



# STRATEGIC PLANNING

## *Planning for Results*

### Part II – Process in Detail

The following sections present detailed descriptions of strategic planning process components, including examples and "how to" instructions. (See [STRATEGIC PLANNING, Part I](#) for a general discussion and description of strategic planning.)



## Strategic Planning Process Components in Detail

Since strategic planning follows "the five question logic" ("*Who are we? Where are we now? Where do we want to be? How do we get there? How do we measure our progress?*"), components are grouped in that order.

Strategic planning should provide meaningful answers to all process questions and should proceed in the general order of the questions. However, the process is not always linear. Sometimes the results of one step may cause the planning team to go back to a previous step because assumptions have changed. Further, the process is improved by feedback from various levels within the organization.



## The **"Who are we?"** Part of the Process

Vision, mission, and philosophy comprise the "identity" of an organization—its "uniqueness." Strategic planning analyzes organizational "DNA" and crystallizes organizational identity. That is, it states clearly and concisely what an organization is all about and manages that identity for strategic advantage.

Organizational identity is more than a name, logo, or line of business. It denotes the unique capabilities and characteristics of an organization (the special mix of knowledge, skills, experience, expertise, and even attitude) that distinguish it and determine its ability to create value in the marketplace. Strategic planning links organizational identity to productive potential; it pinpoints what an organization does well and what it does not. Identity reveals information about the character of an organization and provides the glue that binds the parts of an organization together to form a whole. Organizations that effectively manage and market their identities—convey their unique values, strengths, and experience inside and outside the organization—can position themselves to take greater advantage of opportunities and withstand adversity.

Organizational identity touches on paradigms, images, and reputations as well as the concept that "perception is reality." During the strategic planning process, it may be discovered that values, images, and perceptions vary greatly within different levels of an organization. Also, an organization's view of itself may contrast substantially with its external image.

Articulating and sharing the organizational identity is a unifying process. In state government, the management and staff of a particular program may have a good idea of that program's identity, but they may never think about the vision, mission, and philosophy of the department as a whole or how their program fits into the overall department identity. Strategic planning compels everyone to sit down in a disciplined and thoughtful manner to look at the total picture.

Linking vision, mission, and philosophy creates a powerful synergy. Together, they define a desired future and the principles that will guide future choices. Each is important yet they are codependent. **Without a vision, there is no inspiration. However, a vision without a mission is an impractical notion; and a mission without values could lead to an "ends justify means" philosophy.**

Top management should take the lead in identifying and expressing the uniqueness of an organization. However, organizational identity reflects the values and ideas of the whole organization. Leaders should seek and weigh the opinions and perceptions of front-line managers and staff as well as external stakeholders or expectation groups. For that reason, organizations generally should conduct an internal/external assessment or quality assessment before undertaking the vision-mission-philosophy components of the planning process.

### INSPIRING VISION STATEMENTS

#### E X A M P L E S

"To be a low cost producer of the highest quality products and services that provide the best customer value."  
- Ford Motor Company

"North Carolina will be a desirable place to live a productive, rewarding and satisfying life. Its people will have a shared sense of place, stewardship and values."

- Commission for a Competitive North Carolina

"Minnesota's economic activity will create wealth and provide a good standard of living for all our people."  
- Minnesota Milestones

"To provide innovative and creative leadership focused on outcomes and improvements that promote a new image for Louisiana."

- Louisiana Division of Administration

"Twenty years into the 21<sup>st</sup> century, Louisiana will have a vibrant, balanced economy; a fully engaged, well-educated workforce; and a quality of life that places it among the top ten states in which to live, work, visit, and do business."

- *Louisiana: Vision 2020*, State of Louisiana Master Plan for Economic Development

behaviors of every member of the organization.

The vision unifies various sections of an organization. This is particularly important for the state as a whole or for large state departments with multiple, diverse sections and programs.

#### HELP

### HOW TO: Craft the Vision

Crafting a great vision is a leadership challenge. In fact, it can be argued that crafting an organization's vision for change—and then empowering staff to achieve that vision—is management's most important contribution to the achievement of excellence.

A great vision—one that will inspire and challenge—is purposefully created.

- ✓ **It is idealistic.** It comes from the heart, not the head. It is not meant to be expressed in numbers.
- ✓ **It is authentic.** It is owned by the organization; it is readily recognized as belonging to that organization.
- ✓ **It is extraordinary.** It stands above the commonplace and distinguishes the organization.
- ✓ **It is appealing.** It captures the attention and commitment of people both inside and outside the organization.

Leadership is critical. One person's vision, skillfully articulated and artfully communicated, can have profound effects. For example:

- ★ President John F. Kennedy's "challenges" took America to the moon and created the Peace Corps.
- ★ Martin Luther King's "dream" continues to inspire the civil rights movement in the United States and abroad.
- ★ Gene Roddenberry's image of "Space—the Final Frontier" has captivated multiple generations of "Trekkies."

In state government, typically the governor communicates his or her vision for the state—often separated into major policy areas (such as education, economic development, natural resources and environment, infrastructure, health and human resources, public safety or general government)—to state operating departments, the legislature, and the public. Gubernatorial visions are frequently expressed on the campaign trail, at inauguration, in executive budget messages, and in annual "State of the State" addresses and publications.

Within state departments, ultimate responsibility for creation of the departmentwide vision rests with the chief executive officer (CEO). In state cabinet departments, the CEO (a secretary appointed by the governor) articulates the department's vision, which must be consistent with the governor's vision for the policies and programs related to that department. In departments headed by an elected official, that elected official expresses the vision for the department. In departments or agencies that have strong policy-making boards or commissions, these boards or commissions may exercise visioning.



**NOTE:** Visions may originate in other ways as well. State futures programs, special commissions, or joint executive/legislative conferences may develop vision statements for the state as a whole or to address specific policy issues.

However, a great vision is conceived through partnership between leaders and those who will be living with the vision. The department's vision, crafted by top management after internal/external assessment, incorporates values and ideals from office administrators, institution directors, program managers, key staff, supervisors, and individual front-line employees. These shared values and ideals form "common threads" that weave a bond among organizational levels and layers. By sharing the vision, management and employees establish mutual ownership of the overall vision as well as a commitment to the fulfillment of that vision.

In crafting a vision, the following should be considered:

- What are our aspirations? What is our ideal future?
- What overall results do we want to accomplish?
- What legacy do we wish to leave?
- What will our organization be like in the future?

- How do we wish to be known by our customers and community?
- How will we enhance the quality of life for those who use our services/products?

A vision statement covers the lifetime of the strategic plan and may even extend beyond the time frame of the plan. A vision statement should be:

- ✓ brief and memorable;
- ✓ inspiring and challenging;
- ✓ descriptive of the ideal;
- ✓ descriptive of future accomplishments or service levels;
- ✓ appealing to everyone in the organization and to customers and other stakeholders.

## MISSION: A broad, comprehensive statement of purpose.

The mission identifies what an organization does and for whom it does it. That is, it describes an organization's services and its customers. The mission is all encompassing and rarely changes; it is the ultimate rationale for the existence of the organization (department, agency, or program).

### HELP

## HOW TO: Define the Mission

Mission statements are a required part of an organization's strategic plan. (Mission statements are required in annual operational plans, as well.) Generally, a departmentwide mission statement is developed by top management (CEO and SET). It is the umbrella that covers all the programs or services of the department. As the planning process moves down through the department, mission statements are developed by program managers and key staff members. If appropriate, mission statements may be developed at intermediate organization levels as well. These mission statements must be consistent with or a component of the overall department mission. In an agency with only one program, the agency mission and the program mission are the same.



A mission statement should be written to answer:

- < What is our name?
- < What do we do?
- < For whom do we do it?
- < Why are public resources devoted to this effort?

A well-written mission statement:

- ✓ Identifies purpose but not process. It describes the overall reason for the existence of the organization (department, agency, or program), as established by constitution, statute, executive order, or other authority, but does not dwell on “how” that purpose is attained.
- ✓ Identifies customers of the organization or users (both internal and external) of the organization's products or services.
- ✓ Identifies the services or products provided by the organization to meet the needs of its customers and other stakeholders. It helps identify the needs or expectations of stakeholders.
- ✓ Is clear and succinct.

## MEANINGFUL MISSION STATEMENTS

### NATIONAL ORGANIZATIONS:

"The mission of the Education Commission of the States is to help state leaders develop and carry out policies that promote improved performance of the education system."

"The Alliance for Youth, led by General Colin Powell, is dedicated to mobilizing individuals, groups and organizations from every part of American life to build and strengthen the character and competence of our youth."

"California Literacy, Inc. is a non-profit, volunteer assisted, educational organization which provides statewide leadership to new and existing literacy programs and their students by offering diverse training, resources, consultation, and advocacy to help people gain the literacy skills they need to participate more effectively in society."

### E X A M P L E S

### FEDERAL GOVERNMENT:

"The mission of the Office of Management and Budget (OMB) is to help the President in carrying out his constitutional and statutory duties."

"The mission of the Government Printing Office is to inform the Nation by producing, procuring, and disseminating printed and electronic publications of the Congress as well as the executive departments and establishments of the Federal Government."

### LOUISIANA STATE GOVERNMENT:

"The mission of the Department of Environmental Quality is to maintain a healthful and safe environment for the people of Louisiana."

"The mission of the Department of State Civil Service is to develop and administer human resource practices that enable employees and organizations to provide cost effective, quality services in a manner that is consistent with Article X of the Louisiana Constitution and consistent with the unique requirements of operating in the public sector."

"The mission of the Department of Health and Hospitals is to protect and promote health and to ensure access to medical, preventive, and rehabilitative services for all citizens of the State of Louisiana."

"The mission of the Criminal Law and Medicaid Fraud Program is to seek justice on behalf of the citizens of the State of Louisiana by the execution of superior, professional, and effective investigation and prosecution of all matters referred to the Department of Justice."

### PLANNING



### POINTER

Write a mission statement with the assumption that readers have no knowledge of the organization, what it does, whom it serves, why it is needed, or how it works. Avoid using technical terminology, abbreviations, and acronyms. To develop a brief, clear mission statement, imagine giving a one-minute explanation of the organization (department, agency, or program) to a legislative committee, the general public, or a community group. Think about how to best describe the organization in terms they can understand.

To define an organization's mission, complete the following tasks:

- 1. Identify the organization's purpose.** Why does the organization exist? What problems or needs was the organization created to address? Why are public resources devoted to this endeavor? What functions or services are or should be provided by the organization?

What mandates—constitutional, legislative, executive, judicial, or other—have been assigned to the organization? Is the organization carrying out all mandated or authorized programs?

2. **Identify the organization's customers, compliers, other stakeholders, and expectation groups.** For whom does the organization carry out its functions? Who receives or benefits from the services provided by the organization? Are there other stakeholders (including compliers) or expectation groups?
3. **Review and revise existing mission statements and draft new statements as appropriate.** For decades, Louisiana's operating budget process has required a program description to be submitted with budget requests. Therefore most state departments, agencies, and programs already have mission statements or program descriptions. These existing mission statements and programs descriptions should be reviewed and revised, as appropriate, based on the previous questions.
4. **Verify compatibility of mission statements at various levels within the organization.** Are program mission statements compatible with the department's mission? (In large departments, there may be intermediate agency, office, or institution missions as well.)



### Tip for Drafting a Mission Statement

Use the following template to develop your mission statement.

#### MISSION STATEMENT TEMPLATE

Sometimes, the articulation of a concise mission statement is made easier by the use of a template such as the one that appears below.

The mission of the \_\_\_\_\_ (*fill in the name of the department, agency, or program*) is to provide \_\_\_\_\_ (*list the service or services*) \_\_\_\_\_ to \_\_\_\_\_ (*list the customer or customers who receive or benefit from service[s]*) \_\_\_\_\_.

Some organizations may opt to expand the mission statement by adding one of the following phrases to the end of the mission statement: "in order to \_\_\_\_\_"  
 \_\_\_\_\_" or "so that \_\_\_\_\_"  
 \_\_\_\_\_" or "so they can \_\_\_\_\_".



**NOTE:** Although this additional material is not required, it is sometimes helpful to an organization (particularly, at the program or activity level) that is struggling to identify desired outcomes (goals and objectives) and performance measures. Use this approach cautiously, however, in order to avoid rambling, unfocused mission statements.



**PHILOSOPHY: Core values defining how the organization conducts itself in carrying out its mission.**

Philosophy defines the way in which the organization does business. It summarizes the operating principles or core values that will be utilized in fulfillment of vision and mission. It characterizes the organization's corporate culture and is part of its organizational identity.

Philosophy encompasses human factors that drive the conduct of an organization and functions as a guide to the development and implementation of all policies and actions. Often an organization's philosophy or principles are implicitly understood, but it is helpful to state them explicitly.

Expressing an organization's philosophy is essential to strategic planning because the philosophy puts a foundation of principles or beliefs behind the vision and mission. A worthy vision must be guided by an equally worthy philosophy. Principles or values expressed in a philosophy serve as a test or criteria for judging the quest for excellence; they guide decisions, choices, and the selection of strategies. Principles are useless unless they are implemented; but when they are implemented, they can be powerful instruments for changing organizational culture and motivating employees.

**HELP****HOW TO: Express the Philosophy**

Describing the organization's philosophy (core values) presents another challenge for management. Not only should the philosophy reflect the values and principles of the CEO and SET but it should address organizationwide values and assumptions as well. The philosophy should be compatible, comfortable, and convincing for everyone inside the organization and for customers, other stakeholders, and expectation groups outside the organization.

There is a great deal of leeway in the articulation of organization philosophy. Length and format may vary. Sometimes philosophies are expressed in terms of responsibilities—an organization's responsibilities to its customers, its employees, its environment (the community in which it operates or the physical environment as a whole), and its stakeholders. Sometimes philosophy is expressed in terms of quality or excellence in management and services.

More and more organizations are exploring the principles associated with a total quality culture. First, and foremost, is a commitment to quality from top management. Others include: zero defects ("getting it right the first time"), customer satisfaction, decision making on results backed by data, and continuous improvement. Finally, everyone understands the principle of shared responsibility for quality.



Meeting the needs and expectations of customers is a central concept of Total Quality Management. For some organizations, this is translated into a philosophy of "make the customer happy." Unfortunately, some customers of government can never be made completely happy. Government exists not only to render services but also to regulate behavior. A retail store can make a cheerful refund to a dissatisfied customer in the hope that the customer will come back to make other purchases. But a Louisiana State Police trooper cannot "unarrest" a drunken driver just because that driver is unhappy about getting caught.

A well-written philosophy statement should:

- ✓ Express principles, core values, or fundamental beliefs in clear, decisive language.
- ✓ Express basic beliefs about the conditions under which people work best.
- ✓ Support systems and processes that will help make the vision a reality.



Generally, the best statements of philosophy express the organization's attitude and values about three things:

- < **People:** The way in which people inside and outside the organization--employees and customers--are treated.
- < **Process:** The way in which the organization is managed, decisions are made, and products or services are produced.
- < **Performance:** Expectations concerning the quality of the organization's products and services.

**EXPRESSIVE PHILOSOPHY STATEMENTS**

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"We want to give the best customer service of any company in the world."  
- International Business Machines

"Working together to create an environment for positive change."  
- Louisiana Division of Administration

"Quality is job one."  
- Ford Motor Company

"Economic development is primarily a private sector phenomenon, the offspring of an active free enterprise system. Actions taken by government should be designed to foster private development, not to supplant it.

Government should attend to infrastructure needs: education, public sector research and development, transportation, and communications. Appropriations should be viewed as investments in the economic future, not as expenditures. Government should provide a stable and fair tax, regulatory, and legal environment in which business may be done efficiently and profitably. In many cases, strong, effective public-private partnerships should be utilized to achieve economic development objectives.

Louisiana must continue with its significant and sustained efforts to changes in the way it does business. While the new Louisiana should be a better place economically, educationally, and environmentally, it should remain identifiably Louisiana, a place like no other."  
- Louisiana: Vision 2020, 2003 Update  
State of Louisiana Master Plan for Economic Development

To express an organization's philosophy, it is important to clarify and reach consensus on both individual and organizational values.

- 1. Identify, clarify, and resolve differences in values and personal expectations of individuals in the executive or management group.** For example, some executives or managers may be more open to change and may pursue more risky opportunities while others may prefer low-risk, low-threat actions. In state government, it is not unusual to find differences in values and expectations among appointed and career executives and managers. Such differences may have profound implications for planning and decision-making processes. Unless they are identified, clarified, and resolved early in the planning process, there may be continual disagreement between the personal expectations and priorities of individual executives or managers and the overall future direction of the department or program. This is a recipe for disaster.
- 2. Identify and examine organizational values.** All organizations have values, but it is not always easy to identify them. However, any strategic planning process that ignores organizational values is very likely doomed to failure.

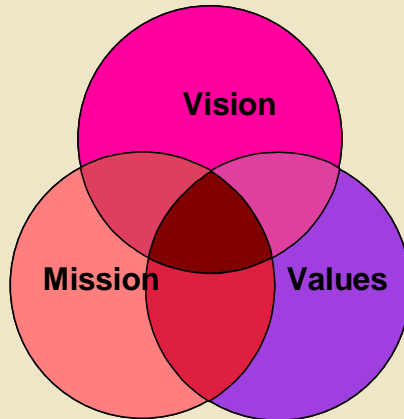
Values often become part of the system in subtle ways, without official sanction or explicit statement. Some organizational values come from a particular executive or manager who has had such a profound impact upon the organization that his or her personal values and expectations have been assumed by the organization. For example, the values and style of an especially dynamic manager may rub off; or those of a particularly long-lived manager may become ingrained. Some organizational values unofficially reflect a value, expectation, or management style held by the majority of executives or managers. If, for example, the majority of managers are not risk takers, the organization itself may become rigidly risk averse. Regardless of their source, however, systemic values affect every aspect of the organization's operations.

Organizational values or assumptions should be examined in terms of their current validity or relevance. Those that are accurate and pertinent should be retained. Those that are faulty or no longer apply should be discarded.

