RESOURCE UTILIZATION AND VALUE FOR MONEY.

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BY

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RESOURCE UTILIZATION AND VALUE FOR MONEY.

Introduction.

- **Resources are Scarce.**
  - Trade off between quality and quantity not necessary
  - Maximise quality and quantity by STRIVING TO DO MORE WITH LESS
  - To make choices we require information on
    - * prices, quantity and quality
  - A purchase where we are satisfied with the above parameters
    - * we consider having obtained VALUE FOR MONEY
- **Lack of the pursuit of value for money continue to keep Nigeria as a LESS DEVELOPED COUNTRY (LDC) resultant from**
  - misallocation and misapplication of resources.
  - lack of transparency, accountability and value for money
- **Development is both physical and a state of mind**
  - increase availability of life sustaining goods
    - * food, shelter, health & security
  - raise level of living standards
    - * income, more jobs, better education, human values
  - expand range of economic and social choices
    - * free people from servitude and dependence national and international
- **National economic decline**

  income per head $1000 in 1980 down to $290 in 2002 compared to $450 average for sub-saharan Africa.
  - NEEDS seeking to reverse this
    - * by focusing on empowerment, wealth creation, employment generation, poverty reduction, reforming government
    - * strategy to eliminate waste, effective budgetary system, fighting corruption, the promotion of accountability and transparency.
  - **All these geared towards a more efficient and effective resource utilisation.**

Scope of Lecture

- Concept of value for Money (VFM)
- Resource utilisation mechanism
- Tools available to measure the impact of a value for money driven resource utilisation Programme.

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The Concept of Value for Money

Value for Money (VFM) is the pursuit of economy, efficiency and effectiveness in the use of resources.

> **"Value for Money is achieved when a public body carries out its duties to high standard at low cost. This can be summarised colloquially by saying that a good job is being done. Slightly more technically, value for money is achieved when administration and service provision is 'economic, efficient and effective."**

Just as a commercial product should provide satisfaction to be successful, public goods should also be successful in meeting the real needs that they are designed for at reasonable cost.

Economy

- The practice by management of the virtues of thrift and good housekeeping.
- An economical operation acquires resources in appropriate quality and quantity at the lowest cost.
- A lack of economy could occur where there is overstaffing, or the acquisition and use of overpriced facilities.

Efficiency

- Maximum useful output resources devoted to each activity, or,
- Minimum level of resources are devoted to achieving a given level of output.
- Inefficiency would be revealed by identifying the performance of work with no useful purpose, or the accumulation of surplus materials that are not needed to support operations.

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Effectiveness

- Is ensuring that the output from any given activity (or the impact that services have on a community) is achieving the desired results.
- To evaluate effectiveness, we need to establish that the desired goals are being achieved. A goal as an operating objective should be defined as a concrete expression of a policy objective.

ACTUAL INPUTS ← **[Efficiency]** (the ratio of actual inputs to actual outputs) → ACTUAL OUTPUTS

[Economy] (the ratio between planned inputs and actual inputs in terms of unit)

[Effectiveness] (the ratio of actual outputs to planned outputs)

PLANNED INPUTS

PLANNED OUTPUTS (Objectives, goals etc)

The three E's of economy, efficiency and effectiveness.

Economy is simplified into ratio between planned input/Actual inputs

This automatically embraces quantity, quality and cost.

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Attributes of Economy, Efficiency and Effectiveness

- Economy and efficiency are similar as both relate to saving resources.
- Economy ensures that input costs are minimised.
- Efficiency ensures that maximum output is achieved at the minimum level of input cost. Efficiency, therefore, subsumes economy.
- An entity cannot be efficient and uneconomic, but it can be both economic (cheap) and inefficient.
- Effectiveness is a far more positive element. Effectiveness means that a service provided properly meets a real need.

The Chartered Institute of Public Finance and Accountancy (CIPFA) in the UK in setting standards for External Audit of Local Authority states:

> **"Economy and efficiency in the execution of programmes is of small consequence if the programmes are not meeting the authority's objectives and no assessment of value for money is complete without regard to effectiveness. In order to assess effectiveness, it is necessary first to determine and specify objectives and second, to assess performance against these objectives so that appropriate adjustment or remedial action can be taken."**

In other words there is no benefit in doing the wrong things well.

