1.2 Agencies need to submit a strategic plan

The strategic plan provides answers to key strategic and management questions

Whether called strategic planning, business planning, or something else, a successful agency needs to develop thorough answers to these critical questions:
1. **Where do we want to be?** Vision statements, goals, objectives, and performance targets provide the answer.
2. **Where are we today?** Mission statements, statutory references, measures of current performance, customer needs assessment and satisfaction levels, partner and supplier capability assessments, measures of organizational and staff capacity, efficiency and process measures, and risks are elements describing an agency's current state.
3. **How do we intend to close the gap between where we are and where we want to be?** Strategies, work plans, performance agreements, budgets, staffing plans and business plans are all part of identifying the gap and the preferred ways to close it.

Submit a strategic plan by May 1, 2004

As part of the budget submittal, agencies must provide strategic plan information covering the next six-year period (Fiscal Years 2006 to 2011). The goals and strategies proposed for the next two years (2005-07 Biennium) should be the basis for your agency's 2005-07 Operating and Capital Budget requests.

At this time, we are planning to reconvene teams around each statewide result area in the spring to review statewide strategies and priorities. In order to provide the teams with good information for their deliberations, we ask that agencies submit strategic plans by May 1, 2004 rather than with the rest of the budget documents later in the summer.

The May 1 due date is several months earlier than agencies have submitted plans in the past. We recognize that circumstances in agencies are continually changing and that any plan will be based on the best available information at the time. Much of the strategic plan information is most valuable to OFM at the beginning of the budget development cycle. We, therefore, would like to have the best strategic information available in the spring, even though some of the elements described in the plan may change by the time the budget is submitted.

We have separated some of the former strategic plan requirements most tied to the budget proposal - such as performance measures - from the strategic plan document due in May and will ask that agencies submit these elements later in the summer with the budget submittal.

What are the required components of the strategic plan?

Ideally, the agency strategic plan is created through a data-informed process that begins with an assessment of the internal and external environments. The product of this assessment is an inventory of internal strengths and weaknesses, and external threats and opportunities. From this analysis, the agency can identify the critical issues, risks, obstacles, and opportunities that must be addressed through strategies implemented during the period covered by the strategic plan.

While agencies may prepare more detailed plans for internal use, the strategic plans submitted to OFM must contain the elements listed below. When examining a topic, consider the current state, trends from the recent past, likely future trends, and the trends' impact on the agency and its ability to realize its mission, goals, and objectives.

A. Mission statement (Required)
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. Refer to Appendix A-1 for examples.

B. Listing of statutory authority references (Required)
The authority statement is a brief reference to the enabling legislation and statutes that authorize the establishment and operation of agency programs.

C. Goals (Required)
Goals are broad, high-level, issue-oriented statements of an organization's desired future direction or desired state. Goals elaborate on the organization's vision statement, articulating the overall expectations and intentions for the agency. They should fit well with the mission statement and values, and answer the question, "What do we need to achieve to carry out our mission?" Refer to Appendix A-1 for examples.

D. Objectives (Required)
Objectives break down goals into smaller, more specific pieces. They describe the measurable results an agency is expected to accomplish within a given time period. Refer to Appendix A-1 for examples.

E. Strategies (Required)
Strategies are statements of the methods for achieving goals. While goals and objectives state what the organization wants to achieve, strategies state how goals will be achieved. Strategies guide the activities that the agency uses to achieve goals and objectives. Refer to Appendix A-1 for examples.

For each strategy:

- Show the connection to achieving agency goals and statewide results.
- List any activities in the agency's activity inventory that are involved in implementing that strategy. A list of the activity titles (or some kind of link or reference to activity titles) is all that is required. **We do not want agencies to duplicate activity description information already contained in the activity inventory.**

Other planning documents will influence strategies in the agency strategic plan. For example, the agency's sustainability plan required by Executive Order 02-03 and the agency's approach to establishing service delivery standards per Executive Order 03-01 should be considered when developing strategies. Please note any strategies in the strategic plan that support established multi-agency plans (i.e., Salmon Recovery Strategy, Puget Sound plan).

F. Appraisal of external environment (Required)
It is important for budget decision makers to understand the environment in which the agency's activities must operate, and to assess the impact of forces in the outside environment that can affect the agency's ability to realize its objectives or that may have implications for budget proposals. For example:

- How do potential changes in the economy affect clients or demand for the agency's services?
- Are populations the agency serves growing at rates significantly different than the Initiative 601 growth rates?
- What potential partners exist in the external environment and how could they enhance our ability to get the results?
- What other risks and threats could affect (for better or worse) the needs of our capacity?

The agency should provide a clear, concise description of the significant effects that the external environment has on the agency and its activities. Here are some sample topics and resources that may be relevant to your assessment:

- The National, State, or Local Economy

√ *Possible Source*: Office of the Economic and Revenue Forecast Council quarterly economic and revenue forecasts.

