



OUTCOMES: RESEARCH INTO PRACTICE

**National Outcomes Measurement
Research Agenda**

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INTRODUCTION

Between 2016 and 2018 Grant Thornton Australia and the University of Western Australia invested in a three-year research program – The National Outcomes Measurement Research Agenda – designed to build the capacity of Not-for-profits in the area of outcomes specification, measurement and reporting, and to provide practical and effective tools to assist them respond to increasing demand for outcome based information.

This was an ambitious project but an extremely important one. The move toward outcomes development, management and reporting is complex but critical to the future of human services delivery in Australia.

This report is the final output of the program.

We hope that Australia’s Not-for-profits, charities and other stakeholders find the results and information provided here of great value to their organisation’s development.

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OUTCOMES MEASUREMENT IN AUSTRALIA

The efficient and effective provision of human services remains a critical endeavour in Australia as it does worldwide. The demand for, and complexity of, supports and services provided to the most vulnerable people in our communities are increasing, as are the resource requirements needed to meet that challenge.

For a number of years the funded Not-for-profit sector has focused on the identification of outcomes and the establishment of the systems necessary to measure the extent to which those outcomes have been achieved. This focus has been reinforced by a drive by most Australian governments toward outcomes measurement in preference to more traditional forms of funding acquittal.¹ Outcomes development, measurement, reporting and assurance are widely discussed at industry conferences, in industry journals and by the broader commentariat and they are now almost universally accepted as the most appropriate way forward for ensuring service providers obtain the best possible results in the interests of service users and for ensuring resources are allocated where they can have best effect.

Indeed, much has been written about outcomes: what they are, how to construct them and how to measure them.² This important work has been accompanied by training and development aimed at increasing the capacity of the sector in relation to all aspects of outcomes identification, construction, measurement and reporting.

However, many Not-for-profits and governments continue to struggle with the challenge of applying the theory of outcomes specification and measurement and there is still considerable work to be done. That is why Grant Thornton Australia and the University of Western Australia developed this three-year research program designed to build the capacity of Not-for-profits in the area of outcomes specification, measurement and reporting, and to provide practical and effective decision making tools to assist them respond to increasing demands for outcome based practices.

Many Not-for-profits and governments continue to struggle with the challenge of applying the theory of outcomes specification and measurement.

¹ For instance, see Delivering Community Services in Partnership Policy, (2011), Government of Western Australia.

² For instance, see Ellie Cooper, Pro Bono Australia, 1st October 2015; Better Evaluation at <http://betterevaluation.org/plan/approach/cort> accessed on 16th March 2016; Keep Them Safe Outcomes Evaluation Report, June 2014, http://www.keepthemsafe.nsw.gov.au/kts_evaluation/outcomes_evaluation accessed on 16th March 2016.

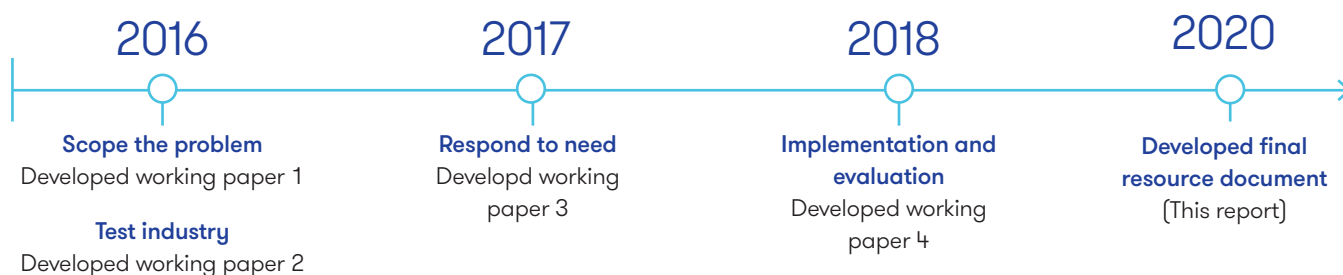


THE NATIONAL OUTCOMES MEASUREMENT RESEARCH AGENDA

The National Outcomes Measurement Research Agenda sought to build on previous work undertaken in this area and had the following objectives:

- a To identify key issues relating to the successful implementation of outcomes reporting frameworks in Not-for-profit organisations providing human services;
- b To develop and implement a research and practice program of high integrity and quality;
- c To combine the strengths and experience of the research partners to ensure that their understanding and capacity was fully brought to bear on this program;
- d To partner with the Not-for-profit human services sector to ensure research outputs are reflective of the real situation being faced within the sector, that outputs are industry-ready and that they support industry requirements; and
- e To create tools and resources that support the above, and disseminate these as widely as possible

FIGURE 1: THE NATIONAL OUTCOMES MEASUREMENT RESEARCH AGENDA



The findings of this work were delivered via a set of working papers intended to be read in conjunction and which present the results of consultative research focused on identifying the challenges, costs and rewards of outcomes reporting. The working papers in this series are:

- **Working Paper No. 1.** Scoping the Problem
- **Working Paper No. 2.** Scoping the Experience of the Sector
- **Working Paper No. 3.** Sector Practice & Policy Issues
- **Working Paper No. 4.** An Organisational Outcomes Framework

All of these working papers were developed and presented with a view to looking at practical applications and what is actually happening. Outcomes reporting is a very popular and often discussed topic – it is viewed very positively across the sector – but there are challenges and costs associated with the process that need to be considered and addressed faithfully by Not-for-profits.

A schematic positioning of each year’s activities undertaken by the National Outcomes Measurement Research Agenda is provided in Figure 1. In 2016, we developed and released our **Working Paper No. 1**. It focused on the key attributes of effective outcomes measurement as well as the main challenges faced by the sector in pursuing such measures.¹ It also describes in more detail the purpose of this research program.

During the following year, 2017, we released **Working Paper No. 2**². This paper was based on research conducted in 2016 and focused on how human services organisations were measuring outcomes in practice. That is, it identified how organisations were defining, using and reporting on outcomes measures, the barriers they had experienced and whether or not assurance processes have changed to meet the needs of organisations reporting outcomes externally.

Working Paper No. 3 was developed during 2017 and published in early 2018³. In this element, we undertook focus groups in three major cities in Australia, the aim of which were to establish organisational needs, to consider examples of tools and supports, and to examine reporting, assurance, procurement and policy issues—all in terms of the practical implementation of outcomes reporting within human services organisations. The results of this work inform the policy framework both internal to human services providers and external in terms of the human services sector and its articulation with government procurers.

The next working paper in the series, **Working Paper No. 4**, focused on bringing together all of the learnings from this project and the experience of the project partners in order to present an holistic decision making framework relevant to outcomes development, measurement and reporting in an Australian human services environment.

This document has been developed in order to bring all of these learnings, examples and ideas into one place so that users can access the full picture developed under the program.

1 Gilchrist, D. J., and P. A. Knight, (2016), Outcomes Research into Practice, A Report for Grant Thornton Australia, Melbourne, Australia.

2 Gilchrist, D. J. and P. A. Knight (2016), Outcomes: Research into Practice: Working Paper No.2, A report for Grant Thornton Australia, Melbourne, Australia

3 Gilchrist, D. J. and P. A. Knight (2018), Outcomes: Research into Practice: Working Paper No.3, A report for Grant Thornton Australia, Melbourne, Australia

PART 1:

SCOPING THE PROBLEM



WHY IS THIS IMPORTANT?

The Not-for-profit and Charitable Sector is one of Australia's most important assets, yet it is often unrecognised. It delivers a myriad of services, supports and provides opportunities to all in the community, including in education, health, aged care, disability services and social services. Most of us come into contact with these important organisations on a regular basis. It also forms a significant part of our economy.

In purely economic terms, the establishment, measurement and reporting of outcomes is important in ensuring value for money when spending tax payers' and philanthropists' funds and the most effective deployment of resources. However, considering the available statistics relating to just the charitable sector, it is easy to see the broader social impact the sector has had and continues to have. Positive externalities manifest when the sector's 3.3 million volunteers are able to contribute and the users of services—including in relation to health, housing, social services and education—also enjoy greater independence, increased life expectancy and better economic outcomes than they might otherwise have access to.

Historically, we have had very little data relating to finances, employment, services or other activities for the Not-for-profit and Charitable sector as this was seen as a lower priority as opposed to the collection of data relating to the For-profit and government sectors. However, with the establishment of the Australian Charities and Not-for-profits Commission (ACNC), data has been collected via the lodgement of Annual Information Statements by registered charities—a subset of the Not-for-profit sector.¹ The primary report was created by the Australian Charities and Not-for-Profits Commission (ACNC) building on the work of the Centre for Social Impact and the Curtin University Not-for-Profit Initiative.²

Although not yet a complete picture, the reports created from this data do give us the best picture we have to date of the size, complexity and activities of at least the charitable organisations operating in Australia.

1 Cortis, N., Lee, I., Powell, A., Simnett, R. and Reeve, R. (2015) Australian Charities Report 2017, a report of the Australian Charities and Not-for-Profit Commission, Melbourne.

2 Knight, P. A. and D. J. Gilchrist, (2014), Australian Charities 2013: The First Report on Charities Registered with the Australian Charities and Not-for-profits Commission, Report for the Australian Charities and Not-for-profits Commission, Melbourne.

This data shows that, by 2018, the charitable sector alone turned over \$155 billion and employed 1.3 million people. While it is often considered that the sector is predominantly funded by government sources, in fact, only about half of its revenue comes from the public purse.

Clearly, there is an opportunity inherent in increasing the resources available to the sector via donations and bequests which were reported to make up only around 6.75% of the sector’s income in 2018. Outcomes development, measurement and reporting will go some way to increasing confidence and legitimacy. This in turn should result in increased resources from sources other than government and increased support across the community (in both political and resourcing terms). It should also build policy influence resulting from a growing awareness that the sector knows what it is doing and is achieving results for its service users.

As such, we consider that the outputs arising from this work will inform and support government funding and procurement, philanthropic funding, the strategic development of service delivery, improved user confidence and satisfaction as well as the development of service and funding innovations including in support of such financing arrangements as Social Investment Bonds.

