



STRATEGIC PLANNING

At the Department of Labor We're Using our Strategic Plan to Manage. No, Really.

by Dave Frederickson

How can a strategic plan become a springboard to directly manage the operations of a federal department or agency in a way that increases the likelihood of achieving the organization's goals? At the U.S. Department of Labor (DOL), we have adopted a systematic approach to assess our progress in the implementation of our fiscal year (FY) 2011-2016 strategic plan to further Secretary Hilda L. Solis' vision of *Good Jobs for Everyone*.

By cascading the goals laid out in DOL's strategic plan down to operating plans for each of our agencies, we've taken a government strategic plan from its traditional home—the shelf—and moved it to center of the desk. Through quarterly operating plan review meetings between DOL's chief operating officer, Deputy Secretary Seth D. Harris, and the department's agency heads, management decisions about strategies, resource shifts, and employee and executive incentives are discussed on a regular basis. This is all in an effort to improve outcomes for job seekers, workers, and working families across the United States.

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Performance Reporting Is Not Plan Implementation

The Government Performance and Results Act (GPRA) was a crucial step in federal program performance management. The 1993 law established a strategic planning and performance reporting framework that had been sorely lacking in the federal government. However, while GPRA required annual performance plans, annual targets, and reports, the law did not contain requirements for implementation of and management against strategic plans.

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GPRA made the assumption that public reporting would be sufficient to drive departmental leadership to manage against a strategic plan. As many in the federal community would attest, this assumption fell short. GPRA did force federal agencies to establish quantifiable performance measures and report on them annually. In 2010, the Government Performance and Results Modernization Act (GMA) continued that progress, specifically by requiring *quarterly* reviews of priority progress. The GMA quarterly performance review requirement continued to move federal agencies toward strategic plan implementation. However, because these requirements were only for priority goals—outcome goals only representing a small subset of a department’s responsibilities—they did not lead to full implementation of federal departments’ strategic plans.

At DOL, we have applied the GMA requirements to a much larger set of metrics—many of them outputs—to guarantee implementation of the strategic plan and continually track progress of *all* the department’s goals. Agency operating plans provide the detailed strategies, measures, and targets necessary to identify specific responsibilities and conduct quarterly progress and accountability reviews.

Linking Strategic Plans and Day-to-Day Program Management

In summer 2011, DOL prepared to publish its five-year strategic plan. Harris wanted to refocus agency operations on achieving the goals identified at the highest levels of the department’s plan. Working with strategic planning and performance measurement staff in the DOL’s performance management center, career managers and executives developed FY2011 operating plans for each DOL line agency. Organization of the plans varied according to agencies’ needs and preferences, but we required each to include five core elements that match logic model components:

1. outcomes
2. strategies
3. outputs
 - a. Expressed in terms of measures with quarterly and annual targets
 - b. An explanation of how the outputs produced will result in the outcomes for which the agency is responsible (see section on empirical evidence and testable hypotheses below)
4. inputs
 - a. Make explicit connections between inputs and outputs by linking the budget activities associated with each output (not intended to organize the operating plan by budget activity)
 - b. Include budgetary resources and full-time equivalent, by quarter
5. performance accountability
 - a. How will the agency use this plan to identify opportunities for strategic course corrections and improvements throughout the year?
 - b. How did the agency incorporate input from component offices in the plan development? How will the agency communicate the plan to employees?
 - c. How are the agency’s measures connected to individual performance standards?

Because there was no obvious benchmark for the quality of the initial DOL operating plans, we developed an operating plan maturity model. Maturity models provide a roadmap for organizational improvement by identifying a range of practices—categorized by levels—from basic to sophisticated to assess the maturity of a process. We applied this same approach to assess the quality of each agency’s operating plan to answer the question: Does the plan adequately capture all of the core elements?

For each of the core elements and sub-elements, the operating plan maturity model included both a definition and either two or four levels, ranging from falling short of basic requirements (level 1) to reflecting the level of information contemplated by the guidance (level 4). Each successive level—moving from 1 to 4—reflects that an agency did a better job incorporating the core elements into its operating plan.

Can You Manage to Outcomes?

Government managers' decisions deal primarily with budgets and staffing (resources), what employees produce with their time (activities), and the manner in which activities are carried out (strategies). The influence of innovation, strategy shifts, and creative resource distribution are usually only known over time. However, these changes often have nearer-term consequences on outputs. Managers manage to outputs; they represent the most immediate feedback mechanism on the impact of their decisions.

For example, an innovation in investigative practices for a regulatory agency may reduce the time needed to conduct each investigation. Whether it does or does not should be known quickly. Will that strategic decision lead to better compliance throughout the regulated community that will take significantly longer to measure, and will it require a methodologically rigorous program evaluation?

