Foreword

In June 2018, the Government of Zimbabwe promulgated the Public Entities Corporate Governance Act (Chapter 10:31). The Act sets out some of the key requirements for Boards and management of Public Entities, one of which is to ensure that Strategic Plans are developed by every entity and approved by the relevant line Minister.

Strategic Plans provide a solid basis for performance management within State Enterprises and Parastatals for both the Boards of Directors and the Government through the line Ministries, thus making it possible for the Government to maintain an overview of the entire Public Enterprises and Parastatals' sector.

These Strategic Planning Guidelines have been prepared by the Office of the President and Cabinet's Department responsible for State Enterprises Reform, Corporate Governance and Procurement to assist State Enterprises and Parastatals to embrace and inculcate the strategic planning process. The Guidelines provide a framework to help individual Public Entities develop their own Strategic Plans, and define performance measures that emphasise meaningful results. Hence, the Guidelines should serve as a reference for all Public Entities.

The Guidelines are compatible with the Government's Integrated Results Based Management (IRBM) methodology, to ensure consistency, measurability and robustness of Strategic Plans of Public Entities, and more importantly alignment with the aspirations of the Second Republic's Vision 2030.
The Government expects that these Guidelines will facilitate the development of Strategic Plans that reflect both the specifics of each Public Entity, as well as those aspects common to other Public Enterprises, that is, to deliver on their mandates and operate in a commercially sustainable manner, whilst also fulfilling corporate social responsibilities.

The Government of Zimbabwe acknowledges, with much appreciation, the support it received from the Zimbabwe Reconstruction Fund (ZIMREF) donors, through the World Bank, in the development of these Guidelines.

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Chief Secretary to the President & Cabinet
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June 2020

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Acronyms & Abbreviations

CEO	Chief Executive Officer
GDP	Gross Domestic Product
IRBM	Integrated Results Based Management
KRA	Key Result Area
KPI	Key Performance Indicator
KRI	Key Risk Indicator
MoFED	Ministry of Finance and Economic Development
MW	Megawatt
NDS	National Development Strategy
OPC	Office of the President and Cabinet
PE	Public Entity
PECG	Public Entities Corporate Governance
PIM	Public Investment Management
PPP	Purchasing Power Parity
ROA	Return on Assets
ROI	Return on Investment
SEP	State Enterprises and Parastatals
SWOT	Strengths Weaknesses Opportunities and Threats
TSP	Transitional Stabilisation Programme
WOGIMES	Whole of Government Information Monitoring & Evaluation System

Preamble

Strategic Planning embraces the fundamental principles of successful and effective execution of a thought, an idea and a wish, whose outcome is the attainment of clearly defined and pre-determined goals.

The application of the principles of strategic planning is what has shaped the world in communities and businesses that have delivered the history of achievements accomplished by humanity. Use of strategy has caused the rise and fall of nations and organisations. Strategic planning is a universal tool that combines knowledge, skill and wisdom.

Guidelines

This document has been prepared by the Government of Zimbabwe following the realisation of the need to develop Guidelines that can be used by Public Entities in drawing up their Strategic Plans.

Over time, the Government has sought to address concerns regarding the overall performance of Public Entities as reflected by its sentiments relating to:

- The non-existence of Strategic Plans at some parastatals.
- Presentation of non-standard formats of Strategic Plans, making it difficult to track performance and integrate results.
- Lack of clarity on the planning process and the resultant inconsistencies in the Strategic plans and the manner of evaluating performance.
- Admittedly if there have been some good ones, but very few.
- Some Strategic Plans came with flowery language and yet lacked substance.
- Most strategic plans carry unattainable and unrealistic outputs and outcomes, as well as unrealistic financial plans, rendering the exercise futile.
- Lack of consideration of the impact on Strategic Plans of the economic and social operating environment.
- Financial targets are not attained, as they would have been unrealistic in the first place.
- Generally, Public Entities, be they commercial or Budget funded Entities, are not operating in a viable and sustainable manner and have become a drain to the Fiscus, compounding the overall challenges of service delivery.
- Contrary to expectations, Public Entities are barely contributing to the National Gross Domestic Product (GDP).
- Apparent lack of knowledge on strategic planning by Boards, and in some instances, lack of interest.

- Apparent inability by Boards to critically evaluate the draft strategies prepared by Management.
- Absence of credible financial projections relating to Balance Sheets, Income & Expenditure, Profit and Loss, and Performance for the respective planning periods.
- Lack of credible integration of Key Performance Indicators (KPIs) with financial elements of the Strategic Plan.
- In some instances, the use of poorly trained consultants as facilitators at strategic planning workshops.

The above reflections by the Government contributed to the establishment and promulgation of the Public Entities Corporate Governance (PECG) Act (CAP 10:31), which in turn (Section 22), makes it mandatory for the Boards of Public Entities to prepare and submit Strategic Plans. These Guidelines complement the legal requirement of the Act in that they provide a guide on how to develop Strategic Plans at Public Entities.

The Guidelines are intended to:

- Provide a uniform basis for Public Entities on how to develop and present Strategic Plans.
- Provide for standardisation and consistency.
- Equip management and provide skills needed for packaging a credible Strategic Plan.

The direct objective of the Strategic Planning Guidelines is to guide and capacitate the Public Entities' Boards and Management in the process of crafting, evaluating, implementing Strategic Plans, as well as monitoring and evaluating the outputs, outcomes and impact.

The Guidelines will enable the Office of the President and Cabinet's Corporate Governance Unit to assess plans submitted to it for adequacy and compliance. The Guidelines facilitate the innovative and comprehensive process of determining clear outputs, outcomes and impact as well as the attendant resource allocations, all in fulfilment of the Government's adopted Integrated Results Based Management (IRBM) system.

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Public Entities

The Public Entities Corporate Governance Act (Chapter 10:31), provides the following definitions:

'Public Entity', which means an Entity whose operations or activities are substantially controlled by the State or by a person on behalf of the State, whether through ownership of a majority of shares in the Entity or otherwise, and includes—

a) a statutory body; and

b) a public commercial Entity; and

c) an Entity established under an agreement for a partnership or joint venture between the State and any other person, which Entity declared in terms of subsection (2) to be a Public Entity; and

d) any subsidiary of an Entity referred to in paragraph (a), (b) or ©.

'Regulatory Entity', which means a Public Entity established to regulate or supervise a particular area of activity in the public interest.

Commercial and Non-Commercial Public Entities

The key differentiator between Commercial and Non-Commercial Public Entities is in relation to financial planning, and the emphasis is on profitability or surplus. Non-Commercial Entities receive resources (Inputs) for purposes of producing outputs, which in turn produce outcomes and impact. At every level of input, output and impact, it is possible to assign performance measures and expected levels, most of which are non-financial. Whereas the Commercial Entities carry the additional emphasis on organisational financial stability and sustainability. They equally are responsible for delivering on the non-financial outputs, outcomes and impact in line with their mandates.

Some Public Entities have a mixed bag of commercial and non-commercial activities and aspects. Others might not be commercial, but collect fees which, in essence, must relate to some commercial reality of being able to cover for operating costs. Under these circumstances, the commercial activities assume a commercial approach to managing the costs of the operation and expect to at least break-even or make a surplus, whilst the non- commercial will take the funded or subsidy approach to managing the costs. Despite these differences, the principles of Strategic Planning and Integrated Results Based Management do not change. They remain applicable.

Provisions of the PECG Act on Strategic Planning at Public Entities

The Public Entities Corporate Governance Act provides (PART V - Section 22) for strategic planning as follows:

1) The Board of every Public Entity shall, under this section, draw up a Strategic Plan for every Public Entity for which it is responsible, to—
    a) set the Entity's objectives and priorities for a period of between two and six years, as the Board may decide; and
    b) determine the manner in which the Entity is to achieve those objectives and priorities; and
    c) strengthen the Entity's management systems with a view to achieving those objectives and priorities.
2) A Strategic Plan shall deal with such of the following matters as are relevant to the Entity—
    a) the core functions of the Entity, and the relative importance of those functions;

b) key performance indicators by which the Entity's performance will be evaluated;

c) the structure of the Entity's business and financial plan;

d) measures needed to protect the Entity's financial soundness;

e) the principles to be followed at the end of each financial year in respect of any surplus in the Entity's revenues;

f) where the Entity provides any service or conducts any commercial or semi-commercial business, the standards of service to be provided and the relationship between the Entity and other business Entities;

g) the relationship between the State and the Entity;

h) the exercise of the functions of the line Minister and the Board under the Entity's enabling instrument;

i) any other matter relating to the performance of the Entity's functions.

3) The Board of every Public Entity shall draw up a Strategic Plan and shall consult the line Minister, and the Minister responsible for finance on all material provisions of the plan and pay due regard to any representations and recommendations the line Minister, and the Minister responsible for Finance may make regarding the plan.

4) After approving a Strategic Plan, the Board of the Public Entity concerned shall—

a) without delay, send a copy of the plan to—

i) the line Minister, who shall lay a copy of the plan before the National Assembly on one of the ten days on which the Assembly sits after the line Minister approves it; and

ii) the Unit; and

iii) the Minister responsible for Finance; and

b) cause a copy of the plan to be kept—

i) at the Entity's office, where it may be inspected by members of the public, free of charge at all reasonable times, during the Entity's business hours; and

ii) available in electronic form for inspection by members of the public on the website of the Unit and of the Entity.

