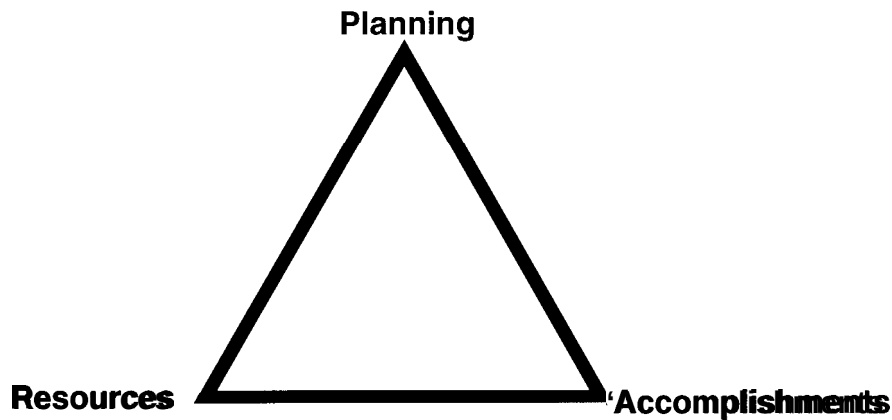


FHWA Strategic Management

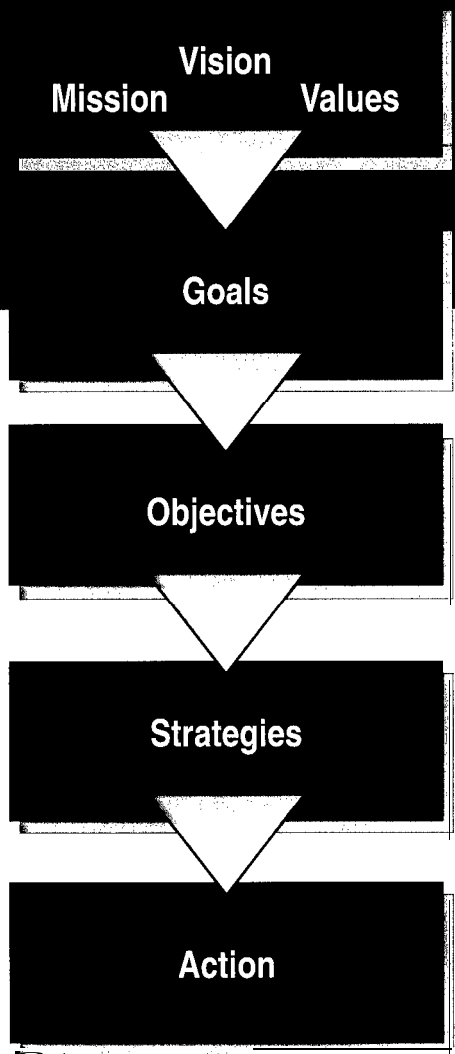
Business Planning Process

2000



U.S. Department
of Transportation

**Federal Highway
Administration**



July 1992

Federal Highway
Administration

Business Planning Process

Strategic Management



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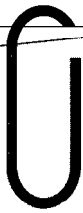
Federal Highway
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July 1992



Chapter 1

OVERVIEW

Efficient execution of the **FHWA** mission depends on a clear understanding by all levels of the organization as well as its partners and customers of where the Agency is headed and what it intends to accomplish. To ensure that this communication is as extensive as possible, the **FHWA** Business Planning Process is a participatory one that involves all employees, with the guidance of senior Agency executives (that is, Associate Administrators, Regional Administrators and the Federal Lands Highway Program Administrator). The Business Planning Process has three

elements: planning, resources and accomplishments. The interdependence of these elements drives the overall process toward continuous improvement of **FHWA**. The coordination of these three elements will lead to better accomplishment of the Agency's goals.

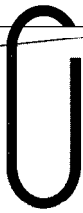
A. MANAGEMENT OF THE BUSINESS PLANNING PROCESS

The Business Planning Process is accomplished through the leadership of top management and the support of **FHWA** employees as well as the Agency's partners and customers. To achieve this involvement, most of the process is structured to be a committee- or team-driven process. These committees or teams represent either a slice or a cross-section of **FHWA**, depending on the decision to be made. The committees involved in the process include the Strategic Management Committee, the Business Planning Committee and subcommittees of the Strategic Management Committee.

Strategic Management Committee

The Strategic Management Committee represents top management of **FHWA**. One of the major roles of the Committee is to provide strategic leadership for the **FHWA** by managing the Business Planning Process. The Committee makes key decisions setting **FHWA's** Strategic Plan and provides leadership and direction in carrying out the Plan and the Business Planning Process.

Membership in the Strategic Management Committee is through appointment by the Administrator as follows:



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Membership in the Strategic Management Committee is through appointment by the Administrator as follows:

The 11 Strategic Teams established by the Strategic Management Committee to interpret the 11 National Goals are examples of short-term subcommittees. These teams were led by top-level managers and included a cross-section of **FHWA**, partner and customer representation. The Strategic Teams had the task of developing the elements of the Agency's first Strategic Plan. They successfully completed that task and have been decommissioned. The Strategic Management Committee is expected to establish similar teams to accomplish specific tasks as requirements necessitate.

Long-term subcommittees include the Human Resources and Information Management Subcommittees.

B. ELEMENTS OF THE BUSINESS PLANNING PROCESS

Planning includes the development of strategic plans at each level of the Agency and the translation of these strategic plans into tailored actions at the operating level. The planning element is tied directly to the resources (budget) and accomplishments (appraisal) elements, to provide multi-year support for resource requests and to establish a basis for measuring achievement. Figure 1.1 depicts the three elements of the **FHWA** Business Planning Process. Full implementation of the Business Planning Process will enable **FHWA** to more fully use the talents of its employees and other resources. It will also enable the Agency to be more innovative as it plans for anticipated change.

