



DPSA ENDORSES COST OF POOR SERVICE DELIVERY!

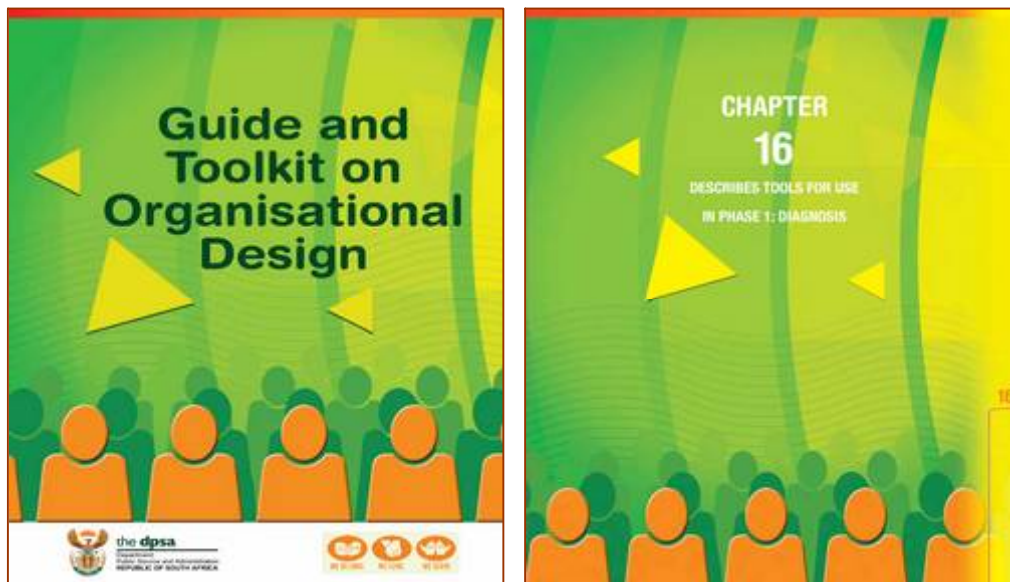
DEPARTMENT PUBLIC SERVICE ADMINISTRATION (DPSA)

GUIDE AND TOOLKIT ON ORGANISATIONAL DESIGN

CHAPTER 16, PAGE 16, TOOL 15: COST OF POOR SERVICE DELIVERY:

DPSA adapted and based its Cost of Poor Service Delivery Programme (Cost of Poor Quality) on the unpublished "Service Delivery Improvement Management" Guide and Training Materials of the CEO of Businesses Assessment Services, James Ed van den Heever and Co-author Trudi Cox.

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16.4.4 TOOL 15: COST OF POOR SERVICE DELIVERY

What is it?	How to use it	When to use it
<ul style="list-style-type: none"> A methodology based on the following formula: $TOC = EFTW \text{ price} + CPSD$, i.e. TOC (total operating cost) equals EFTW (essential first-time work price) plus CPSD (cost of poor service delivery). In the majority of organisations the equation is as follows: $TOC (100\%) = EFTW (70\%) + CPSD (30\%)$ (85+15% would be world-class). $CPSD = POAQ$ (price of attaining quality) (initially 1-5%) + $COPQ$ (cost of poor quality) (initially 20% of turnover). $POAQ = POP$ (price of prevention – training, inspection, test) + POA (price of appraisal – checking). $COPQ = COR$ (cost of rework) + COW (cost of waste). Example: CPSD in documentation: $POP =$ cost for training on word processing. $POA =$ cost of proofreading. $COR =$ cost of delays, etc. due to misfiled information. $COW =$ cost of time lost due to wrong reporting. 	<ul style="list-style-type: none"> Determine the price of preventing poor quality (POP), including training, testing, hiring, system, additional resources, etc. Determine the price of appraisal to prevent poor quality (POA), including checking, proofreading, inspection, auditing, appraisals, etc. Calculate the price of attaining quality (POAQ) by adding POP and POA. Determine the cost of rework (COR) including all rework activities, wasted time, citizen cost, stationery cost, lost production as a result of rework. Determine the cost of waste/mistakes/tasks not completed (COW), including time lost, opportunity losses, compensation paid, legal costs, additional resource (contractors), cost to the citizen. Calculate the cost of poor quality (COPQ) by adding COR and COW. Calculate the total cost of poor service delivery (CPSD) by adding POAQ and COPQ. 	<ul style="list-style-type: none"> Optional tool, but very important to use if you are not sure what the actual business case for the new structure is, or if you need to find out how effective and efficient a process really is.

(Adapted from E vd Heever & T Cox, 2002. "Service delivery improvement management". Unpublished)

Example: Document production environment

To determine the total cost of poor service delivery (CPSD), you investigate the document production process and identify the following cost items:

- Price of preventing poor quality (POP):**
 - You find two activities that are used to prevent poor quality i.e. training and testing of equipment before starting to print.
 - The training (work processing and equipment) takes five days per employee.
 - They were trained on MS Word and on using the equipment.
 - You determine the average cost of lost production and salary per day as R400,00 pp and the cost of training per person per day as R400,00.
 - The cost of the testing activities includes the cost of 10 pages per machine (five machines), ink, and power.





Cost of poor quality (COPQ)				
Cost elements	Unit(s) of measure	Cost per unit	Number of units	Total
Cost of rework (COR)				
1. Loss in production	Documents to be redone per day	R0,20 per page	100 docs x 150 pages = 1 500	R3 000 pd R720 000 pa
2. Cost of sorting	Time spent sorting	R50 ph	1 hour for 3 employees per day	R150
3. Cost of waiting	Time spent waiting by clients	R150 ph	100 clients per day, each waiting 20 minutes	R5 000 pd R1,2m pa
Opportunities lost (COW – cost of waste)				
4. Additional product to be procured	Cost per page	R0,15	1 500 additional pages	R2 325 pd
	Cartridges	R1 000	1 cartridge per day	R558 000 pa
	Glue	R1 per doc	100 docs per day	
	Covers	R5 per cover	2 covers per document	
5. Additional volume	Documents per day	R0,20 per page	100 docs x 150 pages = 1 500	R3 000 pd R720 000 pa
Total				R11 475 pd R2,75m pa

16.4.5 TOOL 16: FAULT TREE ANALYSIS

What is it?	How to use it	When to use it
<ul style="list-style-type: none"> • Fault tree analysis helps to illustrate the linkages between a set of complex issues or relationships by fitting them into a hierarchy of related factors. • It is used to: <ul style="list-style-type: none"> o Link the various issues or factors which may contribute to an organisational problem. o Identify root causes of a problem. • The important assumption underlying the fault is the hierarchical relationship between cause and effect. 	<ul style="list-style-type: none"> • Identify the major existing problems/ issues based on available information (e.g. by brainstorming). • Select one important problem for analysis, e.g. poor information quality. • Develop the fault tree by beginning with the direct causes of the problem, e.g. incorrect information from citizens, incorrect capturing of information. • After completing the fault tree, translate the different causes and effects into objectives, e.g. high accident rate – reduce accident rate by 40%. • This will provide the opportunity to determine success factors for the structural design process. 	<ul style="list-style-type: none"> • This process can help to distinguish the underlying or root causes of an institutional problem from their effects and guide advisers towards the critical issues that need to be tackled in institutional development. • For example, poor budgetary processes or late arrival of funds in a Ministry may be effects of a poor or non-existent public expenditure management process or poorly articulated priorities – or no money.

