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## Business Model Innovation: How Do Government Training Institutes in the Philippines Create, Deliver, and Capture Value?

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RESEARCH ARTICLE

# Business Model Innovation: How Do Government Training Institutes in the Philippines Create, Deliver, and Capture Value?

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**Abstract:** Public-sector organizations have started to adopt new business models that enable them to deliver public service more effectively and innovatively. However, very few studies have been undertaken to describe and to generate lessons from the deployment of new business models in government. Through the case study research design, we examined how four government training institutes in the Philippines create, deliver, and capture value by utilizing Osterwalder and Pigneur’s business model canvass. After undertaking a cross-case analysis, we generated the following insights: (a) the training institutes’ programs and service orientation are influenced by their mother agencies’ mandates or strategic directions; (b) resource constraints can be overcome through a business model that leverages off collaboration and partnerships; (c) the governance model of the training institute’s mother agency influences its propensity to adopt practices consistent with new public management (NPM) principles; and (d) external support or intervention triggers change or innovation in the way a government training institute operates. Consistent with the spirit of NPM and drawing from the notable practices of the four cases we examined, we identified eight criteria that government agencies can use as a guide when rationalizing the establishment of their own training institutes. These criteria are: (1) market responsiveness, (2) innovation, (3) optimal resource use, (4) stakeholder interface, (5) access, (6) customer options, (7) efficiency, and (8) financial returns. Constraints and disincentives that get in the way of government training institutes’ attempts to follow NPM principles can be addressed by setting up new training institutes under a flexible governance model.

**Keywords:** new public management, business model canvas, government training institutes

Given the wide range of programs that compete for the government’s limited resources, it is essential for government agencies to justify the financial and human resources they request for or that are allocated to them. Given the rising expectations of the citizenry, they must also be able to raise the quality of public service by developing their human resources and by

adopting innovative approaches and practices. Some of these approaches and practices come from the business sector—businesses, after all, must constantly find ways not only to optimally use resources but also to create value for their various stakeholders if they are to survive. In short, they must have a viable business model.

It comes as no surprise, therefore, that public sector organizations have started to adopt new business models, particularly engagements with private-sector partners, to streamline and improve their operations (Micheli, Schoeman, Baxter, & Goffin, 2012). Fostering closer involvement with the private sector organizations allows public sector organizations to gain “new skills and fresh ideas,” which can help overcome resistance to change and risk aversion (Brown et al., 2000, as cited in Micheli et al., 2012), and ultimately enable them to deliver public service more effectively and innovatively.

### **New Public Management: Running Government Like Business**

We are proceeding from the premise that it is possible to run the government like a business, without sacrificing the element of public service. In public administration literature, business concepts applied to the public sector (e.g. cost-cutting, downsizing, rightsizing, privatization, entrepreneurship, quality management, and customer service) are referred to as new public management (NPM). NPM “seeks to separate politics (in the sense of decision making by the people or their representatives) from administration, allowing (or making) managers to manage according to cost-benefit economic rationality, largely free from ‘day-to-day democratic oversight’” (Cohn, 1997, as cited in Box, 1999, p. 21).

The emergence of NPM can be attributed to the perception that the government has become “large, cumbersome, wasteful, and beyond citizen control” (King & Stivers, 1998, p.11) and “isolated from and out of touch with the rest of society” (Peters & Pierre 1998, pp. 228–229). This has led to the belief “that government should be run more like businesses, becoming trim and lean, exhibiting competitive behaviors, and giving greater attention to the needs of ‘customers’” (Box, 1999, p. 21).

One fundamental result of the NPM movement is the introduction of modern business thinking, including competition, to the public sector (Dunleavy et al., 2006, as cited in Ranerup, Henriksen, & Hedman, 2016). This has led to the idea and practice of business modeling in the public sector.

### **Value Creation, Delivery, and Capture: The Common Thread in the Business Model Literature**

The business model concept has served the purpose of scholars, managers, and practitioners who wanted to describe and understand the following aspects of an organization: (a) the value creation logic (Amit & Zott, 2001); (b) the business processes involved in creating value (Osterwalder, Pigneur, & Tucci, 2005); (c) the interactions and relationships among stakeholders in the firm’s value network (Magretta, 2002); and (d) the resource base and the longitudinal evolution of business (Hedman & Kalling, 2003).

Scholars widely acknowledge that the business model is a new unit of analysis distinct from the product, firm, industry, or network—it is centered on a focal firm, but its boundaries are wider than those of the firm; and that business models emphasize a holistic and system-level approach to explaining how firms “do business” (Zott, Amit, & Massa, 2011).