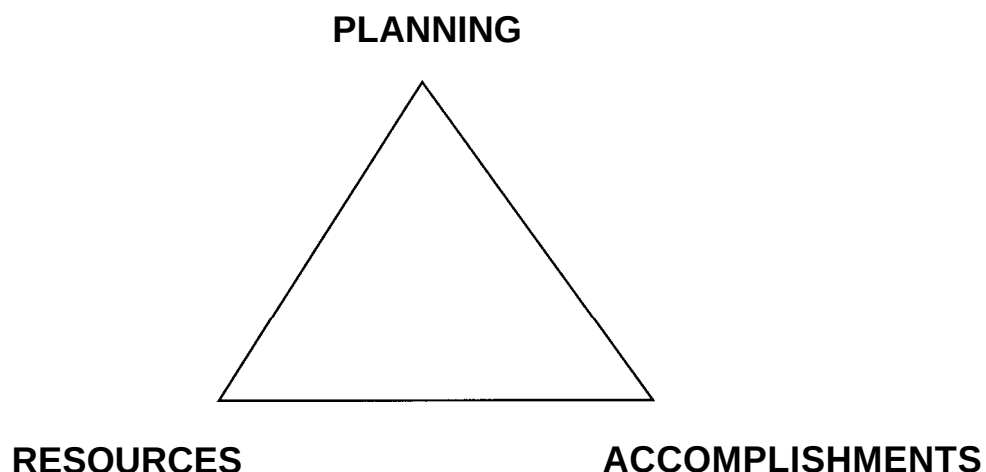


FIGURE 1.1

The principal elements of **FHWA's** Business Planning Process are planning, resources and accomplishments. The Process integrates these elements and is designed to ensure, on an annual basis:

- 💡 the existence of a current, comprehensive, long-range plan for the Agency;
- 💡 the identification of resources needed to support a comprehensive budget; and
- 💡 the development of appropriate measures to track accountability for accomplishment.

Each of the three elements is covered in a separate chapter of this document.

Achievement of the Agency's Vision through the Business Planning Process depends on having each of these elements linked with the others in their annual cycles. The budget cycle is fixed outside **FHWA** so that annual cycle serves as the baseline for the composite ~~timeline~~ developed for all elements (see Figure 5.1 in Chapter 5). Currently, performance appraisal cycles for the various elements are also fixed.

The most flexible, but also the most critical, element is the planning element. The planning process addresses many years at the strategic (Vision and Goal) level. At the unit level the focus is shorter — three or so years. The planning element, like the resources and accomplishments elements, is continuous and flexible, to react to a changing world. Because the total process is multi-year, at any point in time the **FHWA** is evaluating and coordinating activities that are critical over at least a three-year period. The Agency is also balancing and adjusting its plans to maintain realistic targets of accomplishment.

