

# AWI Framework for Monitoring and Evaluation

2013/14 Update

*In 2011 AWI committed to a process to develop a more comprehensive monitoring and evaluation framework that could be applied across all areas (On-Farm, Off-farm, Marketing and Global Business) of investment across the organisation. The underlying principle adopted was one of continuous improvement and refinement as developed processes and tools are tailored to the organisation's specific needs.*

*Considerable changes have been made across the organisation since 2011/12 to firmly embed effective planning and reporting processes across all aspects of operation. This is critical to AWI's ability to deliver effective and sustained benefits to shareholders and the many AWI stakeholders from farm to retailed garment. The Framework for Monitoring and Evaluation is continuously being improved and addresses the unique technical and marketing context in which AWI operates, and one which meets the needs of critical stakeholders such as the Australian Government.*

*In 2012/13 the focus of Monitoring and Evaluation was on the setting of targets across all AWI Programs as part of the development of AWI's 2013 Strategic Plan and the on-going ex-post evaluation of completed program investments. In 2013/14 the emphasis shifted to integrating Monitoring and Evaluation into a comprehensive Planning and Reporting Business cycle that effectively linked Strategic Plans to the day to day operational activities of the organisation.*

*These processes will continue to be refined across AWI and in 2014/15 the emphasis will be on developing and implementing processes that enable the collection of more relevant data so that more robust assessments of value to shareholders can be made.*

*This document outlines the strategic and operational aspects of the AWI Framework for Monitoring and Evaluation implemented since 2011/12 and planned activities for 2014/15.*

# AWI FRAMEWORK FOR MONITORING AND EVALUATION

## Table of Contents

Context..... 2

Background ..... 3

M&E Development – A Process of Continuous Improvement..... 6

    1 Strategic Targets ..... 6

    2 Processes to Report Progress and Plan Future Investment..... 7

    3 Robust and Relevant Data Collection ..... 7

Strategic Targets ..... 7

M&E Processes..... 8

Data..... 12

Planned M&E Activities for 2014/15..... 13

Attachment: AWI Consultation Cycle ..... 15

## AWI FRAMEWORK FOR MONITORING AND EVALUATION

### Context

In 2011 AWI committed to a process to develop a more comprehensive monitoring and evaluation (M&E) framework that could be applied across all areas (On-Farm, Off-farm, Marketing and Global Business) of investment across the organisation. The underlying principle adopted was one of continuous improvement and refinement as developed processes and tools are tailored to the organisation's specific needs.

As the designated Industry Services Body for the Australian wool industry, AWI collects woolgrower levies and matching Australian Government funds for eligible research, development and extension. A Statutory Funding Agreement (SFA) between AWI and the Australian Government is negotiated to ensure those funds are expended prudently and in line with levy payer and the Australian Government's expectations<sup>1</sup>. Consequently, AWI's M&E framework recognises the responsibilities the organisation has under that agreement and seeks to comply at levels exceeding that required under the agreement.

In order to assist woolgrowers to make their decision, prior to WoolPoll, the SFA requires AWI to undertake an independent review to assess its performance against the Strategic Plan, relevant Annual Operating Plans, compliance with the SFA and general overview of operations. The review must be conducted by an independent company that has not reviewed or audited AWI in the three years before the review.

One of the recommendations from the 2009-2012 Review of Performance was<sup>2</sup> - *AWI should continue to develop and refine its monitoring and evaluation framework, and in particular it should develop and embed a series of appropriate key performance indicators by which the company's performance can be tracked through strategic plan, annual operating plan and annual report.*

Considerable changes have been made across the organisation since 2011/12 to firmly embed effective planning and reporting processes across all aspects of operation. This is critical to AWI's ability to deliver effective and sustained benefits to shareholders and the many AWI stakeholders from farm to retailed garment. The Framework for Monitoring and Evaluation is continuously being improved and addresses the unique technical and marketing context in which AWI operates, and one which meets the needs of critical stakeholders such as the Australian Government.

