



.....**The Role of the Finance Officer
in Strategic Planning**-----

BY JOSEPH P. CASEY AND KATHLEEN T. SEAY

Strategic planning is one of those terms that is often heard but rarely seen. Nearly all governments now have vision and mission statements, and these iconic phrases are plastered prominently on office walls, letterhead, and on the inside cover of budget documents and audit reports. These statements generally reflect good governance through good employees who provide good programs to good people. The vision and mission statements of Hanover County, Virginia, are no different (see Exhibit 1).

Many governments leave these macro-statements to administrators and department heads to apply micro-operating strategies that will, it is hoped, correlate with the vision and mission statements. There may also be some terms in these statements for which little or no further direct involvement may be needed from local administration — for example, the education of children in areas that have local school boards. Many local school boards have the autonomy to provide 100 percent of the service (and levy a tax to pay for it), and those school boards that rely on an appropriation from the local governing body are not held to any strategic program or outcome correlated to any funding.

One might think that if education is important enough for a mission statement, then it should be important enough for an engaged relationship with school officials, including proactive strategies and outcome goals. If the local government officials do not have a vested interest in the education of children, then they need to consider removing the reference to education, as well as references to other non-vital concerns, from their mission statements. That exercise in itself could be a defining strategic point in local government.

Exhibit I: Hanover County's Vision and Mission Statements

Vision: Where a family of communities, inspired by its people, tradition, spirit, and history, is the foundation for its future.

Mission: Provide a superior quality of life that is defined, encouraged, and supported by the community itself, where government focuses efficiently and effectively on the general well-being, education, and safety of the people, where service delivery is based on sound financial practices, and where growth is managed in creative and innovative ways.

PROVIDING FOCUS

The challenge jurisdictions face is translating good vision and mission statements into strategic pathways that can focus the entire organization on what is important to the community, allowing departments to effectively collaborate and share information and resources. These strategic pathways can also define results based on outcomes and comparisons with peers. The first step is asking senior leaders to define the process that will allow this transformation to occur — and the finance official needs to be a key senior leader throughout all steps of this journey.

Finance officials have a number of skills and attributes that make them uniquely positioned for this role. They possess the technical skills needed to develop and monitor a compliance-based framework, and they know the entire entity's operations, resources, and systems. Finance officials also have great potential for developing strong working relationships with senior leaders from every department in the organization. While the chief administrative officer might also have the same or even better skills and attributes, this task works best with teams, not just one central leader. The teams should comprise senior leaders and other key employees who can best define where the organization has been, where it is going, and what framework needs to be applied to ensure success.

Collaboration among departments is the foundation for financial stewardship and strategic planning. The finance official can see the entire field and thus has the ability to improve the use of financial resources throughout an organization. The Hanover County Finance Department has recurring relationship meetings with key internal customers to outline financial strategies and tools that will help the county achieve its operational and strategic objectives. As a result, financial results and strategic objectives are integrated successfully in areas such as:

- **Information Technology (IT) Governance.** Departments that make budget requests for technology enhancements must get their technology requests approved.
- **Operational Action Plans.** Departments develop action plans to define tasks for board initiatives and operational projects.

- **Integrated Dashboards.** The finance department summarizes and interprets performance measures that are reported on department-level dashboards, helping senior leaders assess the affects of strategic decisions.
- **SharePoint.** SharePoint software allows the county to communicate and share results and services that result from the financial and strategic planning process. Exhibit 2 shows the SharePoint team site that department heads use to share dashboards and weekly briefs with other county leaders. Similar sites have been established as team sites and workspaces for departments, financial contacts, projects, and meetings. The county also has sites in development for strategic plans and financial products (e.g., budget, comprehensive annual financial report, and debt).

FORMALIZING A STRATEGIC PLANNING PROCESS

Hanover County had a tradition spanning more than 20 years of success in key areas: great schools, low crime, low

taxes, and an array of independent verification of such success (e.g., triple-A bond ratings, accreditations, high customer survey satisfaction, and high bond referendum approval margins). However, there was also a sense that many of these accolades were not the result of any formal strategic planning process, but rather through the great efforts of employees, elected officials, and citizen engagement.