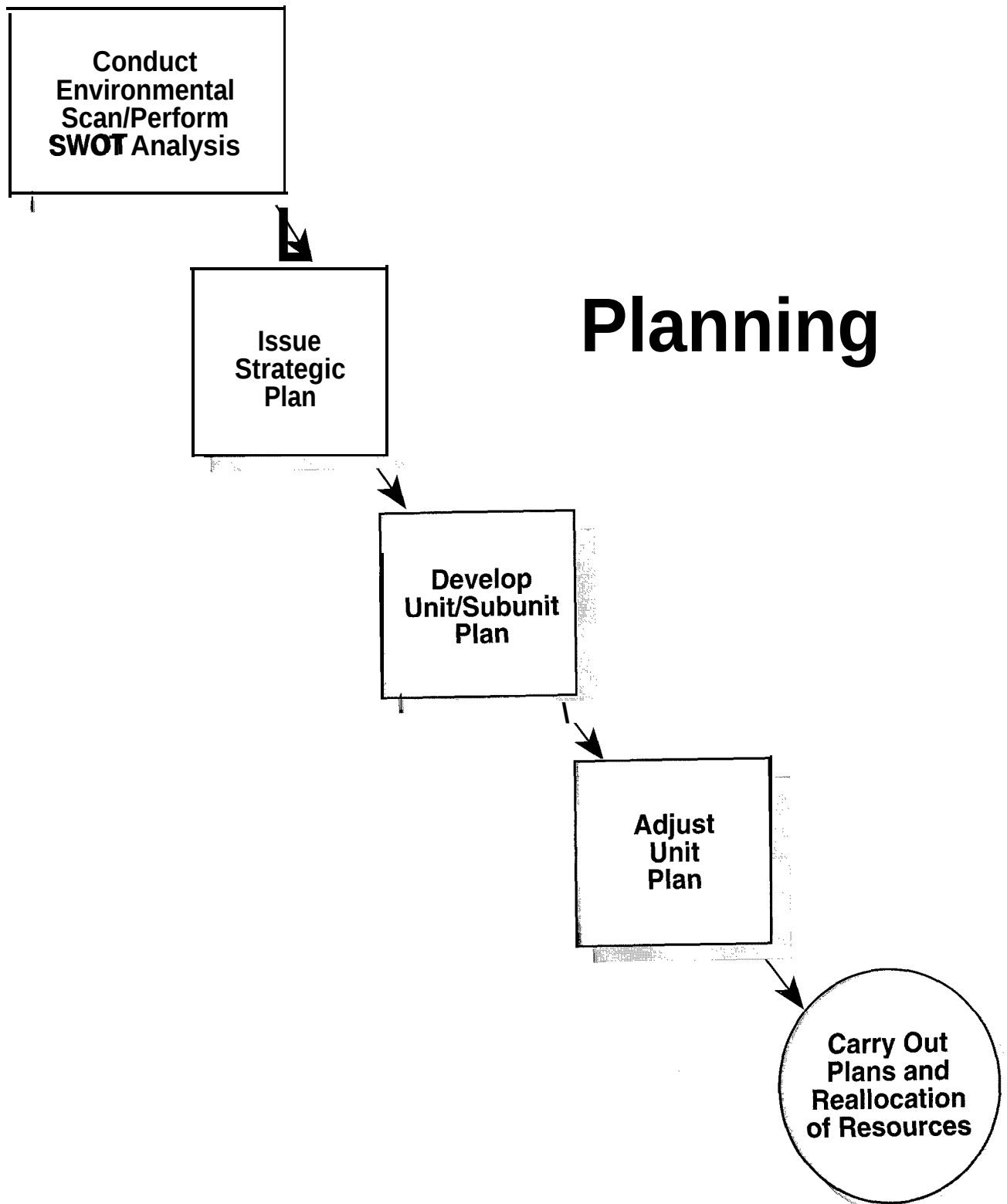
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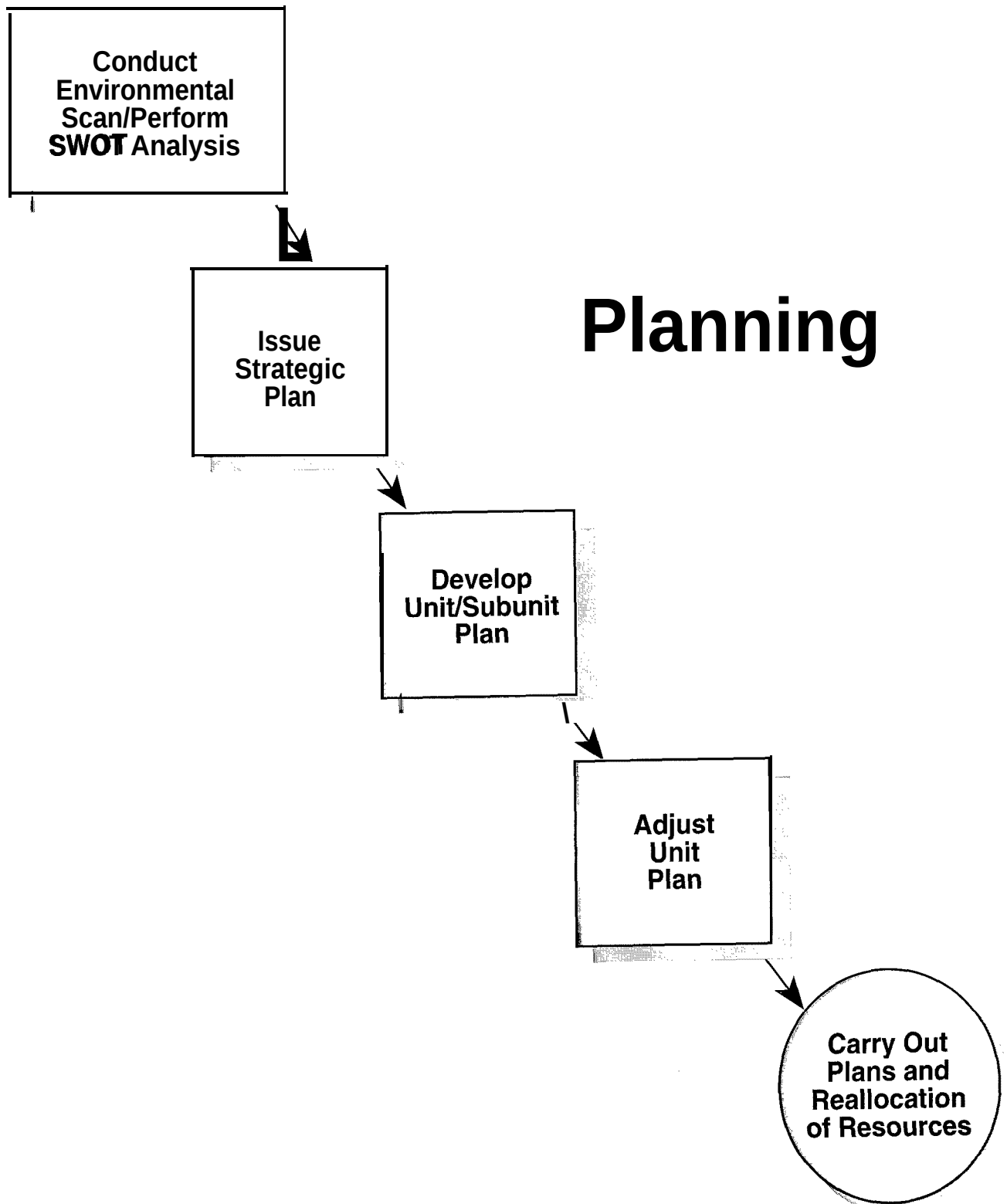
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PLANNING			
Activity	Date	Responsible Party	How Accomplished
A. Conduct Environmental Scan Identify issues Analyze issues Prepare and disseminate information	October - December	Strategic Management Committee	- Strengths, Weaknesses, Opportunities and Threats Analysis - Legislative impact analysis - Partner/Customer feedback
B. Issue Strategic Plan Evaluate Vision, Mission, Values Evaluate Goals Assess progress on Objectives and Strategies Update Strategic Plan	January - February	Strategic Management Committee	- Needs identified in Environmental Scan - Evaluation of prior year accomplishments
C. Develop Unit/Subunit Plans Develop Strategic element of Plan Develop Subunit Plans Formulate Unit Plans Accept Unit Plans	May - June	Unit managers Subunit managers Unit managers Office of the Administrator	- Unit Planing Process Resource Guidebook
D. Adjust Unit/Subunit Plans Revise Plan based on Appropriation Legislation Revise Plan based on Mid-Year Budget	November - December March - April	Executive Director/Unit Manager Executive Director/Unit Manager	- Scaled to available resources - Reflects updated Strategic Plan

TABLE 2.1

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TABLE 2.1

The issues analysis leads to a diverse set of conclusions which are arranged by category, which may be very broad (for example, external and internal), or more specific (for example, Goal area). The Strategic Management Committee determines the degree to which the Vision, Mission and Values or Goals are impacted and changes are needed. The Committee then distributes this information to unit managers.

The environmental scan marks the beginning of the annual business planning cycle and is conducted under the direction of the Strategic Management Committee. To include potentially significant developments from each legislative session, the environmental scan is conducted during the months of November and December. Analysis of some issues takes place earlier.

B. ISSUE STRATEGIC PLAN

The Strategic Plan consists of **FHWA's** Vision, Mission, Values, Goals and national Objectives and Strategies. It defines and communicates the direction of change and conveys a sense of Agency priorities. The first **FHWA** Strategic Plan was issued in May **1992**.

The Strategic Plan is a "living document" that is updated annually to reflect the dynamic nature of **FHWA** business. Except for Values, all elements of the Strategic Plan have finite, though not necessarily defined, lives. During the **FHWA 2000** initiative, the Agency's Vision and Mission were set with a planning horizon of **10** years or more and Goals with a horizon of up to **10** years. However, the entire plan was based on conditions and information available in **1991**. Rapidly evolving national and international conditions emphasize the inherent uncertainty of the future and confirm the danger of assuming its total conformance with forecasted conditions. The Agency's plans — and actions — must anticipate impending developments.

