Adopting the Balanced Scorecard for a Participatory Monitoring and Evaluation of Strategic Organisation Development Programs in the Philippine Public Sector: A Case Study of the Philippines-Australia Human Resource Development Facility

S. Theodore A. Demaisip
Coffey International Development Pty. Ltd.

Introduction

The Philippines-Australia Human Resource Development Facility is the Australian Agency for International Development's (AusAID) program for planned institution capacity building in support of the Philippine government's effort to promote sustainable and equitable socio-economic development. Capacity building of institutions[1], in this context, is predicated on successful implementation of prioritised human resource development (HRD) activities focused on defined development administration agenda for improved service delivery.

The Facility has adopted a workplace training methodology[2] to implement these strategic HRD activities. These activities are customised to align to efforts to build key personnel competencies and to meet the capacity requirements of its institution. Currently, these activities include funding approximately 80 scholarship awards for post graduate study as well as other customised HRD training interventions.

Facility's Approach to Monitoring and Evaluation

Human Resource Development (HRD) becomes strategic when improved personnel competencies contribute to the capacity of the institution to carry out its development mandate. Guided by this tenet, the Facility and its partner institution formulate a set of workplace development objectives that ensure the strategic link between the identified HRD solution and the institution's development agenda. These objectives are:

- Behaviour Objectives: As a result of the HRD activity, these are the tasks that the learner is expected to do to be considered competent.

- Institution Objectives: These are specific medium-term objectives of improving both the institution's internal processes resulting from the learner's application of newly acquired competencies; and

---

[1] The Facility's definition of "institution" is analogous to the United Nation's usage of the term and shall refer, for the most part, to Government of the Philippines agencies.

[2] The Facility succinctly defines "workplace training methodology" as systematic learning arrangement and designs that are used to achieve planned organisational change. Learning endeavors are pursued and are deemed successful only to the extent that they have improved the organisation's capacity.

- Development Objectives: These are long-term objectives of improving clients' socio-economic well-being resulting from the institution's improved service delivery processes and procedures.

These three sets of objectives are intrinsically linked with the achievement of behaviour objectives laying down the foundation for the achievement of institution objectives, which in turn, become the foundation for the achievement of development objectives.[3]

The Facility's monitoring and evaluation (M&E) efforts are guided by these two capacity building principles, namely: 1) sustainability of results and 2) strategic organisation development (OD). Sustainability of results means that the M&E of capacity building programs should focus not only on input data (e.g. the number of training courses) or output data (e.g. number of government managers trained) but on how the partner institution benefited in terms of applying learning gained to improve processes and systems (outcome data), and how, ultimately, these improved agency operations can contribute to the betterment of the larger community, say, increase in farmers' income (impact data). Strategic organisation development, on the other hand, means that M&E tasks include tracing workplace development objectives back to the mandate, vision or goal of the institution. These two components are akin to the basic Balanced Scorecard (BSC) concepts of *alignment* and *integration*, two management approaches in converting intangible assets (e.g. human capital, information capital and organisation capital) into tangible organisation development outcomes (e.g. organisation systems and procedures).[4]

Why Adopt the Balanced Scorecard Approach?

The Facility's design, as with most ODA programs, is guided by the Logical Framework Approach (LFA). Early on, the Facility has already grasped what the Facility's LFA can do and cannot do for the M&E of ODA capacity building programs.

On the positive side, the logframe matrix clarifies the Facility overall goals and objectives as well as identify the performance objectives of the major components of the Facility's operations.

However, the logframe falls short as an M&E tool for ODA capacity building. The LFA is dictated by its original intention, i.e., in the face of increased scarcity of development funds and other resources, the LFA has been developed to ensure accountability from project/implementing teams, aid agencies, and public governing bodies for the development projects and programs implemented.[5] This means that the primary focus of the logframe is effective project management, which, most often than not, refers to the project management of the managing contractor. With such an inclination, M&E then in the LFA regime becomes limited, especially in determining progress and impact from the perspective of the partner institution (the intended beneficiaries). Continuing M&E of sustainable capacity building efforts, i.e., even beyond the life of the program becomes secondary. Institutionalisation is not also considered. Because it is (project) implementation-oriented, too much attention is given on

---

[3] Mayne, John. Addressing Attribution through Contribution Analysis: Using Performance Measures Sensibly, 1999, p. 1

[4] For a detailed discussion of these two concepts, please refer to Chapter 7 of Kaplan and Norton's *Strategy Maps. Converting Intangible Assets Into Tangible Outcome.*

[5] Sartorius, R. *The Third Generation Logical Framework Approach: Dynamic Management for Agricultural Research.* Journal of Agricultural Education Extension, 1996, p. 50

administration and management of development projects."[6] The logframe's strengths also becomes it own weakness.

