CommStat

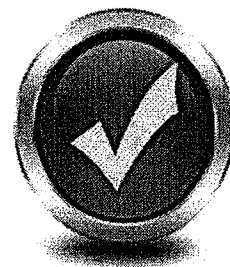## PUCO Performance Management

PROJECT REPORT AND RECOMMENDATIONS

Prepared by the CommStat steering committee. December 2011.

Executive Summary

Commstat, the Public Utilities Commission of Ohio (PUCO) performance management project, was initiated by Chairman Todd Snitchler in August 2011 in order to transform the PUCO into a model regulatory agency. Performance management has been used successfully in the private and public sectors for years to inform and guide management decisions. The intent is of this project was to bring performance management to the PUCO. The overall objective is to invest resources in services that produce real and measurable results and to do so efficiently.

A steering committee representing a variety of agency perspectives including management, bargaining unit, and policy staff, as well as, information systems and communications professionals was formed to develop a PUCO performance management system. The steering committee met regularly to develop and implement a detailed project plan and schedule and to make sure adequate progress was made each week. The short term goal of the project was to create and launch a performance management system on January 1, 2012. The intermediate term goal was to collect, track and use performance management information by April 1, 2012. The long term goal was to use the system to make resource allocation decisions for the next biennial budget.

The CommStat project is the first step in fostering a performance management culture at the PUCO. In order to leverage progress made to date, the steering committee recommends: (1) scheduling and conducting regular performance management meetings; (2) thoroughly reviewing each department's services, measures, goals, and key performance indicators; (3) researching, analyzing, and implementing technology requirements for an electronic reporting system; and (4) investing in performance management.

Introduction

Like many state agencies, the PUCO must do more with less everyday. In order to meet this challenge, we must invest our resources in services that produce real and measureable results and ensure those resources are used efficiently. That is why we've undertaken this project—to figure out which services we should continue to provide and which we should not. To be clear, this project is not an elaborate scheme to reduce the workforce. On the contrary, it will help us identify our strengths and weaknesses and reinforce our ranks where needed.

The purpose of this project is to develop a performance management system that management can use to make strategic and resource allocation decisions and to ensure that those resources are deployed efficiently. It is generally understood that the system would be used for both proactive and reactive decision making. It should, therefore, provide management with the information needed to chart a strategic course for the agency; to align inputs, activities, and outputs accordingly; and to quickly identify and resolve any performance issues that arise along the way. Ideally, the performance management system will collect and report near-real-time information in a clear and concise manner.

This report outlines four recommendations for implementing such a system. The recommended system is made up of two main parts: a process and a product. The process is for collecting, analyzing, and reporting performance management information. The product is a reporting mechanism or "dashboard" to present such information. The recommendations outlined below are backed by academic literature and successful practices in public and private organizations, not to mention our own experiences here at the PUCO.

The remainder of this report is divided into five sections. The first section presents background information about the project, schedule, and communications practices. The second section discusses how performance management information was collected and managed throughout the project. The third and fourth sections outline findings and recommendations for moving forward as well as challenges and lessons learned over the course of the project. The fifth and final section offers a short summary and conclusion.

Background, Schedule, and Communications

The CommStat project was initiated in August 2011 when the chairman of the PUCO outlined his vision of becoming a model regulatory agency. Shortly thereafter, a steering committee was formed and a project plan was put into place. The project was divided into four phases: Services Inventory, Performance Measures, Performance Goals, and Data Organization. Each phase was subdivided into three steps: Begin, Check-in, and Finalize. Each phase was scheduled for completion over a three week period with each step taking one week to complete. Phases and steps were scheduled so that each department could focus on the project one step at a time. The project schedule is presented below.