The process of developing or updating **FHWA's** Strategic Plan includes the following steps:

- evaluate Vision, Mission and Values;
- evaluate Goals;
- assess progress on Objectives and Strategies; and
- update plan.

The Vision, Mission and Values are the "highest level" elements within the Business Planning Process hierarchy. After considering the environmental scan, the Strategic Management Committee decides on the adequacy of the current

Vision, Mission and Values. The Committee either reaffirms their appropriateness or directs that revisions be made. Substantive changes to the Vision, Mission and Values are rare and, when considered necessary, are undertaken through a coordinated employee and partner/customer outreach effort.

Considering the environmental scan and the Agency's accomplishments for the previous year, the Strategic Management Committee evaluates the set of Goals for adequacy and/or continued relevance. If Goal achievement or environmental factors dictate, the existing Goals are deleted or revised or, when appropriate, new Goals are added.

The most common changes to the Strategic Plan are to Objectives and Strategies. If Goals are changed or added, new Objectives and Strategies are developed. If accomplishments indicate Objectives or Strategies have been completed, they are deleted. If accomplishments indicate poor achievement, Objectives and Strategies are reevaluated to determine if they need to be revised or if more resources are needed to achieve desired results.

In summary, the updated Strategic Plan reflects high-level changes (Vision, Mission and Values), completion or initiation of major endeavors (retired or **newly**-established Goals) and overall Agency progress within continuing emphasis areas. The update is made by the Strategic Management Committee during January and February of each year, after the environmental scan and evaluation of Agency accomplishments. The updated Strategic Plan is issued annually in March.

G. DEVELOP UNIT/SUBUNIT PLANS

Although this Chapter refers to "Unit Plan" throughout, the discussion applies to both Unit and Subunit Plans. Units are those elements of the organization under the direction of unit managers (Associate Administrators, Regional Administrators, the Federal Lands Highway Program Administrator and Staff Office Directors). Subunits are any subdivisions of a unit with a degree of autonomy (for example, field divisions and Headquarters offices). Unit Plans give unit managers an opportunity to evaluate all needs and assign all resources to assure that change can be accomplished within resource availability.

Unit Plans are critical to the success of the Business Planning Process and serve the following purposes:

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D. ADJUST UNIT/SUBUNIT PLANS

After Unit Plans are submitted and approved in August, the following possible events may warrant adjustment during the year:

- a resource allocations are significantly different than anticipated,
- internal analysis suggests critical resource reallocation to higher priorities, or
- the Strategic Plan update or the budget guidance affects future resource requirements.

As stated in the preceding section of this chapter, Unit Plans are developed to cover at least the next budget year. However, Strategic Plan updates are reflected in the budget process at the earliest opportunity. Therefore, if an updated Strategic Plan is issued, Unit Managers need to assess the compatibility of their current Unit Plan with the updated Strategic Plan. If the updated Strategic Plan implies revision to the Unit Plan for the budget year, those revisions need to be made to serve as the basis for the budget response. It is not expected that substantial changes will generally result from Strategic Plan updates.

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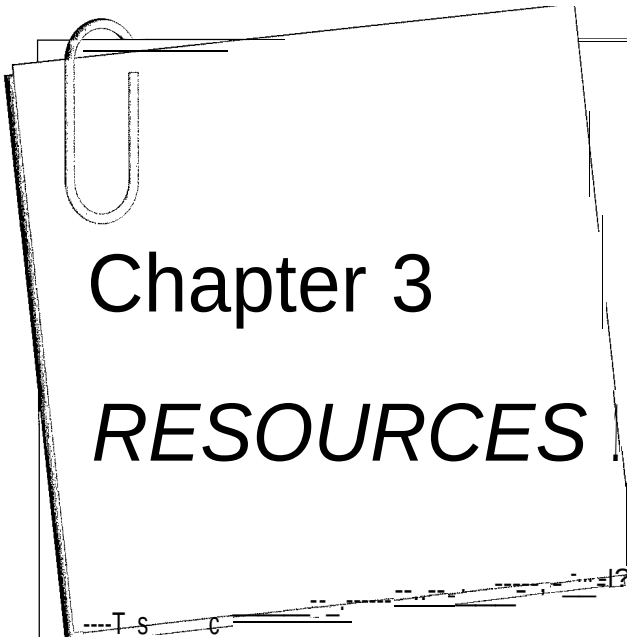
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RESOURCES

Business Planning Process

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Chapter 3

RESOURCES

In the current situation of national budget deficits, resources become an even more critical issue. As a major consideration of the Business Planning Process, efficient and effective use of resources must be a concern of all unit managers in the **FHWA**. The Agency must make judicious use of the resources which have been provided so as to achieve anticipated accomplishments.

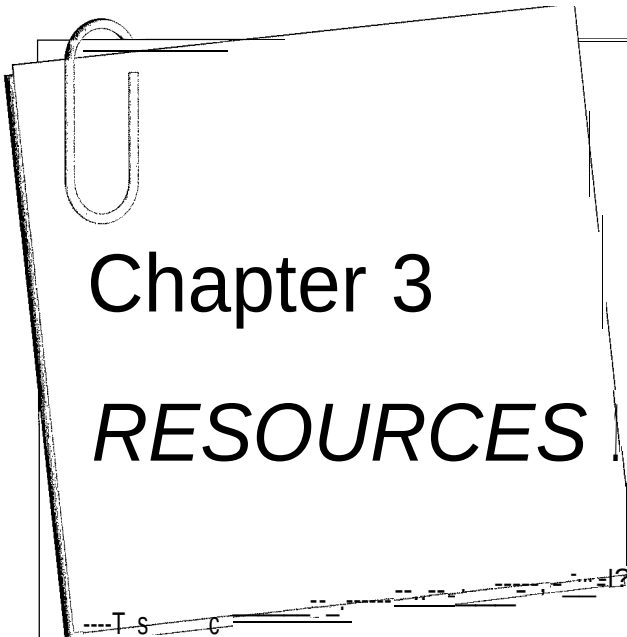
The Federal budget which the President submits to Congress each year is a large and complex document. To arrive at a consolidated uniform budget, all Federal Agencies must submit their budgets in a prescribed, uniform format. Likewise, all Administrations within the Department of Transportation must submit similar budget formats to the Department. However, within each Administration, there is flexibility to develop a budget which meets the Agency's individual needs.

