ADMINISTRATIVE INVENTORIES:
IS THE MODEL APPROPRIATE?

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EXECUTIVE SUMMARY

Since 1991 the WCB has commissioned a series of seven Administrative Inventories to describe and assess the features and performance of the workers’ compensation system in BC. These Inventories have examined the WCB’s core functions (e.g., prevent accidents, assess employers, administer claims, rehabilitate injured workers, resolve disputes) as well as the overall system.

The intent of the Inventories, as envisaged by the original Chair of the WCB’s first Board of Governors, was to create a baseline against which the future performance of the organization could be measured. Another intended purpose was to identify the key issues requiring attention within the system and to assist in setting priorities for change. As such, the Inventories represent a $500,000 experiment in performance reporting and in the management of change.

The purpose of this report is to assess the appropriateness, credibility and usefulness of the Administrative Inventory Model as a possible future tool for performance reporting and change management. Here are our main findings:

• The Administrative Inventory Model was originally developed by the Workers Compensation Research Institute (WCRI), a not-for-profit organization funded by the United States insurance industry and based in Cambridge, Massachusetts.

• The Model has been applied by WCRI staff to 20 different jurisdictions in the United States. The primary intent of that series of Inventories is to describe, not evaluate, each jurisdiction’s system and to bring to management’s attention those issues that may warrant discussion and/or change. The Model was not designed to be a performance reporting tool.

• The set of seven Inventories conducted in BC do not usually reflect and incorporate the key characteristics of the “generic” Administrative Inventory Model as used by WCRI in the United States. For example, in BC the Chair’s intent was to measure performance and to seek expert opinion on the system’s priorities. This is not what the Model was designed to do.

• The Model, as actually applied in BC, did not result in a complete, evidence-based picture of WCB’s performance. A quantitative baseline was not provided so that others could make valid comparisons over time or make performance-related comparisons to other jurisdictions.

• The generic Model, as designed by WCRI, is not an appropriate tool for measuring and reporting performance, primarily because it was never designed for that task.

• The generic Model, as designed by WCRI, could be a useful tool for identifying the broad issues that warrant change. However, the Model is not designed to provide a road map nor a blueprint for any specific changes that are required.
In our efforts to find a framework to summarize the performance-related findings of the seven different Inventories, we used an approach now being championed by several central agencies and professional associations. It is called the “Attributes of Effectiveness Model” and has proven to be a well-researched and practical way to **structure** a report on an organization’s performance. In our view, this particular approach is an especially appropriate framework for ensuring that an organization like the WCB reports on all the key dimensions of performance.
CHAPTER ONE:
WHAT IS AN ADMINISTRATIVE INVENTORY?

1.1 THE ROYAL COMMISSION IS ADDRESSING THE ACCOUNTABILITY ISSUES OF PERFORMANCE REPORTING AND CHANGE MANAGEMENT

The Royal Commission on Workers’ Compensation in BC has been asked to examine a diverse array of complex, high profile, emotionally-charged issues over a short period of time. One broad topic is the issue of how the system exercises, and is seen to exercise, its accountability to its various stakeholders, including workers, employers, legislators, and the general public. In particular, the Commission is addressing these accountability questions:

• **Performance Reporting:** Given the scope and role of the workers’ compensation system, how should its performance be reported? To whom? By whom? How often? Using what indicators?

• **Change Management:** How should change be managed to ensure that the system performs well and is responsive to the changing needs and trends in its internal and external environment?

1.2 THE ADMINISTRATIVE INVENTORIES WERE AN EXPERIMENT IN PERFORMANCE REPORTING AND CHANGE MANAGEMENT

In 1991 the Chair of the newly-instituted Board of Governors for the WCB wished to have a thorough description of the organization which he and his Board colleagues were expected to govern. Even more importantly, and in his words, he also wanted a means of reviewing the Board’s performance which would:

• create a baseline against which the future performance of the Governors and the new legislative structure can be assessed; and,

• have an expert view of the Board based on credible and sound information … [to] identify what are real issues requiring attention within the system and to assist in setting priorities.¹

The Chair was informed about a “tool”, called an Administrative Inventory, which had been developed in 1987 by the not-for-profit Workers Compensation Research Institute (WCRI) of Cambridge, Massachusetts. At that time, WCRI had conducted Administrative Inventories in five different American states. According to WCRI, the purpose of its series of reports is to provide a thorough description of the workers’ compensation system in a particular jurisdiction so that all participants (employers, injured workers, agency managers, legislators, etc.):

• Have a better understanding of the key features of their own system.

• Can make informed comparisons between their system and others.

¹ These two goals are taken from the Chair’s Preface to the first Administrative Inventory which was published in 1991. That first Inventory was meant to be the “model” for all subsequent Inventories of the WCB.
- Can undertake informed policy discussions.

Although the focus of WCRI’s Administrative Inventory Model is on describing, not evaluating, the system, the WCB Chair decided in 1991 to use the Administrative Inventory Model to describe the WCB and assess its performance. His intention was to have the same reviewers return four years later to conduct a follow-up study to measure the performance of the Governors and of the new legislative structure.

