PN-ACR-855

Activity Report

Strategic Planning for NCC

Presented by: Bechtel Consulting and Development Associates, Inc.

To: USAID - Vilnius, Lithuania and NCC

Program Objective: To assist the Lithuanian National Control Commission with the initial stages of the strategic planning process and to enhance agency capacity to continue that process independently utilizing accepted techniques.

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Centrum Hotel ~ Vilnius, Lithuania

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Introduction

The value of strategic planning as a means of increasing organizational effectiveness has been widely accepted among corporate, government and third sector leaders in the west for a number of years. Under the sponsorship of USAID and other donors, western advisors began introducing strategic planning techniques to Lithuania at least as early as 1995.[1] Early presentations of strategic planning concepts demonstrated that Lithuanians were both receptive to these approaches and highly capable of implementing them in a manner that fostered increased levels of participation in decision-making and the creation of new service delivery programs. Responding to the needs of Lithuania's National Control Commission for Prices and Energy (NCC), Bechtel Consulting and Development Associates, Inc., with the support of USAID - Vilnius, designed and conducted a strategic planning activity for NCC in late 1999. The following report briefly summarizes that activity.

NCC is an agency with complex and extensive responsibilities and comparatively limited resources. Established in 1997, NCC is governed by five commissioners that are appointed by the President of Lithuania. The agency is responsible for pricing energy, including electricity and natural gas as well as heating, hot and cold water and certain forms of transportation. This set of regulatory responsibilities is statutorily mandated and NCC has additional involvement in related areas of market competition, consumer protection, privatization of enterprise and investment. The stress associated with Lithuania's transition to a market-driven economy and vestiges of the former Soviet system complicate the reform process in the energy arena. There are extensive external pressures on NCC that emanate from a variety of sources including, the Government of Lithuania (GOL), donor agencies, the European Union, consumers, local service providers and energy companies, to name only a few. The benefits of economic growth in Lithuania have not been evenly distributed and many consumers find it difficult to absorb the cost of energy which formerly was subsidized. In general, demand-side management (DSM) of energy use have not been implemented in Lithuania and existing infrastructure is inefficient. While more than 80% of electricity demand is met by the Ignalina Nuclear Power Plant in Northeast Lithuania with additional capacity available for export, other energy supplies are imported and there is external pressure to move away from dependence on nuclear generation capacity.

Despite the fact that NCC has considerable staff expertise, many of the decisions that effect the agency are political in nature. In additional, the legal framework for the effective regulation of energy and water is incomplete. An especially vexing problem is that NCC currently does not have licensing authority. Political support is fragmented and legislators may not have a clear understanding of regulatory issues. Ironically, the process is considered to be overly politicized.

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[1] Mathers, Earl. 1997. *Economic Development and Democrotic Reform: Joined at the Hip.* Norwegian School of Management/ Kaunas Technological University; and Mathers, Earl. 1997. *Strengthening Local Government in Lithuania.* Public Administration Times. ASPA ~ Washington.

Purpose of the Activity

The two-day strategic planning activity for NCC was planned with several objectives in mind. It also was recognized that time constraints would restrict the capacity of facilitators and participants to effectively generate plans to manage more than a few of the myriad issues confronting the agency. For this reason, the activity was designed to demonstrate several strategic planning techniques and featured high levels of participant involvement in the process in acknowledgement of the fact that adult learners acquire knowledge best through active participation and discussion. In this way, it was anticipated that the participants would develop sufficient practical understanding of the techniques presented and the strategic planning process in general to replicate comparable activities in the future. This rationale was strengthened by the development of a relatively comprehensive set of program handouts and the provision of a number of books on topics including strategic planning, organizational development, leadership and management. The following objectives were sought as program outcomes.

- Introduce a logical set of strategic planning techniques and models that would allow the user to move through the planning process from the strategic to the operational level with active participant involvement in the process.
- Stimulate discussion and interaction specific to key organizational concerns as a means of building understanding, trust and familiarity with collective problem solving approaches.
- Initiate an organizational strategic planning process at NCC that could be continued independently by building on the information generated at the workshop, thus augmenting management capacity.
- Present new paradigms of decision-making and organizational management that feature greater internal and external involvement as well as transparency.
- Describe the relationship between strategic planning and other contemporary approaches to management including team building and participation.

