

Evaluation as an Effective Management Tool

Eric Oldsman, Ph.D.
President
Nexus Associates, Inc.

Performance measurement is critical to effective management.

- **All organizations – donors, BDS facilitators, BDS providers, and SMEs – should measure their performance on critical dimensions.**
- **Performance measures should be used to help answer critical questions:**
 - **Are marketing and sales efforts effective in reaching customers in specific target markets?**
 - **What does it actually cost to provide services?**
 - **Is the financial situation positive and sustainable?**
 - **Are clients satisfied with services?**
 - **What is the value (impact) of services to clients?**
 - **Is the overall market for specific services growing?**
- **Results should be used by managers within donor organizations, BDS facilitators and BDS providers to help make decisions concerning strategic directions, day-to-day operations and future investment.**



To be useful, performance measurement systems need to focus on the right measures ...

Relevant	Some measures may be irrelevant to certain BDS organizations.	E.g., some organizations focus on boosting profitability, productivity, sales, exports or employment, rather than value added.
Valid	Some measures may not reflect the underlying concept that is intended to be measured.	E.g., the number of SMEs that are willing to pay prevailing prices is not necessarily a valid indicator of need or total potential demand.
Reliable	Some measures are not defined in sufficient detail to ensure accurate and consistent measurements.	E.g., the precise components of program costs are not defined and somewhat of a moving target.
Practical	The data needed to calculate some measures may be very difficult and/or costly for organizations to obtain.	E.g., the average subsidy content of products in the <i>market</i> is likely to require extensive market research.



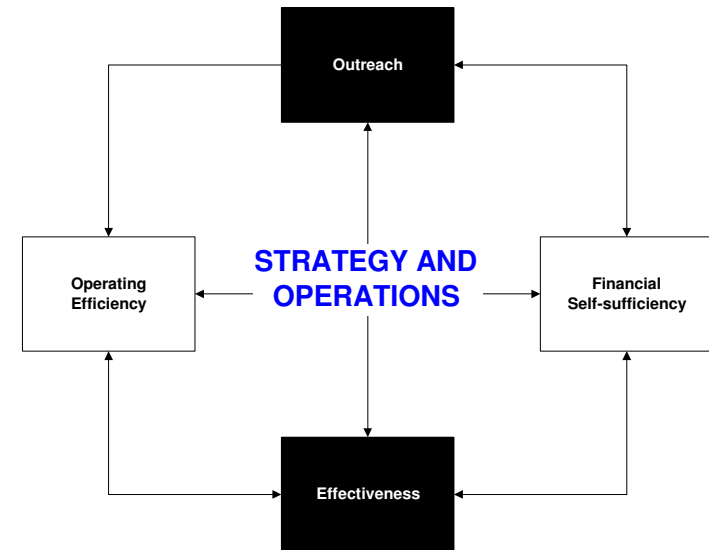
... that are measured in the right way.

- **Measurements need to be accurate and credible in order for manager to make *better* decisions.**
- **Therefore, organizations need to employ sound methodologies to measure performance.**
 - **Systems need to be in place to record, store and report data in an acceptable and consistent manner.**
 - **Surveys need to be well designed to avoid potential measurement error and bias.**
 - **Proper techniques need to be used to determine whether the service actually *caused* improvements in SME performance.**
 - » **Before-after studies**
 - » **Client self-assessments**
 - » **Quasi-experimental studies**
 - » **Theory driven case studies.**
 - **Issues of displacement and externalities are not purely academic; they relate directly to program design and subsequent outcomes.**

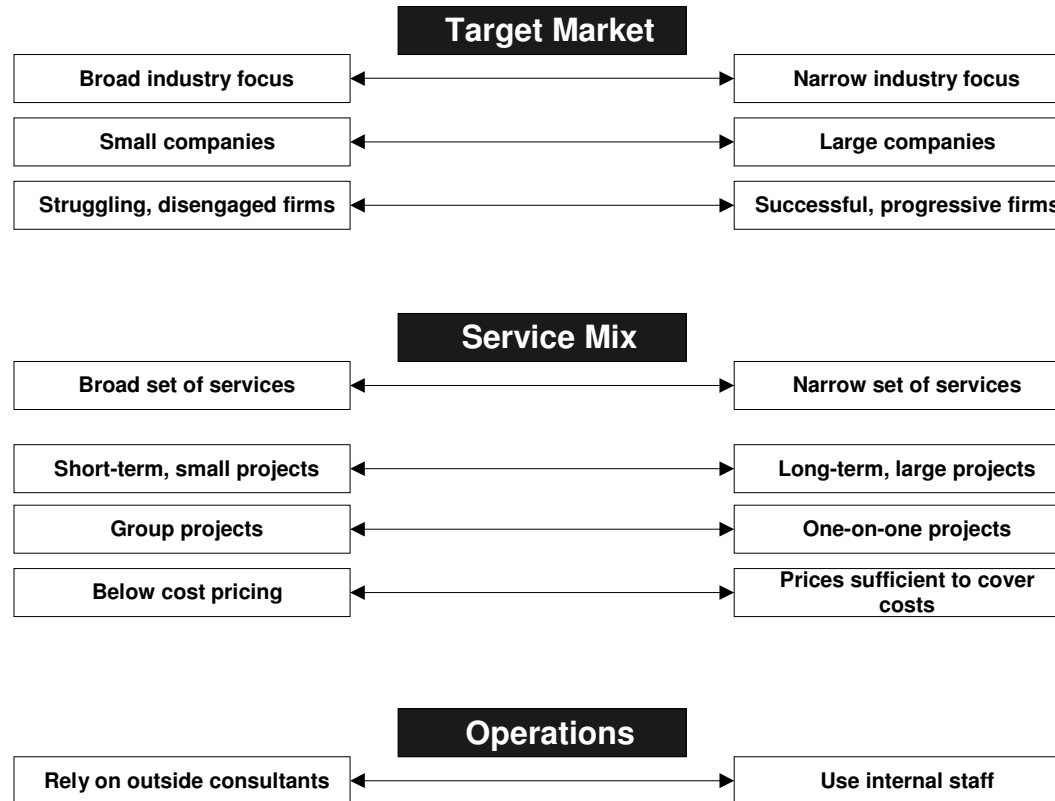


Results need to be judged within the context of particular “business” objectives...

- Organizations may elect or may be forced to emphasize certain dimensions of performance over others.
- Different levels of performance are not inherently better or worse.
 - Number of companies served
 - Market penetration
 - Percentage of repeat customers
 - Program costs per SME served
 - Percentage of program costs covered by client fees
- As a result, it is very difficult to establish performance standards across different organizations.



... Recognizing that results are due to chosen strategies and existing organizational capabilities.



Description is not the same thing as prescription.

- Benchmarking performance can help motivate change provided that people believe that the comparison is valid.
 - Comparison need to be based on the same measures and methodology
 - And include organizations with similar objectives, services, markets, and scales of operation.
- Benchmarking performance against similar organizations can indicate that improvements on certain dimensions are possible.
- However, benchmarking has limits.
 - It does not demonstrate *whether* organizations should seek to improve performance on a particular dimension.
 - It does not provide guidance on *how* organizations can improve their performance, i.e., necessary changes in strategies and operations.



A few implications for donors.

- Place greater emphasis on helping managers establish *and* use performance measurement systems in their own organizations based on a clear articulation of their objectives, strategies and operations.
- Establish *voluntary* benchmarking systems for similar programs in order to encourage informed discussions about performance and associated strategies and operations.
- Undertake comprehensive evaluations of selected programs according to a coherent research agenda designed to answer specific questions.

