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**CHANGE OF CORPORATE CULTURE
IN THE ELECTRICITY SUPPLY
INDUSTRY**

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Abstract

The electricity supply industry (ESI) is the industry that significantly influences Gippsland regional growth. After privatisation ESI corporations face the challenge of competitive advantages. The socio-economic aspect of competitive advantage relates to the change of corporate culture. If the need to change the corporate culture is fully satisfied the ESI Corporation will face competitive advantage which should contribute to Gippsland economic prosperity.

Keywords: corporate culture, competitive advantage, motivation, teamwork, deregulation.

CHANGE OF CORPORATE CULTURE IN THE ELECTRICITY SUPPLY INDUSTRY

1. INTRODUCTION

Among the other matters the 20th century should be remembered by a motto: industrialisation and electrification are synonym with economic progress. Many countries followed that motto, primarily the former socialist countries. After the fall of the Berlin wall not too many socialist countries remain. However, the importance of the electricity supply industry (ESI) does remain.

Australia is known as one of the major producers of energy in the world [1, (523)]. The major energy forms produced are non-renewable fuels. Electricity in Australia is 90% generated from non-renewable fuels. Two years ago Australian public electricity networks supplied over 8 million customers from residential, corporate and business sector which is 43% of total Australian population.

According to the Table 1 [1, (530)] in 1996 Victoria had 34% of the total residential electricity customers supplied and 34,1% of total commercial customers supplied.

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUST.	VIC/AUST.
Residential	2,401,033	1,763,026	1,262,654	622,292	622,292	200,925	51,252	114,778	7,038,252	34.11%
Commercial	305,565	180,262	194,580	55,797	91,716	34,391	10,015	11,949	884,275	34.56%
Industrial	(a)	88,296	(a)	31,254	1,284	6,263	(a)	(a)	(a)	
Traction	(a)	20	(a)	1						
Public lighting	1,448	3,980	130	1,706	152	239	38	3	7,696	18.81%
Total	2,708,046	2,035,584	1,457,364	711,050	93,152	241,818	61,305	126,730	7,930,223	

Table 1. Electricity, Number of Customers – 30 June 1996

ESI in the La Trobe Valley, which is the heart of Gippsland, provides 90 per cent of Victoria's needs. It significantly influences the economic development the Gippsland region. [2]. We believe that the proper adjustment of ESI to the challenges of globalisation would contribute to the economic progress of the Gippsland region.

After electricity privatisation several years ago the corporations in the La Trobe Valley ESI face a competitive marketplace.

'When public utilities such as electricity have been restructured, deregulated and /or privatised, the process has often been associated with a major change in the competitive environment. As a consequence, the strategic and regulatory uncertainties ahead for these companies are unprecedented. In such a market there has been no historical evolution and all the participants including the regulatory institutions have very little understanding of how it will operate in short term and evolve in the future.' [3, (337)].

In order to outperform other companies each ESI Corporation is to create a competitive advantage. That is, each ESI Corporation has to look for

1. technical innovation
2. information technology
3. market share dominance.

Technical innovation and information technology are the aspects of competitive advantage of the engineer's competence. On the other hand, market share dominance is a competence of those involved with the socio-economic aspect of competitive advantage.

We shall pay attention to market share dominance, which is dependent on a phenomenon known as: change of corporate culture. Therefore, the aim of this paper is to stress the importance of change of corporate culture in order to create and retain the ESI Corporations competitive advantage.

2. CHANGE OF CORPORATE CULTURE

Corporate culture is a common perception of dominant values that affect the attitudes and behaviour of an organisation's members. We argue it is determined by an organisation's core values [3]

1. motivation
2. teamwork
3. unambiguous corporate goals
4. performance management system.

The understanding of the changing of each of the elements of corporate culture in the appropriate time should contribute to the competitive advantage of the corporation.

2.1 Organisation Core Values

ESI corporations are expected to maximise shareholder values [5]. Shareholder values are usually clearly determined in the vision of the organisation. If this is the case in an organisation then it means that the organisation follows the principle of MVA (market value added) or EVA (economic value added).

MVA or EVA relates to creating greater value for stakeholders: customers, government, employees and suppliers of capital.

Copeland et al argue that the shareholder values are the best metric for performance because the "shareholders are the only stakeholders of a corporation who simultaneously maximise everyone's claim in seeking to maximise their own" [5, 22]. That metric has to be properly managed through the development of sound corporate and business strategies.

The process of development of corporate and business strategies includes determination of key value drivers. That is, the recognition of activities that create value and the management processes and systems translating that mindset into action.