The increasing interest in the business model concept could have been brought about by the advent of the digital economy, during which firms began to experiment with new forms of creating value that involved a plethora of partners and that targeted multiple users. This caught the attention of management scholars, who utilized the business model concept in their attempts to make sense of value creation in networked markets (Zott & Amit, 2009).

Later, the business model concept was not only used in the context of the digital economy but also in the context of enterprises seeking to address social problems. Seelos and Mair (2007), for instance, saw the business model as a “set of capabilities that is configured to enable value creation consistent with either economic or social strategic objectives” (p. 53). This was echoed by Thompson and MacMillan (2010), who proposed a framework for developing new business models that could reduce poverty and human suffering. Business models had also been used to address environmental sustainability in business and industry (Bocken, Short, Rana, & Evans, 2014).

Eventually, the business model concept invaded the public sector sphere, as some studies examined business models that evaluate public policy or that

take a broad E-government perspective (Ranerup et al., 2016).

Commonly discussed in the business model literature are the concepts of value creation, value delivery, and value capture (Abdelkafi, Makhotin, & Posselt, 2013; Bocken et al., 2014; Smith, Binns, & Tushman, 2010; and Teece, 2010). Osterwalder and Pigneur, for example, defined a business model as “the rationale of how an organization creates, delivers, and captures value” (2010, p. 14). Consistent with this definition is the proposition of Johnson, Christensen & Kagermann (2008) that a business model is comprised of four interlocking, interdependent elements—value proposition, resources, processes, and profit formula—that, taken together, create and deliver value. Briefly, the value proposition is drawn from a product or service that satisfies customers’ needs and wants. Value is created and delivered by utilizing organization resources (e.g., people, equipment, facilities, distribution channels, cash, brands), and subjecting them to work processes that eventually become part of the organization’s culture. Value is captured through the returns generated by the organization (Chambers & Patrocinio, 2011).

Regardless of whether the focal organization belongs to the private or the public sector, value creation remains a central theme in the business model concept since all organizations offer goods and services that have some value to certain stakeholders. In comparing public and private sector objectives as they relate to value creation, Moore suggested that “the aim of managerial work in the public sector is to create public value just as the aim of managerial work in the private sector is to create private value” (1995, as cited in Chambers & Patrocinio, 2011, p. 16)

### **Business Model in the Public Sector**

While business models are acknowledged as important in generating innovative practices in the private sector (Chesbrough & Schwartz, 2007), there has been “little focus on the deployment of new business models in government” (Moore & Hartley, 2008; Mulgan & Kohli, 2010, as cited in Micheli et al., 2012). A few studies, though, have examined the business models of public sector organizations. These

include the studies undertaken by Chambers and Patrocinio (2011), who analyzed how the business model of New York City’s economic development agency had been employed and how value was created within this model; and Ranerup et al. (2016), who looked at the public service platforms (PSPs) in four public sectors in Sweden: education, healthcare, elder care, and public pensions. Related studies include those of Martin (2004) and of Gollust and Jacobson (2006), which examined the privatization of public services.

Our study aimed to determine how selected government training institutes, namely the Bangko Sentral ng Pilipinas Institute (BSPI), the Civil Service Institute (CSI), the Foreign Service Institute (FSI), and the Local Government Academy (LGA), create, deliver, and capture value by utilizing the business model canvass. We subsequently generated insights drawn from the experiences of these four institutes, and developed a framework, consistent with the new public management paradigm, that could guide other government agencies in determining the appropriate business model for their own training institutes.

### **Methods**

For our study, we chose the case study research method because we examined a contemporary phenomenon with some real-life context. We adopted the multiple-case design because analytic conclusions independently arising from multiple cases “will be more powerful than those coming from a single case alone” (Yin, 2009, p. 61).

Prior to the in-depth interviews, we checked the brochures and websites of the training institutes to determine their mandate, vision-mission, objectives, organization structure, course offerings, and descriptions. We also checked the General Appropriations Act to determine their budgets. We collected these secondary data from the last week of May until end of June 2016. After examining publicly available documents, we conducted face-to-face interviews with 10 individuals, all key officials of the training institutes, from July to August 2016. For our interviews, we utilized a detailed interview guide structured along the Business Model Canvas developed by Osterwalder and Pigneur (2010).

The data we gathered became part of our case study database, which included the following: detailed interview summaries, field notes, audio files, Powerpoint presentations, printed materials, and online materials. Using these data, we came up with detailed case descriptions. We subsequently did a cross-case analysis and assessed the four business models using the new public management (NPM) perspective as our major analytic framework.

