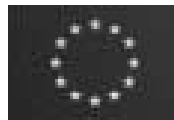


# HIGH ROAD TO WORK ORGANISATION

## CASE STUDY

### East Midlands Electricity



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#### **Abstract**

East Midlands Electricity has undergone considerable reorganisation over the last 5 years, most significantly with the reduction in the number of employees from 3,500 to 1050. It has coped with doing so through taking a 'joint working' approach. By establishing forums to focus on the different issues that have been pertinent to the process, the company has created a working environment which is flexible enough to cope with and respond to change. It does, however, recognise that the change process is an on-going one and there is still scope for development and improvement. Positive action is being taken to address this.

# **HI-RES Case Study: East Midlands Electricity**

## **Sector**

Utilities

## **Key Words**

Partnership; involvement; forums; joint working

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Abstract

### **'Good Practice' Case Study: East Midlands Electricity**

Sector

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## 1. Background Information

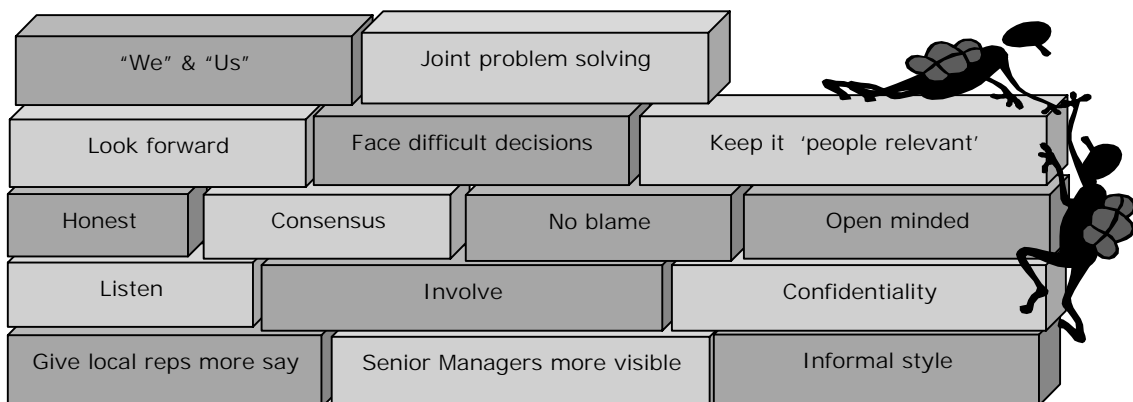
The company is part of Powergen UK, which took over East Midlands Electricity (EME) in 1998. Powergen is an Anglo-American company which is now likely to be taken over by the Germany Utility company Eon. Despite being part of Powergen, EME has retained its name for regulatory purposes, and provides the distribution infrastructure for power supply within the East Midlands, with separate premises and management teams.

## 2. Drivers for Change

The process began in 1997 with ballot to change the company's work organisation. The proposal was to introduce a 'working window' of 8am-8pm Monday to Friday and 8am-4:30pm Saturday, with a subsequent change in the payment scheme and a rationalisation of the allowances employees were entitled to, including over-time. The ballot was lost by a majority of around 70% and was described as being a "wake-up call" to management regarding the lack of communication in the business and the way they were working with Trade Unions. Through "training, communication and hard work", the vote was turned around to 70% in favour of the proposals and the relationship with the unions now is good. In 1999, when the rationalisation process was starting, all 5 unions were brought together for the first time, which for them was very successful as they gained strength from each other. Furthermore, 150 of the management team attended training courses on "communicating high concern messages" which involved them talking personally about the impact of change. This helped get first-line supervisors keyed into the messages the company was giving.

## 3. Characteristics and Process of Change

At this time 'Partnership' was in vogue and managers and Trade Union Representatives had been on a range of 'Good Practice' visits. A series of joint working groups were also formed with the assistance of the Involvement and Participation Association (IPA). There is no formal 'partnership' agreement; the principles are applied, but not given a label as there is a danger that a focus on terminology will cloud the real issues. Through the visits and consultation in working groups, a number of key 'behaviours' were agreed. These included factors such as 'joint problem solving', 'looking forward' and 'facing difficult decisions'. Not much attention was paid to the specific wording, what was important was the general tone of the messages. These are still referred to as a reminder of the values employees agreed on:



