



## ► Enterprise Portfolio Management for Utilities

## ► Enterprise Portfolio Management

For asset-intensive organizations, the ability to manage portfolios of investments and make optimal cross-enterprise decisions is critical. When faced with a multitude of projects across the energy value chain, utilities still often make investment decisions within their departmental silos and with limited information. How can utilities best understand the true value of their projects? And, how can they make decisions to maximize that value at an enterprise level?

Zpryme surveyed more than 160 primarily North American utilities to understand:

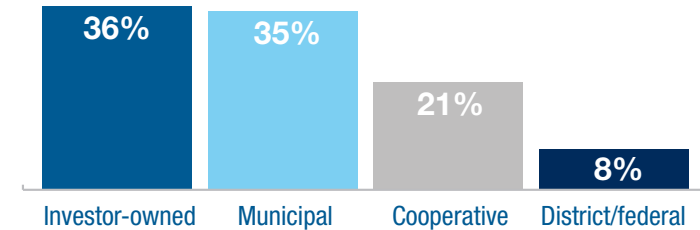
- Attitudes toward cross-enterprise investment decision making
- The benefits and challenges of taking an enterprise view of investments
- The current and future state of Project Portfolio Management (PPM) tools for utilities

### > Key findings include:

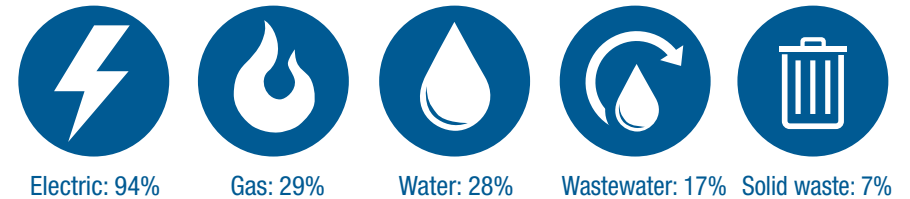
- 90% of utilities seek to understand how their investments impact their triple bottom line—financial, societal and environmental.
- 83% of utilities want to move away from departmental autonomy toward greater enterprise-wide accountability.
- Over 80% of utilities feel that enterprise-wide accountability will be increasingly important over the next three to five years.
- Only 8% of utilities feel their PPM tools are serving their organizations very well in helping make executive-level portfolio decisions.
- Only 5% of utilities are happy with their current state related to investment decision making.

## > Respondent Demographics

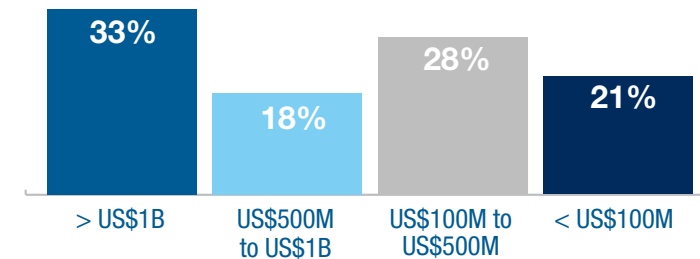
### Ownership structure:



### Services provided:



### Annual revenue:



## ► Decision making within utilities: Today and Tomorrow

A change is happening in utility perspectives—from one focused on a department’s individual investments to an enterprise view of the organization’s investments.

**83%** of utilities want to move away from departmental autonomy toward greater enterprise-wide accountability.

### Quantifying Strategic Value

Utilities are seeking out improved decision making to strengthen their resource planning and management (52%) and to effectively manage risk (42%). (Figure 1) Quantifying operational risk is critical, and the risk is not just financial. Most utilities seek to understand how their investment strategies will impact the triple bottom line—financial, societal and environmental. In fact, over 90% of respondents agree with the importance of this concept, with 63% strongly agreeing. (Figure 2)

Figure 1: Top benefits of improved investment decision making



Figure 2: Important characteristics for investment decision making



“Improving our asset management practices is at the core for any of us working in the utility industry.”

– Javier Fernandez, CFO, Omaha Public Power District

Technological advances and rapidly evolving market demands pose new challenges for the utilities industry. As we’ve seen with greater utility investments in digitalization, distributed energy resources (DERs) and renewable generation, utilities must consider the variety of stakeholders influenced by their investment decisions and ensure their limited resources are being directed toward the initiatives/projects that deliver the most value.