### **Brief Description of the Training Institutes**

#### *Civil Service Institute*

The Civil Service Institute (CSI) is an office under the Civil Service Commission (CSC), which is the central human resource institution of the Philippine government. CSI began as the Civil Service Academy (CSA) in 1977. It was established primarily to train HR practitioners in the civil service, and to provide human resource development for employees of all levels and ranks. CSI itself was established in July 2011. As the “research and training arm of the CSC in public human resource and organizational development,” CSI is mandated to be the commission’s learning and development hub (<http://csi.csc.gov.ph/>).

#### *Local Government Academy*

The Local Government Academy (LGA), an attached agency under the Department of the Interior and Local Government (DILG), is mandated to provide human resource development and training for local government officials and department personnel. Its major functions are to formulate policies and standards on local government capacity development, coordinate national government agencies’ capacity development, and establish mechanisms for delivery of capacity development services (<http://lga.gov.ph/>).

#### *Foreign Service Institute*

The Foreign Service Institute (FSI), an attached agency under the Department of Foreign Affairs (DFA), envisions itself as “the prime training and research institute for Philippine foreign policy, diplomacy, and related fields” and as a recognized center for language learning. The FSI seeks, among others, to develop

the in-house capacity of FSI personnel to undertake training, research, and organizational development; to support the efforts of the DFA to enhance the capacity of its personnel to effectively deliver their core competencies; and to design and conduct the appropriate training programs relevant to the current issues and future trends of foreign policy and diplomacy (<http://www.fsi.gov.ph/the-foreign-service-institute/>). The FSI now also serves as a research institution on issues with foreign policy implications, while serving as the institutional consultant of the DFA on matters related to foreign policies and programs.

One of FSI’s major divisions is the Carlos P. Romulo School of Diplomacy (CPRSD). As FSI’s training arm for the diplomatic corps, the CPRSD is responsible for conducting courses involved in furthering international relations. It seeks strong linkages with other foreign-service institutes, academic institutions, and think tanks; and seeks to provide appropriate and effective learning opportunities that are attuned to the defined needs and goals of the DFA.

#### *Bangko Sentral ng Pilipinas Institute (BSPI)*

The BSP Institute (BSPI) is the official training arm of the Bangko Sentral ng Pilipinas (BSP). It is committed to providing quality training programs that address the career growth, professional development, and skills requirements of the Bank’s human resources. In line with this mandate, the BSPI: (a) conducts in-house training programs for BSP employees and training assistance for rural and thrift bankers; (b) initiates sourcing of external training programs/providers (local and foreign); and (c) administers various scholarship programs for BSP employees.

BSPI is a unit under the human resources sub-sector of the Resource Management Sector of the BSP. Also under the human resource sub-sector are the Human Resource Development Department (HRDD), the Human Resource Management Department (HRMD), the Health Services Office (HSO), and the Knowledge Management Group (KMG) ([http://www.bsp.gov.ph/about/org\\_rms.asp](http://www.bsp.gov.ph/about/org_rms.asp)). By handling the training function, BSPI complements the HRDD, which handles the development function.



## Results

For our cross-case analysis, we summarize the key features of the business models of the four government training institutes to identify notable practices and areas for improvement. These were presented according to the four general business model components, namely, value proposition, value creation, value delivery, and value capture.

### *Value Proposition*

All four government training institutes offer training programs to address the needs of their mother agencies: CSC, DILG, DFA, and BSP. Most of them also provide competency building solutions to external groups. The bundles of training programs that they offer are quite distinct from each other. For example, CSI specializes in gender sensitivity training and human resource management training; LGA focuses on developing skills needed to enhance local governance capabilities; while FSI addresses the training needs of the foreign-service career corps.

While all of them provide in-house training programs, they also accredit training providers for expertise that they could not internally provide. This is quite evident in the cases of CSI and LGA, both of which highlighted the brokering function that they fulfill.

### *Value Creation*

Expectedly, the activities of the four training institutes are generally similar given that they basically fulfill the same function (see Table 1). They just differ on the extent that they undertake certain activities, such as the accreditation of training institutions and the customization of training programs, which are more evident in the cases of CSI and LGA, and much less in the case of FSI. In the case of BSPI, they accredit individual subject matter experts (SMEs) recommended by their partner institutions.

Some of the institutes have practices that seem to be unique to them. For example, BSPI provides online training resources to its employees and also undertakes equivalency assessment for those who would like to get training credits for certain programs. These practices are ways of conserving the resources of the institute.