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The 3E Model in relation to resources utilization

Economy

To establish economy of operation, management should establish internal policies for the creation of standards viz:

- Quantity of materials required for an operation are set out using optimum standards in the scope of works.
- Quality of materials are set out in technical specifications or professional guidelines. Quality of staff may also be provided by professional guidelines.
- Ensure that set Quality and Quantity are obtained at minimum or 'acceptable' cost in relation to local conditions of operation.

Quality and 'acceptable' or minimum cost is best obtained by competitive tendering where technical and economic parameters are thoroughly evaluated against set standards and the best in the circumstances selected – LEAST RESPONSIVE BID.

Efficiency

Efficiency, which is making sure that the maximum useful output is obtained from the resources devoted to the activity is relatively difficult to verify. It is the ratio of actual inputs to actual outputs.

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The 3E Model in relation to resource utilisation

- The 1981 Canadian Audit Guide discussed the importance of efficiency measurements, standards and performance data viz:
  - demonstrate achievement of results by comparing performance data to standards, targets and goals;
  - plan operations and budget resource requirements by providing data for comparing present and proposed methods and procedures;
  - provide a rational basis for pricing goods and services (when charges are made);
  - make trade off decisions between efficiency and the level of service; and
  - indicate to employees and supervisors what results are expected.
- The key elements in management adopting efficiency measures in resource utilization:
  - an awareness of desired goals and the determination to accomplish them in the most economical and efficient manner;
  - a need to plan operations as efficiently as possible for a given level of resources;
  - the need for a structured organisation whose administration should follow prescribed work systems and procedures in order to avoid duplication of effort, unnecessary tasks, idle time; and
  - the provision of work instructions in sufficient details to employees who are suitably qualified and trained for the duties they are required to perform.

The measurement of efficiency is not an end in itself. The objective should be towards continuous improvement.

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Effectiveness

- Management should primarily be concerned with the results obtained and continuously ask the question
  - How effective is the activity?
- Effectiveness could be obtained efficiently.
- On the other hand despite all efforts put into a particular activity it could still be ineffective.

For example a government adult education programme could be efficiently administered but its effectiveness could be questionable if there is no appreciable reduction in the community's adult illiteracy level after the programme has run for sometime.

- Key questions therefore are
  - * what is needed
  - * how to measure in some ways whether it is being obtained; and
  - * whether the cost is right.

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Leaders, managers, efficiency and effectiveness

- **The three Es can be recapped for clarity as follows:**
  - Effectiveness means "doing the right things" – i.e. achieving objectives.
  - Efficiency means "doing them well" – for instance with good systems and inputs which avoid waste and rework.
  - Economy means "doing them cheaply" – with, for instance unit cost for labour, materials etc. being under control.
- **Responsibility for value for money**
  - A good manager does things right (is efficient).
  - A good leader does the right things (is effective).
  - This, therefore, sets the tone for the assumption of responsibilities for the attainment of value for money in any entity.
- **Importance of leadership**
  - Economy and efficiency are of small consequence if effectiveness is not attained. Doing the right thing (effectiveness) is the hallmark of successful leadership. Leadership implies a goal, a direction, an objective, a vision, a dream, a path, a reach.
  - Joseph Campbell, in a lecture given at Tarrytown Conference Centre, New York, in 1985 cited the fact that

    "lots of people spend their lives climbing a ladder – and then they get to the top of the wrong wall. Most losing organisations are over-managed and under-led. Their managers accomplish the wrong things beautifully and efficiently. They climb the wrong wall."

- **What do people want in a leader**
  - In the quest for effectiveness (leadership) the question is always asked – what do people want from leaders?
  - Warren Bennis and Joan Goldsmith in Learning to Lead identified four demands that constituents want from their leaders:
    - Purpose, direction and meaning
    - Leaders must generate and sustain trust
    - Optimism
    - Action and results
  - In the pursuance of value for money the distinction between efficiency and effectiveness is clear as the responsibility for the attainment of the two crucial factors is clear. The manager does things right (pursues efficiency) and the leader does the right things. (pursues effectiveness).

