

Guam Power Authority

Effective Strategic Planning and Policy Development

September 2009



Do the bright thing.
Energy and Utilities

- › Highly effective utilities possess a strong strategic plan which guides the organization toward long-term continued success.
- › This is evidenced by high reliability, financial strength, employee effectiveness and safe and reliable operations. Shorter term business plans implement the strategic through planned accountability for strong performance and organizational improvement.



Highly Effective Utilities need to possess:

- › A strong strategic plan which guides the organization toward long-term continued success.
- › Integrated planning processes and tools that guide the organization toward excellence and effective customer service
- › Measurements that lead the organization to performance improvements

Scope under review

- › Study the possibility of improving strategic planning process, tools and implementation
- › Analyze business plans, risk management plans, department/division plans, written goals and objectives and other performance management tools used to plan or monitor execution of the strategic plans

Phase 2 area

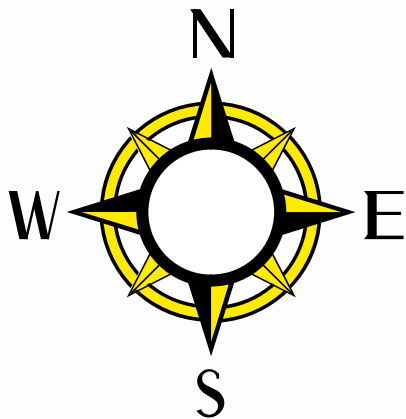
Areas	Phase 2 Selection	Results
Monitor the external environment	No	Low risk, not selected for review
Develop the long-term vision	Yes	Recommendations made
Develop utility mission	Yes	Recommendations made
Formulate strategies	Yes	Recommendations made
Develop and set goals and objectives	Yes	Recommendation made
Identify key performance indicators	Yes	Recommendations made
Link strategies to downstream business processes	Yes	Recommendations made

Process:

- › Conducted 26 interviews with GPA employees, the CCU, and the Commission to gain an understanding of current processes, policies and tools and determine current state.
- › Gathered through interviews information on, and reviewed, the 2006 strategic planning process and other planning processes within GPA.
- › Reviewed documentation on current and past plans, standard operating procedures and GPA policies where available.
- › Compared GPA processes with those at similar and Highly Effective Utilities.

What is Strategic Planning?

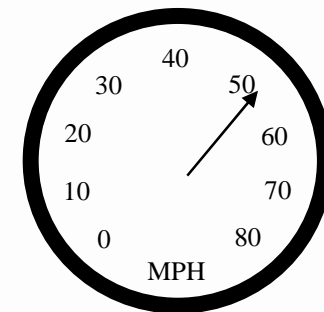
It is a management tool for steering the company



What Direction?

<u>Destination</u>	<u>Miles</u>
Rocky Roads	10
Green Streets	50

How Far?

