



## HUMAN SYSTEMS DYNAMICS INSTITUTE

### Executive Summary

#### Project Overview

##### *Why Should We Invest in Strategic Planning?*

Strategic planning is a set of intentions expressed as a plan. The plan turns the intentions into reality by focusing on the broad future of the organization based on an analysis of the external and internal environment. To be prepared, you need to build plans that articulate priorities and strategic actions that will get you ready for the future, and you need to do the tasks to implement effectively in an ever-changing environment.

Why invest resources in strategic planning?

- ▶ Your external environment is changing and your organization needs to be prepared to respond
- ▶ Political expectations and forces are shifting in many ways, so you need to be able to anticipate stakeholders' expectations
- ▶ Community expectations for environmental protection and water quality continue to increase
- ▶ Customer demand for increased convenience and fast response is increasing
- ▶ Economic and political forces are shifting resources away from traditional services like water utilities
- ▶ New technologies are entering the market to help you manage your information and water resources
- ▶ Political instability around the globe may bring terrorism into your backyard

All of these circumstances indicate that the world of tomorrow is as different as today's water utility business is from that of yesteryear.

Nothing is intractable.

## Strategic Planning in Today's World

### Why Do We Need a New Strategic Planning Process?

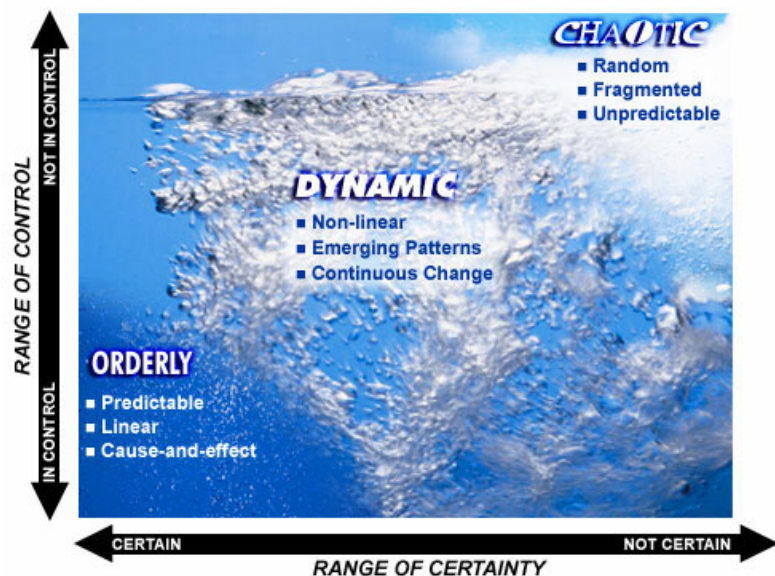
Strategic planning in these turbulent times must be relevant, cost-effective, and transforming. It can help you, your employees, and your utility adapt and respond to new demands and emerging issues. This new kind of strategic planning process is based on assumptions that reflect your real world, so the plans it produces fit with the day-to-day questions and actions that shape the success of your enterprise.

### Dynamic Planning Environment

Identifying and understanding your planning environment is key to an effective strategic planning process. Traditional strategic planning processes assume that all environments are created equal. Our research indicates that while utilities have common external and internal environmental elements, their planning realities may be very different. The differences can partially be explained by knowing the type of environment the utility is functioning in. Keeping in mind the differences in the environments can help you respond with efficiency and effectiveness in your planning process. The definitions for the three types of environments are:

**Orderly** is predictable and stable. Such environments require that you set and monitor goals and objectives, provide feedback and reinforcement, and maintain clear expectations for performance.

**Dynamic** is not predictable, but it is patterned. Such an environment requires that you stay connected, continually collect information, and adjust or adapt your plans and actions to meet the emerging needs.



Source: Adapted from Stacey, Ralph 1996.

Figure ES.1 Strategic Planning Environment Shows Range of Control and Certainty

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**Chaotic** is on the outer range of certainty and control. Such an environment requires that you respond to the immediate need while building ways to understand patterns and respond to root causes or commonly encountered problems.