The 80/20 Principle and value for money

- The 80/20 Principle – minority of causes, inputs or effort usually lead to the majority of the results, output or reward.

  A good benchmark for the imbalance is provided by the 80/20 relationship:

  - In business, many examples of the 80/20 Principle have been validated. 20 percent of products usually account for about 80 percent of the value of sales so do 20 percent of customers.
  - In society, 20 percent of criminals account for 80 percent of the value of crimes; 20 percent of motorists cause 80 percent of the accidents etc.
  - In homes, 20 percent of the carpets are likely to be used 80 percent of the time; 20 percent of clothes are worn 80 percent of the time etc.

- **Message of the 8020 principle**

The overriding message of the 80/20 Principle is that we can be more effective and happier because by using it, we will find that:

- each profit making organisation can become much more profitable;
- each non-profit organisation can also deliver much more useful output; and
- every government can ensure that its citizens benefit much more from its existence.

At the heart of this, is a process of substitution –

- Resources that have weak effects in any particular use are not used; or are used sparingly;
- Resources that have powerful effects are used as much as possible;
- Every resource is ideally used where it has the greatest value; and
- Wherever possible, weak resources are developed so that they can mimic the behaviour of the stronger resources.
- a small minority, are super – productive – 'the vital few'
- the majority – the 'trivial many' exhibit little productivity or else actually have negative value.
- if we realise the difference between the vital few and trivial many in all aspects of our lives, and if we did something about it, we could multiply anything that we value. This is one of the fundamental cornerstones of the pursuit of value for money.

Paradox of 80/20

- the bad news – waste everywhere is natural
- the good news – identify and castigate waste and low productivity

Above gives enourmous scope for improvement and re-engineering and redirecting both nature and our liver.

i) Reallocating resources from unproductive to productive uses.

ii) Find ways to make the unproductive resources more effective even in their existing applications. To make the weak resources behave as though they were their productive cousins; to mimic, if necessary by intricate procedures, the highly productive resources.

The few things that work fantastically well should be identified, cultivated, nurtured and multiplied. At the same time, the waste – the majority of things that will always prove to be of low value should be abandoned or severely cut back.

The 80/20 Principle can help us achieve precisely this.

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- **The imperatives of value for money**

  - Value for Money is important in our personal lives.
  - It is also a vital necessity of focus by profit and non-profit organisations.
  - It is even more important in the Public Sector because of the sheer size of expenditure and its propensity to waste. In an era when we have to adjust to limits in resources, we must strive to squeeze more out of every gram of expenditure
  - Paradigm shift in public expenditure being more entrepreneurial. As the French economist J. B. Say wrote in 1800

    "The entrepreneur, shifts economic resources out of an area of lower into an area of higher productivity and greater yield". An entrepreneur in other words uses resources in new ways to maximise productivity and effectiveness.
  - An entrepreneurial public sector will need to:
    - imbibe the culture of discipline, transparency and accountability in the management of public funds;
    - restore the integrity of the budgetary process and fiscal, sanity; and
    - establish a credible system of reward and sanction in order to fight corruption and fraud.

Entrapreneurial Public Sector - Questions

- Is the organisation getting what it is paying for?
- Are there more economical ways of meeting required service?
- Are there areas of waste that need to be eliminated?
- Is the organisation managed well?
- Are there performance measures to provide policy makers with adequate and timely information to achieve value for money?

Application of VFM in resource Utilisation

- Public resource utilization need to be planned out in clear terms, setting out the objectives of government and budgets designed to achieve those objectives

- National development plan and budget brilliantly formulated cannot achieve stated objective unless the projects, programmes and policies therein are effectively implemented.

- the pre-requisite to efficient resource utilization is to imbibe a performance based budgetary policy that enables the managers of resources to assess the performance of their budgets through resource application and measurement tools like performance measurement, benchmarking as well as value analysis.

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Performance Budgeting

> **"Presents the purposes and objectives for which funds are requested, the costs of the programmes proposed for achieving this objectives and quantitative data measuring the accomplishments and work performed under each program".**

- emphasises the things government does not what they buy.

- essential features of a full-fledged Performance Budgetary system:
  - Classification of budgets in terms of function and activity
  - Measurement of work done or outputs provided by each activity
  - Expression of the budget in a way, which allows a direct comparison between cost of executing the work (inputs) and the output or achievement on the programme (outcome).

