Effective Change Management during Program Transitions

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ABSTRACT

As the energy programs industry faces pressures from increased energy goals, new policies and legislative directives, market forces, and the emersion of alternative program models and technologies, there will be an inevitable need to modify program structures and approaches in response to this range of issues.

Whether the goal is to design new programs, modify existing ones, improve program performance and cost-effectiveness, or respond to outside forces, utilities and program administrators will have to consider undertaking changes that result in significant alterations to the status quo. While these changes will likely impact numerous stakeholders, and result in temporary disturbances to well-established processes and systems, if properly managed, they can also result in a future state that delivers improved performance, innovation, operational efficiencies, and enhanced benefits to ratepayers.

This paper presents change management strategies, in the context of utility demand-side management programs, and lessons learned from an 18-month transition period that occurred during the redesign of Wisconsin's Focus on Energy program. Established as a statewide program in 2001, Focus on Energy is one of the longest running demand-side management (DSM) programs in the nation. After being administered and implemented by the same group of firms for over a decade, Focus on Energy was rebid in 2011 and Chicago Bridge & Iron (CB&I) was awarded the Program Administration contract. By the end of 2012, CB&I had bid out and awarded all program implementation contracts, and had led the design and launch of 18 new programs.

Anecdotal discussions, best practices, and lessons learned from the Focus on Energy case study are incorporated in this paper as a roadmap for utilities and program administrators that may be faced with changes of similar scope at some point in the future.

Introduction and Background

Focus on Energy is Wisconsin utilities' statewide energy efficiency and renewable resource program. Since 2001, Focus on Energy has provided eligible Wisconsin residents and businesses with information, financial incentives and resources to implement cost-effective energy efficiency and renewable energy projects. The program is funded by the state's investor-owned energy utilities, as required under Wis. Stat. §196.374(2)(a), and participating municipal and electric cooperative utilities[3].

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The program has always been administered and implemented by many different entities that operate under the Focus on Energy brand. Ultimately, the Public Service Commission of Wisconsin (PSC) has daily oversight of an organization, or group of firms, that is responsible for the overall performance of these programs in meeting Wisconsin's energy-savings goals.

Since its inception, the Focus on Energy program grew organically and towards the end of the decade it had become one of the most recognized DSM programs in the U.S. However, the program design had remained largely unchanged through the years, and the same entities had been involved in its delivery for a long period of time. In addition, the organizational structure and the relationships between the many parties working on the program grew to be very complex, with multiple layers of subcontractors and weakly defined roles and responsibilities that resulted in overlaps and operational inefficiencies, as well as a general level of low-accountability for performance.

In late 2010, as part of a four-year planning process[4], participating utilities and the PSC procured the services of an outside contractor to assess the current state of the program portfolio and make recommendations for a future state in terms of program design and organizational structure. After performing a gap analysis, collecting feedback from stakeholders, and benchmarking similar statewide or multi-service territory programs around the country, the analysis recommended a clear separation of roles and responsibilities for a program administrator and program implementers, and the competitive rebid of all contracts.

The theory behind the separation of roles was to allow an oversight entity, the program administrator, to manage contracts with entities responsible for implementation of programs and delivery of energy savings. The separation of roles would allow the program administrator to focus on coordinating other parties working on the program in a cohesive and consistent manner, ensure higher levels of accountability, and mitigate any potential conflicts of interest in an instance of program non-performance.

In addition to the organizational change, the gap analysis recommended a complete overhaul in the Focus on Energy program offerings in such a way that it would:

- Include participation opportunities for previously underserved customer segments.
- Increase opportunities for customer participation by offering programs with minimal participation barriers to lead to improved customer experience.
- Achieve a higher level of energy savings in a more cost-effective manner.
- Reduce overall non-incentive costs through achievement of operational efficiencies.

