Office of the President of the Philippines
GOVERNANCE COMMISSION
FOR GOVERNMENT OWNED OR CONTROLLED CORPORATIONS

PERFORMANCE EVALUATION SYSTEM GUIDEBOOK

PERFORMANCE STANDARDS DIVISION

INTRODUCTION

In the previous Performance Agreement Negotiations (PAN), we created interim performance scorecards which were based on our organization's Organizational Performance Indicator Framework (OPIF) logframe and Major Final Outputs (MFO). However, these interim performance scorecards will be altered as we migrate to the Performance Evaluation System (PES) framework (See the difference of OPIF and PES in *Annex A*). In the PES, we will not only be looking at our outputs but more importantly, our breakthrough results as basis of our performance. This Strategy Map and Performance Scorecard Guidebook will provide you a step-by-step procedure on how you will create your documents in accordance with the standard requirements provided in GCG MC No. 2013-02[1]. Moreover, it intends to provide a deeper understanding and appreciation of the framework and concepts being employed in the PES.

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[1] *Performance Evaluation System for the GOCC Sector.*

OVERVIEW

The Performance Agreement Negotiation (PAN) requires you to submit the following:
1. Charter Statement
2. Strategy Map
3. Performance Scorecard
4. Strategic Initiatives

The Guidebook divides these into different parts:

PART I: KNOWING YOUR ORGANIZATION

Step 1- Charter Statement

1.1. Vision
1.2. Mission
1.3. Core Values

PART II: BUILDING THE STRATEGY OF YOUR ORGANIZATION

Step 2: Strategy Map

2.1. Strategic Themes
   2.1.1. Identify your Strategic Themes
2.2. Logical order of the Strategic Perspectives
   2.2.1. Identify your outcome and driver perspectives
2.3. Strategic Objectives
   2.3.1. Identify the Strategic Objectives in the Social Impact Perspective
   2.3.2. Identify the Strategic Objectives in the Stakeholder Perspective
   2.3.3. Identify the Strategic Objectives in the Internal Process Perspective
        2.3.3.1. Creating the Value Chain
        2.3.3.2. Strategic Shift for each Value Chain core function
   2.3.4. Identify the Strategic Objectives in the Finance Perspective
        2.3.4.1. Strategic Shift for each area of finance management
   2.3.5. Identify the Strategic Objectives in the Learning & Growth Perspective
        2.3.5.1. Strategic Shift for each area of people and organization management
   2.3.6. Interconnection of objectives across the Strategy Map

PART III: ESTABLISHING THE SUCCESS INDICATORS

Step 3: Performance Scorecard

3.1. Strategic Measures
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  - 3.1.1.1. Define parameters for each variable
  - 3.1.1.2. Employ scale if needed
- 3.1.2. Weight Distribution/ Allotment
- 3.1.3. Target Setting
- 3.1.4. Measure Profile

PART IV: CRAFTING YOUR STRATEGIC INITIATIVES

Step 4: Compilation of Strategic Initiatives Profiles

4.1. Identifying the Milestones
4.2. Identifying the Project Teams
4.3. Creating the Budget
4.4. Defining Impact of Strategic Initiative on Strategic Measures

PART I: KNOWING YOUR ORGANIZATION

Step 1. Charter Statement

The Charter Statement consists of the Vision, Mission and Core Values. It must be consistent with the GOCC's mandate and adds value to the strategy of its stakeholders.

Vision Statement reflects the long- term strategic direction that the GOCC shall pursue. The Vision reflects the GOCC's competencies and is responsive to the demands of the stakeholders.

Step 1.1. Vision Statement

- Identify the time period of the Vision; this is usually set for a 5-year period. *Deadline must be long enough to cover the organizational aspirations.* Must not violate the essence of the Mission and Core Values
- Your Vision may have already been crafted; you may refer to your office's corporate planning documents

The Mission Statement states the fundamental purpose of that the GOCC serves or the reason it is created for. It answers the question "Why do we exist?" The Mission is changed unchanged over time.

It serves as a perimeter for defining the Vision Statement.

Step 1.2. Mission Statement

- You can find your Mission Statement in the law/ act that created the GOCC

The Core Values are the principles that form the foundation on which the GOCC performs its work. Core Values are qualities that the GOCC considers as its beliefs. These are the basic elements that guide the GOCC's conduct and practices. Core Values are constant.

Step 1.3. Core Values

- You may find your Core Values in your GOCCs' corporate documents

PART II: BUILDING THE STRATEGY OF YOUR ORGANIZATION

Step 2. Strategy Map

The Strategy Map is the "story of towards the Vision". The story lies in the connection between and among the objectives arranged logically in order to build value to the stakeholders of the organization (Institute for Solidarity in Asia,
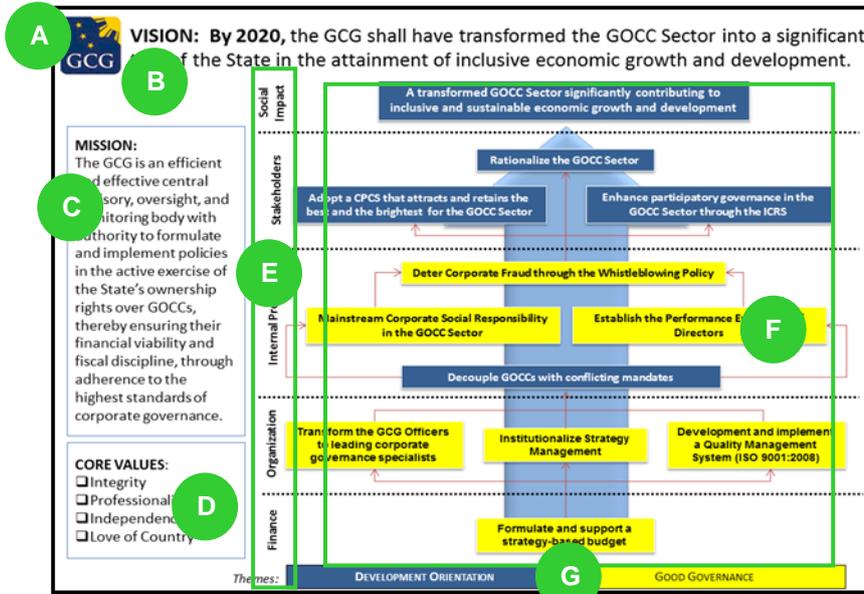
Roadmap and Scorecard Session Kit, 2011). It considers both the internal and external stakeholders of the organization.

