
view from the top



The UKPN Way: UK Power Networks CEO Basil Scarsella discusses his efforts to create an accountable, measurable culture to realise the vision to become an employer of choice, to be sustainably cost efficient and be a respected corporate citizen.

Since the power distribution company embarked on the culture-shaping programme, progress has been measured on several key goals. In 2012, UK Power Networks dramatically improved the reliability of power supplies, customer satisfaction, staff engagement and development, and achieved a strong financial performance. The company beat strong competition to win the prestigious 2012 Utility of the Year title at the Utility Industry Achievement Awards.



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Featured client: UK Power Networks

UK Power Networks (UKPN) was formed in 2011 when Cheung Kong Group (CKI) acquired three electricity networks — in London, in the southeast and east of England. UKPN delivers electricity to a quarter of Britain's population — about 20 million people and eight million households.



Featured leader: Basil Scarsella, chief executive officer

Basil Scarsella has been chief executive officer of UK Power Networks Holdings Limited at Cheung Kong Infrastructure Holdings Ltd. since 2010. He has served in a number of senior positions in Cheung Kong Infrastructure Holdings Limited ("CKI")'s businesses, including chief executive officer of Northern Gas Networks Limited in the United Kingdom from 2005 to 2010, and chief executive officer of SA Power Networks (formerly ETSA Utilities) in Australia from 1998 to 2005. He was previously general manager of ETSA Power Corporation.



UKPN Way: CEO Basil Scarsella discusses his efforts to create an accountable, measurable culture to realise the vision

The following interview is an edited transcript of a leadership video interview with Ian Johnston, Senn Delaney senior vice president and energy practice leader in EMEA, and UK Power Networks CEO Basil Scarsella on shaping the UKPN Way culture and his insights about the journey.

UK Power Networks (UKPN) was formed in 2011 when Cheung Kong Group (CKI) acquired three electricity networks — in London, in the southeast and east of England. UKPN delivers electricity to a quarter of Britain's population — about 20 million people and eight million households. Chief Executive Officer Basil Scarsella declared his aims for the company, including to be benchmarked by industry regulator Office of the Gas and Electricity Markets (Ofgem) in the top third for customer service, reliability and efficiency, and to be benchmarked by employees, based on regular surveys, in the upper third of companies treating their employees fairly and with respect.

He engaged Senn Delaney to help shape the culture at the newly formed company, which has 5,000 employees, to help realise these aspirations. He wanted to create a culture that would help the power distribution company fulfill its goals of delivering a first-class network as measured by reliability, customer service, cost efficiency and safety and become an employer of choice and respected corporate citizen.

In a video interview with Senn Delaney Senior Vice President and EMEA Energy

Practice Leader Ian Johnston, CEO Scarsella discusses how the work to create the "UKPN Way" culture aligned the organisational culture around fulfilling on that vision.

Since the power distribution company embarked on the culture-shaping programme, progress has been measured on several key goals.

In 2012, UK Power Networks dramatically improved the reliability of power supplies, customer satisfaction, staff engagement and development, and achieved a strong financial performance. The company beat strong competition to win the prestigious 2012 Utility of the Year title, and its Olympic delivery team won Team of the Year at the Utility Industry Achievement Awards in December, 2012.

In addition, a standout achievement was the delivery, on time and on budget, of the Olympic Park's new state-of-the-art electrical network and keeping the power running for Olympic games venues and London transport hubs.

UKPN was also shortlisted for the Environment category in recognition of its unique partnership with wildlife

trusts. "What is the biggest difference that I've seen? Improved performance, which is why we embarked on a culture change programme in the first place," says CEO Scarsella.

