THE WCB’S CAPACITY TO EVALUATE ITS MAJOR INITIATIVES

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The WCB relies heavily on major, high profile initiatives (such as the $60 million E-File project, the $30 million Case Management project, and the $38 million Employer Services Strategy) to change its operations and improve its performance. Such initiatives represent at least $245 million in expected incremental costs (until the year 2002) and are expected to generate benefits (in the form of reduced compensation payments and FTE savings) totalling more than $485 million by the year 2002. More importantly, these initiatives are the primary vehicle for carrying out the changes envisaged in the WCB’s Strategic and Business Plans.

The Commission asked us to assess the WCB’s capacity to evaluate the extent to which such initiatives achieve their intended outcomes. We observed that:

- The WCB recognizes the need for, and is currently trying to strengthen, its evaluation capacity.
- However, some critical gaps still remain in the way that the WCB plans, manages, conducts and reports on its evaluations of major initiatives. (See the Exhibit for our summary assessment.)
- Such gaps have a major impact on the WCB. For example, accountability is weakened and decisions could be made to commit millions of dollars on the WCB-wide rollout of major changes in its operations, technology and organizational structure with insufficient evidence or assurances as to the likely impact of those expenditures. As a result, millions of dollars could be spent, and services disrupted, without having a marked, positive impact on WCB performance and on its services to employers and injured workers.

There is evidence that the WCB has recently attempted to improve its management of evaluation, especially for those major strategic initiatives with a large IT component. This increased emphasis on accountability and informed decision-making should continue. However, gaps still remain. To address those gaps, strengthen accountability, improve decision-making, and provide a more solid foundation for improved WCB performance, we recommend that the WCB should:

- Be more rigorous in requiring pilot-tests and proper evaluations of those pilot tests before the rollout of major initiatives. One option would be to impose a “sunset clause” which would require that work on an initiative be halted unless pilot tests, by a certain date, indicate that such an initiative is indeed likely to achieve its expected outcomes if implemented across the WCB.
- Tap into the evaluation expertise that may already exist in its individual divisions. Such staff should participate in designing the evaluations, or as a member of each evaluation’s steering committee.
- As a corporate policy, define what is meant by “effective evaluation” and ensure that all such criteria and principles are incorporated into the WCB’s evaluation activity. Especially important is the need to adequately plan and design the required evaluations, and to then properly execute credible designs. (Our report contains 21 criteria which could provide this needed framework for the WCB.)
Include in its Annual Reports a broad description of the expected costs and outcomes of the major strategic initiatives it plans to launch, as well as the subsequent results of any associated evaluations. This would mean for example, that the WCB’s next Annual Report would cover the actual status and impact of such previously-announced and heralded initiatives as Diamond, E-File, Case Management, and the Employer Services Strategy. (Note: A separate research report contains additional recommendations on the type of initiative-related information that ought to be included in the WCB’s Annual Report.)
EXHIBIT: OVERALL ASSESSMENT OF WCB’S EVALUATION CAPACITY

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<th>Criteria for Effective Evaluations of Major Initiatives</th>
<th>Overall Rating of WCB’s Evaluations</th>
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<td>PLANNING THE EVALUATIONS</td>
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<td>1. Evaluations should be linked to a strategic plan</td>
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<td>2. The overall initiatives and their set of projects should have consistent and clearly stated objectives</td>
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<td>3. The organization should have the capacity to collect accurate and complete data on outcomes</td>
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<td>5. The initiatives and their individual projects need to be fully implemented to assess outcomes</td>
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<td>6. Unless there are compelling reasons to do otherwise, initiatives should be pilot tested and evaluated before wide spread rollout</td>
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<td>RESOURCING AND MANAGING EVALUATIONS</td>
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<td>7. Each evaluation should have an appropriate management structure which is accountable for the proper conduct of the evaluation</td>
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<td>8. Each evaluation should have a Steering Group, including stakeholders, to advise on and oversee the evaluation process and its results</td>
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<td>9. Each evaluation should have a clear terms of reference</td>
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<td>10. Contractors who are carrying out all or part of the evaluation should be monitored for quality, completeness and timeliness</td>
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<td>11. In-house staff who are responsible for planning and/or conducting evaluations should have the requisite knowledge, skills and experience, especially in the area of program evaluation</td>
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<td><strong>CONDUCTING EVALUATIONS</strong></td>
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<td>12. In order to ensure relevant findings and conclusions, the evaluation questions should be agreed to by the key stakeholders</td>
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<td>13. In order to ensure credible findings and conclusions, the data collection and analysis methods should be practical, cost-effective and objective</td>
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<td><strong>REPORTING AND UTILIZING EVALUATION RESULTS</strong></td>
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<td>20. Findings and conclusions should address all the original evaluation issues and questions</td>
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<td>21. Evaluation results should be used in strategic decision-making and accountability reporting</td>
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THE WCB’S CAPACITY TO EVALUATE ITS MAJOR INITIATIVES

