Strategic Planning Guidelines

To:
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Acknowledgments

In preparing these guidelines, the Department of Finance reviewed numerous publications, books, and plans for other organizations/ governments. The primary references used are listed in Appendix E. From these references, we have incorporated practical and informative materials and text to assist state agencies.

Introduction

Strategic Planning Guidelines has been prepared to assist agencies[1] in understanding the strategic planning process. After addressing the overview of what planning is, the guidelines provide a framework to help an agency to develop its own strategic plan and to define performance measures that emphasize meaningful results. It is intended to serve as a continuing reference document for agencies.

The appendices summarize the basic process for agency strategic planning, set forth the instructions for the submission of each agency's Strategic Plan by July 1, 1998, and indicate various helps and references including a glossary of selected planning terms.

All California state agencies are required to have an approved strategic plan by July 1, 1997. The annual strategic plan survey, identifying those agencies with a strategic plan, will continue to be taken each February, with the resulting report sent to the Governor and the Joint Legislative Budget Committee (JLBC). Statute requires that agencies without a strategic plan during the prior year's survey must report each April 1 to the Governor and the JLBC.

Beginning with preparation of the Fiscal Year 1998-99 budget, strategic plans will be linked to the budget process. Henceforth, all budget change proposals, including those for capital outlay, will be considered for approval only when an agency has an approved strategic plan and the request will be required to be consistent with that plan. Although a strategic plan is not a budget request, the projected levels of goal achievement should be commensurate with anticipated resource levels.

An agency should consider the prospective readership of its strategic plan when determining length, style, and understandability. The presentation and effort should be commensurate with the size and complexity of an agency.

[1] Throughout the guidelines, the term "agency" is used to refer to a State agency, department, board, commission, or office.

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Strategic Planning Guidelines

◆ Planning

Purpose of Planning. "The purpose of planning is to improve the chances of reaching desirable possible outcomes. The benefits of planning enable an organization to:

(1) prepare for contingencies that could prevent it from attaining its goals,

(2) prepare a framework for the organization's orderly growth and progress, and

(3) have a strategy for the allocation of resources in a manner that will allow the organization to meet its goals."

> "In California, some State government departments do not plan at all, asserting the nature of their statutory responsibilities such as providing information or regulatory enforcement. Others do plan, but only because they may be statutorily required to do so. Yet others plan not so much because they have to, but because they see the inherent value in having a systematic strategy in place to meet their long range goals, objectives, and needs."
>
> "Correspondingly, the only State agency that need not plan would be an agency that has no long-range needs or goals to satisfy. In turn, an agency that has no long-range needs may not need to exist in the longer term." (Appendix E, reference #2, page 4)

Background. The Governor's Interagency Council on Growth Management found in 1992 that:

> "A variety of different kinds of plans exist. **Comprehensive** or **Master Plans** provide a comprehensive overview of a function, are long range, and set forth an agency's policy. **Facilities Plans** set forth agency objectives to maintain, locate and expand facilities under its responsibility. **Strategic Plans**, visionary and also long-range in approach, set forth the most feasible methods of implementing policies. Some strategic plans carry the misnomer of master plan, unfortunately. **Operational Plans** set forth an agency's staffing, budget, and resource allocations. **Policy Plans**, often times components of strategic plans, set forth a department's conceptual policies without necessarily indicating specific measures for their attainment or methods of evaluation. All serve as **functional plans** which, as defined in Government Code Section 65026, are intermediate- or short-range plans for the operation of a State

> governmental discrete function. State departments select the type of plan not only on the basis of finding the best approach to meet goals, but also because statutes occasionally dictate certain elements of a plan's format and the particular requirements to be fulfilled." (Appendix E, reference #2, page 19)

The California State Administrative Manual (SAM) Sections 1100 through 1107 address the State Plan Preparation and Review Process. These sections also discuss relevant sections of statutes, as well as set forth the administrative steps to the planning process.

In 1994, the California State Legislature enacted, and Governor Wilson approved, the State Government Strategic Planning and Performance Review Act (Chapter 779, Statutes of 1994). This legislation requires the Department of Finance (DOF) to annually survey agencies to obtain specified information concerning strategic plans and to recommend which agencies should develop or update a strategic plan. It also requires the DOF to develop a plan for conducting performance reviews of state agencies that have completed strategic plans.

In 1996, as part of its Chapter 779 report, the DOF recommended that all agencies have a strategic plan. Subsequently, Management Memo 96-23 was issued to mandate this requirement that all state agencies have a strategic plan.

What is a Strategic Plan. A strategic plan is a practical action-oriented guide, based on an examination of internal and external factors, which directs goal-setting and resource allocation to achieve meaningful results over time.

A strategic plan develops a clear statement of the agency's mission and vision, identifies a set of goals and objectives and formulates key strategies that address those factors that are essential to the agency's success. Key strategies also indicate the major undertakings that will reposition the agency for the future.

A plan should address the agency's reengineering of the business process. This reengineering is the search for, and implementation of, radical changes in business processes that result in dramatic efficiencies, reductions in turnaround time, improvements in quality, or improvements in customer service.

Components of a Strategic Plan. There are several key components that are usually included in a plan; these include the internal/external assessment, mission statement, principles, vision, goals, objectives, performance measures, and action plans. Additionally, there are specific steps to be taken to (a) develop and implement the plan, and (b) track and monitor progress. However, it is generally recognized that the comprehensive process used to create the strategic plan is more useful to the agency than the plan itself.

◆ Strategic Planning

What is Strategic Planning? Strategic planning is managing for results. It is defined as a long-term, future-oriented process of assessment, goal setting, and strategy building that maps an explicit path between the present and a vision of the future, that relies on careful consideration of an organization's capabilities and environment, and leads to priority-based resource allocation and other decisions. It is a disciplined effort to produce fundamental decisions and actions that shape and guide what an agency is, what it does, and why it does it. It includes the process of developing a strategic plan. A strategic plan is an agency's comprehensive plan to address its business needs; i.e., to successfully carry out its programmatic mission. Because strategic planning is a team effort that builds consensus on a future direction for an agency, the process itself is more important than the resulting document.

The California State Government Strategic Planning and Performance Review Act (Chapter 779, Statues of 1994) finds that "strategic planning is a **prerequisite** for effective performance review and performance budgeting." (*emphasis added*)

Strategic planning is an essential tool. Strategic planning determines the things that an agency can do to address customer expectations. Agencies are constantly challenged to manage complex and changing problems with limited resources. Administrators must address new as well as ongoing responsibilities while containing and even reducing costs. Further, agencies are being asked to focus on achieving results and stretching those results each year so that more work is done, work is performed better, and/or work is done faster. In other words, results should focus on the efficiency and effectiveness of agency operations.

Key Point

"If you fail to plan, you plan to fail."

Strategic planning is adaptable. Strategic planning takes a long-range approach, but can use regular reviews and updates to check progress and reassess the validity of the plan based on strategic issues uncovered in the internal/external assessment. The plan can be updated to make the adjustments necessary to respond to changing circumstances and take advantage of emerging opportunities. It sets targets for performance, incorporates ways to check progress, and provides guidance for on-going operational and capital plans and budgets.

Strategic planning is planning for change in increasingly complex environments. Perhaps the one constant in State government today is the notion of change. Increasing demands for services, shrinking resource bases, and greater expectations for service all combine to form a dynamic environment. Strategic planning is proactive, it stimulates change rather than simply reacting to it.

Strategic planning employs common sense. Strategic planning is visionary yet realistic; it anticipates a future that is both desirable and achievable. It provides a structure for inspired, but practical, decision-making and follow-through.

Strategic planning is part of quality management. It helps the executive to manage the future, rather than be managed by it. It involves a disciplined effort to help shape and guide what an agency becomes, what it does, and why it does it. Strategic planning requires broad-scale information gathering, an exploration of alternatives, and an emphasis on the future implications of present decisions. It facilitates communication and participation, accommodates divergent interests and values, and fosters orderly decision-making and successful implementation.

Key Point

It is essential to recognize what strategic planning is not. It is NOT a quick fix. Like many quality management efforts, it is a long-term investment with payoffs that increase over time. Planning is not a magic wand; saying something does not make it so. In other words, any plan must be accompanied by commitment and action if it is to achieve results.

