



# Commercial and Customer Orientation

Trainer's Manual

WAVE Pool-Zambia

**giz**

**BMZ**  Federal Ministry  
for Economic Cooperation  
and Development



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Unit 1:

# Course Overview

## Sessions of this unit:

1.1	Introduction Session	9
1.2	Water Sector Reforms	15
1.3	Regulation of The Water Sector	19

1

Session: 1

Introductory Session

Duration: 1 Hour

### Learning Objectives

Participants will have the opportunity to

- Get to know facilitators and one another
- Clarify issues relating to workshop organisation
- Get an overview of the workshop content and structure and ask questions about it.

### Methods of Delivery

- 1 Welcome participants and introductions
- 2 Ask participants and facilitators to introduce themselves.
- 3 Present the training programme for the whole week

### Materials

- Assorted cards
- Flip charts
- Flip chart stands
- Pin Boards
- Drawing pins
- Pens

### KEY READING MATERIALS

Water Supply and Sanitation Act of 1997

[www.nwasco.org.zm](http://www.nwasco.org.zm)

# 1.1 Introduction Session

## Background to the Training Manual

WAVE is a programme integrated into the water sector programmes in four countries, namely Kenya, Tanzania, Uganda and Zambia, considering sector wide approach (SWAP) or other sector coordination mechanisms. It comprises experts from Colleges (Natural Resources Development College-NRDC & Lusaka Business and Technical College-LBTC), Regulator (National Water Supply and Sanitation Council-WASCO), Commercial Utility Companies (Lusaka and North Western WSC) and NGO (Water and Sanitation Association of Zambia-WASAZA). WASAZA was nominated as the Zambia Focal Point.

The role of the Focal Point is to ensure proper implementation of all programmes agreed with InWEnt and as a communication channel between InWEnt and the national WAVE members. In this first period, the WAVE programme is focusing on water supply in urban and peri-urban areas and small towns. The overall goal is to improve efficiency and effectiveness of water service providers.

## Sequence of Wave Training

The WAVE training course comprises three phases:

### Preparatory Phase

- Invitation of CUs and first selection of participants- at least one month before the course
- Sending of Participants' Manual and question sheets- at least 21 days before the course
- Selection of participants, based on answer sheets received and confirmation- at least 14 days before the course

### Face to Face Training Phase

- Power point presentations
- Group exercises
- Field trip
- Visual Aid (visualisation)
- Case Studies
- Action planning

### Post Training Phase (Follow-Up)

- Further Action Planning at institution level (for NRW)
- Implementation stage for NRW
- On-the spot check by trainer and focal person-three and six months for NRW
- Follow-up after one month, for CCO
- Certification
- Evaluation after one year

## Purpose and Focus of the Training Manual

The main purpose of this manual is to provide guidance to trainers or facilitators and enable them to impart knowledge and skills aimed at improving efficiency through customer focused service delivery that would result in maximising revenue for CUs.

The main objectives of this Manual are:

- To equip the participants with knowledge and skills to enable them improve on their performance in Commercial and Customer related areas.
- To guide trainers/facilitators in the delivery of practical short courses on CCO using appropriate methods and teaching aids.

The primary focus of the manual is on improvement of performance of water service providers through the application of practical management skills through customer focused service delivery that would result in maximising revenue for CUs.

## Structure and Organisation of the Training Manual

The manual is divided into four (4) main units. Unit one discusses Water Sector Reforms in Zambia; Unit two is about commercialisation of the water sector; Unit three discusses Customer Service and unit four discusses Business Management. Each of the units is broken down into sessions based on topics relevant to the achievement of the unit objectives. References materials and literature consulted during the preparations for each session is provided in each session sheet.

## Training Methodology and Approaches

The Participatory Adult Learning Approach (PALA) sometimes referred to as adult active learning, is a process of training adapted in InWEnt. PALA departure point from traditional teaching comes from the understanding that adults' learning process is different from children's. They have a motivation to learn when they are involved in the process. They have to see the benefits of learning for them to involve themselves.

PALA is based on the strong belief that adults bring with them a 'treasure' of experiences, which has to be tapped as the basis for further learning. Participants, therefore, become the main subjects and objects of their own learning and the role of the facilitator/trainer is only to facilitate their learning and create a conducive environment for learning to take place. As a result the whole training has to be participant centred and the trainer is just playing a catalytic role.

### **Principles of PALA**

- Nobody knows everything
- Everybody knows something
- Every resource person is a participant and
- Every participant is a resource person
- All ideas/contributions are equally important
- Mutual respect amongst all
- Agreeing to disagree is more than welcome

### **Methods for interactive learning include:**

- Lectures are interactive, involve discussions and evaluative exercises
- Different kinds and sizes of work: buzz groups, CU groups, mixed CU groups, small groups, triads and individual reflections
- Games: Simulation games, Role plays, real situation, video clips and feedback
- Field trips: exposure and reality checks
- Field work: post training and follow up

### **Interactive training and visualisation:**

because;

- What we hear we forget
- What we hear and see, we remember
- What we hear , see and say, we understand
- What we do, we know

### **Group work**

Groups are the sharing and learning grounds in PALA

- Group work task must be introduced in the plenary
- Each group has to select a leader or chairperson and a scribe.
- It is also advisable to have a time keeper to always sensitize the group to time dimension.
- The group has to choose a presenter right from the beginning.

### **Duration of the Training**

The training course will take five days, which covers lecture sessions, working group sessions, discussions and one day of fieldwork. The fieldwork will involve visiting and practically experiencing Commercial and Customer orientation in commercial water utilities.

### **Target Group**

This manual is prepared to be used for middle managers of CUs.

## Contents of the Training Manual

Training Units	Sessions of each unit	Duration
Course Overview	Introduction session	1
	Water Sector Reforms	1
	Regulation	1
Commercialisation of the Water Sector	Concept of Commercialisation.	2
	Budgeting	2
	Cash Flow Management	2
	Metering and Billing Management	2
	Revenue Collection and Debt Management	2
Customer Service	Effective Customer Service	2
	Customer Relations Skills	2
	Public Relations	2
	Crisis Management	2
Management	Business Management	2
	Communication	2

## Suggested Training Programme

Day		
Sunday	Programme	Facilitator
16:00 - 18:00	Registration	
18:00 – 20:00	Dinner	
Monday	Programme	Facilitator
08.30- 10.30	Official opening	
	Introductions/ Expectations, Objectives & Workshop Overview and Methodology	
10:30– 10:45	Tea Break	
11:00– 13:00	Water Sector Reforms	
13:00– 14:00	Lunch	
14:00– 16:00	Introduction to the concept of Commercialisation - Group work	
16:00 – 16:15	Tea Break	
16:15 -17:15	Commercialisation	

Tuesday	Programme	Facilitator
08:30-09:00	Check-in	
09:00 – 10:30	Budgeting	
10:30 – 10:45	Tea Break	
10:45-11:45	Cash flow Management	
11:45-13:00	Revenue Collection	
13:00 - 14.30	Lunch	
14:30 – 16:00	Managing Expenditure- Group work	
16:00 – 16:15	Tea Break	
16:15-17:30	Metering Management- Case study	

Wednesday	Programme	Facilitator
08:30 – 09:00	General Check in	
09:00 – 09:30	Introduction to Customer Service	
09:30 – 11:00	Developing a Strong Customer Oriented Utility- Group Work	
11:00 – 11:15	Tea Break	
11:15 – 12:15	Effective Customer Service	
12:15 - 13:00	Overview of Customer Relations Skills	
13:00 – 14:30	Lunch	
14:30 – 15:30	Handling Customer Complaints	
15:30 – 15:45	Tea Break	
15:45 - 17:15	Handling Difficult Customers Effectively	

Thursday	Programme	Facilitator
08:30 - 09:00	Check – In	
09:00 -10:30	Public Relations and Crisis Management	
10:30 – 11:00	Tea Break	
11:00 – 13:00	Management- Group work	
13:00 – 14:00	Lunch	
14:00 - 15: 30	Reflection	
15:30 – 17:30	Field Trip	
18:00 – 21:00	Social Function	

Friday	Programme	Facilitator
08:30 -09:00	Check In	
09:00 -11:00	Communication- Group work	
11:00-11:30	Tea	
11:00 – 13:00	Action Planning- Part 1	
13:00 -14:30	Lunch	
14:30 – 15:30	Action Planning Part 2 & Course Evaluation	
15:30	Tea Break/ End of Programme	

#### List of Abbreviations

CCO	Commercial and Customer Orientation
CU	Commercial Utility
DED	German Development Service
GTZ	German Technical Cooperation
GRZ	Government of the Republic of Zambia
KFW	German Development Bank
MLGH	Ministry of Local Government and Housing
MEWD	Ministry of Energy and Water Development
NWASCO	National Water Supply and Sanitation Council
PALA	Participatory Adult Learning Approach
WASAZA	Water and Sanitation Association of Zambia
WSS	Water Supply and Sanitation

### Learning Objectives

Participants will be familiar with

- The background to the Water Sector Reforms in Zambia
- The current state of the water sector in Zambia

### Methods of Delivery

- 1 Facilitator to introduce the session by power point presentation
- 2 Question and answer session in plenary and facilitator visualises the responses on a flip chart
- 3 Participants draw conclusions from the lessons by using cards
- 4 Facilitator summarises the lessons learnt by visualising them on a flip chart

### Materials

- Pens
- Assorted cards
- Flip chart
- Flip chart stands
- Pin boards
- Drawing pins

### Session Guidelines

- Give participants an overview of the session's contents
- Present the key features of the Water Sector Reforms in Zambia
- Facilitate the drawing of conclusions

### Key Reading Materials

- Water Supply and Sanitation Act of 1997
- [www.nwasco.org.zm](http://www.nwasco.org.zm)

## 1.2 Water Sector Reforms

### Introduction

The water supply and sanitation sub-sector in Zambia has undergone reforms as far back as the early 1970s; however, it was only in the early 1990s that the water sector began receiving attention from various stakeholders.

Prior to the sector reforms of 1994, the water sector was characterised by lack of guiding policy, low cost recovery, poor human resource both in terms of quality and quantity decrepit infrastructure and generally little or no investment. As a result of these problems, the water infrastructure throughout the country deteriorated to such an extent that over half of the water produced was lost before reaching the consumer.

There were a lot of gaps and duplication of efforts in the entire sector system because the roles and responsibilities of the various players were not clearly defined. There was no legislation to guide water and sanitation service provision and the management of water resources. On the whole, the entire sector was disorganised and service provision undesirable. The quality of water produced soon became a health hazard.

In 1994, the Government committed itself to transforming the water sector so as to ensure quality provision of water supply and sanitation, at affordable costs and on a sustainable basis. In 1997, the Government passed a National Water Policy in which seven sector principles were outlined as shown in the figure below.

### The Birth of Nwasco

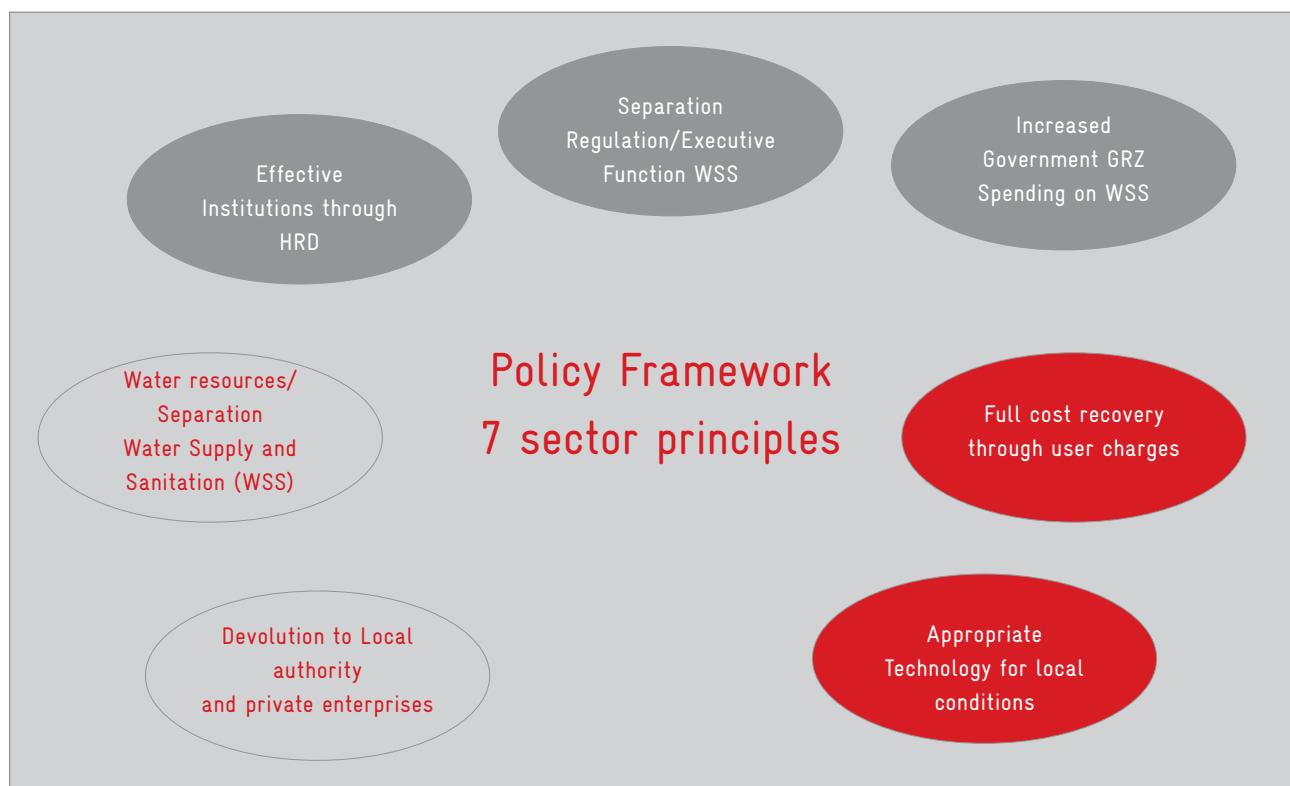
In trying to separate regulatory and executive functions within the water supply and sanitation sector, the National Water Supply and Sanitation Council was established as an independent regulator. The powers of NWASCO are vested in the Water Supply and Sanitation Act No. 28 of 1997.

### The Water Sector after the Reforms

With the powers vested in the Water Supply and Sanitation act, NWASCO now acts as an agent for attaining the seven sector principles that are the pillar for the water sector reforms. Water supply and sanitation service provision has been devolved to the Local Authorities and commercialised.

