

ETPO Impact Assessment Seminar

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Evolution – from measuring to managing

Steps to establish a results-based management system in a Trade Promotion Organization

Introduction

Results based Management (RBM) or managing for results (MFR) is an important tool in the strategic management of any trade promotion organization, one that can help the leadership team maintain a strong connection between the mandate and goals, the strategic plan and the day to day activities. The essential drivers behind the implementation of RBM processes are the desire to:

- a) continuously improve organizational performance
- b) demonstrate the value of the organization to stakeholders – funders, clients and employees.

To improve on organizational performance, we need to:

- ensure activities are related to strategic goals
- understand what is working and what is not
- measure efficiency
- allocate resources according to the effectiveness of activities

The need to demonstrate value is a fact of life for all of us. Whether our organizations are funded by Governments or by ‘members’, and no matter how strong our economy or how well we performed last year, they expect us to do more and show more next year. Resources are scarce; if we are not delivering strong results, governments or our members will be looking for other ways of using the same funds to get better results.

This ETPO workshop focuses on the challenges for trade promotion organizations to:

- Understand the causal links between activities and impact
- Identify what can and should be measured, bearing in mind the limits and scope of available systems and resources
- Establish the processes of collecting, verifying and analyzing relevant data
- And above all, to learn from the results and make changes that will improve future results

Step 1: Planning to measure

Planning for measurement should take place long before measurement becomes possible and should include thoughtful and realistic assessment of:

- the organization's mandate and responsibilities
- the need to accurately and fairly attribute economic results to organizational activities
- the time lag between activities and economic results
- the time and resources required to develop the system and prepare staff to operate it
- how the organization will use the information generated by the system.

Careful consideration of these issues at the planning stage will help ensure that the time and effort invested leads to results measurement that stands up to examination by stakeholders and provides accurate management information to enable continuous organizational performance improvement.

Based on the experience of organizations that have introduced effective results-based management systems, it is clear that organizational leaders must fully support the initiative and be prepared to establish a project team representing key functions within the organization, allow sufficient time for the team to confirm the needs of the system, look at best practice elsewhere, design a system that suits their own organization, sell it internally, train staff to use it, test and refine it, before finally launching. And then be prepared to monitor it carefully and make adjustments based on experience.

The design process includes deciding:

- what data to collect
- how to collect it
- who is responsible
- how it will be stored.

Then the information will be available when needed for analysis and reporting of results. Without this forward planning, information may be lost, forgotten or misremembered.

Step 2: Choosing what to measure

Each organization needs its own result measurement system, consistent with its mandate, strategy and priority result areas. There is no 'one size fits all' and no easy-to-copy template. In trade promotion and enterprise development organizations, depending on their mandate, this may include tracking inward investment as well as export promotion, or clients' sales results in the domestic market as well as in international markets. Some organizations have responsibility not just for trade promotion but also for quality certification, industrial skills training and the promotion of investment in R&D and innovation. Within any one organization, changing government priorities will also be reflected over time, depending on the global and national economic picture. Different parts and levels of the organization need their own set of measures and indicators, reflecting their particular responsibilities.

Planning to measure also helps organizations to focus on setting SMART objectives and targets with relevant performance indicators. Historically, agencies and organizations in the not-for-profit, non-governmental or government sectors focused on inputs (what they spent), activities (what they did), and outputs (what they produced). Accurate information at this level is necessary but not sufficient. Results based management seeks to overcome the "activity trap" whereby we get so involved in the day-to-day tasks that we lose sight of the ultimate purpose or objective of our work.

Not SMART enough:
"Increase employment in the medical device sector"

SMARTer:
"Increase medical device exports to Asia by 20% over the next 3 years."

The high level goal can then be broken down into detailed outputs and activities, each with their own measurable SMART targets, e.g.

- Enroll 20 clients in a 3-year programme to promote Country X as a world class source for medical devices.
- Increase programme participants' opportunities to quote for business by organizing trade missions to India, China and Malaysia.
- Increase programme participants' knowledge of Asian market by implementing a web portal for market intelligence reports.
- Provide a competitiveness benchmarking service to 10 programme participants, to achieve an average 30% improvement in competitiveness.

