

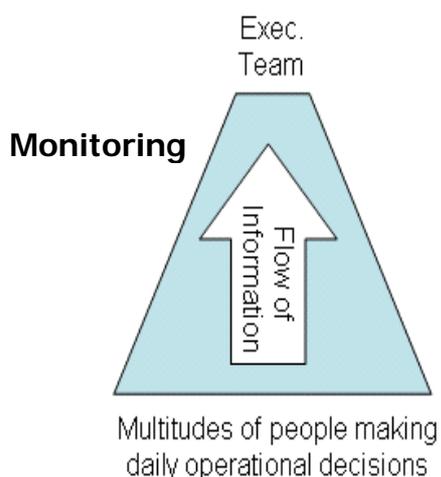
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## Strategic alignment in local government

Local governments are often cynical about strategic planning. Their experience has been shaped by daylong planning sessions where stakeholders struggle to shape their «vision». Often, the carefully crafted words simply gather dust until the next retreat. After one rather lengthy session, I heard a municipal official complain, «The last thing I want is another bright idea. What I need is help making it all work.» How do you turn bright ideas into action? How do you engage staff in making dreams reality? How do you build an organization where action is aligned to strategy and strategy is aligned to citizen's needs?

Attempts to build consensus in a vision often disguise underlying conflicts that must be resolved during implementation. I worked with an IT department that had embraced the idea of providing «world class» service. When we asked departments how they understood that term, we found confusion rather than alignment. To the IT department it meant being at the forefront of technology. It was blue tooth, WIFI, high-speed; Internet enabled «bleeding edge» technology. To the finance department, «world class» meant providing low cost service, a clear business plan and an excellent return on investment. For operational departments it meant high reliability, ease of use, excellent training and highly responsive support. Without clearly articulated objectives, measures and initiatives that everyone understands, high minded but fuzzy words are a recipe for confusion.

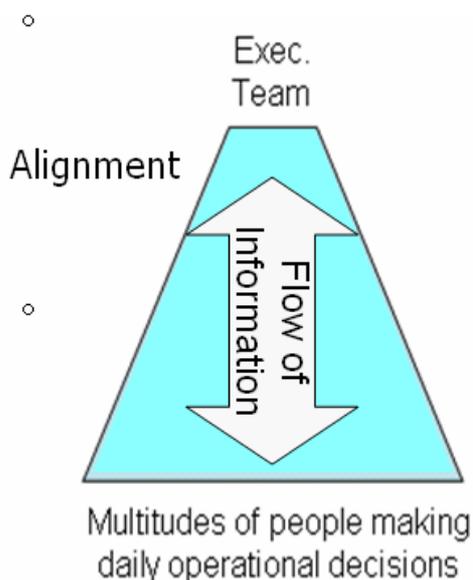
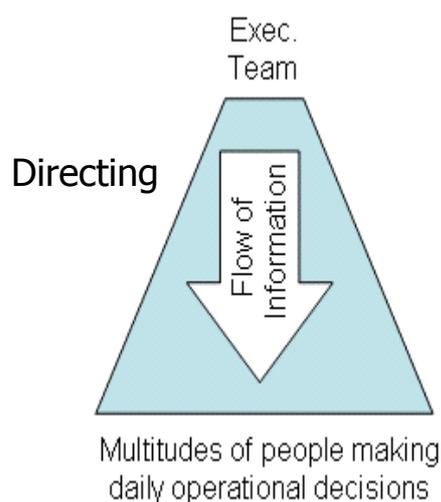
The idea that alignment is vital to a successful strategy is as old as strategy itself. Sun-Tzu said, «One whose upper and lower ranks have the same desires will be victorious» [1, p. 178]. Despite this well-established principle, we continue to see local governments with a grab bag of loosely connected performance measures that provide little more than color commentary for their annual reports. To test whether you have achieved strategic alignment in your scorecard consider which of these metaphors best describes your approach.



