

The integrative (or disruptive) role of performance-based planning .

A perspective from the Italian local Government

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1. Introduction

In the last two decades public sector reforms emphasized, firstly, the introduction of performance measurement and, subsequently, on veritable performance management systems. Hence, performance still is a key subject with many implications at the political, strategic and operational level. In this respect, there has been a proliferation of researches about how performance management can involve public organizations and what the use of information in performance measurement is. However few studies have focused on links between strategic planning and performance, as well as the influence degree of the strategy on operational programs, results and impact. Few exceptions have argued the need for integration (Bryson 2004; Poister 2003). Traditionally there has been a tendency to emphasize the distinction between the role of strategic planning and the implementation of performance management tools.

It is well known that from the incremental logic to the rational perspective approaches to strategic planning may be differences with a consequent variability of success. Variables of context undoubtedly have a crucial importance as well as the relationship between politics and administration (or better the way by which political decisions are translated into strategies and operational programs).

Strategic planning is traditionally seen as the most appropriate approach to lead an organization to achieve its goals and performance improvement, whilst performance management is a system by which to set aims, to manage effectively and to achieve these goals. In this sense strategic management could be the right “bridge” for the integration.

As a matter of fact, as the experiences carried out in some countries (for example the UK Best Value regime, New Zeland, etc.) the affirmation of new paradigms of public management now require to thin this difference and further integration with strategic performance management. That is to avoid the risk that public agencies focus excessively on

short-term objectives and internal performance management. By this way, they may take into account the importance of a longer run vision (Poister, 2010).

This paper tries to answer the following question: *how the approach to the strategies can be linked to performance management? Is it suitable to build documents linking strategic dimension and performance management systems?*

In this perspective we proceed with some considerations about the benefits of the rational planning and the risks of an overproduction of planning documents, with both strategic and operational content.

In particular, the paper compares the cases of Italian local authorities, where the traditional planning system has recently been enriched by the Performance-based Plan. Performance-based plan is a specific performance document, having both strategic and operational content. In many cases, the Performance-based Plan, drawn (in a range varying from one to three years) is a schematic representation of the connection among the content of the political program and the tools to implement the planning, programming and control system. Accordingly, empirical evidence suggests that every administration have been involved in launching performance-based plan, by creating a link between strategic dimension and performance management system. So performance-based planning and programming (PBPP) refers to the application of performance management principles within the planning and programming processes.

In Italy, in 2009 a reform went through for the implementation of the “performance cycle” in public administration, according to an encoded pattern that is now the main source of change. This model is supported by the planning programming tools already in use and has been differently incorporated at the various levels of the public sector (central, regional and local). In the case of the local government, the performance cycle fits in a structured system aimed above all at financial planning and has to be linked to a series of operational programs that are designed to respond to different needs. The matter are following “which aspects of performance are affected by the strategic planning and how is the link with the financial process?”, “Is an hybrid document of strategic and operational adapt to make sure performance? In the case of the local government, the performance cycle also fits in a structured system connected to the financial planning and has to be linked to a series of operational programs designed to meet different needs.

2. Strategic Planning in Pubic Sector

Over the past three decades at all levels of government of the public sector there has been a widespread need to respond by means of systems and management tools to adjustments arising from extremely inconstant conditions. For this reason the use of strategic planning has become more frequent and the “interest in the importance of models of policy formulation is re-emerging” (Boyne, 2001: 73).

In literature, strategic planning is intended "a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it "(Bryson, 2004: 6).

However, studies on strategic planning in the public sector, although starting from the same assumptions, diverge from the strategic planning approaches in business management. Particularly, in the public sector strategic planning is supposed to strongly affect the organizational performance and outcome.

While in the business management studies, advocates indicate strategic planning as an instrument for affirming values and pursuing a competitive advantage, in the public sector proponents explain the positive impact of strategic planning on organizational outcomes and, especially performance (Boyne and Walker, 2010). Poister (2010) points out, while strategic planning in government often reorders priorities and redefines performance criteria, it also set goals for improving performance and creates initiatives for addressing constraints on performance or implementing new approaches to strengthening performance.

Boyne (2001) has highlighted several explanations that may lead the public sector to adopt a rational planning or strategic planning, giving reasons as follows:

- supports officials to explain the objectives and goals;
- formalizes communication;
- not reduces the reactionary responses to external shocks;
- helps complex organizations to plan in the long term;
- strengthens organizations to conduct analyses that can improve decision making;
- makes homogeneous activities of complex organizations.

A key question emerged on the topic of strategies in the public sector concerns the contrast between the rational approach to strategic planning and logic incrementalism. Rational planning and logical incrementalism are the two main models of strategy formulation in the public management literature (Quinn 1980).