With that objective in mind, and at a direct, out-of-pocket cost of more than $500,000, the Chair commissioned a series of Administrative Inventories. (Because of a number of factors, WCRI itself was unable to conduct the reviews. Instead, the Chair contracted with other Canadian and American organizations to perform the Administrative Inventories.) Exhibit 1.1 identifies the seven different Inventories that were completed for the WCB, during the period 1991 to 1997, pointing out which of the system’s core functions were addressed; Exhibit 1.2 defines which organizational units were included in the reviews.
## EXHIBIT 1.1
AN OVERVIEW OF THE WCB’S ADMINISTRATIVE INVENTORIES: CORE FUNCTIONS COVERED

<table>
<thead>
<tr>
<th>INVENTORY</th>
<th>AUTHORS</th>
<th>DATE OF PUBLICATION</th>
<th>WHICH CORE FUNCTIONS WERE REVIEWED?</th>
<th>COST TO WCB</th>
</tr>
</thead>
</table>
### EXHIBIT 1.2
AN OVERVIEW OF WCB’S ADMINISTRATIVE INVENTORIES: ORGANIZATIONAL UNITS COVERED

<table>
<thead>
<tr>
<th>INVENTORY AND DATE</th>
<th>WHICH CORE UNITS WERE INCLUDED?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Workers’ Compensation in British Columbia: An Administrative Inventory at a time of Transition 1991</td>
<td>✔</td>
</tr>
<tr>
<td>2) Occupational Safety and Health in British Columbia: An Administrative Inventory 1992</td>
<td>✔</td>
</tr>
<tr>
<td>3) Workers’ Compensation Board of British Columbia: Assessment Department Administrative Inventory 1992</td>
<td>✔</td>
</tr>
<tr>
<td>5) Medical and Rehabilitation Programs in Workers’ Compensation: An Administrative Inventory in British Columbia 1993</td>
<td>✔</td>
</tr>
<tr>
<td>7) Occupational Health and Safety in British Columbia: An Administrative Inventory of the Prevention Activities of the Workers’ Compensation Board 1997</td>
<td>✔</td>
</tr>
</tbody>
</table>
1.3 OUR REPORT ASSESSES THE FUTURE ROLE OF THE INVENTORIES

The Inventories were an experiment in using external experts to measure WCB performance and to identify performance issues that require attention and possibly change. This report summarizes the results of that experiment and comments on the possible future role of the Inventories.

The next Chapter highlights the key design features of the Administrative Inventory Model, stressing the differences between the generic model, as developed and used by WCRI in the United States, and how that Model was actually applied by non-WCRI authors to the WCB in BC. Chapter Three presents our views on the future role of the Administrative Inventory Model and Chapter Four briefly comments on the future role of an approach, not related to the Administrative Inventory Model, for structuring an organization’s performance reporting.

Appendix A summarizes the key features of other management tools that can be used by public bodies like the WCB to measure and report on organizational performance.

1.4 OUR OTHER REPORTS ADDRESS OTHER ISSUES ABOUT THE ADMINISTRATIVE INVENTORIES

In a series of complementary and linked reports, we answer these additional questions about the Administrative Inventory Model and its application to BC:

- **What have the Inventories Covered?** To what extent have the seven different Inventories described and assessed the features, functions, and performance of the workers’ compensation system in BC? What gaps, if any, need to be filled to have a complete picture of the system?

- **Is the Methodology Sound?** To what extent can the Royal Commission have confidence in the Inventories’ descriptions, observations, and recommendations concerning the system’s performance and its key, possibly-contentious policy issues?

- **What Did They Say?** What were the Inventories’ credible and supportable observations, conclusions and recommendations?

- **How did the System Respond?** What mechanisms were put in place to respond to the Inventories’ findings and recommendations? What happened as a result?
CHAPTER TWO:
THE MODEL’S GENERIC DESIGN VERSUS THE WCB’S ACTUAL APPLICATION OF THE MODEL

2.1 THE GENERIC ADMINISTRATIVE INVENTORY MODEL HAS SEVERAL DISTINGUISHING FEATURES

As is seen in Appendix A, there are a variety of tools that a workers compensation agency can use to describe itself and to measure and report on its performance. These tools range from program evaluation to accreditation. The Administrative Inventory Model developed by WCRI and as applied by WCRI in 20 jurisdictions in the United States is another such tool and has the features shown in Exhibit 2.1

2.2 THE ADMINISTRATIVE INVENTORIES CONDUCTED IN BC DO NOT NECESSARILY COMPLY WITH WCRI’S GENERIC ADMINISTRATIVE INVENTORY MODEL

When discussing the future role and applicability of the Inventory Model, it is critical to realize that the set of seven Inventories conducted in BC do not usually reflect and incorporate the key characteristics of the “generic” Administrative Inventory Model as used by WCRI in the United States and as highlighted in Exhibit 2.1.

As seen in Exhibit 2.2, there are major differences between the two sets of Inventories actually conducted by non-WCRI staff in BC versus the generic model used by WCRI staff in the United States:

- **Purpose:** The purpose of the generic Administrative Inventory Model is to describe a jurisdiction’s compensation system; in BC, the Inventories were expected to describe the system but were also expected to define and measure the system’s baseline performance and assist in setting priorities for addressing issues that require attention.

- **Policy Stance:** Under the generic Model, authors are reluctant to make specific recommendations, particularly on policy issues. In BC, the authors made hundreds of recommendations (often under the label of “Attention Points”), often in sensitive policy areas (such as the content of safety regulations or the need for economic incentives in the design of assessment systems).

- **Authors:** Under the generic Model, the Inventory authors are staff or contractors from WCRI, most of whom have already conducted Administrative Inventories. In BC, WCRI staff were not used and only two of the 11 authors had ever participated in an Administrative Inventory.

