

Results Based Management

Introduction to Results Based
Management

Objectives

To introduce the **key concepts** the RBM system to interested public sector agencies

To demonstrate how RBM simplifies the adoption of **the sector-wide approach** to donor aid coordination

To introduce **the diagnostic approach to capacity building for RBM and SWAp**

To assist attending agencies **develop a strategy** to implement RBM in their respective organizations, and **identify the resources** they will need to help them.

Three Key Concepts of the Workshop

- What is **Results Based Management (RBM)**?
- How does **RBM** fit with **Sector-Wide Approach (SWAp)**?
- What is a **Diagnostic Approach** to Capacity Building?
- What are the linkages between these concepts?

Origins of Results Based Management?

- Began with Peter Drucker and MBO in 60s
- Evolved into the Logical Framework for the Public Sector in 70s
- Adopted vigorously by UK and New Zealand in 80s and USA and OECD countries in 90s
- Formally became one aspect of New Public Management in 90s
- Is now being adopted to direct and justify increased development aid.

What is Results Based Management

- Focuses the public sector agency on tangible results to be delivered
- Clarifies Clients and Mandate of Organization
- Promotes Benchmarking and Performance Analysis
- It emphasizes value-for-money
- It moves agencies away from budget-driven operations

Why Results Based Management?

- The public want better services
- Politicians want to be re-elected
- MOF wants more effective resource allocation
- Private sector seeks improved infrastructure and services
- Donors want efficiency and effectiveness of aid
- The public sector agency wants to perform more efficiently and effectively

Public Sector Organization Performance

- Level of Development of Country is often equated with the efficiency and effectiveness of its public sector organizations.
- Thus, building public sector capacity and performance has become key objective in development.

Starting Point is *Performance/Results*

- Why does this organization exist?
- What would be lost if it did not exist?
- Who does it serve?
- What is it supposed to deliver for them?

Public Sector Performance (Results) often difficult to measure

- Accessing public sector organization performance is not as easy as in the private sector
- Yet, to improve performance, measurement is essential
- “If you can’t measure it you can’t manage it”

Alternative Approaches to Managing Performance

Management by Inputs/Activities

- Success is measured by expenditure and/or extent of activity.

(How much did we spend on this workshop?)

Alternative Approaches to Managing Performance

Management by Outputs

- Success is measured by the extent of goods/services delivered and the ratio of inputs to outputs.

(- *How many workshops organized?*
- *How many officials attended?*)

Alternative Approaches to Managing Performance

- Success is measured by effects/impacts achieved, and their sustainability.

(What were the concrete agreements arrived at?

- After six months: Have these been fulfilled?
- Is the quality of Performance Management improving?)

Recent Approaches to Performance (Results) Management

- Input - Output - Outcome Indicators
- Client Satisfaction Surveys
- Balanced Scorecard Approach

Key RBM Concepts

Inputs

_____ _____ _____ _____

Outputs

Outcomes

Activities

Key RBM Concepts

Input / Activities = Used to Produce Outputs

Outputs = Produce or Service Delivered

Outcome = Result or Effect or Impact of the Output

KRA = Operating Areas in which outputs have to be delivered

Outputs / Outcomes

- **Outputs** are generally under direct control of agency
- **Outcomes** are not under complete control
 - are subject to numerous other influences
 - only surface over time
 - hence, attribution becomes an issue