The issue plays a central role in the debate. While strategic planning proposes a method, a sequence of steps, a link between documents, logical incrementalism is based on a predominantly political rather than analytical approach (Walker et. Al. 2010). It is based on the "muddling through" of Lindblom (1959) by which incrementalism is "an intentional process that attempts to account for an ever-changing environment and the limits on information-gathering" (Poister et. al. 2013).

Researches and analyses carried out so far indicate that the rational approach to strategic planning in the public sector is more effective than the logical incrementalism. A comprehensive review of the findings is included in the work of Poister et al. (2013) where several works are mentioned where it has been shown a positive relationship between the rational approach to strategic planning and the positive effects on performance.

Boyne and Gould-Williams (2003) tested the impact of various aspect of a strategic – planning regimen – setting targets, carrying out an internal analysis, conducting an external analysis, developing action plans, and the perceived ease and usefulness of the internal and external reviews – in local government in Wales (Poister et al. 2013: 593)

In the most recent study Walker et al. (2010) show two significant findings in the case of English local authorities. “The first finding, and one that supports prior research in this field, is that rational planning processes are associated with better organizational performance. By contrast, logical incremental processes of strategy formulation appear to have little effect on service achievements. The second finding is that prospecting leads to higher levels of performance. This finding is consistent with the view that organizations that are innovative, outward looking, and responsive to changes in the external environment are likely to be better performers” (Walkers et al., 2010: 736)

By the logical incrementalism “group processes, power relationships, politics, personal values and organizational cultures prevail” in the approach to strategy. There is a sort of recognition that interactions among key individuals and groups will exert strong influence in strategy (Camillus, 1982; Poister et al., 2013). Logical incrementalism essentially argues its interpretation on two foremost levels. On the one hand it allows a contingent interaction between policy, decision-making and organization, improving the cohesion and identifying new directions for the future. On the other hand, it enables managers to adapt their behaviors to political pressures, and could not get a positive impact on the performance of public agencies.

There are also hybrid forms in which the strategic planning, intended in a rational sense, with a formal structure through its goals, policies, programs, actions, is sustained by the use of a logical incrementalism. These forms of strategy are defined as blended.

3. Strategy and the role of performance-based plans

As many studies and researches show, emphasis on performance in public organization, over the past decades, is mainly due to: an increased demand for accountability from stakeholders and a commitment of practicing public managers to manage their organization more effectively (Poister et.al., 2013: 585) . The maxim “management for results” has met several followers in the managerialization of public sector. In the New Public Management doctrine, efficiency and effectiveness improvements have been considered pursuable by adopting a focus on results while increasing managerial flexibility (Dunleavy and Hood, 1994; Gray and Jankins, 1995; Moynihan, 2006; Osborne and Gabler,1993). When considering the proposed models, what mostly matters is how management can influence the performance. However, a special attention has been paid to how strategies can affect performance. Compared to what has been above argued, it is not a common opinion that strategy may influence performance. Strategic dimension and management dimension are differently treated.

Attempts to measure and manage performance have been key features of recent public management reform (Bouckaert and Halligan 2008; Organization for Economic Co-operation and Development [OECD] 1997). Performance measurement and reporting has been contained in the national policies under the New Public Management (NPM) paradigm to deal with issues relating to accountability, efficiency and effectiveness in the public sector (Holzer and Yang, 2004; Halachmi 2005; Taylor 2007).

The success of performance management depends on a series of essential factors, especially in the rational approach to strategic planning (Boyne, 2001). In particular it seems useful to identify management tools in order to educate organization to a logic of planning and programming which translates in design and projects capable of addressing the business units to achieving results.

Accordingly, among these tools, a key-document capable of expressing strategies and identifying the overall objectives of the organization is the performance-based plan.

A framework of a performance based planning and programming process is being developed that will be consistent with an overall vision of performance management across multiple program areas.

Visioning is the strategic planning process, focused on setting goals and objectives. This may include scenario planning. These efforts would take into account national goal areas and any state or regional goals, as appropriate. *Program Area Planning* includes specific plans for key program areas. *Performance Reporting, Monitoring, and Evaluation*. This would be a reporting requirement that included descriptions of the performance of each national goal area. Framework For Results-Based Public Sector Management (OECD) provides a series of steps that are critical for the implementation of a performance system. The framework starts from the five components of management: planning, budgeting, implementation, monitoring, and evaluation. Results-oriented PSM needs four features core results attributes: 1) a focus on common results; 2) interdependency; vertical and horizontal integration.

In addition, the Framework recognizes the important role of the enabling environment in strengthening PSM systems, including senior leadership support, a results-focused organizational culture and management practices, and careful management of the change process along with private sector and civil society support. At least some of these elements must be in place if efforts to strengthen PSM systems are to succeed. As elements in a dynamic process, robust PSM systems can, in turn, reform the environment through mechanisms that help mobilize and engage relevant stakeholders.

