

MANAGEMENT MEMO

SUBJECT: STRATEGIC PLANNING REQUIREMENTS	NUMBER: 96-23
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REFERENCES: Chapter 779, Statutes of 1994, Budget Letter 96-08	EXPIRES: 08/09/97
	ISSUING AGENCY: Department of Finance

Critical to the continuing success of the Governor's efforts to make state government programs and operations more efficient and effective is strategic planning. Building on the initial efforts related to Chapter 779, Statutes of 1994 that required the Department of Finance to assess the status of strategic planning conducted by state departments and other entities, the Department of Finance will now require all state agencies to develop a strategic plan by July 1, 1997. Those state departments that have seriously engaged in strategic planning have demonstrated that this process fosters better organizational management and promotes better service delivery to their customers.

All strategic plans require Governor's Office approval and must be transmitted through the agency secretary, where appropriate, for approval. For departments and offices that do not report to an agency secretary, the strategic plan must have the department director's or the executive director's approval.

After the Governor's Office approval, two copies of the strategic plan shall be forwarded by the agency or the appropriate department to the Office of State Audits and Evaluations of the Department of Finance.

All state entities should keep their Department of Finance budget analyst apprised of the progress of their strategic planning effort.

The provisions of this management memo shall not apply to constitutional offices, the judicial branch of state government, the University of California and the California State University system. However, these organizations are encouraged to develop strategic plans for use in preparing their budgets and to forward copies of their plans to the Department of Finance.

A strategic plan is an overall plan for accomplishing an organization's mission in a changing environment with the resources it can reasonably expect to be available. Beginning with fiscal year 1998-99, strategic plans will be linked to the budget process. Resource requests must be logically related to key objectives in the strategic plans. No budget augmentation requests for the 1998-99 fiscal year will be considered for approval unless an organization

has an approved strategic plan. There will be a requirement that budgetary requests provide a cross-reference to the specific objectives in an organization's strategic plan.

Components of Strategic Plans

The Department of Finance will provide a strategic planning handbook containing guidelines on strategic planning processes and products. The Strategic Planning Handbook will be distributed in late summer of 1996.

- Strategic plans provide a blueprint for future programmatic directions. The strategic planning process produces fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it. The strategic plan defines and refines the business functions within an organization to efficiently and effectively carry out its programmatic missions. The basic process for completing a strategic plan and the components to be included are detailed below. If specific components are not included in an organization's strategic plan, a statement as to the reason this component is not applicable must be included.
- The organization conducts an internal/external assessment (with input from various levels of the organization and external stakeholders). This assessment is an evaluation of internal conditions and external factors that affect the organization.
- The organization's director and planning team define the mission (purpose) and express the principles which are the core values and philosophies.
- The director articulates a vision (a compelling, conceptual image of the desired future) for the organization. This vision is communicated to every level of the organization.
- The director and planning team establish goals and objectives for the organization as a whole, based on consideration of external factors and internal capacities (revealed in the internal/external assessment.)
- The director and planning team identify performance measures for the goals and objectives and set performance targets. Measures which assess effectiveness or program impact on solving a problem are more desirable than measures which simply quantify the workload.
- The director and planning team communicate the mission, principles, goals, and objectives to every level of the organization. Action plans are then developed to implement the strategic plan.

- The organization puts the strategic plan into action and uses a **tracking and monitoring system** to measure progress. Strategic Plans and performance results are regularly evaluated, and the plan is revised accordingly.

The Office of State Audits and Evaluations will provide assistance to state organizations on an advisory basis and is available on a contractual basis to facilitate the development of strategic plans. Please contact Sam Hull, Chief, Office of State Audits and Evaluations, Department of Finance at 916-322-2917 for further information.



CRAIG L. BROWN
Director
Department of Finance