Revitalizing Mandaue city: obstacles in implementing a performance governance system

Melissa Mahoney and Robert Klitgaard
Claremont Graduate University, Claremont, CA, USA

ABSTRACT
The once vibrant Mandaue City in the Philippines decayed into an underperforming city with sluggish industrial output, corruption scandals, and a record-breaking drug bust that caused international embarrassment for the city. An energetic new mayor found a solution to his city’s woes: a balanced scorecard approach to governance called the Performance Governance System. Technical guidance was available from the Institute for Solidarity in Asia, but implementation proved to be a major challenge. To overcome these obstacles, the mayor identified entrepreneurial employees within the government who could drive the implementation; used “experiential learning” to motivate and address the feelings of distrust that plagued City Hall for years; and adopted an iterative approach and led by example to sustain buy-in across his organization. Mandaue’s experience further contextualizes literature on free development, problem-driven iterative adaptation, and theories of motivation and dignity.

ARTICLE HISTORY
Received 24 December 2018
Accepted 29 June 2019

KEYWORDS
Governance; implementation; dignity; anti-corruption; institutional reform; performance

1. Introduction
When Jonah Cortes was elected mayor of Mandaue, the Philippines, he inherited an industrial city down on its luck. Mandaue would need to undergo a radical transformation if the city was going to raise its profile and restore its pride, as Cortes promised during his campaign.

This overhaul would be a tremendous undertaking for Mandaue, a dense city with a population of 365,144. Internally, Mandaue had inadequate infrastructure, a critical shortage of classrooms and health centers, and thousands of households living as informal settlers along flood prone rivers (Mandaue City 2012, 12, 23). In terms of revenue, the tax base was too small with “real property values [remaining unchanged] since 1991 (Mandaue City 2015c, 14).” There were external challenges too. Earlier government documents lamented, “not many people know where Mandaue is, much less know that it
exists.” This was a frustrating reality because the city is located on the water, nestled in Metro Cebu, and just 20 minutes from an international airport (Mandaue City 2012, 9). Finally, an unfortunate series of negative stories in the press embarrassed the people of Mandaue, further diminishing their pride and attachment to the city.³

These were the development challenges Mayor Cortes confronted when he assumed office in 2007. While they were steep, the challenges were not unique to Mandaue. Underperforming governments are ubiquitous. Poor quality of public goods, inefficient delivering of public services, and corruption are symptoms of larger problems, namely a lack of institutional accountability, motivation, and administrative capacity. How could Mayor Cortes address all of these issues; or alternatively, should he focus on one at a time?

2. Policy problem: powerful new technology needs powerful implementation

The Institute for Solidarity in Asia (ISA), an NGO in the Philippines dedicated to good governance, offered Mayor Cortes an initial answer: address all the development challenges at once. ISA’s flagship program was a governance technology named the Performance Governance System (PGS). An adapted version of Kaplan and Norton’s balanced scorecard methodology, PGS is a systemic approach that institutionalizes vertical and horizontal participation to achieve vision-aligned, measurable, time-bound strategic objectives (Kaplan and Norton 1996). Cortes saw firsthand what the transformative power of PGS when he visited nearby Ilo Ilo City, which had already partnered with ISA. However, because PGS institutionalization requires broad buy-in across the city government, the business community, and citizens and civic groups, implementation is a huge undertaking.

ISA provided guidance and encouragement through direct and regular consultation. For example, in 2012 they helped Mayor Cortes convene local political and business leaders to discuss what a successful Mandaue might look like 10 to 15 years in the future. A few years later when being interviewed about his experience, Cortes could still remember the feelings of relief and optimism during those initial ISA site visits: finally, he could begin pursuing his ambitious campaign agenda of transforming Mandaue (Cortes 2015). Those efforts would be aligned under Mandaue’s vision statement: “By 2016, Mandaue shall be the premiere business destination of central Philippines with a community free from want, living in an environment that is friendly to man.” For these early steps, ISA awarded Mandaue PGS Initiation status in March 2012 and then Compliance status in March 2013 to signify that the city had the institutional building blocks in place.

But Cortes’ feelings of relief proved to be premature. Despite developing a vision statement and a corresponding scorecard, progress stalled. In fact, scorecard-related output was limited during the first few years of Mandaue’s PGS journey. Enthusiasm among department heads fizzled. The larger question became not what to do, but how to do it. The question of implementation is hardly a new dilemma.⁴ But it is receiving new emphasis, including from the World Bank, which in 2015 launched a new initiative called the Science of Delivery, dedicated to understanding and disseminating lessons about implementation.⁵
Practitioners have long known what researchers are discovering; that is, often “how” is the paramount question. The default answer for many, as evidenced by the massive international development profession, is a reliance on expert-led interventions based on “best practices.” This camp is sometimes referred to as “big development,” contrasted with the small but growing chorus within international development that argues in favor of locally-led solutions, referred to as “free development (Easterly 2013, 6–7).” The Mandaue case is useful in that it demonstrates how expertise (here, represented by ISA and the balanced scorecard technology) needed to be implemented with an approach similar to problem-driven iterative adaptation (PDIA). PDIA arguably falls into the “free development” camp as it departs from top-down expert-led design and implementation, and instead addresses problems by deconstructing them in their local context and drawing on the power of bureaucratic entrepreneurialism and multiple iterations to avoid capability traps (Andrews, Pritchett, and Woolcock 2012a, 1–31).

