UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL

LIMITED

ST/ECLA/CONF.7/L.2.27
25 April 1961

ORIGINAL: ENGLISH

LATIN AMERICAN ELECTRIC POWER SEMINAR

Held under the joint auspices of the Economic Commission for Latin America, The Bureau of Technical Assistance Operations and the Resources and Transport Economics Branch of the United Nations, with the collaboration of the Government of the United Mexican States

Mexico City, 31 July to 12 August 1961

MANAGEMENT IMPROVEMENT IN ELECTRIC PUBLIC UTILITIES

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NOTE: This paper is an outline of a concept, and does not represent a complete dissertation. The Seminar should produce the questions and examples so important in applying general concepts to specific situations.
This text is subject to editorial revision.

The effectiveness of an electric energy organizacion is determined by the level of excellence it demonstrates in both technical and management matters.

Pre-occupation with technical designs and operating and maintenance techniques to the neglect of employee motivation, clarity of organizational command, expenditure planning and control, staff development, control reports and progress evaluation, and correction of inadequate performance may produce an enterprise characterized by technical wizards and administrative dullards.

On the other hand, pre-occupation with management techniques may lead to the growth of management improvement as a separate program, receiving money and executive time out of proportion to that devoted to the technical programs which determine whether objectives of the enterprise are achieved. In either case the result is likely to be less than satisfactory.

In seeking a proper balance we should first answer two questions. Who in the organization is to be charged with the responsibility for management matters? Does the nature of this responsibility for management alter as the enterprise develops from design to operations phases?

Management is the responsibility of line officials, not staff officials.

Generally the term "line official" means an administrative or supervisory official who performs a program function directly related to the work of the electric utility enterprise. Such program functions would include design, construction, operations, systems planning, distribution, sales, and rates. Generally, also, "staff official" means administrative and supervisory officials in service functions such as personnel, procuring, warehousing, printing,

/reproduction, mail

reproduction, mail and files, library services, and office and building management.

The reasons for concluding that management is a responsibility of line officials are basically the same as those which caused the highly successful Water Resources Authority of Puerto Rico to decentralize its planning responsibilities. In general those reasons were:

1. The line official in each technical program knows the underlying details in his program.

2. Because he participated in its development, the line official would believe in the plan affecting his advance program or his current operations and therefore it would tend to be more effective.

3. Having official assignment for planning programs to solve or prevent repetition of current problems, the line official would be more aware of the long range implications of those problems.

Regarding management responsibility by line officials, the extent to which they will exercise that responsibility will be determined by the enterprise's policy regarding this question and the quality and depth of administratively competent personnel with which the organization begins. What has been their exposure to management concepts, and are they interested in applying management concepts to their own operations?

A plan of management improvement should be geared consciously to the Capital Improvement Program.

Management improvement ideas unrelated to the needs of line officials will not be accepted by them as practical, and therefore will not become a part of their thinking. This is why so many ideas proposed by personnel officials are disregarded by line executives. As another example, many line officials will not be accepted by them as practical, and therefore will not become a part of their thinking. This is why so many ideas proposed by personnel officials are disregarded by line executives. As another example, many line officials set up their own project cost and budget control records because finance units tend to produce greater and differing details in their reports than line officials need for decision purposes, and to produce them too late for reference in

/current operations

current operations.

The Capital Improvement Program gives the clearest index of expansion against which management needs and progress can be evaluated. It represents the expressed needs of line officials. Therefore, a management improvement plan should be related to it. The extent, character, and time-phasing of selection processes can be determined from this program. It will disclose times at which organizational review should be undertaken to permit the structure of the organization to shift with major changes in program emphasis. The extent and changing character of training needs can be determined if related to an objective evaluation of staff development at present. The Capital Improvement Program will disclose many measurable objectives against which progress can be evaluated.

Without a plan for management improvement, approved by policy executives, line and staff officials tend to disperse their efforts and spend more than necessary.

They all, independently, start looking for persons with the specialized skill immediately available for the specific effort at hand, thus losing sight of the requirements for growth potential which can best be met by a person with a broad background and a high level of intelligence. Similarly, each official tends to start sending employees for training, bringing in specialists for training, or holding training seminars--without an evaluation of total staff development needs and the relative priorities, and without trying concurrently to develop permanent training capability within the organization. Without an announced policy in management improvement plans of relating pay to responsibility and complexity of work, operating divisions are able to secure special exceptions to salary levels on the basis of temporary program priorities.

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Especially serious, in this absence of a management improvement plan, will be the unplanned and unwise use of consultants. This problem would involve not only the timing in use of consultants but also the particular consultants to be used. As with recruiting for permanent staff here, too, line officials will tend to meet their own special requirements by recruiting the kind of consultant they happen to be able to reach or whose availability coincides with their needs rather than consolidating their apparent needs with the needs of other executives.

Two basic questions governing the use of a consultant in management improvement are: Has the intended use been agreed upon? What does the consultant under consideration stand for? He should have demonstrated in past performance sincere approaches to consulting problems. He should have earned a reputation of working with your problems, searching out all pertinent facts and making recommendations within the framework of your situation. He should be willing to discuss constructively survey or installation problems as they develop, and to work with you in training your staff so it can install and maintain the recommendations agreed upon. He should be able to relate the problems of specific systems or procedures to the total needs of the organization, and to reject personality pressures or stereotyped theories. Finally, you should be able to expect a management consultant to recognize the economic and political factors at play, and to have an appreciation of and an ability to work within your culture.

Management improvement activities introduced as emergency matters without reference to a carefully worked out plan may tend to result in too many activities underway at any one time. Line officials cannot absorb concepts and work these concepts into their own program if they are not permitted time to make the new concepts a part of their thinking.

