copperleaf

Driving Business Agility

Five Planning Best Practices to Accelerate Post-Pandemic Renewal

5 planning best practices

to drive business agility in today's rapidly changing world

We are living in a time of unprecedented change. Natural disasters, regulatory changes, a rapidly shifting geopolitical landscape, and global pandemics such as COVID-19, are redefining how we do business. Organizations are being pushed to the breaking point as they try to adapt while continuing to deliver on their commitments to customers and shareholders. Organizations must become agile decision makers and quickly adapt their plans to overcome these challenges.

Fortunately, well-honed business continuity plans have allowed utilities to react swiftly and safely. However, uncertainties around budgets, load profiles, and service delivery are forcing them to revisit their plans as they try to understand the impact of project delays and mounting financial and resource constraints. All of these factors will have sweeping impacts on their risk profiles and business objectives. How can utilities build realistic, executable plans and continuously adapt to changes today while effectively preparing for a post-pandemic world?

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> **It is not the strongest of the species that survives, nor the most intelligent; it is the one most adaptable to change."**
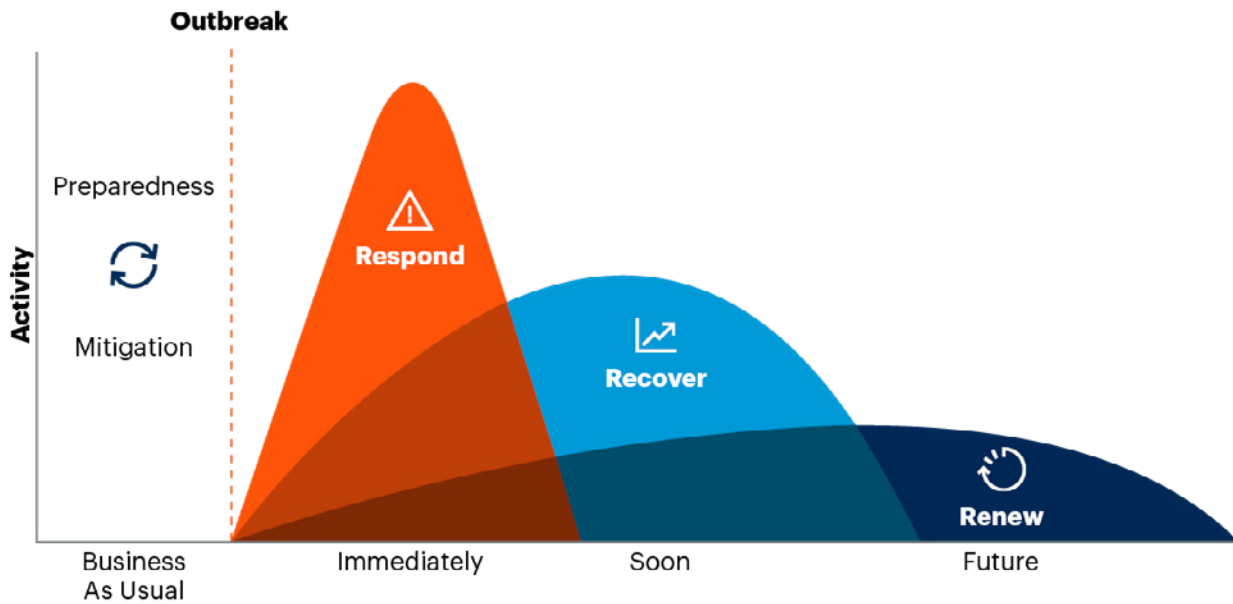>
> **CHARLES DARWIN**

Planning agility for post-pandemic renewal

In a recent report titled "How Utility CIOs Can Leverage Cost Optimization to Accelerate Post-COVID-19 Renewal", Gartner outlines 3 pandemic recovery phases: Respond, Recover, and Renew.

Pandemic Recovery Phases

Source: Gartner (June 2020)

Figure 1: Pandemic Recovery Phases

Gartner states: **"As a utility moves through each phase, the CIOs will need to proactively position the IT organization to address the requirements of each phase — sometimes doing so in parallel. This means the CIO will have to:**

- **Respond by cutting costs**
- **Recover by optimizing costs**
- **Renew by optimizing value"**[1]

> ## While the Gartner report may be targeted toward CIOs, we believe that navigating these phases of pandemic recovery extends far beyond the IT function. Utilities must react quickly and effectively to the rapidly changing environment, which requires a very high level of business agility **across the entire enterprise.**

[1] Gartner, How Utility CIOs Can Leverage Cost Optimization to Accelerate Post-COVID-19 Renewal, Lloyd Jones and Bryan Hayes, 16 June 2020.

Respond:

From the onset of the COVID-19 pandemic, utilities have had to react swiftly and decisively to ensure the safety of their personnel while continuing to deliver essential services—despite new cost and resource constraints, dramatic changes in demand, and new regulatory actions to protect consumers during pandemic-induced shutdowns. While most utilities have reacted incredibly well to the challenges brought about by the pandemic, the result is that organizations are unlikely to complete the work they had originally planned for 2020.

