

NEW HORIZONS FOR ENERGY MANAGERS

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Abstract: Strategic planning is the final step in the planning process of developing an energy management program. In reality, there are very few organizations that have progressed this far with their program. It seems that once some of the major energy problems were solved, the thrust stopped there. This short-term thinking may cause serious problems if we are again thrown into turmoil with energy supply and costs. Many of those that have not planned ahead may not make it or as minimum will re-enter the management by crisis phase.

Keywords: planning, energy, strategic, manager, objectives

Some type of planning for the future is surely already taking place somewhere. It may be called strategic planning, long range planning, a five-year plan, or some similar designation. Find out what is now being done, and start the process to have energy included.

The main purpose of this future planning is universal with all organizations; it is to provide energy security and maximum efficiency in the use of energy.

1. NEW AIMS

Not only does this planning expand the program, but also of the energy manager. Through this planning process, the energy manager is automatically projected into a range of broader responsibilities. For example, the following responsibilities may emerge:

- Analyzing facility closing and relocation options
- Reviewing the design of new facilities and/or operations
- Leasing and buying captive energy sources
- Analyzing the product energy cost of competitors
- Identifying less energy intensive substitutes
- Developing energy efficient manufacturing substitutes

2. STRATEGIC PLANNING DEFINED

Richard H. Cooper, in his career has served as the corporate Energy Manager. In that role, he developed an energy strategic plan for the corporation that has served as a model that many others are now emulating. Most of the information in this chapter is taken from the material he uses in his presentation on strategic planning at the Energy Management Diploma Program held annually at Virginia Polytechnic Institute and State University.

While there are many of future planning, Mr. Cooper recommends Energy Strategic Planning as the best method for incorporating energy into the business plan of the organization.

In trying to define strategic planning, let's look at what it is and is not. Cooper says "strategic planning is a though process, necessarily reduced to paper for communications purposes. The purpose is to provide guidance for current decision-making through the identification of key issues affecting the future of an organization and the establishment of effective strategies for addressing those issues".

Below are specialist's observations on what strategic planning is not:

- Strategic planning is not forecasting. In fact, strategic planning is necessary because we are enable to forecast beyond a short time span with any degree of precision.
- Strategic planning does not deal with decision that is made in the future. It deals with decisions that are made today that will affect the future.
- Strategic planning does not eliminate risk. It helps management weigh the risk that it must take.

3. THE FORMAT

Cooper suggests a format for a plan that I have modified slightly by moving "Energy requirements and Costs" from third to second place, and listed some items separately. It is follows:

Executive Summary
Energy Requirements and Costs
Situation Analysis
Issues
Thrust or Objectives
Strategies
Action Programs
Proposed Results
Sensitivities and Assumptions

Each of these will be discussed in the following sections, with examples.

Executives Summary This is the last part of the plan to be completed, but will be the first section of the written plan. It should contain the essence of the strategic plan in a summarized and concise manner.

Major points that should be included in the summary are an in-depth discussion of the first year plan, highlights of major commitments, and highlights of the major sections of the plan.

Energy Requirements and Costs If an analysis of energy usage and future projections was made in the initial organizational planning stage, much of this data can be used here. Many energy managers find that all necessary data has already been collected and stored somewhere in a computer, and is simply a matter of retrieving it and putting it into a useful form.

Some suggestions are to put it into the following graph format:

% consumption by end use
% cost by end use
%consumption by energy source
% cost by energy source

Situation Analysis or Where Will We Be in Five Years. This review is somewhat similar to that recommended in the organizations planning section, except the emphasis is on looking forward to see where the organization is going, rather than looking backward to see where it has been. It also involves looking at external factors as well as internal. Simply developing a list of these factors, however, adds little to the strategic planning process unless their impact is assessed.

Issues Key issues identified by analyzing the external factors and internal strengths and weaknesses of the organization. They should be matters that can seriously affect the organization if not resolved.

One issue that is common to all organizations is the threat to the continued availability of traditional forms of energy, and the possibility of supply interruption. On a more regional basis is the forecast of significant step increases in the cost of electrical energy.

Objectives After the key issues are defined, then objectives must be established that will allow strategies to be developed. The objectives should be stated and be in measurable terms to facilitate later evaluation.

Strategies may be defined as broad actions designed to accomplish objectives. Each objective may have one or more strategies.

