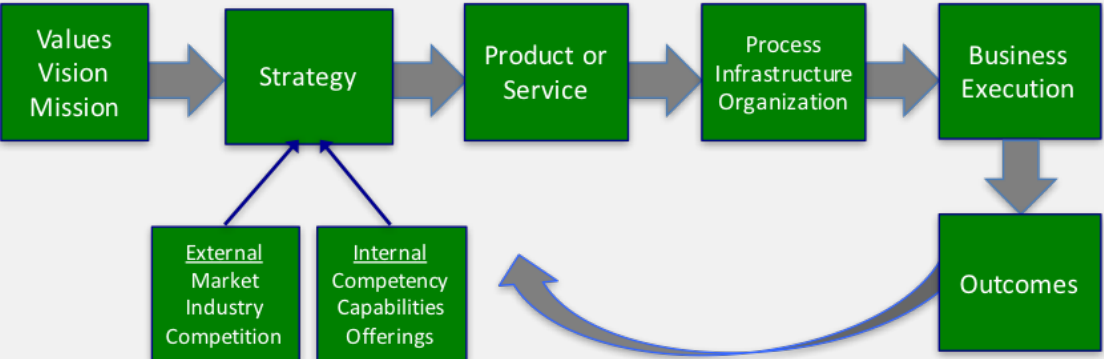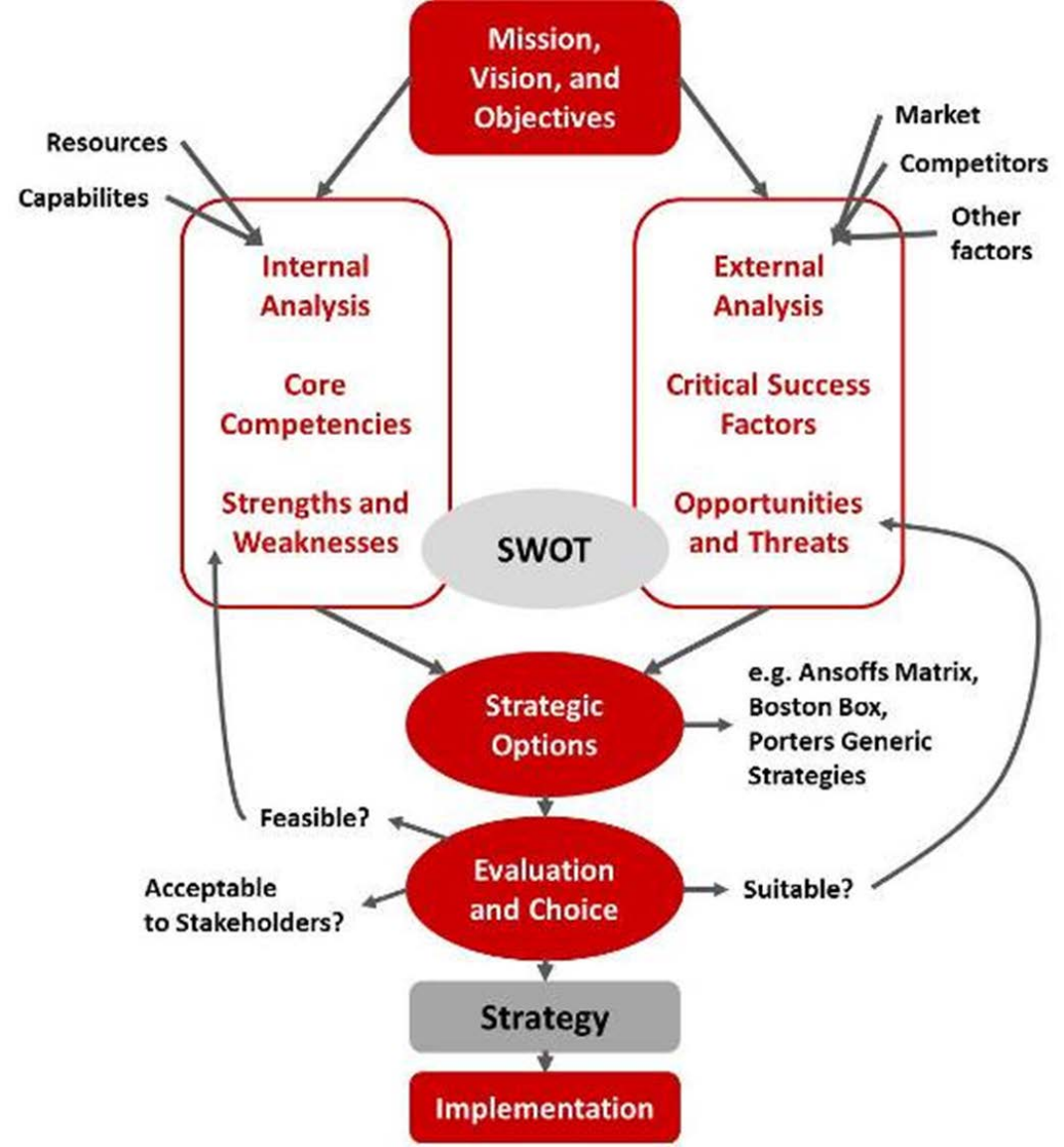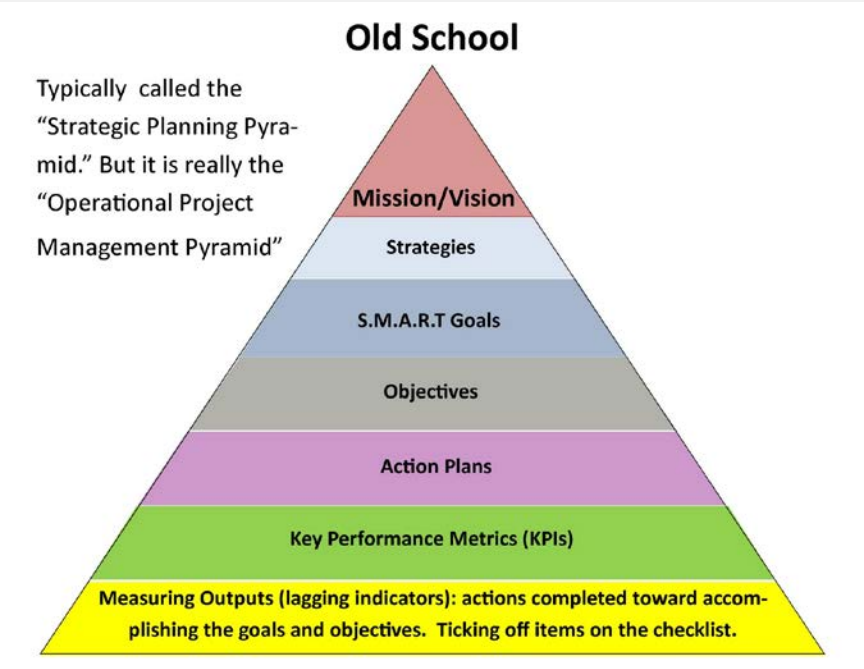# STRATEGIC PLANNING

