



PATHFINDER

Guidance on Outcome Focused Management

Building Block 5 : Maximising Outcomes from Interventions

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This document provides guidance for agencies integrating outcome information into their decision-making processes. The document was produced by New Zealand's Pathfinder Project. More Pathfinder guidance documents are available on <http://io.ssc.govt.nz/pathfinder>.

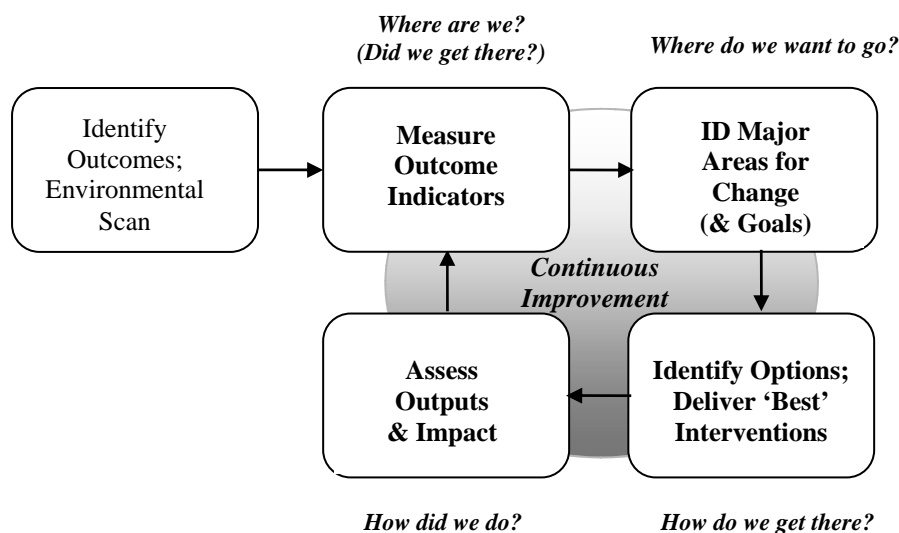
We hope other outcome-based initiatives continue to develop the material presented in this suite.

Building Block 5 : Maximising Outcomes from Interventions

Purpose Statement

1 This Building Block identifies practices that help identify the mix of outputs that is likely to produce the highest increase in outcomes (impact from outputs) using the resources and funding available to us.

2 The document is written for agencies that want to fund interventions that improve their 'vital few' outcomes. A management overview is provided for senior executives. The Overview of the Pathfinder Document <http://io.ssc.govt.nz/pathfinder/information.asp> provides more information on how the different Building Blocks fit together within an integrated management framework.



Management Overview

3 Results-orientated organisations need to answer two questions. What works?; and what works best? Armed with reasonable answers, managers can decide to enhance outputs or shift resources to more effective outputs.

4 Two methods can be used to answer these questions. Performance monitoring checks an intervention works by looking at how well outputs are delivered, and their coverage, near-term results and outcomes. Value-for-money approaches help us identify the interventions with the highest outcomes per dollar of budget.

5 Monitoring can combine the strengths of output- and outcome-focused management systems. Good information on outcomes can be hard to obtain. Monitoring based on our intervention logic can identify indicators that we can use to build confidence that legislation and services work. By monitoring outputs and interim results we get early information on where interventions work and where change is needed. By monitoring outcomes we try to ensure that our actions were as effective as we hoped.

6 The two methods have been used to:

- improve outcomes and reduce risks to clients and the community;
- identify a good output mix – and improve it over time;
- build better business cases and find resources for promising new ideas; and
- ensure interventions get to people (and areas) of greatest need.

Management Issues Going Forward

7 A robust performance monitoring approach, based on our intervention logic, provides the basis for informed decision-making and organisational learning. We ensure our interventions are working by looking at how well outputs are delivered, their coverage, and near and long-term results. But the effectiveness of public management ultimately depends on how decision-makers gather and use this information in purchase decisions. Outcomes for the public ultimately drive the decisions.

8 We need to manage our outputs with one eye on the near term, and another on the future.

9 In the near term we need to focus on improving our existing intervention mix. This requires:

- *stakeholder buy-in* to our outcomes, and to the validity of our prioritisation approach;
- *improved capability* to assess results and prioritise different interventions;
- *willingness to confront problems and discontinue* ineffective actions;
- *a results focused culture at all levels* within our organisation; and
- *commitment from managers* to prioritise across internal and external boundaries.

10 New ideas provide the interventions of our future. As we work to improve existing current interventions, we must identify, design and test approaches that could outperform our current way of working, and meet needs that cannot be serviced at present. This development effort requires careful management and dedicated funding.