A utility may need to function in each of these environments simultaneously, depending on the issue to be addressed. Therefore, the strategic planning framework was created to work in each of these environments. This framework, the Scan, Plan, Do (SPD) Strategic Planning Framework is described below.

## The SPD Framework

### Overview of Framework

The diagram below represents the basic components of the SPD Strategic Planning Framework. The SPD framework is designed to provide guidance and options, not a prescriptive methodology with lock-step order.

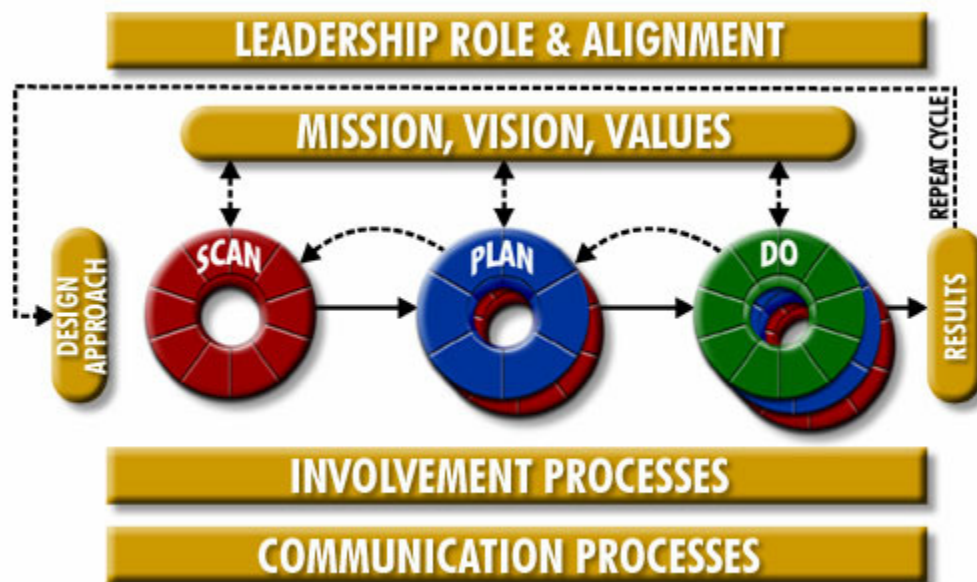


Figure ES.2 SPD Strategic Planning Framework

These components are linked together, so that each one contributes significantly to all of the others. The connections, represented by arrows in the diagram, establish a process that is highly dynamic and adaptive to your changing organization and its environment.

Each utility can determine the breadth and depth of their planning process depending on factors such as their specific needs and timing, the formality of the organization, their experience with strategic planning, and other influences. The framework includes "design the approach" to fit a utility's unique planning needs.

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## ***Essential Elements***

Several key elements that surround the Scan, Plan, and Do process are essential for successful planning. In addition, they are even more critical to the successful day-to-day functioning of your organization. If you do not have these frameworks in place, as described below, you will need to take steps in the immediate future to obtain them.

### **Leadership**

A planning process that is not supported by leadership will be a planning process that fails. Over and over again experts and research recognize the essential role of the top leader in conducting a successful planning process and implementing action to improve results.

### **Communication Processes**

Communication processes are especially important in supporting strategic planning. As planning progresses, findings should be clearly communicated to all employees, who sooner or later will get involved to implement the plan.

### **Involvement Process**

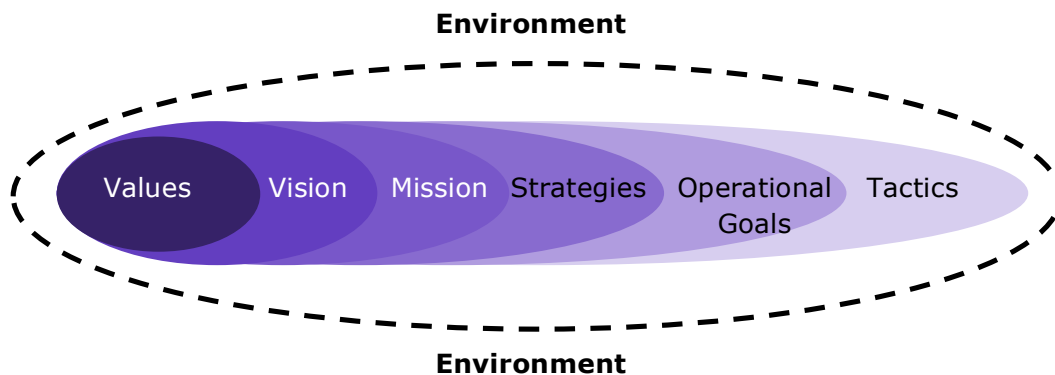
Who should be involved in your planning will depend on many factors, including:

- ▶ The level of dynamic activity in your organization and landscape
- ▶ The experience your organization has in strategic planning
- ▶ The size of your organization
- ▶ The form of your governance structure
- ▶ The time and resources you have dedicated to the planning process

The involvement process is revisited at each phase of planning to expand or adjust the involvement in the next phase.

### Mission, Vision, and Values

Your mission, vision, and values are fundamental to how your organization works. These terms are sometimes used in a variety of ways. The diagram below shows how we assume them to be used in the SPD Framework. Values are at the core of the organization, with tactics at the outside layers. The strategies, goals, and tactics must align with the mission, vision, and values. The SPD Framework focuses on the development of strategies, goals, and operational tactics to implement those strategies.



*Figure ES.3 How Mission, Vision, and Values Are Used in the SPD Framework*

### Framework Phases

The heart of the Strategic Planning Framework includes three phases: Scan, Plan, and Do. Specific tools have been developed and are referenced in the diagram for each phase.

## Phases of Strategic Planning

### Scan Phase Overview

The purpose of the Scan Phase of the SPD Framework is to ensure that your organization is fully aware of the outside world and not “working in the dark.” During this phase, you will collect data, analyze it, and come to agreement on: a customized planning approach for your organization, the data requirements for the organization as a whole, and the landscape elements most critical to the success of your utility.