Blending Traditional and Scenario Based Planning

TRADITIONAL VS. SCENARIO-BASED STRATEGIC PLANNING

Elements of Traditional Strategic Planning
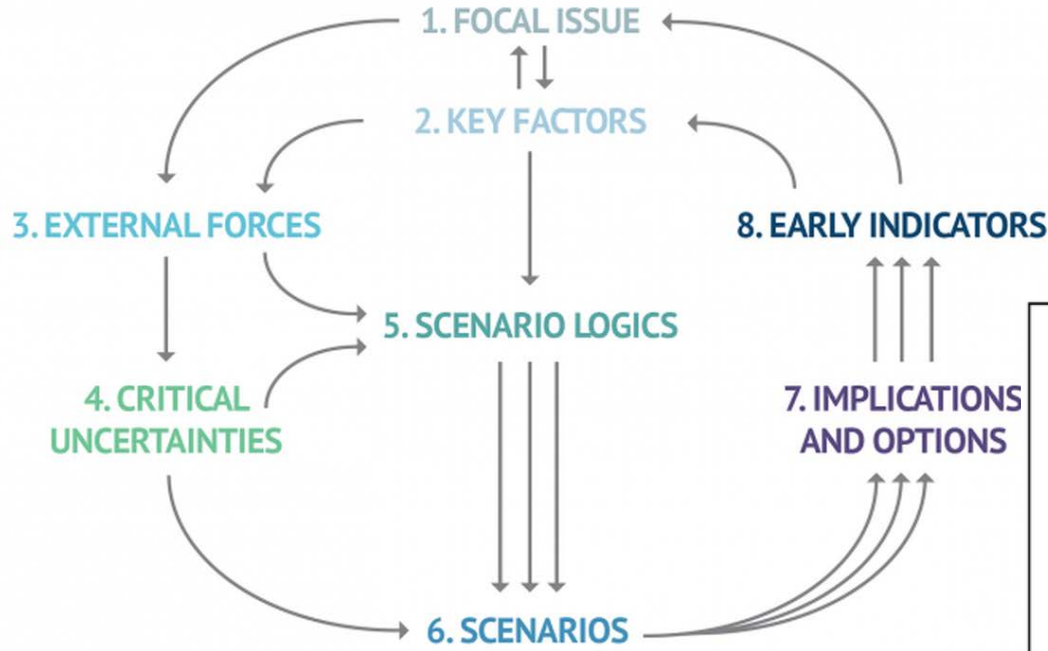
BASICS OF TRADITIONAL STRATEGIC PLANNING

1. Identify corporate identity

    1. Vision

    2. Mission

2. Complete a SWOT Analysis

    1. <u>Current</u> internal strengths and weaknesses

    2. <u>Current</u> external opportunities and threats

3. Develop a strategy to benefit from internal strengths while minimizing internal weaknesses so that your organization can capitalize on external opportunities and minimize external threats.