In December of 2010 a request for proposals (RFP) was released soliciting bids for the program administration role. CB&I, along with a team of subcontractors[5], was the successful bidder selected to become the program administrator.[6] In May of 2011, after a brief 60-day quick-launch period, CB&I became responsible for the overall strategic direction of the Focus on Energy program portfolio. As the program administrator, CB&I was responsible for all aspects of Focus on Energy's performance including meeting energy savings goals, maintaining cost-

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4 The 2005 Wisconsin Act 141 requires the PSC to conduct a review of energy-efficiency and renewable-resource programs at least once every four years; the last review was conducted in 2010 to set policies for CY 2011-2014.
5 The CB&I Team of subcontractors includes the Elevate Energy (formerly Center for Neighborhood Technology), Future Energy Enterprises, LLC and the Midwest Energy Efficiency Alliance.
6 At the time of the bid, the contract was awarded to The Shaw Group, Inc., In February of 2013 The Shaw Group, Inc. was acquired by CB&I.

effectiveness, selecting and managing implementation contractors, and interpreting and adhering to relevant policies. In addition, CB&I was also tasked with the responsibility of coordinating the multiple parties and stakeholders involved in Focus on Energy.

Shortly after becoming program administrator, and in following with the recommendations obtained through the gap analysis, CB&I undertook a planning process to redesign the program portfolio in a way that would meet the aggressive energy goals established for the four-year period of 2011-2014, as well as the objectives identified through the gap analysis. As part of this redesign, CB&I bid out all program implementation contracts and led the launch of 18 new programs in early 2012.

For purposes of this paper, the period covering CB&I's transition to the program administrator role and the redesign, rebid and launch of new programs is referred to as the transition period. Figure 1 illustrates the 18-month transition period.
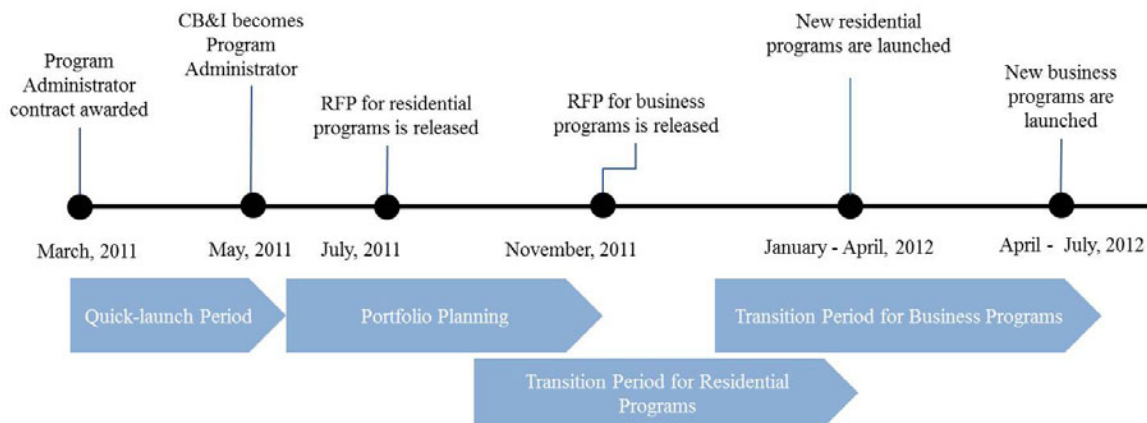

Figure 1. Focus on Energy transition period.

The Transition Challenge

Although on paper it may seem like the transition period was sufficient to accommodate gradual changes with minimal disturbance, in reality the magnitude of the change was so large that it required thoughtful planning and careful execution. Modifying the organizational structure while maintaining current programs that CB&I inherited in May 2011 and also designing and launching new programs had significant impacts to the internal operations of Focus on Energy. In addition, management of these moving parts also impacted external parties to Focus on Energy such as trade allies and customers.

From an internal operations standpoint, bringing in CB&I as the program administrator and then selecting new program implementation firms would require:

- Stakeholders to get acquainted with new entities working on Focus on Energy and to familiarize each other with their individual roles.

- Organizational cultures of the companies involved in Focus on Energy to adapt to each other and learn to "speak a common language".
- Developing new protocols and processes for interaction between firms and individuals and performing activities.
- Syncing information technology (IT) systems.
- Identifying operational efficiencies from the get-go by streamlining processes, eliminating redundancies and ensuring a common direction between all entities working on the program.
- Ensuring the continuance of daily operations so that customers and trade allies would not perceive the change and would continue to participate in the programs that were then underway.