Whilst it's easy to recognize the role of the performance-based budget, it's more arduous distinguish it from the strategic plan. The most basic form of performance-based budgeting is that which aims to ensure that, when formulating the government budget, key decision makers systematically take into account the results to be achieved by expenditure. This is what is sometimes referred to as "performance-informed budgeting."

The essential requirements for this most basic form of performance-based budgeting are:

- information about the objectives and results of government expenditure, in the form of key performance indicators and a simple form of program evaluation;
- a budget preparation process designed to facilitate the use of this information in budget funding decisions, including simple expenditure review processes and spending ministry budget decisions.

Experience shows that, in order for performance-based budgeting to work, reconsideration of spending priorities and program performance need to be formally integrated into the budget process. These routines need to be designed so as to make maximum use of available information on program performance.

The precise form such routines should take should be country-specific, depending in part on national specifics such as the characteristics of the political and administrative systems. However, some key common elements are

- a “strategic phase” early on in the budget cycle, which incorporates a preliminary consideration of the government’s broad expenditure priorities;
- an expenditure review process—even if a very simple one—that is designed to keep under review the appropriateness and effectiveness of existing programs and that can use performance information to help identify those that can be cut back, or even eliminated, as well as those that might be expanded;
- a systematic process for scrutinizing all proposed new spending initiatives; and
- a requirement that all spending ministry budget submissions be supported by information on the effectiveness and efficiency of its expenditure.

Indeed, in recent years, some kind of confusion is coming up, in the link between strategic planning and performance measurement system. In literature, until the '90s, strategic planning has been intended as that activity that sets objectives, target, goals and activities in the medium and long-term. In the debate, scholars have kept alive the focus shifted to the link between the definition and the strategic significance of the documents in public administration, but also the adaptability of the strategic approach from businesses management to public administration and how to operationalize strategies. This means responding to the question whether the action plans of the strategies should cover the resources. These latter are human resources, technology and tax all the necessary resources to the components of the action plans. More importantly the critical link between the action plans and the budget including the staff involved and the management costs that depend on the strategic objectives.

Each strategic objective must be properly weighted on the basis of available resources. If not, the success of the strategies can be heavily undermined. It is known that strategies not accompanied by appropriate resources provision are the main cause of strategic plans failure, as evidenced by the criteria of the Baldgrige model (Young, 2003:14). Finally, a determining factor for the strategies success depends on the activation of an appropriate system of performance measurement covering (Garsombke and Schrad, 1999; Young 2003):

1. *Input Measures*. These are the volume of resources used or total expenditures (costs) consumed to achieve a given output;
2. *Output Measures*. These are the quantifying of goods and services performed or delivered to customers;
3. *Effectiveness Measures*. These are the indices that assess how well a program achieved its goals and objectives; e.g., percent of wetlands preserved as a result of permit issuance; percent of inmates convicted of another crime after release, percent of placements successful after 30 days, etc;
4. *Efficiency Measures*. These are indices that assess or compare how much output was achieved per unit of input (costs); e.g. cost per complaint processed, cost per license issued, cost per prisoner incarcerated, etc.;
5. *Workload Measures*. These are indices that assess the level of effort required to carry out an activity; e.g., number of applications processed, number of inspections completed, number of miles patrolled, etc.

On this claim, many scholars agree that in the last 20 years have dealt with the implementation of performance management systems at different levels of government. “Performance measurement is exceedingly crucial to organizational success. Measuring the performance of action plans can tell an organization several things”

As Young (2003) claims “There is agreement, as evidenced in recent literature, in both theory and practice, on the general steps that are involved in a strategic planning process”.

1. An “environmental scan” or a situational analysis of the strengths and weaknesses of one’s organization, including an analysis of external threats and opportunities;
2. The formation of or the “putting into words” of a vision for the future and an accompanying mission statement which defines the fundamental purpose of an organization, its values, and its boundaries;
3. The development of general goals, specific targets or objectives, and performance measurements to gauge organizational progress;
4. A set of strategies to indicate what will be done to accomplish its goals and objectives;
5. The implementation of detailed operational or tactical plans that provide for staff assignments and schedules; and finally;
6. An evaluation component to monitor and revise the overall strategic approach as it unfolds.

4. The research

Aims

Research is part of a more general contest, which involved intensive interaction between researchers and local government experts on subjects related to the performance. In fact, the first part was dedicated to strategic planning tools and their link with their performance system. The research produced in six months results of an in-depth analysis of strategy elaboration, a definition of related programs and evaluation of their implementation, performance and impact. The survey was conducted in 2013 in 12 Italian cities of medium and large sizes with a metropolitan perspective. It has been developed in a context of Big Cities Initiative, which was proposed to identify and define the tools for improving performance management system in the large Italian cities. The initiative has been promoting a benchmarking based on a whole range of data obtained by a comparison oriented to enhance the best practices. The aim was to share possible lines of development of the planning, measurement, control and evaluation systems.

