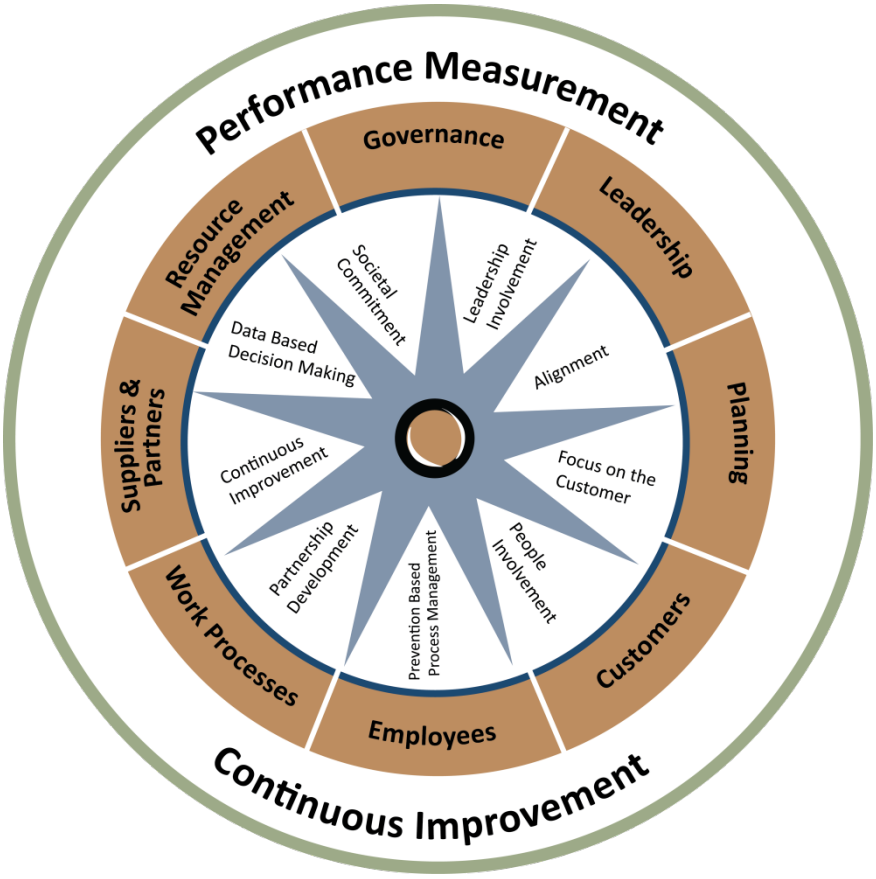
Organizational Excellence Framework



A practitioners guide to understanding and implementing an excellence framework, a platform for long term organizational success that is applicable to any size and type of organization.

COPYRIGHT © 2014, 2010 Dawn Ringrose
Organizational Excellence Framework
Dawn Ringrose & Associates Inc
info@dawnringrose.com
All rights reserved

Any reproduction of any part of this publication without the written permission of the author is prohibited.

Acknowledgements

The main source for the development of this framework is the four leading excellence frameworks (quality management systems) in the world including:

- Canada, Excellence Canada, www.excellence.ca
- United States, Malcolm Baldrige, www.quality.nist.gov
- Europe, European Foundation for Quality Management, www.efqm.org
- Australia, SAI Global, www.sai-global.com

The foundation for these frameworks is found in the work of Dr. Edwards Deming. He led a sweeping quality revolution from 1950 through the 1980's by sharing a system of Profound Knowledge, the knowledge that was needed for transformation to a new style of management. Central to his work was the definition of the organization as a system – a network of interdependent components that work together to try to accomplish the aim of the system.

Dawn Ringrose MBA, FCMC, who has practiced in the organizational excellence area since 1990, studied the four leading excellence frameworks and developed a unique publication that consolidates the principles, practices, and measures found in the frameworks and provides implementation guidelines and additional resources for the practitioner.

Her efforts were supported by CMC-Alberta in Canada and seasoned professionals that volunteered their time and represented different functional areas of expertise across the management consulting and quality management spectrum.

The following individuals are acknowledged for their participation and valuable feedback provided during the development and review of this framework:

Framework Author
Dawn Ringrose, BSc, MBA, FCMC, COES

Volunteer Members
Dan Corbett, BComm, CEP
George Cuff, BA, FCMC
Dave Greenwood, CET, CMC
Barbara Grehan, MBA, CMC
Ron Higgins CEP
Mike Hughes, CMC
Albert Kennedy, MBA, CMC
David Malcolm, PhD, PEng, CMC
Rick McDonald, LGA, CMC
Megan McDougald, PhD, CMC
Carmien Owen, Six Sigma Black Belt
Jon Pascoe, BSc, MA, CHE, CHRP, CMC
Barbara Reimer, MBA, PMP
Patty Walker, CMA, CMC

Index

Acknowledgements iii

Foreword

Introduction 2

Overview 2

Application to the Organization and Consulting Engagements 6

Relationship to Other Frameworks and the CMC Body of Knowledge 7

Chapters

1.0 Governance 8

2.0 Leadership 22

3.0 Planning 53

4.0 Customers 66

5.0 Employees 80

6.0 Work Processes 113

7.0 Suppliers and Partners 134

8.0 Resource Management 147

9.0 Continuous Improvement and Performance Measurement. 163

Appendices

1.0 Applicability to Organization Size and Comparison to Leading Frameworks 204

2.0 Principles 213

3.0 Self-Assessment and Improvement Planning 221

foreword

Introduction

The Organizational Excellence Framework integrates the best of the excellence frameworks from key jurisdictions and is comprised of the principles and best management practices common to high performing organizations.

Each of the jurisdictions included in this review (Canada, United States, Europe, Australia) developed award programs in the late 1980's and early 1990's to recognize organizations that have successfully implemented excellence frameworks. Since that time, over 80 countries have followed suit and global research with excellence award recipients has validated the positive relationship between implementing an excellence framework and organizational performance.

Other benefits include:

- Provides the foundation on which to develop an organization
- Provides an integrated and coordinated way to drive tangible results
- Identifies the interdependencies and interrelationships between management areas
- Reduces non-value adding activity
- Contributes to becoming an 'employer of choice'
- Provides a performance benchmarking program

The Organizational Excellence Framework is a platform for long-term organizational success that is applicable to any size and type of organization. It complements other quality initiatives (e.g. ISO standards, balanced scorecard, lean enterprise, customer service, health and safety, environment, six sigma) and provides an umbrella under which these programs can be brought together to form one comprehensive system.

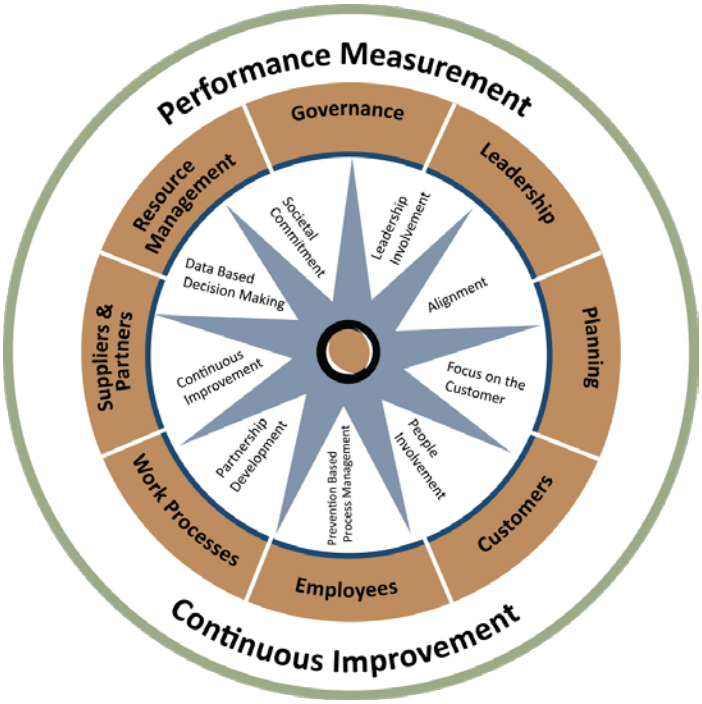
Overview

The Organizational Excellence Framework is intended to be a professional development tool for internal and external consultants that can be applied to the organization and client engagements, whether using a holistic approach and working on the entire management system or using a modular approach and working on a particular key management area.

It is comprised of principles and best management practices across nine key management areas. Appendix 1 provides a breakdown of the principles and best management practices and shows the applicability to different size organizations and the comparison to the leading excellence frameworks.

The following diagram illustrates each of the principles and key management areas embodied within the Organizational Excellence Framework. The inner circle of the diagram represents the principles while the middle and outer circles describe the key management areas.

Organizational Excellence Framework



Principles

The principles form the foundation for continual improvement and organizational excellence. These principles characterize the culture and values of the organization and depict the way people work together and with their stakeholders. There are nine principles including:

1. Leadership involvement – ensuring senior management is committed and actively involved in establishing and communicating direction.

2. Alignment – understanding the organization is a system of interrelated and interconnected work processes and all activities need to be aligned with the established direction.

3. Focus on the customer – ensuring the primary aim of everyone in the organization is to understand and meet the needs of the customer.

4. People involvement – nurturing and reinforcing cooperation and teamwork and giving employees the opportunity to develop their full potential.

5. Prevention based process management – establishing consistency in work processes and developing a mindset of prevention.

6. Partnership development – developing and maintaining value-adding relationships with suppliers and partners.

7. Continuous improvement – harnessing the collective knowledge, skills, and creativity of stakeholders to relentlessly pursue improvement.

8. Data based decision making – basing decisions on performance measurement findings.

9. Societal commitment – striving to understand and demonstrate corporate commitment to society.

These principles permeate the entire Framework and are described in more detail in Appendix 2. The Appendix provides more definition and shows the linkages between the principles, key management areas, and best management practices.

Key Management Areas

The key management areas are comprised of 'best management practices' that contribute to the principles and include:

1. Governance – identifying governance responsibility to stakeholders, implementing an effective governance system and acting as a model of good practice to internal and external stakeholders.

2. Leadership – creating a culture committed to excellence, developing a strategic plan and communicating it to stakeholders, sharing responsibility and accountability throughout the organization, communicating openly about organizational performance, and removing barriers to organizational effectiveness.

3. Planning – creating a business plan that aligns with strategic direction, communicating the plan to stakeholders, allocating resources to ensure effective implementation, monitoring and reviewing the plan regularly and making changes as required.

4. Customers – understanding the customer, aligning employees on the importance of the customer, making it easy for the customer to do business and provide feedback, and reaffirming the organization's presence and approach in the marketplace.

5. Employees – undertaking human resource planning that supports organizational plans, recruiting, selecting, training, and developing employees, encouraging employees to share suggestions and ideas aimed at improvement, rewarding and recognizing strong performance of individuals and teams, and ensuring a healthy workplace environment.

6. Work Processes – designing, documenting, and managing work processes, analyzing and improving work processes, taking corrective action when problems occur, preventing recurrence of problems by making changes to work processes, and using benchmarking to evaluate performance.

7. Suppliers and Partners –using criteria to select suppliers and partners, developing win-win relationships, sharing information about strategic and business plans, and working together to develop products, services and standards.

8. Resource Management – defining resource requirements, developing a strategy to manage resources wisely, managing the adverse impact of operations on the environment and society, and preparing for resource interruptions.

9. Continuous Improvement and Performance Measurement - evaluating and improving the approach to each management area, measuring performance in each management area, and measuring overall organizational performance.

Chapters 1 through 9 provide more detail on the best management practices in each of the key management areas. Each chapter has been assembled using a content template that includes:

- Statement of the practice or measure(s).
- Definition – the meaning of the statement within the scope of the four leading frameworks.
- Implementation – a description of how to implement the practice.
- Type of Organization – an indication of whether the practice is applicable to a large (1000+ employees), medium (101-999), small (26-100), and/or micro (1-25) organization.
- Related Practices – other practices in the Framework that are related to the practice.
- Additional Notes – helpful notes regarding application to the public, private, or non-profit sector, risks that may impact implementation and how to mitigate such, and other sources of information on the practice that may be within or outside the scope of the Framework.
- Tags – key words that identify topics within the practice.

Application to the Organization and Consulting Engagements

Consultants can apply the Organizational Excellence Framework to their organization and client engagements. Key steps include:

- Learning about the Framework – read the publication or take a workshop.
- Assessing against the Framework – self-assess the organization against the principles and practices of the Framework noting the strengths and opportunities for improvement (Appendix 3).
- Preparing an improvement plan – address opportunities for improvement by preparing action plans that identify the practice that needs work, the chronological tasks to be performed, responsibility, timing, out-of-pocket cost, and the method of measurement that will be used to gauge progress (Appendix 3).
- Implementing the improvement plan – use a variety of methods to maintain momentum on the excellence journey such as regular progress meetings, a newsletter, guest speakers, site visits to high performing organizations, and celebrations.
- Applying for a national award (optional) – determine if the organization is located in a country that has a national organizational excellence award program and consider applying for an award. Many countries recognize organizations at sequential stages of the excellence journey and acknowledge those that have successfully implemented the best management practices.
- Comparing and learning from the behaviour and practice of others – engage in performance and best practice benchmarking to achieve breakthrough improvement in performance.

For consulting professionals wanting to apply the Framework to their functional area(s) of practice, this information will supplement their existing knowledge and expertise.

It is strongly recommended that consulting professionals wishing to utilize the Framework become a Certified / Registered Organizational Excellence Specialist with the consortium www.organizationalexcellencespecialists.ca . For those wishing to specialize in the area, it is recommended they consider membership in national organizational excellence associations.

This recommendation is based on the Uniform Code of Professional Conduct for Certified Management Consultants that requires consulting professionals to demonstrate responsibility to the client with respect to competence, accepting only those assignments which the member has the knowledge and skills to perform.

Relationship to Other Frameworks and the CMC Body of Knowledge

The Organizational Excellence Framework merges 'what is known in organizational excellence' with 'how it is implemented in management consulting'.

