Internal Audit of Strategic Plan Development Process

Treasury Board of Canada Secretariat   Secrétariat du Conseil du Trésor du Canada

Canada

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October 28, 2004

TBS Internal Audit and Evaluation Division
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1.0 Executive Summary

In today's environment of rapid change, Treasury Board Secretariat's (TBS) ability to think strategically, to develop effective strategies to cope with changed circumstances and to develop management capability to adopt and implement strategies is critical to meeting the organization's mandate. The TBS Internal Audit and Evaluation Committee requested this audit to provide Secretariat management with an independent assessment of the TBS strategic planning process and to identify areas for improvement.

TBS Strategic Planning

The TBS strategic planning process was formally put into place in June 2002, with responsibility given to the TBS Strategic Policy and Planning Directorate. In July 2002, a Strategic Planning Network (the Planning Network) was re-constituted, comprising representatives from all TBS business lines, branches and sectors. The Strategic Policy and Planning Directorate with support from business line leaders and the Planning Network developed TBS's *Strategic Planning and Results Framework* in 2003 and led Executive Committee retreats to discuss TBS's strategic planning information and priorities. The data gathering phase of this audit was completed prior to the major organizational change at TBS in December 2003.

Audit Objectives and Scope

The overall objectives for the strategic planning audit were to assess whether the processes for preparation, development and implementation of the TBS strategic plan are effective including:

- TBS strategic planning process meets leading practice criteria (See section 3.1 for criteria);
- Strategic planning documents clearly reflect the results of the strategic planning process and include all the appropriate components;
- The strategic plan is effectively communicated and understood within the Secretariat; and
- The strategic plan provides sufficient direction to ensure that annual operating plans prioritize initiatives, allocate resources, set results and identify strategies for implementation.

Significant Findings

The strategic planning process that was followed met certain elements of the leading practice criteria for strategic planning. These are described in sections 3.2 to 3.7. Also in these sections is a description of the variances from leading practices criteria that were identified during the audit.

A significant finding was that the TBS strategic planning process did not produce a formal strategic plan. Based on an analysis of leading criteria, the following key elements expected to be part of a strategic plan were not present:

- There is no formally adopted or approved strategic planning document;
- The strategic planning process appears to have been primarily a bottom-up approach that did not clearly link with strategic priorities at the senior executive level;
- Instead of one integrated environmental scanning process it was found that the Secretary, business line leaders and Strategic Planning and Policy Directorate conducted a number of independent scanning activities;
- Key external stakeholders were not consulted for the risk assessments or environmental scan;
- The environmental scans conducted by TBS were not effectively incorporated into the strategic planning process;
- The Planning Network was not used to its maximum potential;
- The output from the strategic planning process did not identify TBS-wide measurable outcomes with strategies for achieving them; and
- The strategic planning process was not successful in gaining cross-business line integration.

The results of the strategic planning process did not provide adequate direction for TBS to drive operational planning, resource allocation, results setting or development of implementation strategies.

Recommendations

We have described in section 4, a recommended approach to strategic planning that addresses the areas for improvement identified in this report. This approach will leverage progress made over the last two years

including the establishment of the TBS strategic planning process and the Planning Network. Our approach recommends developing an approved strategic plan and undertaking an annual corporate planning process, which revisits the strategic plan and feeds into the other planning activities within TBS.

The strategic plan would be developed every three years, cover a 3 – 5 year period and be consistent with the leading practice strategic planning criteria. Some of the information for the strategic plan has already been compiled as part of the previous strategic planning exercises. The missing strategic planning elements identified in the report should be incorporated into that plan.

Also proposed is a corporate planning process that would be conducted each year. This represents a hybrid planning process incorporating elements of strategic planning within the annual planning cycle at TBS. This approach has been taken to integrate with other planning requirements and activities at TBS and to help TBS cope with the frequently changing environment.

A detailed description of the proposed corporate planning process is provided in section 4.2.

Management Response

The management response to this audit can be found on page 26. Since the audit proposed a new structure, management has chosen to craft an overall reply rather than to address each observation and recommendation individually.

2.0 Introduction

In today's environment of rapid change, Treasury Board Secretariat's (TBS) ability to think strategically, to develop effective strategies to cope with changed circumstances and to develop management capability to adopt and implement strategies is critical to meeting the organization's mandate. The TBS Internal Audit and Evaluation Committee requested the audit to provide Secretariat management an independent assessment of the TBS strategic planning process and to identify areas for improvement.

2.1 Background

The Treasury Board is the Cabinet committee that is responsible for the overall management of the federal government's resources. It is chaired by the President of the Treasury Board and includes the Minister of Finance and other ministers appointed by the Governor in Council. The Treasury Board Secretariat ("TBS" or the "Secretariat") is the department that supports the Treasury Board. The Secretary, who reports to the President of the Treasury Board, heads it.

The TBS operates in a constantly evolving public policy environment. Decisions concerning resource allocations or service delivery must take into consideration a wide range of different factors both internal and external to government. The Treasury Board, through TBS, works with departments and agencies to meet government commitments.

The TBS strategic planning process was formally put into place in June 2002, with responsibility given to the TBS Strategic Policy and Planning Directorate. In July 2002 a Strategic Planning Network (the Planning Network) was re-constituted, comprising representatives from all TBS business lines, branches and sectors. The Strategic Policy and Planning Directorate with support from business line leaders and the Network developed TBS's *Strategic Planning and Results Framework* in 2003 and led Executive Committee retreats to discuss TBS's strategic planning information and priorities.

2.2 Audit Objectives and Scope

The overall objectives for the strategic planning audit were to assess whether the processes for preparation, development and implementation of the TBS strategic plan are effective including:

- TBS strategic planning process meets leading practice criteria[1];
- Strategic planning documents clearly reflect the results of the strategic planning process and include all the appropriate components;
- The strategic plan is effectively communicated and understood within the Secretariat; and

- The strategic plan provides sufficient direction to ensure that annual operating plans prioritize initiatives, allocate resources, set results and identify strategies for implementation.

The audit scope was structured into two phases.