FIGURE 2: INDUSTRY COMPARATIVES 2013

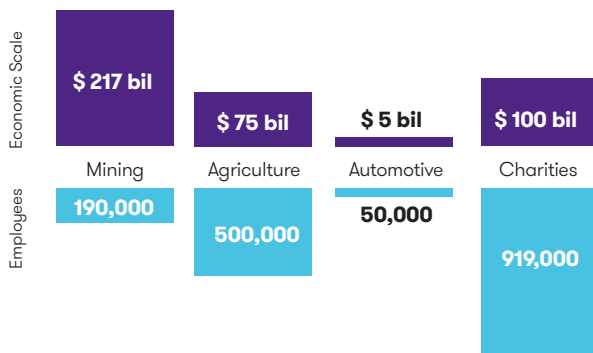
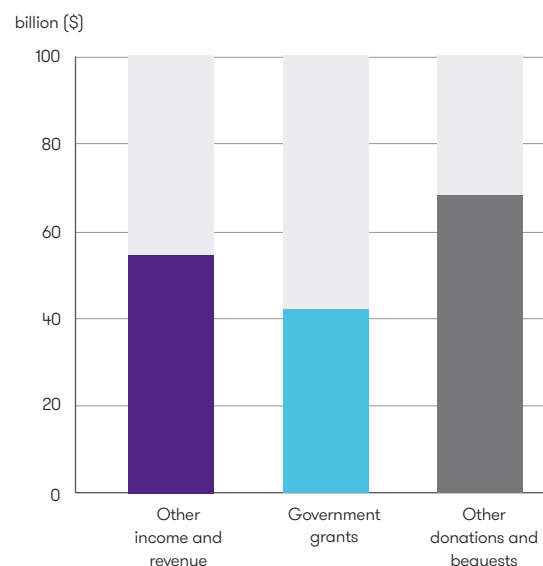
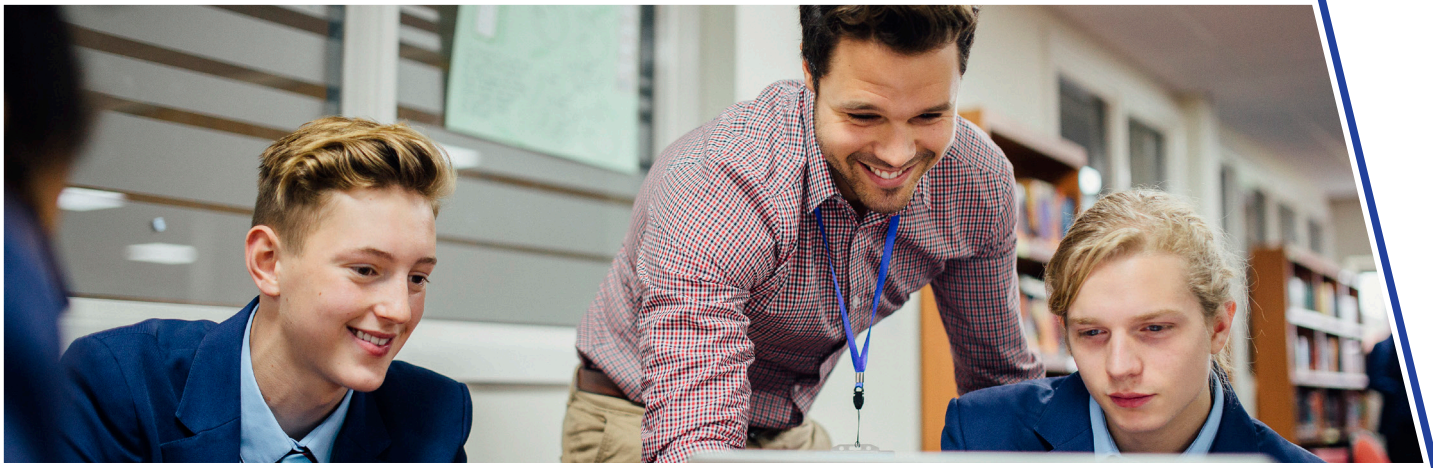


FIGURE 3: SOURCES OF INCOME IN THE DISABILITY CHARITABLE SECTOR



IN 2018...

- Charitable sector alone turned over **\$155 billion**
- Employed **over 1.3 million** people or **8%** of Australia’s workforce
- Received around **half its income from governments**



WHAT IS AN OUTCOME?

Not-for-profit and charitable organisations have traditionally been funded to provide outputs—bed days, hours of care, iterations of a service.

Historically, acquittal processes established by government funders typically required a statement of expenditure accompanied by an auditor's declaration informing government that government funds were spent how they were required to be under the funding contract, and a statement indicating that the required number of outputs were delivered.

This system has some merits in that it is relatively inexpensively operated, everyone knows what is expected, and the measurement of outputs and expenditure is relatively simple, particularly when compared to measuring outcomes. However, the key question increasingly asked is: what impact or effect does this activity and expenditure have on service recipients? This question is increasingly being asked by governments, philanthropists and users in the context of service and funding innovations.

As a result there has been a significant shift towards trying to define and measure outcomes. There are many definitions of outcome. However, for our purposes, an outcome, in the context of human services, has the following attributes:

- it should be clearly specified in terms of target population and intended result
- it occurs because there is a link between an action or intervention and the result or impact
- therefore, it is the consequence of the process

- it can be used to inform future process design.

Therefore, an outcome may be described in terms of what is achieved as a result of doing something. Questions that outcomes measurement may help to answer include:

- what difference have we made to a client's life?
- is the client better off having received support/ services from us? If so, by how much?
- if we had not provided the service, would the client be worse off?
- what can we do differently to change/ increase that impact?
- how do we know we are fulfilling our mission?
- how do we demonstrate our effectiveness?
- how can we differentiate ourselves from other organisations, (Not-for-profits, for-profits and public sector agencies) that may be pursuing the same resources that we are?
- what do we do well and what might we be better off not doing?
- how do we ensure we have an holistic approach to our clients' needs?

Therefore, the idea of reporting on outcomes is very attractive as it either demonstrates that the work being done is achieving the desired results or it highlights a need to change processes to achieve greater impact.

There are additional benefits arising from the identification, measurement and reporting of outcomes including:

- it encourages organisations to focus resources on the activities that make a real difference
- it encourages organisations to clearly identify the costs attributable to delivery of units of outcome. For example, dollars invested per person abstaining from use of illicit drugs for longer than 12 months
- funders, donors and investors, especially government agencies, can focus their governance arrangements around the achievement of results rather than on the traditional and simplistic inputs/outputs methodology
- other policy drivers—such as Person Centred Care and Individualised Funding¹—can also be met as a result of outcomes measurement as a key driver for the achievement of outcomes is that the element measured is germane to outcomes for the individual using the service
- meaningful feasibility studies and strategic decision-making can be undertaken

The use of outcomes measures has also given rise to the development of outcomes assurance services (that is, the audit of outcomes and their achievements). Increasing focus on outcomes reporting by agencies such as the Australian Accounting Standards Board² combined with the individual service providers' need to demonstrate their impact, will increase focus on non-financial information reported in annual reports. Confirming and enhancing the legitimacy of this information, via independent assurance, is critical.

Overall, the identification, measurement and reporting of outcomes presents a real and substantial opportunity for organisations to focus on the things they do that make a difference, to include input from clients to ensure ownership and commitment from the service user's perspective, and to allow organisations to acquit meaningful information to stakeholders demonstrating impact and effectiveness.

The identification, measurement and reporting of outcomes encourages organisations to focus resources on the activities that make a real difference.

¹ See for instance: Gilchrist, D. J. and P. Knight, Community Employers Person Centred Care and Individualised Funding – Final Report. A joint report undertaken with Community Employers WA, Perth, September 2014.

² For example, see the Australian Accounting Standards Board's Exposure Draft ED270 Reporting Performance Information at <http://www.aasb.gov.au/Work-In-Progress/Open-for-comment.aspx> accessed 29 February 2016.

WHAT ARE THE CHALLENGES?

The value inherent in identifying, measuring and reporting outcomes is almost universally recognised in Australia today. However, there are challenges associated with each of these ideas – as there are also challenges associated with assurance of outcomes reporting – which serve to create difficulties for service providers, funders and service users.

A key challenge is balancing the cost of outcomes development, measurement and reporting (which can be substantial) with the benefits expected from the process. Indeed, a cost/benefit analysis is critical in ensuring an organisation is deploying its scarce resources to best effect. Additional fundamental challenges include the following:

BUILDING OUTCOMES IDENTIFICATION INTO SERVICE DESIGN

- 1 Identifying service users and the goals they and other stakeholders want to achieve:** prior to identifying an outcome, it is necessary to identify the target cohort or population the organisation aims to serve and the specific changes to be achieved via the services to be offered. That is, who are we serving, what do they want, what can we do that will make a difference and by when? Identification of the target population can require some difficult trade-offs but focussing sufficient resources on a sub-set of the population in order to achieve change is better than distributing resources so broadly that there is no impact.
 - 2 Identifying and prioritising the essential outcome(s) to be measured:** the identification of outcomes is not necessarily a difficult task. There are likely to be many core and peripheral outcomes associated with a service being delivered. However, the costs of attempting to measure multiple outcomes must be offset by benefits gained in better governance, planning, control and service delivery improvement otherwise it should not be undertaken. Given these costs, it is likely that providers will need to focus on the core outcome(s). Identifying the outcome(s) that are central to explaining the extent to which a service provider has been successful or otherwise in service provision can be very difficult.
 - 3 Ensuring there is a causal link to outcomes being measured:** identifying and measuring outcomes can be very difficult because it is necessary to ensure that a causal link exists between the attributes of the service being provided and the outcome achieved. The accidental achievement of an outcome may lead service providers to infer positive attributes to its operations notwithstanding they, in fact, do not impact the outcomes being achieved. Similarly, it is possible that the service provider did everything right, but that other factors played as important, or a more important role in the achievement of the outcome. For example, services to reduce homelessness may be well designed and delivered, but other factors such as a big increase in unemployment may offset gains made.
-



DESIGNING RELIABLE MEASURES AND SYSTEMS

- 4 Measuring the identified outcomes can be challenging:** outcomes do not necessarily lend themselves to quantification. For instance, achieving a certain outcome may result in a qualitative change in the life of an individual that is not necessarily standardised or measurable with comparative accuracy. Further, one person's experientially-based outcome may be different to another's, notwithstanding a service identical in all respects was provided to both service users. The aim is to design measurement systems that are objective and systematic so that they generate the same answer when applied by different people and over time. If the measures achieved are heavily based on subjective appraisal they will not necessarily be reliable, though they may still be of value at the individual client level.
 - 5 Data gathering can be difficult:** in order to measure an outcome it can be necessary to develop a research program that employs qualitative and quantitative research processes. The conduct of research must be both efficient and have efficacy, otherwise the reputation and, potentially, the resourcing of an organisation, may be at risk. Therefore, the development of rational and effective models of data collection is critical in order to measure some forms of outcome.
-

BUILDING OUTCOMES MEASUREMENT INTO SERVICE DELIVERY AND IMPROVEMENT

- 6 Identifying the user(s) of the outcomes data and the quantity, quality and timeliness of information required:** outcomes data, like any other information product is not an end in itself, but a tool to improve decision-making and to motivate improvement. In some cases, there may be a range of different users of the data, including both internal and external decision makers. The needs of the data users ought to be clearly identified and prioritised so that the products of outcomes measurement meet users' needs.

- 7 Building corporate level reporting for internal and external purposes:** There can be a dichotomy between internal and external reporting requirements suggesting that the development of alternative outcomes measurement arrangements can be undertaken for differing purposes. Causality and cost/benefit questions must be raised but the development of outcomes measurement frameworks that are fit-for-purposes is critical to maintaining the legitimacy of the reporting process.

- 8 Allowing for input from individual service recipients but building for corporate level reporting-aggregating outcomes:** while one-size-does-not-fit-all and recognising that individual service recipient input is critical to ensuring an outcome represents the best measurement for assessing impact at the service recipient level, there is also a need to aggregate outcomes reporting. Managers, senior executives and boards must receive reports informing them as to how successful the organisation has been in terms of meeting its mission. They must use these to make decisions regarding operations and strategy as well as for working toward sound governance. This is extremely difficult because outcomes can be descriptive rather than quantitative and may not be able to be aggregated.

- 9 Allowing for individual service recipient input but maintaining administrative costs at an acceptable level:** outcomes identification, development, implementation, reporting and assurance all cost – in terms of expenses in preparation and in terms of lost opportunities when not deploying resources to other tasks. While the cost/benefit calculus must be made, there is considerable difficulty experienced in organisations when deciding what constitutes a valid and appropriate investment in this administrative process.

