

INTEGRATED RESOURCE PLANNING AND STRATEGIC PLANNING FOR WATER UTILITIES

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INTRODUCTION

The principles of integrated resource planning will influence utility behavior only if they become part of the utility's core mission and objectives. Strategic planning by water utility managers can complement and enhance IRP. The likelihood of a successful IRP process is greatly enhanced if (1) the utility also engages in a process of long-term strategic planning, and (2) IRP goals are incorporated into the utility's mission and strategic planning goals.

THE NEED FOR STRATEGIC PLANNING

Water and wastewater utilities are facing numerous interlocking challenges involving the environmental quality of life in their communities, increasing capital construction needs in a time of economic scarcity, the need to control rates and charges, the demands of their customers for improved service, the requirements of local, state and federal regulators and many others. To meet these challenges, management of utilities must prioritize the allocation of limited resources and focus the utility organization on the key factors necessary for success. To accomplish this, each utility must:

Define the organization's ultimate goals, including goals related to integrated resource planning and total water management.

Allocate the organization's financial, organizational and political resources towards achieving those goals.

Energize management and staff as a team dedicated to achieving short and long term success.

To assist in this effort, management of several progressive utilities have implemented a strategic planning process designed to help drive their organizations towards improved performance and strategic success. The purpose of this article is to define the elements of a strategic plan, to discuss how strategic plans are developed and to present the potential results of successful strategic planning.

ELEMENTS OF A STRATEGIC PLAN

Mission

The central focus of a utility's operations and decisions should be its mission, which is the fundamental, unique purpose that sets it apart from other organizations, and identifies its scope of operations. The mission is a general, enduring statement of the organization's intent and describes the areas of emphasis for the organization in a manner that reflects the values and philosophies of management and other key decision makers.

The three basic components of the mission statement are:

The shared values or beliefs of the members of the organization.

The central vision or purpose of the organization.

The needs of the key parties who have a stake in the operations of the organization.

In the context of IRP, the utility mission might address values and beliefs related about water resource management. Water utilities today often are expected not only to provide water service but to provide "total water management" and act as conscientious stewards of nature's water resources. The most important purposes of a mission statement are to help the organization determine and prioritize strategic alternatives, and to guide long-term execution of the selected strategies. These critical functions require that care be taken in developing and communicating a meaningful mission statement. A mission statement reflecting a belief in environmental stewardship may help pave the way to IRP strategies, including conservation and demand management.

Goals and Objectives

To drive strategies and evaluate achievement of an organization's mission, greater specificity concerning what is to be achieved needs to be expressed in terms of goals and objectives.

Goals are qualitative statements that, in their totality, represent achievement of the mission. Goals should direct the operations of the organization's operations in key external and internal areas. External areas in which goals may be required include all the elements of integrated resource planning, such as environmental issues, supply and demand management, water quality, community involvement, and so on. Internal factors include those necessary to operate the business of the utility such as human resources, financial management and customer service.

Objectives are quantitative performance indicators that measure the achievement of each goal. Objectives are critical because they provide the important element of accountability to the strategic planning process. Senior management is responsible to their board, city council, city manager or other governing authority for achievement of measurable objectives. Other members of management should be held accountable for performance relative to specific objectives that they are responsible to achieve. In some organizations, compensation and other rewards are tied to the achievement of specific measurable objectives stated in the organization's strategic plan, or the strategic plan of their particular organizational unit.

Strategies

Strategies are specific allocations of time, money and effort, and are designed to achieve the various goals and objectives. The strategies selected must reflect the priorities of the utility as expressed by the mission, goals and objectives. In the context of IRP, strategies might include specific demand-management programs. Unfortunately, virtually every utility organization is faced with the reality of limited resources, and therefore, the strategies must reflect carefully considered choices, and should be evaluated in terms of resources required, results expected, probability of successful implementation and potential impact on overall performance.

Implementation Plans

The final element of a strategic plan, the implementation plan, is necessary to facilitate implementation of the selected strategies and to provide accountability for the actions decided upon. The implementation plan should consist of a series of action plans that, for each strategy, indicate:

- Tasks necessary for effective implementation.
- Due dates for the various tasks.
- Individual responsibility assignments.

These action plans should serve as a guide in ongoing strategy implementation and as a means for evaluating progress.

