The Human Side of Making a Public Utility More Competitive

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Until recent years there was no question that public utility departments would carry the burden of operating and maintaining environmental infrastructure by providing all the necessary services themselves. Now, however, a perception is spreading among the public that municipal services are too expensive, wasteful, or even lacking in technical advancements. Government’s established role is being challenged by new political and economic conditions.

When public service leaders accept the challenge of becoming more efficient and maintaining municipal control, their course of action must focus on not becoming just a better “public” utility, but on becoming the best utility, public or private. This requires a series of proven actions, or “Best Business Practices.” Such practices have been applied during and are based upon our recent experience with several public utilities, including the solid waste, water, and wastewater departments of two large west coast municipalities, two Florida water and wastewater utilities, and HDR’s advocacy in support of successful bids in North Carolina and Florida to maintain operations of solid waste, water, and wastewater services.

Managing Change and Communications

Managing change and communicating effectively are the two foundation practices that will determine the overall success or failure of your effort to become a more competitive public utility.

The focus of many leaders is solely on changes in operational processes, automation, and technology—cost saving or reduction strategies on the operational or structural side of providing a public service. We believe this is a shortsighted approach that will ultimately fail to achieve the desired gains.

A potentially more successful approach is to implement change by addressing the structural and the human side of change. “High velocity partnering,” in which change management concepts are introduced, is the first step in managing the changes required to become more competitive. It ensures that all members of the team leading the improvement effort have a clear and common understanding of their purpose and are willing to work cooperatively to identify and implement those changes that will enhance the utility's level of competitiveness.

High velocity partnering has generated interesting results. The first partnering session with a large west coast water utility began in typical fashion: management on one side of the table and union representatives on the other, with all doubtful that either side cared about the other’s best interest. By openly and continuously examining common issues, needs, and benefits, a transition in attitudes and behavior occurred by the end of the session. One indication of the participants’ satisfaction with this process was the union president’s recommendation that the partnering approach be used on other public service enhancement projects.

High Velocity Change

Establishing the appropriate “pace” for public service improvement or privatization projects is the second objective during high velocity partnering. High velocity change is required because in formal private-public competition there is usually a deadline for the submission of proposals, and managers of the public utility don’t control the process or the RFP process. In those situations where privatization is not a threat, public sector leaders can’t predict when an elected official will make managed competition a key platform.

Most efforts to enhance the competitiveness of a public service require a pace that practically leaves skid marks. While this does not imply proceeding in a reckless manner, all team members must share an unwavering sense of urgency. They must begin fast and continuously pick up speed.

To generate and maintain such an urgent pace, team members must prepare themselves to “break some rules.” Existing paradigms must be identified and examined with a focus on inventing the future as opposed to simply redesigning the past. In other words, the utility department team members (managers, plant supervisors, and operating engineers) are asked to look beyond incremental change in operations and beyond merely modifying what exists.

On the structural side, an organization’s existing structure, work methods, degree of automation, and culture, including staff skill levels, policies, and procedures, can be a potential trap and significant barrier to more efficient operations. To become more competitive, consideration of radical change in operations becomes the focus. Trying harder is not effective when you really need to do something different. Or, as stated by two management experts:

“Unless we recognize and break away from the outdated rules and fundamental assumptions that underlie operations . . . we are merely rearranging the deck chairs on the Titanic.”—Michael Hammer

“Until we drop unwarranted assumptions about people, processes, technology, and products, we can’t expect to bring about lasting improvements in our organizations.”—Steven Covey

In each situation encountered so far, change was not optional for our partners/clients since the local governing body had decided that privatization of the municipal service was a positive alternative, either immediately or in the event that efforts to become more competitive were unsuccessful. Therefore, the final objective is to reduce resistance to change and prepare the management team to lead the change initiative.

Leaders as Change Agents

Our work with public utilities over the past two years has made it abundantly clear that, under circumstances requiring significant organizational change, leaders must accept the responsibilities of change agents and consequently take several actions critical to the management of the human side of change:

1. Openly take ownership of changes in operational methods required to be competitive;
2. Look for ways to generate employee commitment;
3. Remain tolerant of others’ mistakes during the change initiative;
4. Communicate continuously with staff;
5. Maintain a sense of humor, especially during difficult times;
6. Manage the stress associated with implementing changes.