4. Develop specific initiatives (actions, goals, plans) to achieve the strategy(s) identified.

5. Implement initiatives

6. Measure effectiveness

THE EIGHT-STEP SCENARIO PLANNING PROCESS

1. FOCAL ISSUE
2. KEY FACTORS
3. EXTERNAL FORCES
4. CRITICAL UNCERTAINTIES
5. SCENARIO LOGICS
6. SCENARIOS
7. IMPLICATIONS AND OPTIONS
8. EARLY INDICATORS

ELEMENTS OF SCENARIO BASED STRATEGIC PLANNING

THE SCENARIO DEVELOPMENT PROCESS

Define Focal Issue, Question, or Decision and Relevant Timeframe
Review Past Events & Alternative Interpretations

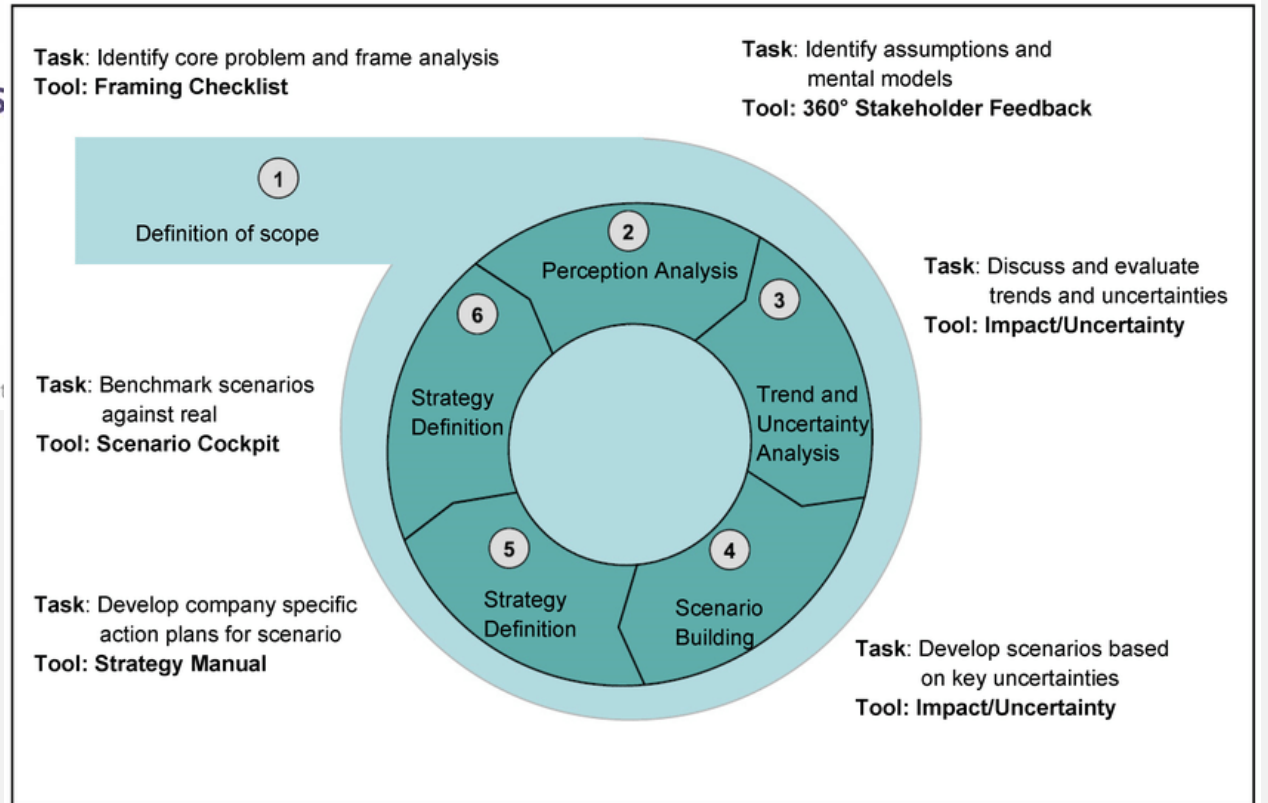Identify Driving Forces

Identify Critical Uncertainties

Develop Plausible Scenarios

Discuss Implications & Paths

Task: Identify core problem and frame analysis
Tool: Framing Checklist

Task: Identify assumptions and mental models
Tool: 360° Stakeholder Feedback

1. Definition of scope
2. Perception Analysis
3. Trend and Uncertainty Analysis
4. Scenario Building
5. Strategy Definition
6. Strategy Definition