A. THE WCB RELIES HEAVILY ON “MAJOR INITIATIVES” TO CHANGE OPERATIONS AND IMPROVE ITS PERFORMANCE

A compelling characteristic of the WCB is its use of major, high profile initiatives to achieve its strategic objectives. (A “major initiative” is defined here as any project, or set of related projects, whose costs are expected to be more than $1 million and/or must be approved by the Panel of Administrators.) For example, as of December 1997, the WCB’s inventory of its major initiatives with an Information Technology component indicates that such initiatives represent $245 million in expected incremental costs (until the year 2002) and are expected to generate reductions in compensation payments and administration costs totalling $485 million during that same period.

These initiatives are portrayed and publicly heralded by the WCB as the primary vehicles by which the WCB will make changes to its operations and achieve its strategic objectives.

B. TO ANSWER THE COMMISSION’S QUESTIONS ABOUT THE WCB’S EVALUATION CAPACITY, WE COMPLETED SIX TASKS

In light of the magnitude, profile and potential impact of such initiatives on the workers’ compensation system, the Commission asked us to examine the ways in which WCB evaluates its major initiatives prior to and after their WCB-wide implementation.

To address that issue, we:

• Prepared a descriptive inventory of the WCB’s major initiatives which had been launched since January 1, 1995. (This overview is contained in Attachment A and is based on documents supplied to us by WCB officials.)

• Selected a sample of five such major initiatives and prepared an overview of the evaluation activity associated with those initiatives (Attachment B contains this description.) The initiatives in our sample were E-File, Case Management, Performance Management, Decision Support Strategy and Employer Services Strategy.

• Designed a set of 21 criteria for the effective evaluation of major initiatives. (See Attachment C)

• Requested and reviewed extensive documents (Business Cases, Proposals, Project Charters, Benefit Report Cards, etc.) on our sample of five initiatives, with a special emphasis on the two initiatives (E-File and Case Management) for which several evaluations had been conducted; interviewed WCB staff and contractors who were associated with the sampled initiatives and the resulting evaluations.

• Requested and reviewed documents which describe the WCB’s corporate policies and procedures concerning evaluation; interviewed selected WCB staff and Project Managers to confirm our understanding of those policies.
• Used all of the above results to assess the WCB’s evaluation capacity (in light of the 21 criteria) and to make broad recommendations for strengthening that capacity. (This is the focus of this report.)

C. THE WCB RECOGNIZES THE NEED FOR, AND IS TRYING TO STRENGTHEN, ITS EVALUATION CAPACITY

The WCB’s original Strategic Plan is explicit in acknowledging the importance of evaluation. It calls for the formal evaluation of the WCB’s major initiatives:

Accountability is more than a process of reporting or consultation. The full impact of a project or a program must take into account both immediate and longer term consequences. Internal audits and external, objective assessments such as Administrative Inventories are useful and necessary accountability tools. The Panel is committed to formal evaluation processes. Each year’s business plan will contain an update on the strategic plan and specific evaluations of the major initiatives underway at that time.

