
Management in an Outcome-Based World:

*How Outcome Measures are Changing
the Way we do Business*

Presentation Notes for Muttart Fellows

Kelly Ernst, Ph.D., C.Psych.

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Kelly Ernst, Ph.D.

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Canadian Outcomes Institute

Canada: 101, 718 – 12th Avenue S.W., Calgary, Alberta, T2R OH7

(403) 699-8802, kernst@hmrp.net

www.HMRP.net

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Introduction

When I was asked to speak to the Muttart Fellowship, I was asked if I could speak on “How outcome measures are changing the way we do business” and how will the current focus on outcomes might change the way the not-for-profit industry does business in the future. As the executive director of the Canadian Outcomes Research Institute, I am immersed in the outcome world every day, and I have thought about this topic considerably. I have read on the topic in the research world, in the service delivery world, in the management world, and in the ethics world. I have witnessed the very good impact this has had on not-for-profits. I have also witnessed the very bad impact it has had.

Often outcome monitoring is presented to agencies as the new “Night in Shining Armour” that will come and sweep us away to a higher level of accountability; everything shines about it and everything about outcomes is good. Clients will do better, agencies will get more funding, and funding accountability will substantially increase. In some cases, this might be true. However, with this presentation I would like you to be fairly warned of risks associated with outcome monitoring within the not-for-profit industry, as well as, some of the solutions that may mitigate these risks. In fact, by the end of my discussion, some of you may feel terribly uncomfortable, and others may even be scared to death. Rather than a night in shining armour, I believe we need to be realistic about outcome monitoring and we need to use outcomes thoughtfully, ethically and well. I hope that rather than being scared away from outcomes, you may find some direction for which to proceed with outcomes as a part of your management.



Use of outcome information has implications on organizational management many areas including:

- Governance
- Organizational Finance
- Accountability Systems
- Human Resource Administration
- Practitioner Management and Staff Training
- Technology Use
- Service Delivery
- Client Relationships
- Cross Agency and Multi-Agency Relationships
- The Ethics of Management

This is just a sampling of some of the areas outcomes may touch within the operations of a not-for-profit organization. It is my belief that outcomes are starting to have a profound effect on the not-for-profits industry, not-for-profit management, practitioner roles, and even the relationships we have with our clients.

In this presentation I hope to discuss how outcomes touch each of these areas and what fundamental questions Executive Directors should ask themselves with respect to managing in an outcome-based world. I will begin by reconceptualizing outcomes in a different way. Then I will present a number of management areas impacted by an outcome focus. I will present risks associated with outcomes in each area and give Executive Directors questions they can ask themselves to begin their search for answers. I will end the presentation by suggesting some fundamental values I believe are necessary to ethically use outcomes for not-for-profit management.





A Metaphor for Outcomes

True outcome monitoring will affect all aspects of your business. Outcome monitoring is not only about change for your clients, but it is also about change for your organization and the not-for-profit industry. So, rather than a night in shining armour here's a different metaphor, imagine for the moment the following...

To get the honey out of a beehive, you don't kick the beehive. Ask any kid on a playground what will happen if he or she kicks a beehive. Children will all tell you they will get stung. Outcomes behave the same way. If you kick the outcomes hive, it has the potential to sting you. So you need to be prepared for the bees that could potentially come out of the outcomes hive. In the case of outcomes within your organization, if you are not careful about kicking this beehive in your own agency, the bees will swarm, they will buzz and annoy you, they may even sting. The good news is that despite all of the swarming and stinging, eventually the bees will clam down and return to their hive, and it may even produce honey. However, to encourage the bees to return to the hive and produce honey, you will have to manage the hive extremely gently.

So what does this metaphor mean? Be forewarned that your staff and practitioners, in very many cases, will initially hate outcomes monitoring, they will in many cases buck the trend. People do not like change, and human service professionals are often no better with change than their clients. Fortunately, when presented with change, people may not initially like the change, but they eventually get over the upset the change produces. Outcomes may change their work world but they will ultimately go back to providing services, but in a different way. So if you are not careful you might get "stung" by your staff, but don't panic. Even if you move the work world from point a process orientation to point an outcome orientation, your work world will eventually calm down, and your practitioners will go back to their day to day work and hopefully produce better results with their clients.

I am not suggesting that outcome monitoring should not be used, but it should be used carefully and with considerable thought and planning. The most significant impact outcome monitoring has on organizations is that it most often introduces organizational change. Change in agency governance, accountability monitoring, human resource management, and so on.