Method

The research method is blended by action research and case studies (Susman and Evered, 1978; Baskerville and Wood-Harper, 1998; Yin 2011). By the action research method, we have followed some crucial steps: selecting a focus, clarifying theories, identifying research questions, collecting data, analyzing data, reporting results, taking informed action. Consequently, we have cross-linked this method with the case study to make a comparison between two local governments that have been recently implementing a performance measurement system. All information was obtained through a steering committee within the organizations. The following actors participated in the team: director general, officials of the operational units for evaluation, controller, and two external researchers.

The first phase of the project was developed according to three basic steps. The first contemplated the setting up of a permanent group within the local authorities analyzed. The second has led to a definition of the identity of the local authority, its characteristic, the diffusion of managerial tools and consequently the level of development of managerial culture.

Several audits were carried on documents related to both strategic planning and performance determinants. The documents' analysis was alternated with a direct interaction with executives through several round tables and semi-structured interviews. It was finally drafted a final report containing the evidence of best practices and critical areas.

Thus, it has been possible to verify how performance systems have impacted on organization and if the first two years of implementation have led to a management improvement.

The coordination unit has identified two main clusters, with an approach to strategic planning and control, respectively, characterized by:

1. The adoption of a document performance-based plan, inserted among other documents of strategic planning and financial programming;

2. The failure in adopting a document explicitly dedicated to the performance and the allocation of performance assigned to documents for strategic planning and financial programming.

In this case, the assumption was that the performance-based plan, including the development of objectives, actions, expected results and indicators, can better stimulate the performance. The comparison demonstrated how the diversity of application of the performance management in two local governments, on the one hand, undergoes adaptations of context, on the other hand, leads in different ways to different results.

What emerges from the two case studies is the difference in approaching the performance system. In the local government where the performance-based plan was adopted, accordingly to a rational approach, that has mostly resulted in a change of culture. The explicit introduction of the performance cycle by a document has empowered all the managers of the operational units at all levels while creating some distortive effect between strategic planning and financial programming. This effect was mainly due to an overlap of programming documents already adopted and the performance-based plan.

In the second case, the performance cycle was latently introduced, by expanding the contents of existing documents. In this case, the effects on the organization have been less visible even if the alignment between strategic planning and financial programming was kept coherent.

Case studies

The planning and control system of the Italian Local Governments has a structure based on a series of documents assuming different meanings and contents. The first key document is the *Planning Guidelines for the Mandate* (Linee Programmatiche di Mandato, LPM) essentially having a political value, identifying the policies to implement in the main sectors of intervention. At the beginning of the electoral mandate, the political guidelines are adopted by the mayor and assessors for informing organization and citizens.

The second important document is the *General Plan for Development*. It has strategic functions that connect the different levels of programming with the *Planning Guidelines for the Mandate*. Thus, it represents the reference document for the programming documents of the municipality.

The third document is the *Planning and Forecasting Document*. It is a three-year document, which is yearly updated and serves as a prelude to the annual financial programming, acting as a bridge between the *General Plan of Development* and the other financial programming documents. It consists of a general section, with an illustration of the characteristics of the institution, and two distinct sections aiming at both resources analysis and identification of programs and projects.

The *Performance-based plan* is, instead, a tool recently introduced that fits programming tools, by translating strategy into operational objectives. It is a document having multiple meanings, under the profile of the performance management since it is mandatory for every

public agency. The performance-based plan in the public sector has the purpose to start the annual performance cycle; it should have at least a 3-year duration.

As required by the law, for the annual programming a central document is the plan of objectives. It has mainly an operational nature, with its strong influence on the management control system. The plan of the objectives is a document by which yearly Local Governments set targets and indicators by which the managers in all the areas implement a periodic monitoring. For this reason, it is clearly linked to the programs and projects of the Planning and Forecasting Document.

Table 1 – Strategic Planning Documents in the Italian Local Governments

DOCUMENT	SCOPE	DURATION	CASE 1	CASE 2
<i>Planning guidelines for the mandate</i> (<i>Linee programmatiche di mandato</i>)	Political	Mandate 5 years	X	X
<i>General Plan for Development</i> (<i>Piano generale di sviluppo</i>)	Strategic	5 years	–	X
<i>Forecasting and Programming Document</i> (<i>Relazione previsionale e programmatica</i>)	Strategic /Financial	3 Year Yearly update	X	X
Performance-based Plan (<i>Piano della performance</i>)	Strategic/Operational	3 Years yearly update	X	–
Plan of objectives (<i>Piano dettagliato degli obiettivi</i>)	Operational	1 year	–	X
Annual Budget (<i>Bilancio preventivo</i>)	Financial	1 Year	X	X
Executive plan (<i>Piano esecutivo di gestione</i>)	Financial/Operational	1Year	X	X

A recent document that seems to solve some problems of consistency in terms of programming system is the *Unique Document of Programming* (Documento Unico di Programmazione). It is a document that in the future will replace the Forecasting and Programming Document and will provide the strategic and operational guidance for the local governments. The *Unique Document of Programming* is structured into two sections: the strategic section with a time horizon of the electoral mandate, and the operational section with a duration of one year as related to the budget. Here we don't consider its analysis as not in use at the time when the research was conducted. Finally, the other two essential documents in a public administration, have a strictly financial content. They are the Annual Budget and the Management plan, a kind of performance

Finally, the other two essential documents in a public administration, have a strictly financial content. They are the Annual Budget and the Management plan, a kind of performance budget.

