
RESTRUCTURING

Employees Redesign HR

When Peco Energy decided to redesign HR, it went to its experts for advice – it asked the employees.

By William J. Kaschub

When the decision was made to redesign the human resource department at **Peco Energy**, we knew that all 7,200 employees would be impacted. They were HR's customers and used HR's processes, and their involvement was essential to its restructuring.

We needed a redesign that would streamline HR processes, lower costs and, ultimately, make us more responsive to employees, managers, and Peco's business units. We believed the knowledge and know-how to make these changes already existed within our company.

Large-scale interactive methodology, the process we ultimately selected to guide us through the redesign, was key to accessing the collective intelligence of the employees.

The approach engaged as many as 200 employees at a time, from every level, function and perspective of our corporate hierarchy, in the pooling of information, exchange of ideas and discussion about actions required.

Paul Tolchinsky and **Sylvia James**, consultants from **Dannemiller Tyson Associates** (DTA), organized our meetings to maximize the likelihood that we got at the collective experience, knowledge and needs of our employees as we recreated HR.

The participation of employees from all levels of the organization created the mission, vision, end-state principles, and the processes and structure that will continue to shape HR for the future.

The deregulation of electrical power industries, a scenario unfolding for the past five years, had already spawned the restructuring of many of the company's

business processes. This was necessary to make the transition from being a protected monopoly to a highly competitive and innovative company.

Given the new business environment and new demands placed on HR by our leaders headed in new directions, we needed to examine the types of work HR did, how HR did it, and how we could improve our service to our various customers.

Heavily Administrative

HR at Peco had been heavily involved in administrative, nonvalue-added work. There had been an overreliance on HR people to perform transactional tasks – paperwork that was clerical in nature, updating information that no one ever looked at, and answering procedural and policy questions.

The future required new processes and/or elimination of much of this work. HR needed to become more strategic and consultative.

The department had operated as a gatekeeper of human resource policies, procedures and processes and had not been flexible enough to respond to rapidly changing business needs. HR was controlling instead of consulting – running workplaces instead of supporting managers and employees in running their own businesses or workplaces.

This was compounded by our information systems which had evolved over time and had become cumbersome, inadequate and user-unfriendly. Our base system was difficult to use and promoted an environment of centralization by limiting access to information.

To be effective as a strategic business partner, HR needed to move away from administrative tasks to value-added work by building new capacity in employees and managers, becoming consultants rather than doers and installing improved information systems support.

This required a fundamental shift in every employee's role at every level, that could only be realized through re-engineering the way everyone thought and worked with and around HR.

In November 1995, the first steps were taken to overhaul human resources. We created a 20-person core team of HR professionals and line managers who interviewed re-engineering consultants and best practices companies. They also benchmarked HR departments in other companies, such as **DuPont, Houston Light and Power**, and **IBM**. These activities confirmed that our systems and processes needed to be redesigned.

Beginning in 1994, Peco had undertaken a number of corporate re-engineering efforts. Traditional re-engineering methodologies were utilized, and yielded mixed results and costs. Although we had unsuccessfully advocated the use of the large-scale interactive approach in other corporate re-engineering efforts, the core team began to consider it in the context of HR's redesign. We contacted DTA's Paul Tolchinsky, who invited us to observe and participate as members of a logistics team in a large-scale event conducted by the **Bank of America**. He told us, "You're the experts – your own people know what's working, what isn't working, and they have the solutions." This made sense to us and confirmed our belief that the large-scale methodology was appropriate for our objectives.

The Four-Phase Approach

Having decided to move forward with the large-scale interactive methodology for our redesign effort, the core team began the preliminary work of determining which issues needed to be addressed. A four-phase

approach was proposed with the following large-scale meetings: visioning event, process redesign event, organizational design event and checkpoint event. Meetings were held over a period of six months.

Many tasks were required to prepare for these events. The selection and seating arrangements of event participants were critical to promoting candid interaction among employees. At each meeting, approximately 200 Peco employees were present, representing every level and perspective of the company.

Some attended all meetings, but each meeting included 60 to 70 new participants. "Max-mix" groups of up to eight people were seated at round tables, each table representing a microcosm of the company, an arrangement that generated animated discussion of problems, dissatisfactions and solutions.

Speakers from best practices companies were interviewed and invited to serve on panel discussions during the events. They offered far-reaching HR possibilities in practices, policies and systems, and kept the meetings focused on the future. The panelists promoted the desire to create something different and better for a redesigned HR department.

Representatives from **PeopleSoft**, manufacturers of the human resources technology we ultimately selected, also addressed our meeting participants. Our beliefs regarding the limitations of our current human resource system were quickly confirmed.

Our CEO, **Corbin McNeill**, and senior-level officers also attended the meetings as participants or observers, supported the process, and listened to both the dissatisfaction with the current state and the future possibilities for a new HR.

DTA helped us understand the process and organize the meetings. More importantly, they developed our internal capacity to run large portions of the meetings. They taught us how to engage

people and enhance their productivity and contributions during the meetings.