CommStat — PUCO Performance Management

Department	8/8	8/15	8/22	8/29	9/5	9/12	9/19	9/26	10/3	10/10	10/17	10/24	10/31	11/7	11/14	11/21	11/28	12/5	12/12	12/19	12/26	1/2	1/9
Business Resources, Administration		✓	✓	✗		✓	✓	✓		✓	✓	✓		✓	✓	✓							
Public Affairs			✓	✓	✓		✓	✓	✓		✓	✓	✓		✓	✓	✓						
Service Monitoring and Enforcement				✓	✓	✓		✓	✓	✓		✓	✓	✓		✓	✓	✓					
Commission, Legal					✓	✓	✓		✓	✓	✓		✓	✓	✓		✓	✓	✓				
Transportation						✓	✓	✓		✓	✓	✓		✓	✓	✓		✓	✓	✓			
Energy & Environment							✓	✓	✓		✓	✓	✓		✓	✓	✓		✓	✓	✓		
Utilities								✓	✓	✓		✓	✓	✓		✓	✓	✓		✓			

Legend:

Services Inventory	Performance Measures	Performance Goals	Data Organization
Begin	Begin	Begin	Begin
Check-in	Check-in	Check-in	Check-in
Finalize	Finalize	Finalize	Finalize

The steering committee met weekly and used the above project schedule to track and communicate each department's progress throughout each phase of the project. Additionally, each department was assigned a contact on the steering committee to help coordinate activities and facilitate communication. Department progress was marked with one of three symbols: a green checkmark, a yellow exclamation point, or a red X. A green checkmark indicated "On Schedule." A yellow exclamation point indicated "Progress Made." A red X indicated "Behind Schedule."

The steering committee created a blog specifically for this project so that staff could receive regular project updates along with other helpful tips and information. The blog, which was accessible only through the PUCO Intranet, featured weekly departmental status reports, answers to frequently asked questions, overviews of each project phase, and messages and videos from the chairman.

Communication with PUCO staff was essential to ensure CommStat transparency and to obtain trust and buy-in from employees at all levels. The one-way flow of information from the chairman and the steering committee to management and staff, however, was not enough. Department directors and coordinators also had to communicate to section chiefs and frontline staff, and vice versa. The steering committee will continue to look for ways to improve the blog and provide new opportunities for staff to provide feedback.

Project Information Collection and Management

The CommStat project was divided into four phases, each with a specific purpose. In the first phase staff, supervisors, and managers were asked to take stock of all the services provided in their department. They were asked to provide basic information, such as the name of their department, division, and supervisor, and more detailed information such as the amount of time needed to complete each service, the frequency with which each service is provided, and the direct and indirect customers of each. The steering committee encouraged everyone to identify which services should be continued and which should not.

During the second phase, staff, supervisors, and managers were asked to develop performance measures for each service that should be continued. They were also asked to identify the inputs, outputs, and outcomes of each service and to suggest ways to measure effectiveness and efficiency. Just because a service can be measured, however, does not mean that it should be. Everyone was, therefore, given an opportunity to identify which services should be measured and which should not.

For the third phase of the project, departments were tasked with creating specific, measureable, attainable, relevant, and timely (i.e., SMART) goals for each of the services that should be continued *and* measured. Directors were encouraged to work with division chiefs, division chiefs with supervisors, and supervisors with staff to ensure goals were consistent and complementary. Departments were asked to list four goals (i.e., agency, department, division, and individual goal) for each service.

At the beginning of the fourth phase, each department met with the chairman to present and discuss the results of the first three phases of the project. After this meeting, the steering committee worked with each department to incorporate feedback and make changes if necessary. Each department met with the chairman a second time at the end of the phase to finalize and prioritize services, measures, and goals and to identify which metrics (i.e., KPIs) would be used to track performance in each area. Some departments were able to accomplish all this in one meeting and therefore met only once or met only briefly for a second time. An example of the outputs from the Energy & Environment Department's work in this phase is presented below.