Eleven (11) Commercial Utility Companies are providing water supply and sanitation services to all the provinces (Central, Southern, Northern, Western, North-Western, the Copperbelt and Lusaka, Luapula and Eastern provinces of Zambia). These are fully owned by Government, with the Municipalities as the sole shareholders and service 84% of the urban population.

A minimal 1% of the urban population is serviced by private schemes. These are schemes run by private companies which have a different core business but provide water supply and sanitation ser-



vices to their employees living within the company premises free of charge as part of their conditions of service. Currently, there are six such schemes.

The existing scenario in Zambia before 1994 induced a certain perception in the minds of the Zambians; a perception that water should be a free commodity. Although the value of commercialisation has been widespread and people appreciate the improvements in service delivery it has brought forth, the aspect of paying for the service still has not sunk in.

### Perceptions of Value of Water

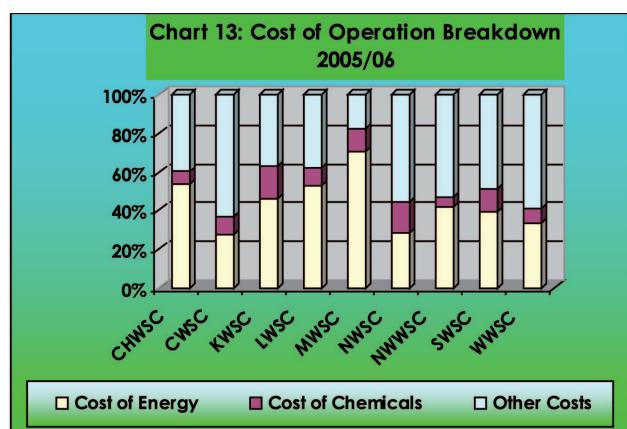
A research conducted by the regulator during the period January to March 2007 show that Zambians are yet to appreciate the value of water as an economic good.

Ensuring that everyone has access to at least 30 litres of clean water each day is a minimum requirement for respecting the Human Rights to Water. The urgency of achieving the MDGs for water cannot be overstated. However Millennium Development Goals (MDGs) in themselves are not the end of the road. Much more efforts should be dedicated at going beyond the MDGs and ensuring that everyone has access to water both in terms of distance and financials, including the unborn child. Creating effective institutions that will be able to guarantee this should be the way forward. The means to this end may in the short-run seem unreasonable to others but in the long run will prove worthwhile.

One way of guaranteeing sustainability is to equip water providers with the necessary tools to do so, the major one being financial resources. Without securing these, the country can forget about meeting the MDGs.

Although Zambia is a signatory to the MDGs and the sound of them an excitement to every Zambian, very few think of how this is possible. The attitude of most Zambians still has not changed from the socialist error. The idea of paying for water has not registered in the minds of most Zambians to the extent that they are willing to pay much more for luxuries such as air time and alcohol. It was amazing to discover that of the sampled customers throughout the country, those that consume alcohol could not account for its expenditure every month.

Water production and distribution costs a lot of money. The major costs in this process for the Zambian water utility companies are depicted below. These are all the other costs excluding personnel.



Another cost that is incurred in the water sector is that of providing sanitation services. This cost has in most cases been ignored. Yet a lot of costs are involved in collecting and treating wastewater (sewerage).

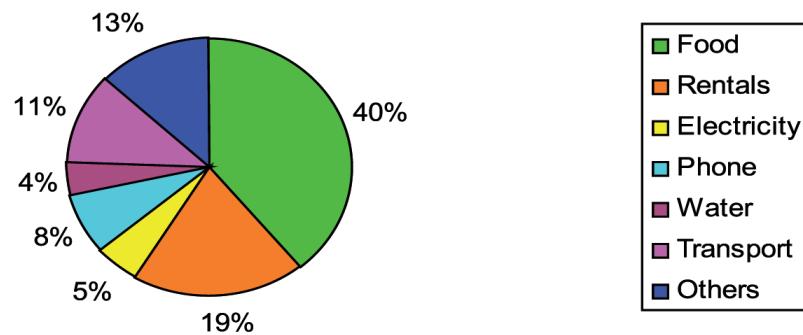
Both water and sewerage tariffs are still very far from depicting the actual cost of offering the service.

It is for this reason that water supply and sanitation services need to be paid for. However, the consumer should pay for the quantities they utilize. Being a social service and a basic human need, a provision for a life line has been put in place. The first six cubic meters of water (in Southern Province the first ten cubic meters) are subsidized for everyone. However, the issue of affordability has been a hot debt in Zambia like in most developing countries.

To ascertain whether a commodity is affordable, there is need not only to look at the income but also the expenditure pattern in relation to the value attached to that particular commodity. It is logical to assume that the items that one cannot do without would be given priority in terms of expenditure. This is because in most cases, these are items that border between life and death; items such as food and water.

The pie chart below depicts the findings of the survey referred to earlier:

**Competing cost items to water**



The chart shows a very interesting picture. Of course it is expected that people should spend the majority of their income on food. But among the other commodities, people preferred to spend on others (comprising of alcohol, cigarettes etc), cell phone talk time etc. Water was the least. Therefore, the question of affordability does not come into play.

That notwithstanding, water is indeed affordable to every Zambian save for that provided by middlemen. From the findings, most respondents that reside in medium cost to low cost areas fell within the average income bracket of between K300, 000 and K1, 000, 000. Over 80% of these said their average water bill fell between K21, 000 and K50, 000. This translates into roughly 5% of their income on water and sanitation (where applicable).

Still referring to the analysis above, for an average household of 6 people, providing 20 litres of water per person per day will cost K5, 400 per month. This is the same price as a bottle of Mosi beer. It is also worthy noting that only 2.5% of the respondents spend above K200, 000 on water.

One of the key ingredients for inequalities in the access to water is the issue of affordability. According to the Human Development Report 2006, some of the core strategies for overcoming inequality especially that linked to affordability are to ensure that no household spends more than 3% of its income to meet its water needs alone. Taking into consideration the sufficient amount prescribed by WHO of 30 litres per person per day as a basis, households in Zambia spend on average not more than about 3% for both water and sanitation services.

Provision of piped water regardless of whether the end user utilises a standpipe or a house connection costs money. It shows from the findings of the survey that costs of water production are not appreciated. The majority of the respondents had not the slightest idea of the costs of production for water. Therefore, sensitisation in this aspect could be a step in the right direction.

With the above it becomes clear to say that water is indeed affordable for every Zambian, that is, in conformity with the WHO and UNDP definitions of affordability and minimum standards.

From the findings it is clear as well that many people prefer to spend much more on luxuries than on water, which is a fundamental human right. There is still a long way to go until such a time when people begin to realise that water is a commodity that costs money to produce and distribute and therefore should be paid for. Only then the quest for sustainability and quality of service will be won.

Session: 3

Regulation

Duration: 1 Hour

### Learning Objectives

Participants will be aware of

- The need for regulating the Water Sector
- The objectives, roles and challenges of the Regulator

and use this knowledge in their work.

### Methods of Delivery

- 1 Facilitator introduces the aims and objectives of the topic through power point
- 2 Participants discuss the need for regulation in groups and present in plenary
- 3 Participants understand the objectives, role and challenges in regulation

### Materials

- Felt pens
- Assorted cards
- Flip chart
- Flip chart stands
- Pin boards
- Drawing pins

### Session Guidelines

- Briefly, give participants an overview of the session
- Discuss the role of the regulator in the water sector
- Give a summary of the whole session

### Key Reading Materials

- Water Supply and Sanitation Act of 1997
- [www.nwasco.org.zm](http://www.nwasco.org.zm)

## 1.3 Regulation of the Water Sector

The Zambian water service providers as almost all water services providers around the world are monopolies in the respective areas where they operate. Like typical monopolies, the tendencies of exploitation cannot be avoided. In as much as the regulator-NWASCO is there to ensure sustainability in the sector, it is also its role to protect consumers from among others, economic exploitation.

Therefore, NWASCO ensure that tariff are affordable to every consumer, yet allow the water company to carry out operational and maintenance works, as well as provide for any future expansions or replacements.

NWASCO has a very elaborate tariff setting guidelines which involves a number of processes.

### Need for Regulation

- Economic theory suggests: services should ideally be provided through a competitive market
- Water is a natural monopoly, competitive market is unlikely to emerge in the sector
- Trend = low quality + high prices to customers
- Given the high fixed costs involved, ~ fundamental concern = no provider will be willing to provider services
- Need providers to be placed under pressures similar to those that would arise in a competitive market

### Regulation can Ensure Providers Endeavour to Provide Services

- At minimum cost (productive efficiency)
- At prices which equal the marginal cost of service provision (allocate efficiency)
- Of high level of quality
- To meet demand (including less affluent areas)

### Type of Regulatory Agency (in general)

- A central government regulating both private and public operators
- The public company (usually the asset owner) responsible for some service provision also regulates private operators
- An independent sector specific public regulator who monitors activities of private operators / public asset-holding company
- An independent multi-utility public regulator oversees/regulates activities of private operators / public asset-holding company.

### Ideal Characteristics of a Regulatory Body

- Independent entity
- Accountability
- Expertise
- Transparency
- Autonomy
- Consideration of all interests of all stakeholders

### The Role of the Regulator

- Monitor the execution of all contracts, ensuring compliance with agreed standards of service and tariff limits
- Monitor tariff revisions, considering both appropriate level and tariff structure
- Penalize operators where breach of agreed performance standards are found
- Set revised performance standards at regular interval

### Objectives in Regulating

- Delivering service quality to customers
- Ensuring safety & reliability of service provision
- Taking account of environmental and social implications
- Provide incentives for operational efficiency
- Ensuring just and reasonable charges in the sector
- Ensure sustainability - total cost recovery
- Protecting the public interest

## Institutional Set-up of Regulation in Zambia

Power and Responsibility	<ul style="list-style-type: none"> <li>• Water + Sanitation ACT</li> <li>• Statutory Instruments</li> </ul>
Arbitration	<p>MEWD High Court Supreme Court</p>
Large Autonomy	<ul style="list-style-type: none"> <li>• Statutory not ministerial body</li> <li>• Own budget from fees</li> <li>• Transparent selection of staff</li> <li>• Private sector salaries</li> <li>• Reports to Government / MEWD</li> </ul>
Size (Lean Structure)	<ul style="list-style-type: none"> <li>• Board 7 Directors</li> <li>• Personnel 15</li> </ul> <p>Fees 2% from the service provider turnover Water Watch Groups</p>

## Challenges for the Regulator

- Know the right price for the services
- Convince political decision makers to pursue objectives
- Be efficient as regulator with right instruments
- Fight off undue influence of politicians and service providers
- Be viewed as fair by service providers and consumers
- Get valid data from service providers and other stake holders

Unit 2:

# Commercialisation of the Water Sector

## Sessions of this unit:

2.1	Introduction To The Concept Of Commercialisation	23
2.2	Budgeting	27
2.3	Cash Flow Management	31
2.4	Metering And Meter Reading Management	35
2.5	Revenue Collection & Debt Management	39



Session: 1

Introduction to the Concept of Commercialisation

Duration: 2 Hours

### Learning Objectives

After completing this session, the participants will be able to:

- Explain commercialisation
- Discuss the principles of tariff setting

### Methods of Delivery

- 1 Facilitator introduces the basic concepts of commercialisation
- 2 Question and Answer session based on the presentation in plenary
- 3 Facilitator summarises the results of the group work

### Materials

- Pens
- Beamer
- Laptop
- Flip charts
- Flip chart stands
- Participants' note books and pens

### Session Guidelines

- Introduce the session by giving the contents of the session
- Ask participants to form groups to discuss the concept of commercialisation
- Give a summary of the group work

### Key Reading Materials

- Water Supply and Sanitation Act of 1997
- [www.nwasco.org.zm](http://www.nwasco.org.zm)



## 2.1 Introduction to the Concept of Commercialisation

### Principles of Commercialization

The commercialization of the water and sanitation sector in Zambia has seen the creation of commercial utilities (CUs) in the water sector. Some of the reasons that led to the creation of CUs include:

- Deterioration of water supply and sanitation services.
- Low coverage in water supply and sanitation services.
- Limited developed human resource capacity.
- Low investment levels.
- Global water management trends

The commercial utilities are perceived by many as a step forward as compared to the situation when water and sanitation services were provided by local authorities. Local authorities are known for their frequent political interference, inefficiency and lack of skills.

Commercial utilities objectives include providing services of high quality, resource efficiency, and cost recovery. To achieve these

objectives, CUs must have managers who have the necessary acumen and are equipped with modern management skills.

Commercialization “is a process which involves moving operations out of a Ministry into a separate organization that is subject to private sector law”. The separate organization has clear shareholders, is liable for taxes and dividends, and prepares financial reports for shareholders, government and publics.

Coming from a socialist background, most Zambian CUs still have a limited business mindset. Running WSS services is not yet perceived as a viable business venture. As a result, there is reluctance on the part of CUs to provide services areas such as new development and peri-urban areas. CUs instead focus on buying expensive cars for their managers, overlooking service expansion and improvement.

Also rampant among CUs in Zambia is over staffing. This is done without regard to the cost of recruitment and retention of staff.

Most CUs in Zambia have expensive top heavy hierarchical structures. Besides, they have not yet taken advantage of the benefits of multi-skilling and computerising operations.

It is a well known fact that provision of WSS was undertaken by local authorities before. Local authorities are public sector organisations. Public sector organisations are organisations that are directly or indirectly funded or controlled by government. The aim of public sector organisations is to provide a service regardless of whether this is done profitably or not. CUs countrywide must move away from this mindset and be commercial oriented or focused.

Coming from a socialist background, Zambia is still in the process of internalising the concept of commercialisation. Utilities such as water and electricity were government owned and people paid little or nothing for them. Their running was also not profitable because workers in such institutions were considered as Government employees and therefore their salaries did not depend on the returns of the utility. Service quality also was not of any importance. Having realised the ills of such systems, there has been a shift of attention from socialism to commercialisation and privatisation.

The water sector is one of the sectors that has embarked on commercialisation. Commercialisation entails not only running businesses effectively and efficiently so as to yield the necessary returns but also to focus on the consumer as the reason for their existence.

**Commercial orientation** is the degree to which actions in an institution are driven by cost effectiveness and operating efficiency. Performance is guided by a strategy to achieve financial self-sufficiency and sustainability.

**Customer orientation** on the other hand may be defined as organizing and directing the services and outputs of a Water Service Provider-WSP towards the demands and desires of the customer. WSP staff sees serving the customer as the primary function. Work is directed towards greater efficiency, effectiveness and equality of service to all customers. The marketing of differentiated services to poorer communities can lead to reliable service provision at affordable prices.

### Cost Recovery and Tariff Setting

For Zambian CUs, to be fully commercialised, they must cover their operational and maintenance costs. The cost recovery principle entails that: All costs (extraction, conditioning, accumulation and treatment) have to be covered by water tariffs.

