

What is a Results/Performance Based Delivery System?

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Summary

This presentation briefly touches upon the following considerations:

1. What does it mean to have a results-oriented system?
2. Why is this important, and what does it involve?
3. How can the EU Cohesion Policy move in this direction, distinguishing between the illusion and the reality of a results-oriented strategy and implementation?

Key message: A results oriented approach means orienting all aspects of planning and management, on outcomes rather than on process, which represents a new way of thinking and managing and that needs to be reflected in *all* aspects of management. Indicators can represent one form of support for a results-oriented system. But they have significant limitations as well as strengths, and by themselves do not constitute a results orientation.

Introduction

I would like to touch upon some of the key characteristics of a true results-based approach, and distinguish this from an inappropriate focus on indicators. I will start with a brief discussion of some of the limitations of indicators and their potential for misuse, and how these can be minimised.

Using indicators appropriately

Transocean, the deep-water drilling company primarily responsible for the explosion of the BP Deepwater Horizon oil rig in the Gulf of Mexico last year that killed a number of people and resulted in arguably the world's worst ecological disaster, and that was found by an independent investigation to have cut corners for cost-savings reasons, has recently awarded its top executives substantial bonuses, claiming in its annual report that:

“Notwithstanding the tragic loss of life in the Gulf of Mexico, we achieved an exemplary *statistical* safety record as measured by our total recordable incident rate and total potential severity rate... As measured by these standards, we recorded the best year in safety performance in our company's history.” (emphasis added)

This represents just one example of many that are well documented in the literature of how performance indicators² can be misleading. Worse, in practice they often can have the perverse effect of distorting rather than enhancing performance – a phenomenon described in the literature as goal displacement, which means working towards the indicator rather than addressing the basic need. As many of the resources listed in the Bibliography document, there are many examples of this happening, in both the public and private sectors, within Europe, and in many other countries around the world.

For example, financial incentives to reduce hospital waiting lists have resulted in some jurisdictions in people with minor needs being treated ahead of those with the need for more extensive, often life-saving, treatment. Cardiologists whose performance was assessed based upon the survival of their patients noted that this creates pressures to operate on those with less risky and less critical

needs (a practice referred to as “creaming”, something that takes place in many other domains, such as services for disadvantaged people where pressure to demonstrate results can place strong pressure to neglect those with the most challenging needs). An investigation into a mining disaster in New Zealand found that everyone was accountable for meeting their targets – but no one took responsibility for overall safety.

Dangers of misuse of performance indicators¹

- Goal displacement.
- Varying interpretations of definitions.
- Distorted or inaccurate data.
- Meaningless and irrelevant data.
- Cost shifting to other areas vs. actual cost savings.
- Critical subgroup differences are hidden.
- Do not take into account the larger context.
- Same limitations as other objective-based approaches to evaluation.
- Useless, by themselves, for making decisions (e.g. do not provide information about the reasons for given findings).
- Can result in less, rather than more, of a focus on outcomes.

¹ Table copied from Perrin, *Implementing the Vision: Addressing Challenges to Results Oriented Management and Budgeting*. OECD. 2002.

² Or “results”, or “outcome” indicators; in practice these terms tend to be used interchangeably.

Similarly, some of the indicators being considered with respect to the Cohesion Policy risk being interpreted in differing ways such that any comparisons would be meaningless, and they risk being no more meaningful than Transocean’s indicators of “safety”. For example, numbers of people “in employment” can include people in “good” well-paying steady jobs with a future, as well as others in part-time work of a few days’ duration in an abusive situation; “self employment” can include street hawkers not taking in enough revenue to cover their expenses as well as others running major hi-tech enterprises with a high level of income. These types of indicators can well result in perverse effects if there are concerns that they may be used to determine future budgets.

What does an indicator comparing the number of people “trained” in different sites *really* say? This can include those who have slept through a half-day session of dubious quality and relevancy (or count the same person multiple times for registering for many such sessions) as well as those who have completed a comprehensive six-month training programme. Is the training for a skill that is already obsolete with little opportunity of leading to sustainable employment – or can it equip a person with the skills required to be able to undertake emerging jobs, bearing in mind that close to half of the jobs that are expected to be created in the next five or so years may not even exist right now?

Indicators *can* be used appropriately when used as *indicators* (including providing macro level snapshots, such as overall indicators of a region’s or country’s economy), recognising that they can only give a limited sense of what is really going on. Indicators can be used in providing direction (e.g. “steering by the stars”), as well as representing mandatory targets or minimum standards. As the major basis for monitoring, they can be an invaluable tool for program planning and management in tracking actual progress against expectations, and in *raising* rather than answering questions, that can serve as an early warning system or identify questions that should be explored through other means such as evaluation. But even at best, they cannot provide explanation or attribution without additional information that can enable one to learn. For this, one needs evaluation. But frequently the differences between monitoring and evaluation are not fully appreciated.