The **FHWA** Strategic Plan includes national-level Goals, Objectives and Strategies which must be considered by each unit manager as they develop their Unit Plan. The Business Planning Process includes formulation of the budget and allocation of resources. The impact of the future program on **FHWA's** personnel and dollar resources must also be addressed by unit managers as they prepare their budget and Unit Plan. This includes not only increases and/or decreases in resources, but also any realignment of functions necessary to implement the program.

The resources element serves three very significant purposes:

- ensure that agency priorities are adequately addressed in the budget request,
- provide unit managers with an orderly process for requesting and justifying resources and
- provide unit managers with timely information to develop and implement their Unit Plans.

The components of the resources element are shown in Table **3.1**.



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COMPONENTS OF THE RESOURCES ELEMENT

A. DETERMINE FUTURE BUSINESS NEEDS

The process for developing a budget for any given fiscal year begins at least **18** months prior to the beginning of the fiscal year for which the budget is being prepared. The Office of Fiscal Services, using the guidance developed by the Strategic Management Committee, prepares the budget call. The budget call is then issued to the unit managers in March (see Figure **3.1** for overview). For example, in February of **1992**, the budget process formally begins for fiscal year **1994** (which begins on October **1, 1993**). This long lead time is necessary to meet the time frame for the President's budget submission to Congress. As shown on the Business Planning Process **timeline** (See Figure **5.1**, Chapter **5**), there are always at least two budget cycles in progress.

The Strategic Management Committee formally begins the annual resources cycle in February. The committee develops broad-based general budget guidance which reflects the priorities of the Administration and **FHWA** resource needs.

B. TRANSLATE FUTURE BUSINESS NEEDS TO RESOURCES

Unit Plans are the building blocks for **FHWA's** budget process. Unit managers begin preparation of their unit budgets in March using the guidance which accompanied the budget call and the prior year's Unit Plan, including the unit's accomplishments. Unit Plans address three primary activities: change elements included in the Strategic Plan, individual unit objectives and continuation of unit activities that will not change. The estimated resources included in the Unit plan will be used to justify the unit's budget request.

The administrative budget call requests all Associate Administrators, Staff Office Directors, the Federal Lands Highway Program Administrator and Regional Administrators to provide an estimate of "other objects" (travel, supplies, equipment and so-forth) required to carry out their responsibilities. This budget call includes data for the current fiscal year and the two following fiscal years. Responses to the "administrative accounts call" include all requests for additional personnel resources which the managers find necessary to carry out their program responsibilities. This call includes both General Operating Expenses (**GOE**) and Motor Carrier Safety Operations.