The information needed to analyze organizational values and clarify philosophy can be generated during an internal/external assessment or a quality assessment. If an organization has developed a "vision of excellent service," then those core values usually can be incorporated into the strategic planning process without difficulty.

Obviously, philosophies at various levels within an organization should not be contradictory. For example, in a department that includes multiple agencies, institutions, or programs, the philosophies of those units should be consistent with overall department philosophy. In essence, philosophy is organizationwide. In a small department with only one program, the department and program philosophy are the same.

## CRYSTALLIZING THE ORGANIZATION'S IDENTITY

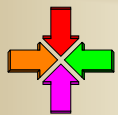


Linking vision, mission, and philosophy creates a powerful synergy.

Together, they define a desired future and the principles that will guide future choices.

Each is important yet they are codependent.

- ★ Without a vision, there is no inspiration.
- ★ However, a vision without a mission is an impractical notion.
- ★ And a mission without values could lead to an "ends justify means" philosophy.



### The *"Where are we now?"* Part of the Process

Most people do not leave their homes in the morning without first noticing how they look and feel, reviewing that day's schedule of events (including notes stuck on the refrigerator), and making a quick check of news, traffic updates, and weather forecast. With this information in hand, they know where they stand, are prepared for the day, and can plan ahead.

Before an organization attempts to chart its future course, it must first determine where it currently stands. It must gauge conditions both inside and outside the organization.

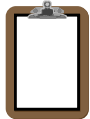
Internal/external assessment supports the *"Where are we now?"* part of the strategic planning process. It provides a baseline assessment of the organization. Further, by extending the internal/external assessment into foresight (that is, by anticipating the evolution of current conditions and identifying emerging issues), the internal/external assessment lays the groundwork for the *"Where do we want to be?"* part of the strategic planning process.

**INTERNAL/EXTERNAL ASSESSMENT: An analysis and evaluation of internal conditions and external factors that affect the organization.**

The process of conducting an assessment is often referred to as a SWOT analysis because it involves a review of an organization's internal **S**trengths and **W**eaknesses and external **O**pportunities and **T**hreats. (Some planners prefer to use other terms—for example, “challenges” rather than “threats.” Regardless of the terms used, the point is to identify and weigh the positive and negative factors faced by an organization.) By gaining a thorough understanding of both internal and external factors, strategic planners are able to most advantageously position the organization to respond to its environment and prosper in the future.

Management within each organization should determine how to best organize and conduct an internal/external assessment. Ideally, assessment is a team exercise. An honest and accurate picture of the organization and the forces that affect it emerges when it is viewed from as many different perspectives as possible. Typically, both managers and employees are involved in collecting and analyzing the data to enhance their understanding of the organization. Input should also be sought from customers, compliers, other stakeholders, and expectation groups.

Internal/external assessment involves:

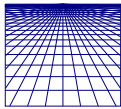


**Situation Inventory** - An assessment of an organization's position, performance, problems, and potential.



**Environmental Scan** - An analysis of key external elements or forces that affect the environment in which an organization functions.

To lead into the *"Where do we want to be?"* part of the strategic planning process, the internal/external assessment is supported by:



**Foresight** - Explicit efforts to systematically identify, monitor, and analyze long-term trends and issues that are likely to affect an organization's future environment and to examine the implications those trends and issues may hold for alternative organization goals and possible organization actions.



**Issue Analysis** - An identification and analysis of strategic issues—problems or concerns of critical importance to the organization and its customers, compliers, other stakeholders, and expectation groups.

It does not matter whether the internal situation inventory or the external environmental scan is done first, as long as both are done. Foresight and issue analysis should be ongoing at some level. However, both play a particularly important role during the planning process.

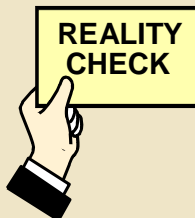
**HELP**

## HOW TO: Conduct a Situation Inventory

**A situation inventory is an assessment of an organization's position, performance, problems, and potential.** It identifies strengths and weaknesses and evaluates authority and capacity to respond to issues, problems, and opportunities. It identifies customers and their needs and expectations. It also reveals the paradigms (patterns or beliefs) and values that comprise the organization's current philosophy and drive (or disrupt) current operations; it throws light on administrative or managerial policies and procedures that help or inhibit quality. A situation inventory should accurately reflect an organization's internal situation—warts and all.

**A situation inventory is a team exercise.** Top management (the CEO and SET), with input from the strategic planning coordinator, should designate the method to be used in conducting an internal assessment. Managers and employees should be involved in the collection and analysis of information. However, managers must be briefed thoroughly beforehand regarding the assessment and its purpose. Employees, too, should be made aware of why the assessment is being done and how the information gathered during the assessment will be used. Then, all management levels must follow through by using the results of the situation inventory in the planning process.

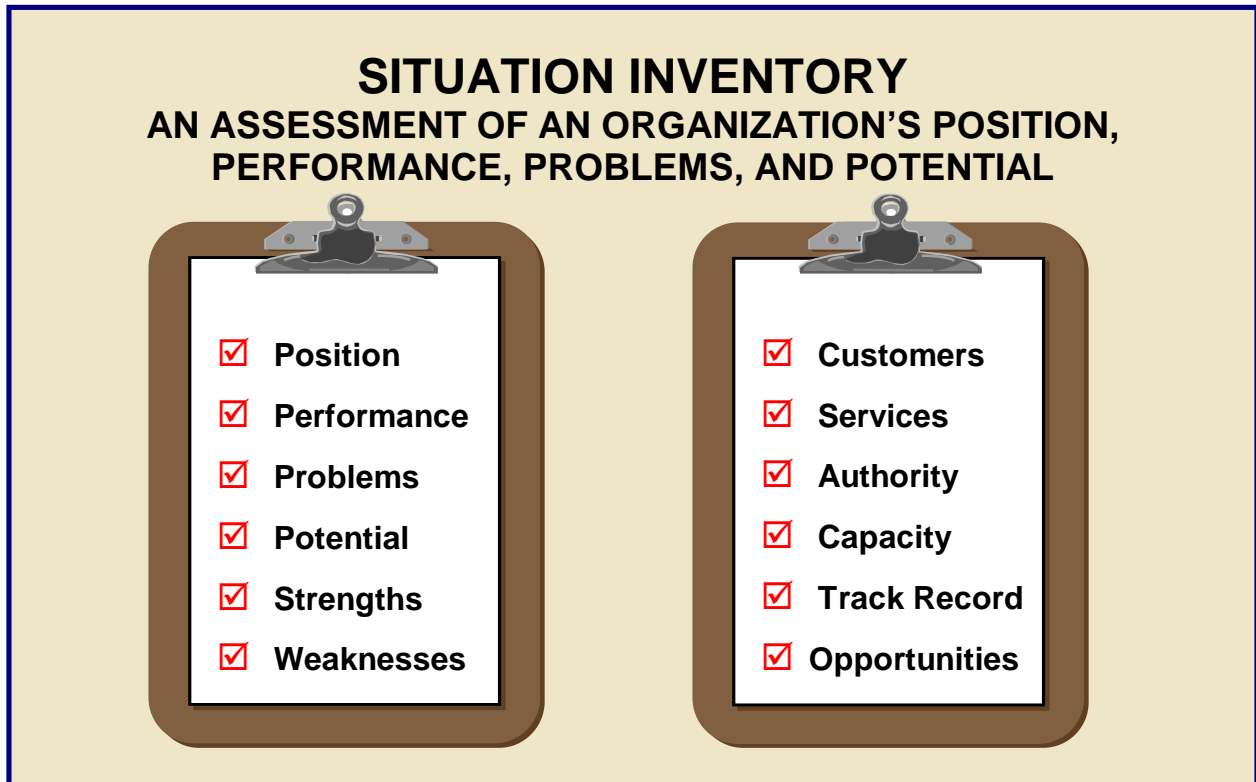
Generally, a situation inventory includes meetings in which managers and employees, with the help of a facilitator, work through a series of exercises and questions designed to assess internal condition and capacity. Some departments, agencies, or programs may opt to conduct an employee survey. However, the keys to a successful internal assessment are thorough preparation and communication. The situation inventory is the first time that many employees, and even some managers, become involved actively in the strategic planning process. So this may be their first opportunity to express any doubts or complaints they may harbor about the process. To help prepare participants for the situation inventory, be sure to let them know ahead of time about the purpose of the internal assessment and how it fits into the complete strategic planning process. Garnering input from managers and employees for the design of assessment methods can also expedite the actual assessment exercise.



There can be a downside to conducting a situation inventory.

It can be intimidating to confront an organization's internal situation honestly. Executives may be disappointed and even angered to hear some of the things that may be revealed. Managers and employees often are frightened by assessments. They need to know how the internal inventory will be used to improve the organization; they must feel comfortable enough to be truthful in their assessment. Keep in mind that the reason for conducting an internal assessment is to motivate improvement--not to point fingers.

An internal assessment can easily turn into nothing but a "gripe" session. If this starts to happen, you can turn it around by asking those who are complaining to offer some realistic solutions to the problems they are identifying. Don't lose control of the situation. Remind everyone that the purpose of this exercise is to find ways to build on organization strengths as well as to identify ways to overcome organization weaknesses or problems.



Specifically, a situation inventory addresses the following:

- 1. Who are the organization's customers, other stakeholders, and expectation groups? What are their needs and expectations?**

The customers of government include anyone who receives or uses the services of a government program or whose success or satisfaction depends upon the actions of a department, office, institution, or program.

Organizations may have many different customers. A department, office, institution, or program may serve a specific clientele as well as the common good of all state residents. For example, an adult correctional institution must care for the offenders in its custody but at the same time ensure the safety of the public.

One organization may be the customer of another; one may be dependent upon services provided by the other. For example, state departments rely upon the Office of Telecommunications Management to negotiate the most favorable telecommunication rates for them.

Customers may be internal or external. Internal customers are units or persons in an organization whose work depends upon another unit or person within the organization. External customers are the end users of the organization's product or services. An organization must identify both internal and external customers and their needs.

Some "customers" actually may be "compliers." That is, they may receive services provided by an organization but their relationship with that organization is primarily one of

compliance with laws, rules, regulations, policies, or procedures enforced by that organization. For example, Louisiana taxpayers are customers of the Department of Revenue (DOR) in the sense that the department provides taxpayer assistance; however, that taxpayer assistance is provided to enable taxpayers to comply more readily with the Louisiana's revenue and taxation laws, rules, and regulations. Louisiana taxpayers receive assistance services from the DOR but that relationship is secondary to their role of complier with laws, rules, and regulations enforced by the department.

It is important to clearly distinguish customers and compliers from other stakeholders and expectation groups. Stakeholders are groups or individuals who have a vested interest in the organization and its services. Although customers may be stakeholders, not all stakeholders are customers.

Stakeholders do not necessarily use the products or receive the services of a program. For example, contract service providers have a stake in certain health, social services, and corrections programs; environmental activists have a stake in environmental regulatory programs. Expectation groups expect certain levels of performance or compliance but do not receive services from an organization. For example, an institution (hospital, university, or correctional center) seeks to meet accreditation standards, but an accreditation board or organization is not a customer of the institution. It is, rather, an expectation group. Federal agencies or courts often become expectation groups by setting guidelines or compliance levels that must be met by state agencies or institutions.




The identification of customers opens the door to customer-driven quality. For some government organizations, customer-driven quality is a bold paradigm shift, making it possible to move from a preoccupation with inputs (number of calls, applications, transactions, dollars, etc.) to a focus on meaningful results and outcomes. This emphasis on results profoundly changes policy development, planning, and budget development. It characterizes Managing for Results.

To identify customers, compliers, other stakeholders, and expectation groups, and assess their needs and expectations, ask:

- Who receives or benefits from the goods or services produced by the organization? Is a specific clientele served as well as the general public? Who are the internal customers? Who are the external customers? What do customers need from the organization? What else do they want?
- Who must comply with or adhere to the laws, rules, and regulations administered by the organization? What do they expect from the organization?
- Who are the other stakeholders? What are their interests in the organization? What results do they want from the organization?
- Who are the expectation groups? What do they expect from the organization?



<b>PLANNING</b>	The best way to find out what customers think is to <u>ask them</u> . A number of techniques may be used to get customer input. These include: customer surveys, focus groups, comment forms, interviews, personal visits, customer advisory committees, and public meetings and hearings.
	
<b>POINTER</b>	

**2. Where has the organization been?** For example:

- What is the organization's track record? What has been accomplished? How well have the needs of both internal and external customers been met?
- What changes have occurred? Has the organization grown? Have improvements been made? Or has the organization remained the same or declined? Why?

**3. Where is the organization now?** For example:

- What are the organization's current programs or activities? Under what authority (constitutional or statutory provision, executive order, federal court order, etc.) does the organization operate them?
- Does the existing program structure make sense? If not, what changes would benefit both the organization and its customers?
- What is going on in programs or activities? What is being done well? What is being done poorly? Is the organization meeting its targets and performance standards?
- What is the public perception of current programs or activities? What do customers, other stakeholders, and expectation groups think?
- What benchmarks can be used to compare the quality and cost of the organization's services, programs, or activities to those of other organizations that provide the same or similar services in Louisiana, other states, or the private sector? How do they compare? How does the organization compare to recognized standards or program accreditation criteria? Where does Louisiana rank in outcomes related to the organization's services, programs, or activities?
- Do current programs or activities support one another? Are any in conflict? Do they support programs in other state agencies? Are any in conflict?
- Are planning, budgeting, accountability, and other management efforts integrated?

**4. What opportunities for positive change exist?** What remains to be accomplished?

- How are the needs and expectations of customers and other stakeholders changing?
- How can the organization take advantage of opportunities? Has the organization planned to accommodate change?

**5. What are the organization's strengths and weaknesses?** For example:

- What advantages does the organization possess?
- What barriers or constraints does the organization face?
- What is the organization's capacity to act? How can the organization build on its strengths and overcome its weaknesses?

**PLANNING**



**POINTER**

Although rough ideas for ways to address the issues and opportunities raised in the situation inventory may surface during the internal assessment, this is not the time to develop specific objectives or detailed strategies. However, the strategic planning coordinator, facilitator, or other record keeper for the assessment session should keep notes regarding these ideas for use in later planning components. The information gathered as part of the situation inventory will be used throughout the planning process. It will help define mission, express philosophy, set goals, formulate objectives, build strategies, and select performance indicators.

Keep records from your situation inventory. Records may include surveys, data tables or charts, handouts, or flip pad pages. Not only will this facilitate and enhance the rest of the planning process, but you will be prepared to provide process documentation required by statute and subject to audit.

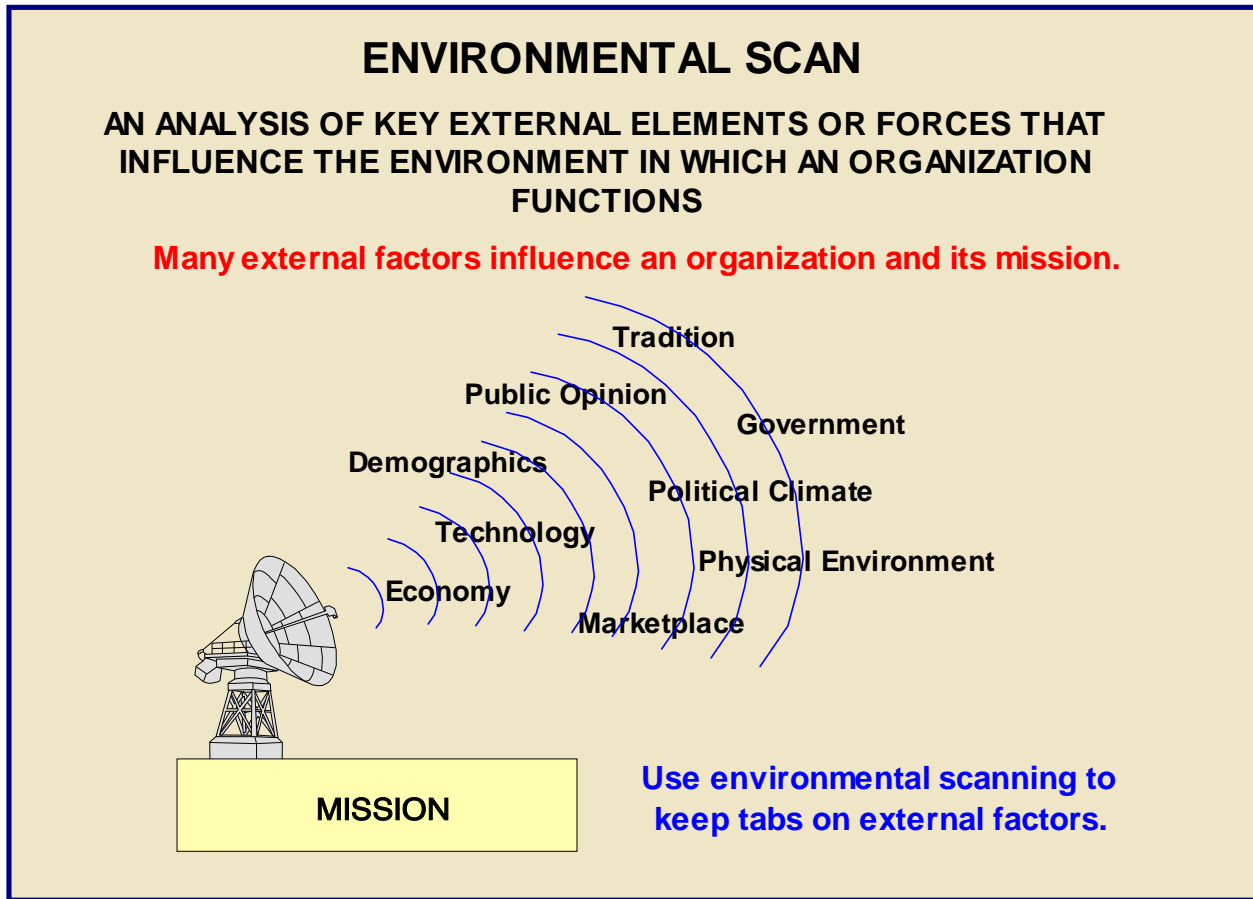
End of HELP Topic

**HELP**

## **HOW TO: Scan the External Environment**

No organization operates in a vacuum. To carry out its mission, an organization must function within an external environment that often exerts forces over which the organization has little control. Further, that operating environment may be subject to frequent shifts or changes.