As outlined in Table 1, the two cases show a different sequence of their strategic and programming documents. Just in the Big City X the performance-based plan has been adopted.

Case X

In the Big City X, the macro-organizational structure is divided into areas. These areas are inspired by a divisional logic, by aggregating activities for large areas of public intervention and services. A manager is in charge at the head of each structure. The head of the organizational structure is the director-general who is the collector between politics and administration. Currently, the cycle of strategic planning originates mainly from the Planning Guidelines for the Mandate, given that it is supposed to have a remarkable power of influencing strategies. Despite common use, the General Plan of Development, usually considered the true strategic plan in the local governments, is missing. It could serve as a “bridge” between the definition of strategic issues, contained in the Program Guidelines for the Mandate, and the subsequent documents for developing strategies and specifying the indicators. Hence, as the director general claimed “such a role is assigned at the Forecasting and Programming Document” even if it is unable to fulfil a mere strategic role. The organization has realized that an effective strategic plan is missing; consequently has charged the performance-based plan of extra-contents. It seems useful to highlight how, until 2011, the document for declining strategic objectives into operational ones has been the plan of objectives. This flowed into a document of objectives with their respective indicators assigned to managers and officials. In 2012, a precursor document of the performance-based plan has been adopted and looming already the choice of integrating strategic objectives jointly to operational ones.

In 2013, the organization endorsed strategic and management tools by promoting the performance-based plan with the purpose of balancing at the same time strategic and operational objectives. In such a way, the administration wanted to make up for the lack of a document having the sole purpose of defining strategic objectives. So it has been introducing a multifaceted tool, as a reference document for the performance measurement system. To enhance its involvement in performance management, the governing body approved a special "Regulation on measurement evaluation and transparency of performance system ". The intention was to combine both aspects relating to the expected performance and those associated with transparency. In particular, an item of this regulation is dedicated to the "Integrated planning, control and reporting, re-describing planning and control system.

The process of defining and assigning targets for improving the quality and / or quantity of the services provided, their respective performance indicators and expected values is mainly supported by the following tools:

a) *Planning Guidelines for the Mandate* approved by the City Council at the beginning of the mandate, by outlining the strategic direction for the subsequent definition and articulation of programs;

b) *Forecasting and Programming Document*, where programs are defined and articulated over three years, and resources assigned for their implementation;

c) *Management Plan*, where short term objectives and financial resources are assigned to managers, responsible for cost centres, in line with the *Forecasting and Programming Document*;

d) *Plan of objectives*, adopted by the disposal of the Director General, in which the management objectives of development and improvement are detailed in activities, managers, weights and timing.

In this context, the Performance-based plan is inserted. It is annually drawn up by the Director-General and enhances the connection between the Planning Guidelines for the Mandate and other instruments of planning and programming. It has the function to make sure a unified and easy performance measurement system, as well as the clarification of relevant objectives for personnel evaluation.

Focus on Performance-based Plan

An element of relevant innovation in the strategic planning and control is the Performance-based plan. The local government adopted this plan with an annual duration that fits the whole system, to retrieve the value of the contents of the plan of objectives and fit the indications by the Forecasting and Programming Document. Also, it serves as a tool for defining strategic projects of the institution; then they will find their equivalent in financial quantification in the management plan (the performance budget).

The document schematically represents and integrated connection between the Planning Guidelines for the Mandate (with essential political significance) and the planning documents descending from these (with an essential managerial significance). Despite the usual three years duration, the choice of one year is motivated by the fact that a realistic vision of the objectives is privileged by avoiding the rituality that could be incurred in adopting a three-years document. Hence, this should facilitate a more rational approach rather than the incrementalism logic. The plan is so designed to make the performance cycle consistent with the content of financial programming and budget. In such a sense, the performance-based plan is supposed to act on two different levels. A first level it concerns:

1) the direct linkage with the *Programming Guidelines for the Mandate*, in absence of a *General plan of development* that would have the function of a strategic plan;

2) the connection with plans and programs contained in the Forecasting and Programming Document.

While a more operational second level identifies the actions and the annual projects that, from the point of view of the financial amount, have exploitation in the management plan.

