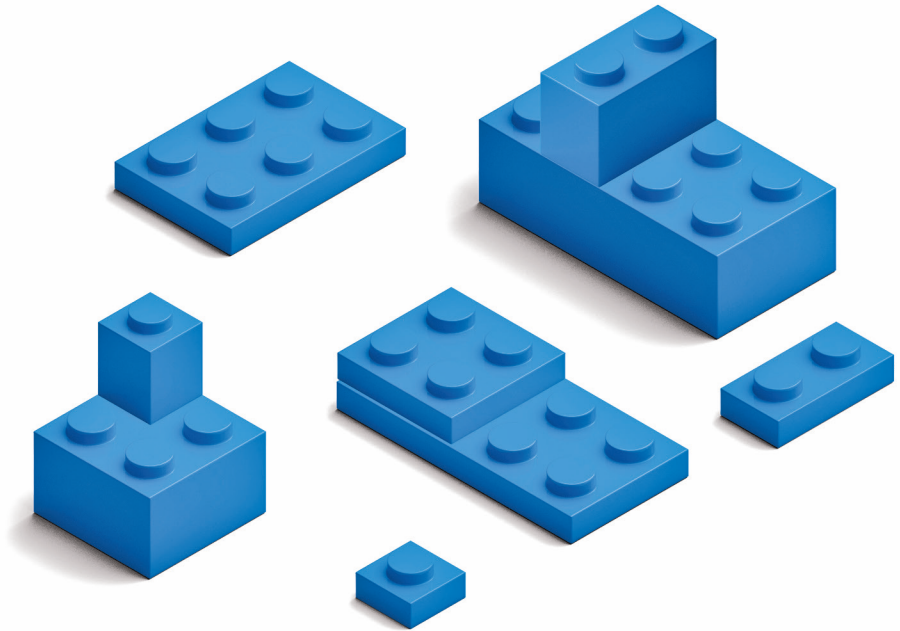


# Outcome System Result (OSR)

How System-Aware Outcomes Become  
the **Building Blocks** for **Modern AI-Enabled Teams**



**A causal architecture for  
creating sustained customer value**

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**Adam McCombs & Robert Penna**



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blocks for modern AI-enabled teams

Adam McCombs & Robert M. Penna

  
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“Give thanks to the Lord, for He is good;  
His love endures forever.”

To everyone named here, and to the many others who shaped this work in small but meaningful ways, thank you. This book is as much yours as it is mine.

Love and Thank You, Adam

## About the Authors

### **Adam McCombs**

*Adam McCombs* is a technology executive, educator, and product innovator with more than 20 years of experience scaling SaaS companies and leading cross-functional teams at the intersection of AI, software, and operations. Based in Golden Valley, Minnesota with his wife Sarah and four girls (Arabella, Ayla, Madeline, and Henrietta), he has a proven record of translating complex technology into outcome-driven solutions for organizations of all sizes. His work includes U.S. Patent 11,610,445 (issued March 21, 2023) for automatically distributing access control credentials based on a task, reflecting his focus on turning operational complexity into reliable systems.

His work includes U.S. Patent 11,610,445 (issued March 21, 2023) for automatically distributing access control credentials based on a task, reflecting his focus on turning operational complexity into reliable systems.

A Minnesota native, Adam earned his undergraduate degree in Accounting and Management Information Systems from the Carlson School of Management at the University of Minnesota and an MBA from the Mendoza College of Business at the University of Notre Dame. He began his career as a Senior Product Manager at Cisco Systems before founding

## OUTCOME SYSTEM RESULT

JumpForward, a SaaS startup that transformed recruiting and compliance workflows in collegiate athletics. As CEO for over eight years, he guided the company from inception through its acquisition by Vista Equity Partners in 2016.

Adam went on to serve as Co-Founder and Chief Product Officer at Livly. In addition, he served as Chief Product Officer at LINQ, Vantaca, and the Center for Internet Security (CIS), directing strategy for products and services used by governments and critical infrastructure worldwide.

Passionate about education, Adam taught Management Information Systems as an adjunct professor at the University of North Carolina Wilmington and, in 2024, launched the course *Prompt Engineering for Business Professionals*.