Why isn't this long-range planning? Strategic planning and long-range planning are different in practice.

- Strategic planning relies heavily on identifying and resolving **issues**, while long-range planning focuses more on specifying goals and objectives and translating them into current budgets and work programs.
- Strategic planning emphasizes assessment of the environment outside and inside the agency far more than long-range planning does.
- Strategic plans embody qualitative shifts in direction and include a broader range of contingency plans, while long-range plans typically are linear extrapolations of the present. Strategic planners usually consider a **range** of possible futures and focus on the implications of present decisions and actions in relation to that range. Long-range planners tend to assume a **most likely** future, and then work backward to map out the sequence of decisions and actions necessary to reach the assumed future.
- Strategic planning is much more action oriented than long-range planning.

Strategic planning is a complex undertaking, requiring the active participation of all levels of agency management. Agency leadership should take an active role in strategic planning and performance measurement, including formulation and improvement of their agency's performance management systems. Program managers, however, should have a major role in identifying these elements as they pertain to their own programs. Success involves a thoughtful combination of visionary creativity and rigorous analysis, tempered by a keen appreciation of technological possibilities and political and economic realities.

In simple terms, strategic planning helps an agency ask four basic questions:

WHERE ARE WE NOW?

WHERE DO WE WANT TO BE?

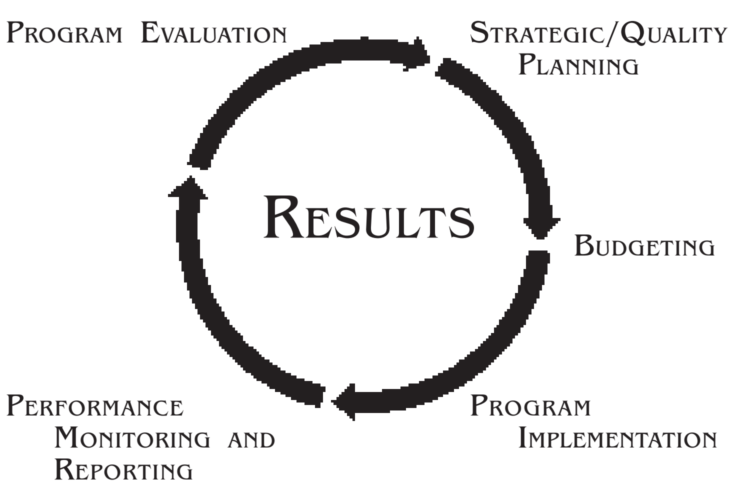
HOW DO WE GET THERE?

HOW DO WE MEASURE OUR PROGRESS?

Strategic planning is managing for results. It is a participatory process which requires the full support of the agency director. Top management should make a firm commitment to support the planning effort by providing resources for that effort. The head of the agency should assign individuals to the task of formulating an integrated plan.

Strategic planning considers the needs and expectations of customers and stakeholders (including policy-makers) in defining missions, goals, and performance measures.

THE STRATEGIC MANAGEMENT CYCLE



NOTE

Source: State of Arizona's *Strategic Planning and Performance Management Handbook*, "Managing for Results"

NOTE

In practice, the cycle may not be sequential. This illustration is designed to illustrate the interrelationship between key components.

◆ Relationship of Strategic Planning to Other Management/Planning Systems

Strategic management is the process of positioning an agency so it can prosper in the future. Strategic management integrates strategic planning with other management systems. As shown on the above illustration, "The Strategic Management Cycle," it can link strategic/quality planning, budgeting, program implementation, performance monitoring and reporting, and program evaluation. In practice, strategic management may not be sequential, but there are strong interrelationships between the various key components. The links between strategic planning and these other management systems are further described below.

Quality Management. Strategic planning works best in an atmosphere of quality management. Ideally, strategic planning is integrated with quality concepts. However, strategic planning can also be successfully employed as the vehicle to introduce quality concepts and efforts. Strategic planning and quality management share many elements; therefore, these guidelines strive to integrate strategic planning and quality concepts and techniques.

Total Quality Management (TQM) is a management approach that values customer satisfaction. TQM is based on participation of all members of an agency in improving the processes, products, services and culture in which they work. In employing TQM, agencies must be careful not to focus too much on the improvements themselves, but rather on how to improve processes, because improvement is a continuous process. The emphasis of TQM is on continuous improvement rather than a one-time fix.

The fundamental elements of quality management and strategic planning are the same. Both are systematic approaches to identifying problems and opportunities that:

- promote customer-focused services and products
- emphasize employee involvement and teamwork
- use performance measurements
- focus on results
- rely on data collection and interpretation
- support management that is based on facts
- involve efficient and effective resource allocation and management

Like strategic planning, quality management cannot succeed without the commitment and support of top management. Successful implementation of both the principles of TQM and strategic planning requires a vision, planning, and active involvement from agency top management. In addition, it needs management's practical support through continuous training and education, time, money, and personnel. In fact, indifference and lack of involvement by top management are frequently cited as the primary reasons for the failure of TQM and strategic planning endeavors.

Fortunately, more and more agencies are recognizing the benefits of TQM and are using TQM as a strategy to achieve their agency goals and objectives. TQM has gained popularity as the "method-of-choice" primarily because it is designed to improve work quality, customer satisfaction, and employee morale. TQM can also increase productivity, empower employees, and reduce bureaucracy by eliminating duplications and streamlining work processes.

Budgeting. Strategic planning and budgeting are integral components of good management. The strategic plan charts direction, while the budget provides resources to implement the plan. A strategic plan neither grounded in fiscal reality nor linked to the budget would be only a dream. On the other hand, resource allocation without strategic thinking would be shortsighted and unresponsive to future conditions.

Strategic planning guides the budget process. It establishes and affords management an opportunity to reevaluate existing allocations of funds. Agencies can develop strategies and action plans that detail what will be accomplished to achieve strategic planning goals and objectives each year. These action plans, together with performance measures, provide the strongest links between the operating and capital outlay budgets.

Planning and budgeting are interactive. Assumptions about available resources affect what can be achieved in the plan; the plan also sets priorities for resource allocations. Since government funding continues to be limited, strategic planning can help agencies as they strive to "do more with less" while remaining focused on results.

The Internal/External Assessment component of the strategic planning process can be valuable in identifying trends, demand factors, and strategic issues to support budget development. Well-conceived strategic plans, with missions and goals that emphasize accomplishment of meaningful results in a constrained fiscal environment provide strong justification for resource allocation.

Human Resources, Training and Workforce Development. Executive Order W-151-97, issued March 31, 1997, stipulates that models for integrating workforce development programs into organizational strategic plans shall be defined. Consistent with that order, strategic plans shall address human resources elements where appropriate, beginning with those plans submitted for approval in 1998.

State agency strategic plans, in addressing human resources planning needs, may include one or more human resources topics such as: 1) changes in work design and/or organization; 2) recruitment and planned demographic changes; 3) changes in classification and pay, etc.; or 4) employee development, education and training.

Human resource issues can be addressed through a variety of means consistent with your state agency's planning model and at the appropriate level of the plan. For example, workforce development initiatives, such as training, may be encompassed within a strategic direction set forth by the state agency, or may be identified and tracked through a specific performance measure. Under performance budget models, outcomes should be identified and measured.

All state agencies should keep their DOF budget analyst and Department of Personnel Administration (DPA) classification analyst informed of their strategic planning and human resource/workforce development planning efforts.

The DPA will issue additional guidance to assist state agencies in bringing human resource and workforce development elements into the strategic planning process.

Information Technology Management. Information technology resources include, but are not limited to, computer equipment, software, communications, applications, and consulting services.

The Agency Information Management Strategy (AIMS) must be consistent with, and subordinate to, the overall agency strategic plan. (State Administrative Manual Sections 4900 through 4900.7 address Information Technology Information Management Planning, including the AIMS.)

Program Monitoring and Reporting. A critical component of the strategic management cycle is the monitoring and reporting of progress in achieving strategic goals. Agencies are encouraged to develop monitoring and reporting systems that collect data continuously and report annually, at a minimum. The performance information from the agency's strategic plan provides a basis for reporting progress to external policy makers and the public. Agency annual reports provide an opportunity to report progress on planned accomplishments.

Program Evaluation. Agencies are encouraged to incorporate program evaluation as an ongoing process within their agency.