Designing the new set of programs, which were scheduled to begin in 2012, came with its own set of challenges. The simultaneous launching of new programs, many of which would be implemented by different firms, coupled with the ramping down of existing programs required significant internal coordination. Because this transition was more visible to the public, the right messaging and communications were critical to ensure that stakeholders would understand the reasons behind the changes, and would eventually buy into the new programs.

Change Management Strategies

The following sections describe the change management strategies that CB&I implemented during the transition period and that were instrumental to its success:

- Extensive and ongoing planning
- Mobilization, recruitment and staff development
- Identification of and engagement of stakeholders
- Optimizing customer experience
- Ongoing, predictable and transparent communications
- Defined governance and operational framework
- Progress tracking and continuous improvement

Extensive and Ongoing Planning

Effective management of a complex change process is virtually impossible without a robust plan that allows delineating the key strategies and tactics that will be implemented, identifying and evaluating potential market pressures and impacts, and proactively preparing responses to identified risks.

Key steps for a planning process can include:

- Taking stock of your current position.
- Identifying what is to be achieved, and what the future position following the change is expected to be.
- Detailing precisely the "who, what, when, where, why and how" of achieving and implementing the change objectives.
- Assessing the impact of the change on the program.

For the Focus on Energy transition, immediately after becoming program administrator in May of 2011, CB&I undertook a comprehensive planning process that was largely focused on the redesign of the residential and business portfolios and that eventually led to the rebid of all program implementation contracts. The plan for the program redesign was developed with input from stakeholders and through a process that involved benchmarking other DSM programs around the country while considering Wisconsin's unique characteristics.

These planning exercises was valuable because they articulated the objectives of the changes, provided a lose roadmap for execution, and also ensured stakeholder buy-in. Prior to beginning implementation of the portfolio redesign plans, CB&I presented the plans to the PSC and participating utilities and ensured approval of the strategies and tactics that would be undertaken to launch the new programs. Establishing this shared planning framework proved critical in setting expectations with stakeholders and ensuring that all parties were onboard with activities and timelines for execution.

Once the new program implementers were selected, a similar planning process was undertaken for each individual program to establish key performance indicators, milestones and schedules, and operational strategies and tactics. The planning process was memorialized through the contracts for the selected entities which were used as a tool to mutually agree upon the objectives, goals and tactics of the new programs.

To-date, this planning culture continues to be integrated throughout Focus on Energy's operations, and the program administrator and all program implementers undergo an extensive annual planning process at the beginning of the calendar year. While this focus on extensive and ongoing plan was critical to the success of both the transition period and the current operations of Focus on Energy, it is important to maintain flexibility that allows for deviation from the established plans. The contracts, operational procedures, portfolio redesign plans, etcetera all serves as framework for the direction that Focus on Energy is heading and establish a common understanding of roles, responsibilities, accountabilities, objectives and processes.

Mobilization, Recruitment and Staff Development

When CB&I became program administrator of Focus on Energy, the immediate response was to deploy a transition team formed of individuals with national expertise that had previously undertaken similar quick-launch and ramp-up endeavors. This team was on the ground full-time from day one of the contract and was responsible for setting-up operations. However, in order to guarantee the long-term success of the program, it was necessary to build a local team and recruit staff that would ultimately lead long-term operations.

As new employees were being hired and a team was being formed, it became clear that there was a need to develop and facilitate training modules that would allow for organized learning, the sharing of information, and also enable the building of a common culture. Although putting together these trainings was time-consuming and required redirecting already-constrained resources, this was identified as an effective means by which every individual would gain knowledge and develop new skills.

During the transition period, these trainings occurred as frequently as once per week and took the shape of hands-on workshops, formal status update meetings, webinars, and the development of manuals and "how-to guides" for processes including review and payment of incentive applications, utilization of the program's data tracking system, and marketing review and approvals. An emphasis was also placed on cross-training staff in different program areas.

This way, while the project was not yet fully staffed, it was still possible for managers to shift resources as needed and complete tasks on time.