Some key milestones since embarking on the culture-shaping work include:

- sustainably cost-efficient – indirect costs down 19% in 2011
- a respected corporate citizen – customer minutes lost down 42% in 2011
- an employer of choice – Employee engagement improved by 25%; lost time incidents were down 46% in 2011
- improving Customer Satisfaction: 76% reduction in customer complaints (compared to 2010) and continual improvement in Ofgem ranking; Zero Harm 46% reduction in LTIs compared to 2010

The following is an edited transcript of the CEO video conversation between Johnston and CEO Scarsella on the culture-shaping journey.

Ian Johnston: My name is Ian Johnston. I'm senior vice president with Senn Delaney and I lead the international energy practice in our business. Senn Delaney has been in business for over 35 years. At the core of our beliefs about what we're here to do is to positively impact the world by inspiring leaders to create thriving organisational cultures. I have with me today Basil Scarsella, who is the CEO of UK Power Networks. It's a pleasure to have you here, Basil. Thank you very much for coming. I'd be interested to hear a little bit of the context behind UK Power Networks as a business in the two years since you've been CEO.

Basil Scarsella: It's a pleasure to be here. UK Power Networks was formed two years ago following the acquisition of three electricity networks — in London, in the southeast and east of England — delivering electricity to some 20 million people and eight million households, both industrial and commercial, in London, eastern England and the south of England.

Setting the vision and gaining buy in

Ian Johnston: I'm really interested to hear about your definition of the vision and why you picked that particular vision for UK Power Networks.

Basil Scarsella: When we came in as a result of the acquisition, we set out a vision, which basically was to be an employer of choice, and we measure that on a yearly basis to see what the employees think of the organisation and compare that to benchmarks, not just in the industry but across a wider population. So, employer of choice, responsible corporate citizen, meaning what sort of service do we provide to the community and the customers we serve?, and sustainably cost efficient. We want the employees to be engaged, provide the right level of service as benchmarked, as measured by our regulator, and also be efficient also as measured by the regulator. Now, generally you don't set out a vision which you can actually measure on a regular basis, but I didn't want a vision that basically said we want to be world class, we want to be best in class. The organisation in my view needed a vision which was measurable so that we could hold ourselves accountable in the progress we were making year in and year out.

Ian Johnston: I'd be interested to hear a little bit more around your thoughts as you picked up that CEO role in terms of what you wanted to do with the company, and in particular, what challenges you saw in the culture in the way that would impact the performance of the business.

Basil Scarsella: When we bought the business, we had a vision and a set of measures that we wanted to improve, but the first thing we did was make sure that vision was socialised with the senior management team and the employees because, as you would understand, a vision that is purely coming from the CEO is not worth very much if the rest of the organisation doesn't buy into it. So, we made sure, and we changed it a little bit as a result of the feedback we got from employees and the senior management team. We achieved the buy-in from the organisation, and then we set measures around the vision, around employer of choice, around a responsible corporate citizen and around efficiency.

"What is the biggest difference that I've seen? Improved performance, which is why we embarked on a culture change programme in the first place."

We made sure that each of the senior managers, and therefore, the rest of the organisation, had very clear accountabilitys. With measures of accountability, we also gave them control because my view is it's impossible to achieve clear accountability without control. So we gave them both and then we left the senior management with proper monitoring and proper feedback to them. To their credit, the senior management team members, and indeed the organisation, were brilliant in actually buying in to the vision, buying in to the measures, but importantly, delivering against those measures.

Focused, accountable, and visible: Aligning behaviours of the culture to the vision

Ian Johnston: And so there came a point at which you must have thought to yourself, if I look at the performance requirement, if I look at this vision, then there's a gap between what I want to do and the culture as I see it. Talk a little bit around how you came to that choice that you needed to do something active about shifting the culture.

Basil Scarsella: It was relatively easy to instill accountability in a different performance culture to the senior management team, to people reporting directly to me as CEO, but again, our view was in order to get a culture change across the organisation you need to get the buy-in from two or three levels down the organisation. That's when we looked at people to help us and eventually selected Senn Delaney to help us deliver that culture change across the three or four levels of



"We came up with the three words that described the behaviour that we as managers wanted to exhibit in UK Power Networks, and we came up with focused, accountable, and visible."

the organisation. Because, unless you get a critical mass of individuals, of employees who are all focused on the same things, then it clearly is going to be a lot more difficult. If it's only the CEO, it's virtually impossible. If it's the management team, the senior management team, that's a lot easier. But if you take it down two or three levels in the organisation, then you've got a better chance of success.