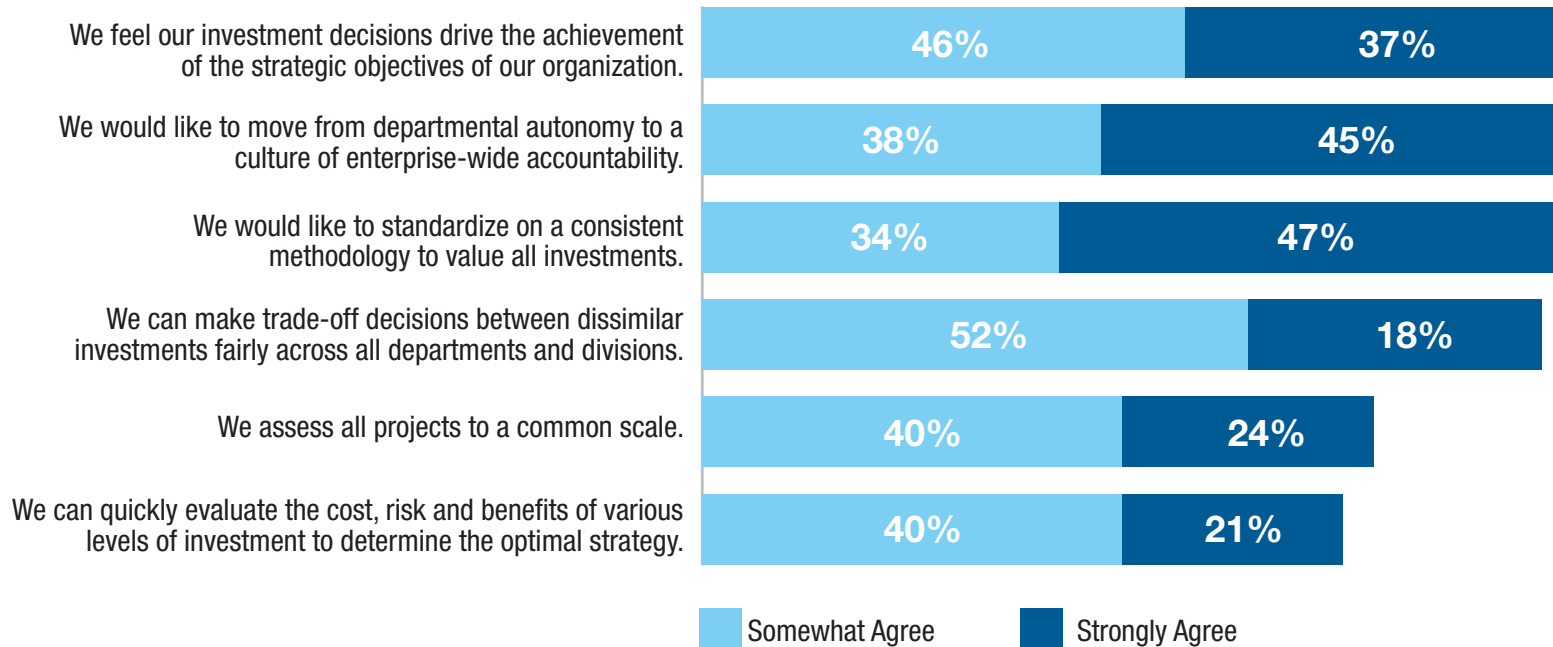


## ► Improving Enterprise-Wide Investment Decision Making

Utilities recognize the need to continuously improve their investment decision making processes, but many feel they lack the proper tools to truly take on these goals. The vast majority of utilities (83%) want to move away from departmental autonomy toward greater enterprise-wide accountability, and 81% would like to standardize on consistent methodologies to value all investments. However, when assessing their own ability to do these things, they recognize the need for improvement. Just 24% strongly agree they can assess all projects on a common scale, and only 21% strongly agree they have the ability to evaluate various levels of investment to determine the optimal strategy. (Figure 3)

Only **18%** of utilities strongly agree they can make trade-off decisions fairly between dissimilar investments.

Figure 3: Agreement on investment decision making strategies

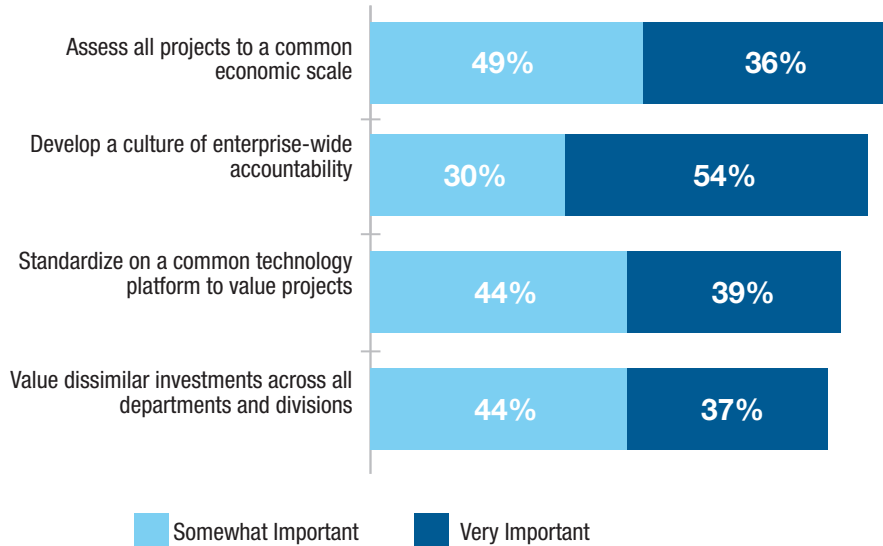


“ True asset investment planning in the future needs to think across the entire value chain and not be limited to the traditional silos of generation, transmission, and distribution. ”