2003-04 Audit Plan - Phase 1. Preparation and Development of the TBS Strategic Plan

Phase 1 is included in TBS's Internal Audit Plan for 2003-04 and is the scope of this report*.* It focuses on **preparation and development** of the TBS strategic plan including assessment against the following leading practices criteria:

- Plan to plan including identification of key stakeholders;
- Identify organizational mandates;
- Clarify organization mission and vision;
- Conduct an environmental assessment (external and internal) including risk assessment;
- Determine strategic outcomes and measures;
- Determine results and measures;
- Review and adopt strategies.

Note: The data gathering phase of this audit was completed prior to the major organizational change at TBS in December 2003.

Phase 2 To Be Determined: Implementation of TBS Strategic Plan

Phase 2 has not yet been scheduled due to the TBS reorganization of December 2003. The effectiveness of the **implementation** of the strategic plan will be evaluated against leading practices criteria include the following:

- Develop action plans to implement strategies;
- Develop budgets to support the action plans;
- Assess the need for legislation or policy changes to achieve outcomes;
- Monitor against planned measures and key performance indicators (KPI's); and
- Reassess strategies and the strategic planning process.

The timing of the audit will need to be considered in light of the findings and recommendations of the current audit.

2.3 Audit Approach and Methodology

Approach

The approach taken to conduct the audit included the following steps:

- Identify and document the activities and processes used for strategic planning in TBS;
- Identify leading practices criteria by researching external publications and documented approaches in other organizations;
- Evaluate the TBS strategic planning process against leading practices; and
- Identify areas for improvement for the strategic planning process.

Based on the above steps, practical recommendations were developed to guide the TBS strategic planning process.

Methodology

The audit team conducted external research of strategic planning leading practices and developed the audit approach to meet TBS requirements. Strategic planning leading practices criteria were reviewed and approved by the Internal Audit and Evaluation Committee.

The audit team interviewed key members of the Strategic Policy and Planning Directorate and the TBS Planning Network and gained an understanding of the process and issues facing TBS in conducting strategic planning*.*

Interviews were also conducted with the Secretary, Business Line Leaders and Assistant Secretaries to discuss major issues facing the strategic planning process, effective practices and areas for improvement. Interviewees are listed in Annex B.

A document review was conducted including the following material:

- Executive Committee ("ExCo") Strategic Planning Retreat binder (October 2003) which included:
  - TBS Secretary's Presentation – Taking Stock

- Management Agenda – Action Plan
        - TBS Environmental Scan – Fall 2003 – Results of Interviews
        - Business Line Strategic Plan Presentations
        - TBS Strategic Planning Cycle 2003-04 Overview: Guidelines for Business Leaders
        - Strategic Planning and Results Framework (Draft)
        - TBS Environmental Scan – Part 1 Literature Review 2003
  - Other key TBS documentation; including *Report on Plans and Priorities*, *Results for Canadians* and the Forward Agenda.

The Internal Audit findings and recommendations are presented in the following two sections:

Section 3 – Audit findings: including leading practices (used as the audit criteria), an overview of the TBS strategic planning process for 2002-03 and 2003-04, activities performed by TBS that are consistent with leading practices and areas for improvement.

Section 4 – Recommendations.

3.0 Audit Findings

In section 3.1 we set out leading practices for strategic planning to be used as criteria for assessing TBS strategic plan development efforts. We have also provided a brief summary of the strategic planning process at TBS during 2002-03 and 2003-04.

We find the TBS strategic planning process meets certain elements of leading practices. However, we have identified several areas where improvements would enhance the strategic planning process*. Specific details on the effective practices and areas for improvement are identified in Sections 3.3 through to Section 3.7. Our overall recommendations are presented in Section 4.0.

3.1 Strategic Planning Criteria

The following process flow summarizes the major process components of a strategic planning process.[2]

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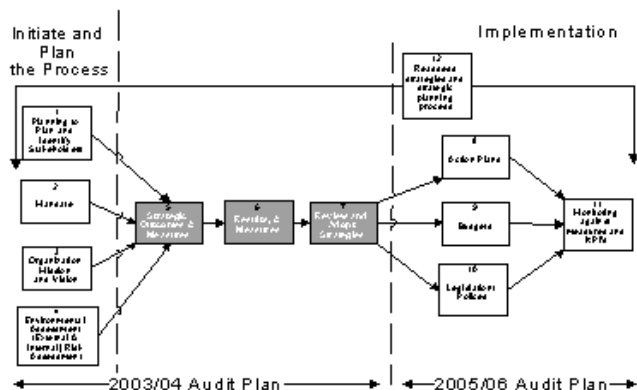
Following are definitions of the **Strategic Planning Criteria**[3] aligned with the process flow:

1. **Planning to Plan:** This first step represents the advance work necessary before the actual planning process can begin. In this step, each organization agrees internally on the overall strategic planning effort and on key planning steps to be undertaken. An **effective** body is in place to oversee the effort and to ensure that the support and commitment of key decision makers exists. Key stakeholders are identified and their level of participation determined. The form and timing of reports are defined during this step.
2. **Mandate:** Each organization is influenced by constitutional and/or legislative mandates. At an early stage in the process, agencies should review and evaluate the role and significance of these mandates as they pertain to day-to-day business and future activities.