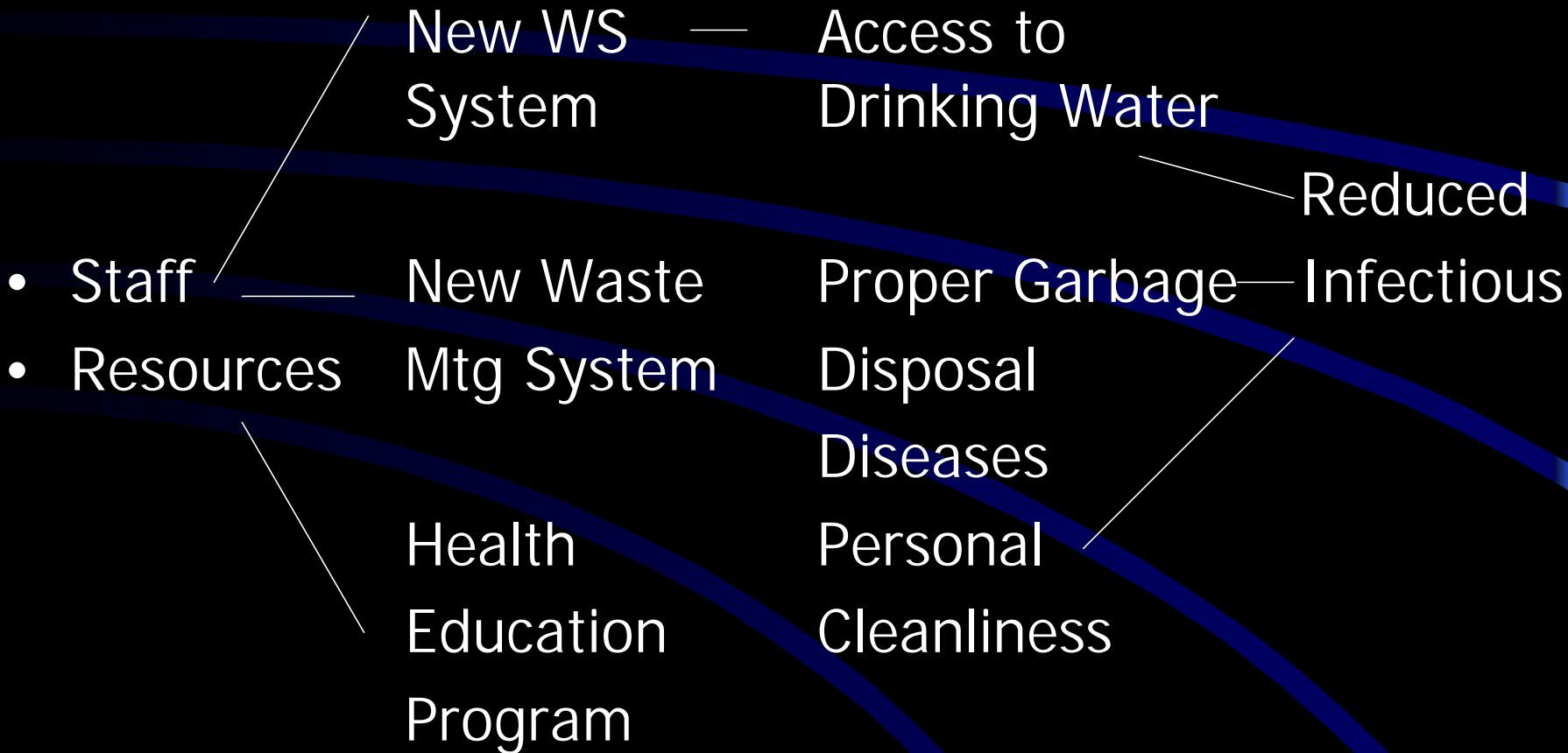
Intermediate Final

Inputs

Outputs

Outcomes

Outcomes



Public Sector Performance

- At a National Level

- At a Sector Level

- At an Institution Level

- At a Project Level

Client Satisfaction - The Report

- Covers Essential Services
- Focus on Processes, Outputs, Outcomes
- Uses Sample Surveys
- Services covered: telephones, electricity water, health, postal services, public transport

The Agency Performance Report

- Develop the Performance Report before the public force it on you
- Use it to demonstrate your agency's impact
- Leverage it as a tool to obtain increased budget appropriation