This document outlines the strategic and operational aspects of the AWI Framework for Monitoring and Evaluation implemented since 2011/12 and planned activities for 2014/15.

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<sup>1</sup> AWI also operates under a number of other governing obligations, which include: AWI Constitution; Australian Government Levy Principles & Guidelines; AWI Corporate Governance Framework, including the AWI Board and Committee Charter; and Australian Stock Exchange's (ASX) Principles of Good Corporate Governance and Best Practice Recommendations (as far as applicable).

<sup>2</sup> This report is available at <http://www.wool.com/en/about-AWI/how-we-consult/review-of-performance>.

## Background

AWI is continuing to develop a framework for the routine monitoring and evaluation (M&E) of investments. M&E serves two purposes. First, to ensure investments are made in priority areas (to AWI) and second, to demonstrate where funds will be invested and the expected return on those invested funds. The development and implementation process is based around a principle of continuous improvement and refinement, and has involved all parts of the organisation, from the AWI Board to individual Program, Project and Country Managers.

In 2011 evaluation across AWI was variable with little (objective) connection to the organisation's strategic plan. While several evaluation tools had been developed they had not been applied consistently across the organisation nor all investment areas, and hence provided utility only in specific areas of investment. Although current and future investments might deliver a benefit back to Australian wool growers the evaluation system did not provide any objective assessment of the scale of this value. This is the ultimate measure required by AWI to demonstrate performance to levy payers. In the past, evaluation has focused on individual investments rather than on the portfolio as a whole. A successful evaluation process must be driven at the strategic plan level. To this end M&E processes are needed to measure performance at the Strategic Plan level, which in turn will inform evaluation at the individual investment level.

In 2011 a number of issues relating to effective M&E were identified. Addressing these issues underpinned M&E effort from 2011/12 to 2013/14 and included:

### **1. AWI needs to be transparent in its M&E and reporting processes.**

AWI is a shareholder funded body operating under a Statutory Funding Agreement with the Australian government. Being accountable to shareholders and the Australian government requires transparency in planning and reporting processes to ensure that funds for which AWI is responsible for are invested for the greatest benefit of Australian woolgrowers and the Australian community more broadly.

*Action Taken*                      AWI continues to make public its three year Strategic Plan and Annual Report and further enhance stakeholder consultation through regular forums such as the ICC. Also, AWI has developed a Measuring Performance page on its website where planning and reporting documents are publically available as well as regular independent evaluations of its programs.

### **2. AWI needs to be able to better compare ex-ante and ex-post evaluations.**

Investment planning and evaluation needs to be effectively linked so that progress towards planned outcomes can be determined. Performance should be measured in terms of progress towards the achievement of stated

targets and investments managed from year to year to ensure that the achievement of set targets will deliver an acceptable return to AWI stakeholders.

*Action Taken* AWI has now developed and implemented a M&E process based on sound business reporting and measurement cycles where progress towards set targets provide a robust measure of performance.

**3. AWI makes investments across a wide range of forms including the provision of services, classical research, development and innovation projects, innovation and support to supply chain participants and marketing and business developmental activities.**

M&E processes need to accommodate the wide range of investments made by AWI to ensure that planned outcomes and progress achieved can be reported at an organisational level where the contribution to AWI's broad operating goals can be determined.

*Action Taken* Strategic targets are set across all areas of AWI investment (On-Farm, Off-Farm, Marketing and Global Business). Ways to quantify returns to Australian woolgrowers have been determined for all these areas and targets set to ensure that, if achieved, a competitive return on woolgrower funds will be generated.

**4. AWI investments should focus first and foremost on the Program level of investment as individual projects undertaken by AWI invariably form part of a wider suite of investments designed to achieve desired industry outcomes.**

A great many of AWI's project investments are defined components of larger programs of work, where individual projects contribute to the collective outcome sought. Selection of individual projects is typically based on their technical merit and contribution to broader outcomes in conjunction with other AWI investments. Consequently, M&E processes need to accommodate broader program outcomes as well as the cost effectiveness of component projects towards the achievement of those outcomes. Such processes also need to articulate the link between strategic program outcomes sought and AWI investments made at a Country level where most of the post farm investment is managed to achieve global outcomes.

