

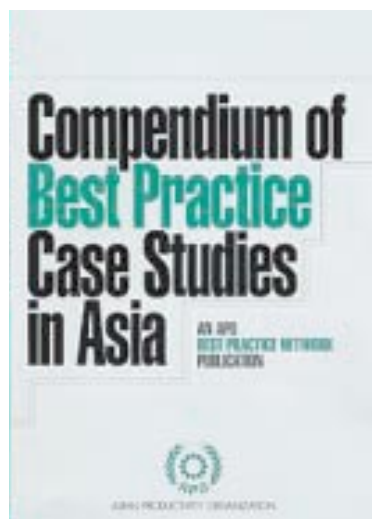
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## **Compendium of Best Practice Case Studies in Asia**

– a publication of the APO Best Practice  
Network

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**ASIAN PRODUCTIVITY ORGANIZATION -  
BEST PRACTICE NETWORK**

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**COMPENDIUM OF BEST PRACTICE  
CASE STUDIES IN ASIA**

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## FOREWORD

The Asian Productivity Organization (APO), with its aim of enhancing the productivity and competitiveness of organizations located in the Asia-Pacific region, has established the APO Best Practice Network (APO BPN). The network seeks to generate, share, and transfer knowledge on best practices that will enable organizations in member countries to improve their performance. The creation of the APO BPN was inspired by the interest and commitment of members including Japan, the Republic of Korea, the Republic of China, Singapore, Malaysia, the Philippines, and India.

Knowledge of best practices provides a competitive advantage for organizations in the knowledge-based economy. Whether in manufacturing or services, private or public, organizations must benchmark themselves against the best standards or practices worldwide to achieve competitive advantage and business excellence. The knowledge gained can also be used to adapt and innovate on the best practices and thus introduce methods that are “better than the best.”

Such best practice benchmarking, however, is not very easy for an individual organization to carry out on its own. Major difficulties are unfamiliarity with sources of best practices, especially sources from other countries; lack of support from best practice organizations in sharing knowledge on best practices; and prohibitive cost of gaining best practice knowledge.

The APO BPN was specifically established to help organizations overcome the above challenges and enable them to perform international benchmarking. The network is designed to address accessibility problems, thus facilitating the transfer of knowledge on the best practices of organizations in other countries to the participating countries. The network will leverage on its linkages with the national productivity organizations (NPOs) located throughout Asia and other productivity and quality organizations worldwide.

More importantly, the best practice knowledge generated from the APO BPN will be useful for NPOs in helping their client organizations achieve best practice performance standards, thus positioning NPOs as leaders in this knowledge transfer.

This compendium is a documentation of the results of the sharing and learning phase of the network wherein selected leading organizations in Asia shared their best practices in various APO BPN workshops. The leading practices in this publication are intended for adaptation and innovation of organizations with the aim of gaining competitive advantage and business excellence. These best practices can also be replicated on a wider scale to achieve improvement in the overall economic performance of Asian countries.

SHIGEO TAKENAKA  
Secretary-General

Tokyo  
November 2004

## **BACKGROUND OF THE APO BEST PRACTICE NETWORK**

### **What is APO-BPN**

The Asian Productivity Organization-Best Practice Network or APO-BPN is a network of organizations in Asia with a common purpose of achieving competitiveness through sharing of best practices. The APO, the umbrella organization of APO-BPN, is a regional inter-governmental organization which aims to help its member countries increase productivity and achieve greater socio-economic development; and ultimately attain a better quality of life in the Asia-Pacific region. Each member country designates a national body to be its National Productivity Organization (NPO). NPOs are either agencies of the government or statutory bodies entrusted with the task of promoting productivity in their respective countries.

The best practice network aims to generate knowledge on global best practices that will be useful for NPOs in helping the organizations in their country achieve best practice performance standards. It also seeks to support the transfer of best practice knowledge among organizations in the APO member countries and position the NPOs as leaders in the area of knowledge transfer.

The APO-BPN provides organizations with a useful platform for inter-country best practice benchmarking. Specifically, it helps them to:

- identify where global best practices reside;
- gain useful knowledge on global best practices that will help them achieve superior performance;
- augment their own best practice networks or learning circles within their own countries by accessing the APO Best Practice Network for global knowledge; and
- learn how to acquire and apply best practice knowledge, including how to do benchmarking.

### **Why APO-BPN was established**

In the knowledge-based economy, one key to competitive advantage of an organization is its knowledge on the best practices of others, and then leveraging on it. Organizations, whether in manufacturing or services, have to benchmark themselves against the best standards or practices worldwide in order to achieve competitive advantage and business excellence. The best practice journey embraces the concept of organizations looking outwards to see what can create value for their stakeholders. The knowledge gained could be used to innovate on the best practices, and thus, introduce methods that are better than the best.

However, organizations, on their own, often face difficulties in using best practice knowledge for performance improvement. They might neither be familiar with relevant sources for best practices nor able to get other organizations share their knowledge on best practices with them. Moreover, they might find the cost of gaining best practice knowledge limiting, and not have the know-how to use the knowledge gained to improve their operations.

The National Productivity Organizations or NPOs could help overcome these barriers by collecting, organizing and sharing knowledge on local and international best practices efficiently; and facilitating its use by organizations for performance improvement. Thus, a key initiative that was introduced to support the NPOs in undertaking this role is the formation of a best practice network among the member countries of the Asian Productivity Organization or APO.

### **How APO-BPN works**

The best practice network is composed of various stakeholders from the Asia-Pacific region. These are primarily the NPOs and their customer organizations, professional and industry associations, benchmarking experts, and the APO Secretariat. Each of them has defined roles and obligations to ensure efficiency and effectiveness of the APO Best Practice Network.

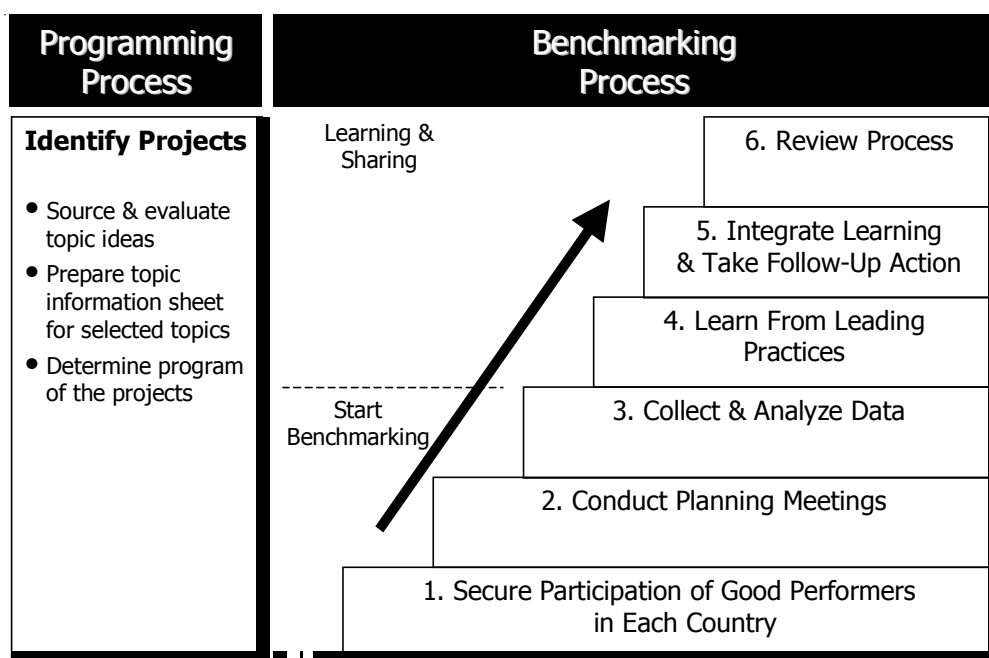
The intent of the APO-BPN is to facilitate sharing and learning of best practices in specific areas of interest (or topic areas) among participating countries, so that there is rapid and efficient transfer of best practices. The whole best practice network process for each topic area is led by the NPO Working Group nominated to undertake the role of “driving” the sharing and learning process. The NPO Working Group consists of representatives from NPOs that have client enterprises participating in the network.

### **The APO-BPN Methodology**

The methodology of the best practice network covers the programming process and the benchmarking process. The programming process involves identification of projects that includes research and evaluation of topic ideas; preparation of topic information sheet; determining program of projects; development of project action plan, business case, and specific topic marketing kit; and research report.

Benchmarking, on the other hand, starts with securing participation of organizations with outstanding performance in each country, conduct of planning meetings, and collecting and analyzing of data. The sharing and learning part of the benchmarking process includes learning from leading practices through conduct of workshops participated by all APO-BPN stakeholders. The leading practices are then disseminated through the NPOs and other forms of information dissemination such as internet and publications. The next step is integration of learning and follow-up actions. This may include dissemination of findings by the NPOs, further learning such as site visits and workshops, and development of action plans and implementation by participating organizations. The benchmarking process will culminate through a review process that will be the basis for improvement on the next cycle of the APO-BPN.





**Figure 1: APO-BPN Methodology Framework**

### **How APO-BPN started and how methodology was applied**

At the APO study meeting on the establishment of a Best Practice Network held on April 24-27, 2001 in Singapore, the participants from 13 APO member countries agreed that a best practice network could be set up among the NPOs. A series of workshops was then conducted where the APO-BPN methodology was developed and applied. The APO Best Practice Network initially conducted best practice demonstration projects in key topic areas of interest to client organizations of NPOs.

At the First Workshop on the APO Best Practice Network held in Singapore on November 26-28, 2001, the participants identified eight possible topics for demonstration projects. These topics are in the areas of the balanced scorecard performance management system, people development and management, and customer focus and service. The topics were identified based on the needs of client organizations of NPOs. In addition, a common framework for the benchmarking methodology to be adopted for conducting the projects was developed. Hence, a standard, consistent method of securing the participation of NPO client organizations in the demonstration projects and of carrying out benchmarking across countries for these projects was established.

At the Second Workshop on the Best Practice Network, the planning phase (which is the first phase in the agreed-upon benchmarking methodology) was initiated for the three selected demonstration projects. These are in the areas of the balanced scorecard, customer service, and human resources performance management system. Training on the methodology was also conducted so that project participants would be able to implement these projects in their own

countries. The NPO representatives from Thailand, Malaysia, and the Philippines were appointed as project leaders for the balanced scorecard, human resources performance management system, and customer service projects, respectively. They were tasked to coordinate the implementation of the projects by the participants in line with the timelines decided at the workshop. These project teams were assigned to secure the participation of best practice organizations, develop data collection tools, and prepare a report on the data collected.

As a follow-up, a third workshop on the APO Best Practice Network was held on October 28-31, 2002 in Kuala Lumpur. In this workshop, the project teams reviewed the methodology adopted for the demonstration projects based on their experiences during the implementation. The main interim findings in the demonstration projects were discussed and a preliminary list of learning needs and the best practices identified were compiled. They also identified the specific follow-up actions to be taken for the demonstration projects over the next five months. In preparation for the fourth workshop, the project teams were tasked to complete the data collection, finalize the survey questionnaire matrix, finalize the learning needs template, and identify selected participating client organizations with best practices to address the learning needs.

On October 14-17, 2003, the Fourth Workshop on the APO Best Practice Network was held in Manila. In this workshop, the selected organizations in Asia presented their best practices on their respective topics: 1) People Performance Evaluation Practices (PPEP), 2) Balanced Scorecard (BSC), and Frontline Customer Service (FCS). The project teams for each topic discussed the status updates including the challenges they faced in implementing the methodology for the demonstration projects, how these could be addressed, as well as the key findings from the demonstration projects. They also developed case study reports on the individual companies, which presented their best practices during the workshop. Site visits in three organizations with corresponding topic areas were also conducted. For all the cases under each topic area, the key findings were identified including the approaches, benefits, and lessons learned from the organizations' best practices.

### **What is the purpose of this Compendium**

This compendium is a compilation of the best practices shared by various organizations in Asia which participated during the fourth workshop; and is being published for the purpose of knowledge sharing among the APO member countries. The organizations represented in this compendium are coded to protect their internal confidentialities. This is also to emphasize the leading practices, rather than the image of the organization. Most of all, the best practices here are intended for replication or innovation to improve the performance of an organization.

# Introduction

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Organizations with the intent of enhancing their performance have various improvement approaches to choose from. Benchmarking is one of the effective management tools that can be used to create incremental changes as well as strategic reforms for the organization. The APO Best Practice Network provides a good venue for organizations in Asia to benchmark each other's best practices.

As defined by Benchmarking Partnerships (Australia), a best practice (also referred to as leading or outstanding practice) is something that demonstrably contributes to excellent business outcomes or results. It is something unique or different that others don't do. A best practice is not only a plan or intent, but also something that is well deployed or utilized throughout the organization and is continually being improved. Moreover, it is something that is looked up to by peers and experts and viewed as very useful to learn about. It could be a plan of action; a method of widely implementing a plan; a way of measuring performance and using the results; and a way of improving performance.

In the learning and sharing of best practices, the APO-BPN selected three key topic areas in consultation with the customers and stakeholders of the National Productivity Organizations. These were: 1) Balanced Scorecard (BSC), 2) Frontline Customer Service (FCS), and 3) People Performance Evaluation Practices (PPEP). These topics were selected based on the criteria developed during one of the APO-BPN workshops. The criteria used in selecting the topics were:

- Consistency with the strategy and goals of the best practice network (e.g. generate useful knowledge based on global best practices, and support transfer of global best practices);
- Attractiveness to the participating NPOs and their customer organizations (e.g. impact on their core competencies and alignment to their business excellence/quality frameworks);
- Attractiveness to and accessibility of the participating best practice organizations (e.g. availability/level of support of best practice organizations and level of confidentiality in topic area among the best practice organizations); and
- Potential impact and benefits to the network and its participants (e.g. magnitude of expected benefits and the likelihood of adaptability of the best practices in the topic areas of the participating organizations)

Balanced scorecard is one of the key strategic tools in implementing strategy and performance management. It is now becoming a common corporate mandate since strategy management and deployment is a common area of weakness in Business Excellence framework.

This topic was selected to enable companies to attain and sustain competitiveness by learning from the best practices on deployment of the scorecard, planning and performance management, and integration of IT to enable BSC. The scope of this topic area includes approach and methodology to determine how BSC was implemented and deployed, resource and technology exploitation to determine how IT was utilized and how improvement was

managed, and lifecycle management to identify tracking and review mechanism for continuous improvement. Potentially, all companies in any industries who have been interested in the effective use of BSC in strategy planning and deployment would benefit from the findings of this project such as telecommunication, utilities, banking, and manufacturing sectors.

Frontline Customer Service, on the other hand, was selected to help participating organizations increase their productivity, improve service quality, and boost customer satisfaction, loyalty and retention. Specifically, the best practice involves improvement in customer satisfaction level and compliment-complaint ratio. The scope of FCS covers the following:

- right people,
- right organization, specifically customer focused culture such as training, leadership, motivation, and measurement and monitoring,
- conducive environment, and
- efficient and effective business (service delivery) processes.

Lastly, People Performance Evaluation provides an equitable measurement of an employee's contribution to the workforce, produce accurate appraisal documentation to protect both the employee and the organization, and obtain a high level of quality and quantity in the work produced. The scope of the PPEP is as follows:

- Linking PPEP to business strategies/mission/objectives;
- Framework, system, and processes used for PPEP;
- Engaging participation of the tripartite/stakeholders including top management for the adoption and use of PPEP;
- Ownership for employees;
- Objectives, feedback, and review of employees;
- Integration of PPEP into other business processes like rewards and performance, training and development, succession planning, and career development;
- Deployment of framework and systems of PPEP processes such as communication, training and skill development of managers and staff on how to do PPEP, and roles and responsibilities; and
- Evaluation on effectiveness through on-going tracking.

# Balanced Scorecard

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## **BSC-001 BEST PRACTICE: COMMUNICATING AND MANAGING PERFORMANCE, ACCOUNTABILITY AND STRATEGY**

### **Organizational Profile**

BSC-001 is Malaysia's first and pre-eminent telecommunications provider. It was privatized in 1997 and listed on the Kuala Lumpur Stock Exchange in 1990. Today, BSC-001 is operationally divided into five independent and focused units. These units are fixed line, cellular, multimedia, international ventures, and facility management and support services where each strategic business unit functions independently. The fixed line business remains the mainstay of BSC-001's revenue and profitability while cellular continues to improve. BSC-001 has a workforce of about 27,000 employees.

### **Rationale and Objectives**

To achieve competitive advantage, BSC-001 has adopted the Communicating and Managing Performance Accountability and Strategy System or COMPASS, complemented with the Balanced Scorecard. Through these approaches, BSC-001 aims to respond to the challenges of price reduction, operating cost reduction, and cycle time improvement.

BSC-001's COMPASS has the following objectives:

- Clarify and gain consensus about BSC-001's vision and strategy;
- Communicate strategy throughout the company;
- Obtain feedback and improve strategy;
- Link strategic objectives to business plan and budgets;
- Identify and align strategic initiatives, resources and investments;
- Monitor business plan performance and action plans;
- Align team and personal goals to strategy and business; and
- Perform periodic and systematic performance reviews.

Balanced scorecard, on the other hand, is strategically used by BSC-001 to translate and communicate its vision and strategy and to measure performance from four distinct perspectives, namely: shareholder, customer, operational, and organizational learning. Shareholder perspective measures the ultimate results that the business provides to its shareholders. Customer perspective considers the business through the eyes of the customers so that the organization retains a careful focus on customer needs and satisfaction. Operational perspective focuses on the performance of key internal processes, which drive the business. Organizational learning perspective is the basis of all future success of the organization's people and infrastructure.

## **Overall Description**

COMPASS links altogether BSC-001's strategy, business plan, and performance to achieve strategic and operational outcomes for the company. BSC-001 uses the balanced scorecard framework to develop more than 200 balanced scorecards at various levels throughout the company. The balanced scorecards have been developed based on BSC-001's vision and other strategic thrusts. BSC-001 uses COMPASS On-line to manage and review the balanced scorecards' performance and action plans.

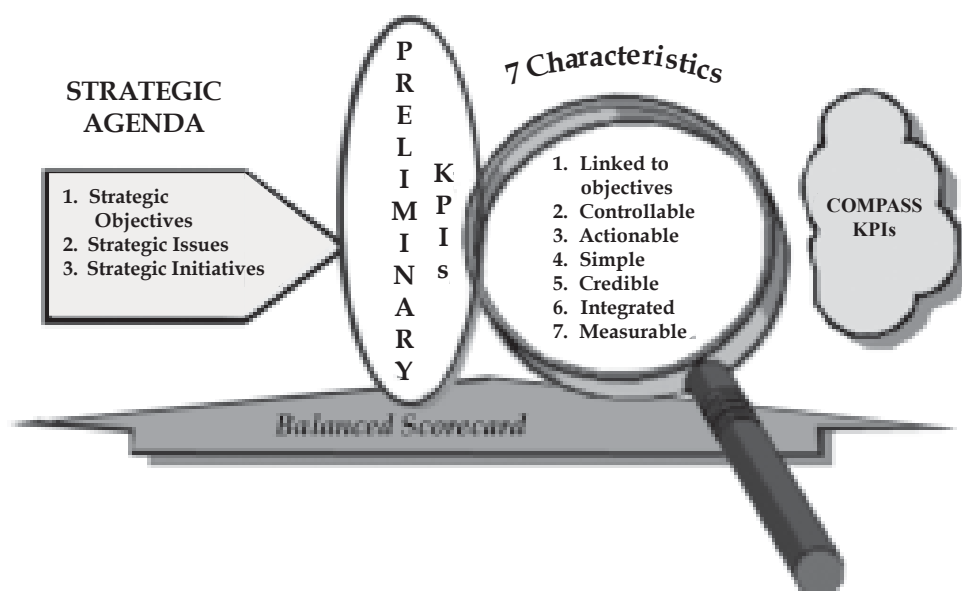
## **Leading Practices Adopted**

In monitoring the performance of BSC-001 and its business plan, COMPASS involves the following processes:

- Approval and revision of the business plan;
- Translation of the business plan's thrusts emphasizing the four business perspectives;
- Translation of the business plan's targets and action plans into Key Performance Indicators' (KPIs) targets and action plans; and
- Monitoring of KPIs' performance, corrective actions, and critiquing by the Scorecard owner

The progress of KPIs reflects the progress of business plans and the performance of scorecard owners. Management monitors the progress of business plans through COMPASS. Scorecard owners are then given team-based performance rewards.

