Understanding, Education, and Engaging Your Organizational Culture are the Keys to Lasting, Positive Change, and High Performance

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ABSTRACT

The level to which employees are engaged significantly affects an organization's productivity, costs, customer service, and employee well-being. The impact of having highly-engaged employees has certainly been felt at the Charleston (SC) Water System (CWS), which has been transformed from a traditional top-down, hierarchical organization to one where the culture of engagement now permeates every aspect of their business.

Engagement of employees is the most important thing an organization can accomplish. Yet in North America, most employees are not engaged in their work. In fact, less than 30 percent of employees say they are engaged, according to research conducted over the past 30 years by the Gallup organization and outlined in the book, *Now Discover Your Strengths* by Marcus Buckingham and Donald O. Clifton. Gallup's research indicates that a staggering 70 percent of North American employees consider themselves disengaged from their work. Even more alarming, almost 16 percent of workers are actively disengaged in their work, meaning they are doing things to hurt their organizations. This severely impacts organizational productivity and proceeds directly from the culture of the organization.

Having a culture of employee engagement dramatically improves the efficiency, effectiveness, and quality of any organization. The question is, how do we develop this culture of engagement in a utility organization? The purpose of this paper is to explore the theories behind engaged employees and examine how Charleston Water System put those principles to work. We will outline the benefits of employee engagement and explore how your organization can travel the same path as CWS.

KEY WORDS: organization development, change management, performance management

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INTRODUCTION

The level to which employees are engaged significantly affects an organization's productivity, costs, customer service, and employee well-being. The impact of having highly-engaged employees has certainly been felt at the Charleston (SC) Water System (CWS), which has been transformed from a traditional top-down, hierarchical organization to one where the culture of engagement now permeates every aspect of their business.

The purpose of this paper is to explore the theories behind engaged employees and examine how Charleston Water System put those principles to work. We will outline the benefits of employee engagement and explore how your organization can travel the same path as CWS.

STATUS OF THE INVESTIGATION

Engagement of employees is the most important thing an organization can accomplish. Yet in North America, most employees are not engaged in their work. In fact, less than 30 percent of employees say they are engaged, according to research conducted over the past 30 years by the Gallup organization and outlined in the book, *Now Discover Your Strengths* by Marcus Buckingham and Donald O. Clifton. Gallup's research indicates that a staggering 70 percent of North American employees consider themselves disengaged (Figure 1) from their work.

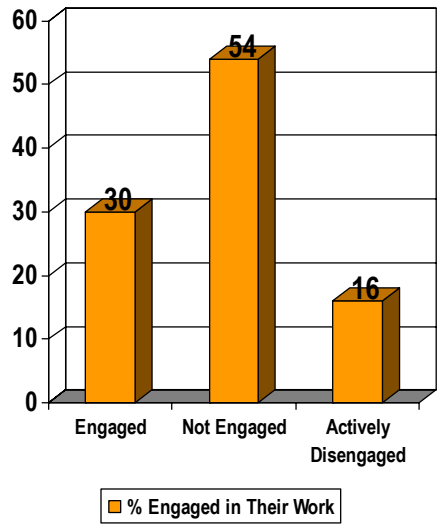

Figure 1: Only 30% of North American Employees Are Engaged in Their Work

Even more alarming, almost 16 percent of workers are actively disengaged in their work, meaning they are doing things to hurt their organizations. This severely impacts organizational productivity and proceeds directly from the culture of the organization. Figure 2 compares, around four variables, a group of employees that are engaged with a group of employees that are disengaged. Level of engagement has a profound effect on all four variables. This demonstrates the benefit of having a culture of employee engagement which dramatically improves the efficiency, effectiveness, and quality of any organization.

The question is, how do we develop this culture of engagement in a utility organization?

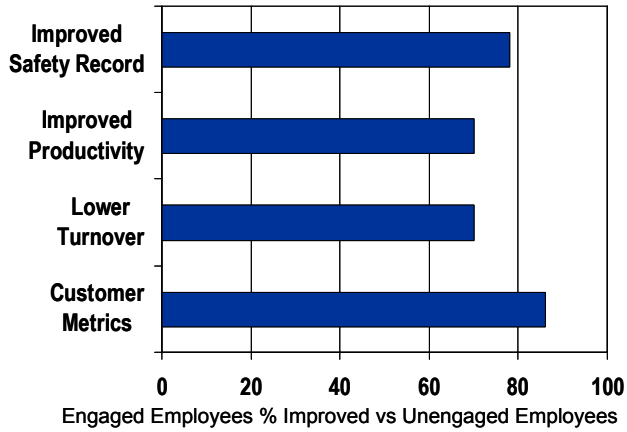

Figure 2: Engaged Employees Show Dramatic Improvement over Unengaged

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WHAT WAS DONE, WHAT WAS FOUND

Charleston Water System is a publicly owned water and wastewater utility that provides retail water and wastewater service to the City of Charleston, including West Ashley, Daniel Island, and James Island. The utility and its 400 employees also provides wholesale water and wastewater service to nearby utilities. CWS is a nationally recognized leader in the water and wastewater industries and was the first water and wastewater utility in the nation to earn certification from the International Organization of Standardization (ISO) for the implementation of an Environmental Management System (EMS).