Ian Johnston: So, at the heart of the culture-shaping process that became the UKPN way was an alignment process with your senior executives to get really clear about the way the organisation needed to be led and the way those leaders needed to be role models.

We came up initially with a three-word phrase, which was focused, accountable and visible. Would you talk a little bit about why it was we picked those three?

Basil Scarsella: We came up with the three words that described the behaviour that we as managers wanted to exhibit in UK Power Networks, and we came up with focused, accountable and visible.

Focused, and this was in an environment where we're cutting back on employees, right? We made 600 people redundant. So, focused — only do those things that help us deliver the vision, or move us towards the vision. Don't waste time doing things that actually don't add any value. I tend to like using the phrase, 'treat it as though it was your own business'. If you're doing something and you wouldn't do it if it was your own business, this is assuming it's a well-run business, then it's likely you shouldn't be doing that. So, be focused.

Be accountable — if you're doing those things that are important, make sure you take accountability and we give you the control to be able to deliver those things.

And be visible — as a manager, in order to deliver the message and get the buy-in from the rest of the workforce, you've got to get out there and talk to the people you manage, the people you supervise, both internally but also I'd expect that externally as a senior manager you're visible because UK Power Networks was unknown as an organisation, and we deal with a whole lot of stakeholders ranging from domestic consumers to very senior politicians, and I wanted the senior managers to be out there externally promoting the organisation. That's why the management team felt that focused, accountable and visible described appropriately the way we want the managers to behave.

Ian Johnston: Each of those three elements was linked very tightly to pass the learning process that we went through both with you and your senior leaders, but also the next level down at the senior management team level. That involved both a certain amount of what we call outside in, which is about really understanding expectations and objectives, but also what we call the inside-out learning, which is really the degree of insight that people have about how they need to change as a leader.

I'd be really interested to hear more about your own learning. What were some of the things that you felt were important to you as a leader in terms of the learning that you had from those initial phases?

Basil Scarsella: We've all done these leadership programmes, team-building programmes, over the years, but one of the things that struck me about the Senn Delaney programme was actually simplicity in a whole lot of ways. The mood lift, for example. The impact you have on the people you work with, on the way you feel; you know, if you're not in a very good mood in the morning as compared to being in a positive mood, the impact you have. The Shadow of the Leader, and I think you did some research and it came back that the Shadow of the Leader in my case as a CEO, in my view, was more than I would have liked to have been in that I think it's important that the influence on the organisation must come from the senior management team, not just the CEO.

So, it's those principles that were relatively simple but importantly struck a chord. You tend to change your behaviour, and if you take the Shadow of the Leader, you try and back away a little bit to allow the management team to take more control, more responsibility. That is what I found positive in the Senn Delaney (methodology), amongst other things; the simplicity of the message.

Ian Johnston: Part of your own transition in the last two years as a leader has been moving from somebody with a very powerful, and might I say very positive, shadow with a remit to getting some things done and done quickly because the business needed them, and then transitioning to encouraging your leaders to have a far greater presence in terms of their own accountability. Would you talk a little bit about how you went about doing that?

Basil Scarsella: Once I got the (Senn Delaney culture survey) feedback, it helped me actually. The feedback was that the management team members felt that they relied on me more than I had believed, and that's not good if it's extreme. It felt as though it was getting to that level, so that helped me back away and allow the senior management team members to develop their own style. Because of that feedback, I encouraged the senior management to challenge not just me but actually challenge themselves.

