the events. This provides an opportunity to self-correct, and if we do this, it can change how things happen on the other side. If we hear in our own team, ‘If only they would do this or change that’, this indicates that something is not going right. It’s far easier to change what we are doing than to change what they are doing.”

Chief Executive

The importance of trust

Underpinning all of the above is the issue of trust. Building trust, along with encouraging innovation, measuring the right things and aligning incentives with new practices, is at the top of the tree when it comes to maintaining the high performance work practices of successful companies described above.

In some ways, trust is the equivalent of the company's immune system. Low levels of immunity in humans can lead to perpetual sickness and death – similarly with low trust in organisations. In organisations, this perpetual sickness is evident in the use of high-cost practices such as checking supervision and vigilance, excessive compliance, adversarial behaviours, political posturing and turf wars. In such an environment, those most able to contribute their hearts and minds to organisational goals simply “turn off”; they do only what is required, never really helping their organisation deal with increasing complexity and/or competition in the market.

Employers trying to break through a culture of employees only doing what is required typically respond by introducing even higher levels of control and compliance techniques, rather than responding in a genuinely open and inquisitive way. This simply perpetuates the problem, embedding a culture of even more compliance and a correspondingly less innovative and problem-solving culture.

To a great extent, building trust comes from adopting new mental models and the ability to understand how we helped create the culture that we have. For example, the high-performance practice of sharing information with employees requires letting go of the more

traditional managerial prerogative associated with keeping information close and maintaining one's power base. Sharing information also implies that the status of holding “secrets” and the “ego food” this provides can be given up. Keeping things secret actually conveys a lack of trust in those with whom those secrets may be shared.

“When I've got ideas that might impact on people in some way, I confide in the union early. An example was the reorganisation of office staff and office reporting relationships. I see early consultation is all part of building trust. Having trust in relationships is such a critical part of why we succeed, and it hasn't happened by accident.”

Group HR and Safety Manager

Another part of building trust is dealing fairly with people – this involves patience. Critical to fair dealing is a willingness to explain and explain again why things are important or why changes need to be made – especially where changes impact on an individual's job. This emphasis on fairness is at odds with a highly contractual approach to employment relationships and makes a fundamental statement about the importance and value of the relationship. This is something Northpower understands well.

“If there is an issue that is unable to be resolved within teams, one of the guys would be at my door saying, ‘What are you doing to do about it?’. We've developed a lot of mutual trust, and this flows over to the way problems are dealt with. For example, someone might come to me and say, ‘Look at clause x of the agreement. That wording doesn't seem right – it could be interpreted to mean ABC’. We've had examples where we would know the interpretation taken wasn't within the intent and we'd fix it.”

We'd operate the agreement to meet the intent and fix the wording up with an agreed variation."

Area Manager

The access to senior management by small groups of employees also builds trust, especially where senior management takes an active listening role. This personalised communication conveys a greater sense of caring and respect for employees than the more typical, but less personal, newsletter or video.

Last, but not least, building and maintaining trust involves working cooperatively with union representatives. Attempts to bypass those in whom the workers have placed some trust gives a particular message of disrespect, not just to the authorised representatives, but to the workers themselves. Northpower and the PSA have embraced their relationship in a way that has transcended cooperation to collaboration.

"The key thing is we are totally open in discussion of issues. The respect is mutual and evidenced by listening. We can each listen and both of us [CEO and Mark Furey] can change our view.

I find that, when people stop worrying about their personal positions on each side, the business does well, and they as individuals end up doing well – even in redundancy situations where staff are re-deployed. We've also assisted to get people to believe in their own capability if they need, in the end, to find work outside Northpower."

Chief Executive

Some other examples of building trust concern responsiveness to issues.

"We were informed by the PSA of a late performance review for one of the staff. When we inquired, we found out that

the person didn't like doing them and was putting it off. We got onto it and helped him. Another example concerns the performance pay system. It's really important that, even if you have clear criteria, you also have a process of scrutiny so people can see it's fairly applied. That's what we do. The relationships are very real – in the way we have partner relationships at home. We are comfortable trusting – it's a natural way of being for us."