**An environmental scan is an analysis of key external elements or forces that influence the environment in which an organization functions.** Scanning provides an essential backdrop for both strategic planning and policy development. An environmental scan looks at the current operating environment and, combined with foresight methodologies, anticipates changes in the future environment.



An environmental scan asks the following types of questions:

**1. What is the current external environment?** For example:

- What external environmental elements currently affect the organization? How? Which are most critical? Which are likely to help or impede the organization?
- What major current issues or problems affect the organization? Are these local, statewide, regional, national, or global in scope? Why are they of such importance?
- What current events, issues, or trends have captured the attention of the public? How do these affect the organization?

**2. How may the environment differ in the future?** What are the biggest external threats and opportunities? What are the most likely scenarios for the future? For example:

- What forces that might alter key elements of the environment are at work? Are trends likely to continue or are changes forecast? What major new issues are anticipated?
- What implications do these future forces and environmental changes (trends and issues) hold for the organization? Which are most critical?

"Government" may be a critical external factor in many programs. The federal government (through federal law, federal courts, funding requirements, or administrative guidelines) exercises heavy influence over some state programs. State government (through constitutional provisions, legislation, executive order, administrative procedures, and regulatory authority) influences the operations of state agencies. Local government (through program and funding linkages) affects state government operations. Therefore, questions regarding current and anticipated governmental developments might include:

- How do federal policies, rules, regulations, laws, or court actions affect the organization and its mission?
- How do state policies, rules, regulations, or laws affect the organization and its mission?
- How do changes in local government policies or local participation in state programs affect the organization and its mission?
- What future trends or developments may directly influence the organization and its mission?

### PLANNING



#### POINTER

One of the biggest environmental factors for state departments, agencies, and programs is the state's fiscal status. No discussion of an organization's operating environment would be complete without an examination of the state's revenue and expenditure picture. Although it is true that planning should drive budgeting, the state's financial outlook must be taken into account when planning for the future.

End of HELP Topic

## HELP

### HOW TO: Foresee or Anticipate

The environment in which government operates is changing rapidly. For example, demographic shifts, economic swings, technological innovations, and changing social values and lifestyles require alterations to government policies and strategies for service delivery. To avoid crisis management and wasted resources, state leaders must be able to anticipate issues, problems, and opportunities. Foresight leads to better decision making, policy development, and strategic planning. To decide where the organization wants to be in the future, it helps to have an idea of what the future operating environment will be.

Foresight involves explicit efforts to systematically identify, monitor, and analyze long-term trends and issues that are likely to affect an organization's future environment and to examine the implications those trends and issues may hold for alternative organization goals and possible organization actions.

Foresight methods often involve one or more of the following methods: issue identification, trends analysis, futures programs, and alternative futures.

- Issue identification involves methods to identify policy issues that are likely to occur in the future. It is usually associated with scanning activities. Scanning is a periodic and systematic assessment of the social, political, economic, and physical external environment, with an eye for changes that may affect state government over time.
- Trends analysis, which is often used in demographic, economic, technological, and social forecasting, analyzes trends and attempts to project future developments. Trends analysis is more statistically oriented than other foresight methods.
- A futures program usually starts by identifying a preferred future and working its way backward to identify the means necessary to bring about that future. This generally results in a broad policy framework or strategic plan that drives more detailed strategic and/or operational plans. Futures programs are often linked to a highly visible date or event (for example, a major upcoming anniversary or the turn of a decade or century).
- Alternative futures is a method that uses scenario building to investigate possible or probable future paths. It allows executives and management teams to simulate various future conditions and explore the probable outcomes of various courses of action. For example, linked with trends analysis, different scenarios could project futures with "if the trends continue" (a reactive approach) and "if we alter the trends" (a proactive approach) alternatives. In difficult fiscal times, organizations might construct scenarios reflecting different levels of funding.

End of HELP Topic

**HELP**

## **HOW TO: Analyze Issues**

An issue is a matter in dispute—a point of controversy. Examples of issues are: state-subsidized day care for economically disadvantaged families; gun control; mandatory prison sentences for particular offenses; and linking environmental or employment requirements to eligibility for industrial tax exemptions.

State executives and managers are frequently faced with issues that arise unexpectedly and possess an unpredictable life span, have multiple causes, originate outside state government, have constituencies (which sometimes are ill-defined, involve unlikely coalitions, or present no easy conduit for communication), and cross program lines. Unfortunately, few governments recognize an issue until public attention has been aroused and there is little room left for maneuvering. The result is crisis management, with decision makers responding to one demand after another without the luxury of being able to step back and get a broader, longer range perspective.

The life cycle of an issue involves several stages. The number of people involved in an issue increases as time passes and the issue matures. State policy makers need a way to get ahead of the public attention curve; they must be able to get a jump on issues while they are still emerging and remain malleable. Additionally, governments frequently fail to recognize when an issue has peaked and begun to lose its vitality and constituency. As a result, not only are governments often slow to respond to new needs, but they have difficulty abandoning outdated programs.

Environmental scanning and foresight activities allow management to: (1) anticipate emerging policy issues; (2) identify unanticipated side effects of proposed policy; (3) understand emerging trends and crossover effects of policies; (4) support accountability (oversight and evaluation); and (5) identify and involve customers, stakeholders, and expectation groups.

Before an issue can be addressed, it must be analyzed or diagnosed. That is, the facts must be determined. This involves the following:

**1. Define the issue or problem and determine its parameters.** For example:

- How is the issue or problem described? Who is describing it and what biases do they hold?
- What are the facts about the issue or problem? How reliable are the facts? What do the facts suggest? What else might they suggest?
- How broad is the scope of the issue or problem? Is it a local, statewide, regional, national, or global issue or problem?
- What is the role of government in this issue or problem? Why is this an issue or problem that should be addressed by state government in general and this state agency in particular? Is some other government agency involved? Should some other government agency be involved?

**2. Understand who (customers, compliers, other stakeholders, expectation groups, and/or this organization) is affected by the issue or problem and how they are affected.**

- Who is adversely affected? How?
- Who benefits? How?

**3. Determine how serious and immediate the issue or problem is.** For example:

- Why is this now a serious issue or problem?
- How long has this been an issue or problem?
- How long is it likely to remain an issue or problem?

**4. Project future trends for the issue or problem.** For example:

- Is the issue or problem likely to get better or worse? What is likely to happen if nothing is done?
- What trends influence the issue or problem? How might these trends fluctuate over time?

**5. Determine the underlying causes of the issue or problem; identify and verify the key cause(s).** For example:

- What are the perceived causes of the issue or problem? What can be documented?
- What are the key elements in the environment that influence the issue or problem? What explains their presence? What other explanations might there be?
- Are there any helping or ameliorating forces? Are there any positive factors that could be leveraged?

**6. Assign a priority relative to other concerns.**

- How does this issue or problem compare with other issues or problems?
- Will solving this issue or problem lead to the solution of other issues or problems?

## Strategic Issues

The results of the internal/external assessment may not reveal any immediate or serious problems or opportunities. On the other hand, participants may identify high-priority issues that merit special attention or are of critical importance to the organization as a whole. These might be described as critical success factors or "make you or break you" issues. Strategic issues tend to be those that do not fall neatly within the boundaries of a particular program; instead, they may impact several programs or the entire department or agency. Identifying these crucial concerns can help an organization focus on high priority goals for the organization as a whole.

**Strategic issues may arise as a result of an organization's internal assessment.** For example, an organization may discover that it has not done a good job of serving its customers in the past, and, as a result, customer approval ratings are low. Addressing customer concerns becomes a strategic issue for the organization.

**Strategic issues may be generated by external forces.** For example, juvenile crime has emerged as a high-profile public policy issue, which has received extensive media coverage. The public is demanding action, and lawmakers are considering various proposals to address this problem. Juvenile crime would be a strategic issue for those departments or agencies with youth-related programs.

**Strategic issues may lead to strategic planning goals.** However, just identifying a problem or opportunity as a strategic issue is not the same as determining the goal or desired end result. For example, a strategic issue may be a problem with unfavorable media coverage. The goal may be to foster better relationships with the press.

**Strategic issues may lead to budget modifications.** For example, mandated court orders or significant caseload growth could be strategic issues that impact an organization's budget request.

**Strategic issues may lead to Total Quality Management (TQM) efforts.** For example, an agency's management team may realize that productivity in one division has been falling over the last year. A study reveals a number of obstacles affecting the ability of the staff to maintain productivity. Identifying this as a strategic issue for the agency may lead to implementing Total Quality Management in the agency.

**Strategic issues may be addressed in the short term (during the next fiscal year).** For example, legislative changes in budget program structures or budget development procedures could become strategic issues to be addressed by the Office of Planning and Budget in the subsequent budget development cycle.

**Strategic issues may be implemented over the long-term.** For example, the Integrated Statewide Information System is an information technology project with multiple features that are being phased in over several years. This continuing project could be considered a strategic issue for the Division of Administration.

**Strategic issues may emerge in an unexpected manner and become important after the strategic plan is completed and approved.** However, a strategic issue identified after the plan has been completed and approved should not pose a problem. On the contrary, strategic issues are easier to address when the direction of an organization has been identified. Knowing the mission, goals, and objectives--as well as the resources needed to accomplish them--ensures that an organization will be able to respond quickly and efficiently to reallocating existing resources to handle the unexpected.

End of HELP Topic

**HELP**

## Sample Internal and External Factors

The list of factors on the next page may be helpful to organizations developing their first internal/external assessment. Departments and agencies are not required to use this outline, nor is this an exhaustive list of all the factors that may be relevant or appropriate for a particular department, agency, or program. Use it to stimulate discussion of potential strengths, weaknesses, opportunities, and threats.



## INTERNAL/EXTERNAL ASSESSMENT SAMPLE FACTORS

### Internal Factors: Strengths and Weaknesses

1. Overview of Scope and Functions
  - < Basis of authority (enabling legislation, constitutional provision, executive order, federal mandate, etc.)
  - < Historical perspective (date created, significant events)
  - < Expectations of customers, compliers, other stakeholders, and expectation groups; public image
  - < Program structure
  - < Organization accomplishments
  - < Availability of performance measures
2. Organizational Aspects
  - < Size and composition of workforce (number of employees; administrative span of control; unclassified vs. classified positions, job classifications; etc.)
  - < Organizational structure and processes (divisions/sections; management philosophy and style; key management policies or operating characteristics)
  - < Geographical location (main office, field offices, travel requirements, etc.) and location of service/regulated populations
  - < Human resources (training, experience, compensation/benefits, turnover rates, morale)
  - < Capital assets; capital improvement needs and status of current plans
  - < Information resource management (degree of automation; state of telecommunications; quality/status of technology and information resource management plans; data collection, tracking and monitoring systems)
  - < Organization's responsiveness to change
3. Fiscal Aspects
  - < Size of budget (trends in appropriations and expenditures, significant events, etc.)
  - < Means of finance
  - < Comparison of operating costs with other jurisdictions
  - < Relationship of budget to program and structure
  - < Degree to which budget meets current and expected needs.
  - < Internal accounting procedures
4. Baseline Data
  - < Measures of internal performance
  - < Trends and forecasts

### External Factors: Opportunities and Threats

1. Demographics (with focus on customers, compliers, other stakeholders, and expectation groups)
  - < Historical characteristics
  - < Current characteristics (size, age, education, geographic distribution, special needs, etc.)
  - < Future trends (population shifts, emerging demographic characteristics, etc.)
2. Economic Variables
  - < Identification of key economic variables (unemployment rate, interest rate, etc.)
  - < Extent to which customers and service populations are affected by economic conditions
  - < Expected future economic conditions and impact on organization and service populations
  - < State fiscal forecast and revenue estimates
  - < Organization response to changing economic conditions
3. Impact of Federal Statutes and Regulations
  - < Historical role of federal involvement (key legislation, key events, etc.)
  - < Description of current federal activities (identification of relevant federal entities, relationship to state entities, impact on state operations, etc.)
  - < Anticipated impact of future federal actions on the organization and its customers (specific federal mandates; court cases; federal budget; and general mandates, i.e., Americans with Disabilities Act; etc.)
4. Other Legal Issues
  - < Impact of anticipated statutory changes
  - < Impact of current and outstanding court cases
  - < Impact of local government requirements
5. Technological Developments
  - < Impacts of current or anticipated technology on organization operations
6. Public Policy Issues
  - < Current events and highly visible ("hot button" ) issues
  - < Emerging issues
7. Baseline Data
  - < State rankings; external comparisons; benchmarks
  - < Performance indicators (prior year actuals, trends, historical perspective, forecasts)

**DON'T PANIC**

Although this may look like a huge list of factors, not all of them will apply to every organization. You may use the outline as a checklist to identify potential **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats. One productive technique is to gather key staff, board members, and those who utilize agency services, and brainstorm to generate a list of factors. It's amazing how much pertinent information can be generated in a half-day session.

End of HELP Topic

## Information Sources for the Internal/External Assessment

There are many sources of information that can be used to support an internal/external assessment. Some are listed below.

### Information Sources for Internal Situation Inventory

- < Quality assessment surveys
- < Employee surveys
- < Customer surveys
- < Policy development files
- < Internal databases
- < Annual reports
- < Budget requests
- < Annual Management Reports (Act 160 reports)
- < Program evaluations
- < Financial and performance audits

### Information Sources for External Environmental Scan

- < Federal and state government statistical reports and databases;
- < Federal, state, and local government legislation, regulations, executive orders or actions, budgets, policy statements, and special studies;
- < Court decisions and actions;
- < National and regional professional organizations or associations;
- < Interest or advocacy groups;
- < Media (both broadcast and print);
- < University and college resource centers; and
- < Agency advisory and governing boards.

### Sources for Data on Louisiana and Other States

- < U.S. Bureau of the Census, available through the Louisiana State Census Data Center and its affiliates as well as on-line through the websites provided by the bureau and the data center;
- < Louisiana Data Base Commission
- < Louisiana Consensus Estimating Conference
- < Rankings publications
- < Internet government sites

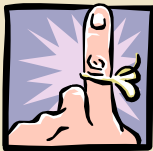
## Using the Information Generated by the Internal/External Assessment

At several points during the strategic planning process, planning participants will need to review and analyze the information generated by the internal/external assessment. Some planning coordinators may choose to organize the information gathered during the internal/external assessment into a written internal report. Others may prefer to present an oral or visual summary, emphasizing the most salient points, at critical planning junctures. Whatever format is used, the report should be concise and "boil down" the information to help participants make sense out of the material.



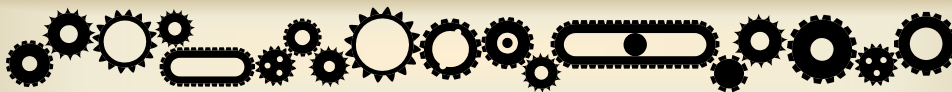
If a written assessment is prepared, consider it a public document, subject to scrutiny from outside the organization. While it is important to be factual in listing an agency's strengths, weaknesses, opportunities, and threats, care should be taken in how these statements are worded so that this information will not be misinterpreted internally or externally.

Through the situation inventory and environmental scan, planning participants should have a thorough understanding of the internal and external factors affecting the organization. They should also have identified any strategic issues that merit special emphasis. The final results of the internal/external assessment inform the other phases of the strategic planning process. The information revealed during the assessment is also valuable for implementing quality management efforts, developing budget requests, conducting program evaluations, and preparing for performance audits and sunset review.



**REMEMBER:** Keep your records. You will need them for preparation of the process documentation that must accompany your strategic plan. The strategic plan must include an identification of: authority to operate programs and activities; customers (or beneficiaries) of programs and activities; and potential external factors that are beyond the control of the organization and that could significantly affect the achievement of its goals and objectives.

The assessment should be reviewed or repeated when revising and updating your strategic plan. Foresight efforts should remain ongoing, even if they are informal rather than institutionalized. Staying aware of environmental conditions and emerging issues helps managers avoid being blindsided by events or problems. However, strategic planning can be an effective tool for managing both the predictable and unpredictable occurrences that organizations face every day.





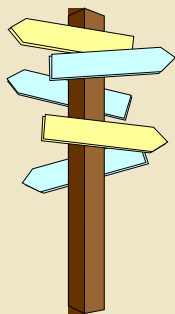
## The "*Where do we want to be?*" Part of the Process

Goals and objectives make up the "*Where do we want to be?*" part of the strategic planning process. Goals establish the direction in which an organization is heading in order to reach a particular destination; objectives identify milestones along the course. Both are inspired by the organization's vision, mindful of the organization's mission and philosophy, and based on the organization's current internal situation and external operating environment as well as projections of future conditions.

Goals and objectives are both required components of strategic plans. Goals must be identified at both department and program levels. If appropriate, they may be identified at intermediate organizational levels. Objectives must be identified at the program level but are optional at the department or intermediate levels.

**GOAL: The general end result toward which effort is directed.**

The formulation of goals is one of the most critical aspects of the strategic planning process. Goals are broad statements that describe desired outcomes for an organization. They stretch and challenge an organization, but they are realistic and achievable. They chart direction—show where the organization is going—and point toward a desired destination. However, they do not set specific milestones or determine ways to get there.



### THE IMPORTANCE OF SETTING GOALS

"Our plans miscarry because we have no aim. When a man does not know what harbor he is making for, no wind is the right wind."

- Seneca (4 B. C. - 65 A. D.)

"If you don't know where you are going, every road will get you nowhere."

- Henry Kissinger

"If you don't know where you're going, be careful. You might get there."

- Yogi Berra

If you don't know where you are going, any path is as good as another...but you won't realize if you're lost, you won't know what time you'll get there, you might unknowingly be going in circles, and other won't understand how they can help. And, since you could pass right by without knowing it, you won't get the satisfaction of having arrived.

- Jim Lundy, *Lead, Follow, or Get Out of the Way*

**HELP****HOW TO: Set Goals**

Goals are a required strategic plan component. Goals related to each program in an organization must be included in that organization's plan.



