



# The Benchmark

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## Newsletter of the Water Research Commission Benchmarking Project Issue No. 1

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### New Water Research Commission project

The Water Research Commission has entered upon a new project to introduce and pilot the concepts of process benchmarking practices to municipalities within South Africa.

This follows from the publication of "Guidelines for the Implementation of Benchmarking Practices in the Provision of Water Services in South Africa" which provide a theoretical background to benchmarking.

The need for this initiative emanated from requests and expressions of interest from the municipal sector. The need was to test the guidelines in practice. The Commission solicited proposals from researchers and consultants to implement the methods and recommendations of the guidelines.

The motivation for this initiative was that from the initial study, inter-institutional comparisons were identified and needed in the water sector, which offers limited scope for direct competition. Commercial institutions operating in competitive markets are under constant pressure to out-perform each other, but water institutions, which are monopolistic in nature are sheltered from this pressure. The result is poor productivity, wastage and negative influence on the economy as a whole, as well as on service delivery.

In addition, many water institutions in South Africa lack but need information about the performance of their

organizations as well as that of other similar organisations in order to compare performance. Such information is not readily and routinely available due mainly to a lack of a common framework within which to communicate and share the information effectively.

Benchmarking is a continuous, systematic process for evaluating the products, services and work processes of organisations for the purposes of organisational improvement. It is a process where organisations exchange ideas and methods of working amongst themselves, with a view to improving their own performances and striving towards best practice. The benchmarking process enables an organisation to compare and improve performance in a number of areas, both within the organisation and across organisations. **It is important to understand and recognize that for benchmarking to be successful and produce tangible results it has to be institutionalised.**

#### *Types of Benchmarking*

- Metric BM or Incremental – refines a process in small steps to optimize performance without major process revision. It uses quantitative measures to assess track performance over time, which leads to incremental improvements.
- Helps to answer the question as to "What Should I improve?"
- Performance or Breakthrough Benchmarking:-

Here the validity of the current accepted practices is challenged and radical measures are implemented leading to quantum (breakthrough) leaps in productivity or performance. This is the qualitative approach (analysis and redesign) that answers "How can I improve?" *The WRC Pilot Study*

The aims and objectives of this pilot initiative or study is to:

1. Refine and test the benchmarking process and methodology developed for the Water Research Commission (Report TT 168/02).
2. Identify the key performance areas or benchmarking criteria compatible with generally accepted best practice (and future regulation) and in consultation with participants.
3. Develop new software or tools, or enhance existing software or tools to facilitate benchmarking comparisons.
4. Implement the benchmarking process within a group of between 10 and 15 selected water services institutions. (Water Services Authorities and Providers, Water Boards)
5. Link with other benchmarking initiatives both locally and internationally.
7. Capture and record experiences and lessons learnt, generated through the pilot project. Prepare reports and newsletters on a regular basis to keep the water services sector updated and informed of new developments.

The project is divided into three phases.

Phase 1 of the project involves the senior officials who would be most affected by the benchmarking who would be invited to a series of workshops to select, refine and define the performance indicators that would be used. Such workshops and, the fact that a service provider to be appointed to construct benchmarking system architecture and software to manage our database. The workshops were to facilitate exchange of experiences in gathering and entering data.

The second phase is to be the Operational Phase. The first step would be to gather the data on the agreed key performance indicators from the Local Municipalities and enter this into the database. This was preferably to be via the Internet. Where a Local Municipality could not do this electronically, it could be done via fax.

Performance Indicators would be calculated from the raw data. A reality test to test the consistency and reliability of the information would be made during this stage. If anomalies in the information were found, this would be followed up and the necessary corrections and or coaching would be undertaken.

The third and final phase will be to document the course of the project and codify the lessons learnt.

Benefits the study aims to provide are:

The study will build on and enhance a number of initiatives within the sector towards improving performance. The concepts of benchmarking are not new and have been used for some time with great success in the private sector. Success stories are companies such as Ford Motor Corporation, rank Xerox, etc. Nearly all FORTUNE 500 companies have done at least one BM project, in fact a quarter have institutionalized the practice.

- The benchmarking process enables an organisation to compare performance in a number of areas, including relative performance in respective of certain key areas. As an example there are three areas that can be considered, viz.:
- Benchmarking the historic performance of the provider relative to itself across time.
- Benchmarking the performance of the provider compared to another on the same factors.
- Benchmarking the performance of the provider internally by comparing its service provision to different areas.

## Global Developments

There is a worldwide interest in benchmarking, highlighted by the interest shown in the recent conference hosted in Perth, Australia. It was well attended with delegates from the United Kingdom, the United States of America, India and of course there was a strong delegation from South Africa. They represented the Department of Water Affairs and Forestry, the South African Association of Water Utilities, the City of Johannesburg and Jowater as well as a number of consultants.

