



PATHFINDER

Guidance on Outcomes Focused Management

Learning Paper : Important Lessons Learned

Version 1.2, July 2003

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.

Pathfinder – Important Lessons Learned

Purpose

1 The purpose of this document is to highlight some of the more important things we learnt over the two-year lifespan of the Pathfinder Project. More learning points are presented in the Building Blocks and supporting documents on the web site (<http://io.ssc.govt.nz/pathfinder/>).

Outline

2 Important learning points are summarised under the following headings:

- Dealing with Complexity.
- Build management systems and capability.
- Link outputs (and resources) to results.
- Implementation – trial by fire, informed by results.
- Accountability.

Dealing with Complexity

3 No one has ever said to us that Managing for Outcomes is easy! The hardest part often comes right at the beginning: defining and measuring your outcomes. The challenges experienced in Managing for Outcomes are often as much human and technical as they are managerial.

4 There are no perfect management solutions. Managers must use inductive and conceptual approaches to make sense of the information you have. Good information is often in short supply. You have to span weaknesses and gaps, and improve your evidence base over time. In particular

- Decisions can be informed by evidence, but are rarely based entirely on evidence. You may work in a stable policy area where we broadly know what works, or a policy area in flux where evidence on what works is patchy and contested, or an inherently novel field where change is rapid and we do not really know what works.¹ You have to adapt your approach to match the state of knowledge in your area, and the systems you work in.
- Understanding is required of the complexity and uncertainty that surrounds us.
- You often have to work on people before you can act with people. Politics, public perceptions and the attitudes of public servants all condition how we act.

5 Agencies that have made marked progress say it took up to a decade to build their knowledge of where outcomes were below par, why, and come up with practical solutions.

- Success may come about through an evolutionary, rather than revolutionary path. Development can be patchy, as you strive to improve in areas of weakness. Some rework is inevitable as you find new problems, learn, explore ideas, and adapt your approach.
- Build productive relationships with the agencies or groups that you must work closely with. It is a rare organisation that can act alone to achieve its mission and outcomes.
- But be clear about your own outcome framework before you engage with others.

¹ After Geoff Mulgan, Director, Prime Minister's Strategy Unit, United Kingdom

6 Keep one eye on the present and one eye on the future. First, decide what can be achieved *now* (noting limitations to be overcome). Secondly, decide what must you do *now* to position your organisation to further enhance outcomes in the medium-term.

Building Management Systems and Capability

Deciding Which Outcomes to Focus On

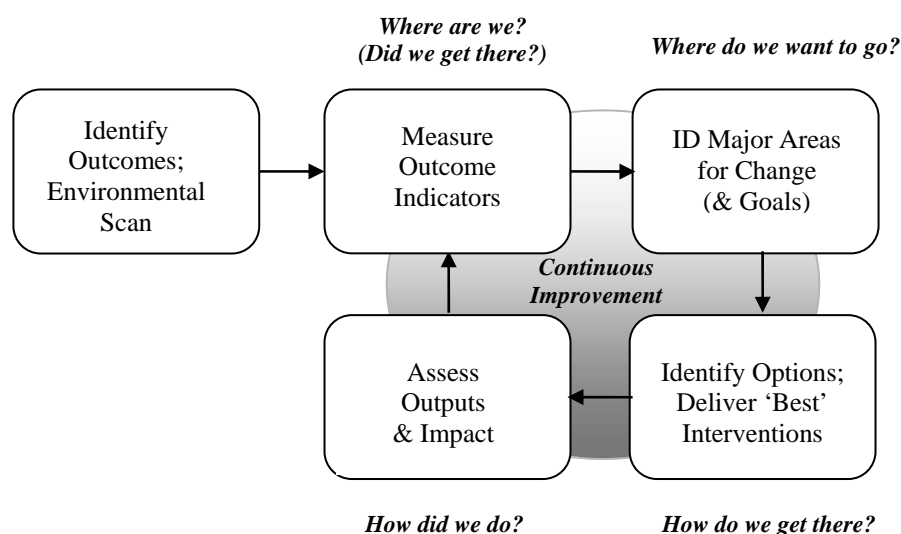
7 Operational agencies, sectoral ministries, population agencies and central agencies vary in the range of outcomes they are interested in, and the groups they focus on. One of the biggest hurdles agencies face in Managing for Outcomes is agreeing on clear definitions of their vital few outcomes. Where it sensible to do so, try and focus on improving the ‘vital few’ outcomes for priority groups or areas. This helps focus your effort on your core business.

8 In the first iteration of defining outcomes, agencies often try to ‘cover off everything they do’. Do not resist this, but make sure you review the product and identify the ‘vital few’.

9 Clarify how your outcomes relate to those of other agencies working in your area. This helps you identify natural partners, and develop collaborative approaches. Understanding and commitment is required from both sides of the productive partnerships you want to forge.

Improved Outcomes – the Heart of a Good Strategic Approach

10 Good strategies and management models focus on improving your core outcomes. The five-step performance improvement model is a good place to start², but you need to integrate this with good elements of your current management approach.



- Your agency *must* ‘own’ its outcomes and management approach. You need to design a management system that works for you. What works for others may not work for you.
- But other agencies in your area may be able to provide advice or models you can adapt.
- Good approaches typically reconcile conceptual, qualitative and quantitative information.
- Good approaches show how your organisation’s different layers and business units contribute to improving your high-level outcomes. They build commitment from staff.

² For more information see Building Blocks 1 to 5 on the Pathfinder web site.

Outcome Information

11 Having decided which outcomes you will focus on, define how you could assess results. Think through how you could measure outcomes, and what other information you need.