Monitoring and Evaluation: A comparison of some basic characteristics	
<i>Monitoring</i>	<i>Evaluation</i>
<ul style="list-style-type: none"> • Periodic, using data routinely gathered or readily obtainable, generally internal • Assumes appropriateness of programmes, activities, objectives, indicators • Tracks progress against a small number of pre-established targets/indicators • Usually quantitative • Cannot indicate causality • Difficult to use by itself for impact assessment 	<ul style="list-style-type: none"> • Generally episodic, often external • Can question the rationale and relevance of the programme and its objectives • Can identify unintended as well as planned impacts and effects • Can address “how” and “why” questions • Can provide guidance for future directions • Can use data from different sources and from a wide variety of methods

And as the above and countless more examples that are documented in the literature illustrate, indicators have the potential to mislead and to distort programme activities away from what they *should* be doing. This is almost inevitable when *consequences* such as future funding, or even the continuation of programmes and people’s jobs, are placed upon the hitting of targets, particularly when there is a mechanical linkage. This is one of the themes that emerged from a roundtable discussion of international experts assembled

by the World Bank. And as the Harvard Business Review observed: “Corporate budgeting [the use of budget targets to determine compensation] is a joke, and everyone knows it. ... Only by severing the link between budgets and bonuses will we take away the incentive to cheat.”

Rewarding (or punishing) programmes based upon their ability to hit predetermined targets inevitably results in a mindset of justification and defensiveness rather than in openly acknowledging difficulties and asking what can be done better or differently. This is inconsistent with a results orientation.

What constitutes a true results-based system?

To be clear, I strongly support the incorporation of a results-oriented approach within the Cohesion Policy. The efforts of the Commission and of the Parliament to make the new Cohesion Policy more results oriented should be lauded. But it is important to get it right. What does a results-oriented approach *really* mean?

First and foremost, a results-oriented approach means that *all* aspects of the system, at all levels of management, support an orientation on results, which means a primary focus on benefits actually achieved rather than on process or activities undertaken. Too often, results-based *management* is confused with results-based *measurement*; much of what goes under the rubric of RBM, while usually defined in terms of results-based management is concerned mainly with questions of measurement. I have seen some of this in what has been proposed to date with respect to the new Cohesion Policy.

A recent book³, with contributions from leading auditors and evaluators from many parts of Europe and elsewhere, has identified the need to realign accountability practices for the 21st century that reflects changes in the nature of public sector management and governance. It acknowledges that traditional approaches to accountability were designed for keeping track of inputs, in particular of allotted funds that are straightforward to count, but are not so appropriate for outcomes that take place in a complex policy environment and that are inevitably influenced by a variety of factors. This book proposes an approach to accountability that encompasses the following three essential characteristics:

- A primary orientation on results rather than on process.
- A focus on continuous and responsive learning.
- A dynamic rather than a static approach that reflects the complexities and uncertainties inherent in most public policy areas.

Under the new model of accountability, programmes should be accountable for:

- Asking the difficult questions.
- Maintaining a focus on outcomes.
- Identifying problems and limitations as well as what is going well.
- Taking risks rather than playing it safe.
- Actively seeking evaluation and feedback.
- Actively challenging assumptions.
- Identifying mistakes, and how these can be rectified.
- Acting upon the implications of evaluation in some way.
- Generating learnings that can be used by others.
- Effective planning and management, including appropriate use of monitoring data.

³Bemelmans-Videc, Lonsdale, and Perrin (eds.). *Making Accountability Work: Dilemmas for Evaluation and for Audit*. (2007).

More specifically, this vision of accountability means that programmes are accountable for demonstrating that they are focused on outcomes and that they take a learning approach. Getting even more specific, programs should be accountable for demonstrating that they ask the difficult questions, that they explicitly identify problems and limitations as well as what is going well, that they have in place appropriate monitoring systems, and that they carry out evaluations looking at challenging questions and issues. They should be accountable for innovating and taking risky actions rather than simply playing it safe. This model of accountability is based upon the following principles:

- Acting *responsibly* – being trustworthy, being true to the mandate, demonstrating responsibility in taking decisions.
- Addressing the overall need or rationale for why the program is in place.
- Doing the best possible job given the circumstances, resources and constraints, consistent with the overall mandate.

I am surely not the first to observe that the Commission is frequently described as rules-bound and compliance oriented. This means a preoccupation with process, with following the rules and what is done, rather than on results and outcomes. Such a primary focus on process is inconsistent with a results orientation.⁴

Management and delivery of public services is increasingly taking place in a diffuse, complex and unpredictable policy environment. Rarely does a programme or intervention work completely independently of the interventions of other actors or the influence of other factors. For complex policy interventions, there rarely is a unilinear relationship between activities, outcomes, and impacts. A results-oriented system needs to take into account the reality that few major problems or social needs can be addressed just by a single programme, nor can they be measured by a single or limited number of indicators. Where there are simultaneous interventions and other influencing factors, it is increasingly recognised that often it would be more appropriate to speak of “contribution” rather than of “cause”. It should be evident that there are no simple solutions to problems of poverty and inequality.