Amongst the reports that would be of interest to South Africans is the benchmarking project being conducted by the Water Utilities Partnership. Data is being collected from a number of water utilities around Africa to assist them to understand their business better and to assemble data in a systematic manner. The information is being made available through web. Another initiative is that being managed by the South African Association of Water Utilities. The water boards are also collecting data for comparative purposes based on performance indicators.

The World Bank is promoting a start up kit with a set of basic indicators. Information is being collected against these from all around the world. It can be accessed from the World Bank web site.

## Progress On the Water Research Commission Benchmarking Project.

The process of encouraging the municipalities that were invited to participate in the benchmarking project was started by inviting the Portfolio Councilors and the Executive Managers from the municipalities selected to participate in the project to a preliminary workshop that was intended to make them aware of the project and the advantages that it could bring.

The delegates were introduced to the "Guidelines for the Implementation of Benchmarking Practices in the Provision of Water Services in South Africa". The theory and the concepts of benchmarking

and the benefits that a municipality would be likely to gain were highlighted. Together with this core group the methodology for the pilot was ratified and roles and responsibilities clarified. Commitments to this initiative have been received from the following local authorities :

- Tshwane
- Emalahleni
- Mogale City
- City of Cape Town
- Rustenburg
- Moretele Local Municipality
- Ethekewini Metro
- Potchefstroom Municipality
- Groblersdal Municipality
- Kungwini Municipality
- Ngwathe Municipality
- Randfontein Municipality
- Mogaalakwena

The next step in the process has been the selection of performance indicators by the heads of departments.. The indicators will be calculated from data supplied by the municipalities and which would be available from their normal operations. The purpose was to minimise the work that the municipalities would have to do. In return they would receive relevant management information as well as information that they were bound to supply in terms of legislation. He pointed out that the comparisons would enable the municipalities to evaluate their methods of working with their peers and thus learn and be able to improve their performance through learning new ways.

The main thrust of the project will be to initiate process benchmarking by the linking of Municipalities where this would be mutually beneficial. The Municipalities would be given all round support in this process by way of making the introductions, helping in preparing the benchmarking questions and then in the collection and collation of the process information. Finally assistance will be given in applying the lessons learnt.

The emphasis would be on the need for the municipalities to learn and change their processes through the lessons learnt while benchmarking. It is axiomatic that in order to improve the way one is working one must change. In order to do this successfully it will be necessary to

encourage the creation of a learning organization. This would have to come from the top management and hence the invitation to the Executive Managers and the Portfolio Councilors.

A second Workshop for heads or departments was held at the beginning of August. The main business of the workshop was to:

- ❑ Agree on categories of performance indicators
- ❑ Identify performance indicators and agree on classifications
- ❑ Agree on computation formulae, and
- ❑ Agree on definitions.

A presentation was made by Dr Mogale on the "Theory of Performance Indicators in Benchmarking". This gave proper definition of performance indicators and explained the benchmarking concept. The presentation further explained what and where benchmarking can be applied, including private, public, and regional organisations. The presentation then focused on the underlying rationale and how benchmarking works.

The presentation further highlighted the benefits and pitfalls of benchmarking. It then outlined some of the steps that can be undertaken to put benchmarking into effect.

The results of a survey made amongst the communities of Brooklyn- Hatfield (Suburbs), Mamelodi (Township), Nellmapius (Low Cost Housing), Stanza Bopape (Informal Settlement) to determine the key areas of customer satisfaction. The survey was intended to identify performance expectations of consumers of municipal water services in the areas referred to above. The presentation covered such issues as communities' access to basic municipal services, their awareness of a benchmarking exercise, measuring municipal performance, municipality's information communication system with communities, etc.

A brief presentation on the performance measurement and the management of change in municipalities followed. The history of municipal service transformation over the past eight years, underpinning legislation and policies was explained. The establishment of mutually agreed performance indicators would go a long

way towards assisting municipalities to improve service performance levels as well as meeting statutory reporting obligations.

The performance indicators covered the principal clusters of:

- Service Delivery,

These indicators covered such aspects on the water supply side of pipe bursts and failure to deliver services. On the wastewater side it covered spillages and blockages. Planned and unplanned maintenance formed the subject of another sub-set of indicators and unaccounted for water the last on the topic of service delivery.

- Finance,

The financial indicators followed aspects such as revenue collection, net surplus and conformity to capital expenditure budget.. The final one is a comparison of the amount the customer would have to pay assuming monthly consumptions of 8 cubic metres and 35 cubic metres per month.

- Customer Satisfaction,

Two indicators were selected for this cluster concerning response times for complaints as well as the number of complaints, divided as between financial problems and technical problems.

- Human Resources

These indicators reflected legislation intentions as much as anything else. The staff complement ratio for the each of the water and wastewater systems was based on the numbers per cubic metre sold or treated. The balance covered the number of training days per employee, the person days lost per month and the disabling injury frequency rate.

- Environmental.

The two indicators chosen related to compliance with statutory requirements for the quality of the water supplied and the wastewater discharged. The final one measured the frequency with which trade wastes were sampled per discharger.

"The biggest room in the world is the room for improvement.