3. **Mission and Vision:** An organization's mission, in tandem with its mandate, provides its raison d'être. Clarifying the purpose of an organization can eliminate a great deal of unnecessary conflict in an organization and can help channel discussion and activity productively. The vision provides a description of what the organization should look like once it has successfully implemented its strategies and achieved its full potential. Stakeholders are identified and their criteria for judging how well the organization has performed are understood. A stakeholder analysis is a way for an organization's decision makers and planning team to be immersed in the politic surrounding the organization, providing invaluable information to identify strategic issues and developing effective strategies.
4. **Environmental Assessment (External and Internal):** External and internal assessment is an evaluation of key factors that influence the organization. A detailed evaluation of trends, conditions, opportunities and obstacles directs the development of each element of the strategic plan. With this information, a risk assessment is performed to identify the organization's strengths, weaknesses, opportunities and threats (SWOT)**.** This type of assessment is both quantitative and qualitative in nature.
5. **Strategic Outcomes/Measures:** Strategic Outcomes are end points or public benefits that are important to the stakeholders and for which a level of success can be determined. Outcome measures are quantifiable information that indicates the degree to which the desired outcomes are achieved. Strategic thinking and acting are more important than the actual output. Effective strategy formulation can be top down and/or bottom up. Overall strategic guidance is given at the top and detailed strategy formulation and implementation occurs deeper in the organization.
6. **Results/Measures:** Results are specific targets for improved performance designed to indicate the success or impact of a program or approach. An organization's business operations are determined through results (what level of success does an organization want to achieve) and strategies. Measures of results are quantifiable information that address whether or not program activities are achieving the desired goals. Alternative strategies should be evaluated against agreed upon criteria prior to selection of specific strategies to be implemented. It is important to discuss and evaluate strategies in relation to key stakeholders. Allocation of resources (budgeting) and quantification of services and products (outputs) are tied to implementation of strategies.
7. **Review and Adoption of Strategies:** Strategies explain how the organization's objectives will be accomplished. Part of an organization's adoption of the plan should be the formal approval by senior management and the board (if one exists).
8. **Action Plans:** Action plans describe how strategies will be implemented and, specifically, who is responsible for doing what and when tasks will be completed.
9. **Budget:** Operational planning and budgeting processes should be linked to the action plans.
10. **Legislation/Policy:** Legislation or policies may result from an organization's strategic planning process, often providing authorization for needed programs or defining the scope of organizational responsibility in addressing a critical issue. Legislation also can take the form of a new mandate, which must be assessed at the outset of the planning process and incorporated into an organization's plan.
11. **Monitor against benchmarks and Key Performance Indicators:** Agencies evaluate their outcome and objective measures and strategies annually, or more frequently if data collection cycles permit, to track progress toward key outcomes and objectives. In the evaluation process, agencies assess the effectiveness and efficiency of their operations and make adjustments in strategic plans, use of resources, and operating procedures to improve results.
12. **Reassess strategies and the strategic planning process:** It is important to review the strategies and the strategic planning process as a prelude to a new round of strategic planning. This can take place as part of the ongoing implementation process. Attention should be focused on strategies and whether they should be maintained, replaced or terminated. The strategic planning process should also be examined, its strengths and weaknesses noted, and modifications implemented to improve the next round of strategic planning.
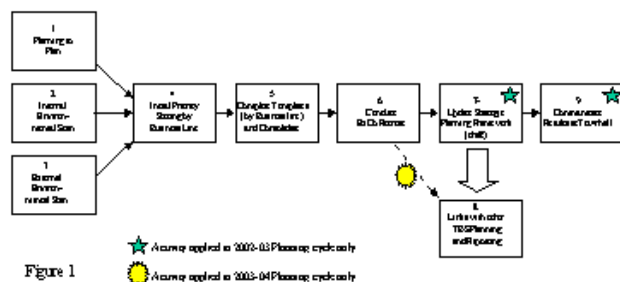
The following sections report findings for strategic planning criteria 1- 7 included in the scope of this audit.

3.2 Strategic Planning Process at TBS

Overview

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TBS Strategic Planning Process - Overview

Figure 1

☆ Activity applied in 2002-03 Planning cycle only
☀ Activity applied in 2003-04 Planning cycle only

The TBS strategic planning process has been primarily a bottom-up exercise led by the TBS Strategic Policy and Planning Directorate for fiscal years 2002-03 and 2003-04. The Secretary and the business line leaders provided some direction on key priorities. Outputs from the process were distributed and discussed at the TBS Executive Committee retreats and more broadly distributed at the TBS Town hall events. The key process activities are illustrated in Figure 1[4] below.

Process Enablers and Outputs

Participants in the TBS strategic planning process included:

- Strategic Policy and Planning Directorate – coordinated the strategic planning process;
- Secretary and Business Line Leaders – involved with the strategic planning process by providing overall direction and review of the results;
- Strategic Planning Network – made up of representatives from all Branches and Sectors and supported the work of the three Business Line leaders; and
- Executive Committee – reviewed output from strategic planning process and discussed at ExCo retreats.

Process documentation was facilitated by the use of data gathering templates.

Final deliverables from the process included the *Strategic Planning and Results Framework* and linkages to other TBS planning and reporting activities including business line plans and the *Report on Plans and Priorities* (RPP).

Audit findings in the following sections highlight effective activities performed by TBS and areas for improvement from the current process.

3.3 Planning to Plan

Leading practices research indicates that conduct of preparation work is essential prior to beginning the planning process. Key requirements include:

- An effective policymaking body is in place to oversee effort;
- Support and commitment of key decision makers exists;
- Each organization agrees internally on the overall strategic planning effort and on key planning steps to be undertaken;
- Form and timing of reports is defined;
- The key stakeholders are identified and their level of participation determined; and
- The role, functions and membership of the strategic planning team are defined.

Activities performed by TBS consistent with leading practices

We have observed effective practices at TBS to support the Planning to Plan activities. These are summarized as follows:

The Treasury Board Secretariat ("TBS") established a Strategic Policy and Planning Directorate operating under the guidance of an Assistant Secretary.

A Strategic Planning Network was established with members from across all business lines in TBS. The network defined its mandate as:

- Act as a sounding board, for all matters related to strategic planning issues, including the planning cycle and the environmental scan.

- Participate in the fleshing out of the TBS *Strategic Planning and Results Framework*, including key results, performance measures, priority initiatives/activities and the associated resources.
- Foster integration of branch and sector planning with the TBS results-based corporate strategic planning process.

The Planning Network prepared information, such as the templates for the risk profiles, to be used in the strategic planning process.

Internal key stakeholders were identified and represented in the Planning Network.

Variances from leading practices

We have observed the following areas for improvement to support effective Planning to Plan activities.

Roles of the key stakeholders not clearly defined

The link between the roles of the Strategic Policy and Planning Directorate and the senior executives' strategic planning activities was not clear. Although strategic priorities have been communicated from the top, these have not been clearly adopted in the planning effort and documentation produced by the planning team. It should be noted that for 2003 – 2004 the priorities were communicated late in the process at the October ExCo retreat.

- The strategic planning process appears to have been primarily a bottom-up approach that did not clearly link with the strategic priorities at the senior executive level;
- The analysis performed by the Planning Network did not meet the needs of senior executives for their strategic planning activities; and
- The material prepared by the Planning Network was primarily provided as background material for the ExCo Retreats.

Not all key external stakeholders were identified or consulted as part of the environmental scan and strategic planning process.

