

RG Perspective

Strategic Outcome- Based Metrics

for the Federal Government



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1. Introduction

Most federal agencies are focused on services to citizens or a particular stakeholder group. But how do you measure the service being provided and its impact? How do you measure the quality of the results and whether they are meeting the needs of the end user? This paper discusses an approach that distinguishes between performance measures designed to assess processes and activities versus results indicators designed to measure strategic outcomes and needs of customers and stakeholders.

2. The Importance of Strategic Outcome-based Metrics

Why is it important to measure outcomes as well as outputs or activity? One reason is the assignment of accountability for results and the assessment of their impact in their environment. A second reason is to verify alignment with customer and stakeholder needs and the mission objectives of the organization. And third, outcome metrics can be used to balance competing objectives that may require tradeoffs in performance. An example is balancing air passenger safety while maintaining efficient and convenient air travel.

Output and activity metrics are usually inwardly focused to assess the effectiveness or efficiency of activities and programs in an organization. Accountability at this level is assigned to the execution and effective management of resources to achieve the objective. However, these metrics fail to ascertain if the final product has met the needs of the intended end user, its cost-effectiveness, or the consequences it has to other stakeholders or the environment.

Strategic outcome-based metrics provide us with a way of measuring effectiveness and determining success from the point of view of customers and stakeholders. Demonstrating

effectiveness helps organizations defend their budgets and justify investments. Measurement enables you to identify the risk factors impacting the success of initiatives and how they can be mitigated.

3. Strategic Outcome-based Metrics Definition

Outcomes are the end results that follow from a preceding set of events and activities. Based on this definition, an organization's outcomes are the impacts of an organization's products and services on its customers and stakeholders.

Figure 1 shows the typical path that most organizations take. The mission and vision is translated into operational plans and discrete activities as shown in the vertical axis. Resources and performance targets are assigned to these activities. The horizontal axis represents the execution chain to transform input into outputs. Metrics are used as feedback loops to measure performance and progress.

Most organizations rely too heavily on performance metrics at the operational level and fail to measure strategic outcomes. They need to design strategic metrics that provide a feedback loop to evaluate whether strategic goals—and the mission—are achieved effectively.

4. Challenges and Pitfalls

There are no shortages of measures, but organizations continue to struggle with measuring the right things. Outcomes are inherently more difficult to measure because they are often intangible and subjective. But organizations looking for accountability will turn to anything they can measure.

Another pitfall to avoid is too quickly assigning causality. Problems can arise when the relationship of the metric to the goal it is measuring is weak or when a single relationship is

assigned. We recommend using a combination of metrics to validate cause-effect relationships and a logic model to correlate objectives and test results.

Because outcomes are more difficult to measure, another huge challenge is data collection. We have found that organizations must look outside of themselves and engage with the parties touched by the organization to assess effectiveness. The ultimate determination of success will come from how the organization is viewed by all those affected.

Our approach is designed to assist organizations with engaging with their vendors, clients, partners, industry, and other communities through the use of effective feedback mechanisms. They can then use the information gathered as a control system for evaluating the drivers and changes required to improve performance.

5. The Strategic Outcome-based Metric Approach

Using the Office of Management and Budget's (OMB) Federal Enterprise Architecture Performance Reference Model (FEA PRM) as a guide, R-G developed a strategic outcome-based metrics approach to guide its clients' performance measurements. This outcome-based approach helps organizations define what success looks like with its clients and stakeholders and determine how to measure effectiveness. At RG, we work with clients to develop a feedback system to assess if business goals are being achieved, and if not, to identify specific improvements that need to be made for improving performance toward meeting expectations.

This methodology is comprised of five elements:

- Understanding the organization's purpose
- Choosing the focus
- Identifying the results to achieve

- Defining the actions to take
- Developing the feedback system

Understanding the Organization's Purpose

This step involves understanding the organization's mission and vision—i.e., what it does, whom it serves, and where it is going. It is important to know why the organization exists and what needs it addresses.

Choosing the Focus

The next step involves selecting the perspectives or dimensions for the organization's performance with its suppliers, customers, community, employees, and environment. This provides a framework for defining and measuring success across a balanced set of dimensions.

Identifying the Results to Achieve

Here, we identify the desired objectives and outcomes from each perspective. We ask what success looks like from each perspective, and how the organization will know if it's successful. This step also involves defining success measures with time-phased targets.

At this point, we review the organization's strategic plan against the perspectives framework to check the alignment of the business goals to the perspectives and identify any gaps.

Defining the Actions to Take

We assess the current performance level in achieving the outcomes as well as the current organizational strengths and weaknesses. (This assessment can vary from an informal qualitative judgment to a formal benchmarking survey.) The assessment identifies the gaps and initiatives required to close them.

The strategic plan is updated with the new performance objectives and actions.

Developing the Feedback System

The last step is to develop a feedback system for collecting feedback data and assessing effectiveness. This requires an understanding of client needs or requirements and feedback mechanisms to verify if those needs have been met. Measurements are used to pinpoint deficiencies in the process and identify corrective actions to improve performance.

6. Customer Example

Department of Homeland Security, Customs and Border Protection

Using the Office of Management and Budget's (OMB) Federal Enterprise Architecture Performance Reference Model (FEA PRM), R-G helped the Cargo Systems Program Office (CSPO) of Custom and Border Protection's Office of Information and Technology (CBP OIT) develop the business outcomes framework that will guide its outcomes-based performance measurement program for years to come. The performance measures link detailed outcome-based metrics to high-level strategic intents, ensuring alignment with the goals of the agency.

The PRM helps the client focus its measurement activity to only those measurement indicators that pertain to the organization's goals and objectives. Through system- and survey-generated data, R-G will help the project office measure the technology inputs, supported outputs, and ultimate outcomes of the Automated Commercial Environment (ACE). CBP's comprehensive performance measurement framework will now include assessments of user satisfaction, CBP operational efficiency, and trade facilitation benefits.

Perhaps most important, strategic outcome-based metrics will enable the project office to report against desired business results in the context of its cost/benefit analysis (CBA). The desired benefits contained in the CBA

represent the ultimate results to government and industry. Using an effective performance architecture and outcome-based metrics approach will provide the CBP with an accurate, ongoing picture of its contribution to the project's stated benefits.

7. Getting Started

Here are six steps to implement a strategic outcome-based approach:

1. Select a design team.
2. Conduct interviews with senior executives and key stakeholders.
3. Facilitate a planning workshop to:
 - Clarify missions and vision
 - Choose the strategic focus areas/perspectives.
Identify desired outcomes and success measures.
4. Review the current strategic plans to check alignment.
5. Assess current performance levels, identify gaps, and identify improvement actions.
6. Facilitate a measurement workshop to:
 - Develop performance measures and targets.
 - Design feedback mechanisms.
 - Design data collection and reporting system.

8. Conclusion

Increasingly, organizations are being asked to demonstrate value and cost-effectiveness; however, many do not have sufficient mechanisms in place to assess the end results of projects and activities on customers and stakeholders. Organizations will benefit by expanding their measurement systems to include strategic

outcome-based metrics to report against desired business results. The framework discussed within this paper introduces a process for developing strategic outcome-based metrics and a feedback control system for assessing effectiveness. Using an effective performance architecture and outcome-based metrics will provide an accurate, ongoing picture of the value and benefits generated.