

Leadership Development Case Series

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Leading with Strategic Clarity and Focus: A Case of National Water and Sewerage Corporation (NWSC)



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Abstract

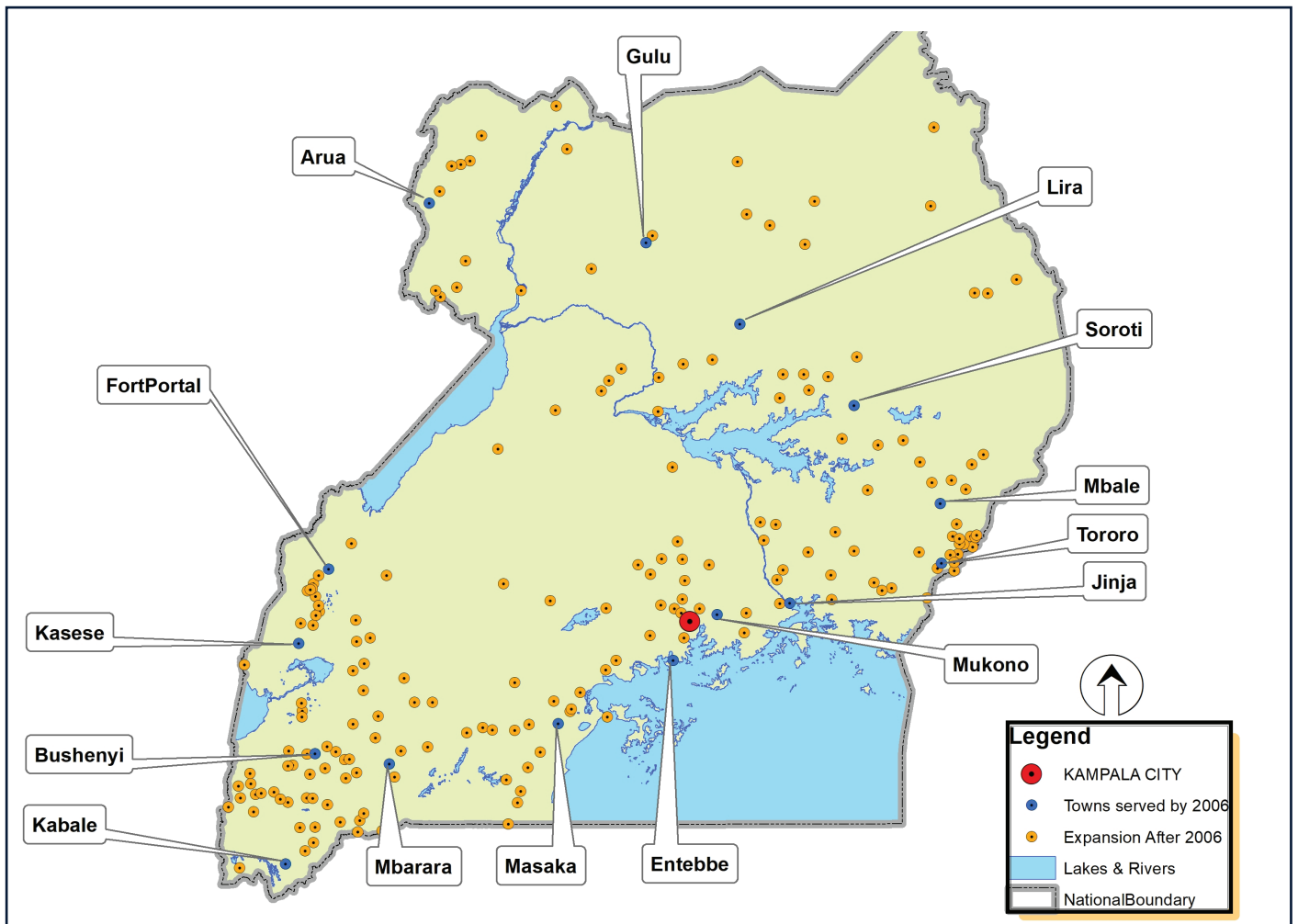
Leading with strategic clarity and focus is central in driving the entity's performance. This Note, highlights the generalised strategic focus areas (SFAs) of a typical water utility like NWSC. These relate to service expansion, rationalisation, technical efficiency improvement and consolidation what has been achieved. We suggest examples of pitfalls that may negatively affect the performance of a water utility if there is no strategic clarity and focus..