The document is inserted in the process of definition and assignment of the objectives for a qualitative/quantitative services delivery improvement. These objectives are associated with performance indicators in the performance cycle connecting strategic planning and performance measurement system, regarding the entire organization (organizational performance) and employees and managers (individual performance). Such a process involves the entire organization (political body, director general, public managers, and personnel). Finally, following transparency principles, the document is made available to the public (citizens, professionals, associations, enterprises, etc.).

In such a system, criticism could be moved in the relationship between Forecasting and Programming Document and Performance-based Plan and for the lack of synchrony in the approval. The first document is an annex to the annual budget, so it is contextually approved. A second document is a management tool that is constructed for implementing the programs contained in the Forecasting and Programming Document. It has a 1-year duration and should follow the Forecasting and Programming Document of the reference year, by representing the operational program, especially if it has been built on an annual basis. In fact, that isn't in the first year because the Performance-based Plan has been unusually approved before the Forecasting and Programming Document. The delayed approval of the Forecasting and Programming Document is due to matters relating to the uncertainty that currently falls on the public finance system and to the extensions granted to municipalities in the budget approval process.

The plan is essentially divided into two parts. The first part outlines the common objectives, measurable in general or at the level of the single department. The second part is organized for each program and lists the Strategic Projects, representing interventions cut across departments and long-term interventions to refer to each manager (will be declined during the approval of the management plan). To make sure a large encouragement and greater responsibility, the administration proceeded to compare managers and quasi-managers, spreading a "spirit of solidarity" within the institution so providing a stimulus to a continuous improvement. "It's as if you had created a solidarity pact within the organization" (cited: DG).

Thus, the plan assumes a double meaning. On the one hand, it is of strategic importance, since it sets goals that will find their concrete implementation, in line with the contents established by the Forecasting and Programming Document. On the other hand, there is the operational program, which is measured and evaluated by the organizational and individual performance.

Critical issues in the link between the Forecasting and Programming Document and Performance-based Plan

Now, given that planning and programming system, a critical issue is due to the unrespectful sequence between the Forecasting and Programming Document and the strategic projects identified by the Performance-based Plan. For example, in the case of the strategic plan for

the tax residence, it is not always easy to recognize the connection between Performance-based Plan and Forecasting and Programming Document, since this last does not mention it, except that in the program introduction . The same thing happens about the strategic plan on the public service reorganization whose also the Performance-based Plan shows the overall framework based on a single area. This is problematic when defining the strategies of the institution since the Forecasting and Programming Document could be already articulated by identifying projects and goals that will be used in the Performance-based Plan for a concrete integration. In turn, the Performance-based Plan, should/could be focused in the same period of the Forecasting and Programming Document. That is to demonstrate the design capacity in the mid-term, regarding those projects conceived in a multi-year perspective.

The Financial alignment and the relationship between Performance-based Plan and Management Plan

As observed in Table 1, the management plan closes the circle of strategic planning, with specific reference to strategic projects and operational plans in terms of financial resources. This document is not only the financial quantification of what is expressed in previous documents, but it is also the ideal place where collect the budget schedules by which strategic projects and individual goals are assigned to executives. Its structure appears to be strongly influenced by both strategic and operational dimension. The first part of the document contains the management goals, as well as the strategic projects, that is the list of interventions, even in a long-term perspective, and across different areas. These are considered as a priority with respect to the mandate guidelines. Furthermore, it contains quantitative and qualitative parameters of measurement of the operational objectives assigned to subsidiary companies, regarding the aims identified in the Forecasting and Programming Document.

In the second for each managerial area we have:

- A summary of expenses and revenue for each responsibility center;
- the goals to reach for each manager ;
- the list of items of current expenditure, articulated into operating direct costs and common operating costs;
- the detailed statement of the principal items of expenditure in order to highlight the methods of use;
- the list of chapters / articles of current revenues;
- the scheme for evidencing collaboration assignments, study, research and consultancy entrusted to external experts;
- the prospectus (if any) of the products / services and related indicators in order to represent the ordinary activities of each managerial area.

Case Y

In the town Y, the macro-organizational structure is divided into areas. These areas are inspired by a divisional logic, by aggregating activities for large areas of public intervention and services. A manager is in charge at the head of each structure. The head of the entire organization is the General Secretary, a figure of administrative derivation that is mandatory in every Italian government. Over the years the strategic planning cycle has undergone several changes, inspired as by the evolution of the law, as by managerial innovations fostered by the municipality administration. The results of experimentations of the last years have been recently formalized with the adoption of the 'Regulation of planning, programming and internal controls '.

The planning system is supervised by a General Secretary staff unit. The centralized control's structure allows organization:

- a) to give relief to the programming dimension while avoiding that it is swallowed up by the accounting one;
- b) to strengthen the coordination function of the planning and programming system.