Deliverables

Based on program design, optimism existed prior to the event that NCC participants would make progress in terms of the development of specifics elements of a strategic plan in addition to acquiring familiarity with the process involved. The following represents a brief description of program deliverables.

- All seminar/workshop participants received a workbook that included the event agenda and a number of attachments that provided additional information such as strategic planning models and detailed explanations of certain techniques. The workbook also included a list of references and three papers on strategic planning translated into Lithuanian.
- The contractor purchased and made available to participants a number of text books and materials on strategic planning and other related management topics including

team building, leadership, Total Quality Management (TQM), project management and market economics.

- With active participant involvement, documents were produced during the course of the activity including: a listing of NCC Core Values, Mission Statement, SWOT Analysis, listing of key stakeholders, prioritized goals and moderately detailed action plans for two goals. These products of the event will be presented below and will form the basis for subsequent NCC action.
- Participants received an informed overview of the strategic planning process over two days with simultaneous translation and were led in a number of exercises that produced the products described in the previous item. For most participants, this was their first opportunity to engage in collaborative planning and involvement was high.
- At the conclusion of the program, certificates were awarded to the participants.

Program Format

After introductory remarks from USAID, NCC and Bechtel officials, the lead facilitator provided the participants with an introduction to strategic planning that featured discussions of the practicality of the process and associated techniques. Information was provided regarding the harmony between strategic planning and other management practices and examples of management tools that can be used in conjunction with strategic planning. Specifically, management practices and philosophies such as performance improvement, team building, learning organizations, reengineering and quality management were cited and participants were informed that materials on these topics had been assembled under the contract for additional participant study.

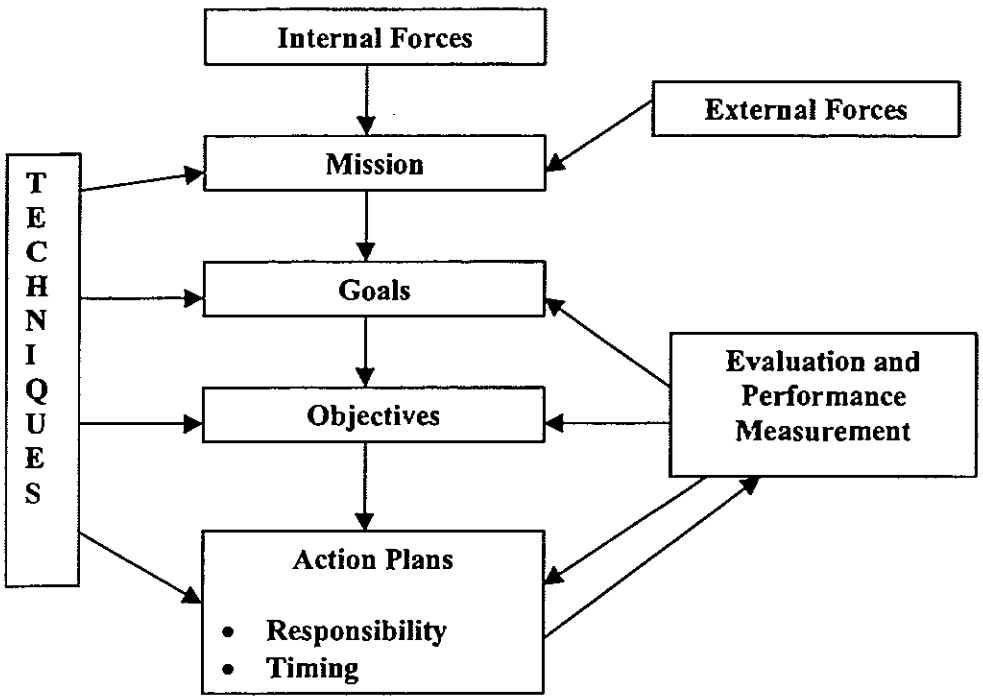
While participant activities were interspersed with facilitator presentations during the course of the activity, the format provided for increasing levels of participant involvement in the latter stages of the process. After the initial presentation of the broad concepts described above, the facilitator limited instruction to relatively brief remarks designed to orient participants to a particular strategic planning technique. These remarks would be followed by a participant exercise that utilized that technique and a discussion of the planning product produced by the participants during the exercise. The process was sequential with each exercise building on the preceding activity in a manner that was designed to enable participants to construct representative plans and acquire the skills necessary to replicate the activity.

