

Managing change

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When a large and successful Top 40 company splits in two as result of selling its retail business to Contact energy, and the remaining core network business is amalgamated with network company, Orion New Zealand, transformational change is taking place at rapid speed. Managing that change process successfully was a major challenge facing Enerco New Zealand during nine months of restructuring.

Background

Following the Electricity Reform Act 1998, established energy company, Enerco New Zealand Limited, was faced with a total restructuring and the daunting task of managing an extremely complex and difficult change process affecting all 400 employees around the country. The time scale for the changes spanned nine months – from July 1998 to March 1999. The company's retail operations were split from its network operations – and a number of other subsidiary



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activities were either closed down or taken over by other companies.

The change team

Enerco had disbanded the Human Resources Department late in 1997. The company decided to engage the services of Change Management Consulting International to manage the overall change process during the transition.

All in all, a team of four people was involved in the change process and the Change Team consisted of:

- A change consultant (Charles van Heerden)
- A communications specialist (Barbara Palframan Smith)
- A human resources advisor (Francois Schoeman)
- An intranet web designer (Sharon Jackson).

Obviously, some staff understood the necessity of the forthcoming company changes, but after conducting focus group meetings, it was found that many staff felt understandably overwhelmed, insecure and confused by the pending break-up of their company. We had to implement our change strategy quickly in order to dispel rumours, deal with sensitive issues and reassure staff that their interests were not being lost sight of during the changes.

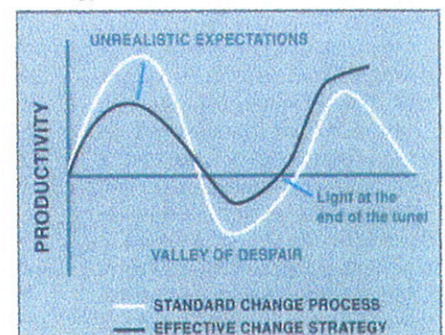
Change strategy

Change is a process with a number of distinct steps and full recognition of these stages is a prerequisite for successful change management. Using a basic framework, the 4C Model was adopted to create a sound strategy and plan for managing the impending large-scale change: The first step or stage is **Commitment**.

The change initiative needs the commitment of the senior management group. Then follows **Communication** – this communication must be consistent and persistent. Any major change process should also be accompanied by **Consultation**, as employees need to know how they will be affected by the changes. Finally, successful change requires **Celebration**. This lets employees know that the change process went as planned and that they are part of the new future.

The difference between an effective change strategy and a change process without a clear strategy and plan can be displayed as follows:

Figure 1. Effective Change Strategy



The 4C Model can be used very effectively to ensure a clear understanding of the end state. It manages expectations of staff and minimises the disruption of any major change programme until staff feel they have been able to adapt to the new changes.

The Enerco CEO and the executive management team endorsed the proposed change strategy, after a one-day strategic session. In further management briefings involving all managers, as well as several CEO briefings, a set of guiding principles was clearly articulated to gain the commitment of staff as much as possible.

Guiding Principles

The guiding principles provided a roadmap for the change process, which was very difficult to describe in detail as events were unfolding week by week. The guiding principles were:

- There is uncertainty;
- We are not hiding anything;
- We will let you know what is happening as soon as we know ourselves;
- We are all in this together!

Communication

Realising that sending out formal memos to staff was not going to “win the hearts and minds” of people who were going to face major change in their lives, a communications specialist, Barbara Palframan Smith, was brought in as part of the change team.

Weekly communication updates

Electronic (e-mail) Communication Updates were being sent out early in the process on an ad hoc basis. To create a level of stability the updates were distributed on a weekly basis. To improve their effectiveness, updates were written in a readable, user-friendly manner. Not only did the updates cover company developments but also assisted in explaining the change process for staff whether they be staying in their positions, transferring to other companies or having to accept redundancies. Using a feedback loop, staff were encouraged to raise issues or rumours as they came up. The updates would also contain question and answer sections dealing in an honest and open way with any questions within a quick turnaround time. Those staff members without access to computers were given hard copies of the updates by their managers.

Communication – “The Big Picture”

The updates were used as a building block for a communications site within the existing Intranet site which was named “The Big Picture”. The updates were almost like pieces of a jigsaw puzzle which when integrated helped staff to see the big picture. The construction of the site was effected by the intranet website designer and the communications specialist who restructured hundreds of pages of Communication Updates. A total of 40 updates were compiled during the transition process.

Human resources support

Using a state-of-the-art, fully integrated Human Resources Management Information system, PeopleManager, the HR advisor, Francois Schoeman, was developing a very effective administration procedure to deal with several due diligence queries, redundancy agreements, calculations and letters.

The amalgamation

During the transition period, Enerco staff were faced with an added dimension to absorb: Once Enerco’s retail business had been sold to Contact Energy, the remaining part of the business was renamed Qest for a couple of months until it too was absorbed by an amalgamation with Orion New Zealand. In all, a very confusing and turbulent situation – but one which we addressed in the overall change process with great success. The Orion amalgamation initially had a shaky start, but a top-down approach used the communication of functional indicative structures to get feedback from staff. After consultation with all managers and staff over a clearly defined period, the whole process was completed well within three months. Roadshows by Chris Laurie, the managing director were followed by

a personal letter on the first day welcoming staff into the new company. Transitional staff were also thanked for their contributions during the planned three-month transitional period.

Effective outplacement

Early on the Change Team realised that a number of positions would become redundant as a result of the retail sale. **After evaluating the key providers, Morgan & Banks was selected as the preferred supplier.** All redundant staff were offered individual outplacement programmes, which were utilised by almost all staff.

The programme was implemented in November 1998, with two offices on site for consultants to meet with staff. A large number of staff also attended small business development workshops.

The results

Impressive results were obtained, with more than 50% of staff finding jobs before their last day. To date, more than 90% of the 133 redundant staff are employed in new roles. Several have grasped the opportunities that have opened up in the marketplace by starting their own businesses.

The company also had an employee assistance programme in place, but due to regular focus groups and meetings, actual use of the programme was 1% below the national average rate. Only one-third of issues were work related, with an expected one-third increase of assistance during the transition period, although these were mainly phone calls to clarify issues such as redundancy agreements.

Communication intranet hits were monitored and went up from a low of 400 per day in October 1998 to a high of 2,200 per day in February 1999. This confirmed that the communication strategy was delivering the right results.

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During a final focus group session held in April, the following comments encapsulated the feelings of staff:

- Staff rated company communication as 5 out of 6 (very good)
- Staff understood the changes and had coped well (4 out of 6)
- People generally felt more positive than negative (4 out of 6).

Despite the fact that 176 staff were made redundant, the use of

sound consultation guidelines by managers resulted in no formal grievances.

Conclusion

Kevin Johnson, former Enerco CEO, summarised as follows: “Without doubt, the closer attention to communications during the change process was a major reason for the success achieved. We found we were able to identify problems early so that they did not escalate

into major issues. The open approach to communicating with our staff paid real dividends”.

The final outcomes clearly demonstrated that an effective and well-integrated change strategy can make a fundamental difference to the outcomes of any major restructuring or change process.

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