

Making a Compelling Argument for Investment

1 Investment Proposals as Influential Branding Opportunities

Public Perception Impacts Investment Decisions.

The impetus for building a strong brand is simple: perception influences the decisions people make about a product or organization. The branding process is designed to ensure that an organization's value (or the value of its products) is accurately perceived. For example, consumers who appreciate the Starbucks "customer experience" and variety of drinks are willing to pay more for a cup of coffee. Conversely, if consumers are unaware that Red Bull is an energy drink, then they will not purchase the product when they need a boost of energy. In a similar vein, perceptions about a utility's planning capabilities, efficiency, and financial expertise influence policy decisions related to rates and infrastructure investment.

A Strong Utility Brand Protects Public Interests. For consumer products, the performance of the brand determines price and market share. For utilities, the branding process has a slightly different objective: to ensure the utility has the reputation of protecting the interests of its customers and the communities it serves. Protecting these interests begins with securing the funding necessary to provide highly reliable and cost-effective services now and in the future.

Policy Decisions Are Influenced by Compelling Arguments.

Decisions about the utility's service fees and investments are made by policymakers (typically, members of boards of directors or city councils). A well-focused branding process builds a strong reservoir of trust with policymakers — and those in position to influence their decisions — in regards to the utility's planning, finances, and efficiency. But to secure the support of policymakers on a particular decision or activity, the utility must complement this reservoir of trust with rate and infrastructure investment proposals that are compelling.



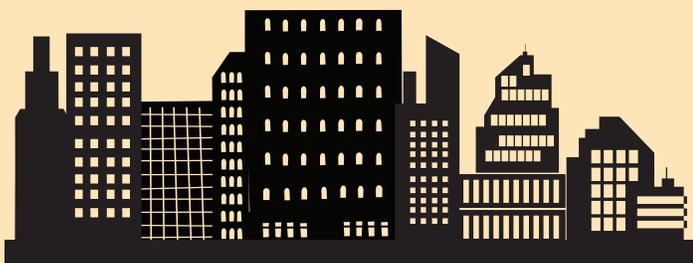
Investment Proposals Have Marquee Value. The utility's investment proposals are the most important communications that it produces. These proposals are not technical documents, but rather high-quality, compelling business cases that employ a consistent structure, focusing on value, risk management, and finances. The quality of these proposals impacts the utility's brand because they provide a window into the utility's motivations and reveal its planning and communications skills. Nothing could be more relevant or important.

2 Structure of a Compelling Argument

Compelling arguments result in compelling proposals.

A compelling argument is one that is convincing and persuades people to agree. It answers the most relevant questions in advance and employs a structure that vets the argument for quality, efficacy, and completeness; therefore, its structure is just as important as its content.

To draft a compelling investment proposal, utility staff must understand the structure of a compelling argument and why this structure leads to agreement and/or consent. The structural elements of a compelling argument, which should be explicitly labeled in any proposal, include the following:



- ✓ **Summarize the Proposal in Its Title.** For example, "Approve \$6 Million to Rehabilitate the Main Street Pumping Station."
- ✓ **Identify Relevant Standards.** Defined as "rules, levels of quality, or achievements considered acceptable or desirable," standards serve as formal expressions of the motivations driving the activities and decisions of an organization. Standards are the foundation for all strong brands and, in the case of utilities, provide an essential context for investment proposals. For example, a standard could relate to water reliability, odor control, preventative maintenance, financial reserves, or meeting regulations (such as complying with the Clean Water Act).
- ✓ **Describe the Problem.** Most investments are designed to solve an existing problem or a problem that will occur in the future if no action is taken. Politics fade away and money flows when sewer mains break or communities experience water shortages; however, utility managers and policymakers are not protecting the public's best interest if their decisions delay investments until failures occur. A problem is best expressed as an inability to meet current standards or to comply with new standards or regulations. For example, "The treatment plant in its present condition cannot maintain 24/7 reliability or comply with upcoming changes in water-quality regulations."

