68401

Non-Lending Technical Assistance: The Design of a Framework of Performance Management for Energy Utilities

Executive Summary

June 2010

Sudeshna Banerjee, M. Anis, Ian Driscall, Abdulaziz Faghi

South Asia Energy Unit
Sustainable Development Department
The World Bank

The NLTA program originated at a time of power crisis in Bangladesh

The non-lending technical assistance program (NLTA) - "Design a framework of performance management for energy utilities" - commenced in late-2008, at a time when the Bangladesh energy sector was undergoing a power crisis – a crisis that persists into mid-2010. The causes of the power crisis are well documented and are the cumulative effect of: financially unsustainable entities; the accumulation of quasi-fiscal deficits brought on by underpricing, high technical and commercial losses, and collection inefficiencies; and constrained access to capital to develop its much needed generation facilities. The Bangladesh energy sector is heavily dependent on natural gas, where severe production constraints are impacting acutely on many aspects of the national economy, not least on the limitations imposed on electricity generation. What is potentially of greater concern, however, is that proven resources beyond 2011 may be inadequate to supply the electricity generation units that are currently under development.

The NLTA program, funded by DFID Governance Trust Fund and AusAID Infrastructure for Growth Trust Fund, supports several pillars of the GOB strategy for the sector, especially in terms of corporatization, governance, performance, and regulation.

Following the recent and on-going corporatization process, the management and Boards of the energy utilities are seeking to drive the development of corporate capabilities to improve performance, partly by internal target setting, monitoring, and assessment, and this exercise contributes directly to the ability of the company to respond to external stakeholder demands - whether from the ministry, the holding company (or other shareholders), civil society, the media, or the regulator. The NLTA program would therefore facilitate entities to do what they should be doing anyway – understand their performance. This kind of performance management sets methodical and predictable ways of achieving business results aligned with the strategic goals of the company and more broadly, the sector.

The NLTA program aims to equip energy utilities with basic frameworks for performance management

The NLTA program aims to facilitate the design and implementation of promising models to improve corporate governance, introduce modern management methods, and integrate the institutional strengthening mechanisms across selected power and gas entities in Bangladesh. This program is designed as a management tool to support the senior management of the companies to understand and monitor their own performance and enable them to be more accountable to their board, shareholders, and broader customer base; select key performance indicators (KPIs) to monitor performance, and to benchmark Bangladeshi utilities against regional and global counterparts; identify capacity and training needs for collecting, analyzing, and reporting performance information in participating utilities.

The participating entities in the program are two in generation - Electricity Generation Company of Bangladesh (EGCB) and Ashuganj Power Station Company Limited (APSCL); two in transmission - Gas Transmission Company Limited (GTCL), Power Grid Company of Bangladesh (PGCB), and two in distribution - South Zone Power

Distribution Company (SZPDCL) and Dhaka Electricity Supply Company Ltd (DESCO).

The NLTA program has proceeded with continuous guidance from the nodal working group which comprised of two senior officials from each participating company (typically Director (Finance) and Director (Technical)). They provided comments to each of the intermediate outputs and coordinated on a regular basis with the World Bank staff and consultants and with their senior management and key stakeholders in Bangladeshi energy sector.

The Phase I of NLTA focused on a diagnostic of all functional processes

A key aim of Phase I was to establish a sound platform to understand each utility's performance, across all business functions. Phase I also established where institutional strengthening programs should be targeted, since it was clear from the outset that, even among the better-performing energy utilities, management's attention to performance improvement held a very narrow focus. Senior managers were typically well aware that operational indicators such as losses, availability and reliability are extremely important parameters to measure and manage, but were less aware of the salience of parameters relating to, for example, customer service, staff training, inventory management, etc.

The Phase I diagnostic commenced with a Nodal Working Group workshop in November 2008 that provided World Bank team with an initial guide to the key issues in the sector. This was followed by a series of intensive round of discussions with the senior specialists in the WB team and the individual participating utilities. The synthesis of the consultation rounds was then undertaken to identify about 30 key issues and priority areas for each utility. These issues were categorised in terms of how they might be addressed – within the project, outside the project, or both within and outside the project. Having identified the key issues, the team identified the key priority areas in the energy sector. These key priority areas were grouped into 'workstreams' for the remainder of the project. These workstreams are summarised in the following table.

Corporate Governance and Social Accountability	Technical and Operational Performance
Human Resources	Regulatory Affairs
Sector Financing	Internal Financial Controls
Project Management	Service Quality
Environmental and Social Safeguards	Inventory Management
Health and Safety	Procurement
MIS and IT Integration	

Corporate governance and human resources were identified as two major areas that are holding back the utilities from meaningful performance improvement. In operations, service quality, project management and procurement, most of the energy utilities were locked into practices inherited from BPDB, which need major re-engineering. Areas such as inventory management and health and safety are barely visible as business functions. Also, for the newly-corporatized entities such as APSCL, EGCB and SZPDC financial and commercial autonomy had yet to be fully established.

This phase culminated with a workshop in March 2009 in Dhaka where the findings from diagnostic and a plan of action for Phase II were presented to the key stakeholders.

The Phase II was largely demand-driven and arose from the Phase I diagnostic

The primary workstream was to design and implement a performance management system (PMS) whose objective is to deliver, in a sustainable way, a systematised approach to the planning and delivery of year-on-year performance improvement in all key business areas. A Performance Management System (PMS) is:

- A measurement and objective-setting process that identifies performance gaps and strategies for improvement;
- A proven management learning process that requires on-going commitment and updating;
- A pro-active management tool flexible enough to incorporate new and innovative ideas; and
- A continuous process – not a finite project.

