

## REPORT ON ANNUAL PLANNING AND BUDGET

In the Executive Summary of the McKinsey report prepared in April 2006, McKinsey found that:

The annual budgeting process for administrative services is not explicitly tied to institutional priorities and there is no formal planning process that creates the necessary linkage.<sup>1</sup>

President Wright, recognizing an opportunity for Dartmouth, asked the Provost and Executive Vice President to develop a new annual budget process that more effectively ties budgets to institutional and administrative priorities. This process will shift more responsibility to department managers, who will carry out the agreed-upon initiatives with increased discretion.<sup>2</sup>

### RECOMMENDATIONS

Although the McKinsey team shared their view of best practices for an annual planning and budget process, they recognized that we would have to identify our own methods for implementing such a process at Dartmouth.

A divisional and department-based annual planning process that is linked to resource allocation and forms the basis for operating budgets should have certain characteristics in order to be successful. It should:

- Reflect the mission, vision and core values of Dartmouth;
- Directly reflect the strategic plan of the College, which is a faculty effort led by the Provost;
- Be consistent with the priorities set by the President;
- Stimulate discussion and allow for input within and across divisions and programs;
- Align resources and management attention to priorities;
- Allow for regular assessment of progress against mutually agreed upon goals;
- Be transparent, communicated broadly, and increase the clarity of the plans and priorities of the College;

It is important to be clear in differentiating the annual planning process from the budget process. While both are critical, closely linked components of a resource allocation strategy, planning addresses priorities and programs, while the budget helps to understand the costs of programs and support the leadership tradeoffs between programs across campus.

A successful planning process focuses both on new resources as well as reallocating existing resources to support high priority programs. In fact, this will be the primary means of support for new initiatives. To affect this kind of reallocation, it is important

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<sup>1</sup> IMPROVEMENT OPPORTUNITIES FOR ADMINISTRATIVE AND SUPPORT SERVICES: THE MCKINSEY REPORT EXECUTIVE SUMMARY, p.3 <http://www.dartmouth.edu/~presoff/report/summary.html>

<sup>2</sup> Letter from President Wright responding to the McKinsey and Company report, April 26, 2006, <<http://www.dartmouth.edu/~presoff/report/wright.html>>

for divisions and departments to identify programs that are at the bottom of the priority list as well as those at the top. The planning process assures that there is institutional knowledge, discussion, and coordination of both growing initiatives and those that can be downsized or discontinued.

With preliminary work prepared by the Executive Vice President's office, the process for annual planning at Dartmouth was tested with selected senior staff, Deans and Vice Presidents.

Strategic and tactical planning already exists in many departments and programs at Dartmouth, and the Amos Tuck School of Business Administration has particular expertise in the methodology of developing strategic plans. A small ad-hoc work group of staff across campus was formed, consisting of staff that have been engaged in planning in their own departments and divisions. They provided input into the further development of the annual planning process, and a set of materials that would be useful in consolidating and assuring consistency of planning efforts across campus.

We outlined a set of steps that would be conducted annually as major elements of the planning process and that would link to the budget process.

#### **STEPS FOR ANNUAL PLANNING**

1. President communicates priorities and goals for next 1-3 years campus-wide. (July)
2. Divisions and departments prepare written planning summaries (September, October).
3. Divisions and selected departments make oral presentations to the Dartmouth College Budget Committee. (October, November)
4. Based on feedback, divisions and selected departments present summaries of planning sessions to the Faculty Committee on Priorities and Student Budget Committee with opportunity to provide feedback. (November, December, January)
5. Public dissemination of planning summaries takes place. (January)
6. President, Provost and EVP incorporate translate priorities into annual budget plans. (February, March, April)
7. Progress against plans is incorporated into feedback and next year's goals and priorities. (June, July)