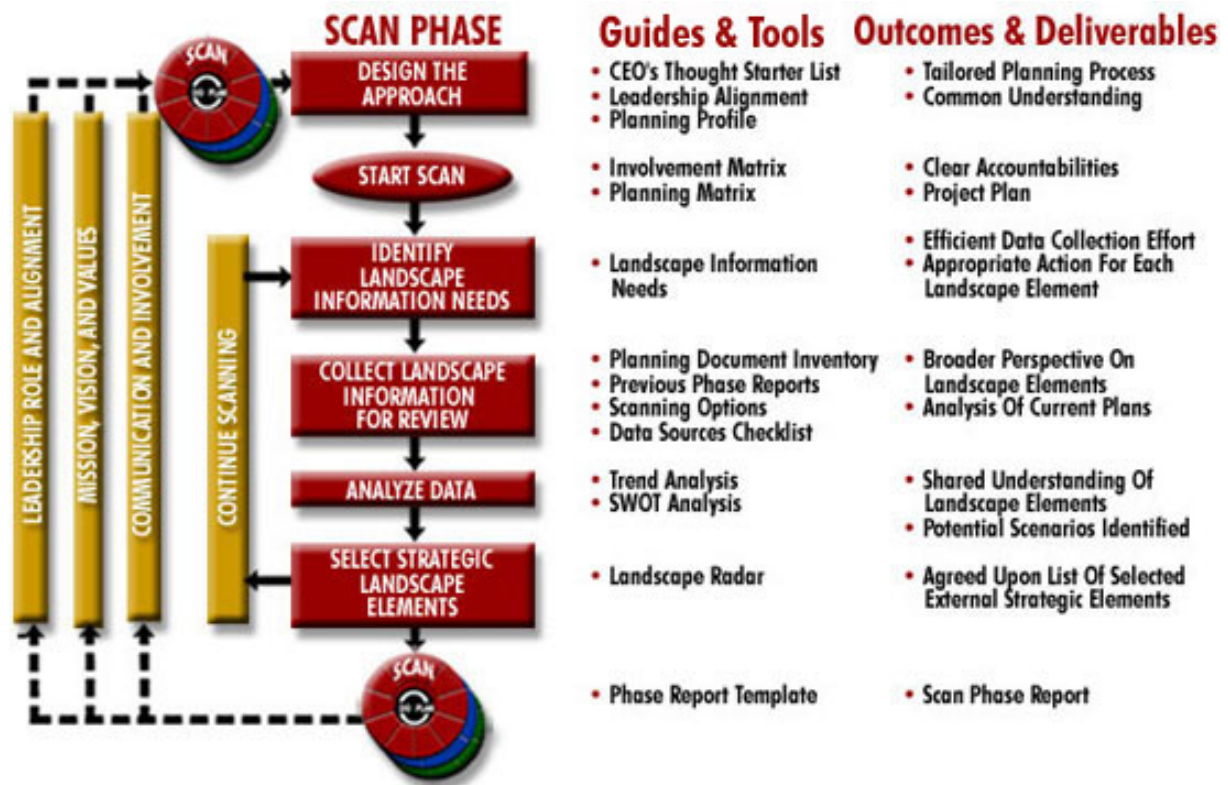


Figure ES.4 Scan Phase Steps, Guides and Tools, Outcomes and Deliverables

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## Plan Phase Overview

The purpose of the Plan Phase of the SPD Framework is to ensure that your organization focuses on the most important strategic issues. During this phase, you will explore strategic directions, options, and possibilities and consider the capacity of your organization to respond to strategic needs. Finally, you will select strategies, map them to existing plans, identify owners and set measures for those strategic goals.