I take the view that 10 opinions, 10 heads, 10 brains are better than one. Therefore, we encouraged them to challenge me and themselves, and among themselves to make sure that as individuals they make decisions which they felt were right but without challenge and questioning.

Ian Johnston: One of the things that we did work on quite consciously in terms of shaping the culture was to have challenge be seen as being something that was positive rather than something that people should be frightened of or run away from.

Talk about the way that your shadow helped change people's perception around that and see challenge as being a good thing.

Basil Scarsella: Keep in mind that this was a relatively new and inexperienced management team running a reasonably large organisation of 1.4 billion pounds of revenue and 5,000 employees. So, you've got an inexperienced new

management team, and the fear always if you challenge the CEO or if you challenge one of your colleagues, that there are negative repercussions as a result.. It was important that you get their confidence that if they challenge, it is seen as a good thing and there are no negative repercussions, and that needs to be managed very carefully.

On the other hand, you don't want to encourage challenge for the sake of challenge if there's no substance. You've got to get constructive challenge with no repercussion. From a CEO's perspective, if there's a better idea than yours, you actually adopt it; what is good for the organisation is good enough for me.

The link between the culture and business results

Ian Johnston: If you look back over the last two years, and particularly during the period where you focused on actively shaping the culture, what are the principal changes you've seen?

Basil Scarsella: The best thing we have seen is a significant improvement in performance in just about every area. Engagement from the employees between 2011 and 2012, for example, has improved by something like 25 percent. The reliability of the network has improved by 40 percent. Safety has improved. Customer service has improved, but not as much as we would like it to be. We delivered on significant projects that happened in London, such as the Olympics and Paralympic Games. Ultimately, getting judged to be Utility of

the Year, I think is a reflection of everything we've done, and importantly, the commitment that the management team and the employees have put in. So, what is the biggest difference that I've seen? Improved performance, which is why we embarked on a culture change programme in the first place.

Ian Johnston: At the very start of our work together what we were looking to do is to improve those engagement scores. What happened toward the back end of last year with those scores when you re-surveyed the organisation?

Basil Scarsella: One of the things we did at the start of 2012 was to put engagement as a bonusable target on the senior management team, together with cost efficiency, customer service and safety. We also introduced engagement with employees only at senior level obviously. It's no good putting engagement across all employees because you're basically incentivising employees to give you a boost score. So, the score was only with the senior management team to encourage them and incentivise them and reward them to engage with employees, and provide the visibility as a management team we were looking for. Again, the management team responded very positively to that and the results are a 25-percent improvement in engagement score as responded to by about in excess of 70 percent of the employees.

Ian Johnston: That's great news. I know that it was one of the important markers that you were looking for. So, how about the next level of leadership down, which is the senior management team? Now, I know that you did a fantastic job of encouraging people, doing presentations, showing up at (culture-shaping offsite) sessions. What are some of the things you've noticed that have changed in that particular group?

Basil Scarsella: Again, I think from the next level down, about three levels from the CEO, there's an increased sense of accountability and an increased sense of understanding what the vision is all about. They start edto believe in themselves. They know that they are given the freedom and the control that they require.

Now, all of that is still work in progress, not just for the next level of management but for all of us to continue to practice

UKPN vision and values

UK Power Networks aspires to become an employer of choice, to be sustainably cost efficient and be a respected corporate citizen. To ensure these objectives are achieved, the UKPN Way culture was created based around the following values:

Respect

Responsibility

Integrity

Diversity and Inclusivity

Continuous Improvement

Unity

the principles that we've learned, and making sure that the message goes all the way down to the 5,000 employees and also our contractors. I wish we could say we've come to the end. I don't believe you ever come to the end, but once you start believing it's all done, then as a CEO you should move on. So, I will always say there's work in progress.

Ian Johnston: Yes. There's a phrase, which is called a never-ending state of becoming. Looking back on your experience over the last two years, what would you say are some of the key things you've learned about leading a culture-shaping process as a CEO?