Strategic Framework

Figure 1 presents a simplified strategic framework showing the linkages between the various elements of the strategic plan. The discipline of portraying mission, goals, objectives and strategies in this framework helps to assure that the strategies are directed towards specific goals and that collectively, they are sufficient to achieve the respective goals. Each strategy presented on the strategic framework should be supplemented by an action plan. The strategic framework also serves as an excellent vehicle for communicating the strategic plan, both internally and externally.

THE PROCESS

Experience with many organizations in virtually all industries indicates that to achieve the kind of strategic success described above, a utility must develop:

A shared vision of utility's ultimate goals. Organizations driven by shared vision and shared values have a greater capacity to succeed than other organizations.

A common understanding of the principles under which the utility will operate.

Across the board acceptance of the urgency of implementing the strategic plan.

As a result of these requirements, strategic plans that have been successfully implemented have been developed by teams of employees and other involved individuals (often assisted by professional strategic planning facilitators). Since employees operate the utility and will be responsible for strategy implementation, it is essential that they be actively involved in strategy development.

The most effective way to develop a strategic plan that will be successfully implemented, is through a series of workshops. The design of the structure, and determination of the participants, at these workshops are difficult and must be customized for each organization and the unique issues each faces. Some of the process

designs that have been successful, and the particular issues they were designed to address, are presented in the following paragraphs.

Senior Management Strategy Group

The most common approach is to convene a senior management strategy group to develop the strategic plan. This group, which meets in a series of facilitated workshops, generally includes the Director of the utility (whatever the title may be), and that individual's direct reports. Also included would be the leaders of the various functional units within the utility. Sometimes, members of the Board, and/or oversight agencies, are included as part of the strategy group. Mid-management input is obtained through questionnaires, interviews, interim meetings and involvement in implementation planning. This approach is generally used when there is effective inter-departmental cooperation and a good working relationship between mid-management and the senior group, and the greatest need is for the development and documentation of a meaningful strategic plan.

Active Board Involvement

In some situations, it is critical that the Board (or similar body) become actively involved in the strategic planning process. Some organizations have worked at the board level to develop the vision, values and overall mission of the organization, and have used management groups to develop the remainder of the plan. In this alternative, the board states what is to be accomplished on an overall basis, and management determines how the organization will achieve the ultimate goals. The participation of the board can be important when the utility has an active and interested board that desires to provide the kind of overall direction contemplated by this approach.

Cross Functional/Multi-Level Strategy Groups

When it is important to improve teamwork among the various functional areas and the various levels of management, some organizations have created cross functional/multi-level teams to develop objectives and strategies. In this alternative, senior management (possibly in conjunction with the board) develops the mission and goals. Separate "goal teams" of individuals from all functional areas and various levels of management are convened to develop the objectives, strategies and action plans for their respective goal areas. Upon completion of this process, a the final strategic plan

is reviewed, revised as necessary, and adopted by senior management at a strategy review workshop.

Functional Unit Strategy Groups

Under this alternative, senior management and/or the board develop the mission and goals (as in the previous alternative) and then, strategy workshops are conducted for each functional area to determine how each unit will contribute to the achievement of the overall utility mission and goals. Each unit would, in effect, develop its own strategic plan, which, when combined with the plans of the other units, would represent the overall utility's strategic plan. This approach is utilized when teamwork and cooperation within an functional unit is a key issue

Clearly, there are numerous variations of the alternative described above, and the specific approach utilized should reflect the unique characteristics of the particular utility.

Ongoing Implementation

Implementation planning is only the first step in strategy implementation. Ongoing and consistent attention is required to assure that the strategies developed are actually implemented. Some of the techniques to monitor and facilitate implementation include:

- Assignment of goal and strategy champions to monitor the implementation of strategies on an ongoing basis.

- Inclusion of an update on implementation progress at each management meeting.

- Periodic formal reviews of the strategic plan to identify and changes to the plan so that it becomes a dynamic document which is an integral part of the manner in which the utility is operated.

In addition to the above direct means of strategy implementation, it is important that management also contribute to the implementation strategies through indirect methods such as:

- Consistently talking about the utility's mission and overall strategic plan.

- Recognizing special contributions to the strategy implementation process by individuals or teams.

- Redefining the utility's culture in accordance with the strategic plan.

RESULTS OF SUCCESSFUL STRATEGIC PLANNING

The most important result of effective strategic planning is improved short-term and long-term utility performance. This is achieved through the implementation of a strategic planning process that is designed to:

Develop meaningful strategies that, when implemented, will have a positive impact on performance.

Create a commitment and dedication to the strategic plan by a cohesive and dedicated management and utility team.