*Action Taken* AWI business cycle links Program targets with broader Strategic Plan goals.

**5. AWI investments post-farm have lacked a method to adequately describe the returns to stakeholders from investments made.**

Without a method to describe how benefits are generated for Australian wool growers and other stakeholders from post farm investments it is not possible to set appropriate investment targets that, if achieved, represents a demonstrable return on investment – that is, that benefits exceed costs. More important, without a method to describe how benefits are generated it is not possible to develop and implement appropriate processes to collect robust data to demonstrate progress made towards set targets.

*Action Taken* Although AWI's M&E process describes returns to stakeholders from program investments, there remains a lack of objective data across the organisation to adequately demonstrate that returns have or have not been generated. More objective data collections methods were developed over 2013/14 and will be implemented more widely across the organisation in 2014/15.

**6. Tools to assess the relative merits of one project against another (such as the PWC Tool, INNOVAR Scorer and Rendell McGuckian Model) do not allow effective comparison of projects across all AWI investment areas and do not adequately account for broader Program outcomes that are being sought.**

AWI projects, especially in the On-Farm and Off-Farm areas, are selected on the basis of their contribution to broader Program targets and it is the combined impact of these investments that will result in the successful achievement, or otherwise, of program targets. AWI both commissions work directly with third parties as well as having an "Annual Call" where third party organisations submit project ideas for potential funding. Tools to assess the relative merit of one project over another are required to ensure that all investment opportunities are considered on the same basis and that the relative merit of one project over another can be determined.

*Action Taken* AWI has refined the INNOVAR scorer and now uses a Project Assessment Tool (PAT) to assess the merit of one project over another on a consistent basis and in line with outcomes sought under the Strategic Plan.

**7. Consumer level marketing projects require a specific tool for monitoring media investments and tracking benefits through time.**

AWI marketing investments seek to deliver substantial and sustained increases in consumer demand. Such a change is predicated on changed consumer attitudes and awareness and this can be measured with an in-market longitudinal tracking survey applicable to key influencers and consumer markets.

*Action Taken* AWI now carries out a biannual survey of consumer attitudes (Nielsen Survey) to monitor changes in consumer demand through time. AWI has also developed a more objective data collection process for Marketing investments which will be rolled out over 2014/15.

In December 2011 BDA Group was engaged to support AWI's Evaluation team. The broad goals of AWI in developing and implementing an effective evaluation framework continue to be to:

- Build stakeholder confidence in AWI, by demonstrating returns to investors;
- Meet evaluation and reporting obligations through developing a suitably comprehensive array of evaluation tools which account for the inherent complexity and broad scope of the AWI investment environment;
- Improve the cost effectiveness of AWI investments, by building internal capacity and skills in investment assessment and management; and
- Continuously review and refine these evaluation processes.

This document explains progress made to date in developing and implementing M&E processes across AWI and operational activities planned for 2014/15.

## **M&E Development – A Process of Continuous Improvement**

Over 2011/12 AWI continued operational activities associated with M&E<sup>3</sup> as well as developing a more structured approach to M&E across the organisation. Our overriding objective was to develop a M&E process that effectively linked the Three Year Strategic Plan with operational activities across all areas of AWI investment. Key elements of the developed approach included:

### **1 Strategic Targets**

Sound performance measurement and reporting is based on measuring progress towards set targets on a regular basis. The specification of targets drives investment and allocation of staff resources in specific activities, and the extent to which they are achieved will determine the success or otherwise of AWI through time. Strategic Targets are determined every three years as part of AWI's Strategic Planning process and hence set operational activities on an annual basis with performance measured from the AWI Board down to individual staff. Over 2012/13 a more objective process was developed and implemented for the preparation of the 2013/14 to 2015/16 AWI Strategic Plan.