## Characteristics of Goals

- ✓ Goals are in harmony with and clarify or amplify the organization's vision, mission, and philosophy. Goals do not conflict with each other and are within the authority of the organization.
- ✓ Goals chart a clear course and point to a particular destination but do not determine specific ways to get there. Goals address policies and priorities but not strategies.
- ✓ Goals provide a framework for the rest of the strategic planning process. They guide the formulation of specific objectives and development of effective strategies to achieve those objectives and the goals to which they relate.
- ✓ Goals reflect the primary concerns and strategic direction for the organization; they are not a comprehensive listing of everything an organization does on a day-to-day basis.
- ✓ Goals reflect the results of an internal/external assessment and are developed in response to strategic issues or critical success factors.
- ✓ Goals encompass a relatively long period of time. As a general rule of thumb, goals are for the lifetime of the plan and may have such a long time frame that they continue into subsequent plan updates. If a goal can be accomplished in less than three years, it is probably an objective.
- ✓ Goals tend to remain essentially unchanged until a shift in the environment under which they were created occurs.
- ✓ Goals are challenging but realistic and achievable. They reflect positive change. However, they are sensitive to the political environment, the state's fiscal condition, and other external factors that affect their achievement.
- ✓ Goals have some degree of measurability. It is possible to gauge, in a general sense, whether or not progress toward their achievement is being made. Certainly, to the extent that a goal has measurable objectives, the attainment of the goal itself can be measured.

### POORLY WRITTEN GOALS

**GOAL:** To continue to serve our customers.



(What's wrong? The goal is not challenging or reflective of positive change. What if the service offered now is of poor quality? Do you intend to continue to provide poor service?)

**GOAL:** To conduct one seminar in every institution each year.

(What's wrong? The purpose of the goal is unclear. What will be accomplished by conducting seminars? This sounds more like a way to accomplish something than a goal in and of itself; it probably would be more appropriate as part of a strategy.)

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### WELL-WRITTEN GOALS

**GOAL:** To create a clean, healthy, and attractive environment, minimizing pollution, litter, and physical deterioration while instilling civic pride.

(What's right? Clear direction and destination are identified. A strong framework for further planning is built. The goal provides clear pointers to areas in which specific objectives and effective strategies can be developed--for example, improvements related to "clean, healthy, and attractive environment," and reductions in pollution, litter, and physical deterioration.)



**GOAL:** To assure clean and sufficient statewide water supplies through conservation, development, and pollution control in order to protect public health and preserve beneficial water uses.

(What's right? Again, clear direction and destination are identified and a strong framework for further planning is built. The goal can lead to the formulation of specific objectives related to water quality, supply, and usage as well as the development of strategies related to conservation, development, and pollution control.)

## Goal Setting

Departmentwide goals are established by the chief executive officer (CEO) and senior executive team (SET). Some find it simpler to develop one goal for each department program. Others find it easier and more effective to develop broad goals that encompass all department programs. Once departmentwide goals are formulated, they are communicated to all levels of the organization. Then program goals are set by managers and key staff members. Program goals must be consistent with or a component of department level goals. Some program goal setters repeat some or all of the department goals; others develop goals that are subsets of their department goals. Program goals are identical to department or agency goals when a department or agency operates only one program.

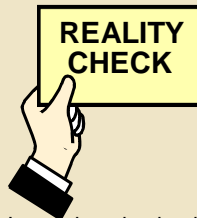
A large department with numerous or diverse agencies, offices, and institutions under its executive umbrella, may find it necessary or simply advantageous to include an extra step that clusters programs under an intermediate administrative level. This step may or may not include the development of intermediate level goals. It will likely involve review and approval of program goals at this intermediate level. In some cases, it may simply be a way of organizing a final department strategic plan into units or "chapters."

Organizations should verify basic direction regularly. An annual evaluation of operational performance and strategic progress and comparison of this information against strategic goals provides a compass check and makes it possible to stay on course.



## Tips for Goal Setting

- ☞ Hold a goal-setting session away from the everyday activities of the office. Go on retreat if you can. If you can't get out of the office, go to a quiet, comfortable area and don't allow interruptions.
- ☞ Use the information gathered in your internal/external assessment to support goal setting. Like policy development, goal setting should be grounded in fact and based on reliable information.
- ☞ Verify that it is within the authority of the organization to set goals in particular areas. (Remember that the strategic plan must include, where applicable, the statutory requirement or other authority for each goal.)
- ☞ Keep the number of goals manageable. The number of goals will vary among organizations. There is no ideal number of department (or program) goals. However, the number of goals has a cascading effect on later strategic planning components and the amount of information that must be managed. (For example, five goals easily may lead to ten or more objectives, with strategies and performance indicators for each of those objectives.) So keep the number of goals manageable to more clearly chart the direction of the organization and provide a unifying theme for its programs and activities. A large number of goals may signal a lack of focus or the inability to separate everyday process from policies and issues.
- ☞ Goals may be internal or external. Internal goals reflect improvements to process and productivity that are needed to generate better results; internal goals are concerned with the way things are done. External goals usually relate to major functional components of an organization's mission or address strategic issues; external goals are concerned with the results to be achieved when things are done.



There is a natural tendency to focus on internal issues, such as pay and civil service job classification plans, communications, technology, equipment, travel, training, management policies, and organizational image. These are troubling issues for many organizations, particularly since available resources generally have not kept pace with the demand for services. However, many of these issues fall back on management by input. "Managing for Results" shifts the focus to outcomes rather than inputs.

Internal goals should point to an end result that positions an organization to provide better services or outcomes. Many state agencies experience high employee turnover rates because of low pay scales; others cannot provide the level of employee training that is desired. A goal to improve employee pay and training emphasizes inputs; it does not point to an improvement in services or outcomes. In fact, this poorly written goal elevates a strategy to goal level. Improving employee pay and training is a means to an end. That end result is a stable, skilled, and equitably compensated workforce. Having such a workforce would have a positive impact on the services provided by the organization. Therefore, a better way to address this issue would be a goal to develop a stable, skilled, and equitably compensated workforce.

- ☞ Some strategic plans may have no internal goals; these plans may address internal or process issues at a strategy level. Other plans may contain several internal goals emphasizing an overriding need to address process changes. However, internal goals should never outnumber external ones. A strategic plan that focuses primarily or exclusively on internal improvements does not follow the philosophy of "Managing for Results."
- ☞ To the extent possible, goals should be placed in a priority sequence. An internal/external assessment reveals many issues that could be the focus of management's attention and organization resources. The goal-setting process must surface the most vital and establish priorities among them. Limited resources or external factors may not allow some goals to be addressed as fully or quickly as others. Accomplishment of one or more goals may facilitate accomplishment of other goals. A priority sequence recognizes these critical paths and funding realities.
- ☞ Keep all the notes and records from your goal-setting session(s). Make them available for those setting objectives and building strategies based on those goals. This information often contains ideas and references that should be explored. These records also provide the process documentation needed for certain plan components and performance audits.

## Goal-setting Process

A proven methodology for goal setting begins on page 33. However, an organization may tailor the methodology to suit its own special circumstances—as long as the resulting goals meet the guidelines established above.

Experience has shown that a two-day goal-setting session provides an effective time frame for the process. This is particularly true if an organization has never formulated goal statements before. Such a session should be organized by the planning coordinator and should be held away from the routine office environment in order to minimize interruptions.

Participants include the organization's CEO (department or agency head) and SET; this nucleus may be augmented by other key personnel. The group should incorporate representatives from all program or service areas yet not become too large to be productive. To make the process work successfully, the CEO must provide assertive leadership but not dominate the proceedings to the point that no one else will offer ideas.

Compilation and distribution of background information from the internal and external assessment sets the stage for formulation of goals. Participants in the goal-setting session must receive this information in advance and should be given sufficient time to review the reports before the session. Some smaller departments or programs may prefer to combine portions of the internal/external assessment with the goal-setting session.



# HOW THE GOAL-SETTING SESSION WORKS



## DAY ONE: MORNING SESSION



### Step One: Explaining the Process

- Establish the importance of the process. (For example, the CEO can make an opening statement that will set the tone for the rest of the session.)
- Discuss the goal-setting process and its place in the overall strategic planning process.

The strategic planning coordinator leads this step.



### Step Two: Reviewing Internal/External Assessment Information

- Review, discuss, and refine information and baseline data from the internal/external assessment. (Participants should receive and review this information before the goal setting session.)
- Identify and discuss strategic issues and critical success factors.
- (Optional) Present experts to reinforce or augment material on trends, issues, or problems. (Allow time for questions from participants.)

The strategic planning coordinator and facilitator share responsibility for this step. (In some organizations, the strategic planning coordinator may be the facilitator.)

## BREAK FOR LUNCH (Approximate)

## DAY ONE: AFTERNOON SESSION



### Step Three: Charting Direction

If the organization has never set goals before, ask: "What do we want our organization to be like by (year)?" or "How do we want our organization to be described by (year)?"

To stimulate responses to this question, it is helpful to ask participants a series of direction-setting, future-oriented questions. This list may be provided ahead of time, along with the situation inventory and environmental scan reports. Include questions such as:

- In what direction should the organization be heading? What issues are we in the best position to address? What programs or activities do our strengths support?
- How can we be successful in the future? How can we better meet the needs of our customers?
- How should current programs and activities be changed? Should some be eliminated? Should some be expanded? How much expansion do we need? Do we want? Can we handle? Should any new programs or activities be developed?
- How can we deliver services more efficiently and effectively? Can technology upgrade our operations? If so, how? Can processes be improved? If so, how?

*(Continued on Next Page)*

## HOW THE GOAL-SETTING SESSION WORKS *(Continued)*

### Step Three: Charting Direction *(Continued)*

- What lines of communication, coordination, and cooperation should be developed among our programs or activities? Between our department and other organizations?

If the organization is reviewing existing goals for reaffirmation or amendment, determine whether the organization is headed in the right direction or minor or major changes are necessary. Use the results of the internal/external assessment to guide this discussion. Ask questions such as:

- If we continue in the same direction, will we be able to address the issues or problems that have been identified?
- If we continue in the same direction, will we be able to meet the needs of our internal and external customers? Will we be able to improve our service(s) to our customers?
- How can we deliver services more efficiently and effectively? Can technology improve our operations? If so, how? Can processes be improved? If so, how?
- Do we need to change current programs and/or activities? Are there some that should be added, eliminated, or expanded? If so, how much change do we need, want, and can handle?
- What lines of communication, coordination, and cooperation should be developed or improved among our programs or activities? Between our programs or activities and other organizations?

List responses on large sheets of paper or marker boards and post them where everyone can see them. Or, use a computer with projector. The facilitator is responsible for this step but should have the assistance of a recorder, who lists and posts the responses.

## BREAK AT END OF DAY ONE

### BEFORE DAY TWO:



### Step Four: Organizing Ideas from Day One

The first day ends with Step Three. This provides the planning coordinator an opportunity to set the stage for subsequent steps. Overnight or before the next session day:

- Cluster the responses into categories. For example, all responses that deal with a particular function or issue should be grouped together. Identify a reasonable, manageable number of categories.
- Produce paper copies of category lists for distribution on day two. Place the category heading at the top of the page; list all responses that relate to the category. Some responses may apply to more than one category; if so, list them under every category to which they relate.
- Put the category lists on large paper sheets or marker boards and post them in the meeting area. If you are using a computer with projector, you may move through various screens as needed.

The planning coordinator is responsible for these activities but may need the assistance of the facilitator, the recorder, and/or other staff. (In some organizations, the planning coordinator may be the facilitator.)

## HOW THE GOAL-SETTING SESSION WORKS *(Continued)*

### DAY TWO: MORNING SESSION



#### Step Five: Drafting Goals

- Based on the internal/external assessment and the posted, categorized responses, develop possible goal statements for the planning cycle.
- If the whole goal setting group is large enough, break up into working teams and assign one or more categories to each team. (Be sure that each team has a leader and set a reasonable time period for the team to work.) Otherwise, continue as one group to develop possible goals, proceeding category by category. Be sure that all categories and concerns are covered.
- Put the proposed goal statements on large sheets of paper or market boards and post them where everyone can see them. If you have break-out groups, the team leaders are responsible for producing proposed goal statements on worksheets. If the group is working as a whole, the facilitator is responsible for this step but should have the assistance of a recorder, who lists and posts the proposed goal statements.

### BREAK FOR LUNCH (Approximate)

### DAY TWO: AFTERNOON SESSION



#### Step Six: Refining and Confirming Goals

- If the proposed goals were developed by break-out teams, have the leader of each team present and explain the proposed goal statement(s) developed by his/her team. Discuss each proposed goal statement. If goals were developed by the entire participant group, then review the proposed goal statements by reading them out loud.
- Be sure that everyone has the same understanding of the proposed goal statements. Allow time for questions and discussion. Wordsmith and revise goal statements as necessary. The group discussion may reveal ways to combine ideas and limit goals to a manageable number. If so, revise goal statements as necessary.
- Determine whether or not the proposed goals are feasible. Consider the factors or conditions that will facilitate or hinder goal achievement and the allocation of resources necessary to achieve them. Revise goal statements as necessary.
- Review the list of "ideals" and responses to questions asked in Step Three. Cross reference the proposed goal statements and these Step Three records to determine whether all ideas, concerns, and strategic issues were addressed by (a) including them in goal statements, (b) eliminating them for lack of feasibility or appropriateness, or (c) saving them for a later phase. (Some of the ideas that surface in the goal-setting process may not be appropriate for inclusion in goal statements. They may be so specific and detailed that they are better suited for inclusion at the objective, strategy, or action plan level. They may be more reflective of philosophy than end result. However, it is valuable that these ideas not be lost. Keep a record of them for use in subsequent planning process components.)
- Reach consensus on the goal statements.

*(Continued on Next Page)*

## HOW THE GOAL-SETTING SESSION WORKS *(Continued)*

### Step Six: Refining and Confirming Goals *(Continued)*

The facilitator is responsible for directing this step. The planning coordinator must be prepared to answer technical questions about goals and goal-setting. (In some organizations, the facilitator and planning coordinator may be the same person.)



### Step Seven: Establishing Priorities

- Consider the goals in terms of their relative importance (How critical are the issues that they address? Will accomplishment of one or more of the goals facilitate the accomplishment of other goals?)
- Repeat the goals in priority sequence. Be sure the group confirms the goals and their relative rankings. After reaching consensus on the priority of goals, each member of the goal-setting group should be committed to the completion of certain goals within a priority framework.

Ranking goals is important to the planning process because it: (1) provides guidance to those developing program goals and objectives; and (2) helps set priorities for the allocation of resources. However, expect some difficulty in setting priorities and recognize that, in some cases, it may not be possible to do so. (If it becomes obvious that a consensus cannot be reached, do not jeopardize the commitment of the group to the entire set of goals by persisting in a vain effort to establish a relative ranking of the individual goals. Watch how the rest of the planning process affects each goal. As objectives and strategies are developed, a sense of goal priority may emerge.)

The facilitator should lead the group through this step, with the strategic planning coordinator available to answer questions.



### Step Eight: Setting the Stage for the Rest of the Planning Process

- Provide a concise overview of what happens next in the strategic planning process. The goal-setting process usually generates a lot of excitement and anticipation. Don't let those positive feelings die. Present a schedule for completion of the planning process. Assign responsibilities and assure rapid follow through.

The strategic planning coordinator is responsible for this step.

## DAY TWO: END OF SESSION



**NOTE:** The two-day schedule shown above is approximate. **Be flexible. Steps may take more or less time than shown above.** Be prepared to move more quickly than planned if things go more smoothly and rapidly than anticipated. Be prepared to spend more time on one step and less on another if needed. However, keep the group focused on the tasks at hand and finish by the end of the second day.

**OBJECTIVE: A specific and measurable target for accomplishment.**

An objective describes the exact results that are sought. An objective includes a degree or type of change and a timetable for accomplishment. In contrast to goals (which are broad, general statements of long-range end purposes), objectives are specific, quantified, and time-bound statements of outcomes. As such, objectives represent milestones or intermediate achievements necessary to realize goals. Objectives complete the *"Where do we want to be?"* part of the strategic planning process.

**HELP**

## HOW TO: Formulate Objectives

Objectives are a required strategic plan component. Objectives related to each program in an organization must be included in that organization's plan.



### Characteristics of Objectives

Well-written objectives are **SMART**. That is, they are:

- ✓ **Specific:** Objectives reflect specific accomplishments that are desired, not ways to accomplish them. All objectives should be capable of generating specific strategies or actions. An objective should also be detailed enough to be understandable and give clear direction to others.
- ✓ **Measurable:** An objective must be measurable in order to determine when it has been achieved. Objectives and performance measures are interactive. Performance accountability, which tracks progress and measures results, must be built into the planning process.
- ✓ **Aggressive but Attainable:** Objectives should challenge, but not demand the impossible. They should be realistic yet not superficial. Also, objectives should be consistent with resources available. For example, it would be reasonable to reduce highway accidents but not to eliminate them.
- ✓ **Result-oriented:** Objectives should target results or outcomes, not ways to accomplish them. For example, a highway safety objective might call for a specific reduction in the number of highway accidents. Strategies to achieve this objective could be to increase levels of state police patrols or improve highway signage.

- ✓ **Time-bound:** A time frame for meeting objectives should be specified. Each objective should be attainable within a reasonable time period--certainly within the span of the strategic plan. Objectives are, after all, milestones on the way to accomplishing long-range goals.

**POORLY WRITTEN OBJECTIVES**

**OBJECTIVE: To reduce processing time.**

(What's wrong? The objective is not specific, measurable, or time-bound. How much reduction in what kind of processing will be achieved within what timeframe?)

**OBJECTIVE: To eliminate highway deaths.**

(What's wrong? The objective is not realistic; it is simply not possible to achieve this outcome. The objective sets up failure. Even if it were realistic, it does not specify a time frame.)



**OBJECTIVE: To maintain current service levels through FY 2015-2016.**

(What's wrong? This objective does not give specifics or target change. Perhaps the organization has had static funding levels and does not anticipate any additional revenues. Perhaps it is a challenge just to continue serving the same number of clients over the next few years. However, this objective fails to tell the full story.)