- 10 Recognising one-size-does-not-fit-all:** stakeholders and organisations need to have a reporting process that spells out how effective the organisation has been. Government agencies need this in order to meet their obligations when spending public funds, other stakeholders need it to maintain their confidence in the service provider, and service providers need to do this in order to maintain legitimacy, advocate for continued and additional resourcing, and to develop their own strategy toward mission achievement. When considering these needs, it is tempting to adopt higher level or generic outcomes in order to facilitate such reporting. However, focus needs to be retained at the individual level as well.

- 11 Recognising that assurance over outcomes reports is critical:** all sectors of the economy are used to the audit process as it applies to financial reporting. However, efficient and effective assurance processes are needed to ensure outcomes measurement frameworks and reports have efficacy.

Outcomes data is not an end in itself, but a tool to improve decision-making and to motivate improvement.

PART 2:

SCOPING THE EXPERIENCE OF THE SECTOR



WHAT DOES THE SECTOR TELL US?

A research program underpins the contents of this report and, in this section, an overview of the research is provided to give context to readers.

This study confirmed that CEOs and boards see great value in the measurement and analysis of outcomes.

However, there is a significant gap between the almost universal recognition of the importance of outcomes measurement and the resource and knowledge capacity needed to implement it.

Those organisations that have implemented some form of outcomes measurement process report that, while measuring outcomes requires an investment, the results of their analysis give service providers the capacity to become more client-centric.

Investment in outcomes measurement was also reported as resulting in the identification of opportunities for efficiency gains, while providing better services to clients.

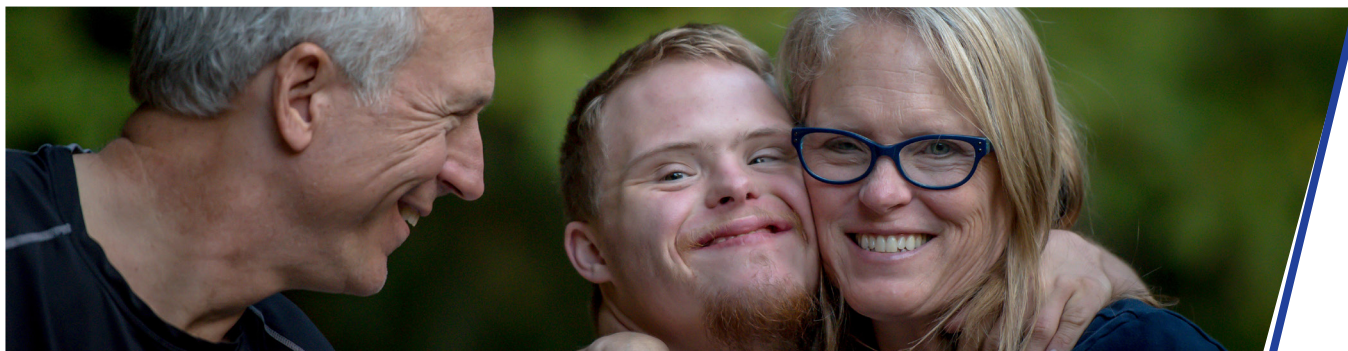
However, key barriers remain for many organisations, including:

- lack of financial capacity to support the necessary investment
- lack of skills and training options
- lack of appropriate data sources

It was also identified that mandatory reporting drives the behaviour of some organisations and absorbs scarce resources. As such, governments and donors have to be strategic in their expectations regarding what data they collect and how they use it. Their requirements will drive sector behaviour.

THE IMPORTANCE OF COLLABORATION

The focus of mandatory reporting may be better served by increasing the level of collaborative outcomes definition and measurement practices, so that government/donors and service providers are strategic in their approach to the outcomes measurement process and information can be efficiently collected and used.



THE RESEARCH

The data presented here was collected via four focus groups held throughout this research period and a survey administered in November 2016 to a small group of directors and senior executives of Not-for-profit and charitable organisations providing human services in Australia. The survey instrument was complex in that we sought responses from the CEO, directors and staff responsible for the measurement of outcomes in each organisation. This complexity was necessary because outcomes measurement is intended to impact decision making and reporting at various levels within an organisation, and the data collected needed to reflect this reality.

In all, 33 CEOs, directors and other staff responded to the survey, and the roles of the respondents are identified in Figure 4. Eight of these respondents report that their organisation does not currently report on outcomes, while only 15% of respondents are outcomes measurement operatives. It is interesting to note that 85% of respondents are board members and senior personnel. This goes some way toward highlighting the importance of this subject to industry leaders.

Figure 5 represents the length of time that organisations have been reporting outcomes. It is noteworthy that 40% indicated that they have been reporting outcomes for over 5 years, highlighting the experience of some respondents and suggesting that organisations see utility in the measurement and reporting of outcomes given they have continued to do so for such a period.

The activities of the organisations represented are also of interest for contextualising our findings. Figure 6 shows that 18% of the organisations represented provide health services and 34% social services, while 3% are policy organisations and 3% were donors. The organisations represented operate in New South Wales, Victoria, Queensland, South Australia and Western Australia.

FIGURE 4: ROLE OF THE RESPONDENT

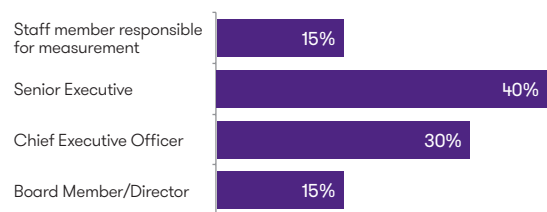


FIGURE 5: HOW LONG ORGANISATIONS HAVE BEEN MEASURING OUTCOMES

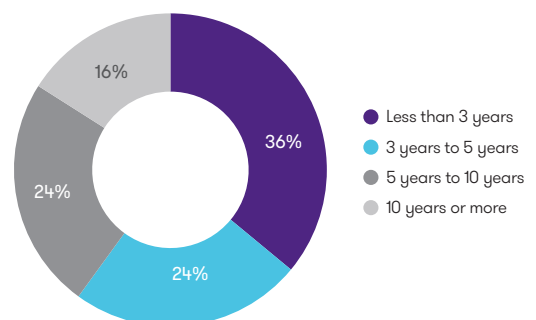
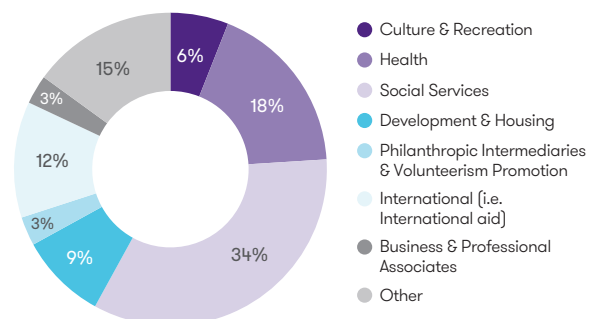


FIGURE 6: WHAT IS THE MAIN ACTIVITY OF YOUR ORGANISATION?



SO, WHAT ARE ORGANISATIONS DOING NOW?

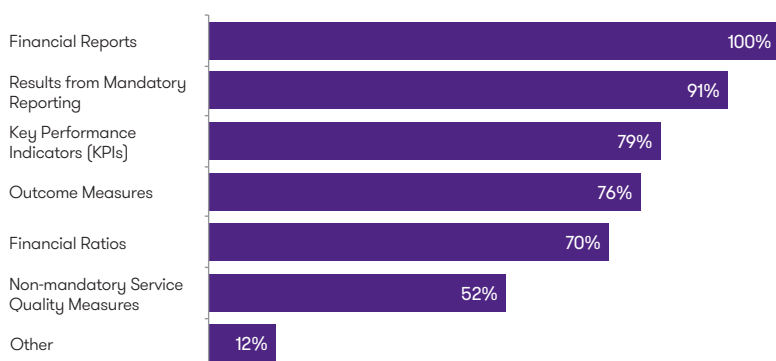
This section of the report examines the data gathered via the survey in the context of what organisations are actually doing, both at an holistic, corporate level and in the context of the individual outcomes being measured.

ORGANISATIONAL LEVEL MEASUREMENT & REPORTING

As might be expected, all respondents report that they collect and report financial information. However, it is worth noting that 76% of respondents report collecting information on Outcomes Measures as part of their broader organisational reporting.

Respondents also collect information on Key Performance Indicators (79%) and data in response to mandatory reporting requirements (91%).

FIGURE 7: TYPES OF INFORMATION COLLECTED

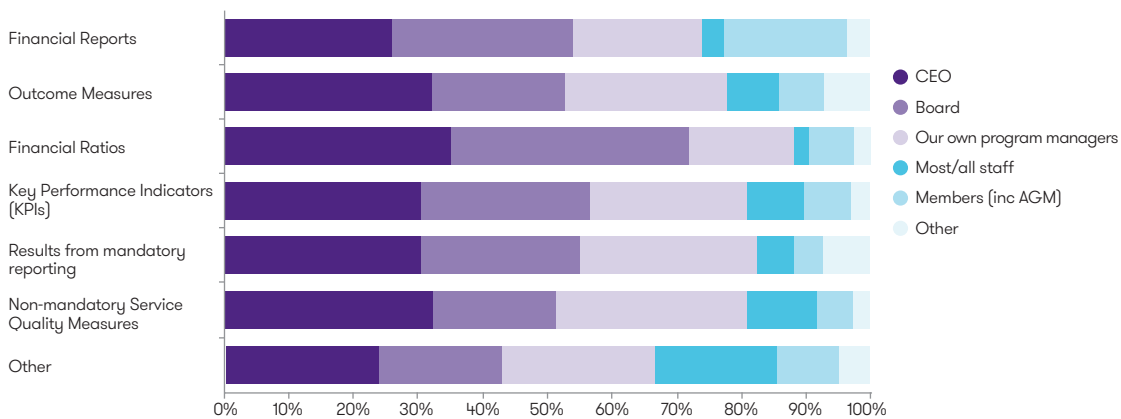


Clearly, mandatory reporting requirements have considerable influence on the data collected, the analysis taking place and the type and timing of reporting. Government agencies collect a significant amount of data, with the priority on financial and activity iterations information. There is an opportunity here for governments and other funders to revisit their mandatory reporting requirements in the context of how the collected data is used, and also the relative value of their data collection related to outcomes if they do not already do so. Such an action will, of course, modify the reporting practices of NFPs.

Other types of information that respondents collect include independent performance evaluation data, internal impact measures, labour productivity/efficiency data and qualitative performance assessments—self and stakeholder.

