

A Summary of Performance Management Best Practices for a Public Sector Water Utility

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In this period of economic uncertainty, utilities must focus on increasing overall business efficiency in order to maintain customer service and contain costs. As a first step to improving performance, utility managers must understand existing service levels and associated costs. If this were simple, however, every utility would do it. Rather, many utility managers are:

- Annoyed that key data from their systems is difficult to access and that information in different systems may conflict;
- Frustrated that key decisions are made without timely or accurate performance-based information;
- Unable to measure or trend progress toward desired goals;
- Lacking proper reporting tools to effectively communicate with Board or Council members, regulators, rate payers and utility staff.

Performance measurement is the discipline of measuring the right things in order to affect a desired change. But there's a catch.

In order to be effective, performance management must be tailored to the water or wastewater agency's mission – ensure safe and reliable water supply, protect the environment, maintain public infrastructure, meet customer services levels, and do it all at reasonable rates. Moreover, an agency's performance management needs vary based on its size, governance, range of services, and organizational maturity.

This following paper is a simple overview of documented best practices for implementing an effective performance-based management program within a water or wastewater utility.

Attributes of an Effective Public Sector Approach

There is no, single set of Key Performance Indicators (KPIs) that applies to every water and wastewater utility. Rather, agencies should begin with a suite of measures that support their core mission then add measures as necessary to monitor their specific strategic initiatives and management concerns. Successful utilities:

- Maintain organization-wide focus in the development and institutionalizing of their performance management program;
- Develop KPIs that align with the Utility's Strategic Plan and annual budget process;
- Utilize a Balanced Scorecard approach that applies proven criteria (e.g. Malcolm Baldrige Award);
- Engage management and staff throughout the process to train the organization on best industry practices and develop buy-in;
- Develop a hierarchy of performance measures that roll up and down from every employee to the General Manager; and
- Employ business intelligence information solutions for efficient data collection, reporting efficiency, and decision support.



The most effective approach for developing best-in-class performance management programs for public sector agencies recognizes that organizational buy-in is essential. One effective approach is to develop initial performance measures through focus group sessions discussing industry best practices; key staff interviews to understand the current organizational culture and level of effort required for change management; and facilitated discussions regarding the Utility's current state and issues regarding water industry metrics and industry benchmarks.

An effective Performance Management Program provides the following benefits:

- Determine the gap between current performance and desired goals;
- Track progress in achieving desired performance;
- Control performance within predetermined boundaries;
- Identify problem areas and possible causes;
- Motivate desired behaviors or spur performance,
- Increase accuracy in planning; and
- Illustrate to stakeholders that the organization is achieving its desired results

It is imperative that the performance management program ties directly to the Utility's defined strategies, goals, decision making, and annual budget. The program must be supported by accurate data collection and an efficient reporting process that enables timely business analysis. The resulting performance report must present Utility performance in a clear, concise, and timely manner in order to aid management-level decision making.

Best Practices Checklist

Effective performance management and reporting programs are achieved through four steps:

1. Develop Appropriate Measures & Targets

Balanced Set of Measures – Develop measures that represent a balanced spectrum of organizational perspectives including customers, financial performance, business processes and employees. Ensure measures drive quality,

efficiency, and effectiveness. Minimize the number of simple output measures.

Multidimensional Measures – Measurements must serve both internal and external stakeholders, support both routine work and special projects, and be responsive to the needs of line employees, management and executives.



In-Process and Outcome Measures – Develop both in-process and outcome measures that help managers understand the cause-and-effect relationship between activities and strategic goals.

Meaningful – Ensure that all measures serve a meaningful purpose and that they are expressed in a consistent, simple, and understandable manner.

Appropriate Targets – Have a defined business process for establishing appropriate targets, usually in conjunction with the budgeting process. Reflect broad internal, external, financial, and improvement goals in strategic and operating plans.

Established Targets – Use historical data to establish initial targets for ALL performance measures. Targets should challenge the organization and motivate improvement while being attainable.

2. Routinely Monitor Results

Periodic Monitoring – Develop formal business process for periodic performance monitoring.

Data Collection – Establish accountabilities and formal data-collection processes for each performance report. Establish baseline time and effort for collecting the requisite data.

Data Efficiency – Maximize the use of business information systems to efficiently gather in-process measures. Evaluate where data collection time can be minimized with business intelligence and web-enabled solutions.

Accountability – Establish ownership for obtaining and validating requisite performance data prior to analysis and inclusion in the performance report.

3. Analyze Results Against Targets

Accountability – Establish appropriate accountability for performing data analysis for each performance measure.

Duplication – Minimize duplicate data analysis by aligning reported measures. Make measurement units consistent including quality units per Fiscal Year and Calendar Year.

Activity Based Cost Accounting – Ensure that significant activities are performed at a reasonable cost. Collect all major cost components associated with core business tasks.

Cause and Effect Linkage – Measure the effect of preventive programs by observing sustained reductions in rates of things you want to prevent.

Projections – Eliminate analyzing numerical projections of random or uncontrollable events.

4. Communicate Results to Stakeholders

Key Stakeholders – Identify specific users for each measure. Ensure that all contributors towards performance are aware of actual performance against established targets.

Timely Reporting – Provide stakeholders near real time access to information to judge how a given action impacts the associated outcome indicator and progress toward a strategic goal.

Standardize Performance Reporting Format – Ensure consistency between performance reports and graphs. Deliver information in an intuitive and/or adequately explained manner.

Electronic Reporting – Utilize electronic reporting formats where appropriate. Broaden

the distribution of the performance reports via the intranet or internet. Minimize the number of hard copy performance reports.

Reduce Color Printing Costs – Maximize the use of electronic reporting. Minimize distribution of hard bound color performance reports. Use legends that are easily discernable in black and white for hard copy reports where needed.

Review Distribution Lists – Align distribution lists with the organization's specific need for information based on roles and responsibilities.

Reporting Information vs. Data – Don't release data in raw form. Develop appropriate critical analysis and explain information graphically; not in tabular formats.

Trending – Compare performance metrics over annual or seasonal periods where historical data is available. Use monthly comparisons only where appropriate to show seasonal events. Eliminate monthly comparisons for random events or where there is only limited connection to seasonal influences.

Graphics – Provide standard comparative graphs, trend lines, pie charts, etc. Display tabular data to support charts only if necessary.

Self Explanatory – Present information in a manner that can be quickly assimilated and understood by all stakeholders.

Analysis – Assess the performance against desired target levels and explain any gaps.

Corrective Actions – Articulate the remedial action to achieve desired performance for each reported performance measure.

Dashboard Report – Develop a monthly Dashboard Report that delivers data appropriate

to the stakeholder's role. Present measures that tie individual contributions to overall organizational performance. Limit dashboard measures to approximately 20. Present simple, informative graphics with coding to indicate acceptable, marginal or unacceptable performance.

Utilize Business Intelligence Solutions – Utilize business intelligence solutions to accelerate data analysis, increase reporting effectiveness, and improve management decision making.

Summary

These best practices have proven effective in implementing sustainable performance management programs that provide management and staff with key information to manage the utility and drive continuous improvement. The result is management by objective performance against predetermined target levels of service that are aligned with the utility's strategic goals and annual budget process.

Additional Information

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