



Managerial performance and benchmarking method in public utilities services field

*Performanța managerială și metoda
de benchmarking în domeniul serviciilor
comunitare de utilități publice*

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Abstract

Measuring performance of public institutions or the provision of public services is one of the most frequently cited objectives of any reform program or strategy for public administration. The utility of such an approach seems to be doubtless, but the practice is so difficult, that the objective remains at the status of goal in most of the situations. However, policy makers, those who develop policies, civil society and even citizens are re-taking the issue with stubbornness, even more mobilized with each failure, to show that this commendable approach of quantifying the results and possibly the impact of the used resources to produce a good public is possible.

Keywords: benchmark, public utilities, public services, performance indicators

Rezumat

Măsurarea performanței instituțiilor publice sau a furnizării serviciilor publice este unul dintre cele mai des invocate obiective ale oricărui program sau strategie de reformă în administrație. Utilitatea unui asemenea demers pare să fie neîndoieșnică, însă practica este atât de dificilă, încât de cele mai multe ori obiectivul rămâne la statutul de deziderat. Cu toate acestea, factorii decizionali, cei care elaborează politicile, societatea civilă și chiar cetățenii reiau subiectul cu obstinație, parcă mai mobilizați de fiecare eșec, pentru a arăta că acest demers laudabil de cuantificare a rezultatelor și eventual a impactului resurselor utilizate pentru producerea unui bun public este posibil.

Cuvinte-cheie: benchmark, utilități publice, servicii publice, indicatori de performanță

JEL Classification: L97, L38

Introduction

For monitoring and improving the operators' performances from the municipal sector was necessary to introduce the concept of benchmarking.

This was achieved also through the project PHARE RO 0105.01.02: "Support for development and improving the management of public utilities services". Thus the *benchmarking*, using performance indicators, is a powerful technique and extremely useful for improving performance and maintaining a competition advantage (Phare Project RO 0105.01.02). It is a tool for comparing performance which introduce the best practice in a company, in a measurable way. This requirement is important, especially in Romania today, as Romania's integration to European Union has required and still requires the demonstration of improved performance, especially in services of public utilities.

Using this great tool is extremely important at least for the next two reasons: to provide companies an effective tool for monitoring and improving their performance, and to provide ANRSC (National Regulatory Authority for the Community Services Public Utilities) an easy instrument to apply for collecting data from the operators in the sector, in order to obtain a complete picture of the sector. ANRSC can store these data in a database is being set-up and, if desired, may use the information for monitoring.

Benchmarking is a structured method used worldwide, identifying performance measures and adapt them to improve the quality and performance. It is one of the most effective tools available today to improve the performance of a company.

In this case, the criteria variables to compare the performance may be useful in two ways: to monitor company performance over time, and comparing company performance with others in the field, possible by ANRSC monitoring and publication of benchmarking results.

The information benchmarking is providing will help the company management to define precise objectives for its policy. A first requirement for benchmarking is to use reliable data, if not, the case will be "incorrect data entry - incorrect results". If you are not using reliable data, it will inevitably reach a waste of resources and in particular in demoting those people involved in the improvement process.

Regarding the second issue, we must be aware that differences do not necessarily mean a "better" management or a "worse" management. External conditions, such as the starting position and the social, economic and geographical conditions can lead to differences in the criteria figures comparing the performance, differences that management can not avoid. However, the comparison between companies provide extremely useful information on management.

Until now the benchmarking was little used in the municipal utilities sector in Romania. No one speaks of experience with this practice. In order to preserve flexibility in the process of benchmarking in this initial phase, the experts in the field have limited the number of criteria suggested in order to compare the performance to a minimum. The intention is to support the start of this practice, an approach that will develop further by itself. If and to the extent that some of the criteria for comparing the proposed performances by experts still can not be measured because of equipment and / or accounting procedures do not allow it, their proposal provides management an indication of what equipment may be installed and what accounting procedures can be adapted in the future.

Continuous improvement must be aligned to long term services strategies. It is important to select performance indicators that reflect the strategic objectives for sustainable development plan of the service. Then, this will enable performance to be tracked over time and to work on improving each time development plan is updated (Plumb I., Androniceanu A., and Abăluță O., 2005).

The role of benchmarking to increase competitiveness is vast. It does not help companies on the basis of comparison only the internal existing measures, but also those outside. In the community services of public utilities, this comparison may be extended to cover other providers of services nationally and even internationally. Therefore provides a particularly useful way to develop databases for international funding organizations.