**OBJECTIVE: To receive and process applications for permits, collect application fees, and issue permits.**

(What's wrong? This objective targets no specific outcome or time frame; rather it seems to be a list of ongoing activities or strategies to achieve something. It is a list of what the program does, not what it accomplishes.)

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**WELL-WRITTEN OBJECTIVES**

**OBJECTIVE: To reduce by 5% the FY 2011 average cost of processing new hires (\$100) by June 30, 2015.**

(What's right? A specific amount of change is targeted within a specified time frame. Progress from base level can be measured and compared directly with the targeted outcome. The amount of change does not seem unreasonable.)

**OBJECTIVE: To reduce the state's highway death rate from 2.1 per 100,000,000 vehicle miles traveled in 2006 to 1.9 in 2017.**

(What's right? Again, a specific amount of change is targeted within a specified time frame. Progress can be measured [highway death rate is a standard statistic calculated for each state annually] and compared directly with the targeted outcome. The objective does not represent an impossible target.)



**OBJECTIVE: To maintain the number of clients served at 2,500 annually while holding per client cost to no more than \$3,500 through FY 2012-2017.**

(What's right? This organization anticipates a standstill budget over the next few years but will maintain service levels at the same cost per client by growing more efficient. This objective is specific, measurable, and time-bound as well.)

**OBJECTIVE: To reduce liquefied petroleum gas accidents by 10% between June 30, 2011, and by June 30, 2016.**

(What's right? This objective targets a specific, measurable outcome within a designated time frame.)

## Formulating Objectives

When formulating objectives:

1. **Review the organization's mission and goals.** Be sure the purpose is clear; customers, compliers, other stakeholders, and expectation groups are identified; and the intent of goals is understood.
2. **Be sure that you understand the internal and external factors affecting the organization.** Review information generated during the internal/external assessment for:
  - What are the organization's strengths, weaknesses, opportunities, and threats?
  - What are the most critical issues that must be addressed?
  - What input variables are involved? How much control over these variables do we have? (See section on input variables below.)
3. **Decide what results you want.**
  - How do the organization's activities or processes work? What can be improved?
  - What is our baseline performance level? What benchmarks exist? How much room for improvement is there? (See sections on baseline performance level and benchmarking below.)
  - What specific outcome(s) do we hope to achieve? Is this realistic? What variables or factors may influence the outcome? (See section on input variables below.)
  - Are specific levels of achievement already mandated by external forces (such as federal guidelines or mandates, court orders or consent decrees, state constitutional provision or state statute, legislative resolution, or executive order) or expectation groups (accreditation organizations)? Do service standards exist?
  - Are proposed results consistent with gubernatorial, legislative, and organizationwide policies, values, and priorities?
4. **Set a time frame for achievement of results.**
  - What is a reasonable period of time for achieving the desired results?
  - How critical is immediate action? What are the opportunities to act now versus later? What are the consequences of action now versus action later?
  - Are specific time frames or deadlines already mandated by external forces (such as federal guidelines or mandates, court orders or consent decrees, state constitutional

provision or state statute, legislative resolution, or executive order) or expectation groups (accreditation organizations)?

5. **Build in accountability.** As you set objectives, think about how you will measure progress toward those objectives. (See page 57 for information on accountability.)
6. **Keep records related to the formulation of objectives.** Each strategic plan must include, where applicable, a description of any program evaluations used to develop objectives and an identification of the primary persons who will benefit from or be significantly affected by each objective within the plan. This information should have been revealed in your internal/external assessment. It is part of the process documentation that accompanies your strategic plan and is subject to performance audit.

Three important considerations in formulating objectives are **input variables, baseline performance level, and benchmarks**. Used together, these factors enable an organization to identify and target room for improvement.

## Input Variables

When formulating objectives, consider the following input variables:

- **Target group variables:** Demographic and economic characteristics of the target population. For example, a program dealing with services for the elderly would consider the number, proportional distribution, and income level of elderly Louisianians.
- **Policy and program variables:** Those things that the program manipulates (such as internal resource allocation, intensity of service, or incentives for performance). These are factors over which the organization has control.
- **External variables:** Factors not controlled by the program but which may have independent and significant effects on outcomes (such as economic upturns or downturns, population shifts, technological advances, or cultural differences or changes).

Information on these various types of input variables should have been gathered and analyzed during the internal/external assessment. However, a review of input variables at this point in the planning process is valuable.

## Baseline Performance Level

Assess baseline performance levels ("*Where are we now?*") before deciding how much change is wanted or is reasonable. A baseline is established with data collected at the beginning of an improvement process so that it can be compared with future data to measure progress and improvement. In other words, baseline performance represents the "before" stage in a "before/after" evaluation. Baseline data should have been identified during the internal/external assessment; however, it may be necessary to gather more information or analyze information further in order to establish baseline performance level.



Use historical data to determine baseline performance. The baseline is usually derived by looking at the most recent one-year period in the context of multi-year trends. (Five- or ten-year trends are most revealing. However, you may use a shorter time frame if fewer years of data are available. It is difficult to spot a trend with less than three years of data.) A baseline level may be determined using an average of several (three to five or more) prior years; "outliers" or years in which extraordinary external influences radically affected the figures may be excluded from the base data. Sometimes a moving average or a weighted average is more appropriate than a simple mean. Occasionally industry averages may be used.

Program evaluations or performance audits are another source of baseline performance information. Be sure to review these.

## Benchmarking

**Benchmarks are the highest levels of quality within specific programs, processes, or services.** Benchmarks represent the best in the business. They may be professional standards, accreditation standards, or quality practices. They may be the highest or lowest rankings (whichever is more desirable) in a give category or issue. Sometimes they are performance or workload levels set in statutes, regulations, or official guidelines.

**Benchmarking is the process of rating an organization's practices, processes, and products against the best and then emulating them.** It involves seeking out best-in-class performers inside or outside of your organization, studying them to determine why they are the best at what they do, and applying what you have learned to your own operations. Benchmarking offers an organization a chance to aim for the top and provides ideas on what it needs to get there.



**NOTE:** It is usual to think of benchmarking for best management practices. However, benchmarking may be used to identify best measurement practices as well. If someone else has already devised an excellent set of performance indicators for a given function, take advantage of their experience.

**HELP**

### HOW TO: Benchmark

Do a benchmarking study quickly or not at all. Before you begin, consider the following:

- What resources do we have to support the benchmarking process?
- Do we have expertise in benchmarking? If not, where can we get help?
- Have we laid the groundwork for benchmarking? Do we know where our organization currently stands? Are we ready for change? Will we use the information generated by benchmarking to help drive change?

- What scope should the benchmarking study have? Broad-and-shallow or narrow-and-deep? In other words, given the organization's resources, expertise, and time frame for benchmarking, should the study cover many program activities or issues lightly or should the study address a small number of activities or issues in depth? Which approach would yield the greatest return on investment.

To benchmark:

1. **Identify a suitable issue (or issues) or program activity (or activities) to benchmark.** Start with something tangible—an issue or activity (or issues or activities) where improvement will provide maximum benefit.

It may not be practical or reasonable to benchmark every issue or program activity at once. Prioritize your issues or activities. Place a higher priority on those that:

- have the highest costs (budget, personnel, facilities, etc.). These would also have the greatest potential cost savings.
  - are key to service delivery or program survival. These would have the greatest impact on customer satisfaction or address critical success factors.
  - appear to have room for improvement. These "sore thumbs" are obvious candidates for benchmarking.
  - have the capacity for improvement. These actually can be changed. "Dead horse" issues or activities may need improvement but, because of circumstances over which you have no control, there is little you can do about them. Avoid them and concentrate on those things that actually can be improved.
2. **Identify suitable benchmarking partners.** Look at primary competitors (other organizations in the public or private sector that provide the same or similar services); internal success stories (units within your organization that have demonstrated superior track records); and "world class performers" (organizations in the public or private sector that are recognized as top performers). However, don't limit your search for benchmarking partners to the most obvious ones. Some excellent partners may provide very different government services or may be outside government entirely. Yet some aspect of their operations may provide insight to your organization. Other organizations may have a lackluster overall performance record but still exhibit creativity or innovation in one or two service areas.

In "Public-Sector Benchmarking: A Practical Approach" (in the September 1994 issue of *Public Management*, published by the International City/County Management Association), Kenneth A. Bruder, Jr., and Edward M. Gray identify four major categories to consider when selecting benchmarking partners:

- **Direct comparables:** Those organizations, public or private, that perform identical or nearly identical services to those performed by your own organization.

- **Parallel comparables:** Those organizations that are one-step removed from direct comparables, in that types of services overlap only partially with those of your own organization.
- **Latent comparables:** Those organizations that do not provide the same services as your own organization but may do so in the future. This category addresses the potential for outsourcing or privatizing state services. (Look out for these, because when they do enter your market, they may redefine service expectations, costs, and performance levels.)
- **Out-of-category organizations:** Those organizations, providing services that are totally unrelated to your own, from which you may transfer ideas and techniques that are new to your field but may leap-frog your organization into best-in-class status. Remember the results of technology transfer from the space program into commercial applications.

Find out as much as you can about prospective benchmarking partners from other sources (for example: customers, published data, professional associations, and rankings or lists of top performers) before you contact them. This research will not only help you select partners but will enable you to ask better questions and gain better information from partners. However, do not limit your selection to those organizations for which information is readily available.

Good sources of information on states that lead the pack in particular policy areas or management processes—those implementing innovative programs or achieving results—are national associations. These include: the National Governors' Association, the National Association of State Budget Officers, the Council of State Governments, the National Council of State Legislatures, and the Governmental Accounting Standards Board. The Southern Growth Policies Board, the Southern Legislative Conference, and the Southern Regional Education Board are good sources of regional information.

Other sources include associations or organizations to which state agencies (or their professional staff) belong (for example, the National Association of Attorneys General, the Federation of Tax Administrators, the Government Finance Officers Association, and the Association of Government Accountants) as well as accrediting organizations (for example, the American Correctional Association).

Yet other sources include: Internet websites (such as *Governing.com*), periodicals (such as *Governing*), or regular (usually annual) rankings of states published by a variety of statistical organizations and public policy groups. Government management is periodically measured and scored by the Government Performance Project; results are published in *Governing*.

As a result of the Government Performance and Results Act (GPRA), federal government agencies produce strategic plans and measure performance. At least half of the fifty states are involved to some degree in performance-based budgeting or

Managing for Results. Among the more experienced are: Florida, Iowa, Louisiana, Maryland, Minnesota, Oregon, Texas, Utah, Virginia, and Washington.

Some local governments (such as the cities of Milwaukee, Indianapolis, Phoenix, and Charlotte and counties of Multnomah [Oregon] and Fairfax [Virginia]) have been recognized for their efforts in performance budgeting and measurement. Even though many local services do not parallel state services, there still may be some practices or indicators that your program could emulate.

Private, nonprofit organizations have moved to results-oriented management and budgeting also. The United Way, for example, emphasizes strategic planning and performance accountability. Private, non-profit organizations or foundations sometimes provide comparative data. For example, the Annie E. Casey Foundation publishes its annual *Kids Count* publication providing data on child wellbeing.

**3. Gain the cooperation of benchmarking partner(s).** Most organizations are proud of their accomplishments and welcome a professional exchange of information. For example, the Innovations in American Government Awards program at Harvard University, which gives public employees an opportunity to showcase the work they do on a daily basis, may be a source of possible benchmarking partners. However, when approaching a prospective benchmarking partner:

- Be completely open and honest about what you hope to gain.
- Define your areas of interest (to verify that the partner can really help).
- Pinpoint sensitive areas (before you trample them) and clarify any confidentiality issues and identify restricted areas (on either side).
- Know your own situation, in great detail, including your organization's mission, goals, objectives, processes, and performance measurements used. Be prepared to provide more information about your activities than you receive.

**4. Gather information from benchmarking partner(s).** Plan in advance and get all the details. Before you contact a potential benchmarking partner, first check to find out whether someone else (a national organization, another state, an academic institution) has already gathered the information you seek. Common strategies for gathering information directly from benchmarking partners are questionnaires and visits.

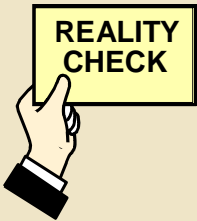
#### **Questionnaires:**

- Develop a questionnaire to gather all the information that you want. Phrase the questions to gain maximum comparative information so you can compare the responses from a number of partners. Get the supporting details as well. Ask open questions (Who? What? When? Where? How?). Request scaled answers (very important, important, or not important).

- If you are seeking benchmarks for performance levels, look for benchmarks in strategies and performance measurement as well. Identify best management practices and best indicators of performance for the types of services provided by your program. Find out how excellence is achieved, maintained, and measured. Write down the reason for asking each question. This tests the need for and usefulness of each question. It also provides you with a ready-made answer when a benchmarking partner wonders why you want a particular piece of information.
- Test the questionnaire by completing it for your own organization. If you have problems with the questionnaire, then so will a benchmarking partner. Refine and improve the questionnaire, if necessary.
- Talk to a potential benchmarking partner before you send your questionnaire. Define your areas of interest and clarify your objectives. Outline the primary questions on your questionnaire. Ask if these areas have been covered before. Find out if the information is already available somewhere (your potential partner's website, for example). If so, don't waste your partner's time; use the questionnaire only if necessary. Answer any questions your potential partner may have. If the questionnaire remains pertinent, then sent it out.

#### Visits:

- Visit the benchmarking partner (if appropriate and possible). Schedule a visit in advance; don't just "drop in." Send a small team and designate a team leader. If possible, send only one person. Let your partner know who is coming.



Funds for travel often are small or nonexistent. The likelihood of a site visit to another state may be low. Other ideas include:

- Telephone interviews. Follow up on interesting leads developed through your questionnaire or through conferences or periodical articles.
- Get-togethers at conferences attended by you and your benchmarking partner. Set up a meeting before the conference.
- Reverse travel. If you can't afford to send a team to visit the benchmarking partner, see if your partner could travel to Louisiana to meet with you. It would be cheaper to transport and house just one person.

- Prepare thoroughly. Review everything you know about the partner and your own organization's processes, potential, performance, and problems. Know the questionnaire responses provided by the partner.
- When you get there, clearly define (once again) the purpose and objective of your visit. Stay focused during the visit.
- Always try to find out "how" a partner has improved its performance. Since such information frequently comes from front-line employees, talk with workers and front-line supervisors whenever possible. (Management often will tell you "how much"

performance has improved rather than "how" improvement was achieved.) Use this opportunity, too, to find out how a partner measures its progress.

- Be able to answer questions posed by the partner about your own operations. Remember that this is a mutual exchange of information.
- Keep to the prearranged time frame for the visit. Don't wear out your welcome.
- Thank the partner during the visit; follow up with a thank you letter.

#### 5. Use the information gathered from benchmarking partners to identify improvement opportunities for your organization and implement changes.

- Compare similarities and differences between your organization and benchmarking partners. Study the details (why and how the partners are better; how the partners measure progress). Determine how your organization can use the information gained during benchmarking to make improvements.
- Take action. Incorporate information from benchmarking into policy development, strategic planning, and performance accountability. Benchmarking is a tool to identify opportunities for improvement; it is of benefit only if those identified improvements are implemented.

#### PLANNING



#### POINTER

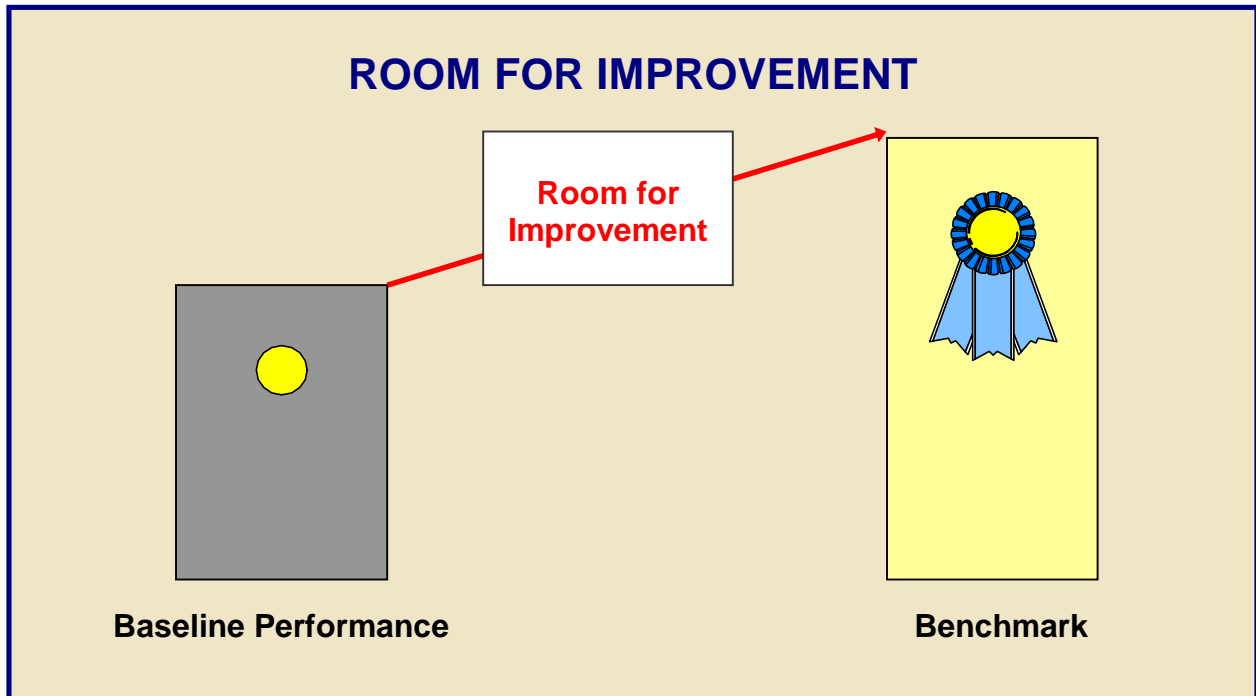
Since improvements are continuous, benchmarks become out-of-date quickly. The performance of your competitors will probably continue to improve along with or in advance of your own. Monitor improvements and benchmark regularly.