SMART TARGETS

Specific:

An outcome/indicator has to be exact, distinct and clearly stated. Vague language or generalities are not results. It should express the nature of expected changes, the beneficiaries, the region, etc. It should be as detailed as possible without being too wordy

Measurable:

An outcome/indicator has to be measurable in some way, involving qualitative and/or quantitative characteristics.

Achievable:

An outcome/indicator has to be realistically achievable with the human, financial and institutional resources available.

Relevant:

An outcome/indicator has to be relevant to the organization's mandate, mission and strategic goals. Build your results framework on the basis of indicators which are relevant for analysis and decision making.

Time-bound:

An outcome/indicator has to be achievable within a specific timeframe.

A clear understanding of the results chain that links impacts and outcomes to outputs and activities to is essential in identifying the areas where the organization has control of its deliverables, where it can attribute results to its activities, and so guides the choice of what to measure.

RESULTS CHAIN



Impacts are the long-term changes influenced by the work of the organization. Generally, a trade promotion organization can aim to contribute to a stronger economy but often has difficulty *attributing* all changes to its own work. Other economic factors and activities of other players also come into play. Impact can also only be tracked and attributed to the organization's work when enough time has passed for the contributing or influencing outputs and outcomes to take effect. The time lag between organizational activities and clients' business results is often considerable.

Examples of Impacts that can be measured

Increase in employment in the medical device manufacturing sector
Increase in employment in local firms supplying services to medical device manufacturers



Outcomes should be considered on a par with the organizational objectives or goals. They are the short- and medium-term effects of outputs, the way in which the organization aims to achieve some improvement in the trade environment. As with impacts, other factors and time lags pose challenges for *attribution*.

Examples of Outcomes that can be measured

Increase in export sales of the medical device sector to Asia
Establishment of new domestic firms to supply services to medical device manufacturers



Outputs can be considered the first significant level of "result" within a results chain. They are the short term result of the organization's activities. If the organization provides market intelligence reports, the output is better informed suppliers. Outputs should appear in annual workplans as we can anticipate the timescale in which they will happen. Good data can be gathered and results can be attributed to the work of the organization.

Examples of outputs that can be measured

Medical device manufacturers are informed about buying procedures in the Asian market for medical devices.
Medical device manufacturers are invited to quote for business following meetings with Indian buyers during a trade mission.



Day to day **activities** through which inputs are mobilized to produce specific outputs. They can be monitored by the head of a department, division or section of an organization and are fully within the control of the organization. Good data can be gathered and full attribution can be made for the completion of activities.

Examples of activities that can be measured

Market intelligence reports are purchased and uploaded on website
Market intelligence reports are downloaded by client companies



Inputs are the financial, human and material resources used in the organization.

Understanding and selecting performance indicators

Good Performance Measures:

- Provide a way to see if our strategy is working
- Focus employees' attention on what matters most to success
- Allow measurement of accomplishments, not just of the work that is performed
- Provide a common language for communication
- Are explicitly defined in terms of owner, unit of measure, collection frequency, data quality, quality, expected value (targets), and thresholds
- Are valid, to ensure measurement of the right things
- Are verifiable, to ensure data collection accuracy

The Balanced Scorecard Institute

Indicators are critical components of results-based management systems. Certain types of activities are very easy to count or measure, but tell us only how busy we are – e.g. how many trade fairs we organize or the number of companies listed on our exporter database. However, counting these things does not tell us whether client companies win more business as a result of our work. It is usually necessary to dig deeper to make sure we are measuring the activities and outputs that can make a difference to the outcome and impact we are seeking.

For example:

- The *numbers of SMEs using our services* should serve as an indicator of the relevance and quality of our services.
- The *growth in exports by the medical device sector* is an obvious indicator for measuring the effectiveness of a special 3-year support programme for the sector.
- *Gross Domestic Product (GDP)* may serve as an indicator of the success or failure of an economic policy.