- **Payment:** With the generic Model, WCRI invites itself to conduct the Inventory and does not charge the agency for this service (because WCRI is funded by United States insurance carriers). In BC, the WCB proactively set out to have the Inventories conducted and paid more than $500,000 for the Inventories.
1. **Purpose:** To date, 20 Administrative Inventories have been completed in the United States by the Workers Compensation Research Institute (WCRI). According to WCRI, the purpose of this series of reports is to provide a thorough *description* of the workers’ compensation system in a particular jurisdiction so that *all* participants (employers, injured workers, agency managers, legislators, etc.):

   - Have a better understanding of the key features of their own system.
   - Can make informed comparisons between their system and others.
   - Can undertake informed policy discussions.

2. **Descriptive Not Prescriptive Nor Evaluative:** The focus of the Model is on describing the system, *not* evaluating nor passing judgement on its performance. It is supposed to be descriptive, not evaluative. Neither is it prescriptive; the model uses “random” Attention Points rather than prioritised recommendations, preferring the participants to determine what ought to be done, how and when, to address the various Attention Points.

3. **Core Issues, Common Outline:** Each Administrative Inventory report is supposed to follow a common outline and address the same basic issues that are common to any workers’ compensation system.

4. **Program Experts:** The Inventories are supposed to be conducted by experts in the various program aspects of workers compensation (e.g., people with expertise in vocational rehabilitation, OSH, and assessments, as opposed to having skills in organizational design, information technology, human resource management, etc.)

5. **No Large Surveys:** The Inventories involve interviews with staff and with representatives of workers and employers. However, the Model does not call for the use of large-scale surveys of representative samples of claimants, rehabilitating workers and employers.

6. **Comparisons:** Comparisons to other jurisdictions are supposed to be made to highlight the distinguishing features or policies applicable to the system being reviewed.

7. **Circulation of Draft Reports:** The draft reports are supposed to be circulated to other experts before they are released. The drafts are also circulated within the agency being reviewed to ensure the factual accuracy of the findings and to give the recipient an opportunity to challenge the report’s findings.

8. **Published and Disseminated:** The final reports are published as bound, soft cover books and are widely disseminated to key stakeholders as well as to other jurisdictions. The intent is to make them a public document to stimulate informed discussion.

9. **Funding:** The agency being reviewed by the Inventory team does *not* pay for the exercise. Instead, WCRI proposes to do the Inventory, asking only that the agency supply needed data and make its staff available. (WCRI can do this because it is funded by insurance carriers.)

10. **Documentation of Methodology:** There are no manuals or literature to describe the standards, criteria, interview guides, sampling procedures, and analyses to be used as the core methodology when conducting an Administrative Inventory.

11. **Role in Change Management:** The Inventories are *not* supposed to be an integral part of the change management process. Instead their role appears to be one of identifying issues for which change might be considered, after informed discussion by all parties.
### EXHIBIT 2.2
**DIFFERENCES IN APPROACH**

<table>
<thead>
<tr>
<th>Distinguishing Features of the Various Approaches</th>
<th>The Administrative Inventories Conducted in BC</th>
<th>The Administrative Inventory Model Used by WCRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What is the purpose of the exercise?</td>
<td>• Describe the system and its core functions and programs</td>
<td>• Describe (not evaluate) the system and its core functions and programs</td>
</tr>
<tr>
<td></td>
<td>• Provide baseline of performance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Assist in setting priorities</td>
<td></td>
</tr>
<tr>
<td>2. Who conducts the exercise?</td>
<td>• Experts in the functional or program areas</td>
<td>• Experts in the functional or program areas</td>
</tr>
<tr>
<td></td>
<td>• <strong>Not</strong> necessarily by persons familiar with the Administrative Inventory Model</td>
<td>• Persons who are already familiar with the Administrative Inventory Model</td>
</tr>
<tr>
<td>3. Who pays for it?</td>
<td>• The WCB</td>
<td>• Not the agency (WCRI is funded by insurance carriers)</td>
</tr>
<tr>
<td>4. Is the Methodology documented in a manual or in the literature?</td>
<td>• No</td>
<td>• No</td>
</tr>
<tr>
<td>5. Is the exercise to be repeated?</td>
<td>• Yes</td>
<td>• No</td>
</tr>
<tr>
<td>6. Are the results widely distributed?</td>
<td>• Yes</td>
<td>• Yes</td>
</tr>
<tr>
<td>7. Are recommendations on policy issues and performance provided?</td>
<td>• Often</td>
<td>• No</td>
</tr>
<tr>
<td>8. Are priorities provided?</td>
<td>• No</td>
<td>• No</td>
</tr>
<tr>
<td>9. Is a common structure used in each report?</td>
<td>• No</td>
<td>• Yes</td>
</tr>
</tbody>
</table>
CHAPTER THREE:
FUTURE ROLE OF THE ADMINISTRATIVE INVENTORY MODEL

3.1 THE ADMINISTRATIVE INVENTORY MODEL, BECAUSE OF ITS BASIC DESIGN FEATURES, IS NOT AN APPROPRIATE TOOL FOR REPORTING ON ORGANIZATIONAL PERFORMANCE

A key function of any organization’s senior management is to report on the performance of that organization; a key responsibility of any organization’s governing body is to ensure that it receives timely, complete, and valid information on that organization’s performance.

During the past five years, the WCB has used a range of management tools to examine and report on its performance. (Appendix A provides a generic description of such tools.) This includes:

- Management consulting studies (e.g., of the WCB’s claims administration function).
- Program evaluation (e.g., of the ERA program).
- Benchmarks (e.g., of its legal services group).
- Accreditation (e.g., of three programs at the Rehabilitation Centre).
- A network of performance indicators (as proposed by a consulting firm specializing in this field).
- Client surveys (e.g., of employers and claimants).
- Audits of its financial statements.