### Cost Recovery into Practice Includes

- Setting an appropriate tariff; there are different types of tariffs which communities can choose from, according to the context;
- Optimising costs; this means being able to identify and estimate costs as well as to minimize them;
- Access to other sources of funding; tariffs in most cases do not cover all costs, making it essential to analyse other potential financial sources;
- Effective financial management; this encompasses budgeting; revenue collection, bookkeeping and accountability; financial control and monitoring;
- Service efficiency as the best passport for an operator; this will cover system performance and reductions in non-revenue water, as well as improving relationship with users.

*Source: IRC (2000)*

### Characteristics of a Tariff Structure

#### Adequacy

The tariff system should be designed in such a way to enable sufficient revenue to be generated to meet the utility's financial requirements. Normally, this will mean meeting operating and financial costs. In determining the adequacy of a system, reference must be made to ability and willingness to pay.

## **Equity**

As far as possible a charging system should be equitable. Unfortunately, this concept is ambiguous in that what is considered to be fair by some may not be similarly viewed by others. If a cost-based system is followed to its logical conclusion, it results in a wide variety of charges for different categories of consumers in discrete geographical areas.

## **Simplicity**

A tariff should be simple to operate and to administer and should be easily understood by the consumer. Administrative simplicity helps to keep costs to a minimum, avoids disputes with users, and facilitates collection of dues. From the point of view of the consumer it is important that he or she can readily see the relationship between the charges and the service.

## **Enforceability**

In case of water supply, withdrawal of the services is a speedy and effective sanction for non-payment of bills. In the case of a sewerage, this is not quite as straightforward as once the house connection has been made the service can only be cut off at some expense and with difficulty.

## **Affordability**

Once the desired level of rates for different consumer categories has been determined it is important to assess the ability to consumer to pay the charges. In determining income levels it is important to take into account all household earnings, including non-cash benefit. Obviously, any percentage figure can only be a guide and consideration must be given to such factors as the cost of other essential items and the availability of alternative water sources.

(Source: National Community Water and Sanitation Training Institute, 2004)

## **Progress on Commercialisation**

Lusaka Water and Sewerage Company has taken over the supply of water and sanitation services in Kafue, Chongwe and Luangwa in Lusaka Province. These three (3) towns were previously serviced by local authorities.

Eastern Water and Sewerage Company (EWSC) by change of name from Chipata Water and Sewerage Company covers now all towns in Eastern province of Zambia.

A new CU called Luapula Water and Sewerage Company has been formed to provide water and sanitation services in Luapula Province. This brings to the total number of CUs operating in Zambia. The whole country is now serviced by CUs in terms of water and sanitation services.

In the period 2008 to 2009, the following achievements have been reported in the Zambian water sector:

- Improved metering.
- Water supply and sanitation coverage has increased.
- The quality of water being provided has increased.

However, a number of challenges have been noticed as reported in the 2008/2009 Sector Report:

- Still low investment flow in the water sector.
- Frequent power outages.
- Poor coordination between local authorities (shareholders) and CUs in planning development and service delivery.
- Limited commercial orientation to WSS service provision.
- Negative impact of the global economic crisis.

Session: 2

Budgeting

Duration: 2 Hours

### Learning Objectives

Participants know and practically use their knowledge of:

- Types of budgets
- Functions of budgets
- Principles of effective budgeting

### Methods of Delivery

- 1 Facilitator introduces the session by giving a 20 minutes power point presentation on budgeting
- 2 Question and answer session where facilitator clarifies
- 3 Participants carry out a group exercise on budget preparation
- 4 Analysing of the results in a plenary

### Materials

- Pens
- Assorted cards
- Flip chart
- Flip chart stands
- Soft boards
- Drawing pins
- Whiteboard
- Beamer

### Session Guidelines

- Give participants a brief overview of the session
- Present the key principles of budgeting
- Summarise the session

### Key Reading Materials

- Management and Cost Accounting, Colin Drury
- Fundamentals of Corporate Finance (2003), S. A. Ross et al
- Budget Preparation (National Community Water and Sanitation Training Institute, 2004)

## 2.2 Budgeting

### Introduction to Budgeting

Commercial Utilities (CUs) have to plan their operations and the way they intend to spend their future income. A CU is likely to run into problems very quickly if it does not have a budget to work towards and against which to compare actual performance. Managers must allocate resources in such a way that planned activities are efficiently satisfied.

Like any other business or commercial organisation, a CU needs to employ financial tools to aid decisions regarding the allocation of resources. Coupled with effective budgeting, these financial tools quantify performance expectations while establishing guidelines for systematic control.

### Definition of Budget

A **budget** is a plan quantified in monetary terms, prepared and approved prior to a defined period of time and usually showing planned income to be generated and expenditure to be incurred during that given period.

### Functions of Budgets

#### Planning and coordination

Success in business is closely linked to success in planning for the future. A budget provides three functions in terms of planning and coordination:

Providing a formal framework that ensures planning does take place.

Coordinating the various sections or departments of the utility by providing a master budget for the CU as a whole.

Providing a framework of reference within which later operating decisions can be taken.

#### Authorising and delegating

Adoption of a budget by top managers of the CU explicitly authorises the decisions made within it. As a result, the need to ask top management to make decisions is reduced and the responsibility for carrying out the decisions is delegated to individual managers.

#### Evaluating performance

The budget provides a framework for comparing actual performance against planned activities.

#### Discerning trends

Managers of CUs should be made aware as soon as possible of any new trends, whether in production or sales. The budget provides a mechanism for the early detection of any unexpected trends.

### Communication

The application of budgeting within a CU leads to an effective communication structure.

### Motivation

Motivating managers to strive to achieve organisational goals. The budget can be a useful tool for influencing behaviour of managers and motivating managers to perform in line with the objectives of the CU.

### Control

Budgeting can allow the CU to control the running of its business and to evaluate the extent to which goals are achieved.

### Evaluating managers' performance

A manager's performance is often evaluated by measuring his or her success in meeting budget targets.

### Budgeting Terms

The **budget centre** is a clearly defined part of the organisation (utility) for the purposes of operating a budgetary control system.

The **budget period** is the period of time for which the budget is prepared and over which the control aspects takes place.

The **budget committee** consists of the managing director, the management accountant and functional heads. Its functions include:

- Agree budget policy
- Coordinating budgets.
- Suggesting amendments to budgets
- Approving budgets after amendments.
- Examining comparison of budgeted and actual results and recommend corrective action if this has not been taken already.

### Budget manual

A budget manual is a document which sets out standing instructions governing the responsibilities of persons and procedures, forms and records relating to the preparation and use of budgets. It sets out the procedures to be observed in budgeting, the responsibilities of each person concerned and the timetable to be observed.

## Methods of Budgeting

The success of a budget programme will be determined in large part by the way in which the budget is formulated. In general terms, the most successful budget programmes are those that allow managers with cost control responsibilities to prepare their own budget estimates rather than having a budget being imposed on them from top management. This is a common trend in most Zambian CUs where budgets are imposed on district managers from their headquarters.

There are a number of methods that are used to prepare budgets and they include:

### The self imposed budgeting

A self-imposed budget is budget where managers prepare their own budget estimates. It is considered to be the most effective method of budgeting.

### Fixed budgeting

A fixed budget is a budget, which is designed to remain unchanged regardless of the volume of production achieved. The major purpose of the fixed budget is at the planning stage, when it seeks to define the broad objectives of the CU.

For the purposes of control, comparing a fixed level of activity with the actual results for different levels of activity is of little use to management. The consequence of this is that any variance resulting from the comparison of an actual cost with budgeted cost can be misleading because the actual cost is being compared with a budgeted cost for a level of activity that did not materialise.

### Flexible budgeting

Flexible budgeting involves the preparation of not just one budget but a series of budgets for varying levels of activity. The objective of flexible budgeting is to allow the comparison of the actual costs incurred with the flexed budget that corresponds to the level activity actually achieved.

### Accountant run budgeting

No matter how good accountants are in water utility, they cannot realistically be expected to be skilful in water abstraction, water production, water treatment, water distribution and other activities.

Budgeting needs the involvement and backing of the managing director and the board if it is to be successful. Boards of commercial utilities should approve the annual budget and be seen to monitor its progress. Senior managers of CUs must also be actively involved in the preparation of budgets for budgets to be successful.

## Principles of Budgeting

### Long range goals and principles

- Develop long-range goals for the CU.
- Convert the long-range goals into statements about plans for product lines offered and associated profit plans in broad quantitative terms.

### Short range goals and strategies

- Restate the long range plans in terms of short range plans for product lines available and a detailed profit plan.
- Prepare a set of budget development plans and a specific timetable for the whole budget period.

### Human responsibilities and interaction principles

- Identify the budget director and staff.
- Identify all participants involved in the budget development process.
- Obtain full support of senior management and communicate this support to all those participating in the formulation of the budget.
- Practice full communications during the entire budgeting process.

### Budget house keeping rules

- Practice realism in the preparation of budgets.
- Ensure that all deadlines are met.
- Use flexible application procedures.

### Follow up principles

- Maintain a continuous budgeting process and monitor the budget throughout the budget period.
- Develop a system of periodic performance reports that are linked to assigned responsibilities.
- Review problem areas before further planning takes place.

## Stages in The Budgeting Process

Preparing budgets in commercial undertakings like a Commercial Utility (CU) involve a number of stages and they include:

- Communicating budget policy and guidelines details to those responsible for the formulation of budgets.
- Determining factors that restrict or limit output.
- Preparation of sales budgets.
- Initial preparation of various budgets such as production, direct materials, direct labour and selling and administration budgets.
- Negotiation of budgets with superiors or senior managers.
- Coordination and review of budgets.
- Final acceptance of budgets.
- Ongoing review of budgets.

Taken from Budget Preparation (National Community Water and Sanitation Training Institute, 2004)

### True Story

A consultant interviewed managers in a large company and presented results to the Chairman of the Board. 'I notice that none of your managers has a budget?' asked the consultant.

'Well, we didn't have money to pay for things in the budget last year so we didn't bother doing one this year' the Chairman answered.

"But then, how do managers get resources they need?" asked the consultant.

'Well they get their resources from companies who are still willing to supply them though their invoices are not paid'.

Is it any surprise that this company was bankrupt?



Taken from Jerusalem Water Undertaking: A challenging Experience in Organisation Development (2002)

### Conclusion

A CU's productivity often hinges on budgetary decisions to ensure sufficiency of allocation without waste. A budget involves choices being made from competing demands for funding. In an ideal situation there would be adequate funding for all demands. In the real world this is seldom the case, and therein lays the challenge. Budgets are a clear indication of what we can expect to be attained or accomplished during the budget period.

Session: 3

Cash Flow Management

Duration: 2 Hours

### Learning Objectives

Participants know and practically use their knowledge of:

- Importance of cash
- Differences between cash and profit
- Causes of cash flow problems
- Cash flow management tips

### Methods of Delivery

- 1 Facilitator introduces the session by giving a 20 minutes power point presentation on cash flow management
- 2 Question and answer session where facilitator clarifies
- 3 Participants carry out a group exercise on managing leaking water containers (synonymous with Cash)
- 4 Analysing of the results in a plenary

### Materials

- Pens
- Assorted cards
- Flip chart
- Flip chart stands
- Pin Boards
- Drawing pins
- Whiteboard
- Beamer

### Session Guidelines

- Give participants a brief outline of the session's contents
- Discuss the importance of cash and the differences between cash and profits
- Explain cash flow problems and cash flow management tips
- Give a summary of the whole session

### Key Reading Materials

- Fundamentals of Corporate Finance (2003), S. A. Ross et al
- [www.tutor2u.com](http://www.tutor2u.com)
- [www.businesslink.com](http://www.businesslink.com)

## 2.3 Cash Flow Management

### Introduction

Cash is the oxygen that enables water utilities to survive and prosper, and is the primary indicator of business health. While a water utility can survive for short time without sales or profits, without cash it will die. For this reason the inflow and outflow of cash need careful monitoring and management.

Cash flow refers to the money coming into a business from selling its products or services and the money it spends on all aspects of production. In other words, cash flow is the actual flow of cash in and out of the CU.

Commercial utilities (CU) have to manage their cash to ensure they have enough money coming in to pay for their various expenses.

### Cash versus Profit

Cash and profit is not the same thing. A business may sell goods and services at a profit to a customer- but until the customer pays, there is no increase in cash.

Production and operating costs are not reflected in cash until they have been paid for.

Profit reflects adjustment for things like depreciation (the reduction in the value of fixed assets) that do not involve cash at all.

Cash may increase due to new investment by shareholders (e.g. issuing new shares) or by raising finance from the bank- neither of which affects the operating profit of a business.

Profit is a matter of opinion, while cash is a matter of fact.

### The Cash Management Trade-off

To manage cash successfully, a water utility faces a trade-off between:

- The cost of holding cash.
- The cost of running out of cash

### Cash Inflows

The main inflow of cash is usually cash from sales: If a business sells on credit (as case is with water utility companies) cash inflow is delayed until customers actually pay- up. In this case, effective credit control is essential.

A business that purchases on credit and is paid in cash (e.g. Shoprite) is at an advantage in terms of cash flow.

In practice CUs receive revenue from selling water. The revenue received depends on the quantity of water sold. Though for most CUs, a lot of revenue is lost as non revenue water.

In principle, the water tariff (price) multiplied by the amount of water is what is supposed to be the total revenue. Generally CUs receive revenue by billing their customers on a monthly basis. However, some bills are not paid on time leading to cash flow problems.

### Cash Outflows

Expenditure refers to the money paid in order to carry out activities. Expenditure includes payments for inputs, wages to staffs, insurance premium, electricity, telephone bills, payment for stationery, computers, etc.

Most of the costs are paid on a monthly basis; others in three months, some yearly, some might be paid every day. Utilities also have agreement to pay money to outside service providers who are in this case known as creditors.

Revenue therefore does not come in at the same time as costs have to go out. This is the main problem facing utilities and the whole point about cash flow. CUs have to manage their cash to ensure they have enough money coming in to pay for various expenses.

If there is a problem in getting the money in from customers (the consumers who used water) then the utility might face the problem of paying for the costs that are essential for supplying water. Many utilities, find that getting the money from customers is not always easy. Despite of the problem of getting money from customers still utilities have to pay for various fixed and current costs. The main components of cash outflow are:

- Operating costs, tax, and fixed assets.
- Payroll costs are often the largest and most inflexible cost.
- Stock, raw materials and any capital expenditure.

Many businesses buy their fixed assets outright. However, there is often an option to finance fixed assets via leasing or hire purchase, which helps smooth cash flow.

VAT and other taxes are regular cash out flows as well as funding large amounts of work in progress.