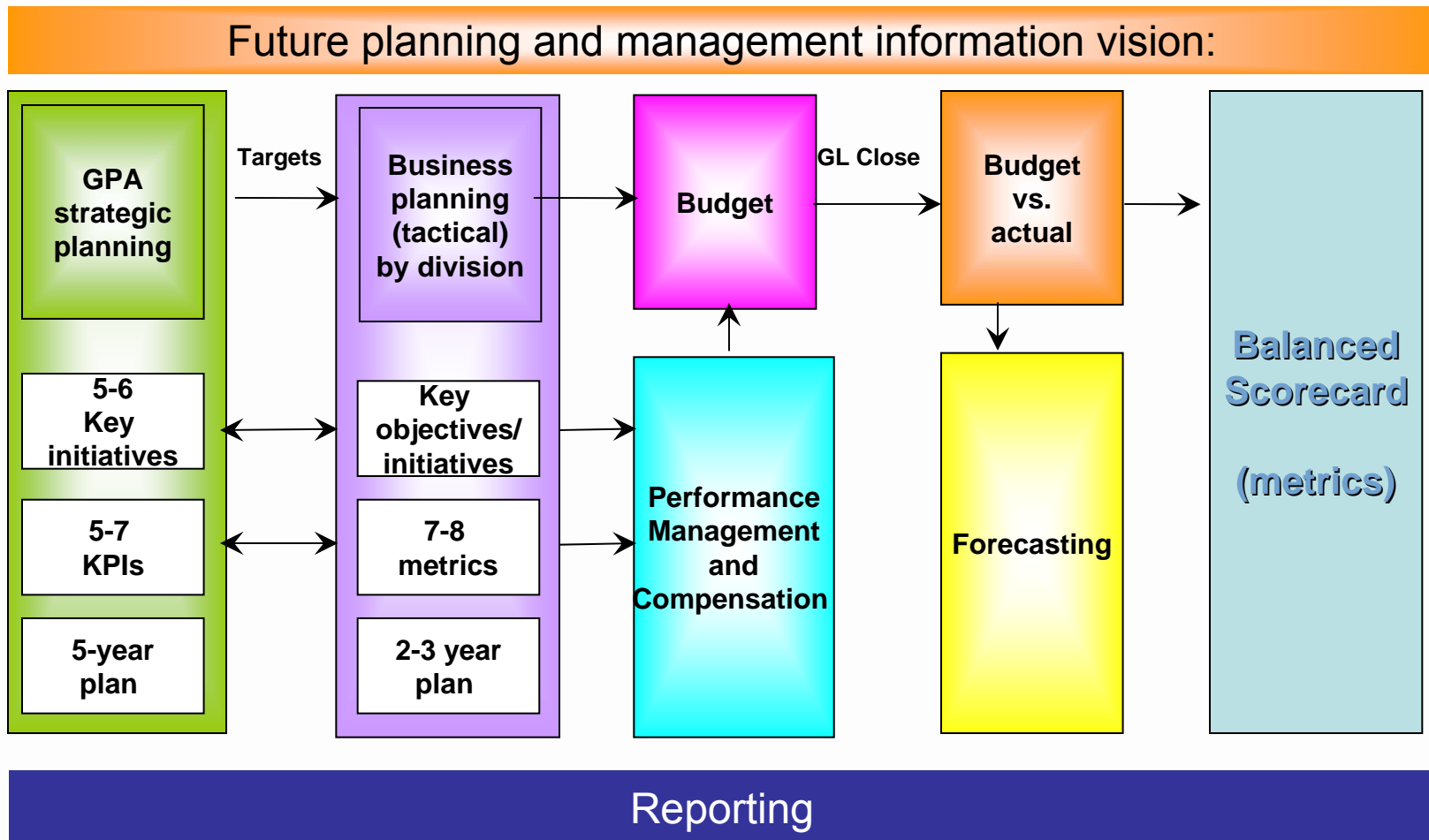


How Fast?

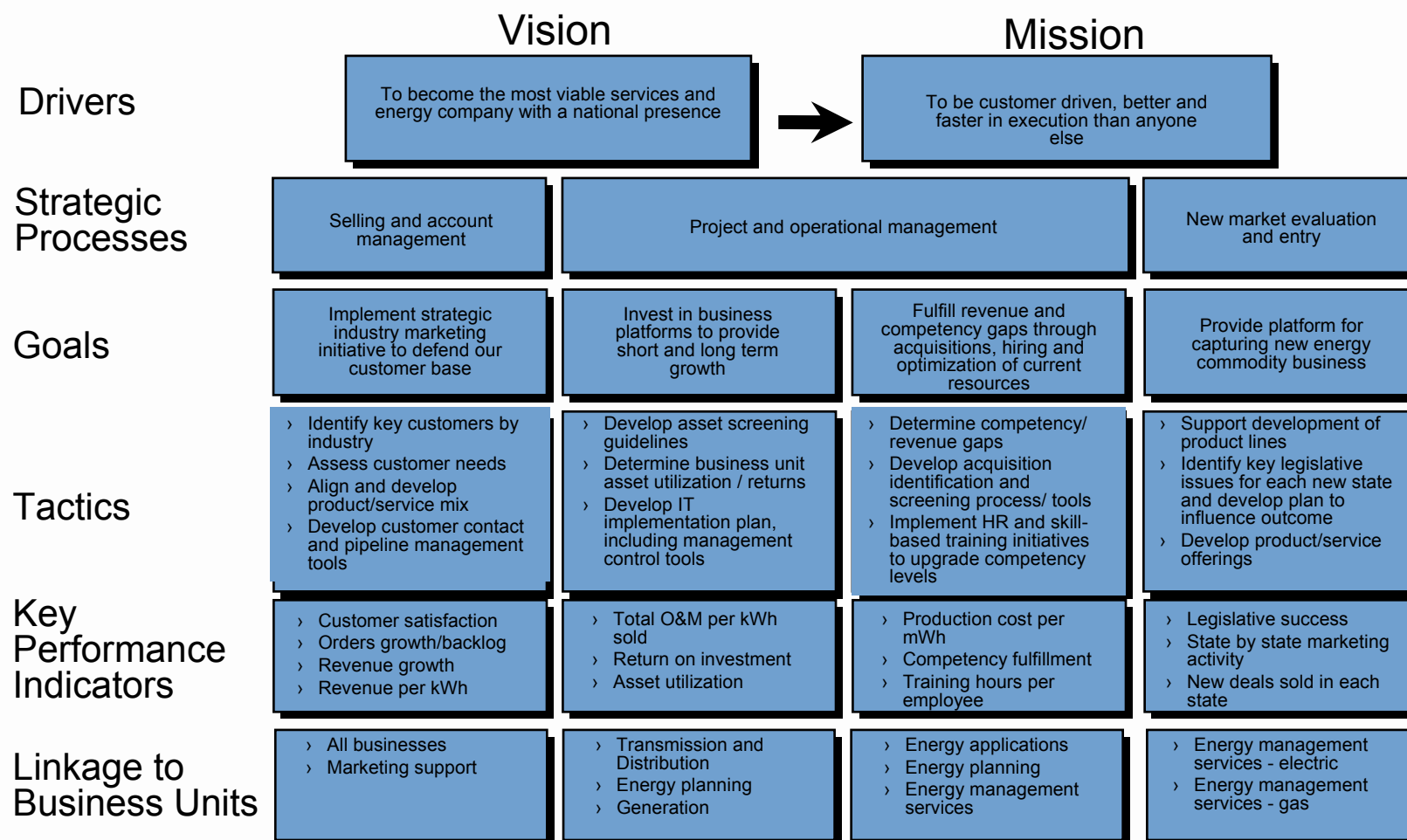
Why is planning so important for highly effective utilities?