This final point is extremely important to emphasise. The PMS does not end with the completion of the NLTA program. It is a continuous process that requires on-going commitment from everyone, from the Board to the grass-roots members of staff.

Design and Development of KPIs: Establishing and monitoring KPIs, and benchmarking these against best practice, is key to improving technical and operational performance, and service quality. Ideally, in order to facilitate benchmarking, KPIs need to be in a standardised format. However, not all KPIs can be benchmarked, due to the factors such as legacy issues, unique technologies/networks, etc. In these cases, KPIs are still useful when used to establish internal trendlines to help solve specific performance issues. When benchmarking is possible, the KPIs should be benchmarked against best practice utilities in region, and beyond.

Where possible, KPIs need to differentiate/correct for environmental factors such as gas constraints. Gas constraints impact on the performance of virtually all of the participating utilities, to some degree. Initial sets of KPIs were developed in Phase I, using a Balanced Scorecard approach. These unrefined lists extended to around 100 KPIs for each utility, which needed to be distilled down to a more manageable number.

In Phase II, the lists of KPIs were refined by mapping against key business processes and in consultation with utilities. Each organization's business processes were mapped to show the elements and relationships of the functions and systems required to develop and deliver products and services to customers. The next step was to assess, for each of the participating utilities, the degree to which the particular process or sub-process is relevant to the NLTA project. Lastly, one or more KPI was mapped to each critical process. Further filtering of the KPI lists was undertaken in consultation with each utility to reduce the number to between 30 and 50 based on the usefulness of the KPI and the ability to collect and maintain the data. These KPIs are documented in the KPI recommendations report for each utility.

KPIs need to be fully documented to ensure consistency and to facilitate the PMS. The information requirements include:

- KPI name and description
- KPI data sources and calculation method
- KPI type and category identifiers

- Business process(es) to which the KPI is linked
- Units of measure
- Frequency of reporting the KPI (e.g. monthly)
- Basis of comparison with targets
- Function/department/position to be held accountable

The next major step in the process is to recommend targets for each KPI. This required the individual utilities to establish, where possible, the baseline KPI values. This step revealed that, in a number of instances, the utility did not have the requisite instrumentation and/or systems required to measure one or more of the parameters from which the KPI is calculated. In these instances, the KPI was either dropped from the list or flagged for inclusion at a later stage.

The recommendations on targets were made with considerable reference to benchmark utilities in the region, particularly in India, where major performance improvement has been registered over the past 5 to 10 years. Targets were recommended for years 1, 2 and 5, and typically these targets were based on a rate of performance improvement that had been recorded in similar utilities that have good performance improvement regimes.

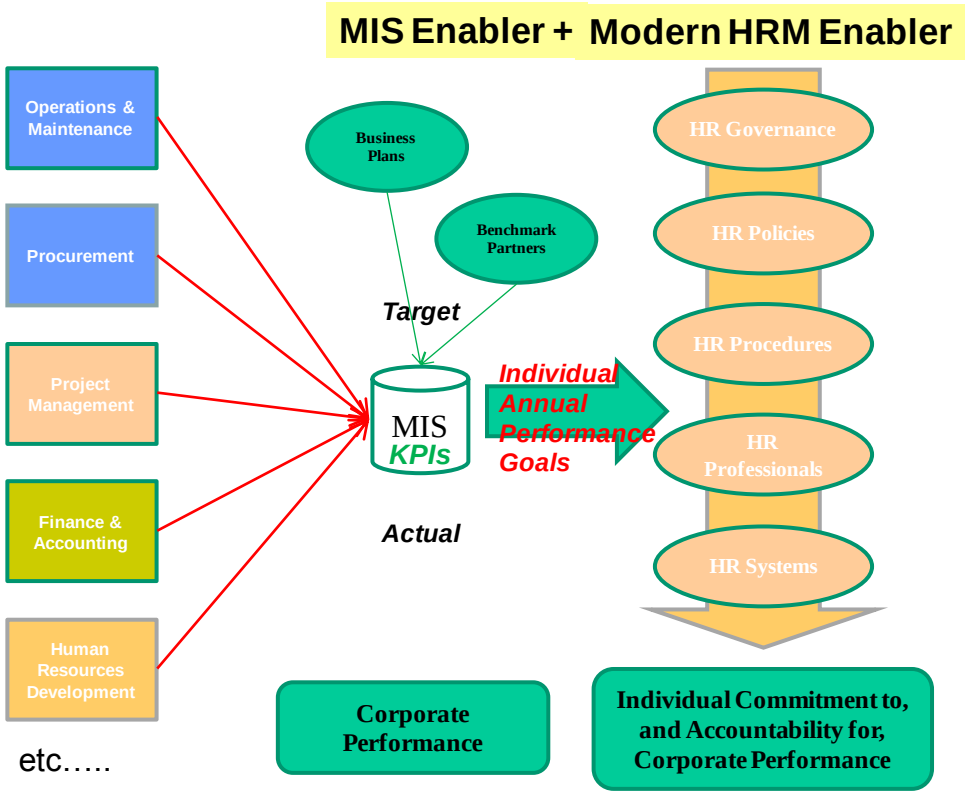
The targets recommended by the NLTA program have been founded on good premises, but they remain as mere recommendations. The participating utilities are encouraged to consider each KPI in turn, ideally as part of an on-going corporate planning cycle, and to adopt targets that they can take ownership of. In any case, targets should be reviewed and set on an annual basis, as part of the overall PMS.

