

Strategic Planning in Public Power and Cooperatives

Gaining Coherence and Alignment

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What Is Different for Public Power and Cooperatives?

What Is Different?

- Board makeup often has limited direct industry experience
- Boards are appointed (public power) or member-owners (cooperatives)
- Missions of the companies are not-for-profit; often self-regulated with no PUC oversight
- Increased focus on economic development and related activities
- Stakeholder input to the planning process requiring active education and engagement

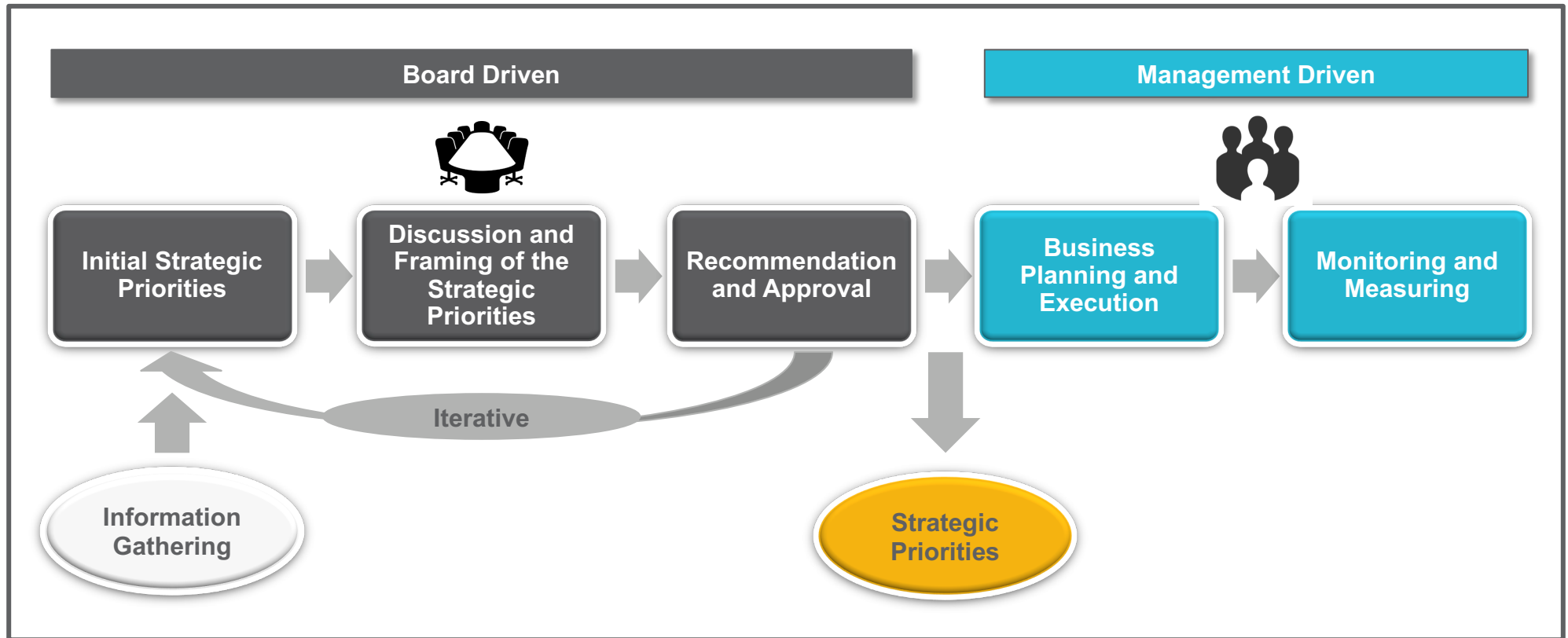
What Is Not Different?