Group HR and Safety Manager

A feature of the way the company works with its employees and the union is that it doesn't pretend that, once something new has been decided, even over a long period of consideration, it is necessarily fully complete. The willingness to test, re-examine and review, including checking whether the intent of agreements is being delivered, is an important component of open communication and reducing frustration.

"We keep progressing the agreement. Guys are delegated from within the company to continually meet and discuss next versions of the agreement, and this is no different to what's supposed to happen. There is more trust on each side, which is maybe not always apparent or obvious. The trust comes from integrity and competence. If we make a commitment, we keep it, and we don't shy away from making commitments. The other thing is competence. Respect and trust go together – you won't get the trust of the guys if they don't think you're up to it.

What I don't like about the agreement is that it's pretty arduous for the supervisors who have to do these six-monthly reviews. But against that, we've traded a week's worth of head-butting with the union over bargaining with an on-going process with the staff. The traditional view might be, 'We've got to do all this extra stuff' – but it's

worth it. Collective bargaining doesn't take weeks or days – it's over in hours."

Area Manager

While such a comment might appear to minimise the complexity of the situation, this form of bargaining represents a profound shift from the norm that many other companies experience. The shift is one from a series of adversarial and sporadic events to a dynamic process within an active relationship. Instead of being an end in itself around which considerable resources are directed by opposing sides, collective bargaining is a means to an end – the end being an enduring relationship where both parties are focused on mutually agreeable outcomes.

This view about collective bargaining is a view shared by the parties, and almost everyone interviewed for this report commented on it in an unsolicited way. The parties are justifiably proud of how little time is required to settle what, for many others, is an arduous and painful part of their employment relations. The organiser, workplace delegates, those they represent and the management clearly share the view that the way in which they all work together during the year is a contributing factor to the smoothness with which collective negotiations proceed.

"The influence of Mark Furey was a key point in time for the company's development. Mark could see difficulty in the way the collective agreements were working for both the employees and the company and the need for rewards to be greater aligned to productivity. And until the new agreement was developed, staff had a lot of suspicion about how the subjective criteria for exceptional performance were being applied. The staff themselves thought the system needed to be more robust and had the confidence in their ability to benefit

from productivity-based rewards. As a consequence, union membership has been boosted."

HR Advisor

The respect and mutual trust built on a day-to-day basis provide a tangible benefit and reward through relatively stress-free negotiations and minimal productivity downtime. As illustrated above, building mutual trust is not something that happens quickly or by accident.

What the parties have done to get to the point where collective bargaining is "a breeze" is important. Together, they have developed their skills in joint problem-solving, and it is this capacity to work collaboratively that has facilitated effective and efficient negotiations. Through their behaviour between negotiations, the parties recognise that the day-to-day relationships and significant events cannot sensibly be separated. That behaviour in the negotiation environment is inextricably linked with behaviour outside this environment. To reiterate a point made earlier, it wasn't always the way.

"There was a time when there was adversarial behaviour, and it was when we used to get 19 percent pay claims at bargaining time. And we would offer the CPI as a response. But all that has been sorted now. There isn't the gulf between workers' expectations and the company's expectations like there used to be."

"I notice Mark Furey makes himself available and gets on particularly well with Alan Jolly. The timing of sorting out problems is a key part of the relationship. There is mutual willingness to recognise the intent of the contracts; it's not too difficult, it just happens."

HR Advisor

"I accept I was part of helping achieve worthwhile change. That said, it's not about me. I no longer have active involvement on a day-to-day basis. I like to think that I've helped members, not just to achieve

goals but also to build confidence in their own skill to deal appropriately with day-to-day issues within the company without depending on me."

PSA Organiser

5. Benefits to the Company and the Union

The approaches described have helped build a more unified workplace culture with positive employment relationships and high levels of employee engagement.