A similar approach to training was followed in late 2011 when program implementers were selected to launch and deliver the new residential and business programs. CB&I as the program administrator organized these sessions, but the new implementation contractors were active participants and often led the trainings. Some of the critical areas of training for the implementation team included cross-educating on the objectives, benefits and processes of each program; training on internal policies and procedures; and perhaps most importantly, training on the vision and objectives of the program administrator as well as key priorities and strategies for the upcoming year.

By following this training approach during periods of transition, it is possible for individuals to absorb a vast amount of information. In addition, for situations where a common culture needs to be developed, the intensity and frequency of the trainings, as well as tactics around repetition of key themes and messages, allow for building a team that was cohesive in its activities and that was moving in the same direction.

Early Identification and Engagement of Stakeholders

Identification and classification of stakeholders is a process that should take place in the initial phases of a transition period. The larger and more disruptive the change, the more vital it becomes to assess different participants' influence on the change. It then becomes critical to determine whom the stakeholders are, what their priorities are, how they will be impacted by the change and how they want to be communicated to.

During the early stages of the transition, CB&I spent a considerable amount of time and effort identifying the internal stakeholders of Focus on Energy. These stakeholders were defined as the range of organizations that worked "behind the scenes" and that were responsible for the overall administration and implementation of energy programs, training activities, and information dissemination. Once stakeholders were identified, they were informally classified by priority and level of influence. This classification facilitated management of stakeholder interests and allowed CB&I to engage stakeholders in the appropriate discussions and incorporate their perspectives and ideas on how the portfolio of programs could be improved.

A lesson learned through the process is that stakeholders always want more information than they are receiving and frequently want to have time to review and provide input on activities. Therefore, when in doubt, it is better to communicate more often and share more information than to communicate less. At the onset, this allows the stakeholder to review the information provided and self-select what is relevant to them. Over time, the stakeholder can provide feedback to proactively state what information they actually want and how frequently they need it.

A more challenging task was to identify and engage the external stakeholders. For a statewide energy program, external stakeholders are numerous, have diverse and competing interests, and have different preferences on methods of communication. With Focus on Energy the following groups of external stakeholders were identified:

- Customers
- Customer associations
- Industry associations
- Trade allies and contractors

- Trade and contractor associations
- Participating utilities
- Advocacy organizations and interest groups

Another lesson that CB&I learned is that it is critical to send the proper messages to subsets of audience groups. For example, prior to launching the new programs in 2012 CB&I was sending the same message to all trade allies, and then, based on feedback received, started developing specific messaging for subgroups such as renewable energy installers. By understanding the array of attitudes and feelings towards the change effort, CB&I was better able to define the appropriate communication and engagement approaches for each audience.

Optimizing Customer Experience

Unless intended otherwise, programmatic changes should remain practically invisible to the customer to ensure that satisfaction levels are not negatively impacted. In fact, if anything, transitions and program changes should be seen as an opportunity to improve the customer experience significantly. For this reason, activities that involve customer interactions should be prioritized and specifically built into the transition plan.

In preparation for the launch of the new Focus on Energy programs in 2012, CB&I worked closely with both the incumbent and new program implementers to define customers as end-energy users and participating trade allies, and ensure that:

- Customer and trade ally commitments, including any auditing, technical support, incentives and rebates, made under the old program designs were to be honored and closed-out without delays.
- Marketing materials and information pieces that had a physical or electronic mailing address for submittal of documentation were revised to ensure that materials were being delivered to the correct address.
- Information Technology (IT) systems, including email addresses, websites, databases and phone numbers, were effectively transitioned.
- Customer service representatives and account managers were provided with talking points, and were properly trained to address any inquiries on the new programs.
- Trade allies received a database of points of contact for each of the new programs and were told where to address their inquiries.

One area that is often taken for granted is the importance of ensuring that existing IT systems continue to work as planned. In today's world, individuals expect systems to work continuously, and therefore any glitches or system blackouts may give a perception that there are greater issues at bay. As an example, during the Focus on Energy transition, a searchable database of contractors and trade allies hosted on the program website failed to be updated automatically, and for several weeks the database was broken. This IT-related breakdown caused panic amongst contractors and spread out rumors that the program would be discontinued. Occurrences like this presented immediate issues in terms of fixing the system, but also presented longer-term challenges in terms of regaining trust from the trade allies that were impacted.