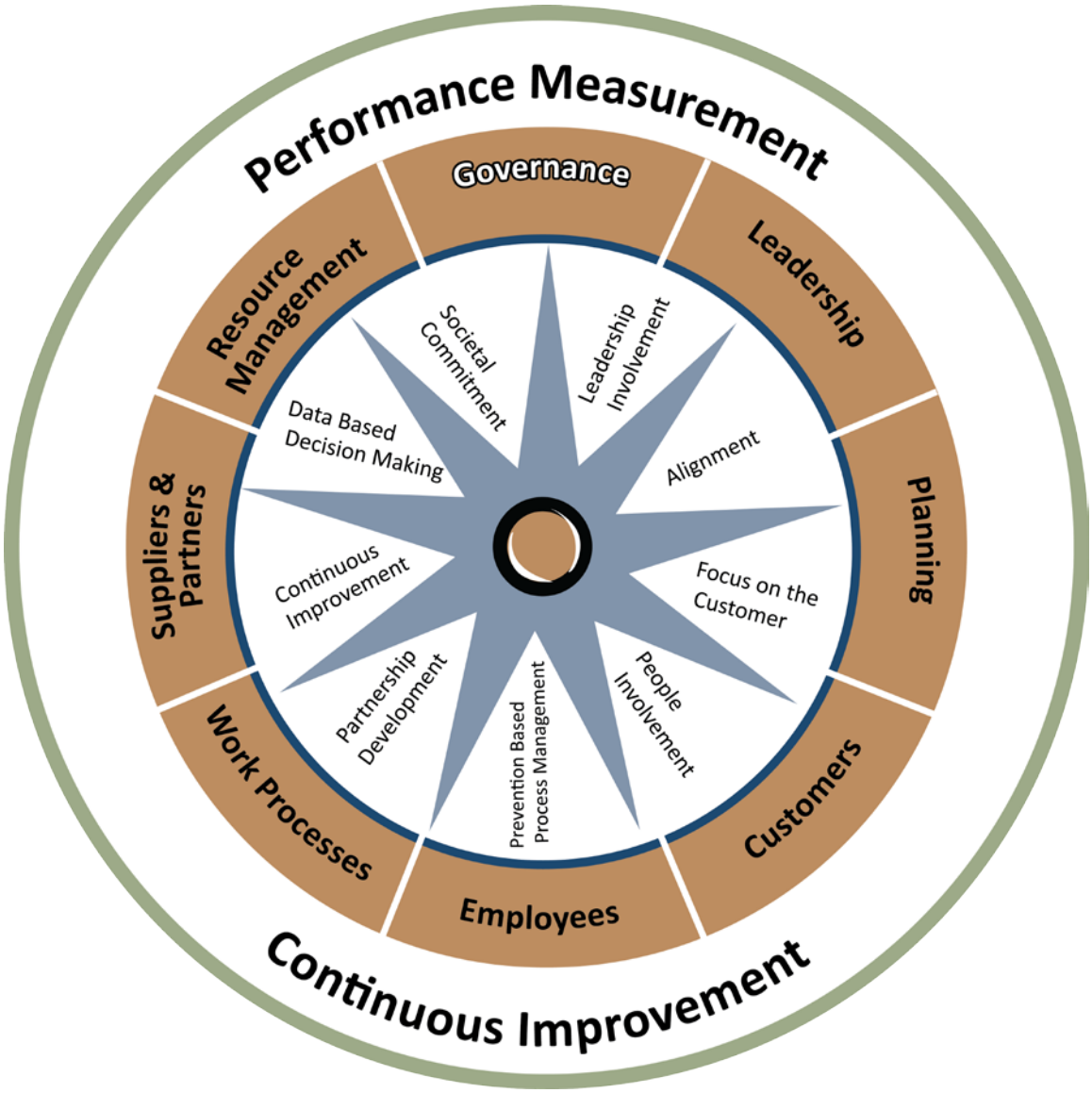
'What is known' has been well defined in each of the leading excellence frameworks. Although these frameworks have much in common, each framework offers additional breadth and depth in some of the best management practices. For example, unique features of the frameworks include:

- European framework – has practices on analyzing image, brand, and the effects of products and/or services throughout their life cycle and has practices on managing resources such as assets, technology and information.
- United States framework - has practices to address projecting performance and summarizing performance results by customer and market segment.
- Australian framework - has practices to manage knowledge and achieve sustainability.
- Canadian framework – has practices to augment the health and well-being of employees in the organization.

Similarly, the Body of Knowledge (BOK) for Certified Management Consultants describes 'the what' in the six functional areas of management (strategy, financial, marketing, human, resources, information technology, production / operations), However, it is the practical application of this knowledge across client organizations and situations that provides 'the how' or implementation guidelines.

Now that these two bodies of knowledge have been merged, the Framework will provide a more practical guide and professional development tool for internal and external consultants that can be applied to the organization and client engagements.

Chapter 1 Governance



This chapter focuses on defining and implementing good governance practices. It includes: identifying governance responsibility to stakeholders, implementing an effective governance system and acting as a model of good practice to internal and external stakeholders.

Practice 1.1: Identify governance responsibility to stakeholders

Definition

- Governance is the set of core values, processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled:
  - it includes the relationships among the many stakeholders involved and the goals for which the corporation is governed
  - stakeholders are principally the shareholders, management, and the board of directors and also include employees, customers, creditors, suppliers, regulators, and the community at large
- There is a need for a responsible, informed, and accountable governance or advisory body that can protect the interests of key stakeholders in publicly traded, private, and non-profit organizations
- The governance body should have independence in review and audit functions as well as a performance evaluation function that monitors the organization's and senior leader's performance
- Governance responsibility includes:
  - relating organizational values to practice
  - defining and meeting internal and external reporting requirements
  - measuring and achieving outstanding results with respect to society
  - ensuring a process is in place to develop, deploy, and update policy and strategy
  - ensuring policy and strategy are consistent with the organizations mission, vision, and concepts of excellence
  - communicating policy and strategy to stakeholders and evaluating their awareness of it
  - viewing the organization as a part of society with important responsibilities to satisfy the expectations of its people, customers, partners, owners, and other stakeholders
  - balancing both long and short-term needs of stakeholders

<u>Examples</u>

Governance responsibility is "the process of exercising corporate and community leadership by the policy making authority on behalf of the community to the organization as a whole - in terms of its purpose, control and future. It also involves overseeing the organization to ensure that its mandate is achieved" (George Cuff, FCMC, 2010)

"Corporate governance as 'an internal system encompassing policies, processes and people, which serves the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity. Sound corporate governance is reliant on external marketplace

commitment and legislation, plus a healthy board culture which safeguards policies and processes" (Gabrielle O'Donovan)

Corporate governance is "the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal & corporate funds in the management of a company" (SEBI committee (India) on Corporate Governance)

Implementation

- Organizations and the governing bodies established to oversee their success have a responsibility to stakeholders in the following areas:
  - representation of the interests of the stakeholders
  - stewardship over the success of the organization
  - accountability to stakeholders for the actions of the governing body
  - corporate social responsibility regarding the social, economic and environmental impact of the organization

<u>Methodology</u>

1. Representation
   - Ensure that all stakeholder interests are represented and reflected in the membership of the board
   - Appoint board members with broad and varied skills and expertise (e.g. legal, financial, subject matter experts, etc.)
   - Utilize a nominating process/committee to bring forward prospective new Directors
   - Develop term limits to promote innovation and fresh thinking and fill vacancies on a rotational basis to ensure that the entire Board is not replaced at the same time

2. Stewardship
   - Develop and implement a periodic strategic planning process that articulates the vision, mission, values, operating principles and strategic priorities of the organization
   - Develop a risk management process to identify the principal risks of the business and implement systems to manage these risks
   - Develop financial monitoring processes to meet the governing body's fiduciary responsibilities including the review and implementation of internal control and management information systems
   - Develop Human Resource policies and practices to ensure the ongoing success of the organization including succession planning and appointing, training and monitoring senior management
   - Develop a communication policy that clearly articulates when and who speaks on behalf of the organization (particularly during times of crisis)

3. Accountability
    - Establish an accountability framework that defines who is responsible for decisions made and results achieved that includes:
        - identifying the relationship between all stakeholders
        - articulating and describing the responsibility for setting organizational goals, planning and strategy development, carrying out the organization's business, monitoring results and evaluating the success of the organization

4. Corporate Social Responsibility
    - Develop a corporate social responsibility statement that identifies how sustainable development and the social, economic and environmental impact of various operations will impact stakeholders and the public in general and how the organization will collaborate with interested parties
    - Develop strategies to identify how the governing body will represent the organization to the community

Type of Organization

large, medium, small

Related Practices

2.1-2.6, 2.14-2.17

Additional Notes

- These practices may differ somewhat among public, private and not-for-profit sector organizations, however are reasonably applicable to all organizations and sizes.
- A comprehensive governance policy framework obligates identification of risks and mitigation strategies, and capitalizing on opportunities.

Tags

governance, decision making, accountabilities, terms of reference, fiduciary responsibilities, committee terms of reference/committee charters, board evaluation

Practice 1.2: Implement an effective structure of leadership, authority, decision making, accountability and control

Definition

- Parties involved in corporate governance include:
    - the regulatory body including the CEO/CAO, Board of Directors, management shareholders, and auditors
    - the shareholder delegates decision rights to the CEO to act in their best interest

- the Board of Directors endorse the organizations strategy, develop directional policy, appoint, supervise and remunerate senior executives and ensure accountability of the organizations to its owners and authorities
- the Company Secretary upholds the highest standards of corporate governance, effective operations, compliance and administration
- individuals or groups that contribute to and receive from the organization, for example:
  - directors and employees receive salaries, benefits, and reputation
  - shareholders receive a capital return
  - customers receive goods and services
  - suppliers receive compensation for their goods and services

Implementation

- Ensure governance parties understand their roles and responsibilities:
  - the Board of Directors evaluate top management on the basis of the quality of its decisions that lead to financial performance outcomes and has the legal authority to hire, fire, and compensate top management
  - the Board of Directors, audit committee, and management implement internal control policies and procedures to provide reasonable assurance of financial objectives including: financial reporting, operating efficiency, compliance with laws and regulations
  - a balance of power ensures more than one individual is involved in key decisions and transactions so the interests of stakeholders are respected (e.g. President and Treasurer)
  - clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability
    - respect the rights of shareholders and help shareholders to exercise those rights by communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings
    - recognize legal and other obligations to all legitimate stakeholders
    - disclose material matters concerning the organization in a timely and balanced fashion to ensure that all investors have access to clear, factual information
    - interpret organizational performance in a shared sense and consider the benefit provided to all stakeholders, including shareholders or owners, employees, customer, suppliers and the wider community
- Ensure governance parties recognize that external stakeholders may exercise control over the organization in a variety of ways, including:
  - competition
  - debt covenants
  - demand for performance information
  - government regulations
  - managerial labour market
  - media pressure

    - takeovers
- Periodic evaluations should be conducted of governance practices, including an evaluation of the performance of the governing body itself.
    - develop a governance checklist
    - develop an evaluation tool that is unique to the requirements of the governing body

Example – Board Evaluation Tool

The evaluation tool can be used to assess Board management on some of the following topics:

- Roles and responsibilities
- Policy making
- Planning
- Fiscal management
- Fund raising
- Board committees
- Board meetings
- Board membership & orientation
- Board-Executive relationship
- Monitoring & evaluation
- External relations

Methodology

1. Include a description of the governance structure in the Governance manual:
    - Legislation or authority under which the governing body operates (e.g. provincial statute, government regulation, etc)
    - By-laws that guide the organization
    - Where not established by legislation or other directive, the size of the governing body or board to effectively make decisions and carry out its responsibilities
    - Job descriptions for the governing body that clearly articulates their roles and responsibilities
    - Policies that will define how the governing body will conduct business including such key policies as: code of conduct, conflict of interest, confidentiality
    - Relationship between the governing body and staff functions including the relationship and interactions required between the governing body and the CEO/CAO including policies on:
        - staff hiring, monitoring, and evaluation
        - delegation
        - executive limitations (what authorities and limits are place on the CEO/CAO)

2. Develop a governance orientation program to orient all new members to the roles and responsibilities including the fiduciary and legal responsibilities.

3. Develop a formal Governance training program to ensure that all members are provided with best practices in governance training

4. Develop and implement a governance evaluation tool that can be administered to all Board members.
   - Develop the governance evaluation tool
   - Administer the evaluation tool.
   - Analyze the results.
   - Present and discuss the evaluation findings with the Board.
   - Identify strengths and opportunities for improvement.
   - Develop goals, objectives, and action plans to capitalize on opportunities for improvement.
   - Implement the action plans.
   - Report and monitor progress on action plans.

Type of Organization

large, medium, small

Related Practices

1.4, 2.1-2.6, 2.14-2.17

Tags

governance, decision making, accountabilities, terms of reference, fiduciary responsibilities, committee terms of reference/committee charters, board evaluation

Practice 1.3: Ensure governance system meets legal, financial, ethical and reporting obligations

Definition

- Implement a system of values, policies, regulations, processes and controls, risk management and relationships to meet legal, financial and ethical obligations
- Use generally accepted accounting practices to develop financial information
- Implement procedures to independently verify and safeguard the integrity of the company's financial reporting
- Ensure that everyone in the organization behaves legally and ethically and practices good citizenship
- Be sensitive to issues of public concern, whether or not these issues currently are embodied in laws and regulations

Implementation

- To meet stakeholder, public and legislative requirements critical governance processes must exist in all four areas of legal, financial, ethical and reporting
- Incorporate measures related to the governance system in senior leader performance reviews
- Ensure the board has a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance
- Develop a code of conduct for directors and executives that promotes ethical and responsible decision making
- Establish compliance and ethics programs to minimize the risk that the organization steps outside of ethical and legal boundaries

<u>Methodology</u>

1. Legal:
    - Identify the legal issues that must be addressed by the governing body
    - Seek approval to ensure that adequate external legal advice is available
    - Identify external legal resources to be used
    - Ensure that proper insurance exists to cover the responsibilities and decisions made by the governing board (e.g. Director's Insurance)

2. Financial:
    - Establish an audit committee with financial expertise to monitor and advise on financial matters
    - Ensure that financial practices and good governance follow best practices and guidelines established by professional bodies and government (Professional Accounting Associations such as the CICA, CMA, CGA, Auditor General, Sarbanes Oxley Act of 2002, etc)
    - Develop processes to ensure that internal control and management information systems are reviewed on a regular basis
    - Develop a process to provide a periodic review of financial performance.
    - Ensure a process exists to create annual financial statements
    - Engage the services of qualified independent third party auditors to audit the annual financial statements

3. Ethical:
    - Develop a Compliance and Ethics program that contributes to the governing body's legal, ethical and governance responsibilities and provides input into the ongoing risk management processes
    - Develop a Code of Conduct policy for the governing body
    - Develop a Conflict of Interest policy for the governing body
    - Develop a Confidentiality policy for the governing body