The Facility has seen the need to adopt an additional approach to M&E that shall complement the LFA. The proposed M&E approach should complete the Facility's M&E equation by imbuing the Facility's M&E framework with key organisation elements such as mission, strategy, customer focus, processes and systems, and continuous organisation learning.

It is for these reasons that the Facility decided to adopt the Balanced Scorecard (BSC). The BSC fits well with the Facility's philosophy on institution capacity building through purposive HRD because like the Facility, the BSC:

- Considers learning and growth as the foundation of any institution change agenda in the same way that Facility works on the presupposition that HRD is a key to institution capacity building initiative;
- Compels the institution to monitor and evaluate its progress in the context of its strategic plan; and
- Assists the institution to think beyond mere input and output by requiring it to also think of internal process improvements and customer development.

The Balanced Scorecard (BSC) suggests that capacity building should be viewed from these <u>four</u> organisation perspectives:

- Learning and Growth: This perspective pertains to acquisition of knowledge, skills and attitudes to advance staff professional development
- Business Process: This perspective refers to policies, systems, procedures, structures, technologies, infrastructure that enable the institution to respond to the needs of its clientele;
- Financial: This perspective emphasises revenue generation, cost cutting, expense minimisation, etc.
- Customer Perspective: This perspective focus on the extent of socio-economic development made possible by the assistance as well as customer satisfaction

Integrating the LFA and the Balanced Scorecard

Much of the benefits of adopting the BSC as a complementary approach can be appreciated in the discussion of the Facility's M&E approach.

---

[6]"International Experience in Municipal Performance Measurement. (Third International Conference on Decentralization organized by the Center for Local and Regional Governance at the University of the Philippines), 7-9 October 2003, p. 7

Figure 1. The Facility's M&E Approach
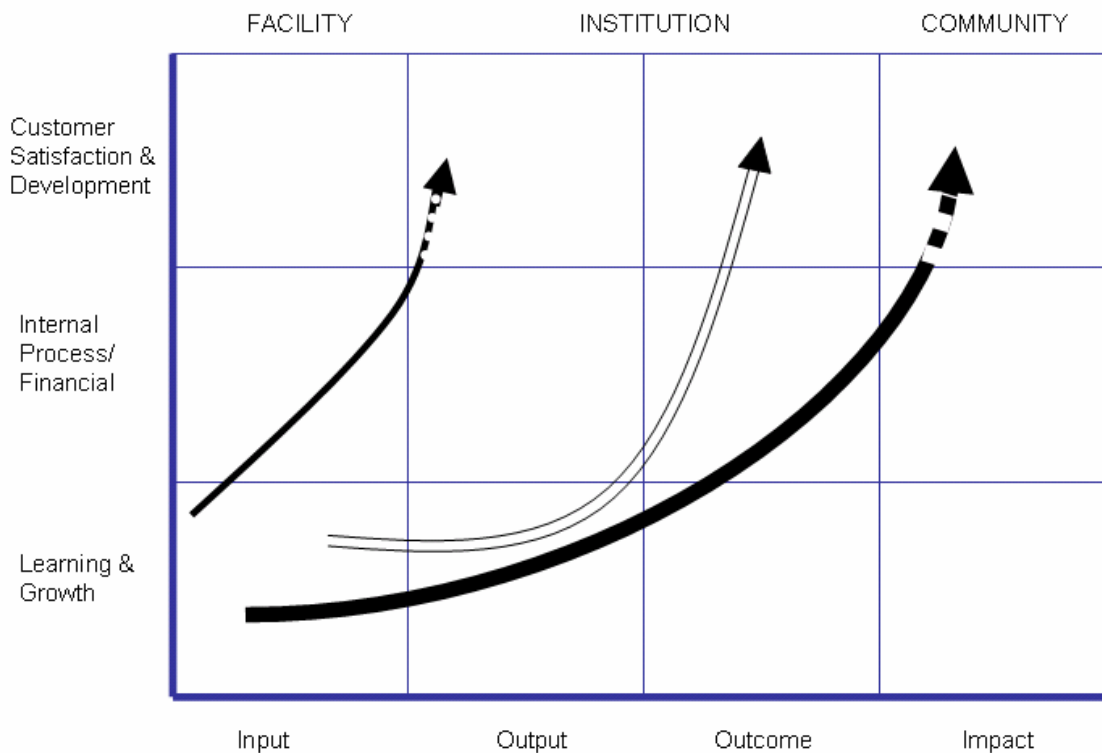
The x-axis roughly corresponds to the LFA's vertical integration. In the context of ODA capacity building, *input* refers to the capacity building undertaking. *Output* can either be the enhanced competencies of the learners or the actual tangible output that is produced as a result of new competencies. O*utcomes* and *impact* differentiate between two types of capacity building results – results that directly benefit the institution in terms of improved processes and systems (outcomes) and results that benefit the community or the society in general (impact).