What also resulted was an organizational culture that worked well in a decentralized manner with empowered department heads, many of whom had been leaders for more than 20 years. Over their careers, these senior leaders continually improved the service delivery methods their departments used, through their talented employees, and each of these departments represented islands of excellence.

However, while this operating model yielded success, succession planning led to a realization that the county faced a potential void in senior leadership, with one generation retiring over a five- to ten-year period. County officials therefore initiated strategic discussions to define how future senior leaders would be developed. The finance officer was

Exhibit 2: SharePoint Team Web Site

Type	Name	Department	Functional Area	Month	Year
	AC Dashboard August 2010	Animal Control	Public Safety	August	2010
	AC Dashboard September 2010	Animal Control	Public Safety	September	2010
	Assessor's Dashboard-August 2010	Assessor's Office	Administration	August	2010
	Assessor's Dashboard-September 2010 NEW	Assessor's Office	Administration	September	2010
	BP Dashboard Sept-10 NEW	Building Inspectors	Public Safety	September	2010
	BP Dashboard V3.01Aug-10	Building Inspectors	Public Safety	August	2010
	CCP Dashboard August 10	Community Corrections	Public Safety	August	2010
	CCP Dashboard September 10 NEW	Community Corrections	Public Safety	September	2010
	Community Resources, Aug 2010	Community Resources	Human Services	August	2010
	Dashboard - August 2010	Finance	Administration	August	2010
	Dashboard - September 2010 NEW	Finance	Administration	September	2010
	Dashboard August 2010	Health Department	Human Services	August	2010

part of a team that discussed ways the islands of excellence could still thrive in a decentralized structure, with the finance perspective providing a common thread that allowed departments to work together, taking strategic and systematic approaches. This was the foundation for establishing core competencies for Hanover County.

The first step was developing strategic senior leadership skills for all department directors, assistant directors, and other key department leaders. The Senior Executive Institute (SEI) program, offered by the Weldon Cooper Center at the University of Virginia, has one- and two-week programs that focus on high performing organizational theories and leadership traits. In addition to these SEI programs, the county also sends senior leaders to other leadership development programs in the state and region, including annual management retreats focused on leadership; Leadership Metro Richmond, a community-based program for public- and private-sector leaders in the region; and Baldrige-based training programs.

The second step was to begin developing formal strategic plans for two key functional areas: human services and public safety. These departments already had strategic plans, but they had not yet taken a strategic approach to translating those strategic plans into functional pathways. In addition, other previously approved strategic plans — for economic development, education, and environment (which includes the county’s land use plan, rural and historical preservation, and public infrastructure and facility plans) — were updated with wider participation from senior leaders. The county adopted a five-year financial plan to address financial planning strategies for all departments, but additional enhancements are forthcoming to evolve the financial plan into a separate strategic plan.

The third step was finding a program that could provide a generic framework of questions, educational tools, and discussion points to help entities achieve success and sustainability. The county selected the State of Virginia’s quality program, the U.S. Senate Productivity Quality and Award

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(SPQA). The program’s extensive application program helped foster strategic discussions and team-building traits, with the county putting together eight five-person teams of senior leaders, one for each program category (see the “Baldrige National Quality Award” sidebar for more information about the categories that make up the framework for both the Baldrige and the SPQA programs). In essence, the application and ensuing award were merely byproducts of the process — the process itself was the rewarding