Key elements of strategic planning process were not clear

Key elements of the strategic planning process were not clear to many of those involved in the strategic planning effort. There was no common understanding of:

- Who was the client of the process?
- Who was the audience?
- Who were the key stakeholders?
- What was the final output?
- What was the impact of the process?

The output from the strategic planning process was not well defined. Strategic planning process templates were not designed and discussed with business line leaders in advance of planning efforts. Senior managers viewed it as more of a "form filling" exercise completed at the middle management level representing a detailed tactical analysis of current activities.

Strategic planning not well integrated with other TBS planning activities

Although common data was used for the TBS RPP and business plan, there is not always a clear link between the strategic planning process and the other related planning processes in the organization:

- The people responsible for these processes are different and the timing was not well aligned.
- There appears to be confusion among the various planning and reporting processes in terms of how they integrate and what would be the most effective practice.
- The activities to prepare the various planning documents seem to take place in parallel rather than being interdependent.

Role and functions of Planning Network not effective

The Planning Network was not used to its maximum potential:

- The members of the Planning Network were not given an indication at inception of the amount of effort that would be required during the strategic planning process;
- The Planning Network was not consulted at inception on issues such as the format of the templates, or to map out the steps required in the process;
- The Planning Network lacked structure and met on an irregular basis. Time and other constraints prevented the Strategic Policy and Planning Directorate from using it effectively;

- The Planning Network was used mostly as a tool for communicating guidelines and requirements of the process and to complete the documentation used in the process; and
- The Planning Network lacked formal authority from senior executives.

3.4 Mandate, Mission and Vision

Leading practices research indicates that each organization is influenced by constitutional and/or legislative mandates. An organization's mission provides its raison d'être*.* Key requirements include:

- At an early stage in the process, review and evaluate the role and significance of mandates as they pertain to day-to-day business and future activities;
- Clarifying the purpose of an organization can eliminate a great deal of unnecessary conflict in an organization and can help channel discussion and activity productively;
- The vision provides a description of what the organization should look like once it has successfully implemented its strategies and achieved its full potential;
- Stakeholders are identified and their criteria for judging the organization's performance are understood; and
- Attention to stakeholder concerns is critical. A stakeholder analysis is one way for an organization's decision makers and planning team to be immersed in the politic surrounding the organization, providing invaluable information to identify strategic issues and developing effective strategies.

Activities performed by TBS consistent with leading practices

We have observed that the mandate and vision were adopted from applicable legislation, *Results for Canadians* and other government pronouncements.

Variances from leading practices

We have observed areas for improvement to support effective Mandate, Mission and Vision activities. These are summarized as follows:

Lack of clear vision and stakeholder analysis

The strategic planning process was not effective in driving a consistent and clear vision:

- Cohesiveness (linkages) across business lines is not strong ("stovepipe orientation"); and
- The management team has seen considerable turnover and as a result has not been able to focus, as a team, on addressing the broad mission and vision of TBS nor to discuss strategic alternatives.

There is no evidence in the documentation that a structured external stakeholder analysis was conducted.

TBS Strategic planning does not support a changing environment

Strategic planning and direction setting does not appear to plan for flexibility and uncertainty although the TBS environment is very dynamic and subject to change.

Some examples of TBS' changing environment are:

- Being able to respond to the "crisis of the day" is a regular function of TBS but not addressed in the vision.
- The reorganization of December 12 has impacted TBS operations and the mandate has been refocused.

3.5 Environmental Assessment

Leading practices research indicates that external and internal assessments identify factors that influence an organization and should be considered as part of the strategic planning process. An effective environmental assessment should have the following elements:

- A detailed evaluation of trends, conditions, opportunities and obstacles directs the development of each element of the strategic plan;
- With this information a risk assessment is performed to identify the organization's strengths, weaknesses, opportunities and threats (SWOT); and
- The assessment should be both quantitative and qualitative in nature.

Activities performed by TBS consistent with leading practices

We have observed the following effective practices at TBS to support the Environmental Assessment activities.

External scan activities were conducted:

- There was an environmental scan performed during the first cycle of the strategic planning process (September 2002). The scan was performed by looking at factors at the national level, the government level and internal to TBS.
- A second scan was conducted in two parts during the second cycle (July 2003 and September 2003)**.** Some external parties were consulted (e.g., chairs of regional councils and members of academic advisory panels).

A risk assessment component was included in the second scan.

Information related to the environmental scan was put into context by business lines in conducting the strategic planning process.

The Environmental Scan was included as background material for strategic planning participants (Planning Network, Business Line Leaders, ExCo).

Variances from leading practices

We have observed the following areas for improvement to support effective Environmental Assessment activities.

Environmental scanning not effectively incorporated into strategic planning

Environmental scan activities were not well structured and cohesive:

- The Secretary, business line leaders and Strategic Planning and Policy Directorate conducted a number of independent scanning activities; and
- Generally, it appears that key external stakeholders (e.g., TB Ministers, key departments) were not consulted for the risk assessments or environmental scan.
- Environmental scans conducted by TBS were not effectively incorporated into the strategic planning process:
- It was not obvious "how" the environmental scan was used to influence strategic outcomes or any other aspect of the strategic planning process;
- It was not evident "who" may have analyzed the environmental scans and incorporated the results into the strategic plans;
- There was no reference to the environmental scans in the risk assessment templates; and
- There was no reference to the environmental scans in the Guidelines for Business Line Leaders.

Lack of TBS-wide integration and analysis

The internal assessment lacked cross-business line analysis:

- Planning Network members were not given an opportunity to collaborate on various issues and share best practices;
- There were time constraints as well as a lack of internal resources/skills to perform the environmental scan;
- The Planning Network was not asked for input to the environmental scan or to analyze the results as a collaborative team;
- Completion of the risk profiles/templates by the various business lines, was not consistent across business lines; and
- There was little focus on the Corporate Administration business line.