As was mentioned in Chapter One, the Administrative Inventories were another such tool used by the WCB. Their intent was to provide a baseline of performance and to then repeat the exercise four years later to measure the progress (or lack thereof) in the WCB’s performance.

In order to assess the appropriateness of the Administrative Inventory Model for measuring and reporting on performance, we have divided our findings into two groups. Our first set of comments focus on how the Model was applied to the WCB; the second set of comments address the generic Model as it has been developed and used in the United States. (We have done this because, as was seen in the last Chapter, there are fundamental differences between the generic Model and the Model as it was actually used at the WCB.)

The WCB’s Experience With Using Inventories to Measure Performance

The WCB’s original Board of Governors intended the Administrative Inventory Model to be a key tool in exercising its governance responsibility to track and report WCB performance. In our view, the Administrative Inventory Model, as it was applied in BC, has not accomplished that objective:
• **Missing Indicators:** The Inventories do not provide a complete set of the performance indicators that can be used to compare and track performance. (Indeed, the Inventory of the prevention function stated that it was beyond the scope of an Administrative Inventory to develop a performance measurement system.)

• **Gaps:** The Inventories do not report reliably on several critical dimensions of performance. This includes achievement of objectives, reasonableness of costs and productivity, client satisfaction, and protection of assets.

• **Methodological Concerns:** When the Inventories do report on certain performance issues (e.g., appropriateness of the level of resources, quality of working environment), their findings are often marred by concerns over the methodology used to produce those observations.

• **Inability to Compare Over Time:** We found it difficult to read the initial and follow-up Inventories to get a clear answer to the question: Has the WCB’s performance changed? Indeed, the follow-up Inventories stressed that they did not try to compare performance; instead, the follow-up Inventories took a “fresh look” at the WCB.

• **Inability to Compare to Others:** We also found it difficult, if not impossible, to compare the WCB’s performance to that of other workers’ compensation agencies in North America.

The Appropriateness of the Generic Model for Measuring Performance

We also believe that the generic Administrative Inventory Model, as developed and used by WCRI in the United States and as described in Chapter Two, is not an appropriate tool for WCB’s senior management, nor for its governing body, to rely on for reporting on the organizational performance of the WCB. This is primarily because, as was seen in Chapter Two, the Administrative Inventory Model was never intended to be a tool for measuring and reporting on performance. Instead, the Model has been designed to describe, not evaluate, a workers’ compensation system. It would therefore be inappropriate to expect the Model to do something that it was never designed to do! (Our conversation with leaders of three other jurisdictions who had been the subject of an Inventory confirmed that the Model had not been used to measure and report on their agency’s performance.)

3.2 THE INVENTORY MODEL HAS THE POTENTIAL TO BE AN APPROPRIATE TOOL FOR IDENTIFYING THE NEED FOR ORGANIZATIONAL CHANGE, BUT NOT FOR PROVIDING A BLUEPRINT FOR CHANGE

Another key responsibility of any senior management team or governing body is to respond to the need for change. We were asked to assess the appropriateness of the Inventories as a tool for generating positive change. As before, our comments are first directed at the WCB’s experience with the Inventories and are then directed at the generic Model, as developed and used by WCRI in the United States.
The WCB’s Experience With Using Inventories to Make Positive Changes

In our view, and with some notable exceptions, the Inventories conducted at the WCB generally did a useful and credible job of identifying where changes were needed at the WCB and the rationale for such changes. This ranged from the need to clarify the WCB’s intended outcomes to the need to change the way the WCB uses information.

Although the need for change was identified, the Inventories conducted for the WCB did not provide, nor were they required to provide, a road map or blueprint for change. That is, the Inventories at the WCB did not usually recommend:

• Priorities
• Time Frames
• Options
• Anticipated costs
• Management mechanisms and action plans to introduce change.

The identification of the needed changes did not however always lead to actual change at the WCB. The WCB’s inability to make needed changes, especially during the period 1991 to 1994, cannot necessarily be attributed to problems with the Inventories themselves. Instead, the lack of change in some of the needed areas was also a function of the mechanisms (or lack thereof) used by the WCB to respond to the Inventories.

The Appropriateness of the Generic Model for Generating Positive Change

It is again important to stress that WCRI’s generic Administrative Inventory Model was not designed to induce positive organizational change in workers’ compensation agencies. Instead, as was seen in Chapter Two, its purpose is to describe the system and draw management’s attention to issues of importance. Indeed, a key feature of the generic Model is that the authors do not make recommendations, especially in policy areas.

However, based on our review of several Inventories conducted in other jurisdictions, and based on our review of the design features of the generic Administrative Inventory Model, we believe that the generic Model has the potential to identify areas where changes may be needed. It also has the potential to stimulate management to make positive changes. This is because of these features:

• **Experience of the Inventory Team:** The authors have extensive experience in workers’ compensation issues and are generally familiar with the practices used in other jurisdictions.

• **Some Degree of Public Consultation:** The Inventories represent a small first step in the public consultation process. For example, a key part of the Model’s methodology is the attempt to seek the views of representatives from all stakeholder groups, including legislators, labour, employers, injured workers and agency leaders. Although not necessarily a valid sample for statistical purposes, this design feature helps to ensure that many of the key issues, and the possible areas for change, will be identified. In
addition, the wide distribution of the Inventory’s final report to various stakeholders represents a further potential opportunity to obtain insight into the changes needed.