Today, as CEO of Livly, Adam is redefining property management technology through AI-powered Resident Operations, streamlining fragmented tech stacks and unifying resident and staff experiences across the multifamily industry.

**Robert M. Penna**

*Robert M. Penna* is the author of *Outcome Frameworks: An Overview for Practitioners* (with W.J. Philips. Rensselaerville Institute/Fort Orange Press, 2004), *The Nonprofit Outcomes Toolbox* (Wiley, 2011), *Braided Threads: a historical overview of the American nonprofit sector* (Rutledge/Taylor-Francis, 2018) as well as numerous articles published in the Stanford Social Innovations Review, the Philadelphia Social Innovations Journal, and other outlets. He has presented to organizations across the U.S. and in Canada, Poland, Switzerland, Kenya, Saudi Arabia, and Australia. A native of the Bronx, he is a graduate of Fordham University and holds a Ph.D. from Boston University. Most recently he taught nonprofit management and political science at the University of North Carolina, Wilmington. He resides in NC with his wife, Elise.

# I

## Why OSR; Why Now?

### Part 1 — Why OSR, Why Now?

Outcomes are everywhere, but most teams are chasing them in the dark. Features stand in for value. Metrics stand in for meaning. And AI is beginning to act in ways most leaders aren't modeling. This part of the book lays the groundwork for why a new approach is needed now.

You'll explore how the term "outcome" has been stretched, misunderstood, and often reduced to vanity targets. You'll examine the widening gap between *what customers hope for* and *what they actually experience*. And you'll see why legacy mental models -built for simpler, more linear times- no longer hold.

If the ground is shifting under our feet, OSR is a way to stand -and deliver- with clarity.

### How to Read These Chapters

- **Chapter 1 – Setting the Stage**

Understand the Outcomes crisis: what's broken, why it matters, and what complexity + AI mean for value delivery.

- **Chapter 2 – The Question of Value** (*coming up in Part II*)  
Break down cost, price, worth, and value. Understand why value is layered, personal, and often invisible—and why every product is judged through the lens of benefits minus liabilities.
- **Chapter 3 – An Introduction to Outcomes** (*coming up in Part II*)  
Define outcomes as forward-facing commitments to meaningful change, not backward-looking metrics. Learn why traditional problem and activity approaches fail and how starting with the end in mind unlocks lasting value and systemic progress.

### Final Key Takeaways — Chapter 1: Setting the Stage

- **“Outcomes” are everywhere—and poorly understood.**  
Many organizations chase surface metrics instead of meaningful progress, mistaking numbers for change.
- **Customers buy the *possibility* of transformation.**  
What they’re really buying isn’t a product; it’s progress in their world: friction removed, potential unlocked, work made easier.
- **DCV vs. ECV defines the experience gap.**  
**Desired Customer Value (DCV)** is the hope. **Experienced Customer Value (ECV)** is the reality. When the gap between the two grows, churn and disappointment follow.
- **Business value must *follow* customer value.**  
When companies prioritize business metrics over lived outcomes, they extract instead of deliver—and trust erodes.
- **AI agents now shape outcomes, not just teams.**  
Autonomous systems act independently, reshape flows, and introduce feedback loops that require leaders to think in systems and not just task management.

## CHAPTER ONE

# Setting the Stage

Buzzwords.

We hear them all the time, terms or phrases that somehow come into fashion, become all the rage, and then wither away and disappear only to be replaced by new ones.<sup>1</sup>

One such word these days is “outcomes.”

Everyone, it seems, is talking about outcomes. There is hardly a field, from medical science through the nonprofit realm to the business world, where the word isn’t heard.<sup>2</sup>

Just *what* “outcomes” are and how the “outcomes” concept should be applied are questions still open to debate –MUCH more on this in a later chapter- but it is an inescapable fact that whatever they may be, everyone is chasing them.

---

1 For an informative and very engaging account of how words have come into and gone out of use in English, see *The Mother Tongue: English and how it got that way* by Bill Bryson [New York: Perennial, 1990]

2 The word “outcomes” is particularly common in the titles of academic, medical, educational, and -increasingly- business focused books and articles. Common contexts include “patient outcomes,” “educational outcomes,” “learning outcomes,” and “organizational outcomes.”

But to what end?

Is any value actually being realized through the quest for outcomes?

The evidence would suggest that, particularly in the business arena, the answer is No.