There are four Critical Enablers to Implement the PMS

In order to be truly sustainable, the PMS needs to constitute much more than a set of KPIs and corresponding targets. Several critical 'enablers' are needed in order to implement and sustain the PMS. These enablers include:

- **A management information system (MIS)** – to track actual performance against target performance, and to make these comparisons available to senior and middle managers in a timely and readily-digestible format;
- **A modern human resources management (HRM) function** – in recognition of the fact that HRM has to be at the core of the PMS;
- **An accountability framework** – that establishes the individuals and teams that are 'accountable' for performance (actual versus targets) of individual KPIs;
- **A communications plan** – that establishes a structured approach to communications within the organisation, i.e. vertically (up as well as down) and horizontally; and
- **A set of capacity building measures** – that focuses on bringing the PMS into operation, rather than improving performance in individual processes.

The following graphic schematises the relationship between the PMS and these key enablers.

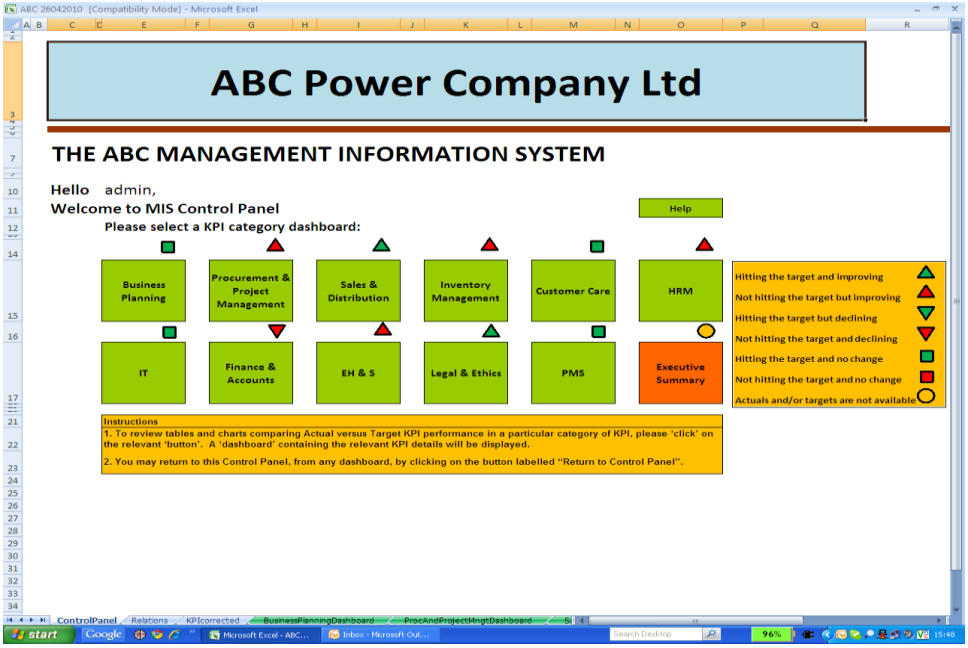


MIS: A management information system (MIS) is an IT tool employed to track the KPIs. In order to be useful, the MIS must be continually updated and 'actual' versus 'target' performance needs to be reported to key decision makers. In order to provide the participating utilities with a functioning demonstration of how effectively the MIS can contribute towards the PMS, the consultant has developed an MS Excel-base MIS for each utility (User Name "admin", Password "admin").

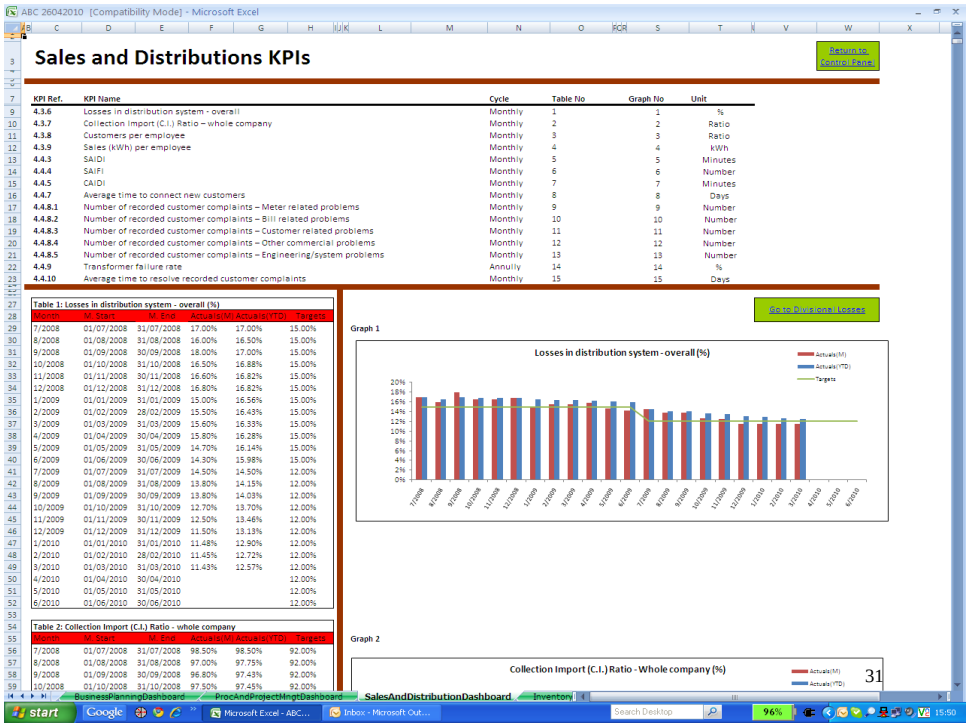
Each MIS contains the full set of KPIs recommended for the utility, together with the consultant's initial set of recommendations for target KPI values. The calculation of the KPI values, from the individual parameters in each KPI formula, is undertaken 'off-line' and not in the MIS itself. The KPIs are grouped into functional areas which not only enables organization of the data and navigation through the MIS, but also facilitates a hierarchy of access restrictions.