CSI, on the other hand, conducts FGDs, which are often attended by training providers, who utilize information generated to design new training programs or to refine old ones. It also undertakes the validation of the design of training modules with the help of identified subject-matter experts. It is likely, though, that CSI highlighted the training design aspects of its function, given that it is a fairly young institute, having only been established in 2011.

### *Value Delivery*

The four government training institutions have slightly different approaches in reaching their target customer segments. For those that are focused on the internal training requirements of their mother agencies (e.g., FSI and BSPI), it is a matter of coordinating with these agencies about the type and schedule of the training programs needed. For those that are largely concerned with the training requirements of external stakeholders (e.g., CSI and LGA), they undertake additional activities, such as the orientation of potential clients about their training programs. In the case of LGA, in particular, it reaches local government officials through the League of Cities and the League of Municipalities (see Table 1).

All four institutes offer training in the traditional way, using physical training facilities. LGA and BSPI offer blended learning. BSPI also offers online training through its FSI Connect and Bank Exec.

### *Value Capture*

All four institutes depend on their annual operating budgets to fund their training programs. However, three of the four institutes are not allowed to retain any income from operations. Only CSI is allowed to keep the surplus of the revenues it generates from training fees. It utilizes the retained income to finance subsequent training activities.

In the case of LGA, it receives support from external agencies, which augments its annual operating budget. For example, in 2015, it received PHP465 million from external sources such as the *Agencia Española de Cooperación Internacional para el Desarrollo* (AECID), and Louis Berger, Inc. (Local Government Academy, 2015, p. 36). Thus, LGA is able to scale up its activities and reach more LGUs

**Table 1**  
*Cross-Case Summary—Value Creation and Value Delivery*

<b>Training Institute</b>	<b>Value Creation (Key Activities)</b>	<b>Value Delivery</b>
CSI	<ul style="list-style-type: none"> <li>Analyzing training needs</li> <li>Coordinating with clients for training requirements</li> <li>Designing training modules</li> <li>Validating the design of training modules</li> <li>Conducting training programs</li> <li>Conducting post-training evaluation</li> <li>Accrediting training institutions</li> </ul>	<ul style="list-style-type: none"> <li>Exploratory talks with clients</li> <li>Orientation of clients about CSI programs through face-to-face meetings</li> <li>Posting of CSI activities on its web site and social media pages</li> <li>Face-to-face training programs</li> <li>Follow-up activities for institutional clients to determine progress of training participants</li> </ul>
LGA	<ul style="list-style-type: none"> <li>Analyzing training needs</li> <li>Coordinating with clients for training requirements</li> <li>Designing training modules</li> <li>Conducting training programs</li> <li>Conducting post-training evaluation</li> <li>Conducting occasional impact evaluations</li> <li>Accrediting training institutions</li> </ul>	<ul style="list-style-type: none"> <li>Strengthens and enhances linkages and partnerships with various leagues (i.e., League of Cities, League of Municipalities)</li> <li>Contacts LGUs through League of Cities and League of Municipalities</li> <li>Posting of LGA activities on its web site and social media pages</li> <li>Face-to-face training programs</li> <li>Blended learning</li> </ul>
FSI	<ul style="list-style-type: none"> <li>Analyzing training needs</li> <li>Coordinating with clients for training requirements</li> <li>Designing training modules</li> <li>Conducting training programs</li> <li>Conducting post-training evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Coordination with DFA regarding the schedule of their internal training programs</li> <li>Allocation of slots for other government agencies (e.g., DA, DND, DTI, DOLE, that need to send employees for training in foreign language and diplomacy)</li> <li>Direct communication through emails, telephone calls and face-to-face meetings</li> <li>Posting of FSI activities on its web site and social media pages</li> <li>Face-to-face training programs</li> </ul>
BSPI	<ul style="list-style-type: none"> <li>Analyzing training needs</li> <li>Coordinating with clients for training requirements</li> <li>Designing training modules</li> <li>Evaluating proposals submitted by training providers</li> <li>Accrediting subject matter experts (SMEs)</li> <li>Facilitating the conduct of training programs by training providers</li> <li>Conducting post-training evaluation</li> <li>Providing online training resources</li> <li>Providing equivalency assessment</li> <li>Co-hosting events</li> </ul>	<ul style="list-style-type: none"> <li>Coordination with BSP's HR personnel for training requirements</li> <li>Direct communication through emails, telephone calls and face-to-face meetings</li> <li>Posting of BSPI activities on its web site and social media pages</li> <li>Face-to-face training programs</li> <li>Online training</li> <li>Blended learning</li> </ul>

that require capability building in various areas of local governance.