The y-axis, on the other hand, depicts the four perspectives and the "bottom-up" logical progression of a typical Balanced Scorecard for government and non-government organisations. The Business Process and Financial perspectives, however, are lumped into one overarching perspective, i.e., the internal process perspective because, in practice, these institutions treat financial systems as just one consideration for internal process improvement.

The Areas for Engagement (found at the top of the matrix) pertain to the three relevant engagement domains of this particular ODA, namely: the Facility, the Partner Institution and the Community.

The arrows pertain to general capacity building directions. The first arrow (⟶) traces the Facility's capacity building direction. The second arrow (⟹) traces the capacity building direction of a partner institution that is aimed at improving service delivery to internal customers. Capacity building of this nature targets the following: HRD, planning and policy, information technology, etc. The third, and last, arrow (➡) traces the capacity building direction of a partner institution in the service of

external customers. Capacity building activities, in this case, are mostly technical in nature and are much closer to the institution's core business/mandate (e.g. education, social welfare, environmental protection, tourism, etc.).

These three capacity building paths traverse the BSC (y-axis) perspectives. They differ, however, in their span on the LFA (x-axis). What accounts for the difference? In the world of official development assistance (ODA) capacity building, the Facility's efforts fall mostly in the input range. In a graphic manner, the arrow emphasises that almost all of the Facility logframe indicators are actually input indicators vis-à-vis the capacity building of its partner institutions. The second arrow, on the other hand, demonstrates how the partner institution strives for improved internal process outcomes to achieve internal customer development. The third arrow illustrates how the partner institution strives for improved internal process outcome, but for the development of the larger community.
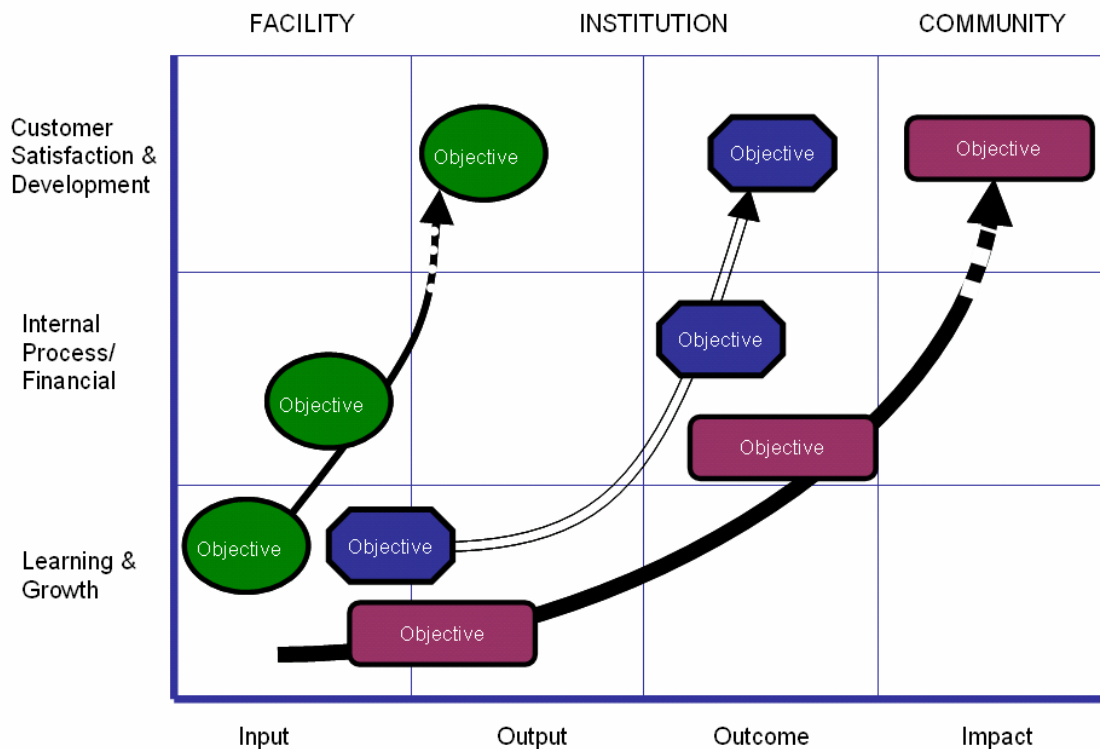
The Strategy Map and Workplace Development Objectives

