

# Governance Fundamentals

## *Setting Direction*

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 in this section indicate that this governance practice is assessed under the [Ministry of Health and Long-Term Care’s Accountability Reform requirements](#) for expanded budget flexibility.

## 1 Setting Direction

### 1.1 Strategic Planning

Strategic planning is a process of assessment, analysis and planning for the future of the organization. It is a responsibility of the board of directors, usually mandated by the Bylaw.

This section will address:

- What is strategic planning and why do we do it?
- How do we do it?
- How do we use our strategic plan?
- How often should we do strategic planning?
- What is the difference between a strategic plan and an operating plan?

### 1.1.1 What is strategic planning and why do we do it?

Strategic planning is a process, led by the board, to:

- Establish priorities for the organization for the future
- Make informed choices on what the organization will do and will not do
- Create a plan around which all board members and staff coalesce
- Establish a plan that guides the allocation of resources (financial and human)

A strategic plan helps to keep the organization focused on clear goals and objectives. It ensures that the organization's priorities are aligned, as appropriate, with the interests of other providers, funders and stakeholders. And a strategic plan provides clarity to staff and stakeholders about what is most important to the organization.

A good strategic plan will guide the organization's decision-making (e.g. What programs should we provide? How should resources be allocated?). FHT/NPLC decisions can (and should) be measured against the basic question, "Does this align with our strategic plan and does it contribute to the achievement of our strategic priorities?"

### 1.1.2 How do we do strategic planning?

It is important that the board commit to undertaking a meaningful strategic planning process. While it is possible for the board and the organization to undertake the process on their own, most organizations find it helpful to use an independent, external party to lead the process. This ensures objectivity, and can facilitate discussions that may include differing perspectives.

Strategic planning is the responsibility of the board and it is essential that the board be fully engaged in the process. It is usually done in partnership with the executive director and the senior staff team. It is helpful at the outset to establish a process that defines how strategic planning will be undertaken, the roles of the board and staff, and how they will work together. For example, is there a Strategic Planning Committee? Do the board and staff meet together or separately to undertake their assessments and to make recommendations on strategic priorities? How is all of the input gathered and analyzed? Will the planning process include any external stakeholders or community partners?

There are many ways to do strategic planning. It can be done in a series of meetings (board meetings or special meetings; board retreat). It can be a small, tight process or a

large public process. It can include surveys, consultations, focus groups, and brainstorming sessions.

Strategic planning processes typically involve the following stages:

- Develop and/or review of the Vision, Mission and Values statements
  - The vision statement is a comment about the desired future state. It is a long-term focus that should inspire a compelling view of the future. Does the vision statement reflect what the board sees as a future state?
  - The mission statement reflects the purpose of the organization. What is it intended to do?
  - Values represent the moral underpinnings or principles on which the organization is based (e.g. integrity, collaboration, partnership)
- An environmental scan
  - What is the political, social, financial landscape and how might these factors impact the organization in future?
  - What are the needs of your target population?
  - What are the priorities of funding bodies, partners and stakeholders that should inform the plan (e.g. the Ministry of Health and Long-Term Care, the LHIN, community providers and agencies)
  - What are the emerging trends and practices in the sector and how might they impact the organization in future? (e.g. shift to more patient-centred care models, the involvement of the LHINs in FHT/NPLC capital planning)
- An assessment of Strengths, Weaknesses, Opportunities and Threats/Challenges (often called a SWOT analysis)
  - What does the FHT/NPLC do well?
  - What does it not do as well? What opportunities are there for improvement?
  - What opportunities does the current environment present? (Note: these are usually external in nature)
  - What threats or challenges are posed by the environment?
- Gap Analysis and Development of Strategic Priorities
  - Based on knowledge of the environment, and the strengths, weaknesses, opportunities and challenges, where are the gaps?
  - What are the emerging priorities for action? Do these align with the vision, mission and values of the organization?