Budget Timeline

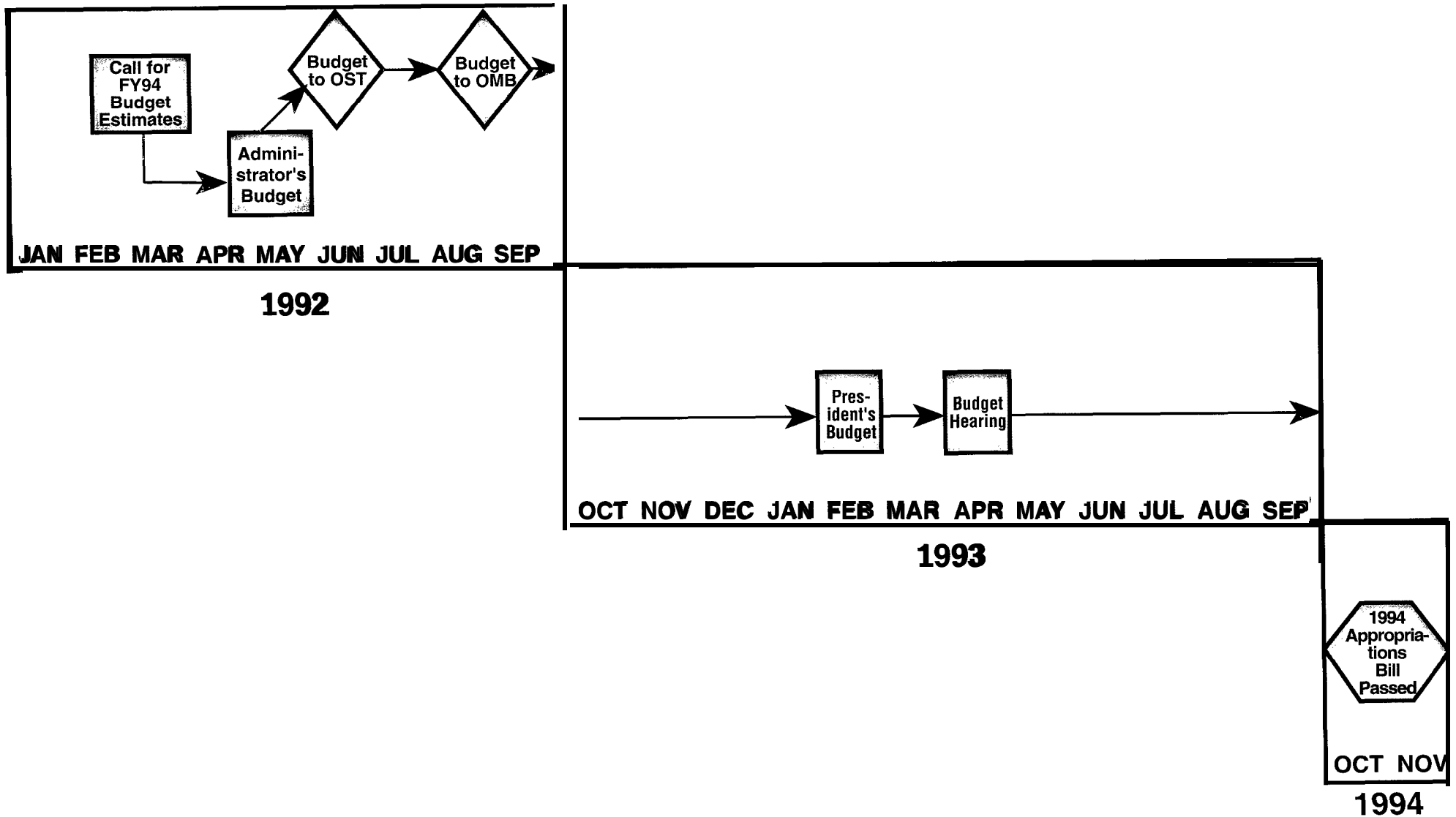


Figure 3.1

Budget Timeline

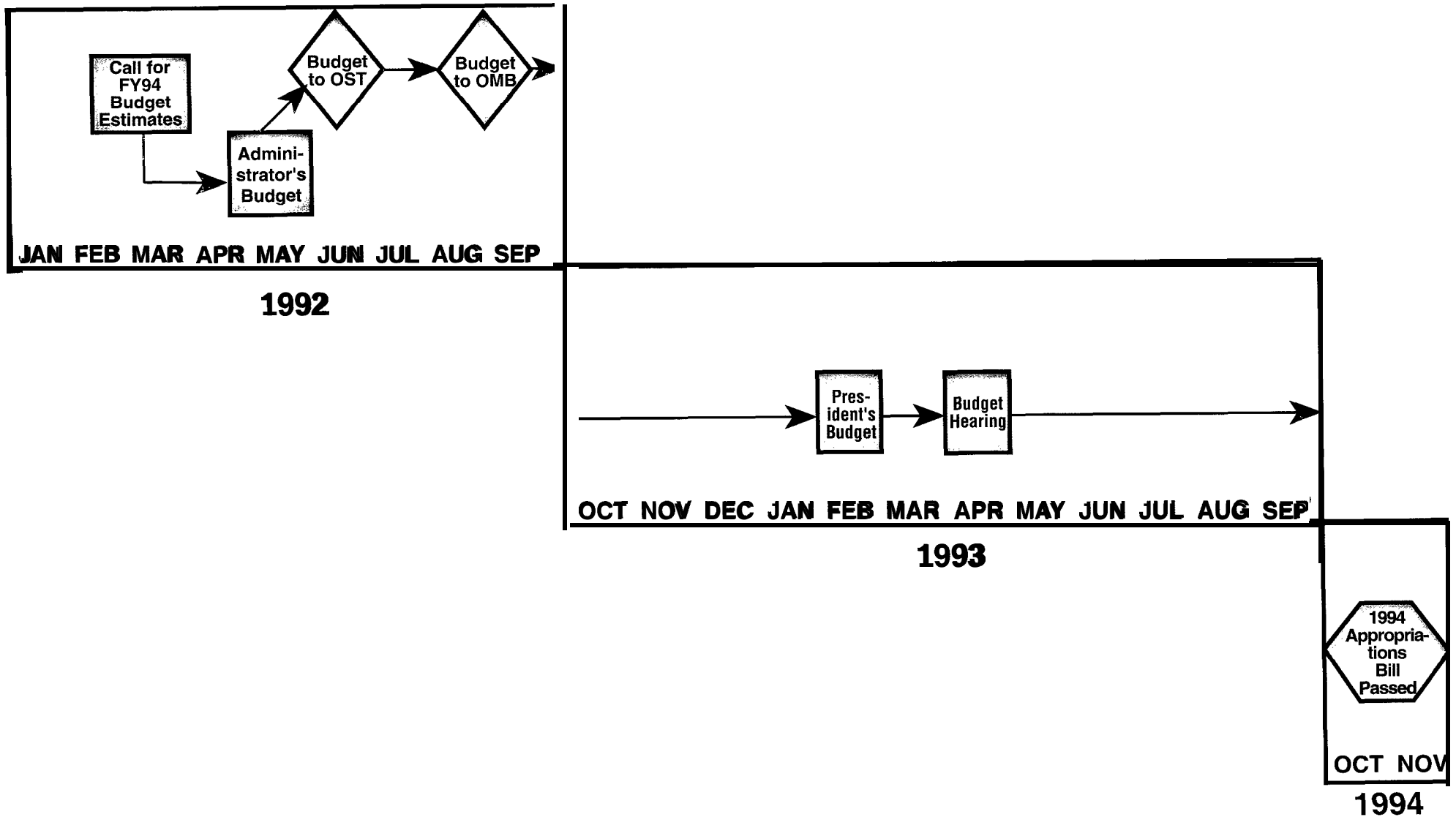


Figure 3.1

During February, March and April, the House and Senate Appropriations Committees hold hearings on the **FHWA** budget request. Generally, the Administrator, the Deputy Administrator, the Executive Director and the Associate Administrators are asked to appear before the committees. At some point during the summer, the House and Senate Appropriations Committees take action on the Department of Transportation's budget request (which includes the **FHWA** budget request) and recommend action to the full House and Senate. After the House and Senate have passed their bills and have agreed on a conference bill, the conference bill is sent to the President for signature. Unit managers will be kept apprised of issues or actions (e.g., President's budget) potentially affecting agency resource allocations.

Table **3.2** shows a schedule which the budget formulation process follows.

E. ALLOCATE RESOURCES

FHWA resources are finalized when the President signs the Department of Transportation and Related Agencies Appropriations Act. Although the Appropriations Act is to be signed by the President before October **1**, the signing historically has occurred as much as several months later. When there has not been an Act in place by October **1**, continuing resolutions have been used to ensure that agencies have funds for continued operation.

After the Act is in place, the **FHWA** receives its annual resources through the Office of the Secretary. The Office of the Federal Highway Administrator (**HOA**), through the Office of Fiscal Services, then makes allocations to the unit managers.