1. Monitoring Performance – The Gauges or Cockpit Metaphor – Key performance indicators help the executive understand what is happening in the organization. We can monitor performance and make adjustments to keep on track. Information on key performance indicators flows from bottom to top. Direction flows from top to bottom. In this model, employees and even middle managers are parts of a machine performing tasks that have been defined for them. We compete against other local governments to lower crime rates, improve the response time for our fire services or repair potholes in our roads more quickly than the next town. Management is about responding to the latest crisis.

2. Directing Performance – The Steering Wheel Metaphor – City Council establishes clearly defined objectives for every department and measure results against those objectives. Council has its hands on a steering wheel that directs departmental performance. Accountability is important but those that have been around awhile are smart enough to set objectives that keep them out of trouble.

I like to compare this model to training a dog. I want the dog to retrieve a stick. When successful, the dog is rewarded and soon will repeat the designated task to perfection. The dog neither understands the plan nor contributes to the improving the stick retrieval process.



### 3. Alignment – The Navigation System Metaphor

Both our front line staff and our citizens understand the type of community we are trying to shape. The major themes of our strategy are clearly communicated and provide a focus for departmental plans. Everyone understands where we are planning to go and how we intend to get there.

Our departments work together to achieve important objectives that cross-departmental boundaries. We measure our performance and often share accountability for results. Our staff are engaged in developing plans that will help us improve performance and deliver results. Front line staff understands how their jobs support the community plan.

I recall seeing a sign posted near a work site for a municipal water department that read, «We don't just lay pipes, we build communities.» When this type of two-way communication moves beyond buzz words and becomes the way people think about their work it can have a powerful impact on strategic success.

4. Bridging the Gap – In striving for the ideal of the navigation model, most local governments will need to bridge four gaps – the knowledge gap, the departmental silo gap, the organization hierarchy gap and the budget process gap. The University of Victoria's School of Public Administration partnered with the municipality of Saanich, a city of about 100,000 on Canada's west coast to develop a framework for strategic planning that approached the Alignment or navigation model presented above [2].

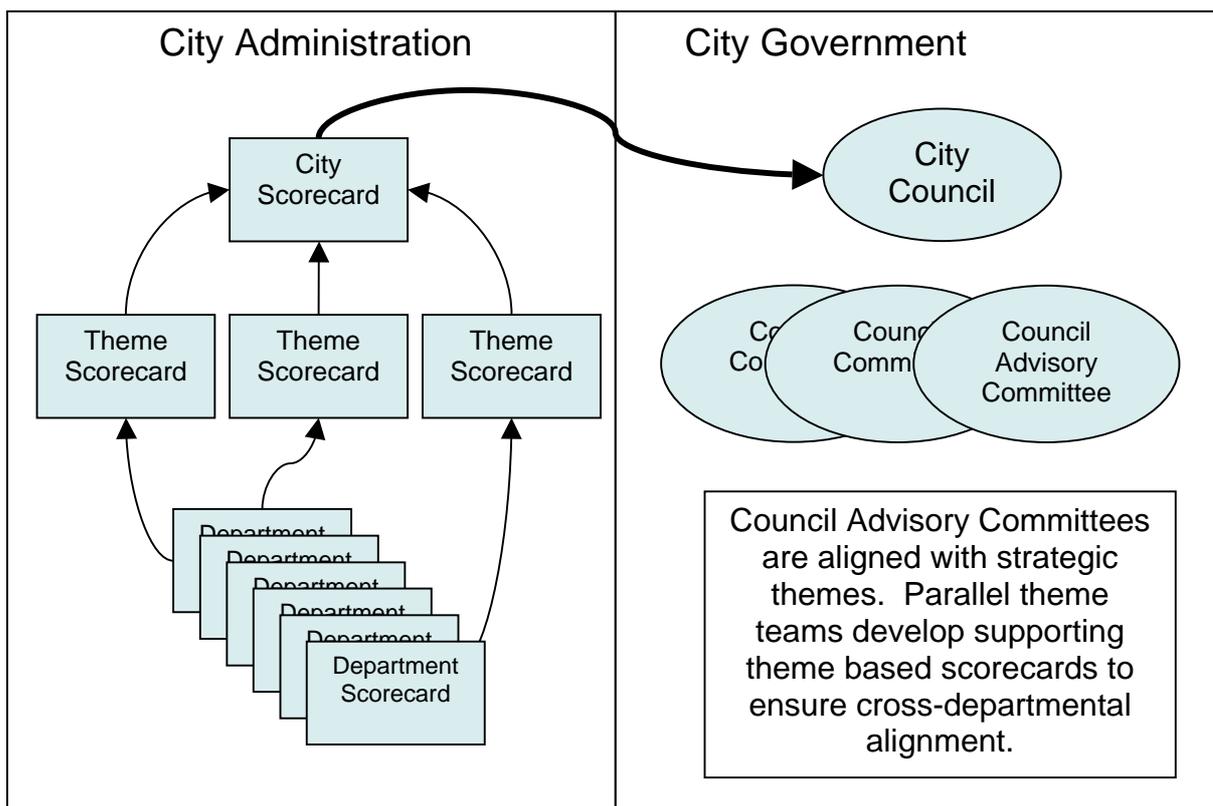
The Knowledge Gap – Strategy is not rocket science nor does any particular approach have the magical power to guarantee success. Nevertheless, I recommend use of the Balanced Scorecard as a framework for strategic planning for two compelling reasons. First – It has worked in a very wide range of organizations including local government. Second, there is an astounding range of material that is freely available using balanced scorecard terminology. If you invest a modest amount of time teaching your managers, the approach they can tap into the experience of others without having to translate the material into terms that only you

