



*World-class
evaluation &
organisational
consulting*

Value for money: What does it mean for evaluators and commissioners?

Presentation for the
anzea Wellington branch

E. Jane Davidson, Ph.D.
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- "The need to demonstrate value for money underpins accountability to Ministers and Parliament, effective management, and the ability of New Zealanders to understand how their taxes are spent." (Treasury 2008)

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Value for money?

- **What does “value for money” mean to you** (as an evaluator, as a commissioner of evaluations, as a user of evaluative information, as a taxpayer)?
 - A very specific kind of analysis?
 - A particular kind of evaluation question?
 - A particular kind/quality of evidence?
 - An unanswerable question/wild goose chase?
 - Something else?

- **Do you ask/answer value for money questions already?**
 - How satisfied are you with the answers? Are they valid, credible, useful? Why or why not?
 - Can you ask/answer value for money questions within the typical evaluation budget? Why or why not?

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Angles to explore ...

- **Value for money in policies and programmes**
 - Does value for money imply a particular kind of cost analysis?
 - How feasible/costly are rigorous cost analyses?
 - What are the alternatives to traditional cost analysis?
 - How valid, credible and useful are the options – to Ministers and Parliament, to managers, to taxpayers?

- **Value for money in evaluations themselves**
 - What does good value-for-money evaluation look like?
 - What does it take to commission or produce evaluation(s) that is/are good value for money?

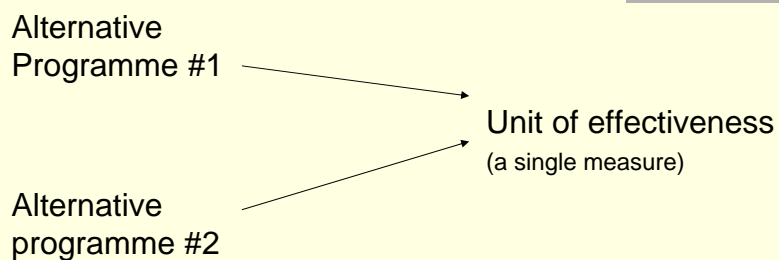
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Traditional cost analysis methods

1. Cost-effectiveness analysis
2. Cost-benefit analysis
3. Cost-utility analysis
4. Cost-feasibility analysis

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Cost-effectiveness analysis



Evaluation questions include:

1. Which programme yields a given level of effectiveness most cheaply?
2. Which yields the highest level of effectiveness for a given cost (budget)?

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Cost-benefit analysis

- All costs converted to monetary terms
- All benefits converted to monetary terms

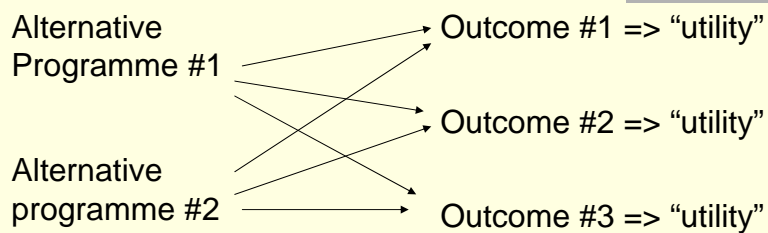
Evaluation questions include:

Benefits of X > Costs of X ?

$$\frac{\text{Benefits of X}}{\text{Costs of X}} > \frac{\text{Benefits of Y}}{\text{Costs of Y}} ?$$

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Cost-utility analysis



Evaluation questions include:

Total utility
(for #1, for #2)

1. Which programme yields a given level of utility most cheaply?
2. Which yields the highest level of utility for a given cost (budget)?

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Cost-feasibility analysis

- Analysis of money costs only (not benefits)
- **Evaluation questions include:**
 - Can we afford it?
 - Can it be done within the existing budget?

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Are those all we need?

- Can we answer questions like:
 - Is this initiative worth it?
 - Is this initiative relatively good value for money?
 - Is this initiative better than the alternatives?
- Can we answer these questions even if many of the outcomes are intangible?
- Can we get approximate answers that are worth getting even if detailed answers aren't possible?
- What balance of methods and evidence will give the best value-for-money evaluation?

