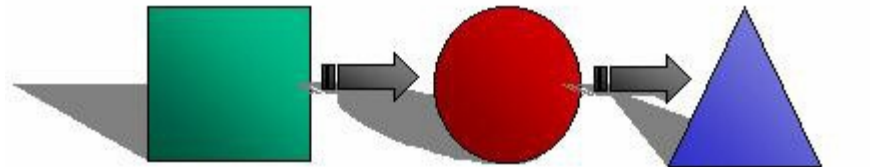


## Focusing On Inputs, Outputs and Outcomes



Are the International Approaches to Performance  
Management So Different?

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January 1999

*"... performance information should contain clear and concrete performance expectations with a focus on outcome-results."*

1997 Report of the Auditor General of Canada, Chapter 5: Reporting Performance in the Expenditure Management System, Appendix B, p 5-42.

*"We are changing what we measure - we are moving from monitoring inputs and tracking outcomes to focusing on the outputs required to achieve the outcomes desired by Government."*

Dr. Peter Boxall

Secretary of the Department of Finance and Administration, Australian Public Service

Notes from a Speech: Managing the Financial Performance of Government

Australian Society of Certified Practising Accountants: National Public Sector Accountants Conference

21 October 1997, Sydney, Australia

*"The [Government Performance and] Review Act seeks to improve the management of federal programs by shifting the focus of decision making from staffing and activity levels to the results of federal programs."*

The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans

United States General Accounting Office, April 1998, page 1

So just where *should* public managers focus? From the quotes above, you might think that Canada, Australia, and the United States each pay attention to different aspects of public enterprise and program performance. Add into the mix the requirements for implementation of accrual-based accounting, "Government-Wide Indicators" and a "balanced scorecard"<sup>(1)</sup> and one can rapidly see a public manager's vision getting distinctly *out-of-focus*.

Is it any wonder that managers sign up in droves for training in performance measurement? Unfortunately, they often take courses only to hear general platitudes and self-evident truisms from (so-called) experts. In many instances, the 'cases' presented provide only a vague relevance to their own situations -- leaving participants just as confused when they leave as when they came.

Joseph Wholey, currently of the US General Accounting Office and long-time program evaluator, sees the problem as one of defining the term 'performance'.

"Performance" is not an objective reality out there waiting to be measured and evaluated. "Performance" is socially constructed reality (Berger, P.L., and Luckmann, T. The Social Construction of Reality. Garden City, N.Y.: Doubleday, 1966). "Performance" exists in people's hearts and minds if it exists anywhere at all.

"Performance" may include resource *inputs*; in particular, dollars and staff time. "Performance" may include *outputs*; products and services delivered to partners, clients, or the public. "Performance" may include *intermediate outcomes* such as client satisfaction, actions taken by other levels of government, or actions by those in the private sector (for example, to control pollution).

"Performance" may include *end outcomes* or impacts such as changes in environmental quality or changes in health status. "Performance" may include *unintended outcomes* such as costs incurred by firms and individuals as they respond to environmental programs. "Performance" may include *net impacts*: what difference a program has made.<sup>(2)</sup>

So performance can include any and all of these perspectives. What is a manager to do?

In fact there is hope. A review of recent international guidance and practice suggests that international approaches have more in common than they might seem.

The common ground is a logic model. The logic model is a diagram explaining the flow from inputs, activities, or processes to outputs, shorter-term and longer-term outcomes or impacts.

The model helps analysts and managers alike to articulate the cause-effect theory of a program or service, as well as the roles and relationships implied by delivery. When distilled to its essence, a logic model should answer the questions WHY an initiative exists, WHAT short and intermediate term outcomes are expected to result from the initiative, WHO is reached, and HOW, through activities and outputs, the initiative is delivered.