- **The Wide Scope of the Inventory:** Another compelling design feature of the Inventory Model is that it attempts to examine all of the key functions of a compensation system, ranging from claims administration to vocational rehabilitation. By having such a wide scope, there is greater assurance that key issues will be addressed.

- **Strategic Focus:** The structure of the reports is such that the final Chapter includes “Attention Points” which highlight those issues that, in the opinion of the authors, warrant attention from the agency’s management. This enables the report to be used for strategic purposes and to focus on key issues.

However, as was the case in the WCB, certain design features weaken the Model’s potential to actually result in positive change. For example:

- A thorough public consultation process is not built into the model.

- No priorities are provided.

- No specific recommendations are given.

- The costs of making changes are not estimated.

- No change management mechanisms are suggested.

- The agency itself does not pay for the Inventory, thus possibly lessening the motivation to act on the Inventory’s findings.

- WCRI is funded by the insurance industry, thus generating a possible perception that its findings are biased.

To assess the extent to which this potential to generate positive change has been actually realized, we spoke to the key leaders of three other jurisdictions which had recently been the subject of an Administrative Inventory by WCRI. (A different WCRI team had been assigned to each jurisdiction.) The reaction was mixed as to the usefulness of the Inventories:

- One jurisdiction used the Inventory to obtain an independent perspective on the progress they had made since introducing new legislation several years earlier. The senior representative we interviewed was particularly impressed with the detailed and useful knowledge of the Inventory team and with the practicality and relevance of their work, especially in comparison to his previous experience with the “canned solutions” of the Big Six consulting firms. He used the Inventory as a valuable and practical input to his agency’s Strategic Plan.

- The other two jurisdictions participated in the Inventory mainly because WCRI had invited itself to do the Inventory, not because the agency wanted the Inventory. However, the agencies’ leaders were concerned about what they saw as the absence of an evidence-based methodology. They have not relied on nor used the Inventories’ results in any subsequent planning or change exercise, primarily because the agencies’ leaders lacked confidence in the numbers being used in the Inventories and because the overall approach lacked credibility within the agencies. They also noted that the labour
community viewed the Inventories with some distrust because the WCRI authors were supported and funded by the insurance industry.

Based on the above, we conclude that the generic Administrative Inventory Model has the potential to eventually result in positive organizational change, but because of certain design features and because of the way the Model has been applied, that potential has not always been realized.
CHAPTER FOUR:
THE FUTURE ROLE OF THE “ATTRIBUTES OF EFFECTIVENESS MODEL”

4.1 WE NEEDED AN APPROPRIATE FRAMEWORK TO SUMMARIZE THE INVENTORIES’ FINDINGS ON WCB PERFORMANCE

The series of seven Administrative Inventories were commissioned to measure and track the performance of the WCB. However, neither the Inventories nor the WCB defined what they meant by “performance.” In order for us to have some useful tool to map out what the various Inventories have said about WCB performance, we turned to research work that has already been done by others.

4.2 A NEW MODEL IS BEING CHAMPIONED TO DEFINE “PERFORMANCE”

In particular, we noted that since 1985 the Canadian Comprehensive Auditing Foundation (CCAF) and the federal Office of the Auditor General (OAG) have grappled with the need to clearly define what is meant by a “well-performing” or “effective” program or organization. Both groups noted that there is no single, high level, generally agreed-upon definition of effectiveness; the literature of public administration had not found a concise definition for the word “effectiveness” that was evocative of the entire range of meanings attributed to it, even though the concept of goal attainment was generally accepted as central to the notion.

Faced with this dilemma, the CCAF felt compelled to address the issue of reporting on effectiveness in public sector organizations. The board of governors of the CCAF appointed the Independent Panel on Effectiveness Reporting and Auditing to undertake such a project. The panel comprised a number of people holding senior positions in the public and private sectors with extensive knowledge and experience in public sector management, governance, and auditing. The panel consulted with elected representatives, senior officials in public sector management, as well as with eminent practitioners in auditing and other disciplines. More precisely, those consulted included:

- members of Parliament from all political parties;
- deputy ministers and chief executive officers of Crown corporations;
- leading program evaluators and other professionals engaged in the fields of performance and organizational measurement;
- representatives of provincial legislative audit offices across Canada and the Office of the Auditor General of Canada; and,
- partners of prominent firms of chartered accountants and management consultants.
The consultations were supported by three major research projects: a review and synthesis of the literature on accountability and effectiveness; a review of how effectiveness is perceived by experts on organizational matters, and a review of what public sector managers have actually said about assessment of effectiveness in published documents. The results of these studies were published in 1987 by the CCAF in a single volume entitled “Effectiveness Reporting and Auditing in the Public Sector: Supporting Research Studies”.

The panel arrived at a number of conclusions with respect to the reporting of performance:¹

• First, “effectiveness” is a variable concept, as evidenced in the literature and in practice. On balance, effectiveness is best conceived as a multidimensional concept incorporating and linking several facets of performance that key stakeholder groups – taken as a whole – would judge as generally responsive to their interests.

• Second, those who govern our public sector institutions are faced with formidable challenges, choices, and decisions. They also have a fundamental responsibility to know what is being done and accomplished by those to whom they have delegated authority and resources. To know this, these governing bodies need information that is organized and presented in a way that responds to their strategic interests. They need to be able to deal with this information in a practical sense, and to have confidence in its being reasonable to the circumstances.