Task: Discuss and evaluate trends and uncertainties
Tool: Impact/Uncertainty

Task: Benchmark scenarios against real
Tool: Scenario Cockpit

Task: Develop company specific action plans for scenario
Tool: Strategy Manual

Task: Develop scenarios based on key uncertainties
Tool: Impact/Uncertainty

BASICS OF SCENARIO-BASED STRATEGIC PLANNING

1. Identify <u>future</u> external uncertainties (risks, trends and ambiguities)

2. Explore the implications of those uncertainties coming to fruition.

3. Develop a few potential future world views (that incorporate plausible combinations of uncertainties).

4. Develop corporate strategies to best position the organization to handle each world view.

5. Develop mission and vision for the organization that incorporates world views.

LIMITATIONS TO ONLY UTILIZING TRADITIONAL STRATEGIC PLANNING

THERE'S A BIG DIFFERENCE!

5 Year Plan   30 Year Plan

- How do we develop a future-looking vision and mission for the organization if we are only assessing <u>current</u> trends and issues in our strategic plans?

- Is it appropriate to define <u>current</u> strengths, weaknesses, opportunities and threats in a long-term, highly uncertain environment?

- How are strategies developed and what are they based on?

- How are initiatives selected and what are they based on?

- Should we be planning for 5 years or 30 years?

LIMITATIONS TO ONLY UTILIZING SCENARIO-BASED STRATEGIC PLANNING

- What about the short term? What do we do for the next 5-10 years?

- How can we get more buy-in and stakeholder involvement in a traditionally executive level-only exercise?

- How can we develop strategies to address world views if we don't know what our current and future internal state is?

- How do we know if our strategies are working if there is no feedback loop?

- How do we assess whether the future world scenarios are unfolding as assumed?

LIMITATIONS TO BOTH TRADITIONAL AND SCENARIO BASED STRATEGIC PLANNING

- How can we integrate the strategic plan into other organization-wide plans for cohesion?
  - Long-term financial plan, resource plan, environmental plan, human resource plan, etc.
- How can we tie in departmental and individual contributor performance measures to the strategic plan?
  - Building in accountability ensures buy-in and follow through of a strategic plan
- How do we establish feedback loops to track initiative performance?
  - ✓ item completed vs. ✓ item completed and still relevant

BLENDING TRADITIONAL AND SCENARIO-BASED PLANNING FOR A MORE ROBUST STRATEGIC PLAN

ENLIST STAKEHOLDER INPUT

Step 1

OUTREACH / RESEARCH

- The goal of outreach is to identify themes of commonality of thought between subject matter experts, management and stakeholders. What do they feel is the most pressing concern or most advantageous opportunity?

