IOCOM Chair/President’s Message

The second issue of the IOCOM Digest & Dialogue theme is about management oversight functions or management control functions commonly referred to as Management Control Systems (MCS). Collectively they include a number of approaches or tools to aid management in steering an organization towards its strategic outcomes. In this issue an overview of MCS and an introduction to some of the more popular management control or oversight disciplines, Managing for Performance Results also known as Results based Management (RBM), Managing for Excellence Models, International Standards Organization (ISO) based ISO 9000 Quality Management System (QMS) and ISO 14000 Environmental Management Systems (EMS), Total Quality Management (TQM) philosophy, Lean Management and Auditing are presented for your reading pleasure. IDD in future issues will continue to introduce short articles to support the Plan-Do-Check-Action (PDCA Management Cycle).

Message from the President

We received encouraging feedback on the first issue of the IOCOM Digest and Dialogue (IDD), which was released in February this year. The editorial team extends thanks and gratitude to all readers and reviewers of the IDD. Their support is certainly of great value for us.

We are delighted to present the second issue of the IOCOM Digest and Dialogue (IDD). As you know, 2015 is being celebrated as the Year of Evaluation. In view of this, we have made an attempt to make a contribution to this initiative by dedicating the second issue of the IDD to evaluation. The issue contains articles relating to four stages of the PDCA Cycle. We are confident that you will find this issue very useful.

You are requested to provide us your feedback on the second issue of the IDD so that we can further improve its quality and usefulness. Also send us your write-ups for publication in the third issue of the IDD, which is being planned to be released in August/September. The write-ups may include articles on themes relating to outcome management and evaluation, short reports on the events you attended recently or your reflections on the articles published in first and second issues of the IDD.

IOCOM Board News

- Prof. Gregory Richards, Director, MBA Program at the Telfer School of Management, University of Ottawa has joined the IOCOM Board. Prof. Greg is the former Chair of Performance Measurement at the School and has published numerous papers on this subject. He is a long standing member of IOCOM.

Continued on page 5

Message from the editorial team

We received encouraging feedback on the first issue of the IOCOM Digest and Dialogue (IDD), which was released in February this year. The editorial team extends thanks and gratitude to all readers and reviewers of the IDD. Their support is certainly of great value for us.

We are delighted to present the second issue of the IOCOM Digest and Dialogue (IDD). As you know, 2015 is being celebrated as the Year of Evaluation. In view of this, we have made an attempt to make a contribution to this initiative by dedicating the second issue of the IDD to evaluation. The issue contains articles relating to four stages of the PDCA Cycle. We are confident that you will find this issue very useful.

You are requested to provide us your feedback on the second issue of the IDD so that we can further improve its quality and usefulness. Also send us your write-ups for publication in the third issue of the IDD, which is being planned to be released in August/September. The write-ups may include articles on themes relating to outcome management and evaluation, short reports on the events you attended recently or your reflections on the articles published in first and second issues of the IDD.

Editorial Team
Atiq ur Rehman, Asgar Bhikoo and Zicky Hammud
Management Control Systems and Outcomes Management

By Gregory Richards, MBA, Ph.D, FCMC

Introduction

Management Control Systems (MCS) are tools for controlling activities in an organization. They are historically associated with management accounting and for good reason since initially, an organization’s budget was the primary MCS providing information on the costs involved in accomplishing organizational objectives as well as allocating funds to different managers for the purposes of doing so.

We might consider however, that budgets represent information on the inputs section of a standard logic model. Control in this case, means that funds are applied for the purposes allocated and, business units do not over-extend their resource allocation. Accounting information will typically capture cost data thus identifying variances and permitting managers to re-allocate funds as needed.

Information on whether an organization is achieving its intended outcomes is normally captured in various documents such as annual reports or, in the case of private sector organizations, financial documents. It is sometimes not easy to align outcomes with cost information (hence the development of Activity Based Costing, another type of MCS). Therefore, while the budget does a good job of cost control, it often does not enable the organization to specifically link resource use to outcomes realization.

In this paper, I’ll address the emerging concept of an MCS as a broad-based feedback and feedforward mechanism that allows managers to better achieve intended outcomes.

While the budget does a good job of cost control, it often does not enable the organization to specifically link resource use to outcomes realization

MCS as feedback and feedforward control mechanisms

Robert Simons’ Levers of Control is one of the seminal books on control systems. He argues that an MCS is an information-based mechanism for maintaining or changing patterns of activities. These patterns of activities are business processes that drive organizational results. Therefore, an MCS needs to capture information from a variety of different organizational systems, including the budget documents, to better understand organizational performance.

An MCS needs to capture information from a variety of different organizational systems, including the budget documents, to better understand organizational performance.

In fact, recognition of the importance of non-financial performance indicators found in client management and other operational systems represents a watershed in MCS thinking. This is the main contribution of the Balanced Scorecard idea promoted by Robert Kaplan and David Norton. The logic is that intended outcomes are met by a multitude of different organizational activities. When measures related to each of these activities are available, managers can more easily coordinate different business functions. For example, staffing should be done with operational practices in mind, and these operational practices should be developed based on overall strategy. Managers can use information about the activities occurring in operations and staffing to get a better handle on coordinating the different business units in the organization.

Still, although this information is valuable, it represents a feedback control mechanism. In other words, the activities have been completed and the results realized then the information is gathered and analyzed. By the time all of this happens, the organization is typically halfway through the next time period so correction can only occur sometimes 2 time periods out.

Therefore, an important element of Simons’ control mechanism framework is a “belief system” that acts as a feedforward control tool. A belief system could be made up of the mission, vision and value statements for the organization. In some cases, the organization’s culture can act as the key belief system. The point is that these aspects direct activities consistent with intended outcomes before the activities are carried out. Many organizations do not pay enough attention to these feedforward mechanisms, but they are important aspects of an MCS.

What does an MCS mean for outcomes management?

Consider the simple logic model shown in Figure 1. We can see that a budget-based MCS might focus on the input side of the model. If we are measuring outcomes, we would have performance information about the right side of the model. This is essentially what we do in program evaluation as we seek to evaluate value for money. Did the organization deliver what it planned to deliver and did it do so within budget?