Continued on Reverse Side

2 Structure of a Compelling Argument *(Continued from Front Side)*



✔ **Propose a Solution.** Describe how the problem will be solved. For example, if the problem is related to water-supply reliability, the solution will likely include specific investments in water-use efficiency, new water supplies, recycled water, or increased water storage capacity.

✔ **Address Fiscal or Rate Impacts.** Communicate the operating and capital costs of the proposed solution, its impacts on rates or fees, and whether current budgets and rates already allow for the necessary funding. The latter is critical information because policymakers will be extremely interested in whether they need to alter budgets, use financial reserves, or raise rates.

✔ **Justify the Timing.** A compelling argument must answer “Why now” or “Why should action be taken in the proposed timeframe?” Explain the logic behind the timing, which will involve describing the increased risks and/or costs of delaying the investment.

✔ **Share Considered Alternatives.**

Because there are usually several ways to solve a problem, questions will inevitably arise regarding possible alternatives.

A compelling argument addresses these questions in advance, describing the evaluated alternatives and reasons for eliminating them as viable options. Doing so demonstrates that the utility is objective, thorough, and transparent.

✔ **Describe the Consequences of Failing to Act.** An often overlooked – but critical – element of a compelling argument is describing what will happen if the proposed course of action is not taken, usually expressed in terms of increased risk or cost. It is vital that policymakers understand the consequences of voting “no.” A majority vote to disapprove a needed investment is, in effect, a decision to delay, which often leads to infrastructure failures and service degradation.

3 Benefits of a Compelling Argument

Important Information Is Categorized. The structure of a compelling argument sorts information and makes it more accessible, allowing the reader to easily identify the utility’s standards, problems to be solved, proposed solutions, and other important elements. Categorization makes the proposal much easier to read than a series of paragraphs that lump together different types of information.

Standards Are Highlighted. A conversation about standards is a conversation about value, which is the most meaningful dialogue a utility can have with policymakers and the public. A review of specific standards often leads to the conclusion that the investment level is appropriate (rather than concern that the utility is overspending). Focusing on standards conveys that the utility is standards-driven as opposed to being motivated by opinions, personal interests, or ideologies.

Professional Dialogue Is Encouraged. A compelling argument is designed to keep the dialogue focused on standards, problem solving, and the interests of the community. Such focus is critical because dialogue often becomes unproductive and personal when ideologies or opinions drive the discussion, leading to conflict and poor relationships between policymakers, utility staff, and the public. Such deteriorated relationships can linger and result in ongoing conflict and poor decision-

making. These conditions may cause the staff to conclude they have a “difficult” governing body, which is an unfortunate outcome because it means staff has surrendered, relinquishing power to a perceived situation rather than relying on their ability to make strong proposals for investment.

Important Questions Are Answered in Advance.

By addressing relevant questions in advance, the argument (1) sends the message that the proposal has been thoroughly vetted and (2) helps avoid tangential discussions. The key is to focus the dialogue on value, risk management, and finances.

Trust and Confidence Are Increased. The use of a consistent structure sets a standard for evaluating both the efficacy of the actual investment and quality of the proposal. In time, policymakers will come to trust that this structure provides the required scrutiny.

Consequences of a “No” Vote Are Clarified. The most critical structural element of a compelling argument is describing the ramifications of not acting or delaying. Policymakers considering a “no” vote must craft a plausible argument for denying the proposal or risk people thinking that their motivations are not aligned with the best interests of the community.

The Proposal Is Easier to Sell. Using the compelling argument structure gives policymakers the confidence to lend their support and “sell” the proposal to their constituents. This structure also helps community leaders, the media, and others fully appreciate the value of the investment.

Utility Branding Network *Increasing Trust, Support, and Investment*

The Utility Branding Network is committed to ensuring that water and wastewater agencies are trusted and that the rate-setting process fully funds utility operating costs and needed capital investments. The Network is managed by the National Water Research Institute on behalf of water and wastewater agencies. For more information, please contact John Ruetten at john@utilitybranding.net or Jeff Mosher at jmosher@nwri-usa.org.

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