3.6 Results and Measures

Leading practices research indicates that strategicoutcomes are end points or public benefits that are important to the stakeholders and for which a level of success can be determined. Key requirements for effective results and measures include:

- Outcome measures are quantifiable information that indicates the degree to which the desired outcomes are being achieved;
- Results are specific targets for improved performance designed to indicate the success or impact of a program or approach;
- An organization's business operations are determined through results (what level of success does an organization want to achieve) and strategies;
- Strategic thinking and acting are more important than the actual output;
- Effective strategy formulation can be top down and/or bottom up. Overall strategic guidance is given at the top and detailed strategy formulation and implementation occurs deeper in the organization;

- Alternative strategies are evaluated against agreed upon criteria prior to selection of specific strategies to be implemented;
- It is important to discuss and evaluate strategies in relation to key stakeholders; and
- Allocation of resources (budgeting) and quantification of services and products (outputs) are tied to implementation of strategies.

Activities performed by TBS consistent with leading practices

We have observed effective practices at TBS to support Results and Measures activities. These are summarized as follows:

- TBS senior management met with the Secretary during a series of round tables to discuss issues facing TBS;
- Strategic outcomes and results were reviewed at the ExCo retreat with the business line leaders and assistant secretaries;
- Strategic outcomes are documented and communicated in the *Strategic Planning and Results Framework* and the *Report on Plans and Priorities*; and
- The Planning Network played a key role in establishing the outcomes by business line.

Variances from leading practices

We have observed the following areas for improvement to support effective Results and Measures activities.

Output from strategic planning does not drive towards TBS-wide measurable outcomes

The strategic outcomes and results are not quantifiable:

- The strategic outcomes and results are too broad – certain terms such as "sound financial performance", "excellence" or "measurable improvement" are not readily measurable; and
- There is a lack of results with specific targets for improved performance designed to indicate the success or impact of a program or approach. During the course of the audit we were unable to find any documents that described the strategies TBS was planning to use to achieve the strategic outcomes and results.
- The strategic planning process was not successful in gaining cross-business line integration:
- There was a lack of cross-business line integration in evaluating strategies, outcomes and results planned for TBS. Further, there was limited opportunity to have discussions from the perspective of TBS as a whole; and
- A large portion of the planning effort was done in stovepipes. There is a general consensus that there is a roll-up of business line plans but not a strategic direction for TBS as a whole.

3.7 Review and Adoption of Strategic Plan

Leading practices research indicates that part of the organization's adoption of the plan should include formal approval by senior management and the board (if one exists). Key requirements for effective review and adoption include:

- Other implementing groups or organizations are also likely required to approve the plan and strategies in order for implementation to proceed effectively.
- Drafts are typically reviewed by planning team members, key decision makers, governing board members and at least a few selected outside stakeholders.

Activities performed by TBS consistent with leading practices

We have observed effective practices at TBS to support the Review and Adoption of Strategic Plan activities. These are summarized as follows:

- The business line leaders and assistant secretaries discussed the planning documentation annually at the ExCo Retreat. This represented an opportunity to take stock of TBS' direction as a whole and to identify directions for business lines for the next planning period.
- The Strategic Policy and Planning Directorate provided background information for the ExCo Retreats that was obtained from the Planning Network.
- The *Strategic Planning and Results Framework* was distributed to employees through a TBS Town Hall, which took place in April 2003.
- The *Report on Plans and Priorities* (RPP) for 2003-04 was based on this framework and was tabled in Parliament and posted on the TBS website.

Variances from leading practices

We have observed the following areas for improvement to support effective Review and Adoption of Strategic Plan activities.

No formal adoption or approval of strategic plan

There is not a clear indication of a formally approved TBS Strategic Plan that communicates the vision, risks, priorities, strategies, plans and resources for TBS as a whole for the upcoming 3 - 5 year period. The TBS RPP and business plan were not considered strategic documents by most interviewees.

Executive Committee Retreats not effective in developing the strategic plan

The October 2003 ExCo retreat received mixed feedback with respect to strategic planning and priority setting:

- A lot of effort was put into preparation of material for the ExCo retreat but there was limited presentation or recognition of the material;
- The agenda for the meeting included having each business line leader present their priorities and plans. This did not occur;
- This was primarily an information sharing session as opposed to a decision-making forum; and
- The retreat took place too late in the process to establish TBS priorities for purposes of the strategic planning process.

Other findings

We were told that the planning approach within the Chief Information Officer Branch, while not linked to an overall TBS strategic plan, was well integrated within the Branch and that the strategic objectives flowed through business plans and operational plans and was supported by financial and other reporting systems. Since this was beyond the scope of the audit, we did not validate this information but senior management may want to look more closely to see if this would be a suitable model for the entire Secretariat.

3.8 Conclusion

The strategic planning process was consistent in many ways with the leading practice criteria for strategic planning. Some areas where the process was not consistent with leading practices have also been identified in the previous sections.

Based on an analysis of the leading practice criteria, the TBS strategic planning process did not result in the production of a formal strategic plan. Key elements expected to be part of a strategic plan are not present, such as:

- There is no formally adopted or approved strategic planning document;
- The output from the strategic planning process does not identify TBS-wide measurable outcomes with strategies for achieving them; and
- The strategic planning process was not successful in gaining cross-business line integration.

The results of the strategic planning process do not provide adequate direction for TBS to drive operational planning, resource allocation, results setting or development of implementation strategies.

4.0 Recommendations

Overview

We have described in this section, a recommended revised approach to strategic planning that addresses the areas for improvement identified in the previous sections. This approach will leverage progress made over the last two years including the establishment of the TBS strategic planning process and the Strategic Planning Network. We have also taken into account the unique environment at TBS. Our approach recommends periodically developing an approved strategic plan (possibly every three years) and undertaking an annual corporate planning process, which revisits the strategic plan and feeds into the other planning activities within TBS.

4.1 Develop Strategic Plan

As indicated in the previous section, based on the leading practice criteria, the strategic planning process did not result in a strategic plan for TBS. We recommend that, every three years, TBS develop a strategic plan covering a 3 – 5 year period consistent with the leading practice strategic planning criteria.

A strategic plan is a formal written document that sets forth the organization's mission, vision, values and objectives and how the organization will achieve these. It summarizes the environmental and resource assumptions underlying the strategic choices and identifies the risks associated with the choices. Annex C provides a summary of the type of information typically included in a strategic plan. Some of this information has already been compiled as part of the previous strategic planning exercises. The missing strategic planning elements identified in the previous section, should be incorporated into the plan, specifically:

- Agreed upon results and outputs from the process;
- Clear definition of key stakeholder roles;
- Identification and analysis of external stakeholders;
- Integration of strategic planning with other TBS planning activities;
- Incorporation of the environmental assessments into the strategic plan;
- TBS-wide integration across all business lines;
- Measurable outcomes and results with specific targets;
- Proposed strategies for achieving the outcomes; and
- Formal adoption of the strategic plan.