4. Reporting:
    - Create a process to develop an Annual Report that provides for an assessment of actual results (both business and financial) against established goals and goals and objectives and provides for remedial actions and improvements to improve negative results
    - Develop an annual governance review and assessment process that is incorporated into the annual report
    - Conduct Annual General Meetings to provide stakeholders and members an opportunity to discuss the governing body's success and provide feedback and input for future directions
    - Where appropriate develop reporting vehicles to provide the public at large with a view and understanding of the strategic actions and successes of the organization

Type of Organization

large, medium, small, micro

Related Practices

2.1-2.6, 2.14-2.17

Tags

governance, decision making, accountabilities, terms of reference, fiduciary responsibilities, committee terms of reference/committee charters, board evaluation

Practice 1.4: Establish governance processes at all appropriate levels in the organization and links to stakeholders

Definition

- Develop governance processes to:
    - define the roles, powers, and responsibilities within the organization and the links with the organizations ownership, its stakeholder and its internal management structure
    - operate and control the organization with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers
    - comply with legal and regulatory requirements
    - meet environmental standards
    - contribute to local community needs

Implementation

- The effectiveness of the organization to govern and staff to fulfill their roles will be improved by having access to consistent and critical information that should be compiled in a Governance Manual

Example – Governance Manual

Table of Contents

A. Authority/Mandate
B. Bylaws
C. Member Listing
D. Annual Planning Cycle
E. Strategic/Business Plan
F. Annual Budget
G. Financial Statements
H. Annual Report
I. Governing Body Job Description
J. Terms of Office
K. Recruitment
L. Frequency of Meetings
M. Quorum at Meetings
N. Remuneration and Reimbursement of Expenses
O. Chairperson's Role
P. Roles of Officers
Q. Committees
R. Policies
    - Code of Conduct
    - Code of Conflict
    - Confidentiality
    - Communication
S. Governing Body/Staff Relationship
T. Delegations
U. Executive Limitations
V. Staff Hiring, Monitoring and Evaluation
W. Governance Orientation Program
X. Governance Training and Development

Methodology

1. Prepare a table of contents for the governance manual

2. Gather information for each section of the manual, including process maps

3. Create a governance committee to review the draft manual

5. On the basis of the review, update the manual

6. Make the manual available to all stakeholders

Type of Organization
large, medium, small

Related Practices
1.2, 2.1-2.6, 2.14-2.17

Tags
governance, decision making, accountabilities, terms of reference, fiduciary responsibilities, committee terms of reference/committee charters, board evaluation

Practice 1.5: Act as a model of good practice for employers and people in the community

Definition

- Promote and encourage equal opportunity and diversity
- Contribute to make the community a better place by demonstrating an exemplary concern for responsibility to society
- Listen to the community through community consultation
- Prevent nuisance or reduce harm arising from its operations
- Encourage and support employees community service

Example

Public concerns that charitable and government organizations should anticipate might include the cost of products, programs, and services, the timely and equitable access to products, programs and services, and perception about the organization's stewardship of its resources.

Implementation

- Implement and share information relevant to the community:
  - corporate social responsibility (social, economic and environmental impacts)
  - stewardship responsibilities
  - equal opportunity and diversity practices
  - relationships with relevant authorities
  - ethical behaviour
- Seek involvement in the community:

- social issues
- community issues
- volunteerism
- philanthropy

Methodology

1. Develop a corporate social responsibility statement that identifies how sustainable development and the social, economic and environmental impact of various operations will impact stakeholders and the public in general and how the organization will collaborate with interested parties.

2. Communicate through annual reporting how the organization has stewarded the resources (financial and other) that it is responsible for.

3. Communicate best business practices through formal communication activities.

4. Develop and implement equal opportunity and diversity policies and practices.

5. Provide opportunities for leaders of the governing body and staff to actively participate and promote at events that impact the community (e.g. United Way, major sporting events, charities, etc.).

Type of Organization
large, medium, small

Related Practices
2.1-2.6, 2.14-2.17

Additional Notes

- Matters of social and environmental responsibility are increasing in importance amongst organizations and communities

Tags
governance, decision making, accountabilities, terms of reference, fiduciary responsibilities, committee terms of reference/committee charters, board evaluation

Practice 1.6: Communicate policy and strategy to stakeholders

Definition

- Use appropriate communication methods to share policy and strategy with stakeholders

- Follow up with reporting on relevant performance measures including legal, regulatory compliance, audit results by government or funding agencies
- If the organization has received sanctions or adverse actions under law, regulation or contract during the past three years, the incidents and their current status should be summarized

Implementation

- Identify best methods of communication for stakeholder groups
- Communicate on a regular basis
- Listen to stakeholder feedback
- Reaffirm commitments to stakeholders
- Conduct a communications audit with stakeholders to determine best methods to communicate with them
- Ensure that transparency with organizational activities exists by communicating with stakeholders and the public on a regular basis
- Seek continual feedback from stakeholders and the public

<u>Methodology</u>

1. Develop a comprehensive communications plan that includes:
   - Determining key messages to be communicated
   - Identify communication strategies, tactics and tools:
     - What vehicles will be utilized to communicate the key messages? (e.g., stakeholder meetings, newsletters, email, web site)
     - What are the communication timelines?
     - Who will be responsible for communicating?
     - What measures will be used to determine success of the communication plan?

2. Develop a policy related to communication that allows for freedom of information and protection of privacy.

3. Create a web site that provides information to stakeholders and the public.

4. Conduct public consultations on a regular basis to deal with emerging and future issues.

5. Prepare an Annual Report for distribution to stakeholders.

6. Implement communication strategies.

7. Measure and evaluate success and implement additional strategies as required.

Type of Organization

large, medium, small

Related Practices

1.4, 1.6, 2.14-2.17

Tags

governance, decision making, accountabilities, terms of reference, fiduciary responsibilities, committee terms of reference/committee charters, board evaluation

Resources and References

Books and articles:

Cuff, George. *Terms of Reference for a Corporate Review: Focus on Governance*. Available at www.georgecuff.com

Gill, Mel. (2005) *Governing for Results: A Director's Guide to Good Governance*. Trafford Publishing. Victoria BC.

Criteria of Control Board of the Canadian Institute of Chartered Accountants: *Guidance for Directors – Governance Processes for Control*, December 1995

Toronto Stock Exchange Committee on Corporate Governance. *The Dey Report, Where Were the Directors?* December 1994

Related websites:

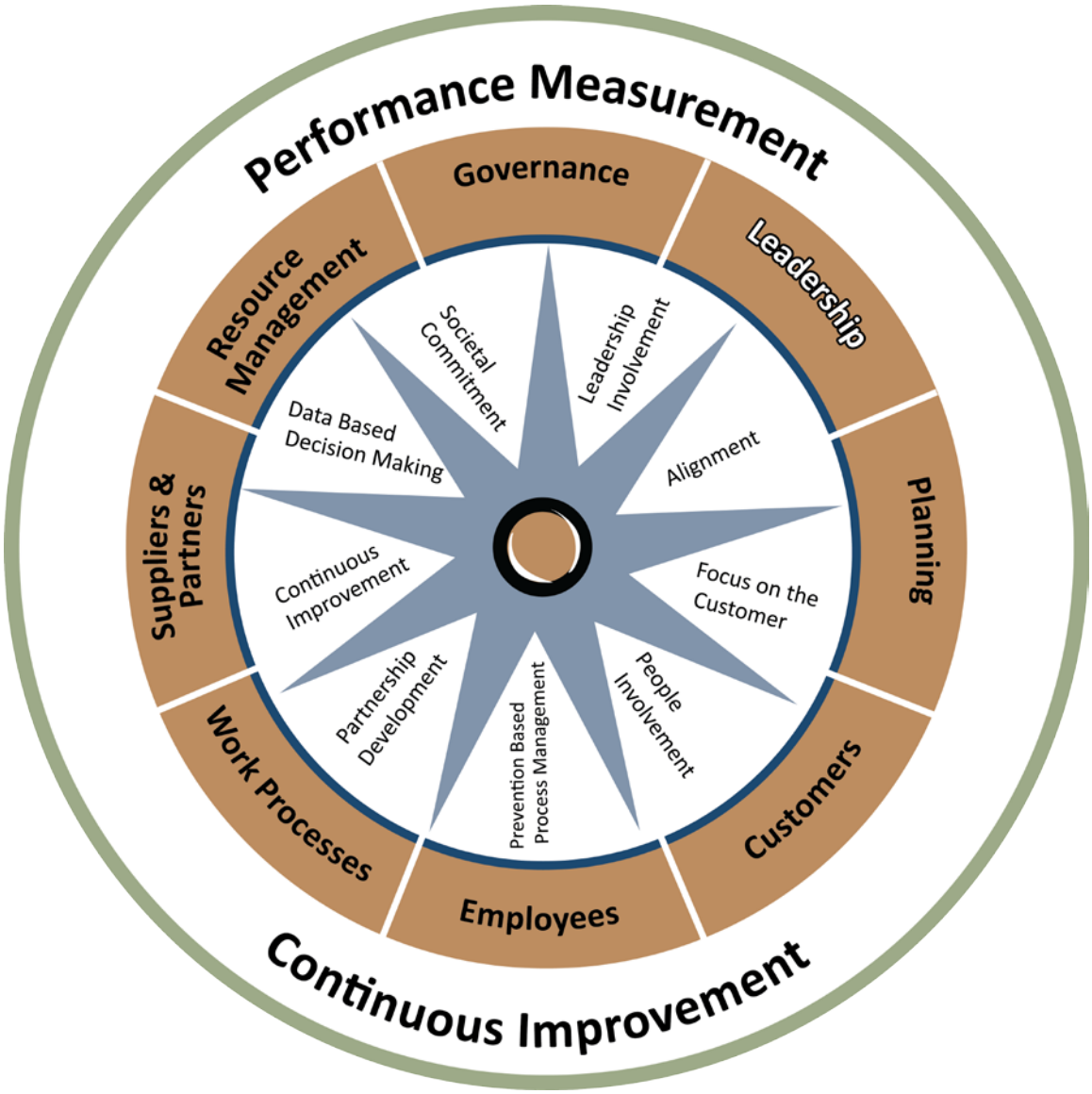
The Canadian Institute on Governance: www.iog.ca

Mentoring Canada: www.mentoringcanada.ca

Publications on Risk Oversight and Governance, Charted Accountants of Canada: www.rogb.ca

Sarbanes Oxley Act of 2002 available at www.soxlaw.com

Chapter 2 Leadership



This chapter focuses on defining and implementing strong leadership practices. It includes: creating a culture committed to excellence, developing a strategic plan and communicating it to stakeholders, sharing responsibility and accountability throughout the organization, communicating openly about organizational performance, and removing barriers to organizational effectiveness.

Practice 2.1: Develop corporate statements

Definition

- Corporate statements include: vision, mission, core values
  - vision: the aim or desired future state of the organization, describes where the organization is headed (e.g. five years from now)
  - mission: the purpose of the organization, a description of what the organization does day-to-day (e.g. what it does, who it serves, how it meets client requirements)
  - core values: a description of how the people in the organization work together (e.g. culture, philosophy, practices, principles that guide the organization)

Example – Canadian Diabetes Association

Vision – By 2005, the Canadian Diabetes Association will be pivotal in preventing the onset and reducing the burden of diabetes in Canada and will be publicly recognized for its role.

Our network of members, volunteers, health care professionals, partners and staff will interact with every community, achieving quality relationships with two million of the people in Canada affected by diabetes.

Mission – To promote the health of Canadians through diabetes research, education, service and advocacy.

Example – Core Values for a Public Sector Organization

The Government of Alberta has four core values:

- Respect - We foster an environment in which each individual is valued and heard
- Accountability - We are responsible for our actions and for contributing to the effectiveness of the public service
- Integrity - We behave ethically and are open, honest and fair
- Excellence - We use innovation and continuous improvement to achieve excellence

Implementation

- Corporate statements provide context for people in and around the organization so that decisions can be made on a daily basis that will advance the organization towards its goals
- Generally, a thorough review of the corporate statements takes place every five years and a check occurs annually to ensure the direction is still valid
- The vision statement should be based on a swot analysis of internal strengths and weaknesses and external opportunities and threats

- The mission statement should be based on a thorough knowledge of the client and their requirements
- The core values should reinforce the principles of quality
- The development and review of statements is the responsibility of the Board or senior management
- Employees and key stakeholders should be involved in strategic thinking and providing input to the statements
- Senior management should show strong support for the statements, for example:
  - role modelling
  - involvement in improvement activities
  - facilitation of team dialogues on how to contribute to the achievement of the vision and work in support of the mission

<u>Methodology</u>

1. Review existing client records, for example:
   - Strategic plan
   - Business plan
   - Corporate statements
   - Customer data
   - Industry trend reports

2. Work with client to summarize the foregoing information into a briefing document.

3. Convene a representative gathering of personnel including:
   - Board
   - Senior management
   - Staff
   - Suppliers
   - Partners

4. Work with the team to create or update corporate statements. This work should entail:
   - SWOT analysis
   - Employee input on corporate statements
   - Strategic positioning in the marketplace

5. Circulate draft corporate statements to management, staff, and key stakeholders for their review and comment.

6. Finalize corporate statements and prepare to communicate the statements comprehensively.

7. Display corporate statements in the workplace:
    - Posters
    - Intranet site
    - Business cards
    - Planning documents

8. Ask management to show strong support, for example:
    - Discuss corporate statements with employees to ensure understanding
    - Discuss interdependencies throughout the organization
    - Align planning activities to statements
    - Reinforce statements during meetings
    - Demonstrate commitment to statements as a role model

Type of Organization

large, medium, small, micro

Related Practices

1.1, 1.6, 2.2, 2.4, 3.2, 5.4, 7.3

Tags

vision, mission, core values, strategic plan, direction, alignment

Practice 2.2: Communicate corporate statements to all levels in the organization

Definition

- Communication methods should be used that are appropriate for the employees and stakeholders
- Communication methods may include:
    - business cards
    - letterhead
    - website
    - email
    - newsletter
    - posters
    - meetings
    - training sessions

Example – Lunch and Learn

Invite management and staff to a lunch and learn. Divide into groups and have each department speak about what the corporate statements mean to them. Summarize the presentations, showing alignment with the corporate statements.

Implementation

- Senior management should use communication methods appropriate for different learning styles (i.e. visual, auditory, kinesthetic)
- Use a variety of communication methods to reach all employees and stakeholders

Methodology

1. Determine the best way of communicating with each stakeholder group.

2. Share the corporate statements with each group.

3. Test the understanding of the corporate statements with each group, for example:
   - Lunch and learn – inviting groups to discuss and present on what the corporate statements mean to them
   - Employee meetings – holding three meetings to explore the understanding and discuss the implementation of the vision, mission, and core values
   - Questions – posing questions to employees such as "What is that you do on a regular basis to advance this organization towards its goals?"