For security purposes, access to the MIS, generally, and to sensitive areas, specifically, is protected. Access rights may be set by an "Administrator", i.e. who can access which information, and who can input data. The Administrator also has rights to modify the MIS, e.g. to add new KPIs.

Upon start-up of the MIS and successful entry of appropriate username and password (User Name "admin", Password "admin"), all users are directed to a Control Panel screen – as illustrated in the next graphic – from which onward navigation to the functional dashboards is possible, subject to access rights. The Control Panel also provides a snapshot summary of performance in each functional area.

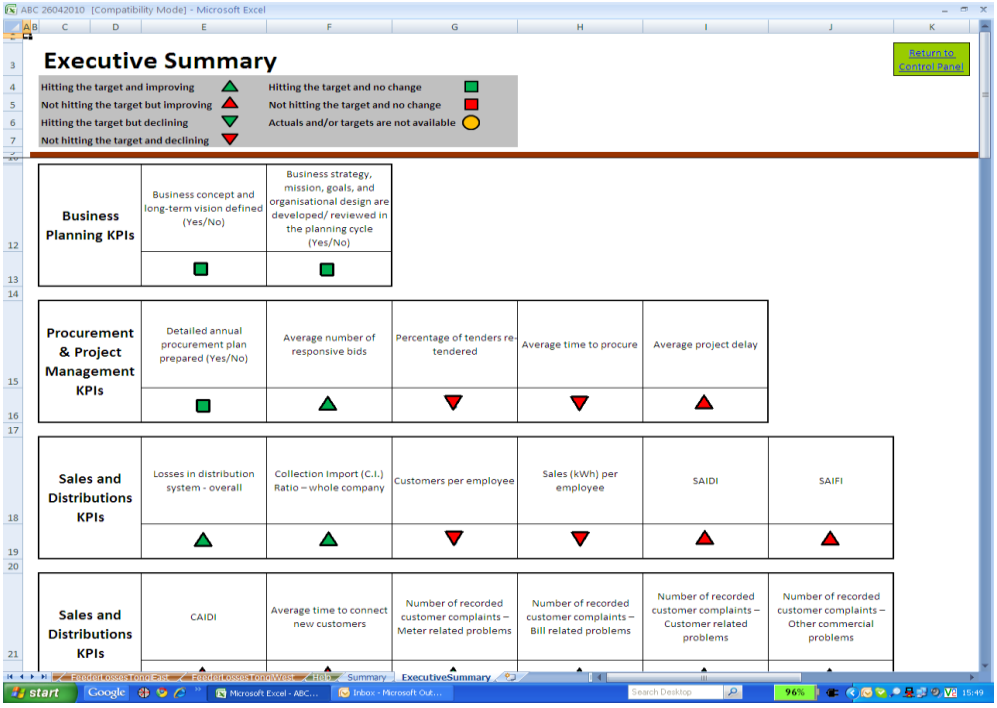


The MIS contains a 'dashboard' for each of these functional areas, presenting comparisons of 'target' and 'actual' KPI values in tabular and graphical formats. Typically, the tables and charts in each dashboard contain: target and actual KPI values for the most recently elapsed planning year (e.g. 1st July 2008 to 30th June 2009); target values for current planning year; and, actual values that are available for the current planning year. The following graphic illustrates part of a typical dashboard.



A 'snapshot' Executive Summary of performance is available, to authorized users, through a hyperlink from the opening Control Panel screen. This Executive Summary presents a graphical representation of individual KPIs in the form of 'traffic lights'. Traffic lights have four different shapes representing an improvement or decline in the

performance. A typical screen in the Executive Summary is reproduced in the following graphic.



For each utility, the MIS is accompanied by a User Manual and an Administration Manual. The purpose of the User Manual is to provide users with a clear understanding of how the performance information is organised within the MIS, and how to access and navigate the MIS. Since the MIS has been constructed with a hierarchy of access the rights, with the highest and fullest level of access granted to the "Administrator", who is able to set the access rights of other users and to make modifications to the MIS – e.g. to add new KPIs – a separate Administration Manual provides information on the detailed operations of the MIS that is best not broadcast to other users.

HRM Function: Although timely investments in plant, equipment and systems are often necessary to improve aspects of operational performance, engineers and managers need to appreciate that sustained performance improvement can only be delivered through people. In the same way that plant and equipment need careful maintenance, people require nurturing, developing and incentivizing, if they are to perform at an improving standard. A modern HRM function is therefore required in order to establish and sustain individual commitment to, and accountability for, corporate performance.

Whereas human resources are currently managed as an 'admin' function, embedded within a function such as Finance, the pivotal importance of HRM to performance management needs to be recognized. Consequently, the HRM function needs to operate on a par with all the other key functions such as Operations and Finance; otherwise, these goals are unlikely to be achieved.