Strategic Planning

Strategic planning is an Entity's management activity that is used to set priorities, focus energy and resources, strengthen operations, ensure that members, employees and other stakeholders are working towards a common outcome and establish agreement around intended results.

Strategic planning is important to an **Entity** because it provides a sense of direction and outlines measurable outputs, outcomes and impact. Strategic planning is a tool that is useful for guiding day-to-day decisions and also for evaluating progress and changing approaches when moving forward.

Importance of Strategic Planning in Public Entities

A. Drawing from the definitions and the provisions of the Act, Strategic Planning is very important because:

- It is a legal requirement.
- It is a guide to the management of the Entity.
- It is good management practice.

B. Additionally, Strategic Planning provides:

- Clarity on the purpose of the Entity.
- The vision of the Entity's future.
- The direction in which the Organisation is going.
- The outcomes, milestones and benchmarks to be achieved over a period.
- Cohesion among key functions of the Organisation and key players in the Management team and staff.
- An outline of measurable outputs and outcomes.
- A basis for evaluating performance and impact.

C. The action plans that are stated in the strategy document provide:

- Guidance on what needs to be prioritised, performed and achieved.
- The timelines within which activities must be performed and results achieved.
- A basis for evaluating levels of progress and achievement.

D. Through its pronouncements on the Purpose, the Vision and Mission, the outcomes or impact and the action plans, the Strategic Plan provides guidance on:

- The required key work processes and functions/departments.
- The appropriate organisational structure.
- The basis for logical and realistic financial planning.

Strategic Planning and Integrated Results-Based Management (IRBM)

The Integrated Results-Based Management (IRBM) System is an enhanced version of the original Results-Based Management (RBM) system that has been practiced by many advanced countries over the years. **While the RBM system focused on the individual Organisation and was excellent as a performance management tool at an organisational level, <u>the IRBM is an indispensable tool both at an organisational level, as well as on a Whole of Government level.</u>**

The IRBM process deconstructs and cascades down the National Vision and Objectives (National Development Strategy) in the first instance, and integrates upwards, the results achieved by the Sectors, Ministries and Public Entities, in the second instance. Strategic Plans which are developed at different levels within the Government, on the other hand, clearly spell out the specific and measurable outputs, outcomes and impact. The National Vision 2030 is a product of the aggregated and Integrated Results to be achieved by the various agencies of the Government.

The Top-Down Approach and IRBM

It is important to note that the Governments' Strategic Planning Processes follow a 'Top-Down' approach. The initial step in creating an Integrated Results-Based Management (IRBM) culture is to ensure that the Public Entity's Strategic Plan draws its own goals from the deconstructed and cascaded National Goals, Sector Goals and line Ministry's Goals. These Entity's goals are expected to reflect or be in line with the Public Entity's Mandate as stipulated in the Act or the instrument that established it. **The 'Line of Sight' cascading process must ensure that the Subordinate level's outputs and outcomes are drawn out of the level above.** Achievement of defined outputs and outcomes at the subordinating level contribute to the achievement of the level above it. The opposite is, of course, true too. ***See the illustration below.***

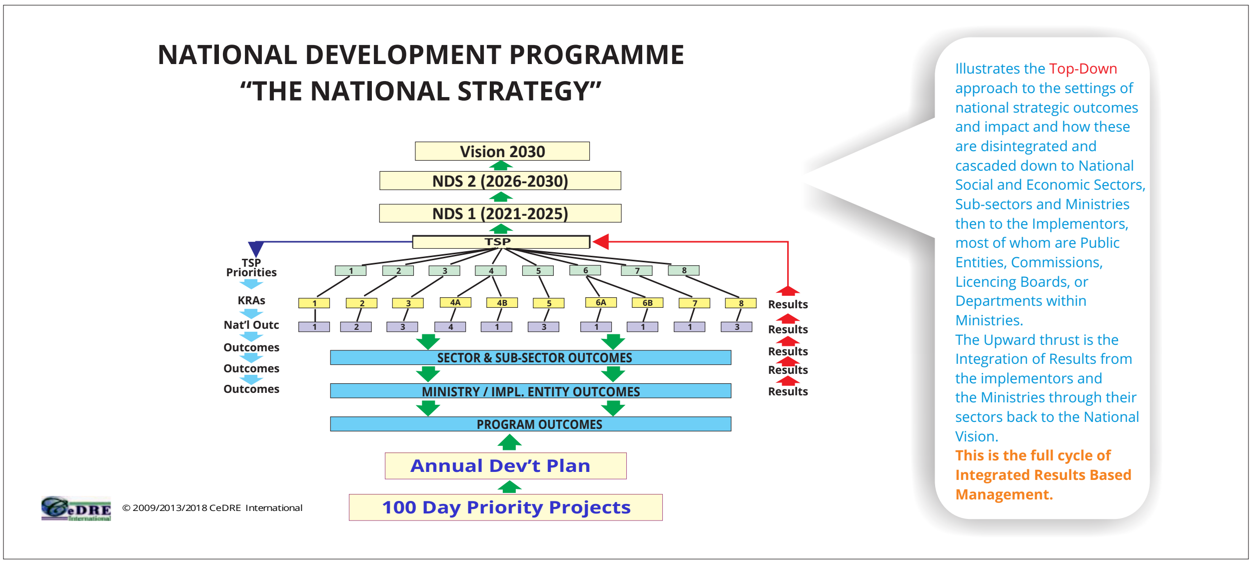


Figure 1: *National Development Programme – The National Strategy: The left down arrows illustrate the Cascading process of the National Strategic Plans and the right up arrows illustrate the Integration process o the results towards the National Goals*

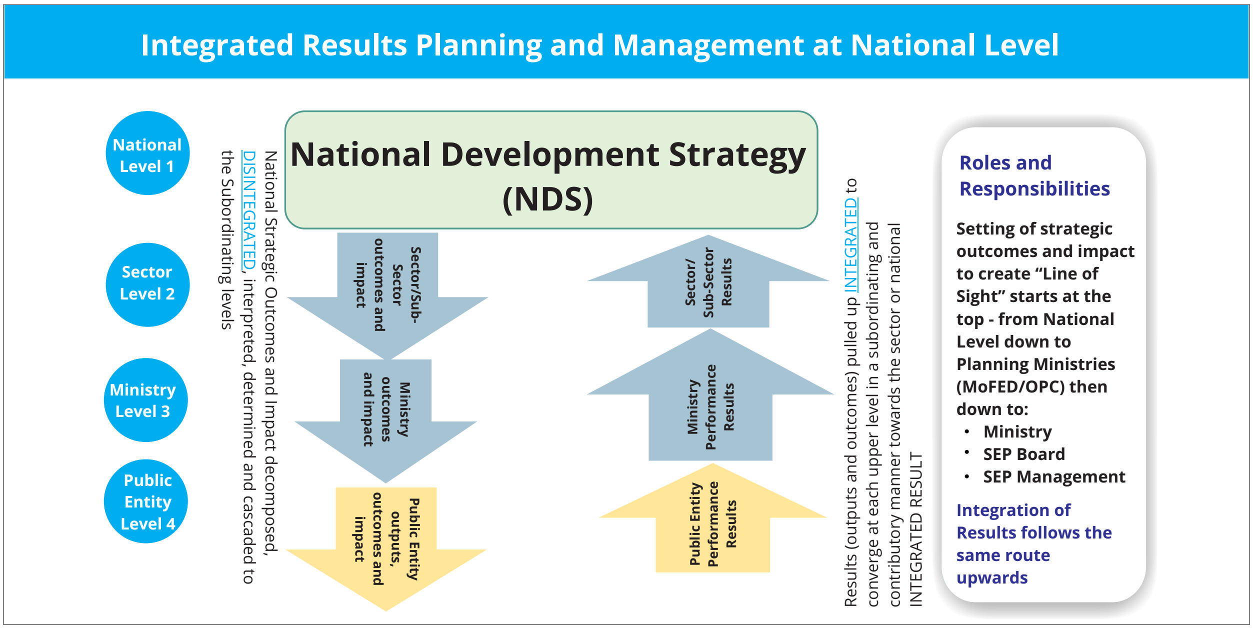


Figure 2: *Integrated Results Planning and Management at National Level*

Developing a Strategic Plan at a Public Entity

Timing of Preparation for Strategic Plans

It is standard practice that one of the Board meetings each year undertakes a half-year review of performance. It is recommended, however, that the half-year review of the year preceding the start of a new Five-Year Strategy, marks the start of preparations for Strategic Planning. Preparations for a new Five-Year Strategy should commence in enough time to provide input into the planning and budgeting process for the ensuing year, which is also year 1 of the new strategy cycle.

Strategic Plans are not developed every year. They are reviewed every year either as part of the Board meetings or as a specific annual strategy review which is meant to check progress on the agreed five-year strategic objectives.