Furthermore, the strategic agenda of BSC-001 includes strategic objectives, strategic issues, and strategic initiatives. In formulating the KPIs, BSC-001 considers seven important characteristics of indicators which are their being linked to objectives, controllable, actionable, simple, credible, integrated, and measurable.



**Figure 1: COMPASS: KPI Formulation**

### Benefits Gained

Through the COMPASS, BSC-001 is able to clarify and gain consensus about the organization's vision and strategy. COMPASS using balanced scorecard has enabled BSC-001 to communicate strategy throughout the company; obtain feedback and improve strategy; align team and personal goals to the strategy and business; conduct periodic and systematic performance reviews; link strategic objectives to business plan and budgets; identify and align strategic initiatives, resources and investments; and monitor business plan performance and action plans. As a result, the company is able to cut cost through reducing the number of its employees. BSC-001 is also able to improve the quality of its service which can be seen through the reduction of faults and complaints. It has also been able to achieve a profit growth of 2 percent despite its efforts in price reduction. Out of its 100 call centers, 95 percent (from 75 percent) has been able to answer queries in just 10 seconds.

### Lessons Learned

In using the balanced scorecard, BSC-001 has realized that it is not a quick process. Its implementation needs critical thinking, analysis, data gathering, and enough time. Successful implementation may take several months and it is a never-ending process. Strategizing and progress measurement, careful analysis, and data gathering (what and how) are also critical factors in the implementation.

At the initial stage of implementation, balanced scorecard must be driven by the top management. It should not only be the effort of middle management. During the development stage, BSC-001 has recognized that they need to select KPIs that “should be measured” versus KPIs that “can be measured”. At the implementation stage, the important factors to consider are constant improvement of the system, KPIs review, and data availability and integrity.

### **Next Step for Continuous Improvement**

BSC-001 plans to consolidate the scorecards of all its five corporations into only one scorecard.



## **BSC-002 BEST PRACTICE: MEASURING AND MANAGING ORGANIZATIONAL PERFORMANCE THROUGH THE BALANCED SCORECARD**

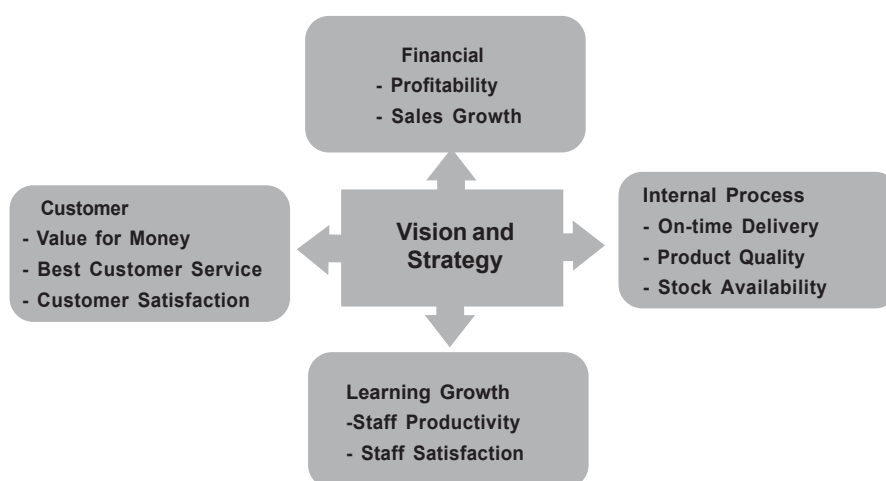
### **Organizational Profile**

BSC-002 is one of the leading suppliers of pharmaceuticals and chemicals to hospitals, institutions, and the industry in Thailand. Its main activity is marketing of pharmaceutical and chemical products. About 80 percent of its pharmaceutical products are locally contracted and manufactured while chemical products are imported from USA, Japan, Germany, and other European countries. BCS-002 has approximately 150 employees.

### **Rationale and Objectives**

BSC-002 has adopted the balanced scorecard to effectively translate its vision, mission, and strategy into action carried out by its entire workforce. BSC-002 believes that employees can contribute their best when they have information readily available. Thus, BSC-002 developed the Scorecard and KPIs intranet to provide information that can be fully utilized by all employees in order to achieve their best possible action. Balanced scorecard also aims to develop an effective measurement system that will help the company move to the right direction and improve its performance continuously.

The objectives under each perspective are designed to respond to company vision and strategy, as shown in Figure 1.



**Figure 1: Vision and Strategy**

## Overall Description

The balanced scorecard in BSC-002 is not only a measurement system but also a management system that enables the organization to clarify its vision and strategy, and translate them into action. It provides feedback around both the internal business processes and external outcomes to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise.

Through the balanced scorecard, the organization is viewed from four perspectives: 1) The Learning and Growth Perspective, 2) The Business Process Perspective, 3) The Customer Perspective, and 4) The Financial Perspective.

## Leading Practices Adopted

The leading practices adopted by BSC-002 are Customer Loyalty Index (3M Model) and the 5E's (Fair Process). In the 3M Model, BSC-002 measures customer loyalty through determining the customer's overall satisfaction, willingness to repurchase, and willingness to recommend. The 5E's on the other hand refers to engagement, exploration, explanation, expectation, and evaluation. Definitions and advantages of each "E" are as shown below:

**Engagement:** Involvement of relevant people seeking inputs and allowing them to challenge ideas.

- *Encourages innovative content*

**Exploration:** Thorough examination of options and their outcomes.

- *Yields good decisions and builds confidence*

**Explanation:** Individuals affected need to understand the rationale for the decision.

- *Fosters trust and commitment*

**Expectation:** Clear roles and responsibilities are essential to implementation and eliminate political jockeying.

- *Fosters successful implementation*

**Evaluation:** A thorough evaluation of the outcome and a review of the process leading to the decision allow critical lessons which, if learned and integrated, improve the decision process in the future.

- *Fosters trust, learning, and successful implementation*

## Benefits Gained

Through its leading practices, BSC-002 has gained the following benefits:

- Effective and measurable implementation of business strategy,
- Integrated objectives and measures into action,
- Cross-functional integration,
- Performance matched to identified customer needs,

- Improved customer satisfaction,
- A focus on team-based performance,
- A culture of continuous improvement,
- Improved process performance,
- Improved internal relationship management,
- Clear ownership of targets and activities,
- Improved decision-making and problem-solving, and
- Appropriate structural and behavioral change.

## **Lessons Learned**

In implementing the balanced scorecard, BSC-002 has experienced difficulty in data gathering. There is no formal data available in the organization and people rely on information obtained from their personal relationships or from the international sources which may not be applicable to the practices. Also, the objectives being implemented are not clearly understood by all levels. This has been overcome by extensively communicating the objectives throughout the company via “Walk Through” program and through the intranet.

The current challenge of BSC-002 is how to find the measurement mechanism of some of the KPIs which are not in place or hard to measure.

## **Recent Improvement**

BSC-002 has developed the BSC intranet as a communication channel providing essential information for the employees and encouraging them to contribute their best performance to the company.

## **Next Steps for Continuous Improvement**

BSC-002 intends to integrate the scorecards into its day-to-day operation and revise them along with the KPIs on a regular basis, to ensure that the best picture possible is reflected. It also seeks to develop the Scorecard and KPIs intranet into a truly effective communication channel so as to increase the awareness level of all employees on scorecards and stimulate their learning process.

## **BSC-003 BEST PRACTICE: BUSINESS BALANCED SCORECARD**

### **Organizational Profile**

BSC-003 is the global leader in lighting, electric shavers, medical diagnostic imaging and patient monitoring, and one-chip TV products. BSC-003 started its operations in 1980. It has four factories called Business Fulfillment Groups. Its product applications are into automotive, consumer, telecommunication, communication infrastructure, and general application. At present, BSC-003 has 3,017 employees.

### **Rationale and Objectives**

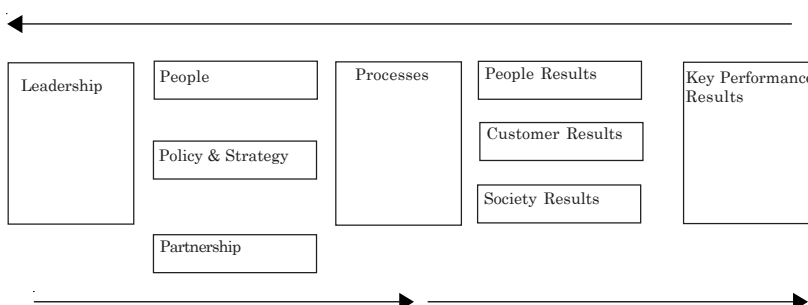
In its quest to become more competitive, BSC-003 has adopted the Business Balanced Scorecard or BBS. BSC-003 uses BBS to translate its strategies into measurable indicators, improve its performance management, integrate the company's day-to-day operations, conduct monthly review, and have a universal framework of report for business owners and the BSC-003 headquarters. BBS has also been adopted to support BSC-003's business excellence model.

### **Overall Description**

BBS focuses on competence, process, customer, and financial aspects. BSC-003 recognizes BBS as one of the critical success factors in performance measurement. It helps BSC-003 identify and measure the areas where the organization needs to excel to become more successful. It is also used to implement the strategies and identify the needed programs, procedures, and budget.

The BBS is used for performance measurement and strategy implementation along with other critical success factors such as strategic scenarios and choices, actual performance, benchmarking, gap analysis, SWOT analysis, and process mapping.

The European Foundation of Quality Management or the EFQM model shows how BBS supports FCS-003 in its journey towards business excellence.



**Figure 1: The EFQM Model**

### **Leading Practices Adopted**

The Business Excellence model of BSC-003 is linked with BBS based on EFQM. BSC-003 conducts a self-assessment twice a year to identify the gaps and to continuously improve. To signify the commitment of all BSC-003's top leaders, they have signed the company's mission, vision, and quality policy.

BSC-003 has started efforts for its certification towards ISO 9001, 9002, QS 9000, and ISO 9000 (version 2000). The implementation has been carried out for all levels involving the top leader, support/administration, business fulfillment groups, suppliers, and the shop floor staff.

Regarding the BSC results, BSC-003 practices traffic light system. It uses process mapping for BSC deployment and RADAR (Results, Approach, Deployment, Assessment and Review) system for self-assessment.

The key factors for the successful implementation of these practices are top management commitment, mandate from the holding company, identification of KPIs' strengths, and well-defined communication framework.

### **Benefits Gained**

Before implementing the BBS, BSC-003 experienced difficulty in measuring too many indicators. After BBS, measurement has been already easy for the company. BSC-003 has also been able to focus on its activities based on the four perspectives - financial, customer, process, and learning. The BBS results have also become the basis for rewarding the employees. Training and competency development for employees has also improved.

### **Lessons Learned**

In using BBS, BSC-003 has learned the importance of the following:

- appropriate choice of business specifics-success factors in scorecard perspectives,
- proper deployment of targets,
- everyone is focused in the same direction,
- full benefits are realized during performance review,
- standard definition of Key Performance Indicators (KPIs),
- traffic light system for results, and
- stretched targets.

### **Key Performance Indicators/Measures**

BSC-003 conducts self-assessment based on the Business Excellence model which includes the RADAR (Results, Approach, Deployment, Assessment and Review).

### **Recent Improvements**

To quickly identify the priority action, BSC-003 has adopted the traffic light system in coding the results. SPEED program or SAP is also used as the total solution for the organization to improve the deployment of BSC. Knowledge management has been put in place for learning development. Self Direct Team or SDT has been formed to take ownership of their own team performance using BSC.

### **Next Steps for Continuous Improvement**

BSC-003 intends to maximize the use of SAP which is the IT-based operation of BSC. It also aims to continue improving its business process through mapping and other innovative tools such as lean manufacturing and full blown Six Sigma program.

## **BSC-004 BEST PRACTICE: STRATEGIC MANAGEMENT THROUGH THE BALANCED SCORECARD**

### **Organizational Profile**

BSC-004 is the leading provider of digital content conversion services for information intensive organizations; document analysis and production of customized databases of legal documents; editorial and content production services; custom software development, legacy software maintenance, database solutions, system maintenance services; and medical documentation services. It has eight sales and customer support offices in the US and Europe and six dedicated production facilities in the Philippines, China, India, and Vietnam. At present, it has 6,000 employees.

### **Rationale**

BSC-004 uses the Balanced Scorecard or BSC as a management tool that will enable the company to surpass its key challenges. BSC-004 has a high production cost. Eighty five percent of its revenue is project-based. There is a limited growth in its existing business. Only 5 percent of its clients are direct and the company is dependent on one vertical market which is the publishing industry. There is also an attitude of entitlement among employees in the company.

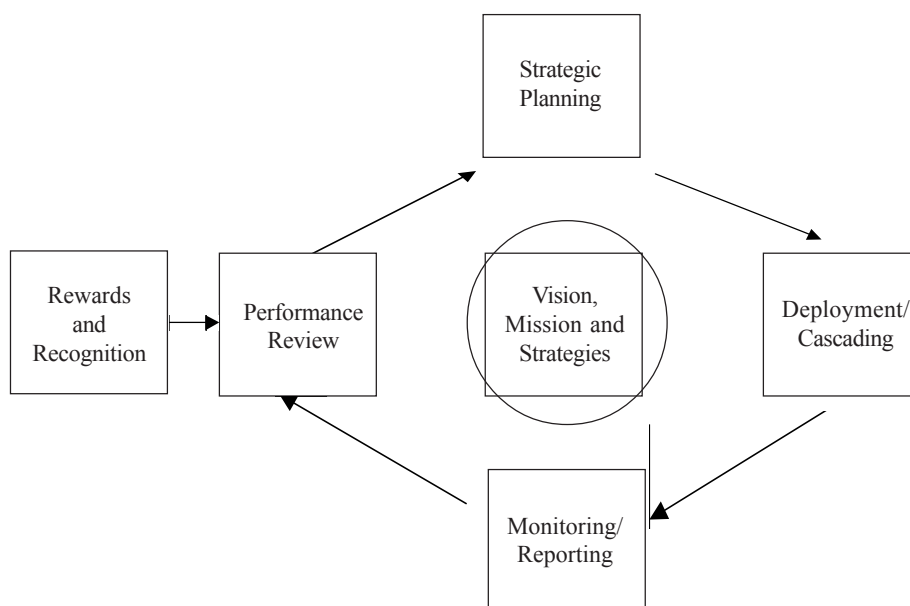
### **Objectives**

Through the balanced scorecard, BSC-004 aims to translate its strategies into actions, transform the company's culture of entitlement to a culture of performance, and help the management achieve the organization's business objectives.

### **Overall Description**

Balanced scorecard at BSC-004 has 13 objectives with quantifiable measures. The organization uses composite index for some of its objectives. BSC starts at the human resources, followed by best business practice, customer satisfaction and business development, and finally, the high financial performance. The BSC Performance Cycle focuses on strategies. It promotes organizational learning through a repeated cycle of hypothesis verification. To translate strategies into actions, it provides common strategic communication platform linking management and members of the organization.

Using the balanced scorecard as a tool, BSC-004 employs a strategic management system owned by the CEO and managed by the Corporate Development Unit.



**Figure 1: Strategic Management System in BSC-004**

### **Leading Practices Adopted**

The strategic deployment in BSC-004 involves seven levels starting from the corporate level, then to the Strategic Business Unit, division and departments, and down to the individual level. BSC-004 has adopted the Action Accelerated Planning (AAP) for the balanced scorecard reporting and measurement. Alignment check for BSC is also conducted. BSC-004 has also implemented the LEAP or Leading Edge for Accelerated Performance, a performance management system that is based on BSC where competence and performance are being used as measures.

Objectives are formulated based on a manageable level and each objective corresponds to a single measure. BSC-004 uses indices to make sure that the set objectives are manageable and measurable. A defined process exists to ensure that the objectives and the cascading process for strategies and results are linked together.

The key factors for the successful implementation of the BSC are:

- process is owned by the CEO;
- a dedicated group (Corporate Development Unit) is in place to spearhead the formulation of strategic planning, scorecard development, deployment, monitoring and reporting; and
- BSC's linkage to other management systems such as strategic planning, financial planning, TQM, and performance management system.



## **Lessons Learned**

For BSC-004, senior management commitment is the key to success of BSC implementation. Also, BSC-004 has realized that it should not take a long time to develop the BSC process and that the right measures have to be set. Linking BSC to incentive compensation is essential to success. It is important not to change the incentive system until they are sure of the measures. It is also imperative that an efficient process of getting data is in place before setting up the incentive scheme.

In its effort to continuously improve, BSC-004 faces the challenges on: 1) keeping up with the scheduled targets on cascading the process, 2) implementation of BSC in overseas offices which has started in 2004, and 3) automation of the BSC. Furthermore, BSC-004 is able to improve the cascading of process by linking it with the Strategic Planning process. There is also a defined timeline and dedicated facilitator for each SBU.

## **Benefits Gained**

The Planning and Management System which is based on BSC, has effectively addressed critical failures in previous strategic planning systems. Through the BSC, targets have been set to achieve breakthrough performance. Many non-strategic investments and initiatives are also eliminated. The short-term targets are established for financial and non-financial BSC measures. Progress on strategic trajectory is assessed through operational reviews. Corporate-wide initiatives have enjoyed SBU support (there is a service level agreement between SBU and support groups), and the balanced scorecard has helped BSC-004 establish and sustain a culture of performance and improvement.

## **Key Performance Indicators/Measures**

The effectiveness of the BSC process is measured in terms of the level of cascading and attainment of BSC objectives.

## **Recent Improvements**

Some of the recent improvements made by BSC-004 are the Grandfathering System for Approval which ensures that the set targets are realistic, attainable and challenging; and the BSC alignment check which ensures the alignment of objectives, measures and targets.

## **Next Steps for Continuous Improvement**

BSC-004 plans to automate the balanced scorecard system to speed up the process and ensure real time availability of data and information for on-time action and improvement.

## **BSC-005 BEST PRACTICE: BUSINESS EXCELLENCE THROUGH SPEED AND TEAMWORK**

### **Organizational Profile**

BSC-005 provides products and services on the following: 1) electric and electronic products for consumer and industrial purposes; 2) lamps and lighting products; 3) semiconductors, integrated circuits and other electronic components; 4) medical products and tools; 5) communication or data processing-related products; and 6) audio/video broadcasting related products. Its principal customer type is Business to Business and the major market is domestic. At present, it has 935 employees.

