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MEMORANDUM CIRCULAR

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SUBJECT : ESTABLISHMENT OF THE OFFICE OF STRATEGY MANAGEMENT

I. RATIONALE

Managing organizational strategies is a critical factor for the success of every organization. The most common reason for failure is the disconnect between strategy formulation and strategy execution, which can be prevented at an early stage. Research shows that on the average 95% of an organization's staff are unaware of or do not understand the organization's strategies. Thus, employees at the operational level are unable to effectively implement them.¹

Deficiencies found in most organizations because of this lack of coordination are the following: a) non-alignment of strategies with support services such as human resource and information technology support systems; b) budget planning is not linked to strategies; c) organizational vision and road map to achieve the vision is unclear; d) incentives provided are not linked to strategies; and e) workforce do not understand the strategy. All these result from operating in silos² even from within the organization. This means activities are conducted separately and independently of each other, without being anchored on the overall strategy, creating the breach between strategies and processes, systems and people. The DSWD management recognizes the importance of bridging such a gap and hence, decided to adopt Performance Governance System – Balanced Scorecard (PGS-BSc) as a tool to address this.³

Consequently, the PGS-BSc technology recognizes that to sustain strategy focus and oversee all strategy-related activities, establishing a new and dedicated unit at the

¹ Kaplan, Robert S. and D. P. Norton. *The Office of Strategy Management*. Harvard Business Review. October 2005

² The term is widely considered for cases where individual people, departments, or companies, conduct business in a vacuum without taking into consideration the impact their actions have on the entire organization. They also refer to organizational, spatial, and social boundaries that impede—when they do not block—the flows of knowledge needed to make full use of capabilities. Specifically, three types of boundaries can be distinguished: (i) organizational, e.g., business units, functional memberships; (ii) spatial, e.g., office locations, inter-office distances; and (iii) social, e.g., gender, tenure (pay grades, job ranks). (*Knowledge Solutions*, July 2010)

³ It helps to think of organizations as systems. A system is a group of interacting, interrelated, or interdependent elements that form a complex whole. In an organization, inputs are processed to produce outputs toward outcomes that, in combination, deliver the impact the organization desires. Obviously, rapport among the subsystems, e.g., bureaus, offices, units, teams, programs, etc., involving feedback, insight, and disclosure is essential to ensure they synergize. The processes that link the subsystems are typically defined by corporate values, policies, procedures, and rules. (*Ibid.*)

management level is needed, called the Office of Strategy Management (OSM). The OSM shall perform both strategic planning processes and essential activities to implement the identified strategies i.e. establishing budgets, communicating strategy to the workforce, and designing compensation systems that reward strategic performance. More than that, the OSM shall monitor, measure, report and coordinate efforts pertaining to the execution of our strategy as spelled out in the Reform Agenda (RA). Currently, the RA is the overarching strategy articulated in the strategy map and scorecard, detailing the change management plan of the DSWD. Hence, the process of shifting our current operations to our desired results through the adoption of the PGS-BSc shall be orchestrated and monitored by the OSM.

II. BACKGROUND

In 2010, the Department became a grantee of the Millennium Challenge Corporation (MCC) for its KALAHI-CIDSS project. The Performance Governance System – Balanced Scorecard (PGS-BSc) was part of the conditions required by the MCC of its grantees. This then became an opportune time for the Department to be introduced to the PGS-BSc.

The PGS-BSc was identified as a mechanism to curb corruption since it provides the framework for government agencies and citizens to work together in crafting a long-term reform program anchored on a strategy road map complete with internally-generated set of specific outputs, performance milestones and measurable targets. The resulting governance scorecards are then subjected to an audited review with the private sector through a formalized four-stage accreditation process i.e. initiation, compliance, proficiency and institutionalization.