understand. Without some education about strategy, managers will almost certainly view your attempts at performance management as just one more pain inflicted from above. Instead of a compelling picture of your strategy, managers will see a meaningless collection of unrelated measures. In the same way that engineers or physicians facilitate their communication by adopting a common language; managers will benefit from having a common language to talk about strategy. Today, the balanced scorecard terminology introduced by Kaplan and Norton has become that common language [3]. Typically, we start the education process with the senior management team and city council with an introduction to the balanced scorecard. During the scorecard development process, workshops start with a brief training session that leads into the area the design teams will be working on. For example, if the team is focusing on the customer perspective, we will take an hour to discuss customer focused strategies or how to find out what customers want [4]. The balance of the session will be spent applying the principles to scorecard design. It is important to remember that building strategic alignment is fundamentally about improving communication and building a common understanding. In a moment of epiphany, one long serving supervisor said to me, «No one ever asked my opinion before. Now that I understand what we are trying to do maybe I can actually help get it done.» In Saanich, members of the executive team were actively engaged in the educational process.

The Departmental Silo Gap – The term «departmental silo» evokes an image of a large concrete structure with few external openings. We put the raw material in the top and expect to take it out the bottom as cattle fodder. In between, the process is isolated from external influence. It works fine until we expose it to variations in moisture or airflow. Then rot or even spontaneous combustion can occur. How many departments work like that? They defend their «unique» culture and method of operation. There is little light from the outside. They don't have much external contact and work fine as long as no one wants anything to change. However, these departmental fiefdoms often fail in an environment where change is constant and inter-departmental cooperation essential.

There are several techniques we can use to breakdown these barriers. Common objectives can be cascaded to all departments with an objective owner at the top developing an organization wide plan for implementation. For example, an objective to improve strategic job competencies might be coordinated by the HR director to ensure resources are appropriately targeted.

For strategic themes that engage several departments a theme based scorecard might be developed. In Saanich, Department heads act as Executive Sponsor. The Theme Team has representatives from different departments that contribute to the theme and meets monthly to review progress. For example, the Fire Chief headed the community safety theme but his team included staff from police, engineering, and parks. Several times during the year, theme teams review progress with the executive and theme based city council committees.