E&E Key performance indicators with measureable goals
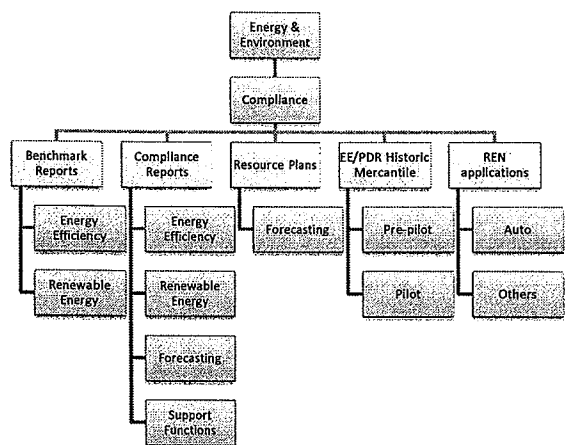
- Energy efficiency (benchmark reports)
    - Meet comment/report filing deadlines 90% of the time
- Renewable energy (benchmark reports)
    - Meet comment/report filing deadlines 90% of the time
- Energy efficiency (compliance reports)
    - Meet comment/report filing deadlines 90% of the time
- Renewable energy (compliance reports)
    - Meet comment/report filing deadlines 90% of the time
- Forecasting (compliance review)
    - Meet statutory deadlines
- Support Functions
    - Rate cases: Provide required assistance and meet other dept. deadlines 90% of the time
    - Rider cases: Provide required assistance and meet other dept. deadlines 90% of the time
    - Respond to external inquiries (simple) within one day, 100% of the time
    - Respond to external inquiries (complicated) within two weeks, 100% of the time
- Forecasting (resource plans)
    - Meet statutory deadlines
- Pre-pilot EE/PDR mercantile applications
    - Do not measure – nearly completed
- Pilot program EE/PDR mercantile applications
    - Complete review 10 business days prior to auto-approval deadline 90% of the time
- Auto approved REN applications
    - Complete review 10 consecutive business days prior to auto-approval deadline, 90% of the time
- Other REN applications
    - No more than 10 business days of idle time on any case, 90% of the time

The steering committee created a spreadsheet and a series of forms to assist with data collection and management throughout the project. Though the method used to collect data was left to each department, department coordinators were responsible for ensuring the information was entered into a standardized spreadsheet created expressly for this purpose. Most department coordinators had staff complete the forms and then entered the data into the spreadsheet themselves; smaller departments worked directly off the spreadsheet. As data collection progressed, services were sometimes consolidated or eliminated from the spreadsheet. As the amount of data grew, it was a common practice to only fill out the rows and columns needed for discussion purposes. The steering committee used data from the spreadsheets to help organize and present high-priority services, measures, goals, and key performance indicators for discussion during the fourth phase.

Findings and Recommendations

The recommended PUCO performance management system will facilitate proactive and reactive decision-making and will attempt to present near-real-time information clearly and concisely. The recommended system has two main components: a performance management process and a reporting mechanism. This section outlines four broad recommendations for implementing such a system.

1. **Schedule and conduct regular performance management meetings for each department on a rotating basis.**

Results from interviews with performance management experts indicate that it is important to put the performance management information collected during the system development period to use as soon as possible. Doing so not only demonstrates that the information was collected in earnest and builds trust, but it also sends a strong signal that performance management is indeed an agency priority and encourages active participation in the process. That is why the steering committee recommends taking quick action by scheduling and conducting regular performance management meetings with each department beginning the first week in February 2012. A tentative meeting schedule is presented below.

Department	First PM Meeting	Second PM Meeting
Business Resources	Week of Jan. 30, 2012	Week of Feb. 27, 2012
Administration	Week of Jan. 30, 2012	Week of Feb. 27, 2012
Public Affairs, Economic Development	Week of Feb. 6, 2012	Week of Mar. 5, 2012
Service Monitoring and Enforcement	Week of Feb. 6, 2012	Week of Mar. 5, 2012
Commission, Legal	Week of Feb. 13, 2012	Week of Mar. 12, 2012
Transportation	Week of Feb. 13, 2012	Week of Mar. 12, 2012
Energy & Environment	Week of Feb. 20, 2012	Week of Mar. 19, 2012
Utilities	Week of Feb. 20, 2012	Week of Mar. 19, 2012

The meetings should be small and brief. Attendance should be limited to the chairman, chief of staff, department director, and a facilitator. The purpose of these meetings is to inform, not to punish. Small meetings encourage open dialog regarding performance without the added pressure often found in large meetings. These meetings should occur regularly but should be

scheduled in such a way that each department director meets with the chairman only once a month. This gives everyone time to digest and act upon the items discussed during each meeting. Before each meeting, directors should submit performance information, including key performance indicators, and related agenda items in writing. This helps keep the meeting focused on performance. After each meeting, directors should receive a written summary of the meeting as well as an outline of any action items discussed. This helps with clearness and accountability.