- Employees

- Subject matter experts

- Board of Directors / Council / Review Panel

- Upstream and downstream business partners

- Competitors

- Consumers

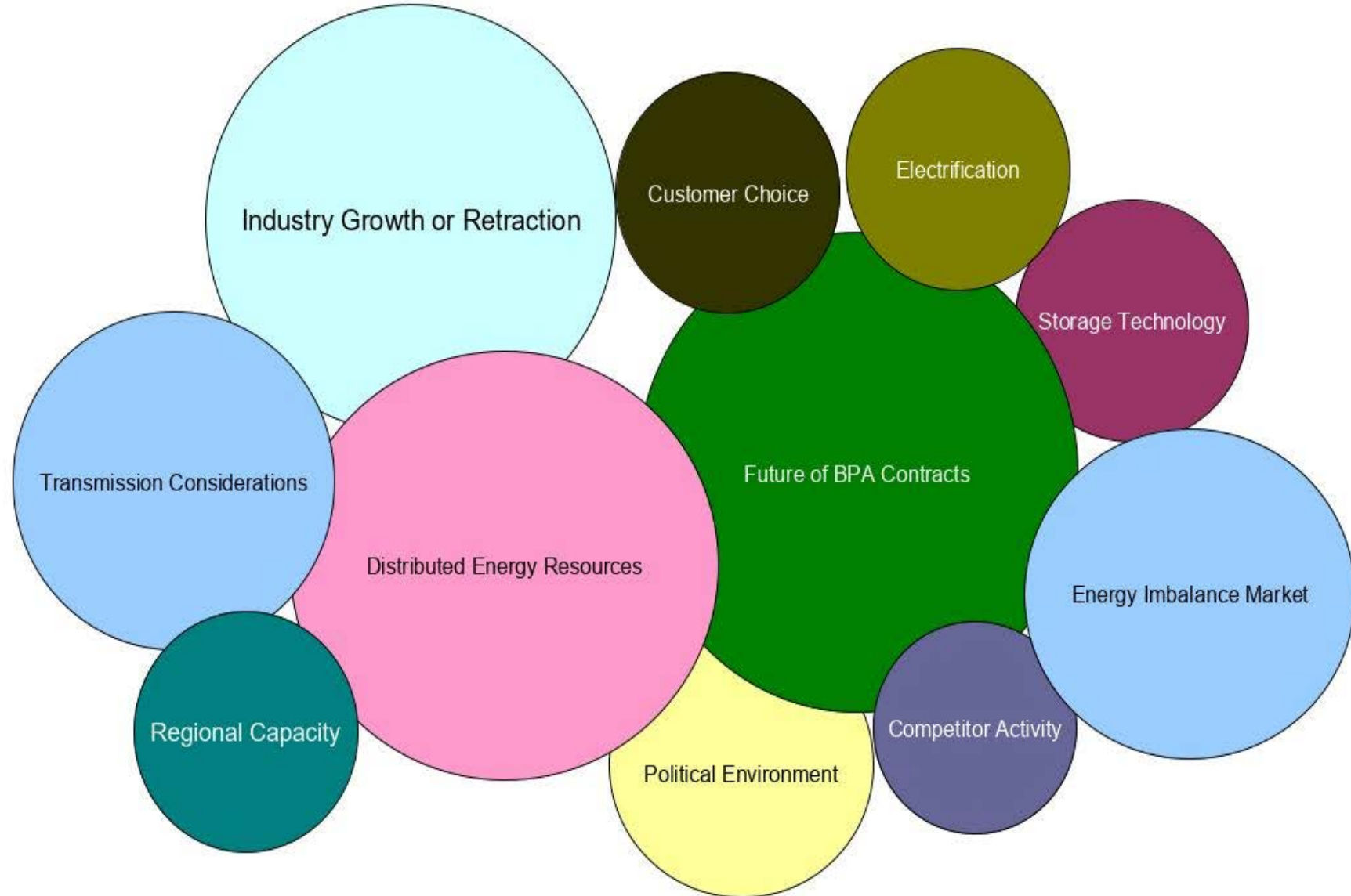# IDENTIFY AND ASSESS EXTERNAL IMPACT VARIABLES

Step 2

BRAINSTORM EXTERNAL AMBIGUITIES, THREATS AND TRENDS

Small Group Brainstorming

External Considerations
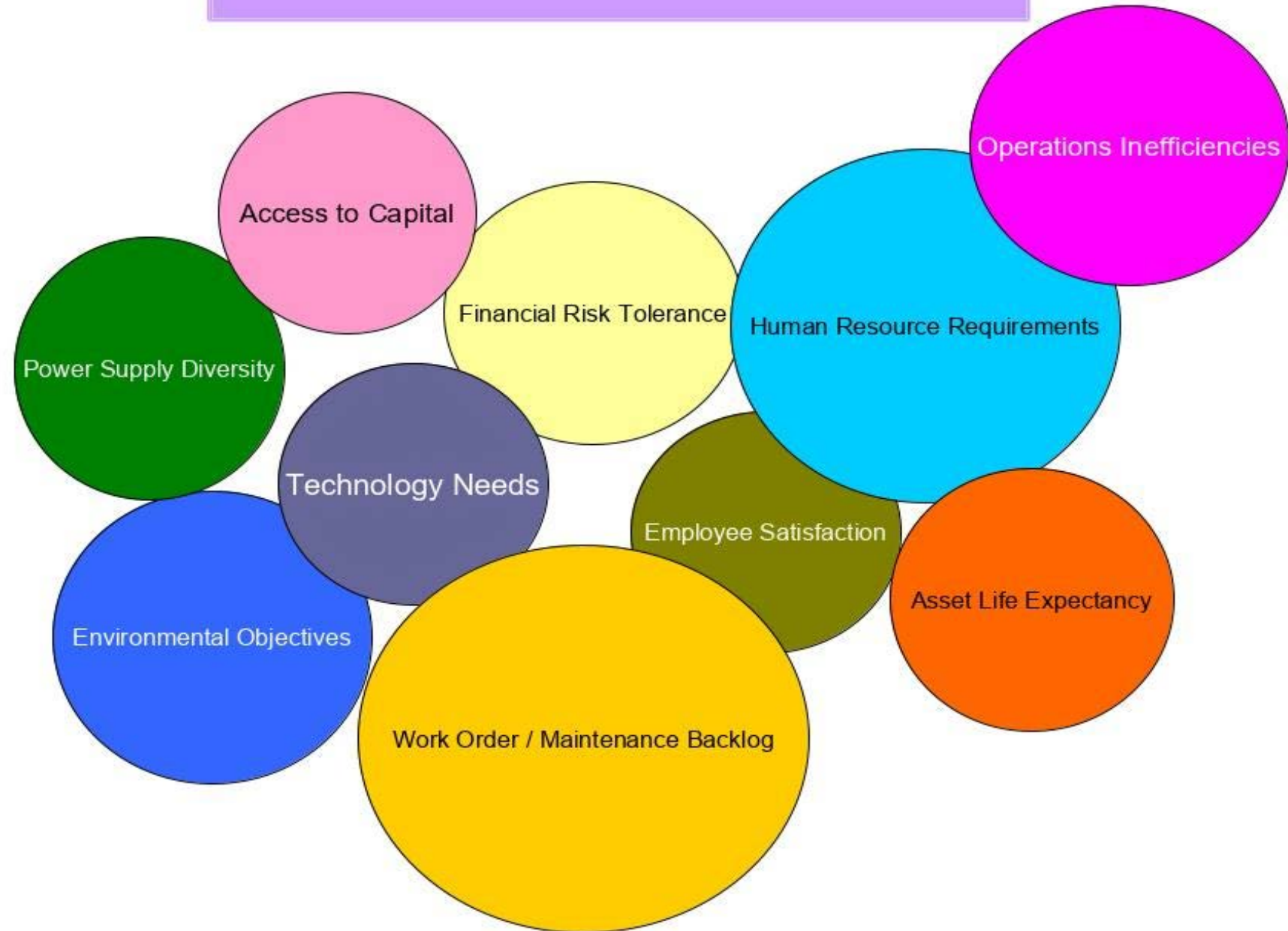
IDENTIFY AND ASSESS INTERNAL IMPACT VARIABLES

