

Change Over Time: New Hampshire Electric Cooperative

What makes a company successful over time? With \$12 million of negative equity, high electricity rates, and a decade of zero growth in sales, it was difficult for employees at the New Hampshire Electric Cooperative (NHEC) to see how things would turn around. That was 1999 and the member-owned and controlled electric distributor serving approximately 80,000 members across New Hampshire, knew they had a long road ahead of them.

After shoring up financial losses and legal issues, facing the company at that time, NHEC shifted their focus to defining strategy and culture to take them into the future. NHEC initially turned to internally designed surveys as a way to reach out to employees and gather feedback on how to improve. These surveys were great at identifying the low hanging fruit of employee dissatisfaction but more complex problems seemed to continually evade resolution. They recognized that they needed more depth from their assessment efforts to get to the root of the problem. “We needed to determine the underlying beliefs, values and assumptions that our employees held as well as practices and behaviors that exemplify and reinforce these beliefs, values and assumptions,” states Ray Gosney, Executive Vice President of NHEC. NHEC solicited the help of Caroline Fisher, Ph.D. of the Fisher Consulting Group and the Denison Organizational Culture Survey. Using the culture survey also offered them a common language around culture, allowing people throughout the organization to better align their initiatives and get everyone moving in the same direction.

2001 - 2002 Engaging the Mission

The first administration of the survey revealed that the organization had many opportunities for improvement. “I was very committed to ‘managing

the meaning’ of the survey results in the early years of working with NHEC...it was

important that the survey results be presented in a way that motivates and inspires people at all levels regardless of how high or low the scores happen to be,” states Fisher. With that in mind, Fisher encouraged the NHEC to focus on the Mission and Involvement traits of the Denison Model. “Form follows function,” comments Fisher, “after many years of doing this work, our observations and experiences have taught us to start with Mission and then engage people around that Mission. The other traits will begin to fall into place after that.” In order to be successful at creating a high performance culture, Fisher emphasized the importance of 1) assessing reality, 2) setting a direction, 3) mobilizing and aligning leadership, and 4) engaging employees.



NHEC Mission

Producing breakthroughs in energy delivery and usage, while:

Innovating new lines of products and services,

Expanding the cooperative marketplace, and

Increasing our value to our members, customers, and communities

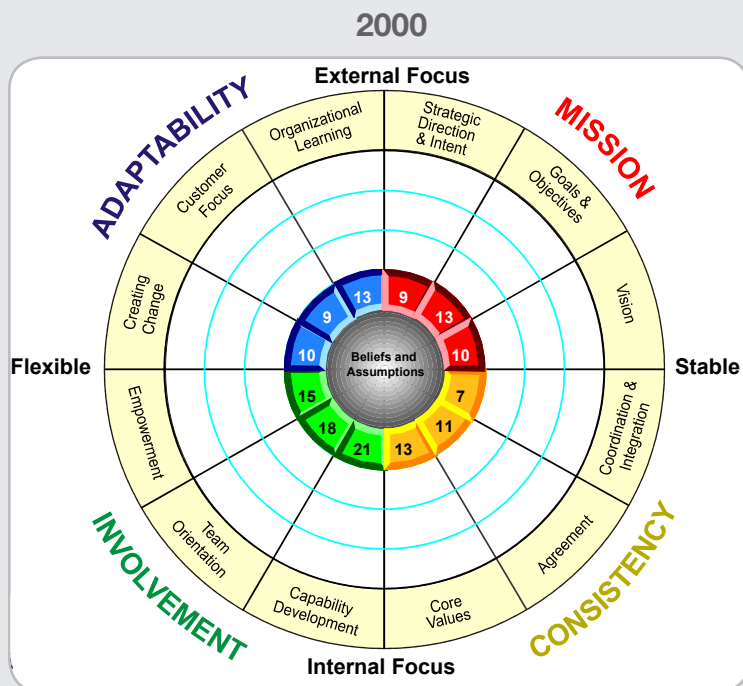
With a direction established, NHEC set about to mobilize and align their leadership around that direction and engage employees in the culture change process. Throughout 2001 and 2002 extensive work was undertaken to communicate the mission and values to employees, and to re-structure work to further involve employees in the running of the Co-op. Over 90% of employees voluntarily participated in 2-day “Leadership Summits.” These intensive workshops focused on getting mission and values buy-in from employees and instilling greater employee collaboration and communication skills. “Over the two year period we took every opportunity to link business strategies and actions with the Co-op’s mission and values,” Gosney comments. Greater emphasis was also placed on engaging employees in cross-functional teams to plan and execute strategic and operational initiatives.

