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Not-for-profit Initiative

OUTCOMES: RESEARCH INTO PRACTICE

National Outcomes Measurement
Research Agenda Working Paper No. 2

CONTENTS

HIGHLIGHTS

The 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 to result 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.

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 NATIONAL OUTCOMES MEASUREMENT RESEARCH AGENDA

Grant Thornton Australia and the Curtin University Not-for-profit Initiative are jointly investing in a 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 tools to assist them respond to increasing demand for outcomes based practices.

This is ambitious but extremely important. The move toward outcomes development, management and reporting is complex, but, if successful, has the capacity to make a significant impact on the future of human services delivery in Australia.

The primary focus of the National Outcomes Measurement Research Agenda is to build on previous work in this area to:

a. identify key issues related to the successful implementation of outcomes reporting frameworks in Not-for-profit organisations providing human services;

b. develop and implement a research and practice program of high integrity and quality;

c. combine the strengths and experience of the research partners to ensure that their understanding and capacity is fully brought to bear on this program;

d. 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. create tools and resources that support the above, and disseminate these as widely as possible.

In 2016, we released our first report in this series. 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 describes in more detail the purpose of this research program and therefore this report should be read in conjunction with Working Paper No.1.

This second element is a working paper which serves to locate the research program in the current national discussion on outcomes measurement and identify what is actually being done, how quality is being maintained in data collection and analysis, and barriers associated with outcomes design, measurement, reporting and assurance. As such, it is based on a small survey of those involved in the management and governance of human services organisations and examines their perspective and confidence relating to their outcomes measurement program. It aims to clearly confirm that the reality matches the theory—that the expected challenges faced in delivering outcomes are felt in practice. It is also intended to initiate a deeper, practice-based, more constructive conversation amongst stakeholders.[2]

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

[2] Queries and requests for information regarding methodology and data should be directed to Professor David Gilchrist: david.gilchrist@curtin.edu.au.

WHO PARTICIPATED?

The data presented in this working paper was collected via 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 1. Eight of these respondents report that their organisation does not currently report on outcomes, and 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 indicating the importance of this subject to industry leaders.

Figure 2 represents the length of time that organisations have been reporting outcomes. It is noteworthy that 40% reported 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 3 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 1: **ROLE OF THE RESPONDENT**

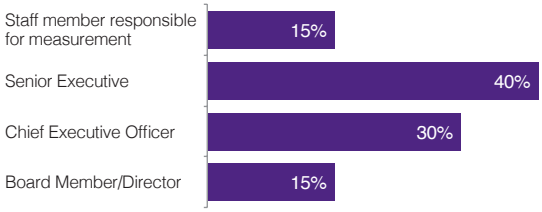


FIGURE 2: **HOW LONG ORGANISATIONS HAVE BEEN MEASURING OUTCOMES**

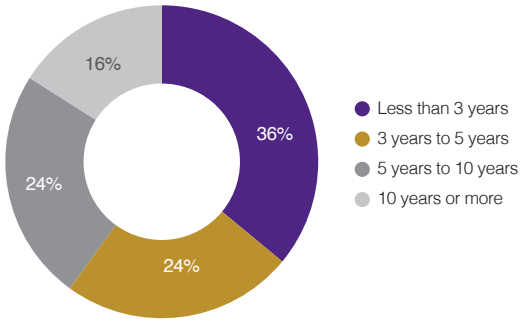
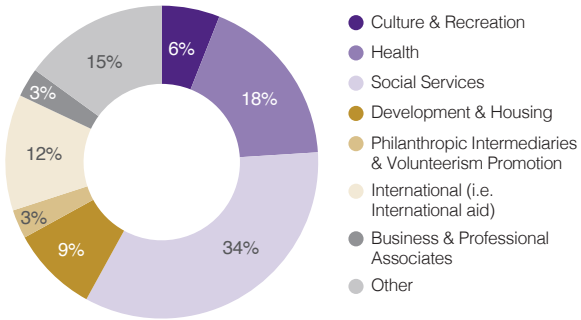


FIGURE 3: **WHAT IS THE MAIN ACTIVITY OF YOUR ORGANISATION?**



WHAT IS BEING DONE NOW?