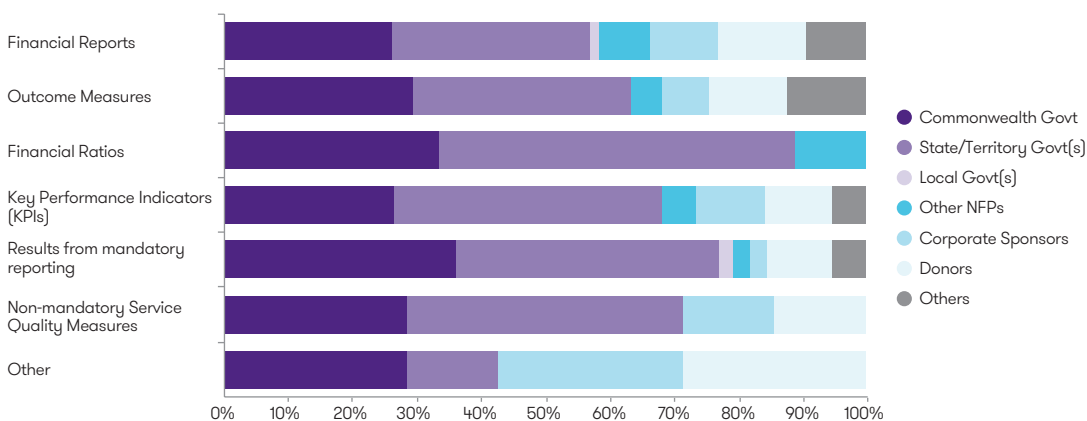
Figure 8 highlights the audience for internally reported information by information type. Predominantly, information collected by most organisations was used internally and reported to CEOs, boards and program managers.

FIGURE 8: INTERNAL REPORTING BY INFORMATION TYPE



In terms of external reporting, information collected by most organisations was reported externally to the Commonwealth Government, state/territory governments and corporate sponsors. As can be seen in Figure 9, the Commonwealth and states/territories were recipients of approximately 63% of the information furnished on outcomes reporting. Interestingly, approximately 89% of organisations furnished financial ratio information to governments, as opposed to less than 60% of organisations that furnished financial reports to them. This suggests that governments are changing their view on the types of information they find useful.

FIGURE 9: EXTERNAL REPORTING BY INFORMATION TYPE



SERVICE LEVEL MEASUREMENT AND REPORTING

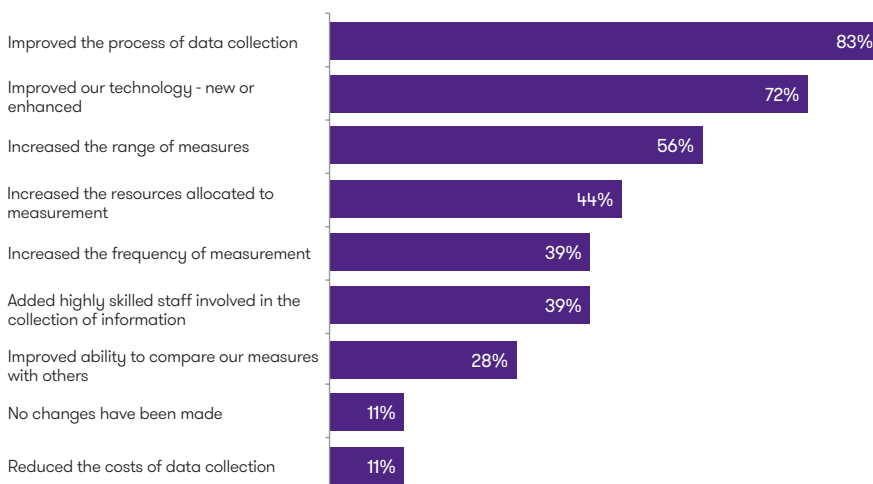
Organisations sought to measure outcomes by specific program or service in order to evaluate effectiveness, report relevant data to sub-sets of stakeholders and to identify areas for improvement. They report using various frameworks in support of this process, including Results Based Accountability (22%), Logic Models (17%) and Social Return on Investment (11%). However, 72% report using input and output focused frameworks for specifically set measurement models. This suggests that, while organisations are aware of the need for a focus on outcomes measurement, input and output focused measurement is still a dominant element in organisational analysis and reporting.

In terms of data collection, organisations report using multiple instruments, with surveys being the most commonly used (67%), while administrative data (such as rosters and incident reports) and financial data systems were used to collect performance data by 61% and 50% of organisations respectively. Only 28% of organisations report that they use customer relationship databases as sources of performance data, suggesting that the infrastructure necessary for effective outcomes reporting may be lacking.

A major difficulty identified was the fact that human services outcomes are notoriously difficult to measure in the short term, with some outcomes only becoming clear a number of years after the service commenced for an individual. However, only 6% of organisations report using longitudinal models to support their outcomes measurement activities.

Importantly, organisations report that they are improving their systems and building infrastructure and capacity as a result of their increased interest in reporting beyond traditional output measurement arrangements. Over time, organisations have invested to make changes in a number of areas, as identified in Figure 10. Most notably, 83% of organisations report improving their data collection processes, 72% report improving their technology, while only 11% indicate that they had made no changes to their measurement systems.

FIGURE 10: CHANGES MADE TO MEASUREMENT SYSTEMS OVER TIME



Where organisations report that they do not collect outcomes measurement data, they cite their reasoning as: (1) such data is not required by funders; (2) they do not have the necessary infrastructure; and (3) there was no data available. Once again, funder, and therefore government, influence is critical in terms of driving change in this area.

Only 28% of organisations report that they use customer relationship databases as sources of performance data, suggesting that the infrastructure necessary for effective outcomes reporting may be lacking.

WHAT VALUE IS BEING REALISED FROM OUTCOMES MEASUREMENT?

Where organisations have embraced outcomes measurement, they report positively about the value creation being realised. Figure 11 highlights the key value enhancement opportunities created by outcomes measurement in the minds of respondents. The graph highlights the four key elements that respondents consider to be advantages arising from identifying, measuring and analysing outcomes. However, it also shows that outcomes measurement comes at a cost, and so it is important to remember that cost must be outweighed by the value created out of the process—organisations need to avoid situations where outcomes are measured for outcomes' sake or where the cost outweighs the benefits.

FIGURE 11: RESPONDENTS' PERSPECTIVE ON THE VALUE OF OUTCOME MEASUREMENT



The measurement of outcomes provides data against which present operations can be evaluated, identifying opportunities for improvement for the organisation itself, as well as for clients, government and other funders. Indeed, reflecting on their measurement programs over the last three years, respondents identify that outcomes measurement and evaluation has led to better services for clients (72%), internal cultural and strategic alignment (68%) and improved efficiency (56%).

In terms of the audit and assurance of outcomes, 44% of organisations report that they undertake this process. Thus, outcomes reporting not only provides these organisations with useful operational data, but also a framework for assurance relating to service delivery and client outcomes. However, there does seem to be opportunity for increased use of outcomes information. When asked what actions they are likely to undertake as a result of measuring outcomes, respondents report that they would seek to improve efficiency (96%), improve client services (84%), improve cultural and strategic alignment (76%) and expand services (72%).

Further, when considering the future of outcomes reporting for their organisation, 40% of respondents indicate that they want to extend outcomes reporting to all services, 28% are keen to extend outcomes reporting to more of their services, while 36% indicate that they want to improve their outcomes reporting framework.

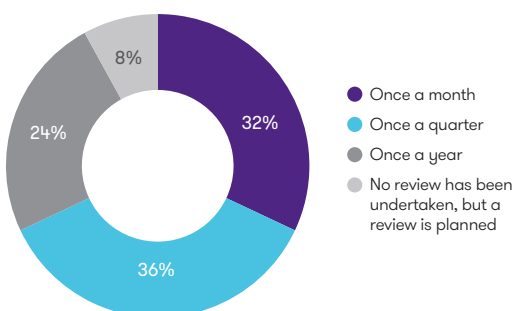


WHAT ASSURANCE IS BEING UNDERTAKEN?

The complexity of outcomes measurement, especially in relation to human services, means that systems for outcomes identification, measurement and analysis need to be reviewed and results assured in order to maintain confidence in what the systems tell stakeholders—both internally and externally. Depending on the complexity and materiality of the measurement being undertaken, such assurance might consist of an internal review, examination by an independent subject matter expert or a formal audit.

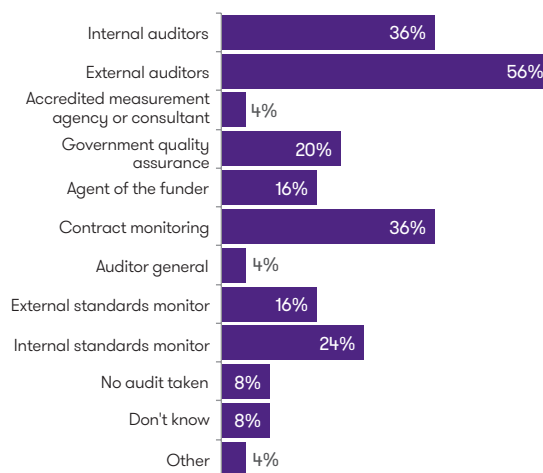
Only 8% of respondents report that they are not regularly reviewing their overall performance measurement program, including reassessing targets and data collection processes (Figure 12). The majority review their programs: 36% review them once a quarter, 32% review them once a month and 24% review them once a year.

FIGURE 12: HOW OFTEN ORGANISATIONS REVIEW THEIR OVERALL PERFORMANCE MEASUREMENT PROGRAM



The majority of organisations are undertaking a review or audit of their performance measurement results, with 56% appointing external auditors or complying with government quality assurance frameworks, indicating that reviews are an important source of assurance (Figure 13).

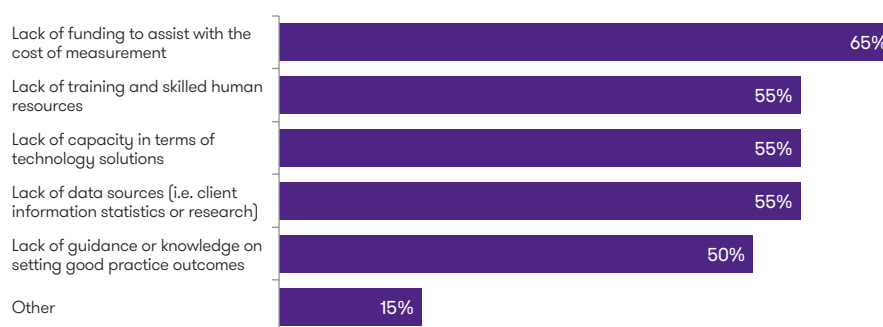
FIGURE 13: TYPES OF REVIEWS OR AUDITS UNDERTAKEN



WHAT BARRIERS STILL IMPACT OUTCOMES MEASUREMENT?

For organisations involved in human services delivery, outcomes identification, data collection and reporting can be complex, resource intensive and require significant investment. However, as we have seen, organisations report that outcomes measurement provides significant benefits to clients and organisations. Therefore, the identification of barriers to the implementation and operation of outcomes measurement is critical—it allows for the development of policy and the design of actions that can meet these challenges.

FIGURE 14: WHAT ARE THE KEY BARRIERS FOR THE ORGANISATION TO IMPROVE OUTCOMES MEASUREMENT



A lack of financial resources is seen as the most significant restriction on organisations capacity to identify, measure, analyse and report on outcomes. This is closely followed by the challenge of upskilling the workforce to meet this need—not just in terms of implementation and analysis, but also in terms of using the outputs of such activities (Figure 14).

Not-for-profits providing human services in Australia have always largely been fit-for-purpose in the context of government funding and procurement policies. With the advent of client centric procurement policies, such as individualised funding and person centred care, human services providers have had to re-align their business structures and functions. This includes the IT solutions and systems that they use to operate. However, approximately 55% of respondents report that a lack of capacity with respect to IT solutions remains a considerable barrier.

