MOVING TOWARD OUTCOME-BASED MANAGEMENT
Derek L. Chu*
EXECUTIVE SUMMARY

INTRODUCTION

The prevailing demand for program accountability, effectiveness, efficiency, and cost savings at all levels of government, from federal down to county agencies, is driving the need for better tools to develop, implement, track, evaluate, and improve programs that provide client services to its clients. The dwindling federal, state, and local resources have created a need to use these tools to explain government programs, detail their operations, produce measurable outcomes, and justify their importance and need for continued existence. The Outcome-Based Management (OBM) system continues to be touted as one of the best tools to help government work with the community for setting goals and objectives, and establishing outcome measures.

BACKGROUND

The San Mateo County Human Services Agency successfully established an OBM system. San Mateo developed a community-based vision of goals and outcomes for its programs and services. In use for over five years, San Mateo has found the system to be an invaluable tool in aligning programs and services with its vision and mission. Using the system has helped San Mateo deflect unjust budget reduction proposals as well as make funding reallocations from poorly performing programs to more deserving ones.

FINDINGS

The development, implementation and operation of an OBM system is a long, complicated, and laborious process. Numerous findings highlight the political, cultural, and institutional change issues that surround the process. Implementing the system requires patience, persistence, and long-term support from the agency management and staff to policymakers and the community.

CONCLUSION

The potential benefits of using an Outcome-Based Management system outweigh the large resource commitment, in both time and staff, as the agency with the system is better positioned to continue to lobby for increased political and financial support for its policies, programs, and services.

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INTRODUCTION

Social service agencies, and public sector agencies in general, are faced with complex issues. Lack of good information, conflicting goals and objectives, and other problems make planning, budgeting, and management challenging. Outcome-Based Management (OBM) is an essential tool that should be used by agencies, decision-makers, stakeholders, and the public to set clear agency goals and objectives, establish meaningful outcome measures, and track, evaluate, and act to improve program services. Public sector agencies have been working to develop and implement OBM systems over the past three decades. Traditionally, public sector agencies have focused on counting outputs (number of units produced, amount of services provided) and case-disposition statistics (rejected, approved) to demonstrate service value. This traditional bean counting approach has been challenged on many fronts because focusing on outputs does not necessarily translate into outcomes. OBM systems set goals, community condition indicators, objectives, and performance indicators in order to focus on outcomes and results for clients. OBM systems then measure those results to enhance an agency's ability to provide services that effectively assist their clients. OBM can help clarify which agency may be best able to deliver needed services, what program goals should be emphasized, how they should be used, what the key elements are of successful programs which should be funded. OBM can inform agency management decisions about ways and options to allocate resources and provide and deliver services. "In a normal political process, most decision-makers never spend much time talk-

ing about the results they want from the money they spend," says former Sunnyvale City Manager, Tom Lewcock. "With this system, for the first time they understand what the money is actually buying, and they can say yes or no."[1] This case study reviews the findings on the San Mateo County Human Services Agency OBM system and discusses the actions the San Francisco Human Services Agency must take to adopt a similar OBM system.

BACKGROUND AND FINDINGS

Over the past five years, the San Mateo County Human Services Agency has been running an OBM system to track, measure, analyze, and evaluate outcome measures based on the agency's mission, goals and objectives. San Mateo's experience provided the following insights:
- Cleary define the audience and purpose of the outcome measurements. Carefully determine the customers and end-users of the OBM system. Determine what they think they need from the measurement to help them do a better job of planning, problem-solving, decision-making and governance.
- Acceptance of the OBM system is essential to its use as a performance improvement tool. Develop a process that readily involves others to determine what to measure, how to measure, and how to utilize the measures to assist employees and stakeholders to continually improve their services. The San Mateo County Manager's Office (CMO) played a significant

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1 Retrieved from www.ibiblio.org/pub/academic/political-science/Community_Idea_Net/Using-Outcome-Based-Management.

role in managing the complex process for all of the county's agencies.

- Program staff will sometimes resist outcome measurement due to perceptions of negative consequences. Measure services that will make a difference (those with large costs, large customer value, greatest consequences) and are most strategically important, not what is just easy to measure or already being measured. Measure program and section-based outputs, not individual outputs. The program or unit that produces the results should develop the measures, perform the measurements, and report the results.

- Use the adoption of OBM systems to make a commitment to service delivery by adding new and deleting old activities. Measure what employees and stakeholders can translate into direct corrective actions.

- Do not rely just on measurement. Analyze changes in actions and behaviors, communicate results, reward employee initiatives. It is the overall process, culture, and organizational structure that generate continuous improvement, not just the measurement systems.

Finally, the process to develop and implement an OBM system is complicated work, and a complete and effective system will require many years to achieve. One reason is that the information needed is often not readily available or organized well, and the resulting uncertainty can slow progress. As more and better information is generated, the OBM system will improve.

CURRENT STATUS IN SAN FRANCISCO

The San Francisco Human Services Agency (Agency) is moving towards an OBM system. The Agency over the past several years worked diligently to develop and institute its strategic planning process. The planning process has been successful in establishing the Agency's mission, goals and objectives. The Agency is currently refining its performance measures and developing outcome measures.

