

## **A Real Life Case Study – Customer-driven performance management achieved: How a major utility accomplished this by leveraging existing information systems.**

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### **Background**

A new manager at a major metropolitan utility was charged with the task of improving customer relations and reducing costs without a major capital investment. Initial efforts to redesign management and operational practices yielded improved performance and cost efficiencies. However, it became apparent that critical information needed to monitor and sustain the improvements through useful management reports was almost non-existent.

As is the case with most existing information systems, the utility was incapable of producing timely and meaningful reports for use at the executive management level. The existing reporting network was a massive intricate combination of spreadsheets, databases, and undocumented applications that had grown over the last several decades. There was no mechanism in place to retrieve executive level information easily or in a timely fashion. A single report did not exist that would support the new practices without entry and reentry of data from a variety of sources, including existing spreadsheets and custom generated documents. Often the retrievable raw data and performance metrics did not exist in any single report. Further complicating the situation was the inability to transfer the knowledge embedded in the reporting structure primarily due to a mass exodus of highly tenured resources. When a decision was made to “pull the trigger,” it was becoming apparent that fewer employees knew what trigger to pull or where that trigger was.

Purchasing a new solution to replace the existing inefficient systems was not financially feasible or timely enough to be considered. Also, institutional experience has commonly demonstrated that IT vendors are adept at installing, configuring, and supporting their transaction-based systems, but do not have the domain expertise to replace the reporting infrastructure. The Utility needed to quickly implement a solution that would leverage the capability of the existing systems and deliver a structured reporting environment that would provide the required management information. The additional challenge was to ensure the reporting solution did not create more effort to sustain than was saved by the

improvement project. The reporting solution must therefore was required to produce information based on exiting information flows with minimal additional overhead.

The main criteria for the fix was to deliver information in a manner that would allow management to confidently measure and report its performance against published targets. Critical success factors were the ability to accurately support performance claims and demonstrate to stakeholders and rate payers that the Utility was:

- Doing the right things, supporting the core mission
- Doing them the right way, improving efficiency, increasing productivity and reducing operating costs
- Improving service delivery
- Increasing customer service
- Continuing to deliver a zero-tolerance for regulatory compliance

### **The Solution Process**

#### Important Preliminary Decisions –

Upon receiving approval to move forward, the design team was faced with several key decisions. Our experience underscores the significance of investing the time and effort to make these decisions before taking the first step in developing a performance management system. The very first decision was to identify the individual or group of individuals that would sponsor the process. This group was called the executive management team (EMT). We learned that the EMT must:

- Be made up from utility staff (stakeholders)
- Be champions committed to the success of the effort (leaders)
- Have the position power to see that commitments are met. (overcome No's)

The EMT's role was to ensure that the required time and resources were committed and to take the responsibility for making decisions, setting priorities and establishing policies along the way. We learned that the role of the EMT is key and is something that cannot be effectively transferred to a consultant. The consultant's role should be to guide the participants through the process and advise the EMT, and not to replace management's commitment or leadership responsibility.

The second decision to be made was picking a place to start. This was something that was not necessarily as easy as it might first seem. We found that like most organizations, a sense of urgency to produce results tempted us to dive right into the process, but we were able to invest the time and to take deliberate steps. Our experience proved that we could avoid making decisions that could

prove to be hard to live with down the road if we made deliberate decisions based on criteria.

There is no one right place to start. What has worked well in some utilities has been proven to not be the best answer in another. For instance, in some cases, the utility has chosen to begin with what they felt was their best performing department. Others have chosen their worst, and yet others have begun with what they have identified as their core services. But, in any event, taking the time to consider what you want to achieve and to create objective selection criteria, once again has proven that the process is well worth the effort. Experience has also shown that making decisions based on the criteria have achieved the most effective efforts. It has been said repeatedly that, "slow is fast." The most effective results have been achieved when we have been successful to encourage clients to plan the improvement effort and then take the time to move systematically and deliberately through the plan.

Some sample criteria for selecting where we chose to start included picking a division or department that:

- Had high external customer visibility
- Would quickly produce tangible benefits
- Was big and complex enough to demonstrate that the effort is worthwhile
- Was small enough to control and developed quickly
- Had a strong likelihood of success
- Was able to be leveraged by applying the experience and lessons learned to other departments in the future

Perhaps one of the most important decisions that we helped the Utility make before beginning the process was selecting the right people to actually do the work. We referred to this group as the Design Team (DT). We learned that pulling together this group without taking the time to develop membership selection criteria created avoidable hurdles. Some sample criteria that were created for selecting DT members included recruiting people that were viewed:

- As being credible. These were the people in the organization that others listened to and believed what they said.
- As being technically knowledgeable. These were the people, not necessarily the most highly experienced or educated, but rather that knew about the activities and work that was done in the selected department. Selecting janitors or apprentices will result in janitor and apprentice level decisions. Selecting only managers can result in equally uninformed decisions.
- As being potential change agents. These were the people that might believe or be convinced that there may be a better way of doing things and would be interested in looking at ways to improve the utility and could be described as anti-status quo.