End of Intermediate HELP Topic

## Room for Improvement

After comparing baseline status ("*Where are we now?*") and the benchmarks for a particular program or service, managers and staff know how far the organization must go to equal the best performers. The difference or gap between the actual baseline performance level and the benchmark level represents room for improvement.

Benchmarking can be used to help an organization formulate objectives (identify specific improvements that should be made), build strategies (find the best ways to achieve improvements), and build in accountability (find the best performance indicators being used to measure improvements).



## The Stretch Factor

The real art of objective setting is to create a challenging but achievable target. The best objectives are those that stretch the capacities of people and programs but are, nonetheless, possible. This not only results in genuine improvement in programs and services (or the issues they address) but it builds employee pride and confidence. Impossible performance targets demotivate, kill initiative, and stifle innovation. As Tom Peters points out (*Thriving on Chaos*):

Put a 5-foot-10-inch person into 6 feet 3 inches of water, and odds are he'll learn to swim. He may sputter and spit a bit, but he can always hop up off the bottom and get air. Put that same person in 7 feet 4 inches of water, and you may have a dead body on your hands.

## Rethinking Objectives

Rethink objectives periodically. If it becomes apparent that an objective is too ambitious, reset the objective and make it realistic. (This does not mean, however, that after a bout of rough going, everyone should throw up their hands and start scaling back performance expectations.) Conversely, if a target has been set too low, a little stretch can be added. Strategic planning is an opportunistic exercise; be prepared to react to changes in the operating environment and make adjustments to objectives accordingly.



## The "*How do we get there?*" Part of the Process

To achieve results, it is not enough to know where you want to be; you must know how to get there. Strategies and action plans make up the "*How do we get there?*" part of the strategic planning process. Strategies indicate how objectives (and ultimately goals) will be achieved. Action plans detail tasks and timelines and assign responsibilities for the implementation of strategies.

Business strategies and action plans can be related to military strategies and tactics. The origin of "strategy" is the Greek word "strategia" meaning "generalship." Military strategies maneuver or deploy troops and assets into position prior to engagement of the enemy. Once the enemy has been engaged, then tactics direct employment of troops during the battle.

In the Louisiana state government, strategy building not only indicates how goals and objectives will be achieved but determines the amount and type of resources that must be allocated. Essentially, a strategy deploys public resources to achieve specific outcomes addressing customer and citizen needs, service delivery, and/or mitigation or resolution of public issues and problems. Action plans—or business tactics—enable adroit management of resources allocated (or deployed) to business strategies.

**STRATEGY: The method used to accomplish goals and objectives.**

Strategies are a required component of strategic plans. To accomplish objectives (and ultimately goals), an organization must select specific courses of action or build strategies. Strategies are concepts for leveraging and generating success. They are directed toward the accomplishment of specific outcomes; they exist for that purpose. Strategies bridge the gap between goals and objectives and the actual activities and processes that are conducted in order to achieve those goals and objectives.

Strategies provide the strongest linkages between strategic and annual operational plans and the operating and capital outlay budgets (the way the organization invests its financial, physical, and human resources during a fiscal year). For example, to accomplish a highway safety objective of reducing the highway death rate by 5% from the current level by 2018, one strategy might involve increasing the number of state troopers assigned to traffic enforcement in specific high accident areas. If implementation of this strategy could not be accomplished through reallocation of existing resources (that is, transfer of existing troopers and vehicles), then the investment of additional resources (for recruiting and training additional state troopers, acquisition of additional vehicles and equipment, etc.) could be initiated through the operating budget request process.



Strategies link "input" and "output" and lead to "outcome" (the results of accomplishing an objective). In this case, "input" would be the resources (whether continued or enhanced) necessary to increase trooper coverage of high accident areas; "output" would be more state troopers enforcing traffic regulations (and correspondingly, more violations ticketed); and "outcome" would be a reduction in crashes and crash fatalities on highways patrolled by state troopers.

## Hallmarks of Successful Strategy Building

Successful strategy building incorporates:

- ✓ Reality and reasonableness. Strategies do not represent wishful thinking but make reasonable assumptions based on solid data.
- ✓ Self-awareness. Strategy builders are cognizant of how well or poorly their current strategies perform, use metrics to gauge the effectiveness and efficiency of processes, and have their pulse on internal capacity and external operating environment.
- ✓ Awareness of competition. Strategy builders incorporate knowledge of how similar programs in public or private sectors work. Strategy builders use benchmarking to identify best practices and how that information can be utilized to improve their own strategies.
- ✓ Emphasis on action, execution, and follow-through. Strategies do not fall victim to analysis paralysis—overthinking and underdoing.
- ✓ Willingness to change and/or take risks. Strategy builders are willing to challenge the status quo, take on “sacred cows,” abandon a current strategy or initiate an innovative new one when clear evidence supports that change, and tolerate risk taking. Of course, tolerance of risk taking must be a part of the organization’s corporate culture if innovation is to occur.
- ✓ Diverse thinking. Strategy builders are not a homogeneous lot. Strategies are not viewed through the same lens; diverse opinions and points of view are sought.
- ✓ Inclusiveness and perspective. Strategy building involves the right people throughout the organization at the right time. Organizational silos are overcome. The “big picture” is maintained even while separate programs and activities contemplate their individual strategies. Ultimately, all program and activity strategies work together to achieve organizationwide goals and objectives.

HELP

## HOW TO: Build Strategies


Strategy building involves research, analysis, and prioritization. Strategy options or alternatives may be identified and compared through:

1. **Brainstorming how to achieve results.** Free-flowing discussions generate innovative ideas, identify opportunities for coordination and cooperation, and encourage entrepreneurial approaches.
2. **Researching what works.** This includes identification and investigation of successful programs or activities inside Louisiana state government, in other states, and/or in the private sector. Benchmarking, for example, identifies the "best" and how they got to be that way. Program managers and key staff members may already have an idea of what other states are doing in their program areas. Issue scanning may have pinpointed innovative approaches in both the public and private sectors.
3. **Evaluating what is already in place.** The situation inventory portion of the internal/external assessment should have identified what the organization is doing well, where improvements are needed, and organizational strengths and weaknesses. Program evaluations, internal audits, and performance audits should also be used to review current strategies. Sources include annual undersecretary management and program analysis reports ("Act 160" reports) and audits by the Office of the Legislative Auditor.

Strategy building is a decision-making process; and good decisions are based on good information. Use the information generated during the internal/external assessment, including any alternative future scenarios developed through foresight, to build strategies. Before a decision is made regarding the course of action that will be taken, each alternative must be weighed. To analyze the merits of alternative strategies, consider the following:

- Is this strategy being used currently or has it been used in the past? If so, how successful has it been? How do we know? Why should we continue or reimplement this strategy?
- If a new strategy is implemented, is it plausible to assume that the objective will be reached? How do we know? Has this strategy been successful in other public or private sector organizations? What assumptions must hold true in order for the strategy to be effective?
- What are the anticipated costs and benefits of this strategy?
- How does this strategy address the needs and expectations of customers and other stakeholders?
- Will this strategy have a positive or negative impact on any other objective or strategy? Is it dependent upon the implementation of other strategies?

- Do we have the authority to take this action? If we do not now have the authority, will constitutional, legislative, or executive authorization be necessary? Will approval from the federal government, federal court, or other entity be required?
- Do we have the resources (personnel, physical facilities, training, hardware, software, other equipment, funding, etc.) required to implement this strategy? If not, how will we obtain the resources? Can we reallocate resources within the organization?
- Are we organized to act on this strategy? If not, what changes must be made? How long will they take?
- What is the time frame for this strategy? Is it currently ongoing? If not, when would it be implemented and how long would it last? How does the time frame for this particular strategy relate to the time frames of other strategies? Are there priorities or particular sequences for implementation?
- What is the fiscal impact of this strategy? What means of finance will be used? Can the strategy be carried out within existing funding levels? Does the strategy involve a new or expanded service that will require enhanced funding? Will the strategy require capital outlay funding? Will the strategy result in cost savings or reductions in expenditures?

<p><b>PLANNING</b></p>  <p><b>POINTER</b></p>	<p>One of the best sources of ideas for strategy building is front-line employees. Not only may they come up with innovative, cost-effective suggestions for achieving results, but their involvement in strategy building (and later action plan detailing) gives them a stake in the planning process.</p>
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Compare alternative strategies on these factors. Then select and prioritize the strategies that you will use to achieve your goals and objectives. However, prepare to be flexible after the strategic plan is operationalized. If strategies prove to be more or less successful than anticipated, be prepared to revisit and revise strategies. If unanticipated consequences or situations arise, be nimble enough to react in a timely fashion—minimizing damage or maximizing an opportunity.

## Cost-benefit Analysis

**Cost-benefit analysis involves calculating or estimating the known costs and potential benefits of a course of action under consideration.** It is a method to compare various alternatives and facilitate a ranking of these alternatives.

Costs are generally considered to be the inputs (resources) required to carry out a course of action. These include both operating and capital expenses. Benefits are the anticipated outputs (services provided) and outcomes (results accomplished) of the course of action. However, an effective cost-benefit analysis should make an effort to include direct and indirect costs and benefits, economic and non-economic costs and benefits, and tangible as well as intangible costs and benefits.

Some costs and benefits have a one-time effect; others are ongoing. The latter should be annualized. Not only should the costs or expenditures for an alternative be considered, but the means of finance should be scrutinized as well. Cost-benefit analysis is not necessarily confined to a single budget cycle. When change requires substantial front-end costs for benefits reaped in subsequent periods, it is vital to explain the time frame and context of costs and benefits.

Cost-benefit analysis often requires making assumptions. Some potential actions are relatively easy to evaluate; others are difficult to quantify in numerical terms. For these more difficult cases, it sometimes helps to ask two questions:

- What do we give?
- What do we get?

Keep records of your analyses of alternative strategies and the rationale for selecting a particular strategy. Part of the process documentation required by statute is a description of any program evaluation used to develop objectives and strategies. In addition to any program evaluations you may have used to develop objectives and strategies, you must describe other tools used—performance audits, financial and compliance audits, internal audits, your undersecretary’s Act annual management and program analysis reports (“Act 160” Reports), internal/external assessments, benchmarking, strategy analysis sheets, cost/benefit analyses, master plans, statewide plans, etc.—as well. The idea is to be able to show how you developed objectives and strategies. Use the Strategic Planning Checklist (shown on ) to help build strategies and document the strategy-building process. Keep records; retain a paper trail. Your strategic plan documentation must include these items.

End of HELP Topic

**ACTION PLAN: A detailed description of how a strategy will be implemented.**

Once a strategy has been chosen, the steps necessary to successfully implement that strategy must be identified. These are the action steps that make up an action plan. An action plan operationalizes a strategy. The action plan level is where an organization's actual production occurs. Action plans are geared toward operations, procedures, and processes. An action plan assigns responsibility and sets deadlines; it details the implementation of a strategy; action plan steps describe who does what and when he or she does it. Action plans enable managers to track whether or not strategies are being implemented on time and with the anticipated impacts.

However, the construction of a detailed action plan may provide feedback that influences the viability of its associated strategy. Be prepared for this feedback loop and do not regard a strategy as complete until the related action plan is completed.



Action plans are not a required component of department strategic plans. However, they are required components of the strategic planning process.

Action plans are valuable management tools for program managers and supervisors. The individual, section, and/or unit responsible for implementing and reporting on particular strategies needs the most detail. However, action plans represent too much detail for most organizationwide strategic plans. Upper management usually wants to know what strategies are being implemented but does not need to know the individual steps required to carry them out. As a result, organizationwide strategic plans do not include the action plans developed to support program strategies. Action plans are, of course, a vital part of the strategic plan at the management level to which they apply and should contain as much detail as that level of management needs to ensure accountability.

## HELP

### HOW TO: Develop and Manage Action Plans

To successfully develop and manage an action plan, it is necessary to:

#### 1. Detail the action plan in steps.

The action plan should be broken down into the steps necessary to carry out the entire strategy. Steps should be briefly described; responsibility for completion of each step, along with the expected time frame and resources needed for completion of each step, should be determined. Responsibility for detailing the action plan steps should be shared with the people who will actually carry out the steps.

#### 2. Assign responsibility for successful completion of the action plan.

Who is in charge of the strategy and its action plan? The person or team having ultimate responsibility for achievement of the objective toward which the strategy is directed generally assigns responsibility for an action plan. Responsibility for an action plan may be assigned to an individual or a team.

#### 3. Set a time frame for completion of the action plan.

In the overall context of the objective, when should the strategy be completed? Does the person or team responsible for completion of the strategy think the action plan can be completed within the desired time? Is the time frame for the action plan as a whole consistent with individual time frames projected for steps within the action plan? If not, how can the differences be reconciled? In practice, it may be necessary to detail all the action plan steps and time frames before the time frame for the strategy, as a whole, is set.

#### 4. Determine the resources necessary to carry the action plan out.

The individual or team responsible for completion of the action plan should determine the overall fiscal impact and identify resources (human, physical, and financial) necessary for implementation. This becomes the basis for developing requests for capital and operating budgets, as well as to support human and information resource management. This determination is basically a summation of the individual requirements of action plan steps and represents the total fiscal impact and resource needs of the strategy.

**5. Organize the action plan.**

Number the action steps. Record information that identifies each step and the person or team responsible for implementation, the time frame, and resources needed for each step. A sample format for action plan organization is provided on the following page.

**6. Ensure feedback loop with strategy builders.**

Be sure that the action plan validates the strategy. If the action plan reveals a flaw in the strategy, be prepared to rethink the strategy, the action plan, or both.

**7. Monitor action plan progress.**

Action plans must be monitored while underway in order to see how well they are doing. If the plan is working well and progress is being achieved, then successful efforts may be intensified. If elements of the plan are not working as expected or proceeding on schedule, then modifications can be made before too much effort is wasted or time is lost. Without tracking, accountability is lost and the plan is just a piece of paper.

Tracking is generally a bottom-up process. The person or team responsible for the completion of an action plan is the first line in the monitoring process. This person or team receives progress information from the individuals or teams responsible for individual steps in the action plan. Information is fed up to the program manager, who, in turn, reports to upper management. To ensure that progress is being made, tracking should be done on quarterly basis to coincide with the reporting schedule for the performance progress reports required under Act 1465 of 1997. Some managers, supervisors, or team leaders may want to monitor more frequently. However, monitoring and reporting on status should not become onerous or counterproductive.

**SAMPLE FORMAT FOR ACTION PLANS**

**PROGRAM:**  
**DATE:**

<b>I GOAL:</b>		<b>Strategy Cost:</b>	
<b>I.1 OBJECTIVE;</b>		<b>Strategy Timeframe:</b>	
<b>I.1.1 STRATEGY:</b>		<b>Person (s) Responsible for Strategy:</b>	
<b>Person (s) Responsible for Strategy:</b>		<b>Strategy Cost:</b>	
Action Plan Steps	Person(s) Responsible	Time Frame	Resources Needed
1.			
2.			
3.			
4.			
5.			

## SAMPLE FORMAT FOR TRACKING ACTION PLANS

**PROGRAM:**

**DATE:**

**I GOAL:**

**I.1 OBJECTIVE;**

**I.1.1 STRATEGY:**

**Person (s) Responsible for Strategy:**

**Strategy Timeframe:**

Action Plan Steps	Status	Comments
1.		
2.		
3.		
4.		
5.		

**STATUS CODES:** OS - On Schedule    AOS - Ahead of Schedule    DL - Delayed    CAN - Cancelled    PS - In the Planning Stage



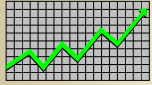


Avoid accountability overkill. Overmonitoring wastes time and adds unnecessary stress to the work environment. Resourceful managers can keep tabs on performance by "walking around," "listening" to front-line employees, and requiring a minimum of written documentation. Contrary to popular opinion, government employees don't get paid by the pound for paperwork generated.

Organizations that use action plans should develop their own methods for tracking and reporting implementation of strategies and action plans. A sample format for tracking and reporting appears on the preceding page. For example, is the plan on schedule, delayed, canceled, ahead of schedule, or in the planning stages? Use of short, easy-to-recognize codes (for example, "OS" for "on schedule") will facilitate use of the report. Ample space should be included for comments. Program managers should be encouraged to include as much or as little comment as is necessary to give complete information to upper management. A sample format for a tracking report appears on the following page.

A tracking report is only as useful as the information it provides to management. Remember that this report is a tool that management will use not only to evaluate the plan but also to react quickly and efficiently to the unexpected. Tracking allows managers to reinforce successes and make rapid adjustments when problems or opportunities arise. Both progress and lack of progress should be reported. If steps in an action plan are being completed ahead of schedule, report on whether the expected result occurred. If things are not progressing according to plan, report the reasons—whether due to lack of resources, a critical strategic issue that has taken precedence, or an unrealistic time frame. Bad news does not improve with age. Reporting a problem will allow management to decide what measures to take to correct the situation.

End of HELP Topic



## The "*How do we measure our progress?*" Part of the Process

To succeed, you have to know how well you are doing. Therefore, next part of the strategic planning process deals with measuring results. The most comprehensive, elegant, and technically perfect plan written is of no worth unless it works.

**What gets measured gets done.** Most people want to do a good job. Performance measurement helps managers and employees focus on what is important. By comparing actual with expected results, managers and policy makers are able to evaluate progress toward goals and objectives. Performance measurement also brings greater clarity to budget processes and provides Louisianians with a more meaningful sense of the results being obtained with their tax dollars.

The "*How do we measure our progress?*" part of the strategic planning process is addressed by building in accountability.

### **ACCOUNTABILITY: Methods used to measure results.**

Accountability monitors and measures progress. It tracks the extent to which strategies have been implemented. It measures performance and compares actual with expected results of goals and objectives. Accountability provides the basis for periodic evaluation of the strategic plan and the planning process. Accountability (in the form of performance indicators) is a required component of strategic plans.

**HELP**

### **HOW TO: Build In Accountability**

For more information on accountability and required accountability components, see [ACCOUNTABILITY](#).