Canada's Office of the Auditor General offers one version of the logic model in its 1997 Report of the Auditor General of Canada as follows in **Figure 1** below:

**Figure 1**

<b>What is Performance?</b> <sup>(2)</sup>	<b>Activities</b>  (how the department carries out its work)		<b>Examples:</b>  negotiating, consulting, inspecting, drafting legislation
		↓	
		<b>Outputs</b>  (goods and services produced by the program)	<b>Examples:</b>  checks delivered, advice given, people processed, information provided, reports produced
		↓	
		<b>Intermediate Outcomes</b>  (the benefits and changes resulting from the outputs)	<b>Examples:</b>  satisfied users, jobs found, equitable treatment, illegal entries stopped, better decisions made
		↓	
	<b>Ultimate Outcomes</b>  (the final or long-term consequences)	<b>Examples:</b>  environment improved, stronger economy, safe streets. energy saved	

Australian guidance in the 1998 document named, "How to Measure Outputs" also advocates a logic model approach. While starting with outputs and their attributes of price, timeliness, and quantity, the approach also refers to 'quality' and 'contribution to outcome' which provide for a logical connection between outputs and outcomes. See **Figure 2**.

**Figure 2: Identifying Output 101 - Community Housing<sup>(4)</sup>**

**High Level Outcome**

In this hypothetical example ATSIC has agreed with its Minister and Board that one high outcome for ATSIC is:

*The Indigenous peoples of Australia share fairly in the nation's wealth and opportunities*

**Intermediate Level Outcomes**

To assist in communicating clearly to Parliament and the public, ATSIC has identified a range of intermediate outcomes that contribute to the high level outcome.

The outcome used in this example is:

*Supplement the efforts of other agencies to ensure that Indigenous peoples achieve equitable access to housing.*

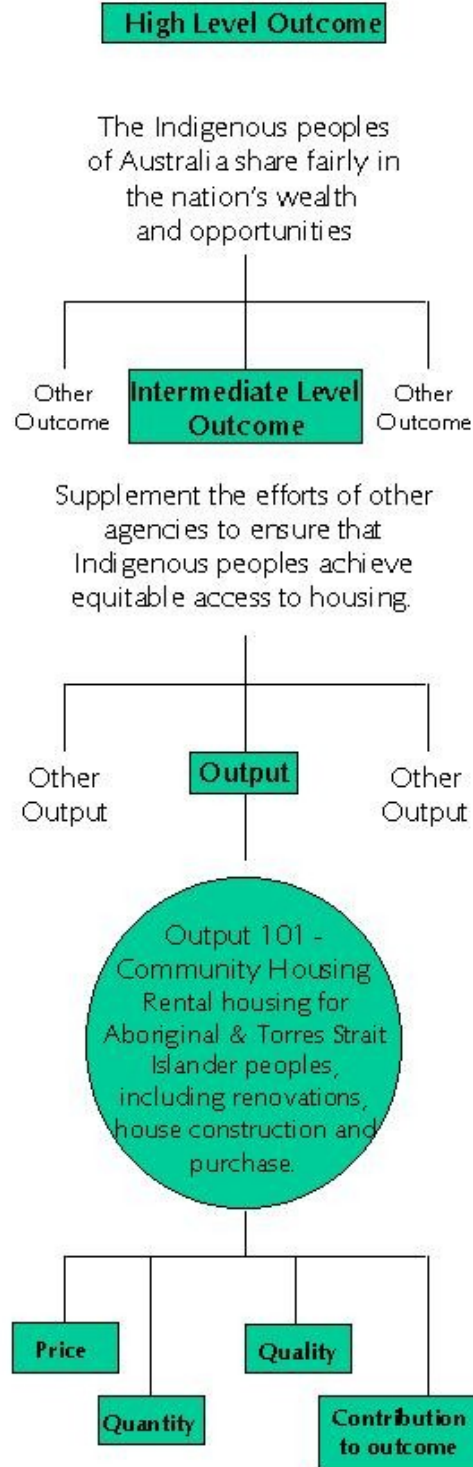
**Outputs**

ATSIC has identified a strategy involving a range of outputs that will contribute to achieving this outcome.