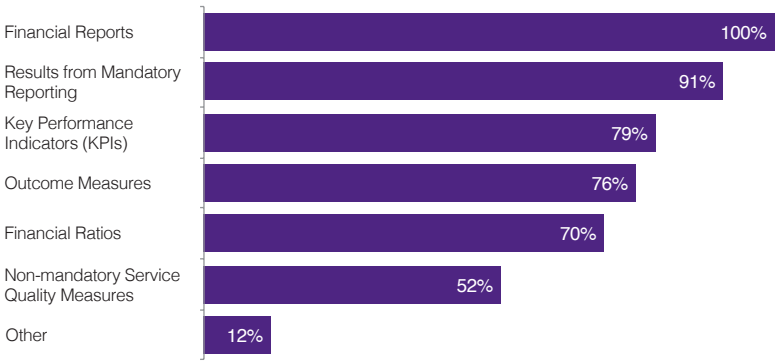
This section of the Report examines the data gathered via the survey in the context of what organisations are actually doing, both at a holistic, corporate level and in the context of the individual outcomes being measured.

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 4: **TYPES OF INFORMATION COLLECTED**

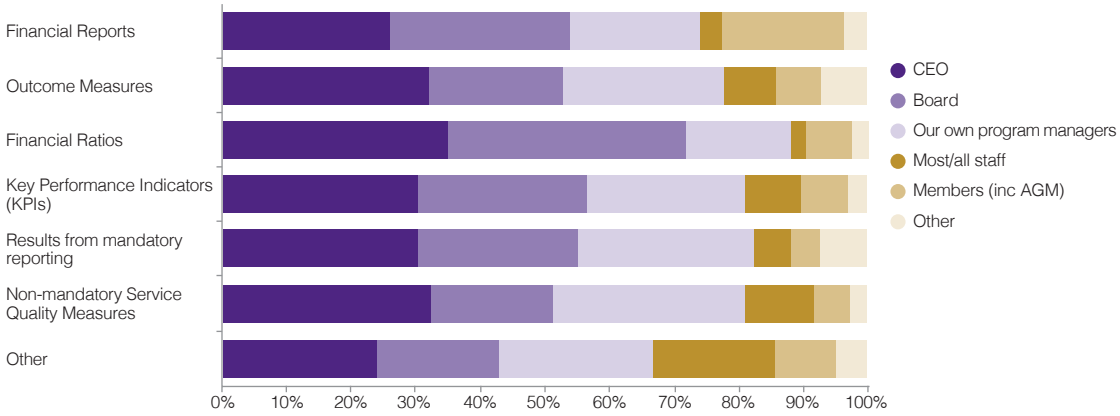


Clearly, mandatory reporting requirements have considerable influence on the data collected, the analysis taking place and the type and timing of reporting. Government agencies collect a significant amount of data, with the priority on financial information. There is an opportunity here for governments 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.

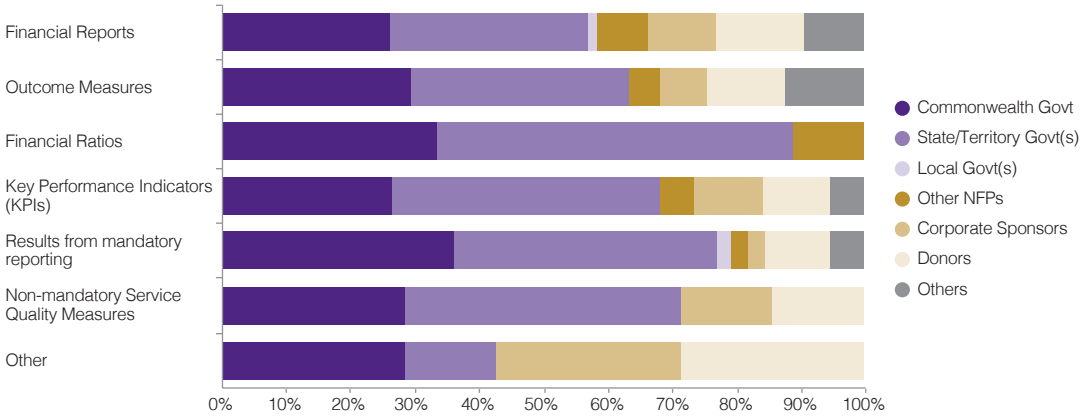
Figure 5 highlights the audience for internally reported information by information type. Predominantly, information collected by most organisations was used internally and reported to CEOs, boards and program managers.