## Costs of Holding Cash

- The opportunity<sup>2</sup> cost of what else could be done with the money. Opportunity cost refers to the benefits forgone by using a resource in a certain way.
- Cash is often an idle asset earning a low return.
- If cash were put to work elsewhere in the business (i.e. invested) it could generate profits.

## The Costs of Running out of Cash

- Loss of supplier goodwill (may refuse further credit, withdraw discounts etc).
- Poor industrial relations if salaries are delayed or not paid.
- Ultimately- creditors may seek to put business into receivership in order to recover the amounts owed to them. When a business is put into receivership, it means that it has wound up its operations or has closed down.

## Other Effects of Running out of Cash

- Paying for the costs of supplying of water that are essential will be difficult
- Water supply services will deteriorate
- Infrastructure will break down
- Absence of adequate water supply
- Increased public health risks like cholera, typhoid and dysentery.

## Influences on Cash Balances

There are four (4) main motives for holding cash:

### Transactions motive

To meet current, day-to-day obligations (e.g. salaries, purchase of materials e.g. chlorine).

### Finance motive

To cover major items such as repayment of bank loans and purchase of fixed assets like pumps and vehicles etc.

### Precautionary motive

Provides a cushion of safety net against unplanned expenditure.

### Investment motive

Firms hold cash so that they can quickly take advantage of investment opportunities.

## Causes of Cash Flow Problems

### Making losses

If a water utility company continues making losses, eventually it will have cash flow problems.

### Growth

As firms grow, they require to finance expansion (e.g. more fixed assets, new locations, more staff etc).

### Seasonal changes

Many industries have seasonal sales patterns that create cash flow problems at certain times of the year. During the festive season (Christmas and New year) many companies water utilities inclusive face cash flow problems because customers do not pay during that period.

### One-off items

These include a repayment of a bank loan; a purchase of high value fixed assets; settlement of annual tax liability.

### Inflation

In a period of Inflation, a utility needs ever increasing amounts of cash to replace worn out assets such as pumps, meters, reticulation system etc.

## Ways to Deal With a Cash Shortage

- Postpone capital expenditure. Some fixed assets are needed for development and growth (e.g. network extension) of the utility while others are a routine (e.g. Computers or system upgrade). Capital expenditures that are routine could be postponed without serious consequences.
- Accelerating cash inflows. One way of bringing forward cash inflows that would otherwise be expected in a later period is to press debtors in for earlier payments.
- Encourage debtors to pay quickly
- Sell fixed assets, investments or other surplus assets
- Negotiating a reduction in cash outflows.
- Taking longer credit from suppliers. Such an extension of credit would have to be negotiated carefully otherwise there would be a risk of having further supplies refused
- Loan payments could be rescheduled by agreement with the bank.
- Dividend payments could be reduced since these are discretionary payments
- A deferral of tax payments would be agreed with the Zambia Revenue Authority (ZRA). However, ZRA will charge interest on the outstanding amount of tax.

<sup>2</sup> opportunity cost is the next-best choice available to someone who has picked between several mutually exclusive choices

## Aims of Good Cash Flow Management

The main aim of cash management is to have the right amount of cash available at the right time.

### What is involved in good cash management?

- Accurate cash flow budgeting and forecasting.
- Obtaining short-term borrowing when required.
- Investing cash surpluses when they arise.

## Cash Flow Management Tips

Good cash flow management is at the heart of all successful businesses.

### Monitor your income and expenditure

Make sure that you monitor your income and expenditure carefully so that you can see who owes you money, and whom you owe money to.

### Budget carefully

Budget carefully, so that you do not spend more than you can afford to and so you know when expenses are coming up.

### Build relationships with good customers

Know the customer who always pays promptly and make sure that you build a good relationship with him or her.

### Know your break even point

Make sure that you know what your break-even point is. If your income is higher than your expenditure, you are in profit and the other way round means a loss. If your income and expenditure balance, you have reached your breakeven point.

### Pay bills on time - not before

Do not pay your bills before they are due. Having said this, you should always pay on time.

## Conclusion

Water losses are among the key reasons for poor CU performance: Physical losses divert precious water from reaching customers (less cash inflows) and increase operating costs (more cash outflows)

Commercial losses reduce the financial resource generation (less cash for the CU).

Reducing NRW results in sources of new water and money. In many places, reduction of excessive losses is likely to be the next cheapest source of water. Reducing commercial losses is a significant source of new revenue (more cash inflows). CUs in Zambia need to reduce NRW thereby reducing operating costs and save more water for sales. Reducing NRW will lead to reduced leak repair costs which will in turn result in improved water distribution network performance.

Good cash flow management implies that available funds are invested until they are needed and funds are available for emergencies. Cash flow should be projected, monitored and controlled. The essence of cash flow management is to avoid cash shortages. Cash shortages are very disruptive to the CU's ability to fulfil its mission.

Source: [www.tutor2u.com/www.businesslink.com](http://www.tutor2u.com/www.businesslink.com)

Session: 4	Metering and Billing Management	Duration: 2 Hours (without field trip)
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### Learning Objectives

Participants know and practically use their knowledge of:

- Explain correctly the Importance of metering customer connections and billing of the water consumed in relation to income of the utility
- Acquire skills in metering and meter reading management

### Methods of Delivery

- 1 Facilitator introduces the session by using a 10 minutes video clip showing water production, treatment, distribution, metering and network leakages
- 2 Participants discussions in two groups, drawing lessons from the video clip using flip charts for visualisation
- 3 Plenary presentations of the group findings and relating what participants will have seen on the video clip and practices at their working places
- 4 Facilitator summarises the lessons learnt
- 5 Field trip to metered and un metered areas and visit to utility revenue/billing office

### Materials

- Assorted cards
- Video tape as described in methods of delivery
- Flip chart
- Flip chart stands
- Pin boards
- Drawing pins
- Pens

### Session Guidelines

- Give a brief outline of the session's contents
- Explain the importance of metering
- Discuss billing
- Conclude by bringing out salient points

### Key Reading Materials

- Metering as tariff policy tool - <http://www.oecd.org/dataoecd/31/29/2403012.pdf>
- Water metering code - [http://www.nt.gov.au/ntt/utilicom/s\\_docs/water\\_metering\\_code\\_changes\\_vRJ\\_e2.1.pdf](http://www.nt.gov.au/ntt/utilicom/s_docs/water_metering_code_changes_vRJ_e2.1.pdf)

## 2.4 Metering and Meter Reading Management

### Introduction

Water supply has for a long time been considered a social service with the general understanding that it is provided free or should cost very little and that the government should bear the responsibility of providing this service. This is not sustainable.

However, since 1994, the Government of the Republic of Zambia has been carrying out reforms in the water sector with the adoption of the Water Policy of 1994 aimed at promoting sustainability in the water sector.

It is from these reforms that commercialisation and establishment of Commercial Water utilities through the Water and Sanitation Act of 1997 of the Laws of Zambia stems from; that water is a commercial good to be traded like an economic good. However because of the strategic importance of water and the monopolistic system of trading, a national regulator has been established by the same act of 1997 to ensure that the people are not exploited.

### Customer Metering

For a commercial utility, the water supplied to its customers has to be turned into revenue for the sustenance of the utility and this is done through charging the customers in one of two ways:

- Metered connection water charge
- Fixed water charge

### Metered Water Connection

The water connection supplying a customer's property is metered to measure the quantity of water that has been supplied to that customer. The meter is read once a month and the bill is generated from the readings at a given tariff.

This has the advantage that the customer is able to control how much water he uses and pays only for what he has used. The metered system can be post paid – where a customer waits for bill at the end of the month and settles his bill or prepaid – where a meter incorporating an electronic registering system requires that a secret code or electronic card inserted in the meter has a pre-paid amount of money which gets deducted every time water flows through the meter. Metered charges encourage conservation, prudence in water usage and ensure that the customer maintains their plumbing works to avoid leakages.

The major disadvantage of metered water charge for the customer is that he pays even for water being lost through leakages that are not seen (e.g. underground). And this usually is the source of mistrust between the customer and the water utility. Further, metering is relatively more expensive than the fixed water charge system in terms of manpower and skill requirements. Also the capital investment in meters and meter maintenance is high.

### Fixed Water Charge

The water supplied to a customer at their premises has no meter and instead an estimate is made of the average water usage by the customers based on type of housing they live in; for domestic customers for instance, low cost housing will have a low charge, medium cost housing will have a different (usually higher than low cost) charge and high cost housing will have its own (and usually a much higher) charge. For commercial and institutional customers the charges are usually higher than the domestic customer's charges and further still, industrial customers are charged even higher fees.

The only advantage for the customer is that if they have activities that require use of large volumes of water (e.g. gardening at home), then they are in essence paying less than they should be paying.

However, the major disadvantage of this system of charging for the customer is that they get to pay the same amount of money even when they have not used any drop of water at all for a given month. This system of charging further does not encourage conservation of water but on the contrary encourages wastage and misuse of water. Resulting from wastage and misuse of water, some consumers suffer shortages and this results in water rationing. And this usually is the source of mistrust and conflict between the customer and the water utility.

The water tariff as regulated by the National Water and Sanitation Council of Zambia (NWASCO) allows for the use of fixed water charge because of the background of most Commercial Utilities (from Social service providers to commercial entities) whose financial base would not support massive metering programs. However, the regulator uses the meter installation program of the Commercial Utility as measure of its performance and a target of the number of meters to be installed per year is given by the regulator.

### Meter Reading

In CU's meters are the cornerstone of revenue "Meter readings = Billing = Revenue"

A meter is used to measure:

- Water production
- Water distributed
- Monitor water losses (NRW)
- Consumer consumption (Billing)

### Need for Metering

- Universal metering policy (every drop counts)
- NWASCO Regulation

- Reduction of NRW ‘Production – Billing = NRW’
- Encourage water conservation – metered customers control their consumption

CU's should operate efficiently, effectively, make profit and also meet/sustain customer satisfaction.

To realise this objective “CU’s need to account for all the water consumed” Effective management of water meters is a priority

### Metering Policy

A Metering Policy provides a framework for metering in a CU; from needs assessment to implementation, accuracy, maintenance and reading of meters.

### Composition of a Metering Policy

- Statutory basis for metering;
- Grounds for meter installation
- Provision of water meters
- Specifications, installation and maintenance;
- Consumer water meter handling procedures
- User obligations in regard to metering

### Lusaka Water and Sewerage Company CASE STUDY

- Has a Universal metering policy
- Meter reading is under “Commercial”
- 61,000 water connections
- 48 % metering coverage
- Has meter testing bench
- 30,000 new customer meters to be installed under World Bank Project

### Metering Performance Indicator

No	CU	No. of Connections	Metering Ratio	Hours of supply	NRW (%)
1	Nkana WSC	41,174	47	16	40
2	Lusaka WSC	52,488	49	16	50
3	Kafubu WSC	45,598	26	15	48
4	Southern WSC	25,629	74	14	40
5	Lukanga WSC	11,383	30	16	58
6	Mulonga WSC	45,001	36	17	42
7	Western WSC	8,188	36	8	40
8	North Western WSC	5,806	100	20	33
9	Chambeshi WSC	12,311	8	11	53
10	Chipata WSC	5,842	100	22	30

### Problems in Meter Management

- Stuck meters, Unread meters, Buried meters
- Vandalism/Dishonest conduct
- Access to customer premises
- Reading errors/billing errors
- Distances/transport
- Age of meters/inconsistent replacement
- Lack of training

### Effective Meter Management

- Regular review of Metering Policy
- Training/CU networking
- Timely resolution of meter complaints
- Regular maintenance of meters
- Sensitisation of customers
- Purchase of handheld meter reading units
- Prepaid metering
- Replace old and defective meters
- Observe installation requirements
- Improve transport for meter readers
- Produce pre-billing reports
- Regularly test meters for accuracy
- Improve billing efficiency
- Improve water distribution management

Meter reading requires consistency and good planning to ensure that all the meters in a given locality are read and that should be done on time. For effective meter reading the following is required to be fulfilled:

- All properties within a water district with a water connection should have a working meter.
- That all the meters on a customer's property are read regularly and consistently to reflect a cumulative and consistent consumption – this can be done on a monthly basis or every two months.
- Ensure that all meters in a given area are read with a good meter reading plan showing the walk routes
- Consumers should have confidence in the meters installed on their property and that the readings are understood by them.

The basis for rising block pricing is to protect the low cost domestic users and ensure that the higher water consumers like commercial and industrial customers pay the economic price of producing the water and also to encourage conservation of water.

The following is required for successful bill production:

A system for operating, maintaining (repairing) and replacing meters (those that fail accuracy tests and those that are stuck) – The entire system depends on the accuracy of meter readings and the confidence the consumers has that the meter is correctly recording their consumption. It is essential, therefore, that staff are alert to detect any meter malfunction quickly and undertake the needed repair or replacement at once. Complaints relating to meter readings should be addressed promptly to avoid losing customer confidence in the billing system and hence loss of income.

Accurate and consistent meter readings; the basis of the meter-based billing system is that all water entering the customer's property is measured (i.e. quantified) and accounted for. To make this possible it is necessary to install meters ideally at all customer water connections points.

High meter coverage for domestic properties – this ensures that the customers with meters do not collude with those without meters to draw most of their water from un-metered connections

A reliable billing program (software) that can translate the meter readings into charges based on a set tariff system – Some unscrupulous customers tamper with the meters so that they record low consumption; to deter such behaviour, punitive penalties should be applied for such erring customers. Water Utilities and their staff should look out for tampering and maximum deterrence instituted where cases are discovered.

A system of generating reports on customer bills, statements and concerns for management decisions will improve performance

A system for ensuring that bills are paid through enforcement of payment is important.

A disciplined and honest work force with the necessary skills required for bill production based on meter readings is a prerequisite

## Billing Production and Bill Management

Bills are generated from the meter readings made from customer premises. The bills are merely translation of the water volume consumed by the customers into money or income for the water utility. The importance of accurate and consistent meter readings cannot be over emphasized.

The water charges (water bills) are based on a pricing system usually set by the regulator (NWASCO). In principle, there are two different (metered) pricing or tariff structures:

### Fixed price per cubic meter

The price of water is set per cubic meter regardless of the quantity of water consumed, e.g.

Price = K500/m<sup>3</sup>

Consumption = 100m<sup>3</sup>,

then water charge = K500/m<sup>3</sup> x 100m<sup>3</sup> = K50,000.

### Rising tariff block pricing

Consumption is in bands of with progressively increasing price as you move up through the bands, e.g.

Band 1, up to 10 m<sup>3</sup> = K100/m<sup>3</sup>,

Band 2, from 10m<sup>3</sup> to 20m<sup>3</sup> = K150/m<sup>3</sup>,

Band 3, above 20m<sup>3</sup> = K250/m<sup>3</sup>.