- An industry with increasing complexity and high-stakes challenges
- A high fixed-cost business with long-lived assets, thus frequent “bet the farm” capital decisions
- A need for careful planning, strategic vision, and alignment between the Board and management

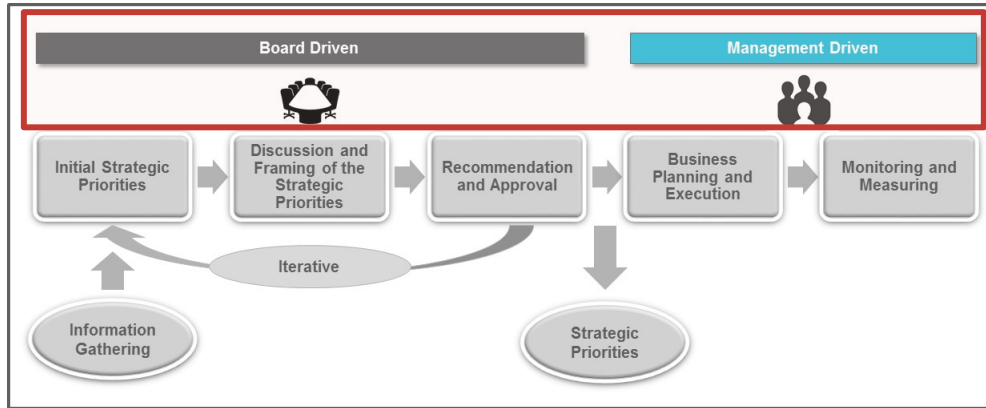
Gaining coherence and alignment is even more important...and can be more challenging.

What Is the Process for Gaining Coherence and Alignment?

- Development of initial strategic priorities is driven by the Board, but obviously heavily influenced by management
- Later in the process, management must connect the priorities to the business plan and drive execution



The Players



Keys to Success

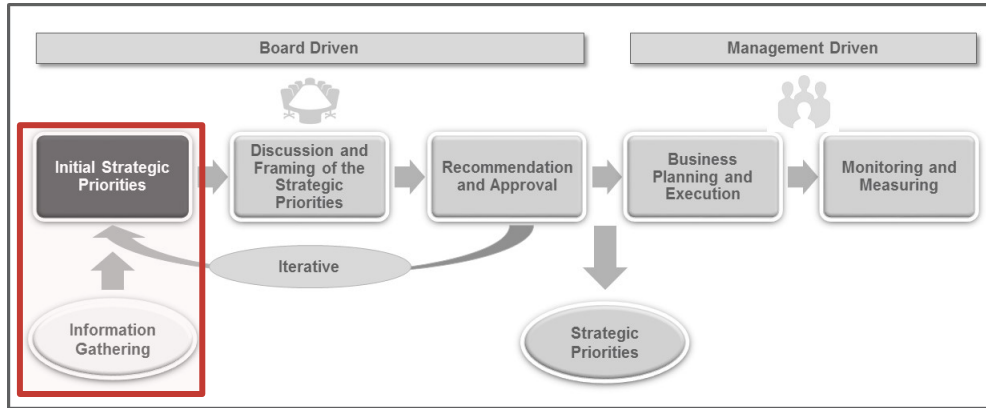
- Gaining agreement on the roles
- Engaging Board and management consistent with their roles



Basic Approach

- Board (own the process)
 - Represent the interests of their member-owners, but wearing their Board hats
 - Ask the tough questions to ensure clarity of issues, decisions, and actions
 - Own the directives; support management with execution and stakeholder management
- Management (lead the process)
 - Demonstrate understanding of the key strategic issues
 - Educate Board members so they can challenge and offer direction
 - Link priorities to annual business planning and drive execution

The Preparation



Basic Approach

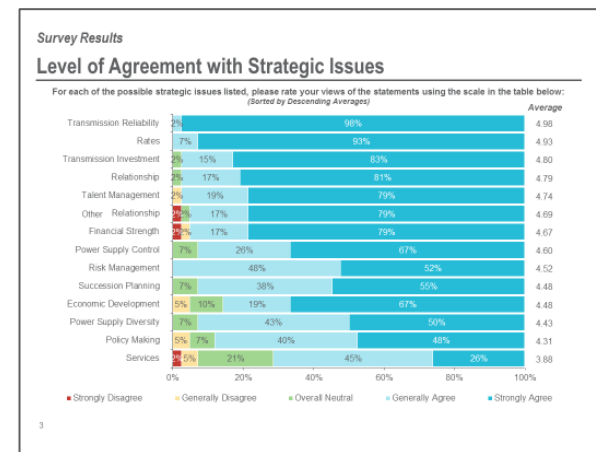
- Look externally at industry environment
- Agree on business drivers and develop planning assumptions
- Interview Board members and management or conduct survey to gauge and prioritize a range of strategic issues
- Use results to inform The Plan Development portion of the process