Only 52% of respondents were able to provide estimates on how much the organisation spent on outcomes measures in the last full financial year, including data collection costs, staff salaries, and technology costs. The median value of the figures provided was \$80,000.

When asked what monetary resources organisations should commit to outcomes measurement, the median value reported was 1.5% of the organisation’s total income. Interestingly, one organisation indicated that they have no costs relating to outcomes measurement, as support relating to such activities is provided pro bono to them.

Approximately 55% of respondents report that a lack of capacity with respect to IT solutions remains a considerable barrier.



PART 3:

SECTOR PRACTICE AND POLICY ISSUES

WHAT DID WE DO TO DEVELOP THIS SECTION?

In August 2017, the researchers held three focus groups, one each in Brisbane, Melbourne and Sydney. The focus groups were attended by a mix of senior level employees from Not-for-profit human services organisations, including those organisations providing child protection services, youth support services, refugee settlement services, employment services, disability services and aged care services. The groups were held in the Grant Thornton office in each city.

Personnel from participating organisations included Chief Executive Officers, Chief Financial Officers, service managers and volunteer directors. While we were keen to hear from as many people as possible, the focus group process was designed to allow a small number of people to have the opportunity to give their specific comments and to allow for those comments to be teased out in some depth.

Each focus group was led by the Chief Investigator, Professor David Gilchrist, while Grant Thornton partners from each office also participated – they were an invaluable resource both in the context of expertise and experience, having worked in the sector and in terms of maintaining the focus on practical outcomes. Three questions were asked at the outset in order to focus participants' thinking. Building on the work done in the previous stages (wherein participants agreed that outcomes reporting was a critical development for human services in Australia), the three questions were:

- 1 What do you want to use outcomes measurement for?
- 2 How high a priority is it for your organisation?
- 3 Do you have particular outcomes in mind?

While we sought to answer these questions, the focus groups were also designed to identify what was top-of-mind for participants, what they might prefer to talk about and what the key activities were that the participants were undertaking. Therefore, the focus groups were free-ranging and led by the interests of the participants. The focus

group sessions were divided into two discrete sections. A central tenet of the National Outcomes Measurement Research Agenda is that we are keen to leverage and build upon elements already available in the sector. As such, the first half of each session consisted of a presentation from the Chief Investigator which examined a number of existing outcomes reporting schemes. We then sought feedback from participants in relation to these examples and how they might be perceived in participating organisations.

The examination of these extant models was prefaced by the presentation of a decision-making framework which was used to both set the discussion and to maintain a practical focus on the rationale for outcomes measurement. This was included with the description of existing frameworks as part one of each focus group.

The second half of each session built upon the discussion and examples by asking participants to describe what they saw as their organisation's needs with respect to the identification, measurement and reporting of outcomes. This discussion ranged over a number of areas including in relation to elements of deficiency in organisations—these included in no particular order: whether or not outcomes were needed to be measured for organisations after all; tools and supports required; financing impacts; the need for independent assurance; co-design; and reporting challenges. The remainder of this section considers this discussion.

WHAT DID WE FIND?

PART ONE: EXISTING SYSTEMS

As described above, the first part of each focus group examined a set of examples of outcomes measurement tools in order to discuss them and to provide a context for comments regarding the practicality of implementing them and whether alternate models needed to be created.

The Decision-Making Framework

In order to contain the discussion within manageable bounds and to set the scene for a practical discussion pertaining to outcomes, the Chief Investigator provided a model for decision making that seeks to rationalise the dichotomy between mission and financial sustainability—the constant balancing act faced by directors of human services organisations where they need to create strategies that support the organisational mission while responding to the financial sustainability realities inherent in the modern funding environment.

FIGURE 15: SCHEMATIC REPRESENTATION OF THE STRATEGIC BALANCE BETWEEN MISSION ACTIVITIES AND UTILITY ACTIVITIES

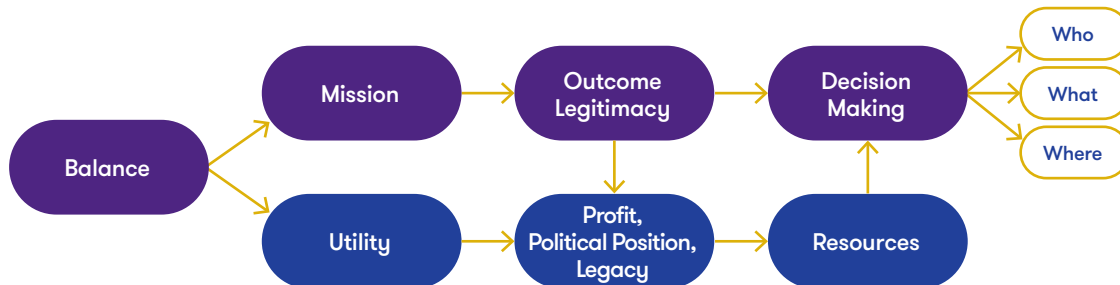


Figure 15 provides a schematic representation of this model. As can be seen, outcomes measurement can be a critical part of decision making in terms of both mission and sustainability. There is a need for organisations to consider the profitability, political position and the legacy they are building for their organisation. These are very practical realities that, if managed properly, achieve utility by enhancing the organisation's resource base.

Mission, on the other hand, is the *raison d'être* of the organisation – the “why”. In an ideal world, a mission-focused organisation, such as a charity or Not-for-profit, would be resourced sufficiently to undertake all of the work it needs to in order to extinguish demand for the services and/or supports it provides.

Achievement of the mission should be considered by reference to outcomes. As such, outcomes measurement is seen as relevant in the fight for resources as well as to the decision-making process surrounding the key strategic questions: (1) to whom do we provide services; (2) what services should we provide; and (3) where should we provide them?

Further, outcomes measurement enhances such practical elements of organisational design as: (1) cultural maintenance; (2) client focus; (3) service quality; and (4) confirmation of mission-centricity and achievement. It is the cost of outcomes measurement combined with the investment required in its establishment that forces a balanced approach. In considering this balance, the focus groups were introduced to a range of existing outcomes measurement frameworks upon which they were asked to comment.

Existing Outcomes Measurement Frameworks

The Appendix provides a list of examples of outcomes measurement tools which exist, are publicly available and which are either designed to, or can assist with, the measurement of human services outcomes. It is important to note that these frameworks were not necessarily specifically considered to be outcomes measurement frameworks by their authors. More properly, they might be referred to as “social measurement frameworks” or, perhaps, “well-being measurement frameworks”.

However, it was agreed in focus groups that the types of things measured by these frameworks are equally useful in measuring outcomes. In other words, the frameworks listed in the appendix can provide a metricised picture of the relative position of those people’s situations they measure and they can be used to develop a picture of relative change in terms of “before and after” service delivery.

By and large, the various measurement tools collect data via questionnaires and use that data to quantify certain attributes relative to the whole life of the individual subject to measurement. The measurement tools focus on six key domains and these are expressed in figure 16 below. However, the domains are differently emphasised in each measurement tool and, depending on an organisation’s mission and work, a particular model may be more effective for that organisation than another for this reason alone.

Of course, these are only examples of measurement tools and there are many others.

FIGURE 16: OFF-THE-SHELF OUTCOMES MEASUREMENT TOOLS: KEY DOMAINS MEASURED



WHAT DID WE FIND?

The focus groups agreed that these domains were representative of the key elements that characterise disadvantage. The focus groups also agreed that the use of off-the-shelf models provided a number of advantages including:

Credibility: being developed by an unrelated party, the measures appear to be more acceptable as their measurement processes have been developed without an interest in the results reported (i.e. the developing organisation and the reporting organisation are not related). Indeed, the author organisations also add credibility given their respected names (e.g. Brotherhood of St Lawrence);

Validity: the tools were developed (or appear to be developed) in a robust way and so the results are more likely to be robust;

Efficacy: the measuring tools have been used iteratively over a period of time so that they are likely to be refined and the situations reported are likely to be representative of reality;

Disaggregate-able: for a number of the measures represented, components can be measured in isolation of the entire model so that outcomes can be based on these measures without necessarily using the entire model where only components of the model are relevant to the work of the human services provider;

Definitional Clarity: the use of a model created externally to the measuring organisation and which has been used for some time allows for clarity of meaning in terms of what is being measured and how the measurements might be interpreted; and

Governance / Corporate Measurement: it was agreed that the use of these models would allow for aggregate organisational results to be reported more effectively as definitional clarity and quantified results are able to be reported at the corporate level giving directors a clearer view as to organisational achievement.

However, the participants also agreed that there are likely some deficiencies related to the use of such models. For instance:

Relevance: not all models are relevant to the work undertaken by the measuring organisation—using a measure that is not relevant to the work being done may result in poor decision making, lack of attribution (that is, the work being done is not actually impacting the results being reported) and/or misrepresentation of success levels;

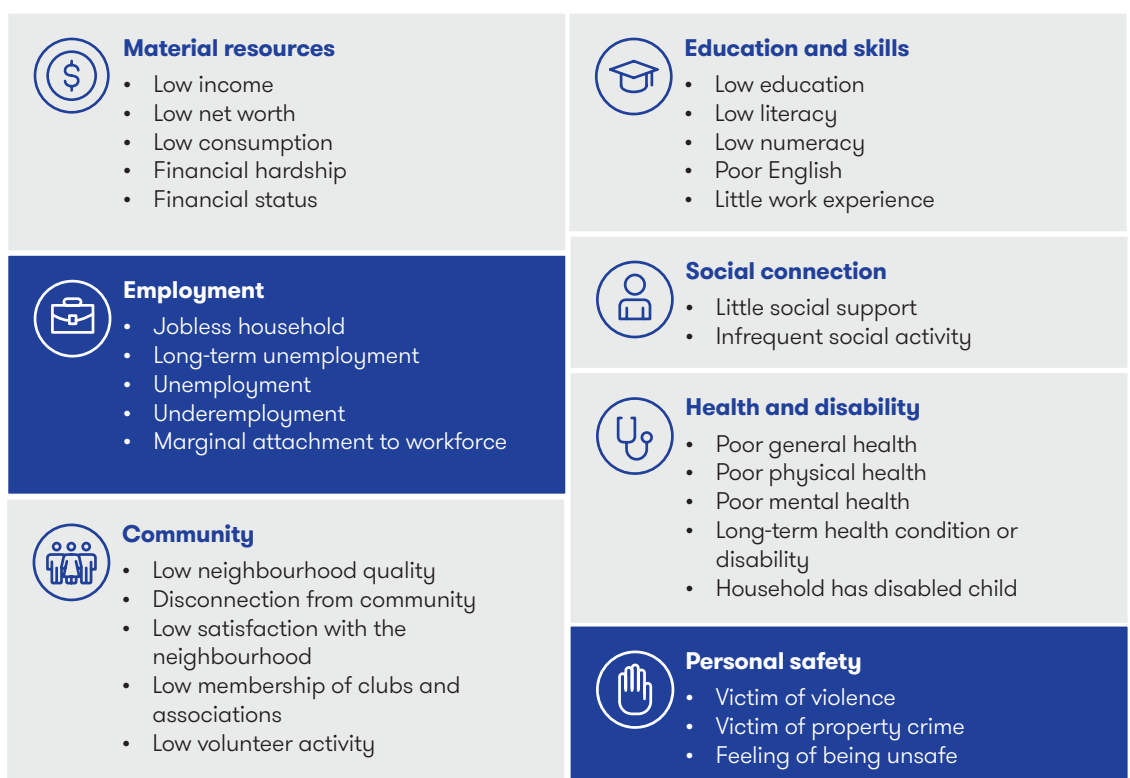
Quantitative Validity: the focus groups observed that the models are not necessarily wholly quantitative in nature. That is, while the domains were considered appropriate, the questions used to arrive at measurements still resulted in significant subjective responses that might have been answered differently for differing individuals. An ongoing problem of measurement for human services. Further, it was also identified that the measurement of outcomes related to services supporting children were particularly susceptible to subjectivity as the children themselves may not have been in a position to respond effectively (e.g. staff might complete a questionnaire); and

Universality: it was also identified that the models relate to wellbeing measurements rather than more specific outcomes that might be related to treatments or some other support or service. Equally, though, it was agreed that the domains represented were appropriate longer-term measurements and that other metrics might be used in the shorter term or as interim measures.