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<sup>3</sup> These activities are detailed in the 2011 version of the AWI M&E Framework and focus on the routine evaluation of projects and implementation of consumer surveys.

## 2 Processes to Report Progress and Plan Future Investment

Once targets and investment allocations had been made at the Strategic Plan level, AWI required a more structured annual process of investment planning and reporting to assess investment performance and any changes required in strategic direction. This process placed emphasis on the responsibility, at all levels in the organisation, to manage investment funds to maximise returns to Australian woolgrowers and other stakeholders. Necessarily, this required a transparent process where progress against set targets could be determined on a regular basis and, in consideration with changes in AWI's external operating environment, changes could be made to planned investment for the future. Over 2013/14 this process was developed and implemented and will continue to be refined across 2014/15.

## 3 Robust and Relevant Data Collection

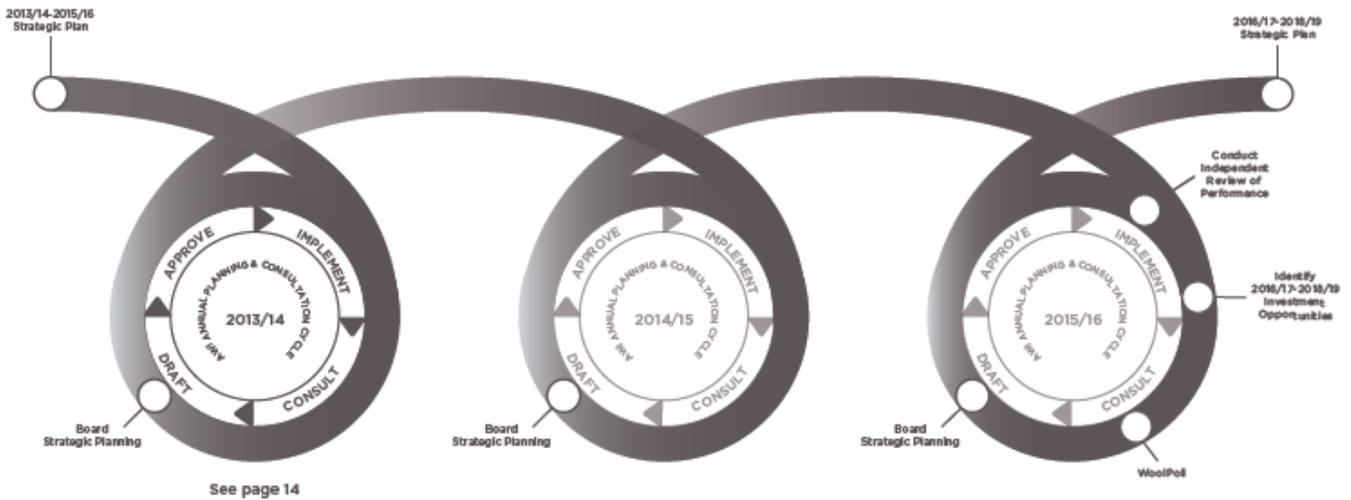
The final element that is needed for effective M&E is robust data to demonstrate the level of returns generated on funds invested. Historically, this has been done inconsistently across the organisation. Effective M&E requires "real time" data on investment impacts so that any changes can be readily managed and changes made accordingly. More important, AWI recognises the need to firmly embed data collection methods and processes to demonstrate investment impacts into individual programs on an on-going basis rather than as a separate and unrelated activity once investment has ceased. Over 2014/15 data collection methods and processes will continue to be developed and emphasis placed on implementing these data collections at an individual program level.

## Strategic Targets

Every three years a Strategic Plan is prepared for the coming three years. This Strategic Plan articulates targets through time that, if achieved, will deliver an acceptable return to Australian Woolgrowers and address, where appropriate, broader industry issues. The Strategic Plan is developed through consultation with industry and other stakeholders and considers carry over funding commitments from the previous three year Strategic Planning period.

