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CONNECTING THE ENERGY OF PEOPLE

**Keyspan Corporation Transforms
HR Service and Delivery**

by Lucie P. Lawrence





Elaine Weinstein, senior vice president,
human resources, KeySpan Corporation

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The time had come. With a large merger in 1998 and an acquisition two years later, KeySpan Corporation was now the largest distributor of natural gas in the northeastern United States. It had expanded from a 3,000-employee, two-union company to a highly complex organization with 20,000 employees and retirees, 25 companies, 13 unions and more than 180 benefit programs.

But KeySpan's human resources department wasn't structured to handle the new, diversified needs of the company. It was time to transform HR.

Elaine Weinstein, senior vice president of human resources, faced a major challenge: reorganizing HR to keep up with the growing, changing business. Failure to do so meant that HR would further lag in its service delivery and risk the dissatisfaction of internal clients. For Weinstein, that was not an option.

Weinstein and the HR leadership team aimed to transform HR into an organization that could support KeySpan's goals: to become the premier energy company in the Northeast by growing the core business through acquisition, strengthening the focus on customers, reducing costs and becoming a great place to work. HR's vision of itself as a catalyst for change, a partner in success and a champion of people drove the transformation, which a team of Watson Wyatt consultants helped the company achieve.

Building the Case for Change

"With 12,000 active employees dispersed over several states and 8,000 retirees across the country, HR needed to be more responsive and to improve our level of accuracy," says Weinstein. "The design side of HR was progressive; employees were happy with our creative benefits programs. But they rated our service as average to below average, and we didn't want to be average."

Due to the complexity of KeySpan's environment, HR was not structured to deliver high-quality services efficiently. The benefits plans were complex; the technology did not support call/case management and performance metrics; employees had limited self-service access to web-based applications; and most transactions were manually handled and paper-based.

Another challenge was that HR functioned in a silo. "We were very much an island — an isolated department with no HR customers," explains Weinstein. "But senior management wanted HR to be a business partner and to play a more strategic role within the company, to focus our energies on understanding the business and drive change within KeySpan." To enable HR to set priorities and to allocate resources focused on value added and strategic activities, they needed to redesign HR's service delivery model. The new model would delineate roles, responsibilities and clients among the HR groups to enhance service delivery, leverage resources, increase efficiency and streamline work.

And there were cost pressures. For every dollar spent on operations, another was spent on support services. This heavy internal cost structure, which detracted from the company's competitive position, was no longer acceptable. "It wasn't enough to improve

service delivery. We were under intense pressure to reduce our costs," says Bill Fibkins, director of employee services. "For senior management to invest in the transformation, we had to demonstrate the return on investment."

Solutions came in the form of a business case developed by Watson Wyatt. It included an assessment of current organization structure and processes, a new operating model for the delivery of employee services, an implementation strategy, and the quantification of anticipated costs and benefits. A comprehensive financial analysis showed a total investment (facility upgrades, technology, implementation support and severance) of \$4.2 million with a pay-back period of 2.7 years.

"The resulting business case was compelling and convinced senior management of the need to invest resources in HR's transformation," says Fibkins.


Creating the Road Map

Once the business case was approved, KeySpan needed a way to turn HR's vision into reality. With a team of Watson Wyatt consultants, they developed the transformation blueprint — a project milestone.

The blueprint included a new organizational design, design principles and a portfolio of HR products and services. A vital component was the integrated service delivery model, which assigned roles, responsibilities and clients to the three groups that composed HR. The Center of Expertise, responsible for policy design and development, serves executive leadership. The Business Partner Consulting Group acts as liaison to business leadership. And Employee Services, responsible for HR service delivery and transaction processing, owns the employee relationship. The blueprint also defined the critical jobs within each group, as well as their required competencies, and mapped out a project plan for implementation.

Developing the blueprint allowed HR leadership to help design the new organization and paved the way for change. The process encouraged communication among the groups, planted seeds for future collaboration and greater integration, and laid out the HR cultural changes necessary to make the transformation a success.

Once the new organization structure was put in place, the three HR divisions set to work to understand their unique value to the business,



KeySpan executives Bill Bollbach, vice president, Business Partner Consulting Group, and Justin Orlando, vice president, Center of Expertise

how their work processes would flow and how they needed to collaborate with the other parts of HR. Then the entire HR organization began to realize the true implications of moving to the new model.

Building a Service Center

Since the HR service center was an important component of KeySpan's HR service delivery model — and a key enabler of reducing costs — developing and implementing Employee Services (ES) became the cornerstone of the transformation.

At the same time, ES faced daunting challenges: establishing the leadership team, defining positions within ES and selecting individuals for each role. In addition, decisions concerning union employees required ongoing discussions and agreements, and the group had to find a new service center location and build a facility. All of this before ES could open in six months.