The San Francisco Mayor's Office recently introduced SFSTAT, a database driven management tool, modeled after Baltimore's CitiStat and New York's CompStat. SFSTAT details, tracks, and monitors performance and outcome measures of county programs and services. This tool has proven to be a valuable asset to both decision-makers in City Hall and to Agency executive and program management. The Human Services Agency, as well as other county agencies, has seized on SFSTAT as a critical tool to market program successes as well as to examine the performance and outcomes of its programs and services. Both the strategic planning process and the SFSTAT program will provide strong stepping stones in making the transition to a full OBM system.

RECOMMENDATIONS FOR SAN FRANCISCO

In order to continue to successfully compete for dwindling federal, state, and local funds, the San Francisco Human Services Agency must implement an Outcome Based Management system. The Agency must achieve the following necessary steps to adopt an OBM system:

- Ensure that its mission is clearly defined and make the necessary changes to achieve it. The Agency must maintain a mission-oriented approach. The mission must be adopted through a comprehensive process involving employees and stakeholders.

- Use an OBM system that defines the specific results the Agency will achieve to accomplish its mission.

- Focus on continual improvement. Acknowledge that achieving its mission will require long-term effort. Set interim benchmarks to guide progress and seek to consistently improve performance.
- Reach out and involve employees and stakeholders in defining the Agency's goals and outcome measures. The full involvement of employees, stakeholders and agency management is needed to develop, measure, and apply the outcome measures. Maximize meaningful participation in the process of creating and using the measures to reap the greatest changes.
- Promote the creativity of the workforce. Empower employees and Community-based Organizations (CBOs) to collaborate across programs and sections to develop new approaches that help them best meet the Agency's mission and outcomes.
- Establish clear and efficient communication systems within the Agency and between the Agency and stakeholders and clients. Measurement must be seen to have value not only as an accountability tool, but also as a valuable tool to the entire operation.
- Set clear, long-term goals and measurable objectives, so that the focus is on outcomes rather than on the means to achieve them. Coordinate and integrate the setting of goals and objectives across county agencies to ensure program services and service delivery can be maximized (e.g. in many areas, social services are not coordinated with public health or school services).

NEXT STEPS

While the development of the goals and objectives to form the foundation of the OBM system is a long and arduous process, it is the next step of allocating resources between the outcomes and goals that causes the most consternation, especially for budget managers. The difficulty lies in identifying the correct amount of resources, including personnel, contract services, and ancillary funds to be allocated between various outcomes and goals without over- or under-stating them. Goals and objectives can be set at very "rolled-up" macro- or "broken-out" micro-levels that allocating funds proportionately between them can be an almost impossible task.

Further, if funds are not allocated properly between the various services of a program, funds misallocated to a program service that is eliminated or reduced by decision-makers will be lost. The City and County of San Francisco has, since the early 1990's, been toiling with allocating budget to programs and goals and objectives. To date, no serious plan or method exists at the countywide level.

In addition to resolving resource allocation, the Agency must bring in its community partners, or CBOs, into the OBM process. Over the years, funding agencies have asked CBOs to collect information on their funded services, usually focusing on outputs such as number of clients served, meals distributed, and classes provided. The move to outcome measures and OBM requires the Agency and CBOs to work to develop outcome measures, collect data on a regular basis, analyze the information, evaluate the impact of program services, and propose service revisions and enhancements.

As the Agency spends more than a third of its budget on CBOs, professional services, and consultants, it is critical that the Agency work toward achieving the following:
- Integrate data collection on outcomes to ensure CBOs are providing relevant and non-duplicated services.
- Use data to market and improve program services.

- Provide training, technical resources, and data collection tools to the CBOs to collect and analyze data to track program results to ensure the OBM system is operated and maintained accurately and correctly.
- Use the outcome information to help CBOs improve services or else the internal and external resources expended on OBM will be wasted.
- Provide clear goals and a stable process to reduce uncertainty. Knowing what is to be achieved and having a stable process will encourage CBO buy-in, commitment, and investment in the system.
- Increase flexibility to enhance innovation and competitiveness. An Outcome-Based Management system that encourages CBOs, as well as Agency staff (those often in the best positions to decide how to achieve an outcome to develop least-cost strategies to achieve specific goals) can spur innovation and competition to provide new processes or services—possibly leading to cost savings. The budgeting process, in turn, must support this outcome.

Finally, rewards and incentives need to be established at the county level to promote good performance by agencies. The County of San Mateo allows agencies to retain and carry-forward surplus savings from the current year into the new budget year as an incentive in achieving outcome measures and for good performance. The City of Sunnyvale also rewards successful managers for good performance measures. The provision of these incentives generates pressure for ever-higher productivity. The City and County of San Francisco must adopt similar incentives for county agencies, such as the Agency, that are performing well and meeting outcome measures.

CONCLUSION

One sign of a successful OBM system is where the following questions are answered in the affirmative[2]:

- Does the decision-maker or stakeholder understand what the agency is trying to accomplish, and do they think that its goals are worthwhile?
- Is this agency actually accomplishing what it says it is trying to accomplish?
- If the agency is supported, will the resources contributed be used efficiently?
- If the answer is "No" to any of the above questions, the decision-maker or stakeholder may support some other agency or service. While the Agency is one of the leading agencies in San Francisco working on strategic planning, and performance and outcome measures, it needs to fully adopt the OBM system to ensure that the proper amount of resources are provided to the right programs and services for its clients. With an OBM system in place, the San Francisco Human Services Agency will be in the position to make the case to achieve affirmative responses to all three questions.

ACKNOWLEDGEMENTS

2 Outcome-based Evaluations In My Opinion. Stephen E. Weil. 6/97