

# Compass HR Consulting, LLC

## Electric Utility Business

### Situation

The utility was experiencing significant competitive challenges brought on by industry regulation. At the same time its nuclear generation business was also suffering from performance problems and was under extra scrutiny from the US Nuclear Regulatory Commission. It was imperative that the organization address these issues in a comprehensive manner.

### Opportunity

Benchmark performance, cost management, competitive energy rates, and sustainable financial performance were essential. A utility that is losing money on every megawatt sold can't make it up on volume. Every aspect of the organization needed to contribute. HR took the lead in redesigning the performance management, salary review, and leadership development processes as well as identifying structural cost savings. The challenge was to refocus the HR department and programs linking them with the new competitive business model.

### Actions

In the compensation and benefits arena the key actions were:

- A new merit increase and salary planning process was linked to the new performance management system providing managers with more discretion and accountability for managing salaries and salary budgets. This replaced a very formulaic system with limited management discretion.
- A new incentive plan was developed based on balanced business scorecard process.
- A broadband salary structure was put in place for senior leadership positions (top 4%- 5% of staff. Assignment to a band was based on the overall contribution of the position. Compensation position within a band was based on the market rate for the position, individual competencies (business acumen, functional, and leadership,) and performance (based on a 360° assessment system.)
- A cafeteria benefits plan was launched which added a point-of-service plan to the traditional indemnity and HMO plans. Health education and wellness initiative ere implemented including screenings, smoking cessation, and fitness programs.

### Results

Year-over-year business performance was substantially improved with above target performance on the financial measures and target performance on most others. Bottom-line financial performance improved by \$100 million from loss to positive return by the end of the second year. The nuclear power program showed improvements in its performance on its scorecard targets in both years one and two putting it track for long term benchmark performance. Feedback from managers on the new performance management system and salary review process was positive. Reviews of appraisals showed improved quality of reviews and salary increases were founded equitable and within budget. The incentive plan paid out a designed. A solid link

between compensation structure, 360° assessment, and leadership development initiatives was firmly established. Benefits costs were reduced by 10% in the first year as a result of employees selecting more cost effective plans.