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“The home run”

- Sometimes there are one or two outstanding success cases that *by themselves* justify the ENTIRE expenditure for the programme (or, for themselves and several other participants)!
- *“I have been amazed at how it’s paid off ... I can think of half a dozen times in the past two years where I used what I learned in the ALP and each time I saved \$80,000. So, it’s more than paid for itself!”*
 - Public Sector Advanced Leadership Programme alum, now CE

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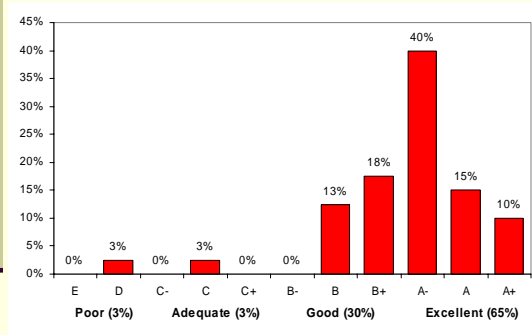
Costs and benefits to whom?

- Individuals
- Agencies
- The Public Service or State Services as a whole
- Taxpayers

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Individual value for time/effort

How would you rate the Advanced Leadership Programme overall as a worthwhile use of your time?



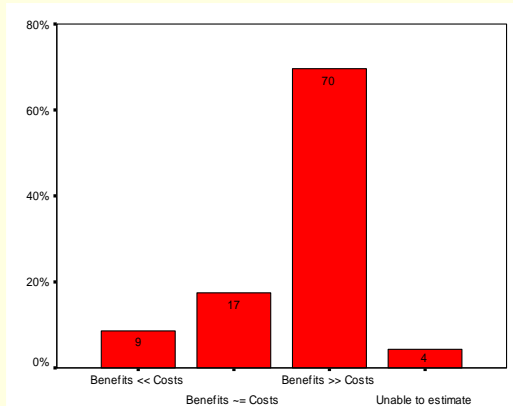
"[The effect of the ALP has been] profound. Made me constantly question how I add value, helped me be more brutal in prioritising time and effort. Confidence, made me believe I could do it."

- (ALP alum, now CE)

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Individual benefits vs. costs

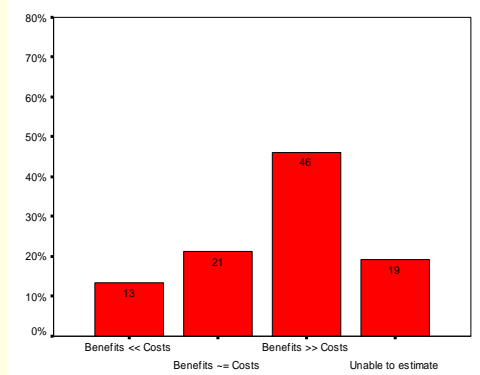
- To what extent do the benefits of the EFP (to you and your career) outweigh the costs to you (taking 3 weeks out from work plus time away from family)?



"The EFP gave me the confidence to decide that I had the right stuff to be a manager. As a result of the small group projects and support provided I decided to 'get off the fence' and apply for the manager's role I was acting in at that time." (EFP participant)

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Costs vs. benefits to agencies



Extent to which EMPA participants felt the benefits to their home agencies outweighed the financial and backfilling costs of allowing them to attend

"From my agency's perspective, the costs whilst not insignificant, actually are quite small when put in the context of: a) A long-term career in the public sector. (40-50 years of salary adds up). b) The costs of many of the issues I am directly involved in. Put simply, many of the decisions I make and processes I am directly accountable for in an organisation with more than \$100M turnover annually, make the EMPA costs look very small indeed."

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Costs vs. benefits to agencies

- Get the perspective of those who decide to make the investment and scrutinise its worth:
 - *[The CE] noted that [the participant] successfully completed a number of special projects that have transformed the Ministry's culture and made the organisation better. [The] Acting CE ... described the ALP as an outstanding success for [the participant] and a great investment for the Ministry. There have been tangible benefits to the organisation from the projects that [the participant] has undertaken and the networks he has developed.*
(from midpoint reassessment interview notes)

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Costs vs. benefits to the PS

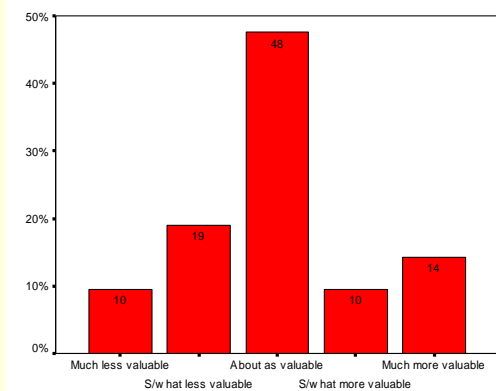
- Look for the Big Ticket Items that have broad implications – e.g., the retention of top talent:
 - *“Well justified in my case. It’s possible the investment in me would have been lost. It’s been one of the major factors in retaining me here. The amounts of money aren’t very big, financially.”* (ALP alum, now CE)
 - Retaining even a small number of top performing senior leaders who would otherwise have left the Public Service is a high-value outcome

[As a guide, estimated cost of turnover in the private sector has been calculated at 150% of total remuneration package.]