In response to this stated need for the WCB to assess an initiative’s proposed and actual impact, the WCB assigned the responsibility to oversee those major strategic initiatives with an IT component to the Information Systems Review Committee (ISRC). According to its 1997 Terms of Reference, the ISRC has four major responsibilities:

• The Committee reviews, approves, prioritizes or rejects Information Technology investments equal to or greater than $100,000, regardless of the division or department in the Board which expects to incur the expenditure;

• ISRC monitors and approves changes to the WCB Information Technology Investment Plan and to approved projects in the Plan once the projects are underway;

• The Project Sponsors report to the ISRC at the Program and Project level for approved projects underway—at the start of projects, on a quarterly and completion of phases basis, and on completion of a project; and

• The realization of expected benefits is monitored and validated by the Corporate Controller’s department, with the sponsoring division, through reviews of Benefit Plans, performance measurement of expected outcomes, submission of Benefit Report Cards, budgetary actions by the Controller, and possible audit of benefits at the request of the ISRC.

We observed that the ISRC does indeed attempt to carry out the above responsibilities, with assistance from the Corporate Controller’s department. (We also noted that there have been no audits of the benefits claimed by individual initiatives, although the ISRC and the Internal Audit group have the authority to request and/or conduct such audits.) In the next section we assess this newly-evolving evaluation capacity.
D. SOME IMPORTANT GAPS STILL REMAIN IN THE WCB’S EVALUATION CAPACITY

Although the WCB has recognized and acted on the need for credible evaluations of its major initiatives, we observed three critical gaps that still remain in the WCB’s evaluation capacity:

- There are gaps in the credibility of WCB’s estimates concerning the initiatives’ expected benefits (Such estimates have been used by WCB management to obtain approval and funding for these multi-million dollar initiatives.)

- There are gaps in the extent to which initiatives are actually pilot-tested and evaluated properly before rollout

- There are gaps in the processes used by the WCB to plan, manage, conduct and report on any evaluations of its major initiatives

Each area that needs strengthening is summarized below.

D.1 Capacity to Credibly Estimate the Initiatives’ Expected Benefits and Outcomes

In November 1997, the WCB’s own Internal Audit group pointed out the major difficulties that the WCB would face if it were to actually try to evaluate the extent to which the WCB’s major initiatives had achieved their expected outcomes and estimated benefits. The WCB auditors examined basically the same set of initiatives that we examined. Their review focused on the credibility and accuracy of the estimated benefits that were expected to be generated by five major strategic initiatives. They observed that:

- There is no independent or objective evidence which could be quantifiably verified. Instead, benefit estimates are based on the best estimates of WCB managers who are seeking funds and approvals for their proposed projects.

- Expected baselines for claim costs without strategic projects are not explicitly stated in business cases and a corporate baseline is not currently available (thus making it especially difficult to measure the initiatives’ incremental impacts).

- Multiple projects in different areas are targeting benefit savings of the same type (with the result that different projects could be claiming and double-counting the same set of benefits).

D.2. Capacity to Conduct Valid Pilot Tests of an Initiative Before Rollout

The need to pilot test an initiative and evaluate its results before implementing or rolling out the initiative province wide is recognized by the WCB and the Panel of Administrators but has not always been acted on. For example:
• **DSS and ESS**: As is seen in Attachment B, the DSS and ESS projects have been in existence for several years but no formal pilot tests nor evaluations have taken place to date to see if their expected outcomes and benefits can actually be achieved. (Note: We were told that such pilot testing and evaluations are planned for the future.)

• **E-File**: Although the E-File’s Proof of Concept was a pilot test which was evaluated, subsequent phases in the E-File rollout were less systematically evaluated or not evaluated at all in terms of the likelihood of achieving that initiative’s intended outcomes.

• **Case Management**: The intended Case Management development/implementation sequence provided for several stages before rollout. However, the evaluation of the Prototype did not address many of the Case Management objectives and it is not certain that the subsequent evaluations of the pilot projects will address them either.

### D.3 Capacity to Plan, Manage, Conduct and Report on Evaluations of Major Initiatives

In our own research, we focused primarily on the adequacy of those evaluations which had already been, or were being, conducted. Because of the relative “newness” of the five major strategic initiatives in our sample, the only initiatives which had actually resulted in formal evaluations or pilot studies since January 1, 1995 were Case Management and E-File. Those two initiatives and an overview of their related evaluation activity are described in Attachment B. In Attachments D and E, we provide a more detailed description and assessment of those initiatives’ evaluations.