The diagnostic phase established that the current HR function in the participating utilities was inadequate in almost every respect, i.e. it was unfit for purpose in terms of recruitment, job definition, individual performance tracking, remuneration setting, career development, etc. Elaborating further on this:

- Effective job analysis / job descriptions need to be undertaken in order to define the scope of work of individuals. It is extremely difficult to drive performance improvement without these, since they underpin accountability.

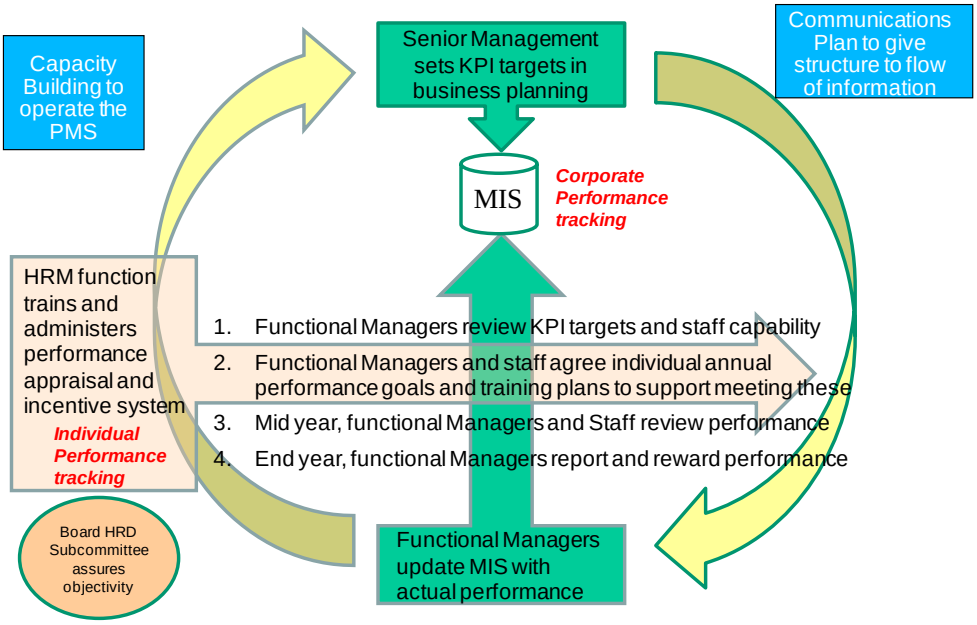
- Promotion and financial remuneration need to be based on merit (i.e. performance on the job), otherwise managers and individuals are not motivated to improve their performance.

- Key posts should be filled using a balance of internal placement and external recruitment, otherwise the organization's talent pool will stagnate.

- The compensation policy needs to be well-defined and market competitive, otherwise a motivated workforce cannot be ensured.

- Effective two-way communication systems ought to be created and fostered, otherwise distrust permeates the organization.

The following graphic indicates how the HRM function interfaces with the Performance Management Process.



A comprehensive Human Resource Information System (HRIS) needs to be developed in order to enable the HRM function to drive the PMS. This HRIS would contain information such as the following:

- Inventory of employees' academic background, work history, performance, training received, etc.
- Online performance appraisal.
- A database of all applications for future recruitment and a system for online application processing.
- Succession planning.

- Updated information on available trainings and maintenance of the training calendar, etc.

Accountability Framework: Accountability is crucial for a utility in order for it to deliver on its targets and a key element of good corporate governance. An accountability framework shows all employees what business results they are accountable for. Typically, this is centred on actual KPI performance versus the agreed targets. All team leaders and, by inference, the teams that they are responsible for, are set objectives they are evaluated against. Correspondingly, an 'owner' is established for each KPI that the utility is adopting.

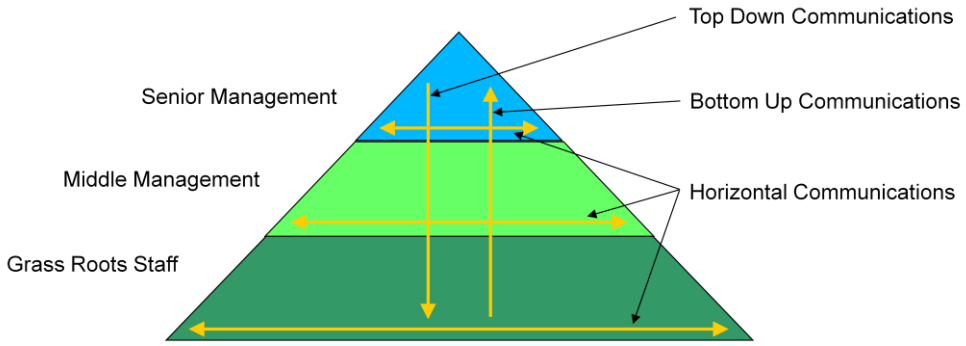
A key feature of the PMS is to push accountability as far down the organisation as is reasonable. This will maximise the motivation for performance improvement across the utility since virtually all managers and their staff will be working to targets. Senior management need to remain extremely proactive in order to ensure that the system operates effectively. For example, they need to ensure that individuals and teams are equipped with the skills, systems and equipment to deliver against their KPI targets. They also need to empower these individuals/teams to make decisions and solve problems in order to deliver against KPI targets. Senior management also needs to communicate the relevant rewards and penalties associated with performance.