The output used in this example is:

**Output 101 - Community Housing**  
*Rental housing for Aboriginal & Torres Strait Islander peoples, including renovations, house construction and purchase.*

**The task for ATSIC is to identify suitable measures of price, quality, quantity, and the contribution of output to outcome.**



Recent iterations of the logic model have included the concept of 'reach' or the users and stakeholders involved in the delivery of a program, service, or initiative. Along with the concept of reach there has been the recognition that a logic flow will have a 'hierarchy' of outputs and especially outcomes. In Canada, the Management Committee on Industry Portfolio - Science and Technology Evaluation Sub-Committee has advocated a 'performance framework' approach.

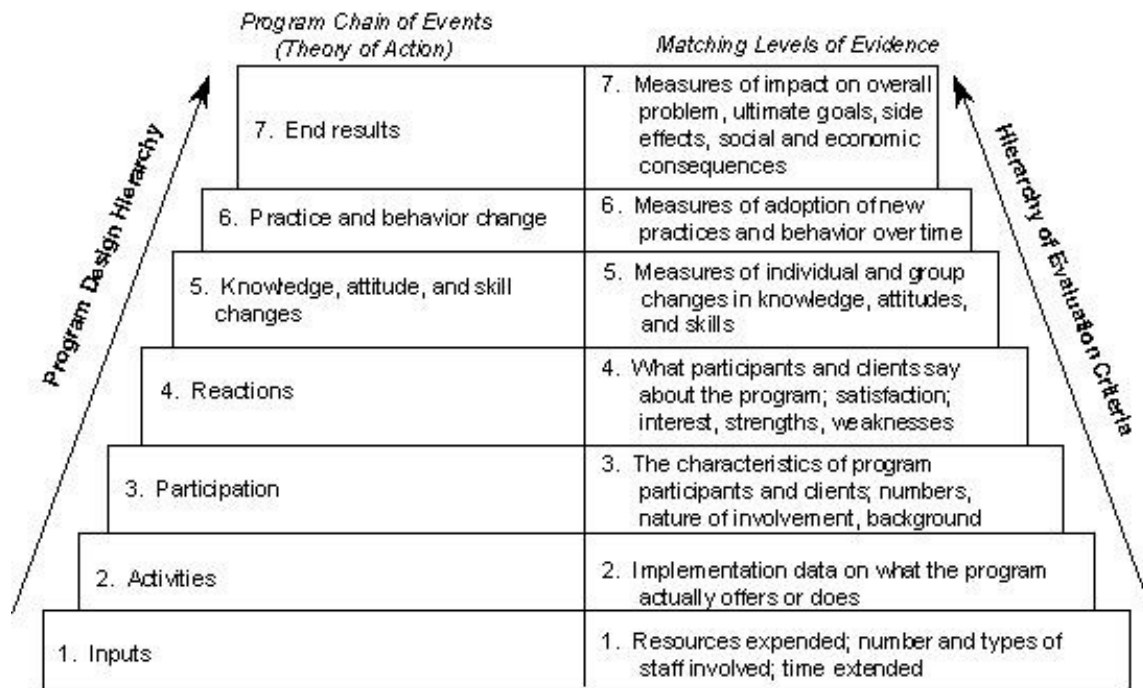
Conceptually, resources (staff and operating funds) are used to perform activities and create outputs. This is **HOW** one goes about achieving objectives. These activities and outputs reach a target user group either directly or with the aid of co-delivery partners and stakeholders. This is **WHO** is affected by the activities and outputs. As a result of the activities and outputs, the target client group behaves differently, and immediate outcomes occur. This is **WHAT** happens. Over the longer term, the changed behavior leads to more extensive and consequential impacts, which if the program is performing well, can be causally linked to program objectives. This responds to **WHY**. Sources of information to measure program performance can then be identified, and performance indicators developed in terms of these themes for any given program or organization. See **Figure 3**.