Parts of the Strategy Map
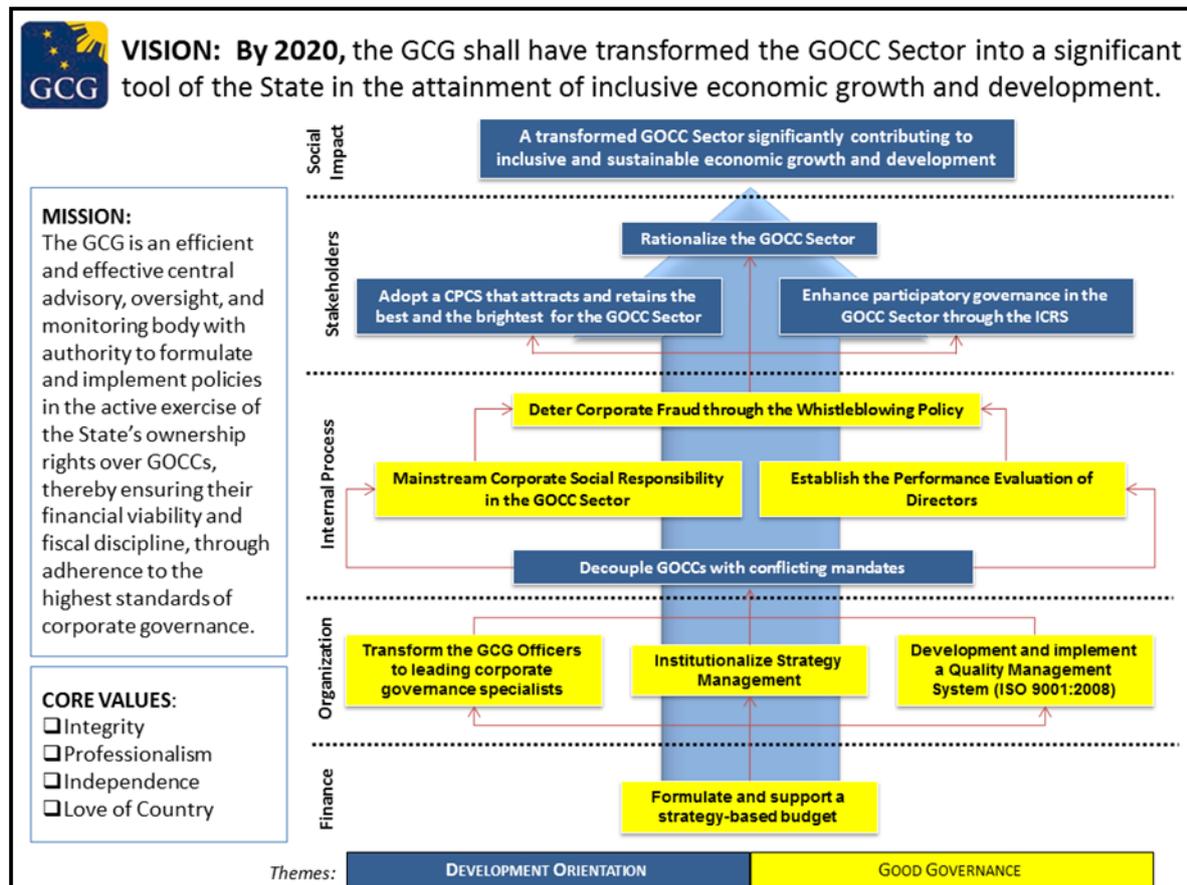

Legend:

A – GOCC Logo
B – Vision
C – Mission   } Charter
D – Core Values   } Statement
E – Strategic Perspectives
F – Strategic Objectives
G – Strategic Themes

Examples of Strategy Map

Governance Commission for GOCCs

Philippine Army

Step 2.1.Strategic Themes[2]

A strategic theme is an area in which your organization must excel in order to achieve your vision. Strategic themes are the main, high-level business strategies that form the basis for the organization's business model. Strategic Themes are sometimes referred to as "pillars of excellence".

Strategic themes are very broad in scope. They apply to every part of the organization and define what major strategic thrusts the organization will pursue to achieve its vision. These affect all Strategic Perspective of the Strategy Map.

Step 2.1.1. Identify your Strategic Themes

- Once you have agreed upon the vision for your organization, then systematically decompose that Vision into 3–4 strategic themes.

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[2] (Perry, 2000)

- The Strategic Objectives would likewise depict these "pillars of excellence", and are grouped (color- coded) according to the Strategic Themes that they belong

- Taken together, one can look at the proposed set of strategic themes and ask this question: "If we excel in these 3-4 areas, will we achieve our Vision?"

Example of Strategic Themes
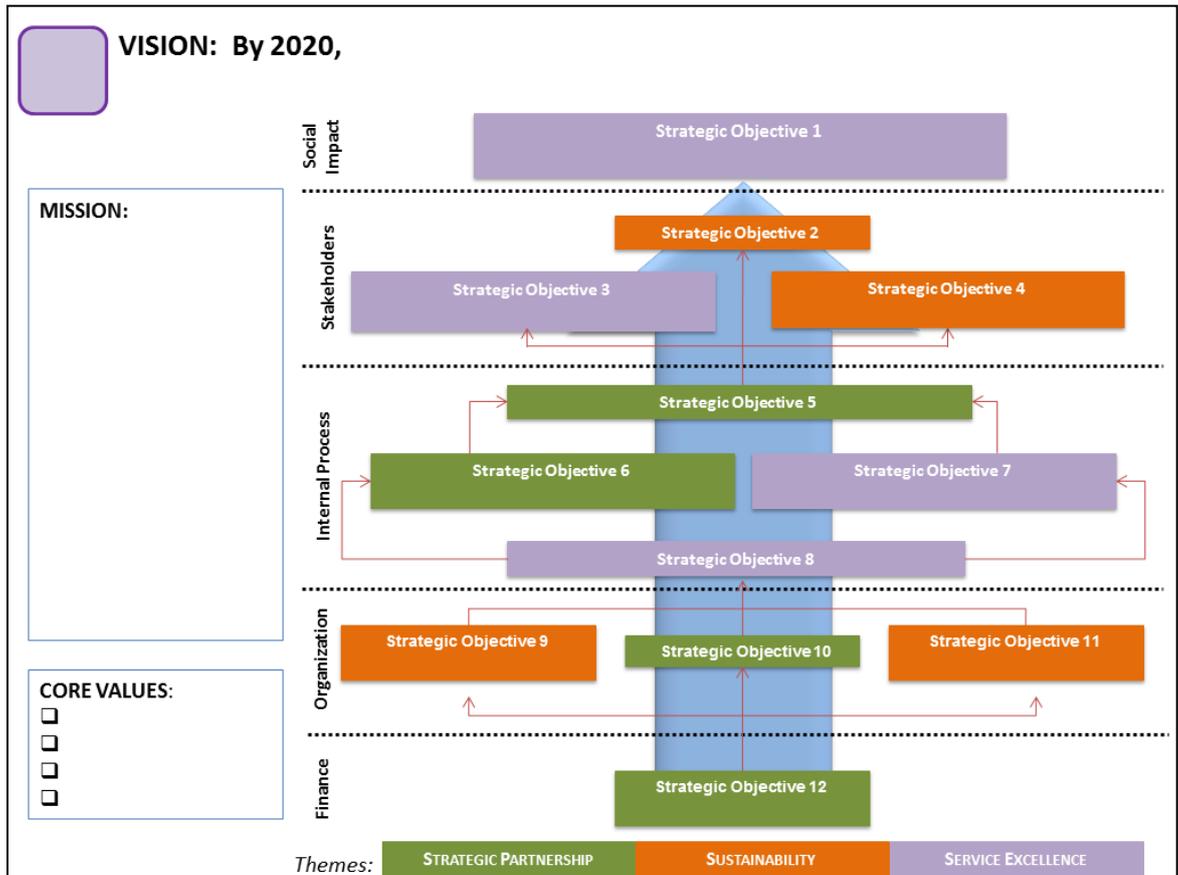
Notice that the Strategic Objectives depict the different Strategic Themes.

Step 2.2. Logical order of the Strategic Perspectives[3]

The use of cause and effect logic depicts the arrangement of the objectives on how objectives add value with one another so as to create impact leading towards the Vision. The sequencing of the strategy map objectives is the backbone of the strategy map which must demonstrate a good balance of **outcome perspective** (outward- oriented) and of **driver perspectives** (organization- oriented).[4]

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[3] (Niven, 2002)
[4] (Institute for Solidarity in Asia, Roadmap and Scorecard Session Kit, 2011)

A. Social Impact Perspective

The Social Impact Perspective refers to the national and community- wide impact (socio- economic) of the services delivered by the GOCC.

Take note that the GOCC may or may not include a social impact perspective if its social impact cannot be differentiated from its outcome in the stakeholder perspective.

Moreover, there may be cases wherein the GOCC could only be contributing to the nation-wide impact at a limited scope through its industry's outcome. Therefore, it may not be feasible to include such outcome in the Social Impact Perspective since it is not essentially the responsibility or mandate of the GOCC.

Example:

GOCC's outcome in the Stakeholder Perspective is "Strengthened SMEs". Strengthening the SMEs contribute to the nation's economic development. If to be reflected in the Social Impact Perspective would be translated as "Increased Economic Benefits for the country". However, in relation to the GOCC's nature of work and operations, "Increased Economic Benefits for the country" would be a far-fetched objective to be accounted as part of its mandate.

B. Stakeholder/Customer Perspective

- To attain the Vision, how must services impact our stakeholders/constituents and customers?

- This perspective consists of the a) main customers of which the business strategy creates value to and the b) internal and external stakeholders pertaining to both the primary stakeholders (ex. stockholders, owners, employees) and secondary stakeholders (ex. community).

    The primary stakeholders are engaged in a form of direct economic transactions with the GOCC while secondary stakeholders are usually the external stakeholders who are or may be affected by the business though they are not directly engaged with the economic transactions of the GOCC.

- What are the benefits that can be derived by the GOCC as it moves toward its envisioned state?

GOCCs exist to deliver services that will enable and promote the quality of life of the people (stakeholders/ constituents and customers). Being an inherent mandate where effectiveness of organizations is best evaluated, this perspective is placed at the top of the strategy map. Quality of life may pertain to economic stability and access to social services. **As the perspective that is closest to the Vision, the Stakeholder Perspective must mirror the Vision.**

The GCG had made it mandatory for GOCCs to establish Stakeholder/Customer Satisfaction Surveys as one of its main measure indicators under this perspective. To guide the GOCCs in establishing such surveys, refer to *ANNEX B.*

C. Finance Perspective

- What must be the financial performance of the GOCC and how should we manage and allocate our resources to generate maximum impact?