Therefore, for consumption of 100m<sup>3</sup>, the water charge is calculated as follows:

water charge is

(K100/m<sup>3</sup> x 10m<sup>3</sup>) + (K150/m<sup>3</sup> x (20m<sup>3</sup>-10m<sup>3</sup>)) + (K250 x (100m<sup>3</sup>-20m<sup>3</sup>)) = K22,500.

Session: 5	Revenue collection & Debt Management	Duration: 2 Hours
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### Learning Objectives

Participants know and practically use their knowledge of:

- Acquire understanding of the billing process from the meter readings to bill production and delivery
- Acquire skills in effective revenue collection methods and avoid growth of customer debt

### Methods of Delivery

- 1 Facilitator introduces session using a power point highlighting different revenue collection techniques and possible incentives to avoid customer debt
- 2 Plenary discussion on the different revenue collection methods and debt management techniques
- 3 Plenary discussions on the revenue collection mechanisms – dealing with the incentive mechanism, promotions etc drawing on marketing techniques
- 4 Facilitator draws conclusions

### Materials

- Beamer
- Lap top
- Pens
- Assorted cards
- Flip chart
- Flip chart stands
- Soft Boards
- Drawing pins

### Session Guidelines

- 10 minutes power point presentations
- Facilitation of plenary session
- Facilitation of question and answer session
- Facilitate the drawing of conclusions

### Key Reading Materials

- The Marketing Mix – Promotion [http://www.businessbureau-uk.co.uk/growing\\_business/sales\\_and\\_marketing/marketing\\_mix\\_promotion.htm](http://www.businessbureau-uk.co.uk/growing_business/sales_and_marketing/marketing_mix_promotion.htm)
- The Marketing Mix – Product [http://www.businessbureau-uk.co.uk/growing\\_business/sales\\_and\\_marketing/marketing\\_mix\\_product.htm](http://www.businessbureau-uk.co.uk/growing_business/sales_and_marketing/marketing_mix_product.htm)

## 2.5 Revenue Collection and Debt Management

### Revenue Collection

Two key aspects that should be recognised in improving revenue and debt collection are: customer service and employee attitude.

Good customer service required to enhance revenue collection entails among other things, establishment of conveniently located pay points, quick resolution of customer complaints, delivery of customer bills on time, clear indicated due date for customer bills and a program to carry out disconnections for defaulting customers. Further extensive advertising/marketing of the water utilities' activities in both print and electronic media keeps people reminded to settle their bills. Remember that even the water utility is competing with other service providers like phones, electricity, pay TV etc. for the same financial resources from its customers; it is therefore essential that the customers have their priorities right and advertising can help them).

To reduce the expenditure burden on the company, it is necessary to minimize non-revenue water – in terms of illegal water connections, illegal reconnections, underground leakages, correct meter positions on customer premises to avoid missing some connections and to reduce on production and distribution losses arising from burst pipes (use high quality materials) and overflowing reservoirs (ensuring that water level controls are installed in the reservoir)

### Practical Steps to Enhance Revenue

#### Zone the area of operation

- Divide the area of operation into smaller manageable revenue zones
- These zones can be billed at the same time or at different times with meter reading taking place throughout the month.

The advantages of zoning are:

- Bill due dates for the zones are different and well spread through out the month
- There is a constant cash flow through out the month
- The disconnections due dates are different for the zones and well spaced through the month
- The dedicated team of disconnection plumbers are fully engaged through the month
- The meter readers are engaged through the month

#### Segregation of duties

The different functions of commercial activities need dedicated personnel with specific duties:

- Meter readers with a meter reading supervisor
- Plumbers to install, test and repair meters
- Plumbers to carry out disconnections and reconnections

- Leak detection and control team whose function is to locate invisible leaks on pipe networks and repair them.

#### Use of motor bikes or bicycles

The use of low cost transport improves efficiency in revenue generation activities without the need for high capital costs.

#### Opening cash office on saturday and public holiday

A Cashier and a team of reconnection plumbers on Saturday and during public holidays. This enhances organisation's good public image in addition to increasing revenue.

#### Mode of disconnections

Effective disconnection methods ensure that the defaulting customer does not 'steal' the water. Use of seals at the points of disconnection or removal of services lines prevents such 'theft' of the water.

### Challenges to Revenue Generation

#### Government

Government institutions like prisons, military barracks, police camps etc pay their bills after a lot of negotiations and when they do, the amounts usually do not cover the whole bill.

#### Public institutions

Public institutions like schools, hospitals etc rely on government grants to service their debt and as with government institutions, they usually do not settle the entire bills

#### Organisations that rely on donations and goodwill

Most NGOs or CBOs that rely on donations and good will accumulate huge bills to the extent that their water bills are written off. These include institutions like orphanages etc.

#### High water bills

High water bills caused by leakages after the meter, result in customers failing to settle their bills and this leads to disputes and protracted arguments with the customers. It also creates a bad name for the water utility.

#### Perception

Some customers believe that water is not for sale and should be free and a responsibility of the government.

#### Poverty

Some of the urban poor (especially in the peri-urban areas) have difficult settling their bills. When the water is disconnected, they take too long to reconnect the supply.

## Debt Management Techniques

In the water supply and sanitation industry as in any other business, there are invariably going to be people who will owe the water utility just like the water utility owes suppliers of some services. However, it is necessary to control the amount owed by the utility's customers.

A few techniques to ensure that the customers' debt does not grow to unreasonably high amounts include the following:

- Agreeing on payment plans for customers with debt outstanding for more than 60 days. It is necessary that in making such agreements, the clients commit to settle in full the current monthly bills when they are due while meeting the payment plan.
- Deliberate creation of friendships/warm relations at personal level between the persons responsible for payment of water bills in the various institutional, commercial and industrial organisations and the person responsible for revenue collection in the water utility. This can be achieved by delivery in person of the water bills, informing the important customers by phone of outstanding bills before effecting disconnections etc.
- Use of electronic money transfer systems (bank stop orders) for customers who enter into payment plans with the water utility – these systems ensure that the customer does not default yet again as the money will be transferred from their account to the water utility's account.
- Extensive advertising/marketing of the water utilities' activities in both print and electronic media (as detailed in the discussion on revenue collection above).
- Removal of water lines for customers who deliberately ignore warning letters from the water utility and make illegal reconNECTIONS after the water utility has disconnected their supply. The full cost plus penalties of connecting such customers should be borne by them. Fraudulent customers should be reported to Police.
- Use of legal action against the major defaulters especially institutional, commercial and industrial customers – this should really be a last resort of collecting the debt because this may create unnecessary acrimony

Avoid mediocrity; keep away from the usual excuses of:

- No leakage problem – it's all illegal consumption or no illegal consumption - it's all leakage problems
- No money to do anything
- Not enough staff
- Need to keep losses to a minimum through water rationing (intermittent supply)
- Need to replace the whole water reticulation system

Unit 3:

# Customer Service in the Water Service Industry

## Sessions of this unit:

3.1	Effective Customer Service	43
3.2	Customer Relations Skills	49
3.3	Public Relations	55
3.4	Crisis Management	59

3

Session: 1	Effective Customer Service	Duration: 3 Hours
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### Learning Outcomes

Participants will be able to:

- Understanding the importance of customer service in the water service provision
- Develop skills of customer service

### Methods of Delivery

- 1 Facilitator introduces session using a 10 minutes power point presentation  
Facilitated discussions in two groups on the definitions and importance of the customer and consumer
- 2 Facilitated plenary discussion on the definitions and importance of the customer and consumer
- 3 Facilitator summarises the definitions and importance of the customer and consumer in plenary by writing them on a flip chart

### Materials

- Pens
- Assorted cards
- Flip chart
- Flip chart stands
- Pin boards
- Drawing pins

### Session Guidelines

- 10 minutes power point presentations definitions
- Facilitation of plenary session
- Summarising and closing of session

### Key Reading Materials

- CIM(2002), Customer Communications
- [www.customerservicemanager.com](http://www.customerservicemanager.com)
- [www.morebusiness.com](http://www.morebusiness.com)

## 3.1 Effective Customer Service

The Customer is King.

*Unknown*

Our greatest asset is the customer! Treat each customer as if they are the only one!

*Laurice Leitao*

There are no traffic jams along the extra mile.

*Roger Staubach*

If we don't take care of our customers, someone else will.

*Unknown*

You'll never have a product or price advantage again. They can be easily duplicated, but a strong customer service culture can't be copied.

*Jerry Fritz*

### Definition of a Customer And Consumer

A customer is a buyer of goods and services of an organisation. In case of a water utility, buyers of water and sanitation services are its customers.

A consumer is a user of a business's goods and services. A customer is the most important person in the company/organization, whether he comes in person, writes or telephones.

A customer:

... is not dependant upon us ... we depend upon him for our living

... is not an interruption of our work ... he is the purpose of it. He is doing us a favour by giving us the opportunity to serve him.

... is not someone with whom to argue or match our wits. No-one ever won an argument with a customer.

... is a person who comes to us because he needs certain goods or services. It is our job to provide them in a way profitable to him and ourselves.

... is not a cold statistic. He is flesh and blood human being with emotions and prejudices like our own.

### PRINCIPLE

Every resident in the service area of a commercial utility is- because of his or her water consumption- a customer of the CU, not on a contractual relationship with the CU.

By paying for services offered by CUs, the customer expects also to receive a good service from the CU.

The CU expects that a good customer service leads to more acceptance of services and employees from the client side.

To fulfil these expectations best, the customer service has to be established in all operational divisions of the company.

The CU has to be known by every consumer. The customer has to be broadly informed about:

- Economic conditions (for delivery, tariffs, cost sharing etc)
- Technical conditions (ownership of pipelines, conditions for service connections, defining responsibilities).

Every customer of the Cu should know the following facts about the CU:

- The name and logo of the CU.
- Responsibilities of the CU.
- Location
- Contact person.
- Services offered.
- The legal/ operational conditions for supply and service.

Missing knowledge hinders a goal oriented work with the customer.

For the relationship of a CU with its customers it is essential to have enough data about customers.

All data are collected in the database and should be up to date and complete. Missing, wrong or imprecise data leads to problems in accounting and so to lacking acceptance from the customer's side. To up data customer data continuously, the following tasks have to be fulfilled:

- Involve all employees of the CU in collecting customer related data.
- Cooperating with third parties such as local authorities or organisations such as Zambia Electricity Supply Corporation (ZESCO) or Zambian Telecommunications (Zamtel).

## Importance of Customers

- Water service providers (WSPs) or commercial utilities (CUs) need customers to buy goods and services; without them, CUs will not survive. Water utilities are not an exception; they need customers to buy their services in order for them to survive.
- The activities and processes of water utilities would cease altogether without customers and consumers.
- Customers provide water utilities with essential information to enable WSPs OR CUs to develop and adjust their business and marketing strategies, programmes and practices.

## Definition of Customer Service

Here is a simple but powerful rule - always give people more than what they expect to get.

*Nelson Boswell*

The goal of a company is to have customer service that is not just the best, but legendary.

*Sam Walton*

„Customer service is the ability to provide a service or product in the way that it has been promised.“

„Customer service is about treating others as you would like to be treated yourself.“

„Customer service is an organization's ability to supply their customers' wants and needs.“

„Customer Service is a phrase that is used to describe the process of taking care of our customers in a positive manner.“

„Customer Service is any contact between a customer and a company, that causes a negative or positive perception by a customer.“

„Customer service is a process for providing competitive advantage and adding benefits in order to maximize the total value to the customer.“

„Customer Service is the commitment to providing value added services to external and internal customers, including attitude knowledge, technical support and quality of service in a timely manner.“

SOURCE: [www.customerservicemanager.com](http://www.customerservicemanager.com)

## Basic Concepts

### Customer service principles

You know how you want people to treat you when you are the customer. As you read the “Seven Cs”, think about what they mean to you when you are a customer.

### The seven “C’s of customer service

- Commitment: our customers are our top priority
- Communications: customers understand what we say
- Credibility: customers believe what we tell them because we tell the truth
- Climate: when customers visit, they have a pleasant experience
- Challenge: our challenge is to serve the customer and sustain the relation. The customer should not face a challenge when they come to us.
- Courtesy: we are polite and we try to make our customers feel valued
- Caring: we care about doing the right things for our customers at all times



Perhaps the most important principle in customer service is to treat your customer according to their expectation – or the way you would like to be treated when you are the customer. Customers may not expect good service but if you deal with them in a respectful and sensitive manner, they will be your strong supporter in the future.

## Responsibility for Customer Service

Every employee in an organization plays a part in customer service - both people who come in contact with customers and those whose actions result in serving the customer.

Many organizations have a main point of contact for customers. This unit helps customers:

- Open new accounts,
- It helps them solve problems,
- Sometimes these units collect customer payments, and
- They provide information.

Usually, customer service employees' work in an office and customers come to them. Office locations should be convenient for customers to visit.

However, customer service is not limited to the people who work in the office. Other employees may be in daily contact with customers - such as a meter reader. These people probably have more contact with customers - and the public - than the people in the office. So, it is important for them to follow the "Seven Cs" too.

## Best Practices

The best customer service systems make things as easy as possible for the customer. Best Practices help do this:

### Philosophy

Every organization has a choice to make in customer service:

Will it provide

- The levels of service that customers have come to expect?
- The services that customers desire? or
- Services that will delight the customer ?

Delivering the lowest level of quality -expected -is not enough! Your organization may be able to do much better than it has in the past. The middle level of quality - desired - may not be enough either. Customers may not know that they could have more than they desire. But, the highest level of service - "delighted" - will help an organization grow its business and the loyalty of its customers.

### Employee attitudes

How does an organization deliver levels of service that delight a customer? With delightful employees! Happy satisfied employees who are committed to the organization will provide great customer service. Unhappy employees will have the opposite effect. So, in order to satisfy your customers, first you must satisfy your employees - and help them become delightful!

## What do customers think?

From time to time, many organizations ask customers what they think about the services they receive:

- Are they satisfied?
- Is there something that they need that they are not getting?
- Do they have suggestions for improvement?
- What would delight them?

It is better to ask customers what they want than to make assumptions. Besides, customer "wants" can change regularly: You need to stay in touch to understand what they want right now.

Many organizations take steps to get customer feedback - such as surveys or focus groups.

In a focus group, people from customer service sit down face-to-face with customers. They discuss how well the organization provides service. Many customers will gladly give their opinions. Their ideas can help the organization do a better job. Regular meetings with customer representatives (e.g. RDCs, RDAs, Councils/Business Associations) should be held.

Written surveys can be useful but there is no substitute for talking to customers face to face.