1. Introduction

According to Michael Porter, the essence of strategy is making choices.... One of the leader's jobs is to teach others in the organisation about strategy – and also to say no. A good strategy stems from a good vision – the practice of creating a unifying picture of success for the future. According to Ron Ashkenas and Brook Manville (HBR, 2019), to realise a vision, you need a strategy, which is a coordinated set of concrete actions to reach the vision and achieve impact in the market. In the case of NWSC, leadership is about developing a strategy by guiding staff through choices/alternatives about where and how to best serve customers and also ensure institutional sustainability.

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Strategy is as much about what you choose not to do as what you want to do. Ron Ashkenas and Brook Manville (HBR, 2019) point out that the mark of a failing strategy is trying to be all things to all people (all activities) – and not having the courage of focus and clarity. The best strategy develops possibilities targeting some unique and defensible sweet spot – a winning blend among multiple performance parameters, for example, balancing the need to expand service coverage, enhancing technical efficiency and improving service reliability and quality. This Note highlights key strategic focus areas (SFAs), typical of a water utility like NWSC – underscoring a number of rationales and possibilities under each area. We also discuss the key implications of not conceptualising and communicating SFAs to key stakeholders and the significance of each element to holistic institutional sustainability.



Walking the Talk: NWSC Geographical Expansion

2. Generalised Strategic Focus Areas (SFAs)

Organisational success requires that leaders follow a deliberate and structured problem-solving process to identify critical choices and evolve decisions to shape requisite strategies. In a utility setting like NWSC, we suggest four strategic focus areas that, ordinarily, should guide strategy formulation to create sustainable value to customers (those connected and those not yet connected...):

(a) Service coverage expansion: this area requires investing resources in developing capital activity proposals to expand the distribution system by extending pipe networks and increasing connection hook-ups. If the water demand is already close to outstripping water supply capacity, capital inputs need to be extended to expanding water production systems by either redesigning and expanding the existing systems and/or installing new ones.

(b) Water supply stabilisation and reliability: this situation is a culmination of systems with outstripped supply capacities thereby affecting water supply reliability. It is not uncommon to find that infrastructure systems, with increased customer connection hook-ups and water use, have had their capacities outstripped to the extent of delivering less than 6 hours of service per day. In such cases, the utility loses customers' loyalty and trust, which are very vital for financial sustainability. The situation is not helped by the common practice of hoarding water through domestic storage tanks to help in situations of scarcity. Storage tanks cause disruptions in water supply management especially for customers that are situated at the downstream end of the distribution system. The solution to these problems lies in investing resources in designing and implementing water supply stabilisation/rationalisation plans.

(c) Improving technical efficiency: there are significant gains utilities can derive from investing resources in improving technical efficiency. The latter is a measure of output obtained relative to maximum possible output, given an array of inputs. On the side of input-orientation, it is a measure of least possible inputs that can be used relative to actual inputs applied to produce a certain level of output (s). Clearly, improving technical efficiency can leverage significant financial gains. Examples of areas of improvement under this performance category include: reducing non-revenue water (NRW), improving process flows using IT solutions, introduction of smart metering solutions, use of SCADA technologies and other systems that rely on internet of things (IOT). Investments in this performance area need to be adequately evaluated to balance opportunity costs. Systems modernisation is good but needs careful thought and alignment with agreed structure of the strategy. If the utility and shareholder's priority is serving more people, systems modernisation needs to be tackled with tact and strong cost-benefit analysis (CBA) mindset.

(d) Maintenance and consolidation: on top of the three SFAs above, every entity has responsibility to keep in good condition what has been achieved already. The key inputs in this process, for a water utility, include labour, pipe networks and premises repairs, operation and maintenance of static plant and establishment expenses. Increasingly, maintenance and improvement of environmental ecosystems has become important. In addition, external collaboration and mobilisation of social capital and support are also vital for institutional sustainability.