11 We can shape the future that we want using the right performance information and robust decision-making frameworks. Above all else, we need to get the information we need to help us build the right intervention mix.

What Are the Management Applications of Performance Monitoring?

- Improving outcomes and risk management for clients.
- Identifying a good output mix – and improving it over time.
- Building better business cases and finding resources for promising new ideas.
- Improving the targeting and coverage of services.

Success Factors

- ✓ *Management systems not just measurement systems.* Combining good performance information with good decision support systems helps people through the organisation make great decisions.
- ✓ *Clear priority setting at all levels in the organization.* To maximise outcomes, get services that work best to the people (or areas) who can benefit the most. We also need to prioritise our evaluation work.
- ✓ *Interventions must be socially, politically and ethically acceptable.* Services that are both acceptable and cost-effective are durable and provide the greatest benefit to the public in the medium term.
- ✓ *Link resources to results.* Complex linkages exist between resources, activities, outputs and outcomes. But our information systems must link resources (through outputs) to outcomes as best as we can.
- ✓ *Incentives matter.* Incentives must encourage staff to ‘do the right thing’. Harsh penalties promote concealment. Align rewards and sanctions to promote behaviours and practices that deliver results.

Hurdles

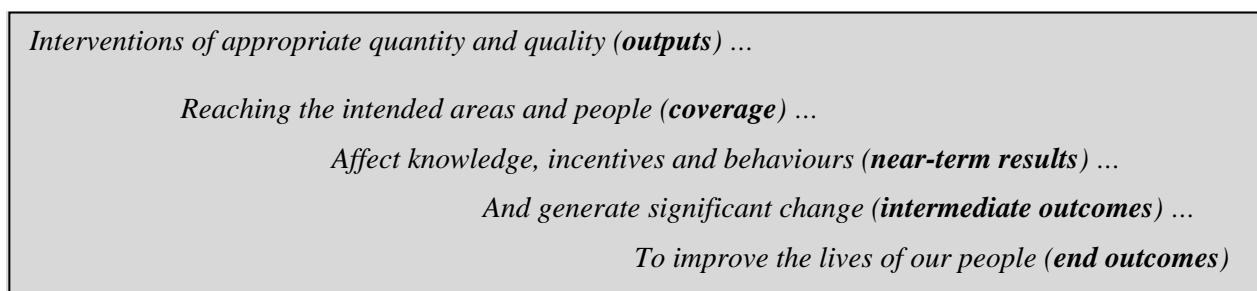
12 We are in a good position to improve our output mix significantly when the costs and benefits of outputs are clear. Outputs are often easy to cost but more difficult to ascribe benefits to. While good solutions are specific to a particular business, four hurdles must be overcome to enhance links between outputs and results. We need to:

- ensure interventions are designed and delivered well;
- recognise results as soon as possible after we act;
- assess results accurately, ideally as end outcomes; and
- link results back to what we did (and what we spent)¹.

Monitoring Indicators Along the ‘Results Chain’

13 Every intervention reflects a theory of cause, action and effect. Behind every action is a chain of assumptions (Exhibit 1) that can be tested if we arrange our information and reporting systems in the right way.

Exhibit 1. The Results Chain



14 Feedback on end outcomes can be hard to obtain. The good news is that intervention logic (Building Block 3) can identify other results² that we can assess to build confidence that legislative changes and services work, often well before end outcomes are known. By monitoring indicators dispersed along the ‘results chain’ we get early information on how well and where our interventions are working, and where change is needed.

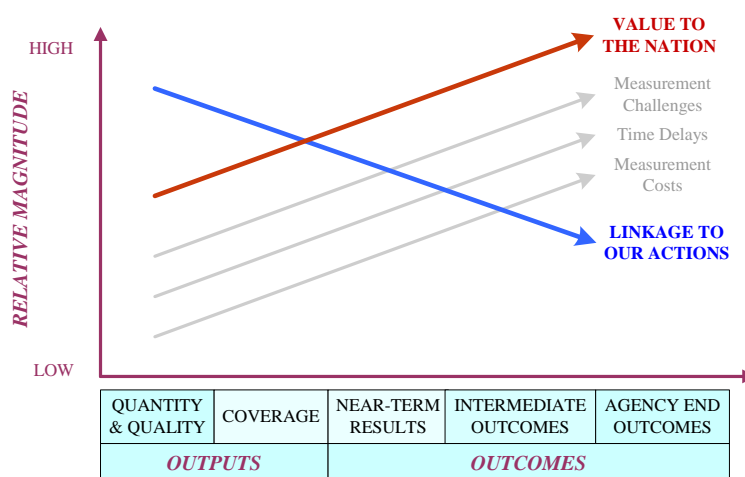
15 Monitoring outputs, coverage and near term results helps us take early action if problems are detected. Interventions depend on delivery for success. So we need to confirm the quantity and quality of outputs. If we do not get the planned coverage and near term results, our logic is violated and good end outcomes are unlikely.