Recover:

As the world begins to reopen, many organizations are facing an immediate cash crunch due to the fact that customers are having difficulty paying utility bills and commercial load has dropped. New safe work practices have evolved, resulting in restrictions in crew size, changes to staffing practices, and limits on the type of work that can be performed. Utilities must determine how to optimize costs and perform critical work within these new operating constraints.

Renew:

As we move forward, we must understand and manage the financial consequences of the pandemic while mitigating the impact of deferred or cancelled maintenance project work on the health and performance of the asset base. However, the future remains uncertain. A second pandemic wave may drive new restrictions, or conversely, a vaccine or new therapeutics may become available and relax existing restrictions. Regardless of what happens, a "new normal" will emerge that will have lasting impacts on all facets of life. While it's difficult to predict what this will look like, one thing that's certain is that the pace of change will be rapid and sustained over many years as the world adapts to the new reality. Utilities must put in place the practices that allow them to be agile planners and effectively adapt to this rate of change.

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Current conditions provide opportunities for additional learning and innovation and have created the opportunity to break boundaries that, under normal circumstances, would take years to shift."[2]

GARTNER

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[2] Gartner, June 2020.

5 Planning Best Practices For Business Agility

Copperleaf® has defined 5 best practices to achieve planning agility that will be discussed in this white paper:

Create a Decision-making Framework — **Governance** — **Rapid Scenario Planning** — **Continuous Planning** — **Adapt to Change**

Figure 2: Five Best Practices for Business Agility

Create a Decision-making Framework

1.

Fundamental to good decision making is understanding what those decisions should ultimately accomplish. Building a decision-making framework forces organizations to define these goals and ensure the entire business is aligned. The **Copperleaf Value Framework** creates this basis for quantitative decision making. It embodies the organization's highest-level strategic goals, and the metrics, called value measures, needed to assess how investments contribute to the achievement of those goals. This enables trade-off decisions to be made across a broad spectrum of value—from hard financial benefits to societal and environmental benefits.

Creating a value framework that has buy-in across the organization and uses value as the basis for decision-making sets the groundwork for establishing a value-based culture. It brings transparency and trust during a time of uncertainty. Value becomes the common language for making decisions and creates a common purpose across the organization to create and maximize value—and drive the achievement of strategic goals.

Establishing this framework can help across all stages of pandemic recovery to build resiliency and adapt quickly to shifting priorities:

- **Respond:** when faced with the immediate need to cut costs, maintain essential services, and focus on the health and safety of employees and customers, this framework can help identify which investments are critical and should be continued, and which can be deferred.

- **Recover:** the framework can be adapted as short-term and longer-term goals evolve. In the midst of uncertainty, it's critical to be able to quickly adjust and align decision making to the new realities around you. New cost constraints, staffing practices, and service delivery models will impact the cost and value delivered by every project under consideration. Organizations must be able to quickly reassess and make the right decisions based on the available funding and resources.

- **Renew:** as a "new normal" starts to become clearer, new goals will emerge. These can be added to your value framework to see how various plan options can help deliver on the new goals.

Governance

2.

Planning agility requires processes and governance designed to support change. As the value framework becomes the basis for making key decisions within your organization, it's important to create clear ownership and a straightforward process to engage all stakeholders in updating and revising it.

Best practice involves setting up a governance mechanism where teams can propose changes to a technical review board that can then flow up to the executive owner for formal acceptance, as illustrated in Figure 3.

Formal approval

EXECUTIVE OWNER

TECHNICAL REVIEW BOARD

TEAMS

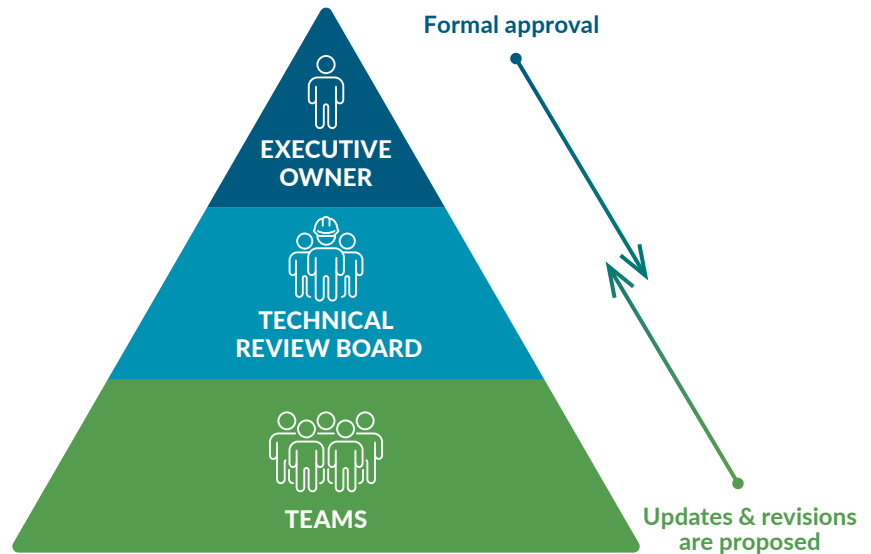**Updates & revisions are proposed**

Figure 3: Suggested Governance Mechanism

In addition to governing the decision-making framework, it is also advantageous to govern how investments and their associated business cases are developed. While it may introduce additional upfront effort to establish a process to intake project requests, and to build quantitative business cases, a consistent investment lifecycle and review process drives confidence in your investment data and encourages the collaboration needed to streamline your planning process. The end result is greater efficiency and better buy-in for your plans.