3. Pitfalls of disregarding Strategic Focus and Clarity

When the leadership of an organisation lacks strategic clarity and focus, it starts experiencing a number of pitfalls in its planning, actions and oversight processes. We pinpoint eight common examples in a typical water utility setting:

(i) Mix-up in priorities: it is important that everyone on the leadership team (including oversight body) understands the entity's strategic priorities and how resources have been allocated and where adjustments can be made while maintaining the centre of gravity of the entity's essence of existence. When this is not clear to everyone who is involved in decision making, everything tends to be important amidst a limited resource envelope.

(ii) Lack of managerial confidence: managers who are not clear about the entity's strategy, will not have true confidence to engage stakeholders and champion organisation's interests. They may have confidence but that cannot be meaningful in any way. They will engage, discuss and agree on certain decisions that can easily be overturned by superior authority due to misalignment with the entity's interests. Such actions can potentially present premises for perverse incentives, thereby undermining the meaning of delegation and speed of operation.

(iii) Resource allocative inefficiencies: this is the most dangerous pitfall in the entity's management. When the leadership and management teams don't have a common understanding of strategic focus, resources will be allocated wrongly. At NWSC, this is a common problem where managers can spend resources in staff allowances, travel expenses, meetings and workshops while water pipes remain un-laid for some time, waiting for extra funds disbursements. Surely, using the principle of first things first, the latter is clearly an undesirable practice.

(iv) Complications in change management: meaningful transformation in the organisation requires that everyone understands the strategy and buys into its rationale and essence. When efforts are not properly directed due to misunderstanding (or lack of understanding) of the entity's strategy and mantra, there will be inertia to change things. It is the leaders' duty to be resolute and communicate agreed strategy for everyone to appreciate and use. When everyone understands where the entity is destined to, delegation, initiative taking and oversight become easier to use to drive performance. Where sub-strategies have been designed by managers, under a delegation framework, they should also be adequately communicated for efficacy and optimal results.

(v) Communication ineffectiveness: to communicate effectively, you need robust and coherent knowledge of where the entity has come from and where it is heading. You also need to know the priority and the underpinning rationale. This applies to both internal and external communication protocols. Once this aspect of communication design has been perfected, then the communicator does work to persuade rather than mere rhetoric. Excellent primers for effective communication include: practical actions, tangible results and successful

past experiences. Persuading people about the entity's strategy requires that it connects very well to their needs, aspirations and solutions to their diverse predicaments.

(vi) Oversight Conflicts: when the monitor and the monitored do not have a common understanding of the entity's strategy, there will be conflicts regarding how things should go on in the organisation. One party may advise to put more resources in a certain focus area while another party may have a different view. Such situations breed top-down or practices akin to authoritarianism, a trend that may miss out on optimising processes. Increasingly, it is important to establish an environment of increased collaboration among people with divergent knowledge about institutional governance. If a situation arises where one party says I know what I am saying, do as told, performance will be the first culprit. When informational asymmetries arise, the party with superior information and knowledge should be incentivised to apply it in the best interest of the organisation.

(vii) Hardships in staff engagement: frequent and continuous staff engagement is one of the pillars of the

entity's performance sustainability. But staff can only be meaningfully engaged and mobilised around a well-articulated strategy. Where there is no coherence in the understanding of the strategy among key leaders of the entity, mixed signals may be sent to staff, thereby undermining productivity. When staff are mobilised around a blurred vision and strategy, you can only expect blurred performance. You cannot get what you are not clear about. It is, of course, always a continuous learning process and that is why top leadership should set the tone for staff engagement, through sharing work experiences, achievements and practical actions.

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(viii) Difficulty in harmonising with shareholder interests: every organisation works to balance shareholder interests and employee interests. Shareholder interests, in case of NWSC include: pipe extensions, new water connections, more people served, more water productions



installed etc. On the other hand, employee interests include: increased salaries and allowances, prompt payment of emoluments, better medical insurance, promotions and other welfare amenities.



The best tool to achieve optimum balance between share holder and employee interests is a well-designed, focussed and communicated performance strategy. Without this tool in place, the entity’s leadership faces difficulty in balancing shareholder and employee interests.



4. Conclusion

Leading with strategic clarity and focus is central in driving the entity’s performance. This Note, has highlighted generalised strategic focus areas (SFAs) of a typical water utility like NWSC. These relate to service expansion, rationalisation, technical efficiency improvement and consolidation what has been achieved. There are notable pitfalls that may negatively affect the performance of a water utility if there is no strategic clarity and focus.