The costs involved in designing and implementing training programs are similar across the four government training institutes. It is conceivable, though, the amounts involved would differ depending on the honoraria of the trainers, speakers, or facilitators. For some institutes, they limit the expenses incurred by letting the requesting agency/client shoulder the cost of reproducing/photocopying the training materials. Since all four institutes typically conduct training in their own facilities, they can keep the costs for the venue down. However, if the requesting agency or client wants the training to be held elsewhere, it shoulders the expenses involved.

### *Notable Practices and Areas for Improvement*

By examining the program offerings of the four institutes, it is evident that each one is focusing on a “market niche.” CSI offers programs mostly on developing human resource and leadership capability, and has distinctive programs on gender and development. LGA offers programs focused on improving local governance, and has distinctive programs on disaster preparedness and disaster risk reduction management. FSI also offers a distinct set of programs geared towards developing the skills of the foreign-service career corps (see Table 2).

It must be noted, though, that there are also programs that are not quite distinctive. For example, CSI, LGA, and BSPI all have leadership training and/

**Table 2**  
*Notable Practices and Areas for Improvement*

<b>Training Institute</b>	<b>Notable Practices</b>	<b>Areas for Improvement</b>
CSI	<ul style="list-style-type: none"> <li>• Focus on gender sensitivity training and on HR training</li> <li>• Validation of training design by subject matter experts</li> <li>• Accreditation of private training institutions</li> <li>• Follow up activities for institutional clients</li> <li>• Systematic knowledge management practices</li> </ul>	<ul style="list-style-type: none"> <li>• Limited reach of its training programs, although number of training programs have greatly increased the past two years</li> <li>• Small number of staff, given that it is expected to serve the entire bureaucracy</li> </ul>
LGA	<ul style="list-style-type: none"> <li>• Focus on local governance-related training</li> <li>• Partnership with League of Cities and League of Municipalities</li> <li>• Accreditation of local partners</li> <li>• Engagement in knowledge exchange activities</li> <li>• Sourcing of funds from international institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Limited reach of its training programs</li> <li>• Small number of staff, given that it is expected to serve LGUs across the country</li> </ul>
FSI	<ul style="list-style-type: none"> <li>• Focus on training on diplomacy and international relations</li> <li>• Breadth of professional and technical programs offered</li> <li>• Partnership with the FSIEA, which is able to charge course fees for seminars</li> <li>• Maintaining a pool of experts composed of retired and current diplomats</li> </ul>	<ul style="list-style-type: none"> <li>• Limited reach of its training programs</li> <li>• Limited resources and personnel</li> <li>• Not able to conduct training needs analysis lately</li> </ul>
BSPI	<ul style="list-style-type: none"> <li>• Competency-based curriculum</li> <li>• Extensive training for BSP employees across levels of the organization utilizing a ladderized training approach</li> <li>• Online resources – FSI Connect and Bank Exec</li> <li>• Global certification programs</li> <li>• Equivalency assessments</li> <li>• Co-hosting events</li> <li>• Training events by foreign resource speakers</li> <li>• Study visits for local and international organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Limited external reach</li> </ul>



or management development programs. However, CSI targets HR managers and practitioners, LGA targets local government managers, and BSPI targets BSP's managerial and supervisory employees. Thus, the design and the materials utilized in these training programs are customized to fit the needs and expectations of their target participants.

## Discussion

Our interviews with key informants and our examination of documents gathered allowed us to generate the following insights: (a) that the training institutes' programs are influenced by their mother agencies' mandates or strategic directions; (b) that resource constraints limit the coverage of training programs, but can be overcome through collaboration and partnerships; (c) that the governance model of the training institute's mother agency influences its propensity to adopt practices consistent with new public management (NPM) principles; and (d) that external support or intervention triggers change or innovation in the way a government training institute operates.

### *Insight 1: Mother Agency's Mandate Influences Training Institute's Programs and Service Orientation*

Expectedly, the training institutes we examined designed their training programs along the lines of their mother agency's mandates or strategic directions. CSI, for example, is guided by CSC's strategic goal of "developing competent and credible civil servants" as stated in the CSC Road Map for Development/Reforms 2010–2015. LGA, on the other hand, supports DILG's thrust of strengthening local governance, which is captured in the DILG-Local Governance Sector Outcome Framework. This explains why LGA's different training programs are categorized according to intended outcomes.

The mother agency's mandate also influences whether the training institute is internally-oriented or externally-oriented. In our study, two of the training institutes (BSPI and FSI) focus on the training needs of internal customers, while the two others (CSI and LGA) cater mainly to external customers.