The benchmarking methodology

The process

One of the reasons for which benchmarking has been adopted so quickly in the market economies, is that the principles and basic concepts are easily understood. One of the problems seen to benchmarking is access to partners with relevant experience. This should not be a problem in the community services of public utility Romania. Because benchmarking has become a recognized technique, a common methodology has been developed. It is based on the order in which things should be done so to achieve the expected results. The benchmarking process includes a number of steps that will be very briefly reviewed below.

Planning Stage

Step 1: Select the area of interest

One of the most important considerations when using benchmarking is to decide in what area will be used, because a company should not aim to compare performance in all areas. It is likely that the vision strategy of a company to provide directions and to answer the following questions: What is the main activity of our business? What aspect of our business should be improved to gain a market advantage? What brings the most significant improvement with regard to relations with customers? What activity, if it is improved, will contribute most to the profitability of the company? What will be the impact of improvements in this area on other areas of business? It is likely that the areas selected are those that have the most significant impact on increasing revenue, lowering costs, optimizing cash flow and improve customer service.

Step 2: Define the process

Once identified the field in which the criteria for comparing performance will apply, the next step involves identifying and defining the process. It will be necessary to form a team and to gain maximum benefit it is recommended that members to do interdisciplinary work, under the direction of the best officer, who will ensure that the strategic directions are achieved. Then move to the 4 stages of process definition, which are: 1. Defining the limits 2. Agreement on what happens between the first and last step of the process 3. Agreement on a common definition of the process, and 4. Planning process.

Step 3: Identify potential partners

Defining the process will show a number of areas where there are opportunities for improvement. In some cases there may be readily available solutions in the existing company, but for improvement is sometimes necessary and often desirable to seek improvements to the outside. If it is necessary to look outside, a way to identify potential partners is to organize an exercise of "brainstorming" with the intention of identifying companies that have the best performances. It is important to include creative thinking in the process of improvement, otherwise the competition limit will be compromised.

Step 4: Data sources and their collection

The objective of this step is to identify and plan where to find information about potential partners. In the water sector, this can be done easily because of the experience and knowledge gained in the Development Program Municipal Utilities (MUDP) and also available through the Romanian Water Association (ARA) network. However, in a broader sense, there may be other criteria to consider, such as: location, size, identifying the organizational structure, access, approach and understanding is an important factor in choosing a partner. Information about potential partners are available from a wide variety of sources, available both inside and outside.

Stage Review

Step 5: Analyze data and selecting partners

In this step it is necessary to analyze the data collected with the intention to outline a short list of potential partners. After this meet, the team will prepare a short questionnaire that will be used to aid in discussions with potential partners. It also must be taken into account a number of issues: the questionnaire should be concise and focused on informing and guiding future discussions, must determine whether the target will be a responsive and appropriate partner, provide sufficient information to enable the company to evaluate whether target is in a position to provide support, if the initial questionnaire confirms that it is appropriate to debate, you may need to follow a visit to the spot that will require a more detailed questionnaire.

Step 6: Determine the size of the gap

To determine the nature and size of the gap, it is necessary to compare measurements of the field considered for improvement, the company's own and the partner selected. For example, (Measuring performance municipalities in Romania, June 2007), you might like your average period of debt payment to the customer within 90 days, while the partner is only 45 days. Through discussion and comparison will become obvious that while the partner is performing better in general, there may be parts where you perform better. This is important for two reasons: to encourage partners to participate in the opportunity they have to improve their performance, and lets you reach the standard criteria to compare performance. It is necessary to compare the respective schedules to perform this step and to achieve optimal performance. Using histograms, question analysis - effect and Pareto analysis represents useful technique that can be applied in this step.

Step 7: Setting gap process

Once confirmed the validity and size of the gap, it is necessary to establish the reasons and practices which led to it. Again, comparison and discussion on the planning

process will show where positive improvements can be achieved in order to lead to cost reductions, reduction of time and improved customer service.

Step 8: Future Performance Targets

Until now it is understood in detail the size and nature of the gap and what to be implemented to achieve effective and efficient improvement of the process. This must take into account the resources, cultural and time considerations, in order to establish realistic goals for the company. In considering the time requirements it is wise to provide a margin of up to 50% to cover interruptions or deviations from the program. Good planning and good project management are essential to this point. Programs should clearly define objectives and deadlines to facilitate the communication process. The Action Plan of the project must include full details of the resources, such as who will do what, when, how much will it cost and how long it will take. Without this level of detail and accounting, many benchmarking projects will fail.