Keys to Success

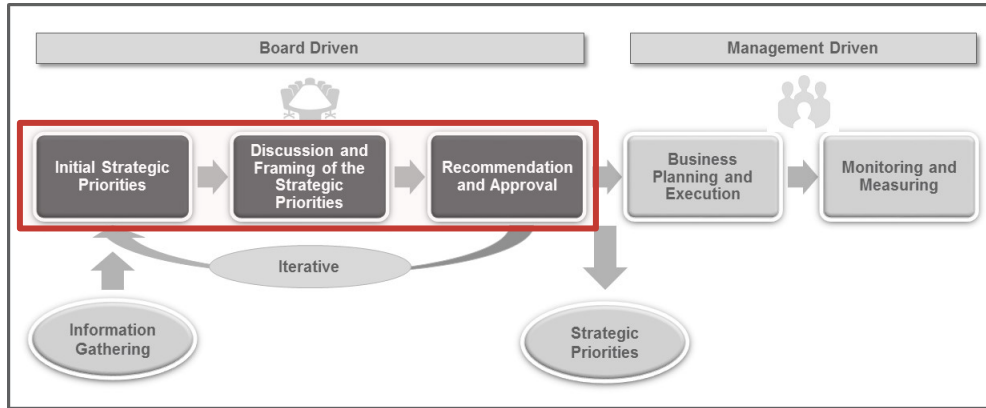
- Good balance of internal and external perspective so it is true to context
- Early engagement of Board to ensure the right items are being addressed



Sample Information-Gathering Survey Output



The Plan Development



Keys to Success

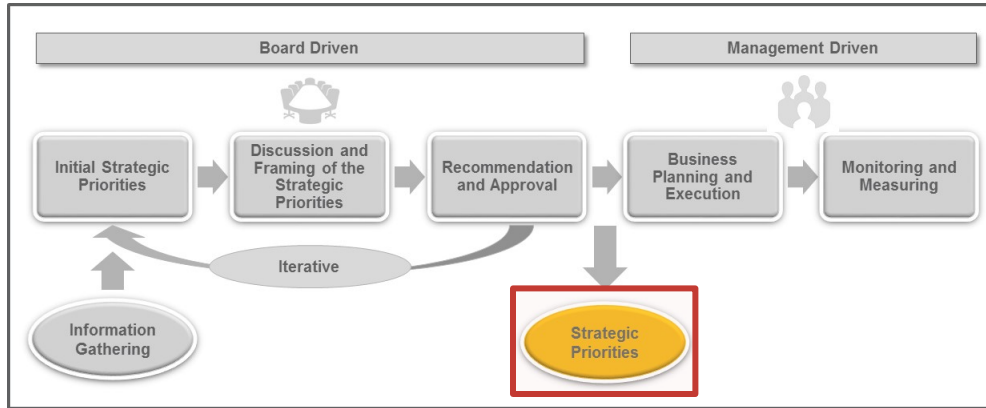
- Focus on what to do. Later, the focus will turn to how to do it
- A planning retreat works best to help Board and management focus on the right “whats” and become aligned



Basic Approach

- Convene Board and management
- Develop robust agenda that is part education and part review and decision making
- Ensure agenda allows time for engagement and challenge
- Strive for clear strategic priorities – alignment and coherence
 - Gain breadth of perspective on each strategic issue
 - Maximize input and guidance from the Board
 - Make decisions on the preferred, high-level strategic priorities

The Output



Keys to Success

- Stick with a manageable number of strategic priorities (generally five to eight)

