# Center for Results-Focused Leadership
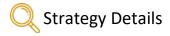
Strategies to strengthen results in public-sector and nonprofit organizations

## RESULTS-DRIVEN CONTRACTING

## ⚡ Quick Summary

Although many state and local services are delivered through contracts and procurements, contracting is often not as results focused as it could be. Results-driven contracting is an effort to ensure that contracting produces strategic investments that do the most good with procurement dollars.

## 🔍 Strategy Details

**Q1. Why is results-driven contracting important?**

Credit for the term "results-driven contracting," as well as for producing much of our foundational knowledge about it, goes to the Government Performance Lab at the Harvard Kennedy School. The Lab's website provides an excellent overview of why this topic is so important:

> "Many of the most important functions of state and local governments – from building and maintaining roads to housing the homeless – involve contracting for goods and services supplied by the private sector. Increasing the effectiveness of procurements is therefore an essential component of improving governments' overall performance in creating public value. Unfortunately, governments often treat procurement as a back office administrative function, rather than as a core part of their strategy for delivering better performance. Governments adopt inappropriate procurement strategies and contract types that are not aligned with their goals. Procurements can be overly prescriptive and regulated, stifling innovation and reducing competition. Contractor performance is rarely tracked in a meaningful manner. Contract management tends to focus on compliance instead of performance improvement, with contractors held accountable for inputs and activities rather than outcomes and impacts (if performance is measured at all). Governments make insufficient use of data on past performance in making future procurement decisions, and tend not to incorporate performance incentives into contracts."

**Q2. What are three of the key components of results-driven contracting?**

Three of the key components are:
1. Consolidating contracts and allowing for more flexibility
2. Establishing goals for service providers and tracking progress
3. Using active contract management

We walk through each of those steps, below, drawing on the example of Seattle's use of active contract management for their homelessness services. That story draws on Andrew Feldman's interview he conducted on the topic, as well as from the Government Performance Lab's *Results-Driven Contracting Solutions Book*.

**Q3. How does Step 1 work, consolidating contracts and allowing for more flexibility?**

Consolidating contracts for a given policy area is an important first step for some jurisdictions for a simple reason: When there are an unwieldy number of contracts, it's impossible for staff to track and manage those contracts. Put another way, with too many contracts, it's unlikely that those contracts will result in strategic investments.

Seattle's homelessness services, for example, involved hundreds of contracts. As explained by Jason Johnson, Deputy Director of Seattle's Human Services Department, "I'll give you an example. We had an agency [a service provider] with 19 different contracts to address homelessness and each of those contracts was so that that organization could meet a different need [related to homelessness] ... And that's not what we wanted to occur. We wanted our funding to be as flexible as possible so that when the individual walked through the agency door, our funding could support them in whatever manner they needed." To do that, Seattle created a large consolidated contract that was able to put money to a variety of different needs to support individuals needing help.

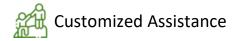**Q4. How does Step 2 work, establishing goals for service providers and tracking progress?**

This step hinges on the fact that achieving better performance from contracts requires, first and foremost, being clear about what good performance looks. In Seattle's case, the Human Services Department staff realized that their contracts lacked consistent goals that everyone was driving to. As a result, they worked with partners to develop three high-level goals and to start paying providers based on those goals. The three goals were related to moving clients into permanent housing; minimizing people's return to homelessness; and minimizing the length of time that individuals and families are homeless.

**Q5. How does Step 3 work, active contract management?**

Active contract management is important since simply changing performance expectations, in Step 2, is not enough. The term means closely working with providers to make sure they are successfully serving people and achieving the contract goals. In Seattle, for example, the Human Services Department has monthly meetings with each of their homeless-services contractors to look at the data and make action plans to ensure solid performance continues -- or to fix

performance problems. Seattle also implemented "learning circles" where the city convenes a group of providers to talk about the data together, discuss common challenges, and share what works. Finally, the department's director meets quarterly with vendor leadership in order to make sure that data-driven discussions are also happening at the leadership level of the contracted organizations.

## Additional Resources

- **Gov Innovator podcast episode:** How Seattle used results-driven contracting to improve homeless services: An interview with Jason Johnson, Deputy Director, Human Services Department, City of Seattle.

- **Brief:** "Results-Driven Contracting" published by the Harvard Kennedy School Government Performance Lab (GPL).

- **Tools:** Active contract management tools are available from the GPL here.

- **Article:** "8 Strategies for Cities to Make the Most of Contracting" by Hanna Azemati.

- **Additional case studies:** See the *Results-Driven Contracting Solutions Book* by the GPL.

## Customized Assistance

Please contact us if your organization needs help in implementing results-driven contracting.