The development of a Strategic Plan should follow a clear sequential process that covers **(a) External Consultations in the first place, and (b) Internal strategy development processes, in the second place.**

A. Process Sequence Chart (Prepatory and External Consultations)

This section provides a guideline on activities that take place externally, pre-strategy workshop and post-strategy workshop.

Sequence Step	Activity	Responsibility
Pre-Strategy Development Workshop		
1	**Half year performance review** Board meetings held in July / August to review the half year results and the forecast to the end of the year. Indicators start showing and these become input into forthcoming strategy workshops.	Board & Management
2	**Consultations** Undertake consultations with the line Ministry, Ministry, OPC and Ministry of Finance & Economic Development, for input, expectations or pointers on areas of emphasis for consideration at the Public Entity's strategy workshop.	Board Chairman and CEO

3	**Preparations** a) At its August meeting, the Board through the Chairman, sets out the strat egic direction and matters of emphasis for management to consider and prepare. b) Soon after the August Board Meeting, Management prepares for strategy workshop, gathering information and preparing presentations.	Management
4	**Proceed to develop Strategic Plan (See Process Flow below on developing a Strategic Plan)** <u>About September, management holds workshop to craft strategy for presentation to the Board</u>	Management
	Post Strategy Development Workshop	
5	**Evaluating strategy** Board evaluates the draft strategy as presented by management and gives a nod to proceed to detailed Budgeting for the ensuing year. Evaluation can take place on the last day of management's strategy retreat or at a special Board meeting to consider the strategy.	Board
6	**Adoption of strategy** Strategy is adopted at the November Board Meeting together with the budgets for the ensuing year.	Board
7	**Submission of Strategic Plan and the IRBM Template** The detailed strategy document and the completed IRBM Template are submitted to the line Ministry, OPC and and Ministry of Finance & Economic Development	Management
8	**Prepare for implementation** During November and December, management undertakes detailed reviews of organisational structures, skills, etc. as guided by the Strategic Plan	Management
9	**Implement Strategic Plan** January of new year - implementation commences	Management
10	**Review of Prior performance** In February of new year, the Board reviews and evaluates prior year 's Organisational performance including the performance of the CEO and senior management team and finalises Management's Performance Contracts for the new year.	Board
11	**Monitor performance of the new Strategic Plan** ■ During the period April to June, the Board reviews and adopts the audit reports, publishes results and holds an AGM.	Board

- During April and May, the Board reviews First quarter performance.

B. Process Sequence Chart (Strategy Development - Internal)

This section provides guidance on the activities during the strategy development workshop and this sequence is reflected in the rest of these guidelines.

Sequence Step	Activity	Responsibility
1	**Public Entity (PE) Mandate/Purpose** Refer to the Act and Statutory Instruments to Understand the Mandate and Reason for Existence of PE.	Management Planning Team
2	**Review (if existing) or Craft and agree on Statements of Vision, Mission and Values**	Management Planning Team
3	**Draw Key Strategic outputs, outcomes and impact out of the Mandate, the Vision and Mission**	Management Planning Team
4	**Vision/Mission in Measurable Terms** Use the Key Strategic outputs, outcomes and impact to define the desired vision position in Measurable Terms (KPIs and Targets)	Management Planning Team
5	**Reality Check/ Gap** Assign measurable Baseline position of the KPIs to establish the gap between the current level and the desired future level of achievement.	Management Planning Team
6	**Key Milestones/ Matrix** Set annual milestones showing the growth or movement towards the aspired and quantified future position.	Management Planning Team
7	**Reflect on Historical Performance** Introspect through a review of last 5 years performance and draw lessons	Management Planning Team
8	**Review the Economic, Social and Political Environment** Highlight opportunities or challenges (External) and draw strategic issues out of it	Management Planning Team

9	**Undertake a SWOT Analysis (Internal)** Highlight the Public Entity's Strengths, Weaknesses, Opportunities and Threats and draw strategic issues out of the process.	Management Planning Team
10	**Summarise Issues and Opportunities** Draw final list of key strategic issues / opportunities for further strategic debate and action planning towards delivery of the individual Key Performance Indicators as given in steps 4 – 6 above	Management Planning Team
11	**Strategic Action Planning** Draw up detailed specific action plans against each identified Key strategic issue or opportunity as summarized in step 10	Management Planning Team
12	**Financial Plan** Draw up high level financial plans for year 1 and for long term strategy period, such as 5 years, bearing in mind that planning beyond year one is limited to available knowledge.	Management Planning Team
13	**Strategic Risk Assessment** Undertake a risk assessment of the Strategic Planand a risk mitigation plan	Management Planning Team
14 (a)	**Reporting** Draw up and agree on system, content, format and frequency of Management Information and reports to facilitate performance reviews	Management Team
14 (b)	**Monitoring and Evaluation** Draw up a system for regular reviews to monitor and evaluate performance in line with sequence 14 (a) above.	Management and Board
15	**IRBM Alignment** Align strategy with IRBM and Complete the IRBM template	
16	**Capacity Assessment** Undertake organizational capacity assessment with regards to structures, skills, technology, policies and systems	

17	**Performance Contracts** Agree on the key performance parameters to be included on the Contracts for the CEO and senior executives	CEO and Board
18	**Communicate and Cascade** Decompose, communicate, cascade and share the strategy with staff and stakeholders.	Chief Executive Officer and Board Chairperson

Note: The above sequence table shows that most of the responsibilities during strategic planning process is perfromed by Management. This emphasises the point that management has an important role, as technocrats, to gather data, synthesize and analyse information which is fed into the draft strategies particularly during steps 1– 14. The draft strategies are then recommended to the Board, which in turn reviews, evaluates and provides wise counsel to management's proposals.

In light of the above it is recommended that the initial process of drafting the Strategic Plan be done by Management whilst the Board performs the evaluation role on the strategy. This does not take away the responsibility of the Board in ensuring that there is a Strategic Plan for the Public Entity as required by the Act.

Strategy Development Process Steps in Detail

Shared Understanding of Purpose of Existence (Steps 1-3)

The first step in the Strategic Planning process is to ensure that all the people involved in drawing up the Strategic Plan of the Entity or Organisation, and those evaluating and reviewing the Strategic Plan, understand clearly why the Organisation was established in the first place. Public Entities are established by Government through an Act of Parliament or by the acquisition of a company or by incorporation of a function under the Companies Act.

The Act spells out the Purpose and Mandate of the Entity, as well as the particular objectives to be pursued by the Entity in the fulfilment of the stated Mandate. The Board and Management of a Public Entity should regularly refer to the Aims, Mandate and Objectives of the Entity to ensure that the matters discussed and addressed at the Strategic Planning process are relevant and that their resolution will lead to the achievement of the specified Mandate.

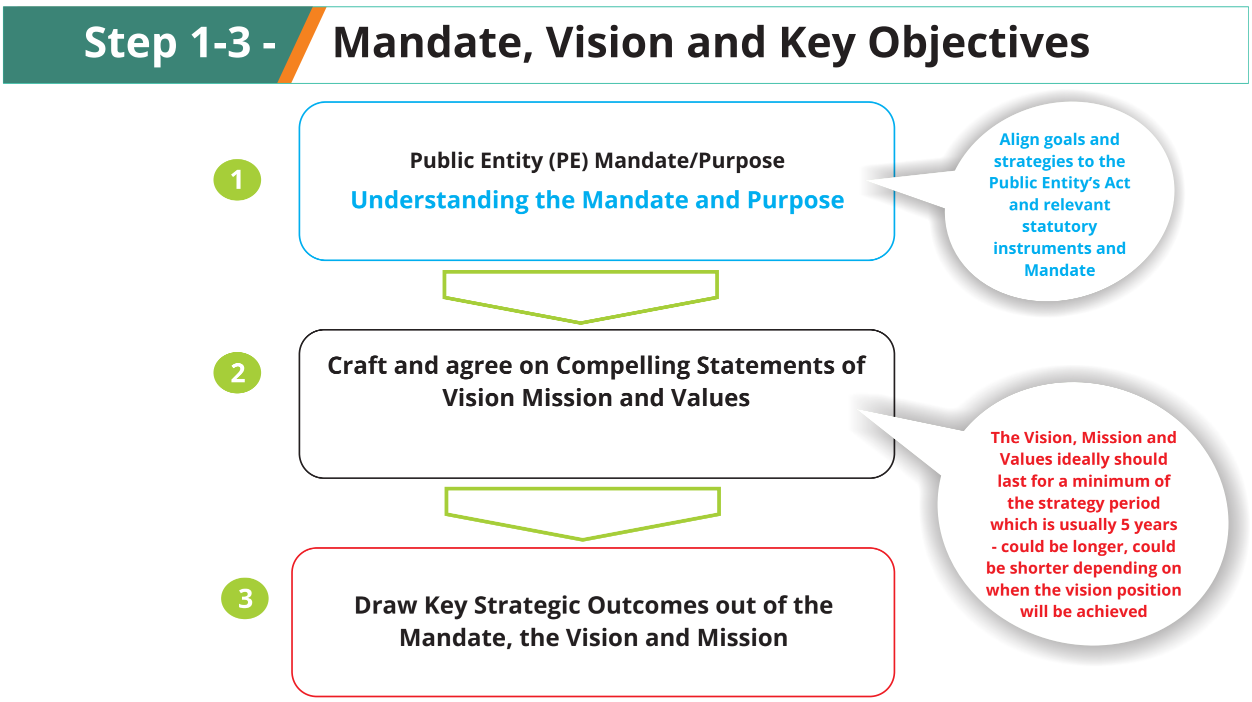


Figure : *Step 1-3 -Mandate, Vision and Key Objectives*

Having understood the broad purpose, outcomes and impact of the Entity, the **next step** is to create the shared desired long-term position of the Entity, stated as **The Vision**. This is in the form of a

Statement that depicts an aspiration, a dream, or portrays the future and gives a character to the Organisation as it would be viewed by its stakeholders, shareholders and competitors. Naturally, this is a positive Statement of the future of the Organisation that rallies and excites all those concerned in the attainment of the Vision and the intended outcomes.