Questionnaires may ask the wrong questions or focus on things that do not matter to the customer.

### Service delivery

Most customers care about getting services when they need them. They do not expect to have service interrupted without notice. They expect products to be available. They don't want to have problems because an organization makes a mistake.

An organization that meets these basic expectations will have few complaints. Complaints and problem solving take time. It is better to avoid them in the first place.

### Customer problem-solving

When a customer has a problem:

- He wants it fixed quickly.
- He does not want to hear that this is not possible.
- He does not want to talk to a lot of people to get his problem solved.
- And most of all, he does not want to be told that he does not know what he is talking about.

Good customer service takes the burden for problem solving off of the back of the customer.

- Customer service employees take time to understand what the customer wants or needs.
- They take responsibility to satisfy the customer.
- They contact the right people to get things done.
- When the problem is solved, they follow-up to make sure that the customer is happy.

Some organizations take action to anticipate and solve problems ahead of time. For instance, water utilities shut down services to make repairs. If customers know a day before the work is done, they can prepare.

### **Customer appreciation**

Is it enough to provide good service and solve problems effectively? Well, yes. It would be wrong to fault any organization for doing these things. But, it never hurts to show appreciation for customers. One simple and effective way is to thank people for their business. But how often do most organizations do this?

There are other ways of thanking customers:

- Customer Appreciation Day: invite customers to tour your facilities; serve coffee and cake
- Give candy to the children of people who visit the customer service office
- Provide small gifts or letters of recognition to customers who use a lot of services or pay their bills on time.

### **Customer service training**

In order to help customers, employees need to know a lot of things about the way their Organization works:

- Who does what?
- Sources of information and policies

Communications and conflict resolution training can help - for instance: "what to do when an angry customer calls".

- Customer service office workers need to know how things work in operations.
- Operations people need to know things about the customer service office.

### **Benefits of customer service training**

- Helps you to learn your customers faster
- Improves the organization's work performance
- The organization develops more productive staff
- The organization acquires good public image
- The organization's staff become focused to overcome personal and social challenges
- Customers become ardent followers (fans) of the organization
- Increases demand for the goods and services of the organization
- Customers enjoy high quality services and hence increased utility

## **Commandments of Customer Disservice**

### **Thou shall not put phone calls ahead of real customers**

How often has this happened to you? You patiently wait in line some place, you get the front, you catch someone's attention, and then the phone behind the counter rings. All of a sudden, the phone call has become more important than you and it takes precedence over your issue.

Real people who patronize your business in person are almost always more important than laky loo phone callers. Make sure that your employees know that and are taught to treat your actual customers with the respect that they deserve.

### **Thou shall not become a no-person**

Too many employees try to flex their muscle by saying no. It seems to give them at least a sense of power. But great harm can come from the No person employee. They are the ones who anger already unhappy customers and they are the ones who turn customers into ex-customers.

### **Thou shall not be a strict constructionist**

In the law, a strict constructionist is one who says that laws and policies do not evolve, that the document as written must be strictly interpreted.

While that might be a valid legal argument, it makes for poor customer relations. Sometimes the smart choice is to bend policy and make an exception. The customer will remember it, and your business will probably not be harmed by it. These exceptions, however, should be approved by management.

### **Thou shall not have bad manners**

Your customers should not be thanking you; you should be thanking them. Common courtesy and good manners can go far towards leaving your customers with a good impression of your business.

### **Thou shall not take thy customers for granted**

While seemingly obvious, it is nevertheless critical to remember that loyal customers are loyal only to a point, and that the second they feel unappreciated, their loyalty will be a distant memory. So make sure your customers know they are special and are treated that way. Thou shall make no promises that cannot be kept.

#### **Business Tip**

We all get so caught up in the day-to-day hecticness of running our businesses that it is easy to miss the big picture. There are a lot of ways to turn unsuccessful business into successful businesses, but if we don't look for them, we may never learn them

## A New Approach for Commercial Utilities

In the new commercial utilities there is need for a customer service emphasis in strategic analysis. They will require establishing a customer service division to do the following:

- Set up new Customer Accounts
- Install, Maintain and Replace Meters
- Read Meters
- Distribute Bills
- Collect Payments
- Solve Customer Problems
- Eliminate Illegal Consumption
- Disconnection Service

This division should be set up to cover customer needs from the day he/she arranges service until the day he/she disconnects.

## Lessons Learned

- The customer is always right.
- You gain nothing by proving to a customer that he is wrong.
- Don't fight this battle. Accept the criticism and listen. You may learn something. When a customer releases his anger, he will be ready to talk about problem solutions.
- Attitude is a little thing that makes a big difference. If we meet a person with a smile on our face, he will probably smile back.
- Put yourself in the shoes of the customer and think about how you would feel if you were the one. What would make you happy?

## Taking Action

Here are actions you can take to build or improve customer service in your organization:

- Make customer service a top priority for everyone in your organization
- Make it everyone's goal to delight the customer
- Understand customer wants and needs
- Treat every customer the way you would like to be treated
- Keep a log of customer complaints and compliments
- Assess trends in complaints and compliments to find ways to improve
- Find ways to show customers that you appreciate them
- Don't forget to say thank you

### Useful Tip

"Delighted customers are more loyal, come more often, spend more money and tell their friends about you. That means more pleasure and profits for you. Angry customers leave in a hurry, cancel orders, upset your staff and tell negative stories about you."

Ron Kaufman, Active Learning: [www.ronkaufman.com](http://www.ronkaufman.com)

## Summary

It is principle for employees of the water company that no customer's concern may be referred to any other colleague. The employee has to collect and handle the concern. If handling is not possible then the employee should forward the concern to another colleague, but control the realisation.

Those employees with direct contacts to customers are the most important representatives of the water company. They form the public picture of the water company.

Because of this responsibility, those employees have to fulfil important personal attributes and they include:

- Loyalty with the water company.
- Commitment into the work with customers.
- Good knowledge of technical and economical processes.
- Being communicative.

A customer is the most important person in the water utility company, whether he comes in person, writes and telephones. All performance of water utility companies must be carried out to satisfy the customer. Any performance that does not lead to customer satisfaction is waste. Customer care affects everyone in a water utility company. We must understand our customers and adopt good customer care practices.

Session: 2

Customer Service in the Water Service Industry

Duration: 2 Hours

### Learning Outcomes

Participants will be able to:

- Know how to deal with customers complaints
- Practice effective telephone skills
- Handle difficult/awkward/ irate customers

### Methods of Delivery

- 1 Facilitator introduces the session by using a 10 minutes video clip showing various scenarios of good and bad customer relations
- 2 Participants discussions in two groups, commenting on their observations
- 3 Plenary presentations of the group findings and relating what participants will have seen on the video clip and practices at their working places
- 4 Facilitator summarises the lessons learnt and conclusions in plenary, by writing them on the flip chart

### Materials

- Pens
- Assorted cards
- Flip chart
- Flip chart stands
- Pin boards
- Drawing pins
- Beamer
- Laptop

### Session Guidelines

- 2 x 5 minutes video is shown to the participants – depicting two scenarios, one of good and the other of bad customer relations
- Facilitation of group and plenary discussions
- Facilitation of question and answer session based on the video clip
- Facilitate the drawing of the lessons learnt and conclusions

### Key Reading Materials

- [www.drnadig.com](http://www.drnadig.com)
- [www.morebusiness.com](http://www.morebusiness.com)
- [www.coaching-business-to-success.com](http://www.coaching-business-to-success.com)

## 3.2 Customer Relations Skills

### Projecting a Positive Image of your Self and Your Company

It is of crucial importance for all employees to know that all of them represent their companies in their own individual rights. Their actions (good or bad) impact on the corporate image of the water utility. In order for employees of water utility companies to project a positive image of themselves and their utilities, they must:

- Think about positive aspects of their jobs.
- Think about positive qualities of their workmates.
- Think about their own positive qualities.
- Keep negative experiences in perspective.
- Avoid situations, which they think will be negative if they can.

Water utility companies need to go an extra mile in their quest to provide water and sanitation services by:

- Being punctual in their dealings.
- Keeping their employees stress levels low.
- Creating goodwill.
- Under promising and over delivering.
- Thinking creatively about customer care

### Effective Telephone Skills

Dealing with customers on the telephone is another very common means of interaction between a water utility and its customers. Telephones are used to deal with enquiries, complaints, clarifications, orders and other requests.

The [www.tutor2u.com](http://www.tutor2u.com) website lists the following as the rules for effective telephone communication between an organization and its customers:

- Ensure that the call is answered and dealt with as quickly as possible-having to wait for a response or being put on hold for length periods is likely to irritate customers, generate complaints and ultimately lose customers.
- Welcome customers politely and speak clearly- a warm and personal welcome helps to break down the anonymity of the call.
- Identify the caller's needs quickly- it may be the caller who is paying for the call and so will want to be dealt with as quickly and efficiently as possible.
- Listen carefully and take notes- it is important to listen carefully and take notes as detailed as possible.
- Do not yawn or sigh- either will give the impression of boredom.
- Close the call effectively- it is important that both sides are satisfied with the call before it is terminated.

### Other Telephone Tips

- Answer cheerfully and give your name
- Ask for the customer's name and telephone number
- Speak clearly
- Listen carefully
- Understand
- Apologize if appropriate
- Offer suggestions to solve a problem
- Agree on how and when you will solve the problem
- Thank the customer for a compliment - or for their patience

### Handling Difficult Situations

Dealing with difficult situations may be frustrating and stressful. Sometimes you may be a victim of someone else's mistake. If found in such situations do not lose your temper. Research shows that the majority of customers do not complain, so the complaints that you do receive represent only a small percentage of potential complaints. Customers who do not complain most likely do not come back. Treat complaints therefore as an opportunity to discover how to improve your products and services. A customer who has taken the trouble to complain to a water utility expects the following to happen:

- An employee of the water utility to listen actively to the complaint of the customer, to be sympathetic and take responsibility for the resolution of the complaint.
- To deal with one or two employees only, not to be passed from person to person or section to section or department to department.
- A quick solution to be found to a complaint

### Encouraging Customers to Complain

Johns (1994) suggests the following as guidelines for encouraging customers to complain:

- Water Utilities must make it easy for customers to complain by establishing free-call or local rate phone numbers.
- Ask for feedback by selecting and approaching customers at random.
- Use random visits to sample the service first hand.
- Train staff to listen to complaints positively, as a learning opportunity, without becoming defensive.
- Act quickly and with goodwill to solve any problem identified, so complaints will be perceived to be worthwhile and positive.

- Communicate the intention to prevent the recurrence of the problem.
- Reward customer feedback with appropriate incentives: discount vouchers, entry into prize competition draws and so on.

### **Encouraging Customers to Complain**

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- Communicate the intention to prevent the recurrence of the problem.
- Reward customer feedback with appropriate incentives: discount vouchers, entry into prize competition draws and so on.

Non-defensive listening entails listening without any preconceived views of what might have happened.

### **Employees must take ownership of the situation**

The customer who has a complaint wants to be assured that their complaint will be investigated and resolved satisfactorily. If the employee involved does not have the authority to take care of the complaint, then the complaint must be referred quickly to someone who is in charge.

### **Employees must apologise for the inconvenience that has been caused**

The staff involved in sorting out the problem, should show sympathy and understanding as to why the customer is upset, this may help calm the situation.

Employees must remember that any action taken and compensation given should reflect the seriousness of the complaint.

Customer care personnel must remember that over generous compensation may encourage other customers to make false complaints; nevertheless, it is vital that compensation offers do not insult the customer and create even more dissatisfaction.

### **Important Factors in Efficient Complaint Handling**

According to the MORI Survey that was done in the UK, the general public believes that the following factors are important in efficient complaint handling:

- The speed of response
- Being kept informed
- Feeling that the problem is fairly investigated.
- Clearly communicated complaint procedures.
- Friendliness and helpfulness of handling staff.
- Having a named person to deal with.
- Receiving written apologies and explanations

### **Handling Customers' Complaints Effectively**

Customer relations personnel need to handle customer complaints effectively as a way of ensuring that their relationship between them and their customers is very crucial to the survival of the organisations they work for. Tips to follow when handling customer complaints include:

#### **Employees must listen carefully and must not be defensive**

Careful listening on the part of the employee will ensure that he or she will be able to ascertain the exact nature and cause of the problem, as and not to annoy the customer even further.

## Consumer Complaints per Commercial Utility in Zambia

Commercial Utility	Total Customer Complaints 2005/6	Total Customer Complaints 2006/7
Chambeshi WSC	211	3, 761
CWSC	925	494
Kafubu WSC	2, 721	5, 066
Lukanga GWSC	N/A	5, 469
Lusaka WSC	10, 252	30, 023
Mulonga WSC	3, 770	2, 025
NWSC	12, 669	13, 470
Nkana WWSC	1, 072	1, 669
Southern WSC	5, 464	8, 047
Western WSC	1, 768	1, 571
Total	38, 852	71, 595

Most complaints received related to:

- Poor water quality.
- Erratic water supply.
- Sewer blockages.
- Delayed connections.
- Erroneous billing.

*SOURCE: Urban and Peri-Urban Water Supply and sanitation Sector Report (2006/ 2007)*

The following can be said about handling customers' complaints:

- A complaint is an opportunity to improve your relationship with the customer.
- Study and learn how to deal with different types of customers who complain.
- A customer's complaint is always valid, no matter how outrageous it may appear to you.
- Make complaining easy for the customer.
- Study and learn the Ten Tips for Handling Irate Customers.
- A satisfied customer generates six times more revenue than a dissatisfied one.
- If you attend to the customer's dissatisfaction effectively and efficiently, not only will the sake be saved, but the customer can also be saved.

### Case Study

A commercial utility in Zambia has the following procedure for resolving customer complaints:

1. Recording: Complaints are entered into the billing system and a customer is given a reference number. Every complaint is taken seriously because it may help us know areas of weakness. We should not be dismissive and ignore complaints.
2. Investigating: Engineering and financial investigations are handled by the engineering and commercial teams respectively.
3. Corrective action: Action taken is entered in EDAMS. The Area Manager informs the customer in writing about the action taken to prevent a repeat of error or problem. Staff may also give explanation at the site where possible.

### Handling Irate Customers

Through effective listening, reflection, asking questions, avoiding impossible promises, negotiating and handling complaints, you must develop the ability to assess your personal level of tolerance, to understand your feelings and match your behaviour to the needs of the situation.