A budget-based MCS might focus on the input side of the model. If we are measuring outcomes, we would have performance information about the right side of the model.

Evaluation, therefore, is an important element within an MCS. It is generally done at some pre-determined time after the program has been up and running. What about the ongoing sequence of activities and the ability to alter patterns of behaviour prior to the evaluation? Ultimately, understanding how resource allocation influences activities and how activities influence outcomes is the key to improving performance. MCSs that include both feedforward and feedback control mechanisms can help. Feedforward control means that initial activities would be closer to delivering on outcomes, and feedback control would help to close to loop

and identify areas for additional improvement.

Let’s take a closer look at this model using a practical example. Suppose we managed an organizational unit whose main job was to reduce smoking among youths. What might an outcomes statement that acts as a feed forward control mechanism look like and how would such a statement influence activities? Imagine that the overarching outcomes expectation was that:

“...in 8 years, no one in the 14-18 age bracket will smoke cigarettes”.

Contrast this to a statement that connected smoking cessation to community health. For example:

“...in 8 years, our work on smoking cessation would measurably improve the health of our young people”.

Consider as well the following:

“...in 8 years, our work on smoking cessation would measurably improve the health of our community and dramatically reduce overall health care costs”.

Those of you familiar with logic models will recognize the immediate, intermediate and ultimate outcome structure of the above outcome statements. It is clear that each of these statements might be connected to each other in an outcomes continuum. It is also clear that they would each influence activities within the organizational unit in different ways.

If employees focused on the ultimate outcome of reducing health care costs, then the program activities might be more varied than if the focus was on smoking cessation only. For example, for smoking cessation we might consider a set of activities aimed at educating youth. For a community health outcome, we might also consider addressing other behaviours linked to smoking (excessive drinking etc.). To do so, different types of resources would be needed (alcohol as well as smoking cessation counselling for example). The outcome statement in this case, acts as a “belief system” indicating to employees what the organization as a whole believes to be important and therefore it influences the types of staff hired, the resources used and the types of activity undertaken.

Next, assume that we now have feedback mechanisms in place. For smoking cessation, the focus would be on measuring the number of youths who have stopped smoking. If the community health aspect was included, other performance indicators related to overall health would be needed. Clearly as we expand outcomes expectations, more performance information is needed. Thus the belief system influences activities before they are done, it also influences the types of data collected and the ways in which the data are used.

Where would evaluation fit in this scenario? An evaluation might focus on the long run impact of the smoking cessation program asking a number of key questions related to value for money. While the program is running, however, the other elements of the MCS (the belief system and the performance measures) lead to continual adjustments in program activities and resourcing to better meet outcomes.

Conclusions

An MCS should be designed to deliver information on the end result and permit ongoing alterations in activity patterns to better meet expected outcomes. A well-designed MCS can help managers analyze the linkages between resources, activities and outputs thus enabling better decisions about how best to organize activities.

Yet, all of the data gathered in this way is typically backward-looking. An MCS should also include feedforward mechanisms. As mentioned above, a belief system such as an overall vision is one such mechanism. In addition, standard hiring practices, policies on capital investment, and guidelines for the launching of projects are also forms of feedforward mechanisms. The important point about these mechanisms is that they can help to pre-control activities thus reducing cost and improving outcomes realization.

Accordingly, outcomes management can be enhanced by an understanding that the concept of an MCS has extended well beyond budgets. Modern MCSs include a variety of different tools, some that are data-driven, and others that are related more to management policy about intended outcomes and the leadership practices established by managers in the organization. In many organizations, the importance of belief systems is not fully understood, but if developed and used properly, they can be some of the most powerful tools in an MCS.

**Call for Papers is extended to 19June 2015: First Western Balkan Evaluators Conference**

The First Western Balkan Evaluators Conference is being held from 28-29 October 2015 in Sarajevo, Bosnia and Herzegovina. Topics can extend from:
- State of the art in evaluation in the region and perspectives;
- Presentation of accomplished evaluation studies;
- Methodological challenges in evaluation, evaluation standards and evaluation ethics;
- Evaluation system and broader challenges of evaluation in EU context, and in donors’ context;
- Operation of evaluation communities in the region
- Cooperation of evaluators in the region

Authors may submit their contribution as:
- Classical paper (abstract, or full)
- Poster (3-5 pages of presentation, graphically or textually)
- Discussion (1-2 pages of discussion for the round table)

Contributions need to be sent by 19 June 2015 to info@sdeval.si.

**NOTE:** Authors with contribution at the conference will be refunded part of their cost of attendance to the conference in the case the conference organizers succeed to obtain financial resources.
Fraud Detection

By Dave Coderre, CEO, Computer Assisted Analysis Techniques and Solutions

Outcomes management tends to focus on frameworks for identifying and achieving objectives. In a recent article, the concept of management control systems that enable outcomes realization was discussed. This article goes a bit deeper into the concept of control by addressing the issue of fraud. Indeed, the unrelenting advancement of technology is affecting virtually every aspect of our lives, and as technology becomes more pervasive, so do schemes to commit fraud. Fraudsters are taking advantage of users’ inexperience with newer technology and weaknesses in organizational control mechanisms to perpetuate these schemes.

Fraudsters are taking advantage of users’ inexperience with newer technology and weaknesses in organizational control mechanisms to perpetuate these schemes

Who can create, modify or delete this information?

This is proving to be a challenge for evaluators, auditors and investigators in their efforts to identify and detect fraud. However, technology is also a tool that can help prevent and detect fraud because data analysis techniques can search for the symptoms of fraud that are buried in the millions of transactions flowing through a business process.

Technology can help prevent and detect fraud because data analysis techniques can search for the symptoms of fraud that are buried in the millions of transactions flowing through a business process

Whether you are investing to see if a fraud occurred or following up on an allegation of fraud, a good first step is to understand the ‘why’ of fraud. The “Fraud Triangle”, created by famed criminologist Donald Cressey, outlines three basic things that must be present in order for fraud to occur: opportunity, pressure or motivation, and rationalization.