Charleston Water Service was not always such a bright light in the industry. When the utility embarked on its journey toward engagement in the late 1990s, workers there had not received a merit pay increase in seven years. All employees had to do to receive an annual cost-of-living increase was show up for work and there were no pay-for-performance incentives in place. The organization culture was very much old-school – top-down, command and control – and very few decisions were made by first-line supervisors and department heads. Caution was the order of the day. Each department within the utility operated in its own way. There was very little commonality across the organization. There were no common goals – if there were any goals at all.

Charleston Water's leadership knew it was time for change. They also knew that transforming CWS into a performance-based organization was going to take years. Now, seven years later, Charleston Water System is a very different organization, having successfully implemented a change program that has resulted in a culture of employee engagement. The utility's organizational effectiveness and bottom-line performance has improved accordingly.

THE THEORY

Creating a culture of engagement requires a systematic process of involving employees in a meaningful way. Employees not only need to contribute and add value to the organization – they need to *feel* as if they are contributing and adding value. The organization must also be able to show employees data that validates that improvement. This process involves five steps, illustrated in Figure 3.

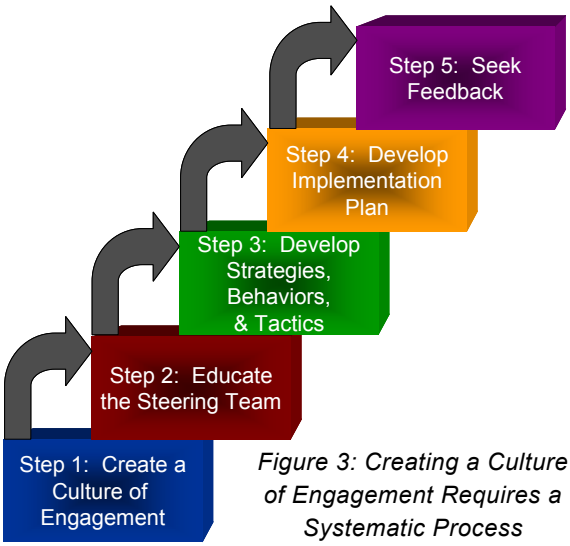

Figure 3: Creating a Culture of Engagement Requires a Systematic Process

- *Step 1* – Form a leadership (or steering) team. This team is the major mechanism for producing tangible benefits for the organization. That's why it is so important to have all of the organization's leaders be part of this cultural development program. Having just one leader who does not buy into the creation of an engaged culture could lead to failure.

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- *Step 2* – Educate the steering team on the goals of creating an engaged culture and the attendant tangible and intangible benefits to the organization. This is an important step because alignment is everything. The team has to 'walk the talk' of an engaged culture. Otherwise, leaders will lack authenticity and employees simply won't buy in.
- *Step 3* – Develop strategies, behaviors, and tactics that will be the basis for implementation and execution. The goal is to develop a plan to institutionalize the new behaviors, teaching all of the leaders and having them complement one another with their natural gifts and abilities to implement strategies and tactics.
- *Step 4* – Implementation planning and execution. The steering team develops the implementation plan, but everybody is part of it. The plan includes provisions for recognizing and leveraging the various skills and talents of individual team members. Each individual leader partners with another team member, offering assistance and requesting assistance in executing their part of the plan.
- *Step 5* – Seek formal and informal feedback from employees to ensure that engagement is happening. This can include formal and informal surveys, written questionnaires, or one-on-one discussion/focus groups. Leaders need this feedback to know if the culture of engagement is actually developing. This won't happen overnight. Feedback will indicate whether or not employees are feeling more engaged and more empowered as time passes.

This five-step process isn't quick (3-5 years is normal) so patience is a must.

Not Flavor of the Month

Most of us have been through a significant number of so-called performance improvement solutions that were supposed to be the key to enhancing and sustaining performance. You might think of these as the 'flavor of the month' approach to improvement:

- Restructuring
- Merger
- Privatization
- Benchmarking
- Re-engineering
- Goal Sharing
- Total Quality Management
- Contract Services
- Flex-time
- Risk Management

It's a long list. Unfortunately, employees often see these kinds of programs as top-down strategies designed to please the Board of Commissioners, the City Manager, or the Mayor. Real results have been mixed. While there have certainly been a variety of operational efficiency improvements made in utilities in the last 20 years, there is still substantial room for long-lasting improvements. These will happen only if we, as

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managers and supervisors, begin to focus on our associates as a collective group of individuals with beliefs, values, and morals. In other words, we have to discover our organizational culture, understand it, educate it, and engage it to effectuate lasting, proactive change.

Organizations as Systems

The good news is that we are now learning more than ever about what it takes to achieve successful change in our organizations and engage our associates in ways that yield higher levels of performance. Utility leaders are realizing that true success stems from the comprehensive effects of an organization's culture, as well as vigorous, system-wide implementation of strategic change. Such implementation targets more than structures, policies, and systems – more even than vision, values, and goals.