The Finance Perspective ensures that financial resources are maximized to support the strategic direction. This perspective can either be an outcome perspective or a driver perspective, depending on the nature of the organization.

This perspective covers:

1. Resource Maximization – this looks into the budgeting and allocation as well as use and disposal of funds; heightens transparency and accountability in fund usage

2. Resource Generation – this looks into the inflow of funds which can either be generated from operations or other sources such as partnerships

D. Internal Process Perspective

- The Internal Process Perspective identifies the key processes the GOCC must excel in order to continue adding value for stakeholders.

- Following the value chain framework, at which processes must we excel so as to improve the GOCC's financial position, resources and delivery of social services?

The **value chain** represents the sequence and configuration of activities that enable the GOCC to deliver to its stakeholders. The main goal of any value chain is to maximize the inherent value or impact.

E. Learning and Growth Perspective

- How do we align our people to improve and support the critical core processes?

This perspective covers:

1. Human Capital – this looks into the gaps between available and required competencies in the workforce

2. Organizational Capital –this looks into the leadership, culture, alignment and teamwork

3. Information Capital – this looks into the systems and IT applications put in place that will help in achieving the strategy

The order of the strategic perspectives may vary according to the nature of the GOCC and its strategy. This likewise affects the interconnectedness of the strategic objectives spread out across the strategy map and in every strategic perspective.

For instance for GFIs or Economic Enterprises, the story of their strategy map could have the Finance Perspective at the top, after the Stakeholder Perspective; wherein these two are outcome perspectives. While, the Internal Process and Learning & Growth Perspectives are the driver perspectives.

O U T C O M E

D R I V E R S

Stakeholder
Finance
Internal Process
Learning & Growth
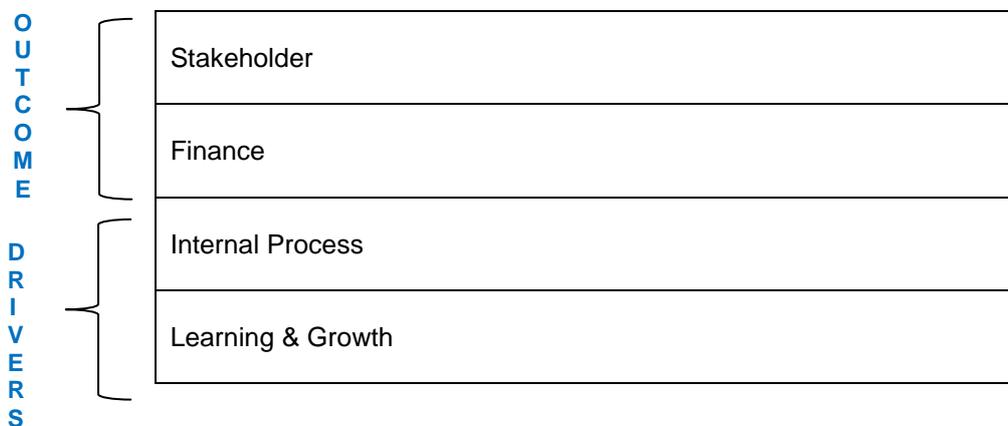
Step 2.2.1.Identify your outcome and driver perspectives

▪ Review the Vision Statement. Lay down the order of the four Strategic Perspectives according to the story of your strategy

Table 1. Suggested Order of Strategic Perspectives

A	B	C
Clients/Stakeholders	Clients/Stakeholders	Finance
Finance	Internal Process	Clients/Stakeholders
Internal Process	Learning & Growth	Internal Process
Learning & Growth	Finance	Learning & Growth

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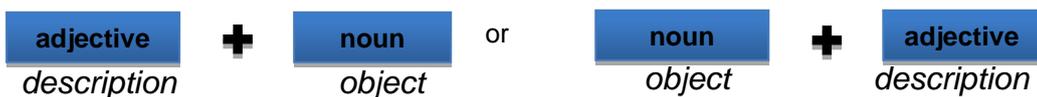|		Social Impact						
		Social Development	Competitive Industry and Services Sector	Competitive and Sustainable Agriculture and Fisheries Sector	Accelerating Infrastructure Development	Towards a resilient and inclusive financial Sector	Conservation, Protection, and Rehabilitation of the Environment and Natural Resources	Good Governance and Rule of Law
Industry Sector	Banking Institutions		A or C	A or C		A or C		
	Non Banking Institutions	A	A or C	A or C		A or C		
	Social Security	A or C				A or C		
	Trade	A	A					
	Area Development		C		B		B	
	Tourism		B				B	
	Educational	B	B					B
	Cultural	B						
	Gaming	A						
	Energy				A			
	Materials							
	Agricultural and Fisheries			B				
	Food							
	Utilities				A or C			
	Communications				A or C			A
	Healthcare							

Step 2.3. Strategic Objectives

Strategic Objectives are strategic priorities that the GOCC must undertake within the key facets of operations to achieve the Vision. These strategic objectives are mutually reinforcing and linked leading to the Vision.

Strategic Objectives are **action statements** that will clarify how we will implement the strategy and govern the direction of the GOCC. Strategy is defined through the objectives. An objective is not a project; rather, it is a principle. These are not immediate outputs

There must not be more than **14** Strategic Objectives.[5]

When formulating Strategic Objectives, the following format may be followed:

Outcome Perspectives

adjective	✚	noun	or	noun	✚	adjective
description		*object*		*object*		*description*

Example:

reduced		poverty		poverty		reduced

Driver Perspectives

verb	✚	adjective	✚	noun
action		*description*		*object*

Example:

develop		world-class		workforce

Step 2.3.1. Identify the Strategic Objectives in the Social Impact Perspective

- Refer to your organization's OPIF logframe. The Sectoral Goals could be the basis for the Strategic Objectives

Step 2.3.2. Identify the Strategic Objectives in the Stakeholder/Customer Perspective

- Identify customers by reviewing the GOCC mandate
- Consider priorities of the supervising agency or national government agency that the GOCC is attached to

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[5] (Institute for Solidarity in Asia, Roadmap and Scorecard Session Kit, 2011)

- Consider priorities in the Philippine Development Plan/ country's priority areas
- Identify the needs and expectations of the stakeholders by checking MFOs and functions stipulated in the mandate

Strategic Objectives in the Stakeholder Perspective are clear, concise factual statements of tangible results from the GOCC's services

Examples:

Department of Public Works and Highways	Strategic Objective 1: Safe Environment
	Strategic Objective 2: Increased Mobility & Connectivity
Philippine National Police	Strategic Objective 1: A safer place to live, work and do business
	Strategic Objective 2: Effectively enforced laws
Department of Trade and Industry	Strategic Objectives 1: Attractive business and investment environment for global competitiveness
	Strategic Objective 2: Empowered consumers

Step 2.3.3. Identify the Strategic Objectives in the Internal Process Perspective

Step 2.3.3.1.Create the value chain6 of the GOCC

Example of value chain:

Source: Department of Trade and Industry Prosperity Plan 2016[7]

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[6]The **value chain** represents the sequence and configuration of activities that enable the GOCC to deliver its services to its stakeholders. The main goal of any value chain is to maximize the inherent value or impact.

[7](Department of Trade and Indusrty, 2013) Prosperity Plan 2016 Department of Trade and Industry, Performance Governance System (PGS)

- Cross- check value chain with mandate and functions stated in the charter

DTI Mandate[8]

Executive Order No. 133issued by President Corazon Aquino in February 27, 1987, defines the mandate of the Department of Trade and Industry (DTI):

…shall be the primary coordinative, promotive, facilitative, and regulatory arm of government for the country's trade, industry, and investment activities. It shall act as catalyst for intensified private sector activity in order to accelerate and sustain economic growth through: (a) a comprehensive industrial growth strategy; (b) a progressive and socially responsible liberalization and deregulation program; and (c) policies designed for the expansion and diversification of trade, both domestic and foreign.