Some steps in selecting indicators

- State results targets clearly – use the SMART approach
- Choose an appropriate *type* of indicator for the activity, output or outcome – for example, *quantitative or qualitative, hard or soft, financial or non-financial, result or process*, or measures defined by their purpose – *result, diagnostic or competence*
- Recognize the need for different indicators for different functions, teams, levels
- Identify a baseline (starting point) for each Indicator
- Rigorously examine the extent to which the results measured can be validly and reliably attributed to the organization's work
- Take account of the time lag between activities and outcomes in order to identify the relevant timetable for collecting measurement data (e.g., yearly or quarterly, or an appropriate number of months/years after an activity)
- Consider how and where data can be collected and stored so that it can be reliably verified at the time of measurement (e.g. CRM system)
- Evaluate each of the indicators being considered and select the best (only a few).
- Give priority to those indicators for which a baseline can be identified and sufficient data can be generated.

Quantitative, hard, financial or result-based indicators: those which can be very easily and numerically measured – e.g.:

- Percentage growth in exports
- Number of clients participating on a trade mission
- Number of buyer-seller meetings organized
- Volume of sales by a particular sector
- Number of market intelligence reports supplied
- Number of clients undertaking competitiveness benchmarking

Qualitative, soft, non-financial, process, diagnostic- or competence-based indicators: those which reflect people’s judgments, opinions, perceptions, attitudes, etc. Numbers, percentages, ranges (e.g., highly satisfactory to very unsatisfactory) and scales are generally used to quantify and rate qualitative indicators.

- Level of customer satisfaction. Might be expressed as “>80% of exporters in target sector are satisfied (average of 3 on a 4-point scale) with the export market intelligence they receive”.
- Evaluation of training programmes, measured in terms of trainee satisfaction or assessed improvement in skills level
- Percentage improvement in a competitiveness benchmarking score

Sample indicators

IMPACT (Long term economic objective/goal)		INCREASE EMPLOYMENT IN THE MEDICAL DEVICE MANUFACTURING SECTOR		
		Indicator	2016 Target	Baseline data
Outcome (Medium term result)	Increased export sales to Asia	Sales figures	Sales of €240 million medical devices to Asia (20% increase)	€200 million exports per annum to Asia
Output 1 (Short term result)	Medical device manufacturers focus attention on Asia	Number of companies enrolled in 3-year programme	20 participating companies	0
Activity 1.1	Design and promote programme to sector	Promotional material Information Seminar	Circulate to 30 companies 20 companies attend	0
Output 2 (Short term result)	Medical device manufacturers receive increased requests for quotations from potential customers in Asia	Value of quotations submitted to Asian buyers	Value €480 million per annum (60% increase)	Value €300 million per annum in 2012 and 2013
Activity 2.1	Organization of trade missions and buyer-seller meetings	Number of missions and meetings	1 mission each to China, India and Malaysia. Total 200 meetings	
Output 3	Medical device manufacturers are informed about buying procedures of the Asian market	Number of firms participating in trade missions to Asia	15 companies participate in each trade mission	
Activity 3.1	Set up web portal providing market intelligence on Asian market for medical devices	Market intelligence reports uploaded to website/down-loaded by clients	10 reports uploaded 200 downloads	0

Step 3: Deciding how to measure – data collection

Measurement of results causes most difficulty when we try to do it retrospectively – then we find that records are not complete, people do not remember exactly what happened, they were focused on other aspects of the activity, or they do not want to ‘waste’ time after an event, for example, recording sales enquiries that didn’t lead to sales. The collection process must also be carefully aligned to the reporting and communication needs of the organization (Steps 4 and 5). Regular data collection will be easier, the data more relevant and analysis more reliable if data collection methods and standards are planned into the system from the start and in the development of all results indicators.

Credibility of the collection system

To ensure that results eventually reported will be credible, the collection of data on all indicators must also be credible. The collection system should therefore possess three key criteria: consistency, validity, and timeliness. Absence or weakness of these criteria will diminish credibility. The data will also be less useful for learning and performance improvement purposes.

Consistency: The extent to which the data collection system is stable and consistent across time and space; i.e. measurement of the indicators is conducted the same way every time. Consistency that enables reliable comparison of data over time is more important than absolute accuracy.