Opportunity. An opportunity is likely to occur when there are weaknesses in the internal control framework or when a person abuses a position of trust. For example:

- organizational expediency e.g. it was a high profile rush project and we had to cut corners;
- downsizing means that separation of duties no longer exists;
- business re-engineering removed checks and balances in the control framework

Pressure. The pressures are usually financial in nature, but this is not always true. For example, unrealistic corporate targets can encourage a salesperson or production manager to commit fraud. The desire for revenge – to get back at the organization for some perceived wrong; or poor self-esteem – the need to be seen as the top salesman, at any cost; are also examples of non-financial pressures that can lead to fraud. In addition, living a lavish lifestyle, a drug addiction, and many other aspects can influence someone to commit fraud.

Rationalization. In the criminal’s mind rationalization usually includes the belief that the activity is not criminal. They often feel that everyone else is doing it; or that no one noticed, the fraudulent acts became deliberate and more frequent.

Interestingly, studies have shown that the removal of the pressure is not sufficient to stop an ongoing fraud. Also, the first act of fraud requires more rationalization than the second act, and so on. As it becomes easier to justify, the acts occur more frequently and the amounts increase in value. This means that, left alone, fraud will continue and the losses will increase.

Figure 1 from the book “Computer –Aided Fraud Prevention and Detection: A Step-by-Step Guide” describes two approaches used to identify fraud risks and control exposures. The first looks at control weaknesses and assesses how these exposures could be exploited. The second starts with the key information or data fields and examines who could modify or manipulate these critical pieces of information; and then assesses the controls that should be in place to prevent this from happening. The essential element of both approaches is examining the business process from the perspective of the fraudster – basically who can do what and why.

The first approach encourages you to think about the possible control weaknesses; and to answer four questions:

- Who could benefit from the control weaknesses?
- How could they be involved?
- What can they influence, control or affect to permit the fraud to occur?
- Can they Act alone or is Collusion Required?

By looking at the adequacy and effectiveness of critical controls you can identify the critical opportunities for fraud.

The second approach starts with the key fields and identifies the key controls that should be in place. You are encouraged to consider the key pieces of information required by the business process; and ask five questions:

- Who can create, modify or delete this information?
There are two types of symptoms of fraud that may occur in the data - known and unknown. The ideal situation is one where the risks are measurable and the symptoms known. In these cases, it is possible to develop specific tests to look for symptoms. However, sometimes the symptoms are not well-known or understood. Another approach looks for anomalies or patterns in the data to detect symptoms of fraud – unknown symptoms. Fraud in particular, often looks different than a normal transaction - but is hidden by the volume of transactions. The fraudulent transactions often follow an unusual pattern or trend, such as an excessive use of management override to bypass key controls. By filtering, sorting, summing, and performing other manipulations on the data, the fraud transactions often stand out. A filter can easily identify instances where contracting authority was exceeded (e.g. contracts over the contracting limit for the individual) or avoided (e.g. split contracts). A simple sort on credit card number, insurance policy number, invoice number, vendor name, employee number, etc. will quickly reveal transactions that are not within the normal pattern (e.g. insurance policies that start with ‘g’ where all others start with the year ‘2012’). Examining key dates can find fraud – for example reviewing the date the contract bid was submitted to find bids submitted after bid close date; or identifying patterns in the contracts such as the ‘last bid wins’. A review of the completeness and integrity of the data can highlight fraudulent transactions – for example, examining mandatory fields to identify instances where there is no employee number, or an invalid employee number, but the employee is still being paid; or negative receipt quantities where the receiving clerk is entering negative “receipts” to lower the inventory levels in the inventory system and then stealing the “excess” items. Comparisons of data in different systems can also identify frauds such as persons on the payroll who are not in the employee database or can highlight unusual rates of pay.

Data analysis can provide you with an indication of where to look and what to look for. It can focus your review; and help you to rule out things. In addition, with known frauds, you can use it to size the extent of the loss. You can also use it to see if the same symptoms are occurring elsewhere. Finally, in many cases, data analysis will be a direct pointer to the critical evidence - the forged check, the serial number of the stolen item, or the evidence of collusion.

---

**IOCOM Board News**

- **Launching of IOCOM Consultant Inventory**: It will offer an opportunity to the consultants to market their services. IOCOM will charge a nominal fee for registration.
- **Country Rep appointment of Prof. K.N.Bhatt for India**: Dr. Bhatt replaced Anoopkumar Satpathy. The Board thanks Anoop for his contribution to IOCOM in India.
- **A new version of the website is actively under development that will incorporate new security enhancements and features to facilitate better communication among IOCOM members**
- **Meeting of the IOCOM Board**: The third quarter e-Board Meeting was held during 8-12 June, 2015. The Board discussed following areas:
  - Draft Strategic Waves
  - Financial sustainability of IOCOM
  - Draft IOCOM Communications Strategy
  - IOCOM membership status
  - Capacity building based on membership needs
  - Excellence and innovation in Governance/Management – Country Representatives regional structures
  - IOCOM Digest & Dialogue journal feedback and future direction
Quality Management System

A Management Oversight discipline in achieving Organizational Outcomes

by Sandiran (Sandi) Premakanthan

ISO, the International Organization for Standardization

ISO is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees...

An ISO standard

ISO defines a standard as a document that provides requirements, specifications, guidelines or characteristics that can be used consistently to ensure that materials, products, processes and services are fit for their purpose. There are over 19,500 published International Standards that can be purchased from the ISO.

Benefits of ISO International Standards

Adopting the ISO International Standards equips business with strategic tools that reduce costs by minimizing waste and errors, and increasing productivity. Companies will be able to penetrate new markets, level the playing field for developing countries and facilitate free and fair global trade.

ISO Standards in Action

ISO Standards in Action

ISO International Standards provide practical tools for tackling many of today’s global challenges, from managing global water resources to improving the safety of the food we eat.

ISO standards and water

Few challenges are more global than water. ISO provides global tools to help us manage our shared water resources equitably and durably. ISO water standards build confidence through consensus-based global solutions for good business practice, management of resources, risk assessment, metrics and infrastructure. They facilitate sustainable water management and increase water potential, helping alleviate water scarcity and contributing to achieving the UN’s Millennium Development Goals.