“It’s not about workers engaging with the organisation – it’s about them engaging with the work. When they engage with the organisation, the interest becomes pay, promotion and the politics necessary to get on. When they engage with the work, they connect to why they are there in the first place. One is core; the other is a bit of a distraction and, for some, is a game that can get in the way of doing good work.”

PSA Organiser

Both parties know that the success of the company has flowed through collaboration between managers, staff and the union. Significant restructure of the business has worked with minimal conflict. In fact, people interviewed said they couldn't remember when the last significant conflict arose.

Collaboration has not been about telling the union what the company is going to do and doing it regardless. In the case of the Northpower experience, collaboration has encompassed openness, mutual confidence and trust between the parties. Some of these benefits have flowed through to measurement systems beyond the financial data.

“It is very personality dependent. If everything is buttoned down in terms of policy or procedure, we tend to lose sight of the importance of meeting individual needs. At times, there are sparks of brilliance that deliver relationships that hum. There are

other times when we can be a bit down in the dumps but we get through it. There are other times when we simply need a bit of a break from one another. We have a documented problem-solving process, but whether we refer to it or not, the guiding principles are common sense. Both parties play in the space where there is freedom to interpret – again, we are comfortable about this because we trust each other’s intentions. Northland has its own culture – it’s a way of working, which has become, if you like, its own DNA. It has provided this to other parts of the company.”

Group HR and Safety Manager

It is also significant that mutual trust is not just between the company and the staff or the company and the union. For the relationships to be sustained, trust, in essence, flows around three corners of a triangle, which includes the relationship between the union and its members.

“People are happier. The culture now is, people are saying, ‘If you want to get where I am, you can’t slack around’. The company performance is up, and we’re not having a big argument in the collective negotiations now. I like Mark Furey’s approach to things – he’s straight and says this is how it is. I like straight openness and honesty.”

Tree Cutter

Northpower as a place to work

In 2006, 436 Northpower employees participated in an online survey.² 148 of these employees worked in Whangarei. The survey called for

² Unlimited/JRA Best Places to Work in New Zealand Survey.

responses from employees across 9 categories:

1. Culture and values
2. Common purpose
3. Communication and cooperation
4. My team
5. My job
6. Learning and development
7. Performance and recognition
8. Safety
9. Overall perception of the organisation.

Analysis of the staff responses shows:

- 82 percent of respondents across all groups believed they are working for a successful organisation
- 77 percent believe the organisation has a clear vision of where it's going and how it's going to get there
- 67 percent believe they can rely on the support of others in the organisation
- 80 percent have confidence of the ability of others in the team
- 78 percent believe the person they report to treats people with respect

- 78 percent understand what is expected of them in their job
- 86 percent believe the organisation is committed to safety
- 88 percent understand their role in ensuring their own safety and that of their colleagues
- 79 percent would recommend their organisation as a great place to work.

But despite the level of trust, the improved productivity, improved remuneration and respectful engagement, the company still faces challenges. Many employees in the survey believe that there is still a way to go across the whole company in terms of performance and recognition.

Less than half of all respondents (47 percent) believe they get regular feedback on their performance, either formal or informal, and 51 percent believe more could be done with respect to those who are not performing well enough. That said, nearly two-thirds of the respondents believe their own contribution is valued by the company.

6. Concluding Comments

In its 2007 annual report, Northpower reports that it exceeded its financial targets, increasing net profits by 22 percent. The company reports that such results flowed from growth in its electricity network and in contracting activity, combined with increased efficiency. Warren Moyes, Chair of the Northpower Board, said:

“We have continued to maintain a high level of satisfaction with three key stakeholders – our employees, customers and shareholders – while keeping within the thresholds set by the Commerce Commission.”