By way of example, the high-level domains of the Social Inclusion Monitor, developed by the Brotherhood of St Laurence, are provided in figure 17 below together with the measurement elements that make up the model. For demonstration purposes, two randomly selected domains have been highlighted and it is suggested that these domains can be measured independently so that, if an organisation is concerned to identify and measure outcomes for these elements only, they can do so.

FIGURE 17: **BROTHERHOOD OF ST LAURENCE—SOCIAL INCLUSION MONITOR**



PART TWO: IDENTIFIED NEEDS

The discussions pertaining to needs and priorities with respect to outcomes measurement were wide-ranging and complex. Individual participants framed their comments by referencing their organisation’s mission, the cost of outcomes measurement implementation and ongoing management, the lack of necessary skills and capacities within their organisations, and the organisation’s relationships particularly with government agencies but also with what appeared to many to be the increasingly important role of philanthropy.

As such, we have framed the responses, comments and suggestions made by participants, as well as questions raised, into four categories. This is a useful step as it allows for a simplification of the findings into key categories and for the isolation of specific issues which might have been raised by differing groups in different ways. Additionally, it allows for the identification of the key issues raised. Where ancillary issues of interest were raised, these have also been commented upon in the appropriate categories. The categories established are: (1) Internal Governance; (2) External Governance (Accountability & Acquittal); (3) Government Funders and Outcomes Design; and (4) Some Practical Issues. For the sake of clarity, the key questions are reproduced below:

- 1 What do you want to use outcomes measurement for?
- 2 How high a priority is it for your organisation?
- 3 Do you have particular outcomes in mind?

Internal Governance

The focus groups identified a number of elements that were relevant to the internal governance of their organisations in the context of the questions raised. Specifically, these are provided below in figure 18. Each element relates to a governance focus such as individual client objectives and desires. The governance elements impact management levels, such as the board, executive or line management.

FIGURE 18: FOCUS GROUP RESPONSES TO QUESTIONS—INTERNAL GOVERNANCE

Informs	Government element	Impacted corporate level	Decision making & reporting context	Frequency of reporting	Report types
	Individual Client Objectives and Desires	Managers & Staff	Aggregate to Corporate Level Outcomes & Other Indicators	Activities - Monthly Outcomes - Upon Annual Review	Outcomes Activities Achievements
	Strategic Planning and Control: Decision Making & Performance	Board & Executive	Strategic Plan: Three to Five Year Horizon	Quarterly, Bi-annual, Annual	Outcomes Reporting
	Strategic Planning Implementation	CEO and Managers	Annual Strategic and Operational Plans	Monthly	Lead Indicators Reporting
	Tactical Planning & Implementation	CEO & Managers	Operational Plans	Daily, Weekly, Monthly	Key Performance Indicators (KPIs) Reporting
	Performance Monitoring & Staff Performance	Managers and Staff	Resourcing Plans, HRM Plans	Six-Monthly	Performance Indicators (PIs) Reporting

The focus groups believed that there is a need to integrate the various reporting types in order to be effective. That is, the identification of outcomes measures – always starting with the client – should inform all subsidiary reporting, while the subsidiary reporting should inform those charged with governance as to the likelihood that the outcomes will be achieved. This is especially important as outcomes can often take more than a single operating year to be achieved if they are to be meaningful.

As such, the focus group participants considered that the identification of outcomes at a corporate level should be driven by individual client outcomes which should, in turn, drive the information needs of all personnel and inform the governance framework. Key challenges identified by participants in the context of this structure included: (1) the complexity of ensuring attribution – that what is measured is caused by the process being evaluated; (2) the complexity of aggregating individual client's outcomes into corporate level reports; (3) the difficulty of ensuring the outcomes reported (together with subsidiary reports) are not manipulated by those with an interest; and (4) the difficulty of ensuring the outcomes being measured are central to the culture of the organisation via the establishment of appropriate Key Performance Indicators (KPIs) and Performance Indicators (PIs). This was important to some participants who considered that outcomes measurement has not been embraced by those in organisations beyond the management ranks.

As can be seen, the participants considered that outcomes measurement is an important part of the overall governance framework but it is not everything. Most participants considered that there remains a need for KPIs to be used as well as PIs for staff performance evaluation and day-to-day decision making.

External Governance

The focus group participants also agreed that the measurement of outcomes is critical in responding to external governance responsibilities. The participants agreed that outcomes measurement and reporting can be used to fulfil the accountability and acquittal requirements of funders and others. Importantly, focus group members identified the following key issues:

Difficulty in Identifying Audiences for Corporate Outcomes Reporting: it was agreed that government funding agencies, philanthropists, and clients were all potential audiences for outcomes reporting. However, members of associations and charities as well as the families and other natural supports of clients were also important recipients of outcomes reports.

Outcomes have an Administrative Cost: Focus group participants agreed that outcomes measurement costs in terms of both time and money. Its successful implementation requires investment in systems and training while information gathering can also add costs to the operational base of an organisation (e.g. the opportunity cost to deploying staff to collect, record and analyse outcomes data). However, a number of participants felt that this is a legitimate cost and one that funders need to recognise as an essential part of the process of providing successful human services.

Assurance: All focus groups agreed that it is critical that outcomes are accepted as legitimate (that is, they are reflective of the real results of the reporting organisation's efforts) and materially correct. As such, external assurance was seen as a significant and important part of the process which helps to ensure credibility of the system.

Content: one focus group in particular raised the question as to what users of outcomes reports want, indicating that this was a major issue for the prospect of developing outcomes measurement processes that meet the acquittal and accountability needs of human services organisations but that are also representative of the individual service user needs.



Government Funders and Outcomes Design

Naturally, the focus of many participants' comments related to the place of government in the outcomes development and reporting process. Governments play a significant role in the funding of human services in Australia – this impacts the resources available for many services as well as how human services providers approach their work, acquit their use of public funds and the policy environment in which providers operate.

All governments in Australia are large and complex organisations. Most governments have identified that outcomes measurement and reporting are critical to achieving satisfactory advances in the nation's communities. However, there is also a disparity between the policy frame set by central government agencies (e.g. Chief Minister and Cabinet) and the practical procurement processes adopted by line agencies actually tasked with funding human service providers to undertake service delivery on behalf of the government.

The focus groups all agreed that there are considerable inconsistencies between government rhetoric and government action in the context of purchasing (or procuring) services from private Not-for-profit organisations. In short, it was identified that the following are key issues/needs which require recognition and response by governments prior to an effective outcomes measurement system being put in place:

Co-Design: Relevant funding agencies must be involved in identifying outcomes measurements as well as the subsidiary measurements (such as KPIs), signing off together with the human services provider in terms of the type of outcomes, how they will be measured, reported (including in relation to timing) and assured.

Genuine Commissioning: Some members of focus groups identified that they believed that the procurement process (including tendering) was used by government agencies as a response to government purchasing rules which they believed to be inappropriate for human services. Rather, they considered that effective commissioning, including co-design above, is co-operative and that comprehensive information flows between government procurers and human services organisations were critical. This would allow the procuring agencies to get to know their funded entities as well as to allow some control to migrate to the human services provider, requiring trust.

Decision Making Control: Some participants also indicated that there is need for a divestment of control in decision making, from central policy units and procurement divisions, to coal-face government staff as well as to human services providers. This was especially clear to many in relation to the issue of outcomes development and measurement and in the context of Individualised Funding and Person-Centred Care, where service users need to have a genuine opportunity for influencing outcomes design. This would include systems which would allow for local commissioning.

Funding: All focus groups identified that the drive to reduce funding while expecting human service providers to develop and implement outcomes reporting frameworks was incompatible. The importance of outcomes reporting has almost universally been recognised while the need for funding to cover the cost has not. It was also identified that it is actually in the interests of governments to make these funds available as cost savings will come out of service delivery that meets outcomes in many human services areas.

Some Practical Issues

A number of issues related to the above findings but deserving of a separate category were also identified out of participants' comments. These issues relate to the national debate regarding outcomes measurement and the unintended consequences that experience has thrown up. These miscellaneous issues include:

Uniform Definition of Outcomes: in order to commission services, allow for choice and control as well as to allow for comparisons of performance to be made, some focus group participants identified that some uniformity of definition and structure needed to be agreed between governments and providers. This would also allow for more efficient outcomes reporting while involving government agencies in co-design as suggested above.

Information Sharing: providers present in the focus groups also identified that the lack of information sharing meant that organisations were not well placed in some cases to develop meaningful outcomes. Where clients moved to new providers, out of the system (for instance, at the end of the five-year support period funded for refugee settlement programs), or where users' needs are such that outcomes will only become clear over a long period of time (that is, longitudinal outcomes), a lack of data sharing capacity (some participants talked about data sharing in the primary health care system where doctors can access client files from a central system) restricts the opportunity to use data effectively for planning and reporting.

Uniform Use of Rhetoric: it was identified by one focus group in particular that the policy rhetoric employed by government agencies is counterproductive as it is not consistent, even in relation to that employed by agencies in a single government, let alone across governments in the Australian federation. For instance, the national discussion uses "outcomes measurement" as the aspirational paradigm, while the NDIS uses "goals" in their nomenclature.

Human Services Sector: some participants also identified that there is a need for the human services sector to be more demonstrative of its value to the Australian community generally and to government funding agencies particularly. Some participants at one focus group identified a need for an industry plan to respond effectively to the issues discussed within the group and to allow for the development of meaningful responses to the challenges faced by providers and governments alike.

By and large, the above issues identified a set of real barriers to service users enjoying choice and control in terms of the services and supports they receive. The lack of uniformity in outcomes definition, the lack of sharing of data and the variation in government policy descriptions all work against service user mobility. Any reduction in mobility negates other aspects of human services policy in Australia, including in relation to the use of quasi-market systems applied commonly to deliver funding to service providers in the hope that such structures will see better user outcomes.



PART 4:

AN ORGANISATIONAL OUTCOMES FRAMEWORK

SHOULD WE REPORT OUTCOMES?

In deciding whether or not to report outcomes, NFPs need to consider both the costs and benefits. That is, will the cost of identifying outcomes, setting up systems and processes, collecting and analysing data and reporting, and assuring outcomes reports be outweighed by the value those reports add?

In making this decision, there are four key issues to consider:



Timing



Audience



Cost



Benefits

These elements are discussed below. They are presented in order, but organisations may need to evaluate and re-evaluate each of these issues in order to come to a decision.