The corporate strategy's level recognises the key value drivers or the drivers that add value to customer service or customer satisfaction. Value drivers that are identified at business strategies level create the key value drivers. Each value driver is underpinned by activities that are at the operational level. Such a value-added approach clarifies the ways of how each employee contributes to add value. The contribution makes the basis of individual performance management and pay incentive stimulating the employees to give their best. This means clear and consistent communication among managers at all levels, managers and employees.

By constant reinforcement of value drivers at the business level and proper communication channels every employee should have a clear picture of his/her contribution to adding value to the corporation.

We suggest that the organisation core values approach through MVA or EVA would contribute to quick adjustment of ESI corporations to the challenges of external environment. We argue since it is based on the value-added principle, the customer's request for the excellence of service should indicate which are the key value drivers that would maximise shareholder values.

2.2 Motivation

With a proper communication system the motivation also stimulates the employees to give their best. Motivation is the force that initiates, directs and sustains people's behaviour and action [6, 436]. If the

employee is aware of his/her contribution to add value and knows that effort will be properly rewarded he/she will be stimulated to give the best.

If the corporate change occurs in terms of making employees the stakeholders, the employees usually resist. The level of resistance depends on the employees' information about individual contribution to add-value. If the employee is better informed, the resistance will be lower. In addition, if the employee is aware of the feedback in between his/her contribution and the performance measurement the resistance will decrease. The better the employees understand how their jobs are related to add value the faster they will accept the corporate change as inevitable. This, of course, is dependent on the manager's capability to design an effective motivation programme for the employees. Motivation programmes should incorporate organisational core values. After identifying the organisational goals, managers should set a reward system based on individual performance.

After all, the organisation is made up of individuals. If each individual is aware of accountability he/she is more capable of pushing the daily operations of the business towards creation of adding values.

2.3 Teamwork

The change of corporate culture implemented by the competitor outperformance should be analysed through teamwork. It seems that the empowering teamwork could help in that sense.

Empowerment is understood to be a shift to decentralisation of power, and provision of opportunities for workers at all levels to exercise increasing influence over themselves [7]. A shift includes three steps [8]:

- 1 Sharing every kind of information to make employees feel a sense of ownership
- 2 Using structure to create autonomy
- 3 Developing teams.

The contemporary world faces two different approaches to the empowering teams. That is:

- ◆ the Japanese model
- ◆ the European model

The Japanese model is based on self-regulated teams at the shop-floor level [9]. Teams are homogenous without authority to control the way tasks are performed. They include no specific skilled worker status. The free disposal of time does not exist. Fear of job loss encourages participation in continuous improvement programmes. It does not contribute to the efficiency of "just in time" working and quick response to environmental changes to demands. It places excessive stress upon workers.

Many Western companies that introduced the Japanese model became fond of a team work approach. They tried to avoid negative aspects of the Japanese model based on self-regulated teams. They were interested in implementing empowerment, a new management concept. According to the estimate, there are around 300 companies in the USA that have tried empowerment in some form of self-managed team [10].

The application of a specific self-managed team is experienced through the European model in Germany and Scandinavia.

The European model of self-management is based on autonomous and semi-autonomous teamwork at the factory level. Teams are defined as groups of individuals who work together to produce products or deliver services for which they are held mutually accountable [11].

Members of the team are workers with the required professional knowledge and work experience. They work in stable and high technology industries. Teams are created to perform factory-floor level, or simple tasks. Members of the team share the same area of responsibility and have limited possibilities for task rotation. The partial functional autonomy through production process and technology design gives the team's members discretion over the use of their time.

The skilled-based production method known as "production islands", or group technology was developed in Germany during the 1980's. This is the semi-autonomous work team with shop-floor computer support. Members of the team are skilled workers who participate in the decision-making process aiming to raise productivity and to satisfy increased demands from customers. With the help of a computer, members of the team share information with managers. They create their own time for group discussion and participation in decision making.

The European model approach is a work group approach. This indicates a decision making process in which workers have equal opportunity to develop responsibility relating to their own work. Workers do not decide all questions concerning the management of their labour. Managers who have specialist knowledge and expertise to determine rational business criteria in accordance with achieving an overall organisational goal make business level decisions and strategic decisions. Lower level management respects top management decisions.

When the European model is implemented in technical management it has enabled team workers' reaction to environmental changes and the demands of "just in time". As such, this has contributed to raising the organisational efficiency.