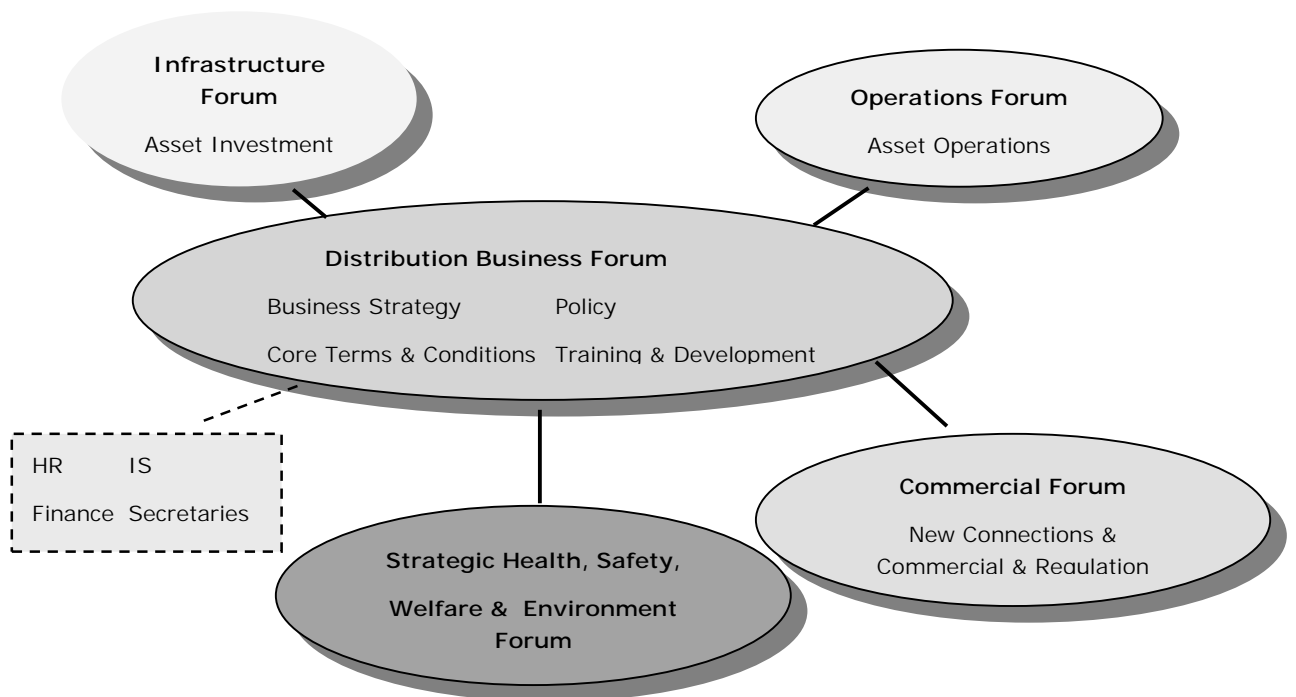
It was at this stage that the company was bought by Powergen. The take-over was considered to be a catalyst to make the proposed changes happen faster – the ground work they had done created the right environment to cope. The company was also due for a regulatory review, so the focus on cost and service improvement was communicated to the workforce to encourage an understanding of the wider context.

The business was centralised into its current 5 greenfield sites and there was a 3-6 month counselling on-site process in which individuals were spoken with at least twice to cope with the job changes and losses. Some of the administration workers were unable to move closer to the new sites. On-site job shops were also organised and contractors were recruiting, making it attractive for employees to accept redundancy. This in itself caused problems with the employees who stayed with the company. Now however the volume of sub-contracting is being reduced, which has had a positive effect on the remaining employees. Stability is starting to become possible. 12 months ago there were major disagreements about who were the "winners" and who were the "losers". Now this is turning around.

**Forums**

To assist in the change process, a number of forums were established. The forums can now make independent decisions regarding the practical implementation of policies, etc, which previously they could not.

The forums have Union representation and meet once a quarter, with special meetings if needed. Joint secretaries for each forum ask for agenda items and action points are posted on the internal bulletin board. Pre-meetings used to take place, but there has been a move away from this as part of the new culture. The forums meet at different locations to ensure they are visible to all employees. The structure is as follows:



**Communication**

There is now a structured communication system in place in which every team has their monthly meetings booked 1 year in advance. Previously meetings did take place but on a very ad-hoc basis.

An 'open book' approach is taken, in which financial data is shared with the workforce. Everyone now understands the market data and the regulatory environment in which the company must operate. There is much debate around how much information should be shared. Trade Union representatives have received the same training as the managers and are told if information is particularly confidential.

## Training and Development

To ensure that the relevant training needs are identified, development plans are agreed at the start of the year for each employee followed by 2 review sessions through the year, plus one year-end session. The PDP (Personal Development Plan) process flags up training requirements to increase the effectiveness and performance of staff in their role.

Employees have received much more training, but some cannot see past the effects of the major changes on their working lives. Others think the training is good and that requests are generally granted - they do not have to be totally job-related, but must help have an influence on an employee's role. Feedback from employees was that the PDP is considered to be good, but should not be associated with pay (see below).

## Payment Method

There are 7 grades. Individual performance is reviewed and rewarded through the Performance Management System instead of there being increments within the pay bands.

The rewards package consists of:

- Profit share from Powergen
- Share-save scheme (to which employees can contribute)
- Business Performance
- Individual performance progression.

Business performance payments include safety, customer service and cash cost per customer elements. This and individual performance can provide an additional 6% of pay. In 1999 an agreement regarding the overall direction of the new rewards scheme was signed and in 2000 the detail was agreed. Staff moved to the new rewards structure in April 2001. Most employees perform well and are paid well; there are not many low performers. Employees are however still reserving judgement given the newness of the rewards structure.