Advice for other CEOs

Basil Scarsella: Firstly, it is reinforce the fact if you don't measure something, you don't manage that. Secondly, if you align the interest of the employees to those of the shareholders you generally get better results. We did that by incentivising the whole workforce around the areas that are important as set out in the vision. Again, employee engagement, cost control, efficiency and customer service. Every employee in the organisation is incentivised about achieving the targeted outcomes in those three areas.

We pay in excess of 15 million pounds bonus spread right across the organisation. The 5,000 employees are incentivised along the same lines as I am, and I am incentivised as CEO based on what is important to the shareholders.

Ian Johnston: In terms of lessons learned around engagement, 25 percent is a significant figure increase, so what do you think lies at the heart of people changing their minds about how they feel about the organisation?

Basil Scarsella: Simple. You can't just give lip service to engagement. You've actually got to do things that deliver the message to the employees that you care about what they think about the organisation.

As I said, incentives is an area. The other area is proper communication, visibility of the management team, reporting on performance, making sure they understand how their performance is measured, which I think we all as employees crave.

All of those things are important, and it's no good talking about it. You actually have got to do it because if you don't do it, it will be reflected in the employee survey scores. The other important thing from one year to the next is listen to what the employees are telling you and actually do something about it.

Ian Johnston: What would you say are some of your big lessons and some of your leader's lessons around how leaders need to act and behave to engage people that way?

Basil Scarsella: It's a matter of choice, clearly, for each individual. My approach is as I call it, an open-door policy. I'm always available and I encourage the employees to actually express their views.

I insist, not just for what I do myself but for management team, that if an employee expresses a view, we actually need to respond to that view. It doesn't mean we have to do whatever that employee says, but we must give them a reason if we don't do it.

Ian Johnston: What advice would you have for a CEO in another organisation that's thinking about taking this journey?

Basil Scarsella: I'm not sure about giving advice to other CEOs. I can only speak of my own experience. As a CEO, I want to be open; I want to be honest. Nothing is out of bounds as far as I'm concerned. When I go around and speak to the employees, they can ask any question they like and I'll give them an answer. If I don't know the answer, I'll go away and get it and give them the answer.

Ian Johnston: I'd be curious to know a little bit more about so what drives you as an individual? What things really matter to you as a leader in your CEO role?

Basil Scarsella: One is enjoyment and two is success. The two go together. You have to enjoy what you do and if you don't look forward to enjoying what you do, it's unlikely you're actually going to get success.

But getting the improvement that we've talked about in the organisation in only a very short period of two years, with to a large degree the same management team

and the same employees, I think that's the most satisfying thing where you've got individuals that have actually responded to a new and a different direction. That has been good for the organisation because we delivered.

It has been good for me because it has been satisfying. And I like to think it has been good for the employees because suddenly all of us want to be part of a successful business.

Ian Johnston: Basil, you've been a fantastic client and a delight to work with, even though there were times where you really kept me on my toes. But I'd be interested to hear a lot more around why Senn Delaney? What was it about us that attracted you to start with?

Basil Scarsella: We needed a stiff change in performance and in my view, the culture of the organisation in the form of accountability was far from where it should have been. So, we looked around in the market for consultants that were available.

We looked at a whole number of them and Senn Delaney fit the bill because it has done the type of work in terms of culture change in lots of other organisations bigger than us that have been in existence for a long time. They provided an international flavour, and ultimately, we felt that Senn Delaney was best suited to deliver what we wanted to deliver. The results are there for everybody to see in that the performance of the organisation has improved significantly.

Who takes the credit for that? There are a whole lot of people that can take the credit. Ultimately, the people who were involved should take the credit together with the 5,000 employees.

Ian Johnston: And of course as CEO of that organisation, Basil, a lot of credit lies with you for instigating it, but also championing that process. I do remember that you've been present for a significant part of the activity and I think your influence and your shadow in the role model you cast has been incredibly effective. So, Basil Scarsella, thank you very much. ■

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