### **Rationale and Objectives**

BSC-005 has adopted Balanced Scorecard or BSC with the following objectives:

- Deploy the company's business strategy and objectives;
- Manage correctly the performance on business planning, deployment of targets, implementation, review and learning;
- Focus on the factors that are critical for business success and present them in a chain of four perspectives;
- Enable the company to explore and illustrate the cause and effect relationship among the four perspectives; and
- Use the BSC as an essential part of the BEST (Business Excellence through Speed and Teamwork) program.

### **Leading Practices Adopted**

BSC-005 has initiated a new quality improvement activity called the BEST (Business Excellence through Speed and Teamwork) program, combining the balanced scorecard (BSC) and the business excellence model – European Foundation of Quality Management (EFQM). Through the BSC, strategic objectives have been deployed throughout the organization. BSC-005 has conducted a self-assessment in line with the EFQM assessment criteria for improving business quality through the PDCA (Plan-Do-Check-Act) cycle. Promoting the speed and teamwork and managing knowledge are the key approaches used. The Business Strategy Deployment and Business Excellence Promotion are focused in four areas - competence, process, customer, and finance.

The critical success factors adopted by BSC-005 in implementing the balanced scorecard are:

- Development of the company's own training program;
- Training and development of internal facilitators;
- Communicating that BSC is not a new method, but rooted from Japanese Quality

- Management System and related to the business excellence model;
- Small scale implementation and expanding later;
- Conduct of dialogue with facilitators in developing the strategy map;
- Realistic targets that depend on maturity of the organization; and
- Linkage with other management systems, such as ISO 9001, ISO 14001, MBO, and EFQM

### **Benefits Gained**

The benefits gained by the organization in adopting BSC include 1) effective deployment of leadership in organizations; 2) development of numerical business objectives/plans in line with the business policy and strategy; 3) improvement objectives such as employee motivation survey, training plan, and policy deployment are translated as measurable indicators; 4) objectives setting has become stakeholder- oriented; and 5) internal communications have been promoted appropriately.

### **Lessons Learned**

In the course of implementing the balanced scorecard, BSC-005 keeps in mind the following questions or considerations:

- Are the knowledge and purpose of BSC implementation learned enough?
- Is the chain of four perspectives correctly produced toward the strategic goal deployment?
- Is the KPIs' scorecard used instead of the real BSC?
- Is the company's BSC synchronized with other management systems?
- Is the review process conducted correctly?

### **Key Performance Indicators/Measures**

BSC-005 reviews the results of KPIs for the balanced scorecard. If a KPI is red, business units immediately survey and research real causes for improvement of the BSC system.

### **Next Steps for Continuous Improvement**

BSC-005 plans to study internally how to improve current problem areas in the review process. It aims to improve the quality of BSC itself and deploy it effectively. Specifically, BSC-005 shall extend BSC more into service functions for performance measurement, and look for the most appropriate way of linking it with the appraisal system. It also intends to use BSC as a framework for business strategy deployment, investor relations communication, IT investment performance measurement, and sustainability program performance.

## **BSC-006 BEST PRACTICE: BALANCED SCORECARD WITH “NIGIRI”**

### **Organizational Profile**

BSC-006 provides the global market with home AV electronics, car electronics, and other Business to Business (B to B) and patent-related businesses. It was founded in 1938 and has 31,220 employees at present.

### **Rationale and Objective**

BSC-006 has adopted the Balanced Scorecard or BSC to enable effective deployment of the company’s strategic objectives as well as promote business excellence in line with the Japan Quality Award.

### **Overall Description**

BSC-006 uses the balanced scorecard to link the group vision with group strategy. The general manager and the management team make a consensus and conform on target setting through the use of balanced scorecard. Commitment is ensured by using the “NIGIRI”, which means *shake hands*. Balanced scorecard is implemented in three phases: 1) deployment of strategy, 2) performance review, and 3) performance evaluation and improvement.

Balanced scorecard is used to provide stronger linkage between vision and strategy; clarify the relationship between group strategy and CSFs; and ensure commitments through the use of “NIGIRI”.

“NIGIRI” is about commitments made on important Key Performance Indicators (KPIs) of group strategy. Necessary management resources are discussed and agreed upon by the operational divisions and the management team. The progress review for the committed KPIs is done based on strategy linkages.

### **Leading Practices Adopted**

Through “NIGIRI”, the finance and operational divisions of BSC-006 commit with the management team on realizing the Key Performance Indicators of group strategy in the four perspectives (financial, customer, process, and learning).

The “NIGIRI” commitment involves a two-way communication between operational divisions and the management team where they discuss and agree on the necessary management resources.

To monitor the KPIs committed in “NIGIRI”, progress review is done in line with the PDCA (Plan-Do-Check-Act) cycle based on BSC-006’s strategy linkages.

To ensure that KPIs are clearly understood and applied, a one-day workshop is conducted for key managers. Coaching and communication are the key success factors for the BSC implementation.

### **Benefits Gained**

BSC-006 has been able to come up with a stronger linkage between vision and strategy. The relationship between group strategy and CSFs has been clarified. Through “NIGIRI”, the commitments made are ensured. Performance measurement has been adopted for service functions and monthly and quarterly reviews have been implemented.

### **Lessons Learned**

BSC-006 has realized the need to improve the quality of balanced scorecard which should reflect linkages among the four perspectives and the strategy. For continuous improvement, lessons and issues are communicated to all the key managers through the intranet.

### **Key Performance Indicators/Measures**

BSC-006 reviews the results of KPIs. If the results are in red color, they survey the real causes so as to improve the BSC process.

### **Recent Improvement**

The company has been using the BSC software which enables quick research and collection of data.

### **Next Step for Continuous Improvement**

BSC-006 plans to extend the BSC management system into its global base.

## **BSC-007 BEST PRACTICE: DEFINITION AND ALIGNMENT OF MEASURES**

### **Organizational Profile**

In this case study, BSC-007 refers to two organizations in Australia- one is providing procurement services (BSC-007a) and the second one is ensuring fair trading (BSC-007b).

BSC-007a has one million energy customers (which is equivalent to US\$1.3 billion assets); 100 employees; and US\$ 220 million expenditure budget as of 2001 and 2002. BSC-007b prevents and controls breaches for all organizations in one State of Australia. It has 390 employees and its expenditure budget is US\$ 23 million as of 2001 to 2002.

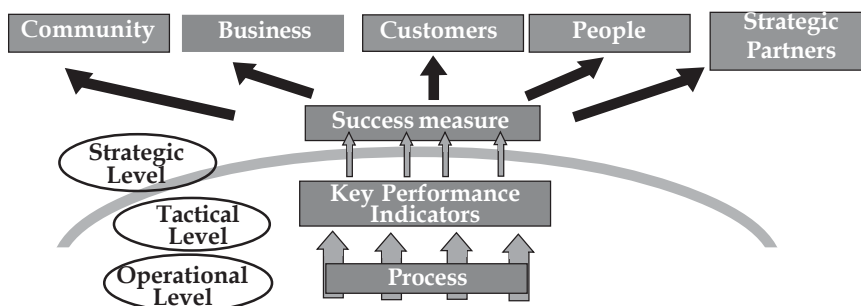
### **Rationale and Objectives**

BSC-007 aims to reduce procurement cost through planning, research, and negotiations; so as to increase the consumer and business confidence; and ultimately improve the overall economic performance. Through the balanced scorecard, BSC-007 aims to achieve the following objectives:

- Gain information on operational performance including the information required to assure the successful running of the day-to-day business;
- Monitor progress made towards the business strategy including goals, plans and objectives;
- Improve the organizational performance;
- Shift focus into outcomes, impacts, and relevance; and
- Provide the right information at the right time in the right place for decision-making purposes.

### **Overall Description**

The balanced scorecard of BSC-007 starts at the strategic level where key success measures are defined; then moves down to the tactical and operational levels. The company ensures that the process measures at the lower levels are aligned with the overall success measures of the organization.



**Figure 1: Value-Adding Areas**

### **Leading Practices Adopted**

The company has given definitions for each measure and established link between what to measure and how to measure. It has also developed a system to manage definition document. The key components identified for each definition are Name, Description, Intent, Where it fits, Calculation, Data Items, Presentation and Data Ownership. BSC-007 has also developed a strategy map and identified measures to determine how processes affect the goals.

The key factors for the successful implementation of these leading practices are giving definitions to each measure and documenting it; and establishing zones of measurement-the external measures of success (strategic measures) and the internal measures (tactical and operational measures).

### **Benefits Gained**

Through its BSC system, the company has been able to reduce procurement cost, improve procurement capability with simplified process and reduced wastages, and improve levels of measurement.

### **Lessons Learned**

In implementing the balanced scorecard, BSC-007 has encountered difficulties in the following areas:

- Getting the right measures and shared definition;
- Ownership of measures;
- The strategy and goals were required to be modified because of performance measurement;
- Constraints in resources and capacity as well as underestimation of commitment;
- The possibility of credibility and authenticity of previous reporting;
- Alignment of goals, outcomes, processes and measures; and
- Addressing the “difficult” program areas to measure.

While facing the above challenges, BSC-007 has learned the importance of the following lessons:

- Having the right measures help drive successful outcomes
- Performance measurement culture and embedding accountability at executive level processes and decision making
- Measures are not easy to bring to life
  - o some measures still do not have data sources
  - o you can only automate so much
  - o data sources may exist but can be difficult to extract in the way needed to chart measures
- Measures are evolutionary
  - o do not wait for perfection
  - o continue to work to bring them to life
- Pareto principle – 20 percent of the processes contain 80 percent of the value. That is, a small number of processes have critical impact
- Strategy is the starting point which normally addresses the key processes and issues
- Measure specifications and data plans provide clarity and agreement in measurement
- Use tree diagrams to understand and confirm alignment
- Start simply (eg. run charts) then move to SPC
- Check aggregation measures for soundness
- Computers facilitate data and manage information. They can allow us to measure too much
- Understanding of measurement techniques, variation, and SPC
- Review measures quarterly. It is common to drop, add, or change measures
- Measurement creates improvement which is an interesting phenomenon

### **Recent Improvements**

Measures have been defined to ensure a common understanding of what was being measured, why and how; that there is ownership for each measure; and have a consistent set of specifications on how to bring the measures to life. BSC-007 has also developed a performance measures dictionary.

### **Next Steps for Continuous Improvement**

BSC-007 plans to engage more staff in the process of balanced scorecard, finalize the performance measurement map, integrate performance planning and management, and develop a comprehensive reporting system.



# **Frontline Customer Service**

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## **FCS-001 BEST PRACTICE: NURTURING A CULTURE OF SERVICE EXCELLENCE AND EMPOWERMENT**

### **Organizational Profile**

FCS-001 is part of a leading worldwide hospitality company with over 2,200 operating units in the United States and in 64 other countries and territories. FCS-001 offers hotel services to business travellers and tourists. The company has won numerous Quality and People Excellence Awards such as the Malcolm Baldrige National Quality Award in 1992 and in 1999 and the Singapore Quality Award in 2001.

### **Rationale and Objective**

FCS-001 aims to nurture an environment that will bring about empowerment and service excellence among its people. It seeks to come up with an integrated approach for introducing empowerment in the organization. This approach involves processes that will allow FCS-001 to cultivate and sustain its desired organizational culture.

### **Overall Description**

FCS-001 has adopted an empowerment system that involves three core initiatives:

- 1) addressing programs that will equip employees with knowledge and skills for empowerment,
- 2) highlighting the importance of employee involvement programs needed to foster empowerment, and
- 3) using both formal and informal rewards and recognition programs that will spur repeat outstanding service performance.

For its effective deployment, the empowerment system has mechanisms covering the areas of leadership and communication.

### **Leading Practices Adopted**

FCS-001 is inspired by its objective of “empowering ladies and gentlemen to move heaven and earth to delight customers.”

Specifically, FCS-001 has adopted the following leading practices:

***Establishing values for empowerment, which have been identified as Basic 4, 7, 10, and 13***

Basic 4 is FCS-001’s Employee Promise which highlights the value of trust for the successful implementation of empowerment.

Basic 7 highlights the value that all employees of FCS-001 have the right to be involved in the work that affects them. This right sets the guideline for having highly involved employee that will be empowered to contribute and make decisions.

Basic 10 and 13 defines the service recovery process of FCS-001 through empowerment that will turn service issues into opportunities for delighting the customer.

***The use of the five key Human Resource Practices to sustain the desired culture of empowerment***

These five key Human Resources are:

*Selection of the Right Service Staff.* FCS-001 selects its staff based on their talents and thereafter provides the right job fit with the desired training investment they strive to achieve for the employees' growth.

*Orientation.* FCS-001 has a two-day employee orientation where the top leaders of their executive committee will personally introduce and endorse their values.

*Line-Up.* This daily communication channel is a very important tool for nurturing FCS-001's culture and making it an environment that is conducive for empowerment.

*Training.* FCS-001 has adopted the People Developer Framework that provides a structured process that will ensure training effectiveness.

*Recognition.* FCS-001 has a very diverse formal and informal rewards and recognition which empowers the employees and spurs their repeat service performance.

***Initiatives that will have to be in place to foster empowerment***

These initiatives are:

- Training Initiative such as GLOW or Guest Loyalty Opportunity Workshop;
- Involvement Initiative such as Quality Improvement Team. It aims to empower employees through providing them high levels of involvement; and
- Recognition Initiative such as First Class Card. It is used for recognition throughout the organization which can be both a top-down and bottom-up approach, and a lateral peer-to-peer recognition. Such a tool is used very commonly to endorse desired empowered behavior.

These best practices are implemented through the establishment of Gold Standards which serve as the foundation of the service philosophy and value system of FCS-001. It provides a framework of behavior that enables the organization to achieve customer delight.

Strong leadership and high levels of communication are the two key factors that are critical for the successful implementation of FCS-001's empowerment programs.

### ***Strong leadership***

Top management support plays a vital role in the successful implementation of the practices. The CEO walking the talk has proven an effective means for implementing the system. Strong leadership commitment to the value system influences the employees to develop behavior such as the willingness to proactively take total ownership of problems and exercise empowerment.

### ***High levels of communication***

FCS-001 has demonstrated that for empowerment to be successful, high levels of communication should be in place. Communication channels in FCS-001 are established to disseminate vital information throughout the organization. This information would facilitate the deployment of the empowerment programs. Diverse communication channels such as the FCS-001 Daily Line-up are used to regularly communicate and reinforce the values that are being taught in Basic 4,7,10 and 13.

## **Benefits Gained**

The benefits the organization has gained from adopting the system are improved employee satisfaction and increase in repeat guest percentage.

## **Lessons Learned**

In the early implementation of the system in 1996, the leaders needed to change their paradigm of thinking specifically in the area of power sharing and understanding of empowerment. Rank and file employees feared that they were deemed as troublemakers and were restrained by past work experiences. Cultural challenges also existed.

## **Next Steps for Continuous Improvement**

In its quest to continuously improve the company's empowerment programs, FCS-001 is challenged to address its learning needs which are:

- identifying the level of empowerment given to the hotel staff and setting the mechanisms to check abuse of power;
- recognizing that the attitude and talents of the staff are as important as grooming habits and physical appearance;
- identifying customer requirements through focused group discussions, questionnaires, and after-service phone calls from existing clients; and
- establishing a defect-free policy to ensure excellence at work.

**FCS-002 BEST PRACTICES:  
HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT (HRMD),  
PROCESS MANAGEMENT (PM), AND INFORMATION MANAGEMENT (IM)**

**Organizational Profile**

FCS-002 is a leading Filipino fast food chain in the Philippines. It has over 400 stores in the Philippines and several international stores in countries like the United States and Hong Kong. The corporation itself includes two other famous fast food chains and has a joint venture with another two restaurants. FCS-002 offers wholesome fun and affordable, superior tasting food served in a clean, bright, and imaginative environment. Its principal customer types include children, families, lovers, friends, and senior citizens. It currently employs 40,000 people worldwide.

**Rationale and Objective**

FCS-002 aims to sustain its leadership in Quick Service Restaurant or QSR. It believes that besides price and quality, service is the differentiating factor of the company's winning formulae.

**Overall Description**

FCS-002 focuses on three key areas that have enabled the company to become the market leader. They are Human Resource Management and Development (HRMD), Process Management (PM) and Information Management (IM). HRMD includes the selection of staff, as well as training and development. The contractual employees have the opportunity to be trained as well. The PM involves putting in place store processes and service level standards. IM uses the FSC (food, services, cleanliness) tracking system to monitor the performance of service rendered. The FSC tracking system includes the analysis of food, services and cleanliness (FSC) data, customer survey results, and maintenance of a good record keeping system for quality improvement.

**Leading Practices Adopted**

FCS-002 has adopted the following best practices to ensure the attainment of their vision and mission:

- 1) Pre-Hiring Assessment which includes three days of immersion program for all would- be applicants. After this, both the applicant and the manager will decide and assess respectively if there is a job fit. This selection process covers all operations staff, including in-store managers. It is ensured that there is sufficient work force in the store so that the manager can be visible and focus on customer relations.

- 2) Visibility of the managers on the dining floor which helps in the relationship building.
- 3) The FSC monitoring system which includes in-store monitoring by the store manager and store team, area manager, operations manager, second party auditor and the management committee.

The store manager does monthly FCS audit and quarterly QMS reviews. The store conducts customer survey every other month and quality check list once or twice a week. The area manager conducts FCS audit quarterly and QMS review semi-annually. Operations manager does validation and screening of nominees for the annual FSC award and annual FCS audit and QMS review. Quality Management does validation, screening, and QMS review once a year. Management Committee visits and commends the Star Circle Award winning stores.

- 4) Making every visit a memorable and pleasant experience by having a personal touch in their services.

The key factors for the successful implementation of these best practices are the top management commitment and the highly competent and dynamic managers in FCS-002. Though 75 percent of the work force is on a contractual term, FCS-002 has very established processes, clear and well-deployed vision, and a focused and efficient leadership.

### **Benefits Gained**

As a result, FCS-002 has achieved sales leadership in the market, having the largest market share in the pizza/pasta and fast food industry. Forbs Magazine has recently listed FCS-002 as the most admired company in Philippines. Far East Economic Review also cited FCS-002 for the fifth straight year as the Philippines' leading company. In addition to this, FCS-002 won the "Country's Best Smallest Company" award based on market capitalization and the "Best in Operational Efficiency" based on financial ratios by the Asia Money Magazine.

It maybe noted that the fall-out rate for FCS-002 staff has fallen by 15 percent due to the implementation of the pre-hiring assessment process.

### **Lessons Learned**

In the course of implementing the best practices, FCS-002 has encountered some problems in the reliability and integrity of data. The gathering of data for the QMS is too tedious and lengthy. Too much paper work and too many forms have to be processed manually which is an additional work for the company.

### **Key Performance Indicators/Measures**

The warmth of the welcome is measured through random customer surveys. The speed

of service such as the turn-around time, attending tables time, drive-through and delivery time are measured by the FSC system.

### **Recent Improvements**

FCS-002 on wheels and kiosks has been introduced to have market presence where the store has no point of access. Removing the speakers and having personalized ordering at drive-through is another improvement. Random checks are conducted by area managers to resolve the problem on data reliability and integrity. A new web site has been set up and a one-system telephone number has been installed for the FCS-002 express delivery.

### **Next Steps for Continuous Improvement**

FCS-002 intends to simplify its QMS without compromising the accuracy and reliability of data. The company is challenged to establish more stores, have a global recognition, and become a well-known brand in the world by 2020.