Their efforts paid off! The 2003 results showed great improvement across all indexes of the culture model with the largest improvements in the areas of Mission and Involvement. (Figure 2.) Employees also provided positive feedback in the open-ended comments citing a greater understanding of the Co-op’s mission, better communications from senior management, improved team functioning, and increased trust as reasons for the improvements in culture. But the work was not over yet.

2003 - 2005 Focus on the Customer

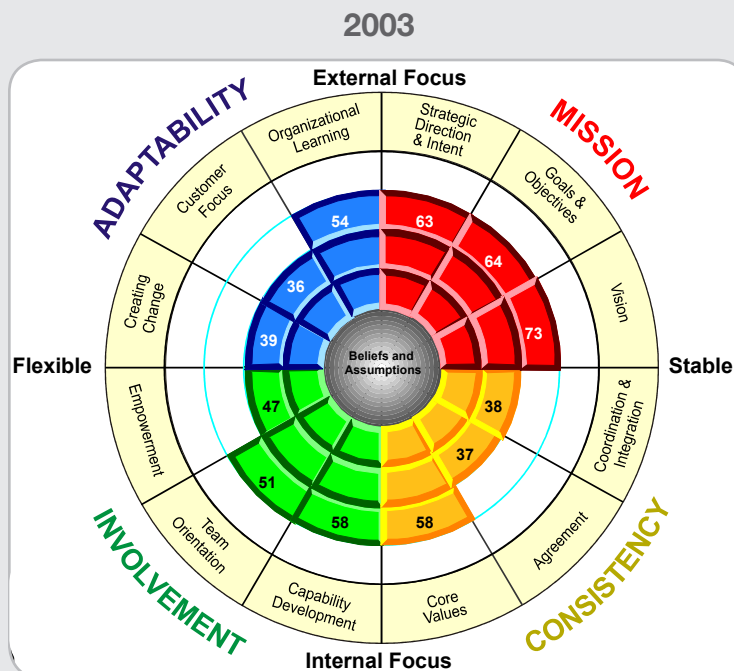
“As a consumer owned organization, having our second lowest score in Customer Focus indicated that more attention should be directed at the needs of our customers,” observes Gosney. With employees feeling more “linked-in” with the mission and goals of the Co-op, the NHEC turned their attention to the consumer (Figure 5). Efforts were combined to focus on the drivers of Customer Focus, Empowerment, and Coordination and Integration. “In many ways this is a logical path. If they [NHEC] had taken on Customer Focus first without being squared away with their direction and people, it would have failed. A company that focuses on Customer Focus before addressing Mission and Involvement risks becoming too reactive and fighting the fires that customers present,” commented Fisher.