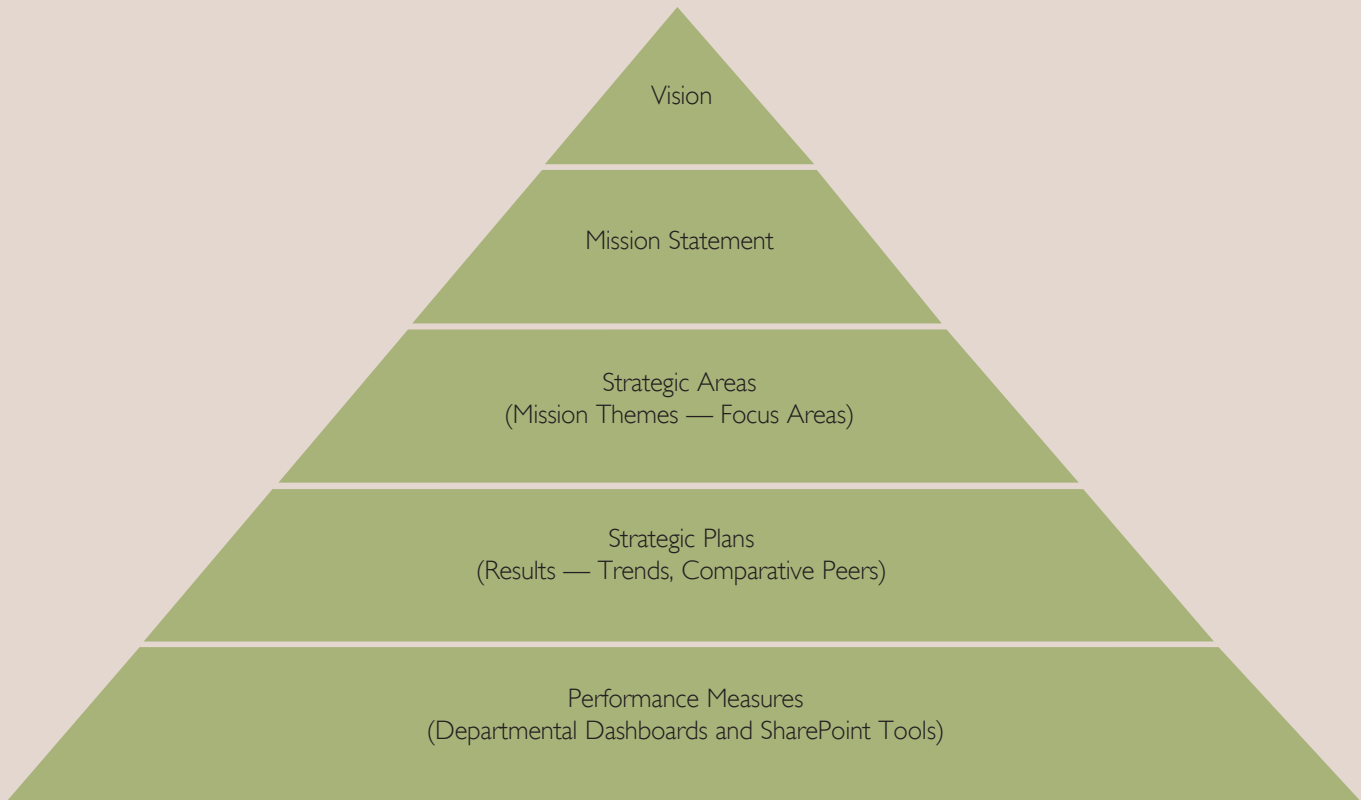
experience. SPQA also requires a site visit and a feedback report that is provided by SPQA-trained volunteers (individuals who are technically proficient in strategic planning, similar to the technically proficient volunteers for the GFOA’s Distinguished Budget Presentation Awards program and Certificate of Achievement for Excellence in Financial Reporting program).

The SPQA application asks more than 100 questions, with many components for any one question. For example, the first question in the first category, Leadership, is: “How do SENIOR LEADERS set organizational VISION and VALUES?”



Exhibit 3: Making the Connection

Hanover County created a connecting path between departments' vision and mission statements and their operations.



How do SENIOR LEADERS DEPLOY your organization's VISION and VALUES through your LEADERSHIP SYSTEM, to the WORKFORCE, to KEY suppliers and PARTNERS, and to CUSTOMERS and other STAKEHOLDERS, as appropriate? How do SENIOR LEADERS' personal actions reflect a commitment to the organization's VALUES?" The capitalized words reflect terms used over and over throughout the application (about 30 terms in total), and one of the first strategic discussions the county had was to define these terms from a Hanover perspective. Strategic planning exercises are likely to present challenges until consistent interpretations and definitions for each of these terms are agreed on, so localities need to develop a glossary of common terms from the outset to ensure mutual understanding.