Type of Organization

large, medium, small, micro

Related Practices

1.6, 3.4, 4.3, 5.4, 7.3, 9.1

Tags

communication methods, channels

Practice 2.3: Identify factors that will contribute to organizational success

Definition

- Factors that have a direct impact on stakeholders and contribute to organizational success are often called key success factors or critical success factors
- These factors will contribute to achieving the vision, delivering the mission, and improving organizational performance

Example – Key / Critical Success Factors

- Money - positive cash flow, revenue growth, and profit margins
- Quality - product or service
- Product or service development - to increase business with existing customers and attract new ones
- Strategic relationships - new sources of business, products and outside revenue
- Employee attraction and retention - the ability to find, train, and keep employees and release employees that are not a good fit
- Customer – improvement of the customer experience through product, program and/or service

Implementation

- Senior management should ensure that input on key success factors has organization-wide involvement
- Some methods to identify key success factors include:
  - ask questions:
    - What key initiatives or new practices must we adopt in order to reach our vision?
    - What are the various people, process, communications, technologies and the interfaces between these facets that are holding us back from achieving our future state?
  - mind map the key areas of service provision to customers and explore the nature of the inter-relationships between each of the areas
  - create a fishbone or flow diagram of key processes and identify common fail points or look at ways to reduce cycle time, eliminate steps, and automate

Methodology

1. Engage stakeholders in providing input on key success factors using a method suitable to the organization (e.g. knowledge café explorations, open space conversations, survey). Stakeholders might include:
   - Employees
   - Customers
   - Community members
   - Partners
   - Suppliers

2. Include the discussion of key success factors in a strategic planning retreat with the Board and/or senior management.

3. Assign the consolidation of ideas to a small group of senior management, resulting in a cohesive set of key success factors.

4. Share the final key success factors with stakeholders.

Type of Organization

large, medium, small

Related Practices

1.1, 2.1, 3.1, 4.1, 5.1, 6.1, 7.1, 8.1, 9.2

Tags

key success factors, critical success factors, goals, goal-setting, objectives, objective-setting

Practice 2.4: Develop a strategic plan with goals and objectives that will guide the organization toward its vision

Definition

- Strategic planning incorporates ambitious objectives necessary to create a culture characterized by the principles of quality and achieve the vision
- The plan provides guidance to move from the current state to the desired state
- Components of strategic planning include:
  - corporate statements – vision, mission, core values
  - corporate knowledge – past performance, lessons learned, desired future
  - swot analysis:
    - internal strengths and weaknesses – components of quality management system: governance, leadership, planning, customer, employees, work processes, suppliers and partners, resource management, organizational results
    - external opportunities and threats – trends: social, economic, political, technology, regulatory, competitive, marketplace
  - gap analysis – analysis of the foregoing components to determine where the organization is now, where it wants to be, the gaps that exist across management areas, what must be done to close the gap
  - strategic priorities - high level long term goals and objectives necessary to achieve the organizations strategic direction, depict where organization should concentrate energy and resources to achieve the vision
  - goals – depict the management area that needs to be improved

- objectives – specific, measureable, actionable, realistic, and time based undertakings that will contribute to the goals
- The strategic plan should be linked with the business plan that shares short term goals and objectives, actions, and resource allocations by department, team, and individual
- The strategic and business plans should be linked with other plans (e.g. marketing, financial, communication, human resource, technology, etc)
- Actions should align with work units, suppliers and partners

Example – Goal and Objective

Goal #1 – to improve customer service

Objective - to achieve an 80% customer satisfaction rating of 'satisfied' or 'more than satisfied' with provision of service by 2015

Goal #2 – to improve healthy workplace

Objective – the employee wellness program will contribute to 85% of employees having blood pressure in the normal range by 2015

Implementation

- Strategic planning is the responsibility of senior management
- Employees and stakeholders should provide input to the strategic planning process
- The strategic plan should:
  - determine the organizations ability to execute the strategy
  - optimize the use of resources (i.e. human, technical, financial)
  - ensure that deployment will be effective and there will be alignment on three levels:
    - organization and executive
    - work system and process
    - work unit and individual
- The strategic plan is communicated to all stakeholders
- The strategic plan should be cascaded throughout the organization and aligned with the business plan, other plans, and all management areas

Methodology

1. Review background documents such as:
   - Corporate statements
   - Strategic plans
   - Business plans
   - Customer research

- Performance measurement data
- Industry research

2. Work with the client to prepare a summary briefing document.

3. Invite employees to provide input to the strategic direction of the organization through staff meetings or an organization-wide survey.

4. Prepare a strategic planning presentation that will provide a high level summary of the background documents and guide the process.

5. Convene a gathering of Board members and/or senior management and facilitate the strategic planning session.

6. Summarize the strategic planning session and circulate to Board members and/or senior management for review.

7. Finalize the strategic plan.

Type of Organization
large, medium, small

Related Practices
1.1, 1.2, 1.3, 1.4, 2.1, 2.2, 2.3, 2.5, 3.2, 4.9, 5.1, 5.4, 5.6, 7.3, 8.1, 8.2, 9.1, 9.2, 9.3

Tags
strategic planning, direction, situation analysis, swot analysis

Practice 2.5: Use risk management to assess strategic goals and objectives

Definition

- The goal of risk management is to proactively identify and manage risks early so that actions can be taken to maximize positive events and minimize negative events
- Important considerations in risk management include:
  - likelihood - is a consideration of how possible or frequent this risk is going to occur within the planning period
  - severity - is the assessment of the effect such a risk may have on the organization and/or its ability to complete the plan element
  - impact - outlines the different operational or stakeholder effect should it occur
  - competency/capacity - is the consideration of the organization's resources to handle such a risk – this includes both actual talent plus assessment of the amount of talent to spread across the various given strategies at risk

Example – Risk Assessment for People Resources

A risk assessment for people would use a swot analysis method to consider five factors:

- Strengths - ability to achieve vision and implement goals and objectives
- Weaknesses - achieving the plan, developing new programs, products, services
- Opportunities - outsourcing, new recruitment, training, merger/acquisition, alliance/partnership
- Threats - aging demographics and retirements, changes in talent pool, competitor pay and benefits offering, new entrants with completely game-changing talent (e.g. web and digital media versus traditional radio and television), foreign sourcing at lower cost (e.g. India, China, Indonesia)
- Competency/Capacity – the ingenuity in the organization to invent products, the number of trained people to implement strategies simultaneously

Areas of particular risk would be identified to monitor and control to bring the risk assessment for people resources to a desired comfort level.

Example - Oil Drilling Platform Explosion

Using a scale of 1 to 5, the risk assessment of an oil drilling platform would include the following three factors:

- Likelihood – infrequent to frequent
- Severity – potential damage, death or injuries, environmental contamination, health risk to community and workers, estimated operational resources to fix, speed/ability/reallocation of priorities to resolve
- Impact – Costs for clean-up, restitution for death/injury/lost ability to do business, reduced shareholder dividends, ability for financial reserves/insurance to cover damage costs; public image, brand devaluation, employee pride and loyalty; regulatory penalties, influencer/politician support

A combination of ratings in the foregoing areas will score the risk as low, medium or high.

Implementation

- Senior management should undertake four steps when managing risk:
  - identify negative risk events
  - identify root cause for each event
  - indicate the impact on the organization if the event occurs
  - propose preventative or corrective action to mitigate or eliminate the event
- Senior management should “red flag” particular areas of concern to each other and the Board for regular monitoring or reporting as well as potential scenario and contingency planning

- Board should hold an annual risk review with senior management in conjunction with strategic plan updates and business plan submission and approval
- A SWOT analysis is a particularly useful approach for a risk assessment

Methodology

1. Utilize either or both of the two approaches outlined above for each goal and objective.

2. Department managers should meet with team members to conduct risk assessments and forward their assessments for consolidation into an organization-wide risk report.

3. Senior management and department teams should develop clear contingency plans for high risk and medium risk areas or capital areas with major swot or capacity risks.

4. A culture of "no surprises" should be fostered such that risks that change are reported quickly, and an expectation of proactive consideration, active monitoring and timely reaction or resolution is encouraged.

Type of Organization

large, medium, small

Related Practices

3.3, 6.5, 6.6, 8.4, 9.2

Tags

risk management, cause, effect, impact, swot, severity, likelihood, impact assessment

Practice 2.6: Monitor and review the strategic plan on a regular basis

Definition

- A process is in place to review the development and implementation of the strategic plan
- The review should take place on a regular basis (e.g. annually) to ensure it remains relevant and there have been no major unanticipated market shifts or changes in client expectations
- This process includes:
  - review of success factors, goals, and objectives
  - assessment of results against intended outcomes
  - revisiting and assessing the competitive environment or marketplace
  - confirming long-term organizational sustainability

    - undertaking any necessary changes
    - periodically reviewing lessons learned
- All levels in the organization are consulted regarding the extent of strategic plan deployment
- A major review, update and re-casting of the strategic plan should be done every 5 years
- Involvement of staff at all levels and stakeholders in the regular review can assist in advancement towards attaining the vision and success factors
- In comparison, the Business Plan should be developed each year and include a detailed budget for the coming year
- Each department should report upward on the achievement of their part of the plan, with consolidation at senior management to the Board

Implementation

- Senior management must determine a regular schedule to monitor and review the strategic plan
- The results of the review should be shared with employees and stakeholders
- Senior management (often the Chief Financial Officer) must determine a quarterly schedule of financial and performance reporting
- Senior Management should also expect departmental managers to identify actions that bring "off-track" conditions or performance back on track and forecasting of year-end conditions (including the contingency actions being deployed and/or unusual impacts)

<u>Methodology</u>

1. Undertake an annual planning process with senior management and the Board that includes:
    - SWOT analysis to examine any significant new trends or dynamic shifts not apparent previously
    - Assess market positioning and unique value proposition
    - Review vision
    - Review success factors, goals, and objectives to identify current performance against the long-term desired performance

2. Undertake a quarterly review of departmental performance that includes:
    - Income and revenue related expenditures:
        - Are the various departments on-track?
        - If ahead of budget, how can the successes get captured and retained?
        - If behind plan, how to get back on-track?
    - Expense lines and major groupings, pushing to understand why expenditures are ahead or behind

3. Update the plans as required.

Type of Organization
large, medium, small

Related Practices
1.2, 2.11, 3.2, 5.4, 7.3, 9.1, 9.2, 9.3

Tags
strategic planning, implementing, monitoring, reviewing

Practice 2.7: Ensure senior management demonstrates a commitment to continuous improvement

Definition

- Continuous improvement is also referred to as continuous quality improvement
- Senior management has acquired knowledge and appreciation of the quality management system and apply the principles, practices, and measures to the organization
- Senior management is actively involved in implementing the quality management system
- Senior management shows their commitment by:
  - visibly committing to implementation and maintenance of the quality management system
  - developing a culture characterized by the principles of the quality management system
  - personally communicating and role modeling these principles
  - sharing responsibility, accountability, and leadership for improvement throughout the organization
  - allocating resources to training and developing employees
  - being accessible and actively listening, inspiring, uniting and responding to people
  - reducing barriers between functions
  - promoting teamwork and communication
  - prioritizing improvement activities and being actively involved in such
  - openly communicating with stakeholders about organizational performance
  - championing change

Implementation

- Senior management have knowledge of the quality management system

- Senior management creates a winning cooperative environment that focuses on the organization as a whole (i.e. system thinking)
- Senior management is accountable for specific quality areas and lead the initiative
- Senior management is actively involved in:
  - allocating resources to implement the quality management system
  - related training
  - assessment of the organization against the system
  - improvement planning to close gaps
  - improvement initiatives
  - tracking improvement
- The responsibility for working on improvement initiatives is shared throughout the organization
- Senior management champions change by:
  - understanding internal and external drivers of change
  - identifying and selecting changes that need to be made
  - leading the development of change plans
  - securing investment, resource, and support for change
  - managing the delivery and risk of change programmes
  - ensuring the effective delivery of change and managing stakeholders
  - communicating changes and the reasons for them to stakeholder
  - supporting and enabling people to manage change
  - measuring and reviewing the effectiveness of changes and sharing the knowledge gained

<u>Methodology</u>

1. Ensure members of the senior management team have knowledge of the quality management system.

2. Meet with senior management to explore commitment to continuous improvement.

3. Meet with senior management to identify ways to show their commitment, for example:
   - Allocating adequate resources
   - Training employees
   - Being actively involved in improvement initiatives
   - Sharing responsibility with others in the organization
   - Exploring other resources, for example authors and methodologies

4. Ensure that senior management champions change

Type of Organization

large, medium, small, micro

Related Practices

1.7, 2.16, 3.9, 3.10, 4.10, 5.4, 5.5, 5.6, 5.7, 5.10, 5.12, 5.13, 6.7, 7.6, 8.9, 9.1, 9.2, 9.3

Additional Notes

Other sources of information:

- Authors - Edwards Deming, Philip Crosby, Joseph Juran
- Methodologies – kaizan, six sigma, lean, ISO 9000

Tags

senior management commitment, continuous improvement, corporate culture, excellence, quality

Practice 2.8: Ensure senior management participates in professional bodies, conferences, and seminars

Definition

- The organization requires certain competencies of its leaders and monitors how people develop those competencies
- Senior management shows commitment to ongoing professional development
- Senior management is committed to developing the organizations future leaders through:
  - sharing knowledge
  - personal mentoring
  - recognition opportunities and events that celebrate the workforce
  - participating in leadership development courses
  - succession planning

Example – Affiliations

There are three types of associations that appeal to most business professionals:

- Functional area - strategy, marketing, human resources, manufacturing, scientific research, medicine, law, communications, finance, government relations, etc
- Industry associations – Institute of Management Accountants, International Council of Management Consulting Institutes, Project Management Institute, Society of Manufacturing Engineers, etc
- Business associations - Conference Board, Chamber of Commerce, Better Business Bureau, etc

Implementation

- Management personnel should consider their goals for personal networking, professional development and the needs of the organization when joining communities of common interest
- The organization should pay for one or more memberships that benefit both the individual and the organization
- Time and support should be provided for management personnel to attend meeting, develop and deliver presentations to colleagues, get involved in working committees
- Time, support and travel expenses should be provided to attend annual conferences
- Management personnel should develop specific goals for each membership annually, with report-back to supervisor and/or colleagues on the outcomes from such memberships

Methodology

1. Research the various associations that might be of value to both the organization and management personnel.

2. Meet with the management personnel to discuss their performance plan for the year, and personal development goals.

3. Outline the various membership options and the potential benefits or outcomes that could be achieved.

4. Select memberships best suited to the individual and organization.

5. Develop an action plan for getting engaged in the various associations.

6. Look for opportunities to:
   - Provide presentations to colleagues
   - Mentor or coach others
   - Become involved in association committees

7. Work to develop a reputation and recognized expertise in two to three technical or business areas.

Type of Organization

large, medium, small

Related Practices

5.8

Additional Notes

Other sources of information;

- Associations – brochures, membership information, websites

Tags

training, competence, professionalism, leadership skills

Practice 2.9: Remove barriers to organizational effectiveness

Definition

- Senior management recognizes the organization is comprised of a network of interdependent and interconnected work processes and that all areas must work effectively for the benefit of the whole (i.e. system thinking)
- Senior management recognizes that 95% of improvement originates within the organization (e.g. suggestions and ideas of stakeholders) and that not all change results in improvement (i.e. 50% no change, 25% positive change, 25% negative change)
- Senior management uses regular, high-level inter-departmental meetings with leaders to identify and remedy barriers to effectiveness

Example – System Mind Map

A system mind-map (or picture) of how the various departments are connected and the nature of work flow, information flow, and inter-relationships can be drawn at a senior management meeting. These connections and interrelations can be identified and discussed for improvement and leadership. Similar picture-drawing and dialogue sessions can be held in department staff meetings or with cross-functional teams. Such dialogue can greatly enhance effectiveness.