There are many approaches to and templates for strategic planning. In some cases the board assigns responsibility to the executive director and senior management team to assemble a plan for board approval. In other cases, the board becomes more involved in leading the initiative. Some approaches to strategic planning involve consultation with staff at all levels of the organization and with external stakeholders; other approaches rely on the knowledge of fewer participants.

An approach that works well for small FHTs/NPLCs is for the board and management to work together to create the strategic plan. The board is involved in helping create (or update) the vision, mission and values and the strategic priorities. An environmental scan might include input from staff and the community. And management develops the operational objectives and budget to achieve the strategic priorities, presenting the full plan to the board for approval.

Regardless of the approach taken, the board must be confident that it has an accurate view of the organization and the environment in which it operates from which to base decisions on future direction.

### **1.1.3 How do we use our strategic plan?**

The strategic plan should be viewed as a living document that guides the actions of the board and management. To be effective, the plan must be easily accessible (for example, summarized for easy reference, posted on your Web site or intranet, written in clear language). It can and should be used to measure the organization's progress toward its priorities. The board should receive regular updates from the executive director and monitor progress toward the achievement of strategic priorities.

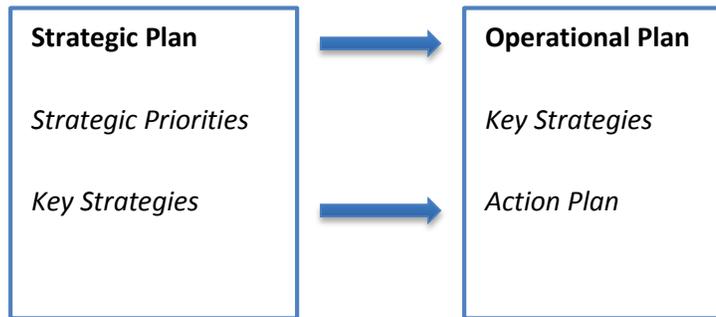
### **1.1.4 How often should we do strategic planning?**

Planning is a process of looking forward. A typical planning horizon for organizations is 3 years, particularly if they feel that the environment or circumstances are changing rapidly or are likely to change.

It is good practice for the board to do a high level review of the strategic plan annually to confirm that the strategic priorities are still the priorities, and to consider whether changes within or outside of the organization may necessitate a change in plans. These reviews need not be extensive or lengthy unless issues emerge that call for a more thorough review. The strategic plan must remain relevant to the board and the organization, or it becomes a meaningless document that will not provide the kind of guidance it is intended to provide.

### 1.1.5 What is the difference between a strategic plan and an operating plan?

A strategic plan is often described as the view from 30,000 feet; an operational plan is the detailed view from ground level. The operational plan takes over where your strategic plan leaves off.



The priorities identified in a strategic plan should be broken down to an operational level. The operational plan should address the “how” you are going to achieve your strategic priorities. The operational plan is an annual plan, tied to your strategic plan, but with the addition of detail such as:

- Activities
- Specific goals and targets
- Timelines
- Responsibility
- Resource requirements
- Success indicators and measures

Progress toward achieving the goals and targets identified in an operational plan is often monitored using regular reports to the board in a format that allows the board to know whether the activities are ahead of or behind targets, the amount of any variance, and the reasons for variance. The board may ask its executive director to complete a “balanced scorecard” on key indicators.

This operational plan is often the basis for the required annual ministry submission that describes the programs, measures, staffing allocation and budget.



[Sample Balanced Scorecard](#)



## Resources and references

For an in-depth look at the evolution of health care balanced scorecards and how to develop one see **[The Balanced Scorecard as a Management Tool for Assessing and Monitoring Strategy Implementation in Health Care Organizations](#)**



## Questions to consider

1. Has your FHT/NPLC reviewed/updated its original strategic plan? If so, what level of staff and stakeholder engagement did you undertake? How did the process inform your understanding of your FHT/NPLC? What did you learn? What changes did you make?