- As being trustworthy. These were the people that had demonstrated that they communicate effectively with peers and those individuals that have been assigned to or reported to them.

Once the design team members had been selected the DT was formally chartered through a facilitated and interactive process. Chartering ensured that the DT understood:

- Its responsibilities.
- What decisions it was authorized to make.
- Who they reported to, and when and how to do so.
- What decisions lied beyond the DT's responsibility boundaries.
- They had a responsibility to ask, "Are the right people on the team?" or "Do we need additional resources?" or "Do we need a decision to be made by the EMT?"
- When progress would be evaluated.
- When the team's work was completed.

We did initially get a little side tracked and ran into some unplanned difficulties because we had formed our teams somewhat prematurely, and suffered the consequences. Our DT burst from the starting line and mistakenly felt that they had been empowered by management to do things and make decisions that were not intended. The key learning here is that the DT must clearly understand and own its charter before enacting changes.

The DT did most of its work in a number of routinely scheduled workshops. Workshops were scheduled every other week, to lessen the impact of having team members away from their normal duties and activities. Depending on the urgency to complete this effort in a shorter period, the EMT could adjust the duration and frequency of DT meetings.

The value of the utility's decision to hire a consulting to lead and facilitate the team was nearly immediately evident. Some of their reasons for hiring a consultant to help with the process were that the consultant could:

- Provide continuity for the team as DT members were required to perform their normal duties
- Efficiently overcome the disengaging/reengaging process
- Bring experience and expert knowledge of the "process" of change.
- Function as a neutral facilitators and assist with consensus building.
- Provide objective feedback to keep the Utility's teams to stay focused and on track.
- Provide another perspective and serve as content experts as well as process experts

- Provide sources of best practices for consideration that had been gained through experiences with independently owned utilities, public utilities, privately owned or operated utilities, industries, etc.
- Provide tools and methods of OD such as analysis and design teamwork, organization design, conflict resolution, etc.
- Provide tools and methods of work practice analysis and design.
- Provide tools and methods of technology applications.
- Bring a demonstration project approach that led to rapid change.
- Provide OJT training and knowledge transfer to participants.

#### Establishing Measures --

The first task that the team tackled was to create a work catalog. The work catalog captured all of the activities performed by and in the selected departments. Creating the work catalogue proved to be quite a challenge. The DT was led to consider only activities that could be described with action verbs to be work. No passive verbs were allowed to be added to the catalog. For example, activities described such as: oversee, manage, ensure, are responsible for, supervise, and monitor were not added to the catalogue as work. Creating the work catalog was achieved in a two-day workshop. It has been our experience that the amount of time required to create the work catalogue depends on the complexity of the utility department in terms of the number of specialized work groups (silos) in the selected departments and not the size of the department.

Next we created an organizational model for the selected departments. The organizational model included the development of a value chain and identified internal and external customers. This model served several purposes. Some included illustrating the nature of the relationships that the selected departments had with one another, the department's outside customers and its remaining departments. An added value of creating an organizational model was that it reinforced a customer consciousness and awareness. The model also helped to ensure non-value-added activities were eliminated and that no activities that should be captured in the work catalog were inadvertently omitted or overlooked.

The organizational model was also used to create a Communication Plan. We have learned that one of the most important work products commonly overlooked and not addressed is developing a communication plan. Creating a communication plan can avoid many problems that could be encountered later on. To develop the plan the team used the organizational model previously developed. The team was asked to consider the need and benefit for internal and external customers to be informed of the team's progress. Some of the issues considered included:

- What was the message?
- Who should know?

- What should they know?
- How should they be informed?
- When should they know?
- Who should deliver the message?

Internal staff was naturally inquisitive about what was going on when they became aware of the DT's activities. They saw this as another project intended to result in justifying an opportunity to reduce the workforce. On the other hand, external customers benefited and public perception improved as well. Some messages were simple take back messages that the DT members delivered to the workplace. Developing the take back messages following each workshop ensured that all team members had a "same story" to tell. Other communications considered included public outreach and education programs, publishing newspaper advertisements, public service announcements, newsletter, and director's hotline, billing stuffers or Public Access Television and public radio station talk shows. The DT helped develop the communication plan, but the EMT decided to recruit and charter a separate, specific team. We worked with the EMT to identify the most appropriate approach and worked with the communications team create the communication plan.