ISO standards and food

ISO International Standards create confidence in the products we eat or drink by ensuring the world uses the same recipe when it comes to quality, safety and efficiency.

ISO has more than 1000 standards dedicated to food, covering everything from agricultural machinery to transportation, manufacturing and storage.

ISO standards and sustainable development

Sustainable Development is “meeting the needs of the present without compromising the ability of future generations to meet their own needs” (WCED).

Many of ISO’s 19,500 standards help businesses and organizations do just that, for the environment, economy and society.

The methods for implementing this approach are found in the teachings of such quality leaders as Philip B. Crosby, W. Edwards Deming, Armand V. Feigenbaum, Kaoru Ishikawa and Joseph M. Juran.
ISO 14000 - Environmental Management System (EMS)

The ISO 14000 family of standards provides practical tools for companies and organizations of all kinds looking to manage their environmental responsibilities.

ISO 14001:2004 (Environmental management systems -- Requirements with guidance for use) and its supporting standards such as ISO 14006:2011 focus on environmental systems to achieve this. The other standards in the family focus on specific approaches such as audits, communications, labelling and life cycle analysis, as well as environmental challenges such as climate change.

The ISO 9000 Quality Management System (QMS) family of standards

ISO 9000 -- QMS is one of the most popular standards. They make sure your products and services meet customers' needs with this family of standards.

Standards in the ISO 9000 QMS family include:

• ISO 9001:2008 - sets out the requirements of a quality management system
• ISO 9000:2005 - covers the basic concepts and language
• ISO 9004:2009 - focuses on how to make a quality management system more efficient and effective
• ISO 19011:2011 - sets out guidance on internal and external audits of quality management systems.

Principles of QMS

The QMS standards support eight principles.

Principle 1 – Customer focus
Principle 2 – Leadership
Principle 3 – Involvement of people
Principle 4 – Process approach
Principle 5 – System approach to management
Principle 6 – Continual improvement
Principle 7 – Factual approach to decision making
Principle 8 – Mutually beneficial supplier relationships

Plan, Do, Check, Action (PDCA) Application to QMS

Key

Value-adding activities
Information flow

Plan: establish the objectives, outcomes and processes necessary to deliver results in accordance with customer requirements and the organization’s policies.

Do: implement the processes.

Check: monitor and measure processes and product against policies, objectives, outcomes and requirements for the product and report the results.

Act: take actions to continually improve process performance.

Organizations including the evaluation function have adopted the international Quality Management Systems (QMS), (ISO) 9001:2008 standards to control their processes to continually improve the quality of their products and services in meeting customer requirements. ISO 9000 is a certification of the organization or a part of it.

Figure 1—Model of a process-based quality management system
to standards of excellence.

An ISO certified organization, in order to claim conformity with ISO 9001:2008 standards, must provide objective evidence of the effectiveness of its processes and its QMS through continuous assessment or audits.

Concluding Remarks

My experience as a QMS Auditor/Advisor in industry and government indicates that there are several benefits to be accrued from adopting the quality management standards in the day to day management of the an organization including the evaluation function. QMS approach could improve the quality of evaluation processes and in controlling the quality of evaluation products and services. Embracing quality principles and the QMS with or without certification could improve the management of an organization or a part of it such as the evaluation function, doing evaluations better and in managing outcomes.

Lean Six Sigma

by Asgar Bhikoo

Introduction

Whenever you hear about an organisation applying Lean Management or Six Sigma principles the first thing that comes to mind is either that the organisation is going to downsize, it is reducing costs or is going to skimp on quality or takes a hard-core approach to measuring efficiency and that the company culture is one that is extremely strict. Whilst some of this may be true, a lot of it is misunderstood because the rationale for the strategy has not been clearly articulated to everyone that needs to know, or it is not being implemented correctly.

To reap the benefits of this approach and assess whether or not it is the right fit for your organisation, it is important to assess the context in which you currently operate in (i.e. political, economic, social, technological, legislative and educational). Through understanding this, and the way in which Lean Management evolved as an approach, one will start to understand and appreciate the simplicity and reasoning behind using this approach, and find it an approach that is usable and relevant to today’s current economic climate.

The origin of Lean Management

The Lean Management approach evolved from the Toyota Way of production. Toyota evolved as a car manufacturer in post war (World War Two) Japan. During this time raw materials were very hard to come by and the country was recovering from the devastation caused by war. In order to build cars at a lower cost, the method behind building cars needed to be understood. This required Toyota’s founders to visit more established companies like Ford. In doing so, they noticed that there were many things they could learn in terms of plant layout and how departments produced different components of the car. They realized that they could emulate this. However, they also realized that they would need to do it in such a way that was befitting a start-up car manufacturer at the time. That is to minimise waste and keep the design and layout of their plants simple so that they had control of continuous flow. This studious approach to waste reduction and continuously improving what you do led to the foundations of lean management being formed. This model of operation was so successful in manufacturing that it started to take off in the services sector. The primary concern of lean management at the time was the identification of value adding (and non-value adding) activities. Through knowing this and how processes contribute to adding value to the end goal, it posited that one can reduce waste and work more efficiently. This philosophy served to shape the development of Lean Management.

The evolution of six sigma

Lean management eventually evolved into Lean Six Sigma. Lean Six Sigma introduced the enhancement of lean principles, but focusing more on the measurement of efficiency and effectiveness of performance. Performance is achieved by reducing the defects that are produced. On reducing defective products, one will also then improve the efficiency and effectiveness of business processes. There are six mathematical principles that would serve as predictors of efficiency and ultimately effectiveness.

DMAIC Cycle

Lean Six Sigma follows the DMAIC Cycle.

The “D” refers to defining the process (i.e. the relationship between business process and clients).

The “M” refers to the (continuous) measurement of the process and its characteristics in order to understand it better.

The “A” of the cycle refers to the analysis of data collected to understand patterns and trends associated with the way in which a process is carried out. This will help identify problems and the probabilities of it occurring.

The “I” of the cycle refers to improving the process based on the results that have been analysed. However, this is not prescriptive. While the data may point to patterns, trends and anomalies relating to process defects, decisions that are to be made about the process are up to the discretion of the company implementing six sigma principles.