Some practitioners argue that given that outcome-based management comes from the world of business, it is not appropriate for the human services field, thus professionals should not use it. Some have tried to argue the use of outcomes in the not-for profit industry is not desired, and even not ethical. (For alternative points of view, I would suggest some of my own work (Ernst, 2002; Charles, Ernst & Ponzetti, 2003), the readings of Peter Drucker, Edward Demming, and others.) The point of this presentation is not to outline the historical basis of outcome monitoring or whether it “should be” or “Should not be” a part of the not-for-profit industry. Instead, I would suggest that outcomes are a part of the industry. Thus, outcomes, result-based monitoring, or evidence-based practice (regardless of the name you give it) is likely here to stay. Therefore, you might as well get over the change, and get used to it. It is the executive director’s responsibility to learn how to use outcomes well, and learn to govern, management, and account for your agency in a different way.

What are Outcomes: Some Basic information All Executive Directors Should Know

To understand the full implications that outcomes have on the industry it is important to understand two basic concepts.

Outcome Definitions. The first concept is that outcomes are typically defined as “client change.” This is well established in the literature on outcome monitoring. Change in knowledge, behaviour, feelings, and client situation is a fundamental element of outcome monitoring. It is assumed that client change occurs because of your interventions. This implies that interventions help in the change process. Client states before intervention change in comparison to client states after service interventions (pre to post change) differ and they differ in comparison to their own development due to the benefit of your interventions. This requires pre to post outcome data collection to truly determine service outcomes.

The Null Hypothesis. The second major point to understand about outcomes relates to outcome analysis or the determination of whether or not change has actually occurred. From a research standpoint, you must approach the determination of the difference between your pre and your post data as initially having no difference. If you assume your services achieve great success, and you know this is the case, prior to collecting any evidence on



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your outcomes, then what would be the purpose for collecting outcome information?

If you remember from your university and college research classes, the null hypothesis of any study is always that the groups you are comparing always have no differences; outcome evaluation is not different. Pre to post comparisons means that we must always assume there is no difference, or no change. No positive outcome occurs unless presented with good evidence to reject this hypothesis. This is a scary assumption. It means we must assume all human services do not work, unless we have good evidence to suggest otherwise.

Think about this for a moment...has it sunk in yet? This has huge implications for how not-for-profits manage, on what type of data not-for-profits collect, about how funders approach outcomes, and so on. This is not the typical approach to outcome monitoring, but it is an approach that is required if outcomes are to be used well.

Let me summarize these concepts:

- Outcomes are client change oriented; and
- Outcomes are assumed not to occur, unless there is evidence to reject this hypothesis.

This turns current management thinking on its end; very often we assume our own agencies offer incredibly positive services unless problems indicate otherwise. In research, the opposite assumption is actually made: outcomes are assumed not to occur, unless there is evidence to reject this hypothesis. I hope I just kicked a few hives; this was my intent. Now I have some questions for you. Given the assumption of the Null Hypothesis:

- Is it ethically responsible to fund agencies that do not work, that have no positive effect or impact?
- Is it ethically responsible to operate your own programs that do not work, that have no positive effect or impact?
- Is it ethically responsible to have no idea or no evidence to suggest that the hypothesis that your own programs and services do not work cannot be rejected?

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I am not suggesting that all services are bad. I'm suggesting that until evidence accumulates, Executive Directors cannot assume their services are effective and Executive Directors cannot know the degree of their effectiveness without evidence. Responsible management means that the not-for-profit industry minimally needs outcome data to ensure the null hypothesis can be challenged.

Governance and Outcomes

So what does this mean for organizational management? Fundamentally it means that Executive Directors have a responsibility to know what services are working and what services are not working.

Very often boards and Executive Directors are expected to evaluate performance. Read any literature on responsible governance and evaluation of performance is front and centre. However, when we think of governance we do not always think of performance meaning the monitoring of client change. Performance is associated with Executive Directors performance, staff performance, delivering sessions and workshops, and the reach services have into communities.

In the outcome world, performance has a different meaning and boards should assume there is significant risk in not knowing the efficacy of their services. Boards should not assume agencies provide good service, they make an impact, or that agencies change any clients at all. It means that boards must include performance as not just monitoring staff performance, but also monitoring client change associated with their services. You must assume that your agency does not have an impact unless you have good evidence to suggest otherwise.