Ongoing, Predictable and Transparent Communications

Ongoing, predictable, and transparent communication can ease some of the resistance that is natural to change, and allow for trust-building from the onset. Key elements of a good communications approach include:

- Identify all stakeholders that need to be communicated to during the transition period.
- Define your methods of communication and use multiple methods to engage with each stakeholder.
- Tailor your message to answer their individual questions and address their concerns.
- Provide the reasons for the change and communicate why it will be positive; messaging should be inspirational and actionable.
- Develop a feedback loop so that communication is going out and coming in from stakeholders.
- Do not be afraid to over-communicate. The goal of communication is not just awareness, but understanding, acceptance and commitment from the parties with whom you are communicating.

During the transition period, and particularly during the rebid of the residential and business portfolios, CB&I faced challenges communicating and providing information to external stakeholders, which in some instances led to confusion and mistrust of the Focus on Energy program. As an example, when the RFP for residential programs was released in July of 2011, heating and cooling contractors wanted to know details of the new program design as specific as what the equipment specifications would be to qualify for incentives and what the incentive levels would be for the upcoming program year. Although this information was unavailable at the time, and even if CB&I frequently stated that changes would be phased in to allow the market to adapt slowly, most of the communications released were done so as a response to an issue and therefore we were unable to alleviate concerns from the public.

After this experience, CB&I revamped its communication strategy and developed a proactive, coordinated, and multi-faceted communication plan that essentially blitzed the market beginning at the end of 2011 and lasting throughout 2012, and that incorporated mechanisms for receiving feedback from stakeholders.

Defined Governance Structure and Management Systems

During transition periods, a defined management system that provides a framework of policies and procedures will facilitate a common understanding and agreement of processes, roles, and responsibilities, and, perhaps most importantly, a shared language between the parties involved.

Towards the second-half of 2011, a comprehensive process to create a Focus on Energy Policy Manual and a library of Operational Procedures was undertaken. As this management system was being created, it became obvious that previously every implementation contractor had their own approach for performing certain tasks and that there was no defined guidance that allowed for consistency in operations. This lack of agreement resulted in inefficiencies and redundancies, as well as an uneven treatment of customers that participated in more than one program.

The ultimate goal of developing the Focus on Energy management system was to ensure consistency and quality in operations, fairness in the treatment of customers, and a reduced learning-curve for new hires and program implementers that were joining the Focus on Energy team. Additionally, the process resulted in a quick way to identify inefficiencies and bottlenecks in operations, establish remedies to increase credibility and capacity for the change process, and to build energy, commitment and consensus for longer-term remedies.

As an example, as CB&I was developing a procedure for review and approval of incentive applications, several redundancies were identified in the way the review was being performed. By engaging different stakeholders for feedback and recommendations, a streamlined procedure was developed that ultimately resulted in the reduction in application processing time from an average of 25 days in early 2012, to 10 days within a two month period.

Ultimately the development of this management system allowed Focus on Energy to achieve certification to ISO 14001:2004 for Environmental Management Systems, which represents the highest level of international recognition for managing environmental impacts and instituting a culture of corporate social responsibility.

A final note on management systems: unless there is room for flexibility and continuous improvement, they can be rendered invalid fairly quickly. Every organization should establish a framework for reviewing policies and procedures on an as-needed basis, and incorporating feedback from the individuals that are actually following the procedures. This approach has been incorporated into Focus on Energy operations through a formal annual review that includes internal and external audits of its management systems, and that has resulted in the fine-tuning of policies and procedures and incorporation of efficiencies.

Progress Tracking and Continuous Improvement

Beyond transition planning, effective change management relies on having a formal and systematic process in place for continuous improvement. These efforts should be used to identify strengths and gaps within the program plan, and establish new or adjusted initiatives that allow meeting the desired objective of the change.