Considering the approved budget of the Department for CY 2012 is P46.6 billion with a Pantawid Pamilya program target of serving 3 million households, accountability for results and resource stewardship is paramount. The PGS-BSc addresses this challenge as it embraces the principles of the balanced scorecard technology. It provides a structure for devising our strategy, translating our strategy into operations, communicating our game plan, measuring our performance and aligning our workforce and systems to deliver breakthrough results. In undergoing the PGS-BSc, the Department shall utilize the balanced scorecard technology to concretize the social welfare and development reform agenda in upgrading our capacities and improving our systems to implement and deliver programs and services that will contribute to reducing poverty and empower the people.

III. LEGAL BASIS

Executive Order No. 823 series of 2009 entitled "Directing Agencies of the Government to Provide Full Support for Key Process Improvement Projects in order to Achieve Compact Status as Prescribed by the Millennium Challenge Corporation (MCC)" Among other process improvement projects, key government agencies are enjoined to adopt the Balanced Scorecard (BSC) Rating System. Following an initial batch, the Executive Secretary issued a Memorandum dated 01 March 2010 to the next batch of government agencies including the Department of Social Welfare and Development (DSWD) to install and institutionalize the Performance Governance System (PGS). Moreover, part of the

process improvement under the PGS as prescribed by the MCC is the establishment of the OSM to be able to reach the proficiency stage.

Memorandum Circular No. 05 series of 2010 entitled "The DSWD Reform Agenda" details the changes the Department ought to undertake in guiding the reform processes and thrusts for the social protection sector. These changes are then grouped into reform areas that capulize the change agenda of the DSWD to a) improve outcomes in SWD reforms, b) improve governance of social protection assistance and delivery and c) build capacity of DSWD and attached agencies in performance-oriented budgeting and management.

Administrative Order No. 06 series of 2011 entitled "Adoption of the Performance Governance System Strategy Map and Enterprise Scorecard" whereby the description of the Department's strategy to achieve our Vision for 2030 is detailed and the key indicators to measure the success of our endeavors to achieve our vision is presented.

Memorandum Circular No. 01 series of 2012 entitled "Reclustering of Offices, Bureaus, Services and Units (OBSUs) at the DSWD Central Office" which ordered the re-grouping of OBSUs to further strengthen the Department's operations and increase the efficiency of and synchronicity among OBSUs to achieve our vision, mission and reform agenda.

IV. DEFINITION OF TERMS

Performance Governance System – Balanced Scorecard (PGS-BSc) – the adaptation of the strategic planning and management system used to translate the Department's vision into objectives that drive both behavior and performance in our day-to-day operations.

Enterprise Scorecard – also known as the Secretary's scorecard and the overall scorecard of the Department detailing the sum of the Department's commitment until its vision year 2030. As such, any mention herein of the word "enterprise" refers precisely to the whole of the Department which the Secretary as head is accountable for.

Second Level Scorecards – also known as the OBS and FO Level scorecard or the Director's scorecard where commitments of various OBS and FO are indicated until the basecamp year 2016 and adds up to the enterprise scorecard.

Strategic Management - the systematic analysis of the factors associated with stakeholders and impact to society (the external environment) and the organization itself (the internal environment) to provide the basis for strategic decisions focusing on outcomes, time and relative value of initiatives and in aligning policies, processes and priorities to achieve desired results.

Strategy Development – the process of defining the game plan of the Department and all its OBS and FOs, setting specific goals and objectives in response to the current social welfare and development needs and challenges

A. SPECIFIC FUNCTIONS OF THE OSM⁴

1. **Develop and enhance the strategy⁵.** The OSM shall be the lead office to conduct the strategic planning of the DSWD. As differentiated from the Policy Development and Planning Bureau (PDPB), the OSM is responsible for the crafting of the corporate plan, medium term plans as well as annual operational plans of the Department, ensuring that the agency is aligned and faithful to the results committed in the Organizational Performance Indicators Framework (OPIF) that specifies its programs, activities and projects (PAPs), major final outputs (MFOs), Organizational Outcomes, Sub-sector and Societal Outcomes. The OSM shall be responsible in keeping track of the agency's performance in terms of operationalizing its strategy map and achieving its annual, medium term and per basecamp targets in the scorecard following the PGS-BSc technology where the purpose is to bridge the disconnect between the strategy and the day-to-day operations of the Department. The formulation of the strategy shall be a Department-wide level which includes external partners to ensure holistic approach in defining strategies. Part of this is our subscription to an external revalida and the establishment of the Multi-Sectoral Governance Coalition (MSGC) as a concrete step in consulting key stakeholders to affirm our strategies. This means differentiating the regular operational plans of OBSs or FOs and the strategic 10- to 20-year plan of the whole Department where the OSM shall be involved.