As funders become aware that the idea of the null hypothesis exists, then as we go forward, it will become increasingly risky for agencies to operate without evidence. Very good evidence is required to suggest that agencies do indeed have an impact. Boards need to get this information, ask for it, and review it. I would argue that they have an ethical and legal duty to know the true outcomes of their services. This also means that Executive Directors and Boards need to know where their services **do not** have an effect, where the problems are, and where positive outcomes with their clients **do occur**.

It means you must have systems in place in your organizations to plan for outcomes, collect outcome information, analyze the data and act upon

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outcome information. For many organizations these types of systems are very new and requires considerable organizational change. It also means that organizations need systems in place to document corrective actions and re-evaluate service to determine the effect of the improved services.

Finance and Outcomes

The financial basis of most not-for-profit organizations is relationship they have with funders. Out of these relationships come contracts with funders: government, foundations, donors, and clients. There is significant risk for not-for-profit organizations that if funders begin to realize that services may actually have little or not effect on client and community change, then funding and contracts will be lost.

Organizations may act in mysterious ways to assure existing funding and secure new sources. Pressure to secure contracts based upon outcome results may push agency personnel to skew data results or fudge data sets to create nonexistent outcomes, thus produce results in interesting ways to maximize the perception of positive effect. In a perfect world this does not occur. However, I have seen a number of examples that under the pressure of funders' requests for outcome information, agency personnel were compelled to produce information to present their agency services in the best possible light. It rarely occurs overtly. More often when data massaging occurs, it occurs by good people, with the best of intentions, who unintentionally manipulate their data.

When funders base their decisions based upon evidence of achievement, it is commonly called, performance based contracting. In the scenario the services achieve poor results funders may not come forward with financial support. In the scenario that funders discover manipulation to hide poor results, funders may also overlook financial support. Even clients when faced with the knowledge that a service does not produce results, will go elsewhere. Clients will go to services they believe have an impact, even when the service results truly produce nothing. Thus, massaged, manipulated and fudged results may get clients and funders in the door, when the benefits do not actually occur.

I am not suggesting that the not-for-profit industry should embrace data massaging; in fact I'm suggesting this is not an ethical approach. I am giving an argument that it is very easy for agencies to present data in a massaged way, without even knowing it, especially in the context of performance-based contracting that is implemented with little thoughtful control. Thus, it is

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responsible for you, within the relationships you have with your funders, to ensure that presentation of the good, as well as the bad, outcome is possible. Funders need to be educated about the value of an improvement focus and that you learn from the evidence presented at you. Funders need to have the courage to stick to a long-term perspective to ensure they are getting accurate data, so that they can see trends developing, while giving services time to implement corrective processes, and ensure that services are not punished for informing them of community needs prior to ethical implementation of workable solutions.

Accountability Systems and Outcomes

Accountability systems within your organization may need to change. You very likely have a financial accountability system. You likely have financial policies, budgets, software, and review procedures. You change the operations of the budget when you find things are not the way you hoped. Outcomes are not different; you will be required to change your services when outcome data suggests your services could improve. When your budget suggests you are operating in a deficit, you change your operations to be managed within your budget. When your outcomes suggest you operate without effect (think of this as an outcomes deficit), then you should change your operations to increase your service effectiveness. This is the basis of an improvement focus.

Living in an outcome management environment requires that organizations to develop: quality improvement policies and processes, outcome policies, a data collection system, and established review procedures. Like a budget printout, agencies need standardized outcome reports that can be regularly produced so that you can act upon the results and improve your organization. It becomes just as an import operation as monitoring your budget.

This may also mean that the principles by which you operate your services may need to change. A quality improvement focus requires organizations that are flexible, open to learning, and open to change. Outcomes are fundamentally client focused and embrace a consumer orientation. Together these principles drive a different organizational mindset. In some scenarios, longer well established practitioners and some larger more bureaucratically oriented organizations may have difficulty, at least initially, embracing these philosophical values.

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Once these principles are established within an organization then processes need to be established to encourage data collection. Often data is collected in a continuous fashion only when driven by funders, accrediting bodies, executive directives, or other external factors to an organization. The most fundamental reasons for using a continuous improvement accountability system is to help improve the lives of the clients who you serve. If this value can be instilled into the organization prior to the threat from external sources then the problems associated with externally driven data collection are potentially avoided.

Human Resource Administration and Outcomes

To get data, organizations need to get their employees to collect outcome data and information. In psychology and social work, the research-practitioner model is often quoted – at least in universities. When it comes to actual practice, very often practitioners view their role as practice only. Research is for the expert. The outcome world changes these roles. It means that practitioners need to provide services with outcome monitoring as a part of their role. This means that while practitioners conduct their practice, they also have a responsibility to simultaneously collect outcome information. Traditional practice and outcomes are combined to provide an outcome oriented work place.