Lastly, the “C” of the cycle refers to the control that is achieved by stabilising the process and achieving consistent results. This step of controlling helps in achieving consistency in results.

References and extracts from:

1. http://www.iso.org/home/standards
2. https://www.iso.org/obp
Valuing Evaluation Power and the Power of Evaluation in “Speaking Truth to Power”

By Sandiran (Sandi) Premakanthan

“The truth that makes men free is for the most part the truth which men prefer not to hear”. Herbert Agar

The phrase “speak truth to power” was popularized by the Quakers during the mid-1950s. But its origins go much farther: Moslems assert that the “Prophet Muhammad said that the best form of jihad is to speak truth to power” while Jews “are commanded by Torah to speak truth to power”. As evaluators what does this slogan mean to us, our profession and our practice.

By speaking evaluation truth to power the public interest is enhanced. But this assumes that the power of evaluation is judiciously exercised.

Valuing the global evaluation power and the power of evaluation requires estimates of the investment in evaluation and the volume of evaluation carried out and its effects. Such an exercise might be applied to governments, philanthropic foundations, financial institutions, government aid agencies, United Nations (UN) agencies, non-governmental organizations (NGOs) as well as to policy networks, both national and international.

Making Lean Six Sigma an effective initiative

For Lean Six Sigma to be effective, people within the organisation need to know how the process works and what value it adds. Furthermore, there needs to be buy-in to collect data about the process so that it may be used to make improvements. This means that the culture of the organisation should be such that it is invested in the process of continuous monitoring of its activities, evaluating data about its inputs and outputs in relation to its intended outcomes.

The use of Lean Six Sigma

Lean Six Sigma is particularly useful when it comes to organisations that are resource constrained or want to deliver better products or services to its customers. While, in the past it was geared at a production or sales environment, in recent years, it has been used more in the services and the public sector.

Merits of Lean Six Sigma

The great thing about Lean Six Sigma is that it helps with continuously improving what an organisation does, helps with reducing cost that is incurred through waste, and helps build a learning culture whereby the focus is on how things are done in order to achieve its intended outcomes.

Lean Six Sigma follows the DMAIC Cycle. The “D” refers to defining the process... Moreover, the “M” refers to the (continuous) measurement of the process and its characteristics in order to understand it better. The “A” of the cycle refers to the analysis of data collected to understand patterns and trends associated with the way in which a process is carried out... The “I” of the cycle refers to improving the process based on the results that have been analysed the “C” of the cycle refers to the control that is achieved by stabilising the process and achieving consistent results.
Evaluation Power

Evaluation power may be defined as the ability or official capacity to exercise control or authority on the dollar investment in evaluation infrastructure or capacity building to meet policy requirements and evidence gathering to continuously measure, monitor and evaluate for informed decision making in program expenditure management (accountability) or strategic uses.

The Power of Evaluation

The power of evaluation is a measure of the wealth of performance results: measurement, monitoring and evaluation evidence created for use by the evaluation community, the individuals and institutions vested with evaluation power, to inform and influence program, policy, and resource allocation and reallocation decision makers by speaking truth to power.

The Canadian Government Value Model

Use of the “value model” is illustrated by the evaluation power actually exercised within the government of Canada. An estimate of the supply of measurement, monitoring and evaluation services in Canada is displayed below using the most recent Treasury Board Secretariat (2011) report on the evaluation function.

Table 1. Financial Resources Expended on the Evaluation Functions of Large Departments & Agencies (LDAs) in the Government of Canada From 2007–08 to 2010–11

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Resources</td>
<td>57.3</td>
<td>60.9</td>
<td>66.8</td>
<td>67.4</td>
</tr>
<tr>
<td>% Annual Increase</td>
<td>N/A</td>
<td>6.3</td>
<td>9.7</td>
<td>0.9</td>
</tr>
</tbody>
</table>

The investment of $67.4 million in 2010–11 resulted in acquiring and maintaining an evaluation capacity federal government wide equal to 497 FTEs (Full-time Equivalent – Table 2).

Table 2. FTEs Working in Evaluation in the Government of Canada From 2007–08 to 2010–11

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-Time Equivalents (FTEs)</td>
<td>409</td>
<td>418</td>
<td>474</td>
<td>497</td>
</tr>
<tr>
<td>% Annual Increase</td>
<td>N/A</td>
<td>2.2</td>
<td>13.4</td>
<td>4.9</td>
</tr>
</tbody>
</table>

The federal government evaluation capacity supplemented by contracted resources (consultants) provided annual evaluation coverage of 6.2% (2010–11) of direct program spending ($9.93 billion) when compared to 14.2% coverage in 2009–10 (Table 3).

Table 3. Evaluations of Federal Program Spending in Large Departments & Agencies (LDAs) From 2007–08 to 2010–11

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Evaluations</td>
<td>121</td>
<td>334</td>
<td>164</td>
<td>136</td>
</tr>
<tr>
<td>Direct Program Spending Covered by Evaluations ($ millions)</td>
<td>5,041</td>
<td>5,879</td>
<td>11,999</td>
<td>6,607</td>
</tr>
<tr>
<td>Total Direct Program Spending From Main Estimates ($ millions)</td>
<td>77,617</td>
<td>73,327</td>
<td>84,665</td>
<td>99,325</td>
</tr>
<tr>
<td>Annual Evaluation Coverage (%)</td>
<td>6.5</td>
<td>7.4</td>
<td>14.2</td>
<td>6.7</td>
</tr>
</tbody>
</table>

2009 Evaluation Policy Requirements

The evaluation coverage requirements of section 6.1.8 of the 2009 Policy on Evaluation demands a 100% coverage of all direct program expenditure of $99,325 million or $9.9325 billion (2010–11 figures in Table 3) on a five year evaluation cycle beginning in 2013. This means the Canadian federal government’s evaluation power must meet the demand for annual evaluation coverage of 20% of direct program spending.