Thus, any system intended to gauge performance progress over a period of months rather than years must be centered on outputs, not outcomes. Ultimately however, citizens care about the results that affect their lives (outcomes). It makes little difference how many training sessions a program holds or how many people participate in those training sessions, if they are being trained in disciplines or trades where no one is hiring. Even if a program's training matches what employers are looking for, if the instruction is poor, uses ineffective teaching methods, or if the majority of participants drop out prior to completion, the training won't result in solid employment outcomes. Citizens and stakeholders won't care about increasing participation or a curriculum consistent with employer needs if participants aren't getting more jobs with decent pay, and retaining those jobs.

This creates a dilemma. Short-term systems for assessing the effectiveness of management decisions must focus on outputs. Citizens care about results, and their assessment of a department's success will be driven by the

results it achieves—its outcomes. Therefore, it is essential for the performance management system to ensure direct links between outputs and outcomes.

Empirical Evidence and Testable Hypotheses

The solution to this problem is evidence—an empirical foundation that ties a program's activities and strategies to the outcomes the program was established to achieve. An essential component in DOL's initial FY2011 operating plans was a section on empirical evidence and testable hypotheses. Ideally, operating plans would contain empirical evidence linking each program's activities to the outcomes those programs were designed to achieve. Unfortunately, due to depletion of program evaluation funds and deterioration in the focus of evaluations over the past several decades, empirical evidence that demonstrates strong ties between programs' activities, strategies, outputs, and outcomes was severely wanting.

However, we could not allow the lack of empirical foundation for many of DOL's program activities to be used as justification for inaction. As a result, we included the *testable hypothesis* requirement in the core elements of the 2011 operating plan guidance. Where necessary, agencies had to work with the DOL's office of the chief evaluation officer to establish testable hypotheses linking a program's activities and strategies to its desired outcomes. Those hypotheses became the foundation of each agency's *learning plan*, an evaluation agenda in support of evidence-based decisions. Agencies had to ground their programs' activities and strategies in empirical evidence; where agencies did not have current evidence, they now have a plan to acquire it.

Where it All Comes Together

Once DOL agency operating plans were in place, the department instituted a regular schedule of meetings to track each agency's progress against its targets. Without these meetings, operating plans risked being relegated to the same fate that once characterized departmental strategic plans—gathering dust on a shelf.

The focal point for our quarterly operating plan review meetings is an agency's performance against its output measures, both quarterly and year-to-date, against previously established targets. These meetings are typically held five or six weeks after the end of each quarter. The time between the end of the quarter and the meeting is used to collect data and analyze results.

During that time, staff at the performance management center also identifies potential measures and milestones to add to the operating plans to better enable outcome measurement. The emphasis is on evaluating outcomes based on the data in the operating plan, and evolving toward a more complete picture of agency performance against those outcomes in the strategic plan.

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One of the most important aspects of quarterly operating plan meetings is the analysis of trade-offs in resource allocation. In the zero-sum game of resource allocation, vastly exceeding targets is not necessarily the goal. During the review meetings, such performance will be met with two inevitable questions: Are you over-investing in this activity? And, are you lacking ambition in your target setting?

If the underlying activity is a priority for an agency, over-investment may not be an issue, but a lack of ambition in target setting may be a much larger problem. Supported by an analysis-based justification, agencies are allowed to change targets based on new information, shifts in priorities, and information from their district and regional offices. Naturally, the analysis required to decrease targets must meet a higher threshold than to increase them.

Because trade-offs and resource allocation are central to the quarterly review process, demand-driven activities (such as processing benefit claims), the volume of which a program cannot control, are an important part of these quarterly reviews. While demand measures have estimated projections instead of targets, tracking projections versus actual demand is important to managing resources for an agency's other, discretionary activities.

Becoming a Learning Organization

At DOL, performance management is a continually evolving process. We often say we are building the

scaffolding at the same time we're trying to climb. For FY2013, we will be placing an additional emphasis on the establishment and implementation of quality measures to ensure that productivity gains do not come at the cost of quality. Wherever agencies have a timeliness measure this year, they will be required to include a corresponding quality measure.

Additionally, we will continue to integrate agency management against operating plans into executive performance evaluation. Members of the Senior Executive Service must tie each element of their performance plans directly to elements in their agency's operating plan, and other managers and employees

must have at least one element in their performance plans tied to the operating plan. This aligns individual incentives with organizational goals.

Finally, we're using monthly meetings of the performance management group—a community of practice headed by the department's performance improvement officer—to engage all DOL agencies in an ongoing dialogue on how to institutionalize a results-oriented approach to management. We're also supporting more frequent and detailed planning and reporting via the establishment of a central database and business intelligence dashboard. In addition to making our existing process more efficient, these improvements will provide managers across DOL access to critical performance information and analytic tools that will make it easier to improve the management processes of their agencies.

DOL's performance management process has provided our leadership with unprecedented insight into the operations one of the most diverse sets of agencies in the federal government. We are using rigorous analysis and evidence-based decision making to improve our performance and deliver better results for America's working families.

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