In the case of BSPI, its internal orientation could be due to the fact that it began as part of the human resource function of its mother agency. In fact, BSPI is still lodged under BSP's human resource sub-sector. In the case of FSI, its internal orientation could be attributed to the specialized nature of many of its training programs, which largely address the needs of the foreign-service career corps. While FSI also serves other government agencies that send employees abroad, they are given second priority, primarily because of resource constraints.

The external orientation of CSI and LGA is largely due to their mandates. LGA, for example, is responsible for "human resource development and training for local government officials and the department personnel." ([lga.gov.ph/mandate](http://lga.gov.ph/mandate)). Thus, at the onset, it was already seen as a resource for LGUs, and not only for the DILG. The same is true for the CSI, whose mandate is explicit: "to drive institutional learning and development towards excellence in public service and administration in the Philippines by providing development interventions and opportunities for **all employees of government agencies**" ([highlight ours; http://csi.csc.gov.ph/](http://csi.csc.gov.ph/)).

### *Insight 2: Resource Constraints Can Be Overcome Through a Business Model That Leverages Off Collaboration and Partnerships*

For three of the four training institutes, resource constraints limit the number of training programs they can implement. This means not being able to serve a greater number of their target customer segments. In the case of CSI, for example, the number of implemented courses it committed in 2015 is 46, but it actually implemented 113 courses. The total number of participants it committed in 2015 is 3,325, but it actually trained 6,156 people. In spite of the increases, the numbers represent only a very small segment of the more than 1.4 million public servants across 2,109 organizations (i.e., government agencies, LGUs, GOCCs, and SUCs). This is understandable given that CSI only has 30 personnel serving the entire bureaucracy.

It must be noted, though, that the bureaucracy does not depend entirely on the CSI for its training needs. Out of the 2,109 organizations mentioned

above, 1,716 are LGUs, which is primarily served by the LGA. CSI and LGA therefore complement each other's efforts when it comes to the training needs of local governments.

The case of LGA is instructive when it comes to overcoming resource constraints. Just like CSI, LGA has a lean staff complement, given the size of its target clientele. LGA, however, expands its reach by accrediting local training partners. It also receives technical and financial support from international institutions, such as the Asian Development Bank (ADB), the *Agencia Española de Cooperación Internacional para el Desarrollo* (AECID), the Japan International Cooperation Agency (JICA), and the Philippines Australia Human Resource and Organizational Development Facility (PAHRODF). In fact, in 2015, external sources, therefore, accounted for more than two-thirds of its finances that year.

Worth mentioning is that the four training institutes have adopted various approaches to capacity building beyond simply providing the training themselves. A common practice is the outsourcing of the training and development function, which is an acknowledgement of the limited knowledge and technical expertise available in any one institution. This practice, which mirrors the practice in private corporations, requires the training institutes to adopt their respective accreditation mechanisms for potential service providers.

Some training institutes, on the other hand, have gone beyond simply outsourcing. In the case of the LGA, for instance, its new business model "requires a paradigm shift from being a direct service provider to being a knowledge broker, knowledge innovator and knowledge exchange facilitator on local governance" (Local Government Academy, 2015, p. 6). This seems like the direction CSI is also taking. Adopting this paradigm, however, requires an entirely different skill set for the personnel of the aforementioned government training institutes.

*Insight 3: Mother Agency's Governance Model Influences the Training Institute's Propensity to Adopt Practices Consistent with New Public Management (NPM) Principles*

Before elaborating on this particular insight, it would be instructive to describe the different

governance models under which various types of government agencies (i.e., regular line agency, special line agency, and government-owned or controlled corporation) operate, and their implications on how these agencies can generate and retain income.

A "regular" line agency is one created under Administrative Code of 1987 Executive Order No. 292, series of 1987 and performs specific mandated functions. It receives funding from the National Government under General Appropriations Act (GAA). In the course of performing its mandated functions, a line agency may generate income, but it is not allowed to retain it as part of the agency's funds. The said income is turned over to the National Treasury for redistribution.

A "special" line agency is one created under the 1987 Constitution (e.g., constitutional commissions) and/or under a charter law, which outlines its structure, functions, and powers. It likewise receives funding from the GAA. Its charter law may include provisions authorizing it to retain all or part of the income it generates to fund its operations.

A government-owned or controlled corporation (GOCC) is generally created under a charter law. [Note: A notable exception is the BSP, which is also created under the Constitution, through the mandate to establish a "central monetary authority" in addition to its charter.] The said charter specifically provides that a GOCC be self-sustaining, that is, it should earn income during the course of performing its functions, and retain it as funding to be able to continue performing its functions. It is distinguished from a special line agency because it is subject to oversight by the Governance Commission for GOCCs (GCG).