Federal Government Performance and Results Act of 1993. In 1993, the Government Performance and Results Act (Public Law 103-62) was enacted. The purpose of this Act is to improve performance accountability in the federal government. The law establishes a pilot program for federal agencies to develop strategic plans and performance measures. Some State agencies which receive funding from the federal government have been asked to provide planning and performance information to federal agencies. This link between state and federal efforts to achieve greater performance accountability may become stronger in the future.

◆ Features of Successful Strategic Planning

A successful strategic planning process has the following characteristics:

- It has the full support of the agency director.
- It is flexible. It fits the agency. It is user friendly.
- It is participatory. It involves executives, managers, supervisors, and staff at all levels; it gives each of them a "piece of the action."
- It is not left to planners; everyone plans.
- It clearly defines responsibilities and timetables. It is carried out by those who have the responsibility within the agency for achieving objectives, but is coordinated by a central figure; someone who has the "big picture."
- It galvanizes an agency; it produces understanding and common purpose throughout an agency.
- It stays aware of the environment in which it functions. It obtains perspectives from many levels and sources, both within and outside the agency.
- It is realistic about goals, objectives, resources, and outcomes. It takes personnel issues, overall fiscal conditions, and budgetary trends into account.
- It is politically sensitive.
- It is convincing. It develops and conveys compelling evidence for its recommendations. It uses innovative communications strategies.
- It has a method or strategy for resolving conflicts among stakeholders.
- It establishes and ensures accountability for results.
- It leads to resource decisions and acknowledges the reality of having to do more with less, often requiring tradeoffs or the redirection of resources.
- It is fresh and continuous, not stale and static. Both the plan and the planning process are reviewed and modified regularly (usually annually).

Key Point

*We are discussing **strategic planning,** not a **strategic plan**. Strategic planning is more than filling out forms, or compiling a document. Most of the value of strategic planning is realized during the **process** of planning itself.*

Recommended Strategic Planning Process

♦ Situation Inventory/Environmental Scan ♦ Customer Analysis ♦ Quality Assessment and Benchmarking ♦ Strategic Issues	Internal/External Assessment	Where Are We Now?
♦ Broad, comprehensive statement of the agency's purpose ♦ Core values, actions to achieve mission ♦ Employee and Management involved	Mission and Principles	
♦ When combined with mission & principles, identifies agency's uniqueness ♦ Compelling image of desired future	Vision	Where Do We Want to Be?
♦ The desired result after 3 or more years ♦ Specific and measurable targets for accomplishment ♦ Leads to Quality Initiative goals and objectives	Goals and Objectives	
♦ Strategies used to accomplish goals and objectives ♦ Detailed work plans ♦ Leads to resource allocation	Action Plans	How Do We Get There?
♦ Methods used to measure results ♦ Ensures accountability and continuous improvement-linked performance targets	Performance Measures	How Do We Measure Our Progress?
♦ Systems to monitor progress ♦ Compiles management information ♦ Keeps plan on track	Monitoring and Tracking	

Source: State of Arizona's *Strategic Planning and Performance Management Handbook*, "Managing for Results"

Note

In practice the process is not linear; some steps may be repeated as assumptions change.

◆ Prior to Developing The Plan

Several steps are normally taken prior to addressing and developing the "Where Are We Now?" part of the plan, including: (a) conducting a readiness assessment, (b) agreeing on a strategic planning process, and (c) forming strategic planning teams.

Developing a strategic plan for an entire agency requires formation of a planning team composed of senior executives and involves a broad spectrum of department staff in various phases of the planning process.

◆ Participants in the Strategic Planning Process

Strategic planning is a team effort. It involves all levels and functional units of an agency—top executives, middle managers and supervisors, and employees. Although strategic planning begins at the top, leaders should seek and reflect the input of managers, supervisors, and front-line employees who may know their customers and services best.

The size of the team will vary with the size and complexity of the agency. In a large agency, all of the participants listed below may be involved.

Depending on the size of the agency, successful strategic planning may include the following team participants:

> **Director,** who provides the leadership necessary to define the mission, craft the vision, and express the principles of the agency. The director must lead and actively support the planning process.
>
> **Members of Boards/Commissions** play an important policy-making role in the planning process. Boards and Commissions can assist in developing the mission, principles, and vision of the agency. They can also provide valuable feedback during the planning process.
>
> **Executive Management Team**, consisting of the agency's top management and other staff, use their knowledge of services and functional areas to: (1) work with the director in defining the agency's mission, expressing the agency's principles, and crafting an agency-wide vision; (2) set goals to provide direction for the whole agency and to address identified issues, problems, and opportunities; and (3) monitor overall progress and results. (In some agencies, senior executives may set objectives and strategies as well.) The team should include knowledgeable individuals from all programs or services operated by the agency, yet not become so large as to be cumbersome. Many agencies already have executive management teams that routinely meet and handle management issues. This

Key Point

Some leaders will be tempted to pay lip service to strategic planning while shunning actual involvement in the process; others will be tempted to prepare the whole plan on their own. Leaders must recognize their own role in the plan as well as the roles of others in the agency. The executive who wholly delegates his or her responsibility sends the message that strategic planning is not important enough to warrant his or her involvement. The executive who puts together a plan without participation from the managers and staff who must actually carry out the plan produces a document to which only one person—that executive—is committed.

group may serve as the nucleus of the planning team, along with additional resource persons who can contribute because of their knowledge, regardless of their rank in the agency.

Quality Councils, if established, can ensure coordination of the strategic planning process with the agency's quality improvement efforts.

Middle Managers, Program Managers, Supervisors, and Front-line Employees, who have direct program involvement and can carry the planning process into the program level—defining program missions and principles, setting program goals and specific objectives, developing courses of action or strategies to achieve objectives, operationalizing strategies through action plans, establishing and maintaining performance measures, and determining needed resources.

Financial or Budget Managers, who must analyze fiscal impacts of potential strategies, provide technical support, and use strategic plans to guide development of annual operating budgets and capital outlay budgets.

Facility Managers, who must analyze the impacts of implementing potential strategies on the agency's physical facilities and use strategic plans to guide development of capital outlay plans and budgets.

Human Resource Managers, who must analyze the impacts of implementing potential strategies on the agency's workforce, training programs, and human resource management policies.

Information Technology Systems Managers, who must analyze the impacts of implementing potential strategies on the agency's information technology management systems.

Strategic Planner or Planning Coordinator, who provides the coordination and tools for moving the organization through the planning process. The strategic planner or planning coordinator develops the timetable and organizes the entire process. ("Strategic Planner" or "Planning Coordinator" can be a functional title, not a position. A large agency may have more than one planner. In a small agency, the director may be the planning coordinator.)

Total Quality Management (TQM) Coordinator, who is responsible for coordinating the agency's quality improvement effort, if established. Involvement of the TQM coordinator can ensure that the agency's strategic planning and total quality efforts will be integrated. ("TQM Coordinator" may be a functional title, not a position.)

Facilitator, who can help guide participants through planning sessions, by assuring that all views are considered. A facilitator is a neutral party who is sometimes used to keep the discussion flowing. ("Facilitator" is a functional title, not a position, and may be someone from outside the agency.)

◆ Components of a Strategic Plan

Strategic planning asks and answers four basic questions. The process of addressing these questions produces responses which become the Strategic Plan. The components of a recommended strategic planning process that correspond with these questions are as follows:

Where Are We Now? Before an agency can develop a plan for a change, it must first determine where it currently stands and what opportunities for change exist. Strategic planning is supported by:

External/Internal Assessment. An analysis and evaluation of key internal and key external data and factors that influence the success of an agency in achieving its mission and goals. Two components of this assessment are:

- *Situation Inventory.* An assessment of an agency's position, performance, problems, and potential; in other words, its strengths and weaknesses.
- *Environmental Scan.* An analysis of key external elements or forces, including the stakeholder analysis, that affect the environment in which an agency functions. This is commonly referred to as the opportunities of and threats to the agency.

  In developing a strategic plan, an agency should consult with the Legislature and solicit and consider the views and suggestions of entities, such as customers and other stakeholders, potentially affected by or interested in the plan.

Mission. The agency's unique reason for existence; the overarching goal for the agency's existence, usually contained within a formal statement of purpose. In addition, mission statements can be developed at the program and subprogram level.