FIGURE 5: **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 6, 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 6: **EXTERNAL REPORTING BY INFORMATION TYPE**



Service level measurement and reporting

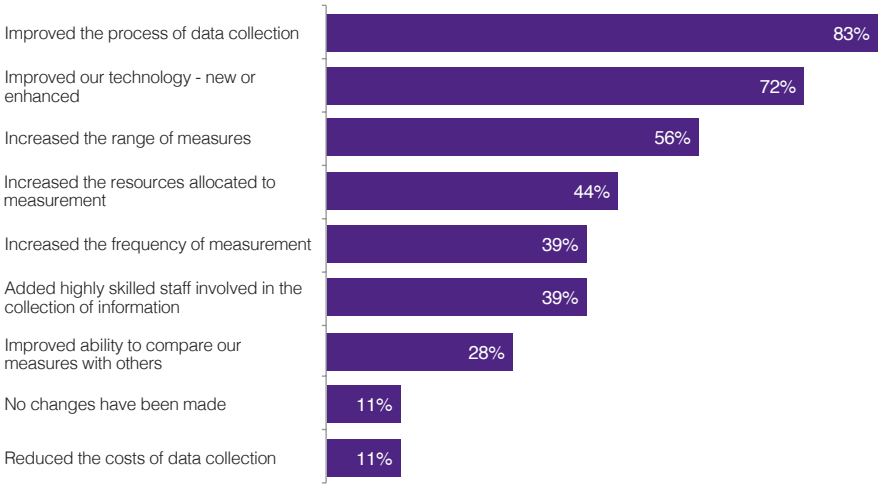
Organisations sought to measure outcomes by specific program or service in order to evaluate effectiveness, report relevant data to sub-sets of stakeholders and to identify areas for improvement. They report using various frameworks in support of this process, including Results Based Accountability frameworks (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 in Working Paper 1 of this series 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 7. 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 7: **CHANGES MADE TO MEASUREMENT SYSTEMS OVER TIME**



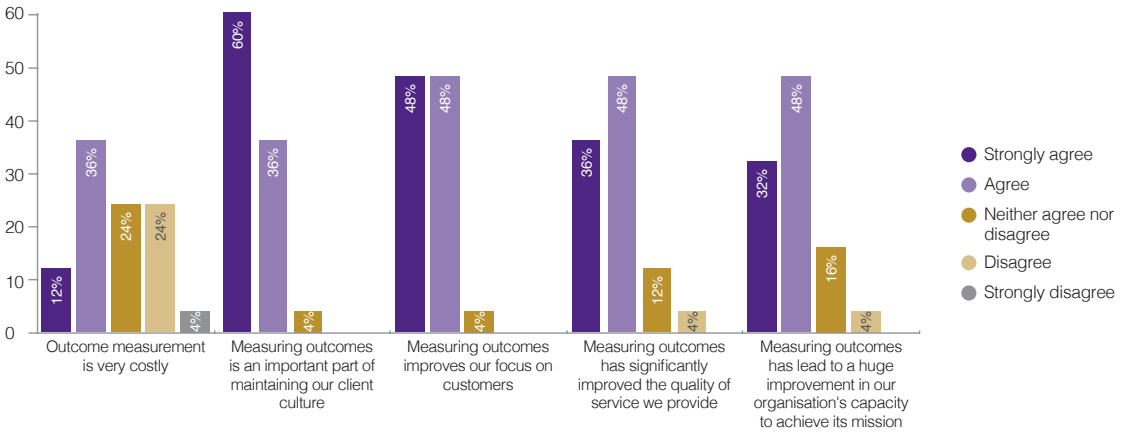
Where organisations report that they do not collect outcomes measurement data, they cite their reasoning as: (1) the fact that such data is not required by funders; (2) that they do not have the necessary infrastructure; and (3) there was no data available. Once again, funder, and therefore government, 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 8 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.

FIGURE 8: **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%).