The approach to strategic planning system

The planning process uses prevalently planning tools provided by the legislation, and it doesn't contemplate voluntary planning tools. So doing, the planning process tries to maintain an appreciable degree of consistency and connection between the different planning and programming documents by a gradual declination of the Planning Guidelines for the Mandate in increasingly detailed objectives. This obviously cannot exclude incremental or emerging dynamic, but it helps to build an acceptable degree of consistency while making it different from the case X.

The main strategic planning document is the General Plan of Development. It logically takes place as an intermediate tool between the Planning Guidelines for the Mandate and the three-year Forecasting and Programming Document associated with the annual budget.

The General Plan of Development is used to connect the different levels of programming with the Planning Guidelines for the Mandate presented by the Mayor to the Municipal Council and is the reference for the reliability of the programming documents. Thus, it represents "the five-year framework within which the programs of the political mandate are incardinated and developed".

In order to draft the General Plan of Development, the guidelines sent are the object of a "feasibility study", in the light of financial, human and material resource realistically available in the next three years.

The General Development Plan is divided into two parts. The first part presents the aim of the document, its structure and contains a reflection about the scenario about the framework of

the human and financial resources and regulatory constraints for the programming period. Despite not being an accounting document, the General Plan of Development also contains an estimate of revenue and expenses for the period covered by the aggregate document. In this sense, while having a predominantly strategic significance, the document establishes the appropriate alignment with the financial programming and is linked to the multi-annual budget (a three-years term).

The second part contains the guidelines for activities, already indicated in the Planning Guidelines for the Mandate. Before their inclusion, an initial feasibility study is made by the Head of Finance. The data are also exposed to each program to allow an additional level of analysis, within each program line. These programs form the basis for the definition of the Forecasting and Programming Document. This last is the second document in the chain of planning documents, and it is built by using the “sliding” method. The Forecasting and Programming Document is defined according to standards fixed by law and in analogy to what has been achieved by other Local Governments.

In particular, the third section of the Forecasting and Programming Document details the political guidelines already set out in the Planning Guidelines for the Mandate, and specified by the General Plan of Development. In this document, the guidelines are divided into programs and projects in an analytic way in comparison with the General Plan of Development. For that reason, we can assert that the logical construction of strategic documents takes place according to a “cascade” model. The attempt to build a coherent system from the guidelines for Mandate rigorously consists of the following steps:

- structuring of the *Planning Guidelines for the Mandate* by defined program guidelines;
- the submission of such guidelines to a "feasibility study" on the occasion of the definition of the *General Plan of Development*;
- the breakdown of the program guidelines into projects, so they can be connected with the *Forecasting and Programming Document*;
- the connection between *Forecasting and Programming Document* and the *Plan of Objectives*;
- the contextual definition, when preparing the annual budget, of update objectives in the *Forecasting and Programming Document* and the future goals.

A special feature of the system is given by the lack of adoption of the performance-based plan. As above observed, the role of this document is temporarily assigned to both the Management Plan and Plan of objectives which together compose an operating budget.

Management plan and plan of objectives

The *Management Plan* comprises the *Plan of Objectives* and an accounting document articulating the budget into chapters and cost centres/centres of responsibility. The recent regulation on “planning and internal controls” has predicted that in order to organically compare the Plan of Objectives with Performance-based Plan, the annual objectives of the management plan are always referred to programs and projects of the *Forecasting and Programming Document*." In this case, it reaffirmed the strong link between the *Forecasting and Programming Document* and *Management Plan*. Lastly, in order to remedy for the lack of adoption of the performance-based plan, each annual goal aiming at completing programs and projects is associated with a specific weight.

In general we can say that, although the national legislation provides for a series of mandatory planning documents, the annual budget has the main role and, consequently, drives all other documents. This implies an incremental decision-making dynamic. The planning process tries to ensure the logical connection between the variety of planning documents and programming (guidelines, programs and projects) and the financial cycle with the annual budget in order to "ensure at least a possible coherence ". The main criticality highlighted is concerning the absence of an instrument directly linked to the performance, the operating system planning is not sufficiently connected to evaluation mechanisms for the organizational areas. The evaluation system of the individual seems to work effectively, given the link with the plan of objectives. The main risk is the disconnection between the *General Plan of Development* and the incrementalism of the annual budget.

5. Discussion and conclusions

Findings show that:

- a move towards performance-based plan is still intended to strongly influence individual performance but must still find a better contextualization at the organizational level;
- the connection between the documents of the traditional planning and programming system with performance cycle is not always easy and leads to duplication and replication that can adversely affect output and outcome.

The two cases analyzed demonstrate how the approach to the performance cycle may be different, albeit within a similar framework. The main difference is given by the introduction of the performance-based plan with an integrative role among the planning and programming system tools. We have emphasized the integrative role but, if not coherently linked to both planning tools and operational ones, its use could be destabilizing or disruptive.