An activity that CB&I undertook was the development of numerous reports that measured performance towards a goal based on several key performance indicators, and satisfied stakeholder's need for information. For instance, CB&I created program dashboards that were distributed internally on a weekly basis and had a lag of less than 24 hours. The timeliness of these reports allowed decision-makers to institute corrective actions when the data was showing a deviation in progress.

Needless to say, all of this is only possible if there is a robust and centralized data-tracking solution that is available and knowledgeable staff that can analyze and interpret the data. When CB&I became program administrator in 2011, there were four different program databases that were being used to track programmatic information. This resulted in significant labor being involved in cleaning and combining the data to determine true progress of Key Performance Indicators, which in turn led to decisions being made that might not have been relevant. To solve this problem, the PSC competitively procured a firm to develop an enterprise data tracking system for the entire Focus on Energy program portfolio, and that would be used by all entities working on the program. Though the process was time intensive, the results paid off and led to better quality of data, and timelier reporting for all parties involved.

Another recommendation for program administrators undergoing a similar change effort is to establish a formal process and a team that is in charge of identifying continuous

improvement opportunities. It is not uncommon for individuals to be fixated with their daily activities and, particularly with repetitive tasks, to not think critically about how improvements can be made to a process. The purpose of establishing a team dedicated to this effort is to have them act as facilitators that work with other departments to help mine best practices at every level of the organization.

Focus on Energy: Where Is It Now?

Although the transition was challenging and at times met with resistance, by the summer of 2012, Focus on Energy had successfully launched a total of 18 new program offerings, and undergone a complete organizational restructuring. In doing so, Wisconsin residents and businesses were offered additional opportunities for participation and operational efficiencies were realized.

Effective execution of change management strategies and proper program design were instrumental in ensuring the successful transition of the Focus on Energy portfolio, and positioning the program for greater levels of performance. In particular, the activities undertaken to develop a coordinated approach in which all internal stakeholders, including the program administrator and program implementers, operated with a common set of goals and priorities, and with a structured management system, set the stage for the new programs to perform strongly in 2012 and beyond.

The strategies and lessons learned delineated in this paper were, and continue to be, applied in other significant policy and operational changes for the Focus on Energy program. For example, in 2013 Focus on Energy underwent a significant restructuring of the trade ally and contractor network that required re-enrollment of all trade allies and the dissemination of a new set of registration requirements and performance guidelines. In addition, that same year Focus on Energy rebranded its image and launched a new program website. These examples further highlight that energy programs are in a constant state of change and transition, regardless of where the change originates.

At the time this paper is being written, Focus on Energy continues to be administered and implemented by the same entities that were in place after the transition. In addition, the same programs continue to be run for both the residential and non-residential sector. After the significant efforts undertaken during the transition, the portfolio has reached a level of stability that is allowing it to achieve record levels of performance both in terms of energy savings and cost-effectiveness, when compared to its past history.

Conclusion

Whether due to market changes, new policies, or simply a desire to take programs to higher levels of performance, the reality is that DSM programs will inevitably continue to evolve and all program administrators will at some point find themselves managing large-scale change and transitions.

While this paper has provided some strategies and tactics that are common to managing transition periods, it is important to acknowledge that every change will be different and that a "one-size-fits-all" approach will be ineffective. Change managers need to account for their own structure and culture, the political environment, as well as history and other external factors when undertaking a task of this size and scope.

An additional recommendation is to have patience and confidence in the transition approach and to not get distracted by the crisis of the day. Effective change takes time and big picture thinking. Modifying strategies on an ongoing basis because it appears that they are not immediately effective will oftentimes backfire. Understanding your transition objectives and priorities will be helpful in determining if and when it is time to abandon a certain path and modify the approach. Also, establishing data points and feedback loops to measure performance of the changes against expectations is critical to determining when the modification is working or not.

Finally, change managers need to prepare for the unexpected. Even if there is a comprehensive plan for the change, people react in unexpected ways, areas of anticipated resistance fall away, and the external environment may shift. Effectively managing change requires continual reassessment supported by real data and solid decision-making processes to make the adjustments necessary to maintain momentum and drive results.