Figure 1 = NHEC 2000



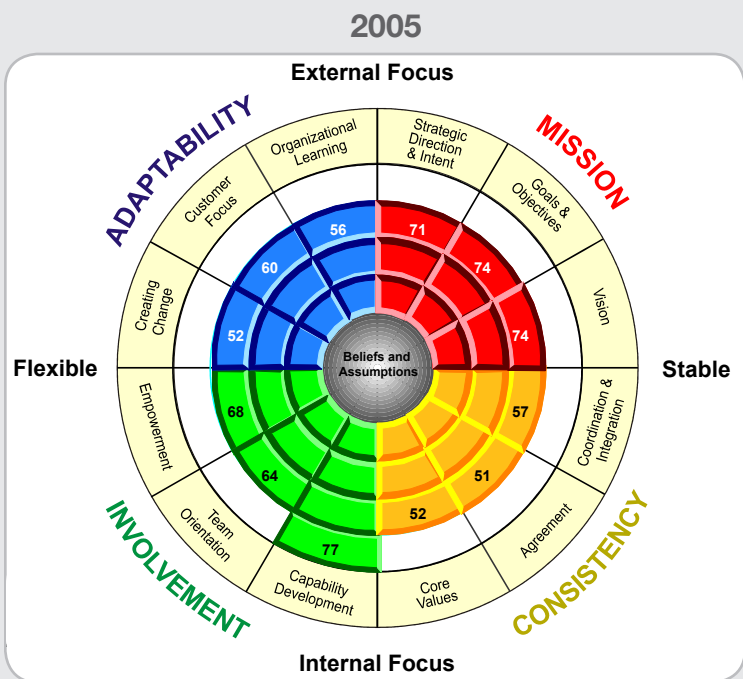
Initial survey results revealed many opportunities for improvement at NHEC. They began concentrating on the Mission and involvement traits.

Figure 2 = NHEC 2003



With significant improvements taking place in Mission and Involvement, NHEC next turned their attention to the customer.

Figure 3 = NHEC 2005



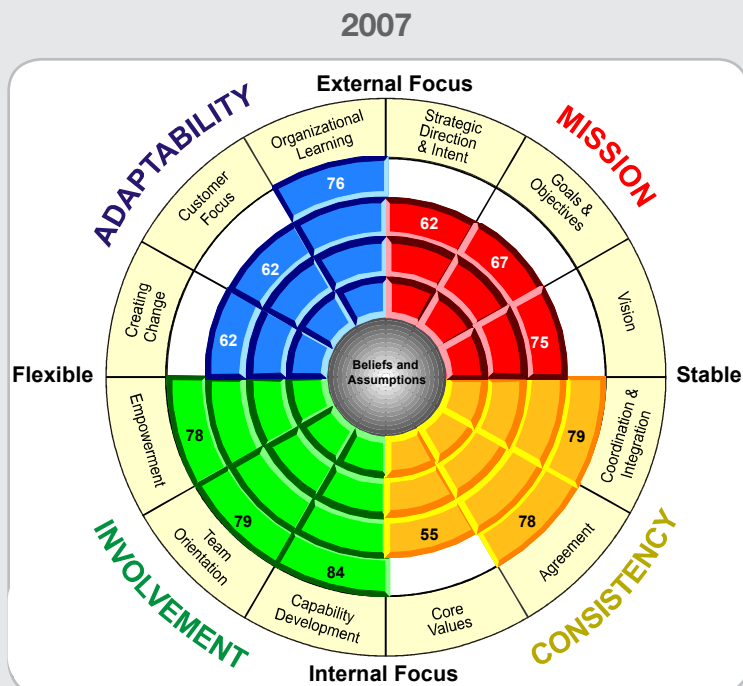
Turning their focus to aligning the organizations culture and their leadership, NHEC began using the Denison Leadership Survey for development.

Senior management and managers jointly designed and executed action plans to improve each of these three areas while continuing efforts to improve up, down and across organizational communications. Initiatives started in 2001 were sustained, including Leadership Development surveys and the “Leadership Summits” for new employees and those wishing to refresh their earlier experiences. The 2005 culture results showed even more progress from 2003; double-digit improvement was observed in the three targeted indexes of Customer Focus, Empowerment, and Coordination and Integration. (Figure 3.)