2. Initiate an in-depth review of each department's services, measures, and goals.

The CommStat project represents the first step in a cultural shift towards performance management at the PUCO. One of the primary goals of the project was to introduce the concept and to obtain buy-in. This was accomplished in part by encouraging managers, supervisors, and staff to actively participate in the process. For some departments the performance management concept was familiar and the tasks during each phase were relatively easy. For others the concept was more foreign and the tasks more difficult. As a result, the quality and consistency of the data collected throughout the project varied from one department to the next. This was to be expected. It was understood from the beginning that we wouldn't get everything absolutely correct right out of the gate. It was, however, important to take the first step and to keep moving the ball forward. For this reason, the steering committee recommends conducting an in-depth review and analysis of each department's services, measures, and goals February through May 2012 and conducting similar but shorter reviews each quarter starting in July 2012. A tentative review schedule is provided below.

Department	First PM Review	Second PM Review
Business Resources	Feb. 2012	Jul. – Sept. 2012
Administration	Feb. 2012	Jul. – Sept. 2012
Public Affairs, Economic Development	Mar. 2012	Oct. – Dec. 2012
Service Monitoring and Enforcement	Mar. 2012	Oct. – Dec. 2012
Commission, Legal	Apr. 2012	Jan. – Mar. 2013
Transportation	Apr. 2012	Jan. – Mar. 2013
Energy & Environment	May 2012	Apr. – Jun. 2013
Utilities	May 2012	Apr. – Jun. 2013

Each review will take one month to complete and will be scheduled so that every department's review is completed by the end of May 2012. Not only will this allow us to develop a better understanding of the key service areas in each department, but it will also help ensure better reporting consistency across departments in the future.

3. **Research, analyze and implement the technology requirements for an automated, electronic reporting mechanism.**

Scheduling and conducting regular performance management meetings and thoroughly reviewing each department's services, measures, and goals gives us time and opportunity to refine the data collection, analysis, and reporting processes before committing resources to making or buying performance management software. Many organizations choose to create original software to suit their needs, but it is commercially and publically available. Whether we make or buy the software will largely depend on the final process. That is why it's important to finalize the process first. We recommend adopting a timeline similar to the one outlined above and finalizing the process by Q1 2013. System build should be completed by Q2 2013.

The performance management review mentioned above also enables us to further refine the recommended performance management dashboard. Dashboards are probably the most common type of performance management reporting system. A performance management dashboard displays information about an organization's performance just like the dashboard in a car displays information about the car's performance. And, just like a car's dashboard, the type of information presented on the dashboard largely depends on what is important to the user or driver. Some drivers prefer only basic information such as speed, total distance traveled, and various warnings; whereas others may want more detailed information, such as fuel economy, expected driving range, and upcoming maintenance issues. A good performance management dashboard anticipates and balances these user preferences. The recommended dashboard attempts to strike a balance between the availability of information and ease of use. A "screenshot" of the recommended system is presented below.

CommStat
PUCO Performance Management

Business Resources
- -Fiscal Management
- -Human Capital Management
- -Information Systems Management

Service Monitoring & Enforcement
- -Customer Contact & Response
- -Low-income Assistance Programs
- -Safety & Reliability
- -Case Management & Administration

Commission
- -Placeholder text, Placeholder text,
- -Placeholder text, Placeholder text,
- -Placeholder text, Placeholder text,

Legal
- -Case Processing
- -Rule Making
- -Legal Advice

Energy & Environment
- -Placeholder text, Placeholder text,
- -Placeholder text, Placeholder text,

Administration
- -Customer Service (external)
- -Customer Service (internal)
- -Provide Access to Accurate Records
- -Management

Transportation
- -Placeholder text, Placeholder text,
- -Placeholder text, Placeholder text,
- -Placeholder text, Placeholder text,

Public Affairs, Economic Development
- -Legislative Advocacy
- -Media & Public Relations
- -Economic Development

Federal Energy Advocate
- -Placeholder text, Placeholder text,
- -Placeholder text, Placeholder text,

Utilities
- -Placeholder text, Placeholder text,
- -Placeholder text, Placeholder text,

On the surface the PUCO dashboard presents only the basic information about a department's performance in several key service areas that were identified during the data organization phase. Below the surface, however, it presents much more detailed information. The steering committee chose to use symbols similar to those used during the development period (i.e., a green checkmark, a yellow exclamation point, and a red X) for consistency. Here, however, a green checkmark indicates that all goals have been met and there are no potential problems, yellow means one or more goals have not been met or there is a potential problem, red means several goals have not been met or there are significant potential problems. Dashboard users can click on any one of these icons to reveal more detailed information about a department or key service areas depending on their level of interest and permission. The chairman, for example, may want access to very detailed information for each department, whereas directors may only have access to very detailed information for their department. Everyone in the agency should have access to some information.

