



How the Sacramento Municipal Utility District Realized Rapid ROI and Opened Up Communication

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— Greg “Augie” Augst, Manager of SMUD’s Enterprise Performance Office

The SMUD Challenge

The Sacramento Municipal Utility District (SMUD) – the sixth largest public utility in the United States – was already well established and successful, with a long history of customer satisfaction, when a new CEO decided to implement a performance management culture organization-wide.

While there were no immediate problems at the time, SMUD’s CEO wanted to use performance management to help improve business acumen and enhance the performance of individual user groups and employees. He also hoped to be able to react more quickly to problems and optimize and compare projects, in order to create enhancements and cut costs where possible. A performance management culture, he hoped, would help drive that change and create new efficiencies in the business.

“This is about getting employees and managers used to measuring their performance and understanding the implications,” says SMUD CEO John DiStasio. “To continue as a credible, well-run organization, we must first assess our performance and understand why it is so, then we must challenge ourselves and wisely choose where we want to be.”

The Actuate Solution

To assist them with their efforts, SMUD needed a solution that would keep the organization focused solidly on performance management and not on IT. With that in mind, they defined a set of selection criteria and a priority-based scoring system. Using that system, the team evaluated eight different applications before choosing Actuate Performance Improvement.

SOLUTION OVERVIEW

- > **BUSINESS PROFILE**
Publicly owned electric utility
- > **CHALLENGES**
 - Identify and target areas of weak performance
 - Increase business acumen throughout the organization
 - Improve ROI by leveraging performance knowledge to create more efficient work processes
- > **SOLUTION**
Organization performance culture using Actuate Performance Improvement
- > **BUSINESS BENEFITS**
 - Significant, rapid increase in ROI, saving \$3 million in the first year alone
 - Enhanced business acumen and open communication
 - More efficient working environment

SMUD chose Actuate Performance Improvement because of its less IT-focused approach, as well as its:

- Flexibility and scalability
- Ease of use
- Powerful calculation engine
- Quality, reliability and accuracy in measurement

SMUD was able to implement Actuate Performance Improvement in just three months, providing users with customized views as needed. It is now used throughout SMUD both to leverage support from the top and to collaborate with people on the front lines of the organization. Creating a “line of sight” from the executive-level metric to the contributor who impacts that metric has been a key priority for SMUD’s performance management team.

SMUD has also made it a priority to keep metrics simple and uncomplicated wherever possible, and to stay flexible and open to changing or discarding metrics that aren’t working. Two types of metrics are tracked: Key Performance Indicators (KPIs), which are reported at an aggregate level publicly, and internal business measures, which are used by supervisors and managers to drive and manage performance in their organizations. By using two types of metrics, SMUD can respond more easily to different needs and uses.

Today, Actuate Performance Improvement plays a key role in managing costs at SMUD, allowing its executives and managers to identify initiatives, define performance measures, debrief results and capture savings. Actuate Performance Improvement has also helped – and continues to help – foster a culture of performance management throughout SMUD’s business.

Benefits of Actuate

Rapid and Significant Increase in ROI

Through their performance management system, SMUD was able to prioritize work projects and ensure that crews were equipped properly on jobs, reducing wasted time and resources – saving money as a result.

For example, by measuring performance and identifying inefficiencies in the company’s distribution department, SMUD was able to reduce the department’s budgets by \$2.5 to \$3 million in just one year, while increasing the value delivered per budget dollar consumed. In addition, the department tasked with maintenance of substation components achieved budget reductions of \$3 million, also in just a year. Savings like these have been identified in numerous business units at SMUD, for millions of dollars in real financial savings.

“More important than budget reductions is efficiency gained through better metrics and insights. The ultimate focus is what we achieve with each dollar spent rather than just identifying where we can cut the budget,” says Greg “Augie” Augst, Manager of SMUD’s Enterprise Performance Office.

