

**OFFICE OF FINANCIAL MANAGEMENT  
BUDGET DIVISION**

# **STRATEGIC PLAN GUIDELINES**

JUNE 2016



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## Section 1 – Why Prepare a Strategic Plan?

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### **Strategic planning is crucial for budget decisions.**

The Legislature has a stated policy that each agency’s budget recommendations must be directly linked to the agency’s mission, programs, goals, and objectives (RCW [43.88.090\(5\)](#)). The strategic plan, itself, should link an agency’s budget request to specific efforts to achieve statewide goals. An agency budget proposal that is not aligned with its strategic plan may be difficult to justify and less likely to fare well with budget analysts and decision makers.

OFM expects agency budget requests to be anchored to its strategic plan, offering a clear “line of sight” that allows a reader to easily understand:

- The agency’s mission, its highest priority activities or programs, and its key customers.
- The operating environment and organizational factors facing the agency.
- What statewide results, outcomes, and goals the agency must achieve to carry out its mission.
- Measurable objectives the agency has established to move toward the goals.
- How the agency will measure progress toward those goals.
- Strategies the agency intends to pursue to achieve stated objectives; and
- Additional resources the agency may need to successfully carry out its strategies.

### **Strategic plans are a communication tool.**

While the primary purpose of the strategic plan is to guide the agency’s management activities, it also provides a means to communicate with people inside and outside the agency.

Within an agency, a strategic plan can give employees a sense of shared purpose and motivation by clearly articulating agency values and goals. Employees will know how their work contributes to success. Strategic plan objectives can be aligned with employee performance and development, one of the key factors in successful performance management.

Decision makers, budget and policy analysts, auditors, stakeholder groups, and the public read strategic plans to learn about an agency’s purpose and work activities, its opportunities and challenges, strategic direction, and how it measures success. If your strategic plan is clear and complete, you may be able to avoid preparing duplicate information for your audiences.

### **It’s the law.**

[RCW 43.88.090](#) directs each state agency to define its mission and to establish measurable goals to achieve desirable results for customers, and to develop clear strategies and time lines for achieving these goals.

Agencies must establish objectives for each major activity in its budget. Objectives must be expressed in measurable form; address the statutory purpose of a program or activity; and focus on data that measures whether the agency is achieving or making progress toward statewide priorities.

OFM is required to provide professional and technical assistance to assist state agencies in developing their strategic plans. These Strategic Plan Guidelines are one aspect of this technical assistance.

Further information can be found at our performance website: <http://www.results.wa.gov/>

## **Section 2 – What is Strategic Planning?**

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Strategic planning is a process to determine what an agency wants to accomplish over a given time period, and how to do that.

Effective organizations regularly take time to ask and answer a few critical questions:

- What do we do and for whom?
- What are our main products and services?
- Who are the customers of those products and services?
- Where are we today?
- Where do we want to be in the future?
- How do we close the gap?
- How will we know if we are succeeding?

A process to answer these questions is the essence of strategic planning.







Strategic planning in the public sector answers these additional questions:

- What is the desired social outcome, or “public good” we want to achieve? (Goals)
- How do we expect to contribute to, or influence, the outcome? (Strategies)
- What resources will we need to implement these strategies?

Because public sector organizations are subject to a number of outside influences beyond their control, this process needs to be repeated to evaluate the effectiveness of strategies. (Reference: Schacter, 2007.)

While the strategic plan document has certain uses (documenting decisions and as a communication tool, for example), it is not an end in itself. The most valuable part of the agency’s plan is the periodic process of confirming goals, assessing progress toward an outcome, evaluating what is effective and what is not, and adjusting strategies to improve performance.

## Section 3 – Strategic Plan Should Focus on State’s Priority Goals

 Governor Jay Inslee <b>A New Strategic Framework</b>	
<b>Vision</b>	A Working Washington built on education and innovation ... where all Washingtonians thrive.
<b>Mission</b>	<ul style="list-style-type: none"> <li>➤ Foster the spirit of continuous improvement</li> <li>➤ Enhance the conditions for job creation</li> <li>➤ Prepare students for the future</li> <li>➤ Value our environment, our health and our people</li> </ul>
<b>Foundation</b>	<ul style="list-style-type: none"> <li>➤ Create a responsive, innovative and data driven culture of continuous improvement.</li> <li>➤ Recognize Washington’s rich natural resources, diverse people and entrepreneurial drive, and build upon our legacy.</li> <li>➤ Operate state government with the expectation that success is dependent on the success of all.</li> <li>➤ Create effective communication and transparency on goals, measures and progress in meeting expectations.</li> <li>➤ Deepen our focus, understanding and commitment to our citizens: Know our customers.</li> </ul>
<b>Goals</b>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">                       World-Class Education                 </div> <div style="text-align: center;">                       Prosperous Economy                 </div> <div style="text-align: center;">                       Sustainable Energy and a Clean Environment                 </div> <div style="text-align: center;">                       Healthy and Safe Communities                 </div> <div style="text-align: center;">                       Efficient, Effective and Accountable Government                 </div> </div>
<b>Measure &amp; Improve</b>	<p style="text-align: center;">Building a more responsive, data-driven state government to get results:</p> <div style="text-align: center;">  </div> <p style="text-align: right;"><a href="http://www.results.wa.gov">www.results.wa.gov</a></p>