The terms 'Vision' and 'Mission' have often been used interchangeably as meaning the same future position. The slight difference is that a Vision relates to a condition; a state of being what should be attained, as opposed to a Mission which relates to the actual tangible delivery or accomplishment of a specific performance level. A Vision is an aspiration and response to the question 'Where are we taking this Organisation to', 'Where are we going?' It is about the aspiration for a future position which, if clearly defined, sets the direction and activities of the Organisation and influences decision making and allocation of resources.

Whereas a Mission is a Statement of what the Organisation DOES and continuously accomplishes, the repeated accomplishment of its actions (missions) leads it to attain the Vision. The Vision and Mission statements are derived from and relate to the Mandate and Purpose of the Public Entity as stated in the Act. The statements affirm the commitment by the Board and Management to the delivery of a Mission and the attainment of the Vision and the Mandate.

The Vision and Mission Statements need to be backed or supported by a Statement of Values which defines the behavioural and unifying character of the organisation, whose absence is likely to scupper the efforts of the various players in the Organisation from the level of the Board to the general staff. Values guide expected behaviour, character and culture of the staff and Directors. Values define the people and brand of the organisation. A typical set of values includes such attributes as **Integrity, Professionalism, Customer Focus, Teamwork, and Caring**.

The Vision, Mission and Values Statements are crafted (if not already created or if expired) by Management often following some guidance by the Board through the Chair. The Board will still have to review and adopt the final Statements at the same time as it reviews the detailed strategy. As part of disseminating the strategy, Management will ensure full understanding, meaning and importance of these Statements so that staff (sometimes even suppliers and customers) all share the Vision, Mission and Values of their employer, customers or suppliers. **Articulation of the Vision, Mission and Values of the Organisation is the hallmark of effective leadership.** The Board and senior management must communicate the Vision, Mission and Values by word and by deed, effectively making sure that they rally everyone towards a common outcome.

Assigning Quantitative/Qualitative Measurements in Strategic Plans

The nuts and bolts of the Strategic Planning process are expressed in measurable outputs, outcomes and impact. Measurements through Key Performance Indicators set specific, concrete outcomes expressed in terms of quantities and timelines. Measurable outcomes are important to any Organisation because they enable managers and employees to evaluate progress and regulates the speed of execution. ***'To grow substantially during the next few years'*** is not a measurable outcome, but ***'To increase sales by 30 per cent during the upcoming year'*** provides a concrete outcome to be achieved in a specific time frame. There is a quantitative target and a time frame.

The Vision and Mission Statements express commitment and intention to move/shift from the current position to a future desired position. The next step, therefore, is to define the GAP by stating the current ACTUAL (Baseline) position in related quantitative terms, as well as stating the future FORECAST position in quantitative terms.

Defining the Public Entity's Vision Gap (Steps 4 – 6)

(To define the Vision GAP between the current and desired level of attainment)

Steps 4 to 6 in the strategy development process relates to the establishment of a Performance Matrix highlighting the Gap between the current levels of performance (baseline) and the desired level of future (vision) attainment.

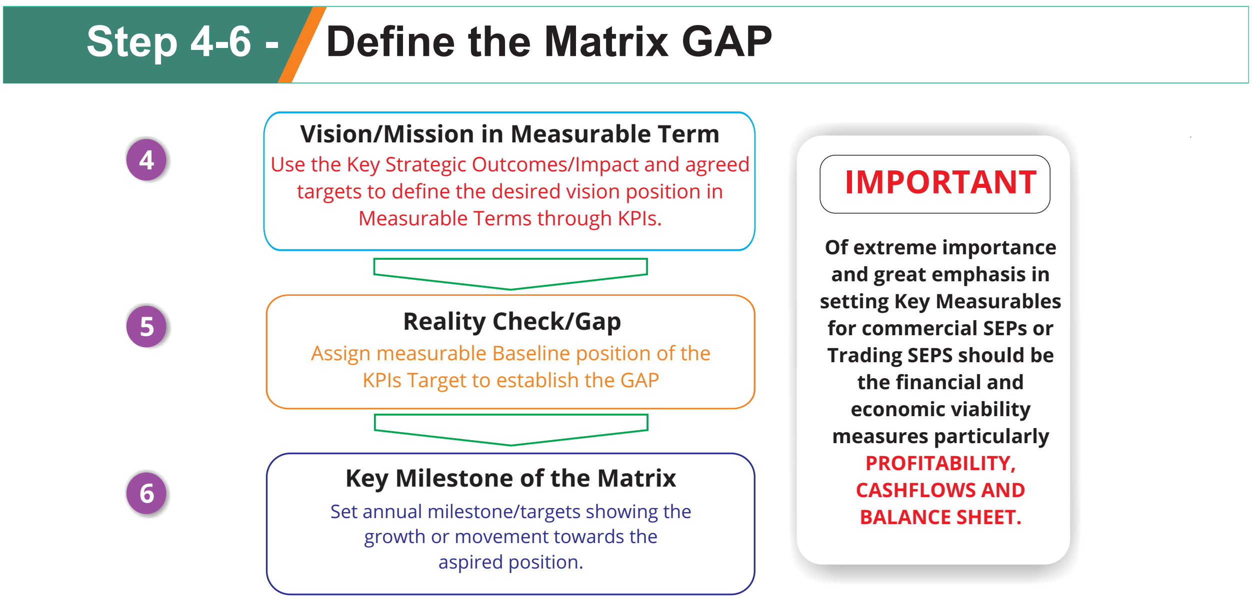


Figure 4: *A typical Matrix GAP table will show the Key Result Area (KRA), Key Performance Indicator (KPI), the current (undesired) performance level and the future (desired Vision Target) performance level.*

Vision Performance Matrix Gap table

Key Result Area (KPA)	Key Performance Indicator (KPI) *Performance Parameter*	Current Performance level 2018	Strategic Plan *(5 Year)* Performance Level 2023	Vision Performance Level 2030
National Income	PPP	2300	3200	4500
Energy	National Energy Produced (MW)	600	2500	4000
Grain	Maize Stocks (tons) per year	700 000	1 500 000	3 000 000
Revenues	Tax collections RTGS$ (000)	2 500 000	4 000 000	6 000 000
Land Settlement	Settled Farmers (Million)	2.3	5	7

Figure5: *Vision Performance Matrix Gap*

The Table above illustrates how to draw up a matrix GAP table. From the GAP matrix table, a strategy road map can be drawn up, also in target form, establishing annual Specific Measurable Achievable Realistic and Time based (SMART) outcomes for which specific strategies can then be crafted. The SMART outputs and outcomes form the matrix of Milestones (the journey or road map) and targets that must be achieved annually to build up to the Strategic Plan Target or the Vision Outcome.

Matrix Road Map Table

Example Using the Energy KPI)

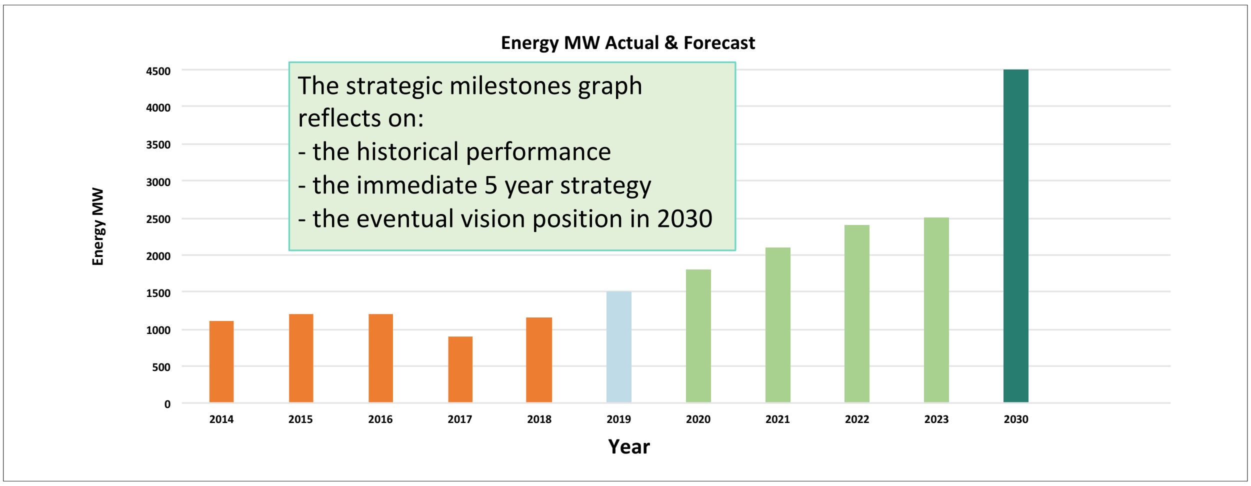


Figure 6: *Matrix Road Map*

The Mission is to achieve the annual progress rates as established by the agreed milestones. Failure to achieve the respective annual milestones places doubts over the attainment of the 5 Year strategic target and, therefore, a threat to the Vision 2030 position of **'Energy Sufficiency' of 4500 MW.**

Within the Public Entity, there would, therefore, be a KPI for its mandate which has been converted to a Vision and a Measurable term. The Key Performance Indicator can only be achieved if the various other subordinating KPIs are also measured and gaps established within the various units and functions of the Public Entity. The Functions or Units may be in the form of the Finance Department or Production Department of the Public Entity.