The Capacity Building Path, in essence, traces the direction of an institution's strengthening thrusts. These thrusts are expressed in terms of workplace development objectives One of the distinguishing features of the BSC is the attempt to determine the causal links of these objectives. As Niven puts it, "A well-designed Balanced Scorecard should describe your strategy through the objectives and … should link together in a chain of cause-and-effect relationships from the performance drivers in the Employee Learning and Growth perspective all the way through to improved customer outcomes as reflected in the Customer perspective."[7]

The primary BSC mechanism for documenting the cause and effect relationships between and among the objectives is the Strategy Map. It also illustrates the alignment of various organisation capacity building objectives with its vision, mission and strategy (including capacity building). Below are the three strategic maps, (posted against the same LFA-BSC matrix) corresponding to the three capacity building paths described in the previous section.

---

[7] Niven, Paul R. *Balanced Scorecard Step-by-Step: for Government and Non-Profit Agencies* (New York: John Wiley and Sons, Inc., 2003), p. 36

Figure 2. Capacity Building Paths and Strategy Maps

Once the key workplace development objectives have been identified and their relationships established with the development of the strategy map, the rest of the BSC process is very straightforward and self-explanatory. The succeeding section outlines these steps.

The Monitoring and Evaluation Procedure at a Glance

The institution, with the assistance and guidance of the Facility, conducts its own M&E for each of the approved HR Activity by going through a BSC process that involves the following steps:

1. Review of the institution's vision, mission, mandate and goals and clarifying the link between these elements and the approved HRD activity;

2. Review of the HRD activity specification documents, zeroing in on the workplace development objectives;

3. Designing the strategy map.

4. Information dissemination of the strategy map to personnel and offices (e.g. management, policy and planning office, HRM office, concerned line departments, etc.) for ownership and support;

5. Identification, formulation and agreement on the appropriate performance measures/indicators per BSC workplace development objective;

6. Determining baseline performance data.

7. Setting of accomplishment targets.

8. Tracking, measuring and recording of actual performance;

9. Assessment and rating actual performance against performance targets;

10. Assessment and rating the extent workplace development objectives have been achieved;

11. Analysis of organisation and socio-economic-political factors that facilitate and hinder achievement of objectives; and

12. Identification of possible courses of action.

Capacity Building and Performance Management

By adopting the BSC approach, the Facility is taking extra effort not to confuse organisation capacity indicators with performance indicators. As Mizrahi (2004) points out, "Analysing declining levels of performance, however, cannot reveal much about capacity gaps, for it may be that this gap is not at the skill level, but at a higher level of management."[8] The Facility is providing the partner institutions with the instruments to translate improved personnel competencies (output) into enhanced organisation operations (outcomes). For example, participants of PAHRDF activities are required to develop re-entry action plans that will guide them in applying enhanced competencies to one of these key organisation elements: 1) policy analysis and recommendation, 2) procedure, process and system improvement, 3) revenue generation and/or cost saving, 4) improved service delivery to clients, and 5) organisation and structure improvement. This particular Facility effort falls under what Hilderbrand and Grindle (1994) call the fourth dimension of capacity building in the public sector, i.e., capacity (that) focuses on organisational structures, processes, resources, and management styles that affect how individual talents and skills are used to accomplish particular tasks."[9] In plain BSC jargon, it is assisting the partner institution to make the leap from Learning and Growth to Internal Process.

Partnership Building for Sustainable Monitoring and Evaluation

Monitoring and evaluation data that are most difficult to collect pertain mostly to outcomes and impact because: 1) it will take some time before the outcome and impact are realised, 2) data at these levels can only be gathered long after the training has been concluded, 3) it requires utilising "higher-level" M&E instruments, 4) inter-department cooperation is needed and 5) an intimate knowledge of the relationship of the causal link between competencies and service delivery is required.

Given the aforementioned difficulties, the Facility has adopted a participatory approach to M&E through:

---

[8] Mizrahi, Yemile (2004). *Capacity Enhancement Indicators. Review of Literature.* World Bank Institute Working Papers, pp. 4
[9] Hilderbrand and Grindle (1994). *Building Sustainable Capacity: Challenges for the Public Sector. (Prepared for the United Nations Development Programme. Pilot Study of Capacity Building by the Harvard Institute for Development),* Chapter 2.