Composite Result Indicators

- **Effectiveness**

Ratio of inputs to outcomes achieved

- **Equity**

Extent of access to service by different clients groups

- **Efficiency**

Ratio of inputs to outputs

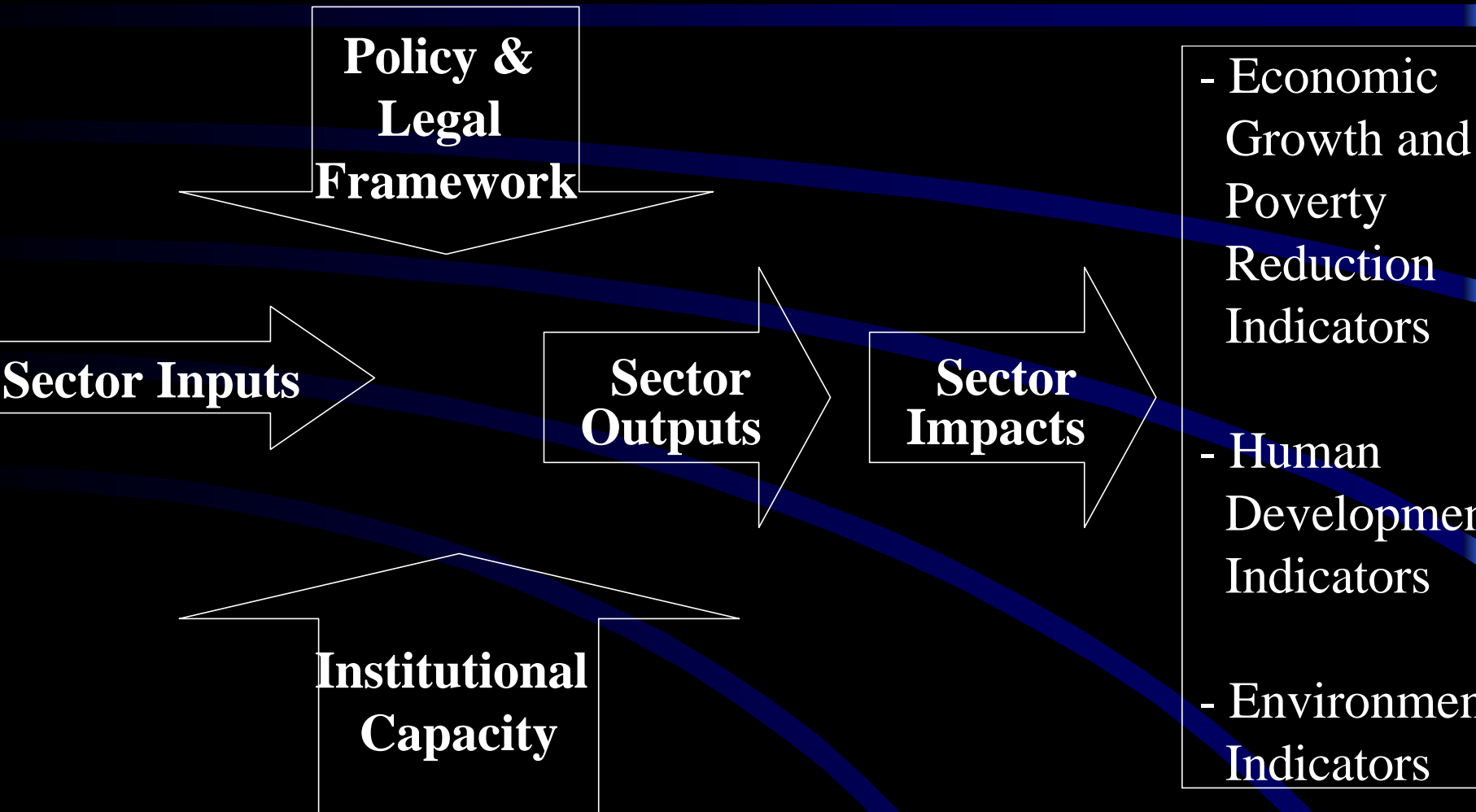
- **Sustainability**

Ability to sustain operations financially

RBM Supports the Sector Wide Approach

- A SWAP is in fact a RBM system for a sector
- SWAPs are anchored in sectoral Outcomes and Outputs
- Lead Sector Organization manages RBM for the sector
- Lead Sector Organization must have leadership, systems, skills for RBM

Elements of a Sector Wide Approach



Steps in Preparing a Sector Roadmap

Identify goals
Outcomes and
Targets

Establish
Performance Gaps
that need to be
addressed

Use Diagnostic
Analysis to
identify factors
influencing
Performance
Gaps

- Policy
- Institutional Capacity
- Investments

Negotiate
Roadmap
and support
from Donors

- Policy
- Institutional Capacity
- Investments

RBM Essential For Effective Decentralization

- Assists in clarifying expected results and resources to support these
- Applies to both deconcentration and devolution
- Local units of Service Agencies and Municipalities become focus

Integral to Capacity Building

- RBM drives continuous performance improvement
- Performance information of RBM is essential for CB - benchmarking, performance shortfalls, cause analysis
- Can't do meaningful CB without RBM

The Diagnostic Approach

- Begins with the analysis of performance
- Identifies critical performance gaps or opportunities for improvement
- Works back to identify variables influence performance
- Develops an Organization Development Plan to address constraining variables