Step 3

BRAINSTORM INTERNAL WEAKNESSES AND STRENGTHS

Small Group Brainstorming

Internal Considerations

- Access to Capital
- Financial Risk Tolerance
- Operations Inefficiencies
- Human Resource Requirements
- Power Supply Diversity
- Technology Needs
- Employee Satisfaction
- Asset Life Expectancy
- Environmental Objectives
- Work Order / Maintenance Backlog

CREATE FUTURE WORLD SCENARIOS BASED ON COMBINATIONS OF EXTERNAL IMPACT VARIABLES

Step 4

WORLD SCENARIO DEVELOPMENT

- Based on small group brainstorming facilitation with subject matter experts, utility management, and key stakeholders, develop three external probable future world scenarios the utility may be operating in during year 5, 20 and 30.

- Brainstorming sessions generally result in "aha's" "YES, I agree's", and "That too's".

- World scenarios will be developed from commonality of thought and consensus.

- World scenarios will incorporate plausible combinations of external factors and hypothesis.

APPLY STRATEGIES TO EACH WORLD SCENARIO TO "GAME" INTERNAL READINESS AND RESPONSE REQUIREMENTS
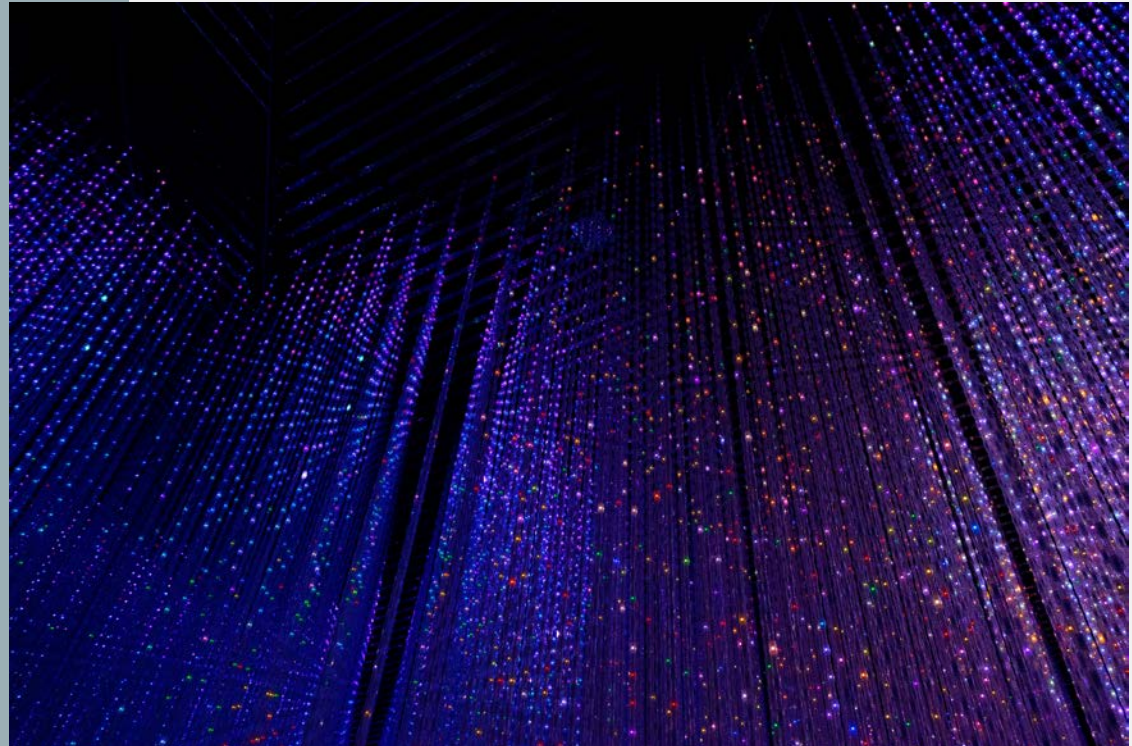
Step 5