- Population, demographic, and caseload trends

√ Key trends and forecasts by relevant cohort, geographic area
√ *Possible Source*: Office of Financial Management population, demographic, economic, and other trend data, with links to other entities with related data.
√ *Possible Source*: Office of the Caseload Forecast Council's forecast and trend data for K-12 enrollment, social service caseload, and prison populations.

- Assessment of trends in the service area, market, or industry
- Changes in the Authorizing Environment

√ Federal, state, and local government
√ Trends and outlook for key issues such as access, possible changes in laws and regulations, cost escalation, funding and reimbursement patterns, taxation, debt
√ Executive, judicial, and legislative branch actions and trends
√ Public opinion
√ Authorizing environment and stakeholder expectations of the agency
√ Agency trends in meeting those expectations

G. Trends in customer characteristics (Required)
The agency may be experiencing trends in customer characteristics or demographics that might indicate the need to modify services and/or service delivery methods. What are the needs, preferences, and expectations of the agency clients? Is the client population growing? Are there better ways to reach and provide services to the client group to meet their expectations?

H. Strategy and capacity assessment (Required)
Use this section to explain planned shifts in your agency's operational, capital facility, workforce, or technology strategies. Will civil service reform and contracting out affect your operations significantly? How does the agency staffing and organizational capacity compare with

its tasks? Does the agency see a need or opportunity for a shift in technology or service delivery methods?

I. Performance assessment (Required)
Please review your most recent performance measure information (for example, results as of the end of the third quarter) and analyze any variances.

- How do your performance results compare to those of other similar organizations, or to recognized industry standards? If your agency's performance differs significantly from the top performers or the industry standard, what factors account for the difference in performance?
- If your actual performance is different than expected at this point, why?
- In those cases where performance targets were not met, what have you done to date to try to close performance gaps?
- Has your performance evaluation identified emerging issues, changing needs, or performance improvement opportunities for the next biennium?

J. Financial health assessment (Required, if applicable)
Describe any trends in revenue sources, fund balance changes, or cost pressures that may affect the agency's financial sustainability.

K. Description of cost reduction strategies (Required, if applicable)
Please provide information about any cost reduction strategies the agency has successfully implemented over the last several years. Describe any new cost reduction strategies planned for the strategic plan time period. This information will be valuable in our efforts to show citizens the state's success in cost management and cost savings.

L. Discussion of activity links and major partner (Required if applicable)
If applicable, agencies should describe key initiatives involving major partners, such as other state agencies. Describe each partner's responsibilities and trends affecting partners and relationships with partners. We strongly encourage agencies to coordinate with these major partners and with OFM during the budget development process to share initiatives and plans.

Many agencies have noted the importance in understanding the dependencies and connectedness of certain activities in making decisions about them. Use this section to discuss these critical linkages.

1.3 Optional strategic plan elements

Optional but desirable strategic plan elements

The following elements are an important part of the strategic planning process but are not required for the strategic plan submittal to OFM. Agencies will be asked to provide this type of information in support of budget decision package requests to help OFM analysts answer the questions listed in Section 1.5. (Decision packages are a component of agency budget requests and will be described in detail in the Part II budget instructions.) If an agency feels it would be

relevant or compelling to include these optional items in the strategic plan submitted to OFM, we would welcome the information.

M. Risks, obstacles, and opportunities that the agency faces (Optional)
The agency may want to include in its strategic plan a description of any risks created by the plan, the risks of not fulfilling the plan, or particular obstacles and opportunities that affect success.

N. Internal resource assessment (e.g., staff, facilities, technology) (Optional)
Before making a budget request, we assume that an agency will have taken stock of its strengths and weaknesses as an organization, examining factors within the agency that can positively or negatively affect its ability to accomplish its mission, goals, and objectives.

The agency self-assessment can provide information to address these questions. Areas to consider include, but are not limited to, the characteristics of its staff, technology, capital facilities, and supplier relationships.

Agencies should also review their current ten-year capital plan and note adjustments to the plan related to changes in the external environment, organization, or service delivery. For example, caseload predictions for 2005-07 may necessitate an earlier construction start for the associated new capital facility, reprioritization, delay, or abandonment of other projects.
Other topics agencies may want to consider include:

- Effectiveness and costs of agency processes
- Recruitment and retention trends
- Effectiveness of managers
- Trends in workplace safety and employee well-being
- Alignment between agency goals and staff competencies
- Trends in employee job satisfaction
- Availability and adequacy of information technology, and implications for service delivery
- Ease of use of information technology tools
- Adequacy of capital facilities, and implications for service delivery, current and future
- Facility usage and maintenance trends
- Availability of data for management
- Trends in contractor availability, skills, and knowledge
- Trends in supplier availability and product quality
- Trends in partner availability and product quality

O. Alternative strategies (Optional)
A discussion of alternative strategies considered but not chosen by the agency helps explain why the specific strategy was proposed in the budget. If applicable, an agency might describe the evaluation method used to determine which strategy has the best likelihood for success.