The NLTA program has made proposals for the accountability relating to each KPI of the participating utilities' PMS. The utilities need to review these proposals, and to discuss and agree them with the designated individuals. Sharing of accountability, vertically within the organisation, may be necessary. For example, the Stores Manager may be responsible for inventory management but is often powerless to minimise 'stock outs' if cash for timely re-stocking is not made available.

Communications Plan: Communication is key to transforming the organization's mission and vision into reality and for the success of the PMS.

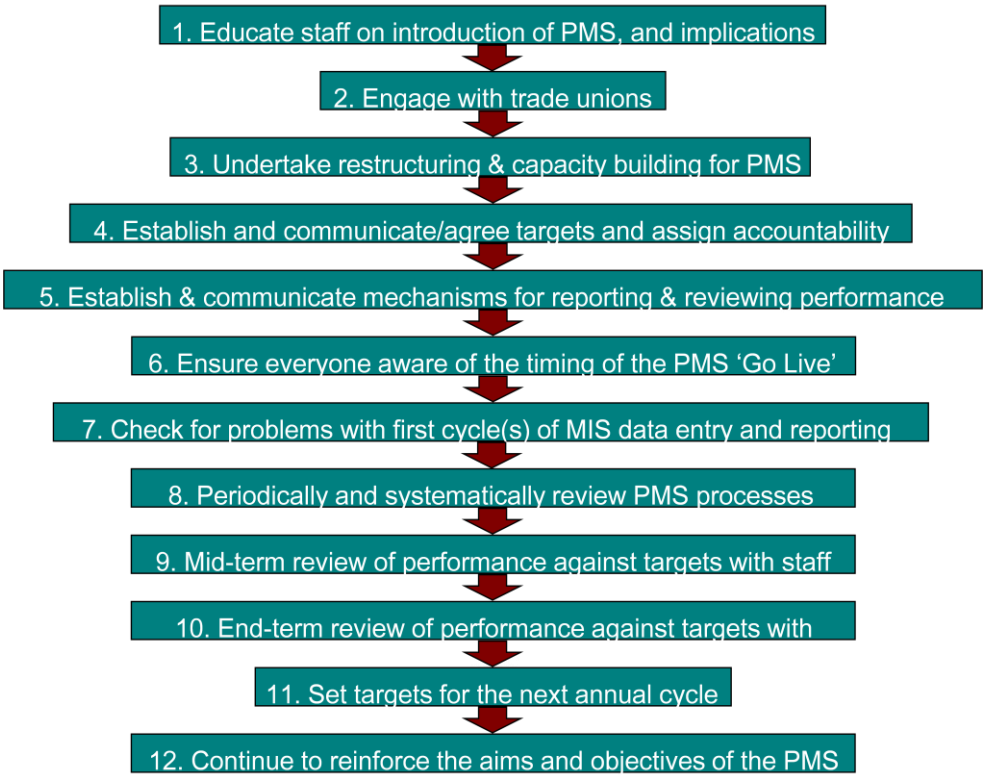
It is clear from the many workshops and capacity building events undertaken during the project that there is currently a high degree of mistrust within the participating utilities, particularly between team members and team leaders. The utility staff have themselves identified this as a major obstacle to the successful implementation and operation of the PMS. PMS implementation will undoubtedly stress the organisation, and good communications are therefore needed to alleviate this stress. Such challenges are not uncommon and best practice organizations typically have a structured approach to communications, regarding it as a high priority facet of their business operations.

Communication is not something that can be done intermittently; it needs to be done on a continual basis. It is also important to recognize that internal communications operates in many directions.



- Good **Top Down** communications requires **Effective Leadership**, i.e. commitment to the PMS and the ability to transfer that commitment throughout the organisation;
- Good **Bottom Up** communications requires senior management to establish and sustain **Effective Communications Channels; and**
- Good **Horizontal** communications requires **Commitment to Teamwork.**

The NLTA program has identified the need for the energy utilities to undertake further capacity building in areas such as team working and leadership. Also, major changes are needed in order to move away from the traditional, formal and hierarchical organizational structure and interfaces that are prevalent in the energy utilities. Good communications, that keeps all members of staff informed of what is happening, and why, will also keep the PMS at the forefront of everyone's consciousness. The outline of a Communications Plan is presented in the following graphic.



Capacity Building Measures: During the Phase I diagnostic phase, the NLTA program identified a number of areas where capacity building was urgently required. As a result, capacity building workshops and training events were provided under the project in the following areas:

- Project management
- Procurement
- Inventory management
- Human resources management
- Environmental Health and Safety
- Gas Training

In these capacity building events, training delivery was augmented by guest speakers drawn from private sector organisations operating in Bangladesh, e.g. Coats, Beximco Pharma, Novartis and Chevron. These guest speakers were able to demonstrate that it is possible to achieve best international practice in Bangladesh in areas such as supply chain management, human resources management, project management, etc.

There have been extremely positive results from the capacity building in various ways. The first observation is that the 'buy-in' to performance management extends well down the organisational pyramid in each of the participating utilities. Middle-ranking engineers and managers have repeatedly demonstrated a good knowledge of the aims, objectives and processes associated with PMS. In part this may be attributable to the capacity-building events, which have been well attended throughout and have engendered a high degree of enthusiastic participation. In addition, however, the senior management teams at the participating utilities should also be credited with having reinforced the messages from the project, through their own in-house communications processes.