16 We also strive to assess the impact of interventions on intermediate outcomes and end outcomes. Improved outcomes are the true measure of success of individual interventions and the output mix as a whole. Outcome information is often more difficult, slower and more costly to produce than information on outputs, coverage and near-term results (Exhibit 2). But it provides direct feedback on how our actions benefit the community.

¹ Taking account of the sometimes complex or uncertain linkages between outputs and outcomes

² ie. the quality and quantity of outputs, and their coverage, immediate results and intermediate outcomes

Exhibit 2. Results Chains: Combining the Strengths of Output and Outcome Performance Information



17 By monitoring results along the results chain, we combine the strengths of output- and outcome-focused performance management systems. Decision-makers at all levels in our organisation can get fast feedback on the things we manage directly and are accountable for (output and coverage), and the ‘precursors of success’ (near term results) we expect from our intervention logic. As time goes on, we monitor intermediate and end outcomes, and do our best to assess how our actions affected these outcomes. This closes the feedback loop by confirming – as best we are able – that our interventions improved the lives of New Zealanders.³

Mutually Supportive Processes

18 As we strive to assess outcomes and hope for conclusive results, we base decisions on the best information we have at any time. The world does not stand still. We have an ongoing need for performance information. We focus here on five mutually supportive processes that help us increase benefit to the community:

- aligning interventions to outcomes using conceptual approaches;
- confirming interim results using evidence on outputs, coverage⁴ and near-term results;
- confirming major results by assessing intermediate and end outcomes;
- checking our actions changed the ‘state of the world’ using state indicators; and
- selecting *the best* interventions on the basis of performance (effectiveness) and cost.

Aligning Actions to Outcomes

19 A good place to start prioritising interventions is through a process of elimination.

³ For more detail on the results chain management approach see ‘Addressing attribution through contribution analysis: using performance measures sensibly’. John Mayne, Office of the Auditor General of Canada, June 1999.

⁴ Coverage includes access to, and the appropriateness and acceptability of, services as well as whether we achieve the geographic reach and target groups that we intended i.e. coverage includes whether people would or could use what we offered them.

20 We can organise the ‘vital few’ outcomes for the organisation and its major business units into a hierarchy. We then list major interventions (or outputs) against the business units that produce them. If we cannot explain how an output improves outcomes⁵, it is reasonable to at least ask why we fund that output instead of another. In some cases there may be a reason the output was funded in the past – such as direction from the current minister focused on other outcomes or risk management. In others cases, we should question why the output is funded.

The Department of Conservation used a similar ‘top-down, bottom-up’ hierarchical approach to find *outputs* with weak links to its major *outcomes*. This identified funding that could be used better elsewhere. But they suggest you do this carefully – some activities create the necessary conditions for other activities to succeed.

21 Formative or process evaluation using *intervention logic* can help us define how a service or action is intended to work, and identify indicators we can monitor to build confidence that what we did was effective.

22 Both approaches can help us Manage for Outcomes in areas where performance information is sparse.

Confirming Interim Results

23 Another way of finding outputs that need to be improved or eliminated is to look at outputs, coverage and near term results. As a rule of thumb, we do not want to increase the volume of outputs until they are delivered appropriately, and near term results are favourable. According to our intervention logic:

- our outputs cause improved outcomes;
- outputs must reach the right areas to generate change where we want it; and
- near term results show that our outputs at least started the change process we anticipated.

24 Poor outputs result in poor outcomes. We can check the delivery and near term success of interventions using performance monitoring, and decide to improve or eliminate those that are not delivered properly or do not work as they were meant to. In New Zealand we have monitored outputs for years. But we need to pay much more attention to ensuring our outputs have the right coverage and deliver good near-term results.

Confirming Major Results

25 We act to produce enduring improvement in intermediate and end outcomes. Impact assessment results (Building Block 4) drive important decisions on the continuity, design and delivery of interventions. It is important to assess an outcome consistently – this enhances our ability to compare one intervention to another.

26 Interventions that seem to improve outcomes should generally be protected from big changes. But by fine-tuning allocation, design and delivery factors we can still improve results over time. This may involve improving allocation rules⁶ to get the right service to the right person or ‘tweaking’ a service to improve effectiveness.