Objective Owners within the theme team would often have their own teams that engaged members from outside their department. For example in the community safety theme, one objective owner responsible for increasing emergency preparedness has supporting initiatives from police, fire and engineering departments. Even initiative owners will see impacts outside their departmental boundaries. The success of this approach is built on a clear understanding that objective owners are acting on behalf of the executive who own the scorecard and have their full support.

#### C7. Increase emergency preparedness

a.	Implement Saanich Police Department Strategic Plan Components: - Post disaster response	Police	Number of components implemented in 2006	1
b.	Develop Municipal business continuity plan	Fire	Plan complete	December 2006
c.	Improve emergency response training and resources for employees at all municipal facilities	Fire	Number of staff trained in 2006	30
d.	Complete seismic upgrade and emergency power supply program for municipal facilities	Engineering	Increase percentage of municipally owned floor-space that is seismically sound.	66%
e.	Complete Municipal Influenza Pandemic strategy	Fire	Strategy complete	September 2006

Once municipalities begin to think outside their departmental boundaries, it soon becomes apparent that almost all of the important things that need to get done have cross-departmental impacts. Departments will still need their own scorecards but often their objectives will mirror those already established by theme teams.

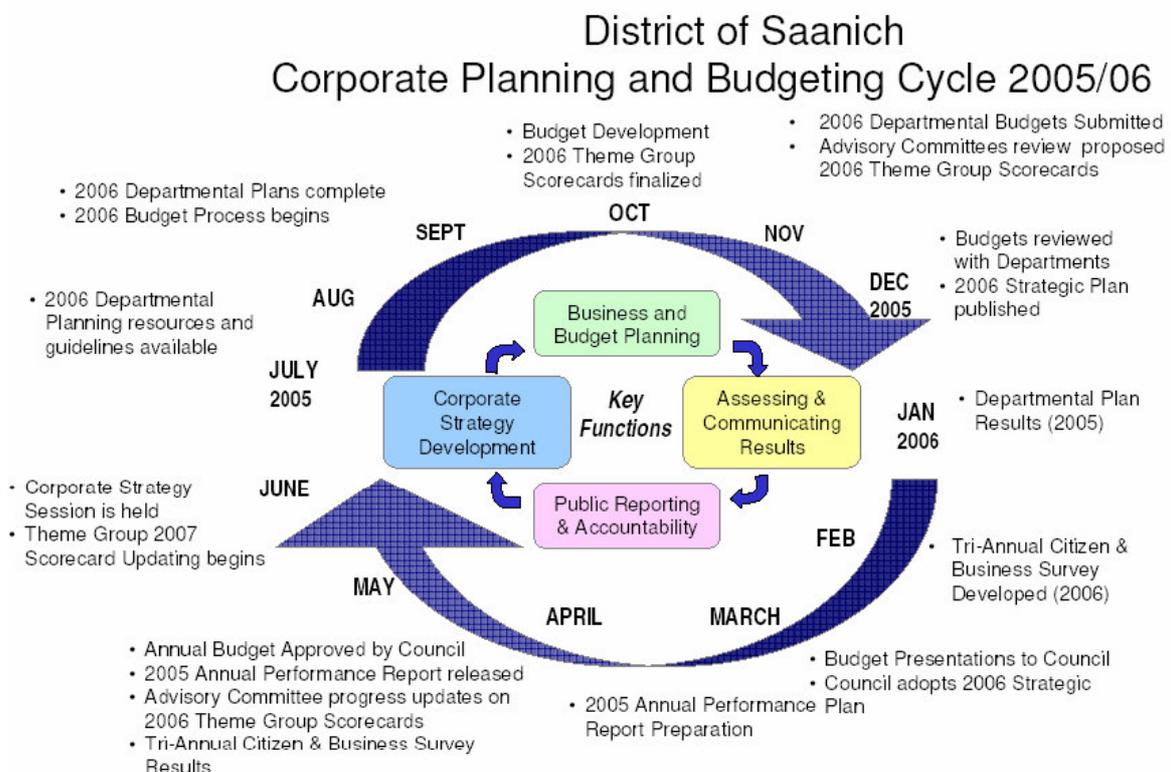
The Organizational Hierarchy Gap – How often do we complain that state or federal agencies just don't understand what is happening on our streets. What we must recognize is that hierarchical gaps can develop at all levels. Just as we complain about the insensitivity of

those above us, those who work for us will complain about our lack of understanding. Local government sits in the middle and to be effective must bridge both the gap to more senior levels of government and to front line workers and citizens.