Approach

The approach used for the NCC Strategic Planning activity sought to move participants through a series of presentations and the completion of activities designed to produce specific outcomes. Although the activity was conducted over two days, only nine hours were available to complete the work involved. Despite this time limitation, good outcomes were achieved although optimally, fifteen to twenty hours of participant involvement should be allotted. Additional time would have allowed for more detailed

presentations and explanations of the various activities as well as more extended participant activities. For example, stakeholder identification was successfully completed but the process of stakeholder analysis was merely explained and only two of the goals identified by the participants were objectified. However, these time constraints were understood by the participants and several of NCC's division leaders expressed the intention to continue the process in the near future. The model shown in Figure 1 illustrates the elements of the strategic planning process addressed at the NCC event.

Figure 1: Strategic to Operational Planning Model[2]



The model depicted in Figure 1 is illustrative of the process and a number of presentations, techniques and figures were used to inform participants of the importance of the elements of strategic planning as well as to assist with the facilitation of activities. The objective is to present the material in a logical sequence and in sufficient detail to promote understanding while avoiding extended lectures on the topics at hand by interspersing presentations with participant activities. Experience suggests that such an approach is effective in terms of stimulating participant interest and promoting active involvement leading to the production of consentually developed plans. The following table describes the sequence of events used for the NCC strategic planning activity.

[2] Mathers, Earl. 1994. Economic Development Gauge and Exchange (EDGE). Gillette, Wyoming.

Table 1: **Sequence of Activities**

Activity	Purpose	Technique	Outcome
1. Introduction to Strategic Planning	Promote General Understanding	Presentation, Q & A	Participant Learning
2. Strategic Planning in Relation to Management	Understanding of Context and Practical Utility	Presentation, Q & A	Participant Learning in Perspective
3. Visioning and Core Values	Sharing of Values and Increase Inter-Group Understanding	Discussion and Brainstorming	Listing of Core Values
4. Mission Statement Development	Encapsulate Core Values, Create Rallying Point and Foundation	Discussion, Responses to Key Questions	Concise Mission Statement
5. Discussion of the Strategic to Operational Planning Approach	Build on Initial Presentations and Present a Logical Sequence of Events	Presentation, Q & A and Introduction of Planning Models	Further Participant Understanding of the Process
6. Stakeholder Identification and Analysis	Promote Broader Understanding of Internal and External Relationships	Stakeholder Identification and Analysis Activities	• Listing of Stakeholders • Analysis of Stakeholder Supportiveness
7. Strengths, Weaknesses, Opportunities and Threats (SWOT)	Enhance Participant Understanding of Comparative Advantages and Leveraging Resources	SWOT Analysis	Listing of SWOTs
8. Introduction of Concepts Including Team Building, Learning Organizations and Goal Alignment	Broaden Participant Perspectives on Organizational Life	Presentation, Q & A and Discussion	Increased Understanding of Organizational Potential
9. Nominal Group Process	Issue Selection and Prioritization	Nominal Group Discussions, Resulting Presentations and Selections	Prioritized Goals
10. Action Planning	Production of Objectified and Actionable Plans	Issue Selection Matrix, Focus Groups and Results	Collaboratively Developed Action Plans

Participants

Most of the participants in the activity were either members of the National Control Commission (NCC) for Prices and Energy or management staff of the organization. In fact, all five commissioners and eleven other managers from NCC attended the event. The remaining twelve participants represented the Ministry of Economy (GOL), the United States Agency for International Development (USAID), the Danish Energy Agency, the Baltic Council of Minister's Committee of Energy Liaison Office, Bechtel Consulting and Development Associates.

Participant Results

The activity was particularly successful in terms of stimulating active participant involvement and discussion. Active participation is clearly a prerequisite to the formulation of strategic plans although stimulating adequate levels of involvement sometimes proves elusive. The NCC participants were responsive to the facilitator's direction and adept at becoming substantively involved in the process, despite the fact that most members of the group were not acquainted with the techniques used. In the following sections, several of the products of the participant activities will be presented.

Core Values - The term core values, while new to the participants, was described as part of the visioning process for NCC with reference to issues of fundamental importance, shared values and ideology. The following are NCC's core values as identified by event participants.