One of the first steps was to establish the guiding principles of ES: its mission, vision, culture and brand. These elements were based on five key traits — accessibility, customer orientation, results-driven programs, knowledge and a positive work environment — that KeySpan leaders kept at the top of the priority list as they developed the new organization.

To accomplish its objectives within the six-month period, ES formed project teams. Process teams refined and defined business processes; technology teams handled call routing, case management and knowledge management technology requirements; and people teams defined organizational structure, roles and responsibilities, conducted capability assessments, developed and implemented training, established a change management and communications strategy, and redesigned the service center.

“Our old facility was outdated and in need of a facelift,” Fibkins says. “We had to redesign the layout because management sat on one side and employees on the other, which was not a team-oriented setting.” To solicit employee feedback, ES held focus group meetings where staff members were asked not only to describe their ideal workspace but to draw it. HR looked at the suggestions

An Evolving Industry

The energy industry has undergone sweeping changes, with recent trends toward globalization, deregulation, privatization, and mergers and acquisitions. To meet market demand and remain competitive, energy companies are updating heavily entrenched and bureaucratic ways of doing business. For business leaders in the energy industry, the challenge is to produce earnings, improve productivity, manage risk and strengthen customer relationships.

Keyspan Corporation AT A GLANCE

- Largest distributor of natural gas in the northeastern United States
- Distributes natural gas to 2.5 million customers in New York City, Long Island and New England
- Operates more than 21,000 miles of gas mains in its service territory
- Owns and operates generating plants on Long Island and in New York City, with a total capacity of more than 6,400 megawatts
- Serves approximately 1.1 million electricity customers through a management service agreement with the Long Island Power Authority



during subsequent design meetings, and eventually incorporated many of them into the final plans.

The resulting service center fosters a comfortable and collaborative environment. It features enabling technology to support service delivery; fulfillment areas to maintain efficient processes; upgraded workstations for employee service representatives and case workers, with ergonomically acceptable furniture and equipment; and a dedicated training area. It also includes a quiet room for staff and a spacious lunch room.

The Critical Pieces

With two-thirds of KeySpan's employees unionized — many working in HR roles — it was also critical for HR to manage union relations. “We had a labor relations expert lead the people team due to the many employment issues involved in the implementation,” says Watson Wyatt consultant Mike Esposito. “Because there was a great deal of job refinement and responsibility realignment, it was important to consult with the unions from the beginning. Improving service delivery helps HR and the unions achieve shared business outcomes, which in turn supports positive union relations.”

In addition to becoming a reliable, single point of contact for all HR service needs, ES establishes performance targets and expectations, and monitors workflow and customer satisfaction. “To ensure the metrics remained a focal point, we hired an effectiveness manager to gather and interpret the metrics, monitor progress



“We had to be certain that all stakeholders...were completely clear on how the access to and delivery of services would change,” says Bill Fibkins, KeySpan’s director of employee services.

close a case and levels of customer satisfaction.

Also critical to ES’ success was the communication and change management strategy. “With so many employees and retirees spread across the country, we had to be certain that all stakeholders understood the HR vision and mission and were completely clear on how the access to and delivery of services would change,” says Fibkins. To make sure the necessary communication went out at the right time to the right people, the team implemented a detailed, rolling communication plan using e-mail, leadership meetings, newsletters, posters, intranet postings, user guides, postcards and banners.

“One of our greatest challenges was the change management piece,” Weinstein says. “We spent a great deal of time identifying potential obstacles and developed a proactive approach to address these challenges. A change-readiness survey, alignment sessions, scenario planning and simulation sessions were conducted to prepare the HR team for real-life business situations. Overall, the feedback was very positive, but without our clients on board, the transition would not have been a success.”

and make improvements as needed,” says Fibkins. “If we were going to play a strategic role in the organization, we needed to be sure that we were aligning our resources with the company’s needs.” Tracked performance metrics included volume of inbound requests, call duration, number and types of escalated cases, time to

The Next Phase

Once Employee Services was operational, the Center of Expertise (COE) and Business Partner Consulting Group (BPCG) began preparing for the transformation. Similar to the work undertaken by ES, each group conducted a session to articulate its vision, mis-

Overseeing the Transformation

Given the complexity of the HR transformation, Watson Wyatt recommended that KeySpan establish a program management office (PMO) to coordinate and oversee the project. Originally developed for the IT sector and typically used in large-scale technology projects, a PMO is charged with high-level, multiproject management oversight.