The strategic plan would help provide TBS with direction to address the following:

- Establishment of resource levels;
- Determination of the skills required;
- Adapting to the changing environment of TBS;
- Definition of the relationship between TBS and departments; and
- Definition of the relationship between TBS and TB Ministers.

This strategic plan would help TBS to remain focused on its long-term strategic priorities in light of frequently changing shorter-term priorities.

4.2 Annual Corporate Plan

This proposed corporate planning process would be conducted each year, the effort towards certain activities, such as environmental scanning and priority setting being driven by organizational or external factors affecting TBS. This represents a hybrid planning process incorporating elements of strategic planning within the annual planning cycle at TBS. This approach has been taken to integrate with the other planning requirements and activities at TBS, and to help TBS cope with the frequently changing environment.

The next section describes a proposed future state process that will adopt leading practices criteria for strategic planning and provide practical recommendations for integration with other TBS planning processes as follows:

Organization Enablers – Involvement of key stakeholders within TBS;

Process Enablers – Timing, sequencing and effectiveness of activities and outputs; and

Communication Enablers - Approve, adopt and communicate the TBS corporate plan.

Recommendations have been developed to address these areas and are depicted firstly in Figure 2 with a description of the ***proposed annual TBS corporate planning process.*** The report then further discusses the process, organizational, and communication enablers for the proposed corporate planning process.

Display full size graphic

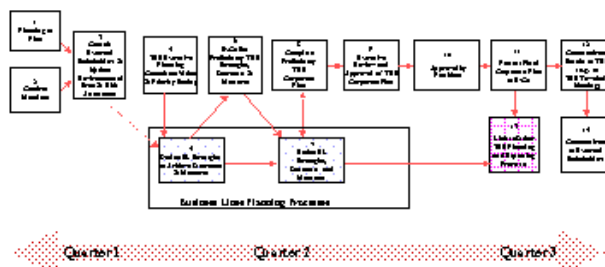Proposed TBS Corporate Planning Process - Overview

Figure 2

A brief description of the proposed TBS corporate planning process flow follows:

1. **Planning to Plan** – Fundamental to the corporate planning process would be the advance preparation led by the Strategic Policy and Communications Branch, sponsored by the Executive Planning Committee. This effort should occur early in the first quarter of the year. Key stakeholders should be identified from the business lines and their level of participation determined. The role, function and membership of the Corporate Planning Network, ExCo, and business line leaders would need to be defined. Key planning steps to be undertaken and the form and timing of reports also should be specified and agreed upon prior to execution. Ongoing communication from the executive team concerning the timing, significance, and milestones of the process would be necessary to maintain the focus and commitment to the process. Expected final results of the corporate planning process should be defined and agreed upon.

2. **Confirm Mandate -** TBS is influenced by legislative mandates. At an early stage in the process, TBS should review and evaluate the role and significance of the mandate as it pertains to day-to-day business and future activities. The President of the Treasury Board and the Executive Planning Committee should confirm the mandate.

3. **Consult External Stakeholders and Update Environmental Scan and Risk Assessment -** Environmental scans and risk assessments should be conducted, with key external stakeholders input, by the Strategic Policy and Communications Branch in conjunction with the Executive Planning Committee*.* These products would identify fundamental issues and expectations for TBS and drive vision and direction setting.

4. **TBS Executive Planning Committee Vision and Priority Setting -** The priorities and risks facing TBS would be initially addressed by the Executive Planning Committee. This would provide the opportunity for the executive leadership team to synthesize results from stakeholder analysis and to set the direction, vision and targets from a top-down direction*.* This would represent a TBS-wide or corporate vision.

   The vision provides a description of what TBS should look like once it has successfully implemented its strategies and achieved its full potential. This would assist in focusing the planning efforts on the highest priorities factors and initiate a corporate planning effort conducted from a bottom-up perspective.

5. **Define Business Line Strategies to Achieve Outcomes and Measures -** Steps should be taken to structure the process to ensure that the results of the environmental scan and stakeholder analysis are made available to all the participants in the corporate planning process at TBS. The business line leaders and the planning network should conduct internal assessments of strengths, weakness and risks to meet the direction set by the Executive Planning Committee. Pre-determined planning templates would assist in preparing summary material. This would not be a detailed or operational plan level.

   Synthesis within and across business lines would be developed during this step. Each line of business would be expected to develop their initial strategies to meet outcomes and targeted measures and provide estimates of high-level resource requirements. Comprehensive internal risk assessments, as well as, innovative and flexible strategies would result from this analysis.

6. **ExCo Sets Preliminary TBS Strategies, Outcomes and Measures -** The business line leaders and the Executive Planning Committee would conduct focused sessions to assess and review initial business line strategies. ExCo would also conduct comprehensive analysis and synthesis of results of stakeholder analysis and risk assessments and challenge how the implementation of these strategies would meet priorities established by the Executive Planning Committee. ExCo would make recommendations on the allocation of resources (budgeting) and quantification of services and products (outcomes and results).

7. **Refine Business Line Strategies, Outcomes and Measures** – Based on preliminary strategies, resources and results established by ExCo, the business line leaders would adjust and conduct a further iteration of business line plans.

8. **Complete Preliminary TBS Corporate Plan -** Results from the revised business line strategies would be assembled in a TBS planning document: the "TBS Corporate Plan". This would be concisely presented and be meaningful to those who need to carry out the plan in operations.

