



Authors



Kate Maddy



Clare Ferguson

STRATEGY THAT WORKS: DEVELOPING WATER UTILITY STRATEGIES THAT DRIVE WHOLISTIC PERFORMANCE

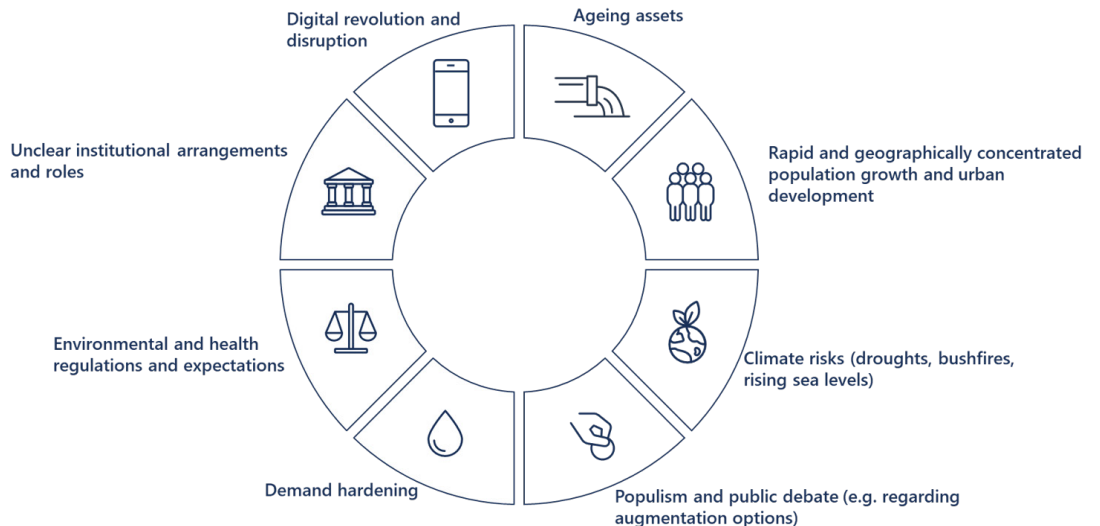
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Unifying your business under an effective strategy

Managing water utilities is an increasingly complex task. Ageing assets, environmental regulations, new technologies and the impacts of climate change and variability are just some of the challenges in delivering water-related services. At the same time, utility leaders face evolving customer needs and community expectations, including in driving wider economic, social, environmental and cultural – or quadruple bottom line – outcomes. Cost of living pressures also mean that concerns about affordability are as prominent as ever.

Establishing a robust strategy is critical to providing a business with clarity and direction in a complex operating environment. A good strategy communicates to customers, the community, stakeholders and staff the outcomes a utility is seeking to deliver. It also provides the roadmap for all facets of the business to align their activity to.

There's a lot more to a good strategy than an annual get together and a facilitated discussion. Good strategy requires making difficult choices about your future direction. You can't do everything. So what are you going to say no to? And what are you going to tackle as a priority in the short term?



Strategy enables utilities to deliver value by aligning the business on a common set of clearly articulated outcomes

As utilities navigate an increasing array of emerging challenges and opportunities, having a clear and actionable strategy is more important than ever. A strategy enables a business to articulate and communicate the outcomes it wants to achieve, underpinned by shareholder, community and customer expectations. This is then the basis for aligning resources, planning and investment decision-making across all aspects of the business' service provision.

For example, an effective strategy can help define the objectives and pathway to plan for:

- + resilient and reliable water supply that supports all water-related values, in the face of climate change impacts, population change and asset management and delivery
- + progress towards net zero emissions and circular economy objectives
- + working with First Nations, stakeholders and the community towards broader liveability, sustainability, cultural and other benefits.

The *absence* of a clear and effective strategy risks:

- + resourcing and decision-making across the business that lacks direction, is not co-ordinated or is at cross-purposes
- + an inability to communicate what the business wants to achieve and how it will do so
- + performance assessed without reference to intended outcomes and objectives
- + ambition that isn't backed up by capability or capacity.

