

Developing an Effective Strategic Management Process that Drives Performance

Industry & Client Situation

An energy holding company, which includes a regulated utility and two unregulated businesses, was putting a new strategy in place that required aggressive top line and bottom line growth. Their existing planning, budgeting and performance management processes were not well coordinated, nor were they necessarily fostering the same desired behaviors. The success of the new strategy was in danger without the proper alignment of these critical supporting processes.

- Planning was viewed as an annual exercise to complete a template, rather than create a living document that would capture the strategic and operational plan for the coming year
- Budgeting took almost 6 months to complete, and was based more on historical budgets than on the actual plan for the upcoming year
- Performance Management was limited. Senior executives subjectively set, evaluated and reported on the performance of their units, and there were few mechanisms in place to ensure accountability across the organization

Approach

Given our experience helping other companies develop and measure their strategies, Bridge was added to the team to help structure and guide the work of the Executive Team and several working teams. To ensure high levels of ownership, the client teams contributed heavily to the effort throughout the entire process and were expected to champion the final recommendations.

We used a four-phase approach to develop a strategy and align key management processes:

1. Clarify and document the strategy, and translate it into actionable terms. A non-traditional business plan was created – one that stated the strategy in terms of a focused set of strategic themes and laid out the specifics that the organization would do to achieve the strategy. It identified a balanced set of objectives, actionable metrics, attainable but aggressive performance targets, and strategic initiatives that would be undertaken to boost performance.
2. Develop a performance scorecard and process that tracks and facilitates discussion of progress against the strategy. Based on the strategic plan, a scorecard was created to measure performance. It started with the holding company, and cascaded down to each business unit and department. A monthly process was established for senior management to discuss performance and implications for future decisions across the company.
3. Link incentives and rewards to the strategy. In order to ensure that the desired behaviors are promoted across the organization, variable compensation, development plans and performance reviews were linked to the achievement of the strategy.
4. Link investments and budgets to the strategy. For the strategy to come full circle, it had to be backed by the financial resources of the company. For the first time, budget and capital investments had to support the strategy – any other initiatives were to be denied funding.

Results

The organization better understands the strategy and has direct line of sight from the strategy to what they do to impact it. People know their priorities and what to focus on. All levels are working towards and motivated on the same set of goals. The increased cross-company knowledge sharing, coordination and problem solving have led to better decisions, which are beginning to show up as lower O&M, higher customer satisfaction and inspired employees.