9. ***Executive Review and Approval of TBS Corporate Plan*** – The TBS Corporate Plan would be reviewed and approved by the Executive Planning Committee. The plan should be assessed to ensure that the results of the bottom-up process are in alignment and the vision and priorities established at the onset of the process are appropriately reflected*.* Any change in external factors or priorities would be taken into consideration prior to final approval and adoption of the Corporate Plan.
10. ***Approval by President*** – The TB President would review and approve the Corporate Plan presented by the executive planning committee.
11. ***Present Final Corporate Plan to ExCo*** – The final Corporate Plan would be presented and discussed at an ExCo meeting conducted early in the third quarter of the fiscal year.
12. ***Communicate Results to TBS*** - The TBS Corporate Plan would be distributed to staff (on website and perhaps presented at a Town Hall event).
13. ***Linkage to other TBS planning and reporting processes*** - The various other TBS planning and reporting process and documents should be aligned with the output from the corporate planning process. This would ensure that the Corporate Plan is efficiently incorporated into operations and consistently communicated at all levels. During the third quarter of the fiscal year, other planning and reporting processes (e.g., Performance Management Agreements, the RPP, the Department Performance Report, and business line operational plans) would be completed and aligned with the priorities, strategies, resources, outcomes and results communicated in the Corporate Plan.
14. ***Communicate to External Stakeholders*** –This activity focuses on key external stakeholders (e.g., deputy heads of key departments, Office of the Privy Council) to whom the TBS Corporate Plan would be sent.

Organization Enablers

Key to successful corporate planning is senior management's direction setting and involvement of key TBS stakeholders in the process.

Executive Planning Committee - The formal establishment of anexecutive planning committee led by the Secretary would have overall responsibility and ownership of the corporate plan for TBS. Corporate planning would start with the committee's top-down direction*.* The committee would comprise the Secretary, business line leaders and key members of Strategic Policy and Communications, as well as the Corporate Services Branch. There must be a clear distinction between the roles and responsibilities of Strategic Policy and Communications Branch and the proposed Executive Planning Committee.

TB President - As part of the organization's adoption of the plan, it should be formally approved by the President of the Treasury Board.

Strategic Policy and Communications Branch – Strategic Policy and Communications Branch would have overall responsibility to oversee the effort of the planning process. They would work closely with senior executives to ensure that the organization's commitment to the corporate planning processes is well communicated to all staff. This group would be responsible to ensure key decision makers are actively involved in the preparation and planning stages leading up to the planning process.

TBS Executive Committee (ExCo) – Periodic ExCo meetings have been effective approaches for communicating the direction and priorities of TBS. In support of the planning process, ExCo would be proactively involved in the process to develop a corporate plan that would combine a top-down and a bottom-up approach. ExCo would provide the forum to discuss, direct and decide on TBS-wide issue and strategies. Formal sessions would be conducted quarterly (minimally) as the plan is developed and finalized.

Corporate Planning Network – The planning network as it operated in 2003 should be discontinued. A new Corporate Planning Network would be given increased authority to make decisions on behalf of the organization and also act as a collaborative body to develop and challenge strategies from a TBS-wide perspective. The network would be actively supporting the business line leaders in the conduct of internal and external scans and in conducting bottom-up planning, in-line with priorities established by the executive planning committee.

Key External Stakeholders - TBS should formally identify its key external stakeholders and establish an effective process for obtaining their input into environmental scans and risk assessments. Stakeholders may include Treasury Board ministers, the Privy Council Office, the Minister of Finance and deputy heads from key departments. The approved plan would be communicated to this stakeholder group.

TBS Staff – Select TBS staff would be involved in the bottom-up corporate planning process, supporting business line leaders. The outcome of the planning process should be distributed and broadly communicated to all TBS staff through multiple communication channels.

Process Enablers

We have illustrated in Figure 2 recommendations for process modifications to the current TBS planning processes. These changes will address issues identified during the conduct of our audit. Process highlights include:

- **Timing of the process -** The process should be initiated during the first quarter of the fiscal year well in advance of finalization of business planning activities conducted by the TBS business lines. Primary activities at that time would include planning the process, confirmation of the TBS mandate, identifying TBS priorities from the Secretary and business line leaders, stakeholder analysis and update of the environmental scan. The process should be completed early in the third quarter of the fiscal year to align with development of other business and operational planning and the preparation of the Estimates.
- **External Stakeholders Analysis -** Conduct of key stakeholder analysis and assessment of environment scans would be conducted and would feed top down direction provided by the Executive Planning Committee.
- **Iterative Process with ExCo -** Multiple ExCo meetings to set priorities, discuss risks and constraints and to adopt strategies would be conducted to ensure the plan is aligned, understood and accepted across TBS.
- **Formal Approval and Adoption -** The President of the Treasury Board should adopt and formally approve the plan. Communication of the plan to key external stakeholders would be conducted (e.g., key stakeholder departments, Privy Council Office).
- **Well-defined Output -** The corporate planning process would produce a well-defined corporate document.

Communication Enablers

The Corporate Plan needs to be well defined, distributed and understood by TBS staff and key external stakeholders. Ongoing communication is important as the corporate planning process is conducted. Following are brief descriptions of the key communication enablers, depicted in Figure 2:

Corporate Planning Documentation – The Corporate Plan would be the TBS organizational wide planning document that sets the priorities, vision and strategies to support the TBS mandate. The plan would be distributed to all employees. It would provide the linkage of mandate, vision and strategies to meet targeted outcomes. Timing of results and resource allocations would be clear from this planning document.

Town Hall Meeting - The *Strategic Planning and Results Framework* was previously distributed to all employees through a TBS Town Hall, which took place in April 2003*.* Future Town Hall meetings would provide a forum for presenting an overview of the Corporate Plan and progress against the plan.

Linkages with other TBS Planning and Reporting processes – Alignment of output from the corporate planning process and other planning processes needs to be well defined and communicated. Redundant processing and divergence of strategies may result if these are not well-understood and communicated within TBS.

Other Communication Approaches – Formalizedfeedback mechanisms with external stakeholders through environmental scanning is critical for ongoing planning and analysis. Given the dynamic environment and changing priorities experienced in recent years, TBS ongoing planning and reporting against priorities is a critical internal activity for the planning process at TBS.

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5.0 Management Response

The senior management of Treasury Board Secretariat agree on the need to improve its strategic planning process. The Secretariat must remain focused on its long-term strategic priorities and at the same time have the capacity to cope with unplanned short-term demands in a frequently changing environment.

The Secretariat agrees with the recommendation to develop a new approach that includes developing, for approval, a strategic plan every three years that sets direction for annual corporate planning and feeds forward results to other planning activities like the annual departmental report on plans and priorities.