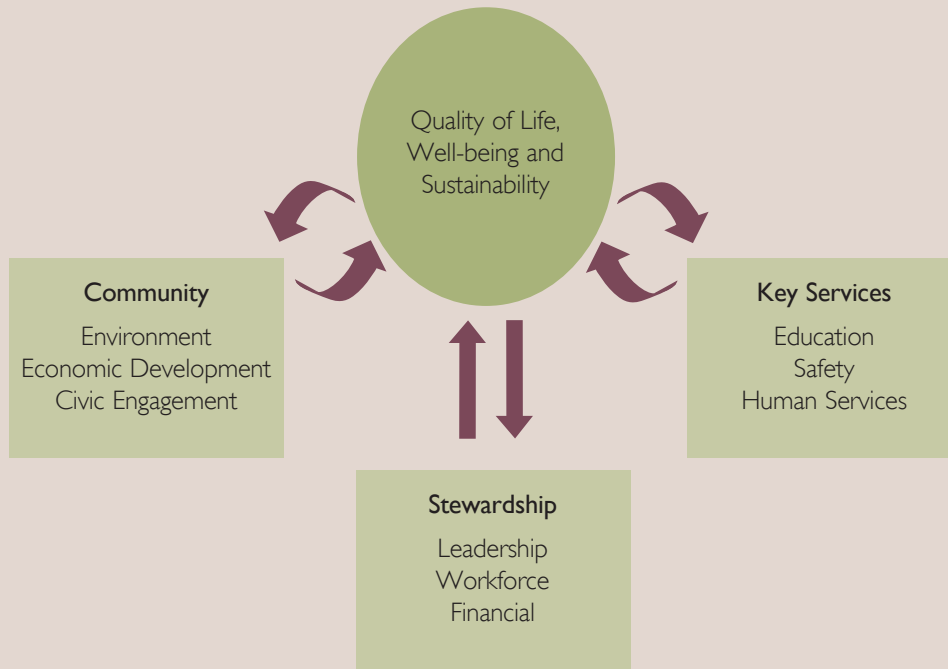
Through strategic areas comprising mission themes and focus areas, the county developed strategic plans that could then be monitored using performance management tools.

Finance officials had a role in each of the three steps — developing strategic senior leadership skills, developing formal strategic plans, and using the SPQA program. The director of the finance department and two division directors went through the leadership training program. In addition, these finance officials were able to help frame strategic plan goals, review drafts, and provide feedback to help improve newly developed or updated strategic plans. Finally, the finance director co-chaired one of the SPQA category teams (Category 4: Measurement, Analysis, and Knowledge Management), and two other finance employees were on other teams.

MISSION FOCUS THEMES AND FOCUS AREAS

During the SPQA process and team meetings, it became apparent that

Exhibit 4: Mission Themes

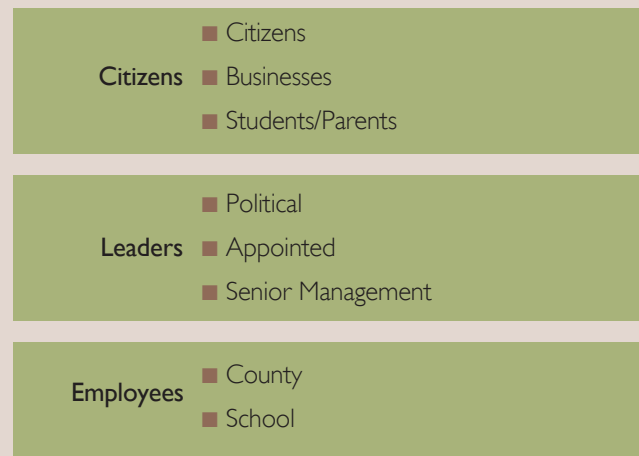


while vision and mission statements appeared to still be strong and relevant, there was a lack of connection between these statements and departmental operations. This situation needed to be corrected, and the connecting path between the vision and mission statements and the departments' operations is illustrated in Exhibit 3. Through strategic areas comprising mission themes and focus areas, the county developed strategic plans that could then be monitored using performance management tools.

The county chose three mission themes — quality of life, well-being, and sustainability — that can best be achieved through three mission attributes — community, stewardship, and key services (see Exhibit 4). Each of the mission attributes has three mission focus areas. Hanover officials determined that these collective nine mission focus areas can best position the county to succeed, using strategic plans developed for every focus area. As noted previously, five strategic plans had already been developed with targeted senior leader input, and these were easily aligned with five of the focus areas.