We hear comments like «she's not a manager» or «we can't include union members». On the other hand, organizations say they want to «engage» their employees. Except when we want money, we avoid engaging more senior levels of government over concern that they will meddle in our business. Our approach to strategy-aligned management in local government engages key stakeholders from elected officials to front line staff in both the development of strategy and turning that strategy into action. Engagement goes well beyond simply explaining the strategy to employees. In Saanich, over 60 employees were actively engaged in developing the initial scorecard. There are now regular strategy sessions twice a year that include a broad range of employees. Community based focus groups, advisory groups and citizen surveys build bridges between government and citizens.

The final span across the hierarchy gap is open communication and reporting. Effective scorecards are widely available throughout the organization. In Saanich, the scorecard and regular updates are published on the municipal website. In a period of two years, the site evolved from little more than a pie chart showing revenue and expenditures to a site that presents a compelling picture of a strategy focused organization [5].

The Budget Process Gap - In public sector organizations where financial management and budget process are usually enshrined in legislation, we find still other barriers to strategic alignment. Typically, the budget process is not closely linked to either strategy or the performance management system but rather is aligned with financial cost centres. The budget presentation is aligned to the needs of accountants rather than the needs of those responsible for the execution of strategy. Budget development will often start with an adjustment from the previous year's budget that is akin to trying to drive using only a rear view mirror.



We can often capture costs by department or object of expenditure like travel, wages or information technology but may have only a vague idea what we are spending on our major

strategic themes. Recently, in British Columbia, the auditor general reported that expenditures related to the Olympic Games were under-reported by millions of dollars. It was not that the expenditures were unreasonable but rather that the budget process did not provide government with a clear picture of either the costs or benefits of this major strategy.

In the absence of strategic budgeting, local governments will respond to year-end pressures and discretionary spending opportunities by responding to short-term concerns, the loudest voice or fastest feet. The wise bureaucrat keeps a favorite project on the shelf to exploit year-end opportunities. Departments delay unpopular programs so that they can cancel them in response to year-end pressures.

Saanich has integrated the strategic planning and budget cycle. Strategy aligned management integrates financial measures and other performance measures within the cause and effect chain of the balanced scorecard. Budget presentations are reviewed by strategic theme and must demonstrate clear links to strategy. Ideally, both budgets and expenditures should be presented by strategic theme as well as by department. With the power of modern accounting systems, we can have it both ways. The bean counters in the finance department can keep track of every paper clip and expenditure by organizational cost centre and still present a budget that reflect the strategic intent of the local council.

Conclusion – Strategy is not something that can be developed by an executive in a back room and then unveiled before the cheering multitudes. To be effective building strategic alignment must reach beyond mere communication to build strategic awareness and actively engage people in the creative process. While our organizational structure and budget processes are important elements of our accountability framework, they can also impede our response to strategic challenges. A clear plan on how to bridge these gaps is essential if we are to build a navigation system that allows us to implement our strategy and realize our vision for the future.

### **References:**

- [1] *Sun-Tzu*. The Art of War, translation by Ralph D. Sawyer, 1994, Barnes and Noble.
- [2] During this project, the author worked closely with Dr. Bart Cunningham from the School of Public Administration and Paul Murray, the Director of Finance from Saanich.
- [3] *Robert S. Kaplan and David P. Norton*. Strategy Maps, Harvard Business School Publishing Corp, 2004.
- [4] *Anthony W. Ulwick*. What Customers Want. McGraw-Hill, 2005.
- [5] <http://www.gov.saanich.bc.ca/municipal/docs/strategic.html>