- Performance Budgeting is the setting of explicit goals or outcomes.

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In introducing the PSA, the chancellor of the Exchequer in 1981 lamented that

> **"Spending rounds were not informed in any systematic way by data on output spending. The absence of the systematic framework of this kind makes it harder to take decisions about the relative value for money of marginal increases in resources for different areas. Discussions in the annual review process focused on increments or cut to an existing base. Agreed measures of performance by which success to date could be judged did not exist for many programmes. Without output data, it was harder for parliament and the public to judge what the new spending plans would deliver or to hold government to account. Most importantly public servants themselves were often not clear what specific improvement in services was expected of them. In the absence of a performance information system, government did not have the levers to lead changes or manage delivery".**

Mr. Chairman, distinguished ladies and gentlemen, what obtained in Britain in 1998 sadly obtains today in Nigeria, hence the need for Performance Based budgets.

In Nigeria,

- budget making had hither to been shrouded in mystery like the papal conclave,
- budget implementation had been even more bizarre with no reference what so ever to performance. The Due Process Mechanism is changing all this.

Performance Budgeting – The missing Link

- Budget implementation characterised by the absence of a deliberate performance evaluation mechanism to determine success or otherwise of a project or programme in particular and the mission in general.
- Performance covers the work an organisation performs in converting inputs through processes to outputs or outcomes. Inputs, processes, outputs and outcomes fall along a performance continuum.

Performance can be regarded as simply the record of outcomes achieved.

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Key issues for review

- **Performance Measurement**

  This refers to measuring the performance of a programme, a service, or function.

- **Performance Indicators**

  These are signs to help a manager answer the question. "How will we know when we have been successful?"

  - **Inputs.**

    The resources used to produce outputs or outcomes. Inputs are usually expressed as amount of expenditures, amount of staff time (such as number of employee hours or days), quantum of materials used etc.

  - **Outputs.**

    The products and services produced by a programme, or activity.

    - Outputs result from internal activity or effort.
    - Outputs are important for measuring internal work performance, but do not in themselves indicate the extent to which progress has occurred toward achieving the programme's purpose or mission.

  - **Outcomes.**

    Events, occurrences, or conditions that indicate progress toward achievement of the purpose of the programme.

    - Outcomes can be measured in terms of the extent to which they occur.
    - Outcome indicators can also reflect the quality of the service delivered or customer satisfaction with different aspects of service delivery.

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Key issues for review

- **Efficiency and productivity**

  These terms describe ratios of inputs to outputs or to outcomes. Efficiency and productivity are essentially equivalent, differing only in the way in which the ratio is expressed in terms of inputs to outputs (or outcomes). It is usually expressed for example, as the number of employee or amount of employee time per unit of output (or outcome). It is sometimes referred to as "unit cost". Productivity is the ratio of the amount of output or outcome to inputs, traditionally expressed as the amount of output (or outcome) per unit of input.

  Output Efficiency / Productivity Examples:

  - Numbers of man-days expended per repair made. (Efficiency)
  - Number of students transported divided by the cost of transportation Productivity

  Outcome Efficiency / Productivity Examples:

  - Repair cost per kilometer of roads that were repaired to satisfactory conditions (Efficiency)
  - Number of patient seen per doctor per day (Productivity)
  - Average Number of invoices processed by per accounts staff.

- **Target Population.**

  This is specific categories of the population that benefit from a programme or that a programme affects. (Such population groups might be categorized by geographical location of residence, by age, group, gender, by income group etc.

- **Performance Targets.**

  These are numerical target levels of performance against which actual achievements can be compared. It is important that targets are set by each programme, for each indicator and for each future reporting period. For example, the statement to achieve a 95 percent vaccination take for all children below age of two includes a target of 95 percent achievement.

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- **Programme Evaluation as a Potent Resource Utilisation Review Tool**

  Programme Evaluation is an in-depth examination of a particular programme to highlight the effects of the programme on outcomes. involves various technical procedures such as surveys, statistical analyses etc.

A well-functioning evaluation system permits managers to determine how the use of resources at their disposal is contributing to the achievement of objectives.