In view of the above-mentioned distinctions, the four training institutes we examined are subject to the governance model of their mother agencies, as follows: BSPI is subject to the governance model of BSP, which is a GOCC; CSI is subject to the governance model of CSC, a special line agency; FSI is subject to the governance model of DFA, a regular line agency; and LGA is subject to the governance model of DILG, also a regular line agency.

Our insight stems from our observation of the contrasting cases of CSI and FSI, which differ in terms of their customer orientation and their drive

to expand the reach of their training programs. Over the past few years, there has been an attempt by CSI to increase the number of training programs it offers, something that it can afford to do given the additional income that it could retain. In contrast, FSI seems to be constrained from expanding its reach, as evidenced by its decision to allocate slots for specific government agencies (outside of DFA). That FSI does not usually conduct training needs analysis and simply offers its existing training modules—in contrast to CSI’s close coordination with its client agencies—which indicates a gap in its customer orientation.

Our assessment is that the propensity of CSI to do more than simply meeting minimum expectations can be partly attributed to its ability to retain income, which augments its yearly budgetary allocation. This is made possible by virtue of the flexible governance model under which the CSC operates. FSI does not enjoy the same flexibility, given the more restrictive governance model under which the DFA operates.

In the case of BSPI, the issue of lack of resources does not apply. This is because the BSP has substantial resources at its disposal. This explains how BSPI can afford to offer a large number of programs that benefits a significant number of its target clientele, and also to organize large events that reach a larger audience. On top of this, BSPI has been able to introduce new modes of delivery, including blended learning and online learning programs, thus, further expanding its reach.

But how do we explain the case of LGA, which, in spite of being attached a regular line agency, seems to be expanding its reach and seems to exhibit responsiveness to its clientele? This brings us to our next insight.

#### *Insight 4: External Support or Intervention Triggers Change or Innovation in the Way a Government Training Institute Operates*

In the case of LGA, the constraints brought about by the governance model of its mother agency could have been overcome by the financial and technical support it has received from external agencies over the past few years. The intervention provided by PAHRODF, for instance, enabled it to revisit its approach in training provision, and resulted in the streamlining of its operations. In addition, the grants it received from

agencies such as the AECID and JICA have expanded its resource base. It remains to be seen, though, whether the customer orientation and entrepreneurial spirit triggered by external support could be sustained over time. The central point is that external support could break the inertia, especially for government training institutes that are content with the status quo and might need some boost to encourage innovation and to strengthen service orientation.

### **Policy Implications**

Our study provides valuable inputs for the Philippine Government when faced by proposals by government agencies that want to set up their own training institutes. Should this be encouraged by the National Government, given its already scarce resources?

To answer this question, it is important to point out that most of the training institutes we examined performed a key human resource management function (i.e., training and development) for their mother agencies. Some of them were simply converted into an institute that still basically fulfills the same function but with additional roles or with a much wider scope. The BSPI, for example, is still lodged in the human resource subsector of the BSP, and largely handles the competency building requirements of the BSP. It was simply rebranded as an institute, and now also handles the management of externally-oriented events. The point is that any organization must allocate resources for competency building if it is to function effectively.

The question of resources is thus linked to the mission of the organization—Will the creation of a separate training institute allow a government agency to fulfill its mandate more effectively? If this is the case, then the government agency can use this to rationalize its proposal. The next question is whether there are other educational or training institutions that can adequately serve the training needs of the said government agency. If yes, then the government agency does not necessarily have to set up its own training institute, but could instead partner with these educational and training institutions. Hypothetically, if DILG did not yet have the LGA, it could have partnered with the University of Philippines National College of Public

Administration and Governance (UP-NCPAG) or with the DLSU Jesse M. Robredo Institute of Governance (JMRIG), which could provide training programs on various areas of local governance. Even with the LGA in place, however, it does not have to allocate much resource to develop its in-house capability since it can focus on its brokering and facilitating functions and still partner with the above-mentioned institutions to fulfill its mandate.

Needless to say, the government agencies proposing the establishment of their own training institutes must tap their internal resources as well as leverage on the resources of external organizations. The cases of CSI and LGA provide us with models of how government training institutes could potentially expand their reach and scale the impact of their operations by tapping the resources and expertise of their partner institutions. At this point, though, CSI and LGA have not yet maximized the potentials of collaboration, since they are still just at the stage of accrediting or consulting these partners rather than closely engaging them in the entire program development and implementation cycle.

Another question that must be considered is whether it is possible for these training institutes to operate viably with minimal subsidy or solely through income generated from their operations.