While a compelling strategy, underpinned by evidence-based decisions on strategic trade-offs faced by the utility, is critical in articulating and aligning effort towards clear outcomes, the ability to execute and then monitor progress is just as important. Enabling 'strategy to execution' relies on an achievable implementation plan, which incorporates investment value for money decision making frameworks, as well as an effective monitoring, evaluation and reporting and improvement (MERI) framework. Collectively, this:

- + clearly describes the outcomes the utility wants to achieve
- + articulates the actionable roadmap that aims to deliver these outcomes
- + aligns effort across the business
- + demonstrates how success will be measured and progress monitored
- + supports adaptive planning if approaches need adjustment.

What does good strategy look like?

The elements of a good strategy include:

1. **A clear, compelling and unifying strategic direction and narrative for action**, which help embed a strategy and enable staff, delivery partners and stakeholders to see their role in achieving the strategy's objectives. The strategic direction should be underpinned by:
 - + an understanding of the most important strategic issues faced by a utility; and
 - + pathways that support the business to effectively navigate uncertainty and embrace emerging challenges and opportunities.
2. **A discrete set of desired outcomes and objectives** that help clearly focus business planning, resource prioritisation and investment decision-making. Desired outcomes should be:
 - + aligned with strategic drivers
 - + underpinned by customer value, particularly where outcomes are informed by, or include, commitments made as part of regulatory processes and customer engagement
 - + defined in the context of a level of ambition and a value for money assessment framework.
3. **Mapping the linkages to other strategies and supporting business plans**, providing confidence that all facets of business operation are aligned and focused on achieving common outcomes.
4. **An achievable implementation plan with assigned actions and responsibilities**, supporting the transition from strategy to execution.
5. **An appropriate MERI framework** to monitor and communicate progress, as well as support adaptive management in response to evolving operating conditions.
6. **An appropriate time horizon**, including alignment with relevant planning and regulatory cycles. While it is unlikely that the timing of any new strategy will align perfectly with other pre-existing processes, a good strategy should consider how subordinate activities can be integrated. This will ensure the clarity and direction to unify resources, investment and decision-making towards a common purpose.

Good strategy is underpinned by foundational enablers, such as organisational alignment. Aligning the business in the delivery of strategy is essential for successful implementation and can translate to:

- + a collaborative and innovate approach to addressing key challenges and opportunities
- + leveraging data and analytics to deliver more effective and efficient service delivery and strategic asset management

- + providing every employee with a line of sight to the way they are contributing to the desired outcomes
- + business planning processes that clearly prioritise resources and align decision-making to support employees in achieving their objectives.

We partner with water businesses to develop strategies that work and that clearly articulate pathways to achieving desired outcomes

Aither understand the complex operating environment facing water utilities, as well as the focus on quadruple bottom line benefits that water-related services can deliver. We believe an effective strategy is critical to navigating this successfully.

We work with our clients to develop compelling and bespoke strategies that clearly articulate desired outcomes and the pathways to achieve this success. We do this through:

- + well-developed methods that we tailor to our clients' unique circumstances
- + taking the time to understand our clients' business and working collaboratively with you to facilitate the strategy development process

- + bringing our extensive knowledge of the operating environment, complemented by the skills to draw out the issues and insights specific to your business – collaboratively building the evidence base that underpins the strategy
- + working with leadership teams to go beyond articulating motherhood statements, identifying the truly strategic choices faced by the business, and supporting confident decision making informed with the trade-offs through evidence-based assessment and analysis
- + prioritising an effective strategy narrative and leveraging this to support how the strategy is embedded and communicated with staff and stakeholders.

We can support detailed planning, implementation and MERI, including how strategy outcomes can be embedded through investment decision-making frameworks and business planning processes. We can also support the way strategy implementation and review can integrate and align with other strategic and regulatory processes, such as price submissions.

Our approach is to work with water business leaders to develop an enduring strategy that talks employees, customers and stakeholders, establishes clear progress tracking and reporting processes and is enabled through organisational alignment. If you would like to understand more about how we can support you, you can contact one of the authors.