Mandaue needed expert guidance coupled with local knowledge and enthusiasm. The balanced scorecard approach specifies that the vision statement be (1) time-bound, (2) have a prolonged goal, and (3) fit into a niche. Mandaue’s original vision statement from early 2012 was too utopian and lacked strategic focus. ISA suggested Mandaue sharpen the focus of the city’s vision and mission statements, in addition to revamping its strategy map and scorecard objectives. To that end, ISA facilitated “revisioning” and “strategy refresh” sessions in Mandaue during January and February 2014 where local leaders were called on to imagine what a successful Mandaue would look like. The vision statement that emerged from the “refresh” sessions satisfied the three components far better: “By 2020, Mandaue is the primary source of high-quality consumer manufactured products.”

Mandaue needed more than a new vision statement though; they needed to think about where they wanted the city to go, and what specific problems would need to be addressed to get there. The process was exhausting; one participant called it “painstaking.” But the problem-deconstruction activity enabled Mayor Cortes and his team to think through their challenges in their unique, local context. The process also ensured that their measures were aligned to the vision statement and strategic objectives, a critical element of performance management.

Armed with a comprehensive understanding of Mandaue’s problems, ISA and the Mandaue team translated the city’s PGS vision and mission statements into “measurable and manageable objectives” mapped in relation to each other on an official Strategy Map (Figure 1).

The PGS Strategy Map and Scorecard served as the city’s development blueprint. The Scorecard broke down the strategic objectives into quantifiable measures, with baselines and yearly deadline-governed targets to hit. Those performance measures were tied to smaller strategic initiatives, which were then assigned to vision aligned circles (VACs). VACs served as inter-departmental groups designed to break departmental silos within City Hall and were charged with spearheading their assigned initiatives.

Mandaue’s governance reform efforts were renewed, providing Mayor Cortes with the opportunity to cascade PGS across City Hall and improve the way business was
conducted. For all of the promise the city showed, Mandaue’s governance reform at this stage was still largely limited to putting the system in place. Whether the city employees and citizens would buy into PGS and ISA’s idea of “governance as a shared responsibility” remained to be seen.

2.1. PGS reboot: same system, new approach to implementation

PGS would be a new way of conducting daily business and long-term strategic planning in City Hall. But implementation would not move forward without City Hall employees adopting it in their day-to-day functions. Mayor Cortes had early indications that employee buy-in would be challenging, including widespread “complaints of unprofessionalism from people who transact business in City Hall (Mandaue City 2012, 21).”

2.1.1. Identifying obstacles to employee buy-in

Employee buy-in proved to be arguably the single biggest challenge during Mandaue’s PGS journey. Morale inside City Hall was low, departments operated in silos, and employees were not motivated to change their behavior. Mayor Cortes could have compelled employees to adopt PGS in their offices, but he wanted them to share in the excitement of Mandaue’s impending transformation. It was important to him that the employees to take up the cause as eagerly as he did, if possible, and share in the ownership of Mandaue’s comeback story. He also recognized that this was likely the only way
lasting transformation could be realized. As such, he wanted to undercover why the employees were not buying-in to PGS, rather than figuring out how he could coerce them (Cortes 2015).

Mayor Cortes started with department heads to find early allies and identify areas of hard resistance. Attitudes among city department heads varied. The support of the City Engineers Office and the City Accounting Office, for instance, would be indispensable but among the hardest to win. The success of PGS hinges on governance being a shared responsibility; for the objectives outlined in the balanced scorecard to be realized, every employee would need to contribute his/her energy and skills. Resistance and gaps in administrative capability or coordination would hinder the city’s efforts.

Mayor Cortes needed a team within City Hall to act as PGS ambassadors to secure the buy-in of the department heads, and then expand efforts to the city employees – over 500 “regular” employees, and nearly 2,000 “job order” employees across 26 departments and offices (Mandaue City 2015a, 51).9

3. Discussion: institutionalizing mechanisms and cultivating mores

In developing PGS, the Institute for Solidarity in Asia emphasized the need to “cascade” PGS to department heads and city employees, all the way through the ranks to entry level. “This stems from the [philosophy] that everyone, not just the officials or the regular [employees], is an agent of change in the city (Mandaue City 2015a, 49).” To support that process, ISA designed “PGS Boot Camps” to facilitate learning. But teaching PGS at a one-time event would likely be insufficient. So, in addition to boot camps, ISA also recommends establishing an Office of Strategy Management (OSM).

ISA reasoned that mayors are already saddled with heavy workloads, and department heads have to manage their employees and projects. As a separate internal entity, the OSM can maintain the big picture focus, ensuring that projects across the city are aligned to the vision and mission statements, efforts are strategically coordinated and transparent, timetables are met, outputs are measurable, and outcomes are verifiable. The OSM serves as the in-house PGS experts, so to speak, acting as the point of contact to guide city employees and to hold individuals and teams accountable. Since many of the projects undertaken through PGS require “breaking the silos” of departments, coordination and communication can be tricky; OSM also helps facilitate that process.