Principles. The agency's core values and philosophies describing how the agency conducts itself in carrying out its mission.

Where Do We Want To Be? Strategic planning identifies:

Vision. A compelling, conceptual, vivid image of the desired future.

Goals. The desired end result, generally after three or more years.

Small Agency Helpful Hint

Obviously, a small agency, compared to a large agency, will not have as many people on the planning team. Often one person performs the work of several of the suggested participants. For instance, the Executive Director may also be responsible for the budget, information technology, personnel, and planning. In such cases, a small agency may choose to include any other key staff members on the planning team. Board and Commission members can also play an important role in the planning process.

Objectives. Specific and measurable targets for accomplishment of a goal.

How Do We Get There? Strategic planning develops:

Action Plan. A detailed description of the key strategies used to implement each objective.

How Do We Measure Our Progress? Strategic planning builds in:

Performance Measures. The methods used to measure results and ensure accountability.

Monitoring and Tracking Systems. The systems to monitor progress, compile management information and keep the plan on track.

Finally, strategic planning guides:

Resource Allocation. The determination and allotment of assets or resources, including those for capital outlay, necessary to carry out strategies and achieve objectives, within a priority framework.

◆ Applying the Strategic Planning Process

There is not a fixed "cookie-cutter" process that can be used for every agency. Agencies should tailor the strategic planning process to their management needs and agency and program structures. **The process is not linear.** Sometimes the results of one step may cause the team to go back to a previous step because assumptions have changed.

◆ Communicating and Marketing the Plan

Successful implementation of the strategic plan depends on effective communication:

Internally, the strategic plan should be communicated to all organizational levels. Managers and staff need to have a clear understanding of the plan and their roles in it. A "perfect" plan has little value if it is not widely understood and accepted. It must form the basis for daily action throughout the agency. Some ideas for improving internal communications about the plan include:

- Talk about the plan at staff meetings.
- Write articles about the plan for internal newsletters.
- Distribute copies of the full plan to program managers.
- Prepare a condensed brochure version of the plan to share with all employees.

- Display the mission statement in a prominent location in the building.

- Recognize progress on achieving the plan's goals and objectives at staff meetings, in newsletters, and at other agency events. Celebrate accomplishments.

Externally, the strategic plan should be communicated to individuals and organizations that have an interest in, or an effect on, the agency's programs (e.g., the Governor, Legislature, local governments, interest groups and the public). Various marketing approaches have been used to communicate information about the plan to those outside the agency to help build awareness of and support for the plan. Eye-catching visual presentations are especially effective. Large agencies may have public information offices who help develop marketing strategies. However, small agencies can accomplish the same purposes by utilizing some of the following ideas:

- Put the mission statement on letterhead and business cards.
- Include articles about the plan in agency newsletters.
- Explain the plan at community public meetings.
- Issue press releases with highlights concerning the plan.
- Prepare a condensed version of the plan in an attractive brochure and distribute it to interested persons and organizations.
- Reference the plan in speeches to the Legislature, private sector and community groups.
- Provide media interviews.
- Give presentations at conferences ("dog and pony shows").
- Produce a video or special newsletter on the strategic plan.

◆ TIMING

Forecasting and Planning Horizon—Where We Should Be Going. Currently, the planning horizon of most plans is five years or less. This is inherently insufficient in establishing agency planning objectives and strategies to direct growth and to address long-term impacts. Strategies needed to address long-term impacts by their very nature require analyses that goes beyond a mere five years.

In general, agencies responsible for physical infrastructure management and expansion (such as the Department of Transportation and the Department of Water Resources) plan for the long term, while agencies responsible for program administration (such as the Department of Aging and the Office of Statewide Health Planning and Development) plan for short-term program implementation. Most agencies in State government react to growth rather than influence or direct it, as indicated by their short planning time frames (1 to 5 years) and by their lack of specific strategies and actions addressing long-term growth issues.

Most agencies should prepare long-term strategies to meet and direct anticipated demand for services and facilities within their jurisdiction.

Long-term strategic planning can serve as a tool in growth management by identifying growth issues impacting the agency, identifying funding needs and determining least cost alternatives, establishing early coordination with other agency plans and developing strategies to direct this growth.

Some strategic plans span too short a time period. This precludes effective measurement of results, since impacts upon an agency beyond a five-year period can not be considered, including any significant demographic changes occurring in the population served by the agency. A long-term strategic plan that addresses the needs of an agency's client population, and identified strategies on how to accommodate the increasing or decreasing population would help the agency prepare for future program requirements, as well as facilitate integration of related growth issues.

No Initial Minimum Time Frame. There is not a specified minimum time frame for agency strategic plans. However, a long-term strategic plan that addresses future program growth for the five-to-ten-year period will have greater control of its destiny.

Annual Survey. Annually, the DOF surveys each agency, department, office, and commission to determine which entities have, or have not, completed strategic plans, and the dates on which those plans were completed or last revised. The DOF is then required by statute to submit to the Governor and to the Joint Legislative Budget Committee the results of the survey and to identify those agencies for which the DOF recommends the development or updating of a strategic plan. (Appendix E, reference #7).

On April 30, 1996, the DOF made its recommendation to the Governor and to the Joint Legislative Budget Committee. Its recommendation was the development of a Strategic Plan by all state entities.

Annual April 1 Report Due from Agencies Not Now Having a Plan. As a result of this recommendation, Government Code Section 11816, Chapter 779, Statutes of 1994 becomes operative. This section adds the following requirement for agencies not identified in the 1996 survey as having a plan:

> "Each agency, department, office, or commission shall develop a strategic plan and shall report to the Governor and to the Joint Legislative Budget Committee by April 1, 1995 and by each April 1 thereafter on the steps being taken to develop and adopt a strategic plan. This report shall include a description of the elements to be

included in the strategic plan, the process for developing and adopting the strategic plan, and a timetable for the plan's completion. In developing its strategic plan, each agency, department, office, or commission shall consult with at least the following affected parties: employee organizations, the Legislature, client groups served, suppliers, and contractors. The report shall also identify the steps being taken to develop performance measures that could be used for a performance budgeting system or a performance review."

NOTE

On August 9, 1996, the DOF issued Management Memo 96-23, *Strategic Planning Requirements.* Management Memo 96-23 requires that all state organizations have a strategic plan completed and approved by July 1, 1997. The Memo identifies the minimum components of a strategic plan, and states that the plans will be the basis for subsequent budgetary actions.

Relationship to the Budget Process. Because the strategic plan should drive an agency's budget, it should be developed or updated preceding the budget process, including that for capital outlay. Once the strategic plan is developed, it should be continually monitored and updated. Strategic planning continues to be a dynamic, ongoing process. Budget Letters 96-08, 96-16, 96-23, 97-07 and 98-07 also addresses Strategic Planning Requirements.

Revisions. Significant changes to a strategic plan should be made through a revision of the strategic plan. All strategic plan revisions must be approved by the Governor's Office. All departments that report to an Agency Secretary must obtain the Agency Secretary's approval of the department's strategic plan revisions. After the Agency Secretary approves the revision(s), the Agency Secretary will transmit the revision(s) to the Governor's Office (addressed to the appropriate Deputy Cabinet Secretary) for Governor's Office approval.

Departments that do not report to an Agency Secretary must have the approval of its Department Director or Executive Officer and then transmit the revision(s) to the appropriate Program Budget Manager in the Department of Finance for review. After the Program Budget Manager reviews the revision(s), it will be transmitted to the Governor's Office for approval.

Approval of a strategic plan revision does not indicate budgetary approval or approval of any budget change proposals relating to the revision.

The department shall provide to the Office of State Audits and Evaluations three copies of its plan approved by the Governor's Office.

Funding for the Planning Process. No additional funds will be provided to agencies for strategic planning. Resources to undertake the strategic planning process are to come out of an agency's existing resources. Strategic planning is an inherent function of management that is already funded in agency resources.

NOTE

Management Memo 96-23 requires that all state organizations have a strategic plan completed and approved by July 1, 1997.