- Cross- check value chain and ensure that these are in contribution to the PDP key areas or the supervising agency priorities

- Cross- check value chain with OPIF logframe MFOs

Philippine Development Plan and MFOs from OPIF logframe

President Aquino's Social Contract with the Filipino people has identified five Key Result Areas (KRAs):

- *Transparent, accountable and participatory governance*

- *Poverty reduction and empowerment of the poor and vulnerable*

- *Rapid, inclusive and sustained economic growth;*

- *Just and lasting peace and the rule of law; and*

- *Integrity of the environment and climate change adaptation and mitigation.*

These priorities have been translated into the Philippine Development Plan (2011-2016) which lays down the broad societal goals and priorities of the Government within the medium term. Figure 1 shows the DTI OPIF. It expresses the country's societal goal of inclusive growth and poverty reduction, and the DTI's contribution through the attainment of industry and services sectors that are innovative and globally competitive. To achieve this goal, Government shall: (1) improve business environment; (2) increase productivity; and (3) enhance consumer welfare (Department of Trade and Indusrty, 2013).

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[8] (Department of Trade and Industry, 2008)

Figure 1. Department of Trade and Industry OPIF Logframe
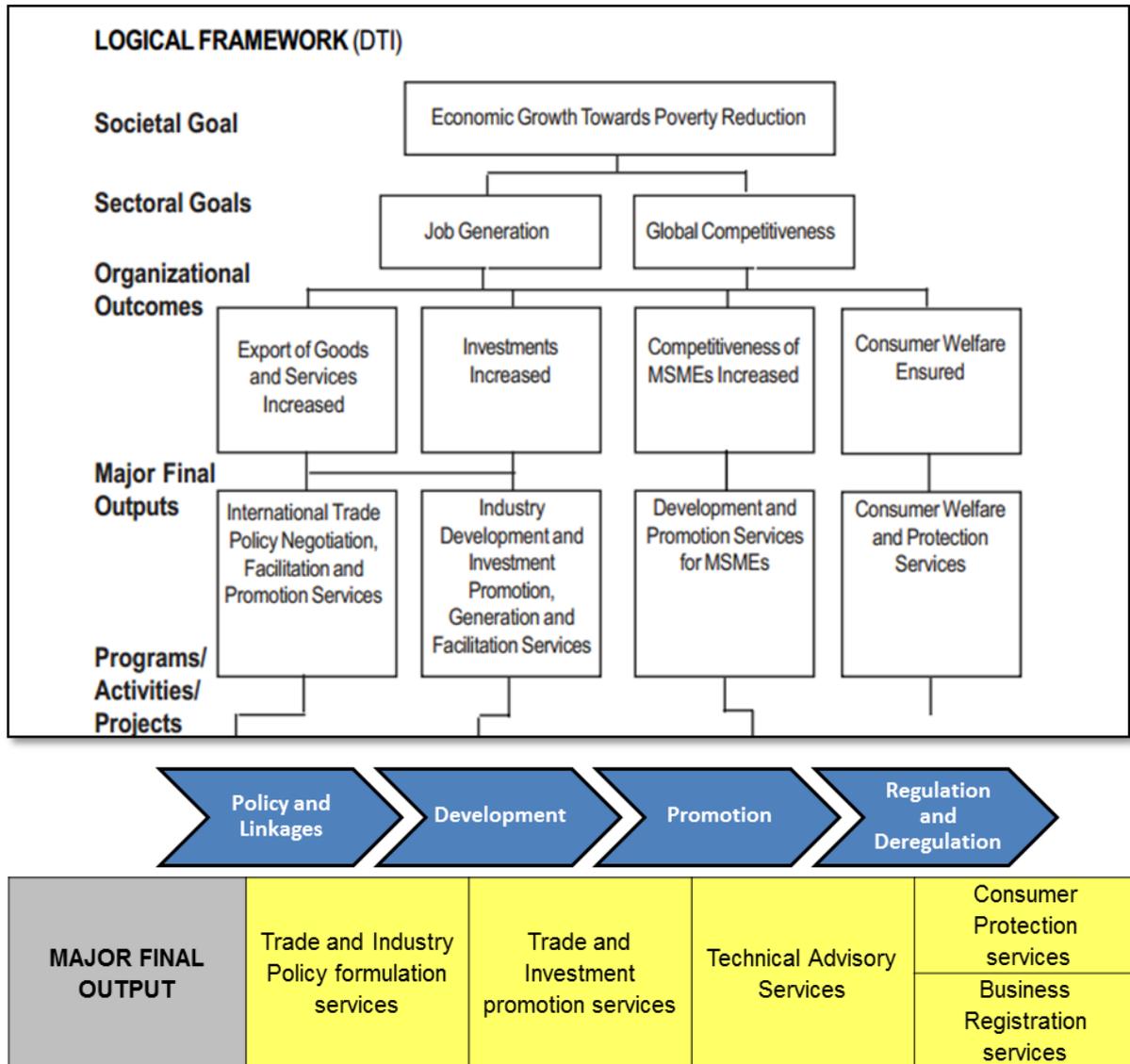
Step 2.3.3.2. Strategic Shift for each Value Chain Core Function

▪ For each core function in the value chain, identify strategic shifts or areas of transformation. From this, you can create the statements for Strategic Objectives.

Strategic Objectives must be transformative for it to be considered strategic. This is what strategic shift is for.

Strategic Shifts describe the necessary transformation the unit or organization must undergo to achieve a desired status. Expressed in

a "from-to" statement, strategic shift answers the question "Where are we now and where do we want to go?"

Strategic Shift is a "change in the way we do things", it is not a "change in state"

MFO	VALUE CHAIN	FROM	TO	STRATEGIC OBJECTIVES
Trade and Industry formulation Services	Policy and Linkages	Lack of relevant information and data	Updated and comprehensive knowledge management	*Ensure comprehensive and sound policies/ regulations consistent with the nations' best interests*
		Policies made without prior consultations	More responsive policies	
Trade and Investment Promotion Services	Development			
Technical Advisory Services	Promotion			
Consumer Protection Services	Regulation and Deregulation			
Business Registration Services				

Note: In creating the value chain, one core function does not necessarily have to cover one MFO.

Step 2.3.4. Identify the Strategic Objectives in the Finance Perspective

Step 2.3.4.1. Strategic Shift for each area of finance management

▪ For each area in fund management, identify strategic shifts or areas of transformation. From which, create the statement for Strategic Objectives.

AREA	FROM	TO	STRATEGIC OBJECTIVES
Generate/ Grow	Portion of budget utilized is not in accordance to supposed allocation	Utilization in accordance to allocation	*Exercise fiscal prudence to optimize use of resources*
Allocate			
Utilization			

Step 2.3.5. Identify the Strategic Objectives in the Learning & Growth Perspective

#### Step 2.3.5.1. Strategic Shift for each area of people and organization management

▪ For each area in people and organization development, identify strategic shifts or areas of transformation. From which, create the statement for Strategic Objectives.

AREA	FROM	TO	STRATEGIC OBJECTIVES
Human Capital			
Organization Capital (Leadership, Culture, Alignment, Teamwork)	Culture of absenteeism and tardiness	Employees with good attendance (no tardiness, less absenteeism)	**Promote a professional culture**
Information Capital			

Step 2.3.6.Interconnection of objectives across the Strategy Map

- Place Strategic Objectives in the Strategy Map in accordance to the order of Strategic Perspectives. Ensure that there is logic in the interconnection among the Strategic Objectives across the Strategy Map.
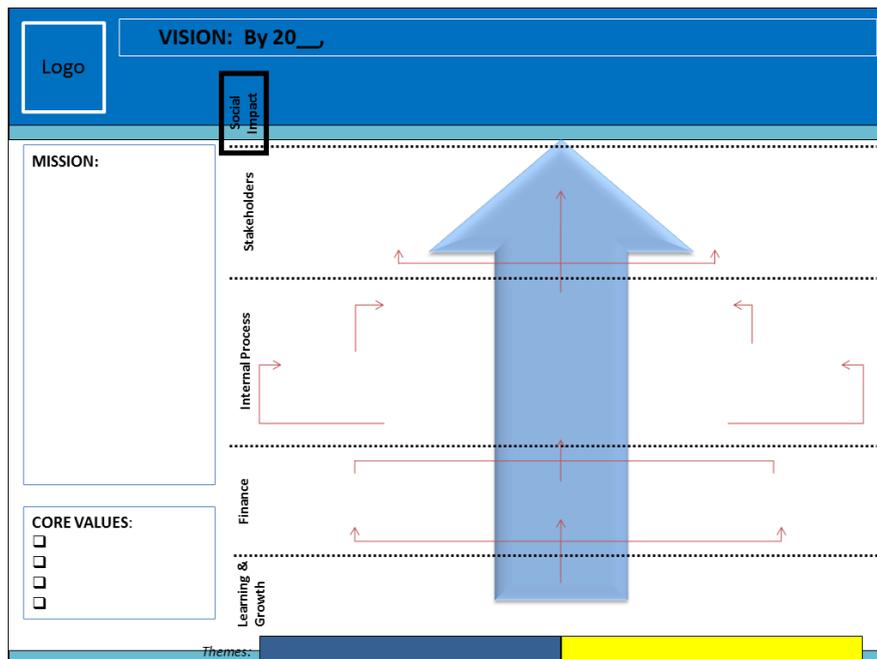
Reminders in creating Strategic Objectives[9]:

A good set of objectives should:

- ❖ Is mutually reinforcing so it can tell the story of the strategy
- ❖ Answers the demands of the strategic shift
- ❖ Reflect systems/logical thinking
- ❖ Directional and achievable within the planning horizon
- ❖ Not more than 14 strategic objectives all in all[10]

Typical problems in setting objectives:

- ❖ Not aligned or mutually achievable
- ❖ Too many resulting in loss of focus or tactical
- ❖ Outside the scope and control of the organization
- ❖ Aggregate loaded concepts
- ❖ "Business as usual" and is not based on the shifts

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[9] (Institute for Solidarity in Asia, Roadmap and Scorecard Session Kit, 2011)
[10] (Institute for Solidarity in Asia, Roadmap and Scorecard Session Kit, 2011)
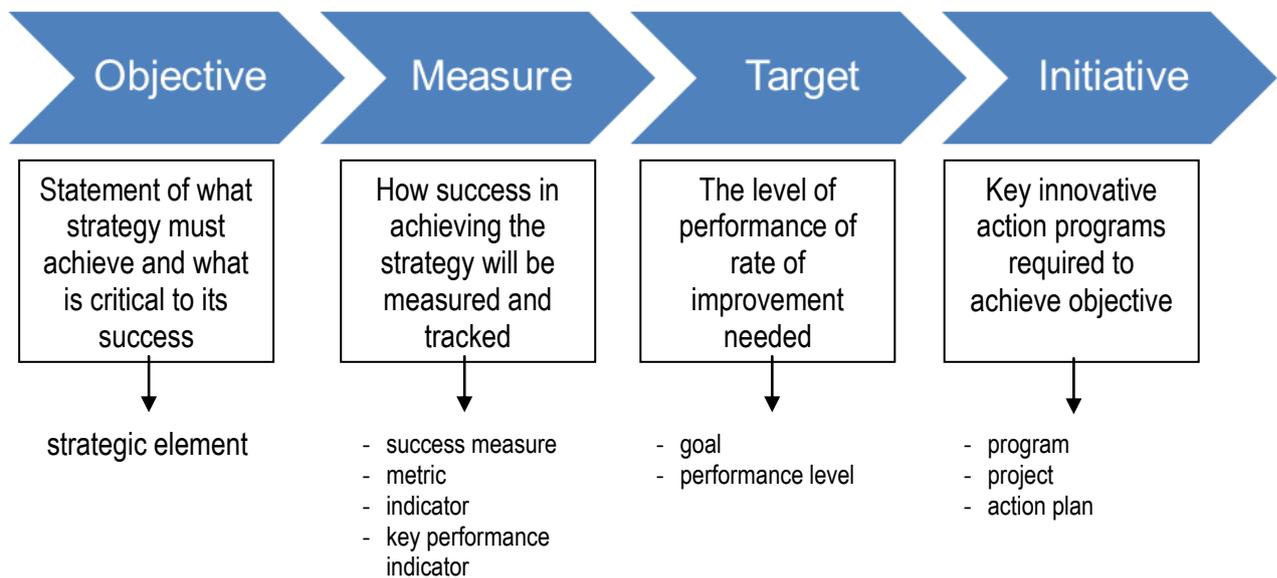
PART III: ESTABLISHING THE SUCCESS INDICATORS

Step 3: Performance Scorecard

The Performance Scorecard translates the Strategic Objectives in the Strategy Map into critical success indicators. This contains a set of metrics and performance indicators that will measure progress and guide the decision making of the GOCC towards its Vision.

Elements of a Performance Scorecard[11]

Objective	Measure	Target	Initiative
Statement of what strategy must achieve and what is critical to its success	How success in achieving the strategy will be measured and tracked	The level of performance of rate of improvement needed	Key innovative action programs required to achieve objective
strategic element	- success measure - metric - indicator - key performance indicator	- goal - performance level	- program - project - action plan

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[11] (Institute for Solidarity in Asia, Roadmap and Scorecard Session Kit, 2011)

Example of Performance Scorecard

Governance Commission for GOCCs

P	Objective		Measures	Actual 2011	2012 Target	2012 Actual	2013 Target	2013 Actual	2014 Target
SOCIAL IMAPCT	Transformed GOCC sector significantly contributing to inclusive and sustainable economic growth and development	1	Percent of major GOCCs meeting service delivery and financial performance standards	n/a	n/a	-	Establish baseline	Data not yet available	≥ 25%
		2	Percent of non-performing Board members replaced/removed	n/a	n/a	-	n/a	-	≥ 20%
		3	Sincerity in Anti-Corruption Rating of the GOCC Sector	n/a	n/a	-	Establish baseline	Moderate to Excellent	Moderate to Excellent
		4	Percent of GOCCs that comply with the dividends law	31%	50%	52.2%	75%	-	100%
STAKEHOLDER	Rationalize the GOCC Sector	5	Number of GOCCs under GCG	140	125	125	100	109	
	Adopt a CPCS that attract and retains the best and the brightest to the GOCC Sector	6	Percent of students from selected universities that view employment in the GOCC Sector as a preferred career path	n/a	n/a	-	Establish baseline	-	70%
	Enhance participatory governance in the GOCC Sector through the ICRS	7	User Experience Survey	n/a	n/a	-	Develop System	-	4 on 5 point scale
INTERNAL PROCESS	Deter Corporate Fraud through the Whistleblowing policy	8	Percent of complaints resolved (dismissed or complaint filed)						≥ 50%
	Establish the Performance Evaluation of Directors (PED)	9	Percent of directors evaluated	n/a	n/a	-	n/a	-	100%
	Mainstream Corporate Social Responsibility (CSR) in the GOCC Sector	10	Percent of GOCCs with an approved CSR Framework	n/a	n/a	-	n/a	-	100%
	Pursue decoupling of GOCCs with conflicting commercial and regulatory functions	11	GOCCs with conflicting regulatory and commercial functions recommended for decoupling	n/a	n/a	-	n/a	-	6
ORGANIZATION	Transform the GCG officers and employees into leading corporate governance specialists	12	Number of articles/policy papers published	n/a	n/a	-	n/a	3	30
		13	Employee Satisfaction and Commitment Index (ESCI)	n/a	n/a	-	Establish baseline	-	4 on a 5 point scale
		14	Average competency level of the organization	n/a	n/a	-	Establish baseline	-	-
ORGANIZATION (cont'd)	Institutionalize Strategy Management	15	Compliance rate with Strategy Management/ PGS elements	n/a	n/a		n/a		100%
	Develop and Implement a Quality Management System	16	ISO Certification 9001:2008	n/a	n/a	-	n/a	-	ISO Certified
		17	Percent of quality issues resolved	n/a	n/a	-	n/a	-	100%
FINANCE	Formulate and support a strategy-based budget	18	Percent of strategic initiatives funded	n/a	n/a	-	100%	96.4%	100%
		19	Budget utilization rate for strategic initiatives	n/a	n/a	-	≥90%	-	≥90%

▪ Copy the Strategic Perspectives and Strategic Objectives from the Map into the Performance Scorecard form

Step 3.1. Strategic Measures

A Strategic Measure **quantifiably defines and substantiates** the objectives and tells whether the strategy's goals have been attained. It is sometimes referred to as *success measure*, *metric*, *indicator* or *key performance indicator*. For reference, see examples of the most commonly used strategic measures in **ANNEX C.**

Measures a) drive behaviour and b) test the validity of the Strategy[12].

Examples of Measure Forms:

> i. Indices
>
> ii. Percentages
>
> iii. Rankings
>
> iv. Ratings
>
> v. Ratios

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[12] (Institute for Solidarity in Asia, Roadmap and Scorecard Session Kit, 2011)

Types of Measure

Lead Measure (Driver)

Lead Measures are called performance drivers. Leading indicators, or performance drivers, tend to be more closely related to an enterprise's value proposition. For each traditional or core outcome measure (lagging indicator), a key question is: what "drives" performance on that outcome measure?[13]

Lag Measure (Outcome)

Lag measures are measures of historical performance, such as profit, revenue, customer satisfaction, and market share. These are outcome measures, which are the measurable results created by actions taken earlier, sometimes much earlier. These tend to be represented as generic or core measures in most enterprise scorecards. They do not usually differentiate an enterprise's specific business strategy.