Validity: Indicators should measure actual and intended performance levels, as directly and succinctly as possible

Timeliness: Decision makers require real-time, continuous data. Hence, the frequency with which data is collected should be specified when establishing the indicators and the recency of data collection should be taken into account by those analyzing and interpreting the data to support management decisions.

Staff training

Consistency in data collection required staff training is required in a number of areas:

- Use of measurement tools that track, capture and store the data
- Understanding of indicators and the definitions of the various steps in the Results Chain
- Identification of baseline data
- Guidelines on when and how often data should be collected.
- Assigned responsibilities for tracking indicators.

Means of Verification

Credibility also requires that we can verify the results we claim. Therefore we must be able to specify exactly where the information on each and every indicator can be obtained.

- At the Activities level: how we confirm that the activities took place – e.g. from schedules of buyer-seller meetings, invoices for the acquisition of market intelligence reports.
- At the Outputs level: how do we confirm that clients experienced a desired change, such as improved market knowledge, increased marketing skills or higher level of interest in their product – e.g. from customer surveys, training reports, competitiveness benchmarking scores.

- At the Outcomes level: how do we confirm that targets have been achieved – e.g. certified sales figures and secondary sources such as government statistical and customs reports. Client surveys are a useful primary source of data where hard financial data is hard to track – see below for further comment.

Sample Framework capturing Means of Verification

IMPACT (Long term economic objective/goal)		INCREASE EMPLOYMENT IN THE MEDICAL DEVICE MANUFACTURING SECTOR	
		Indicator	Means of Verification
Outcome (Medium term result)	Increased export sales to Asia	Sales figures	Client survey Sales figures certified by company directors
Output 1 (Short term result)	Medical device manufacturers focus attention on Asia	Number of companies enrolled in 3-year programme	Signed commitments, participation fees paid
Activity 1.1	Design and promote programme to sector	Promotional material Information Seminar	CRM system
Output 2 (Short term result)	Medical device manufacturers receive increased requests for quotations from potential customers in Asia	Value of quotations submitted to Asian buyers	Client survey Figures certified by company directors
Activity 2.1	Organization of trade missions and buyer-seller meetings	Number of missions and meetings	Meeting schedules
Output 3	Medical device manufacturers are informed about buying procedures of the Asian market	Number of firms participating in trade missions to Asia	Trade mission reports
Activity 3.1	Set up web portal providing market intelligence on Asian market for medical devices	Market intelligence reports uploaded to website/down-loaded by clients	Website analytics
Output 4	Medical device manufacturers implement recommendations to improve competitiveness	Improvement in competitiveness score	Post-improvement benchmarking reports
Activity 4.1	Competitiveness benchmarking service provided for companies participating in Asian market development programme	Number of companies undertaking competitiveness benchmarking	Initial benchmarking reports

Measurement tools and data sources

The appropriate measurement tools, processes and data sources depend on the nature of the organization, its area of work, and on the indicators used. Bear in mind that your organization probably already has certain data collection and analysis systems; examine these before investing time and money on developing and introducing new systems. Data collection can be carried out among diverse stakeholders, at local (SME client) level and at international (buyer) level. It can be collected from primary sources - collected by our own organizations – and from secondary sources such as national and international trade bodies.

Consider the cost-benefit relationship in collecting data, and the following questions:

- Who will collect the data, e.g., project staff, clients, consultants?
- Who will pay for it?
- How much data gathering is sensible and worthwhile? If data collection is not feasible due to cost constraints or complexity, it may be necessary to identify proxy indicators instead.

- Primary sources** include:
- Website statistics (such as through Google analytics)
 - Client surveys
 - Interviews and focus group discussions
 - Project reports
 - Direct observation
 - Budgets.

- Secondary sources** include:
- Government statistics
 - WTO, World Trade Statistics
 - OECD
 - Regional Trade Statistics
 - National Trade Statistics/Annuals
 - Customs data
 - Regional Trade Associations
 - Chambers of Commerce
 - National Trade Associations
 - National Associations of Exporters

Surveys

For any type of organization, surveys can constitute a valuable primary source of data to help track a range of indicators. They are particularly useful for outcome and impact indicators, which often prove challenging to track. Surveys are also useful tools for measuring satisfaction levels, assessing progress toward a particular short-term goal or soliciting opinions about new activities that are under consideration.