Implementation

- Encourage teams to meet at the start of each new project or initiative
- Encourage cross-training and connections, for example:
  - someone in manufacturing could go along on a sales call
  - someone in product design could attend customer focus groups
  - managers from different departments going to lunch, socializing and cross-populating staff meetings
  - managers spending time in staff employee's shoes to develop relationships, enhance trust, and build an appreciation for how the work is done

Methodology

1. Facilitate executives through the mind-mapping of a picture of inter-connectedness of their departments and work areas.

2. Meet with members of different departments to speak about interrelationships, for example:
   - How they feel about each other
   - The way teams work
   - How teams affect one another
   - Opportunities for improvement

3. Have management spend time in employee positions.

4. Ask groups to debrief on experiences and share recommendations.

5. Share recommendations with senior management.

Type of Organization
large, medium, small

Related Practices
1.7, 2.16, 3.10, 4.10, 5.13, 6.11, 9.6, 8.9, 9.2, 9.3

Tags
barriers, bottlenecks, cost of quality, errors, rework, duplication, waste, customer dissatisfaction, employee dissatisfaction

Practice 2.10: Promote teamwork among employees

Definition

- Senior management:
  - recognizes the diverse strengths and abilities of employees
  - recognizes teamwork makes it easier to accomplish goals
  - recruits team players, people who get along with colleagues and form a cohesive group
  - establishes a balance between individual work and group work and between individual excellence and team effectiveness
  - recognizes and rewards teamwork

Implementation

- Senior management engages in team building to improve team performance

- Team building is pursued via a variety of practices, and can range from simple bonding exercises to complex simulations and multi-day team building retreats
- The aim of team building is to:
  - improve communication
  - make the workplace more enjoyable
  - motivate a team
  - get to know and trust each other
  - get everyone on the same page, including goal setting
  - teach the team self-monitoring strategies
  - help participants to learn more about themselves (i.e. strengths, weaknesses, differences, similarities)
  - identify and utilize the strengths of team members
  - improve team productivity
  - practice effective collaboration with team members
  - define expectations and the way they will work together
- Groups of individuals are usually brought together by a manager or supervisor to address a larger project or initiative beyond the skills or capacities of single individuals. In this case, group work, inter-connections between group members, and most decisions in the project are all brought to or made by the Manager
- Attributes of teams goes beyond that of groups, with the following characteristics:
  - clear, elevating goal
  - results-driven structure
  - competent team members
  - unified commitment
  - collaborative trust and communication
  - standards of excellence
  - support and recognition
- Such elements are facilitated by the manager or supervisor, but developed and decided upon by the collective of all team members
- Senior management thus:
  - recruits team players, people who get along with colleagues and are able to form a cohesive group
  - recognizes the diverse strengths and abilities of employees including the ability for self-direction, for collaboration, for innovation
  - creates the conditions and space for teams to work together to accomplish goals
  - facilitates a balance between individual work and group work and between individual excellence and team effectiveness
  - protects the team from unnecessary distractions and/or competing interests
  - recognizes and rewards teamwork and accomplishment

Example - Teamwork

An individual computer programmer, administrative assistant or lawyer will accomplish tasks and small projects, often with a technical expertise they bring to the situation.

A manager may bring together these individuals and have them work together on creating an on-line legal manual for employees of a company on how to hire, promote, discipline and terminate employees. The manager guides the ideas initiation, the work flow from the lawyer to assistant to programmer, and proofs the draft and final document.
This process may be facilitated by the manager bringing together the individuals and discussing the needs of the organization as it applies to the project. The team members will be empowered to meet and establish:

- Their view of what the finished product will look
- How to allocate work
- Whether other input from colleagues may be required
- The timelines and deadlines for the project
- How to fit the project into their other workload

Thereafter, the team will meet to review progress. Along the way, they may help each other with different components, learn from each other, spark ideas from one to another, and advance beyond the initial imagination of the manager.

Methodology

1. Meet with the manager and review the project including:

2. Establish the objective for the project that is concrete, measurable, and performance-based

3. Review the talent base and select members for the team.

4. Coach the manager on facilitation approach and skills

5. Accompany the manager to the team meeting and observe the undertakings.

6. Provide feedback and guidance to the manager for the next meeting with team members.

7. Work with the manager to identify appropriate support and reward mechanisms that might be available within the organization's resources and policies.

Type of Organization
large, medium, small, micro

Related Practices
2.9, 2.12, 5.2, 5.10, 9.3

Tags
teamwork, team building, team effectiveness

Practice 2.11: Communicate openly to employees about organizational performance

Definition

- Senior management:
  - personally communicates the organizations strategic direction, targets, and performance results to stakeholders
  - remains accessible, listens, and responds to stakeholders
  - considers all decision makers when formatting performance data and information
  - puts in place systems to ensure that performance data and information is shared, especially among those that can use it to improve performance
  - ensures that performance data is generally accessible
  - encourages effective communication that is open, top-down, bottom-up and horizontal
  - has mechanisms for getting input from people throughout the organization
  - develop feeling of ownership amongst employees for the organization's success

Example – Communication Ideas

The following points provide a variety of ways to communicate organizational performance with employees:

- Department leader conducts monthly meetings with staff to review the financial results of the whole organization, as well as their own department
- Other performance information such as customer feedback and project debriefs are shared. Leader walks through the financial reports explains the information, encourages dialogue and questions, ensuring employee understanding of what the reports mean
- Leader encourages team leaders to summarize lessons learned from completed projects and marketing representatives to share feedback from clients
- Marketing manager invites customers to make presentations about how they use the organizations products and services, and what they might appreciate differently in the future

Implementation

- Uses methods of communication appropriate for employees
- Communication methods may include:
  - conversation
  - presentation (i.e. in-person, video)
  - newsletter
  - email
  - poster
  - storyboard display
  - meeting

Methodology

1. Review the various performance reports generated by the organization (e.g. financial, manufacturing and/or service, statistics, quality review reports, error reports).

2. Review past agendas of staff meetings.

3. Interview employees about their knowledge of or appreciation for the success of the organization overall, and their understanding of the business of the organization (e.g. key trends, dynamics affecting the organization, financial matters such as profitability and budgets).

4. Develop a strategy with the executive for a session with employee that provides information, teaches staff how to read and interpret the information, and encourages dialogue or sharing.

5. Invite employees to attend the meeting and share information, encouraging employees to engage in a discussion afterwards regarding opportunities for improvement.

6. Assist in the development of action plans resulting from employee discussions.

Type of Organization

large, medium, small

Related Practices

1.8, 2.17, 3.11, 4.11, 5.14, 6.12, 7.7, 8.10, 9.1, 9.2, 9.3

Tags

measurement results, organizational performance, communication

Practice 2.12: Share responsibility, accountability, and leadership throughout the organization

Definition

- Senior management creates an environment that promotes a system of leadership at all levels
- Inter-departmental teams are formed with clearly defined responsibilities
- If there are people working full time on quality, they are the main resource for individuals and departments in helping them achieve their improvement goals
- Senior team members are accountable for specific quality areas and lead the quality initiative
- Authority to act is passed down the organizational structure
- Acceptance of responsibility and accountability is present throughout the organizations both in teams and individuals

Implementation

- Senior management creates an environment that promotes a system of accountability at all levels
- In hierarchical organizations, responsibility and authority are delegated down through an organization and, in return, accountability for decisions, actions and resource utilization is directed upward
- In teams, responsibility is clarified amongst the members, for example:
  - common goals
  - team behavior
  - individual roles
  - inter-relationship elements
  - accountability to other team members
  - reporting non-conforming team members
- Senior team members are accountable for specific quality areas and lead the quality initiative
- Individuals and teams working full time on quality initiatives are the main resource for others in helping them achieve their quality improvement goals
- Authority to act is passed down the organizational structure and usually defined in a:
  - individual - job description, performance plan
  - team - team agreement
- Acceptance of responsibility and accountability is present throughout the organizations, usually represented through a signature acknowledging the authority
- Individuals and teams provide progress reports to their manager or team colleagues at regular meetings regarding the deployment of the project assigned

Methodology

1. Review the organization chart (i.e. formal or dialogue).

2. Develop a formal picture of the organization chart.

3. Break-out responsibility descriptions of the different functions from the organization chart.

4. Develop or review existing job descriptions ensuring the descriptions are behavioural and expectations are outlined.

5. Ensure that individual performance plans align with the organization's vision, key success factors, and outcome measures.

6. Establish a formal development, completion and sign-off process for the performance plans.

7. Establish a formal process for reviewing the performance plans quarterly or semi-annually, and then annually at the end-of-year.

Type of Organization

large, medium, small

Related Practices

1.2, 4.5, 5.5, 9.3

Tags

leadership, responsibility, accountability, empowerment, authority

Practice 2.13: Link senior management rewards and recognition to organizational performance

Definition

- The organization provides remuneration and benefits that support and provide value to organizational intent
- The reward and recognition system for senior management should be performance-based
- The relationship between performance and reward and recognition should be documented in a performance contract
- Reward and recognition should be appropriate for the individual
- Performance is based on:

- fostering the application of quality principles
- achieving strategic and business goals and objectives
- undertaking activities that have a direct connection to the improvement plan

Implementation

- Reward and recognition should:
  - align with success factors, strategic goals and objectives
  - be appropriate for the individual
  - parallel the significance of the achievement
  - be timely and specific
- Performance contracts should include:
  - success factors and strategic goals and objectives for the organization
  - senior manager goals and objectives that align with strategy
  - supports from the organization
  - learning and development plan
  - statements of commitment by the employee
  - statements of commitment by the leader (e.g. CEO, Board Chair, Owner_
  - statement of understanding with regards to code of ethics
  - consequences for results achieved
  - maintenance of the contract over a specified time period

Methodology

1. Work with the leader to prepare a draft of the performance contract.
2. Have the leader discuss the draft with the senior manager.
3. Amend the performance contract as required.
4. Ensure mutual understanding and acceptance of the agreement.
5. Monitor progress of the performance contract.
6. Recognize performance accomplishments or administer consequences.

Type of Organization

large, medium, small

Related Practices

3.5, 5.9, 5.10, 9.2, 9.3

Tags

reward, recognition, compensation, performance related pay

Practice 2.14: Demonstrate responsibility to society and the environment

Definition

- The organization has a responsibility to society at large
- The organizational recognizes that decisions can have a significant impact on society (e.g. environment)
- Senior management ensures that actions resulting from their decisions do not have a negative impact on society
- The organization embraces responsibility for the impact of their activities on the:
  - environment
  - consumer
  - employee
  - community
  - shareholder
- The organization monitors and ensures their adherence to law, ethical standards, and international norms
- The organization chooses not to simply meet mandatory regulations in health and safety areas, but to exceed them
- The organization seeks to make a contribution to society by:
  - identifying causes to support
  - providing funding
  - volunteering hours
  - making contributions-in-kind

Example – Societal Contribution

The following activities provide examples of how organizations might contribute to their community:

- Partnering with schools and school boards to improve education
- Partnering with health care providers to improve health in the local community by providing education and volunteer services to address public health issues
- Partnering to influence trade, business, and professional associations to engage in beneficial cooperative activities such as sharing best practices to improve global competitiveness and the environment
- Non profit organizations partnering with other non profit organizations or businesses to improve overall performance and stewardship of public and charitable resources

Implementation

- The organization demonstrates corporate social responsibility in areas such as health, education, and community development
- The organizations demonstrates its commitment to the community and wider society by:

- disclosing relevant information from operations to the community
- listening to community feedback
- reducing and preventing harm arising from its operations and lifecycle of its products and services

Methodology

1. Review the organization's strategic and business plans.

2. Document the organization's commitment to society and the environment.

3. Assess organizational activities that provide evidence of this commitment.

4. Identify opportunities for improvement.

5. Implement opportunities for improvement ensuring there is a measure for each opportunity.

6. Track results and summarize.

7. Communicate results to all stakeholders.

8. Publicize results internally and externally.

Type of Organization
large, medium, small, micro

Related Practices
1.1, 1.3, 1.5, 5.11, 6.3, 6.4, 8.4, 8.5, 8.6, 9.2

Additional Notes
Other sources of information;

- Forum - The Social and Environmental Responsibility World Forum is an initiative organized by the Réseau Alliances in 1993 in partnership with private and public organizations, to encourage social and economic responsibility among businesses
- Organization – the International Standards Organization has developed a standard for implementing an environmental management system (ISO 14000 – Environmental Management System) and is developing an international standard to provide guidelines for adopting and disseminating social responsibility (ISO 26000 - Social Responsibility) that will be published in 2010

Tags
corporate responsibility, corporate citizenship, responsible, sustainable, corporate social performance, environmental consciousness, environmental regulations, corporate self-regulation, law, ethical standards, international norms

Practice 2.15: Learn from ideas and good practices and share them internally and with other organizations

Definition

- A characteristic of leadership in organizations committed to quality is their willingness to share experiences and insights with people within and from outside their own boundaries and to learn from other organizations
- Senior management is willing to share experience, good and bad, from their quality journey
- The aim of sharing experience is to enable continual improvement

Example – Sharing Practices with Others

- The following points describe how some organizations share practices with others:
- Recipients of the Malcolm Baldrige quality award in the United States give permission for their award applications to be posted on the website
- Excellent organizations find a variety of ways to communicate the successes and challenges related to their quality journey, for example :
  - providing interviews to media
  - posting articles in industry magazines
  - volunteering to make presentations
  - communicating at internal and external meetings

Implementation

- Sharing methods include:
  - networking
  - meetings
  - interviews
  - site visits
  - presentations
  - newsletters
  - articles
- The organization also recognizes the need to learn from others and utilizes techniques such as:
  - benchmarking
  - comparisons

- networks
- alliances

Methodology

1. Identify internal and external parties that may be receptive to learning from the organization.

2. Meet with parties to agree on the best method of communication.

3. Share experiences and answer questions.

4. Track the number of sharing occasions and share with internal stakeholders.

5. Research other organizations that are willing to share their experiences.

6. Involve a representative team from across the organization in the learning sessions with outside organizations (e.g. quality team).