As the NLTA program has progressed, the need for further capacity building in a number of critical areas has been identified. These critical areas include:

- Corporate governance and ethics
- Human Resources Management
- Strategic planning, and performance management
- MIS system operation and maintenance
- Team working, leadership, etc

The Phase II culminated in a workshop in May 2010 where the findings of this phase including a live demonstration of MIS were presented to key stakeholders in Dhaka. In the final round of individual presentations of the MIS, the utility management teams, comprising both senior and middle-ranking officers, were spontaneously anticipating ways in which the PMS and the MIS could be extended or interfaced with their own systems.

The final deliverables were handed over to the senior management and nodal working group of each company that included Phase I - report and presentation; Phase II - performance management system design presentation, KPI recommendations report, Phase II workshop presentation, excel-based MIS, MIS user manual, MIS administration manual, and training material from all the capacity building events.

Enhancing corporate governance to facilitate performance improvement was one of the key areas of the NLTA

The primary counterparts in the NLTA program were the senior managements of the six participating companies. In designing this project, many of these executives highlighted corporate governance (the role and engagement of their Boards) as the principal barrier to performance improvement in their companies. As part of the Phase I Diagnostic, a comprehensive review of corporate governance efficacy was therefore included in the study.

This review involved very practical primary data gathering using semi-structured questionnaires administered by one interviewer. Although guided by generally accepted best corporate governance principles the review was not driven by any preconceived governance framework. Its intent was simply to gather and try to draw some general conclusions on the views of different stakeholder groups, and to identify common opportunities for improvement in corporate governance in the energy sector.

All interviews were conducted anonymously and no findings were ascribed to particular individuals or companies, except to share best internal practices. Not all findings applied to all companies and it must be emphasized that the review constituted a "snapshot" of the situation at the time of the survey (early 2009). As Board member turnover is very high, the situation in individual companies today may be different. However there is no reason to doubt the general findings of the study which remain valid working hypotheses for further action.

Five separate constituencies were considered – Board Chairmen, Nominated Directors (representing the GoB), Independent Directors, Managing Directors (who were all voting Board members) and other Executive Directors who attend Board meetings in an ex-officio capacity on an agenda-driven needs basis. 31 interviews constituting a 57% sample were completed with coverage by constituency varying from 100% for Board Chairmen to 50% for Nominated, Executive and Independent Directors. Content areas covered included Board membership, appointment processes, Board roles and relationships with the GoB, the holding company and management, the Boards' role in performance management, meeting process, Board Committees, public reporting, Director motivation and efficacy, and Director orientation, training, development and evaluation.

Some of the key findings included:

- There is no norm for Board composition across the sector – in particular the ratio of Nominated to Independent Directors varies from 3:5 to 6:1
- Appointment processes are generally non-transparent and politically or position, not merit or personal strengths, driven – with the Board itself having almost no say in requesting specific perspectives or skills needs be brought to the Board
- Understanding of the business and active engagement of Directors in business challenges varied widely but was generally much less than would be expected in a commercial company

- Boards generally viewed their role as solely one of checking up on management, with meeting agendas dominated by procurement and HR appointments issues, with almost no strategic and very little performance focus, and very little upward management of externalities and risks affecting company performance
- Understanding of the true role of a Board was limited – especially by Nominated Directors – and several highly qualified and motivated Independent Directors expressed frustration with this and with the bureaucratic, micromanagement style of Board process
- The degree and nature of the arms-length relationship of the Board with the GoB, the holding company and management is not well defined and is generally insufficient
- Strong informed leadership and Chairmanship has a major influence on Board efficacy, and there was majority agreement that the recently introduced system of Chairmanship by persons whose experience was outside of the sector was a positive influence.

The review made a number of implementation recommendations including:

- The need for basic education of Board members on the Board's role and on the business they are governing and the challenges that business faces
- The need to develop generic but relevant in the Bangladeshi context Board Terms of Reference, a Corporate Governance Handbook, and Director's Code of Conduct
- Increasing the transparency of Director appointments and Board involvement therein
- Developing a standard Board reporting package to support performance improvement
- Facilitating Board strategic reviews of their companies
- Introducing a standard program of Board Development, Director training, and annual self and/or peer Director evaluation
- Better defining the specific nature of optimum arms-length relationships with the GoB, the holding company and management, supported as necessary by Performance Target Agreements
- Increasing public disclosure beyond statutory norms to build public interest and advocacy in improving the performance of state-owned energy companies
- Formalizing a comprehensive State Owned Entity Ownership Policy

In Phase II, the project intended to work with the companies to begin implementing some of these recommendations, beginning with either cross-company or individual company Board retreats facilitated and informed by Bank corporate governance specialists. However, with our counterparts being senior management this was impossible practically. Until effective champions can be found at a high enough GoB level (and a cross sectoral approach reaching outside the energy sector may be necessary here) the findings of the review will not be acted on. Senior managements remain very frustrated with this situation and recent developments including the establishment of a Ministerial

level Consultative Committee to oversee the activities of the Boards are considered particularly worrying and likely to lead to reduced independence.