## **FCS-003 BEST PRACTICES: GREATER TRANSPARENCY, CUSTOMER-CENTERED SERVICES, AND HIGH LEVEL OF PROFESSIONALISM**

### **Organizational Profile**

FCS-003 is one of the seventeen local government units (LGUs) of Metro Manila, Philippines with a land area of 21.50 sq. kms., and a population of 427,000. FCS-003 is a city government with residents, businesses, and visitors as its major market. It has a total staff strength of 2,428 personnel with 100 permanent positions and the remaining are on a contractual basis.

Manufacturing and production of shoes is the largest industry in the city. It is considered as the home of the biggest shoes in the world.

### **Rationale and Objective**

FCS-003 has its own philosophy that “People need not go to the city hall to beg for service, it must be brought to them”. People lining up in the Office of the Mayor and City Council, begging for service, is not a healthy sign of good governance. Thus, the LGU has a self-imposed standard that the best city hall is where no people go.

Since FCS-003 believes that the best city is where no one visits the city hall to beg for service and complain; its objective is to lessen and eventually eliminate the queue in the city hall and complaints by bringing the service directly to the people.

### **Overall Description**

FCS-003 has adopted a strong value system supported by top management which is headed by the Mayor. There is great emphasis on monitoring and improving customer services. The city government system prides itself for establishing a level playing field with strong enforcement of law that ensures peace and order.

### **Leading Practices Adopted**

The three key leading practices adopted by FCS-003 are: *greater transparency*, *customer-centered services*, and *high level of professionalism*.

#### ***Transparency***

FCS-003 operates with a high level of transparency. This is observed both at the physical and functional levels of the organization. The city hall is like a mall with glass dividers designed to promote transparency and create the impression of a “working bureaucracy”.

The LGU believes that their taxpayers deserve to be assured that they get their money’s

worth through professionalism and efficient delivery of services by the city hall's employees. They strictly observe window transactions because they want to level the playing field for everyone. There is no special treatment and every customer is treated equally. Everyone has to follow the electronic queuing system and allow orderly service to take place. The city hall employees are constantly reminded to serve with tact and diplomacy. They do not give way or bend the law for political endorsements or other forms of higher influences. In fact, people with such recommendations and referrals get to the back of the line instead of being given preferential treatments.

The city hall's vision, mission, policies and procedures are noticeably placed in every department and office to guide the transacting public. The public is well aware of the turn-around time of a particular transaction. The public is always informed of the duration and waiting time for all transactions and this helps to contain the customers' expectations. In the case of applying for a new or renewal of business license, the applicant only needs to accomplish the necessary forms and submit the requirements. The personnel of the Business Permits and Licensing Office deliver the licenses to their respective owners.

### ***Customer-Centered Services***

FCS-003 provides a customer-friendly lounge with free coffee, a wide-screen television and reading materials like magazines and brochures for the customers to enjoy while waiting for their transactions to be completed. The counter services continue even during lunch breaks. This is made possible through rational and effective deployment of personnel.

The service counter is not closed until the last customer is served. In the event that there is an abnormal surge in the number of customers, announcements will be made on the maximum servicing numbers that will be allotted for the day. This gives customers a choice to wait or to come back another day. This is part of setting customer expectations.

### ***High Level of Professionalism***

The employees of FCS-003 exercise a high degree of professionalism in dealing with the customers. The public is warned not to entertain city hall personnel, especially those in the field, who are not in office uniforms and who are not wearing office identification cards. The personnel, including garbage collectors, are not allowed to solicit gifts in the conduct of their duties during festive seasons like Christmas. Whoever is found in violation of this rule will be punished with termination of service or one-day suspension with no pay, depending on the severity of the offense. All personnel are encouraged to speak in English, which is in line with the strategy to improve the level of their institutional competence and competitiveness.

As a strategy for institutional competence, a Center for Excellence has been organized to provide training to all personnel and equip them with necessary skills and competencies. City employees undergo appropriate training and seminars with the goal of molding them into highly competent, productive and professional public personnel. The center invites experts



from the industry as resource personnel to provide training and consultancy. All well-trained personnel are seen to be the city's agents in maintaining law, peace and order in the city. Their training modules are constantly reviewed based on the annual training needs analysis conducted and benchmarks with other private training institutions.

The recognition award for outstanding employees is based on the criteria set by the management. The outstanding employee is rewarded with a bicycle instead of a cash award.

### **Benefits Gained**

The strong support and commitment from top management, coupled with their stable foundation of values and effective management system, has facilitated the successful implementation of transparency, customer-centered services, and high level of professionalism.

The system has earned the city government a strong reputation as an organization that has high competency and credibility. Because of this, other organizations in the Philippines and international organizations like the World Bank have voluntarily offered monetary and other forms of aid to the city.

The adoption of the best practices has put FCS-003 in a positive light to the citizens who trust and respect their city government.

In 1998 and 1999, FCS-003 won the Philippine Quality Award or PQA, the Philippines' highest level of national recognition for exemplary organizational performance through Total Quality Management (TQM).

### **Lessons Learned**

The adoption of any new practice will require careful re-analysis of culture, strategies, processes and tools. Training of staff, reviewing the reward and recognition system, open channels for feedback/suggestions from citizens and employees, and direct access to leadership, have addressed the initial problems that were encountered in implementing the best practices.

FCS-003 works very closely with the private sector and the public to get their inputs and feedback. Text messaging system is used to collect feedback and suggestions from the customers. Approximately 200 text messages are received everyday and about 50 message senders receive a response. FCS-003 aims to improve the response rate to the text senders.

The law is strictly followed in the city and there is no room for concessions to political influences or other forms of recommendations. Monitoring of empowerment is done through regular executive meetings. At such meetings, the organization attempts to analyze the processes and the mistakes made. Areas for improvements are also identified and discussed.

## **Key Performance Indicators/Measures**

The main indicator in measuring customer satisfaction is the feedback from customers. Two officers are designated to track the feedback from customers. The radio station owned and operated by FCS-003, encourages customers to air their comments, feedback and suggestions. Suggestion boxes are also placed in the city hall to invite new ideas from the people of the city.

The training effectiveness is measured through feedback forms where participants comment on the quality of training and the trainer and give suggestions for improvement. Surveys are conducted among the employees and suggestions for improvements are also elicited from them. Benchmarking is used in refining the course materials.

Frontline customer service is measured through time charts. If there is a time lapse in completing the service within the guaranteed service standard, then the customer can make a complaint and even escalate the matter to the Mayor whose telephone number is publicly known.

Questionnaires and surveys are generally used to collect customers' information and all their information is stored in a CRM database. Information technology is slowly being introduced to build a more sophisticated system.

Monitoring of the reward and recognition system is done by assessing the staffs' performance on a team and cluster performance basis. Top management makes all the assessments by reviewing the monthly reports submitted to them. Outstanding Public Service Award is given to outstanding public officers and the reward is a trip to Singapore.

There is a regular incentive system and an additional year-end incentive. The incentives are team-based, where assessment is made based on the team's performance. The actual activities are measured against the targets.

## **Recent Improvements**

As of this time, the city government is in the process of completing the **Citizen's Guide Book - a Guidebook on Key Government Services**. The book will provide information on how the public can obtain the different services and what documentation they need to prepare to obtain such services.

## **Next Steps for Continuous Improvement**

FCS-003 believes that good governance is a matter of choice. It strives to be a government of performance. Although the operational performance is simple, it is effective enough to obtain the desired results. The city government strives for continuous excellence in governance and high customer satisfaction. FCS-003 believes that the best indicator whether

it has achieved its objectives, is when people say, “Home is (the city)”.

FCS-003 is visioning to make itself as the “(The City) a Little Singapore”. To achieve this vision, the city government has extensively exploited the various environmental management programs with specific focus on river rehabilitation. This is in line with their new signature image - “River City of Lights”.

## **FCS-004 BEST PRACTICE: MEASUREMENT AND MONITORING SYSTEM**

### **Organizational Profile**

FCS-004 is the third largest local bank in Singapore. Its key products and services involve all major financial services ranging from savings/fixed deposit products to investment products like unit trusts, insurance, housing/car loans and treasury products like FX. The major market of FCS-004 is in Singapore. The bank has also strong presence in Malaysia. There are also some branches in China, Indonesia, Thailand and the United States, the areas where there is a strong drive towards expansion of the business. The entire Bank's staff strength is about 6,000.

The focus of this case study is on the Consumer Financial Services (CFS) Division of FCS-004 which constitutes about a third of the overall Bank's revenues and headcount strength. The principal customer types of the CFS Division are the mass market, the premier banking customers, and private banking customers. The number of employees in CFS Division is about 2,000.

### **Rationale and Objective**

FCS-004 has adopted the measurement and monitoring system of the frontline customer service using the mystery shopping. This system aims to consistently measure customer service through mystery shopping and link its results to staff's performance appraisal.

### **Overall Description of the System**

The measurement and monitoring portion of the system involves mystery shopping conducted by an external third party on a weekly basis for all the 73 branches of FCS-004. The mystery shopping is done in two main parts of the bank which are the main teller counter and the sales counter. A minimum of eight sample size per week for each branch is needed for the teller counter, thus there are about 32 samples per branch for each month. On the other hand, a minimum of two samples per week for each branch are needed for the sales counter, thus there are about eight samples per month.

After analyzing the mystery shopping results, these will be consolidated into the Branch Service Index for all branches. This index is transparent and is broadcast and shown to all branch managers.

The branch index scores are then translated into performance appraisal of all sales staff which will ultimately affect their quarterly and variable bonuses.

### **Leading Practices Adopted**

Mystery shopping has been adopted from McDonald's and Ritz Carlton. McDonald's

believes in mystery shopping as an effective approach in measurement. It has been hiring service intelligence and external consultant to mystery shop for the company. Ritz Carlton on the other hand, measures, monitors, and reviews its daily performance through a series of service quality indicators which measure defects from 14 key service provision areas. These are self-administered where each department will check on their own service levels each day.

FCS-004 Consumer Financial Services Division has implemented the mystery shopping concept to measure and monitor its frontline customer service levels since 1999. An external survey company has been engaged to ensure expertise and impartiality in the implementation process.

By the end of the following year, the service index scores are then translated into measures in the branch managers' performance indicators which affect their quarterly and variable bonuses.

Some of the key factors that have led to the successful implementation of the measurement and monitoring system are:

- Learning from the best practices of McDonald's and Ritz Carlton which has shortened the learning curve,
- Top management support and buy-in into the measurement and monitoring using mystery shopping as well as linkage of the index scores to performance appraisals,
- The different constituents of service index and the pilot data collected are carefully considered,
- The concept of "stick" (which refers to performance appraisal) must be clearly put forth to all sales staff. The "carrot" part (which pertains to rewards) is implicit and will be reflected into the staff variable bonus.

### ***How does the organization identify the indicators for Customer Service?***

The categories in the service index are basically identified through the years of experience and analysis by the organization. Initially, a pilot was conducted after categories were set based on inputs by managers, frontline staff as well as branch managers. Focused group discussions were conducted to arrive at these categories. There were also inputs coming from the customers during the mystery shopping interviews, marketing focused groups, and feedback forms in branches.

These categories are being reviewed and changed every year. The service index indicators have since evolved over the years to capture the changing needs of the customers as well as the results shown by the branch sales staff.

***Why “stick” is used more frequently than “carrot” in the approach and will this inhibit progressive and continuous improvement?***

Both “stick” and “carrot” are used, though the stick portion is more explicitly expressed in terms of decrease in quarterly bonuses and possible termination of service if the service index is not met the fourth time. On the other hand, the carrot is used as the top percentage score achieved by the branch managers and sales staff in terms of service level and index. This will be the basis for higher appraisals which will lead ultimately to higher year end variable bonuses. Instead of focusing on rewards, the latter approach emphasizes good service as part of the job.

***Why Core Values are included in the KPI assessment besides Quality and Operation Risks?***

Aside from quality and operation risks, core values are also included in the KPI assessment. Looking at the core values as the bases of assessment is a more subtle, subjective, and soft side of the measure. This is operationalized by having groups of supervisors assess the sales staff on their core values such as customer focus, integrity and fair dealing, support for change, teamwork and boundary less. For example, the head of branches, head of Sales and Service, and head of Customer Experience will assess the branch managers on core values. On the other hand, the sales coaches, head of Sales and Service, and head of Customer Assurance will assess the personal financial consultants and mobile sales executives.

**Benefits Gained**

As seen from the third party blind survey on customer satisfaction of banks in Singapore conducted in 2002, FCS-004 has done well in terms of the few categories related to customer service such as “quality customer service, resolving inquiries in an efficient manner, and friendly staff”. The results were obtained partly from the measures put in place including mystery shopping and its links to individual sales staff’s performance appraisals.

From the latest blind third party survey conducted by AMI or Synovate in 2002 on banks in Singapore, FCS-004 was perceived to have achieved the following in relation to frontline customer service:

- Second behind Citibank in “Quality Customer Service”,
- First in “Resolving inquiries in an efficient manner”, and
- First in “Friendly Staff”

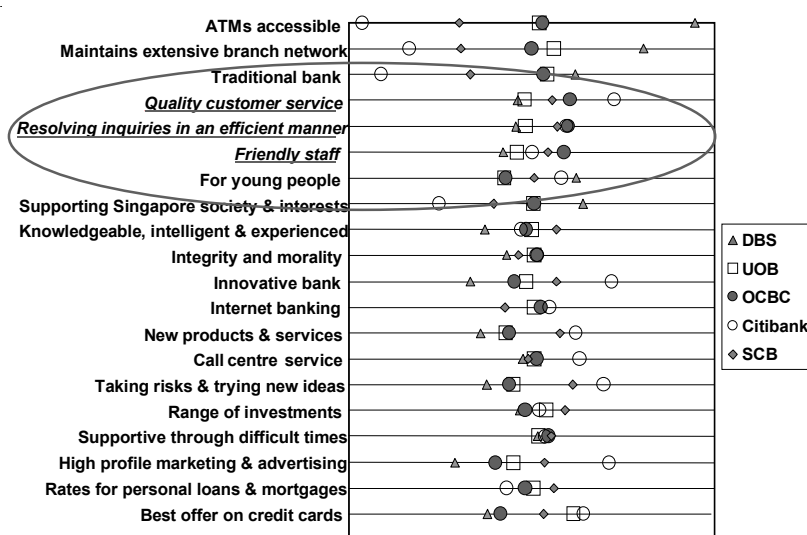


Figure 1: Key Driver Analysis

## Lessons Learned

Some of the problems encountered by FCS-004 in implementing the system are:

- Mystery shopping fluctuations,
- Credibility of shoppers,
- Low sample size issues for sales counters,
- Service index categories' weightage and scoring guidelines,
- Sales versus service impact, and
- Front to back-end services are linked but not measured.

Mystery shopping fluctuations and credibility of shoppers involve issues such as whether the survey is done during peak or non-peak hours, whether shoppers complete the whole questionnaire while interviewing, and the approach adopted by shoppers, among others.

It is difficult to get interviewees due to the lower volume of sales transactions, thus there is a low sample size for the sales counters. This has led to inconsistency of analysis which may lead to statistical insignificance.

Often, there are queries and doubts on how service index categories' weightage and scoring guidelines are set. This has led to beliefs that the scoring guidelines and weightages are either over-emphasized or overkill, or vice versa.

There is also a perennial problem of sales targets and achievements being overshadowed by the service attributes and results. Though this does not happen frequently, it still causes a major concern whenever it occurs.

The present set of metrics in the service index does not cater to the entire chain of activities such as the back-end processing which leads to customer satisfaction. This has to be further refined to capture these metrics.

One of the challenges of FCS-004 is the continuous sponsoring of the mystery shopping activity. This could be quite expensive due to the amount of samples to be collected which is close to 4,000 a month. With the impending liberalization of the financial market in Singapore, local banks are faced with intense competition. Cost will be an issue and has to be weighed carefully with customer service and satisfaction.

In the course of implementing the system, FCS-004 has learned the lesson “What gets measured, gets done. What gets monitored, gets done better. What gets linked, gets done best!” This is an important message and lesson as customer service has to be carefully measured and tracked, otherwise improvements will be minimal. FCS-004 Consumer Financial Services has learned this by linking the measures from mystery shopping to each sales staff’s performance appraisal.

### **Key Performance Indicators/Measures**

While the measurement and monitoring system is being implemented, the results and effectiveness are seen with the improvement of service levels from the monthly and yearly branch service index results, as well as via the Singapore wide customer satisfaction surveys among others. As explained earlier, FCS-004 is perceived to have made great improvements in terms of customer service.

### **Recent Improvements**

With regards to the problems in mystery shopping fluctuations/credibility of shoppers, the solution is to mystery shop the mystery shoppers. FCS-004 has implemented random checks on shoppers to test the validity of their perceived shortfalls.

Regarding the low sample size for sales counters, the solution is to implement phone interviews instead of face-to-face interviews as done before. This has helped increase the sample size to 32 per month for each branch, which is similar to the teller counter. However, face-to-face interviews are still being conducted for the teller counters if the volume of transaction is high.

The solution for the problem on service index weightage and scoring guidelines is to continuously change them every year based on reviews of data in the preceding year. Scoring guidelines will either be lowered or raised to cater for more realistic achievements. In this aspect, the accumulation of experience in the analysis of data over the years has helped a lot.

The sales versus service impact is still changing and improving. It is difficult to change the mindset of management in driving this though “stick” and “carrot” have been put in place.



A continuous improvement effort is still needed.

With regard to the front and back-end servicing metrics, FCS-004 Consumer Financial Services Division has identified key delivery processes and has put in place measures that can be monitored. The measures are added into the existing service index measures.

## **FCS-005, FCS-006, AND FCS-007 BEST PRACTICE: CUSTOMER RELATIONSHIP MANAGEMENT**

### **Organizational Profile**

This case study encompasses three companies in Australia which have successfully integrated Customer Relationship Management or CRM into their operations to enhance their frontline customer service. For confidentiality purposes, these organizations are referred to as FCS-005, FCS-006, and FCS-007.

**FCS-005** primarily manages customer relations. It sources out business processes such as *Contact Centre Solutions*, *Client Administrations*, *Transaction Processing*, *Claims Management and Processing*, and *Document Management Services*. Its primary customers are financial service organizations. FCS-005 employs about 2,447 people.

**FCS-006** offers an on-line learning. Its market base is Queensland, Australia and the learners are of all ages. It employs over 250 people. It receives budget allocation from the Queensland Government.

**FCS-007** is one of the city governments in Australia. It offers a large range of city services and its primary customers are the residents, businesses and visitors in the city. FCS-007 employs around 1,000 workers.

### **Rationale**

FCS-005 uses CRM to provide competitive advantage and reduce costs for its customers. Likewise, FCS-006 uses CRM to increase profitability and enhance customer satisfaction. Its CRM focuses on service, referrals, retention, completion, and cross and up-selling based on improved understanding of individual customer needs and preferences. CRM enables FCS-006 to consistently track customer interactions across channels and respond accordingly. Similarly, FCS-007 considers CRM as a means of creating a central view of their customers. The information collected through CRM would then be used to improve service. Through CRM, FCS-007 is able to provide its customers with multiple choices, manage the stakeholders, and provide an integrated single screen interface to streamline customer service processes.

### **Objectives**

CRM is a tool for organizations to achieve business outcomes. By improving on services, decreasing costs, and improving their level of quality, there will eventually be an increase in customer satisfaction and increase in profit.

CRM enables organizations to manage and evaluate their relationships with customers by managing the value created for customers, encouraging and managing demand, and providing

easy access for customers.