	Lead (Driver)	Lag (Outcome)
Purpose	Measure intermediate processes, activities and behaviour	**Assess performance results at the end of an activity**
Strengths	More predictive in nature and allows organization to adjust behaviour for performance	Usually objective and easily captured
Issues	Based on the hypotheses of strategic cause and effect	Reflects past success, not current activities and decisions
Examples	▪ Hours spent with customers ▪ Hours spent in cross training	▪ Customer Satisfaction Rating ▪ Level of knowledge

Source: (Niven, 2002)

▪ Create the Strategic Measures for each Strategic Objective

▪ Ensure that the adjectives used in each Strategic Objectives are made quantifiable

> Note: There can be more than 1 measure for 1 objective. But a measure can belong to only one objective

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[13]KAPLAN & NORTON, *supra* note 2 at 139; [*Emphasis supplied*] See also PAUL R, BALANCED SCORECARD STEP-BY-STEP, 116 (2002)].

Step 3.1.1. Set Clear formula and computation

- For each measure, clarify the formula and how this will be computed

  Example: Amount of collectibles

  Indicate what collectibles consist of

  Specify the time period of which collectibles will be counted

Step 3.1.1.1. Define parameters for each variable

Example: Total Amount of Collectibles

Does this mean total amount for the year?

Or are we looking at an average amount for a certain period?

- For measures that are pass/ fail, clearly indicate all the parameters to be considered "pass"

Example:

Strategic Perspectives	Strategic Objective	Strategic Measure	Weight	Actual Accomplishment	Rating
Learning & Growth	Develop a culture of values among the employees	Good Moral and Right Conduct Conditions	10%	Fail There are few employees who did not meet all the parameters	0%

*Parameters for **all** employees*
- ✓ *Absences not more than 3 days*
- ✓ *No Tardiness*
- ✓ *Work station certified compliant to 6S audit*

If one of these parameters is not met, then it is considered "Fail"

Step 3.1.1.2. Employ scale if needed

- If there are some measures that does not require a pass/fail measure, performance could be describe to show how your organization is gearing towards achieving your targets, thus a scale must be used.

  Example below shows financial measure where a target number has been indicated with the actual figures translated into total weight allocation for the PES Score:

Example 1

Measure	Target (2013)	Weight	Actual (2013)	Actual Allocated Weight Rating
Financial 1 Annual Net Income	2.43B	30%	2.953	30%

Rating Scale		Description
Weight Allocation	Adjectival	
30%	Outstanding	Achieved target 100% of the planned target which is 2.43B
25%	Very Good	Achieved 90% to 99.9% of planned targets. Equivalent Range: 2.19B to 2.42B
20%	Good	Achieved 75% to 89.9% of planned targets. Equivalent Range:1.82B to 2.18B
10%	Fair	Achieved 61% to 74.9% of planned targets Equivalent Range: 1.24B to 1.81B
0%	Poor	Achieved targets 60% and below

Example 2

Measure	Target (2015)	Weight	Actual (2015)	Actual Allocated Weight Rating
Number of airports with ISO 9001 certification by December 2015	60	20%	42	5%

Rating Scale		Description
Weight Allocation	Adjectival	
20%	Outstanding	Achieved target 100% of the planned target (60 airports)
15%	Very Good	Achieved 90% to 99.9% of planned targets. Equivalent Range: 54 to 59
10%	Good	Achieved 75% to 89.9% of planned targets. Equivalent Range: 45 to 53
5%	Fair	Achieved 61% to 74.9% of planned targets Equivalent Range: 37 to 44
0%	Poor	Achieved targets below 60%

Example 3

Measure	Target (2015)	Weight	Actual (2015)	Actual Allocated Weight Rating
% increase in number of people with Philhealth Cards within priority regions.	45	28%	42	20%

Rating Scale		
Weight Allocation	Weight Allocation	Description
28%	Outstanding	Achieved target 100% of the planned target (45%)
20%	Very Good	Achieved 90% to 99.9% of planned targets. Equivalent Range: 40% to 44%
14%	Good	Achieved 75% to 89.9% of planned targets. Equivalent Range: 34% to 39%
5%	Fair	Achieved 61% to 74.9% of planned targets Equivalent Range: 27% to 33%
0%	Poor	Achieved targets below 60%

- If measures are subjected to a rating scale, it is strongly encouraged that the target should be presented on a five-point scale as shown in the examples above. All targets achieved corresponds to a weight allocation in the PES scores. On the other hand, it is recommended that descriptions for any "Good" rating, 75% of planned targets must be achieved.

Step 3.1.2. Weight Distribution/ Allotment

- Weight must be allotted to each Strategic Perspective

- It is possible for one measure to be more important than the other measures. The weighted measures recognize the various factors contributing to the results the organization needs to achieve[14].

- Each measure has a weight which is the relative importance of a measure, in relation to the other measures on the Performance Scorecard. The weight will indicate the strategic importance placed on the specific measure. The combined weight equals 100%. Those measures having the greatest assigned weight are the most critical. The greatest weight means that the measure receives the largest percentage of the 100% given for the Performance Scorecard[15].

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[14] (Veterans Benefits Administration, 2000)
[15] (Veterans Benefits Administration, 2000)

- Ensure that there is logic and basis for the weight allotted; wherein, priority measures are given more weight

There must careful distribution of weight among the Strategic Measures within the Strategic Perspectives. Ensure that in such cases, no Strategic Measure in the driver perspectives are of bigger weight than those in the outcome perspectives.

Sample scenario

Strategic Perspective		Strategic Objective	Strategic Measure	Weight
Outcome Perspectives	Stakeholder	Objective 1	Measure 1	20%
		Objective 2	Measure 2	10%
	Finance	Objective 3	Measure 3	15%
		Objective 4	Measure 4	15%
Driver Perspectives	Internal Process	Objective 5	Measure 5	10%
		Objective 6	Measure 6	10%
	Learning & Growth	Objective 7	Measure 7	**20%**

*In this scenario, notice that Strategic Measure 7 has a 20% weight which is of bigger weight than that of Strategic Measure 2. This should **not** happen when determining weights, since this contradicts the rational of allotting more weight for the outcome perspectives.*

Step 3.1.3. Target Setting

Targets define the progression of the GOCC in the strategy.

Begin with the end in mind. Stretch targets are long-term and become the basis for setting annual progress points.[16]

- Set targets on the outcome perspective first. The outcome perspective shall serve as the basis for the targets under the driver perspectives to ensure that it forms one coherent set.

- Set the performance for lag measure first. In each of the objective, define first the lag measures on each before defining the lead measure. The outcome measures should drive the input- output measures on each.

- Set the targets first for the Vision Year and then the base camp years.

Step 3.1.4. Measure Profile

- Fill up a Measure Profile (see **Annex D**) to clearly depict the formula, computation and source of data/ information needed

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[16] (Institute for Solidarity in Asia, Roadmap and Scorecard Session Kit, 2011)

Note: There should be 1 measure profile for each Strategic Measure

Reminders in creating Strategic Measures:

A scorecard should:[17]

- ✓ Have a mix of lead and lag measures
- ✓ There must be at least 1 lag measure for each strategic objective
- ✓ There should be not more than 25 measures
- ✓ It is advisable to use industry generic measures to allow benchmarking

In selecting the best measures:

- ❖ Revisit the Vision and on making this quantifiable
- ❖ Remove measures that are not "vision- supportive"- which means they are beyond your scope of influence
- ❖ Remove measures that are not part of your responsibility or in control of
- ❖ Refrain from measures that are activities by nature
- ❖ Remove/ scrap measures that are not productive or those that can be manipulated by the ones responsible for them

Example:

Objective	Measure	Target
Well-managed roster of sub groups	Amount of membership dues collected	Php 2,780,000

An increase in monthly dues does not necessarily depict that the organization is able to manage its member subgroups well; member subgroups are really mandated to pay their membership dues regardless of the manner of management that the organization devotes.

Objective	Measure	Target
A peaceful community	Crime Rate	0

Achieving the target for this measure may not necessarily mean that the objective has been achieved and that there is no more crime in the community. It may mean that the people in charge of the reporting crime incidences are no longer doing so.

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[17] (Institute for Solidarity in Asia, Roadmap and Scorecard Session Kit, 2011)

❖ Strategic Measures consider both internal and external sources of information[18].