Strategic Planning Calendar

Fiscal Year 1996-97

January - February 1997	DOF conducts 1997 (annual) strategic plan survey
March 1997	DOF issues survey report and makes recommendations
April 1, 1997	Annual report due to the Governor and JLBC from each agency, department, office, or commission not having a strategic plan for the 1996 strategic plan survey

Fiscal Year 1997-98

July 1, 1997	All agencies required to have an approved strategic plan
Fall 1997	Fiscal Year 1998-99 Budget Change Proposals prepared based on an approved strategic plan
January - February 1998	DOF conducts 1998 (annual) strategic plan survey
April 1, 1998	Annual report due to the Governor and JLBC from each agency department, office, or commission not having a strategic plan for the 1996 or 1997 strategic plan surveys
May 1998	DOF issues survey report and makes recommendations

Fiscal Year 1998-99

July 1, 1998	All agencies required to submit strategic planning information to the Governor's office for approval
Fall 1998	Fiscal Year 1999-2000 Budget Change Proposals prepared based on an approved strategic plan
January - February 1999	DOF conducts 1999 (annual) strategic plan survey
March 1999	DOF issues survey report and makes recommendations
April 1, 1999	Annual report due to the Governor and JLBC from each agency department, office, or commission not having a strategic plan for the 1996 or 1997 strategic plan surveys or an approved strategic plan for the 1998 strategic plan survey

. . . .

Reference: Government Code Section 11816. "Each agency, department, office, or commission for which strategic planning efforts are recommended pursuant to Section 11815 shall develop a strategic plan and shall report to the Governor and to the Joint Legislative Budget Committee by April 1, 1995 and by each April 1 thereafter on the steps begin taken to develop and adopt a strategic plan. This report shall include a description of the elements to be included in the strategic plan, the process for developing and adopting the strategic plan, and a timetable for the plan's completion. In developing its strategic plan each agency, department, office, or commission shall consult with at least the following affected parties: employee organizations, the Legislature, client groups served, suppliers, and contractors. The report shall also identify the steps being taken to develop performance measures that could be used for a performance budgeting system or a performance review."

Appendices

Appendix A: Glossary of Selected Planning and Budgeting Terms

Appendix B: Basic Process for Agency Strategic Planning

Appendix C: Instructions for 1998 Submittal of Strategic Planning Information

Appendix D: Help for the Planning Process

Appendix E: References

◆ GLOSSARY OF SELECTED PLANNING AND BUDGETING TERMS

Action Plan is a detailed description of the strategies used to implement an objective. Action plans break strategies into manageable parts for coordinated implementation of goals and objectives. Task specification includes staff assignments, material resource allocations, and schedules for completion. Action plans specify detailed cost and expenditure information and are often referred to as "operational plans" or "implementation plans."

Agency. Each of the various state government organizations that provides goods and services. For the purpose of this booklet, the term refers to any state organizational unit of the executive branch of State government including agencies, departments, boards, commissions, and offices. Such a State agency is created by statute or constitutional provision with statewide jurisdiction. It possesses administrative authority and resources independently of another State agency. Excluded by statute from the provisions of Chapter 779 are the Bureau of State Audits, the California State Lottery Commission, and the University of California.

Benchmark is a standard or point of reference in judging quality, cost-effectiveness or performance.

Benchmarking is the process of rating an agency's practices, processes, and products against the best and then emulating them. It involves seeking out best-in-class performers inside or outside the agency, studying them to determine why they are the best at what they do, and applying what is learned.

Cost-benefit Analysis is a management tool that involves calculating or estimating the known costs and potential benefits of a course of action under consideration.

Customers are people, internal or external to the organization, who receive or use what an agency produces. Customers are also anyone whose best interests are served by the actions of the agency. Customers can also be clients.

DOF. The California State Department of Finance.

Efficiency Measures are indicators of the input resources required to produce a given level of output (good or service). It is a measure of resource cost in dollars, employee time, or equipment used per unit of product or service output. An efficiency measure relates agency efforts to agency outputs. Indicators of average cost and average time normally serve as efficiency measures for agency processes, but they may also serve as outcome measures when cost-per-unit-of-outcome is the focus and can be meaningfully captured. The act of providing the highest quality goods or services at an established cost. Efficiency measures are also known as productivity measures.

Environmental Scan is an analysis of key external elements or forces that influence the conditions in which an agency functions. This is commonly referred to as the opportunities of and threats to the agency.

External Variables are factors not controlled through the policy or program that may have independent and significant effects on outcomes such as economic downturns, populations shifts, technological advances, cultural differences or changes.

Facilitator is someone who keeps the discussion flowing in planning sessions. A facilitator does not express an opinion, but helps ensure that the views of all participants are considered in the discussion.

Goals are the desired end result, generally after three or more years.

> **Agency goals** are the general ends toward which agencies direct their efforts. A goal addresses issues by stating policy intention. They are both qualitative and quantifiable, but not usually quantified. In a strategic planning system, goals are ranked for priority. Goals stretch and challenge an agency, but they are realistic and achievable.
>
> **Functional goals** are the general ends toward which the State directs its efforts. Functional goals address the primary issues facing the State within broad groupings of interrelated State concerns. Functional goals are founded on the statewide vision and may involve coordination among several agencies with similar functions.

Input Measures are tools, or indicators, which identify the **amount of resources** needed to provide a particular product or service. Inputs include labor, materials, equipment and supplies.

Internal/External Assessment is the analysis and evaluation of key internal and key external data and factors that influence the success of an agency in achieving its mission and goals. Detailed evaluation of trends, conditions, opportunities, and obstacles directs the development of each element of the strategic plan. This type of assessment should be heavily quantitative. Key internal factors include management policies, resource constraints, organizational structure, automation, personnel, and operational procedures. Key external factors may include economic conditions, population shifts, technological advances, geographical changes and/or statutory changes.

JLBC. The California State Legislature's Joint Legislative Budget Committee.

Measurement is a **quantitative** assessment of performance, quality or cost used to guide policy and the decision-making process. Measurements help guide staff and define objectives.

Mission is the agency's unique reason for existence; the overarching goal for the agency's existence, usually contained within a formal statement of purpose. It succinctly identifies what an agency, program or subprogram does (or should do) and why and for whom it does it. The statutory mission statement is usually found in the legislation creating the agency. A mission statement reminds everyone—the public, the Governor, legislators, the courts, and agency personnel—of the unique purposes promoted and served by the agency.

Monitoring and Tracking Systems. The systems to monitor progress, compile management information and keep the plan on track.

Objectives are specific and measurable targets for accomplishment of a goal. They mark interim steps toward achieving an agency's long-term mission and goals. Linked directly to agency goals, objectives are measurable, time-based statements of intent. They emphasize the results of agency actions at the end of a specific time.

Outcome Measures are indicators of the actual impact or effect upon a stated condition or problem. These measures address whether or not the service is meeting its proposed goals. They are tools to assess the effectiveness of an agency's performance and the public benefit derived.

> "True outcome measures are likely to report performance in terms of changed public or client behavior. Although outcome measures are generally preferable to efficiency or output measures, since they are most relevant to whether intended public policy goals are met, they sometimes suffer from a lack of proximate linkage to the responsibilities of the administering department. The outcome of enhanced public safety for a program's clientele, for example, could be affected by broader societal variables (e.g., the economy, criminal sentencing policies) as well as a program's crime prevention and law enforcement efforts. Thus, in some cases, a program's reported performance may not be exclusively controlled by the administering department and the investment level appropriated for that outcome. Accordingly … departments should review the causal linkages between all outcome oriented performance measures and their own responsibilities … department should attempt to control and/or clearly explain the effects of any extraneous variables, including the articulation of any assumptions with respect to such effects. While every effort should be made to establish outcome measures with strong causal linkages to program responsibilities, the departments may sometimes have to settle for output or efficiency measures if they cannot control or explain the effects of external influences.

> "In contrast, output or efficiency indicators are usually under the control of an administering department" (Appendix E, reference #1, page 16).

Output Measures are tools, or indicators, which represent the amount of products or services provided by an agency. The number of people receiving a service or the number of services delivered are often used as measures of output.

Performance Accountability is a means of judging policies and programs by measuring their progress toward achieving agreed-upon performance targets. Performance accountability systems are composed of three components—defining performance measures including outcomes, measuring performance, and reporting results.

Performance Budgeting allocates resources based on an expectation of performance levels, where performance is measured in specific, meaningful terms. It focuses on outcomes, rather than inputs or processes, in deciding how to allocate resources … (Appendix E, reference #1, page 1).