Table 3.2

Federal Highway Administration
Budget Formulation Process
Projected Timetable

May - July 1992	Unit Managers formulate Unit Plan to include FY95 budget
February 1993	Strategic Management Committee develops broad-based general budget guidance for FY95 budget
March 1993	Administrator issues budget call to unit managers
March/April 1993	Unit managers prepare budget requests
April 1993	Unit managers submit budget requests to the Office of Fiscal Services
May 1993	Administrator meets with the unit managers to review budget requests
May 1993	Administrator makes final FHWA budget decisions
June 1993	Administrator submits FHWA budget request to the Office of the Secretary
July - January 1993/1994	FHWA budget reviewed and modified based on discussions with the Office of the Secretary and the Office of Management and Budget
January - February 1994	President's budget submitted to Congress
February - April 1994	House and Senate budget hearings
September - October 1994	Congress takes final action on budget request and sends FY95 Appropriations Bill to the President for signature
October - December 1994	Administrator issues final allocation of resources to unit managers

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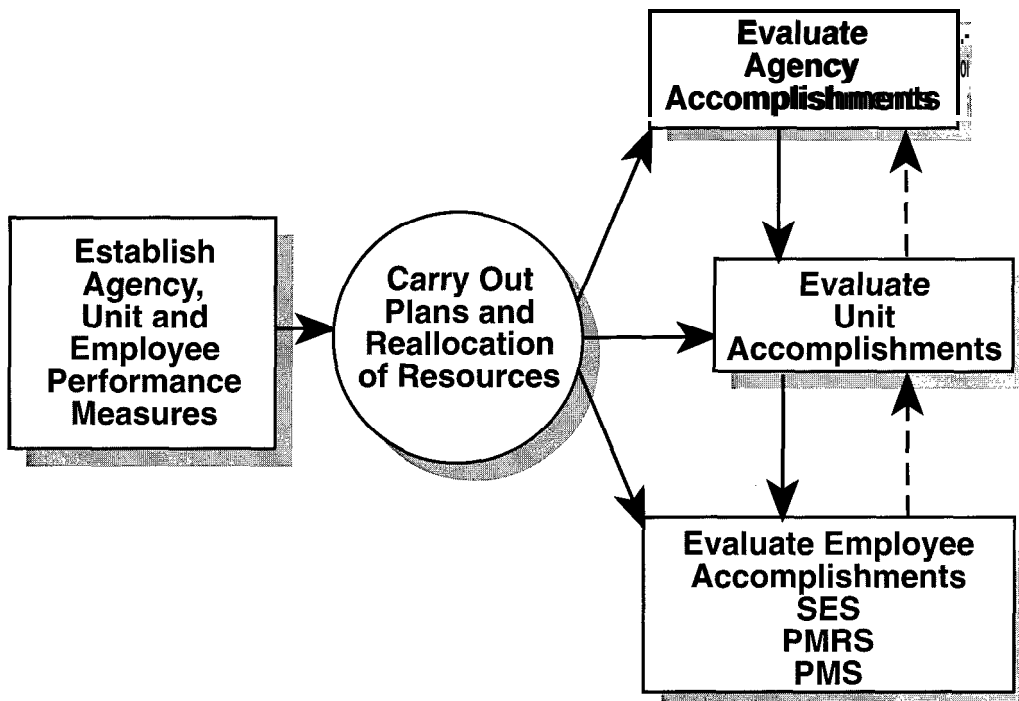
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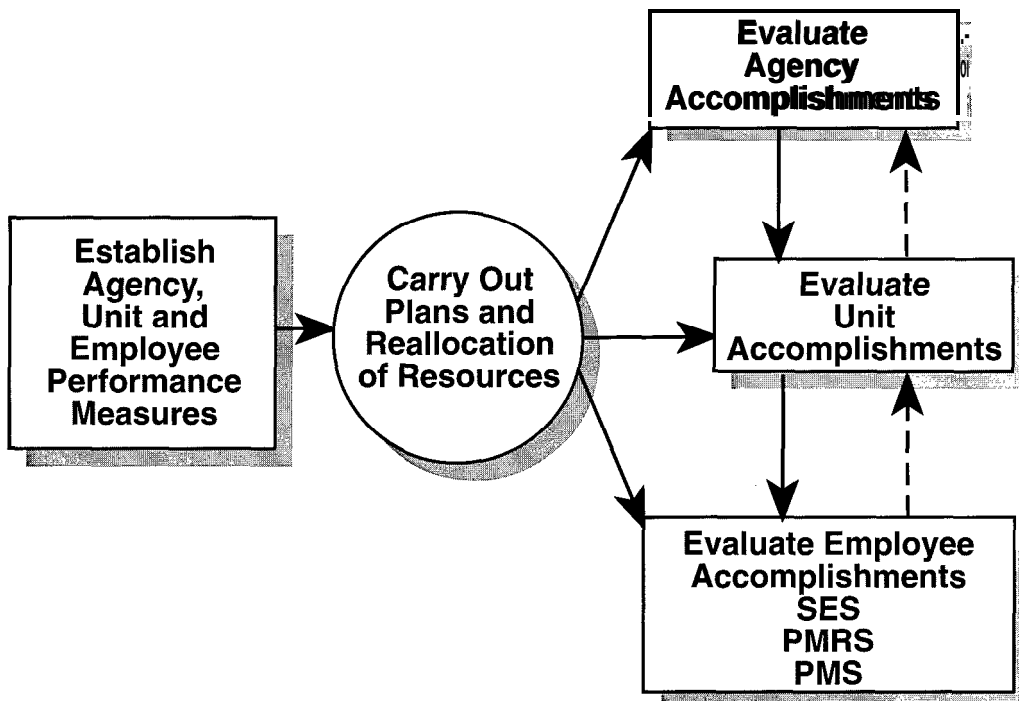
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Accomplishments



Accomplishments



ACCOMPLISHMENTS			
Activity	Date	Responsible Party	How Accomplished
<i>A. Establish Performance Measures and Planned Evaluations</i>			
A.1. Agency	January - February	Strategic Management Committee	Strategic Plan
A.2. Unit	July	Unit Manager	Unit Plan Objectives
A.3. Employee	Oct (SES) Aug (PMRS) Nov (PMS)	Supervisor	Performance appraisal system and Unit/Subunit Strategies
<i>B. Monitor Achievements</i>			
B. 1. Agency	Fiscal Year	Strategic Management Committee	Performance tracking
B.2. Unit	November	Unit Manager	Adjustments in response to budget approval
B.3. Employee	Mid-year	Supervisor	Mid-year Appraisal
<i>C. Evaluate Performance</i>			
C. 1. Agency	October - November	Strategic Management Committee	Performance tracking
C.2. Unit	October	Unit Manager	Performance tracking
C.3. Employee	Oct (SES) Aug (PMRS) Nov (PMS)	Supervisor	Performance appraisal

TABLE 4.1

- track achievement of the objective,
- are realistic and achievable within the anticipated time frame,
- are expressed in terms that are understandable, and
- are relatively easy to track.