There are now a number of easily available online tools that make it simple to develop, distribute and analyze surveys of internal or external clients. They also typically provide useful tips for survey design – such as:

- Know what information you are trying to obtain and what questions you hope to answer
- Develop questions that are appropriate for your audience
- Test your survey before going live.

Where to store your data

The processes for tracking your indicators should link directly to your data-storage tools, so that data capture is as easy and as streamlined as possible and therefore more likely to become integrated into the daily operations and culture of the organization.

Three main data-storage options, listed here from least to most robust:

- Paper system
- Spreadsheet software such as Microsoft Excel
- Standardized database or CRM software
- Customized database or other software

A simple Microsoft Excel **spreadsheet** may be very suitable for a pilot scheme, or for smaller organizations with limited programmes and resources.

Databases offer a more robust way of collecting and organizing data. Consider standardized databases such as Microsoft Access and Salesforce. Or, if you are a larger organization with a complex range of programmes, it may be cost-effective to buy a product that can be customized to your needs or even shared with sister-organizations.

Worked Example

Results Measurement Framework – Programme: Medical Device Exports to Asia, 2014-2016

IMPACT (Long term economic objective/goal)		INCREASE EMPLOYMENT IN THE MEDICAL DEVICE MANUFACTURING SECTOR					
		Indicator	2016 Target	Means of Verification	Baseline data	Collection timetable	Responsibility
Outcome (Medium term result)	Increased export sales to Asia	Sales figures	Sales of €240 million medical devices to Asia (20% increase)	Client survey Sales figures certified by company directors	€200 million exports per annum to Asia	Annual	Programme Manager
Output 1 (Short term result)	Medical device manufacturers focus attention on Asia	Number of companies enrolled in 3-year programme	20 participating companies	Signed commitments, participation fees paid	0	1 st January 2014	Programme Manager
Activity 1.1	Design and promote programme to sector	Promotional material Information Seminar	Circulate to 30 companies 20 companies attend	CRM system	0	30 th November 2013	Programme Manager
Output 2 (Short term result)	Medical device manufacturers receive increased requests for quotations from potential customers in Asia	Value of quotations submitted to Asian buyers	Value €480 million per annum (60% increase)	Client survey Figures certified by company directors	Value €300 million per annum in 2012 and 2013	6 months and 12 months after end of trade missions	Programme Manager
Activity 2.1	Organization of trade missions and buyer-seller meetings	Number of missions and meetings	1 mission each to China, India and Malaysia. Total 200 meetings	Meeting schedules		Within 1 month of each mission	Trade Mission Manager
Output 3	Medical device manufacturers are informed about buying procedures of the Asian market	Number of firms participating in trade missions to Asia	15 companies participate in each trade mission	Trade mission reports		1 month after end of trade missions	Programme manager
Activity 3.1	Set up web portal providing market intelligence on Asian market for medical devices	Market intelligence reports uploaded to website/down-loaded by clients	10 reports uploaded 200 downloads	Website analytics	0	Quarterly	Programme Manager; Trade Information Manager
Output 4	Medical device manufacturers implement recommendations to improve competitiveness	Improvement in competitiveness score	Average 30% improvement in competitiveness score	Post-improvement benchmarking reports	Initial benchmarking scores	6 months after provision of recommendations for competitiveness improvement	Benchmarking specialist
Activity 4.1	Competitiveness benchmarking service provided for companies participating in Asian market development programme	Number of companies undertaking competitiveness benchmarking	10 companies	Initial benchmarking reports	0	6-monthly	Benchmarking specialist

Step 4: Communicating and using the data

Let us recall why we started this journey to establish a results-based management system.

The essential drivers behind the implementation of RBM processes are the desire to:

- a) *continuously improve organizational performance*
- b) *demonstrate the value of the organization to stakeholders – funders, clients and employees.*

Communication

Raw data is of limited use; it must be interpreted and communicated in a format that helps stakeholders track progress. Customizing the communication is an important task for the project team managing the development of a results-based management system.