> *While a speed measure focuses on the internal processes and is derived from information that exists within the organization, a customer satisfaction measure provides information on performance from people who are not part of the organization and who may judge performance differently*

❖ The Performance Scorecard includes objective, numerical measures and more subjective judgemental measures[19].

> *The information that a unit cost measure provides an organization is very different from the information obtained from a survey that records a customer's reaction to service delivery. Both measures provide different views of service delivery that an organization needs to understand the result it is achieving.*

PART IV: CRAFTING YOUR STRATEGIC INITIATIVES

Step 4: Compilation of Strategic Initiatives Profiles

Strategic Initiative is a project, program or action plan that is meant to close performance gaps. It does not form part of the usual activities that are already being done, rather these are innovations in the things that the GOCC normally does. Strategic Initiatives is the starting point of executing the strategy. Successful initiatives contribute to the achievement of objectives over time.

Reminders in crafting Strategic Initiatives:

It is an initiative when there is:

✓ Executive Sponsorship – it is at the level of the President/CEO and supported/ approved by the Board. "These are the 14 priority projects of the President/CEO in pursuing the Vision"

✓ Clear output and deliverable – there are defined milestones which produce specific outputs/ deliverables; there is a clear logical flow of the milestones wherein each milestone has a corresponding defined output

✓ Clearly-defined start and stop – there is time period

✓ Committed Budget and Resource Allocation – needed budget is identified

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[18] (Veterans Benefits Administration, 2000)
[19] (Veterans Benefits Administration, 2000)

Step 4.1. Identifying the Milestones

- Milestones are mini-activities that indicate the stages in the initiative; these are placed in order of dates of implementation

Step 4.2. Identifying the Project Teams

- Different offices may be assigned in implementing the initiative at different stages. Indicate the offices and if possible, particular members assigned

Step 4.3. Creating the Budget

- Indicate source of funding
- Specify allocation for each milestone

Step 4.4. Defining Impact of Strategic Initiative on Strategic Measures

- You may use the Strategic Initiatives Matrix(see *Annex E*) to test how your set of initiatives can move your Strategic Measures
- "Measures affected" mean that these measures are moving when the Strategic Initiative is being implemented

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Annex A

Comparison of OPIF and PES

Component	Organizational Performance Indicator (OPIF)	Performance Evaluation System (PES)
What is it	- a planning and budgeting tool, seeks to align goods and services supported by the budget—and which a department/agency delivers to external clients—with the desired outcomes that government aims to achieve or influence	- is hinged on the Balanced Scorecard technology (BSC), a management tool for tracking performance - performance management framework that empowers organizations to achieve and sustain their long-term goals
Rationale: Objectives/ Purpose/ Use	- For public expenditure management (PEM) reforms: fiscal discipline, allocative efficiency, operational efficiency - provides a performance or results management framework that the national government and its clients and stakeholders can use toaddress the demand for greater transparency and accountability in the use of public resources	- to create actual *performance* in order to achieve breakthrough results in raising *governance* standards by putting up an operating *system* that links strategy with execution - to facilitate the creation of a good strategy and to ensure its excellent execution.
Process	1. Reviewing the mandate and functions to formulate the **organizational outcomes** that the department/agency is expected to achieve or contribute to and the MFOs it is expected to deliver for that purpose. 2. Identifying l**inkages between the department's/agency's organizational outcomes and the sector outcomes and societal goals** enunciated in the Philippine Development Plan, key result areas, sector plans, policies,	1. (Stage 1) **Initiation**- develop strategy be translated into a set of **objectives** and **measurable targets** across a **balanced perspective** of: constituency, organizational learning and growth, finance and resource management, and internal processes and infrastructure -> The visual representation of the interconnections of these objectives forms part of the **Strategy Map**, which should be directed towards accomplishing the vision. It is

Component	Organizational Performance Indicator (OPIF)	Performance Evaluation System (PES)
	etc. 3. Documenting PAPs, MFOs, and organizational outcomes in an **OPIF logical framework** 4. Identifying **performance indicators** and **targets** for each MFO to show howMFOs contribute to the achievement of the department's/agency's mandate 5. **Approving** the OPIF logframe as executed by the department secretary/agency head and the secretary of DBM. 6. **Cascading OPIF to planning** to ensure alignment of plans from the OPIF level (organizational outcomes and MFOs) down to the department/agency corporate, business, and individual work plans 7. **Preparing the budget** by MFOs, including associated PIs, in accordance with the annual budget call 8. OPIF **performance monitoring, evaluation, and reporting** to the President and Congress	concretized by the **Governance Scorecard** which tracks the **performance** of the organization relative to its commitments 2. (Stage 2) **Compliance-alignment of units and resources to the strategy** and the various initiatives that are a part of it.This involves **cascading** the Strategy to the various functional and geographical units. **Subsidiary Scorecards** cement the alignment as they reflect the performance commitments of these units towards the attainment of the first level scorecard metrics**. Budgets and projections** should reflect financial considerations that are critical in ensuring the attainment of the initiatives. **Primary members of the Office of Strategy Management (OSM)** must be identified, and the members of the **Multi-Sector Governance Coalition** must give their commitment 3. (Stage 3) **Proficiency**- After the strategy has been formulated and cascaded to critical sectors, there is **analysis and examination** of its actual execution. The critical activities involve the **formal creation of the Office of Strategy Management (OSM)**, an office whose main task is to **implement and monitor the strategy**. The

Component	Organizational Performance Indicator (OPIF)	Performance Evaluation System (PES)
		organization's performance should be linked to the targets specified in each scorecard. **Execution** is expected to be **fully functional** through the presence of **tools for data tracking and reporting of strategic performance.**Emerging breakthrough results must be identified at this stage 4. (Stage 4) **Institutionalization**- By continuous adherence to the culture of envisioning, cascading, monitoring, and reporting in the first three (3) stages, organizations are led to strategy-focused management towards attaining **breakthrough results on all identified perspectives**, which are **experienced and validated by both internal and external stakeholder**s. Undertake initiatives to **share these best practices** with other organizations.
Elements	- **PAPs** – an activity or integrated group of activities undertaken to realize the outputs and outcomes of a department/agency; - **MFOs** – goods or services provided to external clients to achieve a common outcome; - **Organizational outcomes** – short- to medium- term benefits to clients and communities as a result of MFO delivery; - **Sector outcomes** – longer-	- **Governance Charter** - defines the institutions foundation and direction - **Strategy Map** - a visual representation of the strategy that reflects the interconnection of objectives in pursuit of the Vision - **Governance Scorecard** - captures critical measures with stretched targets that paint the partner's vision; made up of closely linked priorities, each with measurable milestones or

Component	Organizational Performance Indicator (OPIF)	Performance Evaluation System (PES)
	term benefits for the sector from the initiatives of the department/agency; - **Societal goal** – societal benefits from sector initiatives; - **Performance indicator** – a characteristic of performance (i.e., quantity, quality, timeliness and cost) that is to be measured; - **Performance target** – a predetermined level (numerical target) of quantity, quality, timeliness, and cost of an output; - **Performance measurement** – use of methods to measure incremental progress indicators from baselines to target	targets that need to be met by certain dates through a clearly committed portfolio of initiatives • set of **targets** • **measure** • portfolio of **initiatives** or a set of action programs *deep and operative connection between all three: targets that ensure that progress is being made within each reckoning period, measures by which to track progress, and initiatives that are enacted to meet targets.
Key Differences	- MFO- intensive leading to being too focused on PAPs; needs more cohesiveness in tying together areas for performance in financial and admin/ organization concerns - Done regularly/ annually - For budgeting purposes	- Uses a strategy map composed of <u>interwoven</u> objectives covering all four perspectives - Strategy map is concretized by a Performance Scorecard composed of strategic measures (combination of lead and lag indicators- *output and outcome level of measures*) and supported by strategic initiatives - Uses scorecards (first level and second level, as well as individual) for managing strategy and tracking performance - Long term, takes years to complete the stages; each stage is a prerequisite to the next - For management and performance

Component	Organizational Performance Indicator (OPIF)	Performance Evaluation System (PES)
Time Period	Annually	Depends on the pacing of the organization- span of 3-5 years
	(Department of Budget and Management, 2012)	(Institute for Solidarity in Asia, 2012)

<u>GENERAL GUIDELINES FOR MEASURING CUSTOMER/STAKEHOLDER SATISFACTION</u>

<u>Introduction</u>

The GCG has required all GOCCs to adopt a Satisfaction Survey as a gauge to measure how GOCC's relate with its Customers/Stakeholders. Measuring and reporting such satisfaction provides a tangible and verifiable data on how effective GOCCs deliver its services. There are various methods on how satisfaction surveys are done; this guide will serve as reference in identifying some practices in executing the survey.