Case X demonstrates the weaknesses in terms of strategic planning, as it is moved to the operational planning. The lack of a General Plan of Development does not allow to combine completely political and management spheres. There is a kind of "jumping" from the Planning guidelines for the mandate to the Forecasting and Programming Document, which

is essentially a document intended to introduce the financial cycle through a prior allocation of resources. This document is an annex of the annual budget, so do not separable from this.

During the interviews, we observed a gap in the strategic planning system. The adoption of the performance-based plan has partly made up for the lack of a strategic document and has led the organization to a change of direction in the programming model.

Table 2 – Comparison of results

	<i>Planning guidelines for the mandate (Linee programmatiche di mandato)</i>	<i>General Plan for Development (Piano generale di sviluppo)</i>	<i>Forecasting and Programming Document (Relazione previsionale e programmatica)</i>	<i>Performance-based Plan (Piano della performance)</i>
Case X				
Advantages	Key policy document based	-	Incorporates the political guidelines and anchors them to the financial cycle	The most important management tool in its strategic and operational dimensions
Criticalities	It partially replaces the Strategic Plan	-	Affected by the lack of an effective strategic document	Hybridity of the document for the multiplicity of meanings
Case Y				
Advantages	Key policy document based	It's considered the strategic plan and formally starts up a cascade process	Incorporates the strategic objectives and anchors them to the financial cycle	-
Criticalities	None	It contains a financial dimension not required	"Chinese boxes" effect and rituality	-

This managerial innovation undoubtedly drives the strategic level towards a rational approach to planning, by facilitating the decision-making process and avoiding any automatism. Through the double implication of the performance-based plan - strategic and operational – the organization is more disposed to achieve objectives and goals.

Moreover, the administration has renounced to draw up the plan of objectives, having the function of giving meaning to the management control system in the Local Governments.

Goals, targets and indicators already set during the programming phase help better heads of departments and manager of individual services to check the progress of their operating units. Furthermore this facilities any feedback process in the management control system and may encourage the achievement of results, by increasing their accountability.

In the town Y, where the strategic planning system appeared as orthodox and anchored to laws and regulations with the “cascade” model, the framework is apparently more solid than the case X. However, the gap is felt in the operational part where, since a concrete performance-based plan is missing, the organization is penalized by the lack of an element of connection between strategic planning and operational programs. The only link is provided by the plan of objectives that is associated with the management plan. In this case, however, there is a deficit of indicators able to show the overall organizational performance.

A partial resolution to the problems highlighted above could currently come from the introduction of the Unique Document of Programming (recently introduced by law and mandatory from 2016) which will replace the Forecasting and Programming Document. This new hybrid tool should remedy by building more coherent links among strategic planning, operational planning, and financial cycle. In any case, the single programming document can coexist with the performance-based plan, since this latter, when considering strategic and operational objectives, is primarily intended to monitor and evaluate organizational performance.

If anything, a matter of concern once again is about the degree of certainty of the flow of resources and the timeline. The certainty of financial resources can be made sure only by the annual budget that normally, with the current conditions of public finance, is at this moment approved with substantial delays and usually during the reference year. The timeline will inevitably imply a content consistency, as the Unique Document of Programming, approved in the previous year, will be the basis for the annual budget approval. On one hand, it will represent a distinctive guide for the strategic aims of the political mandate and an annual guide for the operational purposes. On the other hand, it will be a start-up guide for the financial cycle.

Ultimately a local authority has two alternatives. The first alternative is the use of the Unique Document of Programming jointly with the Management Plan as documents in place of the Performance-based. The documents have to be integrated into different moments since the management plan is adopted only after the annual budget approval.

The second alternative deal with the adoption of an appropriate Performance-based Plan that has to be updated when the other documents are approved (i.e. annual budget and management plan). In this way, the performance-based plan will play a more serviceable and will integrate the measurement and evaluation system. The performance-based plan, when used, will need to include activities and results of the year, with the flexibility to allow the appropriate adjustments, once the annual budget has been approved.

Finally it is possible to conclude that:

There is a range of possibilities in approaching strategic planning for local governments. First of all, these should follow the principle of separation / integration between different policy and management. Secondly, performance-based plan involves a greater tendency towards a rational approach.

The performance-based plan integrates the measurement and evaluation system of a Local government and can be a reference point in both strategic and operational phases. Nevertheless it needs to be anchored upstream, to strategic planning documents, and downstream, to the operational programs.

A realistic plan performance should embrace strategies, in the implementation phase, and therefore the activities of the operational phases. It should also ensure that the sequence input-output-outcome becomes a fundamental paradigm for public management. If not,

public organizations risk of losing sight of the outcome as a key component of the performance system, by giving preference to the internal processes having a tendency to focus more on individual variables and less on the positive external effects. In the event that does not meet the above conditions, its role may be dysfunctional or even disruptive

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