A systematic approach goes to the heart of the organization:

- Attributes
- Beliefs
- Values
- Expectations of ALL

Organizations are viewed as systems with three distinct subcategories:

- The Why – Why the organization exists (its purpose and mission)
- The What – What the organization does to pursue its programs, accomplish its vision.
- The How – How individuals, teams, divisions, departments, and other sub-groups interact and Associate attitudes, habits, and behaviors (organization culture)

Most change efforts have focused on the Why and the What – not on the How (organization culture). If we want the highest return on all of our assets, then associates at all levels of the organization warrant careful management and thoughtful leadership. High performance lies with understanding, educating, and engaging the culture within our organization. This is what an engaged culture is all about.

CASE STUDY – CHARLESTON WATER SYSTEM

The experience at CWS illustrates the significant benefits that can be derived from building a culture of employee engagement. To have engaged employees means having an effective organization. It means having an organization that tolerates risk-taking and mistakes, fosters learning, and lives for continuous improvement.

Charleston's experience is one of involvement – of having leaders, managers, and staff involved. It is one of making sure that everybody understands the activities and behaviors necessary to sustain engaged and committed employees. It involves having an execution plan where people follow through and act on the commitments that were made, creating an environment of true accountability.

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What They Did

Charleston's transformation began in the year 2000 with three simple steps. First, the utility changed its human resource policies to become an at-will employer. Second, the organization did away with its grievance panel. Third – and most importantly – it implemented a merit pay system.

The pay-for-performance approach was simple at first. At the end of the first year, every employee was handed a $100 bill. The utility had a solid year, money was available, and some of that money was used to begin the journey toward a performance-based culture. Employees were told that the amount was going to increase every year until it reached $2000.

In year two, the standards of performance increased slightly as did the bonus. To earn a $300 spiff, employees had to show up for work and show up for meetings – the basic building blocks for success. In year three, the bonus was $900. In year four, it rose to $1,500. Finally, in year five, the bonus reached the $2,000 maximum. Along the way, expectations continually increased. At the same time, the organization was divided into 24 Critical Business Units (CBUs), each with company goals it had to meet as well as goals that were set for each CBU. By year four, members of each unit were setting their own standards and goals.

Each unit has now been divided into functional areas. Each functional area within a Critical Business Unit now sets its own goals for performance improvement. As long as company and individual performance goals are met, the $2,000 incentive continues, costing the utility more than $1 million annually. Exempt and hourly employees receive the same amount, regardless of salary level.

Half of the money is in the annual budget; the other half comes from successfully meeting the standard for fiscal performance – exceeding financial objectives by 10 points. Employees still get merit pay increases but it is that December bonus check that drives continuous improvement. Although there is occasionally too much focus on achieving the bonus – at the expense of standard job requirements that still need to be met – employees at Charleston Water now know exactly what is expected of them and they do everything within their power to live up to those expectations.

Of course, the transformation at CWS is about much more than money. Financial incentives and pay-for-performance are a vital part of cultural change but they are not the be-all and end-all. Beyond money, there must be trust developed within the organization, common values shared throughout, standards and expectations that employees at all levels agree to live up to, and a commitment to service and quality on the part of everyone in the organization.

The culture of the organization has changed. Not only is the utility getting the things done that it should have been doing – but wasn't – but it is exceeding performance expectations in a variety of ways. What gets done gets rewarded and employees are committed to improved productivity and higher levels of service to utility customers.

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CONCLUSION

Understand, Educate, Engage

Many managers go through their entire career without ever developing a true understanding or 'feel' for the culture of their organization. They simply do not take the time to learn about, or focus on, their associates' beliefs and values. If we, as leaders, would only take the time to be as concerned about our associates' beliefs as we are about the beliefs of our mayor, city manager, or board of commissioners, our organizations would be very different, indeed.

The key to any change effort is relevance. The focus has to be on clearly-defined results. Change has to be implemented within the context of real-life, real-time challenges. Change must be driven from the top but supported by key associates throughout the organization. Every manager and supervisor must be committed to the change effort and there needs to be comprehensive involvement at all levels of the organization.

Managing your way through extensive organization change is not something you want to attempt on your own. External coaches – professionals accustomed to helping organizations work through the change process – are an invaluable resource. Let's face facts: a fish deep in its element (water) has no experience with anything that is not water. As utility leaders, we need resources from outside of the 'tank'.

Engaging your workforce requires you, as a leader, to:

- Communicate responsively
- Work collaboratively with a new spirit of alignment and partnership
- Share Goals to Ensure Buy-in
  - Everyone works toward a shared goal
  - You can't be in control unless the rest of the organization supports you
  - Goals cannot not tear you or your work apart
- Decide what position team members play
  - Leaders have to get off the field and let the players move the ball

Employee engagement is the most important accomplishment an organization can make. Employee engagement has an enormous impact on an organization's productivity, costs, customer service, and employee well-being. The example of Charleston Water System should serve as a beacon for every utility that is seeking to forge a culture of engagement and achieve the many benefits that come with it.

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