THE USE OF VALUE FOR MONEY AS A MANAGEMENT TOOL

By

Sani S. Dawop, FCAI, MNIM, CPA, ACMA
Resident Auditor, FCT Judicial Service Committee Unit,
Office of the Auditor General for the Federation, and
Vice Chairman, Nigerian Institute of Management
FCT Abuja Branch

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1. INTRODUCTION

The concept of value for money is relatively new term considering other management theories. Its acceptability in the developed countries dates back to the late seventies while in developing countries, its popularity and acceptability is as recent as the early nineties. As managers, we have to abreast ourselves with development, hence the choice of this topic because of its value content.

Value for money is as economic concept we relate and deal with individually and collectively on daily basis. We negotiate to get the best deal thereby obtaining value for the sums expected. However, many not people give a thought to value for money beyond the drive for a “good deal” on a particular purchase. Fewer people even know that the pursuit of value for money is a collection of structured set, of techniques applied in modem management to reduce cost, improve processes and enhance productivity. An insight into value for money becomes more interesting when it is realized that it is a very potent tool for instituting and enhancing transparency and accountability. In this regard, value for money automatically becomes a forceful arrow in the quiver to combat corruption and fraud. The need for accountability and transparency in our public lives is preached daily like sermon but it sis hardly practiced, so it's a mirage. The problem is compounded by corruption and fraud, which directly plunder and misallocate resources to unproductive ends. This has led to increased poverty, unemployment, poor infrastructure, falling standard of living, etc. the story is however changing for “get rich overnight” person in Nigeria courtesy of EFCC and Scotland Yard Police. No wonder some Governors dare not travel out of the country, while some have escaped in disguise out of “Government House London” Although sonic people have questioned the sincerity of the Obasanjo regime's crusade against corruption because it is seen in some quarters as being selective, or best still, as a political weapon for intimidation. Whatever the arguments, it is better late than never because the problem has become endemic with visible signals that something must be done and very fast too to avert a catastrophe.

2) THE CONCEPT OF VALUE FOR MONEY AND DEFINITION OF KEY ELEMENTS

(a) DESCRIPTIVE DEFINITION OF VALUE FOR MONEY

The definition is given in relation to,

(i) **Commercial Product:** Afemikhe (2003) said” value for money is a requirement to maximize the use of scare resources. A successful commercial product will provide satisfaction in the attributes of price, quantity and quality -value for money — otherwise no one will buy it”.

(ii) **Public Sector:** P.C Jones and J.G. Bates give a practical descriptive definition of value for money in tier book Public Sector Auditing (1990,) as follows: “value for money is achieved when a public body carries out its duties to high standard at low cost. This can be summarized colloquially by saying that a good job is being done. Slightly more technically, value for money is achieved when administration and service provision is economic and effective”.

In summary, both definitions stressed that for commercial products and public goods to provide satisfaction successfully, they must meet the real needs they are designed for at reasonable cost.

(b) KEY ELEMENTS OF VALUE FOR MONEY

Value for money generally covers three basic elements, economy, efficiency and effectiveness. These are defined as follows:

(i) **Economy:** This is the practice by management of the virtues of thrift and ensuring that input costs are minimized. An economical operation acquires resource in appropriate quality and quantity at the lowest cost. Lack of economy occurs when there is over staffing or the acquisition and the use of over priced facilities.

(ii) **Efficiency:** This is making sure that only the minimum levels of resources are devoted to achieving a given level of output. In other words, it's ensuring that the maximum useful output is gained from the resources devoted to each activity at the minimum level of input cost. An operation could be said to have increased in efficiency if either lower costs were used to produce a given amount of output, or a given level of cost resulted in increased output. Another way inefficiency would be revealed is by identifying the performance of work with no useful purpose, or the accumulation of surplus materials that are not needed to support operations.

(iii) **Effectiveness:** This is ensuring that the output from any given activity is achieving the desired result. To evaluate effectiveness, there is need to establish that the desired goals are being achieved.

It should be noted that three elements of value for money are interrelated. Economy and efficiency both relate to saving resources. While economy ensures that input costs are minimized, efficiency in the other hand ensures that maximum output is achieved at the minimum level of input cost. Efficiency therefore subsumes economy. An operation cannot be efficient and uneconomic, but can be both economic and inefficient.

Effectiveness is a far more positive element. Effectiveness thus means that a service provided properly meets a real need.