The new pay scheme is due for review shortly and a close eye will be kept on the feedback, especially in relation to individual performance. The individual performance progression element is 0%, 2% or 3%, but is considered to be subjective, which may cause problems. It may be possible to achieve the goals, but if they are not considered to be 'good' or 'excellent' then there will be no progression. Some staff have reservations about this.

## 4. Obstacles to Change

Managers admit to getting things wrong on occasions!!, for example the Trade Unions felt 'rail-roaded' into the decision about the business bonus target measures. Similarly, an application of the over-time agreement made by the Infrastructure Forum was not well accepted and the forum admitted it was wrong. Initially, a sub forum of the Distribution Business Forum (DBF) dealt with remuneration, however the Trade Union members of the DBF preferred to deal with pay issues as a whole.

Some of the Process Forums are more effective than others, and it tends to be the more experienced lay-representatives make them successful. Members are elected by their Unions to participate in the forums, but they are finding it difficult to attract people to become Trade Union Representatives.

It is believed that the 'Distribution Business' and 'Infrastructure' (Assets Investment) Forums can 'make a difference'. However, there is some concern about the effectiveness of the 'Operations' (Process) Forum, due to the inexperience of managers and representatives. It is believed to be somewhat of a sounding board for managers, rather than a means of discussing issues openly and fully. The 'Commercial' (New Connections) forum has similar problems because of inexperienced representatives.

Despite these issues however, there is a firm belief that involvement and participation is the 'way forward'. People are now starting to see things happen as a result of the forums, which is starting to generate interest.

## 5. Risk Analysis

There are now regular team briefings and if employees are unable to attend they will be informed of the outcomes. Employees appreciate the improvement in communication, but now want to see some action!

Some employees still believe that if a severance payment was offered again, that a number would jump at the opportunity. It is recognised that all efforts are being made to turn the company culture around. Some of the work which was outsourced is now being brought back in-house. There are some employees who are extremely loyal "if you cut them in half they would have EME through their middle. Competitors for labour sometimes offer a slightly higher salary and consequently some employees are more willing to move for this marginal extra pay.

In a more recent survey carried out by the company, job security is high on the list of concerns and a high percentage did not think that managers would act on the outcomes of the survey. Last time little feedback was perceived to be given. However this time all the information has been detailed in a newsletter and the Managing Director wrote to everyone, indicating what action would be taken on people's concerns.

To sustain the momentum of the changes which have been made, managers recognise that the following issues need to be addressed:

- People need to see results
- More training and development is needed
- Performance management needs to be reviewed
- Team-based rewards and flexible benefits should be considered (once the new pay structure has been evaluated)
- Relationships and values need to be reviewed
- Communication issues need to be addressed
- Work-life balance should be assessed - how can it be made easier for those working a long way from home?

Employees believe that to improve things, they should have been involved earlier, rather than being presented with the changes. Representatives also believed that they will never attain stability again. Since 1988/9 the 'sands' have been ever-changing and no-one knows what the next company to buy them will want to do (it was suggested that generally organisations want to change something when they buy-out another organisation). There is an expectation that there will be more changes and it is another unsettling period for the employees. Some employees think the atmosphere is more

positive now because the remaining people have *chosen* to stay. In comparison with other companies, the managers are considered to be much better and an ability to see the bigger picture gets people more involved and more in control of their own destiny.

## 6. Benefits of Change

- East Midlands Electricity have moved from 26 to 5 locations.
- They have reduced their costs.
- They have improved their performance measures mechanisms.
- A 2-year pay deal was agreed for 2001 and 2002, and a new broad banded pay structure has been designed. A further two year pay deal has now been agreed for 2002/03.
- Some of the rigid job demarcations have been eliminated
- A green policy has been implemented in which employees are asked for a commitment to 2 green days per month (e.g. working from home, car sharing, flexible working - 9-day fortnights etc). The green days are taken seriously by employees, particularly as a prize is given each month for the person who has been 'most green'. It is estimated that 2.4 million miles are saved each year through the green environment policy.
- There is now a good 'teleworking' agreement, with training on what working from home means. (In a recent survey carried out by EME, 66% of people surveyed did some form of 'teleworking'). Absence through sickness was 10% and is now 2%. It is believed that this is because people who feel 'under the weather' will work at home, whereas previously they would have taken time off.
- Hot-desking is also practised in the business. There are no special canteens or offices for managers - all demarcations have been removed. There is also a clear desk policy, in which employees are discouraged from bringing personal items into the workplace. The only screen savers, mouse mats and decorations on the walls convey business messages.

All these issues are being constantly refined. The opportunity arose in the move to make major changes and this has been one of the ways of using joint working to get results.

## Conclusions

The company has coped with major changes to its structure through the principles of involving people in decision making. Though there have been some problems en route, the process has been considered to be an overall success. The lessons learnt by managers so far are:

- Communicate, communicate, communicate - you can't communicate enough. Face-to-face communication cannot be replaced
- There have been a lot of changes for people to cope with, both psychological and physical
- The perception of winners and losers had to be overcome because of generous severance cheques.

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