The role of the program evaluation or research expert may also need to change. Their role may change to act as teachers and consultants to ensure practitioners are able to continually collect outcomes. Experts do not necessarily need to collect the outcomes themselves. Experts may better serve agencies as teachers and auditors of services.

Training systems also need to change to accommodate a new way for conducting services. Some academic programs are beginning to realize this reality and are beginning to offer program evaluation courses and institutes to help bring current professionals up to speed and to embed program evaluation as a core component of curriculum. In the same way, agencies need to be including outcome training in pre-service and/or ongoing in-service training. Once you decide upon a system, then outcome systems need to be used with great consistency to ensure data collection is conducted as reliably as possible. Ongoing outcome training is likely required to address staff turnover and to continually remind staff how to reliably use the instruments you have adopted.

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Supervision systems may also need to change. Supervisors need to ensure that staff not only deliver but also monitor those services to ensure outcomes can be determined. Some practitioners are going as far as monitoring their case loads to determine outcome associated with their personal work. Such activities mean that supervisors and practitioners need to know outcome language, concepts, and technology. To facilitate this new way of doing things, it may mean practitioners acquire new knowledge and skills in not only outcome monitoring, but also in computer literacy.

Changing supervision systems also means developing personnel involvement in quality improvement. If employees are collecting outcome data, then it is to keep the data flow valuable, a quality improvement system, along with its associated policies, procedures, etc. need to be developed so that data is used by the practitioners for improvement purposes. In this way staff, supervisors and executive management can begin to see the value of outcome data collection and analyses. A quality improvement system that gives information back to only management will likely have little impact on the front line of service delivery.

Service Design, Client Relationships, and Outcomes

Improvement implies that organizations are flexible and able to change their service delivery over time. Use of outcomes implies that services are oriented toward clients, and client change can be identified. Most services also do not as a practice describe to their clients what change clients should expect after receiving services. Most agencies cannot describe how they might change their services if they knew they were not producing client change, indeed some agencies would not change their services. However, if pressed by a funder requesting either points of information, the funder would receive a response from most organizations about what outcomes clients would expect, and about how they might improve if the organization was not meeting these expectations.

The data resulting from the use of outcome management can act as baseline information both for setting client expectations about client change, and for establishing ideals that organizations can attempt to meet. However, knowing these ideals and wide dissemination of these ideals may change the relationship not-for-profits have with their clients. Once clients learn that change within specific areas for various types of services can be met, then clients may approach services with these expectations. They may even ask for

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change in specific areas within specific timeframes. As this begins to occur, organizations need to be prepared to respond to client requests.

The knowledge that clients can expect change, may transform the power dynamics between the client and service provider. In some scenarios, it places the client in as powerful a position as a funder. Clients armed with the knowledge of their experience contrasted with their expectation about what services should achieve have the power to make or break the reputation of many services. If organizations are not on top of what the ideals and expectations about change for their service types are, then they may place themselves in awkward scenarios where clients have greater knowledge about service outcomes than the provider.

In some cases, client expectations may be unrealistic. In this scenario the provider then has the task to re-educate the client, but re-education with appropriate and accurate information. Thus, for agencies to be one step ahead of their client base, it may be necessary for agencies to not only know the best practice information in their area, but also know the specific outcomes being achieved within their organization.

Outcome information in this context is extremely important. It informs both practitioners and the client what results are possible. When outcome information suggests positive achievement, little risk and great opportunity occurs. When outcome information suggests results are not being achieved, and clients experience and are aware of this fact, then there is some risk to an organization. When practitioners have less knowledge about either scenario than their clients, especially the scenario that the organization does not achieve positive results, then considerable risk exists. Thus it is extremely prudent to know when outcome data suggests positive results and even more important to know when outcome data suggests services have negative results. I often use the catch phrase “Good data is Great, but Bad data is Better” to help people remember this point.

When organizations begin to understand that their services do not achieve the results they expect, then it is the “bad” data that will tell Executive Directors where to improve. The paradox about outcome information is that it is the data showing poor results has the greatest power to influence change and improvement within organizations and the not-for-profit industry. It is also knowledge about “bad” data that gives clients, funders, and competitors the greatest power over their organizational interests and is a method to mitigate risks associated with poor outcomes.