### Tips for Handling Irate Customers

- Attend to the problem quickly. The longer customers wait or you to respond to a problem, the angrier customers become.
- Always see the customer's side of the story. Hearing complaints is never easy.
- Resist the urge to become defensive, even if the customer is making preposterous (ridiculous) and outrageous statements.
- Even, if an irate customer is wrong and you are right, don't try to prove anything.
- Concentrate instead, on doing your best to delight the customer.
- Gather enough information to solve the problem.
- Get the person to focus on the specific issues that is at the root of any general complaint.
- Never blame a colleague or another department's employees.
- Avoid the use of the pronoun 'you' or language implying that the customer caused the problem.
- Listen to the customer and respond effectively and efficiently.

### Handling Difficult Customers Effectively

*Customers don't expect you to be perfect.*

*They do expect you to fix things when they go wrong.*

*Donald Porter*

**Don't take it personally** – remember when a customer complains they are unhappy with the product or your company – not with you.

**Remember you are good at your job** – remind yourself of the skills you have and why you are working there. Don't allow customers to make you feel inadequate.

**Write down their complaint or concern** – show the customer you are listening by recording their problem and if you are on the phone, tell the customer you are writing down all the details. Communicate reference number of the complaint to the customer.

**Ask a supervisor to join you and be part of the transaction** – if the customer is becoming more difficult, invite a supervisor to join you and the customer will notice you are treating them as important by seeking additional help.

**Debrief the situation with someone else when the customer leaves** – sometimes you may need to talk to someone about your difficult customer to debrief and get rid of any negative thoughts and emotions you may have – this is a very important step.

**Learn stress management techniques** – this may help you stay calm if a customer raises their voice or becomes emotional. By learning to breath deeply, focus on the positives and also ensure your body doesn't carry stress you will be able to handle these difficult customers easily.

**Recognise and accept you will work with customers who have bad days** – understand when you are working with the public some people take their bad days out on you – it is not personal.

**Consider what you could do differently next time** – if the customer is complaining about a company system or process, take some time to review this and determine if this might need to be changed. Think about the way you handled the customer and note anything you would do differently next time.

Source: [www.morebusiness.com](http://www.morebusiness.com)

### Critical Customer Relations Skills

- A passion for taking care of customers.
- A willingness to be flexible.
- A work ethic based on dedication to the company and its mission.
- An eagerness to learn a new business and work their way up.
- Self-motivation and goal-orientation.
- Persuasive sales skills.
- Excellent communication skills.
- Leadership ability.

### Conclusion

In conclusion, employees of water utility companies should do the following in as far as dealing with customers is concerned:

- Allowing the customer to explain the situation fully without interruption.
- Showing concern about the situation.
- Showing that you will take responsibility for the situation.
- Writing down the facts and summarise to the customer that you have fully understood the problem.
- Agreeing a resolution to the complaint with the customer.
- Making sure you do what you have promised. Follow up with the customer to ensure that they are happy.
- Keep the customer informed.

Session: 3

Public Relations

Duration: 2 Hours

### Learning Outcomes

Participants will be able to:

- Know the importance of Public Relations
- Understand the functions of the PR department

### Methods of Delivery

- 1 Introduction of session
- 2 Facilitator gives a 15 minutes power point presentation
- 3 Plenary question and answer session
- 4 Facilitator summarises the lessons learnt and conclusions in plenary, by writing them on the flip chart

### Materials

- Permanent markers
- Assorted cards
- Flip chart
- Flip chart stands
- Pin Boards
- Drawing pins

### Session Guidelines

- Facilitator gives a 15 minutes power point presentation
- Facilitation of question and answer session
- Facilitate the drawing of the lessons learnt and conclusions

### Key Reading Materials

- [www.answers.com](http://www.answers.com)
- [www.publicrelationsaustralia.com](http://www.publicrelationsaustralia.com)
- [www.101publicrelations.com](http://www.101publicrelations.com)



### 3.3 Public Relations

#### Public Relations Defined

Public Relations (PR) is 'the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics.'

*(Institute of Public Relations)*

Public Relations (PR) is all about building good relations with the company's various publics by obtaining favourable publicity, building up a good corporate image and handling or heading off unfavourable rumours, stories and events. (Philip Kotler).

Public Relations (PR) is a form of communication that is primarily directed to image building and that tends to deal with issues rather than specifically with goods and services. Public relations uses publicity that does not necessitate payment in a wide variety of media and is often placed as news or items of public interest. (Business Dictionary)

Public Relations (PR) describes the various methods a company uses to disseminate messages about its goods and services, or overall image to its customers, employees, stockholders (shareholders), suppliers or other interested members of the community. The point of public relations is to make the public think favourably about the company and its offerings. Commonly used tools of public relations include news releases, press conferences, speaking engagements and community service programmes. (Small Business Encyclopaedia) PR involves a wide range of company activities like publicity, press or media relations, lobbying or presentations to government (Ministry of Energy and Water Development- MEWD) and regulatory bodies such as NWASCO, community projects and communicating with consumer groups such as Consumer Watch Groups in the case of water utilities.

#### Publics of a Company (Water Utility)

A public is a group of people united by a common interest that is specific to them or their situation.

A Water Utility Company's (e.g. Mulonga, Nkana, Kafubu, North-Western, Lukanga, Lusaka water and sewerage companies) publics may include:

- The media (Post, Times of Zambia, Daily Mail, ZNBC TV, Muvi TV, Mobi TV)
- Local communities like Mulonga Water - Kamuchanga, Chibolya, Eastlea; Lusaka Water- Kabwata, Libala, Chilenge.
- Central and local government-Ministry of Energy Water Development (MEED), local authorities (councils)- e.g. Kitwe and Ndola city councils, Solwezi Municipal Council.
- Customers of the CU.
- Employees of the CU.
- Trade unions.
- Suppliers of materials to CUs such as Saro Agri,
- Opinion leaders such as journalists, politicians
- Board of directors.
- Pressure groups, e.g. Citizens for Better Environment.
- The general public
- Financial publics- banks (Finance, Barclays, Stanbic, Indo-Zambia, Standard Chartered Bank etc).

## Functions of PR Departments

PR departments usually report directly to the Managing Director and execute the following functions:

### Media relations

Relations with the media must be developed before they are needed. CUs must always strive to develop a more proactive relationship with the media. CUs must always remember that as sound as the relationship with the media must be, they can never control what appears in the media, but can influence that their CU is appropriately covered.

Nevertheless, a programme to improve relationships with the media, particularly at top management level, is of crucial importance. The CU needs to do the following:

- Understanding key players in the media (who is who in the media)
- Analyse media houses and personnel in terms who are friends, enemies and neutral.

Plan for relationship building:

- Tours of CU facilities and operations such as abstraction points and treatment plants.
- Planned press interviews.
- Informal meetings.
- Social functions.
- Business events.
- Identify opportunities for appreciation of their services.
- Provide up to date information about the CU.
- Maintain a list of all media organisations and their staff.
- Conduct quarterly analysis of media coverage to measure the coverage the CU gets.

### Employee relations

Employees are the CU's important stakeholders and effective communication with them is vital for sustained business success. The CU must do the following for employee relations:

Employment induction programmes.

- Communicate the business plan to employees annually.
- Identify feedback opportunities for management.
- Employee newsletter.
- Employees informed about key issues such as stance on AIDS.
- Support for community programmes and other initiatives.

### Community relations

The communities in which the CU operates are important to the business and its corporate image. The communities should feel that they are better off because of the CU's operations either by providing employment or supporting community based programmes that uplift the lives of the people in the communities. The CU therefore needs to have in place a policy to guide it on which commu-

nity programmes to support e.g. health, education, football and traditional ceremonies.

### Government/regulator

This stakeholder group is of utmost importance in protecting their license to operate. Meetings with appropriate government officials and the regulator (NWASCO) should be a regular feature in your work.

### Company material

The CUs must also have a library of information material about themselves. They must determine what must be published. Is it fact sheets, brochures, posters or company newsletter.

## PR Tools

PR tools include:

- News: PR personnel find or create favourable news about the company and its products.
- Speeches: these create product and company publicity.
- Special events: These range from news conferences, press tours, grand openings, hot air balloon releases and so on.

## Conclusion

Whether a water utility' management likes it or not Public Relations (PR) is a part of a utility's life. All the contacts a utility makes with its outside world is communication of some sort. Since an image will be projected in a utility's dealings with various stakeholders or publics – and a cost of projecting a negative image can be very high- it makes a lot of sense to manage messages being projected.

**LUKANGA WSC**

**COMPANY PROFILE**

P.O. Box 81745  
Kabwe, Zambia  
Telefax: 0215 222474

**HEAD OFFICE: KABWE**

Towns Serviced	Kabwe, Mumbwa, Chibombo, Chisamba, Kapiri Mposhi, Serenje, Mkushi
No. of Connections	12,706
Total Population in Service Area	323,657
No. of Employees	192
Water Production	16 mio m <sup>3</sup>

**NEWS**

**Oct 27, 2010**  
**NWASCO DATES LUSAKA RESIDENTS**  
Friday 22nd October 2010, was a perfect day to mingle with Lusaka residents and highlight water supply and sanitation issues ranging from consumer rights & obligations, where and how to register complaints, understanding one's water bill, functions of the regulator among others. Perfect because it was only two days away from Zambia's 46th Independence Day celebrations.

**Oct 27, 2010**  
**NWASCO, DTF AND GTZ LEND A HAND TO THE UNDERPRIVILEGED**  
The National Water Supply and Sanitation Council (NWASCO), the Devolution Trust Fund (DTF) and the German Technical Corporation (GTZ) have donated Twenty (ZMK 20 M) million kwacha to Greenhill Community Orphanage School of Chamba valley township.

**TAKING CARE OF YOUR WATER INTERESTS**

Internet presence of the National Water Supply and Sanitation Council (Nwasco) Zambia:  
<http://www.nwasco.org.zm/lukangawsc.php>

Session: 4

Crisis Management

Duration: 2 Hours

### Learning Outcomes

Participants will be able to:

- Identify crises and manage them
- Manage issues (such as wrong or inaccurate media reports) to prevent crises

### Methods of Delivery

- 1 Facilitator introduces the session by using a 5 minutes presentation
- 2 Group exercise in which a crises is presented to the participants. The participants are grouped into CU constellations and asked to present a real crisis that has occurred in their CU and note the key observations and views on how the crises was handled and how better it should have been handled
- 3 Plenary presentations of the group discussions
- 4 Facilitator summarises the lessons learnt and conclusions in plenary, by writing them on the flip chart

### Materials

- Pens
- Assorted cards
- Flip chart
- Flip chart stands
- Soft Boards
- Drawing pins

### Session Guidelines

- Presentation of 5 minutes power point on the crises and issues in the water supply industry
- Facilitation of group exercise and plenary discussions
- Facilitation of question and answer session
- Facilitate the drawing of the lessons learnt and conclusions by visualising them on cards

### Key Reading Materials

- Marketing In Practice (2003) CIM
- [www.publicrelationsaustralia.com](http://www.publicrelationsaustralia.com)
- [www.101publicrelations.com](http://www.101publicrelations.com)

## 3.4 Crisis Management

### Definition of a Crisis

A crisis is an event that occurs suddenly, often unexpectedly, and demands a quick response. A crisis interferes with normal routines and creates uncertainty and stress. A crisis can threaten the reputation or corporate image of a water utility like Lusaka Water and Sewerage Company (LWSC) and North Western and Sewerage Company (NWSC).

A well-managed crisis, however, cannot only preserve reputations and credibility of a water utility but can also enhance them.

### Types of Crises

- Natural disasters such as floods, earthquakes and bushfire.
- Customer relations, product failure, product recall, product tampering, service complaints and consumer boycott.
- An explosion, a scandal, or a conflict.
- Allegations of mismanagement.
- Abrupt change of top management team.
- Allegations of employee misconduct e.g. sexual harassment.
- Workplace violence.
- Other crises that need to be considered include employee health and safety environmental and labour Issues.

### Examples of a Crisis

#### Example 1:

A Utility in Zambia received a complaint that bad coloured and smelling water was coming out of a consumer's tap. It was immediately reported that sewage water was mixing with drinking water and the water utility was put under immediate scrutiny.

#### How the Crisis was handled

On investigation, it was discovered that the consumer was not a customer of the utility. It was further discovered that the customer had illegally connected his water supply lines into the utilities' sewerage network line. The sewage line was bigger than the water line and the consumer wanted to connect into a larger line thinking he will have higher water pressure.

The utility had to spend a long time and a lot of money to correct the impression that it was at fault and to build customer confidence in the water utility;

#### Example 2:

Major raw water pumps of a water utility broke down and as a consequence, an entire town had no water for two whole weeks with only one small pump working.

#### How the Crisis was handled

- Made personalised visits to the all major government offices (ministers, permanent secretary, local council offices, hotels, lodges etc) by a team of senior management of the water utility.
- Kept the media well informed at all times of the actions that were being taken by the utility
- Remained transparent on what was being done by the utility
- Gave a time frame in which the problem would be resolved
- Communication was extended to the employees
- Bulk water was distributed using a bowser to various areas to provide relief
- When the problem was resolved, the general public was informed
- Future measures to mitigate such problems were outlined.

### Crisis Communication

Crisis communication is public communication in the face of a potential public relations disaster, through which the organisation initiates damage control, to minimize or counter the negative public relations effects

The key to effective crisis communication is to be prepared before a crisis occurs. Once an emergency happens, there is little time to think much less to plan. Without a crisis plan, you can be overwhelmed by events.

Effective crisis communication involves the following:

- Identifying target groups (these could be employees, customers, government officials, professional organisations like Water and Sanitation Association of Zambia (WASAZA), the general public etc.) that need to be informed and preparing a response.
- Recognising and responding to the likely level of public concern when issue arises.
- Explaining what has happened, demonstrating openness and giving consistent messages. This can reduce suspicion.
- Showing that the water utility cares about the problem and demonstrating that steps are being taken.
- Mobilising support by using independent, credible experts (e.g. the Environment Council of Zambia - ECZ) who can speak out in support of the water utility, its steps to resolve the problem and so on.

### What to do when you are in Crisis

#### Do

- Move swiftly
- Be proactive
- Be honest
- Get senior managers to respond - involve top management as soon as possible
- Set up a news centre for company representatives and the media
- Tell the whole story openly and completely
- Demonstrate the company's concern by your statements and your actions.

#### Don't

- Be complacent
- Hide
- Lie
- Attribute blame elsewhere
- Refuse to answer questions
- Speculate in public
- Release information, which will violate anyone's right to privacy.

### Crisis Communications - a Summary

- Have a crisis plan.
- In a time of crisis, go public immediately, but only with what you know.
- Get top management to the crisis site.
- Inform your internal publics.
- Update frequently and regularly.

### Conclusion

It may be impossible to avoid a crisis, nevertheless proper crisis planning and communication can help to prevent a bad situation from getting worse. If improperly handled, a crisis can threaten the water utility's reputation and credibility, its survival or survival of top management.