• Third, management – as the party to whom authority and resources are delegated by their governing body – is in the best position to report on the effectiveness of their organization and major lines of business (that is, make management representations or explicit evidence-based statements about effectiveness). As the party receiving this delegation, it logically and first falls to management to demonstrate their accountability – through reporting. The panel judged that – after many years of investment and learning on management’s part in relation to the theory and technology of measuring and reporting on performance – now was the time to expect management to play this role.

• Fourth, to expect management to play this role – and others to play their part, as well – a reasonable starting point needs to be established from which appropriate actions can be discussed, agreed to, and then taken. To this end, the panel proposed a framework of twelve attributes of effectiveness that, collectively, cover all the important aspects of a public organization’s performance. By reporting on how well it is doing in respect to each of these attributes, an organization is answering all the significant questions that its governing body and other stakeholders are likely to ask. People can then make informed decisions about the organization and its management.

• Fifth, certain of the attributes will be more significant to some organizations than to others. Some may not apply at all. Time and circumstances may affect the significance of some attributes. Common sense is to be used in the application of the framework.

Exhibit 4.1 summarizes the 12 “attributes of effectiveness” proposed by the panel. This approach to measuring and reporting on performance has since been adopted by the federal and BC offices of the Auditor General. These agencies, along with the BC Treasury Board, are actively urging public sector bodies to use this effectiveness model in measuring and reporting their performance.

¹ Note: This summary of the panel’s findings is taken directly from the publication “Accountability, Performance Reporting, Comprehensive Audit: An Integrated Perspective”, published by CCAF in 1996.
4.3 THE MODEL PROVED TO BE EFFECTIVE IN PROVIDING A FRAMEWORK TO REPORT ON PERFORMANCE

In a separate report, we used this effectiveness Model and its 12 attributes of effectiveness in mapping out what areas of performance have been addressed by the Inventories. In another separate report, we again used this Model to report to the Commission what the Inventories have credibly observed and recommended concerning the performance of the WCB and of its individual components.

4.4 THE MODEL HAS A POTENTIAL AND APPROPRIATE ROLE IN THE FUTURE

The Attributes of Effectiveness Model is not a methodology for measuring performance, nor is it an approach to manage change. It is merely a detailed definition of what performance and effectiveness really mean. By reporting on the most relevant of the 12 different attributes, the organization can portray a comprehensive and complete picture of its performance and effectiveness.

Based on our experience in using the Model, and based on our experience in using the Model in other situations, we believe that this particular approach to defining performance would be especially appropriate in the future for the workers compensation system. For example:

- The WCB’s governing body could use this framework in exercising its governance responsibility to receive and generate reports on WCB performance. (For example, Annual Reports could contain management’s own representations on the extent to which the WCB has the needed attributes.)

- The network and system of performance indicators now being developed and implemented within the WCB could be reviewed to ensure that they cover the relevant attributes suggested by the Model.

- Within the WCB, the Model could be used to report on performance at the corporate, divisional, departmental, functional or program level.

- Other agencies in BC’s workers’ compensation system could use the Model to report on their performance, thus helping to ensure that the key attributes of the overall system are being measured and reported.
1. **Clear Management Direction**: The program or organization, in order to be effective, should have clear and understood objectives which are reflected in its plans, structure, delegations of authority and decision-making processes.

2. **Relevant Objectives**: In order to be effective, the program or organization’s objectives should be relevant to the problems or needs of its clients.

3. **Appropriate Design**: In order to be effective, the program or organization’s policies, service delivery model, strategies, activities, level and allocation of effort, skill profile, organizational structure, and support mechanisms should be logical in light of the specific objectives to be achieved. In other words, the program or organization should be designed to achieve its intended results.

4. **Achieving Intended Results**: An effective program or organization should achieve its goals and objectives.

5. **Satisfied Clients**: In an effective program or organization, the clients should judge it to be satisfactory.

6. **Reasonable Costs and Productivity**: To be effective, there should be a reasonable relationship between the program or organization’s costs, inputs and outputs.

7. **Responsive**: An effective program or organization should be able to adapt to changes in such factors as available funding, technology, social trends, and client concerns.

8. **Positive Working Environment**: To be effective, the program or organization should provide a positive working atmosphere for its staff, offer appropriate opportunities for development and achievement, and promote commitment, initiative and safety.

9. **Protecting Assets**: An effective program or organization should safeguard its important assets (key personnel, records, agreements), so that the organization is protected from the danger of losses that could threaten its success, credibility and continuity.

10. **Positive Financial Results**: In an effective program or organization, its financial systems comply with sound policies and its overall financial position is viable.

11. **No Negative, Unintended Impacts**: An effective program or organization should not generate negative, unintended outcomes or impacts.

12. **Regular Monitoring and Reporting**: In an effective program or organization, performance should be targeted, reported and carefully monitored on an ongoing basis, such information should be used to inform decisions about strategies and policies.

Source: Various publications of the Canadian Comprehensive Auditing Foundation (CCAF).
APPENDIX A

EXAMPLES OF OTHER TOOLS FOR MEASURING AND REPORTING PERFORMANCE

SOURCE: “ACCOUNTABILITY, PERFORMANCE REPORTING, COMPREHENSIVE AUDIT: AN INTEGRATED PERSPECTIVE,” CANADIAN COMPREHENSIVE AUDITING FOUNDATION, 1996, PAGES 327 TO 330
APPENDIX A:
EXAMPLES OF OTHER TOOLS FOR MEASURING AND REPORTING PERFORMANCE

Managers in the public sector can use a wide range of tools or approaches to measure and report on the performance of their organizations and programs. The CCAF recently completed a research project into these performance reporting tools and summarized their distinguishing features in a 1996 report.