By way of illustration, according to a study conducted by [Deloitte](#), over 50% of software products fail to deliver desired customer outcomes.<sup>3</sup>

This while:

- Almost 88% of B2B software providers believe that delivering value through outcomes is essential for their growth;
- 90% of customers report that they have clearly communicated their desired outcomes to their software providers.

If this is an accurate assessment of the situation, then it would seem that the current approach of delivering value to customers through outcomes is a failure.

The obvious question is *Why?*

We believe the answer isn't just operational.

It's systemic.

The failure to deliver or achieve useful Outcomes isn't due to teams not working hard enough.

Rather that breakdown exists because our understanding of, and the way we *think* about Outcomes is broken.

---

3 Reyes, V. et al. "New tech. New work. Your old value case isn't enough." [Deloitte Insights](https://www.deloitte.com/us/en/insights/topics/talent/human-capital-trends/2025/new-hr-technology-creates-new-tech-value-case.html). March 23, 2025. <https://www.deloitte.com/us/en/insights/topics/talent/human-capital-trends/2025/new-hr-technology-creates-new-tech-value-case.html>.

And until we correct that mistake, no amount of effort, process, or even AI will fix what's fundamentally misunderstood and wrong with much of today's efforts.

Before we suggest a new approach, it would be useful to examine how things drifted so far off course to begin with.

With any system failure like this, the visible breakdown is only what lies above the surface. Often hidden are those much greater and deeper patterns, behaviors, and beliefs that have quietly been undermining the best of intentions.



We believe that there are at least three significant facets of this problem:

- Issues pertaining to organizations' understanding and application of the Outcomes idea;
- A serious misunderstanding of "value;"
- An emerging reality with which current organizations are not keeping pace.

We should examine these in turn...

### **Organizations' understanding and application of the Outcomes idea.**

- a) Organizations are misunderstanding and/or misapplying the concept behind the Outcomes Approach.

This is more common than one might think. While the word "outcomes" is heard everywhere, precisely what outcomes are

(or should be) and how the “outcomes” concept should be applied are subjects around which, unfortunately, there is much misunderstanding and many failed and disappointing efforts. Because of this, many organizations “think” they have mastered the idea, but labor under one or more fundamental flaws in their understanding of it and/or misapply the notion. In other cases, the *rationale* for using an outcomes approach becomes the forgotten part of the equation, even though it is the most important. This, very often, manifests itself as....

b) Target Worship

This one is everywhere and is especially seductive.

The sequence of events usually unfolds like this:

- i. An outcome gets defined.
- ii. A metric gets attached to it.
- iii. The team rallies and gets to work.

But then slowly, without anyone noticing, the number itself becomes the goal.

The original intent -the change the organization hoped to bring about for a customer, a community, or a user- gets reduced to a figure on a spreadsheet.

Unfortunately -and this has been amply documented- once a number becomes the north star, it becomes one-dimensional, something to hit, not something with any deeper meaning or significance.

When this happens, people may begin to game the system, optimize for optics...or worse.<sup>4</sup>

Motion or busyness -as we shall discuss in forthcoming pages- becomes confused with or substituted for meaning.

Thus, when the quarterly report rolls in, numerical targets may have been hit, but at the cost of little meaningful positive change or actual negative impacts.<sup>5</sup>

c) Business Value supplants Customer Value

This one can feel a little uncomfortable, because it shines a spotlight on a significant shift that has occurred inside many organizations in recent years.

Put most plainly, the shift in orientation and operations has gone from serving customers to serving the business.

This is an important point that raises some discussion.

While it would be foolish to suggest that the “bottom line” was not an important consideration in years past, two things are inarguably true today:

- i. There was more willingness in years gone by to try ideas which, while they might have negatively impacted the short-term bottom line, were believed to ultimately con-

---

4 A concept called *Goodhart's Law* -initially framed by economist Charles Goodhart but then further refined by [Keith Hoskin](#) and anthropologist [Marilyn Strathern](#)- contends that the pressure to hit a specific numeric target can encourage people to “game the system” by manipulating the metric or engaging in unintended, and often harmful, behaviors (including focusing so intensely on the metric that they neglect other broader goals, fraud and unethical practices, and meeting the “letter of the law” while violating its spirit) to achieve the goal. Put most succinctly, the Law holds that when a measure becomes a target, it ceases to be a good measure.’ The Wells Fargo unauthorized accounts scandal is often cited as a prime example of *Goodhart's Law*.

