

BOTTOM LINE IMPROVEMENT THROUGH EFFECTIVE OPERATIONS PERFORMANCE MANAGEMENT

“The credit crunch is tightening its grip on financial resources and the utility regulatory review process is scrutinising business efficiency. So it is no surprise that renewed vigour has been applied to strategies of business efficiency and thrift. Utilities need to focus as never before on measures that rapidly reduce the real cost of their operations.”

This should begin with some good housekeeping of performance management systems. We frequently hear of leading edge companies that have used performance management to support a culture of continuous improvement. Their reward is often a continuous cycle of performance improvement and improved bottom line performance. The concept of effective performance management is not a new one, but how many utilities can honestly state that they are truly happy with their performance management structure?

All too often utilities delude themselves by viewing ineffective and misaligned performance management data. This compounds management in-effectiveness and stagnates operational performance.

A sustainable approach

Utility companies need to develop a sustainable approach to the improvement of their operations. This, as always, should start with a realistic analysis of their current performance. When performance management data is properly focused

it provides valuable information on the organisation's performance in relation to its competitors. It also provides switched on management and delivery teams the support they need to drive home the business outcomes the utility is keen to achieve.

Operational inefficiencies frequently remain unchecked due to an absence of detailed management information. Placing a spotlight on areas of poor performance often provides the necessary clues required to drive out cost from the operation.

Effective decision making

When performance management is correct it will enable organisations to keep half a step ahead of events. This will enable them to adopt a more proactive operational approach. Effective decision making can take place around key issues such as selecting optimal mobile workforce schedules, and the right failure mode maintenance strategy. There is a strong relationship between robust, reliable management information and class leading asset management.

Cost of poor performance management

The cost of poor performance management at a sector level is difficult to aggregate. Our analysis and delivery experience suggests that improvement insights developed from effective performance management make savings of 10% - 15% achievable. Ofwat and Ofgem have yet to deliver their final opinion on sector targets for operations efficiency improvement, but for water in recent years this has averaged at around 1% - 1.5% a year.

Businesses often fail to correctly focus their performance management and maintain it consistently enough to maximise bottom line returns. In these times of economic uncertainty and regulatory challenge, effective performance management could provide the clues to drive the operational efficiency much needed by utilities.

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