As facilitators, their expertise and experience were always accessible and maximized the likelihood that we would tap into the collective knowledge that existed within our organization.

Employees who did not attend were encouraged between the meetings to contribute their ideas and opinions and stay informed via videotapes, newsletters, memos and faxes.

Those who did attend became HR redesign spokespersons, sharing their experience and knowledge with their colleagues when they returned to their workplaces. A substantial portion of the employees were directly and indirectly involved in shaping the future of HR's processes and services.

The Events

1. The visioning event, the first of four large-scale meetings, was designed to allow participants to develop a mission and vision statement for the company's future human resources work. Members of the core team provided information to participants about existing processes related to, among others, employee relations, staffing, occupational health and safety, compensation and training.

Participants then had the opportunity to identify those practices they felt were working well and not working well, and to determine mission-critical processes.

Speakers from DuPont and Houston Light and Power discussed the challenges they faced in their companies, how they confronted them and how the changing role of human resources impacted their companies.

Additionally, Peco business leaders shared their beliefs about what they expected from human resource business processes in the future and what they saw as requirements to help them achieve their business goals.

At the end of the successful three-day event, a mission and vision statement, and a document of end-state principles were created. These helped guide the participants in future meetings as they moved forward with the redesign and set the course for all of HR in the future. The CEO and senior officers approved the direction at the end of the meeting and proved that change could occur in real time.

2. The process redesign event was held a month after the visioning event. Its objective was to develop simple, flexible, innovative human resource processes that adhered to the guidelines set forth at the first event.

In the preceding weeks, the core team created "strawdog" process maps for the mission critical processes generated in the first event. The processes included selection and staffing, job pricing, career planning, work force planning, and policy development and deployment. These were presented for review and modification.

Three panelists shared views about their own experiences with re-engineering and what they would consider when redesigning key human resource processes. The panel included professionals from **HR Visions Inc., Towers Perrin** and Peco Energy's vice president and chief information officer.

This event was difficult. Many participants felt rushed and overwhelmed by the amount of data. Despite this, the five redesigned human resource processes were successfully completed. And once again in real time, members of senior management approved the outcomes. These final work products charted significantly new ways of doing HR work.

3. The organizational design event was held about two months later to gather input from employees as to where HR work should be done, in HR or on the line. The line referred to the employees, managers, supervisors and vice presidents from each

business unit throughout the company, and not simply another HR organization in a different place in the organization.

In keeping with HR's goal to become a strategic partner to the business units, participants placed the work involved in more than 100 human resource activities. There were some recommendations as to centralization/ decentralization.

A panel of speakers from **Texas Instruments, IBM/ISSC and Core States Bank** shared their experiences and learning from human resource re-engineering efforts, and gave their views on effective organizational designs.

Participants came up with a recommended organizational structure, transferring many of the human resources tasks and activities to the line. As part of the organizational design, participants recommended an employee call center to provide a single point-of-contact for answering routine HR questions and providing an efficient way to complete transactional work.

The need for enabling technology to support the redesigned human resource processes was clearly the most voiced concern from the meeting participants.

4. The fourth phase, the checkpoint event, was designed to review the progress of the HR redesign effort and validate the next steps. A key objective was to ensure the continued sponsorship and alignment of employees and management across the company.

A preliminary call center project plan was presented by the core team, incorporating all the guidelines and recommendations generated at the previous three events. The goal was to generate discussion around implications, requirements and obstacles that would result from the establishment of a call center.

Michael Beer, from the **Harvard Business School**, spoke at this event, commenting on the progress of the project and the challenges facing industry in the area of human resources. He challenged line

managers to become much more involved in running their workplaces and doing human resource work. It was, in his view, the only sure path to high performance.

A revised, detailed call center implementation plan incorporating many specific business unit requirements was created during this two-day event. Additionally, a comprehensive list of to-do's was developed, including training requirements and communications plans.

Redefined HR

The wisdom of roughly 800 Peco employees in our large-scale events determined the course of the HR redesign. When we started, the key to redesigning HR was driving technology to the lowest levels of the organization and training everyone. This changed, as a result of the meetings, to an approach that moved transactional work to a new, combined HR/payroll system and a call center. Establishing the call center facilitates the goal of moving administrative tasks away from HR, enabling HR to become consultants to the business units, and avoids the worst fears of line managers of "throwing the work over the wall."

It became clear that simply adding sophisticated technology and shifting the work to employees in the line was not going to provide the results that the HR redesign effort sought to achieve. New enabling technology is a large part of the redesign effort, but it is only part of the solution in transforming HR into a truly valuable business partner.

HR has been redefined around processes. The streamlining of these processes has helped transform it from being a transactionally oriented, functionally organized department to one that is process oriented. Information technology will be

installed this year to enable these newly designed processes to run effectively.

Moving many of the transactional tasks to the call center and adding technology to the redefined processes will facilitate the move to a more strategic, consultative role for the company's HR professionals.

These changes will make it easier for managers and employees to run their own workplaces and for HR to offer value-added consultation around human resource issues. This redesign will help Peco Energy continue to become more competitive.

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