7. Capitalize on learning sessions by making relevant improvements in the organization.

Type of Organization

large, medium, small

Related Practices

4.7, 5.6, 5.7, 6.9, 6.10, 7.4, 7.5, 8.6, 9.2

Tags

ideas, suggestions, lessons learned, experiences, comparisons, benchmarking

Resources and References:

Books and articles:

Bossidy, L., Charan, R. and Burck, C. (2002). arry et al. *Execution – The Discipline of Getting Things Done*. Crown Business. New York.

Crouhy, Michel, Galai, Dan, and Mark, Robert. (2006). *The Essentials of Risk Management*. The McGraw-Hill Companies. New York, NY.

Edvinsson, Leif and Malone, Michael S. (1997).. *Intellectual Capital: Realizing Your Company's True Value by Finding Its Hidden Brainpower.* Harper Collins. New York, NY.

Fine, Lawrence G. (2009). *The SWOT Analysis: Using Your Strength to Overcome Weaknesses, Using Opportunities to Overcome Threats*. Kick It, LLC.

Hamel, G. and Prahalad, C. K. (1994). *Competing For the Future*. Harvard Business Review. Volume 72, Issue 4.

Hammer, M. and Champy, J. (2001). *Reengineering the Corporation: A Manifesto for Business Revolution*. Harper Collins. New York, NY.

Heifetz, Ronald. (1994). *Leadership Without Easy Answers*. The Belknap Press of Harvard University Press. Cambridge, Massachusetts.

Kaplan, Robert S. and Norton, David P. (1996). *The Balanced Scorecard*. Harvard Business School Press. Boston, Massachusetts.

Kaplan, Robert S. and Norton, David P. (2008). *The Execution Premium: Linking Strategy to Operations for Competitive Advantage*. Harvard Business School Press. Boston, Massachusetts.

Katzenbach, Jon R. and Smith, Douglas K. (1993). *The Wisdom of Teams – Creating the High Performance Organization*. Harvard Business School Press. Boston, Massachusetts.

Kim, W. Chan and Mauborgne, Renee. (2005). *Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant*. Harvard Business School Press. Boston, Massachusetts.

Klatt, B., Murphy, S., and Irvine, D. (1997). *Accountability: Getting A Grip On Results*. Stoddart Publishing Co. Limited. Toronto, ON.

Klatt, Bruce and Murphy, Shaun. (2004). *Aligned Like A Laser*. Bow River Publishing.

Kremer, C.; Rizzuto, R.; and Case, J. (2000). *Managing by the Numbers*. Perseus Publishing. New York, NY.

Lebow, Rob and and Spitzer, Randy. (2002). *Accountability – Freedom and Responsibility without Control*. Berrett-Koehler Publishers, Inc. San Francisco, CA.

Lencioni, Patrick. (2002). *The Five Dysfunctions of a Team: A Leadership Fable.* Jossey-Bass. San Francisco, CA.

Lencioni, Patrick. (2005). *Overcoming the Five Dysfunctions of a Team: A Field Guide for Leaders, Managers and Facilitators.* Jossey-Bass. San Francisco, CA.

Liker, Jeffrey K. (2004). *The Toyota Way*. McGraw-Hill. New York, NY.

Maxwell, John C. (2002). *The 17 Essential Qualities of a Team Player: Becoming the Kind of Person Every Team Wants*. Maxwell Motivation, Inc. Nashville, Tennessee.

Mintzberg, Henry. (1994). *The Rise and Fall of Strategic Planning*. Simon and Schuster. New York, NY.

Olsen, Erica. (2007). *Strategic Planning for Dummies*. Wiley Publishing Inc. Indianapolis, Indiana.

Pell, Arthur R. (1999). *The Complete Idiot's Guide to Team Building.* Alpha Books. Indianapolis, Indiana.

Robinson, Alan G. and Schroeder, Dean M. (2004). *Ideas Are Free: How the Idea Revolution Is Liberating People and Transforming Organizations*. Berrett-Koehler Publishers, Inc. San Francisco, CA.

Scholtes, Peter R. (1988). *The TEAM Handbook: How to Use Teams to Improve Quality.* Oriel, Incorporated.

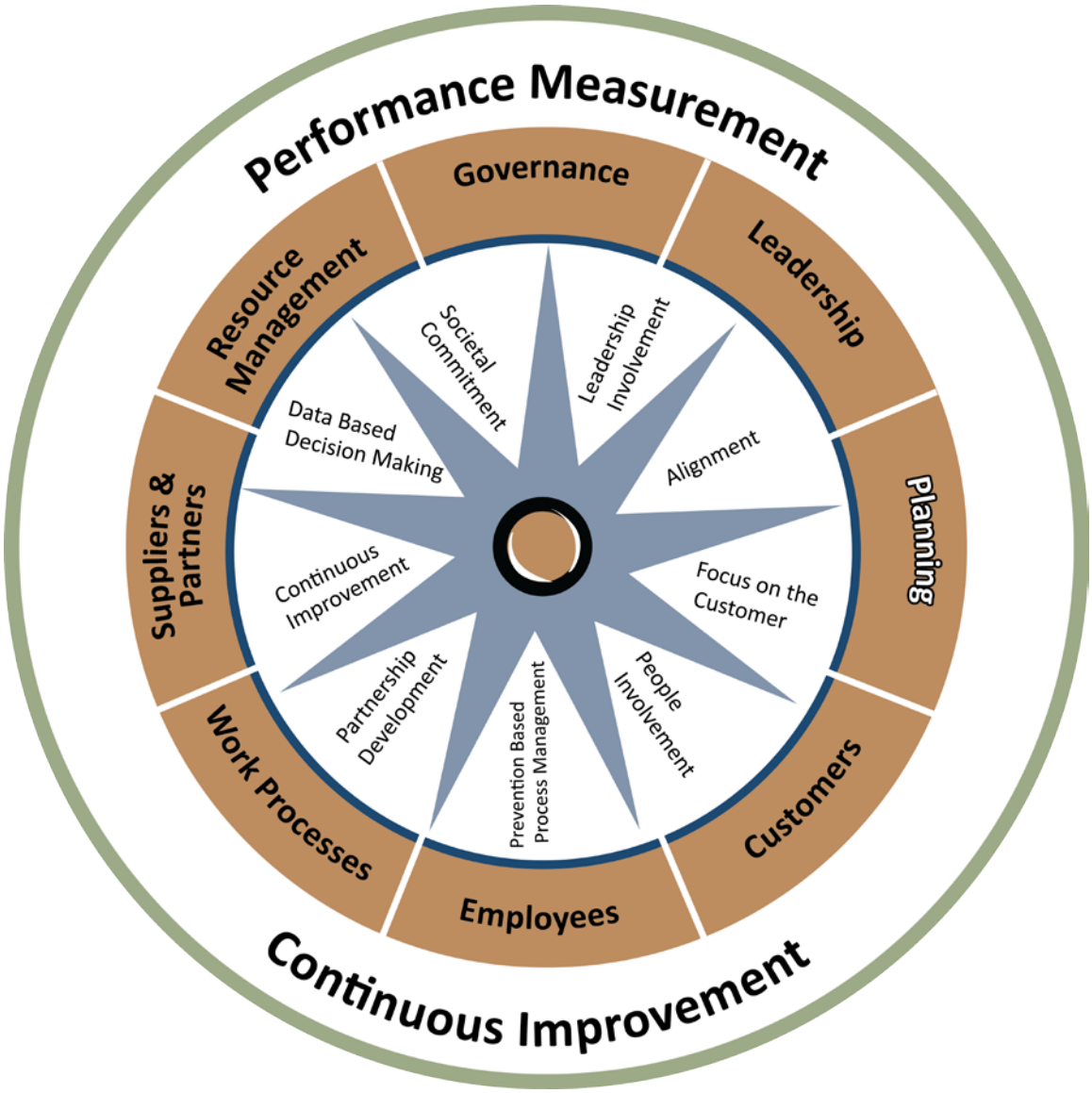
Senge, Peter M.; Scharmer, C. Otto; Jaworski, Joseph; and Flowers, B. S. (2004). *Presence – An Exploration of Profound Change in People, Organizations & Society*. Random House. New York, NY.

Sullivan, Gordon R. and Harper, Michael V. (1996). *Hope is Not a Method*. Random House. New York, NY.

Ulrich, David. (1997). *Human Resources Champions*. Harvard Business School Press. United States.

The Team Memory Jogger, available through GOAL/QPC and Oriel Incorporated at www.goalqpc.com .

Chapter 3 Planning



This chapter focuses on defining and implementing solid planning practices. It includes: creating a business plan that aligns with strategic direction, communicating the plan to stakeholders, allocating resources to ensure effective implementation, monitoring and reviewing the plan regularly and making changes as required.

Practice 3.1: Use factual information to provide input to the business planning process

Definition

- Describe the organization based upon baseline data that describe the present state of the organization and external data that may impact the organization, for example:
  - internal data – products and services, marketing, organizational learning, operations, financial, quality assessment findings, performance measurement data
  - external data – customer requirements, competitors, trends (social, economic, regulatory, technology), supplier and partner relationships
- An important consideration in business planning is the organization's commitment to excellence most often reflected in the quality plan

Example – Business Plan Components

i. Executive Summary
ii. Definition of Business – history, vision, mission, legal description, date of commencement, key stakeholders
iii. Products and Services – description of products and services, technical advantages, industry trends
iv. Marketing – total market, market segments, target markets, market share, competitors, pricing policy, promotion plan, distribution plan, sales projections
v. Organization – structure, biographies of key personnel, job descriptions and compensation, performance appraisal system, training plan, staffing plan
vi. Land, Buildings, and Equipment – location of business, description of land, buildings, and equipment, projected requirements
vii. Operations – workflow, inventory, supplies and materials, manufacturing or service costs, timing
viii. Situation Analysis (SWOT) – internal strengths and weaknesses, external opportunities and threats
ix. Financial Matters – capital requirements, sources of financing, financial statements, financial projection, summary of assumptions, contingency plan
x. References – financial institution, professional business relationships

Implementation

- Develop a profile of the organization that summarizes internal and external data and describes where it stands in terms of internal strengths and weaknesses and external opportunities and threats.

Methodology

1. Organize a working group made up of management and staff to develop and integrate the internal and external data, including preparation of a report to Board and management.

2. Gather additional input from the Board, management and staff on current state of the organization and future potential.

3. Compile a SWOT (strengths, weaknesses, opportunities, threats) analysis for the organization based upon the foregoing information.

Type of Organization

large, medium, small, micro

Related Practices

1.1, 1.7, 2.1, 2.3, 3.2, 4.1, 4.11, 5.14, 6.10, 6.12, 7.7, 8.10, 9.1, 9.2, 9.3

Additional Notes

- Large firms and public organizations will be able to access data using internal resources and staff almost exclusively, whereas small private and non-profit firms may require outside professional services for information finding and analysis.

Tags

benchmark, baseline, internal financial data, external market data, environmental scan

Practice 3.2: Create a business plan that identifies, prioritizes, and incorporates a balanced set of objectives, measures, and initiatives that support the strategic direction

Definition

- Business planning is derived from strategic direction and supported by other organizational plans.
- An important consideration for business planning is the quality plan comprised of goals and objectives aimed at achieving organizational excellence.
- Objectives: the purposes of the business plan, consistent with the leadership statements of vision, mission, core values, and strategic direction.
- Measures: the quantified baseline information that describes the present state of the organization, and the detailed assumptions based on factual data that are required to forecast the results of the plan over the planning time frame.
- Initiatives: The activities required within the planning process to achieve the objectives.

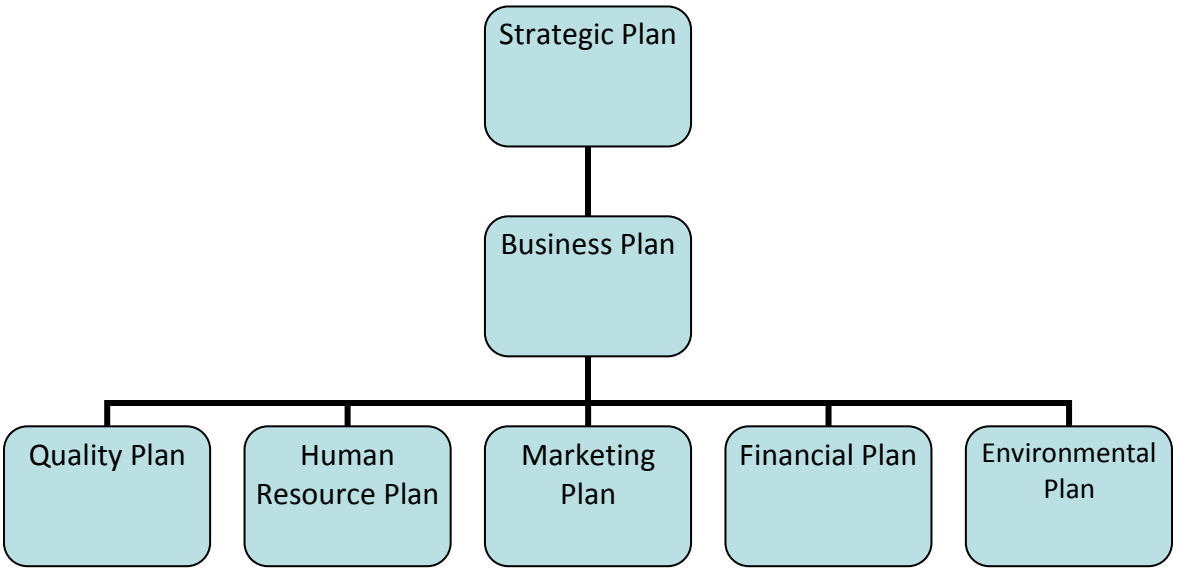
Example – Quality Plan

The quality plan is derived from three core activities: training employees on the quality management system, assessing the organization against the system, and developing a plan to capitalize on improvement opportunities. Assessments should be conducted on an annual basis as part of the organization's commitment to continual improvement and this commitment should be reflected as a goal in the business plan.