2005 - 2007 Developing Bench Strength

Organizations going through planned culture change can reap many benefits by combining their organizational and leadership initiatives under a common banner. After the 2005 culture results, action planning efforts identified a common thread among the feedback: the need for effective leadership. NHEC had always included employee development programs as a strong focus of their culture change; however, they recognized that in order to sustain their incredible momentum they would need more targeted employee development efforts. “It’s never optimal when an organization becomes great in spite of the executive team...it’s always better when greatness occurs because of the executive team” says Fisher.

Figure 4 = NHEC 2007



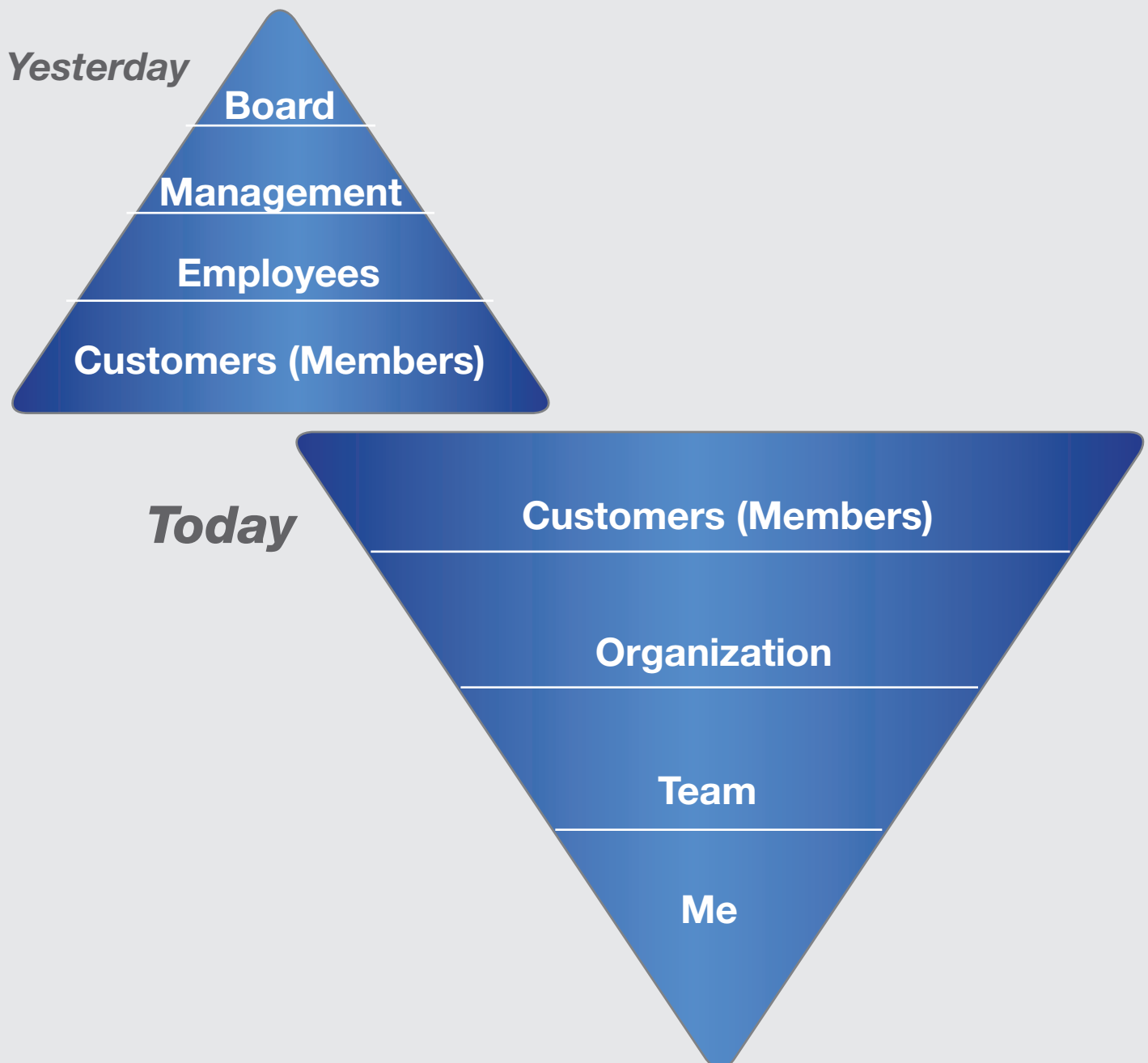
2007 survey results marked a significant win for NHEC, breaking into the 4th quartile in 6 of the 12 traits in the Denison Model.