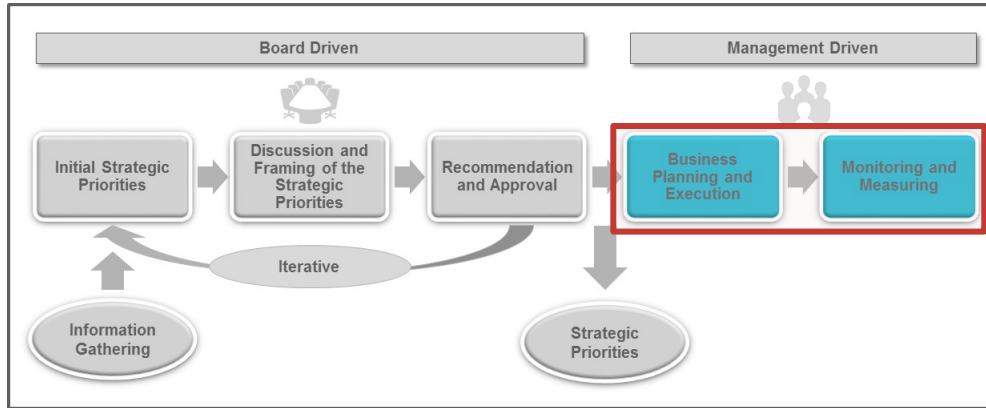


Basic Approach

- Strategic priorities should:
 - Have a time horizon
 - Be succinct but clear statements
 - Include a simple framing of the strategic priority (strategic considerations or issues to consider)
 - Include targets and methods of measuring progress
 - Be supported by an initial set of initiatives to advance the strategic priorities
- Concisely state each priority on one page

Short Definition: Succinct Statement of the Strategic Priority	
Strategic Considerations	Targets and Methods to Measure Progress
Issues raised by the Board or executive management that should be considered when executing on the strategic priority	One or two metrics so Board can monitor progress on execution
Initial Set of Initiatives	
A handful of initiatives that advance each strategic priority	

The Execution and Monitoring

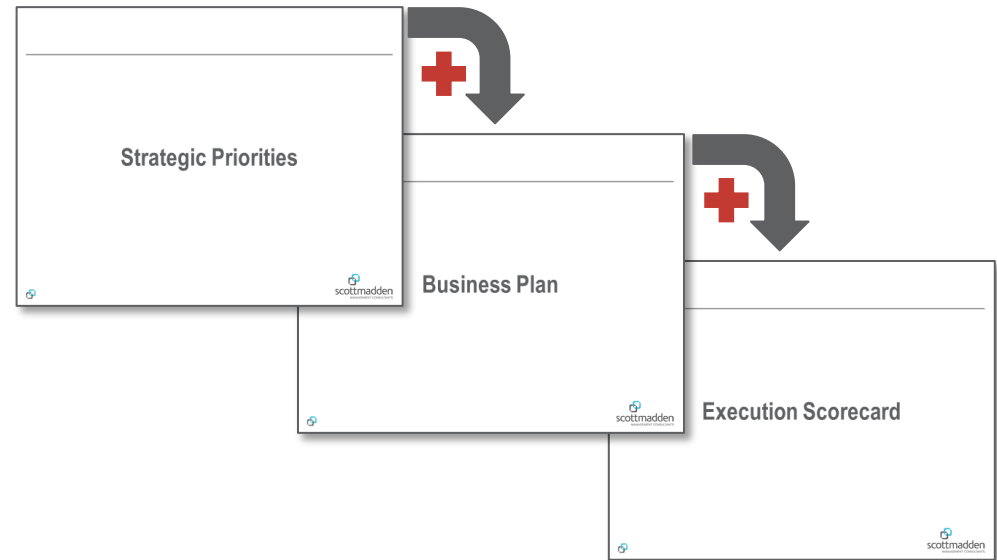


Basic Approach

- Led by management
- Build a business plan which incorporates strategic priorities and identifies initiatives to advance each with actions, time frames, owners, targets, and metrics
- Determine budget implications of initiatives
- Develop metrics and reporting mechanism for Board monitoring and oversight

Keys to Success

- The right metrics with associated targets
- Scheduled reviews for Board engagement and oversight



Lessons Learned: What Are the General Keys to Success?

- Remember the purposes of a strategic planning process
 - To decide what is most important to the company
 - To gain understanding and agreement on direction for the company
 - To drive coherence and alignment with management and the Board
- Utilize a thoughtful and structured process
 - A process that allows for education, discussion and debate, and clear decisions
 - More than a retreat with a SWOT discussion and no clear decisions
- Insist on good engagement between Board and management (from start to finish)
 - Governance: “Board hats” throughout the process (what’s best for the company?)
- Identify strategic priorities that are:
 - Practical and achievable
 - Followed by a business plan (key initiatives) owned by management



Contact Us

For more information on strategic planning in public power and cooperatives, contact us.

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