Once the work catalogue and communications plan were developed the DT began separating and classifying the activities in the work catalog. Activities were separated into three categories: core, support, and convenience services.

The DT was led through a systematic process to categorize all of the activities in the work catalog. Core services directly related to the missions of the selected departments. They were identified either directly or by being separated from the support and convenience services. Support services were those that were essential that enabled the departments to deliver core services. Without these support services, it would be impossible to deliver core services. In some cases, however, we learned that entire departments and work groups provided essential support services and that others, in some cases, had no business reason to exist. Support services were evaluated relative to their importance and impact on the delivery of core services. Convenience services were those that had generally evolved over time. In many cases they had been politically driven and were assumed to be part of the job. It became evident that these could divert limit resources away from the department's ability to deliver core services.

Once they were identified and made visible so that we could make conscious, informed decisions whether they should continue to be performed. Convenience activities were passed onto the EMT for further consideration and action.

Core and high priority support services were identified. The DT then was led through a facilitated process to identify specific performance indicators that could demonstrate to internal and external customers that the selected departments in the Utility were doing the right things, doing them the right way and improving

value to the customer. This process focused only on identifying what should be measured. The availability of data was not considered at that time. This discussion was purposefully avoided. We believed that addressing the availability of data would steer people and divert attention away from identifying what really mattered and that should be measured.

The purpose of performance measures was to provide the information necessary to make rational, informed decisions. Each measure was linked to a management decision. If no decision could be made from the measure, the measure was not included in the solution. Many times in absence of having the right information, at the right time, in a usable form when it's needed, managers have had to resort to anecdotal information to provide answers to customer inquiries. Customer-driven performance measures were needed to be able demonstrate that the Utility was doing the right things, doing them the right way, and improving customer service and perception by increasing value.

Performance measures that are not customer-driven serve no meaningful purpose and often result in reinforcing the status quo.

As previously mentioned we created a balanced scorecard approach to consider these three elements: effectiveness, efficiency and value. We believed that focusing attention in only one area would have a negative effect on the other two.

It was a fundamental belief that doing more things, particularly doing those things well that should not be done at all, would result in higher costs and reduced core service delivery. Doing them inefficiently would increase cost and reduce the ability to deliver other value-added services. Considering the voice of the customer helped us determined quality and value. We knew that providing customer service at any cost, without considering effectiveness and efficiency, would divert limited resources away from delivering core services and would ultimately be counter productive. We believed that quality had a price.

The balanced scorecard elements addressed these three questions:

- Are we doing the right things? (Effectiveness)
- Are we doing them the right way? (Efficiency)
- Would the customer continue to pay me to perform this activity, if they knew that I was doing it? (Quality/Value “the voice of the customer”)

As mentioned previously the availability of data was not considered until the DT had identified and developed performance measures for the selected departments. Investigating the availability of information was addressed later when we created an information model. The information map served not only as means to investigate the availability of information but also its accessibility, form, validity, custodians and use. As in this case, it has been our experience that it is not uncommon for the DT to create new performance measures, ones that had

not been used or even considered in the past. Sometimes this was because necessary information did not exist or wasn't readily available. Sometimes it was due to new versus old thinking. Other times it was because the information was not readily accessible. The Utility's information map identified not only where the information was, but also who created it, in what form it was captured (paper or electronic), when it was captured and recorded, who used and updated it, etc. In some cases the information existed but many did not know that it did or where it was and how it could be accessed.

When the information map was created capturing data began. From our experience we have found that to design effective performance management systems, you should always start with pencil and paper. There are countless, untold stories where a vendor has sold someone a software solution as a so-called performance management system. A performance management system is not a software program, but rather it is knowing what is being measured, why its being measured, and how to interpret the measurement as being within or outside the boundaries of an acceptable range, or whether it does or does not meet a performance standard.

The DT generally made recommendations to the EMT regarding the collection of information. It was the role of the EMT to issue a directive to the selected departments to begin collecting and reporting data. We found that by creating and implementing a communication plan this decision was not a surprise to the effected departments and that resistance was minimized. The DT assisted the department staff with initially gathering data. In the event that data was difficult to retrieve or could not be accessed, we found that in many cases, it was possible to develop a quick, work around solutions as temporary measures. At other times, substitute measures were identified. In either case, workable solutions were developed involving little effort and few resources.

During this initial period of collecting data, information was captured and reported using Microsoft Office, or other common and readily available programs. After the first round of data collection was completed, the first round of information was review and validated. Several issues were addressed including: validating our assumptions, refining and adjusting specific measures, wrestling with whether the right measures were being collected, whether they measured what the DT intended them to measure, and other mechanical and logistical issues that were encountered.