Key Performance Indicators and their quantifiability will differ depending on the nature of the Public Entity – commercial and non-commercial, productive and non-productive. Regardless, however, it is possible to determine KPIs for all expected key performance areas and key performance yardsticks, be they quantitative or qualitative.

Milestones should reflect the likely process of investment and change to close the gap, to move from the current to the target level of performance. This might, for example, be linear (the same improvement each year) or exponential (improvement accelerating over time). The scans described below will then help to identify the realistic path, from the current to the target level, and thus, confirm that the milestones are appropriate.

Internal and External Scans (Steps 7-10)

The Performance Matrix Gap and expected Milestone achievements have been established. Next is the plan to close the Gap.

This stage marks the beginning of the answer to the question, 'HOW will the Vision and Mission be achieved?' It is important that the Strategic Planning process undertakes internal and external environmental scans to extract information on factors that may have a positive or negative impact on the Strategic Plans. It is a process of introspection and extrospection to extract internal and external reflections of the Entity to extract more knowledge on capabilities and shortcomings, as well as identify strengths, weaknesses, opportunities and threats.

Step 7-10 - Introspection Scans

***Figure7:** Introspection Scans*

For an existing Entity, the starting point for an internal scan is a review of past performance, preferably for the past 5 years. The review should focus on the trends of the Entity's Key Performance Indicators as earlier determined by the Vision and Mission. If these had not been developed, then, the Annual Reports should be used to pull out the performance criteria used in the report and trends developed. This process of preparing trend Reports should be done as part of preparing for the strategy workshop. Graphical charts reflecting the performance of the last five years, showing the budgeted against the actual, will guide the team in interrogating the Entity's performance in the past and, therefore, reflect on capabilities and shortcomings and the reasons why targets were not met in the past. The team can extract some lessons from experience, even where performance exceeded targets. This process will bring out issues, challenges, lessons and, therefore, feed into the Strategic Planning process. Annual Reports, Board Minutes, staff surveys and feedback, are other forms of internal scans.

External scans relate to the business, political, economic and social environment. Various tools can be used for scanning the external environment, and these may include, business and economic reports, experiential knowledge or advice from experts. Similarly, the external scanning process should inform the planning process of issues, threats and opportunities that will call for inclusion in the Strategic Plan.

A SWOT exercise is also useful as it tends to focus more on the internal environment and identifies organisational strengths, weaknesses, opportunities and threats.

A summary of the most important issues, challenges and opportunities from both internal and external scans, should then be prepared, ensuring that only those key high-level matters are set down for strategising. It is important to refine the summary of issues and opportunities and remove those of an operational nature to allow for more strategic and innovative debate. It is however true that sometimes certain operational matters may have degenerated to a point of being treated as strategic by the material damage they can cause if not addressed strategically.

It is also necessary at this stage to refer back to the Vision and Mission and the quantified outcomes, as well as the roadmap table, and undertake a reality check between expectations and the revealed challenges/issues and opportunities. The iteration will ensure that the targets are realistic and that the key strategic issues for which plans will be developed, will truly address and deliver on expectations. It is a process that can tie the team together as the senior members of the executive team begin to appreciate the real key issues and their implications, as well as recognising their roles in delivering on their part of the strategy. The reality check through the External and Internal scans acts as a team building exercise for the Leaders.

To facilitate the detailed Strategic Planning process, the summarised issues or opportunities can now be set into an action plan table that reflects:

- The **Issue or Opportunity** to be strategised on.
- What Output**, Outcome or Impact** is expected - after addressing the issue or opportunity.
- The **STRATEGY or HIGH-LEVEL ACTIONS** to be undertaken to address the issue or opportunity.

These will be incorporated in the main strategy through the Strategy Action Planning Table as illustrated below.

- The **Timeline** indicating the start date and/or completion date.
- The **Champion** or key management role or function to drive implementation of the action plan.
- The **Resource requirements** including high-level indication of likely additional cost of executing the actions (both capital and non-capital) or likely additional revenue that will accrue.

Strategy Action Planning Table (Step 11)

Step 11 - Strategic Action Planning

Strategic Action Planning - Matrix & Data Collection Source

Tracking No.	Key Result Area (KRA)	Desired Impact	Strategic Output / Outcome	KPI	Performance Level (Outputs/ Outcomes)		Strategic Action	Timeline	Responsibility /Champion	Resources (Operating/ Capital)
					Baseline	Target				

Figure8: *Strategy Action Planning*

- **Tracking Number.** This is used where there may be several other strategies and projects being pursued. It is the strategy or project ID number which can be referred to for various purposes, particularly where procurement costs are significant and there is need for cost allocation code. In a computerised environment, it can be used for financial cost allocations, and accessing the project for drill-down analysis by authorised persons.
- **Key Result Area.** The area of focus relevant to the achievement of the sector objectives – Energy, Finance.
- **Desired Impact.** The ultimate long-term effect of the outputs and outcomes.
- **Key Strategic Outcome.** This is the stated key strategic output or outcome such as, 'to expand power generation'.
- **KPI** is the units of power in MW.
- **Target** is 4000 MW.
- **Opportunity** is 'available coal reserves' or 'abundant water'.
- **Strategic Action.** Develop a thermal power station near the coalfields. Engage a partner to mine the coal and buy from the miner.
- **Timeline.** Project to be completed by 2025.
- **The Champion** within the Public Entity could be the Business Development Director.
- **Resources.** The provisional estimated cost is US$ 4 billion, to be confirmed through a feasibility study.

The details given in the strategy action table must be interrogated for appropriateness, relevance and reality to ensure that they indeed will be effective. The actions put on the strategy action table become a component for performance appraisal of management and staff. Failure to execute the agreed actions means that the stated milestone for that period will not be achieved and, therefore, success on the Vision and Mission objectives will be jeopardised.

This generates a helpful tension in planning. Realism requires examination of past performance to see how previous actions have worked out.

Financial Planning at Strategy (Step 12)

A strategy is not complete without a Financial Plan or Business Plan and the respective Financial Measures. The Financial plan translates the strategy into financial terms. It defines the financial implications of the strategy, as well as the economic soundness of the Strategic Plan. Financial plans must cover the period of the Strategic Plan, whether for 2 years, 5 years or 10 years. The Plans must reflect all aspects of the activities of the Organisation concerning products produced and their volumes, sales, revenues, or collections, the funding for those that get their support through grants. The Revenues must be matched against the expenditure which details the resource requirements and their costs – (expenses/expenditures).

The financial plan is the budget showing (1) details of Revenue and Expenditure, (2) the Statement of Income & Expenditure or Income Statement, (3) the Balance sheet and (4) the Cashflow Statement. These are VERY IMPORTANT STATEMENTS that test and reflect on the financial and economic viability of the Public Entity and its ability to meet its commitments.

The Financial Statements should also carry summary details of **Key Corporate Financial Measures**. These include Return on Investment (ROI), Return on Assets (ROA) Liquidity Ratios and other Productivity and Cost Efficiency ratios.

With regards to non-trading Entities, they should at least demonstrate that their expenses and capital expenditures are within the funds made available to them, as well as showing some selected productivity and cost-efficiency measures. Trading Entities are expected to match expenditure with revenue generated (minimum of breakeven), but otherwise return a surplus/profit. **It is improper to budget for a deficit, whether commercial or non-commercial.**

The Year 1 financial plan is a detailed breakdown of items of expenditure and lines of revenue (the Budget) and is the subject of a thorough review by the Board as it has to approve the budget for the ensuing year. For periods beyond 12 months, it is appreciated that the level of detail and accuracy decreases with the length of the forecast period into the future. Reasonable assumptions, however, must be made as a guide to calculating estimates. This is normally the case for years 2 to 5 or beyond and is usually presented as annual figures in an abridged format for the Income &

Expenditure, or Profit and Loss, or Cashflow and Balance Sheet. Financial planning for periods of 2 years and beyond is very useful for big Entities, some of which are running with major projects whose life runs beyond one year. Projecting beyond 2 years strengthens the planning processes not only for the Entity, but for the Government too. Certain aspects of programme implementation in future years require preparations to commence years before they are fully implemented. A projection into the future helps to put such projects into focus and, therefore, planning for them can commence well ahead of implementation.