Unfortunately, some public managers don’t understand that employees experience psychological reactions to even well-planned changes, and that these inevitable reactions, often viewed as resistance, must be managed. William Bridges, one of the leading experts in the management of change, refers to these psychological reactions as the “transition.” It’s the transition not the change that people fight against. They resist the risk of failure or loss of identity associated with substantial organizational change.

Thoughtful actions by the public sector leader serving as a change agent help frontline employees accept transition and carry out changes in organizational structure, management, or job requirements. Managing both sides of change is not an either-or
situation. Poorly planned or implemented changes create painful transitions for affected employees, while unmanaged transitions make change less likely to succeed.

Managing the Human Side of Change

Facilitating Best-Business-Practices workshops with several hundred frontline public employees causes the authors to offer several recommendations to public sector managers. First, by managing the Human Side of Change during public service improvement efforts, leaders can reap several benefits:

- Major change initiatives are more likely to be sustained, avoiding the "program of the month" syndrome;
- Trust and commitment with front-line employees is built;
- Resistance to operational changes is reduced by managing the emotions and stress (transition) associated with the change.

Another lesson learned by leading the workshops is that public employees in unionized and non-union environments consistently express a desire to actively support improvement initiatives, but they list lack of employee involvement in determining improvement strategies and poor communication as major barriers to exhibiting commitment to more competitive operations. An often-overlooked principle is that those closest to a work process tend to understand it and should be consulted when changes in it are considered. Naturally, all employees' input can't be used when improving operations, but employees can be asked what they think.

It's often stated that the key to success in real estate is location, location, and location. In organizational improvement, a primary key is communication, communication, and communication. One of the major causes of failure in utility optimization or improvement initiatives is not a lack of intelligence or technical skills, but rather ineffective interpersonal skills. Specifically, management must create an environment where information flows in a two-way process meeting several requirements.

All employees need consistent backround information that provides explanations and is backed with facts and figures. Therefore, employees should receive timely and detailed information at the beginning of the optimization effort and throughout.

Employees should receive regular updates describing progress in achieving the goals and objectives established for the optimized operations. Employees also need an open avenue to provide input and make suggestions regarding their facility's operations, including suggested changes and other improvements.

Naturally, employees need to be informed when a specific change is planned. Organizations have been most successful when they've developed communication plans, which answer questions such as why the change is necessary, how and when it will be implemented, how it will affect the employees, who are the key players, how the employees will be trained, and who they can turn to for help.

A highly successful method to achieving communication objectives is the use of regular operations team meetings; at least a monthly frequency is recommended. Regular agenda items for such meetings should include the following:

- A review of the facility's performance relative to established goals and improvement initiatives (e.g., energy management);
- Recognition for progress achieved;
- Discussion of problems encountered by front-line employees and action planning to solve them;
- Brief training or discussion of training needs and planning to meet those needs;
- Discussion of opportunities for improvement (OFI's) should be encouraged to continuously look for ways to improve operations by reducing/eliminating waste, rework, and redundancies.

Another key is to not only over-communicate, but as changes are implemented, leaders should actually look for bad news.

Public sector mangers must demonstrate leadership during change initiatives. Leaders make things happen by defining future needs and opportunities (vision), by mobilizing and inspiring others to action, and by instilling purpose, urgency, and higher levels of performance. In today's environment of public-private competition, leaders must master both sides of change and communicate in a manner that creates an environment of openness. Such an approach to competitive operations is critical to enhanced employee commitment, productivity, and ratepayer satisfaction.

Performance Incentives

No discussion of the human side of change can be considered complete without a discussion of performance incentives or gainsharing for public employees in achieving competitive public utility operations. Optimizing utility operations can be achieved in part through instituting automation technology, better application of chemicals, and wise use of power resources. However, the inevitable fact is that some jobs will probably be lost, and those employees who remain will undoubtedly be required to perform more work. Failure by an employee team to achieve the goals set through managed competition procurement may subject the remaining employees to the loss of their jobs.

To compensate for that risk and to draw upon the competitive spirit of American workers, many public utilities have instituted performance incentive programs for their employees. These gainsharing programs enable public utility employees to receive a direct share of any savings that result from actual plant operating costs being less than the fees actually bid by the employee team. That enables the local government to keep costs under control while empowering the plant employees to directly participate in the benefits and risks associated with efficient plant operations.

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