Strategic Foresight in the Water Sector
Heidi Ryan and Ann Gooding
Melbourne Water
Foresight is crucial

The water industry is in a period of rapid change. Until now, we have incrementally adapted to change and we have been able to plan ahead 50 or 100 years with confidence. However for the period that is now unfolding we require new, bolder approaches.

Melbourne Water’s foresight program enables us to take advantage of opportunities and address the challenges. It provides us with an understanding of global trends, which are crucial in an interconnected world where boundaries between industries are blurred.
Melbourne Water’s Foresight Program

The planning cycle starts with an Operating Environment Scan
• Melbourne Water undertakes an Operating Environment Scan once a year to identify global and local trends
• The scan is a critical input to Melbourne Water’s strategic architecture and is provided to the Board and Leadership Team for their annual strategic workshop
• Melbourne Water uses the scan to make informed decisions about organizational planning and to set organizational priorities for the year
Melbourne Water’s Foresight Program

Trends identified in 2018

1. Accelerated Growth (population is increasing faster than expected, population location)
2. Booming Infrastructure (increasing demand, shortening supply, social procurement)
3. Changing Customer Expectations (digital experiences, understanding customer needs)
4. Gathering Intelligence (data is growing, security and connectivity threats, AI)
5. Managing Diversity in the Workforce (pace of change, changing workforce, emerging skills gaps)
6. Matrix Accountability (shared risks/challenges, working together, transparency and trust)
7. Positive Outlook on the Economy (positive macro outlook, impact on cost of living)
8. Responding to Climate Change (GHG, temperatures and energy use are increasing, slow transition from coal)
9. Smart Health (emerging contaminants, growth in mental illness, more data from devices, decentralised care)
Melbourne Water’s Foresight Program

Analysis of trends in 2018

- In 2017 the top three trends were ‘Urbanisation’, ‘Climate Change’ and ‘Digital Future’
Lessons learned

The Operating Environment Scan has been successful in:
• stimulating conversation at the annual Board Strategic Workshop
• influencing Melbourne Water’s Strategic Direction
• promoting Melbourne Water’s foresight program to the sector
• communicating reasons for change to Melbourne Water employees
• developing foresight capability in employees

Opportunities for improvement include:
• operationalise the Operating Environment Scan
• build alignment across the ten year plan for Melbourne Water and ensure that it is embedded in business unit priorities
• ensure work is driven by organizational goals
• shape the workforce of the future
New Approach in 2019

Service planning as an annual process that:

• promotes conversations that connect the short, medium and long terms horizons (i.e. Operating Environment Scan to annual planning)

• works with the business to ask ‘the big questions’, set agreed priorities for each service, and connects these to meaningful actions

• provides a single view of service aligning our investment, service and performance planning

The process is supported by:

• improved Operating Environment Scan (updated)
• service on a page (new)
• business planning (updated)
• service performance dashboard (new)
## New Approach in 2019

### Business Planning
- **What is each Group's contribution to deliver on Service Objectives over the next 12 months**
- **Three horizons worked through for each service, actions listed for each business unit as contribution to achieving each horizon**
- **Executive Roundtables: Our big strategic questions**

### Corporate Planning
- **Organisational view on delivery for 5 years**

### Business Plans to Board
- **External environment pressures**
- **Long term trends that may impact our services**
- **Strategic workshop, and Executive + Board round tables**

### Operating Environment Scan
- **Understand & Agree (Current State Assessment)**
  - Draft Final 20yr Capex Plan to PLT
  - Board strategy session
  - Annual Report

### Service on a Page
- **Explore & Set (Future State Design)**
  - Final 20yr Capex Plan

### Validate & Communicate
- **Implement & monitor**

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<td></td>
<td>Board Review of Pricing Paper</td>
<td>Annual Report</td>
<td>Draft Final 20yr Capex Plan to PLT</td>
<td>Board strategy session</td>
<td>Final 20yr Capex Plan</td>
<td>Corporate Plan</td>
<td>Business Plans to Board</td>
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**Evaluation & Data**
- **Change to current approach**

**Service Performance Dashboard**
- **New addition**
  - New addition
  - Change to current approach
  - New addition

**Corporate Planning**
- **New addition**
  - New addition
  - Change to current approach
  - New addition

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**Change to current approach**
- **New addition**

**New addition**
What could a service on a page look like?

Service Objective: Waste to resources

Horizon One: Understand the market
- Define service portfolio
  - Understand customer expectations and insights
- Integrated Planning
  - Develop waste to resources strategy
  - Develop marketing plan

Horizon Two: Go to market strategy
- Integrated Planning
  - Develop service portfolios
- Integrated Planning Asset Management Services
  - Measure performance

Horizon three: Delivery
- Integrated Planning Asset Management Services
  - Plan and initiate projects
  - Review condition and performance information
- Wholesale services, Waterways & Land, Major Program Delivery
  - Deliver Operational Plans
  - Deliver Maintenance & Works Programs
  - Decommission & Dispose Assets/Non-Asset Solutions
  - Delivery of Investment programs

Key input into Business Planning:
- Keep it simple
- Critical to success is alignment across business units
- ... and the conversations that underpin this
Thank you
## Melbourne Water’s Foresight Program

**Methodology**

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<tr>
<td>• Desktop research</td>
<td>• Employee survey to determine likelihood and consequence of the trends</td>
<td>• Presentation to Board and Leadership Team</td>
<td>• Communications to the business – roadshow and briefings</td>
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<td>• Interviews with stakeholder and customer representatives</td>
<td>• Analysis of trends including interdependencies and scenario planning</td>
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<tr>
<td>• Interviews with Melbourne Water executive team</td>
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Develop and deliver the Operating Environment Scan

Embed in the business
New Approach in 2019

Where are we now?

Service Portfolio

Business Groups

- Responsible Integrated Planning
  Input from Customer and Strategy
  - Water
  - Sewerage
  - Drainage
  - Waterways

- Responsible Integrated Planning
  Input from Customer and Strategy: Asset Management Services
  - Wholesale Services, Waterways & Land

Defining Service Portfolio

- Understand Customer Expectations & Insights
- Understand Strategic, Policy, Legislation & Regulatory requirements & challenges
- Develop service portfolio
- Testing for variability outcomes with non-customer stakeholders

Developing Service Strategies

- Develop Service Strategies
- Develop Service Plan
- Measure achievements of Service Outcomes & Service Objectives

Service Delivery & Investment Planning

- Develop AM Plans & Works Program
- Develop Investment Plans (Capital & O&M)
- Develop Operational Plans
- Risk & Value Projects (Renewals, Growth, Compliance, Non-Asset & Valuable Maintenance
- Prepare for Asset Depreciation
- Review Condition & Performance Information

Service Lifecycle Delivery

- Deliver Operational Plans
- Deliver Maintenance & Works Programs
- Decommission & Disposal/Asset realised/Work Solutions
- Delivery of Investment Programs

Performance Monitoring & Review

Review and Continuous Improvement