[11]

4. Invest in performance management

The steering committee interviewed several states, such as Virginia, Indiana, and Washington, early in the project to discuss their experiences with performance management. These states have successfully implemented performance management systems in the past and are widely viewed as leaders in public sector performance management. It became apparent through these interviews that all of the states that have succeeded in implementing performance management systems have dedicated resources to the task. In some states, an entire office in the governor's office is dedicated to performance management. In others, the program is managed by a few people in the state budget office. Although it's difficult to extrapolate just how many and what type of resources are appropriate for an organization the PUCO's size, the steering committee believes it's nonetheless important to apply this lesson to the current project. Given the nature and importance of the work, and the amount of staff time invested so far, the steering committee recommends initially at least one full-time employee to administer the PUCO performance management system. This person (or these people) should continue to be supported by existing agency staff as well. Additionally, a budget specifically for developing or buying an automated electronic reporting system is recommended. To put this recommendation in context, the Commission has invested about 4,000 to 5,000 person-hours or about $165,000 to $185,000 in CommStat so far. It would be fair to assume similar spending over the next six months, if these recommendations are adopted.

Challenges and Lessons Learned

The recommendations presented in this report are based upon academic literature and successful experiences in the public and private sectors. They are supplemented by experiences here at the PUCO during the project development period. This section outlines some of the challenges the steering committee faced during the project and how they were addressed. These challenges may persist in the future, so they are worth noting in this report.

1. Change management

One of the most difficult challenges throughout this project was change management. Any change can be difficult regardless of the circumstances, but it was even more so during this project because of its scope and its timing. Not only did this project represent the first step in a major shift in the agency's culture, but it also coincided with a contentious referendum of Senate Bill 5. This led to feelings of fear and anxiety that staff could lose their jobs as a result of this project. Although there was never any real risk that this would happen, and the issue was addressed by the chairman during his remarks at an agency-wide meeting and in writing on the CommStat blog, the misconception persisted. The steering committee attempted to dissuade staff of this notion through regular communication and absolute transparency. Effective top-down communication helped too. Without persistent outreach, openness, and strong backing from the chairman, however, the problem would have been much worse.

2. Project schedule

The project schedule represented another significant challenge. In some cases, it can take a year or more to develop and implement a functioning performance management system. This project was completed in less than six months. In order to do this, the project schedule was compressed and departments were put on overlapping rolling rotations. As a result, some departments benefited from other department's experimentation and frustration. It may have also caused some duplication of work and wasted effort. The steering committee attempted to mitigate this by encouraging collaboration among departments, but to some extent this challenge could not have been avoided. No matter how the project was scheduled, someone had to go first. This dynamic will likely continue given the recommendations outlined above and will, therefore, need to be managed.

3. Quantitative vs. qualitative measurements

The focus of CommStat so far has been on quantitative measurements. The PUCO will likely have to rely on qualitative measurements to some extent, however, at some point in the future. They can be tricky but surveys are one set of tools the agency can use to get qualitative information. Surveys can be very useful, for example, when measuring customer satisfaction.

[13]

That's not to say surveys are foolproof; they come with their own set of problems. Selection bias, small sample sizes, and statistically insignificant results are all very valid concerns. Survey science is fairly reliable, however, and there's no real reason why the agency couldn't use surveys as long as the challenges are understood and adequately addressed. If surveys are utilized appropriately, the results can contribute significantly to the agency's understanding of how well services are provided.

Summary and Conclusions

CommStat, the PUCO performance management project, was initiated by the chairman in August 2011 when he outlined his vision of becoming a model regulatory agency. The goal of this project was to develop a performance management system that PUCO management can use to chart a strategic course for the agency, to allocate resources accordingly, and make adjustments along the way. A steering committee was formed, and a project plan was put into place to deliver such a system. The recommended system consists of two parts. The first part is an information collection and management process that has been tested throughout this project. The second part is a performance management reporting mechanism or "dashboard." The purpose of this report was to explain the work completed over the previous six months and to outline the steering committee's recommendations for implementing a performance management system at the PUCO. It's important to note that the CommStat project is the first step toward developing a culture of performance management at the PUCO, and successful implementation will take time and effort.