Begin with Expected Results

- ‘Performance Report’ is essential
- Identify performance variances in order of priority
- If performance variance is not clearly identified
 - diagnosis is not possible
 - capacity building initiative will be directionless

Performance Monitoring Needs Benchmarks

- Targets set by management/stakeholders
- Past performance
- Comparator performance

Performance Variance

Expected Performance
Actual Performance

A diagram illustrating performance variance. It consists of two horizontal lines. The top line is labeled "Expected Performance" and has a dotted line extending to the right. The bottom line is labeled "Actual Performance" and is shorter than the top line. A vertical line segment connects the right end of the bottom line to the dotted line of the top line. A diagonal line points from the word "variance" to this vertical segment.

variance

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variance

Category 1 Factors - Clarify of Results



Category 1 Factors - Results / Performance Expectations

- Are performance results specified?
- Are there clear standards and / targets?
- Are performance results monitored and analyzed for improvement?
- Is performance periodically reported?
- Is performance periodically audited?

Category 2 Factors - Resources

Resources

Results

- Staff / Skills
- Budgets
- Technology
- Equipment
- Physical Assets

→ Outputs

→ Outcomes

Resources and Performance

- The 'Wheels' on which the organization runs
- Proportionality between Inputs and Outputs
 - Efficiency: ratio of outputs for each unit of input
 - Effectiveness: ratio of outcomes for each unit of input

Focus on Resources

- Resources are often the first and only focus of some CB strategies
- Typical CB strategies resorted to are
 - staff increases
 - training
 - computerization
 - increased operating budgets

Focus on Resources

- Most obvious set of Factors
- Necessary and Useful Focus
- Could be misleading since fundamental causes of underperformance are often not resource related

Category 3 Factors - Management Infrastructure

Management Infrastructure

System + Structure + Strategy
(Processes) (Policy)

Resources

- Staff
- Budgets
- Technology
- Equipment
- Physical Assets

Outputs

Outcomes

Strategy and Policy

- Creates Clarity of Purpose
- Provides Direction
- Defines scope and nature of activities
- Influences choice of technology and people
- Establishes a framework for Competencies

Structure

- Clarity of Accountabilities & Reporting Relationships
- Span of Control
- Level of Delegation
- Quality of Outreach to Client
- Checks and Balances
- Structure can complicate Processes

Systems and Processes

- The nervous system of the organization
- Is aligned with the structure, but represents the dynamics and interactions of various parts of the structure
- Can range from tight and structured to free flowing
- Substantially influences efficiencies
- Can sometimes becomes end in themselves

Systems and Processes

- Planning and Decision Making Systems
- The Client Interface System
- The Product Delivery System
- The Financial Management System
- The HR Management System
- The Information Management System
- Performance Monitoring and Reporting System

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Management Infrastructure

- The internal engine of the organization
- Essentially covert Inputs to Outputs
- Critical moving parts are - Strategy, Structure, Systems
- They need to move in harmony
- Need to be examined in terms of Results Expected and Resources available

Vision (Leadership)

- Is the “Core Ideology”
- Primary Driver
- Impels Change & Results
- Is the priority accountability of leadership
- Is the clearest reflection of quality of leadership

Typical Values

- Quality Consciousness
- Client orientation
- Teamwork
- Innovation
- Openness to Change

Values - Culture

- The fundamental Guiding Principles
- The unsaid but expected behaviors
- The ‘norms’; what is considered important
- The favored patterns of interaction
- The way we do things around here
- The ‘management style’

Organization Culture - Visible Forms

- What do leaders measure, reward, control
- Leaders' reaction to critical incidents
- Role models
- Criteria for recruitment, promotion, discipline
- Stories and myths about key people and events

