Hold On or Let Go?
By Mark A. Jamison, Ph.D.

Should you hold onto the things that got you to where you are today, or let them go so that they don’t hold you back?

There is no easy answer to that question. Apple decided to let go in the 1980s, firing Steve Jobs and losing the creative soul that the company needed for a successful future. He’s back now and the company has regained its footing. More recently Kodak decided to let go of its film and film processing lines of business that conventional wisdom said made the company great. The new Kodak embraced digital photography. This was the right move because the company’s real core was its dedication to and reputation for quality imaging.

Do you recognize a pattern here? Every successful organization, including your own, has an essential core – maybe reputation, set of values or capabilities, or way of working – that got you where you are today. When circumstances change and your organization must reset to prepare itself for the future, your key decisions include identifying and holding onto your true core that will take you into the future, and letting go of the traditions that will hold you back.

Does utility regulation need such a reset? I think so, although the nature of the reset could vary across jurisdictions. Every agency needs to hang onto:

- Independence – arms-length relationships with economic, political, and special interest stakeholders
- Expertise – deep knowledge of utility operations and operating environments
- Transparency – letting the world see what the agency does and how it does it
- Legitimacy – being about the business of controlling market power while providing a favorable investment environment
- Credibility – consistently aligning purpose, message, actions, and effects.

Some agencies have strayed from these essentials. Several U.S. regulators learned in recent years that when their agencies accept a political agenda, even a populist one, customers suffer because investment declines. In one instance a commission held closed door meetings with politicians, providing fodder for a legislative initiative to disband the commission for political reasons. An agency in a developing country lost credibility when a price review appeared to go too easy for the utility.

But there are instances where regulators continue to focus on the essential core. A telecom regulator in Asia made it a point that his staff would be his country’s leading telecommunications experts. Legal challenges to regulatory decisions are answered with academic quality research papers by his own staff, resulting in numerous wins in the courts. A Caribbean regulatory agency survived a difficult political transition in part because the agency head opened his commission’s information and processes to the political opposition long before the crucial election. Another Asian regulator helped his government keep a politically unpopular commitment to investors by publically holding the investors to their
commitments and by providing a forum for the consumers who would suffer in the short run in order to ensure investment in the long run.

Which positions from the past do some regulators have trouble letting go of? Past positions on important issues are hard to abandon: To paraphrase John Kenneth Galbraith, given the choice between admitting a past decision is no longer relevant and proving that it is still right, most of us get busy on the proof. Identity is also hard to let go of: Some regulators continue to identify with their pre-regulatory professional relationships, either unconsciously or knowingly because at some point they will return to their previous lives. The desire for approval holds some back: I have seen regulators abandon regulatory principles to gain favorable press coverage or to avoid criticism from elected officials.

As PURC Assistant Director, Araceli Castaneda, and I noted in our reset paper, Reset for Regulation and Utilities: Leadership for a Time of Constant Change, successful reset includes learning why things work or don’t work rather than trying to follow a best practice that is out of date and may be dangerous. Distinguishing between the essential core and the false core is part of the art of leadership in regulation.