Leveraging their progress within the Denison Culture model, the NHEC decided to use the Denison Leadership Development Survey as their preferred multi-source feedback tool. “Culture and leadership are two sides of the same coin,” says Fisher. “The Culture survey measures the collective dynamic in the organization and the Leadership survey measures the individual contributions to that dynamic.” Using a leadership survey built on the same model as the culture survey allowed NHEC to tie their organizational and their leadership development initiatives under one umbrella. The CEO and all Vice Presidents completed their second bi-annual Leadership Development survey in early 2005. Action steps were then incorporated into individual leadership development plans for the next eighteen months and into periodic performance dialogues with the CEO.

The adoption of quarterly performance dialogues was a significant process improvement because it focused on goal achievement and employee development. Employee development was not limited to senior management; high-potential employees were selected to complete a leadership training program which introduced them to the roles and responsibilities of first-line supervision. Additionally, the Leadership Development survey and performance dialogue programs that were instituted at the senior management level were also instituted at the management and front-line supervisor level.

The culture results in 2007 marked a significant win for NHEC when they broke into the 4th quartile on 6 of the 12 indexes. More importantly, the effort directed at developing their employees resulted in scores in the 75th percentile or higher for the indexes in the Involvement trait: Empowerment, Team Orientation, and Capability Development. (Figure 4)

Figure 5 = Organizational Model of Yesterday and Today



Dollars and Cents

It is certainly one thing to see a culture results go from all white to all color in a matter of seven years but to see the impact that culture and leadership development can have on the bottom line tells a more complete story. Since focusing on organizational culture, NHEC has seen equity rise from \$600,000 to \$30.5 million (Figure 6). Sales have increased from 600 million to 747 million kWh. Also, the cost to provide power to customers dropped from 10 cents to 4.7 cents per kWh (Figure 7).

Another unexpected drop was observed in the number of employee reported accidents. Climbing up a utility pole to inspect wires may seem like a fun career choice as a child, but there are real dangers involved if proper precautions are not followed. NHEC took employee safety very seriously and remained focused on safety culture throughout the course of their culture change. Gosney comments, "We view safety culture as a critical aspect of our overall culture as safety is clearly based on beliefs and assumptions just like our business culture." Safety is also about responsibility and NHEC continued efforts to foster awareness for safety throughout the organization through reinforced and new safety training programs combined with the 'My Safe Workplace' program. Employee accidents were as high as 75 accidents reported per year prior to the organizational change efforts but have since dropped off to less than 10 accidents reported per year.