We were available to help validate the data and to support the DT and EMT as necessary. We also performed an alignment check of the newly developed customer-driven performance measures. We believed that if done properly, both service providers and customers could answer all of these questions affirmatively. The performance measures were also validated and assessed for adequacy with each of the selected departments' strategic business plans (SBPs). By this time during the process, many elements of strategic business

plans (SBPs) had been developed and addressed. Some of these included the selected department's mission, vision, performance indicators, and communication plan. Other recommended updates, revisions and modifications to existing SBPs were captured and brought to the attention of the EMT. A little later in the process, the EMT established goals, objectives, acceptable ranges of performance and performance standards were established for each of the performance measures.

The DT created a summary reporting "scorecard" for the selected departments to broadcast their performance. The preliminary report presented information in tabular and graphical formats and were reviewed and approved by the EMT. The measures and report appearance required some refinement as a result of the EMT's comments and recommendations.

Once a report format had been approved, the report was migrated from local applications to the department's internal network. After this "proof of concept" had been established and validated for the selected departments, the functional requirements for a long-term software solution had been identified. At that time the domain of the DT's work was expanded to include the next set of departments by initiating the process once again. It has been our experience that some simpler organizations have decided to stop at this point. In this case, however, it was decided that to sustain the routine recording, reporting and use of performance measures we needed to simplify and automate the process and provided the functional requirements needed to identify a solution for long-term use.

Throughout this entire process, the DT did all of the work under our guidance. They became familiar with the process and the underlying philosophy of the benefits of performance measurement. They developed an understanding why things were done a particular way and a grass roots understanding of the specific measures for the selected departments. They also developed a heightened awareness of customer-driven performance measures.

One final comment: The DT was familiar with the four phases of the team life cycle: Forming, Storming, Norming and Performing. However, few members were familiar with the fifth phase Adjourning. (Bruce Tuckman circa 1970) We proved once again that all teams have to know when they are done and when they begin to serve no further purpose. Unfortunately some team members were under the impression that the team would continue in perpetuity. It was tough for a group of technical managers to know when they have reached a point of diminishing returns and a new team needs to be chartered. Our experience has shown that there is nothing more troublesome than a team that has out lived its purpose.

## **The Result: Demonstrable Success**

The outcomes of this project were:

- A set of validated, customer-driven performance measures for selected departments.
- Organization awareness of the value and proper interpretation of performance measures
- A trained staff that was familiar with the process of collecting and reporting customer-driven performance measures.
- A validated and established process for collecting and reporting performance measures for selected departments.
- A proven process for success for moving forward with the next set of selected departments.
- A list of requirements for a long-term, software solution that leveraged the use of existing software systems, where possible, that minimized new capital investment and estimated capital costs.
- Recommendations for next steps.

## **Summary**

The purpose of performance measures was to provide the information necessary to make rational, informed decisions in lieu of having to resort to anecdotal information to provide answers to customer inquiries. Customer-driven performance measures needed to be able to demonstrate that the utility was doing the right things, doing them the right way, and documented improved customer service and perception. A balanced scorecard approach that considered efficiency, effectiveness and the voice of the customer was used. We found that both service providers and customers could answer all of these questions affirmatively. The solution process included:

- 1) Hiring a consulting team to function as an extension of the executive management team
- 2) Implementing new policies and management guidelines
- 3) Identifying what information was needed to demonstrate performance improvement
- 4) Setting performance standards and manage performance from the top down
- 5) Manually gathering data and building reports to make sure that the right things were being measured
- 6) Engaging a Technical Consultant that was not tied to a specific solution and that could facilitate defining and demonstrating past performance of achieving business results
- 7) Identifying the real and often times hidden sources of information and information flow from sources
- 8) Identifying non proprietary, off-the-shelf tools that could provide department scorecards and a management dash board to enable the new practices
- 9) Integrating functional data (HR, Financial, O&M) from a variety of legacy systems into information for management to use

10) Deliver Report Consumption, Ad-hoc analysis capabilities, Performance Management, and Dashboard Metrics through a single solution.

The results were that the utility was able to define an official repository that contained the key information necessary to operate and manage the utility.

- Eliminated standalone reporting.
- Created a single source for retrieving information.
- Eliminated the need for entry and reentry of data.
- Eliminated duplicate efforts to create and deliver management information.
- Streamlined decisions.
- Allowed for “management by exception.”
- Eliminated discrepancies and drove cultural change to accept the “official” version of data.

The Utility is currently evaluating alternatives to provide a long-term solution.