GAMING

- Based on small group brainstorming facilitation with utility management, develop baseline internal preparedness for external considerations and potential future world preparedness.

- Brainstorming sessions generally result in "Oh, we need to fix that", "We GOT IT", and "Hmm, let me think about how we need to prepare for that".

- Internal preparedness identifies areas of internal change necessary to be best prepared to handle each future world.

APPLY GAME THEORY RESULTS INTO A MATRIX

Step 6

Impact Zones

World Views	Operations	People and Culture	Finance	Facilities and Oversight Services	Energy Innovation and Resources	Environmental	Transformation and Customer Experience	Government and Legislative Affairs	Commun-ications
The Green Mile	Build New Zero Carbon Generation	₀₀₀	₀₀₀	₀₀₀	Prepare for Intense Electrification	₀₀₀	Offer More Green Customer Programs	₀₀₀	₀₀₀
Mad Max	Invest in Transmission	Look for attrition opportunities	Improve Debt Position by 2024	Update Emergency Outage Scenario Planning	₀₀₀	Assess Hydro Life to Value	Retrench	Focus on Federal	Initiate Pro Seattle Campaign
It's a Wonderful Life	₀₀₀	Stay the Course	₀₀₀	₀₀₀	₀₀₀	₀₀₀	₀₀₀	₀₀₀	Stay the Course

What do we need to do in each internal functional area to best position itself for each world view scenario?

ASSESS PROBABILITIES AND COMMONALITIES OF GAMING RESULTS

Step 7

REFINE DATA TO ENHANCE RESULTS

PROBABILITIES

- Assign probabilities to each external variable

  or

- Assign probabilities to each world view

  or

- Assign probabilities to each "set" of external variables

COMMONALITIES / MUTUAL EXCLUSIONS

- Look and account for commonalities in world views to maximize or "weight" strategy development plans.

- Look for and consider mutually exclusive strategies for distinctly different world views.

CREATE YOUR STRATEGIC PLAN

Step 8

CREATE A STRATEGIC PLAN THAT ADDRESSES THREE DISTINCT LONG-TERM FUTURES AND SHORT-TERM PLANS

"I Still Haven't Found What I'm Looking For…"

Search for the corporate-wide solution for each functional area that covers the most world views with the highest probability of occurrence.