The OSM shall likewise be the clearing-house and integrator of any existing or prospective strategic frameworks that the Department is being introduced to such as the Social Welfare and Development Reform Project (SWDRP), OPIF, Results-Based Management Framework and Risk Management Framework at present.

2. **Plan the strategy.** The OSM stewards the scorecard processes and should ensure that any changes agreed upon at the policy level thru issuances and guidelines, including agreements during the National Management and Development Committee (NMDC) for its annual strategy-planning meeting are mirrored in the DSWD strategy map and balanced scorecard.

3. **Align the Organization.** The OSM shall oversee the process of developing the scorecards and cascading them across all levels and functions of the DSWD—from the CO to the FOs. This is to help the Department have a consistent view of the strategy and systematically manage organizational alignment. Furthermore, the OSM shall define the interactions and collaborations that are necessary at lower levels in the organization and ensure that each OBS and FO strategies and scorecards are connected with each other and to the overall Department strategy.

As such, its responsibilities for the alignment process include the following:⁶

⁴ Kaplan, R.S. and D.P. Norton, "The Office of Strategy Management: Emerging Roles and Responsibilities." *Balanced Scorecard Report* July-August 2008.

⁵ In implementing the RA via the PGS, recommendations coming from the conduct of the strategy reviews to reconsider the strategy shall be handled by the OSM. This would then entail enhancing the strategy via conduct of strategy refresh as needed and re-planning of the strategy as a consequence.

⁶ Kaplan, R. S. and D.P. Norton, "Creating the Office of Strategy Management" HBS Working Paper April 2005.p.5.

- Defining, on the enterprise scorecard, the synergies to be created through cross-business behavior at lower organization levels
- Linking business unit strategies and scorecards to enterprise strategy
- Linking support unit strategies and scorecards to business unit and enterprise strategic objectives.
- Linking external partners, such as clients and stakeholders (e.g. CSOs, LGUs, other NGAs) to the organization's strategy whenever necessary
- Organizing the EXECOM review and approval process of the scorecards produced by the business units, support units, and external partners.

In coordination with the Capacity Building Bureau (CBB), the OSM shall conduct training and education courses, on the PGS-BSc, and serves as the central organizational resource to coach, educate, train OBS/FO/unit/project leaders and focal persons about the BSc methodology and tools.

4. **Scorecard Monitoring.**⁷ The OSM need not be the primary data collector for the scorecard – often it selects the metric owners, the people or OBS/FO that collect and report the data with the desired frequency – but it should oversee the process by which data are collected and reported. The OSM standardizes Balanced Scorecard terminology and measurement definitions across the organization. And the OSM has primary responsibility for the integrity of the reported BSC data. Operating managers may occasionally tilt data in predictable directions to report a somewhat better picture of the effectiveness of their short-term actions and outcomes. The OSM coordinates with the Internal Audit Service to assure that data reporting processes are valid, reliable, and auditable.

Likewise, the OSM is a place to build capacities for analyzing data generated by the scorecards and gain insights from statistical reviews. In line with this, the use of appropriate analytic techniques and time-trend data for the scorecards is encouraged to ensure and accelerate responsiveness of strategies.

5. **Initiatives Monitoring.**⁸ The OSM shall monitor all strategic initiatives to ensure that they are being actively managed, with an eye to consolidating or eliminating those not delivering strategic benefits. It reports on initiative progress at periodic strategy review meetings. It shall flag management when an initiative falls behind schedule, is over budget, or is not delivering expected results.

6. **Evaluate and Review the strategy.** A strategy review meeting is a venue to review performance and make adjustments to the DSWD strategy and its execution. This way, strategies are tested and new actions are initiated periodically to achieve desired outcomes. Managing the strategy review meeting is a core function of the OSM. Monitoring the strategy review meeting to determine action plans and follow-up to ensure implementation is part of the responsibility of the OSM.