In doing our review, we examined the four key steps in the evaluation life cycle. (Attachment C contains the detailed criteria we used for such an assessment.)

- Planning and designing the evaluations
- Resourcing and managing the evaluations
- Conducting and executing the evaluations
- Reporting and utilizing the results of the evaluations

As can be seen below and as summarized in the Exhibit (see Executive Summary), gaps still remain in the WCB’s evaluation capacity.
The WCB’s capacity to **plan and design** its evaluations could be improved. We observed that:

- The initiatives’ various projects, pilots and phases did not have consistent, clearly stated and measurable objectives. For example, the eight objectives stated in the Business Case for Case Management are primarily quantitative and would lend themselves to testing if data were available. However, only four of the eight objectives are even addressed in the evaluation of the prototype. By the time the pilot projects are launched, a different set of objectives is articulated, none of which are quantitative in nature and none of which overlap with the objectives in the original Business Case.

- The evaluation plans did not always call for the needed mechanisms to collect accurate and complete outcome data. For example, a 1997 internal review of E-File MIS Measurement Reports stated that the accuracy of report data was generally unacceptable. This affects the validity of all evaluations which rely on data that are captured from the E-File processes.

- The evaluations were not planned and designed to adequately assess the initiatives’ **incremental** impacts. For example, although the research design for E-File’s Proof of Concept (POC) evaluation attempted to compare the test site (Coquitlam) to a non-test site (Richmond), there is evidence that the sites were not comparable. Similarly, since Case Management was tested in Prince George at the same time that E-File was being introduced, sorting out the incremental effects of Case Management may not be possible.

- The initiatives were not fully implemented prior to their evaluation. For example, only two-thirds of E-File’s technology was implemented when its Proof of Concept was evaluated. Similarly, the prototype Case Management System was approximately 80 - 85% complete at the end of the Prototype Project (September 1997). Since evaluation activities began as early as May, there is concern that the Prototype may not have been adequately implemented when the evaluation took place.

We examined the way in which the WCB **resourced and managed** its evaluations. We observed that:

- The management structure for the evaluations was unclear. For example, it was not certain who was accountable for the adequacy of the evaluation. The evaluations usually lacked a clear terms of reference and it was uncertain who monitored the contracted evaluators for the quality, completeness and timeliness of their work.

- Based on the way in which the evaluations were planned, designed, and conducted, it is doubtful that the WCB tapped into staff with the requisite knowledge, skills and experience in evaluation. For example, the evaluation of E-File’s Proof of Concept project was conducted primarily by in-house staff. Some critical flaws in that research design resulted in possibly misleading findings and reveal a lack of some key skills in evaluation.

We assessed the way in which the WCB actually **conducted and executed** its evaluations. We observed that:
• The evaluation questions that were addressed during the evaluations were often inconsistent, ambiguous and not linked to the initiatives’ stated (and funded) objectives. For example, the stated objectives for E-File’s POC project varied depending on which document is read. This ambiguity creates the possibility that the success of the project depends to some extent on which objectives one uses. Similarly, there is little evidence that the evaluation activities for the Case Management prototype were guided by an agreement that included addressing the key question of whether Case Management had achieved its stated objectives.

• The evaluations’ findings were not always based on practical, cost-effective and objective data collection and analysis methods. For example, the “before-after” research design used for evaluating staff perceptions about the Case Management prototype had the potential to be an effective way to assess the changes due to Case Management. However, no such comparison was offered in the evaluation reports.

• The evaluations had mixed success in using multiple, independent and complementary data sources. For example, E-File’s POC project employed substantial diversity in both the sources and methods of collecting data. In contrast, the primary data sources for Case Management evaluations were surveys; there were few if any business process-based data sources used in the evaluations that related to the stated objectives for Case Management.

Finally, we examined the way in which the WCB reports and utilizes its evaluation results. We observed that:

• Evaluations do not always fully and fairly report their evaluation procedures, data sources, findings, and underlying assumptions. For example, the report on the Case Management prototype depends on several critical and possibly questionable assumptions which are not fully acknowledged in the report. Similarly, the report on the E-File POC project could leave the false impression that the actual findings and the projected benefits are equivalent.