- Performance feedback fuels good management decisions. Build feedback systems that help you enhance outcomes over multiple cycles of output delivery. But do not forget about outcomes that are hard to measure. They can be used in conceptual frameworks to identify outputs that do not seem valuable, or which need to be modified to deliver value.
- Departments usually need to assess outcomes occurring in the community (outcome indicators) as well as improvements caused by your interventions (impact).
- To improve timeliness and attributability, and to overcome measurement problems, you often need additional information on outputs (quantity, quality and coverage) as well as information on near-term results and intermediate outcomes.
- We recommended that you identify the management applications you will use outcome information in, before investing too much effort on measuring outcomes. End use, process and the availability of data all condition how you choose to assess outcomes.

Building Capability

12 Manage expectations. It takes years to build capability and refine management systems. Capability building is an iterative process – you will not get everything right the first time. Capability can be built by pushing forward in four areas:

- Leadership frontiers – e.g. management’s belief in its ability to improve outcomes.
- Production frontiers – the design, delivery and cost-effectiveness of your output mix.
- Monitoring frontiers – improving your ability to recognise performance.
- Systems architecture – how the levels and functions of your agency work together.

When you think you cannot progress further, ask ‘what is stopping us?’ and ‘can we fix it?’.

Link Outputs (and Resources) to Results

13 Beware of oversimplifying complex relationships as you try and make sense of all the factors affecting your outcomes. But balance this with pragmatism. People need a sense of direction to support you in your efforts to improve outcomes. The ultimate goal of a good performance improvement system is to find and deliver the mix of outputs and resources that produces the greatest gain in outcomes. We suggest:

- Start with a clear vision of where outcomes need to change. Then think about your intervention choices. Be clear about which outcomes you want to improve for whom (or in what area). This may include setting explicit improvement goals for key groups.
- Start by confirming there are strong conceptual links between your outputs and outcomes.
- In parallel, improve the information you have on outputs and outcomes.
- Work back from your outputs and information needs to clarify your capability needs.

14 It can be difficult to describe the complex linkages between outputs to outcomes. But structured approaches such as intervention logic help you show how your main interventions enhance outcomes, and help you build a monitoring approach to confirm interventions work.

15 While other approaches are available, the methods you choose should:

- Identify where outcomes need to be improved.
- Explore different output and delivery options.
- Derive the ‘best’ mix of outputs to improve outcomes.
- Ensure services are acceptable to, and suitable for, different groups.
- Help you identify and manage significant risks.
- Show how your agency will gauge success.

16 The holy trinity of performance assessment are: measurability; attribution and timeliness. Challenges on each of these fronts need to be worked around.

- *Try to assess how much major interventions improve the ‘vital few’ outcomes (‘impact’).*
- *Performance monitoring systems* – based on logic models such as Intervention Logic – can build confidence that your interventions are working. They do this by monitoring the ‘results chain’ (the chain of results linking outputs, coverage, near-term results and intermediate outcomes to the end outcomes you want). Results may become more timely, attributable and measurable as you move down the ‘results chain’ towards outputs.
- *When impact cannot be assessed directly*, logic models and performance monitoring help build confidence that your outputs work roughly as planned.
- *Good coverage and targeting* can be as important as using great interventions.
- *Good specification and costing of outputs* will help you link resources to results.

17 Accept uncertainty. You rarely get all the feedback that you want. The aim is to get the best feedback as you can at a price that you can afford, and make the best decisions you can.

Implementation – Trial by Fire

18 Outcome orientated behaviours win hearts and minds – when they make sense. Staff must understand why things are being done, so they can work with you to boost performance. Staff must be comfortable with using outcome information, and support your learning culture.

- Working with other agencies or business units can highlight differences in outcomes and interests. Look for win-win solutions, and focus effort on common interests.
- Build a culture that protects interventions that are known to work, but that tries new ideas in an ongoing effort to outperform current ‘best practice’ interventions.
- To do this, you must assess how well current and new interventions work.
- Identify how you will monitor performance before you deliver services or make new interventions. You can then collect good information cheaply as you proceed.

19 Build a culture that insists on gathering robust performance information, and uses the best information available to make timely decisions. It is better to be roughly right than perfectly ignorant. Accept imperfection; but try and improve over time.

- Take prompt action if performance monitoring identifies delivery problems e.g. in the quantity, quality or coverage of outputs, or as disappointing near-term results.
- You must be able to replicate services that work well. Delivery matters. Ensure services are delivered to specification, changing the specification as required.

20 Good consultation and communication helps people move their focus from activity to results. But confront compliance behaviours if they become apparent. Do not let them spread.

Accountability

21 We are often asked how tightly agencies can be held accountable for outcomes. Positive incentives are most likely to encourage managers to monitor performance and report honestly.

- In New Zealand, Chief Executives were given freedom to manage in return for accountability for delivering outputs. The emphasis on delivering outputs remains. How far can we go in making managers accountable for outcomes? We can make managers accountable for what they can control. Under Managing for Outcomes, Chief Executives are accountable for:

- ✓ Identifying the major outcomes of their business.
- ✓ Identifying the best output mix using a logical process.
- ✓ Managing for improved outcomes in a manner consistent with public service values, while meeting standards of timeliness, quantity, quality, accuracy, etc.
- ✓ Collecting the best information they can on outcomes, impact and output delivery.
- ✓ Adjusting their output mix on the basis of feedback about performance.

22 These expectations can be put in place throughout the organisation. But to make people more accountable, they may need new decision-making rights. A fine line must be walked. Taking a harsh line on goals and accountability could undermine the behavioural change you seek.

23 A number of accountability decisions will need to be made as we look upwards, and apply the Managing for Outcomes principles to cross cutting initiatives and cross-agency strategies.