AWI operates a Strategic Planning cycle as shown in Figure 1. This process was strengthened to better link into an annual reporting and planning cycle where the progress against strategic targets could be reviewed annually and, subject to achieved progress and external factors (such as changing budgets), any required changes to the strategic direction made. In this way, the annual cycle of *implementation, consultation* – to scope industry priorities with stakeholders, *drafting* – initiated by Board Strategic Planning and involving an assessment of progress and external factors likely to impact on AWI's ability to meet future targets and *approval* - where adjustments to budgets and program targets are made at the portfolio level – becomes a foundation process for articulating Strategic Priorities and appropriate targets and measuring performance against these targets.

**FIGURE 1: AWI'S STRATEGIC PLANNING CYCLE**



The AWI 2013/14 to 2015/16 Strategic Plan sought to reduce the number of operational strategies and programs by focusing on key outcomes across business areas. For each Program the investment objective, investment intent and objective targets were determined on an iterative basis with the investment risk profile and expected benefits documented<sup>4</sup>.

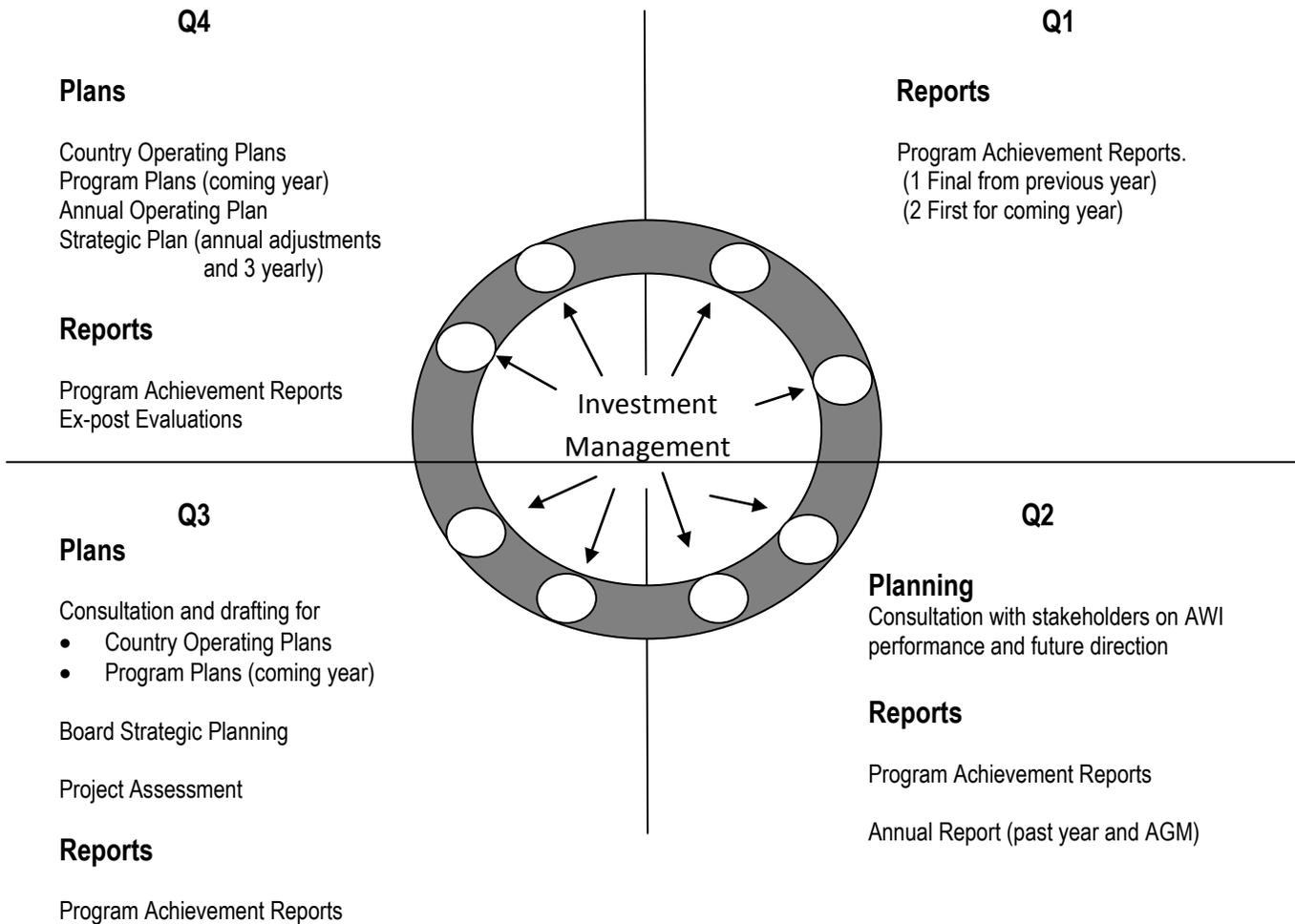
## M&E Processes

Over 2013/14 AWI sought to improve the connectedness of annual operating plans with the organisation's Strategic Plan. In developing annual reporting and planning processes an emphasis was placed on the responsibility of the AWI Board to manage investments to maximise value to industry shareholders and other stakeholders

The developed annual planning and reporting cycle (shown graphically in Figure 2) is centered around the concept of regular *Investment Management* by the AWI Board and Executive and supported by a number of planning and reporting documents. Importantly, the annual planning and reporting cycle includes extensive external consultation in excess of that required under the SFA. AWI's full consultation cycle is shown graphically in the Appendix and is also reported in the 2013-16 Strategic Plan.

<sup>4</sup> This iterative process involved the preparation of Value Summaries for each program. Value Summaries provide a three year assessment of the programs investment logic and 3 year targets, budget, value to woolgrowers, risk, timing of benefits and non-pecuniary operational objectives.