- A rule of thumb is that no major new programme should be embarked upon without either an extensive evaluation of similar earlier programmes or if it is the commencement of the particular programme a pilot programme should be carried out.
- Close monitoring followed by an interim evaluation could provide valuable information for decision making, on expansion, modification or termination of a programme.

Evaluation can be extant, during implementation and ex post. Well-focused and properly timed evaluation can:

- Provide the information needed to bring about mid-course corrections in programme and projects;
- Allow for the analysis and resolution of systemic or policy issues;
- Improve the design of future operations; and
- Contribute to strategic policy and programme decisions.
  - It is very easy to be entirely focused on inputs particularly in the public sector and ignore results (outcomes).
  - Indeed funding of institutions according to inputs means that they have little reason to strive for better performance.
  - When the mode of funding is linked to results, institutions become obsessed about performance. It is therefore imperative that results be carefully measured.

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The imperative of Performance Measurement as a veritable Tool of resource utilization in government

Organizations that measure the results of their work, even when they do not link funding to these results, find that the information provided by the measurement transforms them. The following are true effects of measurement of results:

- **Measurement is a call to action.**
- **If you do not measure results, you cannot tell success from failure.**
- **If you cannot see success, you cannot reward it**

  The best way to increase productivity is to reward success. There are large economic savings to be made in the public sector if management, and staff are properly motivated to find them out.
- **If you cannot reward success, you are probably rewarding failure**

  Rewarding success is common sense. It also needs to be common practice otherwise all that will be rewarded is failure.
- **If you cannot see success, you cannot learn from it**

  Value for money implies continuous learning by organizations. The greatest opportunity for innovation in business, Peter Drucker counsels are "Unexpected successes".

  Innovation is finding new ways to perform better.
- **If you cannot demonstrate results, you cannot win public support.**

  There is usually a great apathy about a government or a leader that cannot demonstrate results. Such a government or leader is considered ineffective and is thought to be devoid of the ingredients of leadership – purpose, direction and meaning.

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Measuring performance drives continuous process improvement as it encourages organizations to continuously look at their processes, policies, procedures and structures, analyze their performance and implement innovations and improvement opportunities.

In the United States of America (USA) for instance, Public Sector Performance Measurement is guided by the **Government Performance and Results Act 1993. (GPRA)** Section 2(b) of this act requires spending agencies to develop performance plans and targets which clearly:

- Establish performance goals to define the level of performance to be achieved by a project/programme activity;
- Express such goals in an objective, quantifiable and measurable form unless authorized to be in an alternative form;
- Briefly describe the operational process, skills and technology and the human, capital, information or other resource required to meet the performance goals;
- Establish performance indicators to be used in measuring or assessing the relevant output, service levels and outcomes of each programme activity;
- Provide a basis for comparing actual programme results with the established performance goals; and
- Describe the means to be used to verify and validate these values;

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Fiscal Responsibility bill and Performance Budgeting

Since the introduction of the Due Process mechanism, efforts are being made by government to ensure that Budgets prepared and executed are Performance Based. In other words the traditional budgets have failed the nation and there is the need to shift.

In a paper titled "Why we need fiscal responsibility bill" in November 2004 the Minister of Finance Dr. Ngozi Okonjo-Aweala stated among others

> **that past governments have incurred a huge contractor debt of close to six hundred billion Naira. She observed that "the accounting systems that could permit these outrageously imprudent management of public finances is an inefficient system devoid of the necessary controls and therefore requires overhauling".**

Essentially the Fiscal Responsibility Bill has the following major elements

- Openness on the setting of goals for the revenue and expenditure of government
- Public access to comprehensive, information on government financial activities
- Clear rules on the management of public finances
- Transparency in the budget preparation, execution and reporting and above all
- Performance indicators to help focus on results

When the law is passed it is expected that it will

- shift emphasis from revenue sharing to revenue generation;
- minimize risks and fluctuation in government fiscal operation; and
- strengthen accountability and sound financial management by all tiers of government.