In contrast to the Administrative Inventory Model, the CCAF report noted that most of these generic tools are documented in the literature. They also noted that the actual application of these tools may vary, depending on the sector in which they are used, and certainly from organization to organization.

The attached Exhibits are taken from that report and summarize some of the major performance reporting tools used in two different kinds of organizations: hospitals and educational institutions.
## EXHIBIT A.1
Examples of Other Performance Reporting Tools: Hospitals

<table>
<thead>
<tr>
<th>Description</th>
<th>FINANCIAL AUDIT</th>
<th>ACCREDITATION</th>
<th>QUALITY ASSURANCE</th>
<th>CLINICAL REVIEWS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
<td>Opinion of the financial statements</td>
<td>Inspection survey reviews all or some functions of hospital against national standards</td>
<td>A system for ongoing measurement of quality-of-care delivery, encompassing both process and outcomes</td>
<td>A professional peer-review process that examines the quality of care provided to individual patients</td>
</tr>
<tr>
<td></td>
<td>A “snapshot” of hospital structure and process, with objective of promoting quality of care</td>
<td>CCHA survey covers all hospital departments and services. Other accreditation surveys focus on specific, esp. teaching areas</td>
<td>Action to eliminate problems and to monitor activities to assure desired results have been achieved</td>
<td>May be retrospective (review of charts) or concurrent</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Required for full hospital accreditation</td>
<td>Medical audits are often undertaken separately from quality assurance activities</td>
</tr>
<tr>
<td><strong>Perform by</strong></td>
<td>Board of trustees or members of the hospital corporation</td>
<td>Board of trustees</td>
<td>Senior management</td>
<td>Senior medical staff representative</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Senior management</td>
<td>Middle management</td>
<td>Clinical department heads</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Senior medical staff representative</td>
<td>Senior medical staff representative</td>
<td></td>
</tr>
<tr>
<td><strong>Use of Results</strong></td>
<td>Funding bodies, board and senior management</td>
<td>Action to correct deficiencies prior to next survey</td>
<td>Senior management, departmental and clinical staff implement methods to resolve problems</td>
<td>Identification of continuing education needs for physicians and other health care personnel</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Mechanism for developing standards of clinical care</td>
</tr>
<tr>
<td><strong>Frequency of review</strong></td>
<td>Annual</td>
<td>Re-survey after one, two or three years depending on previous accreditation award</td>
<td>Ongoing</td>
<td>No specified frequency</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Review criteria and process documented in</strong></td>
<td>CICA Handbook gives process standards. Canadian Hospital Accounting Manual (CHAM) provides criteria</td>
<td>Standards manuals for different types of hospitals</td>
<td>Hospital develops quality assurance (QA) manual containing standards set by each department head under the Quality Assurance Committee’s guidance</td>
<td>No external manual on criteria or process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Forms completed by hospital in advance of review</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Survey questionnaire for use by survey personnel</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### EXHIBIT A.1 (Cont’d)
### EXAMPLES OF OTHER PERFORMANCE REPORTING TOOLS: HOSPITALS

<table>
<thead>
<tr>
<th>Description</th>
<th>RISK MANAGEMENT</th>
<th>UTILIZATION AND IMPACT REVIEWS</th>
<th>PROGRAM/PROCEDURE/PRODUCT EVALUATION</th>
<th>OTHER REVIEWS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A process for evaluating and minimizing risk in order to improve the quality and safety of hospital operations</td>
<td>Evaluation of the use of resources against internal or external criteria</td>
<td>Evaluation of the outcomes of a particular program, procedure or product against set objectives</td>
<td>Role studies and Master programs assess the relevance and capacity requirements of services provided by a hospital.</td>
</tr>
<tr>
<td></td>
<td>Deals systematically with incidents in order to minimize hospital’s liability</td>
<td>Often focuses on length of stay, use of diagnostic and therapeutic procedures, drugs and complementary services</td>
<td>Often involves comparison of established new methods of providing care</td>
<td>Operational and other reviews assess functioning of one or more departments, usually focusing on economy and efficiency</td>
</tr>
<tr>
<td></td>
<td>Impact analysis predicts resource utilization of new medical staff and expanded or new programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Recipient</td>
<td>Board of Trustees</td>
<td>Senior management</td>
<td>Senior management</td>
<td>Board of Trustees</td>
</tr>
<tr>
<td></td>
<td>Senior Management</td>
<td>Senior medical staff representative</td>
<td>Senior medical staff representative</td>
<td>Senior management</td>
</tr>
<tr>
<td>Performed By</td>
<td>Risk management committee and or risk manager</td>
<td>Utilization review committee and or admissions and discharge committee</td>
<td>Hospital-wide resource management committee</td>
<td>Evaluation specialists, usually external</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>External agent (typically a management consultant)</td>
</tr>
<tr>
<td>Use of Results</td>
<td>Establish methods to minimize risks and limit liability</td>
<td>Management and clinical staff implement recommendations affecting overall use of resources or the practice patterns of individual clinicians</td>
<td>Funding bodies, boards and senior management use information to approve, modify or eliminate programs</td>
<td>Funding bodies, boards and senior management normally require implementation of some or all recommendations</td>
</tr>
<tr>
<td>Frequency of Review</td>
<td>Ongoing</td>
<td>Usually monthly</td>
<td>One time projects, often associated with a trial phase</td>
<td>Role studies, Master programs: Occasional, often associated with redevelopment planning</td>
</tr>
<tr>
<td>Review criteria and process documented in</td>
<td>Manual developed internally to meet needs of hospital and Insurance industry developing external manuals</td>
<td>No external manual on criteria or process. But certain hospital and medical associations have developed guidelines</td>
<td>Established research methodology for measuring outcomes and verifying causal relationships</td>
<td>Various manuals on criteria and process developed by different consulting firms</td>
</tr>
</tbody>
</table>