As stated in the beginning of this account, this is a story of a company doing some pretty ordinary things and getting outstanding results. There is no magic bullet, and there is no quick-fix checklist or precise recipe for success. In this case, there is no documented partnership agreement or even a document specifying what the parties intend in respect of their dealings with one another. *They don't define it, they just do it.* This case study points more towards what Northpower, its employees in Whangarei, and the PSA have done to build productive employment relationships.

Because these results are still somewhat atypical across industry, certain questions might come to mind, such as:

- Have these results been achieved on the back of some “airy-fairy, tree-hugging” philosophies?
- Is Northpower just a soft-headed, soft-hearted permissive employer and a push-over for workers to get what they want?
- Alternatively, are the delegates and staff push-overs and easily satisfied?
- Should other employer and union parties reading this case study dismiss what this company has achieved because the lessons to be learnt couldn't possibly be replicated outside Northpower?
- Should the parties' results be dismissed because of other advantages applicable only to Northpower in the marketplace, such as patents, copyright, unlimited access to capital finance or some other privilege?

The answer to all of these questions is a resounding “no”! To a large degree, this company and its employees practise the sort of high-performance strategies described in the literature and as highlighted in this report. Many companies simply don't do these things, and they have their own peculiar rationale as to why not.

Nothing the parties do in this relationship is particularly novel. While the high-performance strategies described are not new, their execution is everything. In this case (and perhaps others where high-performance strategies and genuine engagement are in place), execution depends on personal behaviour and the recognition that each individual chooses their behaviour in “moments of truth” – when it matters most.

The style brought to the company involves personal pride and responsibility for performance, including a desire not to let each other down. The language and delivery is not that of a pre-school; it is robust.

Responses to robust challenges tend not to be defensive, and the participants appear to be less ego-centric than those found in other companies where “authority” is challenged. Accordingly, problem-solving focuses on what is good for the company, as well as what is good for the individual.

With such a high emphasis on safety at work, wellness in general and family, this company demonstrates that its workforce is important. Through its remuneration system, it demonstrates it is willing to share the rewards of success. When combined with a willingness to trust employees and do what is right and fair, and ensure they have the skills they need to do a good job, employees feel respected. In turn, they deliver the results in company growth and in the financial statements.

It’s clear from the employee survey that improvements are still possible in areas of communication and performance management, but the overwhelming impression, through employee feedback and the interviews that have been used to tell this story, is of a company that has its people committing hearts and minds to their jobs, not just their labour.

It might be thought that the effectiveness and quality of what happens at Northpower is relationship-driven and that, in turn, depends entirely upon individual nuances. Such a reliance on individual style could be seen as a strategic weakness. Certainly, there are key people in the company who have chosen to behave in ways that build and nurture relationships. So, what would happen if key management or union people were to leave this environment? The CEO responds:

“Leadership starts with the Board. We have a very strong and commercially focused Board who understand what it takes to make and keep a successful company. They are a Board that wants to help the management succeed. They are not a Board who are interested in blame and punitive approaches. This tone from the Board sets the tone for the management, so that if one of us leaves, there is an expectation that there won’t be a change in the culture that helps the company succeed.”

Perhaps one of the best signals of the future relationship between the parties is the extent to which the parties have adopted a common “mindset” around constructive engagement and how this becomes part of the culture and is integrated into behaviour. By way of indication, we leave the last words to the PSA Organiser and a representative of the Partnership Resource Centre:

“A significant milestone about our relationship happened not long ago when we attended a workplace partnership forum recently in Auckland, hosted by the Partnership Resource Centre. A number of different employers and unions were present. We were asked to make a presentation about what we had and how we work in a collaborative way. There were five of us: Mark Gatland, Barbara Harrison, Alan Jolly, Barry Holland and myself. As it happened, we had no time to confer or rehearse with one another what we were going to say, yet we all independently ended up saying the same things about the relationship. That meant a lot to all of us.”

