

MANAGEMENT DEVELOPMENT IN A RE-REGULATED ENVIRONMENT

Amidst all of the changes in the utility industry, one thing is clear – the way we manage our human capital is changing. Companies recognize that the only long term competitive advantage is their people. It takes world-class people to execute business plans which bring continued results. Often, however, utility personnel are not prepared for the new economic realities and the increasingly competitive business environment.

How should utilities respond to these management challenges? It can be helpful to take note of what other publicly-held companies are doing in their already competitive environments. Their managers are learning new skills and concepts as fast as they can, well aware that those who learn the fastest will be the ones who survive. Management development and training has once again become a strategic necessity to realign human capital with business goals.

How is management development changing in this deregulated/re-regulated environment? First, companies must determine the “success factors” (competencies) needed to achieve their business plan. Once this competency model is developed, managers can be

measured against these “success factors”. Measurement techniques utilized are standardized management testing, 360° evaluations, and other performance appraisal approaches. Benchmarking key management competencies helps managers to focus on key developmental needs to build their skills in targeted areas. Developing these skills speeds the process of alignment for strategic initiatives.

Once a manager’s strengths and training needs are established, training programs need to be portable, low-cost, and high-yield activities. Managers today are learning on the fly, with an increased use of coaching and mentoring to help in applying new business concepts in the daily workplace.

Today’s management development efforts are focused on key competencies that help achieve the business plan and have practical application on the job. Management development conducted in this fashion enables managers to hit developmental targets quickly and to accelerate the business results needed to succeed in a re-regulated market.



PREDICTING SALES SUCCESS IN A DEREGULATED MARKETPLACE

Successful utility sales representatives have good verbal and logical thinking abilities as well as a high level of energy and drive, self-confidence, initiative, and a sincere interest in meeting the specific needs of their customers. These were the statistically significant findings of PSP's research study of a large utility that reengineered its sales and marketing departments to perform more effectively in a deregulated marketplace.

The utility wanted to be able to identify those candidates for the sales representative job who were more likely to be successful in a deregulated marketplace before it invested a large amount of effort and time in the selection process. It also wanted to evaluate existing employees in order to predict their potential for success, given the new demands of the marketplace, and to identify appropriate training and development needs.

To meet this need, PSP conducted a validation study that compared scores on selected tests with on-the-job performance data. PSP administered its employment tests for sales positions in industrial companies to 52 of the utility's on-board sales representatives in various territorial service areas. Measures were taken of verbal, technical and problem solving skills, in addition to important work

behaviors and motivational factors. On-the-job performance data was also collected for these 52 sales representatives. The performance ratings were based on sales production, sales and territory planning, sales project management, and overall product knowledge. The greatest weight was given to sales production.

This research enabled PSP to develop benchmarks for sales positions in utilities' sales departments in a deregulated market. These benchmarks allow for comparison of a prospective job candidate to critical success factors that determine the likelihood of on-the-job success in such a sales position. The benchmarks also provide for an evaluation of existing sales representatives for job fit and for establishing developmental training recommendations.

The benefits of this research-based selection program are quite significant. Early identification of potentially successful sales representatives can result in higher sales productivity. Avoidance of job applicants who are a poor fit prevents drainage of important resources that could be more productively utilized.

Sales success for utilities now more closely resembles the same requirements that exist for industrial companies because deregulation creates a more similar marketplace. As a result of the research PSP conducted, utilities can now confidently utilize the same techniques that industrial companies have utilized for years in identifying star performers. In a deregulated marketplace, a superior sales force can create a distinct competitive advantage.



THE CHANGING NATURE OF SYSTEM OPERATIONS

Since the 1950's, PSP has been involved in an ongoing research program which tracks success factors in Systems Operations work. We have conducted numerous validation studies over the years in order to compare actual work performance of existing System Operators with test results from PSP's assessment program. We have consistently found that a particular constellation of abilities/aptitudes, interests, and work behaviors distinguish successful System Operators from other performers. In recent years we have noticed a change in the pattern of work behaviors which predicts success. This change has paralleled the de-regulation of the electric utility industry, suggesting a "domino effect" on the actual work habits and work behaviors of Power System Operators.