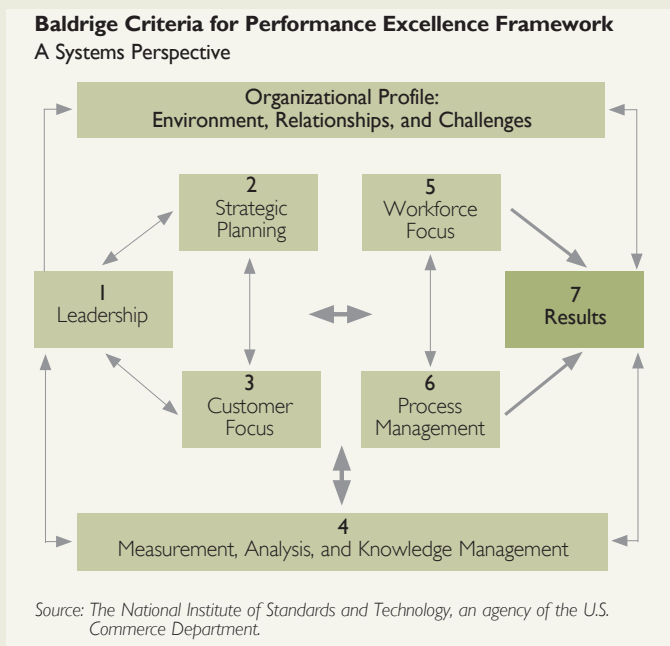
The remaining four focus areas (civic engagement, leadership, workforce, financial) are all in the initial stages of strategic plan development. The relationships among the existing strategic plans were evaluated during the SPQA process, and

Exhibit 5: Defining Roles of Key Groups



The Baldrige National Quality Award

One framework that allows organizations to develop, implement, analyze, and report their efforts is the Baldrige Criteria for Performance Excellence, a national quality award. There are also more than 40 state award programs that use the same criteria as the Baldrige Award, including the State of Virginia's program, the U.S. Senate Productivity Quality and Award (SPQA). SPQA is the oldest state program, actually predating the national program. Collectively, the national and state awards programs have received more than 11,000 applications from private, public, and non-profit organizations. The national program has awarded only 84 awards, and the City of Coral Springs, Florida, is the only local government recipient. However, many local governments, which may not have won the award or even applied, have demonstrated the value of the Baldrige criteria by using this framework to help transform their organizations into strategic operations. The framework is made up of seven categories (see chart).



As the overview in the awards application (available at <http://www.nist.gov/baldrige/>) explains:

Your organizational profile [shown at the top of the chart] sets the context for the way your organization operates. Your environment, key working relationships, and strategic chal-

lenges and advantages serve as an overarching guide for your organizational performance management system.

The system operations are composed of the six Baldrige categories in the center of the figure that define your operations and the results you achieve. Leadership (Category 1), Strategic Planning (Category 2), and Customer Focus (Category 3) represent the leadership triad. These categories are placed together to emphasize the importance of a leadership focus on strategy and customers. Senior leaders set your organizational direction and seek future opportunities for your organization. Workforce Focus (Category 5), Process Management (Category 6), and Results (Category 7) represent the results triad. Your organization's workforce and key processes accomplish the work of the organization that yields your overall performance results.

All actions point toward Results — a composite of product, customer, market and financial, and internal operational performance results, including workforce, leadership, governance, and societal responsibility results. The horizontal arrow in the center of the framework links the leadership triad to the results triad, a linkage critical to organizational success. Furthermore, the arrow indicates the central relationship between Leadership (Category 1) and Results (Category 7). The two-headed arrows indicate the importance of feedback in an effective performance management system.

The system foundation of Measurement, Analysis, and Knowledge Management (Category 4) is critical to the effective management of your organization and to a fact-based, knowledge-driven system for improving performance and competitiveness. Measurement, analysis, and knowledge management serve as a foundation for the performance management system.

As the director of the Baldrige National Quality Program says in the introductory application invitation: "Is addressing all the Baldrige criteria easy? No! But neither is achieving sustainable results in today's challenging environment. Will the criteria help you think and act strategically? Yes. Will they help you align your processes and your resources? Yes. Will they help you engage your workforce and your customers? Yes. Are these worthwhile goals? You decide."



gaps were identified. Further team collaboration, including both county and school senior leaders, will create better connections between an overall vision statement all the way through individual departmental operations.