Unit 4:

# Management

Sessions of this unit:

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### Learning Outcomes

Participants will:

- Be aware of the functions of managers
- Reflect their own role in a team

### Methods of Delivery

- 1 Facilitator introduces the session by giving a 20 minutes power point presentation on business management
- 2 Question and answer session where facilitator clarifies
- 3 Participants carry out a group task involving the construction of the tower
- 4 Analysing of the results in a plenary
- 5 Facilitator summarises the lessons learnt and participants relates this to their daily work

### Materials

- Pens
- Flip chart and flip chart stands
- Beamer
- Laptop computer
- Pin boards
- Masking tape
- Scissors
- Photocopy paper
- Glue stick
- Manila paper
- Empty bottle

### Session Guidelines

- Power point presentation
- Give tower construction exercise
- Facilitation of question and answer session based on the exercise given
- Facilitate the drawing of conclusions from the exercise

### Key Reading Materials

- Gerald Cole (2004), Management Theory and Practice
- Robert Appleby (1994), Modern Business Administration
- Neville Bain (1995) Successful Management
- [www.1000advices.com](http://www.1000advices.com)

# 4.1 Business Management

## Introduction

Any business (water utilities inclusive) is an example of an organization, that is, a social system created and maintained in order to achieve predetermined objectives. Organizations exist to get results which individuals cannot achieve alone, because of limitation imposed on them by the environment and their own physical, or biological limitations.

Management involves the processes of planning, organising, directing and controlling the organization (water utility's) resources in order to achieve/ attain/ accomplish the organization (water utility's) goals.

Other definitions of management include:

Management is defined as 'deciding what should be done and then getting other people do it'.

*(Rosemary Stewart)*

Management is 'to forecast and plan, to organize, to command, to coordinate and to control'.

*(Henri Fayol)*

Management is the organization and control of human activity directed towards specific ends.

*(The International Labour Organisation, ILO)*

Management is a social process... the process of planning, control, coordination and motivation.

*(E.F. L. Brech)*

Managing is an operational process initially best dissected by analyzing the managerial functions. The five (5) essential managerial functions are: planning, organizing, staffing, directing and leading, and controlling.

*(Koontz and O'Donnell)*

Management is the process of planning, organizing, leading and controlling the efforts of organization members and of using all other organizational resources to achieve stated organizational goals.

*(James A. F. Stoner and Edward R. Freeman)*

Management is needed in organizations (water utilities), so that individuals work effectively towards the common goal. Whatever the function or department, management involves the following activities:

- Vision and a sense of direction to pursue the goals and objectives.
- A plan to achieve the objectives

- Organization of the productive resources
- Co-ordination of activities
- Control, to ensure that scarce resources are used effectively and that the organization is on track to achieve the set objectives.
- Management is more of an art than a science. Managing is working with and through other people to accomplish the objectives of both the organizations and its employees.

Management consists of:

- The rational assessment of a situation and the systematic selection of goals and purposes (what is to be done);
- The systematic development of strategies to achieve these goals;
- The marshalling of the required resources;
- The rational design, organization, direction, and control of the activities required to attain the selected purposes; and finally,

The motivating and rewarding of people to do the work.

*Source: www.1000advices.com*

## Functions of Managers

Managers perform a number of functions that enable the organisation (in this case water utility to achieve its mission or purpose in society). The functions that managers perform in an organisation include planning, organising, leading and controlling.

## Planning

Effective leaders and managers look ahead, set goals and develop future actions. Managers of commercial utilities must decide what the group must accomplish. Planning goes on continuously like a never ending activity.



Planning bridges the gap between the where employees are and where managers want them to go. Planning answers the following:

- What must be done?
- Why must it be done?
- Where will it take place?
- Who will do it?
- How will be done for future action?

## Organising

Managers assemble and arrange all required resources, especially people, to do the work successfully. Organising makes people work together, coordinates the work of many people to get intended results, allocate jobs and provide satisfaction according to their skills, knowledge and needs.

All members of the team must know what activities they are responsible for, who helps them, the relationships and channels of communication, and the general structure of their work group.

## Leadership/Leading

### Who is a leader?

„The genuine leader is someone who can express a vision and then get people to carry it out.“

(*Jack Welch*)

A leader is someone who can be looked up to, whose personal judgement is trusted, who can inspire the hearts of those he leads, gaining their trust and confidence and explaining what is needed in a language which can be understood.

Leadership is the ability of management to induce subordinates to work towards the organisational goals with confidence and keenness.

Leadership is the relationship in which one person (the leader) influences others to work together willingly on related tasks to attain goals desired by the leader or group. (Terry Franklin)

Brache, Allan P. (2002) defines leadership as setting a direction and motivating people to go into that direction.

Gibson and Associates (1985) define leadership as an attempt at influencing the activities of the followers through the process of communication and the attainment of goals.

Leadership involves:

- A process of influence.
- Actors who are both leaders and followers.
- A range of possible outcomes such as the achievement of goals, the commitment of individuals to such goals, the enhancement of group cohesion and the reinforcement of change of organizational culture.

Leading moves people into action for the implementation of plans and decisions through group effort. After all leading or managing is working through others.

### Functions of Leaders

- Mobilization of the workers.
- Ensuring that everyone understands the purpose of the organization.
- Introducing new members to the aims, objections and procedures of the organisation.



- Ensuring that each worker identifies himself with aims of the firm.
- To create followers who are self-leaders.
- To bring about constructive and necessary change.
- To bring out change in a way that is responsive to the true and long-term needs of all stakeholders.

### Qualities of a Leader

- Integrity
- Ability to inspire others
- Ability to build relationships
- Ability to inspire trust
- Ability to communicate
- Ability to delegate
- Willingness to experiment
- Flexible, frankness, honesty, humility, humbleness and intelligent.

### Attributes of Successful Managers/Leaders

Pedler et al (2001) list the following as the attributes of successful/effective managers:

- Command of basic facts
- Relevant professional knowledge.
- Continuing sensitivity to events.
- Analytical, problem-solving, decision making and judgement making skills.
- Social skills and abilities.
- Emotional resilience.
- Proactivity, the inclination to respond purposefully to events.
- Creativity.
- Mental agility. Balanced learning habits and skills.
- Self-knowledge.

The [www.1000advices.com](http://www.1000advices.com) advises that for managers to be effective, they must do the following:

### Controlling

Leaders and managers measure performance against plans. This final step involves setting up controls. Managers of commercial utilities should ask and decide:

What check points will we use in order to accomplish objectives?

How and at what intervals will we measure progress?



- Create an **inspiring vision**, establish **shared values**, give direction and set **stretch goals**
- **Create change, lead change, manage resistance to change**
- **Lead by example**; practice what you preach; set an example, and share risks or hardship
- Demonstrate confidence; win respect and **trust** without courting popularity
- Be enthusiastic; **inspire** and **energize people**, create a positive work environment
- Empower people; **delegate authority**; be open to ideas; have faith in the **creativity** of others
- **Communicate** openly and honestly; give clear guidelines; set clear expectations
- Be willing to discuss and solve **problems**; **listen** with understanding; support and help
- Use **team** approach; facilitate cooperation; involve everyone; trust your group; rely on their judgment
- Bring out best in your people; have common touch with them; **coach** and **provide feedback**
- Permit group decision; help your team reach **better decisions**
- Don't micromanage; avoid close supervision; do not overboss; do not dictate.

### Leadership Exercise

Tower construction: materials provided include flip chart papers, masking tapes, a pair of scissors, several photocopying papers, glue stick, & equal sized different cuttings of manila papers, an empty bottle, and several pens.

Your organization is contesting for a contract to construct a tower:

- As tall as “T”
- As strong as “S”
- As beautiful as “B”

A team of “World Class Engineers” who will award the winning team with a “World Class Price” will assess the Tower.

Please proceed and develop/construct a Tower meeting all the above conditions.

### Processing Questions

- Who was your leader?
- How did you choose him/her?
- Was there only one leader

- How were roles/tasks distributed?
- Who assigned them the role?
- Did you have any role to play at any point in time?
- Why didn't you take up this role?
- How did you utilize the resources at your disposal
- How did the leader motivate the group
- Did you have teamwork? If not why?

### **Lessons from Successful Managers**

- Prepare well. Do not begin without knowing where you wish to finish. Think thoroughly and then act.
- Make sure you have, or that you acquire the tools to make you successful. These will include your knowledge of the industry and key players in it
- Identify the key personal skills needed in the job and ensure that you are well equipped in the critical areas.
- Have high personal standards and a high integrity because your reputation is your most valuable assets. Be prepared to work hard and be seen as an achiever.
- Ensure that you have a continuous personal development plan that has the support of the firm.
- Make sure that you build into your programme time for reflection and wider thinking.

*SOURCE: Neville Bain (1995) *Successful Management*, pp. 22-23*

### **Conclusion**

Good management and leadership within the framework of a commercial utility remain key issues in so far as the effective performance of CUs is concerned. The need for vision and drive for better results and discipline expenditure are highly essential. The remunerations need to be performance based in order to excellence, innovation and hard work. (Chanda, 2006)

Commercial Utilities must continuously increase the relationship between the quality of service and pricing. This should translate into reducing the amounts consumers have to pay for the inefficiencies of service providers.

However, with improved quality of service, most customers are willing to pay for a valued service. It is hoped that CUs will continue building up the gains that have been achieved so far, for the good of their Customers.



### Learning Outcomes

Participants will understand and be able to apply:

- Various methods of communicating effectively within and outside the organisation
- Identification of barriers to communication and how to overcome them

### Methods of Delivery

- 1 Presentation using power point slides
- 2 Group work (his master's voice Exercise)
- 3 Plenary presentations of the group findings and relating what participants will have seen on the video clip and practices at their working places
- 4 Facilitator summarises the lessons learnt and conclusions in plenary, by writing them on the flip chart

### Materials

- Pens
- Assorted cards
- Flip chart
- Flip chart stands
- Soft Boards
- Drawing pins

### Session Guidelines

- Power point presentation
- Facilitation of group work and plenary discussions
- Facilitate the drawing of the lessons learnt and conclusions

### Key Reading Materials

- Shirley Taylor (2004); Communication for Business
- Courtland L. Bovee et al. (2003); Business Communication Today

## 4.2 Communication

### Introduction to Communication

Communication is the exchange of thoughts, feelings, ideas, concepts and objects between two or more people. Communication is regarded as a life blood of any organisation water utilities inclusive because organisations cannot function properly without effective communication. Communication is the means by which employees in the water utility exchange information regarding the operations of the utility.

### Communicating with the Customers

Effective communication is at heart of excellent customer service and is needed for providing information, giving advice to customers, taking and relaying messages, providing assistance, keeping records, dealing with problems and handling complaints. Communication plays a vital role in so far as water utilities' quest to build long lasting relationships with customers is concerned.

### Importance of Communication

- Communication enables CU plans to be formulated and implemented.
- Understanding the process and barriers to communication leads to more effective management.
- It forms the basis of successfully introducing change.
- It is a vital element in external company relations.
- Stronger decision-making.
- Quicker problem solving.
- Increased productivity.
- Enhanced corporate image of the utility.
- Steadier workflow.
- Stronger business relationships.
- Cleaner promotional materials.
- Improved stakeholder response.

The employees' and managers' abilities to communicate effectively increases productivity. Communication is only said to be effective when the message is understood and when it stimulates action on the part of the receiver as well as encouraging him or her to think in new ways.

### Barriers to Effective Communication

- Poor listening and speaking skills
- Poor feed back
- Wrong channel of communication used
- Poor planning of information
- Unclear or insufficient information by the sender

### Overcoming Barriers to Communication

To overcome barriers to communication, all organisations water utilities alike must do the following:

- Adopt an audience centred approach, meaning keeping the audience in mind all times when communicating.
- Foster a climate of open communication, where employees are free confess their mistakes, disagree with the superior and express their opinions.
- Commit to ethical communication that includes all relevant information, is true in every respect and is not deceptive by any means.
- Create lean and efficient messages, which are accomplished by reducing the number of messages that are sent, reducing disturbances and enhancing employees' communication skills.

SOURCE: Courtland L. Bovee et al. (2003); *Business Communication Today*, pp. 18 -19

## Case Study

Below is a case study of how a water utility in East Africa managed to turn things around through effective communication with its customers.

Between February and June 2005, the Company carried out one of its biggest campaigns aimed at creating a conducive platform for customers to come and talk with the new company about any complain/problem they may have.

Publicity activities like advertisements, church visits, distribution of fliers in supermarkets and at traffic lights was done before the exercise. In-house “drills” were done to ensure that the program would run smoothly.

During the period, the company proactively solicited customer complains with a promise to resolve the same within 7 days.

To ease access to this service, a tent with all the facilities and staff required to address the complains was put in place at the head office.

Sites were set at locations within the city centre where cases were collected through query forms and forwarded to the team at head office for resolution.

In total, 33,500 customer bills were corrected/re-billed and 26,835 customers had their records corrected.

The campaign won world recognition and won an award in the public sector category.

This award was attributed to good campaign communication, research and planning, implementation and outcome.

## Communication Challenges Faced by CUs

- Media Mix – The most effective mix of media to economically communicate and reach the wider majority. The water utility needs to have a clear understanding of the profiles of its clients (demographics) to be able to determine the best mode to reach each category.
- Third party problems affecting water utility – Power outages by the power supply company affects pumping and supply hours to people. The public takes such explanations by the water utility as mere excuses. Intensive public relations by the company through documentaries in the public media, group discussions with specific communities, high profile discussions with political leaders, etc.

## Exercise: His Master's Voice

### Instructions

- Sit in groups of three (triads) (A, B, C)
- A and B will be communicating on a controversial issue of their choice.
- “A” communicates his position on the subject to “B” and “B” before presenting his/her position, he/she summarises main points presented by “A”, and then, after “A” accepts that this is what s/he said, “B” presents his/her position
- “C” Is the umpire, he records the points raised and assesses if the one who repeated has captured all the main points.
- After 5 minutes of the conversation, you change positions “A” becomes “B”, “B” becomes “C”, and “C” becomes “A”

### Questions for Discussions

What role was easy, difficult and why?

What have you learnt from the exercise?

## Summary

It is widely acknowledged that management is concerned with the way jobs are carried out through other people. Communication therefore is the means through which people in an organization exchange information regarding the operations of an enterprise. Communication involves the interchange of ideas, facts, and emotions by two or more persons by the use of words, letters and symbols.

## **Imprint**

**Wave Pool Zambia  
Commercial and Consumer Orientation (CCO)  
Trainers' Manual**

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**Published by:**

Deutsche Gesellschaft für Internationale  
Zusammenarbeit (GIZ) GmbH  
04519 Rackwitz (Zschortau), Germany

**Layout:** Nicole Fritsch

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Germany, 2011

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