The line official's responsibility for management is constant; it does not shift to staff officials as the program shifts in emphasis.

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During the early stages of development, when so many things appear to have to be done at once, or as the enterprise leaves construction and enters operating and maintenance phases, there is a tendency for staff officials to want to "do" things rather than to advise. This is usually explained by claiming that it will centralize and thus coordinate effort, or minimize the demands of the organization for scarce specialists.

This is dangerous. Once started, it is difficult to stop. The "do" programs of staff officials tend to reflect their own rather than line official's views of operating needs.

Given a program and an expenditure ceiling, a line official should be expected to develop his staff requirements, his training needs, and his operating procedures within this guidance. Of course, these should conform to the priorities and amounts indicated in an over-all management improvement plan. The line official should be able to call upon staff units as needed, and should expect coordinating attention by someone representing the chief executive to make sure his stated needs and procedures are in accordance with policy. He should expect review by specialized staff units. But deficiencies should be called to his attention by his own superior. If a deficiency is presented the superior by a staff official, it should first have been presented to the line official concerned so he might explain or, in the case of a staff recommendation, so he might indicate that it is workable or unworkable. Only his own superior should be permitted to order him to change.

The management areas most frequently needing improvement are not individual procedures but general attitudes toward employees and management processes.

Though simplifications in procedures may result in significant economies, their effect upon productivity or improved service is lessened unless they are accompanied by changes in attitude or conceptual understanding of the purpose underlying the changed procedure. These general attitudes include:

/1. Living

1. Living up to announced plans or promises. Top executives are as much evaluated by their staffs on their ability to produce as they evaluate their staffs for this same ability. The executive who announces and does not follow through will lose, first, respect and then loyalty. As an example of an announcement leading to this kind of misfortune, too many organizations embark upon programs of "delegating responsibility" without really meaning what they say. The effect upon supervisory morale is immediate, and always downward. Similarly, staff development, by whatever means, will be economic waste if there is no real intent to follow through, to permit staff to assume greater responsibility in the work it does.

2. Motivating employees. Basic policies should be clear-cut and employees should know the programs and objectives of the enterprise and how their jobs fit into those programs. This calls for a determined effort to keep supervisors informed and to develop and keep up-to-date a written system of instructions, organizational descriptions, and policies. Without these, the supervisor physically distant from headquarters will lack an administrative compass. He will be equally lost if he becomes aware that what his written orders or instructions say is out-of-date. Improving motivation can be given great impetus by a sincere intent to inform supervisors, and will be maintained by positive leadership rather than arbitrary commands.

3. Identifying responsibility. This means the analysis and identification of those factors in supervisory and executive jobs which are administrative in nature and those which are operational in nature, and by preparing written statements which each official may have available at his desk as a guide to him in his relations to his superior, his colleagues, and his subordinates. This may be termed an Administrative-Operational Position Description. Unless employees understand the application of general organizational and procedural orders to their own working responsibilities and authorities, such

/orders will

orders will not be carried out as intended. This will not be due to insubordination, but to failure of superiors to inform clearly, which assumes that the official involved will have an opportunity to question in order to understand what has been set forth. An understanding of responsibility must precede effective performance.

4. Determining measurable objectives and establishing control reports. From the chief executive down, measurable objectives should be agreed upon periodically. Control reports and evaluation systems should then follow, and should be based upon (a) fixing responsibility at actual levels of delegated authority and (b) "reporting by exceptions", i.e., above or below assigned quantities, standards, or times in such a way as to require management action.

5. Developing management talent. If what appears to be a productive enterprise during the construction phase suddenly runs into operating or financial difficulty, the reason will often lie in a failure to develop staff so it can meet increases or changes in the nature of responsibilities. Having built the physical characteristics of the system, for example, some officials may not be able to leave its refinements and improvement to others as they look forward to adapting entirely new techniques to future system requirements. Staff growth requires concentrated analysis and practical programs geared to capabilities at hand. There is no one best way to meet the staff development needs of an organization. It has to be developed after analysis of the problem in each enterprise and by full participation of officials concerned.

6. Administrative flexibility. Holding too long to the past is as dangerous administratively as it is technically. Too frequently improvements in attitudes and new approaches are blocked by officials of senior status who cannot bring themselves to accept the facts which call for a change, either in organization, procedures, or policies.

/To assure

SUMMARY

To assure proper balance between technical development and management improvement line officials should be charged with responsibility for management. It is only as management techniques are a part of the thinking of officials responsible for program matters that such techniques will be put into practice. Line officials will not tend to install improved management techniques unless they have participated in the adaptation of those techniques to their own programs, and thus believe in their usefulness. The function of technical specialists in the management field is to advise and assist, not order.

Basic decisions regarding physical system expansion give the clearest indices of management needs and progress. Therefore, a management improvement plan should be related to the plan for system expansion.

If there is no such plan for management improvement, approved by policy executives, line and staff officials will tend to disperse their efforts. They may spend more than is necessary, especially in the unplanned and unwise use of consultants. Because they will likely be facing management matters as emergencies, they may undertake too many management improvement ideas at any one time.

Although specific processes or procedures may receive major attention in management improvement, the areas most frequently needing improvement are not individual procedures but general attitudes toward employees and changed procedures. These basic improvements include: living up to announced plans and promises; making sure supervisors and employees are aware of the programs and objectives of the enterprise, and know how their jobs fit into those programs, clearly identifying for supervisors and executives their relations to superiors, colleagues, and subordinates, determining measurable objectives and establishing control reports; and developing management talent and administrative flexibility. Holding too long to the past is as dangereous administratively as it is technically.