



How an outcomes-based approach could accelerate your transformation



An outcome-based commercial model is nothing new; it's been used by forward-thinking companies to increase revenues and drive efficiencies for years. So why are there so few successful examples in the public sector?

Strict procurement guidelines and a business-as-usual mind-set have made adoption of this approach slow. But for those organisations willing to make the change, the benefits are significant.

What is an outcomes-based approach?

An outcomes-based approach quite simply focusses all energy and activity on the final outcome instead of the tasks and busy work which often fills our days. A key element of this approach is accountability; it makes people and businesses accountable for delivering an outcome. It sharpens the focus on the business purpose - the reason an organisation exists and what it was created to achieve.

Take the simple example of buying a light bulb. People buy light bulbs every day; but nobody really wants a light bulb; they want the light the bulb produces. If your light bulb doesn't light the room the way you expected, then you have wasted your time and money. But with an outcomes-based approach you purchase the outcome – you pay for the room to be lit the way you want. Today, Philips don't just sell light bulbs, they sell outcomes - managed lighting solutions which include accountability for the delivery, performance, and ongoing maintenance.

In the Philips example above you are not just buying the raw ingredient (the bulb), you are buying the knowledge and technical skill of an entire company, and the expertise of a lighting professional who has done this before. The value you receive from this type of engagement is far greater. And essentially, you are transferring your risk as the lighting professional is responsible for the outcome.

So how does this apply to transformation?

The outcomes-based approach is ideal for public sector agencies seeking transformation. Instead of hiring individual contractors to complete tasks, you hire a team to deliver an outcome. And instead of purchasing individual technology components and hoping they work together; you engage a professional to deliver a technology outcome. Guaranteed outcomes and reduced risk are attractive benefits.

Think of an outcomes-based approach as a partnership between your agency and a trusted supplier. You agree the key capabilities your business needs and the outcome you seek to achieve. You agree timelines and budgets and then you work collaboratively to achieve the outcome. You share a common vision just as you share the risk and responsibility for delivery. When you contract for outcomes the risk of losing direction is greatly reduced. There are many more eyes watching progress and performance, stopping you from burning budget on individual projects which may not serve the greater purpose.

Contracting for outcomes also forces the organisation to think strategically – developing an agreed vision, strategy, and roadmap for achieving your larger purpose. This reduces the chance of 'pet' projects running endlessly without direction and helps consolidate budgets and resources behind the activities which matter.

Considering the rapid pace of new technologies and the scale of the transformations required in government today, focussing on outcomes is the only sensible way to tackle transformation. You need the specialised capabilities of a partner who has done this before and knows the pitfalls. You need the support of a persistent team committed to your purpose. In an outcomes-based model your trusted partner is committed to your project and your success as much as you are.

As the sponsor for a major transformation, project success could be your career-defining moment. And for members of the project team, this could be your chance to solve the problems which plague your business and frustrate your people. If handled poorly, the chances of a failed transformation project are high – more than 70%. Why not beat the odds and give your transformation every chance for success by focussing on outcomes?