Increasing confidence in data is top of mind in most organizations. Without confidence in the data, making critical trade-off decisions is very difficult and fraught with uncertainty. Robust investment creation processes, collaboration and buy-in among stakeholders on investment valuation, and a shared understanding and commitment to following the agreed processes, will improve confidence in the data and result in much faster and better decision-making.

This level of process and coordination may be new for many organizations. Investing in change management is an important step that will help garner support, drive adoption, and produce excellent results.

Rapid Scenario Planning

3.

The Copperleaf Value Framework, combined with solid investment business cases and data, provides the fundamentals needed to make good planning decisions. However, life isn't quite that simple. There is always more than one way to solve a problem and it's important to evaluate different approaches to choose the best option.

Copperleaf's Decision Analytics software offers what-if scenario analysis and powerful optimization capabilities, enabling organizations to rapidly explore all options, address questions and concerns, and quickly move to adopting the best path forward.

The first step is to run an unconstrained optimization to figure out the best possible outcome if you had unlimited money and resources. While this may not be realistic, it provides a point of reference to compare against other scenarios. Establishing this baseline provides visibility into what you are "giving up" to meet your operating constraints. This drives a conversation about where it's worth pushing to expand the envelope versus what can be accomplished with existing funding and staffing.

Rapid scenario planning is useful in each phase of pandemic recovery:

- **Respond:** the focus on cost reduction and reduced resource availability can be easily modeled to produce an optimal approach, while also providing clear line of sight into the impacts of the increased operating constraints.

- **Recover:** as constraints begin to loosen, adjustments can be quickly made to the plan while keeping focus on the highest-value projects. This is a period of high volatility, so being able to adjust operating constraints and replan in a moment's notice is critical.

- **Renew:** as the new normal begins to emerge, updates to the value framework, together with what-if scenario analyses, allow planners to examine a variety of different options and determine the best path forward to achieve the new goals.

In uncertain times, external inputs such as exchange rates and fluctuating commodity and energy pricing can have an increased impact on the value of your investment portfolio. Rapid scenario planning allows you to explore the sensitivity of your plan to these external factors.

> **"Cost optimization under stressful conditions requires many trade-off decisions—decisions that must be made rapidly to achieve affordable performance. It is critical for CIOs' peers to have confidence in them to act fairly and base their decisions on objective facts that align with the enterprise's strategic priorities."**[3]

GARTNER

[3] Gartner, June 2020.

Continuous Planning

4.

As organizations move through the phases of pandemic recovery, it's impossible to predict what next week or next month will look like, let alone the end of next year. We always strive to build the best possible plan at the start of a financial cycle, however, with the unprecedented rate of change in the "Respond" and Recover" phases, we must quickly and frequently adapt the plan to reflect the constantly evolving reality. This means reoptimizing the plan on a frequent basis to adjust operating constraints and evaluate the impact of external parameters—to ensure we are always focused on the optimal work within these changing limits.

Strong communication and integration between planning and work management systems is also critical to compare planned versus actual performance, identify variances, and quickly replan. Copperleaf provides seamless integrations to work management and financial systems to streamline and simplify these complex steps.

Adapt to Change

5.

As organizations transition into the "Renew" phase, the focus is on aligning investments to achieve the goals that will evolve in the "new normal". Innovations, new technologies, and business processes will be needed to support this journey. The focus in this phase is on value optimization. As Gartner states: **"Value optimization requires far-reaching cultural change so that the use of data and digital technologies to drive business value is recognized and embraced enterprisewide. The utility's mandate to meet society's essential needs in a sustainable, affordable manner won't change, of course, but how that mandate is addressed will evolve during the renew phase to become digitally focused and to accelerate time to value."[4]**

Summary

Today's rate of change is driving the need for businesses to be far more agile than they have ever been in the past. In this unprecedented time, we have a fantastic opportunity to break barriers and embrace change. The key is to get started on digitally transforming your decision-making and committing to continuously adapting and improving. Just like the public health experts guiding us through the pandemic, we will never have perfect data. We only know what we know today. No matter where you start, if you can get going and commit to becoming a little better as new information arises, you will make it through these challenging times.

This will be the legacy of the COVID-19 pandemic—a difficult time that challenged, and in fact disproved, many of our long-held beliefs about how we work and conduct business. The impacts of the pandemic will be far reaching. One of the most positive outcomes is that we have proved that society is resilient and can change far more quickly than any of us truly realized. This will give rise to new levels of business agility that will serve us well as new and potentially even larger challenges emerge in the future.

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[4] Gartner, June 2020.