Today’s complex challenges often require expertise and collaboration from multiple state agencies. Therefore, the strategic plan must consider how your agency can best achieve its mission **and** contribute to accomplishing important statewide outcomes with other agency partners.

For a complete list of Governor Inslee’s priorities, see [Governor's Goals](#).

Your strategic plan should clearly communicate how your agency plans to contribute to Governor Inslee’s statewide priorities and how your agency will help to achieve results and desired outcomes. All agency budget activities may not be an explicit component of your strategic plan, but all activities are assigned to one of five statewide goal areas and evaluated (by the Governor’s Results Washington team) on how they contribute to desired outcomes. These evaluations are based on goal attainment and performance measures in OFM’s Results through Performance Management (RPM) system. Many agencies find it useful to develop and report a common set of measures to both track progress on meeting the goals in their strategic plans, and for performance reporting to Results Washington and OFM.

## Section 4 – Strategic Planning Best Practices

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A good strategic planning process will:

- Identify an agency’s mission, core business processes, primary customers, and stakeholders;
- Articulate an agency’s vision and values;
- Focus on a limited number of key priorities and outcomes;
- Set clear goals and measureable objectives for priority outcomes;
- Analyze external forces that influence the ability to achieve the mission;
- Assess internal capacity to deliver services and manage effectively;
- Develop strategies that will, when implemented, achieve the objectives;
- Establish performance measures and targets to determine if strategies are successful at meeting objectives;
- Implement the plan through resource and staffing decisions and operational plans;
- Regularly monitor progress; and
- Involve leaders, managers, employees, customers, and stakeholders throughout the process as appropriate.

There is no perfect way, or “cookbook” approach, to prepare a strategic plan. Because agencies face different circumstances, you may carry out your planning process in different ways.

### **Are there required components of the strategic plan?**

OFM does not require plans to contain specific elements, refer to [RCW 43.88.090](#)(2-4) for the statutory requirements. Each specific element in your plan should include a list of statutes that authorize the establishment and operation of each agency program and that tie that program to the agency’s mission, programs, goals, and objectives.

Good plans show evidence that you have engaged in the process described above. They contain components that describe your agency’s mission, major business processes, and assessment of external factors and internal capacity. Good plans also convey statewide outcomes, goals and objectives to be achieved, strategies to accomplish them, and performance measures to track and gauge progress.

### **Is a specific format required?**

No specific format is required, but a table of contents helps readers locate various elements.

Your strategic plan will only benefit readers if they understand it. Organize information so things are easy to find. Keep it brief and clear, avoid jargon, and define acronyms. Write using Plain Talk principles (see [Plain Talk](#) website).



Strategic plans benefit by focusing on a few priority areas. A plan that lists every possible thing that every unit would like to accomplish is unlikely to be implemented successfully. If you choose to include all divisions in the planning process, we suggest that you include an Executive Summary in the final plan. Some useful plans may be as brief as one to four pages, although they may rest on a foundation of more detailed analyses (that can be referenced in the plan itself.)

### **Who should be involved in the planning process?**

The strategic planning team should include representatives from major divisions who have a role in carrying out the plan. For instance, if a strategy will require additional resources to achieve an objective, budget staff should be part of the team.

Asking customers and stakeholders for input on the plan is a best performance management practice. After all, an agency's programs should exist to serve specific customers, and gathering data about performance from customers should provide valuable and important data for planning.

It is critical for senior leaders to own the plan and process – goals should come from the top. They may not be involved in the day-to-day process, but should be involved early on in frank conversations about objectives.

Front-line staff should be involved in the planning process if the agency relies on them to successfully implement a strategy, or if it wants to align parts of the plan with employee performance evaluations.

Managers should be included in the process if an agency wants to get widespread “buy-in” for its plan so they are thoroughly familiar with what the plan includes. (Reference: Coyne and Subramaniam, 1996.)