> A Performance Budgeting Pilot Project (Pilot Project) was announced in the January 1993 Governor's Budget and subsequently approved by the Legislature in the Performance and Results Act (SB 500 [Chapter 641, Statutes of 1993]). The Performance and Results Act (Act) requires the Department of Finance to evaluate the Pilot Project and report to the Chairperson of the Joint Legislative Budget Committee. In particular, the Act requires the evaluation to include attention to "… the extent to which performance budgeting results in a more cost-effective and innovative provision of government services … [and the] gainsharing rewards to each department in the … [project as well as] the specific innovation which brought about the savings."
>
> Performance budgeting appropriates funding in anticipation of realizing agreed upon levels of performance. Accordingly, it is important to allocate budgeted dollars for specific levels of targeted performance. To the extent feasible, these performance levels should be framed in terms of program outcomes. (Appendix E, reference #1, page 9).
>
> Performance budgeting should involve: (a) the development of quantifiable performance measures which serve as indicators or proxies for program outcomes, outputs or efficiency; … (Appendix E, reference #1, page 6).

Performance Measures. The performance measure is a management tool that measures work performed and results achieved. It describes (a) what is to be measured, and (b) the methods of measurement. The measure may be short- intermediate- and/or long-term.

Principles. Principles are human factors which drive the conduct of an agency and function as a guide to the development and implementation of all policies and actions. Often an agency's principles are implicitly understood, but it can be helpful to explicitly state them. Principles summarize the operating philosophies or core values that will be utilized in fulfillment of the vision and mission. Thus, principles are the bridge between where we are and where we want to be.

Program Performance. The Department of Finance believes that measurement of program performance should be a function of a program's legislated purposes. Depending on the specific purposes, a program's public outcomes or impacts (or indicators thereof) may be more or less susceptible to precise quantification. When program outcomes cannot be precisely quantified, performance might be best evaluated through measurement of efficiency or output indicators, coupled with ad hoc qualitative evaluations of effectiveness in achieving program purposes. In either case, however, the program measurements or indices (whether of efficiency, outputs or outcomes) should be relatively consistent from year-to-year, to allow longitudinal comparison of performance levels. (Appendix E, reference #1, page 6).

Quality measures are indicators which reflect the effectiveness in meeting the expectations of customers and stakeholders. Measures of quality include reliability, accuracy, courtesy, competence, responsiveness, and completeness associated with the product or service provided.

Resource Allocation. The determination and allotment of resources or assets necessary to carry out strategies and achieve objectives, within a priority framework.

SAM. California State Administrative Manual.

Situation Inventory is the internal assessment of an agency's position, performance, problems, and potential; in other words, its strengths and weaknesses.

Stakeholders are groups or individuals that have a vested interest or expect certain levels of performance or compliance from the agency. Stakeholders do not necessarily use the products or receive the services of a program. Sometimes referred to as expectation groups.

Strategic Issues are those concerns of vital importance to the organization. Often they impact several or all of the programs in an agency. Identifying these few critical concerns can help an agency focus on high priority goals for the agency as a whole.

Strategic Plan. A practical, action-oriented guide, based upon an examination of internal and external factors, which directs goal-setting and resource allocation to achieve meaningful results over time.

Strategic Planning is a long-term, future-oriented process of assessment, goal-setting, and strategy building that maps an explicit path between the present and a vision of the future, that relies on careful consideration of an organization's capabilities and environment, and leads to priority-based resource allocation and other decisions. It includes the process of developing a strategic plan. Because strategic planning is a team effort that builds consensus on a future direction for an agency, the process itself is more important than the resulting document.

Strategies are methods to achieve goals and objectives. Formulated from vision and mission, a strategy is the means for transforming inputs into outputs, and ultimately outcomes, with the best use of resources. A strategy reflects budgetary and other resources.

Tracking and Monitoring Systems are systems that monitor and report progress on implementing goals and objectives.

Vision is a compelling, conceptual, vivid image of the desired future. A vision focuses and ennobles an idea about a future state of being in such a way as to excite and compel an agency toward its attainment. It crystallizes what management wants the organization to be in the future. A vision is not bound by time, represents global and continuing services, and serves as a foundation for a system of strategic planning.

◆ BASIC PROCESS FOR AGENCY STRATEGIC PLANNING

Step 1: The agency conducts an **internal/external assessment** (with input from various levels of the agency and external stakeholders.)

Step 2: The agency director and planning team define the agency **mission** and express the agency's **principles**.

Step 3: The agency director articulates a **vision** for the agency. This vision is communicated to every level of the agency and shared by everyone in the agency.

Step 4: The director and planning team establish agency **goals and objectives** for the agency as a whole, based on consideration of external factors and internal capacities (revealed in the internal/external assessment.)

Step 5: The director and planning team identify **performance measures** for the agency goals and objectives and set performance targets.

The Governor's Office of Planning and Research (OPR) should also be involved at this state to coordinate the review of the agency's strategic issues by other State agencies. This will ensure that agencies are not working at cross purposes or in ignorance of the activities of other arms of the State. Where conflicts are identified, OPR should mediate solutions if the affected agencies cannot come to an agreement.

Step 6: The director and planning team in the agency communicate the agency mission, principles, goals and objectives to every level of the agency. **Action plans** are then developed to implement the agency strategic plan.

Step 7: Program managers and their key staff members define program and subprogram missions and establish program and subprogram goals (based on internal/external assessment, including a consideration of resources needed for achievement) that are consistent with agency mission, principles, and goals.

Step 8: Program managers, strategic planners and key staff members (including budget managers and key fiscal staff, facility managers, human resource managers, information systems managers, and front-line supervisors) develop measurable program and subprogram objectives, build strategies, and identify resources necessary to implement strategies and accomplish objectives. Intermediate performance measure targets should be established for each objective that represents incremental improvement. However, objectives, strategies and performance targets should be considered "tentative" or "proposed" until input is received from the front-line personnel who will bear the responsibility for carrying out strategic objectives and implementing them through action plans.

Step 9: Program managers and key staff members develop a balanced set of significant performance measures for each program and subprogram goal and objectives and set performance targets.

Step 10: Feedback and rollup begin. Within each program, subprogram plans are submitted to the next higher management level for review and coordination. After revisions (if any) are made, the approved elements are incorporated in the appropriate portion of the program strategic plan. During feedback and rollup it may be necessary to revise objectives or strategies originally proposed.

For example. Input for front-line levels may show that the time-frame or resource allocation originally projected for a particular strategy should be changed.

As strategies are "fleshed-out," it may become apparent that the time-frame or degree of change proposed in an objective should be altered. Performance measures may be aggregated in the move to higher levels.

Step 11: Program managers combine all subprogram elements into a program strategic plan and submit this plan, through the planning coordinator, to the agency director and the planning team for review and coordination.

Step 12: The agency director and planning team review any subprogram plans. They identify opportunities for coordination among program plans; they pinpoint the efforts they must make to support program plans and break down barriers to accomplishing objectives. They may also modify the plan for the agency as a whole based upon the program plans.

Step 13: The entire organization puts the agency, program and subprogram strategic plans into action and uses a **tracking and monitoring system** to measure progress. The plan guides both operational planning and budgeting and capital outlay planning and budgeting. Strategic plans and performance results are regularly evaluated, and the plan is revised accordingly. Successes are celebrated and rewarded; lack of progress is analyzed, lessons are learned, and appropriate changes made.

SMALL AGENCY HELPFUL HINT

In small agencies with one or two programs, these program plans are the agency strategic plan. Those small agencies may skip to Step 13.

APPENDIX C

◆ INSTRUCTIONS FOR 1998 SUBMITTAL OF STRATEGIC PLANNING INFORMATION

By July 1, 1998, each agency[1] is required to submit strategic planning information to the Governor's Office for approval. Submittal of this information may take one of two forms: (1) a letter from the department director attesting to no changes to the previously approved strategic plan, or (2) a revised strategic plan.

AGENCY ATTESTATION LETTERS

The attestation letter must specify that there are no changes to the agency's previously approved strategic plan. For the purposes of this letter, 'no changes' means that there are no changes to the goals or objectives contained within the approved plan. The dated letter is to be signed by the head of the agency.