On December 12, 2003, the government refocused the mandate of the Secretariat and on June 8 the Secretary restructured the Secretariat in order to deliver on this new mandate. As a result, planning for 2004-05 is off cycle. Transition to the 2005-06 cycle will require a simplified and streamlined approach to bring clarity to priorities, plans and resources and allow time to develop the appropriate internal TBS planning infrastructure.

Throughout the remainder of 2004-2005, the TBS Executive Committee will clarify its needs and expectations for a strategic planning function and put in place an internal management and planning cycle that is streamlined, integrated, forward-looking and comprehensive. Given the circumstances in which the Secretariat must operate, it must be responsive yet cannot be too cumbersome or process-oriented.

Efforts will also be made to ensure that the results of bottom-up planning processes already established across the Secretariat marry up with the new process for setting strategic priorities for the organization

Critical to the success of the Secretariat's strategic planning efforts will be the establishment of a Management Resources and Results System (MRRS), which sets out

- The strategic outcome of the department
- The logic of how programs and program activities align to contribute to the achievement of that strategic outcome
- Planned and actual resources used to deliver results at each level
- Performance measures and actual results achieved

The 2004-05 internal management and planning cycle will be set up in time to deliver on the information requirements of the Management Resources and Results Structure (MRRS) government – wide timetable. Once completed, this structure will provide a baseline from which to launch a complete strategic planning cycle for the 2005-06.

Although the audit does not touch on the issue of the resources, TBS will also review resources currently dedicated to planning in light of its recent reorganization to ensure that an appropriate planning infrastructure and governance mechanisms are in place to do effective planning.

In addition, TBS will benchmark its approach to other organizations similar in size, mandate and operating environment (e.g., Treasury Boards of Ontario and BC, OMB in the US) to identify "best practice" that is meaningful and useful and consistent with the recommendations of this audit report.

Annex A - Strategic Planning Criteria Sources

Development of Strategic Planning Criteria

To develop the strategic planning criteria we reviewed several sources including the following:

- Missouri Strategic Planning Model and Guidelines, March 2002;
- Bryson, John; Strategic Planning for Public and Non-profit Organizations, © 1995;
- A Case Study of Strategic Planning in Government: The Social Security Administration
- Strategic Planning A Guide For Canadian NGOs © Canadian International Development Agency (CIDA), October 1997;
- 20 Questions Directors Should Ask about Strategy, Canadian Institute of Chartered Accountants, © 2003

As a result of this review, we adopted the strategic planning model presented in the *Missouri Strategic Planning Model and Guidelines* since it most closely resembled the environment at TBS*.* Elements from the other sources were also incorporated into the final criteria.

Annex B – Interview List

Provided below is a list of Treasury Board Secretariat employees that we interviewed as part of our audit.

Jean-Claude Dumesnil, Executive Director	Strategic Policy and Planning Directorate
Jean Tourigny, Senior Project Manager	Business Planning, Human Resource Management Office
Karen Munro, Business Planning Officer	Business Planning, Human Resource Management Office
Sue Greenfield, Business Planning Officer	Human Resource Management Office
John Johnston, Senior Director	Strategic Planning and Integration, Comptrollership Branch
Judy Cosby, Senior Analyst	Expenditure and Management Strategies Sector
Steve Silcox, Director	Corporate Planning and Resource Management Corporate Services
Tiffany Caron, Senior Planning Officer	Corporate Planning and Resource Management Corporate Services
Ruth Dantzer, Associate Secretary	Business Line Leader Stewardship
Jim Lahey, Associate Secretary	Business Line Leader Human Resource Management
Michelle d'Auray, Chief Information Officer	Business Line Leader Service Improvement
Jim Judd, Secretary and Comptroller General of Canada	Treasury Board of Canada
Glynnis French, Assistant Secretary	Human Resource Management Office
Marie Lemieux, Director	Strategic and Business Planning Chief Information Officer Branch
Bill Austin, Assistant Secretary	Social and Cultural Sector
Monique Lebel-Ducharme, Senior Director	Communications and Public Relations Chief Information Officer Branch

Annex C – Strategic Planning Framework

Strategic Plans and Planning[5]

A Strategic Plan is a document that records the decisions the organization has made with respect to its future strategy. The plan should also contain the rationales, analyses and background information supporting those decisions. A good strategic planning process is one that facilitates the creation of a superior strategy and ensures that the appropriate information is contained in the plan. The types of information typically included in a strategic plan are:

Vision, Mission and Values

Objectives(related to the mission, vision and values)

Tombstone information:

- Major Business Lines (for achieving the mission, vision, values and objectives)
- Organization chart
- Key performance benchmarks and performance standards
- Identification and description of customers and stakeholders
- Employee satisfaction survey results
- Customer (departments) satisfaction survey results
- An analysis of current human and financial resources

Risk Analysis

- Major risks (internal and external)
- Risk impact analysis e.g. sensitivity analysis
- Risk impact outcomes - including best and worst cases
- Risk management/abatement tactics

Drivers for change:

- An external environmental analysis that would touch on political, economic, technological and social demographics analysis
- Strengths and weaknesses analysis related to achieving objectives
- Analysis of capabilities for innovation
- A broad summary of the capital improvement needs during the period covered by the plan
- An analysis of expected changes due to changes in legislation
- Gap analysis results

Strategies

- Descriptions of major strategic alternatives that were rejected and the rationale for their rejection
- Rationales for the proposed strategies – how the proposed future strategies will optimize the achievement of objectives in accordance with the mission, vision and values.
- Assumptions, both qualitative and quantitative
- A summary of major changes represented in the proposed future strategies in relation to the strategies currently in use including major changes in financial resources, assets, job definitions, information systems, and human resource practices in order to bring them into alignment with the strategy
- Succession plan for key management positions
- Potential areas of resistance to change and methods for overcoming them
- Key performance indicators
- Milestones
- Key success factors
- Plans for overcoming critical weaknesses or strengthening advantages

Footnotes:

[1] See Annex A for a description of the development of the strategic planning criteria.

[2] Diagram developed based on Missouri Strategic Planning Model and Guidelines, March 2002

[3] See Annex A for a description of the development of the strategic planning criteria.

[4] Source: TBS Planning Cycle for 2003-04 Drafted May 2003

[5] Source: 20 Questions Directors Should Ask about Strategy, Canadian Institute of Chartered Accountants, © 2003