Stage Action

Step 9: Communication

A clear and persuasive communication is essential for benchmarking projects. The objective is that the recommendations should be understood by everyone and be accepted by those involved or affected by any change. On completion of Stage 2 will take place a session of questions to identify persons who will be involved in ensuring the continuing implementation.

You will need a team leader or manager on improving, to supervise and monitor activities. It should not be the most obvious, especially when benchmarking is new for a company. What is important is that the head of the team to obtain acceptance by the company to use new techniques in the long term and to be successful on initial benchmarking projects.

Communication should be done in two directions between the team and company. This will allow opportunity for comments and contributions to a broad acceptance and support changes in the design of those who are not directly involved in the project, but that will be affected by its consequences.

Step 10: Adjusting the objectives and develop the implementation plan for improvements

As feedback is received as a result of communication, it will be necessary to review the original objectives in order to match exactly. They should be adjusted and included in the final plan of improved project implementation. This plan should show the desired process on time, with key steps for implementation. Deadlines and goals must be formulated in a plan and it will then be proposed to the company. To maximize the benefit improvements, the project manager will need to link personal goals to those team members to the process is improved. In particular, the personal and the project's objectives must be related to those of the company, and to achieve this, managers must agree with and support concepts.

Step 11: Implementation

As the name indicates, the implementation is the delivery of the improvement process and when the moment when benefits are realized. Implementation may not always be easy, because there is usually a human resistance to change and this must be addressed

carefully, but also with authority. Project Manager is responsible for monitoring progress over time and materials to be produced by periodic review sessions with the team for implementation. Regular communication of progress and success in achieving the objectives will ensure interest and involvement of the rest of the company. Project Manager plays a vital role in this stage, establishing the link between the head of project and process owner. His role is to keep the management team informed of the success and savings achieved through benchmarking, to ensure that they maintain the involvement and support. Achieving this it can generate and fund further projects to improve.

Step 12: Analysis and calibration

Once the implementation plan has been understood by the entire team, including by the head of project, must be analysed progress towards objectives. At this stage, the process must have reached the targeted performance. Questions to be asked are: Is now the best process possible? If yes, what actions are necessary to maintain this situation? Who is responsible for these actions? If the process is not the best possible, which are the factors that contributed to it? This will require a team of benchmarks for evaluation? What has been learned from the project? How to communicate this project to others, both internally and externally? Knowing the situation from experience, where could bring further improvements these changes?

Criteria for measuring performance

Specialists in the field have proposed criteria of technical, financial and "continuity" or "development" for measuring performance. Technical criteria for measuring performance are divided into sub-groups that relate to each of the sectors investigated: heat supply, water supply and sewerage, solid waste and public transport. Technical criteria for measuring performance is divided into two categories: operational criteria for measuring performance and criteria for measuring the performance oriented customer.

Operational criteria for measuring performance must be objective characteristics that the company can easily provide, based on data they have collected sometimes. Their main role is to provide information on production and efficiency, both in material and financial terms. This is important both to control costs and in terms of environmental policies.

Criteria for measuring customer-oriented performances are quality of service indicators, which measure customer satisfaction by different services. It will be critical for all sectors to adopt a more targeted approach to the customer.

Financial criteria for measuring performance are common to all analyzed companies and they base on the diagnostic indicators derivated from financial statements.

Continuity criteria for measuring performance have been developed for the specific situation of the Romanian municipal utilities companies in our days. Essential feature of the company is the low investment under the necessary level, which causes a low level of services, unsatisfied customers and no payment. We developed criteria for ongoing evaluation of performance to obtain an indication, although unfinished, on the improvement or decline in physical assets of the company.

In conclusion, the process of benchmarking is designed to operate as a management tool, both for companies and for ANRSC (Abăluță, 2008). Data required from companies aiming to establish basic indicators for different companies and sectors. ANRSC enter this data in its database Management Information System (MIS) so that indicators can be summed and analyze. Instead, companies will have access to data and can evaluate own indicators and compare with other companies and then establish targets for management, for example, the lowest unit costs for the collection of solid waste. Based on its analysis, ANRSC can build a true and convincing picture of the economic situation of the business sector and the degree to which people can serve. This can be used to discuss and recommend government policies, and for purposes of licensing.

Database of the benchmarking will grow in time. The first set of operational criteria for assessing performance will establish a basis for current practice in different companies. Subsequently, it will add further financial and technical criteria for assessing performance at the request of ANRSC or of the companies in the sector.

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