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**EXHIBIT A.2**
EXAMPLES OF OTHER PERFORMANCE REPORTING TOOLS: EDUCATIONAL INSTITUTIONS

<table>
<thead>
<tr>
<th>Description</th>
<th>Strategic Plan Reviews</th>
<th>Institutional Evaluation Process</th>
<th>Internal Program Reviews</th>
<th>Accreditation</th>
<th>Course Articulation</th>
<th>Student Follow-up</th>
<th>Link File Project</th>
<th>Support Service Reviews</th>
<th>Financial Audit &amp; Enrolment Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Update &amp; amend institutional objectives in light of changing conditions</td>
<td>Evaluation of institutional goals, activities and quality control processes. Usually carried out in two phases: 1. internal self-study 2. external validation of the self-study</td>
<td>Review of program content, instructor qualifications, delivery methods, facilities, processes for curriculum updates, student outcomes</td>
<td>Review and approval of specific educational programs to ensure they meet the requirements of the accrediting body</td>
<td>Review of course content to ensure material and expectations of students are harmonised for course-credit transfer purposes between post-secondary institutions</td>
<td>Survey of student outcomes and satisfaction by means of province-wide surveys</td>
<td>Tracks student flows into, and through full-time academic and career/tech programs in the post-secondary system. Tracks education-outcome data, not employment data</td>
<td>Review of institutional support services, e.g., library admissions, finance</td>
<td>Opinion on the 1. financial statements and 2. enrolment statistics</td>
<td></td>
</tr>
<tr>
<td>Board, ministry, public</td>
<td>Board of governors, ministry, institution</td>
<td>Board, administration, educators, advisory committees</td>
<td>Administration, the accrediting body (e.g., registered nurses association, technology association, etc.)</td>
<td>Instructors, department heads, deans</td>
<td>Administration, ministry, boards, students, advisory committees, educators</td>
<td>Administration, ministry, articulation committees, educators</td>
<td>Board, administration, staff</td>
<td>Board of governors, ministry, public, funding bodies, senior management</td>
<td></td>
</tr>
<tr>
<td>Administration and faculty/staff team</td>
<td>1. Cross institutional internal team 2. External audit team appointed by provincial steering committee</td>
<td>Ad hoc program review team, usually includes external component</td>
<td>Varies, usually a team named by accrediting body</td>
<td>Subject articulation committees (e.g., mathematics, English, engineering, trades) which include instructors from articulating institutions</td>
<td>Survey conducted by each institution</td>
<td>Registrars contribute data to provincial steering committee</td>
<td>Ad hoc review committee, including external component</td>
<td>External auditors</td>
<td></td>
</tr>
</tbody>
</table>
## EXHIBIT A.2 (Cont’d)
### EXAMPLES OF OTHER PERFORMANCE REPORTING TOOLS: EDUCATIONAL INSTITUTIONS

<table>
<thead>
<tr>
<th>Strategic Plan Reviews</th>
<th>Institutional Evaluation Process</th>
<th>Internal Program Reviews</th>
<th>Accreditation</th>
<th>Course Articulation</th>
<th>Student Follow-up</th>
<th>Link File Project</th>
<th>Support Service Reviews</th>
<th>Financial Audit &amp; Enrolment Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Use of results</strong></td>
<td>Guides institution in setting priorities and in allocating resources</td>
<td>Renewal and improvement of the institution</td>
<td>Renewal and improvement of the program</td>
<td>Validate use of the institution’s education and training as a basis for awarding the credential rights and/or privileges of the accrediting body</td>
<td>Granting of course credit to students transferring between institutions</td>
<td>Ongoing appraisal of programs, in formal program reviews, in overall appraisal of institutional quality, in identifying employers of graduates</td>
<td>Understanding of student education and training patterns and achievements</td>
<td>Renewal and improvement of support services; part of institutional evaluation process</td>
</tr>
<tr>
<td><strong>Frequency</strong></td>
<td>Annual review, three-year update</td>
<td>Six years</td>
<td>Each program is reviewed on a 5-8 year cycle</td>
<td>As determined by accrediting agency</td>
<td>Ongoing monitoring with change depending on pace of change in subject areas (e.g., computer science vs. medieval English)</td>
<td>Annually, nine months after student has left the institution</td>
<td>Annually</td>
<td>Each service is reviewed on a 5-8 year cycle</td>
</tr>
<tr>
<td><strong>Review criteria and process documented by:</strong></td>
<td>Ministry of Advanced Education</td>
<td>Provincial steering committee</td>
<td>AECBC through Provincial Institutional Evaluation Steering Committee</td>
<td>Accrediting agency</td>
<td>As agreed between participating institutions</td>
<td>Student Outcomes Working Group</td>
<td>Link File Steering Committee</td>
<td>Established by Provincial Institutional Evaluation Steering Committee</td>
</tr>
</tbody>
</table>

1. Ministry specifies format in consultation with institutions, CICA Handbook
2. Ministry guide for enrolment audits