TIMING – SHOULD MEASURING OUTCOMES BE A PRIORITY NOW?

For organisations contracted to provide services to governments or required to acquit funding, at least some outcome measurement may not be optional. However, if outcome measurement is optional, there may be more pressing issues to deal with before tackling the cost and complexity of developing an outcomes framework. It is important to undertake a realistic assessment of the culture of a NFP and its operating environment in order to determine if outcome measurement is in fact essential at this point in the organisation's development. The following factors might inform your decision:

- 1 Whether the reporting structure within the organisation is able to incorporate outcomes reporting at an individual client and aggregate level, or whether it can realistically be made to do so;
- 2 Whether negative outcome results will be accepted by the reporting audience as an indicator of improvement needed or whether there would likely be political/funder/contractual ramifications accrued from reporting negative results;
- 3 Whether the sector in which your NFP operates is moving toward outcomes reporting resulting in the development of a competitive challenge; and
- 4 Whether there are more pressing investments needed to ensure sustainability – for instance, in relation to the adequacy of financial reporting, compliance activities, clinical governance and so on – before new investments should be considered.

The last of these issues, financial reporting, is especially important. In our research we came across a number of organisations that were pursuing outcomes reporting even though they were challenged by their fundamental financial and activity reporting processes. Outcome measures without concomitant information on the cost of achieving those outcomes has limited value. Organisations may achieve a higher return on investment by improving their management accounting reports rather than instituting new reporting frameworks for instance. Therefore, decision makers need to consider whether or not their NFP is sufficiently mature to support the development and implementation of an outcomes reporting framework.



THE AUDIENCE

Outcome measures are a form of communication and, as with any communication, it is important to first identify the audience you will be serving, what they need and what you would like the audience to understand. Our research found that organisations often automatically assume that there is an audience for outcomes reporting, especially as outcomes are almost universally supported as a mechanism for demonstrating mission centricity and performance. However, this is not always the case.

Most organisations have multiple audiences for outcome measures, including audiences internal to the organisation, such as the staff or the board, and those external to the organisation, such as funders or regulators. It is important to first identify each audience and their needs.

For each audience, the next question to consider is “does the audience have the capacity to impact the organisation and will the publication of outcomes data cause them to impact the organisation positively or negatively?” For instance, unintended consequences may arise from the publication of such things as league tables. Notwithstanding, all outcomes data, even the type that may be considered to be negative, has the potential to be used in a positive way through the analysis and development of supporting actions to improve practices.

Table 1 below consolidates the criteria for determining whether there are prospects for a positive impact being contributed by each audience type. Each organisation will have a different perspective, contractual arrangements with funders, and other contextual elements that they will need to consider and prioritise in contemplating these issues.

TABLE 1: **AUDIENCES FOR OUTCOMES FRAMEWORK**

	Audience	Prospects for positive audience impact	Report outcome
External focus	Government Funders	If contractual obligation.	Yes – mandatory.
	Government Funders	If no contractual obligation.	Yes – if funder participates in co-design and likely that renewal/ increased funding will occur.
	Philanthropists	Proposal support & ongoing reporting.	Yes – if philanthropic contribution covers marginal costs of proposal development and ongoing reporting.
	Collaborative Partners	Continued collaboration and better service delivery, including informing improvements to collaboration partner contribution.	Yes – if partner will likely continue to participate and will respond positively to the learnings arising out of outcomes reporting.
	Client Recruitment	Recruitment and retention: increased income and minimise costs.	Yes – If competition for clients is high and clients’ capacity for making choices is mature (i.e. Outcomes reporting will in fact impact recruitment and retention positively).
Internal focus	Other Stakeholders (e.g. Members)	Recruitment and retention: contributions as volunteers, advocates, fee payers, fundraisers.	Yes – if benefit of other stakeholders is calculable and material, including in relation to the net cost of member maintenance.
	Directors	Pursuit of mission, sustainability and mature governance including performance assessment	Yes – If outcomes inform strategic plan, performance monitoring and guide modification to business plans (outcomes’ results must be capable of aggregation)
	CEO/Executive	Pursuit of mission, resource allocation and performance assessment.	Yes – if outcomes inform modification to business plans, inform CEO / Executive performance evaluation (including KPIs), and inform resource allocation (outcomes’ results must be capable of aggregation).
	Staff	Better services to clients, improved clients’ satisfaction, decreased client recruitment and retention costs, decreased staff recruitment and retention costs.	Yes – if outcomes inform KPIs and performance assessment for staff, staff turnover is measured and client satisfaction is measured.

THE COSTS

The cost of implementing and operating an outcomes reporting framework can often be material and are very likely to manifest. That is, costs are universally incurred when an outcome reporting framework is established and operated and these must be recovered via the benefits provided by outcomes reporting – if any. These costs are observable and calculable.

Further, outcomes measurement can also impact culture, trust and accountability – within and external to the reporting organisation. Any outcome measure incorporated into team or individual KPIs will impact the behaviour of the people involved for good or bad.

In order to make this decision, NFPs must calculate the costs associated with establishing and maintaining an outcome reporting framework. Table 2 identifies these costs but each organisation will calculate these costs differently and apply differing policy frameworks to their prioritisation of them. Therefore, your organisation needs to consider the relevance of these costs in the context of your operations.

TABLE 2: COSTS ASSOCIATED WITH ESTABLISHING & MAINTAINING AN OUTCOMES REPORTING FRAMEWORK

Cost type	Opportunity cost	Expense incurred
Investment required: IT Infrastructure, Training, Outcomes Development, Data Collection System Development	Alternative investments, alternative utilisation of staff	Depreciation, staff time, training costs, cost of funds, consultants
Data collection	Care/Support provision staff utilisation, client time and involvement – potential imposition	Staff time (especially lost productivity), consultants
Data analysis	Analysis Staff alternate utilisation	Staff time, consultants
Assurance of data	Alternate staff utilisation, Alternate assurance priorities unmet	Cost of external audit
Reporting	Reputational damage if outcomes not achieved, client trust broken if feedback not responded to	Report development, dissemination costs

THE BENEFITS

The benefits can often be identifiable but often not calculable. For instance, it is likely that positive outcomes reporting will increase the reputation of the NFP but the value of that reputational impact is not readily calculable so that comparing it with the costs of an outcomes framework is not possible other than in terms of subjective, inherent value considerations.

TABLE 3: THE IDENTIFIABLE BENEFITS OF ESTABLISHING & MAINTAINING AN OUTCOMES REPORTING FRAMEWORK

Benefit type	Inherent value	Possible realisable value
Individual client level	Articulation of objectives and desires.	Achieve individual client outcomes via outcomes-centric care plans, individual client advocacy improved, better client retention and recruitment, reduction in staffing recruitment and client recruitment costs.
Tactical planning level	Outcomes focused business plans.	Better staffing planning (skills mix, training needs), better service planning, better client recruitment outcomes, more effective internal communications – commensurate reductions in costs and increased sustainability.
Strategic planning level	Outcomes focused strategic plan for better mission alignment; vehicle for cultural change and performance management, advocacy capacity improved.	Demonstrable mission focus, increased philanthropic contributions, better government funding outcomes, better organisational and client advocacy, better and more relevant Key Performance Indicator (KPI) identification and reporting – continued funding/contract renewal, better philanthropic outcomes, reputational development and maintenance, better industry reputation, focused resource allocation and cost savings.
Governance level	Outcomes focus and mission alignment: mission becomes central to all levels of activity.	Better performance information against mission guiding resource allocation decisions, better stakeholder reporting demonstrating mission achievement, better staff performance assessment – potential savings in costs.



WHERE DO OUTCOMES SIT IN THE ORGANISATIONAL REPORTING STRUCTURE?

The achievement of outcomes represents the realisation of the purpose of a mission-driven organisation. NFPs are such organisations – they exist in order to pursue a mission that generally is intended to improve the life and opportunities of people as their primary purpose rather than making money in the form of profits.

As such, outcomes are the end-goal for most NFP organisations and are usually articulated directly or indirectly in the organisational mission. It is this mission (often referred to as objects or purpose) that allows for NFPs to enjoy certain tax benefits, drives philanthropists to contribute and often increases organisational legitimacy from a client's perspective.

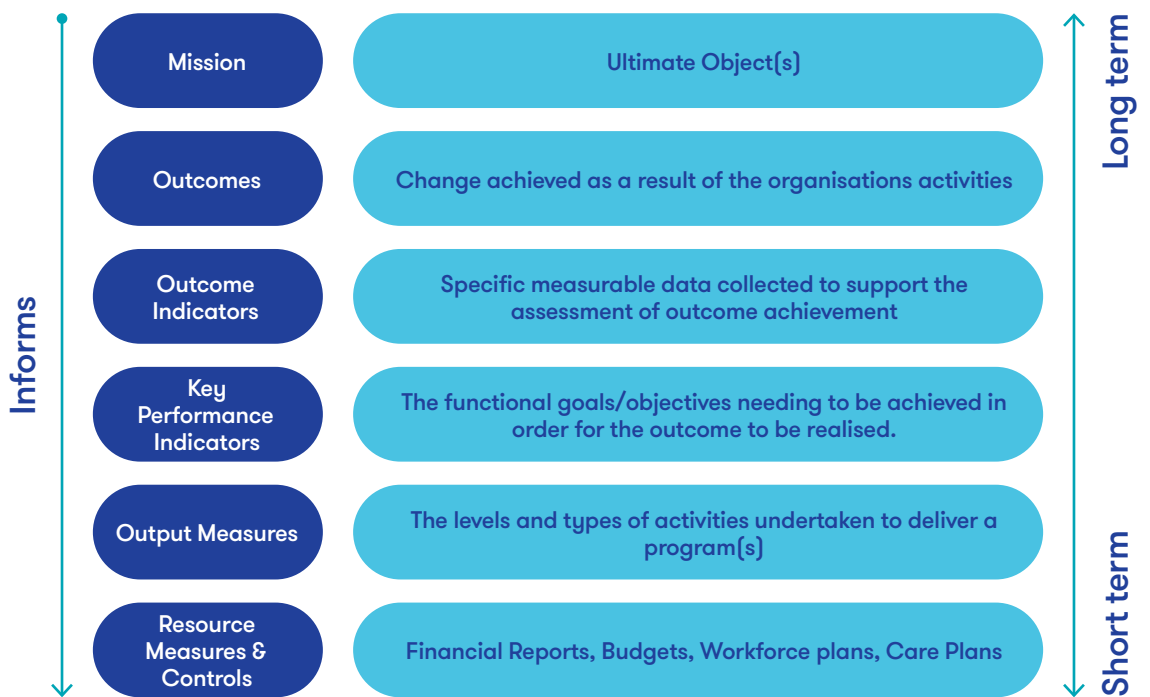
However, the achievement of outcomes themselves tends to be a binary consideration – outcomes have either been achieved or they have not. As such, we tend not to measure the outcomes themselves but, rather, outcome indicators. Outcome indicators are the data points that help us to determine the extent to which an outcome has been achieved. These indicators are important as some outcomes, such as the eradication of poverty, are laudable but very difficult to realise in several lifetimes. On the other hand, outcome indicators are just that, indicators of the extent to which an outcome has been achieved – indeed, how far we have advanced toward our ultimate goal.