**FIGURE 2: AWI'S ANNUAL REPORTING AND PLANNING CYCLE**



The purpose of the annual reporting and planning cycle is to regularly monitor progress towards annual targets that, if achieved, will ensure the organisation delivers against Strategic Plan targets and where necessary, to make adjustments to program investments (project budgets and staff allocations). Once a year the adequacy of program investments to achieve Strategic Plan targets is reviewed and changes to future year Program and Strategic Plan targets made where appropriate. Revisions might be made based on an assessment of external drivers that might impact operating budgets or industry priorities as well as the success or otherwise of specific Program investments to date.

Investment management is based on reporting of progress at the Program level at regular AWI Board meetings. Reporting is undertaken throughout the year, in each financial year quarter, and planning is largely undertaken in the

second half of the financial year. Planning and reporting is now focused at the Program level and was implemented in 2013/14.

<b>Prior to Quarter 1</b>	<i>Strategic Plan</i>	articulates AWI investment intent and three year targets by individual strategies and component programs.
	<i>Program Plans</i>	these are prepared by Program Managers and largely focus on the mix of investment elements (projects and staff) to achieve overall Strategic Plan targets. The Program Plan documents changes in broad Strategic Plan targets, project budgets and staff allocations. The Program Plans form the base for the subsequent reporting of progress in the coming financial year.
	<i>Annual Operating Plan –</i>	articulates planned budget and investment deliverables by Program for the coming financial year.
	<i>Country Operating Plan -</i>	articulates major annual program investment activities, resources (project and staff) and KPIs at a country level for the coming financial year. Country project funding and staffing is driven by requirements for each AWI Program.
<b>Quarter 1</b>	<i>Program Achievement Report</i>	these reports (PARs) are prepared by Program and General Managers for regular review by AWI Executive and Board and reports progress towards, and the achievement of, set annual Program targets; identifying any issues regarding resourcing or achievement of set targets with an appropriate management response <sup>5</sup> .  During the first Quarter final PARs for the preceding year would be prepared and submitted to the Board as well as the first PARs for the current year <sup>6</sup> .
	<i>Program Achievement Report</i>	(PARs) continue to be prepared by Program and General Managers for regular review by AWI Executive and Board
<b>Quarter 2</b>	<i>Program Achievement Report</i>	(PARs) continue to be prepared by Program and General Managers for regular review by AWI Executive and Board

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<sup>5</sup> Over 2013/14 these have been prepared for all Programs except for a number of Programs under Global Business.