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Dictates an Enhanced Resource utilisation program

- **Aggregate controls, planning and reporting**
  - **the introduction of programme and project budgeting,**
    - the specification of programme and project target, and the certification of all appropriations related to that programme objective basis for the preparation of all budgets by the government and annual reporting by all ministries and agencies;.
  - **the introduction of the 'running cost' system**
    - applicable to non-programme expenditure, where detailed line items for agency administration costs will be replaced by aggregate appropriation allowing agencies the flexibility to move funds between the related items for example, salaries and administrative purchases;
  - **the introduction of annual efficiency dividends**
    - based on annual potential for productivity gains from running costs appropriations;.
  - **'carry-over' arrangements for running costs items,**
    - allowing ministries and agencies to carry forward unspent moneys, or to borrow from future appropriation, within agreed limits;
  - **common services reforms,**
    - involving a sequence of changes in arrangements for common services such as property, cars and publishing, starting with
      - user pays and then
      - choice of provider, then
      - commercialization of the government provider and
      - finally privatization in almost all cases.
  - **identifying and reporting against efficiency and effectiveness indicators**
    - a formal process of evaluation being put in place to cover all programmes and projects.

- **Outcomes and Outputs reporting framework**

  Outcome and output framework answer three questions

  - what does government want to achieve (these are the outcomes);
  - how does it want to reach these achievements (these are the outputs);
  - how does it know if it is succeeding (these are the indicators).

    - Outcomes are the key results the government of – the – day seeks to achieve, and define for each agency the purpose of their business.
    - Outputs are discrete activities or set of activities - a product or service, performed by an agency as part of achieving its outcomes. Ministries and agencies would be required to specify and cost their output against planned outcomes, and identify performance indicators and targets.

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Accrual accounting

Accrual accounting involves bringing items into the accounts and included in the financial statements as they are earned or incurred rather than as they are received or paid.

- Is transparent and auditable accounting system allow for management flexibility,
- Provides for a more comprehensive and timely information that enables managers to
  - identify the assets controlled by the agency and evaluate decisions concerning resource allocation and management;
  - reveal the extent of liabilities of the agency;
  - reveal a more comprehensive picture of the agency's performance;
  - make informed judgment about agency programme and performance; and
  - account more comprehensively for use of money appropriated.
- Benefit of outcome – output based accrual budget framework.
  - a clearer picture of the full cost of the goods and services ministries and agencies provide, including indirect costs, depreciation and maintenance;
  - the information necessary to manage the financial health of agencies; and
  - improve communication with stakeholders on priorities and achievements through consistent and streamlined reporting arrangements.
  - a more effective asset and liability management,
  - better assessments about the true and full cost of output; and
  - further opportunities for performance improvement.

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Performance Management Tools.

Relevance of Performance Measurement in value for money.

- Private sector – profitability yardstick measurement performance.
- Public sector, however, profit measurement yardstick not applicable.
  - To ensure that resources are being allocated and utilized efficiently and effectively within the public sector, evaluation is carried out through performance measurement known as **Key Performance Indicators (KPIs).** Performance Measurement is therefore an important tool for evaluating value for money in the public sector.
  - A survey of public sector managers in some local authority and health sector departments in the UK (Jackson 1984) regarded the best features of performance measures to be
    - the ability to make comparisons of actual performance against targets, previous periods, or similar departments or programmes
    - the ability to highlight areas of interest and the relevant questions to ask
    - the ability to provide a broad ranging/comprehensive picture of a service
    - the identification of trends overtime
    - the development of local benchmarks, norms or targets

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Benchmarking as Resource utilization evaluation and improvement tool.

Benchmarking has several similar definitions but let us look at a few.

Sylvia Codling, Best Practice Benchmarking, 1992

"Benchmarking is a rational, disciplined approach to continuous improvement which helps identify, compare and emulate best practice wherever it occurs."

Royal Mail, UK, 1992

" a structural process for learning from the practice of others, internally or externally, who are leaders in a field or with whom legitimate comparisons can be made"

UK Department of Trade and Industry definition, 1995

" A systematic approach to business improvement where best practice is sought and implemented to improve a process beyond the benchmark performance."

The following common thread run through most of these benchmarking definitions:

- a point of reference for measurement;
- a study of key internal processes;

Benchmarking is very important because:

- it facilities continuous improvement;
- it stimulates process efficiency and effectiveness;
- it adds much needed external perspective to an organization's internal processes; and
- it focuses an organisation on what really matters.