5 For several real-world examples, see Appendix 1

tribute positively to the long-term bottom line. Henry Ford, by way of famous example, paid his workers more than the going rate in order to win their devotion and loyalty, much to the chagrin and unbridled anger of his competitors. Henry J. Heinz and Milton Hershey, respective founders of their eponymous empires, did much the same. All three believed that well paid line workers –as opposed to only well paid executives- were the key to success...and they proved to be correct in spite of the prevailing wisdom of the time;

- ii. Today's accent on stockholder value, while certainly not a new concept, has changed the dynamic of many [businesses](#) and their behavior.<sup>6</sup>

Thus it is that in today's operating environment, many firms are so focused on the immediate bottom line and trying to align around capturing business value -thought of in terms of maximizing revenue and dividends, increasing net income, increasing the number of paying customers or the number of transactions per customer, etc.- that they fail to deliver actual value to the customer.

Now, it must be admitted that in some cases this is a workable strategy, most often when there is no competition or very little of it.<sup>7</sup>

But for most enterprises, competition is a stark and powerful reality. With the demands of stockholder value pressing in

---

6 The argument here is over the concept of "shareholder primacy," the notion that stockholder value is the most important corporate consideration because a corporation's *primary* and overriding purpose is to maximize financial returns for its owners and shareholders. Among the champions of this perspective are such influential figures as [Milton Friedman](#), [William Meckling](#) and [Michael Jensen](#), and [Jack Welch](#). See: <https://corporatefinanceinstitute.com/resources/equities/what-is-shareholder-primacy/>.

7 Government and the airline industry come immediately to mind here.

from one side and the pressures of competition on the other, many firms focus first and foremost upon capturing business value, the customer too often being reduced to an unfortunate necessity, no longer the hero of the story, reduced to just a source of income.

But this approach is wrong. It is essentially cannibalization, not much different than the infamous examples of the 70s through the 90s of organizations buying and then [stripping anything of value](#) from other, often smaller enterprises.

Customers are not, we contend, merely a source of income. Rather, they are *the foundation* of business organizational success. Business value **should not** be vacuumed from the customer. Rather, true value delivered **to** the customer is ultimately what returns value to the business.

This is a message, we fear, that has been lost in today's environment.

- d) Rather than true value, organizations are providing proxies instead.

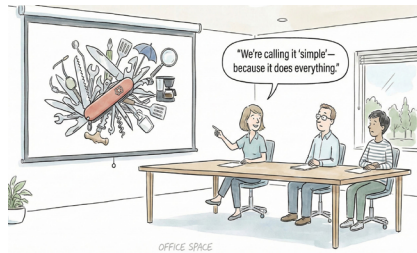
As with outcomes, the subject of value is one into which we will delve more deeply in a later chapter, but for now the important thing to recognize is that today it is a consideration far more complex than it once was. There was a time when "value" was thought of primarily in economic terms. If a firm aimed at giving the customer the most for his or her money, it was more than likely on the right track. But things are far different today, "value" now recognized as having not only financial implications, but emotional, psychological, and social ones as well. This presents organizations with two immediate challenges their forerunners of only a few decades ago never faced: 1) how to know which facets or interpretations of value they should pursue, and 2) how to go about delivering them.

The problem is that determining the answer to either question can be expensive in terms of time, money, and other resources, and so many firms look for a simpler solution and fall back on one of two ideas that carried many a business through the last hundred years or more: *More is Better* and its cousin, *New & Improved*.

Unfortunately, both have in recent years found their embodiment in “Features.”

The long evolution of features could easily fill a chapter or more, but for now let it suffice to say that over time features became a proxy for actual improvement and increased actual value for many firms. The concept was that for generally far less expense and effort than it would take to create a truly new or revolutionary product, a company could add “features” -additional capabilities or modes of operation- to an existing product and thereby claim the customer was getting “more,” that the item was “improved,” and that it was now worth an additional cost.