- › Keeps the organization directed
- › Aligns effort from top to bottom focusing activities and resources at the important few strategies, goals and their associated performance measures
- › Provides clarity, validation, focus and commitment at all levels of the organization
- › Uses as input functional plans such as the organization's long-range financial plan, succession and workforce plans, integrated resource plans, environmental compliance standards, and department business plans.

Planning and management information vision:



Example – strategy articulation map



Strategic plan development

Sub Process	GPA Today	Highly Effective Utilities
Strategic plan development	<ul style="list-style-type: none">› In 2006, an outside consultant facilitated a workshop and a draft strategic plan. The process included CCU, customers, and employees.› The initial plan was not completed, nor has it been universally adopted.› A desire to ‘rebirth’ the process has been expressed during interviews by top and middle management and recently restarted by the management team.	<ul style="list-style-type: none">› Utilize team building and consensus processes to create a common vision and common goals for the organization.› The strategic plan process provides the structure for primary objectives for the utility.› The organization’s vision, mission, and goals are clearly communicated and understood throughout the organization and drive performance.

Strategic plan development (cont.)

Sub Process	GPA Today	Highly Effective Utilities
Strategic plan development	<ul style="list-style-type: none">› Four strategic themes were identified, which resulted in eleven issues with forty-eight corresponding strategies in the first plan.› A vision was defined in the plan.› Long term goals and targets for overall GPA performance were not clearly expressed in the plan.› Issues were assigned champions with 'strategies' (goals) similarly assigned.	<ul style="list-style-type: none">› Five to six key strategic objectives are communicated, monitored, and reported throughout the organization.› The vision and mission of the organization is clearly understood by leadership and employees.› Objectives/initiatives are long-range (three to five years) with measurements or targets assigned to monitor successful achievement.

Strategic plan development (cont.)

Sub Process	GPA Today	Highly Effective Utilities
Strategic plan development	<ul style="list-style-type: none">› The 2006 strategic plan refers to key performance indicators (KPIs), which were prepared as part of their performance management system.› The plan calls for a review of the KPIs related to consistency and measurement.› KPIs at the GPA level were not defined per the prescribed process in the strategic plan document.	<ul style="list-style-type: none">› Determine key performance indicators to ensure progress and measurement frequency. Five to eight KPIs are identified and clearly defined in the strategic plan.› These measurements are broadly communicated throughout the utility, progress posted, and performance reports.› Compensation is clearly linked to these measurements throughout the organization.

Strategic plan development (cont.)

Sub Process	GPA Today	Highly Effective Utilities
Strategic plan development	<ul style="list-style-type: none">› Since the initial plan development in 2006, some organizations (ex. SPORD and HR) have focused on achievement of defined objectives; however the plan did not drive broad organizational performance.› The process has been restarted recently.	<ul style="list-style-type: none">› Ensure strategic plan becomes a “living” process, not just a document.› Strategic plans are developed and reviewed on a regular basis (bi-annually or every three years).