- Consumer protection in energy, water and transport
- Protection and attraction of investment
- Encouraging competition
- Information dissemination (to consumers and other stakeholders)
- Promoting the financial stability of enterprise
- Efficiency in energy use
- Quality service delivery

Mission Statement - NCC had not previously formulated a mission statement and participants were well aware that the organization was responsible for fulfilling a specified set of legal mandates that have been established by statute and decree. During the event, participants were introduced to the concept of mission statements that encompass organizational values, define how the organization will achieve its vision and represent the foundation from which goals and actions are developed in addition to responding to mandates. Participants ultimately agreed to the following mission statement which incorporates many of NCC's core values.

NCC Mission Statement

To protect consumer and commercial interests in the fields of energy, water and transport by effectively regulating services, encouraging competition, promoting the financial stability of enterprise and advocating efficient energy use and quality service delivery in Lithuania.

Stakeholder Identification and Analysis - NCC participants responded well to the process of stakeholder identification although time limitations precluded more than a cursory treatment of stakeholder analysis. This caveat notwithstanding, it was clear that the participants had a good sense for the degree to which various stakeholder groups were supportive of NCC. Participants also have the organizational acumen to devise effective strategies to more effectively manage stakeholders although both financial and staff resources may be insufficient to follow through in an optimal fashion. Presentations provided the participants with tools for stakeholder analysis, made distinctions between internal and external stakeholders and identified possible areas of vulnerability. The following groups and individuals were identified by participants as key external stakeholders.

Key External Stakeholders

- The President of Lithuania
- Municipal Governments
- Companies and Enterprises
- The Ministries of Finance, Economy, Municipalities and Environment
- Parliament
- The People of Lithuania/ Consumers
- Investors (current and prospective)
- The European Union
- Donors

Strengths, Weaknesses, Opportunities and Threats Analysis (SWOT)

Although SWOT Analysis produces limited results as a discreet activity, it is useful as one link in a series of strategic planning activities and helps participants to develop better understanding of their organization and its operating environment. Generally, strengths and weaknesses are conceived as sets of internal factors whereas opportunities and threats are considered external, although these distinctions are often blurred, and this is the way the technique was presented to NCC participants. It was also explained that SWOTs, in addition to generating ideas, provide us with information regarding comparative advantages, underutilized resources, a useful reality check and areas in which capacity building is needed. Figure 2 depicts the results of NCC's SWOT Analysis.

Figure 2: NCC Strengths, Weaknesses, Opportunities and Threats

Internal	External
Strengths	**Opportunities**
Independent Status	Parliamentary Support
Excellent Staff	Opportunity to Manage in Broader Areas
Ability to Manage	Increased Foreign Investment
Foreign Investments	
Weaknesses	**Threats**
Lack of Complete Legal Framework	Low Salaries at NCC
Lack of Licensing Authority	Baltic Common Market
Lack of Facilities and Materials	Political Parties
Limited Flow of Information	

Establishing Priorities - The Nominal Group Process

As the NCC participants moved through the series of activities designed for the event, they presented and considered information together while developing improved understanding of a variety of perspectives. Participant feedback acknowledged that many of the goals of NCC were reflected in the statement of core values. The Nominal Group Process (NGP) was introduced as a means of defining priorities that could be further objectified and detailed in the action planning portion of the program. In essence, NGP begins with consideration of an issue from a broad perspective and provides for group input, discussion and democratic selection of priorities in a manner that participants consider fair and non-threatening. The NGP can be used effectively with mixed groups of internal and external stakeholders. At the NCC event the group that worked on the NGP was comprised predominately of internal stakeholders.

After an introduction to the process, NGP begins at the table or small group level and participants have an opportunity to independently list priorities. These individual lists are then compiled and discussed and a group spokesperson is designated. The participants vote on priorities at the small group level and the highest priorities are presented by the spokesperson to the entire body of participants. With larger groups an intermediate phase

is added to the process. The last stage of the process involves a participant vote on the highest priority goals or issues presented by each of the small groups. The benefit of NGP is that priorities are established through a series of quick process steps that facilitates the involvement of all participants, including the reluctant speakers. At each stage in the process, duplicative submissions are combined. Priorities developed by each of the small groups at the NCC event are as follows.