The workforce strategic plan is an example of how important it is for all the strategic plans to work together. Nearly all local governments have a personnel policy, but it tends not to be used as a strategic tool in determining the best ways to recruit, retain, and reward employees. The importance of a trained, productive, and collaborative-minded workforce is integral to success in implementing the other eight strategic plans.

The connections among each of the mission focus areas and their strategic plans made it possible to create an overarching strategic plan, which served as the framework and model for the structure and format of all strategic plans. This plan also provided a better connection between the mission focus areas and themes. This strategic plan is intended to capture the proper summary attributes, much like the summary section of a GFOA budget award-winning budget document.

The entire organization can be improved by having senior leaders

create strategic plans and help the entire workforce evolve into thinking strategically. However, there are two additional key groups — elected officials and customers. As Exhibit 5 shows, these groups have vital roles, and any strategic exercise should define how they should be engaged. For customers, civic engagement techniques (e.g., citizen committees, surveys, community meetings, and volunteerism) can be used to present information, solicit feedback, and make appropriate modifications to any government service. Elected officials (and any of their political appointees) need to be included as senior leaders in collaborative-based exercises. Some organizations include elected officials in their definition of senior leaders, while others work with elected officials in a uniquely defined manner. Hanover County works with elected officials in a uniquely defined manner regarding their ultimate responsibility, always keeping in mind their integral and close relationship with the customer.

Because elected officials can take formal action through ordinances, policies, and appropriations, any strategic planning must have their support. As the input, interest, and collaboration of elected officials vary from locality to locality, and even from election to election, senior leaders need to determine the strategic approach that works best in their organizations. Hanover County provides all candidates with any resources that can help orient them about existing strategic plans, traditions, and perspectives. And once elected, new officials participate in an extensive orientation program before their terms start. The program emphasizes the importance of strategic plans that are producing desired community outcomes.

Hanover County officials also discuss all new strategic plans with elected officials in public meetings to best meet the goals of the elected officials and community. Thereafter, the strategic plans are presented to the public annually, keeping

all parties engaged. The county's goal is to formally update each strategic plan every five years through a collaborative among senior county leaders, elected officials, and customers. Again, all these exercises require the participation of senior leaders from the finance department, both on direct teams associated with specific strategic plans and to provide feedback on the other strategic plans.

The entire organization can be improved by having senior leaders create strategic plans and help the entire workforce evolve into thinking strategically.

CONCLUSIONS

Finance officials provide the expertise to best quantify the funding and related resources that are required to accomplish strategic plan goals. If costs are too high to undertake in any one budget cycle, Hanover County develops phased approaches, usually within the adopted five-year financial plan. Finance officials can offer their high-level understanding to align the strategic plans for the greatest potential success. For example, the finance official can best structure bond referendum questions that can yield the greatest community support and accomplishment of strategic plans.

While all of these efforts might appear to just take more time (and more meetings) in a workplace already filled with time constraints, they ultimately create efficiency gains that will improve the organization and focus its attention on the issues that are important to it. In Hanover County, the finance official is active in initiating action plans to provide opportunities for improvement, as well as reviewing the SPQA feedback. Often citizens, elected officials, employees, and even fellow senior leaders can distract senior leaders, leading them to respond, analyze, and report on items that are not relevant to

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the mission-based outcomes of the organization. Some organizations put substantial time and efforts into these squeaky-wheel topics, often at the expense of key services or proactive strategic approaches.

Every finance official has earned the senior leader distinction, along with a seat at the table in advocating for strategic discussions. Ideally, the finance official should be part of the small steering team of senior leaders and in charge of the team in one of the mission-focus areas. Other departmental leaders in the finance department should also serve on teams that focus on other mission areas. This provides the organization with the potential to function at peak performance, and at the same time provides job enrichment and learning experiences that will help the finance official improve and evolve professionally. ■

JOSEPH P. CASEY is the deputy county administrator for Hanover County, Virginia, and former GFOA Executive Board member. **KATHLEEN T. SEAY** is the director of finance and management services for Hanover County.

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