PSA Organiser

“One of the many things that struck me was the dynamic between the people presenting, which included the CEO and a PSA delegate. Unless you knew who they were, it would have been virtually impossible to say who the CEO was or who the PSA delegate was based only on what they were each saying – such was their consistency – and I knew that they had very little time to prepare

their presentation... and that was obvious from the spontaneous way they all went about the presentation, too. To my mind, this was a living example of our definition of workplace partnership – namely, each party having an active interest in the success of the other party.”

PRC Practice Manager

7. The Parties

The New Zealand Public Service Association (PSA)

The PSA describes itself as the union for people working in the public sector and delivering public services. It is the largest public sector union in the country. Its membership comes from employers, including:

- public service departments and ministries
- local government authorities
- district health boards – mental health services, allied and public health professionals, technical staff, and clerical and administration staff.
- organisations providing disability and aged support services
- Crown research institutes
- State-owned enterprises
- tertiary institutions
- community-based organisations.

The PSA has an organiser associated with Northpower who works with Northpower workplace delegates. Eighty-five to 90 percent of Northpower's Northland staff is unionised. Over the years the company has been successful, the PSA has steadily grown its membership from zero to 130 members. Both the company and the PSA see this membership as beneficial to both parties.

The PSA nationally promotes across its public service constituencies an approach that entails working in partnership with Government

employers. In 2000, the New Zealand Government and the PSA made a partnership commitment that encompassed a high-level agreement where both expressed an interest in quality jobs and quality public services. Several years later and following subsequent updates of agreements, Partnership for Quality has deepened its impact beyond core public service departments to now include other State sector agencies. The latest Partnership for Quality agreement sets new principles and expectations for all parties towards the development of modern, innovative and highly successful public services.

Partnership for Quality is based on the concept of “workplace partnership”, which is defined as:

“...An active relationship between unions and employers to deliver outcomes that benefit the mutual interests of both parties.”

Moving to a partnership approach requires at least three things:

- Respect – recognition and acknowledgment of the differing as well as shared interests of both employer and union.
- A willingness to do things differently – to take a risk.
- Commitment – a commitment to the success and advancement of the interests of the other partner.

Although formal written agreements exist between various Government employers and the PSA, no such written agreement exists between the PSA and Northpower.

Northpower

Northpower's reason for being is "safe, reliable, hassle-free service". It is a Northland owned and operated company (with its head office based in Whangarei), and its growth and geographical expansion provides direct benefit back into the local economy through community sponsorship and line charge holidays. For example, since 1997, Northpower has returned \$68 million to consumers via line charge "holidays" and, with over 750 employees, provides significant career and job opportunities within its community. As noted in Northpower's 2007 annual report, Northpower has shown consistently strong

growth for the last 10 years, during which net returns have increased 300 percent. This was despite Northpower having to sell its electricity retailing business in 1999. It was a company that employed 160 people and has grown to over 750 employees today. The company is also the largest electricity distribution contractor in New Zealand.

Consumer Survey Company Colmar Brunton report that Northpower's ratings on reliability of power supply to consumers are very high, and those customers think that the performance in power supply and the costs they pay for that performance is appropriate.

Workplace partnerships can help build quality relationships which lead to more effective and fulfilling workplaces and better business performance. The Partnership Resource Centre is responsible for fostering such partnerships. It works with employers and unions to develop co-operative workplaces which focus on working towards meeting agreed and mutually beneficial objectives. The purpose of this occasional paper series is to provide case studies and other publications to promote best practice and share experience in partnership approaches.

The Centre's services also include:

- Providing information on partnership
- Supporting capability development for managers, union officials and delegates at different stages/levels of partnership
- Developing, delivering, and disseminating specific resource and training materials, case studies, and other tools to support partnership approaches
- Providing opportunities for shared learning and networking for managers and unionists involved in partnership initiatives
- Providing expert facilitative support at more advanced stages of partnership development or where obstacles have been encountered
- Offering training in improving interpersonal and organisational processes, such as conflict resolution and business analysis
- Providing expertise in organisation development and change management.



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