Figure 6 = NHEC Total Equity

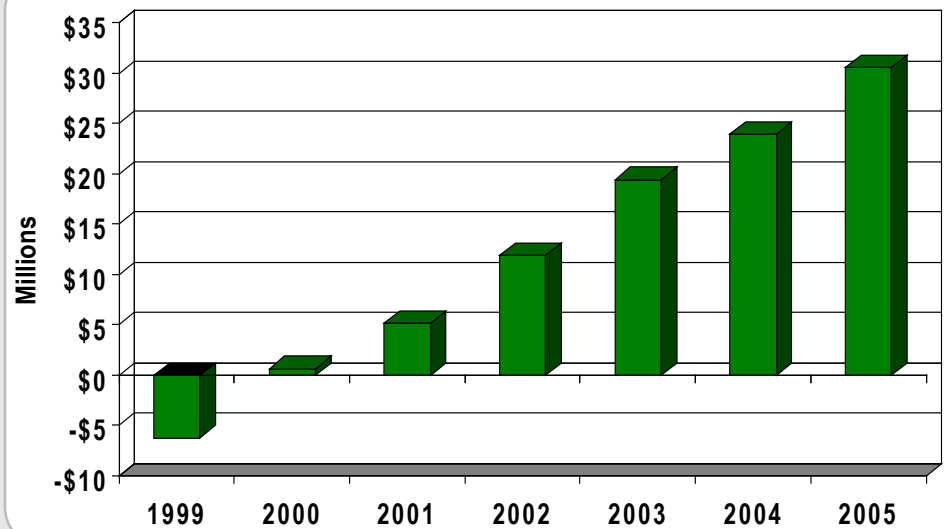


Figure 7 = NHEC Annual kWh Sales

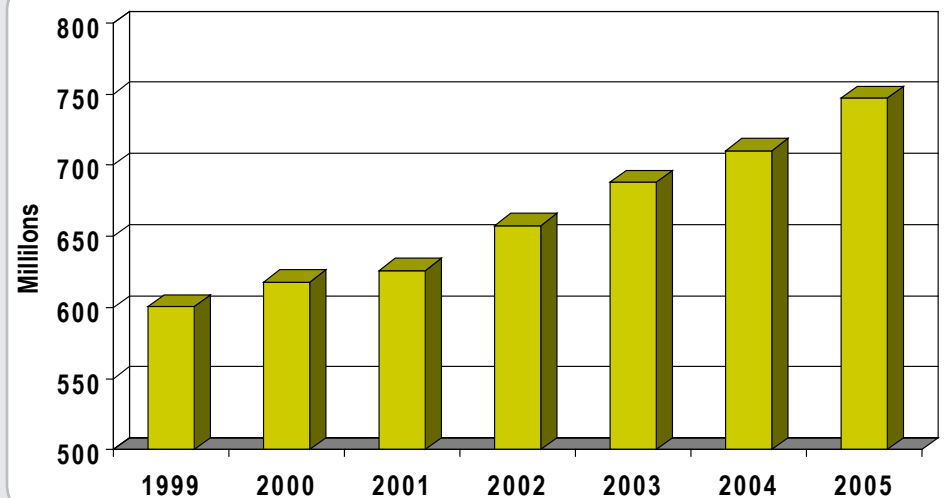
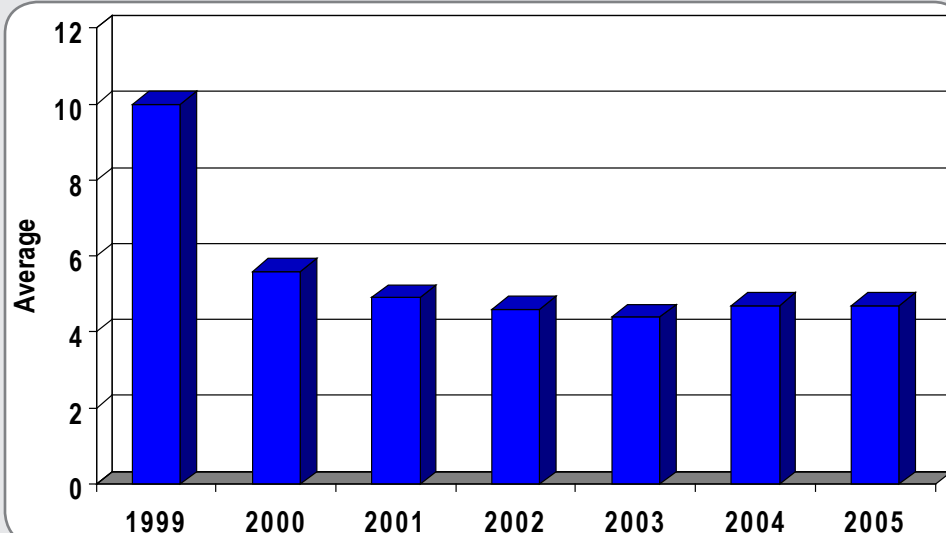


