

White Paper

Delivering Result Oriented & Sustainable Operational Efficiencies

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Challenge faced by Utility and Public Sector organisations & Sustainable Operational Efficiencies

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Utility & Public Sector Organisations deliver services to the public and business and it is important to deliver these services at a lower cost with high levels of quality.

Introduction

The private sector never stops seeking greater efficiency in the ways in which it purchases and provides services and neither should the Government. It is imperative in the current scenario to increase the value for money the public sector achieves from its activities and from some of its most valuable assets – the insight and energy of its people, as well as its bricks and mortar.

Most utilities and energy companies do not operate as efficiently as they could. They are faced with extraordinary pressure to optimise operational efficiency, reduce costs and demonstrate transparency in management practices.

The fundamental challenge in utility operations is to deliver service at an ever lower cost at ever higher levels of quality. This challenge is complicated by decades of under investment in infrastructure, lack of a consistent regulatory framework and at times, a lack of institutional accountability.

Utility & Public Sector Organisations deliver services to the ‘common people’. Though diverse as they appear, they are at a key threshold that demands rigorous analysis of business operations to identify opportunities to drive performance improvements – thus, reducing cost of service delivery and be able to pass these benefits to the ultimate stake holder.

Identify Strategic Challenges

There are many challenges faced by Utility and Public Sector organisations in the current economic environment.

Lack of Investment – the planned levels of investment made in water, energy & public sector delivery in the next 5 to 10 years may not meet future needs.

Reduced cost of service delivery – need to operate businesses efficiently and progressively reduce cost of service delivery with increased quality and emphasis on customer service.

Cost of capital – The regulator may be over optimistic in its judgement about the cost of capital in the forthcoming price reviews.

Consumer debt – impact of ‘bad debt’ increasing among cash strapped consumers.

Regulating energy demand – need to smooth peaks in energy demand & allocate network capacity efficiently.

Smarter technology – the need for concrete, definitive and a time based agenda for smart technologies.

Security of energy resource – need to look at options to secure & sustain energy resources; making use of technology advances in generation.

Government led – need for government led investment.

Key Enabler Themes:

A number of themes emerged that build on the best of private and public sector practice, to achieve:

Consistent, comparable data – organisations need to be able to benchmark against others to know whether the services they deliver are good value for money. This requires consistent, comparable data, which allows organisations to benchmark their performance and use both public and private sector best practice to raise their standards;

Incentives – an effective system of incentives and sanctions would create the right conditions for all organisations and individuals to maximise their contribution to the delivery of high quality services in an efficient manner;

Structures and tools – the right structures (e.g. shared service centres and professional buying organisations) and tools (such as software which allows access to collaborative procurement deals) need to be in place to help organisations and their staff achieve the savings they are being asked to achieve; and

Accountability and performance management – all elements must respond to the efficiency challenge. Organisations should have the flexibility to decide on the most appropriate methods of delivering savings in these areas, suited to their circumstances. To maximise the benefits and ensure these savings are found, there is a need for robust, proportionate accountability mechanisms. With consistent, comparable data, those who are currently under-performing can be identified and supported to improve quickly.

The 5 Step Efficiency Delivery Model:

A 5 step model may be explored to deliver operational efficiencies across Utilities & Public Sector Organisations:

STEP 1: Analyse Current Situation

Identify and address OPEX challenges and opportunities. Based on these analyses, develop long-term strategies to achieve intended business goals.

Measuring and improving performance may adopt a three dimensional approach:

- Benchmark current operational efficiency against the most efficient service providers in mature and emerging markets.
- Assess the efficiency of work processes to identify areas for improvement.
- Develop solutions to raise performance in these areas. In every case, we provide a unique solution building on past successes and in-depth experience.

STEP 2: Optimise business processes

- Optimising and streamlining existing operations and business processes is the key to reducing OPEX and improving customer satisfaction.
- By removing business silos that isolate operations and business support systems, it enables more visibility of operations and greater automation.
- They also reduce integration, maintenance and operational costs.

STEP 3: Modernise & extend existing assets

- Benchmark performance of existing assets in the current competitive environment.
- Investment in capital modernisation of assets is vital to reduction of operational costs in the long run.
- Explore predictive maintenance strategy for assets to extend performance & longevity.
- Re-organise business to maximise synergies across business work streams.

STEP 4: Transform business

Transformation is the longer term activity that is targeted at improving performance & efficiency; it includes identification & delivery of initiatives that bring in tangible savings identified through the business, any synergy and integration savings (i.e. through insourcing of business, re-negotiation / procurement of contracts, etc), managing the change required to ensure sustainable outcomes and driving the right behaviours to deliver.

Key guiding principles include:

- Long term governance to assure delivery
- Initiatives will be business owned & delivered through the line
- Single consistent approach to delivery and governance
- Gateway based processes

- ‘Crack on’ – early wins and prompt action on long lead time initiatives
- Engage specialist external support as appropriate
- Consistent communication and behaviours across business
- Effective reporting

STEP 5: Measure business outcomes, ensure sustenance

- It is vital to adopt a time bound & target based approach to deliver savings through the business.
- It is even more vital to develop the frameworks to monitor in real cash flow terms the realisation of these savings, either through efficiency initiatives or through business as usual (BAU).
- Real time management of actual vs. Target is vital to delivery of a predictive model that enables the opportunity to replan business strategy when elements of actual savings deviate from plan.
- This also provides the Management & Exec with real time view of progress that enables transparent position to Investors & Share holders.

Critical Success Factors:

In summary, the critical success factors to enable delivery of result oriented & sustainable efficiencies through a business include:

- Joined up leadership team
- Getting on with it
- Be brave & resilient – not a popularity contest
- Adherence to Transformation guiding principles
- Right people in the right jobs
- Clear accountability & ownership, linked to reward
- Manage change in behaviours across the business