To build accountability into the strategic plan:

1. **Identify a balanced set of performance indicators.**
2. **Organize to gather appropriate information.**

## Performance Indicators

Performance indicators are the tools used to measure the performance, progress, and accomplishments of policies, plans, and programs. Performance indicators consist of two parts: indicator name and indicator value. The indicator name describes what you are measuring. The indicator value is the numeric amount or level achieved or to be achieved during a given measurement period.

EXAMPLE	PARTS OF A PERFORMANCE INDICATOR	
	<u>PERFORMANCE INDICATOR NAME</u>	<u>PERFORMANCE INDICATOR VALUE</u>
	Number of clients served	3,250



**NOTE:** Strategic planning involves the identification of a balanced set of performance indicators that will be used to measure progress. Although baseline data and projections (including values for the performance indicators identified for accountability) are necessary for formulation of goals and objectives, the accountability component of strategic planning process does not require the inclusion of forecasted values for the five years of the strategic plan. Indicator values (both actual and projected) are reported during the operational planning and budgeting process.

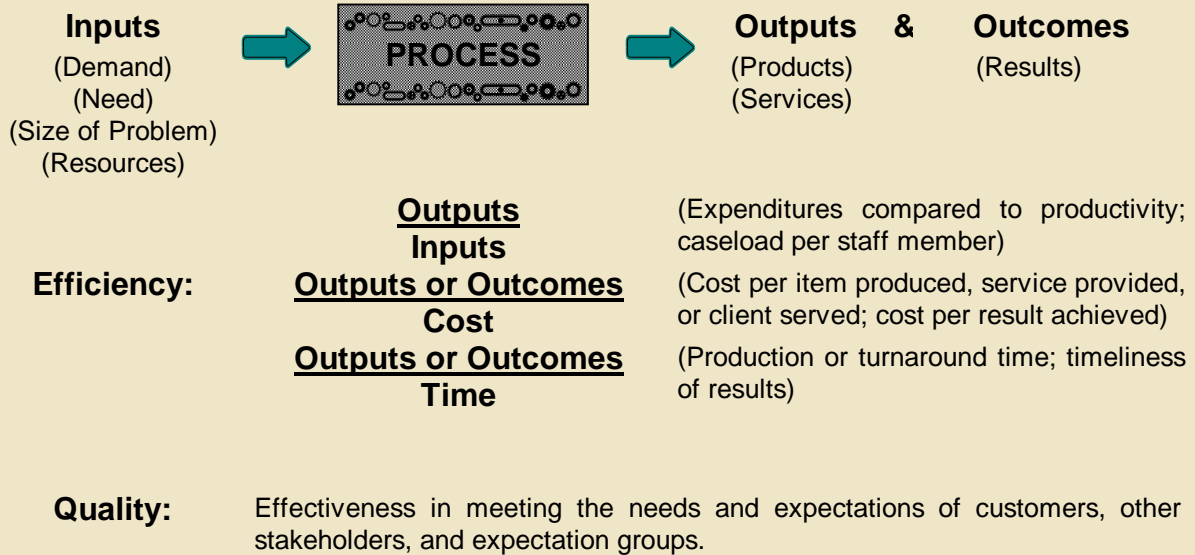
## Performance Standard

The accountability component of strategic planning is the first step in the development of annual performance standards. **A performance standard is the expected level of performance (value) associated with a particular performance indicator for a particular fiscal year and funding level.** During the strategic planning process, a balanced set of performance indicators is identified. These performance indicators are measured and reported on an annual basis in order to track strategic progress and support both performance-based budgeting and management decision making. Performance standards are proposed during the budget development process and established during the appropriation process. Performance standards are commitments for service that are linked with the level of funding budgeted/appropriated.

## Types of Performance Indicators

Louisiana's management processes use five types of indicators to measure performance: **input, output, outcome, efficiency, and quality.** These indicators are based on system or process logic (how a process works) and each type is designed to answer different questions. Together, these indicators provide a balanced view of performance.

## TYPES OF PERFORMANCE INDICATORS



**Input indicators measure resource allocation and demand for services.** They identify the amount of resources needed to provide a particular service. Inputs include labor, materials, equipment, facilities, and supplies. They also can represent demand factors such as characteristics of target populations. Input indicators are useful in showing the demand for a service, the total cost of providing a service, the mix of resources used to provide a service, and the amount of resources used for one service in relation to other services.

Input indicators are often paired with output and outcome indicators to develop an input/output comparison. For example, a comparison of input resources with output volume may generate a “cost per unit of service” measure. Input indicators provide context for other indicators. For example, for an activity that processes permit applications, an input measure for number of permit applications received illuminates performance measures for output (number of permit applications processed), efficiency (turnaround time for processing permit applications), outcome (resulting improvement in the performance of permitted entities), and quality (degree of error-free processing of permit applications).

### INPUT INDICATORS

#### E X A M P L E S

- Budget allocation
- Number of positions in Table of Organization (T.O.)
- Number of full-time equivalent (FTE) employees
- Current illiteracy rate in Louisiana
- Current incarceration rate in Louisiana
- Number of clients eligible for program
- Number of customers requesting service
- Number of environmental permit applications received
- Number of miles of roads in state system
- Current highway death rate
- Current state ranking as national and international tourist destination

**Output indicators measure quantity.** They measure the amount of products or services provided or number of customers served. Output indicators are volume-driven. They focus on the level of activity in providing a particular program. Transaction numbers and workload measures, which are designed to show how staff time is allocated to respond to service demand, are most commonly reported. Output indicators are useful for resource allocation decisions (particularly for calculation and justification of workload adjustments in operating budget requests). They provide important contextual information when coupled with other indicators. For example, if a reduction in turnaround time for processing permit applications is the desired result, then it is important to know not only how many permit applications are received (or are anticipated to be received) but how many were actually processed. If a decrease in illiteracy among adults is the desired outcome, then it is important to know how many adults enrolled in and graduated from an adult basic literacy program.

However, output indicators are limited because, unless the desired outcome is an increase in output, they do not indicate whether program goals and objectives have been accomplished; nor do they reveal anything about the quality or efficiency of the service provided.

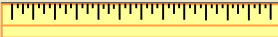
### OUTPUT INDICATORS

#### E X A M P L E S

- Number of students enrolled in an adult education course
- Number of pupils enrolled in state public schools
- Number of inmates housed in state correctional facilities
- Number of persons served by charity hospitals
- Number of vaccinations/inoculations given to children
- Number of environmental permit applications reviewed
- Number of miles of roads resurfaced by state
- Number of miles patrolled by Louisiana State Police
- Number of in-state and out-of-state tourists per year

**Outcome indicators measure success.** They measure results and gauge program effectiveness. Outcome indicators are the most important performance measures because they show whether or not expected results are being achieved. Outcome indicators demonstrate return on investment. Policy and budget decision makers are generally most interested in outcome indicators. Outcome indicators generally benefit from the contextual information conveyed by other types of indicators.

For example, to gauge performance for outcome measures related to change in the number of accidents and deaths related to liquefied petroleum gas, it is important to see measures that reflect the means used to achieve the change—number of inspections, number of violations cited, and so forth. Without a clear, complete performance picture, it becomes difficult to determine whether the outcome is a result of agency strategy and initiative, external factors, or serendipity. Outcome indicators are the keystone of a balanced set of performance indicators but must be supported by appropriate indicators related to input, output, efficiency, and quality.

<b>E X A M P L E S</b>	<b>OUTCOME INDICATORS</b>	
	▪ Number of persons able to read and write after completing an adult education course	
	▪ High school graduation rate and ACT scores	
	▪ Corrections recidivism rate	
	▪ Mortality and recovery rates for index procedures at state charity hospitals	
	▪ Reduction in incidence of communicable disease	
	▪ Percentage change in toxic air and water emissions	
	▪ Percentage change in air and water quality	
	▪ Condition (safety and appearance) of highways maintained by state	
	▪ Percentage of highways providing satisfactory levels of peak hour service	
▪ Percentage change in highway death rate		
▪ Percentage change in state ranking as national and international tourist destination		

**Efficiency indicators measure productivity and cost-effectiveness.** They reflect the cost of providing services or achieving results. Cost can be expressed in terms of dollars or time per unit of output or outcome. Efficiency measures can also portray the relationship of inputs to outputs or outcomes. Ratios are sometimes used to express these relationships. Efficiency indicators can gauge the timeliness of services provided. Efficiency measures are important for management and evaluation. They help organizations improve service delivery. Often they are used to justify equipment acquisitions or changes to systems or processes. For example, automation of systems and other applications of technology may reduce processing times and lower operating costs.

Measuring “cost per unit of service” is critical for many programs and activities. Yet this indicator is frequently omitted from balanced sets of performance indicators. If this indicator is not reported, it is tempting for those reviewing and assessing performance for purposes of budget decision making to make a simple calculation of input (budget) divided by output (number of people served or number of services provided) in order to arrive at a cost per unit figure. Unfortunately, this calculation may exclude important variables that affect cost per unit. To forestall such ad hoc calculations and ensure that all relevant factors are incorporated into a cost per unit measure, managers should develop, document, and report a meaningful cost per unit measure. Further, external comparisons of cost per unit of service are prized by budget decision makers and should be valued by program managers.

E  
X  
A  
M  
P  
L  
E  
S

## EFFICIENCY INDICATORS

- Cost per student enrolled in an adult education course
- Average expenditure per pupil in state public schools
- Average cost per day per state inmate.
- Bed occupancy rates at charity hospitals
- Cost per vaccination/inoculation given
- Number of miles patrolled per state trooper assigned to traffic enforcement
- Average processing time for environmental permit applications
- Average cost per mile for construction or maintenance of state highways
- Revenue return on every advertising dollar spent on promoting tourism
- Number of clients receiving services compared to number of clients eligible for service

**Quality indicators measure excellence.** They reflect effectiveness in meeting the expectations of customers, stakeholders, and expectation groups. Measures of quality include reliability, accuracy, courtesy, competence, responsiveness, and completeness associated with the product or service provided. Lack of quality costs money. For example, resources devoted to performing rework, correcting errors, or resolving customer complaints can also be important to track. Quality measures are sometimes considered to be outcomes. However, quality indicators have been separately defined to reflect the importance of quality improvement.

E  
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A  
M  
P  
L  
E  
S

## QUALITY INDICATORS

- Number of defect-free reports as a percentage of total number of reports produced
- Percentage accuracy of information entered into a database
- Compliance with error tolerance levels established by administrative guidelines
- Accreditation of institutions or programs
- Number of corrections institutions under court supervision
- Costs associated with tort judgments against the state
- Awards or recognition for service excellence
- Number of customer/client complaints filed


Sometimes performance indicators fall into more than one category. For example:

- Some outcome indicators are also quality indicators. If your objective is to retain an initial accuracy rate for disability determination that is higher than the national average, then performance would be measured by comparing your rate with the national average. The result of this comparison would reflect outcome as well as quality.
- Some output indicators are also outcome indicators. If your objective is to increase the number of clients served by 1,000, then performance would be gauged by the change in number of clients served. "Number of clients served" would usually be considered an output indicator, but in this case, it could be considered an outcome indicator as well. (An even better solution to this particular situation would be to target a percentage change in the number of clients served and to use "number of clients served" as an output indicator and "percentage change in number of clients served" as an outcome indicator.)

- In general, the focus of the objective (that is, whether the objective is output-oriented, outcome-oriented, efficiency-oriented, or quality-oriented) affects the taxonomy of its performance indicators.

**It is important to develop a balanced set of meaningful indicators to measure performance.**

The matrix on the following page shows examples of each indicator type for various kinds of programs. At a minimum, you must have at least one indicator of outcome, efficiency, or quality as well as indicators of input and output, as necessary and relevant, to provide a clear view of progress toward an objective.

<p><b>PLANNING</b></p>  <p><b>POINTER</b></p>	<p>There is no "ideal" number of indicators in a balanced set. A simple guide is: Use the number and mix of indicator types and levels that you need to tell a clear, convincing performance story. Keep in mind what customers and stakeholders want to know about your services and how you can demonstrate return on investment with hard data.</p>
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**Explanatory notes are a valuable companion to performance indicators.** They establish context and fill in background. Explanatory notes identify input variables, program variables, and external variables and explain how those variables affect performance. They provide a link among indicators that should be used in tandem.

- Explanatory footnotes are valuable as part of the operational planning and budgeting process to explain both actual and proposed performance.
- In quarterly performance progress reports filed by agencies in the Louisiana Performance Accountability System, explanatory notes are required when there is a variance of greater than 5% between performance standards or targets and actual performance values occur.

## Performance Indicator Levels

Performance indicators may be key (K), supporting (S), or general performance information (GPI or G) level.

**Key** indicators are included in the executive budget supporting document and the general or ancillary operating appropriations bill. For key indicators, performance standards are established during the appropriation process. Key indicators are tracked for accountability purposes in the Louisiana Performance Accountability System (LaPAS); interim targets and actual performance must be reported in each quarterly performance progress report. Key indicators generally are measures of outcome, measures related to big ticket items or hot button issues, and/or especially valued or expressly demanded by decision makers.



**EXAMPLES OF PERFORMANCE INDICATORS**

<b>PROGRAM</b>	<b>INPUTS</b>	<b>OUTPUTS</b>	<b>OUTCOMES</b>	<b>EFFICIENCY</b>	<b>QUALITY</b>
<b>ADULT LITERACY PROGRAM</b>	Number of adults enrolled in literacy courses Louisiana's current illiteracy rate	Number of students completing adult literacy course	Number of students able to read at the sixth grade level upon completion of course Percentage reduction in rate of	Cost per student Number of students completing course compared to number of students enrolled	Percentage of students satisfied with the instructor and content of the course
<b>REHABILITATION SERVICES PROGRAM</b>	Number of clients eligible for service	Number of clients served	Percentage of clients rehabilitated Percentage increase in incomes of rehabilitated clients	Cost per client served Number of clients rehabilitated compared to number of eligible clients	Average satisfaction rating for courteous service
<b>REGULATORY/ PERMITTING PROGRAM</b>	Number of permit applications received	Number of permits issued	Number of entities in compliance with requirements	Processing time for permit applications Cost per permit issued	Percentage reduction in processing errors
<b>EMPLOYMENT PLACEMENT PROGRAM</b>	Number of employment counselors Louisiana's current unemployment rate	Number of people served	Percentage of people placed in jobs above minimum wage Percentage reduction in unemployment rate	Number of people served per number of employment counselors Counseling hours per person served	Percentage of people indicating that counseling was responsive to their needs

- **Supporting** indicators are included in the executive budget supporting document but not in the general or ancillary operating appropriations bill. For supporting indicators, performance standards are established during the appropriation process. (Unless they are modified during the appropriation process by language amendments in the bill, the performance standard values proposed in the executive budget supporting document become enacted performance standards.) Supporting indicators are tracked in LaPAS, but interim targets and actual performance must be reported in only second quarter (midyear) and fourth quarter (yearend) performance progress reports.
- **General performance information (GPI)** indicators provide data on an actual basis only. GPI indicators are reported in the executive budget supporting document and may appear in the general or ancillary operating appropriations bill for information only. No performance standards are developed or enacted for GPI indicators. GPI indicators are reported in LaPAS so that history may be built. However, only actual data are reported at second quarter (prior year actual) and fourth quarter (yearend actual) progress reports.

## Characteristics of Valuable Performance Indicators

Valuable performance indicators are:

- ✓ **Meaningful and relevant.** They are significant and relate directly to mission, goals, and objectives. They are valid measures of progress toward the objectives they accompany.
- ✓ **Balanced.** They include as many different types and of indicators as are appropriate to provide a clear picture of performance. Tell a clear performance story supported by data.  
  
**Clear and simple.** They are unambiguous and can be understood easily. Professional or technical terms, acronyms, and jargon must be defined when used in relation to performance indicators. This avoids misinterpretation. They are calculated and presented in a straightforward, uncomplicated manner. They use standard statistical or quantitative methods (or have clear explanations of nonstandard calculations) and are illustrated with tables, charts, or graphs that are easy to interpret.
- ✓ **Comparable.** They include both internal and external comparisons. They compare the program's current performance with performance in previous years; they compare the program with similar programs operated in other states or the private sector.
- ✓ **Credible.** They are based on accurate and reliable data. They stand up to audit.
- ✓ **Timely.** They are collected and reported on a timely basis. Time lag can limit usefulness.
- ✓ **Cost-effective.** They have acceptable data collection and processing costs.

- ✓ **Consistent and reliable.** They are measured or calculated, collected, and reported in the same way and on a regular basis. Their definitions, methods of calculation, source, and frequency are consistent and reliable.

## Identifying and Selecting a Balanced Set of Performance Indicators

Each objective must be accompanied by a balanced set of performance indicators. To identify a balanced set of performance indicators:

1. **Review the objective.** What outcome is sought? If an objective meets the "SMART" characteristics, then it will cite a specific, measurable target. When this is the case, indicators are often obvious. For example, an objective to increase or reduce an output or outcome by a particular amount or percentage would have indicators measuring the output or outcome level as well as the amount or percentage change achieved.

Some objectives target changes in particular rates (unemployment rate, highway death rate, infant mortality rate, or incarceration rate); others seek to improve particular scores or rankings (American College Testing scores and national or regional rankings for economic development or average teacher salaries). Again, for these objectives, identification of key performance indicators is relatively easy.

2. **Consider variables that may influence the targeted outcome.** Are these variables measurable? Should they be included as performance indicators or explanatory notes?
3. **Be sure you understand the process by which services are provided.** Use system logic to identify the inputs, outputs, outcomes, efficiency comparisons, and quality issues associated with a program or service. Quantify these components and determine which of them should be reported in order to provide a clear, balanced picture of performance.
4. **Determine the evaluation method(s) that will be used to measure the efficiency and effectiveness of the agency, program, or service.** Program evaluation? Performance audit? Management audit? Internal audit or evaluation? Peer review? Sunset review? What information is required for the evaluation method(s) to succeed?
5. **Decide what information is needed to gauge progress, determine whether anticipated results are being achieved, and tell your performance story.** Is this information available? If not, what would it take to get the information? Must a proxy or surrogate indicator be substituted?
6. **Review performance information that is collected already.** What information is already available? How is it collected, analyzed, and reported?
7. **Benchmark for best measurement practices.** Find out how other organizations (in-state or out-of-state, public or private sector) measure similar programs or activities. Look at the sample service efforts and accomplishments measurements developed by the Governmental Accounting Standards Board for certain functional areas of state and local

government. If your program is federally funded, then review the program performance information that must be reported to the federal government.