Strategic Management Committee adoption of the Strategic Plan signifies formal adoption of Agency performance measures and target levels of achievement.

A.2. Unit

In order to meet the Agency goals and objectives, each individual unit must contribute its fair share. Accordingly, unit managers and employees are responsible for adapting Agency strategies to the local level and then implementing them in an efficient manner. To assure effectiveness, units must then assess their progress. This assessment of progress is key to linking operating activities with achievement of objectives. It also enables tracking the expenditure of Federal dollars and enhancing the delivery of quality products.

Unit Plans are developed and approved prior to the beginning of each fiscal year. They identify performance measures, similar to those contained in **FHWA's** Strategic Plan, to serve as the basis for unit performance. Unit Plans further outline and prioritize the strategies to be undertaken. Approval of a Unit Plan by the Office of the Administrator signifies formal adoption of the unit's performance measures and target levels of performance.

A.3. Employee

The unit's responsibility for contributing to achievement of the national Goals ultimately comes down to a defined set of activities. Individual employees are then accountable for completing the activities. In developing a Unit Plan, unit managers consider the unit's capacity to accomplish the planned activities.

Employee performance is established by referencing (or linking) the approved Unit and Subunit Plans to the appropriate performance appraisal system. This is done at all levels; for example, the Senior Executive Service (**SES**) objectives for senior managers, and performance standards, including the Critical Job Elements (**CJEs**), for Performance Management and Recognition System (**PMRS**) and Performance Management System (**PMS**) employees. Because differences exist in the timing of the performance rating cycles, establishing, monitoring and evaluating activities occur at a different time of the year; for

example, the **SES** cycle corresponds to the Federal fiscal year, whereas the **PMRS** cycle runs from August through July and the **PMS** cycle from November through October.

B. MONITOR ACHIEVEMENT

Progress toward Goals and Objectives is monitored through a feedback loop. Future plans — and actions — should reflect knowledge learned through past performance. Tracking actions is subordinate in importance to taking the actions; yet, tracking is necessary for the Agency, units and employees alike.

B.1. Agency

The Agency's overriding goal of the **1960s** and **1970s** was completion of the Interstate Highway System. Progress was tracked on a single national map. This map, and the accompanying reporting system, presented clear evidence of the progress of the Agency. Employees, managers, and the public were informed. Now new information on Agency progress is needed.

Information to determine Agency performance and accomplishments is perhaps now more critical under the **BPP**. Our management will need information to monitor the Agency's progress in achieving our objectives and goals. Equally important, our partners, Congress, and the public will be requesting information on our progress in carrying out the Strategic Plan as well as the **ISTEA** legislation.

Based on ~~**BPP-related**~~ performance data, the success or effectiveness of our strategies in accomplishing our objectives can be evaluated, needed adjustments to the objectives/strategies can be identified, and resources can be reallocated accordingly. While the need for information to monitor our Agency's progress under the **BPP** is critical, the specific information requirements have not been fully defined at this time.

Immediately following the submission of the Unit Plans, an assessment will be made to determine the specific information required to monitor the accomplishment of the plans from an Agency perspective. This will determine the agency-wide **BPP** informational requirements. Once **BPP** information requirements are identified, approaches will be developed for capturing information not currently available in existing systems and providing all necessary **BPP** related information to the **SMC**. This will provide the essential "feedback loop" for the **BPP**.

example, the **SES** cycle corresponds to the Federal fiscal year, whereas the **PMRS** cycle runs from August through July and the **PMS** cycle from November through October.

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To assure continued commitment to the public interest, annual evaluations keyed to the implementation of Strategies are essential. If expected progress is not being realized, corrective action can be taken. The public interest is not served by zealous commitment to a set of actions which, when faithfully discharged, does not yield the anticipated benefit. Assuming all planned Strategies have been carried out, the evaluation of key performance measures should indicate that the target has been reached.

C.2. Unit

Unit Managers will assess unit performance and keep the Strategic Management Committee informed of progress through Unit Plans. The unit evaluation provides the foundation for the unit manager's performance appraisal, the results of which are documented in the Unit Plan under the section entitled "Tracking Accomplishments." This section and others in the Unit Plan are described in the document, "Unit Planning Process; A Resource Guidebook."

C.3. Employee

Employee performance is rated through the existing performance appraisal system at the end of the cycle. Employee performance objectives should be closely tied to the activities for accomplishing Unit Plan objectives.

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GLOSSARY OF KEY TERMS

Accomplishment	The process of setting performance measures and targets for objectives, strategies/activities and evaluating outcomes and actual accomplishment.
Allocation	The assignment of resources (budgets, people, etc.) in a reasonable manner and against objective criteria within the strategic planning process.
Business Planning Committee (BPC)	An appointed group of FHWA employees and advisors who support the SMC in the development and management of the FHWA Business Planning Process.
Business Planning Process (BPP)	FHWA's strategic management process; a planning framework intended to improve communication, resource allocation and decision-making toward the achievement of shared goals.
Goals	Broad statements that amplify the organizational vision and specify achievements over the long-term, i.e., over 3 or more years. Achievement of the goals as a package contributes to achievement of the organizational vision.
Mission	The purpose of the organization; what business the organization is in and what it wants to deliver.
Objectives	A description of the condition an organization is trying to achieve enroute to a goal; a specific, actionable, measurable statement designed to help management determine the strategies/activities needed to reach a goal; the "what."
Passback	The portion of a budget request that is approved by higher authority for future budget development; the allowance of requested resources provided by the reviewing budget official.
Performance Measures	Specific criteria against which actions and outcomes can be assessed. Targets are the expression of value that is trying to be achieved for performance measures, usually, a quantity or percent related to time.

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Unit Plan	The interpretation of the Strategic Plan at the unit level; in essence, the multi-year strategic plan for the unit , unit.
Values	What an organization stands for; its guiding principles, philosophies and culture, "How we want to be perceived."
Vision	A picture (images, metaphors, words) of the "preferred organization" at some point in the future; "What are we striving to be?"