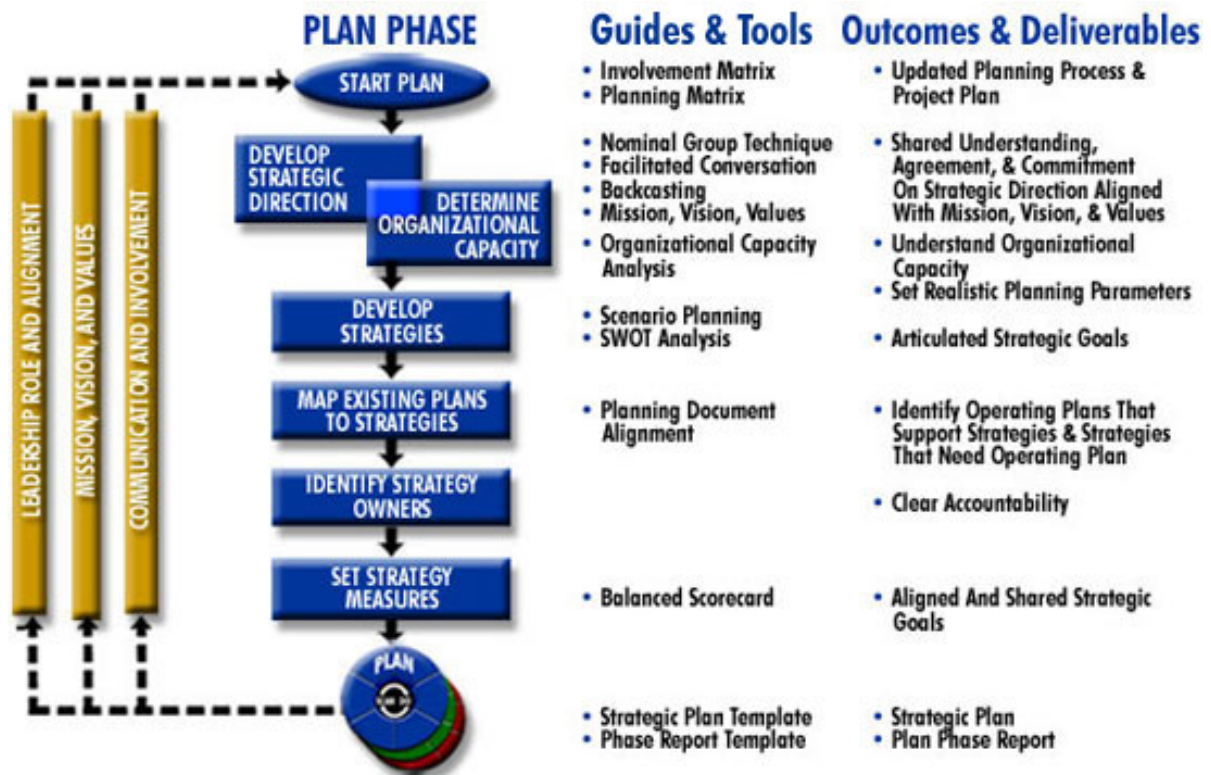


Figure ES.5 Plan Phase Steps, Guides and Tools, Outcomes and Deliverables

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## Do Phase Overview

The purpose of the Do Phase of the SPD Framework is to ensure that your organization implements the strategies that emerged from the planning process. During this phase, you determine the operational goals, objectives, and plans that will make your strategies a reality. Based on these plans, you take action, evaluate your results, and make adjustments as necessary.



Figure ES.6 Do Phase Steps, Guides and Tools, Outcomes and Deliverables

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## Key Aspects for Effective Strategic Planning

The SPD Framework seems simple enough—three kinds of planning environments with three phases. But as your planning process plays out you will discover many subtle and powerful aspects of this simple framework. Several aspects of the SPD framework and process that are key to effective planning are highlighted below.

### ***Balancing Strategic Direction with Organizational Capacity***

Strategies are identified and agreement is reached on how to focus the work of the organization. As part of the planning phase, these two tasks are completed iteratively because each depends on the other in order to set realistic planning parameters. You would not want to select a strategic direction that was beyond the capacity of your organization to reach. On the other hand, you would not want your current organizational capacity to constrain your plans for improvement in future. When you complete planning, you will have articulated your strategic goals, with balance around these elements.



*Figure ES.7 Balancing the External Drivers With the Internal Capabilities and Resources*

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## ***Connecting Strategy to Operational Plans***

Linking strategy to action is not easy and doesn't happen by itself. Too often organizations fail to make the transition between planning and action. They devote resources, time, and hope into a planning process that generates strategic words rather than effective strategic actions. Effective strategic planning connects the plans to goals, objectives, and measures that can be used for day-to-day decisions.

The definitions below identify the distinction between strategic, operational, and tactical planning.

**Strategic Planning** is a set of intentions expressed as a plan. The plan focuses on the broad future and is based on the analysis of the external and internal environment.

**Operational Planning** translates the strategic plan into specific goals for the organization. Operational plans typically have a shorter time horizon and a narrower scope than strategic plans.

**Tactical Planning** translates operational plans into specific objectives for functions within business units. Tactical plans are typically short term with a very narrow focus. To make the SPD Framework effective for you, the organization will complete both strategic and operational planning to focus its energy on the action that will emerge from the talk. Planning is only worthwhile when it leads to thoughtful and effective action. The SPD Framework is designed to support this transition process.

## ***Differences Across the Organization***

When your organization has completely implemented the SPD framework, you will be working in all phases of the framework at the same time. Linking and aligning the various activities is important. Some parts of the organization will be scanning for internal and external changes. Other parts will be identifying new strategies to respond to the changing environment. Still others will be focused on doing the day-to-day work of the organization. Just as it is now, different parts of the organization will be involved in different activities, all at the same time.

## Revisiting the Planning Process

The planning framework and process is designed to be flexible, dynamic, and continuous. However, periodically the process must be deliberately revisited, as if for the first time. While many organizations review and update their strategic plans on an annual basis, every several years they step back and take a fresh look at the next three to five years ahead.

## Conclusion

This project has delivered a new effective strategic planning approach incorporating various methods and business tools that can be customized by individual utilities to respond to their specific landscape needs. This unique approach – Scan, Plan, Do provides an effective strategic planning framework specifically designed for water utilities that:

- ▶ Designs an approach to fit your organization and utility's need resulting in a tailored planning process
- ▶ Focuses your utility on the important strategic issues yielding a strategic plan that is relevant to your external and internal landscape
- ▶ Aligns your organization with the strategic direction creating a common understanding and commitment to implementing strategic change
- ▶ Integrates strategy with utility operational plans supporting the successful execution of strategic and operational goals
- ▶ Offers unique and specific strategic planning tools for utilities, easing the need to adapt tools that are widely used in other industries
- ▶ Creates a dynamic, continuing, and sustainable planning process allowing strategic direction to shift and flex with change