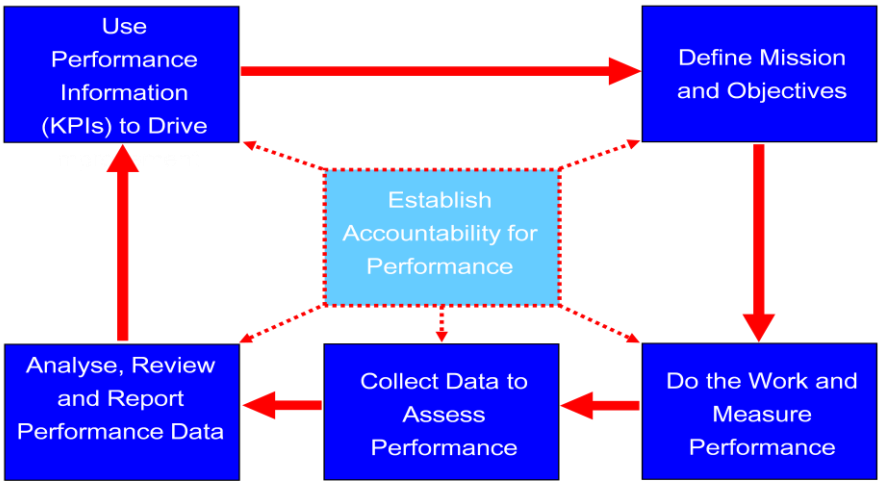
In its draft 2011-2014 Country Assistance Strategy (CAS), the Bank notes the need to shift to a longer term, more systemic approach to strengthening governance and anti-corruption, focusing in particular on building domestic accountability. In sectors where GoB commitment to anti-corruption is low, the Bank may disengage. Given the primary importance of the power sector in Bangladesh right now, this is unlikely to be an option in the energy sector. This underscores the need to redouble efforts to identify high level GoB champions and begin engaging the Boards in corporate governance roundtables and improvement initiatives. In the short-run, the Management Information System developed under this NLTA will help raise the performance management agenda to the Board level.

The work on performance management has still in nascent stages and companies have a long way to go

Integration: Going forward, the key questions are:

1. How do the different actions and processes fit in?
2. How should the senior management use performance information?
3. How do we sustain performance management?
4. What are the short-term, medium-term, and long-term measures for utilities to harness the potential of PMS?

The basic PMS design can be summarised in the following graphic.



Entering 'actual' data in the MIS is not the end of the PMS process. On the basis that oversight of the PMS would rest with the recommended Planning and Performance Management Cell (PPMC), PPMC staff, accountable managers and the Executive need to review 'actual' performance against 'target' performance.

The outcome of this review impacts upon performance-related pay, career progression, Executive decision-making and goals, objectives, targets, and resource allocation for the next cycle. Performance reporting to stakeholders would then be undertaken, and a view needs to be taken on the degree to which reporting to customers is also undertaken. Feedback from stakeholders is thus sought, to help inform the next round of target setting. The cycle is then repeated.

Sustainability and Staged Roll-Out: As the NLTA program comes to a closure, questions remain as to how the full potential of the PMS can be sustained, and whether World Bank can provide the utilities with further support. It is recognised that legacy issues and capacity limitations preclude the attainment of a full-function PMS in a single step; a staged approach is necessary. The key steps would be as follows:

1. **Corporate Performance Measurement**

    - Track KPIs
    - Set targets for KPIs
    - Benchmark KPIs to other peer companies
2. **Corporate Performance Management**

    - Drive KPIs from strategic and business plans
    - Identify and analyze recurrent performance issues
    - Develop and implement action plans to solve issues
3. **Individual Performance Management**

    - Push performance accountability down to individuals
    - Establish a professional HRM function to ensure objective performance appraisal
    - Individually reward good performance, at least in part

In the **first stage – Corporate Performance Measurement** – the utility has to review and customize the suggested KPIs in order to best fit the company's needs. The data management and accountabilities for each KPI will then need to be formalized. The MIS will need to be updated and used as the basis for monthly reporting packages for Board, senior management and functional heads. Target setting processes need to be agreed with senior management. Lastly, each utility ought to develop benchmarking and experience sharing approaches.

It is highly recommended that each utility should appoint a Manager, Corporate Performance Improvement with responsibility for implementing and managing the PMS. It will also be essential to enrol the Boards in corporate performance improvement.

In the **second stage – Corporate Performance Management** – the utility needs to ensure that KPIs are strongly linked to all business planning processes. Each utility should consider expanding the Corporate Performance Improvement function in order to take the lead with such planning processes. Rather than simply measuring performance in each business process, the utility needs to develop specialist expertise in process reengineering and IT systems enablement of business processes, in order to proactively manage performance improvement. This will also require them to identify, analyze and fix recurrent performance problems. Each utility should develop and maintain an IT strategy and annual plan. Lastly, intercompany solutions may need to be sought in order to fix difficult problems.

The utilities should obtain training/coaching in the specialized skills needed to implement the full scope of corporate performance management. Senior management will need to report regularly to the Board on critical performance issues and solutions.

In the **third stage –** transformation to **Individual Performance Management** will be the goal. This ultimate stage is heavily demanding in terms of HRM and therefore implementation will definitely need specialist HRM consultancy support. The utilities will therefore need to identify sources of well-qualified Bangladeshi HRM professionals and be able to attract them to the companies. The utilities will need to enlarge the role of the Recruitment and Promotions Board Sub-Committee so they lead the development of individual Performance Management policies and procedures. The utilities will also need to identify how HRM consulting assistance can be engaged and their recommendations can be acted upon.

The companies have committed to adopting the first stage of corporate performance measurement

The companies have committed to adopting first stage of the implementation plan which is corporate performance measurement in the form of MIS and appoint a dedicated M & E officer. They have requested continued implementation support to effectively organize the first stage and move to the next stage of performance management. NLTA team member Ian Driscall will continue to provide any handholding support in the MIS implementation until December 2010. After that, this program has been included in the (under preparation) Power Sector Development Technical Assistance - Additional Financing proposal that is expected to go to the board in FY12.