We argue that the modified European model is an appropriate form of sharing the ideas and strategies. The modification of the model is in sharing the information not only among managers and some employees, but among all employees, and using the structure to create autonomy. It is based on the belief that empowerment should be understood as:

- The ability of people at all levels in the organisation to make decisions and take initiatives. People will be empowered if they are provided with information in a complete, accurate and timely manner [12]
- Empowerment where teams have the knowledge, skills, information, resources and power to make decisions. Power indicates both the authority to make decisions and the opportunity to influence decisions made elsewhere that impact on one's work [11]

Sharing of information is a critical first step towards shifting to a decentralisation of power [13]. Randolph [8], who observed ten American organisations making the transition to empowerment, understands that sharing information with employees and top management creates a real sense of ownership. Employees begin to understand the company's financial status, and volunteer ideas to expand the business. By having the information, they are able to determine the creative means to meet the customers' needs.

Secondly empowerment involves minimising structure so employees can operate autonomously. Companies that Rudolph has observed have installed a participative and supportive leadership style to increase responsibility. The important structural element is employees' participation in the decision making process. But it is not understood that employees are to make all decisions. Strategic decisions are the responsibility of top management only.

The third element of empowerment is developing teams different from participative teams, or semi-autonomous teams. Teams make decisions, they implement decisions and they are held accountable. Development of such teams has caused many problems among managers in organisations observed by Randolph. The most serious was to relinquish control to employees. Many managers, particularly middle managers felt their control was threatened.

Eccles [14] believes that the managerial responsibility for leadership, judgement and decisive action is not diminished in empowerment. He argues that this is why the practical application of empowerment has been underused for decades. He finds that decision and resource power remains firmly with management.

'The employees may have been empowered, but the managers have not been disempowered. Empowerment does not obliterate the continuing responsibility of managers for the effective governance of the organisation. Though their residual power may become less obvious, more latent compared to the pre-empowerment period; one becomes queasy when managers claim that they are mere enablers: orchestrators of the self-managed; mentors, guides and coaches'[14, (17)].

Theorists and practitioners who deal with empowerment agree that this is a developing process. Empowerment is teamwork based on the decentralisation of power and provision of information.

We argue that empowering teams are not necessarily the only teams which have the individual responsibility and understand the significance of inevitable corporate culture change. General Electric in Puerto Rico is an example[15]. The forums for strategic conversations have been created in some energy industries corporations, like Texaco, where the corporate managers intellectually interacted with the employees creating a provocative atmosphere and usually getting better ideas as to what and how to go ahead [3]. We suggest that it should be up to ESI Corporation to decide which teamwork approach would be the most appropriate in order to react in time to the environmental challenges.

2.4 Unambiguous corporate goals

If the ESI organisation creates its goals through the customer's perspective the question arises will the deregulation help it?

The purpose of implementing deregulation in energy is to save customers' money. Charlotte LeGates argues that deregulation will spawn products and services. It will improve the economy [16].

Indeed new meter installations can save money by shifting energy use to off-peak hours. But then, as it happens in the USA consumers may be overcharged. Rebuilding services can provide opportunities to "bait and switch", to build a customer base with deceptively low introductory rates, or paid bills with "free services for which customers, without receiving notice, are later charged. And how many energy companies might take a page from the banking industry's book and zap customers with completely unexpected bills for services they assume to be part of the basic package?"

The ESI may create many new products and services and contribute to the economic progress of the region, but then the question remains at what customer cost?

We suggest carefully creating organisational goals through customer's perspectives. We also suggest having in mind not only positive aspects of deregulation but also possible mistreatment of the customers.

We would finish our analysis of deregulation with the following question: Is the deregulation the right step towards improvement of ESI?

2.5 Performance management

In order to find out if the corporate structure has changed, it seems it is necessary to introduce a performance measurement system. That is a reward and recognition system that creates a foundation for performance ethic in the organisation [4].

A performance measurement system a priori helps managers to exercise judgement when comparing performance to standards. Managers should know to identify what causes failing to meet standards and exceeding standards. Identifying the problem would demand corrective action and/or recognition of employee performance that might change standards and measures or influence a change of corporate culture.

3. CONCLUDING REMARKS

ESI is key industry of economic prosperity in the Gippsland region. After privatisation ESI corporations face the challenge of competitive advantages. Socio-economic competitive advantage relates to the change of corporate culture. The analysis of determinants of corporate culture raises many questions to which the proper answer could be found in the ESI Corporation itself. We suggest that adjustments of determinants of corporate culture to the environmental demands will enable the ESI Corporation to outperform other corporations, and as a long term consequence make a contribution to Gippsland's economic prosperity.

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