Implementation

- There should be alignment between the business plan and strategic plan and between other organizational plans and the business plan.
- The organization must turn business decisions and imperatives into actionable plans that denote responsibility and use measures to track achievement.
- The business planning process should be initiated at the Board or senior management level and solicit organization-wide involvement.
- The business plan creation and approval process should take place before future operational changes are implemented.

Example – Alignment of Plans



Methodology

1. Review key management areas and develop objectives for the business plan, including action plans with responsibility, timing, and measurement, and approve action plans at senior management and Board levels.

2. Record the correspondence between the objectives and the strategic direction and mission of the organization.

3. Determine the changes required in key management areas to meet the objectives.

4. Develop accurate forecasting assumptions based on factual information.

5. Develop guidelines for a sensitivity analysis, based on a risk assessment for each forecasting assumption, as part of the business planning process.

6. Develop a strategy to achieve the objectives.

7. Develop pro forma financial forecasts over the time frame of the business plan, in sufficient detail to allow monitoring during implementation of the plan.

8. Determine the amount and availability of internal resources and additional investment capital required to achieve the plan.

9. Carry out the sensitivity analysis and ROI or ROE calculations and check the results against the objectives chosen.

10. Write the business plan based upon an agreed-upon report format.

11. Ensure alignment between the business plan and strategic plan and between the other plans (e.g. human resource, marketing, financial, quality) and the business plan.

Type of Organization

large, medium, small, micro

Related Practices

2.1, 2.4, 2.5, 2.17, 3.1, 4.0, 5.1, 7.0, 8.0, 9.2, 9.3

Additional Notes

- Implementation of the business planning process may be possible with existing human resources in large organizations, but small organizations may require outside expertise.
- The environmental scanning process should continue during business planning to check whether the SWOT scenarios for the organization change during the planning exercise, and make adjustments to planning to account for any recent changes.

Tags

objectives, return on investment, sensitivity analysis, risk assessment, forecasting assumptions, financial forecast, marketing strategy, investment capital, human resources, financial resources

Practice 3.3: Develop contingency plans for unforeseen events

Definition

- Contingencies arise if the implementation of the business plan brings change that impacts the organization from such areas as:
  - new business ventures
  - new regulatory requirements
  - entry into new markets
  - deployment of new technologies
  - product or service innovations
- Contingency plans prepare the organization for unexpected change, such as may be caused by changes in the economy, or by disruptive technologies that impact the marketplace.
- Contingency plans assist the organization to anticipate the future competitive environment in a number of scenarios.

Implementation

- Contingency planning is carried out as part of the sensitivity analysis portion of the business planning process.

<u>Methodology</u>

1. Analyze the risks inherent in each of the planning assumptions and quantify the anticipated changes for different possible change scenarios and events.

2. Develop action plans for fast response of the organization to all possible change scenarios and contingencies.

3. Develop a set of indicators and measurement techniques to track the effectiveness of contingency response.

Type of Organization
large, medium, small

Related Practices
1.2, 2.5, 2.17, 3.2, 4.8, 4.9, 6.4, 9.2

Tags
change, indicators, sensitivity analysis, contingency, disruptive technology

Practice 3.4: Communicate and integrate the business plan internally and externally

Definition

- A communication strategy and processes are put in place to communicate the business plan and its objectives throughout the organization and to outside stakeholders.
- Business planning goals and objectives are made clear to stakeholders.
- Stakeholders understand how their area of responsibility contributes to achieving business planning goals and objectives.

Implementation

- The communication strategy must demonstrate how the business plan aligns with strategic direction and how work processes and learning initiatives align with the business plan.
- Employees must be made accountable for internal and external communications and ensure that communications are appropriate for each stakeholder group.

Methodology

1. Assign responsibility and accountability to senior communications staff to communicate the business plan according to the communications strategy and processes chosen.

2. Communicate the business plan to everyone in the organization, and to all external stakeholders, including members, shareholders, and financial supporters.

Type of Organization
large, medium, small

Related Practices
1.6, 2.2, 2.11, 4.0, 6.8, 6.9, 9.6

Tags
integration, human resource plans, marketing plans, operational plans, communication, accountability, stakeholders

Practice 3.5: Allocate resources to ensure effective implementation of the business plan

Definition

- Resources within the organization include:
  - human resources
  - equity and debt financial capital
  - technology
  - capital equipment and facilities
  - knowledge and information
- Resources outside the organization include supplier agreements and partnership relationships.
- Responsibility and accountability for the business plan must be evident at all levels.

Implementation

- Allocation of resources is a management function within the organization.
- Allocation of resources should be optimized, ensuring the availability of a skilled workforce and short to long term requirements of financial capital, technology, suppliers, and appropriate partnerships or collaborations.

Methodology

1. Set up a management team to develop the optimization plan for resource allocation, led by a manager with authority to make resource allocation decisions.

2. Allocate resources for effective implementation of the business plan through the designated manager.

Type of Organization

large, medium, small

Related Practices

1.4, 2.7, 2.10, 4.9, 5.0, 6.4, 6.7, 7.2, 8.0, 9.2

Tags

resource allocator, implementation, authorization, management authority, internal resources, external resources

Practice 3.6: Conduct a capability gap analysis for resources

Definition

- The organization analyzes data to close the gap between where the organization is now and where it wants to be.
- The organization determines how resources will be used, developed, valued, and managed to support deployment of the strategy.
- Resources include:
  - financial
  - physical assets
  - soft assets (e.g. intellectual property, reputation, image)
  - technology
  - projects
  - knowledge and information
  - strategic alliances
- There may be gaps in the capability of the organization to implement the business plan objectives through its existing resources.

Implementation

- The organization must analyze all available information to close the gap between where the organization is now compared to where it wants to be.

<u>Methodology</u>

1. Develop a capability profile for the organization at present considering facilities and equipment, personnel skills, policies and procedures, and management capabilities.

2. Develop the capability profile for the organization that is required to achieve the objectives of the business plan.

3. Determine the gaps between the present and required capability profiles.

4. Determine how to obtain and allocate the resources required to close gaps, including the formation of new strategic alliances.

Type of Organization

large, medium, small

Related Practices

1.4, 3.5, 4.9, 5.1, 6.9, 7.3, 8.1, 9.2

Tags
gap analysis, capability profile, capability gap, Ansoff Model, resources, objectives

Practice 3.7: Reallocate resource requirements to adjust to changing circumstances

Definition
- Changing circumstances may include:
  - new legislative requirements
  - new ventures
  - mergers or acquisitions
  - market shifts
  - changing standards
  - new innovations in product, service, or technology
  - other external factors that impact the organization

Implementation
- Resources must be reallocated to address capability gaps and anticipated change and contingencies, in line with business plan objectives.

<u>Methodology</u>

1. Identify changing circumstances and related impact on the organizational capability.

2. Examine resources within and outside the organization.

3. Reallocate resources to close the capability gaps and meet any related contingencies.

Type of Organization
large, medium, small

Related Practices
3.3, 3.5, 3.6, 4.9, 5.8, 6.4, 8.9

Tags
resource reallocation, contingencies, change

Practice 3.8: Monitor and review the business plan on a regular basis

Definition

- The organization measures its performance against the business plan and makes improvements and corrections as needed.
- Goals are supported by objectives that are 'smart' – specific, measureable, actionable, realistic, time based.
- Deployment of goals and objectives are monitored and those responsible are held accountable for outcomes.
- The business plan should be considered a dynamic document and subject to change at regular intervals in every organization.

Example – Quality Goal

Self assessment findings with regards to deployment of the quality plan should be graphed to indicate degree of implementation and the trend rate.

Implementation

- The business planning process must include provision for monitoring progress.
- Business plan review should occur on a regular basis (e.g. monthly, quarterly).
- Responsibility should be assigned to goals and objectives with the designated individual reporting on progress.

Methodology

1. Establish a business plan monitoring committee led by senior management.

2. Review progress on the business plan on a regular basis.

3. If applicable, report to the Board.

4. Anticipate and identify improvements to the business planning goals and objectives.

Type of Organization

large, medium, small, micro

Related Practices

2.3, 3.1, 3.2, 4.9, 6.11, 7.6, 8.9, 9.2, 9.3

Additional Notes

- There is a danger of a completed business plan being considered a static document, a binder that sits on the shelf, rather than a workbook to guide the organization to greater success.

Tags
review, monitor, change, resource allocation, success factors

Practice 3.9: Make changes to the business plan aimed at continual improvement

Definition
- The organization monitors and reviews the result of business plans on a regular basis.
- The organization identifies what is going well and what needs to improve.
- The organization takes action on improvement opportunities.

Implementation
- The organization capitalizes on improvement opportunities and adjusts the business plan as needed.
- The organization ensures that any changes to the business plan are reflected in other planning documents.
- The organization reviews what has been learned on a regular basis.

Methodology

1. Use the results of monitoring and the business plan review to make changes for improvement that are consistent with the mission, vision, and organizational excellence.

2. Monitor the changes to ensure the change has resulted in improvement.

3. Reflect the change in communications, work process documentation, and business plan updates as required.

Type of Organization
large, medium, small, micro

Related Practices
3.6, 3.8

Tags
continual improvement, change, business planning

Resources and References

Books and articles:

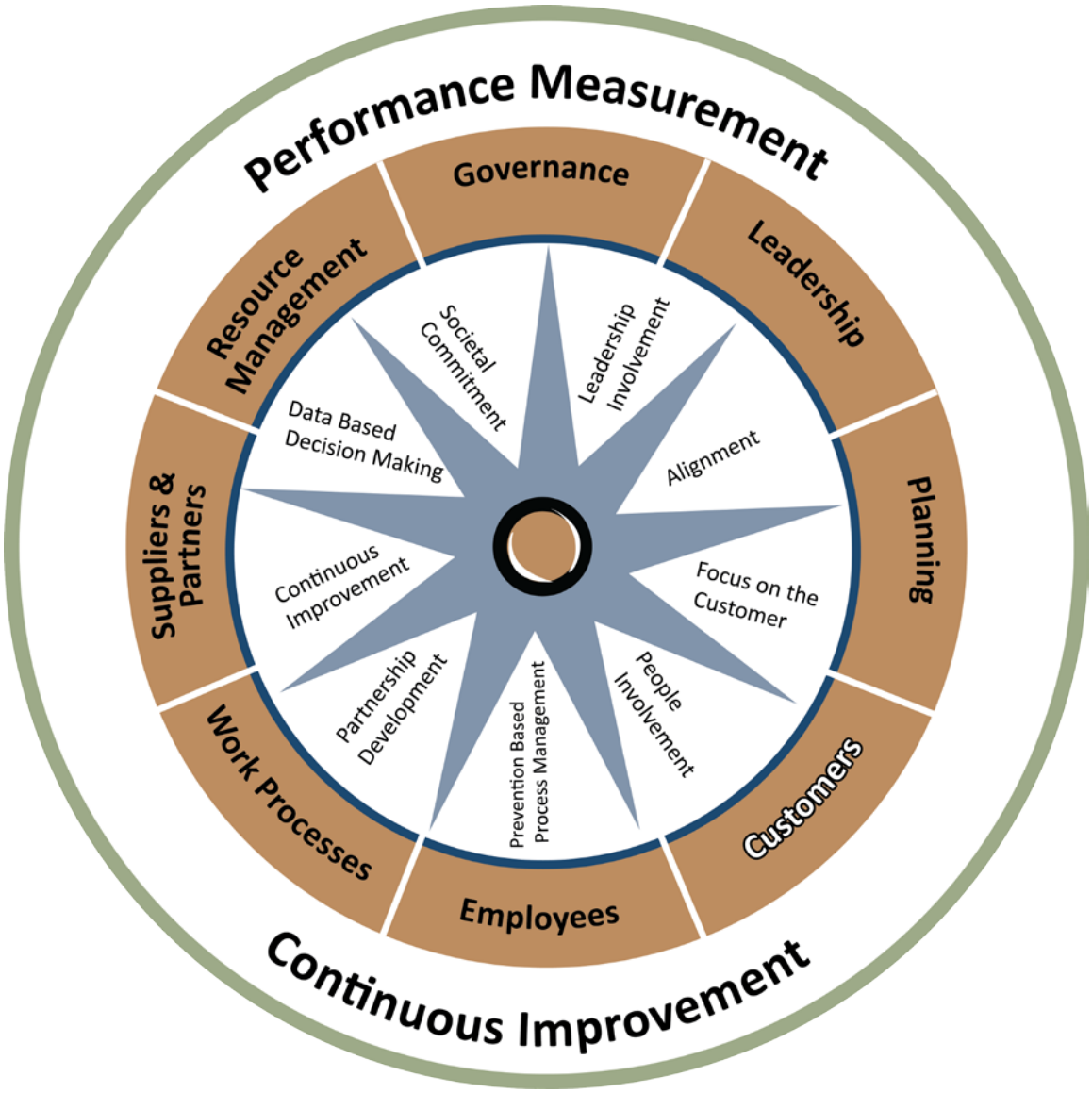
Doyle, Denzil J. (2001). *Making Technology Happen: How to find, exploit and manage innovative products, services and processes*. Doyletech Corporation. Ottawa, Ontario

Lynch, Robert Porter. (1993). *Business Alliances Guide: The Hidden Competitive Weapon*. John Wiley & Sons, Inc. Toronto, Ontario.

Mintzberg, Henry. (1994). *The Rise and Fall of Strategic Planning*. The Free Press. New York, NY. pp 41, 44, 56-58, 68, 251-254.

Mintzberg, Henry. (1989). *Mintzberg on Management: Inside our Strange World of Organizations*. The Free Press. New York, NY. pp 16, 20-21.

Chapter 4 Customers



This chapter focuses on defining and implementing good customer practices. It includes: understanding the customer, aligning employees on the importance of the customer, making it easy for the customer to do business and provide feedback, and reaffirming the organization's presence and approach in the marketplace.

Practice 4.1: Use research to define and segment customers

Definition

- Organizations that implement quality management systems, focus on customer centered products and services and what is required to achieve stakeholder satisfaction.
- Customers must be defined, and who they are must be clearly communicated through the organization.
- Research uses systematic methods to identify customers (people or businesses) for products and services and labels them according to various attributes.
- Customers are grouped into segments according to these attributes so that the unique characteristics of the segment can be understood and targeted in marketing programs.
- Research is conducted when products/services are introduced or changed and when the market strategy of the organization needs to be confirmed.