Similarly, Capital Expenditure Estimates need to be given for the later years. Public Entities need to refer to the PIM Guidelines when preparing and evaluating financials for major projects, whether for one year or several years.

Steps 12a and 12b reflected below provide illustrations on the process and content of Financial Plans for both commercial and non-commercial Public Entities

Step 12a - The Financial Plan - Year 1 Budget

The Strategic Plan outlines

- Objectives, Goals and Outputs/Outcomes to be achieved
- Matters of an operational nature and targets or Outcomes of capital project nature
- Strategic Activities to be undertaken
- Financial implications & plan

Highlight the Financial Planning Assumptions and formulae for determining financial numbers including reference to PIM Guidelines for Capital Budgeting and Evaluation

COMMERCIAL OR TRADING PUBLIC ENTITY-YEAR 1

Operational Financial plan details KRAs / KPIs	Capital Expenditure details For Each Project - KRAs / KPIs
Revenue	Justification/ Objective
Costs	Costs
Profit / Surplus	Time
Cash	Quality (Meeting original specifications)
Balance Sheet Measures	
Performance Ratios	

NON-COMMERCIAL OR NON-TRADING PUBLIC ENTITY-YEAR 1

Recurrent Financial plan details KRAs / KPIs	Capital Expenditure details For Each Project - KRAs / KPIs
Funds/Grant	Need Justification & Impact
Expenditure	Capital cost
Break even / Surplus	Time
	Quality (Meeting original specifications)

Figure 9: *The Financial Plan - Year 1 Budget*

Step 12b- Financial Forecast-Year 2-5 (if new Strategy)

The Strategic Plan outlines

- Objectives, Goals and Outputs/Outcomes to be achieved
- Matters of an operational nature and targets or Outcomes of capital project nature
- Strategic Activities to be undertaken
- Financial implications & plan

Highlight the Financial Planning Assumptions and formulae for determining financial numbers including reference to PIM Guidelines for Capital Budgeting and Evaluation

COMMERCIAL OR TRADING PUBLIC ENTITY		NON-COMMERCIAL PUBLIC ENTITY - YEAR 1	
Operational ABRIDGED Financial Forecast - KRAs / KPIs	Capital Expenditure HIGH LEVEL Forecast - For Each Project - KRAs / KPIs	Recurrent ABRIDGED Financial Forecasts - KRAs / KPIs	Capital Expenditure - HIGH LEVEL Forecasts For Each Project - KRAs / KPIs
Revenue	Justification/ Objective	Funds/Grant	Need Justification & Impact
Costs	Costs	Expenditure	Capital cost
Profit / Surplus	Time	Break even / Surplus	Time
Cash			
Balance Sheet			

Figure 10: *Financial Forecast - Year 2-5 (if new Strategy)*

Apart from the standard operating income and expenditure items of an existing establishment, the financial plan will incorporate the decisions taken at Srategic Planning as reflected in the action plan. These may be additional operating costs or Capital Expenditure or additional revenue. Capital Expenditure must show estimated cash outflows monthly for year 1 and annually for years 2 and beyond, in line with the strategy.

It is advisable to tie the strategy to the start of a financial year so that year 1 of the strategy becomes year 1 of the budget.

Financial plans and their planning processes will differ between Entities because of the nature of their varying work and purposes, which in turn influences the structure and form of revenues and costs. This is the case between a commercial or revenue earning entity and non-commercial or funded entity. A commercial or revenue earning entity is expected to generate sufficient revenues through the sale of its products or services to at least meet 100% of its costs, as well as generate a surplus. Similarly, a non-commercial entity is expected to operate within its available funds generated from previous surpluses or as funded.

The key issues for commercial entities are to forecast sales accurately in line with the production capacity of services or products and their pricing. Equally important is to ensure that costs are matched against expected revenues.

Where the strategic plan is carrying a major project and, therefore, a forecast expenditure item that is outside recurrent operations, the strategy will carry an action item relating to the appraisal and evaluation of the proposed investment in line with the Guidelines on Public Investment Management issued by the Ministry of Finance and Economic Development in November 2017, as well as mobilisation of funds for the project.

Consistency Checking

An iterative process must take place between the strategy expectations and actions, and the financial plan, to test assumptions and alignment. Strategic Planning must also check that the various actions are mutually consistent and that they do not plan to use resources (e.g. funds, people, assets or permits) that other actions are also planning to use. In addition to the iteration process on the assumptions, Management and the Board must undertake a reassurance process through a final financial check that demonstrates logic and consistency between Profit & Loss, Cash Flows, Capital Expenditure and the Balance Sheet**. Profit or surplus, as well as the Cash Flows, are the key sources for sustainability and the lifeblood of an Entity. Failure to apply financial management controls is a recipe for disaster.** Whilst it is generally believed that the established accounting standards are there to provide guidance and controls, the Entity must establish its own additional internal controls and systems that provide further assurance to both management and the Board regarding the safety of assets and finances of the Entity.

Strategy Risk Assessment (Step 13)

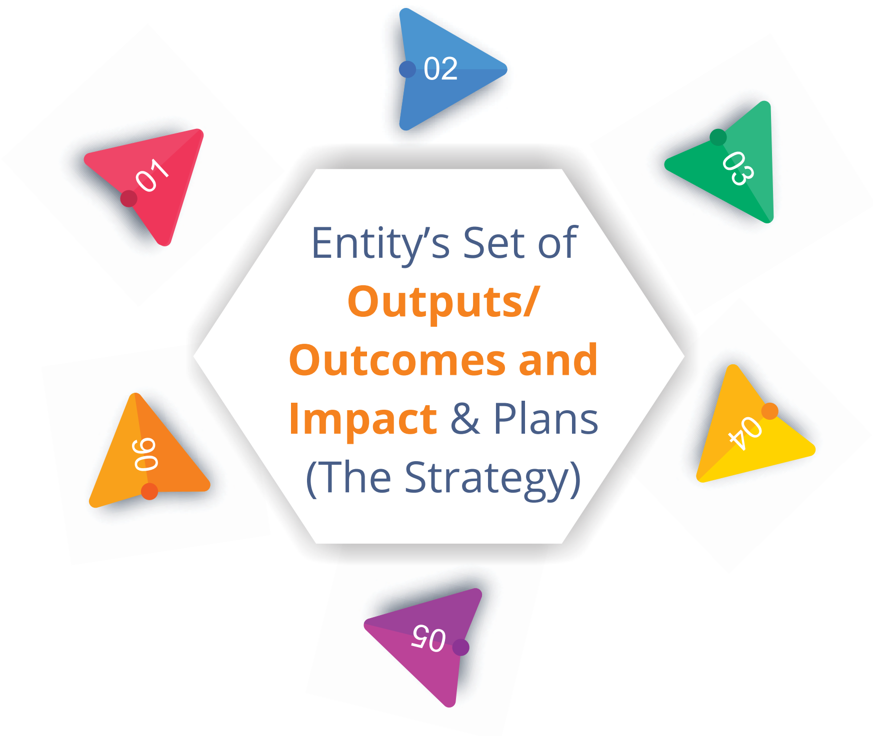
Risk is defined as that which can impede or threaten the achievement of objectives.

Risk is inherent in life and business. Strategic risk management is a crucial but often an overlooked aspect in management practices. This is even more important when operating in a volatile environment that is full of uncertainties that provide fertile ground for all forms of risks.

Strategic risk management is the process of identifying, quantifying, and mitigating on any risk that affects or is judged possible to affect an entity's business strategy, strategic outcomes or strategy execution.

Strategic Risk is a major component of the business functions, and its management involves five steps which must be integrated within the Strategic Planning and execution process to provide added assurance to the achievement of outcomes and being an effective organisation.

Step 13 Strategic Risk Assessment & Setting Strategies for Risk



The key steps to assessing and setting strategies for Risk are:

1. **Deconstruct the Strategic Outcomes** as defined by the KPIs and analyse the key activities to be undertaken and the resources required to achieve them.

2. **Consider and identify** the existing and potential risks and establish the Key Risk Factors and Key Risk Indicators (Risk Indicators become part of the management reports for purposes of monitoring risk).

3. **Evaluate the Risks** for purposes of estimating **Likelihood and Impact**, ranking them to Low, Medium and High.

4. **Draw up strategies to mitigate** the likelihood and impact of the risks, particularly those reflecting Medium to High likelihood and High impact, bearing in mind that it is not possible to eliminate risk.

5. **Review the assumptions** used in the strategy and adjust accordingly.

6. **Regularly review Risk.**

Through Strategic Planning, it is possible to map out how the company will achieve its mission or purpose. It is recognised, however, that the business climate is a fluid one. It is constantly changing due to many factors that include industry and technological advances, as well as the state of the economy. **Some form of scenario planning or 'What if' analysis helps in contextualising outcomes and impact in the event of significant shifts to fundamentals that make up the plan.** It is also a form of risk assessment and management. Scenario planning and 'What ifs' do not change the Vision and direction of the organisation, but provide alternatives to continuing with the strategy.