But Mandaue’s first OSM failed to fulfil its institutional duty: the original OSM was unable to cascade PGS to departments and secure buy-in (Mandaue City 2015a, 43). This functional responsibility is a critical piece for PGS implementation since if the department heads could not be persuaded to become champions of PGS within their offices, then there would be little hope that employees under them would adopt the new governance system. Cortes recalled that the original OSM was comprised of prestigious department heads who Cortes thought could be change agents within city hall. In theory, this was a good idea, but in practice, the department heads had other responsibilities that took priority (Cortes 2015, Abadia 2015).

Cortes turned to Attorney James Abadia, Mandaue’s City Administrator and newly appointed PGS Focal Person. Abadia started as Mandaue’s City Administrator in April 2011 and expanded his role to the PGS Focal Person in November 2011. In his new
capacity as PGS Focal Person, Abadia dissolved Mandaue’s first OSM in the middle of 2013. Abadia would need to stand up a new OSM, and then the new OSM would need to identify subsequent implementation challenges and design the workarounds.

3.1. Workaround #1: staff the new OSM with entrepreneurial employees to drive implementation

Abadia needed to recruit new individuals from among the city employees to staff the new OSM. During later interviews, Abadia explained that he looked for individuals who did not easily fit a mold, individuals whose resumes spoke of varied experiences and a willingness to explore new paths. He reasoned that trying a variety of intellectual and professional paths stems from a willingness to be uncomfortable, to take risks, and to work toward a larger picture of investing in one’s self over the long term (Abadia 2015). Without realizing it, Abadia’s approach and selection criteria typified key aspects of PDIA: bureaucratic entrepreneurialism and effective sequencing for identifying and growing change spaces to avoid premature load bearing (Andrews, Pritchett, and Woolcock 2015).

Once Abadia identified the five people he wanted, he was left with the subsequent tasks of recruiting them and persuading their department heads to release them to a new office. The candidates were all under 40 years old, held positions within the City Engineering Office, Housing and Urban Development Office, and Public Information Office. He spoke with the candidates individually. Ms. Araceli Barlam, OSM’s Strategic Execution Manager, recalled feeling “drained” by the end of Abadia’s presentation on the balanced scorecard approach; “The presentation was very intellectual, and all new to me.” Tired and confused, she was reluctant. But then Abadia switched gears: he explained the reassignment to OSM would be temporary to start, and to dispel any lingering hesitance, he added, “Give it a shot; why not? Just try it out.” Barlam felt stagnant in her position as an architect within Mandaue’s Engineering Department. Abadia’s proposition to “just try it” made the prospect of transferring to OSM more approachable and less risky than she initially thought (Barlam 2015). Soon, the five city employees Abadia pinpointed were ready for their new assignment, forming Mandaue’s (new) OSM. They would report directly to Abadia in his capacity as Mandaue’s PGS Focal Person.

Persuading the department heads to sign off on the employee reassignment, the second half of Abadia’s task, may have been the easiest part of the entire PGS implementation. Their department heads were more than willing – eager in some cases – to let those five employees relocate to a different office. Looking back, the OSM team members collectively reflected on being “misfits” in their previous departments. They were mission-oriented and eager to try different approaches, but were often discouraged, not supported, or if they had been able to make marginal improvements, they eventually exhausted growth opportunities in their old positions. Contrast this with their new assignments in which the OSM team members would have to practice “bureaucratic entrepreneurship.”

For the new OSM team, their entrepreneurial spirit had a tangible manifestation as well. They had a small physical footprint despite being the center of gravity for a new
way on conducting business within City Hall; the entire team occupied an office space that was roughly 10 by 25 feet. But with the space they were given, they decorated the walls with large glossy photographs of city events, including candid shots from various cascading sessions. They made a banner of motivational quotes in bold red and white letters covering the office door, stretching up and across the ceiling, and down the opposite wall. “Don’t stare at the closed door too long… You’ll miss the window opening,” was plastered next to “Integrity” and “Transparency.” The OSM team worked nearly elbow to elbow, at seven or eight desks pushed against the two long walls, and they seemed to enjoy each other’s company genuinely. The OSM team and space had the feel of a “start up,” rather than the cramped, bureaucratic epicenter of a city government. This was no accident; this approach to governance was innovative, and as such, there were uncharted areas sure to bring a degree of discomfort and anxiety. The OSM team members thrived on solving those puzzles.

### 3.2. Workaround #2: ensure buy-in and motivate reluctant employees through experiential learning

Attorney Jamaal Calipayan started his career within Mandaue city government in 2010 as a “rank and file” employee – a secretary in the Housing and Urban Development Office. When he finished his law degree and passed the bar exam in 2011, Mayor Cortes asked Calipayan to be the mayor’s executive secretary. From there, Calipayan was appointed OSM Chief in 2013, but he credits his earlier experience as a secretary for learning “what it is really like to be a [rank and file] employee in the City Hall (Calipayan 2015).” This knowledge gave him insight into how business was conducted in City Hall and how employees were – and were not – motivated.