- Building of M&E competencies: The Facility has developed and conducts for its partner institutions the following capacity building programs: Establishing the PAHRDF M&E System; Data Gathering Methodologies & Tools, Data Interpretation & Analysis; and Report Preparation & Customisation;

- Information Technology support: A website specifically devoted to the BSC has been developed by the Facility to assist the partner institutions in encoding, storing, organising, communicating, cascading and reporting their BSC on an annual basis. (URL: www.pahrdf.org.ph/scorecard). It is envisioned that the PAHRDF BSC website shall also serve as a repository of BSC materials for partner institutions to support their growing interest to implement the BSC not only for monitoring specific HRD activities but for planning and management of the entire institution as well; and

- Change Management: The Facility conducts sessions on change management for M&E teams of partner institutions to assist them in establishing and implementing the PAHRDF M&E system.

It is the Facility's dream to develop the BSC M&E capacities of these technical persons to become competent M&E specialists not only for their institutions but also for their regions, even long after the Facility has ended.

A Work in Progress

The Facility has been in operation a little less than two years. In this span of time, a lot has been accomplished in improving its M&E approach to intently address the Facility's goal and purpose. Still, a lot needs to be done, particularly in guaranteeing that M&E continues to be appropriate for the partner institutions; not only during their engagement with the Facility, but more importantly, even long after the Facility has come to an end.

The guiding principles for the Facility's future actions are the same as those that guide BSC practitioners, namely, alignment and integration.

Alignment, in this context, means expanding the partner institution's M&E field of vision to include outcome and impact indicators not only with PAHRDF activities but also with its other development projects. It is helping the institutions change not only the M&E system but also to develop a management mindset in the public sector that relates individual (e.g. section or department) gains in the context of achieving the overall institution vision and mission.

Integration, on the other hand, means strengthening the complementation between the Facility's M&E approach and the existing M&E system of the partner institution.[10] It is not the intention of the Facility to supplant this system. On the contrary, by imbuing these systems with the BSC approach, the institution can focus its current M&E system on key government processes from various organisation perspectives, in varying degrees of capacity building. In the words of Kusal and Rist (2001), it is

---

[10] Examples of these include: the project logframe, Local Government Performance Measurement System (LGPMS), rapid appraisals, infrastructure reports, accomplishment reports, physical and financial accomplishments, employees' Civil Service Commission Performance Evaluation System

"building an (M&E) system that allows relevant questions to be asked and addressed at appropriate levels."[11]

The benefits of the BSC, whether it is used for planning, communication, performance management or M&E, can only be optimised if the institution fully appreciates and understands what it means to be a true learning organisation. It is therefore the hope of the Facility that through the adoption of the BSC, M&E would evolve from a mere reporting procedure into an effective instrument for organisational understanding; that it would cease to be a mere tool to exact accountability; but more significantly, become a medium for continuous organisational learning.

References

Federation of Canadian Municipalities (2003). *International Experience in Municipal Performance Measurement. 3rd International Conference on Decentralization organized by the Center for Local and Regional Governance,* Manila, Philippines.

Gasper, Des (2001). *"Logical Framework": Problems and Potentials.* Unpublished Paper. Institute of Social Studies. The Hague, The Netherlands.

Heffron, Florence (1989). Organization theory and Public Organizations. The Political Connection. New Jersey: Prentice Hall.

Kaplan, Robert S. and Norton, David P. (1996). The Balanced Scorecard. Translating Strategy into Action. Boston: Harvard Business School Press.

Kaplan, Robert S. and Norton. David P. (2005). Strategy Maps. Converting Intangible Assets into Tangible Outcome. Boston: Harvard Business School Press.

Kusak, Jody Zall and Rist, Ray C. (2001). *Building a Performance-based Monitoring and Evaluation System. The Challenges Facing Developing Countries.* Evaluation Journal of Australasia, Vol. 1, No. 2.

Mayne, John (1999). *Addressing Attribution through Contribution Analysis: Using Performance Measures Sensibly*.

Mizrahi, Yemile. (2004). *Capacity Enhancement Indicators. Review of Literature.* World Bank Institute Working Papers.

Niven, Paul R. (2003). Balanced Scorecard Step-by-Step: for Government and Non-Profit Agencies. New York: John Wiley and Sons, Inc.

Rohm, Howard. *A Balancing Act. Developing and Using Balanced Scorecard Performance Systems.* Perform: Performance Measurement in Action, Vol. 1, Issue 2.

Sartorius, R. (1996). *The Third Generation Logical Framework Approach: Dynamic Management for Agricultural Research*. Journal of Agricultural Education Extension.

---

[11] Kusak, Jody Zall and Rist, Ray C. *Building a performance-based monitoring and evaluation system. The Challenges Facing Developing Countries.* Evaluation Journal of Australasia, Vol. 1, No. 2, p. 22.