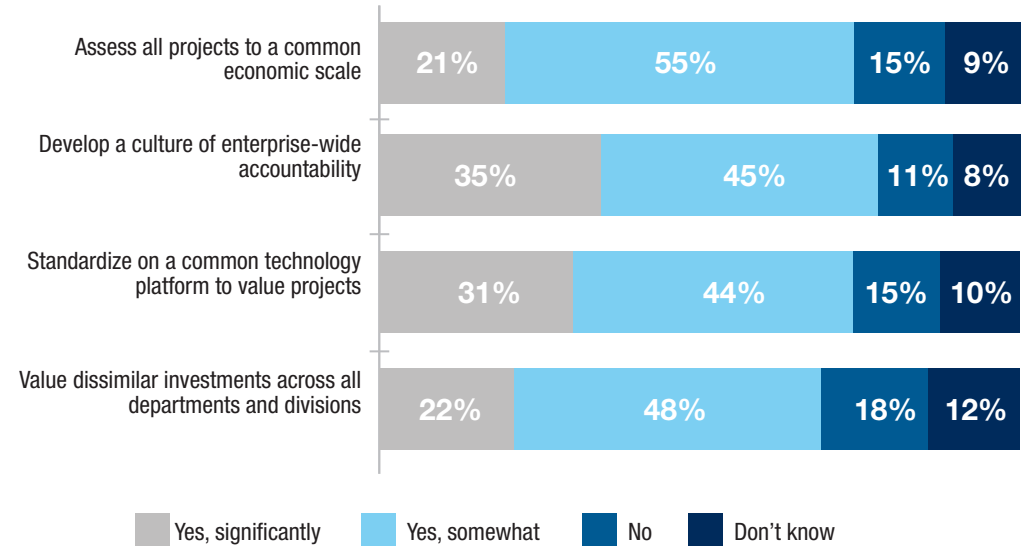
– Director of Emerging Technology Strategy, southeastern investor-owned utility

The need for a more robust, corporate-wide decision making framework will only grow in importance over the next few years. Over 80% of utilities expect the importance of creating a culture of enterprise-wide accountability to grow—with 35% expecting its importance to increase significantly. Utilities also expect the abilities to standardize on a common technology platform, value dissimilar investments, and assess all projects to a common scale to grow in importance as well. (Figures 4 and 5)

**Figure 4: Important efforts for investment decision making today**



**Figure 5: Increase in importance of efforts over next 3 to 5 years**



## ▶ Improving Portfolio Management Investiture

As critical infrastructure ages, and assets near their expected end of life, enterprise-wide portfolio management becomes a critical business requirement to improve decision making and overall performance. The result is that usage of project portfolio management (PPM) tools is expanding beyond project managers, and a new breed of PPM solutions is emerging to address the needs of more senior audiences. Today's PPM tools can be grouped into three categories based on their application and user groups:

- **Project Collaboration Tools** are designed to provide efficient team collaboration, communication, data sharing, and reporting on a single platform.
- **Work Management & Project Execution Tools** include forecasting project tasks, costs, resources, and progress, and can be more specialized to the unique requirements of project management groups.
- **Enterprise Portfolio Management Tools** support executive-level decision making across the enterprise and drive continuous alignment of portfolios to the organization's strategic objectives.

Today, many organizations rely on readily available project collaboration and work management tools. (Figure 6) However, demand is growing for Enterprise Portfolio Management tools to optimize investments at an enterprise level. (Figure 7)

Enterprise Portfolio Management tools provide their own unique capabilities:

- Strategic alignment of project portfolios
- Optimization of portfolio value
- Resource planning and management
- What-if scenario planning and re-planning
- Enterprise-wide decision making

Nearly

# 60%

of respondents indicate that their organizations are already investing or plan to invest in Enterprise Portfolio Management tools within the next 3 to 5 years.