What Calipayan discovered organically about motivation was already the subject of careful study in psychology and the social sciences generally. One particular conception of motivation resonated with the OSM team: Haidt’s “elephant and the rider” analogy made popular by Heath and Heath in their book *Switch: How to Change When Change is Hard* (Haidt 2006, Heath and Heath 2010). Haidt suggests thinking of our emotional and rational sides as an Elephant and its Rider. “Perched atop the Elephant, the Rider holds the reins and seems to be the leader.” But the Rider’s control is not always strong enough to guide the elephant, and as such, the Rider can be exhausted. In other words, appealing to and relying on an individual’s reason and self-discipline alone may not be a winning strategy; the Rider eventually will become exhausted trying to cajole the massive Elephant. “Anytime the six-ton Elephant and the Rider disagree about which direction to go, the Rider is going to lose (Heath and Heath 2010, 7).” But without a Rider, the Elephant roams without direction, only following undisciplined appetites, passions, and fears. Somehow both the Rider and the Elephant need to be engaged and then their path (i.e. the environment) shaped.¹²

In October 2013, Calipayan and the OSM team, with Abadia, approached the Ramon Aboitiz Foundation Inc (RAFI) about the employee buy-in challenge. RAFI, a non-profit foundation, was dedicated to community development.¹³ Since RAFI was local to the area and an engaged civil society partner, RAFI was aware of Mandaue’s PGS buy-in challenge. Representatives from RAFI’s Kool Adventure Camp, an
immersive ropes course and development venue that facilitates capacity and coalition building through “experiential learning,” worked closely with OSM to design a customized synergy and cascading program for Mandaue’s buy-in needs.

To get started, OSM administered an “organizational profiling” survey to the city departments, with a sample that included department heads, division heads, and regular and job order employees. Individuals were asked versions of the following questions:

- What are your actual functions in your team?
- Does the present working environment in your team need improvement?
- If so, what areas/aspects need improvement?”
- What skills or abilities do you have that can contribute to the performance of your team?
- How can your skills and abilities contribute to the success of your team?
- What values do you believe are important to have for the success of a team?
- On a scale of 1 to 10, 10 being the highest in performance, how would you rate your team? Explain why.
- What have you heard about the Performance Governance System? What do you know about it?
- What are your dreams and aspirations for the City? Please give specific and concrete transformational or developmental ideas (Mandaue City 2015a, 46).

The data helped OSM understand the dynamics underpinning each office. In addition, patterns of employee reluctance and resistance became more apparent. Identifying why managers and employees were not buying into PGS, in addition to uncovering barriers to collaboration within and among departments, was critical to OSM’s program design and implementation.

The responses indicated rational concerns about PGS-related workload increases and feasibility issues. But there were fears, too. Some individuals were reluctant to participate in Mayor Cortes’ reform program because they were worried that working with the mayor would establish their loyalty to his political party, compromising their neutrality as a city employee. If they cooperated with his political agenda, then their jobs may be endangered should the political tides change, bringing the opposition party back to City Hall. Their fears may have been emotional, but they were not unfounded. The previous mayor’s administration was stained with corruption, which did not end well for some employees. In 2007, a story broke about decorative lamp posts being purchased for more than ten times the actual cost. The former mayor (Mayor Cortes’ predecessor) was charged with “grave misconduct” by the Ombudsman-Visayas, though only after the then-mayor’s term had already ended. The outcome was different for five employees in the City Engineer’s Office who were compelled by the mayor’s office, according to internal accounts, to sign off on the procurement paperwork. As a result of their signing off, they were subsequently fired. This series of events resulted in strained relations between the engineering office and mayor’s office; the employees did not trust the intentions or actions of the mayor’s office (Mayol 2011, Office of the Ombudsman, Republic of the Philippines 2008).
After reviewing the survey data, the OSM team had a sense for how to apply the three-part framework championed in *Switch* (Heath and Heath 2010, 17–18). OSM realized they needed to (1) address the emotional concerns and “motivate the elephant,” then (2) they could engage the rational concerns and “direct the rider,” and finally, (3) they would address the environment and “shape the path.” This approach to motivation would be key to ensuring and sustaining buy-in for PGS implementation across City Hall.

To address the rational concerns, OSM needed to engage the “riders” of department heads and employees. Employees needed to learn that PGS would not amount to more work, rather it would yield more efficient and strategically aligned work. But OSM soon realized exactly how tired the “riders” were: The intellectual explanations of PGS were exhausting, which was not a surprise to OSM considering their own first encounters with PGS when Abadia recruited them. They decided the best way to address employee concerns would be to let them experience PGS through hands-on simulations rather than forcing them to sit through one-dimensional explanations. Persuading the department heads posed an even steeper challenge since this would not be their first encounter with PGS. The department heads had been a part of the initial vision statement and scorecard development when Mandaue was preparing for its PGS Initiation in late 2011 and early 2012. Just two years later, in 2014, they were asked to participate in the very thorough “revisioning” and “strategy refresh” sessions. Not only were department heads doubly tired as a result, but they were increasingly skeptical that anything worthwhile would come out of implementing PGS.

Understanding that the department head “riders” were tired, OSM shifted to address the “elephant” perspective. OSM needed to design a synergy training to address trust and team-building concerns before running participants through any experiential learning to practice the concepts of PGS. Importantly, they wanted to do this without explicitly talking about PGS – and even more so, they wanted these sessions to take place outside of City Hall. This would be Mandaue’s unique take on ISA’s cascading (Mandaue City 2015a, 50).14 Mandaue employees needed to feel that their job security would not be jeopardized in the future for cooperating now. They needed to feel that the leadership would help guide them, be patient during the learning curve period, and would be a willing teammate on the new projects – employees needed to feel comfortable putting their trust in Mayor Cortes, the OSM team, and each other. And all of that needed to be in place before the employees could learn the technical ins-and-outs of the new governance system.