FCS-006's CRM objectives are to:

- maximize the effectiveness of existing and potential customer information by capturing more inquiries;
- increase the levels of customer retention, up-selling and cross-selling;
- leverage existing systems to the greatest effect;
- improve the efficiency of customer related processes; and
- integrate and facilitate marketing initiatives.

### **Overall Description**

CRM manages customer interactions and overall customer relationships to increase customer satisfaction and loyalty, thereby increasing profit by using a combination of business strategies, processes, culture, and technology.

FCS-007 has devised a customer service strategy plan from the outset. First, they would manage the events, requests, and interaction which are the core of their Customer Service Management (CSM). The final step is integrating CRM with CSM and Transaction Processing (TP).

FCS-006 on the other hand, manages their customers through the Customer Care Center. All transactions received here are then transferred to respective departments/sections for addressing. This ensures not only minimal response time to the inquiries but also effective responses.

### **Leading Practices Adopted**

Prior to using CRM, FCS-007 has attempted to gain insights from other parts of the organization. This has enabled them to differentiate their customers from their stakeholders. FCS-007 has created a single vision on how to deal with specific issues and different customer types. This has accounted for the need to map out key processes and consolidation of customer surveys.

The strategy was based predominantly around the TP side of Customer Management in the initial year. Then in the following year, the CSM was also introduced together with TP. In the third and final year, more emphasis was given on the CSM and CRM side of customer management.

FCS-005 has adopted the Automatic Contact Identification system called *Apropos*. The software identifies the caller and finds a match in the CRM system and screen-pops the customer record for the consultant. The system also provides a real-time, on-screen toolbox.

The consultant toolbox provides information regarding the current caller being assisted, as well as information on any call or interaction, which is in any queue the consultant had responsibility for. It also gives the consultants information about interactions by type and information regarding their key performance indicators for the day. This toolbox also provides the soft phone functionality. The Team Leader toolbar provides information regarding the status of all consultations across all sites, which can be presented by location, by team and overall.

FCS-006's Customer Care Center manages the customers in behalf of the company's other departments. The Customer Care Center sends the complaint to the appropriate department. After three times of non-response, the complaint is being escalated to the Manager of the concerned department. If there is still no response, then it is brought to whoever is on top of that department. This approach is already built-in into the system.

FCS-006's Campaign Management Program creates, integrates, maintains, and reports on Marketing Campaigns. Through this program, FCS-006 is able to set up Parent and Sibling Level Campaigns; set up groups from OSCAR contacts and allocate them to a campaign; record and manage campaign budgets, tasks and duration's record inquiries against campaigns; match enrollments to inquiries; and report on campaign success including number of inquiries and conversion rates.

For the three organizations, the key factor in the successful implementation of CRM is their ability to plan systematically and use their resources optimally. Commitment at all levels in the organization to make CRM successful has also been noted.

## **Benefits Gained**

The CRM system has made it easier for the staff at FCS-006 improve customer service and satisfaction through their learning and relationship experiences. Access to knowledge, information, and tools for all the staff across customer touch points has also increased. In improving its processes, FCS-006 has achieved the following:

- Effective means of capturing contacts
- Decrease in number of points of contact (touch points)
- Single view of customer information
- Increased resolution at first point of contact
- Reduced invalid enrollment rate (national and state audits)
- Increased quality and integrity of data
- Reliable reports (track trends)
- Pro-activity increase in teams
- Streamlining of business processes (reduced duplication)
- Implementation of information management principles

In terms of human resource development, the institution has achieved the following:

- Culture change (OSCAR named)
- Establishment of Customer Care Center
- Establishment of OSCAR Super Users
- 165 staff (66 percent) have OSCAR licenses
- Increased computer literacy among the staff
- Project learnings applied throughout each phase (e.g., 'go live' planning, issues management)
- Well-managed change process that leads to responsiveness and staff confidence
- Lower training costs for staff transfer
- Launching by Minister and DG

In general, CRM has enabled all three organizations to add value to the services they offer to their customers. It has also enhanced customer relations and delivery of products and services to the customer and end user, especially for FCS-005. CRM has also enabled a shorter response time to Transaction Processing for FCS-007.

### **Lessons Learned**

In their attempt to adopt CRM, there were some difficulties in the early stages, especially for FCS-006. Initially, FCS-006 needed more support from the top management. The staff involvement was moderate in the earlier stage. Furthermore, the prevailing perception was that the CRM project was too long and therefore it would be difficult to focus on the goals.

This dilemma has been overcome by properly undertaking the entire event as a project. The team set out objectives at each stage of the project. Upon execution of each stage, the team reviewed on them. Feasibility studies have also enabled the team to anticipate potential obstacles and come up with contingency plans for the following events. FCS-006 has also utilized external 'experts' which added value to their project management.

In its pursuit to fully integrate CRM into its system, FCS-006 has learned important lessons, such as the importance of total participation, reducing the voice of the customers through product (service) specification, and data migration (collection and response).

FCS-006 has also realized that non-conformances do arise occasionally. However, it strongly believes in corrective actions for a particular non-conformance and preventive actions to avoid recurrences.

### **Learning Needs**

FCS-006 considers people who make inquiries and the families of the school's students as non-customers; however, they are recognized as potential, future customers. Information is gathered from these potential customers and this would form part of the CRM database.

Cross-selling techniques are used to encourage potential customers to try the courses offered by FCS-006.

Generally, the frontline employees are the first ones to receive customer feedbacks and complaints in any organization. Therefore, it is inevitable that the frontline may be frustrated which can lead to inaccurate data being inputted into the CRM database system. This problem can be overcome by training the staff to ask the right questions and by educating the customers on what kind of information they should provide the organization. For example in FCS-005, the system is designed such that each entry has a specific field. As such, an empty field indicates that the data has not been captured. This helps to ensure that a complete and comprehensive CRM database is being maintained.

Organizations should not assume quality as defined by their own parameters. It is important to understand what customers perceive as quality service. Project management and cost benefit analysis tools can be used to justify cost investments in CRM practices. Project management has strong emphasis in relating the benefits of what an organization intends versus the initial investment. Continuous review using the techniques in project management to track changes on the benefits realized, is a crucial practice that should be adopted.

### Key Performance Indicators/Measures

The effectiveness of CRM is generally measured quantitatively. As in the case of FCS-006, on areas of customer concerns such as *inquiries*, *enrollments*, and *awards and assessments*, some of the measurements used are shown in the table below:

**Table 1: FCS-006 CRM Reporting**

<b>Inquiries</b> <ul style="list-style-type: none"> <li>• total course inquiries by week</li> <li>• total inquiries by day of the week</li> <li>• course inquiries by location by week</li> <li>• inquiries by stream, interest area and course</li> <li>• top 20 course inquiries</li> <li>• inquiries by campaign code</li> <li>• total inquiries by media/source</li> <li>• inquiry conversion</li> </ul>	<b>Enrollments</b> <ul style="list-style-type: none"> <li>• total module enrollments by week</li> <li>• total SCH enrolled by week</li> <li>• total individual students enrolled</li> <li>• average module enrollment per student</li> </ul>
<b>Learning Solution Distribution</b> <ul style="list-style-type: none"> <li>• inventory and stock take reports</li> <li>• student issues/dispatches per period</li> </ul>	<b>Educational Streams</b> <ul style="list-style-type: none"> <li>• student module enrollments per week</li> <li>• non-participation reports</li> <li>• traineeship contact reports</li> </ul>
<b>Awards and Assessments</b> <ul style="list-style-type: none"> <li>• award eligibility</li> <li>• assessments overdue from markers</li> <li>• marker payment claims</li> </ul>	

## **Recent Improvements**

While CRM offers considerable benefits, FCS-006 has also managed to continually improve its operations. Some of these conversions and improvements enabled FCS-006 to:

- have a more accurate measure of conversion rates,
- attach inquiries to course offerings,
- ensure that groups of prospects who have not enrolled, receive follow-up telemarketing,
- have the ability to flag prospects/students who have been followed up, and
- have the ability to flag if a prospect no longer wishes to be contacted by FCS-006.

As for FCS-007, it utilizes feedback from its customers to add value and maintain the momentum of its CRM. Techniques and approaches such as consultation framework, independent market research, complaints and inquiries, board meetings, and internal and external customer satisfaction surveys are used to better understand the customer and stakeholder needs.

## **Next Steps for Continuous Improvement**

FCS-006 intends to upgrade its SalesLogix to Version 6. This system has an advance Outlook integration, enhanced KnowledgeSync integration, usability enhancements and architect usability enhancements. FCS-006 also plans to go into customization as proposed by the OSCAR Management Committee.

# People Performance Evaluation Practices

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## PPEP-001 Best Practice: People Excellence Process

### Organizational Profile

PPEP-001 is engaged in Electronics Manufacturing Services (EMS) which include design, co-design, manufacturing, and logistics management for solid ink colored printers, handheld pc, telecommunication, and handphone, among others. Its principal customer is Xerox and its major markets are located in US, Asia Pacific, and Europe. It employs 350 employees.

### Rationale and Objectives

PPEP-001 has adopted People Excellence Process or PEP to increase its business profitability, enhance its competitiveness and comparative advantage, and ensure business survival. Specifically, PEP has the following objectives:

- provide clear alignment of individual performance objectives with departmental and organizational goals;
- review regularly the performance objectives and standards as well as the progress towards objectives through ongoing feedback and periodic discussions; and
- clarify the competency development and needs of PPEP-001's employees as well as motivate them towards greater achievement.

### Overall Description

PPEP-001 has adopted PEP from the Xerox Improvement Process and the New Quality Concept introduced by Xerox Corporation in 2000.



Figure 1



The PEP framework encompasses the setting of direction, deployment of direction, and delivery and inspection.

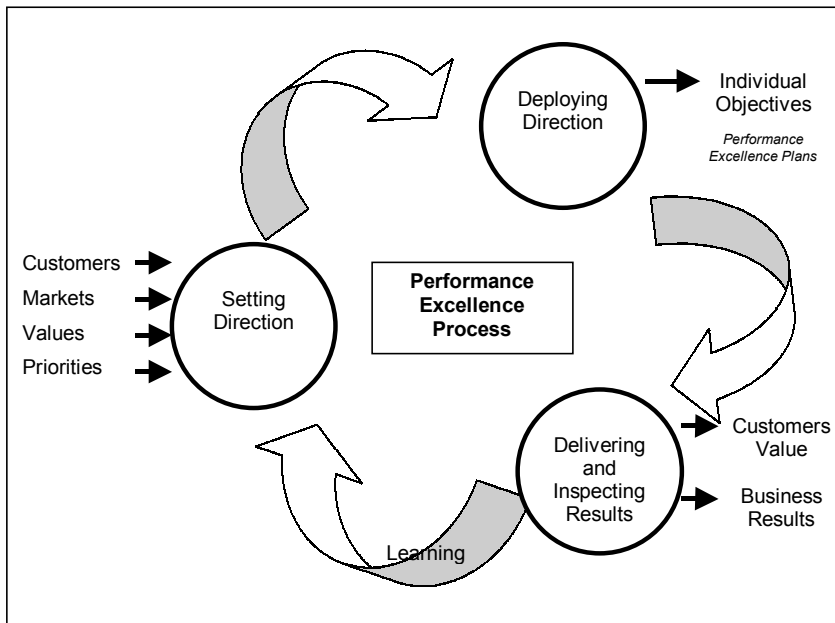


Figure 2: PEP Framework

### Leading Practices Adopted

The PEP encompasses the following processes:

1. Planning which involves defining strategies and setting directions that are linked to market trends and customer value;
2. Deployment which involves developing and aligning performance objectives throughout the company; and
3. Management which involves inspecting progress, closing gaps, and identifying new opportunities.

All employees are trained on the methodology of PEP while all managers are trained on how to conduct and manage PEP objectively under the direction of the Vice President.

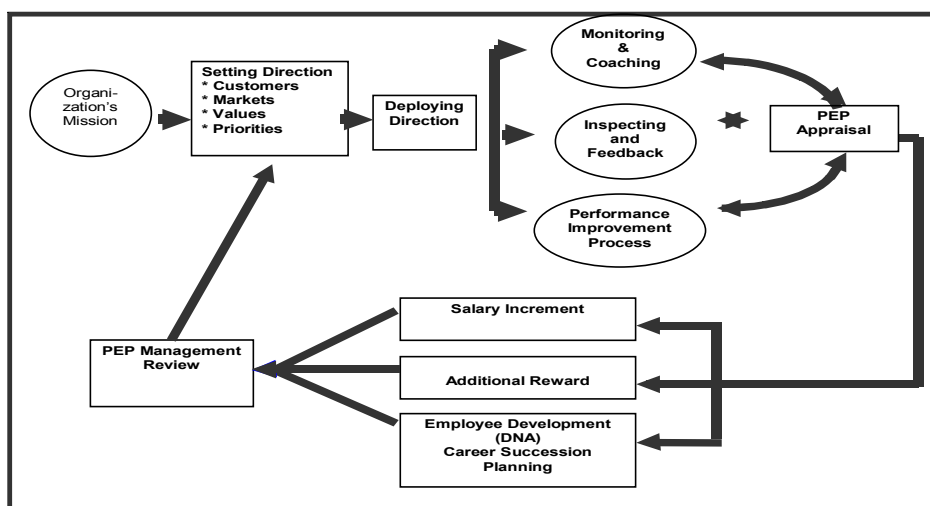
In the process of **Setting Direction**, the Management Team is responsible in setting up the organization's objectives every six months. Objectives are based on the customers' needs, market conditions, organizational values, and priorities. Normally, about five to six PEP objectives are developed every six months. All objectives must be measurable and action-oriented.

The **Deploying Direction** process starts with the education of employees on the organizational goals. The Department Managers set departmental objectives that are aligned with the organizational objectives. The process owners are identified and all inter- and intra-organizational dependencies and expectations are identified, communicated, negotiated, and managed. The process owner or individual employees set individual or team objectives that are linked with the departmental objectives. All directions for every level of the organization – department, team and individual, are documented once finalized by all parties.

The **Delivery and Inspecting Results** processes include the review of individual and team objectives on a monthly basis and documenting the progress (using indicator) of the improvement process/plan. The quarterly progress review on departmental and organizational objectives is discussed during the Management Meeting. The Management Team then marks the organizational PEP results. The department conducts PEP appraisal with all employees. It prepares documentation and provides update to all employees on PEP results and the newly developed PEP for deployment. The Human Resource Manager becomes the overall champion. He or she would inspect the higher and lower scores to ensure objectivity of the results and for further action plan. Any outstanding or poor employee performance will be discussed during PEP review by the Management Team.

**Table 1: Example of PEP Progress Update**

Corporate Objectives	Plant Objectives	Individual/Team Objectives	Measurement	Progress Level			
				100	75	50	25



**Figure 3: PEP Management Flow**

The key success factors in PEP include the training given to all employees on system understanding and implementation, commitment from the Management Team (Top Down Program), clear definition of objectives at all levels, clear communication and discipline in process implementation, and managers' responsibility in providing feedback and coaching.

### **Benefits Gained**

PPEP-001 has been able to focus all its resources on selected subjects based on management priority. All employees have become aware of the key results area in meeting the organizational goals. Directions are clearly aligned and policy is deployed at all levels. Employees are motivated to understand and play their roles in meeting the organizational objectives. Changes are reinforced, communicated, and closely monitored.

### **Lessons Learned**

The PEP monthly progress review on each employee at all levels can be a time consuming work. PEP involves a culture change from the traditional appraisal system to a clearer and more objective appraisal as well as from single appraisal to multiple level of appraisal (i.e., peer/team member appraisal, self appraisal, and superior appraisal). Some departments and individuals have difficulties in aligning the departmental or individual objectives with the organizational objectives.

PPEP-001 has been able to manage these problems through training, communication, and top management high discipline and commitment. PPEP-001 has promoted teamwork and provided round-table discussions, continuous coaching, and feedback to all its employees. These approaches have reinforced the desired behavior from employees and enabled their development.

PPEP-001 has realized that implementation must have full commitment from the top management. Consistent communication will make the system more effective. The system must be "alive", always up-to-date, and should be in line with the organization's value system at the same time helping re-define it.

### **Key Performance Indicators/Measures**

All results are measured using the SMART methodology. All the PEP objectives set at organizational and departmental levels are being reviewed and accepted by the Management Team. Open communication is adopted to determine the PEP progress and results. The PEP results are being published and communicated to all employees. These results are open for discussion.

The Performance Improvement Process is used systematically to ensure that the PEP desired results are being achieved. PPEP-001 actively participates in benchmarking activities with other companies through the Electronics Manufacturing Services Benchmarking Council

(EMSBC) in the northern region of Malaysia. EMSBC monthly meetings and semi-annual HR e-Benchmark measurement have provided PPEP-001 with data and information regarding other member companies' HR performance indicators. These data and the KPIs serve as bases for PPEP-001 to make reliable and quick decisions and changes.

Results from other companies include the highly motivated employees as shown by the motivation survey, low staff turn-over rate of less than 5 percent annually, low absenteeism of less than 0.5 percent monthly, zero major complaint from internal and external customers, and zero disciplinary issues.

### **Recent Improvements**

The improvement in PEP focuses on EMS business environment. The PEP appraisal forms and processes have been simplified. The PEP progress has been posted on the Score Board at the organizational and departmental levels to communicate the company's performance to all its employees.

### **Next Steps for Continuous Improvement**

PPEP-001 is working on the on-line implementation of PEP especially on the deployment of directions, delivery and inspection of results, and further alignment of PEP appraisal factor with the behavioral management. The adoption of PEP will also be recommended to all the sites of PPEP-001 in Malaysia and Singapore.

## **PPEP-002 Best Practice: People Performance Management**

### **Organizational Profile**

PPEP-002 is one of the world's providers of a chemical component used to manufacture automotive tyres. It employs about 280 employees.

### **Rationale**

PPEP-002 aims to develop its people performance evaluation process in the short-term and long-term basis. It seeks to improve its evaluation process through emphasizing employees' behavior and quality of work. PPEP-002 also intends to provide an opportunity for the subordinates to participate in the setting of goals. Both the supervisors and the subordinates should monitor the latter's performance periodically. The results of the performance appraisal would be used as basis for increments, training and development, promotion, and career planning.

### **Objectives**

PPEP-002 intends to enhance its existing performance appraisal system into a performance management system that will add value to the business. The company also seeks to develop an updated and standardized performance appraisal system that will serve as basis for benefits and compensation, training, and career growth that can eventually contribute to employee motivation.

### **Overall Description**

PPEP-002 has established a shared vision of becoming the country's leading company and a world-class producer of chemical component through the continuous improvement of its people, processes, products and services; and delighting its customers and stakeholders. PPEP-002 focuses more on the evaluation of employees' behavior and their quality of work, thus developing the Performance Appraisal system (PA) into the Performance Management system (PM).

### **Leading Practices Adopted**

PPEP-002 has initiated its journey towards excellence through a series of quality improvement programs since 1991. These include the Quality Control Circle (QCC), QCL, ISO 9000, 5S, KSS, ISO 14001, Total Productive Maintenance (TPM), QS 9000, IQRS, OHSAS 18001, ISO 9001 and Total Quality Management (TQM).