Figure 6: How well PPM currently serves organizations

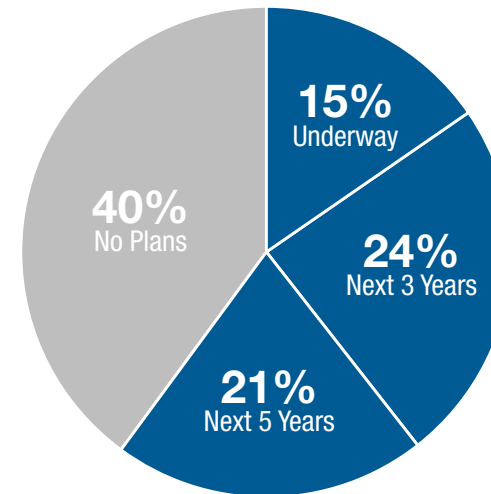
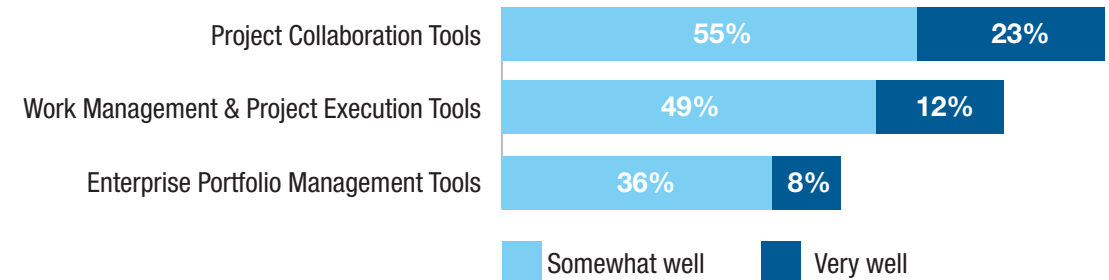


Figure 7: Planned investment in Enterprise Portfolio Management tools

## ► Making the Transition to Enterprise-Wide Accountability

As with any new effort within an organization, there can be resistance to implementing change. Some of the top challenges utilities believe they face when trying to improve investment decision making processes are budget limitations, company culture, and business silos. (Figure 8)

Improved investment decision making can help address these challenges. The top benefits of improved investment decision making are improved resource planning and management (52%), effective management of risk (42%), improved reliability (38%), and a reduction in costs (32%). (Figure 9) Enterprise Portfolio Management tools allow organizations to value dissimilar investments fairly and transparently across all departments and can encourage a culture of enterprise-wide accountability.

Figure 8: Top challenges preventing organizations from improving investment decision making

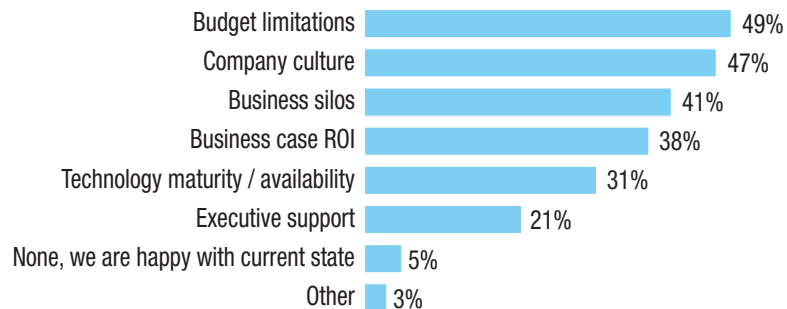


Figure 9: Top benefits of improved investment decision making



“66% of our annual budget is invested in building new assets, replacing existing assets, operating and maintaining assets and decommissioning old assets. Making decisions on when to decommission assets is becoming even more important as opposed to just carrying assets that do not provide value to our district.”

– Javier Fernandez, CFO, Omaha Public Power District

## ► Recommendations: The Path Forward

The need to assess all projects on a common economic scale, develop a culture of enterprise-wide accountability, and evaluate investments at an enterprise level is clear for most utilities, but many still need to determine the best path forward to improving their investment decision making. Key steps to get started down this path include:

### > Align decisions to strategy:

Ensure all members of the organization understand its strategic objectives and that clear goals are set for each department to measure progress against each of these goals. Organizations must evolve their investment planning processes and PPM tools to allow them to make trade-off decisions across the enterprise that drive the achievement of their strategic objectives.

### > Cross-enterprise decision making:

The vast majority of organizations surveyed would like to standardize on consistent methodologies to value all investments. However, defining what “value” means can often be the biggest challenge, and every organization has its own unique view. Creating a corporate value framework allows investments from different departments to be objectively assessed in terms of their contribution to the organization overall. This allows executives to be confident that they are focusing the company’s resources on the initiatives that deliver the greatest value.

### > Change management:

Recognize the magnitude of the cultural shift required to move from departmental autonomy to enterprise-wide accountability. Senior leadership must play a key role in driving change through comprehensive change management programs that prepare all employees for this change and promote the adoption of these new methods. Enterprise Portfolio Management provides a means for utilities to maximize the value from their investments, improve business execution, and drive achievement of their strategic objectives.

For more information about how your organization can benefit from Enterprise Portfolio Management, contact Copperleaf at:

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