

Business Ahas Ep. 17: The Power of Choice | Mike Lowe

Jim Hayden

Good morning, and welcome to Business Ahas. Yep, I said, “Good morning.” This is one of the very first times we’ve done a Business Aha in the morning. And I’m actually honored to have a dear friend with us today. I’m going to call him one of my closest mentors I’ve had in my professional career. We met in 1999, right Mike?

Mike Lowe

Right Jim.

Jim Hayden

And Mike was Chairman at the board at the hospital when I was actually recruited on the board where Mike and I served for more than a decade together on the board. And I got to know Mike on the board, and one day I'd asked him if I could come and tour his work. And I'd like to see how he does what he did as a career, leading customer service at SRP. And you worked at SRP for 39 years.

Mike Lowe

Correct. And it was interesting because I - Shelly had made arrangements for me to go for a tour. And I looked at my schedule and it was marked down to be there for three or four hours. And I'm like, “I'm not staying there for three or four hours.” And so I show up, and Mike not only set up - you set up this amazing experience, I'll call it. Not maybe all of them, but many of your direct reports were pre-planned to have me come in and visit. They have them tell me exactly what they do and how they do it from a customer service perspective.

Mike Lowe

Correct.

Jim Hayden

I will never forget that as long as I live. Thank you.

Mike Lowe

You're very welcome. I remember the day very well.

Jim Hayden

For doing that. I don't know what year it was. But probably was 2000, or about 2000.

Mike Lowe

Somewhere in there.

Jim Hayden

That's many moons ago, right?

Mike Lowe

A lot of moons.

Jim Hayden

Absolutely. Well, our podcast we have, Mike, is to talk about your career and probably the most significant part of your career. And we use the "Aha" or that "Aha moment." And I think everybody always knows if you do ever watch us on our shows is that we - I don't know them. And I learn about the Aha moment during the conversation. And the purpose behind that is to keep it really authentic, and have me be surprised or sometimes not surprised. So with that, if you wouldn't mind, maybe just a tad - a little bit of your history at SRP, and your career journey, and how I'm going to call how you instilled customer service into me, and then how I've, in turn, done the same exact thing with other organizations.

Mike Lowe

Certainly, glad to. I spent 39 years at Salt River Project. SRP is a major provider of electricity to the Metro Phoenix area. We also distribute water to lands in the Metro Phoenix area. We are a federal reclamation project, and a political subdivision of the state of Arizona. We are a not-for-profit entity, rather an unusual duck in the electric industry. I started out in the rate department, rates in corporate economics, doing cost-of-service studies and designing electric rates. I spent time in treasury as an analyst over cash management, financial planning, and managed the bond ledger. We had billions of dollars in debt, and we kept track of all of the bonds.

And ultimately became assistant treasurer, and treasurer. I ran all of financial services.

I had a responsibility for the accounting department and the budget department. I spent several years in information systems. And then at that time, this would be in the early '90s, there was a growing international discussion of deregulation of the electric industry. Letting the end user pick their electric provider. And that became of incredible concern to our senior management team. If we lost customers, we would not generate the revenues from electric city sales that we needed to support water operations in central Arizona.

Water is really a lifeblood in Metro Phoenix and responsible for all of our growth. I mean, we started out as an agricultural community. Cattle, cotton, and citrus, all dependent on water. I had developed quite a reputation as a trouble-shooter and an agent of change in the various jobs I had been rotated through. And I was tasked with going into customer service and helping us prepare, getting us ready for deregulation from the customer side. That's really my background. And that

evolved over time where I ended up with 40 % of the company reporting to me. I had responsibility for power distribution, water delivery, and then all facets of customer services. Including not only the phone center's customer contact, but all of the billing and the collecting.

Jim Hayden

More than 40 % of the entire staff indirectly reported to you?

Mike Lowe

They reported up through me. I control their work, yes.

Jim Hayden

If my memory serves me correct, you told me an interesting story that you were approached for the job and you declined it because you - if you're going to take the job, you wanted certain responsibilities and certain departments to report to you and you were told, "No," and you said, "Well, then I don't want the job. I only will do it," if I remember correctly, "is if you give me these departments."

Mike Lowe

That was - I had the job twice, okay? The first time I had the job, I went in and working right along, and we got right into the throes of deregulation. And the head of financial services resigned, and I had previously been the head of financial services. We were gearing up for a rate case to unbundle all of our tariffs, and ensure that we could compete in deregulation. And my boss came to me and said, "Mike, I need you back in financial services." And I said, "Fine." And went back in there.

And we had an extremely successful pricing process. I mean, it was absolutely beautiful. And got everything all lined up. And then my boss came back to me and said, "Mike, things are going to hell in a handbasket and customer services. Would you go back?" And at that point, the company had restructured the jobs on our infamous HR department, and finance paid a lot more than customer service. And customer service was a killer. So I mean, I said, "No!" And so after some negotiations, I got the pay and I got to choose some of my direct reports and move some people out.