• The reports do not address all the original issues and questions. For example, most of the objectives stated for Case Management in the Business Case have not been examined to date. Although quantitative forecasts of dollar benefits were made for Case Management, none of the evaluation activities have addressed the questions of whether these benefits have been achieved, or are likely to be achieved in the future.

• The extent to which the evaluation results are used in strategic decision-making and accountability reporting is uncertain. For example, comments made by WCB management can be construed as indicating that the strategic decision to rollout Case Management WCB-wide has already been made, even though pilots are still being conducted. As for accountability reporting, the WCB’s Annual Reports have not yet included the broad results of its evaluations, even though such Annual Reports have in the past described what the initiatives are intended to accomplish.
E. THE GAPS IN EVALUATION CAPACITY HAVE AN IMPORTANT IMPACT

Although the WCB is making significant efforts to bolster its approach to evaluating its major initiatives, the gaps that still remain have important effects. These include:

- Decisions could be made to commit millions of dollars on the WCB-wide rollout of major initiatives with insufficient evidence or assurances as to the likely impact of those expenditures.
- Millions of dollars could be spent without having a marked positive impact on WCB performance and on services to employers and injured workers.
- Accountability is weakened. Millions of dollars could be spent on major initiatives without adequately knowing if the intended outcomes and anticipated benefits were actually achieved.

F. THERE ARE SIGNIFICANT OPPORTUNITIES TO STRENGTHEN THE WCB’S EVALUATION CAPACITY

There is evidence that the WCB as a whole is attempting to improve its management of evaluation, especially for those major initiatives with a substantial Information Technology component. When documents are reviewed chronologically, there appears to be recent movement towards a more proactive, comprehensive approach to evaluating the outcomes and benefits of such initiatives. For example, although the ISRC was apparently created in May 1995, it was not until 1997 that the Committee appears to be taking a more active role in actually tracking the initiatives’ outcomes and benefits. The new policies and procedures at a corporate level suggest an increased emphasis on internal accountability for the outcomes of major initiatives and include:

- The requirement for Project Sponsors to submit “Benefit Report Cards” to the ISRC on a quarterly basis.
- The requirement that the Corporate Controller’s department adjust a division’s operating budget to reflect any administrative cost savings arising from an initiative.
- The potential ability to audit the sponsor’s estimates of the actual benefits achieved.

There is also an emphasis within such initiatives as the Employer Services Strategy to conduct and evaluate pilot tests before the WCB-wide rollout of certain changes and new systems.

However, as seen above, some critical gaps still exist in the WCB’s evaluation capacity. These gaps weaken accountability and hamper the ability to make informed decisions about million-dollar projects. To address those gaps, strengthen accountability, improve decision-making, and provide a more solid foundation for improved WCB performance, we recommend that the WCB should:

- Be more rigorous in requiring pilot-tests and proper evaluations of those pilot tests before the rollout of major initiatives. One option would be to impose a “sunset clause” which would require that work on an initiative be halted unless pilot tests, by a certain date, indicate that such an initiative is indeed likely to achieve its expected outcomes if implemented across the WCB.
• Tap into the evaluation expertise that may already exist in its individual divisions. Such staff should participate in designing the evaluations, or as a member of each evaluation’s steering committee.

• As a corporate policy, define what is meant by “effective evaluation” and ensure that all such criteria and principles are incorporated into the WCB’s evaluation activity. Especially important is the need to adequately plan and design the required evaluations, and to then properly execute credible designs. (Attachment C contains 21 criteria which could provide this needed framework for the WCB.)

• Include in its Annual Reports a broad description of the expected costs and outcomes of the major strategic initiatives it plans to launch, as well as the subsequent results of any associated evaluations. This would mean for example, that the WCB’s next Annual Report would cover the actual status and impact of such previously-announced and heralded initiatives as Diamond, E-File, Case Management, and the Employer Services Strategy. (Note: A separate research report contains additional recommendations on the type of initiative-related information that ought to be included in the WCB’s Annual Report.)