⁵ For instance by drawing a credible results chain supported, where possible, by information on critical results.

⁶ Information on how different groups respond can, for instance, improve allocation decisions and results.

27 When results are below expectation a modified output could be delivered in limited volumes until results are improved. Interventions with significant adverse outcomes need to be stopped or redesigned.

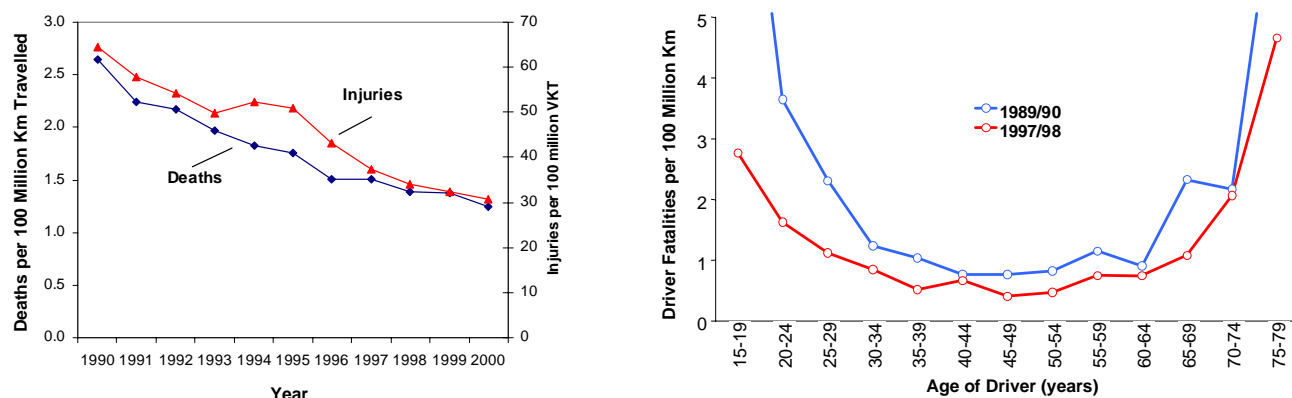
28 Interventions that produce modest but positive results can cause a dilemma. Here we often need to make a hard call on whether performance can be improved sufficiently. But if we decide to continue, it may be wise to constrain growth until the intervention’s performance meets expectations. Interventions with conflicting results can also pose a dilemma. Variation may be occurring between groups (e.g. signalling the benefits of tighter allocation rules). But inconsistencies may indicate monitoring problems and signal the need to make decisions cautiously.

But Did the World Move?

29 Ultimately, success is judged against whether we achieved our goals - whether state indicators improved for the groups we set out to change. Managing for Outcomes starts by assessing ‘where we are’ and setting goals (‘where do we want to go’) to improve state indicators for selected groups. Our intervention mix is simply our way improving state indicators and achieving our goals.

30 It is hard to be sure our actions caused the improvement in state indicators that we observe. But when results of our major interventions are improving along the results chain *and* state indicators are improving, it is quite likely (Exhibit 3). In such cases, we focus on incremental improvement rather than revolutionary change.

Exhibit 3. State Indicators for Road Accidents Suggesting Good Progress is Being Made



31 By ‘looking along the results chain’ – and at state indicators - we can tell where we are succeeding, where residual problems lie, and consider how to solve them. We plan for success, but are always prepared to deal with disappointment. If we *do not* observe the expected improvement one or more things probably happened:

- we have not waited long enough to see the great results that have yet to eventuate (it can take years);
- interventions did not reach the right area (e.g. shortfalls in coverage, access, funding or capability); and
- interventions did not benefit recipients as projected (e.g. design or delivery shortfalls, or because factors outside the intervention and perhaps outside our control dwarfed the intervention’s effects)

32 If we conclude our actions will not improve state indicators in key areas, redesign may be needed.

33 To date, we have focused on checking that individual interventions work. The methods above help us shift resources that are not generating the benefits anticipated, but our discussion to date has largely ignored costs and the possibility that even better interventions exist.

Selecting the Best

34 Whether we use subjective, qualitative or empirical data, decision makers should seek value-for-money. Interventions with the highest benefit per dollar spent maximise benefit to the community. We always seem to be short of funds. A value-for-money approach simply maximises benefit from the funding we have.