As a result of its improvement efforts, PPEP-002 has acquired numerous awards for excellence achievement since 1994 to 2003. Among these awards are the following:

- |      |  |
|------|--|
| 1994 | First in the industry (globally) to be certified ISO 9004  |
| 1997 | First in the industry in Asia to get certified with ISO 14001  |
| 1999 | Accredited by BVQI for QS-9000 Certification   |
| 2000 | Forbes List for Top 300 Small Companies in the World   |
| 2001 | The Prime Minister's Industry Award for an Outstanding Achievement in Productivity<br>TPM Excellence Award from Japan Institute of Plant Maintenance (JIPM),<br>Deming Price from the Union of Japanese Scientist and Engineers (JUSE) |
| 2002 | Re-certification by BVQI for QS-9000<br>Certification of ISO 9001:2000 and OHSAS 18001<br>Forbes List for Top 200 Small Companies in the World   |
| 2003 | Best Employer of Asia "Country's Outstanding Company" on Safety Management, Welfare Management and Labor Relations   |

In PPEP-002, people are considered to be the company's most valuable assets. Over 50 percent of its employees have rendered more than 10 years of service and more than 54 percent has tertiary education. The average age of employees is 39 years old and almost one-third of them belong to the management group.

In recognition to the employees' contribution to the success of the organization, PPEP-002 provides the following benefits:

- Salary increment between 7 to 9 percent
- COLA
- Provident fund (5 percent)
- Bonus (127 – 107 – 102 days)
- Group health insurance for employee, spouse and children
- Life insurance
- Scholarship
- Employee loan
- Night shift allowance
- Outside duty allowance (maximum as per actual)
- Driver food allowance
- Funeral (sum of money plus five-day leave)
- Marriage allowance (sum of money plus three-day leave)
- Leave to be a monk (seven-day leave with pay)
- Retirement (party plus gift per employee)

- Sports club and sports budget
- Dispensary room (24-hour service)
- Canteen (control on prices) and free rice (one meal per day)
- Colony with furniture
- Transportation between colonies (24-hour service)
- Transportation services for Site 1 and Site 2
- Personal items such as shampoo (1000 cc), soap (12 nos.), towel (one piece per year), uniform (three to four sets as per condition of work), shoes (two pairs, changed if damage)
- Departmental annual party fee and New Year picnic
- Monthly Diligent Award

### **Benefits Gained**

Through the PPM system, PPEP-002 has been able to reduce the problem in labor relations between supervisors and subordinates, improve the morale of employees, and foster open communication among concerned persons.

### **Lessons Learned**

The company realized that the contents for the evaluation did not fit the objectives. Also, there was too much concentration on the behavior rather than on the quality of work. There was a one-sided evaluation from the supervisor and the subordinates did not have the chance to be involved in the evaluation process. The objective of the performance appraisal was more inclined to giving increments to employees. The results were restricted by the bell curve distribution and problem solving was not facilitated. There was also a need to make the evaluation factors more objective and focus more on both the quality of work and behavior. The challenge now for PPEP-002 is how to communicate and convince the people concerned to agree on the new system to serve its business needs.

### **Key Performance Indicators/Measures**

The impact of the performance management system is being measured using feedback forms and through the employee satisfaction survey.

### **Recent Improvements**

PPEP-002 has made the evaluation factor more objective and more focused on the quality of work together with the employees' behavior.

### **Next Steps for Continuous Improvement**

PPEP-002 plans to apply balanced scorecard to improve the performance management system and make it more systematic.

## PPEP-003 Best Practice: People Excellence

### Organizational Profile

PPEP-003 supplies analog, logic, and discrete components and offers an extensive portfolio of power, data, and standard semiconductor components that address the design needs of today's sophisticated electronic products, automotive, and appliances.

PPEP-003 is the manufacturing site responsible for the assembly and test of Large Package Surface Mount products. With higher pin count and larger package dimensions, these products include Small Outline Integrated Circuit (SOIC), Thin Shrink Small Outline Package (TSSOP) and Plastic Leaded Chip Carrier (PLCC).

At present, PPEP-003 has a total of 8,400 employees worldwide, nine manufacturing facilities, five technology and design centers across the globe, and over 100 manufacturing subcontractors worldwide.

### Rationale and Objectives

PPEP-003 seeks to operate at the highest level of people excellence effectively and efficiently without increasing the capital or headcount. It aims to enhance the development and retention of highly competent, well-performing and fully engaged associates while managing labor cost as percentage input cost and training expenditure. In using the People Excellence, PPEP-003 needs to establish competence and unique value proposition in its organization, such as in testing engineering.

The vision of PPEP-003 is to be the Site of Choice. People Excellence is one of its strategic agenda to achieve the strategic objectives of making the company world class and a great place to work with.

### Overall Description

The Site Strategic Agenda in PPEP-003 includes People Excellence as one of the fundamental strategies in achieving the company's vision and mission.

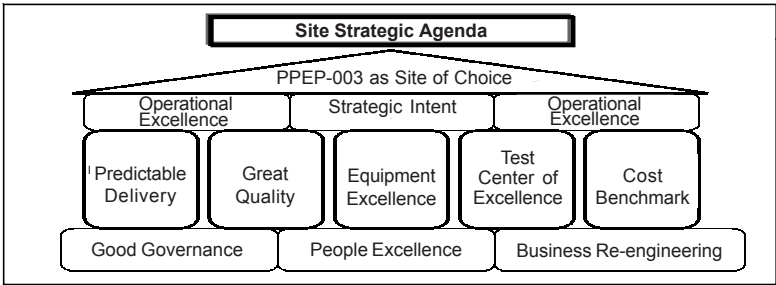


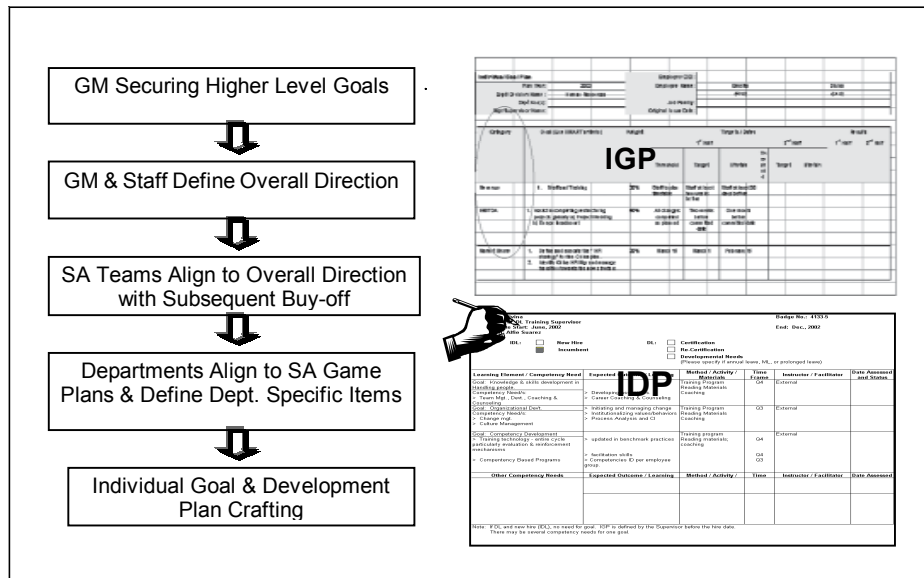
Figure 1: Site Strategic Agenda



## Leading Practices Adopted

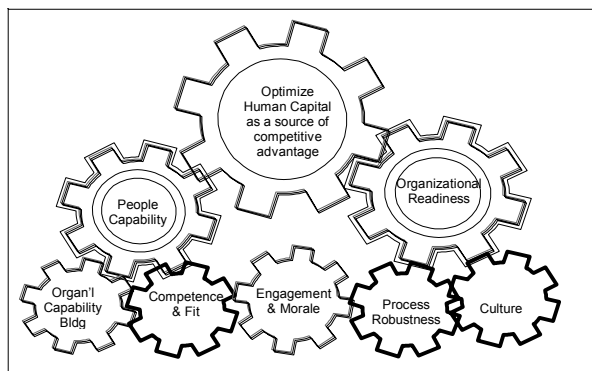
PPEP has adopted the following leading practices described in figures respectively:

- (1) PPEP-003 has conducted a step-by-step process to develop the Individual Goal Plan (IGP) and the Individual Development Plan (IDP).



**Figure 2: Individual Goal Plan (IGP) and Individual Development Plan (IDP)**

- (2) HR focus shows that optimizing the company's human capital as a source of competitive advantage is interlinked with its people's capability and organizational readiness. These are further supported by the interlinking factors such as organizational capability building, competence and fit, engagement and morale, process robustness, and organizational culture.



**Figure 3: HR Focus**

(3) Performance Management Process

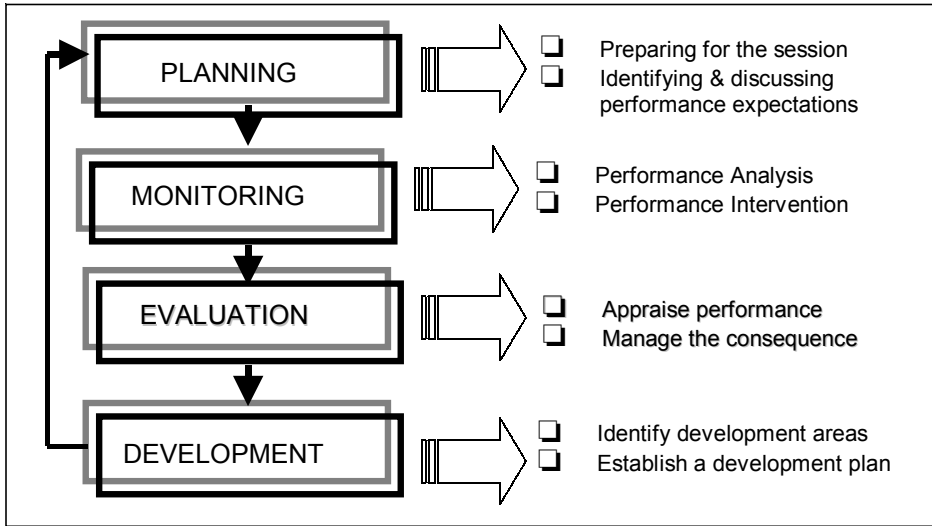


Figure 4: Performance Management Process

(4) Performance Improvement Program (PIP)

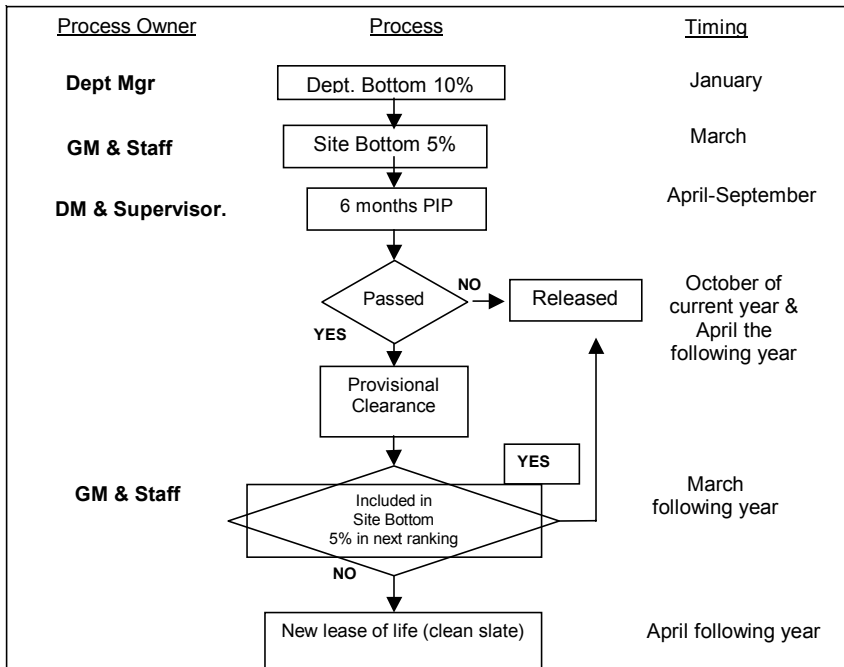


Figure 5: Performance Improvement Program

## (5) Managing Key Talent

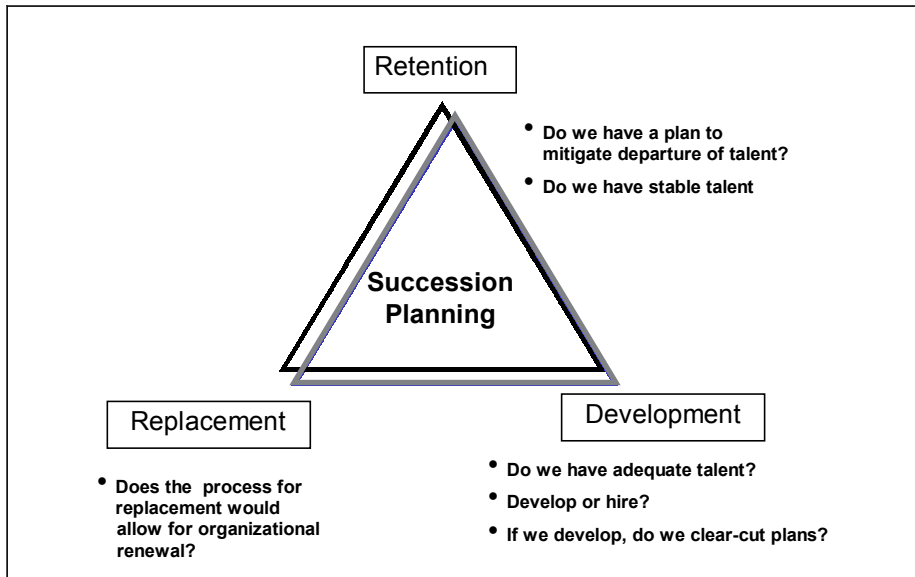


Figure 6: Managing Key Talent

## (6) Key Talent Identification

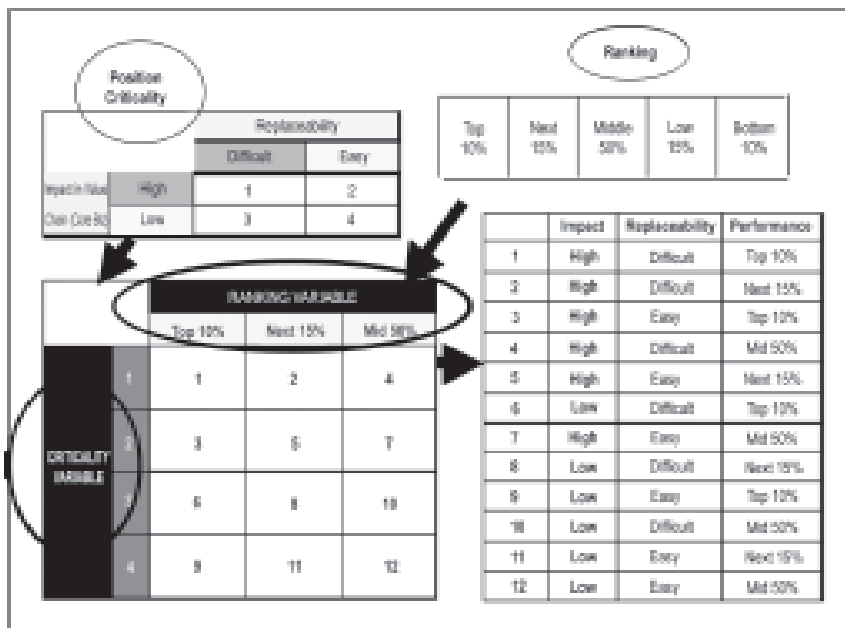


Figure 7: Key Talent Identification

## (7) Retention Variables

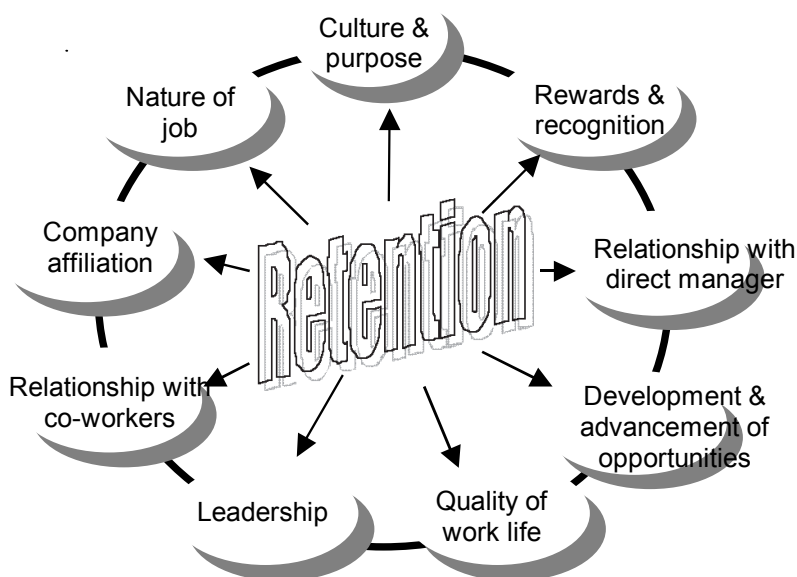


Figure 8: Retention Variables

## (8) Competency Development Process

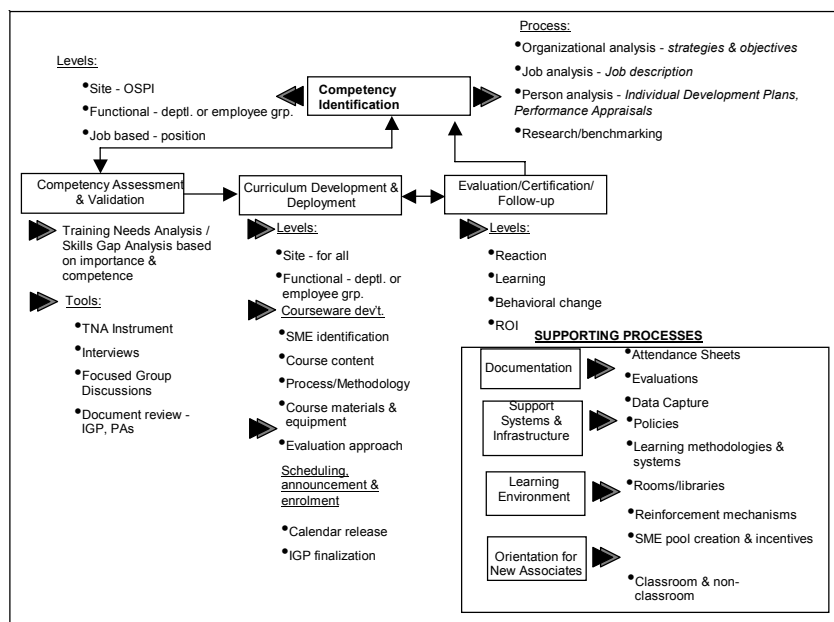
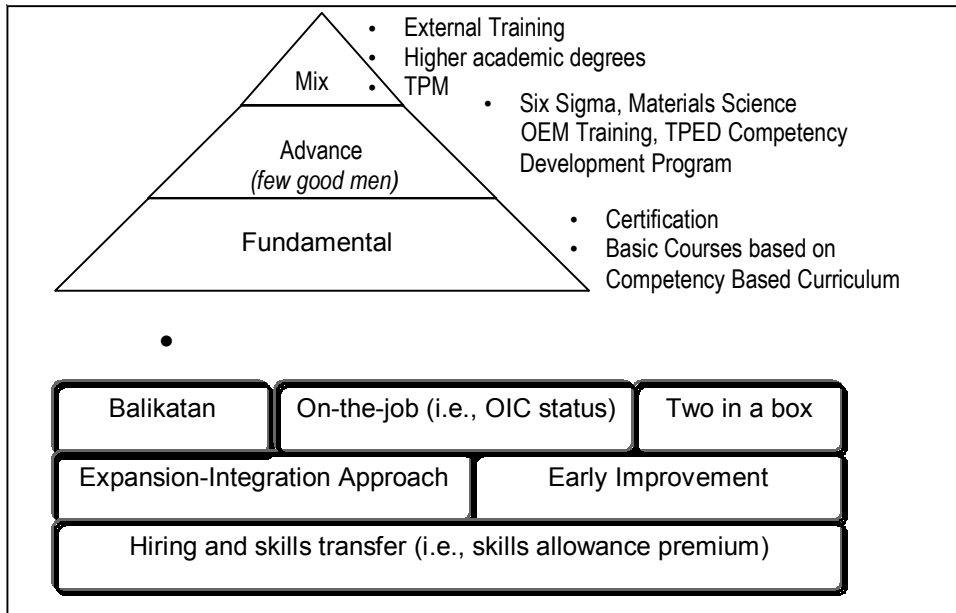
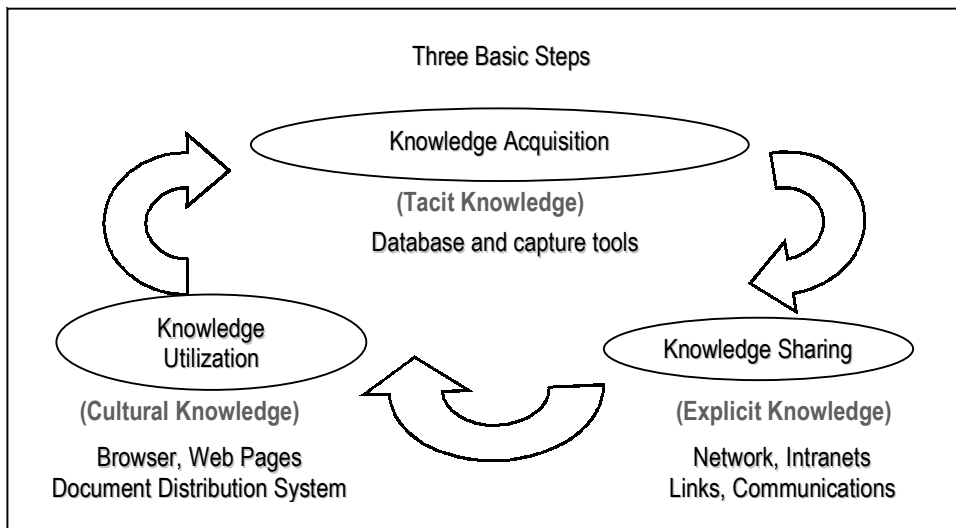