Evaluation Coverage

Table 3 suggests that evaluation coverage has fallen from 14.2% (2009-10) to 6.7% (2010-11) of the potential demand. The 2012 annual report predicts that the annual coverage rate will rebound significantly in 2011–12. But in a climate of government deficit reduction requiring improved effectiveness of scarce public resources, the question arises as to whether the current evaluation power, $64.7 million with an annual average increase of 5.63% is adequate.

Valuing Evaluation Evidence

On the demand side, the model attempts to value evaluation information by its use for internal program management and for strategic purposes. For example, the 6.7% evaluation coverage in 2010-11 produced 136 evaluations. The annual reports rated the quality and use of the evaluations as “strong” or “acceptable” (over 85%). The value of the use of the evaluation power from the 136 evaluations could be assessed from the contributions and direct attribution to expenditure management decisions. The TBS annual reports (2011) and (2010) claim that Treasury Board Secretariat analysts use evaluation evidence when examining and providing advice on funding proposals.

“What if” Scenarios of Evaluation Power

What would be the optimum dollar value of investment to meet the evaluation coverage requirements of section 6.1.8 of the 2009 Policy on Evaluation? Systematic use of the value model would provide “what if” scenarios for different levels of evaluation power. The Canadian government value model suggests an average evaluation FTE cost range of $135K - $140K and evaluation coverage range of 20% to 60% per evaluation FTE.

Return on Investment

However, the optimum would be dependent on validated standards of average cost of an evaluation FTE and of evaluation coverage. Based on the value model, the return on investment would hinge on the actual use of performance results evidence for informed decision making on policy, program expenditure management and program improvement including Cabinet Committee decisions and Parliamentary Reporting.
Research is needed to determine the true value of the use of evidence in program expenditure management and strategic decision making.

International Bench-Marks

Estimates of the value of investment in evaluation compared to other uses are also required and this would vary according to the context. A more distant step would be to conduct international comparisons of evaluation power in both public and private sector institutions to gather evidence for setting international benchmarks. The value model could estimate the evaluation power requirements for various public and private institutional and country scenarios for evaluation coverage of direct program expenditure requirements.

Concluding Remarks

While further research is needed, it is safe to assume that the return on investment from the evaluation function in any organizational setting is dependent on the value it adds in providing products and services, the right quantity and quality of advice, at the right time, to the right people all the time. For this to happen, the evaluator facilitated by an organization culture that promotes openness, frankness, honesty and truthfulness and supported by norms, policies, systems and processes should "seek the truth and fearlessly speak truth to power".

REFERENCES


Membership of IOCOM

Please join IOCOM as an individual or organizational member. Enjoy the benefits of IOCOM professional connectivity worldwide. Register by visiting our web page at www.iocomsa.org. Please note there is no registration fee.
Monitoring and Evaluation Systems

by Asgar Bhikoo

In recent years there has been a move to creating more systemic social change. For those institutions operating within the social (and even the corporate sector), there is greater pressure to be accountable for social spend. Often the measurement of social change is thought to be very difficult as there a myriad of factors that can affect whether or not an intervention, programme or policy will bring about the desired results. Furthermore to bring about any desired results (social outcomes), there needs to be validity in design, consistency in implementation and definition of what constitutes success in terms of achieving social return or impact.

To achieve this, Monitoring and Evaluation (M&E) has played a role in assisting NGO, Funders, Parastatals, Government and the Corporate Sector in unpacking how to measure accountability and effect. This has often taken the form of an evaluation study of implementation, establish baseline measures, outcome evaluation and impact assessment. However, like anything in life that is an assessment, it represents a measure in time. It depicts the status quo, as well as factors that led up to it at that particular point in time. Therefore, more often than not, after an evaluation is done, the change process to implement recommendations and use findings usually takes time. Sometimes it brings about radical change, however, that change is not always sustained. What is needed is a system to create sustainable M&E practice, utilise and make sense of evaluation findings and one to ensure that the relevance of the intervention in its operating environment is understood. Furthermore it requires capacity (financial, human resources, time and infrastructure) and buy-in across the organisation.

The concept of M&E System

In its simplest form a Monitoring and Evaluation (M&E) System is the interaction between collection, storage, retrieval and reporting of information relating to the implementation of an intervention and its effect (in relation to achieving programme outcomes) for the purpose of accountability, decision-making and to make improvement. The system also refers to the interaction between policies, roles and responsibilities, data collection methods (and tools) and reporting requirements.

For an M&E System to be effective it needs to link to the Theory of Change (programme logic model and/or programme theory). Furthermore, it needs to take into consideration the lifecycle of activities within an organisation. That is, when are events/activities scheduled, identify what the relation between those events/activities are in relation to interventions outcomes and goals of the intervention. In addition, it needs to consider what already exists, and what needs to be developed in order to function effectively and meet reporting requirements. An M&E system feeds into goals, indicators and objectives. Therefore, before designing one, it is important to understand what these priorities are within before commencing with the design of one.

Importance of M&E system

An M&E System assists funders, donors and recipients of funding with keeping track of the progress of programme development. It is used for: organisational learning, accountability, continuous improvement, decision-making and communicating and disseminating information.

Use of M&E system

- Organisational learning - using organisational lessons learned to improve current practice and plan better in future so that an organisation can run its interventions more effectively
- Decision-making - making evidence based decisions with data that is collated, integrated and accurate
- Accountability - of spend and the consequences of actions
- Continuous Improvement - to facilitate a reduction in waste and incremental changes to processes
- Disseminating information - to create interest across various stakeholders, internal and external to the organisation

What to consider when developing an M&E System?

1. Establish the M&E priorities - the most information that the M&E System needs to communicate to stakeholders (this might be multi-levelled)
2. Establish its use - how the results yielded by M&E System will be used in decision making
3. Perform a situation analysis - what is the current situation, what are the future requirements-how will the M&E system fit into this and the strategic requirements
4. Identify and consult with relevant stakeholders - who are they, what information they need, when do they need this information and the purpose of the information
5. Identify its strategic use - how can the M&E System be used to guide the direction in which the organisation is heading
6. Gain an understanding of the organisational system - what does the organisation currently do, how is it structured, what is its business value chain, what systems does it use, what is its planning cycle like
7. Establish M&E Capacity within the organisation - establish use, communicate what M&E is to all
staff, hire M&E staff, empower staff to conduct evaluation activities

8. Establish M&E Practice within the organisation - obtain budget, develop tools that are relevant to the intervention, establish an M&E cycle of reporting that is in line with the organisation’s requirements.