AGENCY STRATEGIC PLANS

Budget Letter 98-08 identifies a new requirement: each agency must revise its approved strategic plan if there is 1) a change in any goal, or 2) a change in any objective, or 3) a proposed budget request that will not tie into the existing plan. (All agencies are assumed to have a strategic plan, since Management Memo 96-23 requires that each agency develop a strategic plan by July 1, 1997.)

The agency strategic plan establishes and documents the future direction for the agency as a whole. The agency strategic plan reflects a "top-down" orientation that transcends the agency's program structure. Through the agency strategic plan, the director can articulate priorities for the entire agency over a minimum of the next three years.

The agency strategic plan is based upon identification of important issues that impact the agency. These strategic issues are clarified during the process of conducting the agency's internal/external assessment. Strategic issues may be a combination of many different operational or programmatic concerns.

> ***For example.*** Issues affecting multiple programs, system-wide operational issues (e.g., information systems, or personnel management), agency public relations/customer concerns, or resource issues.

[1] The term "agency" is used to refer to a State Agency, department, board, commission, or office.

Agency strategic issues can also result from statewide policy issues that have been identified through Executive or Legislative initiatives. In addition, strategic issues may be cross-functional and involve other agencies or organizations.

Although an agency may choose to have a strategic planning process addressing all future actions, only the key future action items are to be documented in the strategic plan that is sent to the Governor's Office. Typically, the director and executive management team should and will select only a few strategic issues to address in the strategic plan which is to be approved by the Governor's Office. In this way, they remain focused on the most important concerns. Goals, objectives, performance measures, and action plans are then developed in response to the agency's strategic issues.

General Guidelines for Agency Strategic Plan Submissions

While agencies have considerable latitude in preparing their plans, they are requested to arrange their information according to a standard table of contents. This will maintain a degree of continuity between different agency documents and ensure compliance with the minimum requirements. The suggested Table of Contents for the plan is shown below. Components recommended, but not required, are so noted. The Table of Contents is revised for the 1998 submittals.

Strategic Plan Survey and Reporting to the Legislature

Government Code Title 2, Division 3, Part 1, Chapter 8.1 (commencing with Section 11810) sets forth the State Government Strategic Planning and Performance Review Act. Among other things, it requires the Department of Finance (DOF) to 1) conduct surveys to determine the status of strategic plans, 2) identify agencies for which DOF recommends the development or updating of a strategic plan, and 3) develop a plan for conducting performance reviews of all agencies.

The 1998 survey forms were sent to agencies for which the DOF Office of State Audits and Evaluations had no record of a current approved strategic plan.

Beginning with the issuance of Budget Letter 96-16, the Department of Finance, pursuant to Government Code Section 11815, continues to require all agencies to develop or update a strategic plan.

If an agency does not have an approved strategic plan, a requirement is placed on it by the Legislature and described in Government Code Section 11816. By April 1 of each year, that agency is required to annually submit to the Governor and to the Joint Legislative Budget Committee the report described in Section 11816. This report is in addition to the requirements included in any Budget Letter or Management Memo.

Scope of the Strategic Plan

The plan should be oriented toward the vital **few** strategic goals that reflect **key** future direction for the organization as a whole. This documentation of the agency strategic planning process is not intended to be a recompilation of every program and subprogram goal or objective.

An agency should consider the prospective readership of its strategic plan when determining length, style, and understandability. The presentation and effort should be commensurate with the size and complexity of the agency.

Brevity and conciseness will likely characterize plans that are useful and widely read. One way to achieve this is to keep the number of goals to a manageable level.

Strategic Plan Format

What is the format of a Strategic Plan? There is no prescribed detailed standard format. Except for the guidelines below, each agency may determine the format and content of the documentation of its strategic plan. The documentation must satisfy agency management requirements and be sufficiently detailed to provide the Governor's Office, the Agency Secretary (as appropriate), the DOF, and other stakeholders with a clear understanding of the agency's strategies. It is the responsibility of the agency to ensure that the information available to the Governor's Office, the Agency Secretary (as appropriate), and the DOF represents its current strategy.

Agency Strategic Plans Table of Contents

Executive Summary
Table of Contents
Mission Statement
Description
Principles
Internal/External Assessment Summary
Vision
Goals
Objectives
Performance Measures
Resource Assumptions

Appendix Items (required)
Methodology Statement

Appendix Items (recommended)
Action Plans [*]
Organizational Chart [*]
Plan for Monitoring and Tracking Performance[*]
Agency Program Hierarchy [*]
Other Information [*]

. . . .
* recommended components but not required

AGENCY STRATEGIC PLAN COMPONENTS

Each component in the strategic plan table of contents is summarized below.

- *Executive Summary*— This should encapsulate:

  (1) what the agency hopes to achieve with this plan;

  (2) a brief description of the plan's context; its purpose and scope (i.e., what it is intended to do), its relationship to other state plans and state planning goals, its relationship to the state budget, and when it will be revised;

  (3) the key elements of this strategic plan; and

  (4) the name and the phone number of the agency's contact persons who will respond to

  (a) questions about the plan, and

  (b) requests for copies of the plan.

- *Table of Contents*—the Table of Contents given above is the basic table for 1998.

- *Agency Mission Statement*—the reason for the agency's existence.

- *Agency Description*—a summary of the agency's major duties, responsibilities and customers served. This information will provide the reader with more background information about the agency. If the agency intends to widely distribute the plan, this additional information becomes more valuable.

- *Agency Principles*—the agency's core principles.

- *Agency Internal/External Assessment Summary*—an evaluation of key factors which influence the success of the agency in achieving its mission and goals. At a minimum, the agency should provide a brief summary of the key *external* opportunities and threats, as well as strategic issues, that have been identified during the internal/external assessment. (Internal strengths and weaknesses, while identified during the assessment, do not need to be reported.) Agencies may also choose to include tables, charts, and graphs to illustrate information that supports the internal/external assessment. Graphics can be incorporated in the text, or provided in the Appendix. In their sections on Internal/External Assessment, agencies may also want to summarize their general planning assumptions. However, resource assumptions are to be addressed separately, as discussed below.

- *Agency Vision*—the agency's image of the desired future.

- *Agency Goals*—the desired end result, generally after three or more years. Agency goals should reflect the most important strategic issues for the organization as a whole; they should not represent a comprehensive inventory of every program activity. Generally, since the goals in this document only represent <u>key</u> goals, five or fewer strategic goals will be sufficient for most agencies.

- *Agency Objectives*—clear targets for specific action to fulfill the agency's strategic goals. An agency may have multiple objectives under a single goal; however, at a minimum, each stated goal must have at least one objective for each of the following three fiscal years: 1998-99, 1999-2000, and 2000-01.

  (Budget requests must provide the cross-reference to the specific objectives in an organization's strategic plan. Therefore, the cross-reference should not appear in the strategic plan. The strategic plan is not a wish list of budget requests.)

- *Agency Performance Measures*—the quantified results to be achieved. Performance measures provide a basis for assessing successful achievement of the agency mission, vision, goals and objectives by focusing on attainment of the objectives. However, in order to retain focus on only the most significant, the vital few, the agency should limit the number of measures by selecting only the most pertinent measures for each objective for which data can be collected. (More than three or four measures will probably be too many.) At a minimum, there should be at least one **key** performance measure under each objective.

  When considered in the aggregate, agencies should strive for a balance of measures in their strategic plans, with an emphasis on outcome, efficiency, and quality measures. The use of simple input and output measures is not encouraged.

  At a minimum, actual and projected performance data, for the 1998 submittal, should be shown for the following fiscal years:

  FY 1995-96 actual
  FY 1996-97 actual
  FY 1997-98 estimated (target)
  FY 1998-99 expected (target)
  FY 1999-2000 expected (budget year target)
  FY 2000-01 expected (target)

  Two actual years show the established base level.
  The current year is shown (FY 1997-98).
  The next three years show the agency objectives in the strategic plan.

- *Resource Assumptions*—assumptions about resources required to implement the agency strategic plan. In this section, an agency should indicate whether they can accomplish the agency goals, annual objectives and performance targets within their existing budget or with reduced resources, or if additional resources must be requested. Keeping in mind that the strategic plan is not a budget document, **the intent of this section on Resource Assumptions is to provide brief statements that strengthen the link between the plan and the budget.** Resource assumptions for both appropriated and non-appropriated funds should be noted.