#### ***Year One Implementation***

Since no formal annual planning process is currently in place at Dartmouth, we recognized that the elements of a comprehensive program should be phased in over a period of time. For example, data gathering and analysis and the assignment of metrics might not be completed in the first year of implementation. Furthermore, timing does not allow for a thorough "bottom-up" process within divisions that would facilitate full engagement of staff and leadership within departments. Therefore, in the first year of planning, we will adopt a streamlined planning process that will focus on the following:

- Divisional mission and vision
- Division and department goals and priorities over 1-3 years
- Relationship of goals to institutional priorities

- Low priority initiatives and opportunity for resource reallocation within divisions

### ***Ongoing Implementation***

After introducing the critical elements in Year One, we will want to assure that we add other elements to make the process more robust and effective. These elements include:

- Review of relevant internal and external data
- Review of progress of priorities proposed in the past
- Tactics for implementing changes to program priorities
- Timetables including milestones to set expectations
- Measures of success to be used to review progress against goals
- Cross-institutional initiatives and impact beyond division or program
- Desired institutional impacts

The planning process should help to address specific issues that might lead to the transition from one set of priorities in a division to another. These issues can be expressed as a series of questions.

- Consistent with the institutional mission and priorities and divisional and departmental responsibilities, what are lower priority initiatives?
- What areas are under review?
- What will you do differently?
- Where are there opportunities for reorganization?

These are helpful questions to assure that all divisions and departments are considering how we can allocate resources most effectively.

### **PLANNING MATERIALS**

The ad-hoc work group helped develop a set of materials that guide those areas around the campus that have not been as engaged in a planning process. They also recognized the need for training across campus as we increase expectations in the planning process and ask for a more thorough “bottoms up” approach. Exhibit One includes guidelines that might be useful in multiple stages of the planning process during the first year. More robust training and documentation will be developed as the planning process evolves.

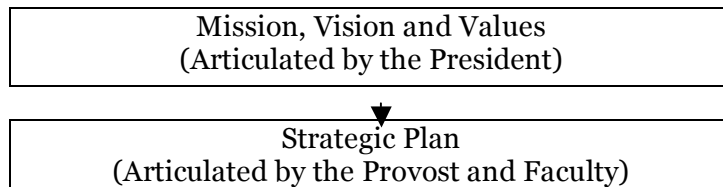
The package includes an introduction to annual planning in the context of overall College planning (in very brief overview form); a typical planning calendar; an example of how a division or department might engage staff within its area to participate in the planning process; and a format that the plan should take. The format is drawn from work done on campus and a review of public documents that other institutions display on their web sites. The work group felt that departments that have been doing planning could translate their efforts into the format proposed.