- Consistencies in planning for each scenario
- Mutual exclusions for each scenario
- Apply probability potential to each scenario
- Applicability to short-term plans
- Transition from short-term to long-term plan
- Develop SMART initiatives to achieve solutions to internal weaknesses based on world view scenarios
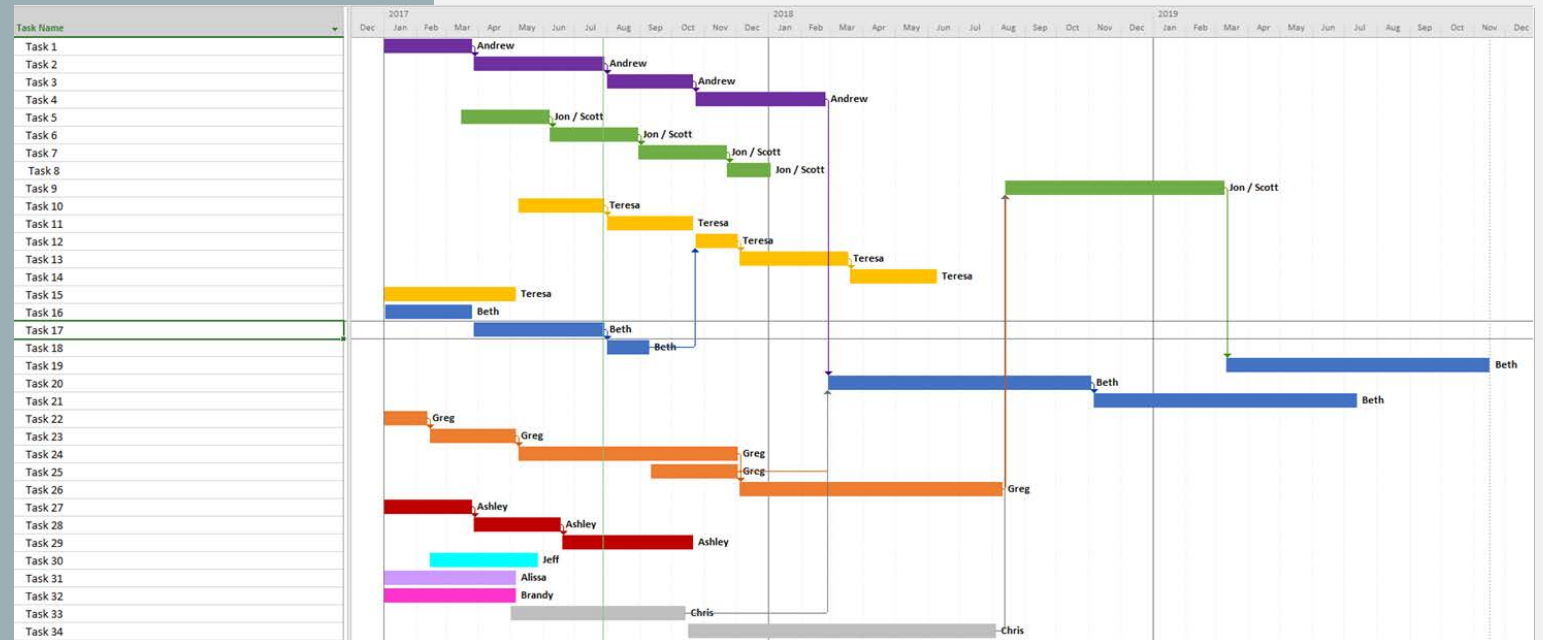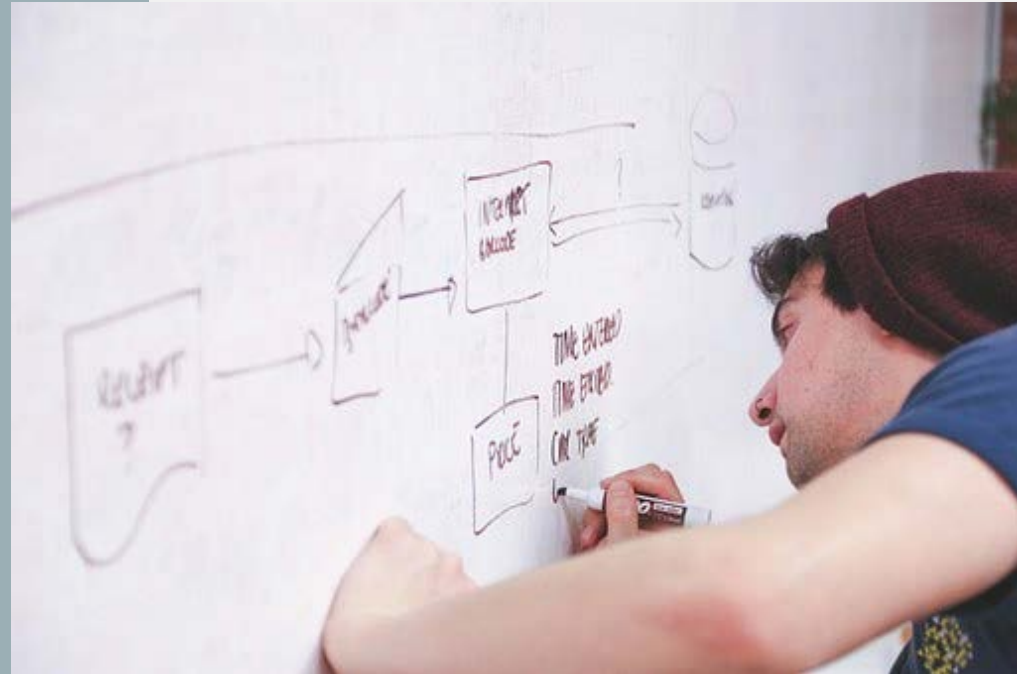
FEED PRIORITIES AND TASKS INTO OTHER INTERNAL PLANS

Step 10

Priorities and Tasks

Resource Plan

Operations/Work Plan

Financial Plan

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