The problem quickly became, however, that many of these features were either essentially valueless or were unwanted and never used by consumers. Indeed, According to [Jim Johnson](#), chair-



man of the Standish Group, and other more recent estimates, while 20 percent of software features are often used, a full 50 percent of features are hardly ever or never used, the remaining 30 percent of features being used infrequently. For package applications, like Microsoft Office, Standish found that just five percent of features are used! These findings were largely substantiated by [Pendo](#), whose own research showed that 80% of

features in the average software product are rarely or never used.

Worse still, according to [another source](#), 80%-90% of features have a negative impact on the metrics they were designed to improve or have no impact at all!

And some, it must be added, have been just downright silly.

And yet, because of the relative ease of their development and incorporation into existing products, the trend has continued, “features” being offered instead of actual or increased customer value.

### **A serious misreading of “value.”**

Let us begin by asking a basic, foundational question: *Why do customers buy something?*

But before answering, consider the question *not* from a pricing perspective and *not* from a branding perspective.

Instead, take *First Principles* view, one that goes beyond why a customer might choose this model over that one, this service package over another.

The answer, *irrespective of sector, field, product, or service*, is that something in their current state -their everyday life, their workflow, their process- isn’t where they want it to be. Somewhere there’s friction, or waste, or risk. Something takes too long or is harder to do than it ought to be. Sometimes, the frustrating element is simply untapped potential, a sense that they could do more if they only had access to....



It is to address this imbalance that customers make a purchase, in the belief that product or service will bring about a change in the current state of affairs.

When it is boiled down to its most basic elements, that's the whole equation, the essence of the exchange. Everything else is just detail.

Seen in this light, customers are not buying a tool or service. Those are merely the means towards an end the customer has in mind. Instead, what they're actually buying is the *possibility of transformation*, however big or small.

So, to go back to the opening lines of this chapter when we wrote of "outcomes" being something of a buzzword, we contend that when business people or organizations use the term "outcomes," they should be referring to *a meaningful shift in a customer's operating or living circumstances, made possible by the value a firm delivers*.

In other words, an "outcome" is not a list of features or a well-worded value proposition.

Rather, it is an actual change in what customers can do, how they feel, or what they're achieving.

For B2B customers, such outcomes very frequently fall into two categories:

- a. Growth
  - i. Increased Revenue: Attract new customers or sell new products or services to existing customers to generate additional revenue.
  - ii. Protect Revenue: Retain existing customers and safeguard the existing revenue.
- b. Performance

## OUTCOME SYSTEM RESULT

- i. Cost Reduction: Enhance employee efficiency and productivity to scale the business effectively.
- ii. Cost Avoidance: Avoid costly compliance or regulatory issues.

For B2C customers, this often translates into:

- a. Delivering something -a capacity, a capability- that was not there before, or significantly improving upon an existing capacity or capability;
- b. Delivering such a profound improvement on an already existing item that the new version literally revolutionizes the market.

So, to restate: we submit that, whatever the domain, the pattern is the same: customers pursue **value** in the form of **change**.

But here is where, even if they understand and accept this basic premise, one of several early problems sneaks in, because most organizations see outcomes as a performance metric, but customers don't. *They* see outcomes as *lived experiences*, as moments of progress, clarity, ease, or accomplishment.

### **DCV vs. ECV: The Two Faces of Value**

Every product begins with a promise.

And every customer begins with hope.

Whether spoken aloud or just silently felt, there's a point before the purchase when the customer imagines how this product or service will improve their situation. How it will fix something. Remove a pain. Make life or work just a little better.

That imagined, anticipated benefit is what we call *Desired Customer Value* (DCV).

It is there in the sales conversation, in the decision-making process. It finds echoes in the marketing copy. It is expected in the onboarding experience. It's what the customer *believes* they're buying, whether they say it in ROI terms or emotional shorthand like “*finally*”, “*easier*”, or “*this might actually work.*”

But here's the catch: DCV is *only half* of the story.

Because the moment customers start using a product, a different calculation begins. One that's slower to evolve, more subtle, but far more concrete and lasting, because once they begin using whatever it is they bought, they begin to measure and draw conclusions about *what they're actually experiencing*. The friction. The learning curve. The responsiveness of the vendor.

In essence, it is a contest, a battle, between the Outcomes they hoped for versus the ones that actually show up.

And that's the second half of the equation: *Experienced Customer Value* (ECV).

