

MUNICIPAL WORLD ARTICLE – OPERATIONALIZING YOUR STRATEGIC PLAN

Recommendation

The Chair of the Strategic Planning Committee, Regional Councillor Mario Ferri recommends:

That staffs initiative and efforts with respect to the article published in the May issue of Municipal World be acknowledged; and

That Corporate Communications be requested to prepare an appropriate communications strategy.

Economic Impact

Not applicable.

Purpose

To highlight the initiative taken by staff to promote the City of Vaughan in the municipal sector and provide leadership in the area of strategic planning.

Background - Analysis and Options

As strategic planning takes on an increasingly more important role in the planning and direction of the City the integration and the relationship between the strategic planning process and other City processes becomes increasingly important. This is particularly true of the budgeting process. To operationalize the strategic plan it must become embedded in the way in which we operate and conduct our business.

In addition to promoting the City of Vaughan throughout the municipal sector the article (attached) focuses on the issue that is common to most organizations, operationalizing the strategic plan.

Relationship to Vaughan Vision 2007

This initiative promotes the City of Vaughan and Vaughan staff, encourages staff learning and professional development.

Conclusion

As the Chair of the Strategic Planning Committee I would like to thank staff for taking the initiative and the time to write an article that is timely for Vaughan and deals with an issue that is important to municipalities and many other organizations.

Attachments

Attachment 1 – Municipal World Article

Respectfully submitted,

Mario Ferri, Regional Councillor
Chair Strategic Planning Committee

Operationalizing the Strategic Plan: IS A PARADIGM SHIFT NECESSARY?

Clayton Harris and Thomas Plant



Clayton Harris



Thomas Plant

The municipal sector, like other industry sectors, often has difficulty operationalizing their strategic plan. Typically, in municipal government, the strategic planning process is not well-integrated with other key activities that the municipality is undertaking. One of the most significant of these activities is the budgeting process. Historically, the main linkage between the two processes has only occurred when strategic priorities have been identified and budgeted funds are required. Inevitably, municipalities find themselves with many more projects, including strategic priorities, than there are funds available. The result is that strategic planning becomes viewed as a question of "Can we afford this?" In reality, the question should be "can the organization afford not to be strategic?"

When this occurs, and funding for specific strategic priorities has not been forthcoming, there is often a sense in the organization that the municipality is not being strategic and therefore not achieving its strategic goals. However, the measurement of an organization's ability to move in a strategic direction should not be based on the amount of funding provided for specific projects at any point in time.

This is exacerbated by the current environment within which municipal decision makers must operate. It exerts significant pressure to provide increasing

levels of quality service, while minimizing property tax and user fee increases. The result is that senior decision makers increasingly require processes that provide information sufficient to allocate increasingly limited resources, while ensuring the organization's strategic objectives are achieved. This article will focus on the paradigm shift that is critical if municipalities want to successfully operationalize their strategic plans in this environment.

There is a gap that currently exists in many municipal organizations between strategic planning and budgeting. A new model of interaction with a closer integration between the two processes is proposed. Further, this model will postulate that the strategic planning and budgeting processes are both integral organizational planning tools that must be treated as interrelated components in the planning and resource allocation process in order for the organization to achieve its strategic goals. In this way, the organization will link strategic planning goals to resource allocation and, eventually, all decision making. This will in turn increase the organization's effectiveness in the achievement of its goals and create a realization throughout the organization that the strategic plan is driving the organization.

Strategic Planning/Budgeting Connection

The budgeting process is central to municipal government operations. It revolves around a process whereby de-

Clayton Harris, CA, is the Commissioner of Finance and Corporate Services at the City of Vaughan. He can be reached at <clayton.harris@vaughan.ca>. Thomas Plant MBA, MPA, is the Senior Manager of Strategic Planning at the City of Vaughan. Thomas can be reached at <thomas.plant@vaughan.ca>.

partments submit their annual operating and capital budget requests for senior management and council review and approval. However, this process typically doesn't require departments to submit work plans detailing how the resources allocated to the respective areas of responsibility will be utilized or providing performance measurement information on the effective use of those resources. The situation is further compounded by the fact that the budget approval process seldom incorporates strategic priority setting as part of the process. The end result is a process that can allocate additional incremental resources for service provision without establishing a clear connection to the corporation's strategic direction.

As mentioned above, the traditional approach to budgeting provides incremental funding. It doesn't include consideration of the reallocation of resources to reflect changing strategic priorities and the process doesn't generate the information on which to base such decisions. Consequently, a gap is created between the strategic goals/corporate direction set through the strategic planning process and how the funding

was allocated through the budgeting process.