## **EVOLUTION OF ANNUAL PLANNING**

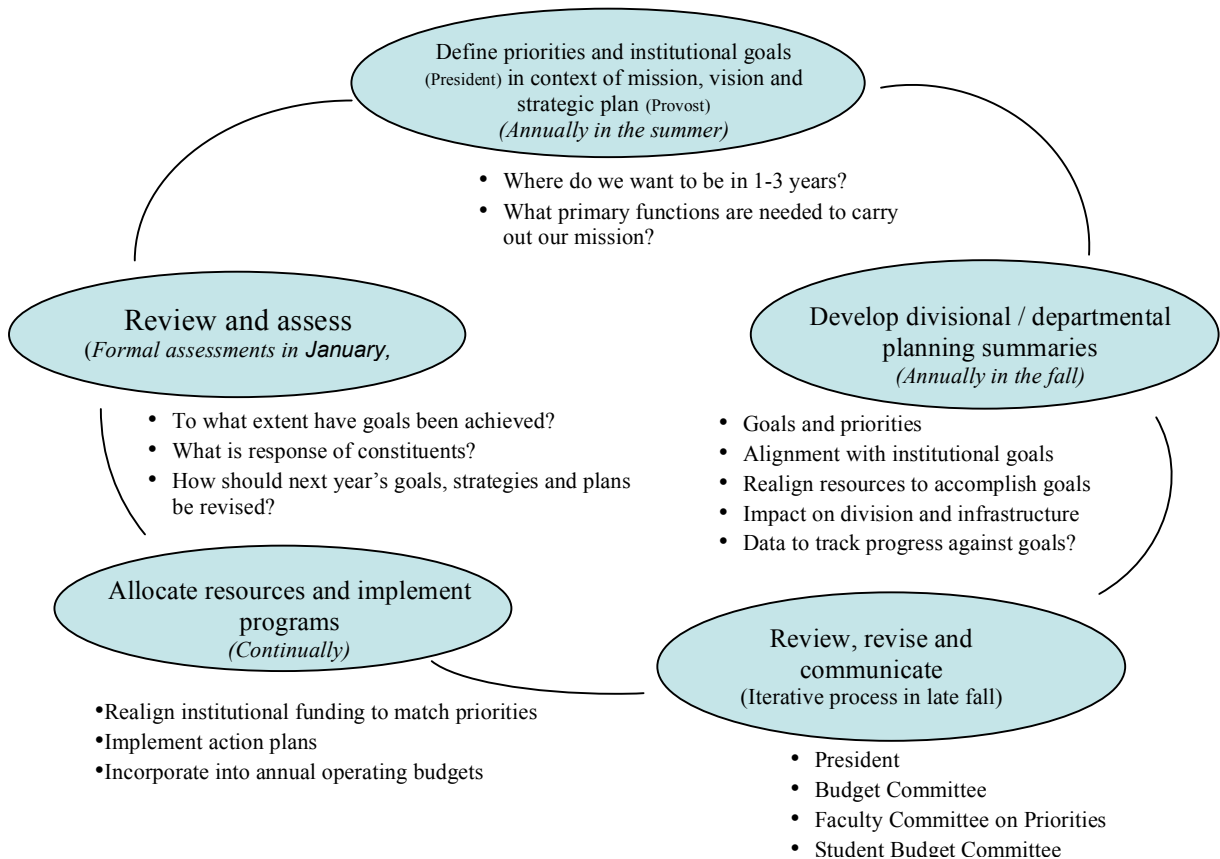
Introduction and development of an effective annual planning and budget process must evolve with time. We are not able to predict exactly the form that the process will take in five years. We must always try to improve the process to increase transparency, improve communication, and help achieve more effective allocation of resources to accomplish priorities and achieve the mission and vision of the College.

**EXHIBIT ONE**  
**INTRODUCTION TO INSTITUTIONAL PLANNING**

The planning process being undertaken at Dartmouth College is a 3-tiered process that starts with the President’s reaffirmation of Dartmouth’s mission, vision and core values. These are extremely stable over time. The Provost and faculty then articulate strategic plans. While not as consistent as the mission, vision and values, these are normally revised on a 5-8 year cycle. The final component, referred to as “annual planning” in this document, is a process by which divisional goals are defined and prioritized in alignment with the institution’s vision. Core to the annual planning process is the premise that budgetary resources will be reallocated and aligned with defined strategic goals. Following is a depiction of the 3-tiered planning process and a more detailed model of the annual planning process.



**Annual Planning and Budget Model  
at Dartmouth**



## CALENDAR FOR THE ANNUAL PLANNING PROCESS

MONTH	ACTIVITY
July	President communicates priorities campus-wide
Sept, Oct	Divisions and departments prepare written planning summaries
Oct, Nov	Divisions and departments make oral presentations to Budget Committee with feedback
Nov- Jan	Summary of planning presentations are shared with Faculty Committee on Priorities and Student Budget Committee with feedback solicited.
Jan	Public dissemination of planning summaries takes place
Feb - Apr	Results of planning process are incorporated into annual budget plans
June, July	Progress against plans is incorporated into feedback and next year's goals

### **Working Group on Annual Planning and Budget**

Adam M. Keller, Executive Vice President and Treasurer