Public sector organisations in Nigeria must get on the benchmarking bandwagon if they are ever to

- improve their processes,
- enhance productivity and
- obtain value for money in the utilisation of their scare resources.

Benchmarking is therefore a useful developmental and performance improvement tool.

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Types of Benchmarking

There are, generally four types of benchmarking that can be pursued, each with its own specific objectives.

- Internal benchmarking
- Competitive benchmarking
- Functional (non-competitive) benchmarking
- Generic benchmarking

Performance gap

- what is achieved in terms of numbers (the performance metrics); and
- how and why it is achieved (the practice).

Presentation better in graphic format

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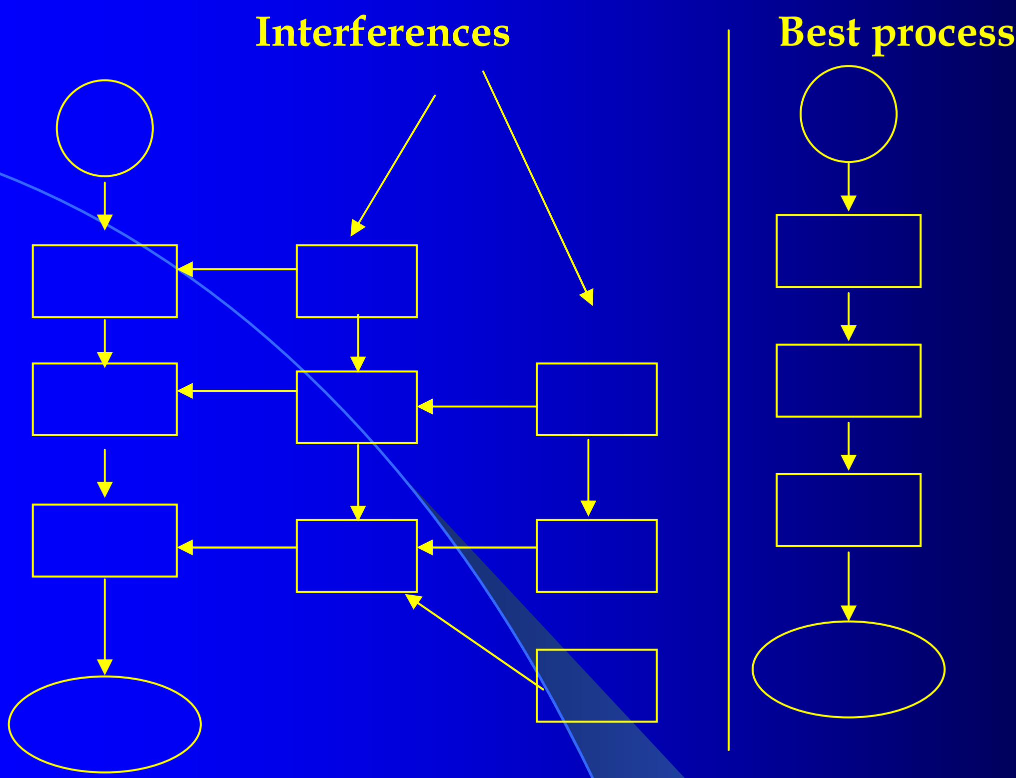
Process-to-process comparison



The following questions will also follow:

- How do we get from here to there?
- What can be done to close the gap?
- How can the positions be reversed bearing in mind that your competitors are also making improvements and trying to widen the gap?
- How far will you go to adopt and adapt new practices?
- What is involved, how much will it cost and how long will it take?
- What are the broader implications for the organisation?

Implementing the process change dictated by benchmarking result is the most challenging aspect.