Performance and strategic assessment

Sub Process	GPA Today	Highly Effective Utilities
Link individual performance to the strategic objectives.	<ul style="list-style-type: none"> › In the initial plan, individuals were assigned to tactical work plans for each strategic area. › Some individuals reported progress against the plan; however for many this was not a focus. 	<ul style="list-style-type: none"> › Individuals and organizations are held accountable through their performance management system for achievement of strategic objectives and corresponding business or tactical plans.
Accurately assesses strategic strengths, weaknesses, opportunities, and threats (SWOT).	<ul style="list-style-type: none"> › Initial SWOT analysis was done with 2006 plan; however it was not addressed in the plan directly but instead an attachment. 	<ul style="list-style-type: none"> › The SWOT analysis is discussed and focus is placed to sustain strengths and address weaknesses and threats in plan.

Financial aspect of strategic planning

Sub Process	GPA Today	Highly Effective Utilities
Strategic planning financial aspect	<ul style="list-style-type: none">› Budgets are prepared annually; annual financial plans and monthly cash flow statements are provided.› A five-year forecast is prepared annually in conjunction with the budgeting process.› The 2006 strategic plan had financial objectives related to cash reserves and budgeting; however no financial plans or forecasts were included.	<ul style="list-style-type: none">› A long-term forecast and key financial metrics related to financial health of the utility are included in strategic and business plans.› Detailed financial performance evaluation, ratio analysis, and recommendations for improving financial performance are included in plans.› A short-term and long-term financial plan and a Construction Improvement Plan (five or more years) is developed and updated on a regular basis.

Customer focus

Sub Process	GPA Today	Highly Effective Utilities
Strategic plan customer focus	› The 2006 strategic plan discusses customer needs and concerns; however much of the plan is internally focused. The issues and strategies focused on the customer are important, and few have been implemented.	› Strategic plans focus on the customer. › Understand and institutionalize knowledge about the marketplace, customers, and competitors. › Strategic objectives are linked to customer needs, their service territory, and potential threats to their service territory.

Develop key performance indicators

Sub Process	GPA Today	Highly Effective Utilities
Determine key performance indicators (KPI) to ensure progress and measurement frequency.	› A common and uniform set of metrics at the GPA level is not in existence.	› Determine five to eight key metrics. › Assign responsibility for monitoring and reporting metrics to a manager. › Utilize various communication methods (bulletin board, intranet, newsletter, etc.) to publish progress and results.

Inputs to the strategic planning process

Sub Process	GPA Today	Highly Effective Utilities
<p>Inputs to the strategic planning process</p>	<ul style="list-style-type: none"> › Numerous planning activities occur across GPA; however it is unclear their linkage to overall GPA strategic planning process. › Many of the standard inputs to the strategic planning process are informal or nonexistent. 	<ul style="list-style-type: none"> › Evaluate current planning processes throughout GPA and develop plans to focus on the workforce, GPA finances, and operations. › Utilize formal focused plans as inputs to the plan, including: <ul style="list-style-type: none"> – Long-range financial plan – Integrated resource plan – Division/department business plans – Work force and succession plans – Customer surveys – Information technology strategic plan – Benchmark data

Clear and concise strategic plan

Sub Process	GPA Today	Highly Effective Utilities
<p>Clear and concise strategic plan</p>	<ul style="list-style-type: none"> › Initial strategic plan included many of the essential elements of a effective strategic plan. › Key performance indicators and a long term financial plan were not included in the initial plan. › Eleven issues with forty-eight corresponding strategies were identified. › The long-term vision and corresponding measurements to monitor the strategy are not clear. 	<ul style="list-style-type: none"> › Strategic plans include: <ul style="list-style-type: none"> – Vision – Mission – Strategic objectives – Key Performance Indicators (5-7) – Long term financial forecast/plan › Business plans are built to support the strategy with shorter term goals and measurements (one to three year focus).

Team building and consensus processes

Sub Process	Gaps	Roadmap/Recommendations
<p>Utilize team building and consensus processes to create a common vision and common goals for the organization.</p>	<ul style="list-style-type: none">› The Strategic planning process and document are not a strong unifier or driver of performance in GPA.› A common vision or set of goals was not apparent in the organization; however the utility imperatives of reliability, customer service, and safety were frequently expressed.	<ul style="list-style-type: none">› Restart the strategic planning process; however design and institute continuity of the plan, link to the new performance management plan, reduce the number of strategic focus areas to five to six critical strategies, and develop tactical business plans to drive accountability.