<b>Figure 3: Performance Framework</b>				
<b>Mission Statement:</b> Who does what to whom and why.				
<b>HOW? (Resources)</b>		<b>WHO? WHERE? (Reach)</b>	<b>WHAT do we want? WHY? (Results)</b>	
<b>Activities</b>	<b>Outputs</b>	<b>Reach</b>	<b>Direct Outcomes</b>	<b>Ultimate Impacts</b>
Program/service management	Communications - plans / directives / regulations	Primary target (clients)	Client service: - addresses needs	Target group outcomes
Client management	- internal communications - promotion	Co-delivery agents	- meets / exceeds expectations	Supplier / industry/ regional outcomes
Policy & issue management	- info transfer - consultations - meetings - 'events'	Other 'stakeholders'	- services satisfaction	Economic / societal outcomes
Financial management	Service outputs		Behavioural influence - awareness	
Human resource management			- understanding - knowledge gain	
Asset management			- attitude / perception - decision - action	
<b>Influencing Factors</b>				

Source: Steve Montague, *The Three Rs of Performance: Core Concepts for Planning, Measurement and Management*, Performance Management Network Inc., 1997, Ottawa, Ontario, Canada, p. 168.

US evaluator Michael Patton, in a recent version of his seminal text, Utilization-Focused Evaluation: The New Century Text, draws on a logic model two decades old to illustrate both reach and a hierarchy of outcomes. **Figure 4** below displays the approach.