### **Where do we start?**

If you have already submitted an application for a Washington State Quality Award (WSQA), you may want to use the organizational profile and human resource focus sections as a beginning point.

Asking customers and stakeholders for feedback is a useful first step.

Another good place to begin is by reviewing your last strategic plan and answering these questions:

- Are the mission and business processes still relevant?
- Is there a clear relationship between the goals and statewide results or outcomes then and where we are now?
- What do we want to increase, decrease, or maintain and by how much? Did we already meet those targets?
- What process element did we focus on to make changes? Do we have a hypothesis about why it did or didn't work?
- What does that mean for strategies we should now pursue to achieve current performance targets?

## **What components should be in a strategic plan?**

A good strategic plan will include many of the following components or elements, but not every plan needs to contain all of them.

### **Mission Statement**

An agency's mission statement describes its reason for existence in general terms that capture its unique purpose and functions. It typically describes the organization, what it does, why it does it, and for whom.

- Example: The Department of Healthy Behaviors works to improve the health of the people of Washington State by promoting actions that individuals can take to improve their health.

### **Vision Statement**

The vision statement is a brief, forceful statement describing the organization at its most effective, or as it will be when it achieves its desired goals and outcomes. Vision examples:

- Great people, great service, excellence every time.
- The department is recognized as a progressive, innovative leader as we promote economic vitality, safeguard the environment, provide world-class customer service and embrace change.

### **Values**

Values are a statement of the agency's beliefs and behaviors. The strategic plan's value statement can help establish a reference for employees to carry out their work. Values examples:

- All staff are guided by the following values: honesty, respect, and accountability.
- Our core values are service, integrity, teamwork, and innovation.

### **Assessment of external challenges and opportunities**

A good strategic plan will describe important external factors that affect the agency's ability to achieve goals and performance targets. In their analyses, agencies should consider changes in these factors and how they may also affect partners upon whom the agency heavily depends:

- The economy
- Client populations
- Client demographics
- Client/citizen needs, preferences, or expectations
- The way customers expect services to be delivered
- Related markets or industries
- The expectations of suppliers and partners
- The law or regulatory environment
- The costs of doing business
- The natural environment

## **Assessment of internal capacity and financial health**

The strategic planning process also provides a good opportunity for an agency to take stock of its strengths and weaknesses, and to examine internal agency factors that can impact its ability to accomplish the mission, goals, and objectives. For example:

- What are key workforce issues that affect agency performance?
- What workforce issues must be addressed to achieve business goals?
- Do you see a need or opportunity for changes in service delivery methods?
- Will your strategies require an increase in staff and, thus, a need for more space? Will they require changes in the type of space? Are there pressing facility maintenance and operations needs or requirements?
- What technology investments will be necessary (and in what time frame) to achieve goals?
- Are there trends in revenue sources, fund balance changes, or cost pressures that may affect your financial sustainability?

A common technique that combines internal and external assessment is “SWOT analysis,” short for Strengths, Weaknesses, Opportunities, and Threats. Under SWOT analysis, an agency explicitly identifies internal factors (strengths and weaknesses) and external factors (opportunities and threats) that may impact its ability to achieve results. This analysis can be used to develop strategies to capitalize on positive factors (strengths and opportunities) and mitigate adverse factors (weaknesses, risks, and threats.)

## **Performance analysis**

The strategic plan tells the story of how the agency intends to bridge the distance between where it is today and where it would like to be in the future. Performance analysis describes the nature of those gaps. Consider these questions:

- If actual performance is different than expected at this point, why?
- What is the agency learning from its internal Results Washington forums process?
- How do performance results compare to those of other similar organizations, or to recognized industry standards, and why?
- Which performance gaps are most important to close?
- How will the agency try to close these performance gaps?

## **Goals**

Goals are broad, high-level, issue-oriented statements of outcomes that an agency will strive to achieve. They should fit well with the mission statement and values, and answer the question, “What must we do to accomplish our mission or achieve a result?” Goal examples:

- Reduce tobacco use among adults, pregnant women, and children.
- Protect public health by ensuring safe food supply.

## **Objectives**

Objectives break goals down into smaller, more specific pieces. They describe measurable results an agency expects to accomplish within a given time period. A good objective statement will provide an operational way to know if your strategies are successfully moving toward your

targeted goal. Try to start each objective sentence with one of these words: increase, decrease, or maintain. Objective examples:

- Decrease the proportion of cigarette smoking among 10<sup>th</sup> grade adolescents by 10%.
- Increase the proportion of food processors that comply with public health standards to 95%.