<sup>6</sup> The first time this will occur will be in Q1 2014/15.

	<i>Annual Report</i>	The Annual Report provides details of company investment and operational activities over the preceding financial year to shareholders and an assessment of performance based on achievement of annual targets (as detailed in PARs).
	<i>Consultation</i>	A series of reporting and consultation forums, including the Annual General Meeting are undertaken with feedback sought on company performance and changes in Strategic Direction.
<b>Quarter 3</b>	<i>Program Achievement Report</i>	(PARs) continue to be prepared by Program and General Managers for regular review by AWI Executive and Board.
	<i>AWI Board Strategic Planning</i>	planning for the coming financial year is commenced by the AWI Board. Over the quarter draft Program Plans are developed and approved by the Board <sup>7</sup> . Concurrently, Country Operating Plans for the coming financial year are drafted.
	<i>Project Assessment</i>	AWI has an annual “call for projects” and each project is evaluated on a consistent basis (using a Project Assessment Tool) and with input from an independent advisor <sup>8</sup> .
<b>Quarter 4</b>	<i>Program Achievement Report</i>	(PARs) continue to be prepared by Program and General Managers for regular review by AWI Executive and Board.
	<i>Plans for coming year</i>	Program Plans are approved by the AWI Board and Country Operating Plans and the Annual Operating Plan finalised. Every three years a new Strategic Plan is also finalised and approved by the Board.
	<i>Ex-post Evaluation reports</i>	– series of annual evaluation reports of AWI investment programs <sup>9</sup> .

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<sup>7</sup> In 2013/14 decisions regarding the allocation of budgets across On-Farm and Marketing Programs were based on a consideration of the marginal impact of any resource changes.

<sup>8</sup> The Project Assessment Tool (PAT) was a development over 2013/14 of the INNOVAR tool and now allows a more effective assessment of the merits of a project against AWI Program Plans for the coming financial year.

<sup>9</sup> It is proposed that 8 reports be undertaken each year until 2016. In future years the process of reporting progress against targets will provide the basis of evaluating the return to woolgrowers.

## Data

For effective reporting of progress against set targets robust data is required to demonstrate that desired industry impacts have been achieved, and more important, that these impacts deliver a demonstrable benefit to Australian woolgrowers and the broader Australian community. This has been particularly difficult for AWI marketing investments where increases in consumer demand are sought.

AWI's Strategic Plan provides the baseline against which investment performance will ultimately be determined. The targets developed at a Program level have been set to ensure that delivered benefits exceed investment costs by a competitive margin<sup>10</sup>. Programs will also have specific targets in terms of services provided or activities delivered. Consequently, data collection needs to be tailored to specific Programs, although some general approaches with respect to value generated can be applied. These include:

On-Farm	Program outcomes relate to increased farm profits, achieved as a result of increased productivity or lower costs. The intent of some Programs is also to provide a service to woolgrowers (or other stakeholders), and in these cases data is required on the cost effectiveness of the services delivered.
Off-farm	Increased use of wool in wool processing industries as a result of collaboration with AWI, which in turn increases the competitiveness of wool processing against other apparel fibres.
Marketing	Increased demand for wool, expressed on a clean wool basis and accounting for any substitution between wool garment types (such as, for example, a knitted garment in preference to a worsted jacket).

While the M&E team has worked closely with Program Managers to identify appropriate data and methods of collection<sup>11</sup>, considerable effort was directed at developing and implementing data collection methods to assess progress towards set targets in the marketing area. To estimate the increase in the demand for wool attributed to different AWI marketing projects three key data are required.