Figure 9: Competency Development Process

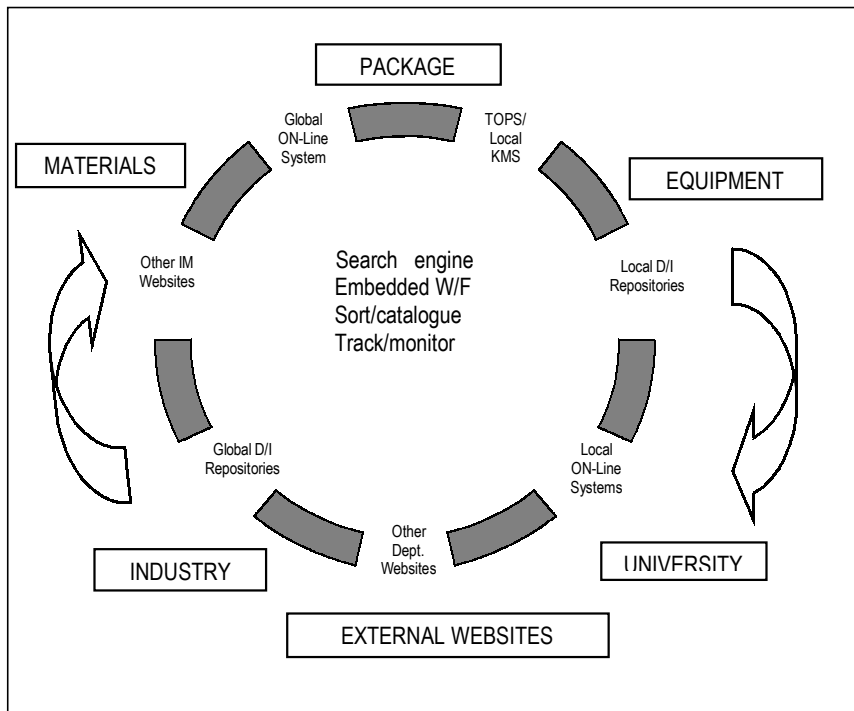
(9) Approaches to Competency Development



**Figure 10: Organic Development through Carmona University**



**Figure 11: Carmona Knowledge Management System Concept**



**Figure 12: Carmona-Knowledge Management System Framework**

### **Benefits Gained**

Through implementing People Excellence, the company has been able to develop a pool of knowledgeable, flexible and dedicated workforce and retain them through fostering knowledge culture in the company.

### **Lessons Learned**

PPEP-003 has introduced the “Shadow Process” and open-door policy to overcome the loss of competent and critical people leaving for better paying organizations, retain best employees, and provide competitive compensation and benefits like other manufacturing companies. The shadow process has allowed at least two people to be simultaneously trained for the job, creating flexibility and availability of capable workforce to perform critical functions.

### **Key Performance Indicators/Measures**

The company uses people performance measures and KPIs to evaluate the impact of People Excellence programs such as the total number of promotion and upgrade, percentage of PA ratings on meeting requirements for new hires, regularization rate, dialogue results, test engineering competencies, hit rates on attendance, and courses and certifications.

### **Recent Improvement**

Knowledge Management System (KMS) has been established to facilitate electronic transfer and documentation of tacit knowledge and best practices into the company's explicit knowledge and properties, create easy access and reference, and reduce problems of information-drain when critical employees would leave the company.

### **Next Steps for Continuous Improvement**

PPEP-003 intends to engage in networking and sharing of performances and practices among HR Associations in the semiconductor industry as well as establish as many black belts and subject matter experts (SME) as possible among the employees.

## **PPEP-004 Best Practice: Management Development Program**

### **Organizational Profile**

PPEP-004 is the largest publicly listed food, beverage and packaging company in the Philippines. Its products are beer, liquor, beverage, support services, food and agribusiness, packaging, real estate, information technology, and logistic. Its customers come from the domestic and export markets such as distributors, exporters, households, and industries. Extending to over 90 facilities in the Philippines, China, Southeast Asia and Australia; the company employs more than 27,000 local and foreign employees.

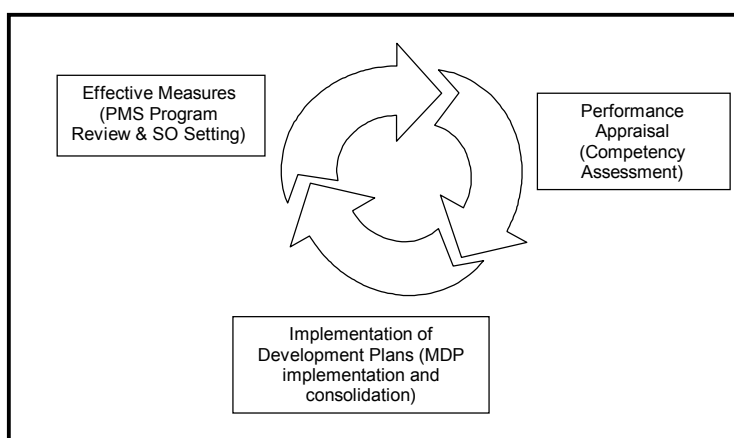
### **Rationale and Objectives**

PPEP-004 has adopted the Management Development Program (MDP) as a tool in evaluating its employees' performance. MDP aims to ensure the timely availability of the required number of employees at the middle manager level and up with the necessary education, experience, ambition, and personal characteristics to fulfill the short and long- term needs of the organization.

MDP is used to establish the source for in-house replacements for key leadership positions. Through the MDP, executive resources have been aligned to the new organizational directions, thus speeding up the development of key individuals and preparing them for future challenges. In using the MDP, PPEP-004 has been able to retain its key talents and improve its productivity while the new employees are in the process of learning.

### **Overall Description**

PPEP-004 has implemented the MDP to consolidate all performance appraisals and help them select the right employee for the job.



**Figure 1**



MDP has been applied in a step-by-step process beginning with the identification of competency levels required for the job, followed by the assessment of individual competencies, matching to the job, screening and appointment.

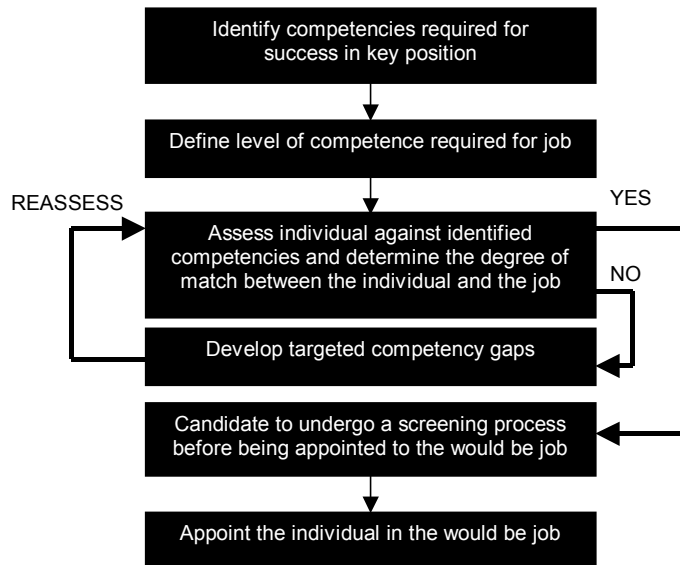


Figure 2

### Leading Practices Adopted

(1) In implementing MDP, PPEP-004 has adopted the following principles:

- Top management is fully engaged in the success of MDP
- Managers have taken the active roles in MDP through mentoring, career coaching, performance evaluation, and executing management development/career plans. HRD's crucial role is to facilitate and guide these managers in the completion of management development deliverables by providing accurate information as well as facilitating and documenting the process of identification, selection, and development of people.
- Career development is holistic and interactive.
- The growth and development of employees could be vertical or lateral (Pyramid Concept).
- All things being equal, internal candidates qualified for critical positions are given preference over external candidates.

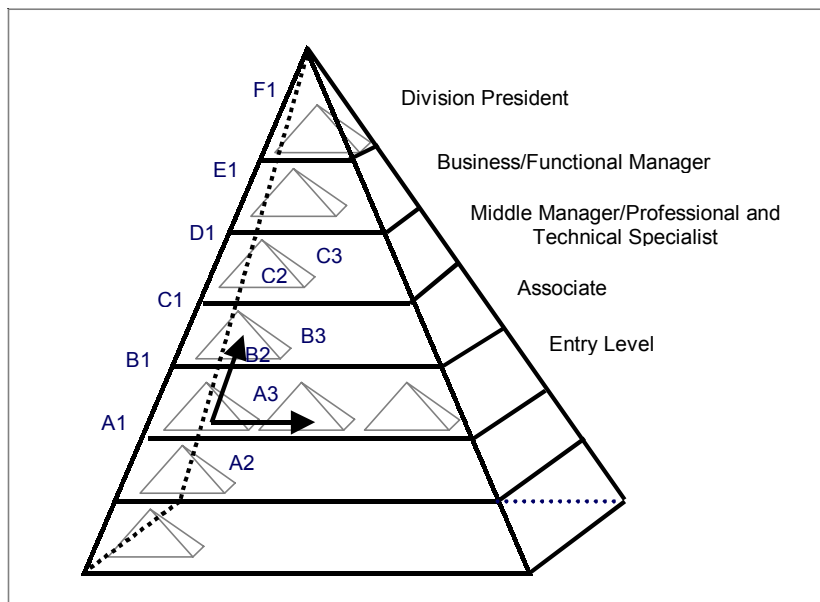
(2) The Identified Leadership Competencies in the MDP involves the behavior, knowledge, skills and motivation that are important to job success. Examples of these competencies are:

- Business Perspective (knowledge) – demonstrating understanding of the business

- through bottom line responsibility and aligning programs and objectives with business strategies.
- Adaptability / Flexibility (skills) – adjusting effectively to new work structures, processes, requirements, and culture.
  - Job, Organizational and Location Fit (motivation) – factors which energize the individual. These factors cannot be developed.
- (3) The MDP Individual Assessment pertains to the evaluation and documentation of the individual's competence in all relevant skills and capabilities needed in his or her current and target position. It is used for preparing the Succession Plan, Career Development Track, Promotion Decisions and Manpower Planning. Individual Assessment also covers the personal background, work experience, summary of training attended, and the strengths and areas for development versus the required competencies.
- (4) The MDP Succession Plan is defined as the snapshot of the managerial bench in a specific unit. This refers to the documentation of PPEP-004's planned movements for various positions and their incumbents and the listing of identified Ready Now (RN) and Ready Later (RL) candidates for identified critical positions.
- (5) The scope for succession planning covers all the managerial and identified critical or key positions in the organization. Positions are considered critical if they are important to the total business, difficult to outsource, require intensive training and skills development, the job's output has a big impact within and outside the department or in relation with other departments, and the information being handled is very critical.
- (6) The implementing guidelines for succession planning are:
- Manager will list the critical/key managerial positions and present the incumbents for these positions.
  - Manager will identify the Ready Now and the Ready Later from among his or her subordinates based on Individual Assessments and Career Development Plans.
  - A replacement candidate can only be listed in two positions as RN/RL replacement to give focus to his development.
  - Candidates from other divisions/units may also be considered. The criteria for selection will depend on whether there is no qualified candidate within the business unit, or the competencies required are unique and available in other business units.
- (7) The employees' Career Development Plan (CDP) involves the strengths and development needs, overall potential assessment, and career path/movement.
- (8) The implementing guideline in Career Development Plan includes the manager's assessment of the employee's potential position (considering the estimated highest position he or she can assume). The manager assesses the employee in terms of strengths and areas for improvement and leadership and managerial competencies.

The manager will then come up with the developmental programs to address the gaps from the employee's current skills level to attain his or her highest potential.

- (9) The Holistic Development refers to the integrative development of an employee in the areas of Technical/Functional, Leadership/Managerial and Behavioral.
- (10) People Development Track describes the pyramid model of development. The shortest path for A1 to reach F1 would either be from A1, A2, and A3 which will most likely lead to B1; or C1 and C2 which will most likely lead to D1; or D1 which will most likely lead to E1.



**Figure 3: Pyramid Model of Development**

- (11) PPEP-004 uses two strategies to accelerate development, namely, the developmental options and the developing competencies. Developmental options include the different approaches of developing individuals, such as the following:
- Assignment opportunities like expatriate assignments, lateral moves, responsibility for a complex/major project, task force assignments, creating a new job, virtual assignments, and job trades.
  - Short-term experiences such as observing a unique role model, try-out leadership skills, and attending a technical convention.
  - Training/Executive Education which involves behavior modeling-based leadership training modules, attendance to experiential learning programs, and university-sponsored executive development program.

- Executive Coaching such as competencies, derailers, other personal skills, organizational strategy, day-to-day tactics, and helping executives with difficult assignments.
- Development Need How to address the Need

Job challenges	Give job assignments
Organizational knowledge	Give opportunity to experience and practice
Competencies	Provide training and opportunity to practice
Derailers	Professional Executive Coaching

Developing specific competencies are done using different approaches involving skills, behavior, and knowledge. Examples are the competencies with their respective rating and development prescriptions as shown in the table below:

**Table 1: Competencies, Rating, and Development Prescriptions**

<i><b>Competencies</b></i>	<i><b>Rating</b></i>	<i><b>Development Prescriptions</b></i>
Global Acumen	4	Coaching with assignment and/or experiences
Drive for Results	2	Assignments and/or experiences
Adaptability	2	Assignments and/or experiences
Cultural/Interpersonal Effectiveness	4	Assignment/experience with coaching
Customer Orientation	4	Training with assignments
Coaching/Teaching	4	Training with assignments and/or experiences
Team Leadership	5	Training and/or coaching with assignments and/or experiences

**Note:** The rating describes each competency's ease of development. "1" means very difficult to develop and "5" means relatively easy to develop.

## Benefits Gained

Through the MDP, PPEP-004 reaps the benefits of leadership continuity and prevention of transition problems as well as premature promotion.

## Lessons Learned

PPEP-004 experienced difficulties in initiating MDP but it was overcome by providing training to managers on how to assess employees. Similarly, managers who did not have the assessment skills and were unable to recall some of the critical incidents necessary for their objective assessment were encouraged to discuss with HRD regarding their skills requirement and training. The HR department would also make notes on critical incidents every quarter to assist these managers to recall the incidents during the assessment period. However, PPEP-

004 has been facing the problem of managers' resistance towards relocation and movement.

### **Key Performance Indicators/Measures**

PPEP-004 measures the impact of MDP using key performance indicators or KPIs such as the number of internal promotions, HRM indicators and company performance. More than 90 percent of the promotion in 2002 was done through internal movement. Only the position of marketing manager was recruited from outside.

### **Recent Improvements**

Recent improvements include the introduction of electronic documentation to facilitate communication and on-line references between HRD and respective managers and relevant departments. PPEP-004's on-line system has been benchmarked with an excellent organization's system.

### **Next Steps for Continuous Improvement**

PPEP-004 plans to simplify the forms and shorten the procedures in MDP. It also intends to encourage the supervisors and managers to become more familiar with the MDP processes and accelerate the pipeline of talents from the lower level or those below the managerial level.

## **PPEP-005 Best Practice: People Performance Management System**

### **Organizational Profile**

PPEP-005 is an international professional services company providing leadership in management, planning, architecture, engineering, and science. Its principal customer types cover a wide range of organizations. They include public, private, and non-government organizations involved in any aspect of the company's eight Business Streams, namely: 1) Water, 2) Energy, 3) Transportation, 4) Environment, 5) Information, 6) Mining and Processing, 7) Community Infrastructure, and 8) Defense and Security. Its major market covers the Asia Pacific and Middle East/Indian Rim area. It employs 2,300 employees located all over Australia, South East and North Asia, Middle East, and South America.

### **Rationale and Objectives**

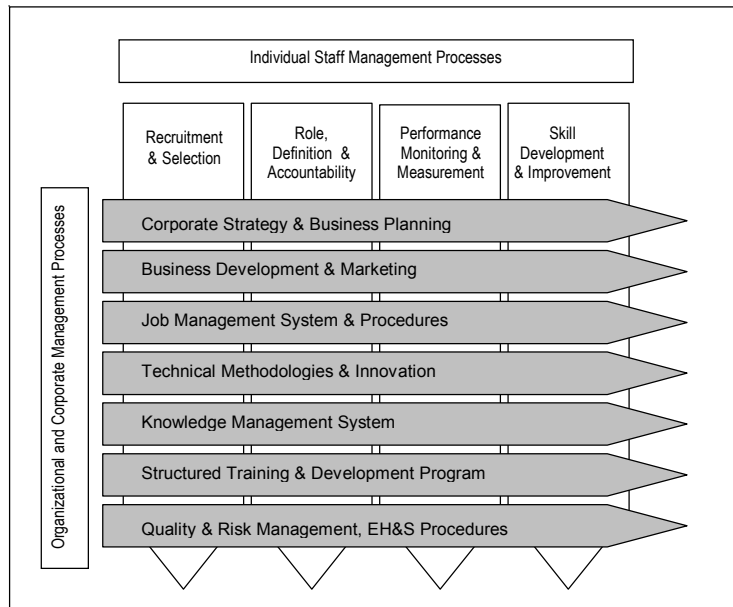
The People Performance Management System or PPMS is a critical requirement to ensure quality, productivity, and overall business performance of PPEP-005's professional services. People and information are the core ingredients in PPEP-005's business process. PPMS is used to assist employees in individual development and career progression. Employees are nurtured to be self-motivated and give their best in a challenging work environment.