Monitoring Evaluation and Learning (Step 14)

The best performing organisations are those characterised by the presence and utilisation of structured and systematic monitoring and evaluation systems. With IRBM, the monitoring, evaluation and learning system is strategically woven into the entire management and performance results framework, leading to regular performance monitoring and evaluation by decision-makers at all levels.

Step 14 | **Monitoring and Evaluation** *(Reporting and Performance Reviews)*

- **Determine**
  - Reporting format / content / frequency
  - IRBM templates requirements on Data & MIS
- **Align** to whole Government Integrated Monitoring and Evaluation System (WOGIMES)
- **Draw** Performance Contracts
- **Undertake** ongoing performance reviews and evaluation

It is, therefore, of paramount importance that after the planning process, there is discussion and agreement on the **content, format and timing (frequency)** of reports, including responsibilities and accountabilities. The agreed reports should themselves resemble the performance parameters of the contracts of the Heads of respective functions. This approach suggests that the Heads of functions and the CEO are being evaluated at the same time that the reports are being reviewed. Performance evaluation, therefore, does not have to wait for the end of the year or a specific position alone, but for the entire organisation. Of course, the Board's primary focus is on the CEO's function as it represents the entire Organisation in terms of performance.

Basic Concepts of Monitoring and Evaluation

Inputs - Resources
Activity - Processing inputs
Output - Immediate Effect - tangible products
Output - Accomplishment - short term completion of outputs
Impact - long term of the results of Activities, Outputs and Outcomes

Tools for Monitoring and Evaluation
Data collection - Management Information System
Reporting - Format/Frequency/Content
Analysis
Evaluating Performance Indicators - at all levels of Activity
Measuring INPUTS VS OUTPUTS - Efficiencies

Figure 11: *Basic Concepts of Monitoring and Evaluation*

The Management Information and Decision Support System (MIS/DSS) provides critical data and information to support informed decision making for improvements and adjustments to strategies and policies.

Boards are there to provide insight and ensure regular monitoring and evaluation. The substantive items on which the Board will require regular reporting on must be agreed at the end of a strategy session. The content of reports is largely determined by the items in the Matrix GAP table, the Milestone table and the Strategy Action table, all of which comprehensively define the Key Performance Areas, the **Key Performance Indicators, the target Outputs and Outcomes and the Key Action Items.** The regularity and frequency of reporting must also be agreed upon after strategising, taking caution not to overwhelm management with over-reporting. Similarly, the Board should set the key parameters to be reported on at the end of the year for publication of the Annual Report. The Board should also set a date for the publication of the Annual Financial Report and the holding of the Annual General Meeting.

Whilst a simple monthly interim performance report may be designed specifically for regular feedback to the Board, more detailed reports should be produced quarterly for Committee and Board meetings where explanatory details are given. Board members should be careful not to turn themselves into managers. Interim reports to non-executive Board members should be information only until the standard quarterly meetings are held.

IRBM Alignment (Step 15)

The process of Strategic Planning generates enormous amounts of debate, argument and iterations, as highlighted in the various steps given above.

At this point, the strategy should have taken shape and it is time to confirm alignment of the strategy with IRBM. This is facilitated by completing the IRBM template, capturing and confirming the following from the strategy:

* Key Result Areas
* Key Performance Indicators
* Outputs
* Outcomes
* Impact
* Financials/Budgets

Performance Contracts (Step 16)

A Strategic Plan is a Statement of agreed Intentions and Targets, as well as setting the Direction the Public Entity should be going. It is **NOT** a guarantee for results. **The setting of the Direction for the Entity and the establishment of parameters and targets is the starting point for the creation of expectation for results and this is the responsibility of the Board.** Levels of assurance for the attainment of results grow higher through continuous reviews of intermediate results. The Board, therefore, has the role of providing oversight on the implementation of the agreed strategic action plans and continuously evaluates the performance of the Management Team.

The Strategic Plan highlights areas of Priority and the proposed Actions to be undertaken by management. It provides clear guidance to management with regards to what needs to be done, and by when and for what reasons. It sets the basis for Evaluating the Management's Performance.

The Management Team is led by the Chief Executive Officer. The level of performance of the Organisation and that of the Board is a function of the performance of the Senior Management Team led by the Chief Executive Officer. Failure by the Management Team reflects as a failure by the CEO and, therefore, failure by the Board.

It is against this understanding, therefore, that the execution of the plan requires the commitment of the CEO and the Management, as well as the Board. Hence, the requirement to have

Performance Contracts for the Chief Executive Officer with the Board, and for the Board with the line Minister. The Contracts must stipulate the priority areas (KRAs), the measurements to be used to evaluate performance (KPIs), and the quantified targets. In line with good management practice, as well as being a requirement of the PECG Act, the Contracts must be prepared after the Strategic Plan. The KRAs and the KPIs are drawn from the strategy. The implication is that the Outputs of the Organisation are reflected in the CEO's performance Scoresheet. The KRAs, the KPIs and the Results / Outputs stated in the Strategic Plan form the bulk of the CEOs and senior management scoresheets. Other performance parameters relating to matters of process efficiencies, service delivery and people management are also included in the Contracts for senior management to provide additional performance assurances. **This will then compel both the Board and the CEO to Manage for Results and be** evaluated and measured for achieving results and not for activity.

The Illustration below shows a recommended Performance Table that should be incorporated into the CEOs Contract as the core of the Agreement.

Step 16 CEO Performance Score sheet

Key Result Area (KRA)	Key Strategic Output/ Outcome	Weighting %	KPI	Performance Levels		Strategic Action
				Actual	Target	

Figure12: *Performance Score Sheet*

In the same vein, the Contract between the Board and the line Minister also draws the KPIs and Results/Outputs/Outcomes/Impact from the Strategic Plan and will carry similar but higher-level performance parameters.

The important thing, therefore, is that the Contracts for the Board and the CEO should be aligned and be drawn up immediately after the Strategic Plan. They should clearly reflect the Strategy's expected outputs and outcomes. The conclusion of the Strategic Plan occurs on the approval and sign-off of the plan and this happens at the last Board quarterly meeting, usually held in November.

Organisational Capacity Assessment (Step 17)

Drawing up a list of strategic outcomes and impact and activities is not enough until a review of the organisational structure, systems and skills has been conducted. These aspects are the key active elements that drive the successful implementation of a strategy. The starting point for strategy formulation is the expression of intent through the Vision/Mission, strategic outcomes and the planned activities designed to deliver on them – the **WHAT**. The next process looks at the **HOW** and this is answered by the Action Plans set out in the strategy.

Next is the need to consider the **MEANS AND CAPACITY** to deliver this strategy. This calls for a review of the Organisation Structure, the Systems and the Skills. Reviews of the structure, systems and skills are often overlooked and presumed unnecessary or taken as given. The effectiveness of an Organisation is highly dependent on how the various resources (human and technology) are organised and deployed and how the systems are designed to drive the respective functions of the Organisation using the resources and the skills available or to be acquired. Inappropriate structures, inadequate systems and lack of skills are detrimental to the successful implementation of the strategy.

Capacity assessment ideally, should be performed after concluding the strategy and the CEO's Performance Contract. The CEO and the Chair, assisted by such Committees as Human Resources, Finance and Technical, need to undertake the assessment and be satisfied that there is the capacity to deliver. Any identified gaps in the structures, skills and policies should then be raised through the respective Committees for remedial action.

Entity Functions and Structure

An assessment of the structure would normally start with a review of the key functions and workflow processes of the Entity as dictated by standard practice or specific requirements for specific tasks or functions. Standard practice requires that the Organisation shall have a **leadership** function, a **financial management** function, a **human resources management** function and a **production** function. A non-standard function could be, for example, a project management function which arises as a result of there being specific projects to be implemented within a specific time. The work processes when grouped into functions and individual jobs will also determine the skills required by the work process flow. A review of the functions and the jobs, will determine the horizontal and vertical relationships between them and, therefore, the Organisation structure of the Department and the Entity as a whole. If there are gaps (or overlaps) in the structure, systems or skills, then these need to be addressed.

Technology and New Projects

Before finalising the Organisation structure and proceeding to recruit skills, it is necessary to review the respective technological systems that apply to the Entity. This calls for a review of the level of mechanisation or technological applications, which may require a revision of the Organisation structure and, therefore, a decision on the level of human involvement and intervention. It is also an opportunity to make strategic decisions on innovative thinking towards improving efficiencies and quality of service. This is the time for Management to make presentations on the state and appropriateness of capital equipment and infrastructure to establish new technology requirements or a Capital Replacement Programme for relevant Technology.

Similarly, expansion projects are appraised in line with the Public Investment Management (PIM) Guidelines from the Ministry of Finance and Economic Development for evaluation and assessment of their contribution to the growth of the Organisation or delivery of outcomes and impact.

The introduction of new technology and new projects should be justified based on seeking to significantly improve the service delivery and financial performance of the Entity. Such improvement should be included in the set of Key Performance Indicators for continuous measurement and evaluation.