Focus the allocation of resources on those factors that are critical to the utility's success.

Create a mechanism to facilitate the measurement of performance as compared to plan to enhance management's accountability for long-term success.

Strategic planning and integrated resource planning are not easy. Planning is an ongoing process that requires

continued management commitment attention. Organizations that have developed and implemented comprehensive strategic plans have experienced consistently improved performance. Strategic management not only is worth the effort, but in today's and tomorrow's dynamic and complex environment, it is essential for long-term success.

THE AUTHOR

Gerald Wexelbaum is President of Strategy Support Associates, a management consulting firm dedicated to assisting clients in the development and implementation of strategic plans. He has considerable consulting experience in the private and public sectors and has worked with several water and wastewater utility organizations.

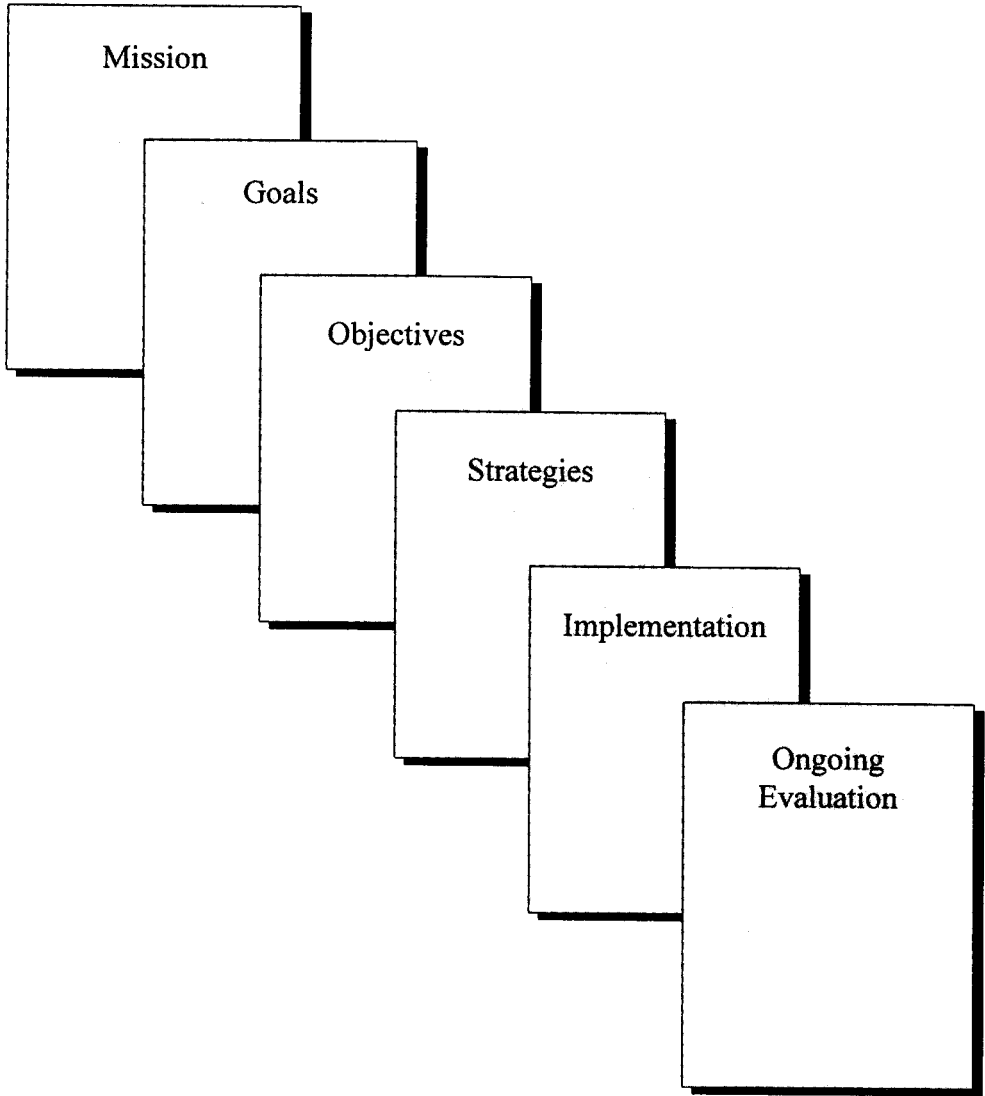


Figure 1. Elements of Strategic Planning