Jim Hayden

And you got both departments?

Mike Lowe

And I didn't keep finance.

Jim Hayden

Oh, you didn't?

Mike Lowe

I moved away from finance. And then, I spent the next 20 years in the customer function and had the time of my life. I absolutely loved what I did.

Jim Hayden

Fascinating. Thanks for sharing. Okay, now let's talk about that - the Aha process.

Mike Lowe

When I went into customer service, we had a reputation of having good customer service. And I'm looking around, and we had 20 to 30 minute waits in the phone cues. We had one -third of our customers that struggled to pay their bills every month, that either couldn't or would not pay on time. And one -third of my cost was dedicated to working with these customers. I mean, a very, very unproductive, unsatisfying situation. After a year or two of working in the trenches there and trying to get things squared away and see what we really needed, I crafted a vision. And that vision, looking back over my career, was a defining point. It's what I would call a "Business Aha."

That vision, which we had in place, the entirety of my remaining career at SRP, was to make it easy - rewarding, easy, and pleasant for customers to do business with SRP. So that when they are given the choice of electricity provider, they choose to do business with us. We posted that throughout all the buildings where the customer employees worked. It was drilled into their heads. You could stop any one of them in the hall and ask them what the vision was. And you would get to make it rewarding, easy, and pleasant. That was our mantra, and we lived it daily.

We would always - and my staff asked, "Is this process easy and pleasant? Rewarding for the customer?"

"Ehhh"

"Okay, let's rework it."

Jim Hayden

And continue to rework it. Now, even if you didn't have a choice for SRP, you gave the customer the feeling as though that they were choosing...

Mike Lowe

Oh, absolutely. Well, in 98, by 1998, four years into my tenure in customer service, after I had come back to the financial services, we had opened up. And we were - we actually lost a few customers for a brief period of time, and then the whole market collapsed. California was doing screwy things on pricing, and the whole market just collapsed, and everyone came back, and we never really reopened since, although they still talk of it.

We gave everybody a choice of electric rates. So you're a residential customer. "Well, Jim, we can give you the standard tariff here or we can give you a time of use tariff. And if you go on this time of use tariff, if you reduce the amount of power you use during certain on-peak periods, you'll end up with a lower bill. And we'll make a deal with you. If in the next 60 days, your bill doesn't go down, we'll refund the difference to you from what you would have paid on the standard tariff and put you back on the standard tariff." So it's a risk -free trial. The rest of the company about died when I started doing that. "You can't do that." And I said, "Well, the hell I can't do that. We're doing it!"

We even went out to customers and said, "Hey, Jim, you know, we're looking at your usage profile," and this was after the smart meters came on, which we'll talk about in a minute. "We looked at your usage profile, and we think you could - you'd be a natural saver on time of use. So why don't you let us switch you over?" And corporate pricing came to me and said, "Mike, you can't do that." And what we had had happened, is during the early trials and deregulation, we actually had alternative providers come to, it turned out, service stations, because service stations pump gas after the peak times, and promoting time of use to them. And I said, "If we don't do it, our competitors will do it, and hurt our relationship with customers."

Jim Hayden

So now I know why I did laundry after 9 p .m. It's your fault.

Mike Lowe

It's my fault. But it was your choice.

Jim Hayden

Well, actually, it wasn't my choice. I was told, "You will not be doing laundry and that thermostat will not change until 9 p.m.!" So, laundry got done at 9. I remember that. It was 9a and 9P, if I remember correctly, during the peak time. I didn't realize that was something - one of your initiatives.

Mike Lowe

Yes. We had at one point the largest residential time abuse program in the nation.

Jim Hayden

Wow! Did you come up with the idea or do you see somebody else that did it?

Mike Lowe

I recall my first job was in the pricing department in rates and economics.

Jim Hayden
Analyst.

Jim Hayden
As an analyst. One of my first assignments was to design a time-of-use rate. Federal legislation, the Public Utilities Regulatory Policy Act in the late '70s suggested that, but we designed it. It was a pain in the neck to administer. I mean we had to figure out how to bill it, because it required massive changes...

Jim Hayden
And the smart meters...

Mike Lowe
Well, at that time, they weren't so smart. And they were...

Jim Hayden
That little thing went around that.

Mike Lowe
Yeah, they were - the time of use meters were \$500 a pop versus \$30. So, I mean, it was quite a learning force. But by the late '90s, we'd figured all that out and just started rolling them out.

Jim Hayden
What percentage of the SRP customers, I know you've been gone for a while, actually used time of use versus not, now?