External reporting allows a trade promotion organization to build visibility, credibility and support for its activities by:

- promoting understanding of its projects, programmes, and policies
- demonstrating delivery on political promises made to stakeholders
- building the confidence of partners and funders
- educating and engaging stakeholders

Internal reporting helps managers and employees to understand how activities and outputs are influencing results and to incorporate the lessons learned into future decision making and resource allocation.

Reflecting the organization's strategic priorities and performance tools such as balanced scorecards, reports should answer questions such as:

- How have results changed over time, either positively or negatively?
- How do results compare to the baseline and targets?
- For indicators being tracked for the first time, what do the results show?

In recent years the trend has been to use computer software to summarize and present results visually in diagrams, pie charts and graphs, using instrument panel formats, or **dashboards**. As most people absorb visual information more easily than they do text-based information such as narrative or numerical reports, this approach helps the audience to focus on and absorb trends, changes, comparisons and exceptions relevant to indicators.



Good design recognizes that most people are only capable of digesting seven visual elements at a time. A dashboard that displays 15-20 diagrams loses its effectiveness. For many organizations it is preferable to design a number of dashboards to filter and present users with appropriate customized information – management dashboards should summarize all the key business results; departmental or programme-level dashboards can focus on specific work areas.

The design should also take account of whether the information will be presented on paper or on screen. Interactive dashboards enable viewers to look first at high-level summaries and then drill down for more detail. Dashboards and report cards increasingly form important parts of Annual Reports, along with the narrative description of the organizational mission, activities, key lessons, insights and successes.

Project management software can also be used as a reporting tool and is particularly useful for ‘flagging’ whether or not a target or result has been achieved in the required period – typically three colors, e.g. green (indicating result has been or will be achieved on time), yellow (i.e., result could be achieved but requires close monitoring) and red (result is not expected to be achieved).

Performance improvement

Reports on results are critical for management decision making. They inform:

- results chain analysis – are activities and outputs leading to the expected outcomes and impacts?
- trend analysis
- business process improvement action
- identification of opportunities for improvement
- problem solving
- resource allocation.

Gaps between planned performance and actual performance require study and action – in the case of under-achievement, corrective action is needed but equally, in the case of better-than-expected achievement, the organization should look at what could be replicated to improve achievement in other programmes or areas.

Another useful route to performance improvement may be through benchmarking our own organization against others of similar function, size and resources. This less introspective examination may reveal new standards by which to judge our performance, provide additional lessons and stimulate new ideas and ambition.

Specific performance improvement actions by an organization depend on what needs to change and may include changes to:

- Staff skills and knowledge
- Work processes
- Budget and human resource allocation
- Client services portfolio (subject, content or delivery quality)
- Client segmentation

- Strategic and operational planning processes
- Leadership practices e.g. in goal setting, staff motivation
- data collection and measurement tools
- Stakeholder communication
- Collection of client feedback
- Marketing and promotional activities
- Risk assessment

Results data becomes more meaningful over time, as critical mass builds and the impact of adjustments can be seen. The implementation of any results-based management system should be allowed a pilot phase, recognizing that during the first few cycles of measurement, management and staff expertise and intuition may be needed to interpret data. As use of the system continues and matures, historical data will build up and provide users with a more accurate picture of results. Trend analysis will provide more a meaningful early warning of possible performance problems ahead.

Closing comment

Written as a support document for a short workshop designed to stimulate thinking about impact assessment within European trade promotion organizations, this paper does not attempt to deal comprehensively with the important need for or composition of an influential project team or steering group to guide the design, testing and implementation of results-based management system. This is not meant to understate the importance of this role and any organization contemplating a new approach to results management is strongly encouraged to consult others who have already gone this route and learnt (probably) painful lessons from their experience. This paper also does not cover the information technology aspect of collecting and storing data and generating reports. Again, this is not meant to understate its importance but rather to recognize that appropriate expertise exists and should be consulted – at an early stage. Remember – planning for measurement should take place long before measurement becomes possible.