The three elements- economy, efficiency and effectiveness have been ranked in order of scope and ease of measurement. The view about the interrelationship between the elements is share by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the United Kingdom which emphasis that the attainment of economy and efficiency is of little practice use if effectiveness is disregarded.

there are so many “die hards” in the system who are not just surviving but excelling. You can be one if only you learn to play the games by the ever changing rules.

For all those who cling tenaciously to the status quo, advocates of the good old days, opponents of change and flexibility, a harder time awaits them all. What does today's organization need in order to stay afloat?

Tom Peters, in his book Thriving on Chaos, gave a prescription for organizations operating in a turbulent environment. All the items demand proactive action:

(i) Must be obsessed with responsiveness to customers who are the essence of the organizations existence

(ii) Constant innovation in all areas of the organization.

(iii) Partnership - the wholesale participation of gain sharing with all people connected with the organization (participation in decision making and profit sharing)

(iv) Leadership that loves change (instead of fighting it) and instills and shares an inspiring vision.

(v) An understanding that well trained manpower should be prime and ultimate resource of the organization.

This prescription holds true for bankers, supermarkets, hospitals, computer makers, and even public sector organizations. The customer must be identified and made central to all the affairs in public schools, local government councils, government parastatals and agencies. This demands that procedures need to be radically simplified by public sector leaders. First line employees involvement and improvement programmes in pursuit of responsiveness should be an essential concern for public service bosses.

COMPETENCIES FOR EXCELLING AS AN EMPLOYEE

For many organizations, the l980s and 1990s was the decades of fast growth, wealth

creation, performance and even greed. But today a new focus is emerging. Your ability to understand the major shifts and acquire the skill sets and qualities is critical to your continued relevance in. the new working environment.
You need to understand the qualities firms are looking for in the persons they hire, retain and promote. I have compiled here a number of them. With the pace of change, the list is far from being complete as changing circumstances also presents new demands and expectations.

- **Flexibility**, this is the quality of seeing change as an exciting opportunity rather than a threat, eg the adoption of new technology should be seen as getting to play with new gadgets, the latest and best.

(v) Are there performance measures to provide policy makers with adequate and timely information to achieve value for money?

4. TECHNIQUES FOR EVALUATING VALUE FOR MONEY

The following techniques apply in value for money.

Performance Measurement
Value Analysis
Bench Marking

Performance Measurement

Performance measures provide strategic post mortems by which policies, systems and procedures are evaluated, Output is measured so that managers can fully appreciate what has been achieved and this can be extended to different strata of societal leadership, especially politicians.

Value Analysis
Value analysis on its own gives a look back opportunity on project with a view to highlighting lessons learned that would improve project performance.

Bench Marking
This provides diagnostic and investigatory tools not only to know how performance compares in due course overtime, but how it compares with others in similar circumstances. With bench marking, the manager is able to use the output of others as a standard for comparisons with his own output to review results against plans which can readily highlight deviations from plans, the norms and acceptable level of performance.

5. PROCESS IMPROVEMENT STRATEGIES

Competitive Tendering

Proper Management and Financial Accounting.

Competitive Tendering

Competitive as a tenet of value for money enhances greater efficiency of the customer e.g PHNQ (formerly NEPA) is fast changing. Competitive rewards innovation while monopoly stifles it. In value for money, it calls for application of different forms of competition to promote fair and open competition. This has taken root in developed countries including fast developing economies like India which I visited this year September, where government contracts are published in the news papers. It s gratifying that Nigeria is also on course, courtesy of Due Process. Competitive tendering helps to separate policy making (steering) from service delivery (rowing). If properly organized, competitive tendering can cost, enhance efficiency and save cost. I urge this institute to imbibe this process in their procurements.

Proper Management and Financial Accounting

Accounting is pivotal in all that we do. Most organizations in developing countries do not keep proper accounting records thereby loosing control of their operations by making if impossible to generate information about performance for decision- making. It is surprising that organizations belief that they can thrive in such confusing atmosphere. You will agree that such confusion only helps the dubious members of such organizations who in most cases have their own separate and parallel agenda as distinct from that of the entity.

To attain the objective of value for money, it calls for proper management and financial accounting, without which processes and costs cannot be mapped, reported, reviewed and bench marked, Imagined if at the end of this programme there is no financial account, than there will be nothing to report, review or bench- marked. We should therefore strive to improve our record keeping and thereby be in a position to review our actual performance against plans as we pursue effectiveness in the attainment of our set objectives.