While it remains important to maintain vigilance in the Control Center, attention to detail and job focus are not the only work behaviors which matter in the new century. Increasingly, multi-tasking has become an important aspect of Systems Operations work. It seems to be more necessary than ever to juggle multiple responsibilities simultaneously in the Control Center.

Gone are the days when a System Operator could "specialize" in one particular function and not pay attention to other matters in the real time work environment. In addition to multi-tasking, teamwork and esprit de corps have taken on more relevance in the Control Center. While it was acceptable to be a "lone ranger" in the past, today's successful System Operator needs to work with his/her teammates in the Control Center on an ongoing basis.



As might be expected, customer service orientation has become extremely important in the Control Room. Many times, System Operators are "the company" during after-hours work activities when calls come in from external customers. In addition, internal customer service has become an important dimension in work performance. Successful System Operators now treat Engineers, Accountants, and Managers as their customers rather than the "enemy". Finally, documentation interest is more important than ever before, in light of increasing paperwork requirements.

Thus, while it remains important to have the proper intellectual capability to learn the job and genuine interest in the work activities themselves in order to remain a System Operator for many years, work habits/behaviors play an increasingly important role in success in the new, competitive environment. This is true for System Operators in local utilities, and more so in Power Pools/ISO's. System Operators in ISO settings have additional challenges of quickly learning different power generation networks that are independently operated and utilize different terminology. This requires diplomatic communications skills and the ability to cope with additional learning and job pressure. Time management is increasingly important as are following procedures, sharing information and working together as a team.



Increasingly, system operators are being drawn from groups that lack extensive utility background, which increases the importance of selection and training. As power grids become stressed, so do power operators. System operations requires exceptional skills and work composure. It is not a job for everyone. The stakes are high in today's system operations work activities and the selection and training of new and experienced system operators are more important than ever. Assessment of aptitudes, interests and work behaviors helps to insure that decisions on selection and training are made according to the main success factors in system operations work.



WHAT'S NEW @ PSP

for Utilities

- ❖ Completed a Validation Study for system operations positions at a large western utility that reaffirmed PSP's assessment process predicts successful on-the-job performance of **System Operators** at a statistically significant level.
- ❖ Customized a behavioral **Interviewing** tool for screening applicants for specific positions at a large utility.
- ❖ Assisted in the selection of **Executive Line** and **Staff** positions for a large Midwest utility.
- ❖ Conducted employee screening for **Customer Service** positions at an eastern gas utility.
- ❖ Assisted a large Midwest utility in its reorganization of its **Sales** and **Marketing Department**, benchmarking important job competencies with industrial sales norms and providing career development action plans.
- ❖ Provided **Succession Planning** services including the identification of high potential employees, and developing individualized career development planning.
- ❖ Provided selection tools for **System Operations** screening at over 30 utilities nationwide.
- ❖ Assisted with a **Downsizing** project required by a **Merger** and subsequent **Reorganization** of utilities.
- ❖ Provided assessments for selecting successful employees to assume roles in **Supervision** and **Middle Management** in Operations and Financial departments.
- ❖ Developed a customized **360° Feedback** tool for use in Team Building and Training for a large Independent System Operator.



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RESOURCES FOR UTILITY MANAGERS



For managers new to the electric power industry, **Electric Power Industry in Nontechnical Language** by Denise

Warkentin, gives an excellent overview of how electric power is made, transported, marketed, and regulated, as well as the latest challenges faced by power producers and distributors in the United States.

For those of us who need to be shaken out of our complacency, **The Knowing - Doing Gap** by Pfeffer and Sutton will do a good job of it. A "tough love" book which shows how to convert knowledge into excellent products and outstanding customer service.

An outstanding how-to manual for awaking sleepy organizations is John Kotter's **Leading Change**. This is a real favorite of ours at PSP because of its easy-to-read format and its sensible step-by-step approach to transforming companies.

Another excellent book for dealing with change is Gary Hamel's and C.K. Prahalad's **Competing for the Future**. It provides insight and ideas for businesses which are confronting upheaval in their industry and need to reinvent their business strategy.

The Power of Alignment by George Labovitz and Victor Rosansky offers a framework for aligning people, processes, customers, and business strategy to achieve breakthrough results and a high performing workforce.



For recommendations on training resources on any management topic, contact PSP directly via telephone or fax.



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www.psp-hrd.com**