Linking Strategy & Budgets - Guidelines

1. Strategy, Performance and Budgets

The University developed its Strategic Plan 2007-2010 in 2007 and is in the process of implementing this plan. This Strategic Plan defines five major objectives and specifies the strategies and initiatives to be undertaken for achieving these objectives. The University expects the Faculties and Professional Services (includes CAPs) to support achieving its major objectives and for this to align their strategies and strategic objectives to the University Strategies and Strategic Objectives.

Key initiatives that are to be undertaken for achieving strategic objectives need to be allocated with resources. Linking of Strategy to Budgets occurs through pooling and aligning resources to key initiatives through annual budget processes. The University expects the annual budgets to be used for aligning resources to strategy. Therefore it is very important that the faculties and PSs (includes CAPs) prioritize and allocate available resources to various key initiatives that are to be undertaken in order to achieve the strategic objectives. If the budget is designed without reference to the strategies it is supposed to support and the prioritized resources available, the University, Faculties and Professional Services areas will not be able to achieve their desired goals.

Budgeting/Forecasting is also part of performance management. Performance management allows directing and managing resources to achieve objectives. In the context of performance management, budgeting’s central role is to support execution through the allocation of resources to key initiatives that drive value as well as measurement and provide desired outcomes. These key initiatives should directly support the strategic objectives. Some Key Performance Indicators used for performance management and reporting are drivers used for Revenue projections in the Budget. KPI templates for Faculties (used first in for the 2008 Budget process) and Professional Services (developed for the 2009 Budget process) will be used again as part of this developing process.

The University expects to progressively improve the budget process and one of the important initiatives as part of this process is linking strategy, performance and budgets. The following diagram depicts the process for alignment of Strategy and Budget.
2. Strategy Templates

The University introduced strategy templates for the 2008 Budget process as a transition towards linking strategy, performance and budgets. Separate templates were designed for Faculties and PSs (incl. CAPs). These templates were improved further for the 2009 Budget process. Both these templates which are attached require information on Strategic Objectives, Performance Measures, Key Initiatives and Budget Allocations (investment required for the initiatives) which are key elements that are used for linking strategy and budgets and Major Risks. The template also allows faculties and PSs (incl. CAPs) to identify key strategic and transformational initiatives. Definitions and other elements which are used as column headings in the templates are provided below.

- **Strategic Objective**
  Strategic Objective is a statement articulating a specific component of what strategy must achieve/what is critical to its success.

- **Performance Measure (KPI):**
  Performance measure will indicate the level of performance or progress achieved in relation to a strategic objective. Targets are used for the performance measures which will show the level of key performance indicators needed or planned.

- **Key Initiative**
  Key Initiatives are those programs, activities, projects or actions developed to achieve objectives or close the gap between current performance measures and targets which may involve an investment/resource allocation or restructure. They differ from objectives in that they are more specific, have stated timelines (beginning and end), have a person/team assigned to accomplish them, and have a budget allocated.

Key initiatives can be strategic (linked to a strategic objective), continuous improvement and transformational.
- Continuous improvements are ongoing efforts to improve service effectiveness or process efficiencies to achieve best practice (e.g. cost savings).
- Transformational initiatives are those key management initiatives which have a high impact and substantial shift in operational performance to achieve best practice (e.g. UEM).

Resource allocations or investments for key initiatives need to be linked through the annual budgets/forecast process.

- **Outcome**
  Expected end result of an initiative or activity.

- **Budget Implications**
  The specific dollar budget or resource amount allocated to a particular initiative. This amount should be presented in total, and can also be allocated over specific periods, such as years/quarters, as appropriate to the strategic budgeting/planning process.

- **Cost savings / major risk**
2.1 Faculty Strategy Template
The Faculty Strategy Template requires initiatives and resource allocations identified for Research, Learning & Teaching, External Relations, Infrastructure and IT, Staffing & Financial Performance which are listed in rows in the left hand column. These groupings represent strategic areas that the University and Faculties are focusing on.

2.2 Professional Services (PSs) including CAPS
The PSs Strategy Template require initiatives identified for the Strategic objectives for the five performance excellence groupings: Stakeholder Satisfaction / Service Effectiveness, Enterprise Measurement / Efficiency, Productivity and Financial Strategy, Knowledge Management/Technology Enablement, Process Management/Internal Operations and Workforce Capability / Workforce Engagement, which are listed in rows in the left hand column.

The five groupings of performance excellence represent proven foundations for driving and integrating key performance and operating requirements within a results oriented framework. They have been drawn from the range of business excellence models that have emerged over the past thirty years which have been used to develop high performing organisations. Explanation of these groupings is provided below.

- **Stakeholder Satisfaction / Service Effectiveness**
  This grouping emphasises the importance of a leadership focus on outcomes for stakeholders. It helps examine how your PS (or CAP) determines the needs and expectations of its stakeholders and markets. It also helps examine how your PS (or CAP) builds relationships with stakeholders and determines the key factors that lead to stakeholder satisfaction and organisational sustainability. Objectives and initiatives in this category are to include those relating to:
    - Obtaining stakeholder and market knowledge
    - Building stakeholder relationships
    - Determining stakeholder satisfaction

- **Enterprise Measurement / Efficiency, Productivity and Financial Strategy**
  This grouping is critical to the effective management of an organisation and to a fact-based approach for improving performance. It helps examine how your PS (or CAP) measures, analyses and improves its performance through the use of data at all levels of the organisation. Objectives and initiatives in this category are to include those relating to:
    - Collecting, aligning and integrating performance data
    - Reviewing and analysing organisational performance
    - Translating performance findings into priorities for continuous and transformational improvements
• **Knowledge Management/Technology Enablement**
  This grouping is one of the main drivers of performance and emphasises the importance of managing information across the organisation. It helps examine how your department ensures the quality and availability of required data and information, along with the applications and technology infrastructure for the workforce, partners and stakeholders. It also helps examine how the organisation builds and manages its’ knowledge assets. Objectives and initiatives in this category are to include those relating to:
  o Selecting and deploying technology to automate business processes and maximise productivity
  o Management of information resources
  o Collection and transfer of stakeholder and workforce knowledge
  o Plans for information continuity

• **Process Management/Internal Operations**
  This grouping is another main driver of performance and emphasises the key processes that help accomplish the work of the organisation. It helps examine how your department determines its’ work systems and how it designs, manages and improves its key processes to deliver stakeholder value. Objectives and initiatives in this category are to include those relating to:
  o Design of key work processes and their contribution to delivering stakeholder value and organisational success
  o Increasing effectiveness by reducing or eliminating unnecessary complexity via process and policy simplification and standardisation
  o Co-ordination and integration of support processes, both internal and external, to ensure effective linkage of activities and performance
  o Improvement in process speed and agility, together with the ability to change

• **Workforce Capability / Workforce Engagement**
  This grouping emphasises the workforce practices that create and maintain a high performing environment. It examines how your department engages, manages and develops your workforce to utilise its’ full potential, aligned to the organisation’s strategy and action plans. Objectives and initiatives in this category are to include those relating to:
  o Recruit, develop and retain high performing staff
  o Fostering a culture of high performance and a motivated workforce
  o Workforce learning, development and core competencies
  o Improvement in workforce engagement and business results

The PSs (and CAPs) template consists of the following two parts
  o Continuous Improvement
  o Transformational Initiatives

2.3 Examples

Examples that will assist in completing Faculty and PSs (incl.CAPs) templates are attached.