6. **Test and adapt the strategy.** The scorecard is based on a set of hypotheses about the effect of specific drivers on desired performance outcomes. These hypotheses are framed as strategic objectives in the scorecards. At an annual strategy

⁷ Op. cit. Kaplan, R.S. and D.P. Norton. April 2005.p.5.

⁸ Ibid. p. 8.

meeting with the EXECOM, the OSM facilitates the process of translating the updated strategy into the scorecard map and objectives whenever necessary. Even without any change in strategic objectives, the OSM shall initiate a discussion about whether the EXECOM wants to change any BSc measures along the enterprise level. Once the EXECOM has approved the objectives and measures for the subsequent year, the OSM coaches the EXECOM in selecting targets and identifying the strategic initiatives required to achieve targeted performance on the BSc measures.

Other than these, the OSM is responsible for coordinating the strategic linkages of these processes:

1. **Link strategy to budget.** To ensure alignment, the OSM shall work closely with the Financial Management Service (FMS) and other functional OBSUs and FOs to link performance targets and budgets with the strategic objectives defined for each level.
2. **Link strategy with key operating processes.** The DSWD strategy map has three strategic themes: 1) Good governance, 2) Social Protection, 3) Lead Shepherd in the Improvement of Quality of Life. These strategic themes identify the various processes that are critical to the strategy. Hence, these processes need to be analyzed, redesigned and managed. The OSM should work with the Directors handling these processes and ensure that necessary resources and organizational support are provided. It should likewise ensure that Directors submit status reports to the EXECOM pertaining to their initiatives that drive these processes apart from their scorecards.
3. **Align plans, human resource and other functional support services.** The OSM shall ensure that ALL key support services and process frameworks of the Department to perform their activities in a manner consistent with the defined DSWD strategic objectives.
4. **Communicate strategy.** To ensure that all employees contribute to the execution of the strategy, the OSM shall actively promote understanding of the Department strategy and its scorecard throughout all OBSs and FOs. It shall review and assist in crafting the key messages of the strategic communication plan of the Social Marketing Service (SMS) to ensure that strategies are communicated properly.
5. **Manage strategic initiatives.** The OSM shall monitor the overall process of selecting and managing the strategic initiatives, solicits information on their status and performance, and reports this to the EXECOM/MANCOM before the conduct of the strategy management review meeting.
6. **Share good practices.** To ensure that knowledge management focuses on sharing of good practices that are critical for the strategy, the OSM shall coordinate with the CBB on this matter. Transfer of knowledge and good practices in line with strategies must permeate the whole of the organization to multiply results.
7. **MSGC Secretariat.** The OSM shall also serve as the Technical Secretariat of the DSWD Multi-Sectoral Governance Coalition (MSGC) and be the link between the Department and the MSGC regarding implementation of scorecards.

B. COMPOSITION

The OSM shall be lodged under the Office of the Secretary and shall be directly accountable to the Secretary. The staff of PDPB shall provide assistance/support based on the needs of the OSM while recruitment of other staff positions shall be done under a memorandum of agreement (MOA) and charged to the Office of the Secretary.

These positions for the OSM are:

- 1) OSM Head -Director IV (SG-28)
- 2) Two (2) OD Specialists IV (SG-22)
- 3) One (1) Training Specialist III (SG-18)
- 4) One (1) OD Specialist III (SG-18)
- 5) One (1) Information Officer III (SG-18)
- 6) One (1) Administrative Officer III (SG-15)
- 7) One (1) Administrative Assistant III (SG-9)

VI. INSTITUTIONAL ARRANGEMENTS

- *THE UNDERSECRETARIES*

As objective owners of the enterprise scorecards, the Undersecretaries anchor the review whether the strategies developed by the OBS/FO are in line with each specific scorecard perspective and objectives assigned to them. Bottom line is to ensure that the enterprise strategic objectives, initiatives and targets are met and that second level scorecards are parallel or complementary with each other aggregating to the overall objectives of the Department