NCC Small Group Priorities

Group A
1. The depolitization of the regulatory environment
2. Consumer protection by ensuring quality service and balancing consumer interests

Group B
1. Regulation of monopolistic enterprise to ensure financial stability and viability
2. Consumer protection by regulating prices and controlling the application process

Group C
1. Effective promotion of consumer needs with acceptable prices and quality service
2. Establishing competitive elements, encouraging investment and commercial viability

Group D
1. Consumer Protection
2. Encouraging Competition

Priorities Selected by the Group as a Whole for Action Planning

1. Consumer protection
2. Encouraging competition

Although the emphasis and wording of the goals varied, each of the four groups selected consumer protection as a priority. For this reason, three of the four group priorities dealing with consumer protection were struck prior to the final vote so as not to dilute the results. Participants were informed that they could discuss and objectify the goal of consumer protection in a manner that encompassed the specific interests of all four groups in the final stage of the process. Not surprisingly, consumer protection emerged as the entire participant group's clear priority while encouraging competition ranked slightly higher than other priorities. Time constraints and a relatively small group of participants limited the number of priorities that could be managed in the final stage of the process to the two that ranked highest.

Action Planning - It is very clear that skilled and well-informed participant groups could spend considerable time developing action plans to implement strategies dealing with complex issues like consumer protection and encouraging competition. At the NCC event, participants volunteered to join one of two action planning groups to define initial actions. The participants had approximately one hour to develop a set of actions. Despite the time constraints, the NCC participants created the following plans which were presented orally and in writing.

Group A
Goal: Encourage competition

Objectives:
1. Establish market and technical licensing
2. Definition of market (geographical, technical and structural)
3. Create an improved legislative framework
4. Establish service quality standards and mechanisms for evaluation
5. Create a price methodology

Action Plan:

Action	Timing
1. Form working groups	One month
2. Preparation of detailed action strategies	Six months
3. Realization/ Implementation of strategy	Twelve months

Responsibility:
NCC division leaders

Group B
Goal: Consumer protection

Objectives and Actions:

1. To provide consumers with reliable, safe and high quality products
   1.1 Licensing: A department is responsible for issuing licenses based on specific requirements. Rules govern number of licenses and operating privileges.
   1.2 Mechanisms for the investigation of consumer complaints are in-place.
   1.3 Agreements with consumers are established.

2. Price estimation is used to ensure reasonable cost of service.
   2.1 Price department performs analysis.
   2.2 Other departments provide information.
   2.3 NCC Commission coordinates the process.

3. Consumer information is provided on a regular basis.
   3.1 NCC issues a bulletin

3.2 Municipalities are regularly informed of actions and consulted
3.3 Decisions and instructions of the Commission are provided to consumers.

Responsibility:
NCC Commissioners and Division Leaders

Although the presentation styles varied, both groups of participants grasped the importance of increasing specificity in their movement from goals to objectives to action steps. The need to designate timeframes and assign responsibility was also acknowledged. It will be important for NCC to revisit the process in order to further detail plans, determine resource availability and monitor progress. Encouragingly, the participants stated their intention to follow through with the process and suggested that the workshop would have a sustainable impact on the organization through future application of the ideas presented.

Conclusions

- The NCC representatives and other participant groups respond well to strategic planning activities and recognize that the process is in essence diametrically opposite centralized planning and authoritarian approaches to management.
- Despite the progress made in terms of conveying significant amounts of information and generating participant output, limiting a participant oriented activity of this nature to nine hours imposes corresponding limitations on specific outputs as described above. Fifteen workshop hours over three days could be expected to produce even more favorable results.
- Ideally, strategic planning with the recipient institution should begin early in the life of the project and be carried forward in a series of activities with increasing involvement of external stakeholders over time. Although the project with NCC is reaching its conclusion, I would recommend that at least one such follow-up activity be conducted prior to close-out as a means of solidifying and extending progress.
- Strategic planning is sometimes associated with negotiation. It is clear that NCC has issues that will involve external stakeholders that could be addressed through a collaborative strategic planning approach that would build organizational support and quite possibly transform conflict.
- At the NCC activity, support for the process of strategic planning by top management and the chief executive was made evident by their presence and statements. Experts agree that support at this level is essential.
- In addition to the strategic planning process facilitator provided by Development Associates, the NCC event featured two subject matter experts from Bechtel Consulting that served as a valuable resource to the participant group.
- Strategic planning is not a magic formula for the resolution of issues as challenging as those confronting regulatory authorities in Lithuania. It is a process that can allow committed and knowledgeable participants like those from NCC to make legitimate progress towards greater transparency and inclusion in organizational management.