### **Strategies**

Strategies are methods to achieve an objective. While goals and objectives state what the organization **wants** to achieve, strategic statements state **how** goals and objectives will be achieved. Strategies should guide the near-term work and activities that an agency undertakes to achieve specific goals and objectives. Strategy examples:

- Produce anti-smoking messages and a media campaign targeted to teenagers.
- Inspect, test, and provide technical assistance to food storage and processing industries.

For the strategic plan, an agency should focus on the most important strategies, describing how each strategy will help to achieve both agency goals and statewide results.

### **Performance measures**

Performance measures are numeric descriptions of an agency's work and results. They are based on data and tell a story about whether an agency or activity is achieving the desired objectives, and if progress is being made to attain policy or organizational goals.

Performance measures should be written to begin with "Number of . . ." or "Percentage of . . ." then describe what is being measured. Performance measure examples:

- Percentage of 10<sup>th</sup> grade students who say they have smoked within 90 days, as reported on the annual student survey.
- Percentage of food processors with a compliance rating score of 90 or more on annual inspection.

## **Section 5 – Implementing Strategic Plans**

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Preparing a strategic plan is only a first step. To paraphrase management consultant, educator, and author Peter Drucker, "plans are only promises and hopes without subsequent commitment and action." To be effective, strategic plans must be implemented through operational and action plans, work assignments, and requests for resources.

### **Action plans and operational plans**

Once high-level direction is set through the strategic plan, some agencies ask divisions or business units to prepare action or work plans. These provide concrete steps to implement the agency's selected strategies and can help management track effectiveness and success.

## Capital and technology needs

The strategic planning process can identify emerging capital and technology needs for the agency. Changes in caseloads, customer expectations, agency work practices, and aging facilities or systems may create profound changes in an agency's facility and technology requirements.

The narrative justification for each capital budget project request must describe how the project supports the agency's strategic plan, and/or how it contributes to statewide results. OFM asks key questions in its review of agency capital budget requests, including:

- What are the most effective strategies and activities in which to invest, and how does this capital budget request support them?
- How do the proposed capital investments support the agency's mission, goals, and objectives?
- How do the investments support statewide priorities?

## Information Technology Planning

The Technology Services Board (TSB) focuses primarily on information technology (IT) strategic vision and planning; enterprise architecture; policy and standards; and major project oversight. Members include legislators, business leaders, agency directors, and a union representative.

## Workforce planning

Workforce planning is the overall process to link workforce strategies to desired business outcomes. Goals, objectives, strategies, and performance measures in the agency's business plan should highlight key workforce priorities. Valuable workforce planning information and tools can be found at the State Human Resources website under [Workforce Planning](#).

## Risk Management

Enterprise Risk Management (ERM) is the discipline and its associated processes of applying a risk evaluation to each agency goal, identifying root causes of these risks, determining—as an enterprise—what changes (i.e., risk treatments) are best to address the root causes, and then monitoring the success of the risk treatments. (See [Risk Management](#))

# Section 6 – Resources and References

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## Internal and External Assessments

- OFM's [Forecasting Division](#) provides population, demographic, economic, and other trend data. [Washington Trends](#) and [Budget Drivers](#) may be particularly relevant.
- Quarterly economic and revenue forecasts are available from the [Economic and Revenue Forecast Council](#).
- The Caseload Forecast Council's data for K-12 enrollment, social service caseload, and prison populations is online at <http://www.cfc.wa.gov/>.
- The Washington State [Human Resources](#) website has [workforce planning and data](#).

## Strategic Planning

- [Baldrige Performance Excellence Program](#) at the National Institute of Standards and Technology has criteria for evaluating organizational strategic planning and implementation on pp. 10-12 of the [2011-12 Criteria for Performance Excellence](#), (PDF).
- McKay, Emily Gantz, [Strategic Planning: A Ten-Step Guide](#) (PDF, July 2001). This basic guide written for non-profits includes practical suggestions applicable to most organizations.
- McNamara, Carter, MBA, PhD, [Basic Description of Strategic Planning](#) and [Overview of Various Strategic Planning Models](#) explain basic elements of, and different approaches to, strategic planning.
- Zients, Jeffrey D, [Statement to United States Senate Budget Committee](#) (PDF, Oct. 29, 2009). The Chief Performance Officer with the federal Office of Management and Budget (OMB) discusses five principles for successful performance management.

## Performance Measures and Logic Models

- OFM's [Performance Measure Guide](#) contains information about how to write objectives and performance measures, and includes a section on using logic models to connect work activities to outcomes.



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