PERFORMANCE-BASED CONTRACTING
Observations and Must-Do's for Success
Cindy Brunger, MSW

Performance Requirements Inform Performance Management

There is a sense of urgency within the child welfare and behavioral health communities regarding government's increasing practice of tying funding to specific performance requirements and outcomes. Organizational leaders must accept the fact that Performance-Based Contracting (PBC) is here to stay. PBC is beneficial for funders as risk is shifted to service providers, and it's better for recipients, assuming the required outcomes are really the ones that make a difference to their functioning and recovery. Agencies that succeed ensure that all systems and all employees are focused towards achievement of the outcomes (alignment), which is the essence of a "performance management approach"[1] to achieving target outcome benchmarks.

My work has yielded opportunities for observation about what it takes to achieve Performance-Based Contracting success. I also utilize lessons learned from both human performance technology and a presentation by Lawrence Martin in August 2009 entitled "*Living with Performance-Based Contracts and Grants"* [2]. Martin emphasizes the need for organizations to "talk performance" by being clear about what funder money is buying in terms of impact on clients. For those who have achieved their funders' outcomes and outputs, the discussion below will be familiar. For CEOs and upper managers who seek to turn around operations, or who are new to performance-based systems, consider the following as a combination of basic actions and approaches that contribute to smooth and effective performance, which in the end is what matters to persons served.

1. Articulate the program's vision and intended impact, and make sure every person knows them. A key first step in establishing intentional performance systems is clarity about the ideal. Develop a short statement that describes "the work", the essential, key functions deemed to be directly impactful to recipient success, and to meeting outputs.

2. Understand how program performance will be measured, compensated, or penalized. What do the outcomes require at every level and in each department within the organization in order to promote achievement of outcomes and outputs? Determine what indicators will be inspected or counted as evidence that performance requirements and benchmarks are being met. Figure out how and when data will be collected. Ensure that monthly reports collect the data needed at all levels to assess performance and issues. Quoting from Mr. Martin's

presentation, "…when compensation is tied to performance, the performance itself is auditable—organizations must find ways to document outcomes" [2].

3. Begin to build programming by marrying the agency's vision for recipients with funders' expected outcomes and outputs. First, how are outcomes demonstrated in terms of recipients' behaviors, knowledge, attitudes and skills? For example, what will clients be doing if a program is meeting a Treatment Opportunity Day Rate (TODR) benchmark? Fewer hospitalization days or fewer AWOLs will positively impact the TODR, so what will recipients need to do "more, better, or differently"[2] in order to avoid negative time away from the program? Think through recipient changes for any outcome, with any client population.

   Secondly, what does the direct care staff need to be doing? Using the example above, what are staff teaching recipients in order for them to be more functional within the program? And how do they address behaviors and issues on a daily basis so that recipients learn to better interact and cope with others? Develop behavioral and programmatic routines and transitions that focus on and support recipient learning and skills. If a program did not meet its PBC targets such as TODR last year, ask "what should staff do more, better, or differently in order for clients to learn positive behaviors and stay within the program"? And remember to ask the question for each department or administrative function that impacts the program.

4. Focus job descriptions and supervisory structures on specific performance requirements gleaned from the above, with training, coaching and modeling designed to support the staff who will directly implement the program. Develop intentional, focused training and learning goals that have a chance of succeeding by ensuring that supervisors have an expectation for individual training and supervision time with each of their staff on a regular basis. Most employees yearn for individual time with their supervisor, whether it's for orientation and training as a rookie, or for feedback and recognition as a veteran. Supervisors need to be truly "present" during individual sessions, and minimize interruptions ahead of time. Their directors should assist as needed in freeing up supervisory and training time for employees. It will pay off.

5. A) Support the work. Department directors, other members of upper management, and supervisors need to think through accountabilities within their departments that relate to recipient outcomes or program outputs. Are mileage checks being held up by an antiquated process in accounting? Is a van repair holding up activities or outreach? Does the supervisor know how to provide useful feedback and support staff through mistakes or learning curves? Are you as a CEO reinforcing great performance? A central concept of performance management is awareness of any "work environment" issues that interfere with operations or signal a disregard for employee efforts.

B) Hold staff accountable. Once everyone is clear about performance expectations, the training has been done, and barriers have been remediated, each employee must be held accountable for his/her work effectiveness and quality. Maintaining fairness and consistency in accountability for performance is a key leadership function that impacts morale and employee effort as much as any other factor. Performance-based contracting does not allow for favoritism or a "sacred cow" mentality that overlooks poor performers, whether they be direct care or administrative. Each employee will benefit from a performance plan, or work plan, that prioritizes accountabilities and clarifies evidence of achievement.

6. "Trust, but verify". Monitor the indicators selected, and ask about the frequency of supervision and the issues that may be interfering with either employee or program performance. Utilize the findings of audits, peer reviews and other aggregated reports. Read every incident report in real time. CEOs and upper managers who believe that programs are doing okay because they haven't heard anything negative may risk financial and other consequences if problems aren't identified quickly. Frequent focused oversight and auditing is essential to identifying and remediating issues that stand in the way of meeting funder outcomes and performance expectations.

Tweaking an organization's practices in order to meet benchmarks can be done, and in the process there are side benefits as well. Elevated staff morale and greater ability to attract funding join increased effectiveness for recipients when agency systems focus on intended impact and performance requirements.

References:

1. Dana James Robinson and James Robinson, now retired, were among the pioneers in the areas of Human Resource Development (HRD), performance consulting, and performance management. Their books *Training for Impact,* Jossey-Bass 1989, and *Performance Consulting: Moving Beyond Training*, Berrett-Koehler 1995 are essential reading for upper managers and leaders interested in the performance side of Human Resources.
2. Lawrence Martin, at the Council for Accreditation of Children and Family Services Conference, August 2009, "Living with Performance-Based Contracts & Grants". Mr. Martin has also co-authored, with Dr. Peter Kettner, "Measuring the Performance of Human Service Programs" (SAGE Human Services Guides); and "Designing and Managing Programs: An Effectiveness-Based Approach" (SAGE Sourcebooks for the Human Services) with Dr. Kettner and Robert M. Moroney.
3. "More, better, or differently" is a phrase introduced by Dana and James Robinson (above), who teamed up with Ken Blanchard in the fable about performance consulting, *Zap The Gaps, Target Higher Performance and Achieve It!* (2002 Harper Collins Publishers). The book illustrates a way of determining the "shoulds" of performance in a given situation by asking, for example, "what would employees need to do more, better or differently in order for them to meet service targets?"

If you would like to share strategies that have worked in your organization, please visit my website at www.performancemattersconsulting.com, go to the Contact Us tab, and write about actions, attitudes, and skills you believe are needed to succeed with a performance-based contracts.