### **The DCV–ECV Gap**

The DCV–ECV gap is where trust is made or broken. It's where churn begins or loyalty deepens. It's the space between *what was promised* and *what was felt*. And if we're honest, it's where many organizations stop paying attention.

Because they are focused inward on the business value we mentioned a few pages ago, they measure onboarding time, activation rates, retention curves. But they rarely pause to ask, “*Is the experience matching what the customer hoped for; is the value the customer sought being delivered, not just in usage, but in impact?*” Put another way, the question is whether the customer's Outcomes have been realized.

Unfortunately, because so many organizations do not think to ask this question, they misread events that follow.

- ☞ Witnessing churn, they think it is because a feature didn't work. But glitches and bugs are rarely the reason a customer leaves. Yes, they will be frustrated, perhaps even angry. But a customer's completely walking away the definition of churn- is rarely due to a functional failure.
- ☞ Rather, customers churn because the outcome(s) they anticipated -their DCV- never materialized on the back side of the exchange, within their ECV.

Oh, the rational given may be expressed in terms of their feeling that they didn't get the progress they were promised. Or they might say that the benefits came with too much cognitive load, that they didn't feel it was worth the effort...or the money.

But underlying those words is disappointment, the feeling that the chasm between their DCV and ECV wasn't bridged, that it is still there, a gulf they'll have to find another way to cross...often with another vendor.

Not there might have been a time when the difficulty switching to such an alternative was prohibitive due to costs, necessary physical plant, and/or other considerations.

But today, in a world of virtual products, easy switching, and subscription models, the space between DCV and ECV is a battlefield too few recognize.

In sum, the customer's *lived experience* -and not their onboarding checklist- is what determines whether value is flowing, whether promises have been kept.

## The Emerging Reality

The old saying has it that nothing is as constant as change, and that statement may never been as true as it is today.<sup>8</sup> Not only is the pace of technological change faster now that it has been in the past, but the rate of diffusion of those advances and the increased complexity of systems have also sped up.

While the impact of these developments is broad, two manifestations of it are of particular concern to organizations of today.

### Increased Nonlinearity

There is no getting around that today's environment, whether considered in economic, social, manufacturing, or governmental terms, is more complex than its counterparts of earlier times.

One of the offshoots of this is the increasingly common nonlinearity of systems, processes and conditions that no longer follow the traditional "Step One leads to a clearly recognizable and foreseeable Step Two" path so dominant in the past.

This is a world of interconnectivity and interactions between the components of a system that were either not present or not as dominant in the past.

There are considerations in today's environment that simply were not at play only a few decades ago.

By way of illustration, we noted a few pages ago that there was a time when "value" was thought of primarily in economic terms. If a firm aimed at giving the customer the most for his or her money, it was more than likely on the right track. But

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8 See: World Economic Forum. "This timeline charts the fast pace of tech transformation across centuries." Feb. 27, 2023. <https://www.weforum.org/stories/2023/02/this-timeline-charts-the-fast-pace-of-tech-transformation-across-centuries/>.

things are far different today, “value” now recognized as having not only financial implications, but emotional, psychological, and social ones as well.

In a similar way, purchasing and brand loyalty considerations of the past have been joined in recent years by social/ethical calculations that are held by some to be as important as any other factors to a significant segment of the market. Add to this the attention some customers place on the political, cultural, and social justice implications of their purchases, and the degree to which organizations must today navigate a tricky minefield of concerns becomes apparent.

But these examples only point to a small part of the increasing complexity of today’s managerial decision making, brought on by the concomitant complexity of the systems those actors are attempting to manage.

Put most simply, in today’s environment the old ways of thinking about and pursuing a business target are not longer viable, no less sufficient. Something new is needed.

Yet even as decision makers have struggled to keep up with increased complexity, a new element has been looming over the horizon and its early shadow is already having an impact.

### **The Dawn of AI**

One of the developing manifestations of the complexity mentioned above has been changes in the way we work.

Historically, a large portion of what was produced was accomplished by sole proprietors or solitary artisans. The industrialization and urbanization of the last one hundred and fifty years changed that, as more and more production across multiple fields shifted to teams.

It is arguable, in fact, that for at least the last few decades teams have been the atomic unit of work. As they developed, they became increasingly cross-functional, agile, and empowered.