  For fiscal year 1997-98 estimates, agencies should develop their goals, objectives and performance targets based on their fiscal year 1997-98 appropriation and other expected funds. A general statement to this effect should be included in the Resource Assumption section. Any exceptions are to be explained, and the affected goal, objective or performance target designated by an appropriate footnote.

  Agencies should also describe their resource assumptions for fiscal year 1998-99 and subsequent fiscal years. If they can accomplish their agency goals, objectives and performance targets within their current base budget, they should add a general statement to indicate that no new resources are being sought to support the agency strategic plan. Agencies may find it helpful to explain that they intend to achieve their planned results in fiscal year 1998-99, and subsequent specifically identified fiscal years, by other means such as by improving a process or reallocating existing resources.

- *Appendix Items*

  A. *Required:*

  Methodology Statement—a brief description of the internal planning process used and the participants involved in the development of the strategic plan. It should address the stakeholder involvement to date in building the plan's (a) vision, (b) goals, and (c) objectives. It can include a brief description of how the plan was put together: identification of participants, in what kinds of forums, and a list of references and/or organizations involved in the development of the plan. It can include a description of the method by which planning actions are prioritized.

  B. *Optional, and provided at the agency's discretion*

  Agency Action Plans—the methods or strategies used to accomplish objectives and the summary of the detailed descriptions of how strategies will be implemented on an operational basis.

Agency *Organization Chart*—the current Organization Chart which displays the division and subdivisions within the agency and lines of authority. For large agencies, a summary chart will suffice.

Agency Program Structure—the current list of programs and subprograms within the agency. Alternatively, a diagram illustrating the program hierarchy can be provided.

Plan for Monitoring and Tracking Performance—a description of the methods the agency is using to determine if the strategic plan is being accomplished. Emphasis should be placed on describing how progress to achieve the objective is currently being monitored by using performance measures, as well as describing the projected plan for each of the other future fiscal years. The description should evaluate the results of past actions implemented.

> ***For example.*** The agency may note that it developed an action plan which it monitors monthly, while it compares actual performance data with planned targets on a quarterly basis.

Agencies may wish to indicate that they also plan to summarize overall progress in achieving the agency strategic plan in their annual report.

Other Information—Additional information to augment the agency's strategic plan. This can include technical studies which may assist readers in understanding the plan, and/or a glossary of technical terms used in the text.

Strategic Plan Approval

All revised strategic plans must be approved by the Governor's Office. All state agencies that report to an Agency Secretary must obtain the Agency Secretary's approval of the department's strategic plan. After the Agency Secretary approves the plan, the Agency Secretary will transmit the plan to the Governor's Office (addressed to the appropriate deputy cabinet secretary) for Governor's Office approval.

For state agencies that do not report to an Agency Secretary, the strategic plan must have the department director's or executive officer's approval and be transmitted to the appropriate Program Budget Manager (PBM) in the Department of Finance for review. After the PBM reviews the plan, it will be transmitted to the Governor's Office for approval. Transmittal by the PBM does not indicate any budgetary approval or approval of any budget change proposal relating to the plan.

The Governor's Office will forward a copy of an approved plan to the Department of Finance. The state agency will then be asked to send another *two* copies of its strategic plan, as approved, to the DOF Office of State Audits and Evaluations. The requirement of approval by the Governor's Office shall not apply to elected constitutional offices. However, agencies headed by a elected constitutional office are subject to all other requirements of the budget process, including having a plan, approved by the elected constitutional office, that is linked to the budget.

These requirements shall not apply to the judicial branch of state government, the University of California and the California State University system. However, these organizations are encouraged to develop strategic plans for use in preparing their budgets and to forward copies of their plans to the Department of Finance.

◆ Help for the Planning Process

The following can provide helpful information about Strategic Planning:

A. Bryson, John M., *Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievements* (Rev. Ed.), Jossey-Bass Publishers, San Francisco, 1995, 311 pp.

B. *Preparation and Submission of Strategic Plans,* Circular No. A-11 Part 2 (1996), Executive Office of the President, Office of Management and Budget, June 1996

C. *Statewide Plan Coordination in California*, Governor's Office of Planning and Research, pages 39 to 41.

D. *Workbooks.*

There are numerous strategic planning aids, including texts and workbooks available from bookstores and consultants. One such aid is the hands-on workbook companion to the above reference A: Bryson, John M. and Alston, Farnum K., *Creating and Implementing Your Strategic Plan: A Workbook for Public and Nonprofit Organizations,* Jossey-Bass Publishers, San Francisco, 1996, 117 pp.

E. *Strategic Planning Workshop*. A quarterly workshop/meeting for California state government strategic planners. For information contact the Strategic Planning Manager, (916) 657-8410, Department of Motor Vehicles, Strategic Planning Office, 2415 First Avenue, MS-C500, Sacramento, CA 95818.

F. *The California State Department of General Services.*

The Department of General Services (DGS) makes available a Strategic and Management Consulting Services Master Agreement (DGS-ITEC-MC-962) with professional consulting firms who can assist agencies to develop strategic plans. It is effective from August 2, 1996 through June 30, 1999. For information regarding the user's and selection guide for this agreement, please call the Information Technology & Education Center (ITEC) at (916) 324-6255 or (916) 322-9492.

Costs for services vary. The approximate cost for consultants from the DGS list is $65 to $180 per hour. Additionally DGS charges a 2 percent administrative fee based on the consultant's fees.

G. *The California State Department of Personnel Administration.*

Within the Department of Personnel Administration (DPA) the Office of Statewide Continuous Improvement (OSCI) assists California State departments in implementing the Governor's Executive Order W-47-93 on quality government. The Office maintains a pre-qualified bidder's list of many quality consultants on various topics which includes strategic planning. Any California State department can access OSCI's list of consultants through a streamlined process involving an Interagency Agreement with DPA. The DPA usually charges a 10 percent administrative fee based on the consultant's fees. For questions regarding this process or for referral of consultants, please call the Office of Statewide Continuous Improvement at (916) 323-4752.

Additionally, the State Training Center, administered by DPA, has a list of approved consultants, some of which provide strategic planning assistance. The approximate cost for consultants from the State Training Center list is $400 for a half-day session and $600 for a full day session plus travel and per diem,

H. Agencies may wish to find their own consultant through a Request for Proposal (RFP) process.

I. Agencies may choose to select an employee within their own organization who either possesses the expertise or is willing to be trained in strategic planning.

◆References

1. *The Performance Budgeting Pilot Project: An Evaluation of Its Status*, January 1996, State of California, Department of Finance

2. *Statewide Plan Coordination in California,* October 1992, State of California, Governor's Office of Planning and Research, Governor's Interagency Council on Growth Management

3. *Managing for Results, Strategic Planning and Performance Measurement Handbook,* State of Arizona, May 1995, Governor's Office of Strategic Planning and Budgeting, Governor's Office for Excellence in Government

4. *Planning for "Texas Tomorrow" Instructions for Preparing and Submitting Agency Strategic Plans for the 1995-1999 Period*, December 1993, State of Texas, Governor's Office of Budget and Planning, and the Legislative Budget Board

5. *Toward Useful Performance Measurement, Lessons Learned From Initial Pilot Performance Plans Prepared Under the Government Performance And Results Act*, November 1994, National Academy of Public Administration

6. *CALIFORNIA COMPETES, A Manager's Workbook for a Competitive Government,* February 1996, State of California, Governor's Office

7. *State Government Strategic Planning and Performance and Review Act (State of California),* Government Code, Chapter 779, Statutes of 1994 (Assembly Bill 2711, Valerie Brown)

8. Management Memo 96-23 (State of California): *Strategic Planning Requirements*

9. Budget Letter 96-08 (State of California): *1997-98 Budget Development Policy Guidelines,* page 3: "Strategic Planning Requirements"

10. Budget Letter 96-16 (State of California): Strategic Planning Guidelines

11. Budget Letter 96-23 (State of California): Capital Outlay Budget Submission for 1998-99

12. Budget Letter 97-07 (State of California): Revised Budget Change Proposal Forms

13. Budget Letter 98-07 (State of California): 1998 Strategic Planning Requirements