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Using value comparisons

- “Apart from the EFP, what was the best short (1 to 6 week) leadership course you have attended, if any?”
- How does the EFP compare with the programme named above?”



But this analysis on its own doesn't tell us much.

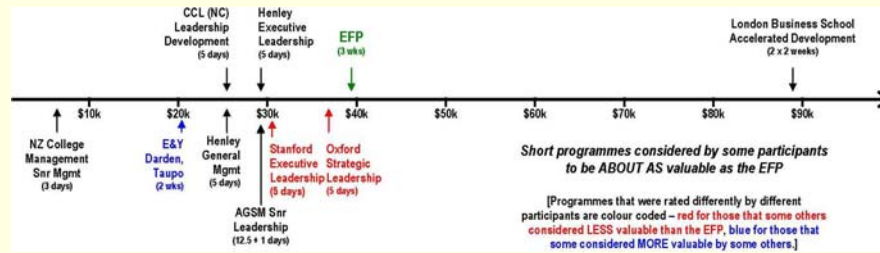
What calibre programmes are people comparing the EFP with?

And, how do those compare on cost?

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An approximate cost-utility analysis

- How does the EFP compare on cost next to other programmes considered to be of similar value (utility)?



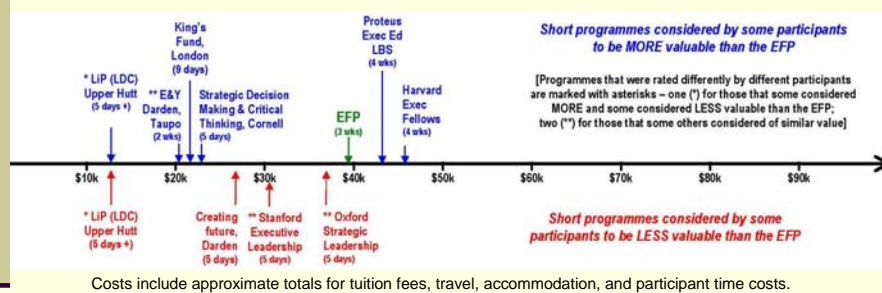
Observations from this part of the cost analysis:

- The EFP is being compared with some extremely high calibre Big Name international programmes – suggests its quality stacks up on the international stage.
- It's not the most expensive, but it's certainly not one of the cheapest options either.
- Important to note that many respondents said that the *kind* of value each programme gave them was qualitatively different and often dependent on where they were in their careers. Therefore, it is not simply a case of substituting the EFP with a cheaper alternative.

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Other cost-utility comparisons

- How does the EFP compare on cost next to other programmes considered to be of higher and lower value (utility)?



Observations from this part of the cost analysis:

- Given programme length, costs are not out of line with international comparisons – all of the cheaper programmes were of shorter duration.
- Several of the "even more valuable than the EFP" programmes were longer, 2-4 weeks, rather than very short courses, which suggests that the additional depth of a longer programme may be beneficial.

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Cost analysis – thoughts?

- Traditional cost analysis tools are a useful starting point, but may not often be:
 - Cost-feasible
 - Cost-effective ways of getting useful answers to important questions

- Broad-brush alternatives do exist, but:
 - Are they enough for decision makers and other stakeholders?

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Value-for-money evaluations

1. Get the 'big picture' questions stated up front – and include value for money questions
2. Discuss/show what kinds of evidence and evidence presentation will be convincing to key stakeholders – find examples of really useful evaluations; what made them work?
3. Make sure the evidence is woven back into direct answers to the evaluation questions
4. Early in the process, develop a mock report with hypothetical evidence to show what evidence goes where and how it helps answer each question
5. Keep an eye on the value-for-money question: *What would we be getting for our investment if evaluation resources were used in a completely different way?*

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References

- Lewin & McEwan (2001). *Cost-effectiveness analysis: Methods and applications* (2nd ed.). [Sage Publications]
- Davidson workshop at the **anzea** 2009 conference (July 13, Auckland): “Weaving evaluative evidence”
- Davidson, E. J. (2004). *Evaluation methodology basics: The nuts and bolts of sound evaluation*. [Sage Publications]