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Multi Agency Relationships and Outcomes

The image of an organization associated with poor results is one of the clearest ways to begin thinking about how agencies may use outcome information within a multi-agency competitive environment. How would your competitors use outcome data if they were armed with “bad” data about your organization? How would your funders use such data? The presence and absence of positive and negative outcome data may change the way in which you relate to your colleagues and funders.

Agencies are increasingly working in competitive environments and under funder’s requests to competitively apply for a limited funding pool. Outcome data is increasingly used to support applications. The risk of abuse in this situation is exceedingly high. The absence of outcome information may place organizations at a disadvantage when asked by funders to submit histories of outcome information. The outcome history that includes poor results may place organizations at an even greater disadvantage. We all know this.

What is not known is, how often agency executive directors use outcome data to place their organizations at a strategic advantage over other organizations? Less known is, how often agencies create the façade of outcome achievement to place themselves at a greater advantage over others? I am not arguing that this is commonplace. However, I have witnessed a number of scenarios where this has already occurred. Outcomes have the potential to be used as competitive armoury and there is little our ethical codes, professional associations, and funders demand of us to impede the use of outcome information for self and organizational interest.

If the primary use of outcome information is for organizational-interest, then the public-interest for outcome information in the not-for-profit and charitable sector erodes. As outcome information is increasingly used for performance-based contracting, then the need for agencies to set guidelines regarding how to use outcome information increases. This increases the need for agencies not to operate competitively, but to operate in a united manner to ensure the public interest associated with outcome monitoring remains accentuated. The not-for-profit industry needs to demand that ethical codes, professional associations, and funders demand to see guidelines regarding how outcome data should be handled and how the industry makes decisions about both “good” and “bad” outcome data.

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The not-for-profit industry has a choice to make. Executive directors can use outcome information for competitive advantage and self-interest or the same executive directors can lead by example to use outcome information for the best interests of the public they serve. Funders, educators, and professional bodies need to be educated about how to ask for both the good data, as well as for the bad data; for the improvement plans; and for the community informational and outcome trends across agencies. It is the executive directors and practitioners leading by example that will push the industry toward use of outcome data for public interest. Unfortunately, it is also the executive directors and practitioners leading by example to reinforce the use of information for proprietary and self-interest.

Conclusion: The Ethics of Management and Outcomes

The not-for-profit charitable and human services industry is faced with a fundamental dilemma. Executive directors are under increasing pressure to use outcome information for organizational or proprietary interest. Yet their agencies exist in an industry established for public interest. Executive directors need to make a decision about how the industry will be lead. So, I now take you back to my original questions:

- Is it ethically responsible to fund agencies that do not work, that have no positive effect or impact?
- Is it ethically responsible to operate your own programs that do not work, that have no positive effect or impact?
- Is it ethically responsible to have no idea or no evidence to suggest that the hypothesis that your own programs and services do not work cannot be rejected?

I would now like to consider the following questions:

- If you do not have a true sample of your outcome data to present, is it ethical to present single good anecdotal testimonial?
- Is it ethical to cream data or massage results to make your services appear in its best light?

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- In the case of competition between agencies, does proprietary interest take precedence over the needs and interests of your clients?

Some of the answers to these questions are clear, but some are not. I am not going to end the presentation by giving you answers to each question. However, I would like to suggest that the answer to these questions and to how to manage your organization within an outcome context can be found within an ethical context. If this industry is truly committed to serving the public interest, then proprietary interest should not be the driving factor behind the outcome movement. Some may argue that it may have started this way, but regardless, it cannot continue this way. If the not-for-profit industry begins to act in solely proprietary ways, then at some point, someone will ask, why have a not-for-profit charitable sector at all?

It is time to push back. I challenge you not to abandon outcomes, but instead embrace outcomes with the public interest in mind. Management in an outcome-based world ultimately means that data streams forward to executive directors to make decisions that are in the best interests of the clients they serve. Executive directors can start to use their data for educational purposes. They can use their experiences to push for information handling guidelines within their communities. They can use data in groups to establish community trends and issue statements. They can use outcome data to give evidence for promising ways to conduct good work.

This requires a certain amount of courage to change the way we do business: change in the way we govern, change in the way we account to the public, change in the way we operate services, change in what we expect from employees; and change in how we relate to our funders and colleagues. Fundamentally we must solidify the values that drive the not-for-profit and charitable industry and establish where proprietary interest fits within this field, where it fits within our professional associations, where it fits within our ethical guidelines, and where it fits within day-to-day work behaviour.





Suggested Readings

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