OSM and RAFI set to work designing the actual “experiential learning” activities that would take place at the Kool Adventure Camp. This joint effort would produce the #iammandaue Transformation Program, aimed at transforming Mandaue city employees into a team that was capable and motivated to fulfill Mandaue’s vision and mission statements.

The OSM team made their initial trip to RAFI’s Kool Adventure Camp in the mountains of Cebu to spend three days being trained and certified to lead the ropes course in March 2014. This short investment of time enabled the OSM team, rather than RAFI Kool Adventure Camp counselors, to facilitate the ropes course and experiential learning during subsequent employee synergy and cascading activities. This had
the two-fold benefit of saving money and, more symbolically, of establishing the prece-
dent of department heads and employees being able to look to and trust OSM’s leadership. Once launched, the first experiential learning and cascading session went so well that OSM decided that two more batches of City Hall employees should attend the Kool Adventure Camp program, a deliberate decision to ensure that roughly 20% of employees would have the full Camp experience.

When the first employee synergy and cascading sessions started in June 2014, attendance was mandatory for department heads – they were answerable to the mayor, after all. OSM conducted the two-day long sessions at the outdoor Camp. The venue change from City Hall helped diminish departmental barriers, making sure that everyone felt like they were on equal footing (i.e. no “turf” issues). This started the process of breaking departmental silos and building trust, which would help facilitate coordination in the future.

OSM was attentive to the participant experience. The survey data they collected in designing the synergy and PGS cascading program provided a baseline, and so after each session, OSM would regroup, or “huddle,” to determine what adjustments needed to be made to ensure success. Despite the positive feedback OSM received from the first round of participants, resistance within some departments back in City Hall persisted. The success stories needed to be shared by someone other than the OSM team. Calipayan asked two key department heads from the Engineering and Accounting offices to give testimonials at a weekly PGS meeting about their experiences with the synergy and cascading sessions. “Urging other departments to undergo the synergy and cascading modules [was] no longer a problem after that.” For subsequent sessions, city employees attended voluntarily once they heard (and trusted) that the experience was a good (and fun) one (Mandaue City 2015a, 45).

In total, three batches of 30–40 employees each had the full experience on-site at RAFI’s Camp. Those groups consisted of department heads and key influencers within City Hall. Due to financial constraints, not every city employee could go through the full Camp experience. OSM adapted the synergy and cascading experience for the rest of the City Hall workforce, modifying the training as necessary. Importantly, the modified sessions, while not taking place at RAFI, were still conducted off-site outside of City Hall.

Experiential learning, Mandaue’s unique take on ISA’s cascading program, proved to be an effective way to dispel the skepticism employees harbored toward PGS. Rather than listening passively to hours of presentations about the mechanics of PGS, employees were able to “experience the concepts through team challenges.” At the end of a session, OSM expected the represented departments to have established their Vision Aligned Partner (VAP) project (Mandaue City 2015c, 30).15 “Having employees on the same page allowed us to set a strategy where the employees can identify where they can contribute (Mandaue City 2015b, 3).” OSM then had to take the #iammandaue Transformation Program back to City Hall, integrating it into daily business.

In the end, nearly all of the city employees attended the synergy and cascading program at either RAFI’s Kool Adventure Camp or elsewhere off-site: 98% of regular employees, and 60% of job order employees.16 By addressing synergy and cascading
together, the #iammandaue Transformation Program helped employees “realize their roles as leaders in the change agenda (Mandaue City 2015a, 50).” If Mandaue were going to undergo a transformation akin to a paradigm shift, then the growth would need to start with their own understanding of their roles as employees. Back in City Hall, employees had a better understanding of their role in relation to the rest of the organization, had the motivation and outlets to contribute, and were held accountable through an online dashboard and weekly meetings. – thanks to OSM’s application of two aspects of the three-part elephant-rider framework. (The third aspect would come shortly.) As a result, their sense of ownership over their projects grew, and their sense of dignity as employees improved.

3.3. Workaround #3: iterate and lead by example to sustain buy-in and achieve outcomes

Weekly PGS meetings were held every Monday in City Hall, providing a regular forum for VACs and VAPs to review progress made toward their strategic initiatives and objectives. The frequency of the meetings enabled VACs (interdepartmental) and VAPs (intradepartmental) to use an iterative approach. The weekly PGS meetings were producing encouraging results. Many VACs and VAPs were hitting their weekly goals; and for those that fell short, OSM offered guidance. For VACs and VAPs that showed signs of real struggle (as evidenced by repeatedly not fulfilling their weekly commitments during the weekly Monday meetings), the OSM team would have what they affectionately call “an ICU moment,” where they dress up in doctor’s scrubs to help “diagnose” the problem. This approach, Barlam explained, minimized the risk of anyone feeling embarrassed or demeaned. And this in turn resulted in employees being more willing to share accurate results, even when they missed the mark, and then together brainstorm workarounds for the next iteration. And though the VACs met as separate groups, they convened within the same large room dedicated to PGS activities, which helped “shape the path” – the third piece of the 3-part elephant-rider framework – instilling PGS as a habit and new way of doing business.