- 1 **Consumer attitudes** changes – AWI has commissioned a biannual global consumer tracking survey (Nielsen) to measure changes in consumer attitudes toward wool and willingness to pay. This data is used

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<sup>10</sup> Methods used by the M&E team to quantify benefits to Australian Woolgrowers from AWI investment was prepared in July 2012. A major shift in focus has been away from evaluation of individual projects and the evaluation of Program outcomes, as most projects in a program work towards a common goal.

<sup>11</sup> Attempts have been made to incorporate data collection and evaluation as an integral part of Program activities. These are reflected in Program Plans.

to confirm that AWI marketing investments are resulting in a sustained change in consumer preference and willingness to pay for wool apparel.

- 2 **Partner sales data** - AWI marketing programs are typically delivered in partnership with global apparel businesses and brands. Through collaboration with AWI increased sales volumes are anticipated and partners are able to provide increased sales details<sup>12</sup>.
- 3 **Consumer exit surveys** – consumer exit surveys have been developed and implemented on a pilot basis (for AWI's Australian based Cool Wool Program activities – 2013/14) and used to identify the share of increased sales volume reported by partners that represents new demand.

## Planned M&E Activities for 2014/15

Over 2014/15 AWI's M&E team will continue to support the annual reporting and planning process to ensure greater consistency is achieved across programs and that annual targets are more closely aligned with the longer term targets as specified in the Strategic Plan (and updated accordingly).

Program Achievement Reports (PARs) were implemented in December 2013 and the Program Plans (2014/15) have been prepared for the first time this year. These plans were also instrumental in preparation of Country Operating Plans, which for the first time also considered allocation of AWI staff resources in individual countries across each Program. Strengthening reporting and planning at the Program level will remain a priority for 2014/15. A number of Global Business Programs were excluded from this process and it is proposed that these Programs be included in 2014/15.

Data collection will also be a priority for 2014/15 with the aim of ensuring appropriate data collections are built into individual Program Plans and resourced accordingly. Operational support will be provided by the M&E team with a number of key activities planned.

### On-Farm

- Support for the survey of woolgrowers participating in Wild Dog groups (Strategy 1 Program 2) to determine increase farm profits from reduced dog predation.
- Support of a survey of Merino stud breeders as part of the articulation of a target rate of genetic gain increase for AWI's Genetics & Genomics Program (Strategy 1 Program 4).
- Input to implementation of exit surveys for woolgrowers participating in AWI extension networks (Strategy 4 Program 1) to measure the value from participation.

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<sup>12</sup> Provision of sales data through time has typically been a condition in AWI contracts with partners, but data has not been collected on a comprehensive basis in the past.

## **Off-farm**

The Off-farm team has piloted a survey of partner mills to determine increased wool usage that can be attributed to AWI support at the mill level. Over 2014/15 this survey will be further developed and consideration will be given to articulating the estimated economic benefits flowing back to Australian wool growers.

## **Marketing**

- Continued funding and development of the Consumer tracking survey with Nielsen.
- Support of an exit survey with Milo / Intercoat and Jaeger UK for AWI's Campaign for Wool Program (Strategy 8 Program 3).
- Support of an exit survey with a Cool Wool Partner in Japan and assistance to the UK office in estimating own ticket and sales volumes for AWI partners.
- Support of an exit survey with a Chinese partner to measure new demand attributable to AWI's Gold Woolmark and Greater China Program (Strategy 9 Program 2).
- Support of a consumer exit survey with a UK based partner in AWI's No Fine Feeling Program (Strategy 9 Program 1).

Support will also be provided to General Manager International to further streamline reporting at a country level and developing Country Operating Plans for 2015/16.

Finally, the M&E team (through their contracted consultant BDA Group) will also prepare ex-post evaluations. The target for 2013/14 was not met due to other priorities, so over 2014/15 the balance of the eight 2013/14 evaluations will be completed as well as an additional 8.

## Attachment: AWI Consultation Cycle