6 ROLE OF CORPORATE ADMINISTRATORS IN IMPLEMENTING VALUE FOR MONEY

As mangers, we must show distinction. Let us not be Joneses and Thomases. The first challenge is to obtain knowledge on what is right and the step-by-step process to successfully carry out the right thing. Lack of knowledge of this process is the major problem we face. And where we have knowledge, we implement it wrongly.

In the view of a management expert, Peter Drucker, knowledge is the one and only distinct resource of business. Other resources, money or physical equipment etc. do not confer any distinction. It is only in respect to knowledge that a business can be distinct, and can therefore produce something of value in the market place. Knowledge is the business just as it is said the process is the product and not the scoreboard (the result).

People largely are in deficit of the knowledge of what to do such that the process applied is wrong abinito. Jeffrey and Pfeffer and Robert Sutton have shown clearly that even when people know what to do, there is knowing- doing gap. The twin word should be of significance, because knowing without acting brings no result or negative consequences. Example is organizing a project. The organizers of this programme knew what to do and acted on what they know. Although it could have been better, but it is often said half bread is better than none. But in the Institute of Corporate Administration, I would like to insist that we always go for the full bread and nothing less.

Very often, it is customary for people to "hope" even if no process is in place to pursue and attain the goal or objective. Yet such people should know that hope is not a strategy. Again people pray that the Almighty intervene and straighten things for them. Yet, they not put in place a process to practically make things happen and solve the problem. I consider faith without labour as a waste of time, like wealth without labour a crime. Without a credible and functional process in place, hope will achieve little or nothing but failure. when achievements are based purely on prayers alone, the result in a miracle and this happens very rarely. It is only in our part of the world today that you find an increasing number of mosques and churches instead of business springing up, yet our actions are far from the divine messages. Little wonder that recently, the British Broadcasting corporation declared Nigeria as the most religious nation and yet very corrupt and underdeveloped. This is evident that our faith is not real! I am however saying it applies in all cases, but at least the majority.

7. WE LEADERSHIP CHALLENGE

Until the introduction of the popular and most hated Due Process, there were many contracts awarded but not executed or the prices inflated. In the last six years since the introduction of the Due Process mechanism, it has saved for Nigeria a whopping N120 Billion Naira! Imagine whose pocket or accounts this money would have entered. So value for money focused change in what is needed. This is a new entrepreneurial bureaucracy paradigm, which is fast becoming the focuses of progressive mobile managers and executives.

But the question is, who will lead the way? Value for money again provides the answer. Economy (doing thing right), while Effectiveness (achieving objectives) is the duty of the leader. The leader sets the direction, purpose, goal, objectives, vision mission or call if what you may. The leader defines the way - the right thing to do. The manager then picks up from the big picture and using good systems, procedures and inputs to attain the vision or objective efficiently. The leader therefore defines the point, creates the strategy in systems, policies, evaluation and monitoring mechanism, reward and punishment. It is imperative for leadership to create the needed sense of urgency, stimulate action, confront and remove all the obstacles on the way to attainment of goals. Different leadership styles can be used. According to an old Sicilian Proverb in the book, The Mafia Manager- A Guide to Corporate Machiavelli, the author simply called "V" regard the pleasure of leadership in commanding as sweeter than sexual intercourse. This is why leaders are caution about power because absolute power corrupts absolutely. In this regard, the leadership must generate and sustain trust, optimism in the vision to action and results. An example of leadership mistrust is the alleged "third term agenda" which is already creating power tussle in the Nigerian polity.

8. CONCLUSION

The use of value for money as a management tool is a concept that defines a new vision, a strategic focus, systems, policies and a cultural value framework to assist in achieving a structured process of change. Thus, it serves as a tool for managers to use in their daily decision to achieve corporate excellence and even individual objectives.

Changes is not easy, but like John Debold, a famous computer consultant said "we face two options: either renewal and reform or revolution and ruin" Given our stark realities of the option to revolution and ruin" Given our stark realities of the option that we face, the option to choose is very clear- renewal and reform, or the more expensive alternative, revolution and ruin. It's up to you and I trust you and I will not fail Nigeria.

I dare say the use of value is the moral equivalent of war. A war by the good against the evil; continues process improvement and growth retrogression, stagnation and even decline. it is a war that must be fought and won. We have to enlist all and sundry, You are either on the side of good or you are with evil forces. There is not allowance for being on the fence.

Thank you for listening attentively.

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