**Figure 4**

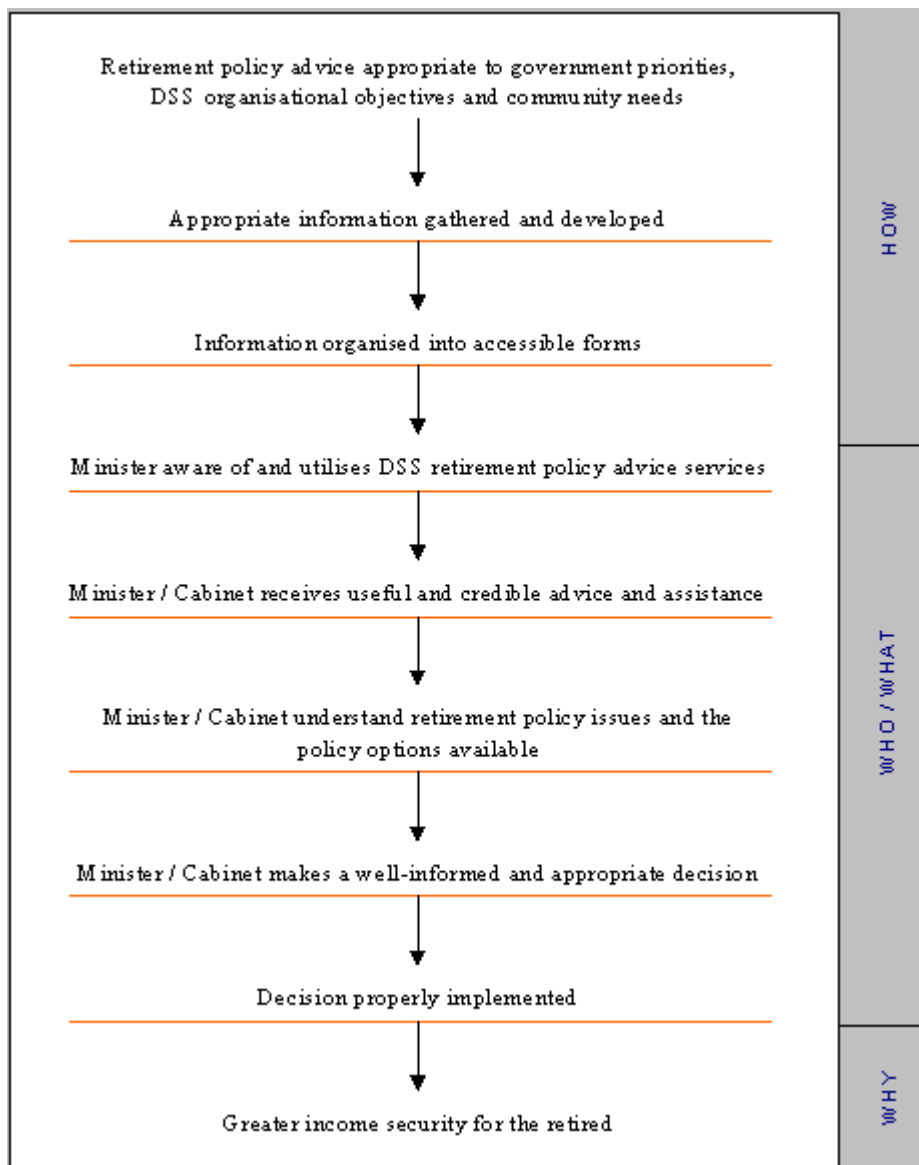


Source: Adapted from Claude Bennett 1979. Taken from Michael Quinn Patton, Utilization-Focused Evaluation: The New Century Text, Edition 3, Thousand Oaks, California, 1997, p 235.

Note hierarchy items 1 and 2 relate to HOW, item 3 relates to WHO, items 4 through 6 relate to WHAT, and item 7 relates to WHY.

Finally, in their excellent 1998 guidebook, Specifying Outcomes and Outputs, the Australian Federal Public Service provides a number of examples of output-outcome hierarchies - even for the difficult area of policy. **Figure 5** below shows one such chain for retirement policy advice.

**Figure 5: Outcomes Hierarchy for Retirement Policy Advice**



Source: Taken from Department of Finance and Administration, Specifying Outcomes and Outputs: Implementing the Commonwealth's Accrual-based Outcomes and Outputs Framework, Commonwealth of Australia 1998, p 82.

*[Note the description of both **who** was involved in the outcome as well as **what** outcome was to be achieved.]*

In summary, a careful review of international practice suggests that the underlying ethos of the Canadian, Australian, and American systems is not so different after all. The approaches boil down to articulating a logical flow of desired events. The models describe the use of resources in terms of activities and outputs flowing to reach targeted users and stakeholders, resulting in a hierarchy of expected outcomes. The hierarchy starts with reactions and behavior changes in individuals and

groups, leading to broader benefits and impacts at the community and societal level. Whether it is top-to-bottom, bottom-to-top or left-to-right--the logic flow is the same.

Upon reflection, it appears that the admonitions to 'focus' on outputs or outcomes or 'key results' are misguided. The point is really to focus on the relationships, flows and trade-offs **among** these different components of performance. Public administrators across Western democracies will only improve management<sup>(5)</sup> once they take in the bigger picture-- guided by some form of logic model-- before setting out to focus on specific measurement areas. Under the surface, Canadian, Australian and U.S. approaches all promote the understanding of program logic before measurement. The recognition of logic before measurement will be a key element in the future success of performance management initiatives in these countries.

## Endnotes

1. The Working Group on Implementation of the Government Performance and Results Act recently described the concept as follows: The Scorecard looks at performance from four perspectives rather than from a single, traditional bottom line measure. Kaplan and Norton recognized that performance is not one-dimensional, that there are multiple contributors that were categorized as:

- customer perspective - the focus on customer needs and satisfaction;
- internal business perspective - the focus is on the effectiveness of key internal processes;
- learning and growth perspective - the focus is on how the organization invests in and supports its human resources;
- financial perspective - the focus is on the bottom line results achieved.

2. Joseph S. Wholey, "Clarifying Goals, Reporting Results," Progress and Future Directions in Evaluation, Jossey-Bass Publishers, San Francisco, Number 76, Winter 1997, p 97.

3. "Chapter 5: Reporting Performance in the Expenditure Management System," The Report of the Auditor General of Canada, April 1997, Exhibit 5.1.

4. How to Measure Outputs, Department of Finance and Administration, Commonwealth of Australia, 1998, p 4.

5. 'Management' has been defined by Drucker as the allocation of resources to achieve results. Thus understanding management requires an understanding of relationships and cause-effect flows.

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