But something has changed. And it didn't come from a management fad or a restructuring memo. It came from the tools themselves.

It came from agents.

Autonomous agents. AI co-pilots. Smart routing systems. Recommendation engines. Workflow bots. These are no longer “future trends”—they're here.<sup>9</sup> And they're already reshaping how value gets created, perceived, and scaled.

What's different about these agents is this:

- 👉 They don't sit in meetings.
- 👉 They don't ask permission.
- 👉 They act.

Yes, they respond to inputs, trigger flows, reroute decisions. But they also introduce feedback loops that most org charts were never designed to account for.

And suddenly, the tidy boundary between teams and tools has been erased.

This means that every organization today is now a new and even more complex interaction between:

- Internal **human teams**: experts, operators, strategists

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<sup>9</sup> Only two years ago, observers were saying that “AI could have a fundamentally transformative impact on our world, with many experts believing human-level artificial intelligence will be developed within *decades*.” Clearly, that anticipated timeline has been surpassed. Op. cit.

- External **customers and stakeholders**: the ones we aim to serve
- And increasingly, quasi-independent AI agents and automation layers that are fast-moving, semi-autonomous, and often invisible

Together, these three forces are already beginning to shape how Outcomes emerge.

What this means is that Outcomes are no longer the result of a handoff between teams. Already having moved beyond the linear to the increasingly nonlinear interplay of moving parts, they are becoming the result of *interacting flows*, driven by humans, shaped by systems, and increasingly accelerated or destabilized by agents.

When we put these considerations together, a few inescapable conclusions become apparent:

- 🔴 If we continue treating these environments as if they're linear...
- 🔴 If we keep measuring individual performance without seeing collective impact...
- 🔴 If we keep deploying AI like a productivity plug-in instead of a participant in a system...
- ☠️ We will keep experiencing Outcome failures...only faster and with bigger consequences.

Now let's be clear on something: The problem isn't that agents are bad.

The problem is that we're not modeling **what they touch, what they trigger, and what they change.**

Just as you can't hit a target if you don't know what or where it is, when you don't understand the system, you can't manage the Outcome you hope to produce.



So what are leaders to do in this new world of complexity, where “value” is a now multi-variate proposition, where complexity, nonlinearity, and emerging AI technologies render formerly sufficient analysis and management obsolete, and where even the underlying concept of “outcomes” is misunderstood and misapplied?

How to manage for success?

We submit that the answer can be found in an approach called the Outcome System Result Framework (OSR).

As will be presented in following pages, OSR is based upon the best of Outcomes Thinking as it has evolved over the past few decades. But rather than simply attempting to apply those guidelines to today's world, we have enhanced it in a way that has not been done before, adding elements and considerations that experience has shown are needed, but had not heretofore been actually explored in depth, codified and presented in a way accessible to almost any enterprise.

In the chapters that follow we will present a thought-out structure for achieving success within an environment impacted by the developments we have been discussing above, one that accounts for how transformation actually shows up in the work of an organization living today's reality.

OSR is built on five tiers, each representing a different layer of how Outcomes are created, sustained and where things go wrong, eroded.

- It begins with a **Primary Outcome**, the central external change your system is designed to create.
- Supporting this is a set of **Performance Targets**, key levers that determine whether progress is possible.
- Sustaining these are **Support Outcomes**, internal conditions that must exist for those levers to move.
- Underlying these are **Flow Rates**, the pace at which capacity, demand, or behavior shifts through the system.
- Finally, there are **Milestones**, the tactical signals and executional checkpoints that tell you whether change is being made in the right direction, at the right time.

Five tiers. One flow of logic.

Integral to this is a lens called BACKS: **B**ehavior, **A**ttitude, **C**ondition, **K**nowledge, and **S**tatus, considerations that are not a checklist or a formula, but rather represent five dynamic domains where *change* can happen

In sum, OSR isn't simply a labeling system.

It provided something that has been missing: *A way to describe value creation that works across humans and agents, across strategy and operations, across the Now and Next.*

This is not just a new toolset, but a new point of view.

And so we invite our readers to join us on a journey that will encompass new perspectives on the familiar, challenges to tradition, and a new way of approaching the environment in which we operate today.

It all begins on the next page.....