Our answer is that if the proposed training institute will depend solely on course fees, it must be confident about the distinctiveness of its training programs (i.e., they cannot be easily replicated by private educational institutions and private training institutions). This is where the issue of competition comes in. If the proposed training institute will be able to get resources from external funding agencies, such as in the case of the LGA, then it might be able to sustain its operations even with minimal income from course fees.

The more fundamental issue really is whether the proposed training institute is meant to be a money-making venture rather than is seen as an integral component in the fulfillment of the mandate of its mother agency. It is likely that most government agencies will see the training institute as an important instrument in meeting its institutional goals; thus, its existence is valuable in itself, whether or not it generates income. It is a bonus, though, if the training institute is able to generate some revenue, and get to

retain its income so that it can partially finance its operations.

#### *Proposed Framework: Business Model for Government Training Institutes*

Consistent with the spirit of NPM, and drawing from the best practices of the four cases we examined, we list down several criteria that we believe government agencies can use as a guide when proposing the establishment of a separate training institute (see Table 3).

An important consideration in satisfying the above-mentioned criteria, though, is the governance model under which the training institute and its mother agency operate. As we earlier mentioned, there are constraints that regular line agencies face, especially in terms of retaining income from their operations. This could limit the ability of a training institute working under such governance model to offer more relevant programs (market responsiveness) and to reach a larger clientele (access), given its limited human and financial resources. More importantly, this could dampen the entrepreneurial spirit within the institute, given that it does not get any benefit from doing more for less (efficiency), working harder (optimal resource use), or trying something new (innovation). Thus, a regular line agency that proposes to set up a training institute might want to propose its creation under an appropriate governance model.

A complication arises, though, if a proposed training institute is meant to satisfy the specialized training needs of multiple government agencies (e.g., a Finance Institute that could provide training service to both the Department of Finance and the Department of Budget and Management). Under what agency will the training institute be attached? Will it be administered jointly by the concerned agencies? Is the proposed training institute expected to be a self-sustaining entity? Clearly, the concerned agencies must discuss what set-up would be appropriate and acceptable to both of them, given their respective mandates. Their agreement would subsequently determine the governance model for that proposed training institute.

There is increasing expectation for government training institutions to perform like private entities, based on new public management principles. However,



**Table 3**  
*Proposed Framework for Government Training Institutes*

<b>Business Model Component</b>	<b>Proposed Criteria</b>	<b>Some Indicators (Quantitative or Qualitative)</b>
Value proposition	<ul style="list-style-type: none"> <li>• Market responsiveness</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Number of potential offerings, including customized training programs</li> <li>• Target customer segments</li> <li>• Offering of new training programs, including customized training programs</li> </ul>
Value creation	<ul style="list-style-type: none"> <li>• Optimal resource use</li> <li>• Stakeholder interface</li> </ul>	<ul style="list-style-type: none"> <li>• Involvement of clients in the design of training programs</li> <li>• Collaboration with other training institutions</li> <li>• Validity of post-evaluation methods</li> </ul>
Value delivery	<ul style="list-style-type: none"> <li>• Access</li> <li>• Customer options</li> </ul>	<ul style="list-style-type: none"> <li>• Reach of training programs—ratio of total participants to total market size</li> <li>• Variety of delivery modes, including blended learning and online learning programs</li> </ul>
Value capture	<ul style="list-style-type: none"> <li>• Efficiency</li> <li>• Financial returns</li> </ul>	<ul style="list-style-type: none"> <li>• Target efficiency ratios, such as spending per training program and spending per training participant</li> <li>• Potential sources of funds, whether revenue, subsidy or grants</li> </ul>

there are constraints and disincentives that get in the way, especially for those institutes attached to regular line agencies. One example is how these institutes are not allowed to retain income from their training activities. Worse, they face the prospect of having their budgets cut if they show evidence of generating revenue. This is clearly a disincentive for innovative thinking and entrepreneurial activity. For government agencies proposing the establishment of a new training institute, given their specialized training needs, this can be addressed by setting up a training institute under a flexible governance model, perhaps under a charter law.

We end this article by reiterating our point that utilizing the business model canvas could provide useful insights not only for private enterprises but also for public service institutions, in the sense that the tool provides a way of illustrating how an organization creates, delivers, and captures value. Saul Kaplan,

Founder and Chief Catalyst of the Business Innovation Factory, captures our central message when he said: “The idea that business models are just for business is just wrong. Any organization that wants to be relevant, to deliver value at scale, and to sustain itself must clearly articulate and evolve its business model. And if an organization doesn’t have a sustainable business model, its days are numbered” (<https://hbr.org/2011/04/business-models-arent-just-for>).

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