How to move from a focus on process and outputs to one on outcomes

The challenge of how to move towards a true results-oriented approach, or from outputs to outcomes, was the topic of a roundtable discussion organised by the World Bank, involving officials and experts from governments around the world that have attempted to

⁴ During the follow-up discussion, formal and informal, following this presentation, an MEP and some others observed that the European Court of Auditors looks for errors in procedures, which in practice serves as a strong disincentive for innovation, responsiveness, or for a results orientation. This reinforces the importance of applying a model of accountability that is more suitable to a results orientation, such as suggested above. One commentator observed that the Court of Auditors may be following its legal remit. Perhaps the Parliament might wish to explore this and as applicable, identify what is required so that auditing practices can support rather than inhibit a results orientation.

move in this direction. Time only permits listing some of the key themes and conclusions that emerged from this session:⁵

- Recognition that a results-oriented focus represents a new way of thinking and managing, that needs to be reflected in *all* aspects of management. This should be addressed as a major change effort leading to the creation of a new results-oriented culture.
- Need for strong demonstrated, tangible and visible commitment from the top political and administrative levels, in order to provide legitimacy and priority to an outcome orientation and mobilisation of resources as required. More than the creation of rules and requirements, this requires *leadership* that provides inspiration and motivation, recognising that good performance cannot be compelled, commanded, or coerced,
- At the same time, there is the need to provide for *bottom-up* support and engagement, otherwise an outcome focus runs the risk of becoming a mere administrative exercise rather than an actual change in what is done. This recognises that partners and staff in the community who are working directly with beneficiaries often have a better idea of actual needs and what is really taking place than higher-level officials.
- Given the above, there is also a need to acknowledge that moving towards an outcome-based approach is not easy, and will not just happen. This will likely require the availability of training, assistance, and other forms of support at various levels. It is also essential to engage grassroots staff in the process in some way, in order to provide for an approach that they view as relevant and useful to them.
- Need for appropriate use of incentives of various forms. In particular, there is a need to support and reward innovation and risk taking, being careful not to punish those who try, even if initial efforts are not perfect.
- Perhaps most importantly, there is a need to be strategic, relating *all* aspects of the results-oriented approach to the strategic direction and goals. Monitoring and evaluation approaches should not be developed in a vacuum, but in response to information requirements that will be needed to inform decisions and future directions.

There is nothing revolutionary in any of what I have proposed. It is consistent with basic and well-recognised human resources principles and practices about how effective leaders can stimulate and enable others to be as effective as possible. It reflects as well as the thinking of many leading management thinkers, within Europe and elsewhere.

Need for evaluation as well as for monitoring to provide explanation

In order to support a RBM approach, and consistent also with the conclusions of the World Bank-sponsored roundtable, there is a need for evaluation at all levels, with the provision of necessary supports (including resources and assistance in developing evalua-

⁵ Discussed in Perrin (2006). *Moving from Outputs to Outcomes: Practical Advice from Governments Around the World*.

tion competencies) to make this possible⁶. As I have indicated, monitoring, which usually takes the form of the tracking of indicators, can provide an indication of progress in accordance with plans.

Evaluation, in contrast, has the potential to identify how and why policies and programme initiatives have contributed, or not, to the overall goals of the Cohesion Policy – and also to take a constructive approach in providing learning that can inform future directions. Evaluation also can consider the *continued appropriateness* of programmes and strategies as well as objectives and indicators, and also can identify unintended or unexpected consequences. To ensure that evaluation is meaningful, it needs to consider the right level of outcome at the appropriate point in the programme lifecycle, taking into account the entire results chain.

There is a wide range of potential quantitative and qualitative evaluation models and approaches, many of which can cope with the reality of the complexity of public sector management that I have just referred to, including the very real challenges that the Cohesion Policy is set up to address. Examples of potential evaluation techniques available include: contribution analysis, realist (realistic) evaluation, theory-based approach to evaluation, the Most Significant Change approach, outcome mapping, the success case method, cluster evaluation, various complexity and system-based approaches, and many others, including in some limited-situations, randomised controlled trials. Given the inherent limitations of any single method, it is recognised that it is generally best to use a variety of different methods in combination.

Conclusion

I applaud the efforts to build in a results orientation into the new Cohesion Policy. But meaningful results orientation requires more than just indicators. It requires building in results-oriented thinking, with appropriate incentives and supports, into *all* aspects of what is done.

I would be happy to discuss any of this with you in more detail, and to answer any questions that you may have. Thank you for your attention.

⁶ In this regard, it may be useful to liaise with the Community of Practice on Results Based Management (COP RBM), which is a network of Managing Authorities committed to getting more results out of the Structural Funds. See the COP website for more information: www.coprblm.eu/.

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