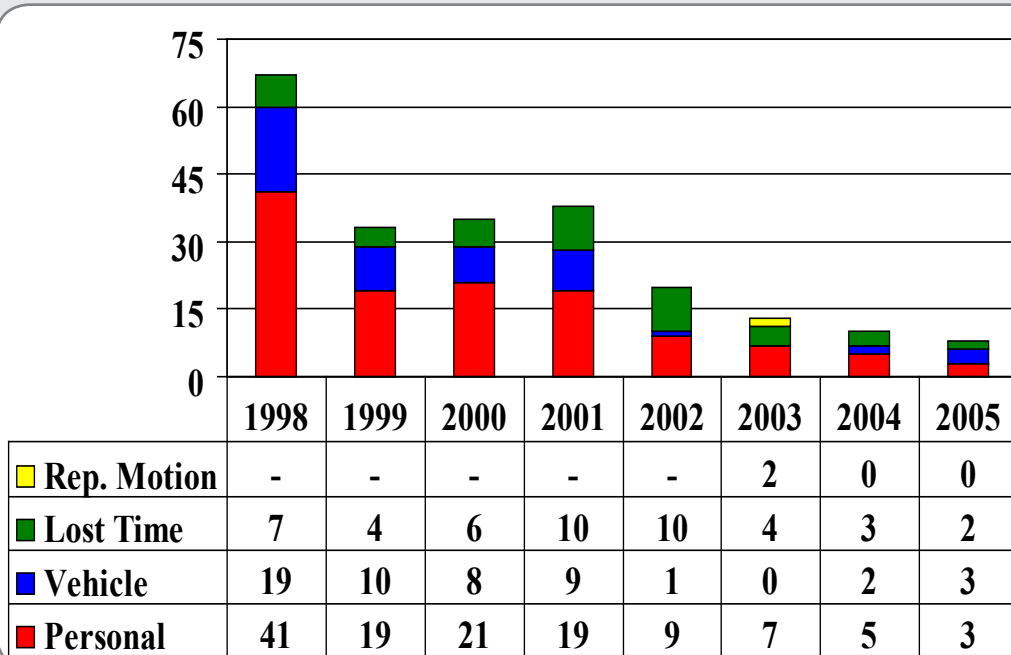
Figure 8 = NHEC Wholesale Power Costs in Cents



Leading the Industry

In the National Rural Utilities Cooperative Finance Corporation (NRUCFC) *Solutions News Bulletin* from 2008, NHEC President and CEO Fred Anderson states, "What is most satisfying about our recovery is that being financially stronger means better service quality. We can do things now we could not do in the '90s." Aside from the quality of service they provide to their New Hampshire consumers, NHEC has become a leader in the cooperative utility industry and are teaching other co-ops how to move their organizations into the future. In reflecting on what made NHEC's culture change process so successful Fisher comments that, "One thing we consistently see in great organizations is that they don't leave their culture to chance. They get in the driver's seat and make sure they are driving their culture. By all measures NHEC falls into the realm of being a great organization."

Figure 8 = NHEC Employee Accident Record



NHEC took safety very seriously and remained focused on safety culture throughout the course of their culture change efforts. Their efforts paid off with a significant drop in accident rates over the seven year period.

Related Resources

"New Hampshire coop Goes From Bankrupt to Bankable,"
*National Rural Utilities Cooperative Finance Corporation
 Solutions Bulletin*, 2008

A special thank you to New Hampshire Electric Cooperative and Caroline Fisher of Fisher Consulting Group for letting us share their transformation story.



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