Even though the habits of PGS were forming with weekly and monthly meetings, obstacles remained: When the #iamMandaue Concept Stores project needed to be adopted by VACs or VAPs, resistance emerged again. The city wanted to open ten #iamMandaue Concept Stores where locally-produced products would be showcased and sold. The effort was tied to Mandaue’s vision to re-emerge as the source of high-quality consumer products in the Philippines. But the concept store project seemed too far out of comfort zones for many employees: how would they even get started on the project; what did they know about opening a store; what if they were not successful? OSM recognized the reluctance and did not force the issue. The OSM team decided to lead by example and committed to securing the initial agreements and opening the first store. Agreements would need to be struck among the city government, commercial entities committing their space, and “manufacturers, both emerging and established, [with] raw materials, man-power and finished products to pronounce Mandaue’s ability to design and create (Mandaue City 2015b, 14).” Leading by example produced a great teaching moment, and it appeased the fears employees had about feasibility. Once
employees saw the OSM team’s example, the employees believed the additional stores would be possible, and they then worked within their VAPs to take on subsequent pieces of the project (Mandaue City 2015c, 37–39).

The first #iammandaue Concept Store opened in August 2015 at City Time Square, a popular shopping and entertainment plaza in Mandaue. The city’s transformational goal was to open ten shops, leaving nine departments or VAPs, in addition to OSM, responsible for the remaining shops to be opened. By 2016, eight of the nine departments had “secured Letter of Confirmation or Agreement from the establishments” to lease the space for the shop (Mandaue City 2015c, 39).

3.4. Horizontal and vertical results

The results of the #iammandaue Transformation Program can be measured both horizontally and vertically. Horizontally, the results across departments are encouraging: “As of September 2015, of the 555 regular [non-job order] employees, 549 are members of VACs/VAPs. The six remaining are the city mayor and the OSM [team] (Mandaue City 2015c, 37–38).” In other words, buy-in has been secured across all departments. This is not to say that every VAC and VAP function at the optimal level, meeting every goal at every “PGS Monday” meeting. But the system is functioning insofar as employees have bought into the idea of VAC and VAP membership as an outlet, knowing how their individual and collective efforts contribute to the attainment of the city vision.

Vertically, the results are encouraging, too. Securing buy-in from the mayor and the department heads is indispensable. Securing buy-in from regular employees is important to move PGS from form to function. And securing buy-in from the job order employees is not strictly necessary, but to attain it demonstrates the fact of the measure of success. “Of the job order employees, 64.63% have been cascaded and are members of VACs/VAPs (Mandaue City 2015c, 37).” Beyond the numbers, the #iammandaue Transformation Program has taken root in seemingly unlikely departments, such as the Janitorial and Security Services Unit VAP. The program “boosted the unit’s confidence and changed the people’s negative perception of them to something more positive and professional.” As an extension of OSM’s synergy and cascading session, the Janitorial Services’ VAP conducted their own training and exercises aimed to continue the cascading efforts among its ranks. The opportunity to invest in themselves as a unit – as connected to the larger community – increased the unit’s sense of dignity and ownership over their contributions (Mandaue City 2015c, 40).

Overall, OSM reports, “strategy implementation has gained traction in a once upon a time lethargic organization. Synergy training and team building activities are now well attended compared [to] before. Departments are the ones seeking the OSM to conduct the PGS training (Mandaue City 2015c, 36).” And OSM continues to seek opportunities to iterate and improve. After every PGS-related activity, the team has a “group huddle” to review what worked, what did not work, and how to improve next time. Their visible willingness to reflect, adjust, and try new avenues encourages the same willingness and confidence in others (Mandaue City 2015c, 36).
ISA awarded Mandaue PGS Proficiency Status in May 2015, at which point ISA invited Mandaue to apply for Islands of Good Governance (IGG) certification. To receive IGG certification, a three-year renewable status, Mandaue needed to achieve two breakthrough results, have their PGS progress audited by a third party, and submit their results to an international panel at a public revalida. Mandaue was certified as an IGG by ISA in October 2015, citing breakthrough results with the #iammandaue Concept Stores, the implementation of a Geographic Information System (GIS) to “provide a foundation of digital data for governance,” and the amendment of all 30 provisions of the revenue code, finally updating property values and business taxes for the first time since 1991 (Mandaue City 2015c, 23).

Mandaue still faces serious challenges: Waste management remains an issue, and Metro Cebu must find a way to coordinate on the area’s major traffic issues. While the fairytale ending is far from written, Mandaue is truly undergoing a positive transformation: Mandaue now has a performance governance system in place and the mores to make “governance a shared responsibility.”

4. New directions and recommendations

In the final months of his term, Mayor Cortes reflected on his tenure in Mandaue. He admitted some frustration, “I ask myself, ‘Why now?’ If we had implemented PGS earlier, we could have done so much [more].” And yet, the very obstacles he encountered during his first term are the very things that forced him to innovate, to look beyond conventional methods, and be willing – maybe desperate – to try something new. At every turn when an obstacle laid waiting, he and his team demonstrated a willingness to adapt, to improvise, to explore new approaches, rather than scrap the program.