- *THE COACH MONITORS/ASSISTANT SECRETARIES*

In the conduct of operations review meetings, the Coach Monitors must be informed of any concerns that may impact on scorecard performance and provide the necessary guidance in achieving results. The Coach Monitor shall act as the liaison and advocate of the OBS/FO during the conduct of the strategy review meetings. Thus, it is necessary for each OBS/FO to engage first their respective Coach Monitor in any changes in strategy or initiatives that may be proposed by the OBS/FO and inform them ahead of the performance of the OBS before their agenda be presented in the strategy review meetings.

- *LEAD FIELD OFFICES/RESPONSIBLE BUREAUS*

Each OBS/FO shall be responsible in formulating the scorecards of their respective office/bureau with the help of the OSM and ensuring that results are delivered in the conduct of their operations. They shall account for the implementation of the initiatives determined to move the scorecards and reporting of such accomplishments to their Coach Monitors and to the OSM during operations and strategy reviews. Each OBS/FO shall engage the OSM in the conduct of their respective planning process and performance appraisal or program review, whichever case may apply. The initiatives identified by each OBS/FOs shall be prioritized according to the scoring criteria developed by the Technical Working Group (TWG).

For the FOs, the leadership of strategy management functions of the OSM shall be directly supervised by the Regional Directors, to be assisted by their respective Planning and Policy Division Chief and planning officer as technical staff.

- *SOCIAL MARKETING SERVICE*

The SMS shall be the main communicator of the Department's strategies. It shall design and deliver the messages in multiple ways through multiple media while the OSM serves in a coordinating role, reviewing the content and frequency of messages to ensure these correctly communicate the strategy. This is to make sure that the strategies are embedded in the strategic communication plan for all of the Department's stakeholders – internally and externally, considering its various audience as well

- *FINANCIAL MANAGEMENT SERVICE*

In the annual work and financial plan (WFP) and MTEP, the FMS shall make certain that initiatives and activities being proposed by the OBS/FOs are aligned with the agreed strategies. It shall make allocations for the Department's strategies called strategic expenditure (STRATEX) to be differentiated from the regular or operational expenditure (OPEX).

- *HUMAN RESOURCE DEVELOPMENT BUREAU*

The HRDB shall situate the DSWD Strategy Map and Scorecard in the performance management framework and ensure that specific measures and targets are duly incorporated in the performance contracts of officials and staff. It shall also formulate, an incentive system that will motivate out-of-the-box thinking and autonomy in coming up with strategies that will achieve the targets indicated in the scorecards.

- *INFORMATION AND COMMUNICATIONS TECHNOLOGY MANAGEMENT SERVICE*

In the design of dashboards in monitoring key performance indicators and measures in the scorecards, the ICTMS shall lead in creating the ICT support system for this endeavor.

- *POLICY DEVELOPMENT AND PLANNING BUREAU*

PDPB shall submit reports on the outcomes of programs based on the revised OPIF. The OSM shall tap the PDPB on areas where its competency on M&E is needed such as attribution of social impact desired to the Department programs and strategic initiatives.

- *CAPACITY BUILDING BUREAU*

Since the CBB is responsible for maintaining and updating the Knowledge Exchange Center (KEC), any good practice along the implementation of the balanced scorecard shall be provided to the CBB for uploading to the KEC. Institutionalization of such practices to ensure organization-wide adoption to achieve better results shall be the responsibility of the CBB.

VII. FUNDING

The OSM, as a separate office, shall have its own budgetary requirements. While in transition, the PDPB shall shoulder the costs already allotted for its activities for CY 2012 as detailed in its WFP. However, since M.C No. 1 series of 2012 has taken effect, any additional budgetary requirements will be charged to the Office of the Secretary to which it is lodged.


VIII: EFFECTIVITY

This Memorandum Circular shall immediately take effect upon approval.

Signed this 31st day of May 2012.


CORAZON JULIANO-SOLIMAN
Secretary

Certified Copy:


MYRNA H. REYES
Officer In-Charge
Records Unit