9. Integrate the M&E System with the Organisational System - this relates to having the M&E Systems data linked to the Organisational IT Systems per beneficiary (with access controls in place) as well as linking the M&E practice to the organisational budgeting, planning and review (reporting) cycles.

10. Establish feedback loops from the M&E System to the rest of the organisation - make sure that the information that is gathered and reported on is cascaded across the levels.

The conditions for success

There needs to be organisational readiness to collect, analyse and report data. Furthermore the organisation needs to buy into the idea of using the information presenting and have the capacity to collect the data. Capacity in this instance refers to manpower (i.e. the skilled employees) and financial resources to collect data. It also requires leadership buy-in and support the collection of data for accountability, continuous improvement, decision-making and communicating and dissemination purposes. Within the organisation, the purpose of why you collect data needs to be established, as well as treating data as an asset. The data that is collected for the M&E System needs to link to an M&E Framework, which delineates the Theory of Change, Programme Theory, Indicators, Timelines, Reporting Formats, Role and Responsibilities, Data Flow and an M&E Plan.

Pitfalls

- Over complicating the design of the system
- It does not serve the organisation’s needs
- It is too expensive
- There is not capacity to do it
- There is no buy-in or appetite to use it
- It is incorrectly used

More importantly, M&E Systems should not be restrictive and focus only on measurement of programme (or intervention) fidelity and effectiveness. It should also take into consideration whether an intervention in meeting the need, whether the current strategic and operational actions are following best practice, and that it considers future trends and related issues that could possibly influence the achievement of the outcomes of the intervention. By considering this, the M&E System, will facilitate better decision-making and actions by ensuring that the intervention is always relevant, relative to the environment in which it operates. The figure below illustrates the interrelated nature of need, current practice and future trends that influence how an intervention is implemented. Figure 2. M&E Systems in future need to relate to these three aspects of the implementation of interventions.

Fundamentally, it is important to note that the implementation of an M&E System is tricky. It requires change management and it needs to link to the long-term vision of the organisation. Moreover, it should also be resourced in such a way that the system itself is evaluated to assess its relevance and kept consistent to ensure that data is meaningful, accurate and usable. It also needs to inform decision-making. The M&E System should fit seamlessly with the organisation implementing it, and it should form part of its daily operation. This requires patience, commitment and sustainable organisational change.

References


http://www.theclearinitiative.org/african_M&E_cases.pdf


Evaluation Events

- SLEvA International Conference 2015 – to be held in Sri Lanka, 15-18 September, 2015
- The International Development Evaluation Association (IDEAS) to be held in Bangkok from 26th to 30th October, 2015. www.IDEAS-global.org
- First Western Balkan Evaluators Conference, 28-29 October 2015 in Sarajevo, Bosnia and Herzegovina.
Managing for Results
Approach to Achieving Outcomes

By Atiq ur Rehman, PhD

The concept of RBM
Managing for Development Results or Results Based Management (RBM) is an approach of managing interventions like projects or programmes, for producing desired conditions in a community or organization. Results-Based Management Handbook of the UN has defined it as, "a management strategy by which all actors on the ground, contributing directly or indirectly to achieving a set of development results, ensure that their processes, products and services contribute to the achievement of desired results (outputs, outcomes and goals)".

RBM is an approach of managing interventions like projects or programmes, for producing desired conditions in a community or organization.

Similarly, SIDA/OECD have defined it as "A management strategy focusing on performance and achievement of outputs, outcomes and impacts.

The term ‘result’ refers to a change in a state or condition of something. Results are managed at three levels. Level 1 results measure outputs of the intervention. Level 2 results measure outcome, which usually refer to short-term or medium-term effects of the outputs, while level 3 results pertain to the long term effects of the intervention.

Let us take the example of a project which involved capacity building of a community in the area of entrepreneurship.

Suppose the project was confined to only training in entrepreneurship. In this case, improved competence of trained entrepreneurs is the immediate result of the project i.e. output of the project. After acquiring the competence in entrepreneurship, the project beneficiaries are expected to launch business ventures succeed. Hence, successful business ventures launched by the project beneficiaries are to be treated as the outcome. The business ventures are expected to help the project beneficiaries in improving their income and livelihood. Hence, improved income and the livelihood can be considered as long term results of the project i.e. impact of the project.

Treasury Board Secretariat Canada has provided a more comprehensive perspective of the performance results evidence chain, which is shown in the Figure 1. It clearly draws a demarcation line between the area of control internal to the organization and area of influence external to the organization. Taking the afore-mentioned example, we find that area of control internal to the organization would be limited to the point of training completion. Beyond that point, is the area of influence external to the organization?

Is RBM a tool? No. RBM is not a tool. It is a philosophy. It is a strategy. It is an approach.

Need of RBM
Conventional development management approaches usually focus on the inputs, activities and outputs and ignore the subsequent results i.e. outcomes and impacts. If an intervention succeeds in producing intended output, but fails in producing desired outcomes, it cannot be termed as successful. That is why conventional approaches of managing interventions have a major weakness. RBM, on the other hand, has attempted to address this weakness. RBM covers the entire chain of results i.e. input to output, output to outcome and outcome to impact.