4.1. Main drivers of success

While the institutional mechanisms designed by ISA are powerful, Mandaue discovered that teaching the new technology – even when led by ISA’s experts – was not enough for PGS to be implemented successfully. Three main workarounds made the difference. First, entrepreneurial employees needed to be identified and their creativity unleashed. They needed license to practice positive deviance and bureaucratic entrepreneurialism – and Mandaue found this in its new OSM team. Without realizing it, Abadia and the OSM team were practicing elements of PDIA. Second, broad employee buy-in needed to be ensured and sustained, meaning that successful implementation not only hinged upon employees understanding how PGS worked but also that they willingly adopt it as the new way of conducting government business. The OSM team was able to secure buy-in by thinking seriously about motivation through a three-part framework of targeting emotional concerns, directing intellectual energy, and shaping an environment to encourage employee habits and success. And third, buy-in was sustained and scorecard outcomes achieved thanks to OSM’s decision to lead by example and demonstrate the potency of an iterative problem-driven approach. They reviewed their own work openly and hosted weekly VAC meetings to facilitate short incremental progress on scorecard objectives.
The literature abounds on the points made in the Mandaue case, with only the tip of the iceberg being highlighted here. Much like Calipayan’s accidental study in motivation as he came up through the ranks of City Hall, Mandaue’s PGS implementation journey is an accidental study in free development and PDIA. Interested researchers and practitioners would find a further exploration of both topics useful.

In addition to the practical literature, Mandaue’s experience reveals philosophical lessons. Underpinning the ideas of free development and PDIA are the principles of civic dignity and ownership. Individual efforts were valued and accounted for, which not only contributed to successful outcomes but also helped instill habits of self-governance – making governance a shared responsibility. The theoretical ideas of civic dignity and ownership can be put into practice wherever there are opportunities for self-governance.

And thankfully, many of the institutional elements are transferable, too. Political communities and agencies inside and outside of the Philippines can adopt a PGS framework, with its emphasis on Vision and Mission statements and a balanced scorecard. If the political will to design and implement an entire overhaul is lacking, then Mayor Cortes’ “consultative approach” to governance may be a useful workaround. When the city council opposed his agenda, Mayor Cortes went to the business community and to the people. By asking the people what they need and actually listening to their responses, policies and programs have more likelihood of being successful, particularly if the people are then able to share in the work of implementation.

Having an articulated Vision and Mission statement, even if they are not in the official context of PGS and/or a balanced scorecard, is also useful. When obstacles arise, one can go to the people for ideas, and then align the best ideas to the Vision and Mission statements, and refresh one’s strategy as appropriate. The collective wisdom of the people can be a powerful resource for a political community, yet crowd-sourcing remedies to challenges is too-often an untapped resource. Aligning that input to the Vision and Mission statements broadens the knowledge base from which one can draw, while still preserving cohesion among policies and efforts.

Another strategy is to lead by example and share success stories to encourage others and to dispel resistance and skepticism. Mayor Cortes affirmed many times, “Seeing is believing.” This was true for the department synergy and cascading sessions. Where resistance is still felt, remember OSM’s application of Health and Heath’s three-part framework appeal to both reason and emotion and the subsequent use of ambassadors to share success stories.

At the end of the interview, Mayor Cortes reflected, “This is a legacy we can be proud of. And I would say ‘we’ because Mandaue is not about me or ordinary Mandauehanons, it’s about us working together.” The spirit of ownership harnessed within a performance governance system can make “governance a shared responsibility” a reality.

Notes

1. Estimated 2014 population.
2. Mandaue PGS documents from 2012 paint a challenging picture: “Dilapidated [streets] with no drainage system and no sidewalk[s] are cause for concern.” In addition, less than 15% of roads along flood prone areas were considered passable; less than 8% of elementary schools met the standard Pupil per Classroom Ratio (PRC) of 1:46, and over 3,500 households lived in flood prone areas, also known as “danger zones.”

3. For example, Mandaue received national press attention in 2007 for corruption scandal involving the previous mayor, and in 2004 for the bust of a massive methamphetamine laboratory in the city. See also: Paradiang (2007)

4. Consider Samuel Paul, Managing Development Programs: The Lessons of Success, Boulder: Westview Press, 1982, p. 2. Paul urged scholars and practitioners to realize “that policies choices and program designs will lead to desired outcomes only when they take into account the problems and politics of implementation.”

5. In addition to the new science of delivery initiative at the World Bank, Princeton University’s Innovations for Successful Societies is doing similar work.

6. In fact, the idea that experts are in the best position to address policy design and implementation challenges predates the modern international development industry. Woodrow Wilson wrote extensively about the need to escape politics and instead have policy administered by technocrats. For example, see: Wilson (1886).

7. See also p. 17–25: Easterly positions his argument for free development as a revival and an extension of the argument initially made much earlier (1944) by Friedrich Hayek’s The Road to Serfdom.

8. Vision Aligned Circles (VACs) are inter-departmental groups, while Vision Aligned Partners (VAPs) are intra-departmental groups.

9. To clarify, job order employees are employees contracted to work typically for a period of six months, and whose continued employment depends on the availability of funds. Regular employees are budgeted annually and enjoy tenure.

10. The authors explain, “a failure to sequence effectively could lead […] to premature load bearing (where demands are introduced before they can be managed)” (28). To escape that capability trap, the authors discuss a “triple A change space,” focusing on Authority, Acceptance, and Ability. See pages 29-31 for an initial discussion.

11. See also Andrews et al. (2012b) for a discussion of using bureaucratic entrepreneurialism and positive deviance to avoid isomorphic mimicry and other capability traps.

12. See Heath and Heath (2010, 17–18) for an initial description of their three-part framework, which builds on Haidt’s earlier work.

13. For more information, see: http://www.raf.org.ph

14. “PGS is beyond the comfort zone of LGU employees. There is a pressing need to appeal to the emotional aspect of persons so as not to exhaust self-discipline.”