8. **Find out what information is most valued by key decision makers and other interested parties.** For example, what information is repeatedly requested by agency managers, OPB analysts, legislative staff analysts, and legislative committee members? What information is sought routinely by customers and other stakeholders? By the media? By the public?
9. **Think about how the indicator will be utilized—for internal management and accountability and/or for performance-based budget decision making.** Which indicators should remain as internal accountability measures; which should surface for budget decision making?

Managers must apply metrics (performance measures) to understand, analyze, and improve their processes. Many agencies have collected volumes of process or transactional data for years. Much of this data remains important for good program management; and program managers should select and use as many performance indicators as they need to ensure quality service delivery. This information should be tracked and used by program managers to improve program processes, products, and services.

However, not every metric should be surfaced for strategic planning and performance-based budgeting. Program managers should avoid the trap of “shotgun” or “kitchen sink” reporting, in which too many measures are suggested for reporting upward. This can signify a lack of clarity about the program mission, goals, and objectives. Instead, managers should select a balanced set of key performance indicators for reporting progress toward goals and objectives.

Remember that much of the management-level performance information will be needed to support or explain the balanced set(s) of performance indicators used to measure strategic (or operational) performance progress. (The blank matrix on page 69 may help.) Use the performance indicator documentation sheet on page 72 to provide the performance indicator documentation required by statute.

If an indicator will be used for performance-based budget decision, think about the kinds of indicator levels used. Should the indicator be reported as a key, supporting or general performance information indicator?

10. **Generate an initial list of indicators, then review and compare.** Potential indicators should be compared on a number of factors:
  - **Validity:** Which indicators provide the most direct and accurate measure? If a proxy indicator must be used, what is the best surrogate measure? If several sources exist, which source is the most reliable?

PERFORMANCE INDICATOR MATRIX						
Program:		Date:				
GOAL:						
	INPUT	OUTPUT	OUTCOME	EFFICIENCY	QUALITY	
Objective 1:						
Objective 2:						
Objective 3:						

**PLANNING****POINTER**

Sometimes available indicators do not measure exactly what decision makers (including legislators), managers, and the public want to know. It may be cost-prohibitive, impractical, or flatly impossible to generate the exact information desired. So proxy or surrogate indicators must be substituted. For example, completion of a specified number of school grades is not exactly the same thing as literacy. However, literacy is often expressed in terms of the ability to read and comprehend at a particular grade level.

If it is necessary to settle for a proxy or surrogate indicator, be sure that a proxy indicator is as close to the real thing as possible. This leads to the issue of "apples versus oranges" for comparison purposes.

☞ When you compare programs that are similar in most facets but have some differences, you may have a "Macintosh apple vs. Granny Smith apple" case rather than a real "apples versus oranges" case. You might be able to compare the entire program with explanatory footnotes documenting minor differences. For example, most states have combined probation and parole functions. Some have separate probation and parole function; a few have one but not the other. However, a comparison of caseloads and costs for probation and parole is possible when these differences are footnoted.

☞ When you compare programs that have major differences in some activities but have one activity in common, you can make a valid comparison on that common activity. For example, state police functions in various states may vary greatly. However, all carry out a traffic enforcement program. Therefore, it is possible to make a valid comparison of traffic enforcement figures for Louisiana State Police with those of other state police organizations.

☞ Even when you compare programs that share similar purposes but have major differences in the way they carry out those functions, it is still possible to glean meaningful comparisons—as long as you note the dissimilarities that should be taken into account. For example, human resource management tends to be more centralized in the public sector than in the private sector. This is a major factor influencing the number of human resource management staff per employees covered by the system and the cost per employee covered by the system. However, since this difference is known and can be factored into a comparison of public and private sectors, that comparison can still yield valuable information.

- **Clarity:** Which indicators are most easily understood by decision makers, program managers, and the public?
- **Timeliness:** Which indicators provide the most current information? How often and how quickly are the data gathered, analyzed, and reported?
- **Comparability:** Which can be compared across programs, among states, or with the private sector with a high degree of compatibility? Which have a history of collection and use internally?
- **Consistency and Reliability:** Which indicators are (or can be) gathered consistently year after year? Are the sources, definitions, and methods of measurement reliable? Which indicators have the most reliable and standard methods of calculation?
- **Cost:** Which indicators are efficient and cost-effective to gather and analyze? Talk with data specialists about the technical side of data collection and analysis for particular indicators.

- **Utility:** How are indicators used for internal management and accountability? Which are surfaced for external reporting and performance-based budget decision making? Which indicators are used for both management and budget decision making?

Performance indicator documentation sheets (see page 72) aid this comparison.

- 11. Select balanced sets of performance indicators and identify them in your strategic plan.** After reviewing and comparing potential performance indicators, identify those indicators that are needed to provide a clear, balanced picture of performance progress. A list of performance indicators should be part of the strategic plan document.

## Presenting Performance Indicators in the Strategic Plan

Since the accountability component of the strategic planning component is concerned with the identification of the performance indicators that will be used to track performance progress, it is not necessary to include forecasted values for the five years of the strategic plan. Instead, list the names of the performance indicators that are to be used and provide the required validation/documentation for your indicators.

This does not mean that you should be unconcerned with performance indicator values altogether. Baseline data and projections (including values for the performance indicators identified for accountability) are necessary for formulation of goals and objectives. Also, during the process of selecting performance indicators, you may identify new indicators for which historical data should be gathered and forecasts should be made.

A Performance Indicator Documentation Sheet is required for all existing and new performance indicators in the strategic plan. These updated documentation sheets will be reviewed closely to determine the rationale, relevance, and reliability of performance indicators, as well as the accuracy, maintenance, and support of reported data.

## Reviewing and Updating Performance Indicators

Balanced sets of meaningful performance indicators evolve and improve with time. Review performance indicators on an ongoing basis (usually as part of strategic planning review) and make changes based on experience. To review and update performance indicators, consider:

- What adjustments, if any, should be made to the indicators currently used?
- What recent developments will influence current performance indicators? Have better data sources been found? Have new databases come on line? Have decision makers asked for new or more data?
- What problems have been encountered in trying to measure performance?
- What changes should be made in the way data are collected and analyzed?

# PERFORMANCE INDICATOR DOCUMENTATION



**Program:**

**Activity:**

**Objective:**

**Indicator Name:**

**Indicator LaPAS PI Code:** (Cite LaPAS PI Codes for indicators that have been reported in LaPAS at any time past or present; indicate "New" for indicators that have never been reported in LaPAS.)

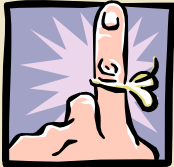
**For each performance indicator in the strategic plan, address the following:**

1. **Type and Level:** What is the type of the indicator? (Input? Output? Outcome? Efficiency? Quality? More than one type?) What is the level at which the indicator will be reported? (Key? Supporting? General performance information?)
2. **Rationale, Relevance, Reliability:** Why was this indicator chosen? How is it a relevant and meaningful measure of performance for this objective? Is the performance measure reliable? How does it tell your performance story?
3. **Use:** How will the indicator be used in management decision making and other agency processes? Will the indicator be used only for internal management purposes or will it also surface for outcome-based budgeting purposes?
4. **Clarity:** Does the indicator name clearly identify what is being measured? Does the indicator name contain jargon, technical terms, acronyms or initializations, or unclear language? If so, clarify or define them.
5. **Data Source, Collection and Reporting:** What is the source of data for the indicator? (Examples: internal log or database; external database or publication.) What is the frequency and timing of collection and reporting? (Monthly, quarterly, semi-annual, or annual, basis? How "old" is it when reported? Is it reported on a state fiscal year, federal fiscal year, calendar year, school year, or other basis? Is frequency and timing of collection and reporting consistent?)
6. **Calculation Methodology:** How is the indicator calculated? Is this a standard calculation? (For example, highway death rate is the number of highway fatalities per 100,000,000 miles driven. This rate is a standard calculation used by the National Highway Traffic Safety Administration.) Provide the formula or method used to calculate the indicator. If a nonstandard method is used, explain why. If this indicator is used by more than one agency or program, is the method of calculation consistent? If not, why not?
7. **Scope:** Is the indicator aggregated or disaggregated? (Is it a sum of smaller parts or is it a part of a larger whole? Examples: If the indicator is a statewide figure, can it be broken down into region or parish? If the indicator represents one client group served by a program, can it be combined with indicators for other client groups in order to measure the total client population?)
8. **Caveats:** Does the indicator have limitations or weaknesses (e.g., limited geographical coverage, lack of precision or timeliness, or high cost to collect or analyze)? Is the indicator a proxy or surrogate? Does the source of the data have a bias? Is there a caveat or qualifier about which data users and evaluators should be aware? If so, explain.
9. **Accuracy, Maintenance, Support:** Have the indicator and subsequent performance data been audited by the Office of the Legislative Auditor? If so, what was the result? If not, what evidence is available to support the accuracy of the data? How will the reported data be maintained to ensure that it is verifiable in the future?
10. **Responsible Person:** Who is responsible for data collection, analysis, and quality? How can that person or organization be contacted? Provide name, title, and all contact information (including telephone, fax, and e-mail address).

**(Use as many pages as necessary to fully respond to these documentation items. Be sure that each sheet carries the name and, for existing performance indicators, the LaPAS PI Code. )**



This review is not a license to switch or change performance indicators willy-nilly. Once good indicators have been identified and refined, consistency becomes a prime factor. Collection and reporting of consistent data allow managers and evaluators to gain a better understanding of program performance over time. If it makes sense to change an indicator (particularly one that has been collected and reported for a long time) or the way it is calculated, make a note (for the record) of why the indicator was changed.



**REMEMBER:** During strategic planning, when you identify and select performance indicators to measure progress, you are committing to the use and reporting of those indicators over the lifetime of the strategic plan. For those indicators that are to be used and reported as part of performance-based budgeting, you must be prepared to report those indicators in your operational plans and LaPAS for five years.

There must be a compelling reason to change performance indicators during the lifetime of a strategic plan. Such changes must be justified and should be discussed with other users of those data before changes are implemented.

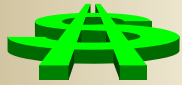
## Organizing to Gather Appropriate Information

During the identification and selection of performance indicators:

- What information do we routinely gather and does it fit our needs?
- What system do we use for gathering information? Does it produce the information we need?
- What information would better meet our needs and what would it take to get it?
- What are the constraints to change in data collection? (Money? Technology? Tradition? Politics?)

When both available or proxy indicators are not sufficient, it may be necessary to change the way data are collected—to establish new databases, sort or analyze existing data differently, gather comparative data from other states or programs, and/or to find new data sources.

Be sure to include your organization's information systems and database managers in the strategic planning process. Data specialists can provide needed information about the technical side of data collection and analysis. This information may influence the selection of indicators.



## Strategic Planning and Resource Allocation

Strategic planning leads ultimately to resource allocation decisions. In the strategic planning process, resource needs associated with strategies—human effort, materials, and facilities required to implement strategies and accomplish goals and objectives—are identified and analyzed. Allocation of resources to meet those needs occurs through the state's operating and capital outlay budgets.

**RESOURCE ALLOCATION: The determination and allotment of resources or assets necessary to carry out strategies and achieve objectives, within the priority framework established in the goal-setting process.**

Strategic planning guides the operational planning and budgeting process. It identifies the highest priorities or best uses for continuation funds as well as needed enhancements. It affords management an opportunity to reevaluate existing allocations of funds, personnel, equipment, and other resources; reallocate existing resources in more efficient and effective ways; and identify and justify resource enhancements. In times of budget cutbacks, strategic planning pinpoints the "best" places to cut in order to minimize reductions in services.

At the statewide level, projections of fiscal impacts proffer additional information for decision making and priority setting by the governor and commissioner of administration during development of the annual executive budget and capital outlay budget. Projections of resource needs are used in conjunction with revenue forecasts to help develop long-range state financial plans and state capital investment plans. Organization strategic plans provide invaluable assistance to the state's Consensus Estimating Conferences, which are responsible for assessing the future need for services and resources within major functional areas.

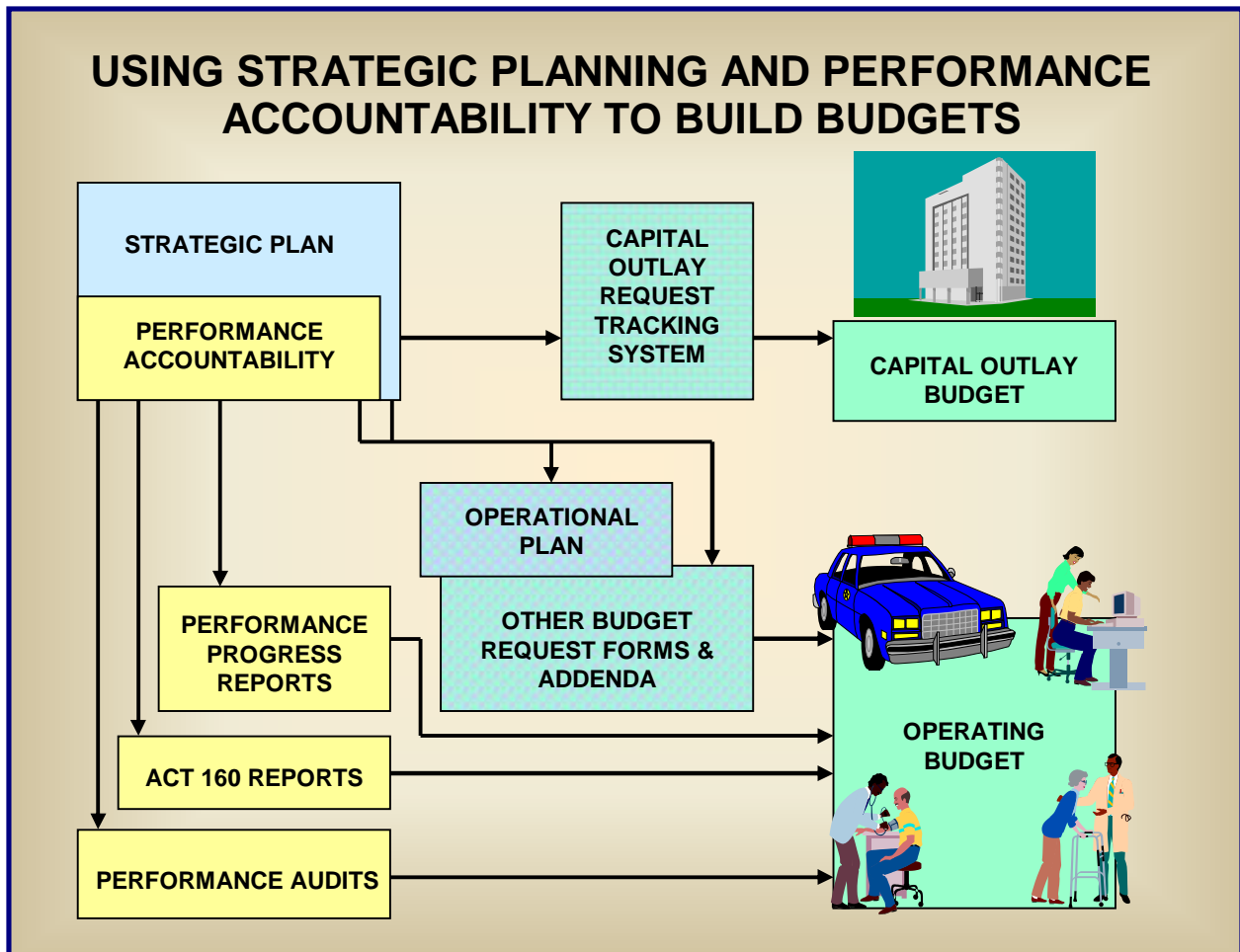
**HELP**

### HOW TO: Translate Plan to Budget

Annual operational plans and budgets indicate how the strategic plan will be operationalized—what portion of the strategic plan will be accomplished—in a given operational cycle. Capital outlay plans and budgets link capital resources with strategic plans. Resources requested in an organization's operating budget request or capital outlay budget request should be related to that organization's strategic plans and priorities.

The strategic plan is echoed in program operational plans. Performance indicators, which are identified and developed as part of the accountability component of strategic planning, are used to show service levels associated with resource allocation levels--that is, the results to be expected at a certain level of funding. Resource needs identified in the strategic planning process are refined and requested through the budget development process. Objectives, strategies, and performance indicators that reflect a continuation of existing service levels are identified in the operational plan. Objectives, strategies, and performance indicators that reflect new or expanded services are detailed on the New or Expanded Service Forms. The process of translating a long-range strategic plan into annual operational plans and budgets is described in [OPERATIONAL PLANNING AND BUDGETING](#).

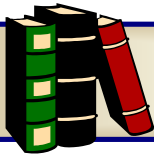
The capital outlay budget process, in which construction or renovation projects must be related to program services, is described in [CAPITAL OUTLAY PLANNING AND BUDGETING](#).



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## INFORMATION AND ASSISTANCE

Questions about strategic planning should be directed to the OPB budget analyst (or budget group manager) assigned to work with your agency. You may also contact OPB Deputy Director at 225-342-7005.



## OTHER PUBLICATIONS

*Applied Strategic Planning: A Comprehensive Guide*, by Timothy M. Nolan, Leonard D. Goodstein, and J. William Pfeiffer, Jossey-Bass/Pfeiffer, 1993.

*Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement* (Second Edition), John M. Bryson, Jossey-Bass Publishers, 1995

*The Benchmarking Book*, Michael J. Spendolini, American Management Association, 1992.

*Benchmarking for Best Practices in the Public Sector: Achieving Performance Breakthroughs in Federal, State, and Local Agencies*, Patricia Keehley, Steven Medlin, Sue MacBride, and Laura Longmire, Jossey-Bass Publishers, 1996.

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