The Drivers

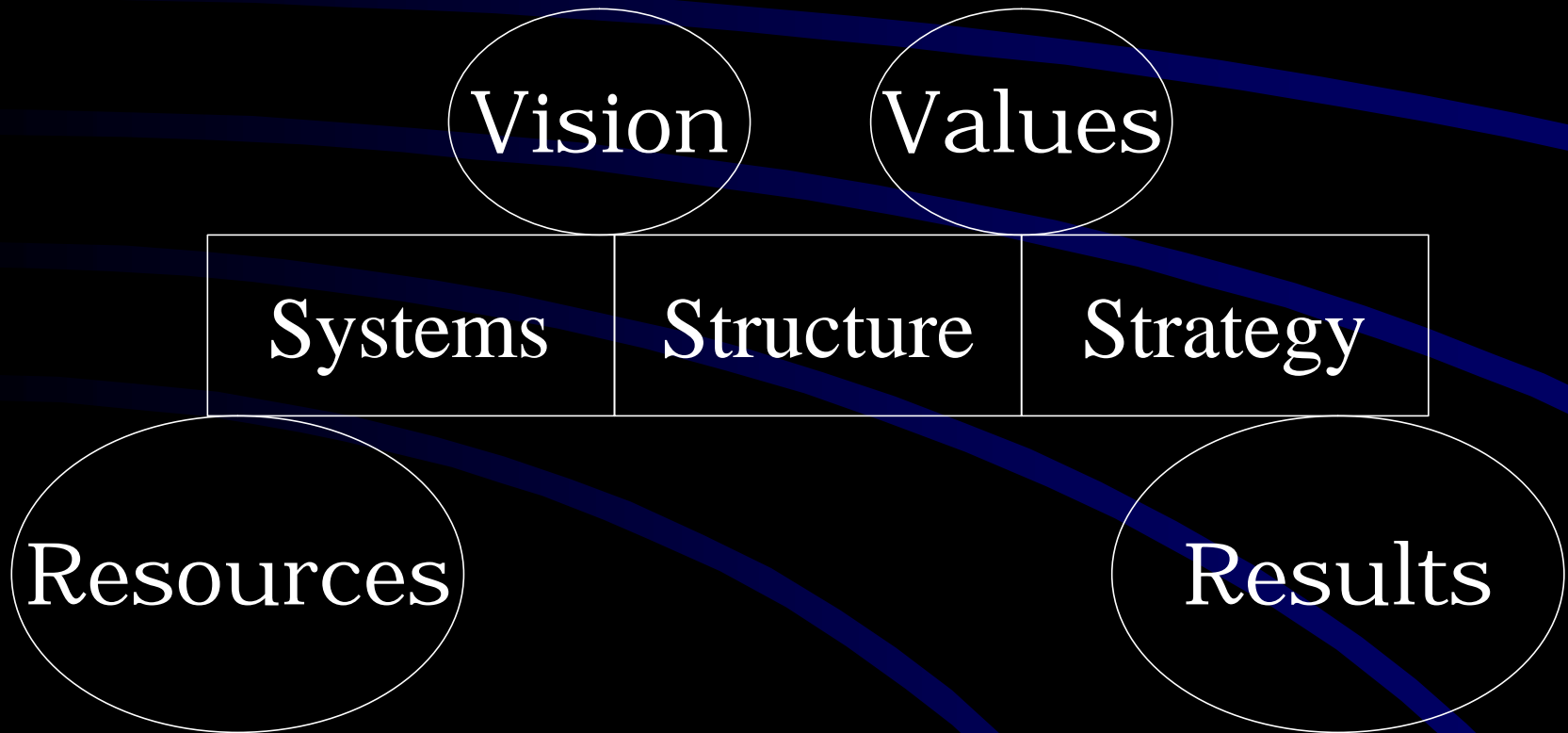
Vision and Values

OR

Leadership and Culture

- Efficiency is a function of Management Infrastructure
- Effectiveness is a function of Leadership and Culture

Organization Model for Diagnostic Analysis



Roles of External Variables

- They rarely influence results directly
- Their role is through constraining or influencing internal variables
- Internal variables can be adjusted to cope with external constraints
- Key management accountability is to manage the influences of external environment

The Diagnostic Process

- Understand the potential variables which can and do influence performance

$$RR + SSS + VV \text{ — } P$$

- Use a team based consulting process to identify cause of underperformance

Problem Tree Analysis

Implementation of CB for RBM

- Not inherently expensive
- Needs internal leadership, commitment and incentives
- Make sure consultants don't lead
- System is not enough. Managerial attitudes and skills are equally important
- Keep it simple. Start with few and most critical performance indicators
- Performance data management and timely reporting is critical

Conclusions

- RBM is a long term process. But donor agencies are always in a hurry for ‘results’
- Donors need to develop process indicators for demonstrating process in RBM
- It is easiest to begin with Service Agencies and Municipalities
- Success stories should be better documented and shared