KeySpan’s PMO has many functions. It provides oversight and guidance to the various project teams and brings discipline and standardization to the processes, communication and reporting. The PMO fosters integration across teams and tracks their progress, ensuring that the teams are meeting their business objectives. In addition, it is in charge of communication and change management strategies for the transformation, including producing and

distributing the monthly *HR Transformation Newsletter*.

“The newsletter is distributed to HR employees to keep them abreast of the initiative’s progress, and we’ve received very positive feedback about it,” says Margaret McCann, project manager, PMO. “Employees feel in the loop and can knowledgeably speak about the transformation because the newsletter explains the many changes in one integrated, unified voice.”

With the HR transformation well under way, McCann thinks that the PMO has met its objectives. “One of the most valuable contributions of the PMO is that it has enabled HR senior leaders to focus on the big issues, without having to worry about the day-to-day transformation efforts. This creates a sense of comfort that someone is overseeing the initiative.”

sion, culture and brand, and to define its products and services.

Staffed by subject-matter experts, the COE designs and develops HR programs and policies in response to KeySpan's strategic needs. Under the new structure, the COE concentrates on compensation and benefits, in addition to health services, external recruiting, talent management, workforce compliance and diversity.

"Aligning all of these areas supports the shared services model, as these groups work together to create integrated and innovative policies and programs that help the line businesses succeed," says Justin Orlando, vice president,

COE. "Additionally, we hope to leverage the collective knowledge within the group to build a strong employee-valued portfolio of HR programs and practices that will continue to attract, develop and retain a high-quality workforce."

BPCG staff members act as liaisons to the lines of business, providing services to all strategic business unit officers and managers company-wide. Bill Bollbach, vice president, BPCG, says: "Our focus as a customer-driven organization is to support the business units in achieving their objectives through efficient employee management and to make client priorities our priorities. Paramount is finding solutions to client needs and wants, and acting as coach, advisor, change agent and architect."

The new BPCG contains two centers of expertise. One focuses on an enterprise-wide labor relations strategy providing progressive labor relations services and solutions; the other concentrates on organization effectiveness.

The Transformation Continues

"Collaboration of all three HR divisions is key to the success of the transformation," Orlando says. "If this structure is going to work, employee services, the BPCG and the COE will need to maintain open, two-way communication with our clients — and with each other."

This communication includes transferring information from the COE on all employee programs. Also, Employee Services and the BPCG must provide feedback on how these programs are being implemented, perceived and accepted by business areas and employees. HR must analyze the feedback to address priority issues

Sage Advice

KeySpan's HR leadership team offers the following advice on transforming an HR organization:

- **Build a solid business case with a clear vision and goals, and develop a detailed project plan.**
- **Understand the importance of change management, for clients within HR as well as externally.**
- **Hire a consulting firm that fits with your organization and can truly be a partner.**
- **Make sure your HR leadership is 100 percent committed to the process. Be stubborn in your vision and goals, but be flexible in the project details. Compromise is critical.**
- **Acknowledge the key players as well as those who play a minor role in the project. The transformation is truly a group effort.**
- **Share information openly. This ongoing communication improves buy-in.**

and must develop and change programs to keep pace with the needs of the business.

"For the transformation to be successful, HR needed to move from a functional to a process-oriented operation," says Watson Wyatt consultant Barbara Spitzer. "The work that was once performed by a deep specialist — everything from design to administration — was now divided across three new HR divisions. This called for much greater collaboration and an appreciation for how to work in a process organization."

A Work in Progress

"We've certainly come a long way since last year, but the transformation is a work in progress and will evolve over time," says Weinstein. "HR is well on its way to meeting our business case, but I see this as an evolutionary process."

So far, feedback has been extremely positive. Opening on schedule this past June and under budget by about \$.7 million, ES received more than 4,100 calls in its first month of operation; it resolved 93 percent of all cases and earned customer satisfaction ratings of 91 percent. In addition, ES has achieved the cost savings it committed to in the business case — a major accomplishment for HR. The business units also have reacted positively to the changes. They can now depend on HR to assist with business issues and help facilitate business unit strategies. Says Bollbach, "They get more value from HR, administratively as well as strategically, which helps us form a stronger partnership."

Adds Wally Parker, president, energy delivery and customer relations: "HR plays a critical role at KeySpan. By helping to solve the business issues, as well as the people issues, HR supports the corporation — and all of its employees — through the business transformation."

"When KeySpan employees think of HR, I'd like them to view us as an organization that progressively plans for their future and advances the company's corporate culture, making it a great place to work," Weinstein explains. "When executives think of our organization, I'd like to hear them say that HR pushed them to make difficult decisions and helped them through the process."

"And when employees within HR think of us, I hope they are proud to be part of a group that stepped out ahead of the rest of the company to reinvent HR as a catalyst for change, a partner in success and a champion of people."

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