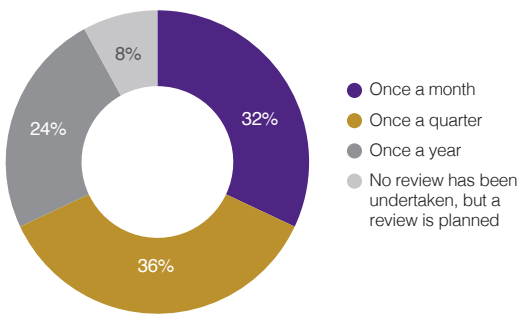
Further, when considering the future of outcomes reporting for their organisation, 40% of respondents indicate that they want to extend outcomes reporting to all services, 28% are keen to extend outcomes reporting to more of their services, while 36% indicate that they want to improve their outcomes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

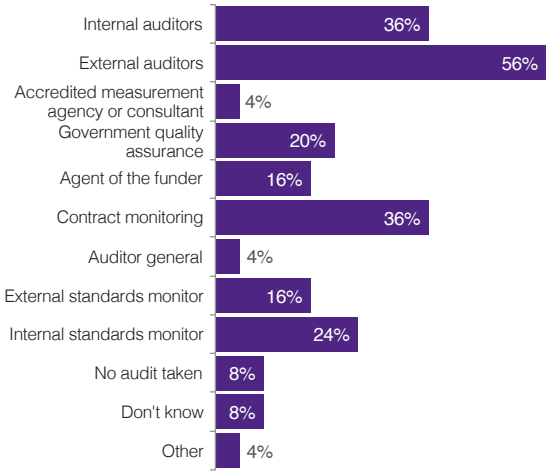
Only 8% of respondents report that they are not currently reviewing their overall performance measurement program, including reassessing targets and data collection processes (Figure 9). The majority review their programs: 36% review them once a quarter, 32% review them once a month and 24% review them once a year.

FIGURE 9: **HOW OFTEN ORGANISATIONS REVIEW THEIR OVERALL PERFORMANCE MEASUREMENT PROGRAM**



The majority of organisations are undertaking a review or audit of their performance measures, with 56% appointing external auditors or complying with government quality assurance frameworks, indicating that reviews are an important source of assurance (Figure 10).

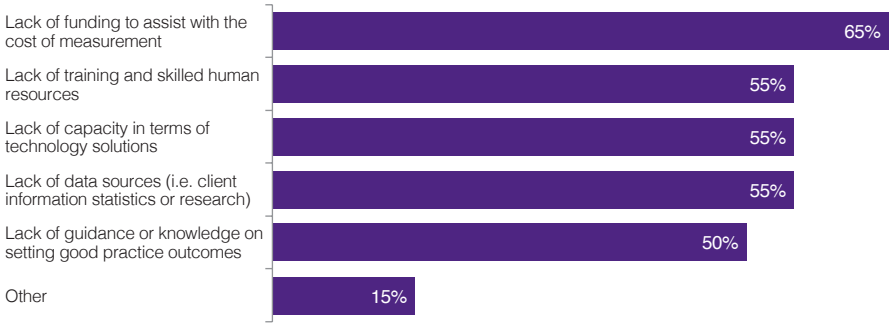
FIGURE 10: **TYPES OF REVIEWS OR AUDITS UNDERTAKEN**



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 11: **WHAT ARE THE KEY BARRIERS FOR THE ORGANISATION TO IMPROVE OUTCOMES MEASUREMENT**



Of the barriers that respondents identify, 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 results of such activities (Figure 11).

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.

DOCUMENT DATA

This study was undertaken by the Curtin Not-for-profit Initiative and funded by Grant Thornton Australia.

Citation Information

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Gilchrist, D. J. and P. A. Knight (2017), Outcomes: Research into Practice: Working Paper No.2, A report for Grant Thornton Australia.

Grant Thornton Australia

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Grant Thornton is passionate about helping not-for-profits succeed in their missions. Our clients include some of Australia's most admired NFPs and independent research (Beaton Benchmarks 2016) has recognised us as one of the leading accounting and advisory firm serving this sector.

The Curtin Not-for-profit Initiative

Curtin's School of Accounting established the Curtin Not-for-profit Initiative in 2011 following a refocus of research objectives toward industry-ready research outputs that are readily applicable in practice. As such, the aims of the Initiative are to:

1. Develop a body of research focused on practical and implementable outcomes that will enhance the resilience, efficiency and the sustainability of the Not-for-profit Sector Australia-wide
2. Build significant and effective industry engagement in order to identify and prioritise the topics of research, and to facilitate dissemination and discussion of the findings to the best effect for the sector
3. Build a body of up-to-date, Australia specific knowledge that can be used to inform policy and practice within government, the Not-for-profit Sector and the broader community with a view to enhancing policy outcomes to the greater benefit of all communities in Australia.

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