PPMS aims to improve the performance and develop the skills of employees within the context of the company's resources, customer and job delivery requirement, and business strategy.

### **Overall Description**

PPMS is an integration of the processes and interests of individual employees with the processes of the organization. These are also rooted in the service delivery model that focuses on projects and work groups. The individual processes are associated with activities such as the following:

- **Recruitment and selection** to ensure that the right people are engaged in the business;
- **Role definition and formalizing of accountabilities** to ensure that expectations, work focus, reporting arrangements, and Key Performance Indicators (KPIs) are clear and explicit;
- **Performance monitoring and measurement** to ensure that performance is reviewed and articulated against the criteria and fed back to individuals and the entire organization; and
- **Skills development and improvement** to ensure that skill levels have improved and career development has met the aspirations of employees.

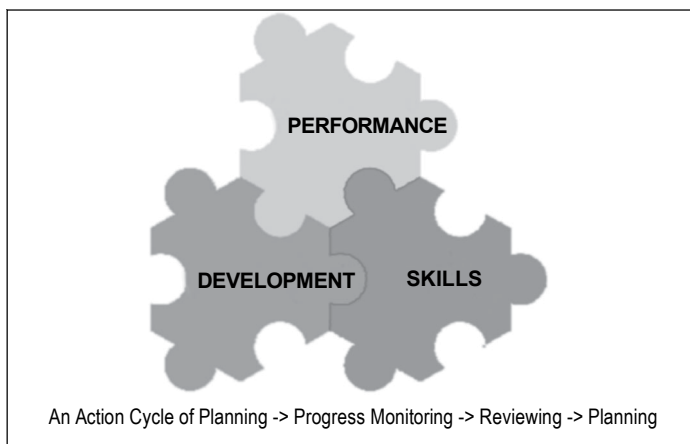


**Figure 1: People Performance Management System:  
An Integrated Matrix Approach**

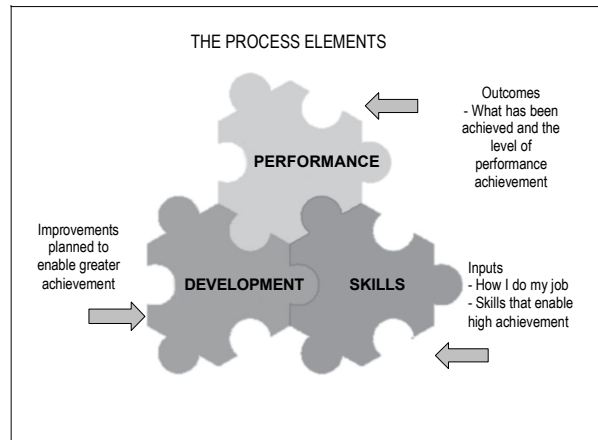
### Leading Practices Adopted

PPEP-005 has adopted the following leading practices in the PPMS:

- (1) Individual is assessed within a group context. This extends from the immediate workgroup to a wider discipline practice area and to the organization as a whole.



**Figure 2: Performance Review and Development Process**



**Figure 3: An Integrated Approach to Developing High Performance**

(2) The key features of PPMS include:

- Direct discussion between staff and their supervisor;
- Progress discussions;
- Third-party interviews by exception;
- Staff responsible for progress logs, self review of their performance , skills, and development;
- Supervisor responsible for on-going feedback, performance coaching and on-the-job development;
- Staff primarily responsible for the forms and administration;
- Clear expectations of performance; and
- Extensive reference materials and guidelines



**Table 1: Performance Review and Development Process Overview –Who Does What and When**

ACTIVITY	<div> <div> <b>PERFORMANCE &amp; DEVELOPMENT</b>  REVIEW 2002/03  PLAN 2003/04 </div> <div>➔</div> <div> <b>PROGRESS DISCUSSIONS</b> </div> <div>➔</div> <div> <b>PERFORMANCE &amp; DEVELOPMENT</b>  REVIEW 2003/04  PLAN 2004/05 </div> </div>		
	May 2003	Informally – throughout year Formal - October 2003	April 2004
STAFF MEMBER	<ul style="list-style-type: none"> <li>Drafts self-review of performance, career interests, mobility preference, skill requirements, development needs &amp; performance plan.</li> <li>Sends to Supervisor for review by 15 May</li> <li>Staff Time estimate (30 mins)</li> </ul>	<ul style="list-style-type: none"> <li>Logs progress against Plan (Performance &amp; Development)</li> <li>Forwards to Supervisor and arranges Progress Discussion</li> <li>Staff Time estimate (30 mins)</li> <li>Returns document for Annual Review.</li> </ul>	<ul style="list-style-type: none"> <li>As per 2002/03 except Lotus Notes carries over material to end of year</li> </ul>
SUPERVISOR	<ul style="list-style-type: none"> <li>Reviews staff members draft (30mins)</li> <li>Consults with supervisor's manager on Performance Rating</li> <li>Holds discussion with staff member to finalize <ul style="list-style-type: none"> <li>Review</li> <li>Plan for 2003/2004</li> </ul> </li> <li>Time estimate (45-60mins)</li> <li>Submits final forms by 30 May</li> </ul>	<ul style="list-style-type: none"> <li>Holds Progress Discussion and provides coaching and feedback to staff member (30 mins)</li> </ul>	<ul style="list-style-type: none"> <li>As per 2002/03</li> </ul>
PROCESS & INFORMATION	<ul style="list-style-type: none"> <li>Individual draft forms in Lotus Notes database with built-in basic support</li> <li>Typical set of KPIs and Skill Levels built into draft forms for major position types</li> <li>Completion Tracking Process for Operating Centre Managers / Coordinators</li> <li>Help Database – detailed reference material; and Questions / Answers</li> <li>Staff and Supervisor Toolkit – extensive support and training information, and samples</li> </ul>	<ul style="list-style-type: none"> <li>KPIs, Performance and Development Plan carried over in Lotus Notes database</li> <li>Progress Log carried over to annual Performance Review</li> </ul>	<ul style="list-style-type: none"> <li>Continuity of staff and supervisor accountability</li> <li>Refined Lotus Notes based system</li> <li>Previous documents accessible in database</li> <li>Development and Training completion data available</li> </ul>

(3) Example of the **FORM** used- four A4 pages – but is **electronic**

Page 1	Page 2	Page 3	Page 4
PERFORMANCE REVIEW & PLAN	PERFORMANCE OVERVIEW	SKILLS REVIEW	DEVELOPMENT PLAN
<ul style="list-style-type: none"> <li>KPI based</li> <li>Outcomes Summarized</li> <li>Supervisor Review</li> <li>Plan for next year</li> </ul>	<ul style="list-style-type: none"> <li>Staff Interests</li> <li>Overall Comments</li> <li>Performance Rating</li> </ul>	<ul style="list-style-type: none"> <li>One Page Check Box</li> <li>Self Review of Core Skills</li> <li>Development Needs Identified</li> </ul>	<ul style="list-style-type: none"> <li>Documentation of the agreed personal development action plans and priorities for the next year</li> </ul>

- (4) PPMS encompasses an integrated matrix between HR functions and some of the company's main corporate processes such as:
  - Corporate strategy and business planning,
  - Business development and marketing,
  - Job management practices and procedures,
  - Technical methodologies and innovation,
  - Knowledge management,
  - Structured training and development programs,
  - Quality and risk management, and
  - Environmental health and safety.
- (5) Performance is a mixture of hard and soft assessment. PPMS is also linked with the broader structural framework of the organization which operates on a matrix management basis.
- (6) The successful implementation of PPMS is attributed to the following factors:
  - Clear leadership and drive from senior managers who have been tasked with the PPMS implementation
  - Clear conceptual framework on the company's business approach and the role of PPMS. This facilitates the communication and understanding of how PPMS works within its organizational context.
  - An approach which tries to encourage and reward performance
  - A personnel review process which is non-threatening and directed towards the staff members' goals as well as corporate objectives
  - A business operating framework which supports practitioners and gives a degree of responsible autonomy
  - A supervisory structure which provides support and peer review
  - Recognition of differences in age and experience among employees and provision of a forum for young professionals to share particular issues and knowledge about the work setting and early career development
  - A management information system (MIS) that provides immediate feedback on financial and job status of work projects

### **Benefits Gained**

PPEP-005 has benefited through the increase in quality and consistency; increased customer satisfaction with consequential business benefits; a more satisfied, loyal and motivated work force; and less effort expended on direct supervisory functions and industrial issues.

## **Lessons Learned**

In the process of implementing PPMS, PPEP-005 has encountered the following difficulties:

- (1) Tension between financial performance and time utilization and other technical and professional orientations
- (2) An inclination by some employees to avoid measurement of performance (Conversely, many other people enjoy feedback on their performance as a measure of their success and their achievement)
- (3) Reluctance to cross-selling of services between service lines
- (4) Inter-office cooperation with cross-boundary projects
- (5) Difficulties in formulating practical measures for the performance criteria-particularly in soft measures
- (6) The focus of the new performance review system is to re-balance the performance criteria. The review system also introduces a self-performance review component so that the level of expectations can also be set or at least influenced by the staff member.
- (7) Not all issues are resolved. The approach is to take satisfaction with the steps taken and look for continuous improvement. Also, some issues require other areas of the business to be advanced in parallel.

To overcome these difficulties, PPEP-005 intends to improve PPMS through re-balancing and expansion of performance criteria; introduction of a self-performance review component; systematic and formal documentation; focusing on continuous improvement; providing more guidance on the operation of the PPMS; training of supervisors in performance management processes; and acknowledging issues that require parallel progress with other business areas.

## **Key Performance Indicators/Measures**

PPMS is measured through a mixture of hard and soft criteria. The overall review process can be described as a “balanced scorecard” approach.

Five general areas of assessment are being formalized. These are:

- Financial –covering individual efficiency through contribution to organizational results;
- Customers –ranging from client satisfaction, retention rates, absence of claims, and other criteria;
- People –covering leadership roles through mentoring, staff retention, teamwork and the like;
- Practice-wide –addressing contribution to the practice and the company through modeling of values, social cohesion, and knowledge contribution, among others; and
- Self-development –focusing on the implementation of personal development plan.

Some external measures are gained from a confidential independent survey of clients on a random basis. Some other client feedback processes also operate.

### **Recent Improvements**

The company has introduced a revised performance review and development process. It aims to further enhance the performance review system and broaden the base of measures and skills improvement which should be addressed in a personal development plan.

PPEP-005's Key Performance Indicators (KPIs) have extended beyond simple productivity and training needs. There is also a focus on the contributions of employees to the organization and business in other ways such as contribution to corporate development, work group cohesion, technical innovation, promotion of a positive external image of the company, business development initiatives, relationship building, and mentoring and development of other staff.

### **Next Steps for Continuous Improvement**

A set of tools is being developed to make performance review and development simpler and allow more systematic analysis of capacity, capability, and general corporate health. Reviews shall be completed by both the staff member and the supervisor to share the work load, ownership, and commitment to the process. The information gained can then flow more easily through databases, which can effectively track training needs and the agreed follow-up actions.

Minor amendment to the management information system is also proposed to enable better analysis of financial results against industry sectors and sustainable business streams.

# **Integration of Best Practice Case Studies**

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## **INTEGRATION OF BEST PRACTICE CASE STUDIES**

### **Balanced Scorecard**

The best practice organizations in Balanced Scorecard are into the business of telecommunication, pharmaceuticals and chemicals, semiconductor and electronics, information technology, and government. Their common objective for adopting the balanced scorecard is to effectively translate strategies into action so as to achieve the organization's business goals. The best practices focus on:

- linking altogether the strategy, business plan, and performance to achieve strategic and operational outcomes for the company;
- measurement and management of internal business processes as well as external outcomes such as customer loyalty;
- performance measurement and strategy implementation along with other critical success factors such as strategic scenarios and choices, actual performance, benchmarking, gap analysis, SWOT analysis, and process mapping;
- common strategic communication platform linking management and members of the organization;
- promoting speed and teamwork and managing knowledge;
- management's expressed commitment (NIGIRI or shake hands) in the deployment of strategy, performance review, and performance evaluation and improvement; and
- defining key success measures and establishing link between what to measure and how to measure.

### **Frontline Customer Service**

The best practice organizations in Frontline Customer Service are engaged in hotel services, food business, banking, customer relations, education, and governance. All these organizations have a common goal of customer satisfaction. To achieve this goal, they have adopted the following best practices:

- empowerment system that will bring about service excellence among the employees;
- selection, training, and development of staff; putting in place store processes and service level standards; and tracking system to monitor the performance of services rendered;
- strong value system supported by top management and simple operational performance effective enough to obtain the desired results;
- consistent measurement of customer service and linking it with the staff performance appraisal; and
- managing the value created for customers, encouraging and managing demand, and providing easy access for customers.

## **People Performance Evaluation Practices**

The organizations adopting the people performance evaluation practices are into the business of manufacturing; semiconductor and electronics; food, beverage, and packaging; and professional services. Their common objective is to produce a competent workforce that will add value in achieving the organization's business goals. The following are the best practices adopted:

- people excellence process that encompasses setting of direction, deployment of direction, and delivery and inspection;
- performance management system that focuses on the evaluation of employees' behavior and their quality of work;
- achieving people excellence at the least possible cost, development and retention of highly competent, well-performing and fully engaged associates while managing labor cost as percentage input cost and training expenditure;
- management development program that establishes the source for in-house replacements for key leadership positions, consolidates all performance appraisals, and helps select the right employee for a particular job; and
- integration of the processes and interests of individual employees with the processes of the organization.

## **Suggested Approaches for Deployment of Best Practices**

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### **SUGGESTED APPROACHES FOR DEPLOYMENT OF BEST PRACTICES**

Best practices are initiatives to improve organizational effectiveness, service delivery, and employee satisfaction. They are intended to contribute to excellent business outcomes or results. Thus, sharing good practices, learning from others, and applying a best practice are fundamental for achieving competitive advantage and business excellence.

To ensure that the best practices presented in this compendium are disseminated, shared, and deployed, the following approaches are suggested:

#### **Local Best Practice Exchange Network**

NPOs could set up their own best practice exchange network in their respective countries. Through the local network, the worldwide best practices shared through the APO-BPN can easily get across the public and private organizations within an APO member country. A best practice exchange network provides a rich opportunity for organizations for benchmarking. Through the network, the exchange of information on best practices is facilitated among participating organizations in mutual cooperation. An established network is an effective venue for deploying best practices in various channels such as benchmarking activities, fora, workshops, seminars, and conferences.

#### **E-Benchmarking**

E-benchmarking or benchmarking through the internet, once established, is a powerful tool for exchanging of best practices. It provides greater and faster access to best practice information, thus accelerating the process of sharing and learning across organizations and NPOs. The establishment of a comprehensive information system or a database accessible by everyone will put more value to the best practice case studies. Through the E-benchmarking, the exchange of information will also be more economical.

Specifically, leading practices from different organizations may be uploaded to the web site for easier and faster access of NPOs, including member organizations of local best practice networks. A mechanism for generating feedback from those who have downloaded the best practice information can be one of the features of the E-benchmarking activity. Another feature can be a virtual forum where best practice white papers on selected benchmarking topics may be discussed, with a moderator to facilitate the discussion.

Thus, E-benchmarking is a good venue to interconnect local best practice networks from all NPOs which will eventually maximize the deployment of best practices across countries.

## **Other Communication Channels**

Various communication channels can be creatively integrated with the local best practice exchange network as well as the E-benchmarking activity. The following are some of the useful approaches in deploying best practices:

### ***1. Face-to-face Communication***

- a. Conduct of briefings, consultancy programs, and fora showcasing the leading practices.*

The sharing of experiences can be done locally (in-country) and internationally through the APO. Showcasing of best practices can also be integrated in current APO and NPO programs, specifically in training, seminars, conferences, and observational study missions.

- b. Communities of Practice (CoPs)*

A community of practice (CoP) is a network of people who share a common interest in a specific area of knowledge and are willing to work and learn together over a period of time to develop and share that knowledge.

The interaction that develops among the participants in a CoP will facilitate learning and trigger new ideas from one another's specific practices to address common challenges.

### ***2. On Paper***

The APO Newsletter is another medium for deploying these best practices. A section on the Best Practice Network can be devoted, featuring a series of best practice case studies.

Specific support tools such as manuals that contain the guidelines for documenting and monitoring practices or work plan template for replication process can be developed towards the completion and achievement of the expected results.

This compendium can also be a resource and used as training material in APO training programs.



## Appendices

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### GLOSSARY OF ACRONYMS

AAP	Action Accelerated Planning
APO	Asian Productivity Organization
APO-BPN	Asian Productivity Organization-Best Practice Network
B to B	Business to Business
BEST	Business Excellence through Speed and Teamwork
BSC	Balanced Scorecard
BBS	Business Balanced Scorecard
CDP	Career Development Plan
CEO	Chief Executive Officer
CFS	Consumer Financial Services
COMPASS	Communicating and Managing Performance Accountability and Strategy System
CRM	Customer Relationship Management
CSM	Customer Service Management
DM	Department Manager
EFQM	European Foundation of Quality Management
EMS	Electronics Manufacturing Services
EMSBC	Electronics Manufacturing Services Benchmarking Council
FCS	Frontline Customer Service
FSC	Food, Services, and Cleanliness
GLOW	Guest Loyalty Opportunity Workshop
GM	General Manager
HR	Human Resource
HRD	Human Resource Department
HRM	Human Resource Management
HRMD	Human Resource Management and Development
IDP	Individual Development Plan
IGP	Individual Goal Plan
IM	Information Management
IT	Information Technology
JIPM	Japan Institute of Plant Maintenance
JUSE	Union of Japanese Scientist and Engineers
KMS	Knowledge Management System
KPIs	Key Performance Indicators
LEAP	Leading Edge for Accelerated Performance
LGUs	Local Government Units
MDP	Management Development Program
MIS	Management Information System
NPOs	National Productivity Organizations
OSCAR	OLI's (Open Learning Institute) Sales, Customers and Relationships System

PA	Performance Appraisal
PDCA	Plan-Do-Check-Act
PEP	People Excellence Process
PIP	Performance Improvement Program
PLCC	Plastic Leaded Chip Carrier
PM	Process Management
PM	Performance Management
PPEP	People Performance Evaluation Practices
PPM	People Performance Management
PPMS	People Performance Management System
PQA	Philippine Quality Award
QCC	Quality Control Circle
QSR	Quick Service Restaurant
QMS	Quality Management System
RADAR	Results, Approach, Deployment, Assessment and Review
RL	Ready Later
RN	Ready Now
SA	Strategic Agenda
SBU	Strategic Business Unit
SDT	Self Direct Team
SME	Subject Matter Experts
SOIC	Small Outline Integrated Circuit
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TP	Transaction Processing
TPM	Total Productive Maintenance
TQM	Total Quality Management
TSSOP	Thin Shrink Small Outline Package

## LIST OF PARTICIPATING NPOs

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