Advantages of RBM
There are many advantages of using RBM:

- Strategic orientation of the intervention is ensured through improvement in alignment along the causal chain of results i.e. inputs-activities-outputs-outcomes-impacts
- Improved accountability through improved performance reporting
- Enhanced managerial effectiveness
- Greater effectiveness of the intervention
- Increased participation and engagement of the stakeholders

Figure 1: Performance Results Evidence Chain (source: Treasury Board Secretariat, Canada)
History of RBM

Major historical events of the development and adoption of RBM are

- 1954 – Peter Drucker describes the concept of Management by Objectives (MBO) in his book “The Practice of Management”. It provided foundation to the RBM philosophy
- 1969 – Rosenberg – a consultant of USAID developed logframe approach
- 1981 – ZOPP – Objectives oriented Project Planning approach was developed
- 1994 – CIDA adopted RBM
- 1997 – UN adopted RBM
- 2005 – Paris Declaration on Aid Effectiveness
- 2005 – OECD/DAC adopted the term MDR i.e. Management for Development Results

Principles of RBM

It is suggested that the practitioners should consider following principles of RBM while adopting it:

1. Principle of strategic orientation – RBM must help in achieving strategic orientation
2. Principle of cause and effect – chain of results is based on the principle of cause and effect
3. Principle of alignment – efforts of interventions are to be aligned with the results
4. Principle of measurability – valid and reliable indicators have to be used for measuring the results
5. Principle of learning – the RBM must generate learning to be used in managing performance and achievement of results
6. Principle of participation and partnership – RBM strategy should be used with the participation of key stakeholders and should nurture partnerships
7. Principle of transparency and accountability – RBM helps in creating transparency, defining responsibilities and ensuring accountability

Uses of RBM

There are two questions relating to the use of RBM, which need to be attended:

- **When to use RBM?** RBM approach should be used across all stages of the intervention cycle – starting from identification and conceptualization to evaluation.
- **How to use RBM?** It produces the best results when it is used through participation of all key stakeholders. A handbook of development practitioners titled as “Ten steps to a results based monitoring system” published by the World Bank in 2004 has suggested following 10 steps for designing and implementing RBM:
  1. **Conducting a readiness assessment**
  2. **Agreeing on outcomes to monitor and evaluate**
  3. **Selecting key indicators to monitor outcomes**
  4. **Baseline data on indicators — where are we today?**
  5. **Planning for improvement — selecting results targets**
  6. **Monitoring for results**
  7. **The role of evaluations**
  8. **Reporting findings**
  9. **Using findings**
  10. **Sustaining the M&E system within the organization**

Use of RBM produces best results when it is used through participation of all key stakeholders

Despite of the weaknesses, RBM is still a powerful philosophy of managing interventions. However, practitioners who are using RBM philosophy must be aware of its weak areas.

References


A handbook of development practitioners titled “Ten steps to a results based monitoring system” is available at [https://openknowledge.worldbank.org/bitstream/handle/10986/14426/296720PAPER0100steps.pdf?sequence=3](https://openknowledge.worldbank.org/bitstream/handle/10986/14426/296720PAPER0100steps.pdf?sequence=3)


Ten problems with the RBM are available on the website of Mango at [http://www.mango.org.uk/guide/whyrbmnotwork](http://www.mango.org.uk/guide/whyrbmnotwork)


Criticism against RBM

There are some critics of RBM too. Vahamaki, Schmidt and Molander in their article have highlighted that a major criticism against RBM is the phenomenon of linear thinking involved in it. Mango organization has described 10 problems with the RBM – major problems include: 1) RBM assumes that social change can be predicted, controlled and reduced to a single problem; and 2) all community/organization members share the same interests.
**Brief Introduction of authors**

- **Gregory Richards (Canada)**: He is Director, MBA Program at the Telfer School of Management, University of Ottawa. He is also Director of the Centre for Business Analytics and Performance at the School, and has published numerous papers on performance, analytics and management. He is a member of the IOCOM Board.

- **Sandiran (Sandi) Premakanthan (Canada)**: He is President/Chair of the IOCOM. He holds a Master’s in Business Administration (MBA) from the University of Ottawa with concentration in Finance, Accounting, Auditing and Evaluation. He is the President and Principal Consultant of Symbiotic International Consulting Services (SICS), Ottawa, Ontario Canada.

- **Asgar Bhikoo (South Africa)**: He holds Masters degree in Programme Evaluation at the University of Cape Town along with an Honours degree in Organisational Psychology and a Diploma in Business Analysis. Currently he works for the Allan Gray Orbis Foundation as a Monitoring and Evaluation Specialist.

- **Dave Coderre**, CEO, Computer Assisted Analysis Techniques and Solutions. He has over 28 years of internal audit experience. He has led numerous audits of IT, operations and financial nature.

- **Atiq ur Rehman (Pakistan)**: He holds PhD in HRD. He is Director and principal consultant at Asian Centre for Organization Development, Islamabad, Pakistan.

**Brief Introduction of IOCOM**

IOCOM is a not-for-profit Corporation registered in Canada. An organization of professionals, academia and an alliance of international and national associations, societies and networks engaged in the discipline of outcome management and development.

The objective of IOCOM is to invite professionals and academics to create a forum for the exchange of useful and high quality theories, methodologies and effective practice in outcome management and all management disciplines. IOCOM invites management practitioners contributing to outcome management and development to make use of our resources, to participate in our initiatives and to contribute to our goals as individuals or through outcome management organizations. We offer global linkages to outcome and management professionals and organizations, news of events and important initiatives, and opportunities to exchange ideas, practices, and insights with peers and associations, societies and networks throughout the world.

**Vision**

The vision is collaboration between professionals of all management disciplines contributing to outcome management and development, associations, societies and networks to strengthen the theory and practice of the discipline in the world. Stronger outcome and development management theory and practice in the world through regional collaboration and partnership which foster the cross-fertilization of ideas, high professional standards and an open and global perspective among all management practitioners engaged in outcome and development management in the public and private sectors and academia.

**Mission**

To elevate the status of the discipline of outcome management in the world and to support professionals, societies, associations or networks to facilitate their contribution to good governance driven by the quest for evidence informed decision making and strengthen the role of civil society.

**IOCOM Board of Directors**

- Sandiran Premakanthan, President/Chair ........ Canada
- Zicky Hammud, Secretary General.........................Canada
- Kunzang Lhamu ..............................................Bhutan
- Ghulam Mustafa ..............................................Pakistan
- Ishwar Awasthi ..................................................India
- Prabin Chitrakar ..................................................Nepal
- Abu Hanif............................................................Afghanistan
- Syed Rashedul Hossen .................................Bangladesh
- Asgar Bhikoo .....................................................South Africa
- Gregory Richards ................................................Canada
- Web Administrator/Post Master
- Raymond Peterkin, .................................Canada

Please send your write-ups and comments to:

atiq787@iocomsa.org