Action Programs are the working end of the whole strategic planning process. This is where the planning is done to take specific actions to implement each strategy. These may be one or more action programs for each strategy. Each one should include the work steps and their scheduled completion, and the personnel and financial resources required.

Proposed Results This section should discuss all the benefits to be derived from the Strategic Plan, and should be quantified to the extend possible, so that reporting will be made easier, as well as evaluation.

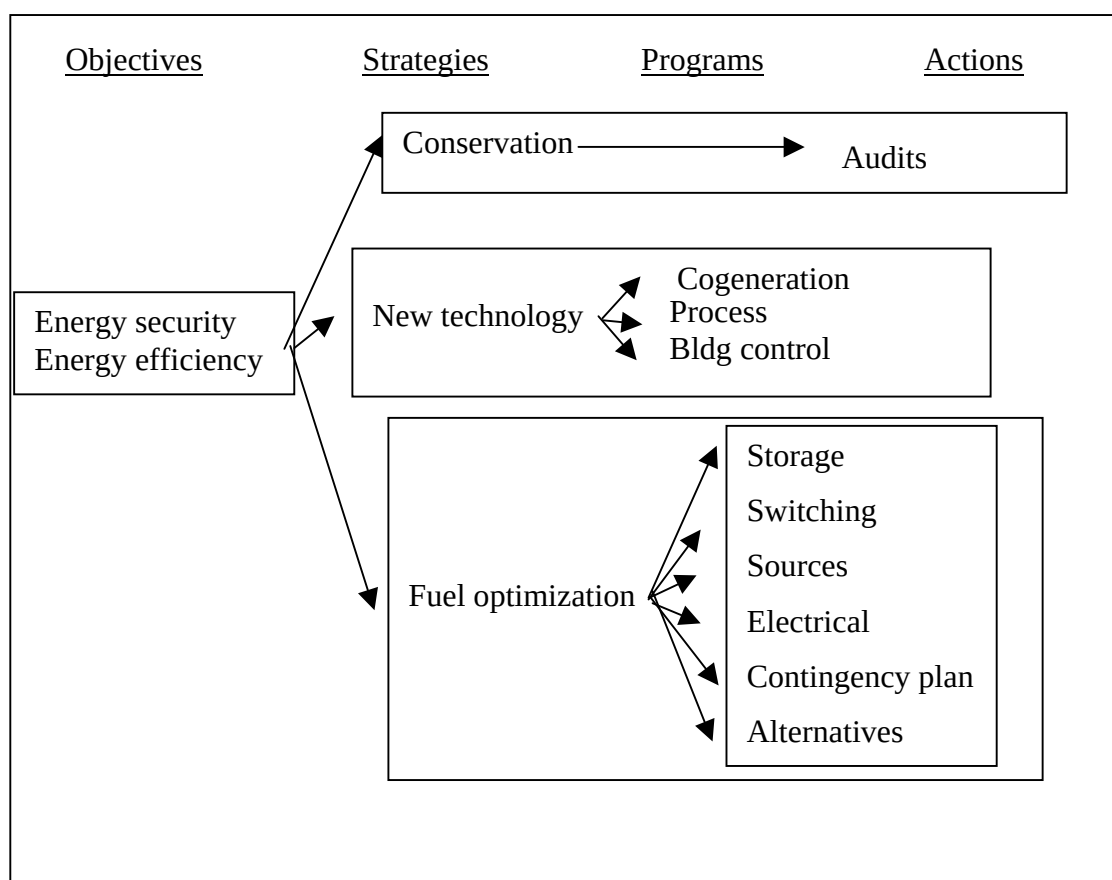


Figure 1 Strategic planning process

Sensitivities and Assumptions Recognizing the various factors and events that can influence your planning, as well as being able to clearly define the assumptions upon which the strategies are based perhaps the most important step in the Strategic Planning process. The proposed results then, may take the form of a range of numbers rather than one. It may be a graph with a band rather than a single line.

The accuracy with which these sensitivities and assumptions are built into the plan may determine whether or not the plan needs to be updated yearly. Tracking and measurement are difficult when plans change from year to year. By the time one year's actual results are in, the plan has been revised. Opportunity lies in focusing on objectives and strategies that tend to remain stable even in periods of rapid change.

Each sensitivity should be discussed in a paragraph, which relates back to a planned objective and strategy. They may apply to more than one.

In figure 1 is a graphic display of the strategic planning process. Some companies have developed a very good strategic plan for their company using the format developed by Cooper.

REFERENCES

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