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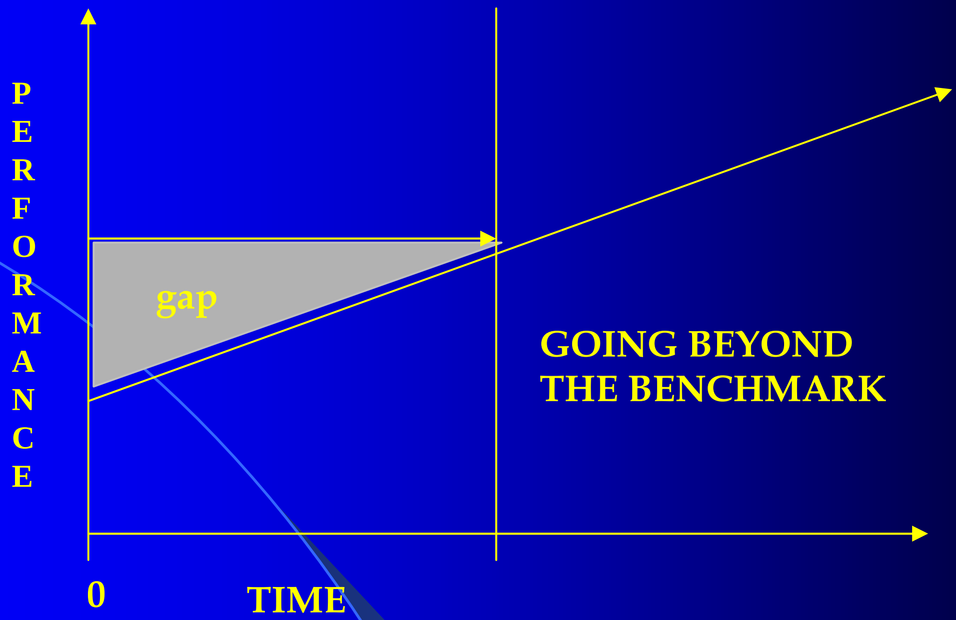
Narrowing the gap



Benchmarking can help to deliver major benefits particularly in a developing environment:

- Achieving economy in the form of lower prices and higher productivity;
- Achieving efficiency by comparing the costs of providing services and the contribution these services make to the business with what is achieved in other organisations;
- Achieving effectiveness in terms of actual business objectives realized compared with what was planned;
- Help to expose corruption and foster accountability and transparency.

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Starting down the road to successful benchmarking means asking the following fundamental questions:

- What is wrong with what we do?
- How can we do it better?
- Will it give us a competitive edge or improved service delivery
- Will our work force be able to change?
- How much will it cost?

- **Reasons to benchmark – a recap**
  - To establish the difference
  - To set the highest possible standard
  - To learn from Best in Class (BIC)
  - Creating synergy of ideas
  - Reduction in prevention costs
  - Appraisal opportunities
  - Reduction of failure cost

Value Analysis

Value analysis is the review of the effectiveness of the management of capital projects from approval through installation together with any methodologies used to improve the management of future capital projects.

In particular, value analysis is carried out in order to test value for money control at management efficiency of overall arrangements to attain value for money at all levels in a practical project execution situation.

Value analysis reviews a project's effectiveness in the following ways;

- The reconfirmation of the objectives that underlined the project in its conception stage and in ensuring that on completion of the project, the objectives are still relevant.
- The confirmation that the activities and output of the project are consistent with its mandate and are relatively linked to the attainment of the objectives.
- Assessing the impact and effects both intended and unintended resulting from the execution of the project and in considering whether.
    - the unintended effect outweighs the benefits of the projects;
    - the project in anyway or manner complement, duplicate, overlap or work at cross purpose with other projects and to what extent.

RESOURCE UTILIZATION AND VALUE FOR MONEY.

Value Analysis

- Revenue or cost savings reported since the completion of the project with particular reference to
  - the necessary performance indicators relating to the project outcomes;
  - confirmation that the project has achieved what was expected; and
  - assessment of reasons for failure to meet objectives

Above all, value analysis would evaluate whether there are better ways of achieving the expected results by asking whether there are better cost – effective alternative projects which could have achieved the objectives better or delivering the existing objectives.

Most develop countries reserve 2% of Capital Project cost for value analysis

Conclusion

In conclusion, Resource utilization can be pursed if the concept of value for money is practiced. Therefore, the introduction of performance based Budgets that link output/outcome to inputs and focus on value for money should be introduced. Performance measurement review, Benchmarking, value analysis etc are imperative tools to apply in resource utilisation evaluation, management and improvement if the hybrid headed evil of waste, corruption, low productivity and under development in Nigeria and indeed Third World countries is to be ferociously attacked and defeated.

THANK YOU FOR LISTENING