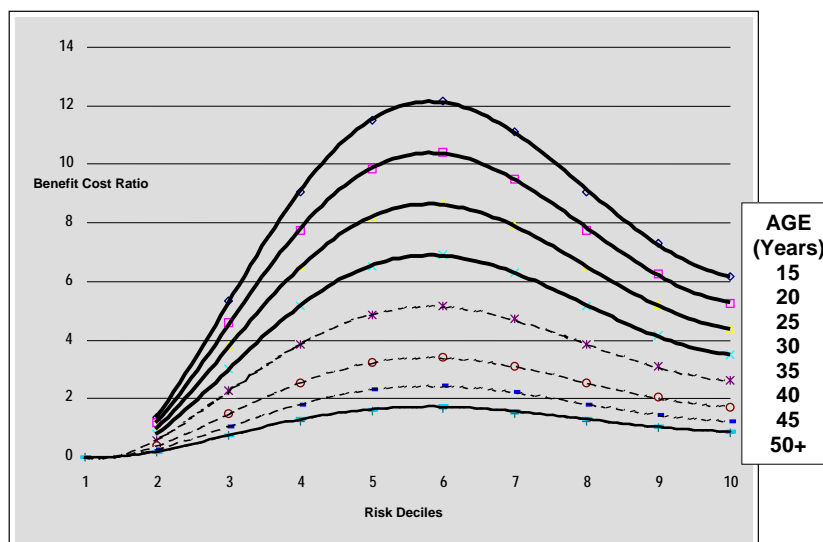
35 A purely technical approach to value-for-money analysis has significant limits – but good technique helps.

36 Value-for-money analysis is not a precision science - but it does not have to be. Just dividing interventions into groups of high and low value helps us to expand those of high value and shift funds from those of low value. Precise estimates of costs and benefits simply help us make more informed decisions at the margin.

37 Whenever possible, we want to compare interventions with outcomes that are expressed in common terms (e.g. lives saved, incidents prevented, social costs avoided). Value-for-money analysis has been most successful in comparing interventions with one outcome. When multiple outcomes are sought, and different interventions have different outcomes, decision-makers must focus on the vital outcomes or weight different outcomes.

38 Value-for-money analysis begins by aligning cost and performance information. We must know what outputs cost, and that what we cost is responsible for the benefit (outcomes) we see. We do this by linking costs, through outputs, to impact assessments (outcomes). When links are simple, analyses can be kept simple. But complexity, uncertainty and measurement errors must always be taken into account.

Exhibit 4. Cost-Benefit Analysis Identifying the Best Target Groups for a Rehabilitative Programme



39 Cost benefit analysis is used when benefit is stated in fiscal terms, e.g. ‘willingness to pay’. Cost effectiveness analysis is used when the outcome sought is expressed in non-fiscal terms (e.g. lives saved). Cost utility analysis is used when multiple outcomes can be combined in a single metric e.g. the disability adjusted life years (DALY) metric. If outcomes are less compatible but we have data on costs and benefits, multi-criteria methods help us work through the tradeoffs between different intervention mixes.⁷

40 Where cost and impact information is patchy or uncertain, we use judgement to prioritise as best we can. We know of no organisations – in New Zealand or abroad – that have all the impact information that they want. We often need to supplement our performance measures with impact measures from the literature and educated guesswork⁸. Systematic reviews⁹ can provide good estimates of the impact of various programmes.

Generating Momentum

41 An enduring challenge is getting the intervention mix right across areas pursuing different aspects of well-being for different groups¹⁰. Funding decisions are ultimately political decisions. Up front, our role is to base purchase advice to Ministers on the best evidence we have. As time progresses, we gather evidence on results so that decisions made in the future can continue to be based on timely performance information. Throughout the year we monitor progress. At the end of the year¹¹ we report results to managers, Ministers, Parliament and the people.

42 But decision makers in our organisation rank among the most intensive users of performance information.

43 Gathering information on outputs, coverage and results helps us ‘manage the results chain’, and improve the impact our work has. Even very successful interventions can usually be improved in selected areas. When things are going less well, we have to make harder decisions on whether improvement is likely or other interventions should be delivered. In either case, good performance information helps us make good decisions.

44 Careful investment in both performance monitoring and evaluation is required to build the effectiveness of our output mix and sustain historical gains. Prioritisation criteria have been discussed in Building Block 3.

⁷ Murray Petrie, *Identifying priorities in social policy. A report written for the NZ Treasury*, October 2002.

⁸ These estimates may have been moderated using our information on output delivery, coverage and near term results.

⁹ e.g. using approaches such as meta-analysis, narrative synthesis or hybrid approaches such as realist synthesis².

¹⁰ e.g. health, wealth, safety and justice, and tradeoffs between social equity, welfare, just rewards and just deserts.

¹¹ As well as in Statements of Intent, Strategic Plans, etc.