Enhanced Business Acumen and Open Communication

An early goal of SMUD’s performance management initiative was to improve business acumen, for a clearer organization-wide view that would allow them to react more quickly to performance problems. SMUD has worked to achieve this through the use of Actuate Performance Improvement, by creating fully developed measures meant to provide a clear view of the organization’s performance. “Well-crafted performance measures don’t just quantify results, but rather provide powerful insight into which actions drive desired results,” says Augst.



Customer Profile

The Sacramento Municipal Utility District (SMUD) is a community-owned electric utility serving 592,000 customers and a total population of approximately 1.4 million. It is the sixth-largest public utility in the country, with a 900-square-mile service territory that encompasses Sacramento County and small adjoining portions of Placer County and Yolo County.

SMUD began implementing their current Performance Management initiative in 2008, and have since become a leader in the field. Six essentials have guided their way towards Performance Management excellence.

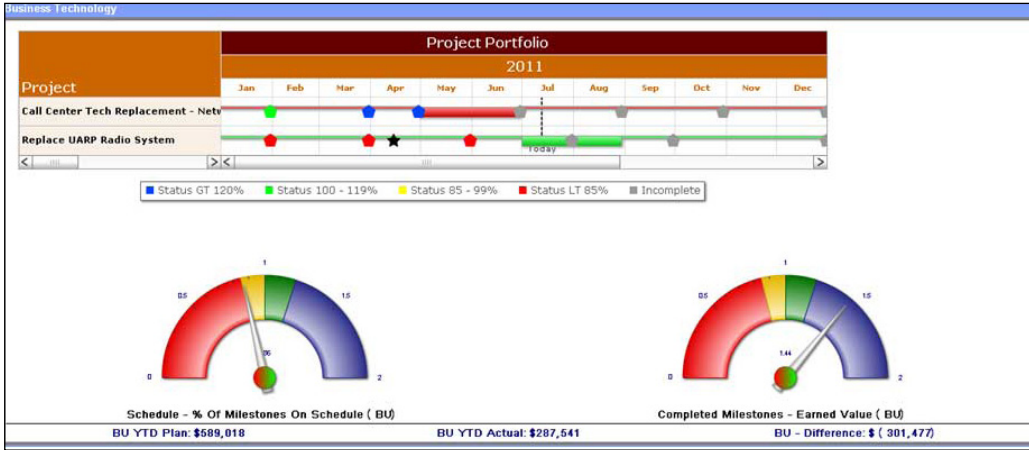


Figure 1: Customized performance dashboard created by business users at SMUD



To keep the focus on overall efficiency, and not on individual performance, SMUD has created an open environment for results reporting and discussion. The emphasis is less on the color of a specific measure, and more on what the result is saying and what action might be necessary. Positive performance outcomes are promoted and recognized, all in an effort to create a constructive performance management environment. Finally, all employees have been part of the metric selection conversations, ensuring that the entire organization feels like they are part of the process.

More Efficient Working Environment

Performance management has become an integral part of how SMUD does business. To establish a strong performance management culture that suited the organization’s vision and principles, SMUD selected best practices from a range of performance management approaches. Metrics are assigned owners, for clear lines of responsibility, and regular

results review meetings are held to move SMUD’s performance management objectives and business user needs forward. Together, these efforts have made for a more efficient working environment that identifies performance problems quickly and deals with them immediately.

Metrics and measurement are also used to drive desired behavior and performance results, in order to build towards a more effective working environment. SMUD’s performance management team works with employees and business leaders to find metrics that encourage that; if a metric is found to be detrimental to those overall goals or to affect individual performance negatively, it’s changed or edited accordingly.

“We want to foster continuous improvement; the better we measure what we do, the better we can perform as individuals and as an organization,” says DiStasio.

About ActuateOne for Performance Analytics:

ActuateOne for Performance Analytics can help you deliver powerful business discovery and analytic capabilities to any aspect of your organization. Available in the cloud, ActuateOne for Performance Analytics can be used by anyone – to visually explore any enterprise data. All users can leverage pre-built, or build their own collaborative, visually rich business discovery and analysis applications to rapidly discover, analyze and act upon insights for better decisions.