The place of outcomes and outcome indicators in the organisational reporting structure is provided in Figure 19. This figure also highlights the interrelationship between the strategic, operational and governance frameworks in the short, medium, and longer-terms.

Importantly, like all measurement and reporting processes, caution needs to be exercised in terms of over-reliance on one measurement type and what it might mean for strategy and operations. The assessment of outcomes and outcome indicators is a critical process but so too are more traditional methods of reporting such as outputs reports, budgets and financial reports. These should all be read in conjunction with each other, used to form a balanced view and make an appropriate response, and to guide decision making with respect to what actions need to be taken and the appropriate timing of those actions.

The interrelationship of these reporting elements must be balanced – there is little point in adopting a mission if those charged with governing the organisation do not pursue it. However, regardless of how assiduously the directors pursue the mission, without resource measurement processes and controls, such as financial reports, budgets and care plans, the sustainability of the organisation will be under threat, in turn jeopardising the organisation’s capacity to pursue its mission.

FIGURE 19: THE ORGANISATIONAL REPORTING STRUCTURE



HOW DO WE IDENTIFY OUTCOME INDICATORS?

Should the cost/benefit analysis described above be found to be positive – that is the cost of developing and operating the outcomes framework is outweighed by the benefits arising from it—the next step is to identify a set of outcomes. Many consider this aspect of the process to be the most difficult. So, in this section we discuss the essential elements of an appropriate outcome and provide a step-by-step process for their identification.

CHOOSING TO USE BESPOKE OR OFF-THE-SHELF OUTCOME METRICS

In many respects this is a relatively easy decision in that, broadly, the implementation of an off-the-shelf outcome framework is often less resource intensive than the development of a bespoke model. However, before examining off-the-shelf outcomes frameworks, it is imperative that the organisation identifies the outcome(s) it wants to measure, otherwise, because of the convenience of it, there is a considerable risk that the outcomes frameworks available will drive the outcomes identified rather than the other way around.







Ultimately though, the choice of whether to implement a bespoke model or an off-the-shelf model comes down to a cost versus relevance question – while there may be savings and legitimacy in implementing an off-the-shelf model, will the right data be collected in order to assess your outcomes?

THE ESSENTIAL ELEMENTS OF LEGITIMATE OUTCOMES

Outcomes can be defined in a number of ways and they can be created to measure many different things. Organisations working to identify suitable outcomes for the first time must be aware of the essential elements that must be present in a suitable outcome in order for that outcome, and its outcome indicators, to be considered as legitimate. These are identified in table 4 below.

When developing a set of outcomes for an organisation, those charged with that task should continually check their thinking with this list of elements in order to ensure they are likely to be present in the outcomes ultimately developed.

TABLE 4: **ESSENTIAL ELEMENTS OF LEGITIMATE OUTCOMES**

	Relevance	Result in short- medium- and/or long-term positive change for the measuring organisation, individuals, groups and/or communities who are the focus of your NFP's Mission.
	Attribution	Result from the activities/interventions of the measuring organisation.
	Measurable	The results can be forecasted and measured reliably.
	Auditable	The data collection process, data and its analysis can be assured.
	Understandable	The audience(s) for outcomes reports must be able to understand and appreciate that the elements above are present in order for the reports to have legitimacy. For instance, if the outcomes measured are not relevant, the audience will discount their value as information sources, reducing their legitimacy.
	Articulated	Outcomes must relate to resource allocations (budgets), output reporting (e.g. number of activities), and KPIs so that there is a clear line of sight between daily operating decision making and the outcomes targeted.

A PROCESS FOR IDENTIFYING OUTCOMES

In order to develop an outcomes reporting framework that meets the elements identified above, the process needs to be transparent and focused. Table 5 provides just such a process. It incorporates the steps to be undertaken and is annotated with commentary with respect to the process involved in each step. The cost benefit calculus has been made at this point and the outcomes reporting framework is now to be implemented.

It is not always easy to translate the description of the process to the practical implementation of an outcomes development process. As such, we have also provided a description of a case alongside the annotated steps in order to demonstrate one way of meeting an organisation's needs. This case is of a fictional employment support provider. It focuses on one program the provider delivers – Employment Support for People with Disability (also fictional) and suggests outcome indicators, KPIs and so on which may or may not be relevant to the employment support sector – they are simply made up for demonstration purposes. Each program would need to have its own outcomes, outcome indicators and so on developed and focused on the purpose of the program. Together, all outcomes indicators and outcomes selected should demonstrate the level of achievement of the organisation in pursuing its mission.

TABLE 5: **OUTCOMES IDENTIFICATION PROCESS**

1 Identify the program(s) that the organisation will develop outcomes for	
Commentary	Case example
Depending on the experience and capacity of the organisation, its mix of services and capacity to invest, it might be advisable to construct an outcomes framework for one program only. This may lower the risk of investment overruns, improve timeliness and build capacity.	Employment support for people with intellectual disability.
2 Identify a leader with appropriate capacity to prioritise and support the project.	
Commentary	Case example
The outcomes development project needs a sponsor who would normally be a senior executive with the capacity to make policy and practice decisions, allocate resources and approve the results of the work.	General manager, service delivery
3 Identify the project team	
Commentary	Case example
The project team needs to include those line personnel, supervisors, managers and senior staff that understand the program(s) intimately, understand the cost drivers, intentions as well as any relevant contractual elements. It may also be beneficial to include clients, funders, philanthropists, and/or board members and others who can test the validity of decisions being made and can challenge the conceptions of the staff in their understanding of the drivers of quality. Including people such as these in the project team may assist in the co-design of outcomes leading to more buy-in, greater legitimacy and, ultimately, greater impact.	Internal: Support Worker, Trainer, Supervisor External: Volunteer employment agency practitioner

4 Identify what success looks like for the program(s) – the outcomes

Commentary

Before outcomes can be identified, success needs to be described in terms of the change sought in the short-, medium- and long-term. What needs to improve, positively change and/or be removed in order for the program to be declared a success?

Case example

Clients achieve full time, ongoing employment

5 Identify program outcome indicators

Commentary

Once the nature of success is understood, the team is in a position to identify the indicators of that success. Indicators are the specific elements for which measurement data is collected. These can be once-off indicators that are binary in nature (i.e. they have been achieved or they have not) or they may be cumulative (i.e. improvements are achieved by gradations). A binary indicator may be whether or not a client is able to manage their daily living activities or not. A cumulative indicator may be one that measures the extent to which a client is able to sustain economic engagement while working toward full time employment. It is also necessary to identify who is responsible for achieving these indicators. Further, a set of outcome indicator metrics need to be identified as well. These are the targeted outcomes that can then be evaluated on a regular basis.

Case example

Short-term: Employment readiness = have CV, undertaken interview training, provided interview attendance support, number of job interviews attended.

Medium-term: Reduced reliance on pension = client receives at least 30% of income from paid work. (Quarterly target – quarterly income of clients from paid work must be maintained at 30%)

Long-term: Client has worked for more than six months consecutively in the same role at full time hours. (Quarterly target – All clients in full time work retain their jobs).

Responsibility: General Manager, employment services

6 Confirm legitimacy

Commentary

Review outcome indicators against essential elements identified in Table 4 above. Revisit the outcome indicator(s) chosen if it does not align with every essential element.

Case example

The outcome indicators meet all of the elements identified in table four.

7 Align outcomes indicators with strategic plan

Commentary

This process ensures that the strategic plan is ultimately focused on the mission of the organisation. This includes in relation to allocating resources, establishing priorities, developing budgets and financial plans, and investing in the organisation. There should be a clear line of sight between the outcome indicators and the strategic objectives of the organisation. It is preferable to develop outcomes indicators prior to developing a strategic plan. However, if your organisation enters into an outcomes development process part way through the life of a strategic plan, the plan may have to be revisited.

Case example

Key strategic development objectives:

- Develop strategic relationships with employers in our areas of operation;
- Develop client employment glide path – using experience, identify short-, medium- and long-term activities that will lead to ongoing, full time employment and establish as a client plan template which is then modified for each client’s needs.
- Allocate financial and human resources.
- Allocate specific responsibility

8 Identify key performance indicators

Commentary

KPIs serve to bridge the gap between outcome indicators and output/activity reporting structures such as the resource measures and controls identified in figure 19 above. They should report on significant activities that are necessary to be undertaken in order to achieve the outcomes desired. They should also be selected in order to support the operationalisation of the strategic plan – KPI reports should give the executive and board information pertaining to the extent that the strategic plan has been implemented and that priorities and goals are being achieved. Finally, the person(s) responsible for achieving the KPIs should also be identified.

Case example

10 local employers signed up as supporters of our program
 40% of clients are employment ready
 Employment ready clients attend 3 interviews per week
 10% of clients enter full time employment
 All clients in full time employment retain their jobs
 Responsibility allocated to supervisors with clear accountabilities for achieving specific key performance indicators.

9 Develop reporting framework

Commentary

The reporting framework should include the timing of data collection, the timing of reporting, the types of reports, the audiences and the relationship between KPI reporting, outcomes indicators reporting and the traditional reporting processes such as financial reporting and workforce reporting. The people responsible for collecting data, analysing it and reporting should also be identified.

Case example

Reporting framework:

Element Reported	Audience	Report Developer	Timing
Outcomes	Board, External Stakeholders	CEO	Annual against targets
Outcome Indicators	Board	CEO	Quarterly against targets
Key Performance Indicators	CEO, Supervisors	Various	Monthly against targets
Financial Reports	Board, CEO	CFO	Monthly against targets
Workforce Reports	Board, CEO	HR Manager	Monthly against targets

10 Assurance

Commentary

This element is an important governance process. Ensuring the data collected is the highest quality possible and that the analysis and reporting of that data results in the provision of information to internal and external stakeholders that allows them to make effective decisions, is critical. Assurance can be undertaken in a number of ways: internally by staff who might be unrelated to the particular program may act as “devil’s advocate”, examining the process, data and reports developed. Alternatively, an external auditor can include an assessment of the outcomes system as part of their remit. It is important to remember that the benefit of any assurance process must outweigh the cost and so a mixture of internal and external review is often most appropriate.

Case example

Annual review of the outcomes and KPI data collection, analysis and reporting process undertaken by senior executive unrelated to the program.
 Every second year, the external auditor adds a review of this program’s reporting structures to the audit plan.
 The board and CEO are informed of the outcomes of these reviews in a timely fashion.



APPENDIX

EXAMPLES OF EXISTING WELL BEING MEASUREMENT METHODOLOGIES

No.	Framework title	Author
1	Self-sufficiency Matrix	PerformWell
2	Social Exclusion Monitor	The Brotherhood of St Lawrence
3	Framework For Multidimensional Analysis of Disadvantage	Melbourne Institute of Applied Economic and Social Research
4	Outcomes Star	Triangle
5	Outcomes Matrix	Big Society Capital
6	How's Life?	OECD
7	Framework of Indicators for Social Exclusion	Australian Social Exclusion Board
8	National Economic & Social Impact Survey	The Salvation Army
9	Child Well-being in Rich Countries	UNICEF
10	Wellbeing Monitoring Framework	Commissioner for Children and Young People WA
11	The Wellbeing of Young Australians	ARACY
12	Measuring Wellbeing: Aboriginal and Torres Strait Islander Peoples	Australian Bureau of Statistics
13	Index of Relative Socio-economic Disadvantage	Australian Bureau of Statistics