15. “A Vision Aligned Circle (VAC) is composed of inter-department members while a Vision Aligned Partner (VAP) is composed of the department personnel.” Both VACs and VAPs are responsible for identifying a goal or project (which OSM then aligns to the city’s vision and mission statements), formulating a strategy to achieve it, and meeting weekly to hold individual employees accountable for their stated commitments.

16. Interview with OSM team.

17. See Ober (2012) for a philosophical discussion of civic dignity and the role it plays in the political community.

18. See Addams (1961) and (2002) for discussions about civic housekeeping and socializing democracy. See also Tocqueville (2000) for discussions about voluntary associations and the ways in which citizens can practice and form habits of self-governance.

Acknowledgements

The authors are grateful for the support and access provided by the Institute for Solidarity in Asia. A special thanks is owed to the individuals within the Mandaue City government, the
Mandaue Chamber of Commerce, the Ramon Aboitiz Foundation Inc, and people of Mandaue for their time, energy, candor, and hospitality.

An earlier version of this research was published in a different format (i.e. teaching case study) by the William Davidson Institute at the University of Michigan in 2017.

**Disclosure statement**

No potential conflict of interest was reported by the authors.

**ORCID**

Melissa Mahoney [http://orcid.org/0000-0002-2448-8384](http://orcid.org/0000-0002-2448-8384)
Robert Klitgaard [http://orcid.org/0000-0002-6593-9989](http://orcid.org/0000-0002-6593-9989)

**References**

Abadia, J. 2015. Interview by Melissa Mahoney. Mandaue Reform Journey Field Interview with Mayor Cortes Mandaue, October 23.
Addams, J. and J. B. Elshtain 2002. *The Jane Addams Reader*. New York: Basic Books.
Addams, J. 1961. *Twenty Years at Hull-House*. New York: Signet Classic.
Andrews, M., L. Pritchett, and M. Woolcock. 2012a. “Escaping Capability Traps through Problem-Driven Iterative Adaptation (PDIA).” CGD Working Paper 299. Washington, D.C.: Center for Global Development, June 1–31.
Andrews, M., L. Pritchett, and M. Woolcock. 2012b. “Looking Like a State: Techniques of Persistent Failure in State Capability for Implementation.” Center for International Development Working Paper No. 239, Harvard Kennedy School of Government, Cambridge: Center for International Development, June 1–24.
Andrews, M., L. Pritchett, and M. Woolcock. 2015. “Doing Problem Driven Work.” Center for International Development Working Paper No. 307, Harvard Kennedy School of Government, Cambridge: Center for International Development.
Barlam, A. 2015. Interview by Melissa Mahoney. Mandaue Reform Journey Field Interview with Mayor Cortes Mandaue, October 24.
Calipayan, J. 2015. Interview by Melissa Mahoney. Mandaue Reform Journey Field Interview with Mayor Cortes Mandaue, October 24.
Cortes, J. 2015. Interview by Melissa Mahoney. Mandaue Reform Journey Field Interview with Mayor Cortes Mandaue, October 23.
Easterly, W. 2013. *The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor*. New York: Basic Books.
Haidt, J. 2006. *The Happiness Hypothesis: Finding Modern Truth in Ancient Wisdom*. New York: Basic Books.
Heath, C., and D. Heath. 2010. *Switch: How to Change Things When Change Is Hard*. New York: Broadway Business.
Kaplan, R., and D. Norton, 1996. *The Balanced Scorecard: Translating Strategy into Action*. Cambridge, MA: Harvard Business Review Press.
Mandaue City. 2012. “Mandaue Initiation Journey Handout,” for Institute for Solidarity in Asia Public Governance Forum,” 30 March.
Mandaue City. 2015a. “Mandaue Proficiency Public Revalida Handout,” 4 May.
Mandaue City. 2015b. “Islands of Good Governance 2015 Application,” submitted to Institute for Solidarity in Asia, 15 June.
Mandaue City. 2015c. “Mandaue Means Business,” for Islands of Good Governance Public Revalida for the City of Mandaue, 21 October.
Mayol, A. V. 2011. “CA Upholds Dismissal of DPWH Officials in Lamppost Case.” Cebu Daily News, 21 November. http://newsinfo.inquirer.net/97849/ca-upholds-dismissal-of-dpwh-officials-in-lamppost-case

Ober, J. 2012. “Democracy’s Dignity.” American Political Science Review 106 (4): 827–846. doi: 10.1017/S000305541200038X.

Office of the Ombudsman, Republic of the Philippines. 2008. “Press Release: Ombudsman Gutierrez Orders the Filing of Criminal Charges Against 2 Cebu Mayors, 19 Others for the Cebu Lamp Post Controversy.” Samar News, 21 April. http://www.samarnews.com/news2008/apr/f1603.htm

Paradiang, L. Jr. 2007. “What Has Mandaue Really Lost?” The Philippine Star (10 April). http://www.philstar.com/freeman-opinion/393815/what-has-Mandaue-really-lost

Tocqueville, A. D. 2000. Democracy in America. Translated by Harvey C. Mansfield, and Delba Winthrop. Chicago: University of Chicago Press.

Wilson, W. 1886. “The Study of Administration.” Teaching American History. http://teachingamericanhistory.org/library/document/the-study-of-administration/ Accessed 1 November 2016.