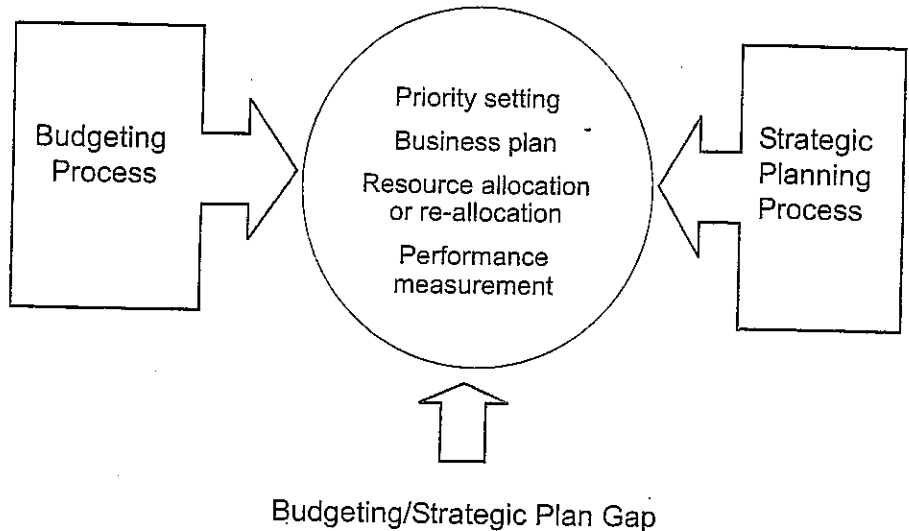
Over time, this gap can widen. As can be seen in Figure 1, several components – including priority setting, work plans, resource allocation and performance measurement – must come together to close the gap. Incorporating

these components into a joint budgeting/strategic planning process will ensure a stronger linkage between these two areas, improve organizational effectiveness and move the organization closer to achieving its goals.

STRATEGIC PLAN, cont'd on page 44

Figure 1

Budgeting/Strategic Plan Linkage



How Do You Get There?

To operate within this new strategic budgeting framework, a paradigm shift must occur: a shift away from the view that achieving strategic objectives is simply tied to the allocation of additional project funding, towards a recognition that the achievement of strategic objectives can only fully be achieved when all decisions are assessed and made within the context of the organization's strategic plan. This, in turn, requires that the appropriate information and analysis is available on which to base decisions. The primary data gathering and analysis should be conducted through the budgeting process. In this way, the link between the budgeting/resource allocation process and strategic priority goal setting is strengthened.

The strategic planning and budgeting connection can be further reinforced through the introduction of a business planning process that focuses operating departments on establishing annual business goals linked to the strategic plan, outline resource requirements necessary to achieve those goals, and appropriate performance measures. This approach will assist in implementing a planning, operating and reporting cycle where budgeting/resource allocations are developed in parallel with an annual business plan. Further, since the business plans must be aligned with corporate strategic goals, the services and initiatives undertaken by departments should be consistent with the corporate direction.

When the plan and the necessary resources are in place, operating departments are then tasked with achieving the agreed upon performance measures. Proper reporting mechanisms must therefore be in place for accountability and to facilitate an annual review process. This process allows for resource allocation decisions to be reviewed on an annual basis and information generated to

determine their effectiveness. The establishment of a performance measurement framework will provide information on service efficiency and effectiveness. This, in turn, will assist senior decision makers in the annual allocation or reallocation of resources, and provide objective input into performance appraisal and incentive systems.

Making the Shift

This article has postulated that the traditional views of the relationship between the strategic planning and budgeting processes need to be redefined.

Performance reporting should be designed to provide objective measures that are used to measure progress, identify areas for improvement and reward success.

However, this is sometimes easier said than done. Organizations taking this next step should be aware of the impediments, and that each organization will react differently.

One of the impediments associated with implementing a redefined strategic/budgeting process is that there has to be buy-in – buy-in from the operating departments, buy-in from the senior management team and, most importantly, buy-in from council. Operating departments are ultimately responsible for the delivery of services to internal and external stakeholders and the achievement of the organization's strategic objectives. However, departmental staff are often sceptical of the organization's commitment to its strategic plan.

One reason is that they are often judged more on their response to individual issues that arise on a day-to-day basis than they are on moving towards long-term strategic objectives. As a result, operating departments must have confidence that the achievement of the organization's strategic goals is the highest priority.

As well, the organization as a whole must understand what it means to commit to a strategic plan, what the expectations are of those involved, and then commit to the plan. This can be accomplished through workshops and other forums. Collaboration through the business planning process will further reinforce understanding, commitment and reduce anxiety.

Anxiety is normal and can be expected in any organization that adopts change. The greatest anxiety will be around performance measurement and reporting. It is critical that everyone understand the purpose of performance measurement and reporting. Performance reporting should be designed to provide objective measures that are used to measure progress, identify areas for improvement and reward success.

It is critical that business plans are supported by senior management, approved by council, and that the plans continue to be the focus and the priority throughout the year. Inevitably, issues or opportunities will arise that are not specifically addressed in the business plans. In these instances, senior management and council must be seen as using the strategic plan as their road map for addressing the issues and making decisions.

Overall, when municipalities are able to link their strategic planning and budgeting processes, they will have made a significant step towards operationalizing their strategic plan. The paradigm shift will be complete when the strategic plan becomes part of the corporate culture of the organization and internalized as part of the decision-making process. MW