Evaluation, analysis, and recommendations

Sub Process	Gaps	Roadmap/Recommendations
<p>Ensure strategic plan becomes a “living” process, not just a document</p>	<ul style="list-style-type: none"> › 2006 was the first strategic plan; however the process was not completed nor sustained. 	<ul style="list-style-type: none"> › Assign responsibility to key leader (CFO recommended). › Institute and sustain strategic planning process. › Implement a communication plan which routinely communicates strategies and progress toward achievement.
<p>Detailed financial performance evaluation, ratio analysis, and recommendations for improving financial performance are included in plans.</p>	<ul style="list-style-type: none"> › The 2006 initial strategic plan lacked financial plans and forecasts, key metrics, and ratios required. › The 2006 plan did include tactics related to cash reserves and budgeting. 	<ul style="list-style-type: none"> › Include a five-year or longer financial plan in the strategic plan. › Determine key financial metrics and ratios to be monitored and reported on the financial health of GPA.

Determining key performance indicators

Sub Process	Gaps	Roadmap/Recommendations
<p>Determine key performance indicators to ensure progress and measurement frequency.</p>	<p>› A common and uniform set of metrics at the GPA level is not in existence.</p>	<p>› Determine five to eight key metrics.</p> <p>› Assign responsibility to monitoring and reporting metrics to a manager.</p> <p>› Utilize various communication methods (bulletin board, intranet, newsletter, etc.) to publish progress and results.</p>

Policies

Sub Process	GPA Today	Highly Effective Utilities
<p>Policies are set for key functions and routinely reviewed and updated.</p>	<ul style="list-style-type: none">› Many policies exist. However it is unclear if there is a consistent or regular review process to keep policies current and relevant.› Policy responsibility is shared between GPA and CCU.› No centralized responsibility for policy management and document control exists, although there is a central document center.	<ul style="list-style-type: none">› Centralized policy controls are managed by the chief administrative officer.› Accountability for policy development and management is a responsibility of the sponsoring organization.› Policies are dated, revisions tracked and approved by management.

Implement strategic planning process

<p>A. Recommendation Scope & Objectives</p> <p>Objectives in Order of Impact:</p> <ul style="list-style-type: none"> › Restart and redesign the strategic planning process. › Create a common vision and common goals for the organization. <p>Recommendation Scope:</p> <ul style="list-style-type: none"> › Define and document the strategic planning process for GPA. › Reduce the number of strategic focus areas to five to six critical strategies develop tactical business plans to drive accountability. › Incorporate five-year or longer financial plan in the strategic plan. 	<p>B. Approach/Work Plan</p> <ul style="list-style-type: none"> › Assign responsibility to key manager – CFO recommended. › Clearly define and document GPA’s strategic planning process. › Identify current planning processes within the organization that may provide input to the process. › Determine key metrics and ratios to be monitored and reported on the health of GPA and achievement of the strategies and objectives. › Design and implement a communication plan which routinely communicates strategies and progress toward achievement. › Review and recommendations to new performance management process to focus performance on strategy achievement and linkage to strategic goals 		
<p>C. Risks and Dependencies</p> <ul style="list-style-type: none"> › Without dedication, the strategic plan will be only a pile of paper. › Strong, focused leadership will be required to keep the plan focused and simple – too complex of a plan will dilute the organization’s efforts. › Solid inputs are required from other planning processes – financial, operational, environmental, information technology, etc. 	<p>D. Benefits</p> <ul style="list-style-type: none"> › Strategies help the organization prioritize where to expend its resources, target its effort, and communicate with it’s stakeholders what is important. › Emergent external and internal challenges provide a framework for evaluation and linkage with current organizational efforts. 		
<p>E. ROI</p> <ul style="list-style-type: none"> › Intangible (assumes internal resources are used to build plan). 	<p>F. Deliverable(s)</p> <ul style="list-style-type: none"> › GPA’s strategic planning process › Process owner › Creation of 2010-2015 plan › Key Performance Indicators 	<p>G. Estimated Timeframe</p> <ul style="list-style-type: none"> <input type="radio"/> Less than 4 weeks <input type="radio"/> 4 - 8 weeks <input type="radio"/> 8 – 12 weeks <input checked="" type="radio"/> 12 + weeks 	<p>H. Estimated Cost</p> <ul style="list-style-type: none"> <input type="radio"/> < \$50k <input type="radio"/> \$50K – 75K <input checked="" type="radio"/> \$75K - \$100K <input type="radio"/> > \$100K