New Capital Expenditure and Replacement Capital Expenditure is, therefore, part of the budgeting process. Of paramount importance is the strategic discussion on how such Capital Expenditure will be financed. Resource Mobilisation is, therefore, a matter for Strategic Planning and should be incorporated in the strategic action planning. Commercial Entities ideally should fund replacement capital from internal resources drawn out of capital replacement reserves or from new capital which can come from the shareholder or through authorised resource mobilisation.

Skills

The strategic vision and direction taken by the organisation, the size and extent of the performance gap between current and desired performance levels, the functions and job descriptions specified in the Organisation structure, together determine the industry and performance league in which the Organisation wishes to pitch itself. The skills of the people placed in the functions and jobs at the end of the day determine the ability of the Organisation to achieve its goals. The quality of skills and people is of critical importance to the performance of the organisation. This applies to management and staff. The active element within the organisation's resources is people and the skills they possess. Inadequately skilled people can be a liability to the organisation. Skills and culture must match the strategy.

Management and the Board must review the structure and skills requirements to ensure effective delivery of the proposed strategy. The Board must seek assurance from Management and satisfy itself that the Organisation structure is appropriate and that the right skills are available or will be made available.

Policies and Procedures

During the strategy debate, it is likely that certain strategic decisions may require a revision of policies and procedures. These should be taken note of and appropriate action agreed or planned to establish or revise the policies.

Probably an issue that Public Entities may not have paid particular attention to is the Shareholder expectation of dividend pay-out, especially for Commercial Entities. Commercial Entities, despite having been established to deliver public goods, are expected to give a monetary return on investment. A dividend policy is one such policy that must be reviewed at the time of strategy formulation because it is an output of the efforts to generate profits. Non-commercial Entities can also have a policy on dealing with surpluses. Except for those policies and procedures governed by statutes, internal policies are there to support strategy and not to hinder strategy. Hence, the need to continuously review them, especially at strategy time.

Communication and Cascading of Strategy (Step 18)

The immediate and direct outcome of the Strategic Planning process is a well-composed Public Entity's Strategy Blueprint. This is a well written and well-structured strategy book, signed by the Chief Executive Officer and the Chair of the Board.

The Strategy Document is an effective communication tool and reference guide during the execution or implementation of the strategy. The strategy book facilitates the subsequent and very important process in the organisation, which is to communicate and cascade the full content of the Strategy to the entire staff of the Public Entity. The Board and Management are expected to deconstruct the strategy and communicate it in an appropriate and understandable language at the different levels of the organisation. As this downward communication takes place, it is expected that management follows with the setting of related KRAs and KPIs at the lower levels, so that detailed planning and setting of performance parameters continues to the lowest level of organisational functions and staff.

The diagram below helps to illustrate this point further.

Strategic Planning & IRBM at Public Entity Level

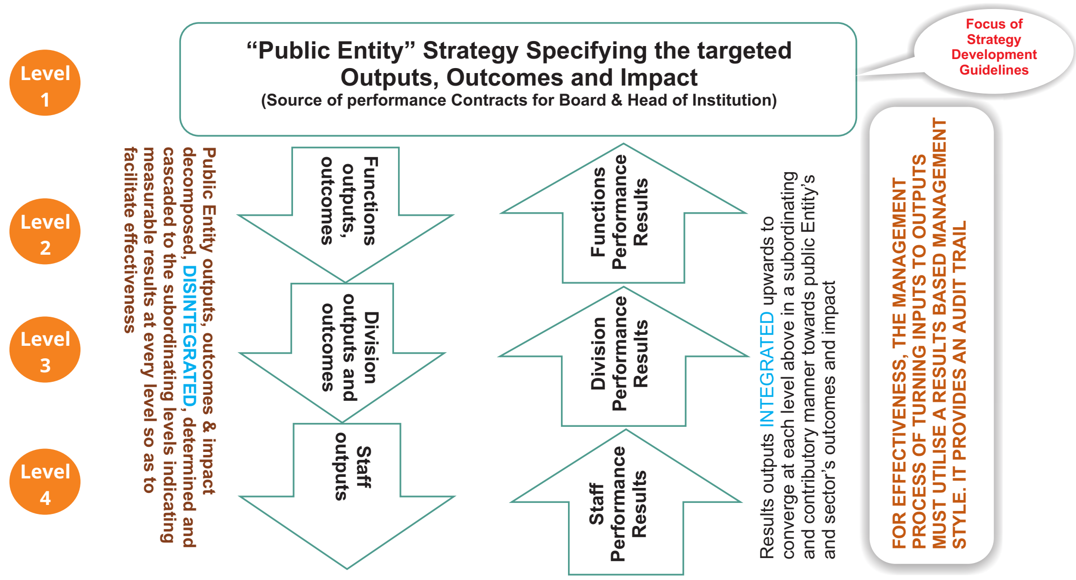


***Figure13:** Strategic Planning & IRBM at Public Entity Level*

The communication and cascading processes are meant to create a 'Line of Sight' within the expected performance parameters throughout and at all the levels of the Public Entity's functions or units, all the way down to the individual employees. The 'Top-Down' approach reflects the attributes for effective implementation of the strategy being **the Composition, the Communication and the Cascading** of strategy. Staff must be provided with an opportunity to appreciate their role in executing the strategy. The cascading process provides an opportunity for management to translate the strategy into a language understood by staff and, therefore, clear the ground for management to effectively implement strategy and account for Results.

The work is, therefore, cut-out for Managers who are then expected to manage their functions and staff in a manner that is focused on results. **Performance Management is the process of managing the performance of employees, unit or Entity by regularly focusing, in the first instance, on the work or activities being performed, and secondly (and more importantly) on the RESULTS / OUTPUTS of those activities.** Performance is the responsibility of management, with respect to staff, and the responsibility of the Board with respect to management and the Entity as a whole.

Hence, **INTEGRATED RESULTS BASED MANAGEMENT FOCUSES MORE ON MANAGING RESULTS** on an ongoing basis. The integration of the results of an Entity starts occurring in the office of the Chief Executive Officer or General Manager or Commissioner-General or such other office similarly designated. The achievement of the strategic objectives, as reflected in the Corporate Entity's Scoresheet, defines the effectiveness of the Board. The structure, format and content of the Corporate Entity's Scoresheet would, in essence, have been determined at the Strategic Planning stage through the Matrix Gap and the Milestone table. The Head of the Institution and the Board must, therefore, use an Integrated Results-Based Management approach to monitoring and evaluating their Entity's performance.

Quarterly, the Board should review and evaluate the RESULTS in an Integrated Results-Based manner, where all the integrated functions must report on their performance. The same integration and aggregation process of results applies to the Ministry, the Sector and the National level.

Mid-Term Strategy Reviews

There is often a misconceived general practice of undertaking strategic planning every year. There is a difference between a medium to long term strategic planning process, which should look at planning for periods of at least 2 – 3 years (medium-term) and those of up to 5 years and beyond (long-term).

Where a 5 year or more strategy exists, management and Boards can engage in **strategy reviews** as opposed to a fully fledged strategic plan. A **strategy review** is a midterm process either every year or two years to review progress on the 5 year implementation plan. A year is long enough to warrant a full review (not to plan) to check whether the prior year's performance is in line with expectations and that the strategy implementation is on course. Medium to long-term Strategies may be adjusted in the event of significant changes to economic and social environment. It may be necessary to keep strategy reviews to one (1) or two (2) year intervals to allow management to make meaningful progress worth of reporting beyond what is reported at a Board meeting. ■

...other Public Entities

TelOne
Bringing You Together

Water is Life
Zimbabwe National Water Authority
ZINWA
Every Drop Counts

zbc
Zimbabwe Broadcasting Corporation

ARDA
AGRICULTURAL AND RURAL DEVELOPMENT AUTHORITY

Simply Possible
POSB

ZUPCO
A Commitment to Safe and Reliable Travel.

MCAZ
Medicines Control Authority of Zimbabwe

Civil Aviation Authority of Zimbabwe

Environmental Management Agency
EMA - Protecting the Environment

GRAIN MARKETING BOARD

ZINARA
Driven to make you drive well

air zimbabwe

Postal & Telecommunications Regulatory Authority of Zimbabwe
POTRAZ

THINK IN OTHER TERMS

National Parks and Wild Life Zimbabwe
In Harmony with Nature

Technology Innovation Wealth

BINDURA UNIVERSITY OF SCIENCE EDUCATION

Great Zimbabwe University

National Railways of Zimbabwe
NRZ
WE MOVE THE NATION

University of Zimbabwe

MIDLANDS STATE UNIVERSITY

ZERA
ZIMBABWE ENERGY REGULATORY AUTHORITY

NatPharm
Access to Affordable Quality Medicines

SIRDC

NSSA
NATIONAL SOCIAL SECURITY AUTHORITY
FOR CARE AND PROTECTION

AMA
AGRICULTURAL MARKETING AUTHORITY
"Promoting fairness and order in the agricultural sector"

TOBACCO RESEARCH BOARD

ipec
Insurance & Pensions Commission