<u>Criteria</u>

There is no standard methodology in providing client/stakeholder surveys. In particular, this statement holds true as GOCCs provide a wide array of services with varying degrees of resources. However, this document will serve a minimum standard in laying out the survey.

A good Client/Satisfaction Survey should include the following characteristics:

1. ***Validity*** – the survey should have a clear, measurable purpose and be specifically designed to gather all data required for the analysis.
2. ***Repeatability*** – the survey should be tracked overtime. Therefore, most of the questions should be designed so that they can be repeated and eventually compared to a baseline.
3. ***Conduct of the Survey***- For the purposes of the Performance Scorecard, scores should be reported annually or quarterly depending on the agreed timeframe. However, the services provided by the GOCC should be taken into account to allow for a more responsive survey answer. These services could be one of the following:
   a. Short-term/Transactional (e.g. frontline services, over-the-counter, helpdesk, or frontdesk services). This may need an on-going measurement at the point of service delivery. This is suitable for annual or quarterly analysis.
   b. Long-term/Project-type evaluations (e.g. infra projects). This may require an end of project style evaluation that measures the success of that project only and not to the client/stakeholder relationship. These types of survey are not suitable for on-going annual or quarterly analysis.
   c. Overall Satisfaction. This is a once in a year/annual survey measuring the quality of on-going client/stakeholder relationships. This is suitable for annual or quarterly analysis.

Sample Size

Due to the varying services and resources available to GOCCs, it is not advised to mandate a sample size for each survey. It is recommended, however, that the survey should best represent those who actually use the services.

Survey Design

Certain key elements of a satisfaction survey should be common to all programs offered by a GOCC. Surveys should test the level of satisfaction in any of these areas:

Themes	Description
1. Timeliness	Rate of the delivery of services done within agreed timeframes
2. Ease of Access	Rate of understanding of services provided and how to access the service. (Service delivery channels and channel preferences)
3. Staff	Rate staff in terms of: - Knowledge - Understanding client needs - Helpfulness - Easy to work with
4. Quality	Rate the quality of service (delivered to expectations)
5. Outcome	Rate the outcomes achieved or meeting certain requirements
6. Overall Satisfaction	On a scale of X, how satisfied are you with the service provided by XYZ?

Satisfaction Ratings

Satisfaction ratings should be broad enough to capture variations in intensity. For purposes of uniformity, the level of satisfaction should be reported on a five point satisfaction scale. Generally, a scale including at least 5 points will allow for reasonable use of general linear model techniques such as regression.

For purposes of interpretation, the level of satisfaction to be reported should describe the top two measures (scale numbers 4 and 5 combined) as measures of customer being "satisfied." Accordingly, GOCCs should not interpret the scale number 3 or the midpoint as a "satisfied" rating. The midpoint possesses a vague interpretation of neutral wherein a respondent who can be interpreted as not being "dissatisfied" can also be interpreted as not being "satisfied."

Annex C

Financial	Customer/Stakeholder	Internal Process	Learning and Growth
1. Total assets(₱)	1. Annual sales/customers(₱)	1. On-Time Delivery	1. Employee participation
2. Total assets/employee(₱)	2. Average customer size(₱)	2. Administrative expense/total revenues(%)	2. Training hours per employee
3. Revenues/total assets(%)	3. Customer rating(%)	3. Administrative expense/customer(₱)	3. Average years of service
4. Revenues from new products or business operations(₱)	4. Average time from customer contact to sales response(No)	4. Average Lead Time(No)	4. Absenteeism
5. Revenues/employee(₱)	5. Average time spent on customer relations(No)	5. Contracts filed without error (No)	5. Turnover rate
6. Profits/total assets(%)	6. Customers/employee (No or %)	6. Lead time, product development(No)	6. Employee suggestions
7. Profits from new products or business	7. Satisfied-customer index(%)	7. Lead time, from order to delivery (No)	7. Employee satisfaction index(No)
8. Profits/employees(₱)	8. Customer-loyalty index(%)		8. Employee's view(empowerment index)(No)
9. Return on net assets(₱)	9. Market Share		9. Shareof employees below age X(%)
10. Return on total assets(%)	10. No of Customer Complaints		10. Non-product-related expense/customer/year(₱)
11. Return on capital employed(%)	11. Return Rates		11. Ratio of new products(less than X years old) to full company catalogue(%)
12. Return on equity (%)	12. Response Time		12. Near misses
13. Return on Investment(%)	13. Cost/customer(₱)		13. Accidents
14. Cash flow (₱)	14. Customers Lost(No or %)		14. Value added per employee
15. Return on investment (%)	15. Customer retention		15. Diversity rate
16. Total costs(₱)	16. Number of customers		16. Work – Life Balance
17. Revenue(₱)	17. Annual sales per customer		17. Employee productivity
18. Gross Margin(₱)	18. Marketing cost as a % of sales(%)		18. Cross – training
19. EBITDA Margin(₱)	19. Marketing expenses(₱)		19. Health promotion
20. Net Income(₱)	20. Number of proposals made		20. Personal goal achievement
21. Profit as % of sales	21. Brand-image index (%)		21. Leadership development
22. Economic Value Added	22. Response rate		22. Knowledge management
23. Compound Growth Rate	23. Sales volume		23. Ethics violations
24. Dividends	24. Sales per channel		24. Cross-functional assignments
25. Market Value	25. Average customer size		25. Problem solving teams
26. Share Price	26. Customers per employee		26. Learning rate
27. Earnings per share	27. Frequency of sales transactions		27. R&D expense(₱)
28. Credit rating	28. Sales closed/sales contacts(%)		28. R&D expense/total expenses(%)
29. Debt	29. Number of visits to customers(No)		29. IT Development expense/IT expense(%)
30. Debt to equity	30. Service expense/customer/year(₱)		30. Hours, R&D(%)
31. Accounts receivable turnover			31. R&D resources/total resources(%)
32. Days in Inventory			32. Investment in training/customers(No)
			33. Investment in research(₱)
			34. Investment in new product support and training (₱)
			35. Investment in development of new markets(₱)
			36. Direct communications to customers/year(No)
			37. Patents pending(No)
			38. Average age of company patents(No)
			39. Suggested improvements/employee(No)

Annex D

Measure Profile

No.	Strategic Objective:		No.	Strategic Measure:				Unit of Measure:	
How often is the measure updated/ calculated?			Formula:			Variables:			
What data us required in calculating the measure?			How to calculate						
Where/ how is the data acquired? (Specify document and /person/office			Sample Computation						
Is the data about the measure available?	When will this information be available?		Baseline	Year 1	Year 2	Year 3	Year 4		Vision Year
Currently available									
With minor changes									
Still to be formulated									
Who is responsible for tracking and reporting the targets?									

Annex E

Strategic Initiatives	Measure 1	Measure 2	Measure 3	Measure 4	Measure 5	Measure 6	Measure 7	Measure 8	Measure 9	Measure 10	Measure 11	Measure 12	Measure 13	Measure 14	Measure 15	Total Number of Hits
Initiative 1	Indirect				Direct				Direct	Direct			Direct			4
Initiative 2						Direct										1
Initiative 3			Direct									Indirect				1
Initiative 4			Direct								Direct				Direct	3
Initiative 5							Direct									1
Initiative 6		Indirect							Indirect							0
Initiative 7				Direct		Direct			Indirect					Direct		3
Initiative 8																0
Initiative 9												Direct				1
Initiative 10		Direct				Direct										2
Initiative 11			Direct												Direct	2
Initiative 12	Direct						Indirect						Indirect			1
Initiative 13	Direct															1

Legend:

▮ Indirectly affected/ hit   ▮ Direct affected/hit

Instructions:
- List all Strategic Initiatives on the left column
- List all Strategic Initiatives on the top row
- Subject each initiative against each measure by determining if the measure if directly or indirectly affected by the initiative.

Note: Directly affected means, upon the implementation of the initiative, measure will immediately move while indirectly affected means the measure will only be affected at a secondary level/effect when initiative will be implemented.

Notice that there are measures that were not at all affected by an initiative; this shows that there is lacking priority projects being done to move this particular measure/ achieve the corresponding targets.

On the other hand, there is an initiative that barely hit any measure, this could mean that this project is not as strategic in the sense that it is not able to contribute in moving measures to achieve targets or meet the corresponding objective.