Mike Lowe
I think we got it up, before I left, to about 30 % of the customers were on the time-of-use rate.

Jim Hayden
Really? Actually I would've thought that number would've been higher.

Mike Lowe
Yeah, no.

Jim Hayden
Interesting. So people are reluctant doing that?

Mike Lowe
Yeah. It's different and...

Jim Hayden

It does require a different way to live, to be frank.

Mike Lowe

Yes.

Jim Hayden

Your lifestyle is a little bit different.

Mike Lowe

Absolutely. Solar is changing as well, because the cost of power at different times of day.

It's now cheaper during mid-day than it used to be, because that's when the solar panels are really cranking out the power.

Jim Hayden

Giving the customer a choice, is that “Aha” that changed the philosophy internally for staff to always know that you always are giving them a choice? And that was that metamorphic change in the organization?

Mike Lowe

It was a massive change. It was a massive change. And it didn't stop with giving them a choice of pricing options. It's, “Jim, what day of the month would you like your bill to be due?”

Jim Hayden

I got to pick.

Mike Lowe

You got to pick. We were great at having a system that would bill, I think we'd billed 20 days out of the month. Every Monday, Tuesday, Wednesday, Thursday, and Friday. And we'd want an equal number of customers billed every day for efficiency, right? And then we'd end up dealing with a customer on Social Security, that at the time, got their check on the third of the month, and we would demand payment on the first of the month. Your money or your life, basically.

Jim Hayden

And they're on a fixed income.

Mike Lowe

Yeah, and they're between a rock and hard place. So we said, “Well, we'll give you your choice of due dates.”

“Oh, Mike, you can't do that. It's going to be too difficult to bill.”

“Well, let's put our heads together...”

Jim Hayden

And figure it out.

Mike Lowe

“...and figure it out.” I was great at telling staff, “We're all going to go into a room and we're locking the door and we're not coming out until we fix that problem, until we identify the fix.”

Jim Hayden

And having previously had oversight of finance, you were able to communicate to them using their language, lack of a better word.

Mike Lowe

Right, exactly. Finance and information systems. And so we had great success there.

Jim Hayden

Fascinating. How long do you think it took the organization to really embrace that feeling or to - now they're living it as well as opposed to it being - they're being told or that it's new?

Mike Lowe

Oh boy, Jim. That is - it is a massive culture change. And I guess one of the Ahas is: it takes much longer than you think. I had to replace every supervisor, every manager...

Jim Hayden

Every single one of them?

Mike Lowe

Every single one of them, looking back. Jim, it was a very painful experience. Very counter to the SRP culture.

Jim Hayden

They're resistant to change?

Mike Lowe

Resistant to change. They had been rewarded historically for doing the jobs the way they'd been doing it. But that wasn't going to cut it anymore.

Jim Hayden

You actually changed culture?

Mike Lowe

We changed culture. Changed culture within my division. But I still had to live within the SRP culture.

Jim Hayden

But that entire culture, over a time, changed?

Mike Lowe

Slowly. Slowly and not totally.

Jim Hayden

Fascinating. Mike, I can't thank you enough for being my friend, being my mentor, and always being there. I think for the course of the years, we've gotten together, had lunch now and again just to catch up. No agenda. And then one day I came to you and I said, "I have an opportunity for you, Mike," and you declined that opportunity. And then years later, I came back to you and say, "You know, I have another opportunity for you to serve on a board." And I shared the history of the organization, and then told you it was my company and you accepted. And I'm obviously honored to have you in that role as well.

But I appreciate you being with us today. Appreciate you sharing the story. It fascinates me because, when you try to make that type of a cultural shift in an organization and it's truly a metamorphosis, and to not give up. I would say that your - when I came on the board at the hospital, a couple words I would use to describe you: one would be consistent to create consistency.

Obviously in the hospital system we can't have errors, and you don't have errors by continuing to having consistency. And then the other word is: tenacity. I think without you being tenacious in your role, especially at SRP, you would not have been successful.

Mike Lowe

Absolutely. Absolutely.

Jim Hayden

And so it was - I think good news is that your boss gave you that latitude.

Mike Lowe

Yes.

Jim Hayden

Which is nice. Yeah, but thank you. It's great having you.

Mike Lowe

It's my pleasure, Jim.

Jim Hayden

Yeah. So, this episode is amazing, and I think if you can really think about in the organization that you're involved in, no matter what level that you're at, if you have that level of consistency, tenacity, or being tenacious, and you can make change. And make change starting with one person. I had no idea he'd started some of the programs that he started. Learned them today. And then this time of an Aha was over to creating this cultural shift in an organization that has been remarkable. You think about the level of customer service that SRP does. So, on behalf of our entire team at Business Ahas, hope you enjoyed this episode, and then hopefully see you on the flip-side for another soon. Take care.