Implementation

- Primary and secondary methods of research are used.
- Secondary methods include existing sources of information such as:
  - literature search
  - documents
  - databases
  - historical records
- Primary methods include new information gathered through:
  - interviews
  - surveys
  - focus groups
  - case studies
  - informants
  - direct observation
- Attributes used to segment customers include:
  - people – demographic and psychographic data
  - businesses - industry sector, company size (e.g. number of employees, revenues), location
- Products/services and their benefits delivered by the organization have been identified as core competencies – either new or existing.
- Large organizations typically have customer research and data analysis conducted by a marketing research firm while smaller firms have the marketing department complete the research.

<u>Methodology</u>

1. Conduct secondary research to profile customers.

2. Conduct primary research to fill gaps in profile.

3. Create list of questions for customers to determine their needs, wants, and preferences.

4. Use general questions for the market and specific questions for the products, services, and the organization.

5. Determine the best research method given location and type of data:
   - Location of data - desk research or computer, field work
   - Specific information - personal interviews, telephone interviews, focus groups, informants, direct observation, documents, and databases
   - General information - surveys, case studies, literature search, and historical records

6. Collect the data, documenting the characteristics of the respondents to help build the attributes list.

7. Group customers into segments made up of common attributes.

8. Determine opportunity (social, economic) for each customer segment.

9. Review the findings of this initial research with management to evaluate if the size of the potential market is sufficient to achieve success given the resources needed to launch or market the products or services.

10. Once consensus is reached, determine the priority of which customer segment to proceed with and build marketing plans accordingly.

Type of Organization

large, medium, small, micro

Related Practices

2.3, 2.4, 3.2, 3.7, 4.2, 8.2, 8.4, 9.2

Tags

research, customer segments

Practice 4.2: Determine customer needs and expectations

Definition

- A process to collect information about customer requirements
- Requirements might include wants, needs, and expectations for a given product or service
- Understanding requirements will help the organization develop products, services, and service standards

Implementation

- Research on customer requirements should be ongoing
- Research methods include primary and secondary methods
- Respondents should include new, existing, and past customers
- Data may be gathered by:
  - internal client contact points - call centers, direct sales employees, website
  - external firms – market research
- A summary of findings should be prepared to profile the customer

Methodology

1. Develop list of questions that should be answered by research
2. Select research methods and locations
3. Develop research instruments
4. Collect information
5. Analyze the data to identify trends and opportunities for improvement
6. Prepare a summary report for management that recommends:
   - Maintaining the status quo
   - Proposing product/service design or changes
   - Exploring new opportunities with comments regarding: organizational strategy, capability, feasibility, and economic impact

Type of Organization

large, medium, small, micro

Related Practices

2.3, 2.4, 3.1, 3.6, 4.1, 5.6, 6.9, 9.2

Tags

customer feedback, economic hurdle, transaction

Practice 4.3: Communicate the value of products and services to the customer

Definition

- This is the means by which the customer learns about product/service benefits
- Benefits may be intrinsic and/or extrinsic
- Communication is perpetual for the life of the marketing program for that product or service
- Training is provided to all employees so they can easily focus on client satisfaction

Implementation

- Communicate to customers through marketing programs created for each product/service or through client engagement documents
- Marketing programs are described in the marketing plan and financial resources are allocated from the annual budget
- Customer segmenting work is used to define the target market and program messages are designed to capture the attention of the segments
- Various communication channels are used to convey the message to the customer:
  - print – direct mail or distribution outlets for newspaper, magazines, and brochures, publicity provided by media outlets
  - television – advertising commercials, public service announcements, publicity provided by media outlets
  - radio – advertising commercials, public service announcements, publicity provided by media outlets
  - website – description on organization site, advertising on other sites that match the consumer profile, links on suitable partner sites
  - direct selling – sales people used to contact the customer
  - co-promotion – joint promotions with partners that have synergy with the organization and target the same segments
  - community relations – organizations find a social cause to support and are showcased in related advertising and publicity
  - packaging – the covering for the product or service that contains information on the product or service (e.g. box containing a product, CD providing a description of service)
- Prior to approaching customers, direct sales force receives training on product or service features, functions, and benefits
- The effectiveness of communication is measured to provide feedback on objectives (e.g. awareness, sales), for example:
  - sales comparison to targets
  - expense comparison to targets
  - call center data
  - customer intercepts
  - focus groups

- on-line surveys

Methodology

1. Design annual marketing plans or programs for products and/or services.

2. Conduct a trial with focus groups if possible.

3. Develop measurement method to monitor the effectiveness of chosen communication method(s).

4. Monitor targeted objectives and adjust programs as necessary:
   - Initial data confirms potential effectiveness of marketing launch
   - Ongoing data allows continuous improvement to communication methods

Type of Organization

large, medium, small, micro

Related Practices

2.7, 3.1, 3.5, 3.7, 3.8, 3.9, 4.1, 4.7, 9.2

Tags

budgets, product/services benefits, focus groups, feedback loops, target market, customer segment, media, marketing plans, marketing programs

Practice 4.4: Align employees on the importance of the customer

Definition

- Ensure that practices, policies, and procedures identify the customer as a primary stakeholder
- Reinforce that customer satisfaction contributes to organizational and employee success
- Execute customer service standards in a disciplined, consistent, and perpetual fashion
- Customer service standards specify the knowledge, attitude, skills, and behaviour required to deliver service at each moment of truth for the customer
- A moment of truth is a point of contact where the customer has a chance to form an impression of the organization

Implementation

- Organizational values and beliefs clearly indicate that customers are valued

- The organization adopts a standard of listening and learning from internal and external sources:
  - internal – Board, management, staff
  - external - customers, partners, suppliers
- A variety of methods are used to communicate about the customer:
  - discussions
  - meetings
  - workshops
  - research sharing
  - charts and graphs
- Organization practices show importance of the customer, for example:
  - physical and virtual facilities - call centers, customer care section on website
  - business practices – hiring, performance appraisal, training, reward and recognition, service standards, measurement, improvement processes, best practice research

<u>Methodology</u>

1. Make employees aware of the organization's commitment to the customer

2. Provide employees with a profile of the customer and customer service standards.

3. Ensure employees understand the linkage between the organization's commitment to the customer and:
   - hiring practices
   - personal performance plans
   - reward and recognition program
   - physical facilities
   - business practices

Type of Organization

large, medium, small, micro

Related Practices

1.2, 2.1, 2.2, 2.10, 2.11, 2.15, 4.5, 4.6, 4.7, 4.8, 5.2, 5.4, 5.5, 5.l2, 5.13, 6.7, 9.3

Tags

practices, policies, procedures, primary stakeholders, customer satisfaction, organizational success, employee success, feedback loops, customer relationship management

Practice 4.5: Train and empower employees to be advocates for the customer

Definition

- Employees must have tools and latitude to service customers and their concerns, questions, and accolades
- Service oriented employees deliver key customer service requirements:
  - responsiveness - help customer promptly
  - reliability - provide the customer what was promised in a dependable, competent, and accurate fashion
  - assurance – convey knowledge and courtesy to the customer to build trust and confidence
  - empathy – show the appropriate degree of caring and individual attention to the customer
  - tangibles – provide the physical facilities and equipment to deliver service to the customer and ensure personnel are appropriately attired and groomed
- Employees should be empowered and trained in a service recovery process to address customer concerns:
  - listen actively to the customer
  - show empathy for the customers concern
  - if necessary, ask additional questions to clarify the concern
  - reach a mutually acceptable solution with the customer
  - follow up with the customer to ensure satisfaction
- Where employees are unable to deal with customer concerns, management must provide support
- Recurring customer concerns should be addressed by the organization using root cause analysis

Implementation

- The organization develops or adopts an existing customer service training program
- The training program should cover:
  - commitment to customer service in the organization
  - types of customer (i.e. internal, external)
  - customer profile
  - service standards
  - data collection and analysis
  - facts about customer service
  - how to address challenging situations
- All employees should be accountable to the customer service standard
- Corporate statements should include a reference to the importance of customers

Methodology

1. Choose or develop a customer service training program.

2. Train all employees in customer service.

3. Ensure the performance measurement system tracks adherence to the service standard.

4. Provide feedback to employees on the delivery of the customer service standard

5. Include employees in sessions devoted to sharing leading edge best practices and improving customer service.

Type of Organization

large, medium, small, micro

Related Practices

1.5, 2.3, 2.11, 2.12, 2.15, 4.2, 4.4, 4.7, 5.5, 5.7, 5.8, 5.12, 6.2, 9.2

Tags

customer, service standards, best practices

Practice 4.6: Ensure positive customer experiences by identifying and managing customer contact points

Definition

- Customer contact points are moments of truth where the customer comes into contact with the organization and has a chance to form an impression
- Service standards are used to proactively manage customer contact points
- Data is collected on the points of contact to analyze levels and trends in customer service
- Employees receive feedback on measurement results

Implementation

- Corporate statements include the organization's commitment to the customer
- Management works with employees to identify customer contact points and develop service standards
- Conformance to the service standards is measured
- Measurement results, best practice research, and employee feedback are used to update service standards

Methodology

1. Identify customer contact points in the organization.
2. Develop service standards aimed at delivering a positive customer experience.
3. Train employees on the service standards.
4. Gather data on conformance to the standards.
5. Analyze data and share measurement results with employees.
6. Discuss opportunities for improvement.
7. Update service standards as required.

Type of Organization

large, medium, small, micro

Related Practices

2.7, 4.4, 4.5, 4.7, 4.8, 5.8, 6.1, 6.2, 6.6, 6.7, 9.2

Additional Notes

- Some larger organizations use customer relationship management (CRM) tools to manage customer service. These tools are used to track customer contact points through the organization. At these points, data is gathered and a database of customer information is maintained. The data is analyzed to identify levels and trends, find systemic problems, and identify opportunities for improvement

Tags

customer contact points, standards feedback loops, customer relationship management

Practice 4.7: Make it easy for the customer to do business and provide feedback

Definition

- The organization solicits feedback from the customer and provides avenues that make it easy for the customer to inquire, seek assistance, and express concerns
- Organizations listen to the voice of the customer using multiple methods
- The organization must maintain records of customer feedback in a manner that satisfies all stakeholders

- Organizations use customer feedback to continuously improve the delivery of products and services to the customer

Implementation

- Frequently used methods to listen to the voice of the customer include:
  - focus groups with key customers
  - interviews with lost and potential customers about their purchasing or relationship decisions
  - use of customer compliment and complaint data to understand key product and service attributes
  - win/loss analysis relative to competitors and other organizations providing similar products or service
  - survey data
  - informal feedback from customers
- Contact points at which the customer might provide feedback include:
  - initial contact via: telephone, in-person, sales person, or website
  - transaction including: on-site visit, purchase, return, and warranty service
  - subsequent contact including solicited and unsolicited feedback provided to employees, researchers, and website
- Listening to feedback allows the organization to learn about the customer's:
  - requirements
  - perception of products and services
  - perception of value
  - loyalty
- On the basis of feedback, the organization can further develop products and services and the underlying processes that deliver them
- Collection of customer feedback is an enterprise wide responsibility
- The marketing manager or department is often appointed to administer the process

<u>Methodology</u>

1. Analyze work processes or the customer service cycle to identify customer points of contact

2. Identify the best methods to gather customer feedback at points of contact

3. Identify other methods to gather general customer feedback

4. Implement research methods

5. Compile data

6. Analyze and summarize data to identify strengths and opportunities for improvement

7. Share summary with employees

Type of Organization

large, medium, small, micro

Related Practices

2.3, 2.7, 2.15, 4.2, 4.6, 4.8, 6.2, 6.5, 6.9, 9.2

Additional Notes

- In larger organizations, reporting through the customer relationship management (CRM) program is highly desired because it allows access to significant data

Tags

feedback loop, transaction, customer relationship management

Practice 4.8: Respond successfully to customer feedback

Definition

- There is recognition throughout the organization that:
  - customer feedback is desirable
  - feedback includes comments, compliments, and complaints
  - most customers must be asked to provide feedback
  - most customers do not complain
  - dissatisfied customers share their story with others
  - a well handled problem usually creates more loyalty
  - customers want a prompt response to their concerns
  - customers want to be acknowledged for their feedback
- The organization analyzes customer feedback and uses the analysis to improve relationship management, processes, products, and services

Implementation

- All employees should be trained in recording customer feedback
- All employees should be empowered and trained to deal effectively with complaints
- An effective customer feedback loop should collect feedback from customers and distribute the information to those in the organization that can effectively use it
- Prevention-based strategies are used to locate and act on causes of client complaints

Methodology

1. Ensure all employees attend a customer service training program.

2. Review customer points of contact and determine customer feedback collection methods.

3. Train employees on feedback collection methods.

4. Require employees to collect data on an ongoing basis.

5. Compile the data on a regular basis (i.e. monthly).

6. Analyze and summarize findings.

7. Share findings with employees and identify opportunities for improvement.

8. Make changes to work processes, products, and services as required.

Type of Organization

large, medium, small, micro

Related Practices

2.3, 2.7, 4.4, 4.6, 6.5, 6.7, 9.2

Tags

stakeholder, customer satisfaction, best practices

Practice 4.9: Reaffirm presence in established markets or the requirement to change market approach

Definition

- Senior management establishes presence in the marketplace by conducting internal and external research
- If the findings show a loss of market share or reach, senior management must determine actions to take aimed at either re-establishing presence or changing market approach

Implementation

- The evaluation of marketplace presence occurs during the annual budgeting or strategic planning process
- Internal and external research is conducted including:
  - a review of customer records to confirm levels and trends
  - an external scan of the marketplace to confirm market trends
  - research to confirm market share

- Senior management compares the research findings to the target positioning articulated in the organization's strategy and makes a decision how to proceed

Methodology

1. Review customer records and summarize levels and trends

2. Conduct an external scan of the marketplace to calculate market share

3. Compare market share with target according to organizational strategy

4. Determine if organization:
   - Can close the gap between where it is and where it wants to be
   - Must create a new marketing plan to change its approach:
     - new market, product, or service
     - abandon the market, product, or service

Type of Organization

large, medium, small

Related Practices

2.6, 3.1, 3.7, 3.8, 4.1, 4.9, 9.1

Additional Notes

- The marketplace scan occurs during product life cycle studies in larger organizations

Tags

product life cycle, positioning strategy, market share, marketing plan, competitive position

Resources and References

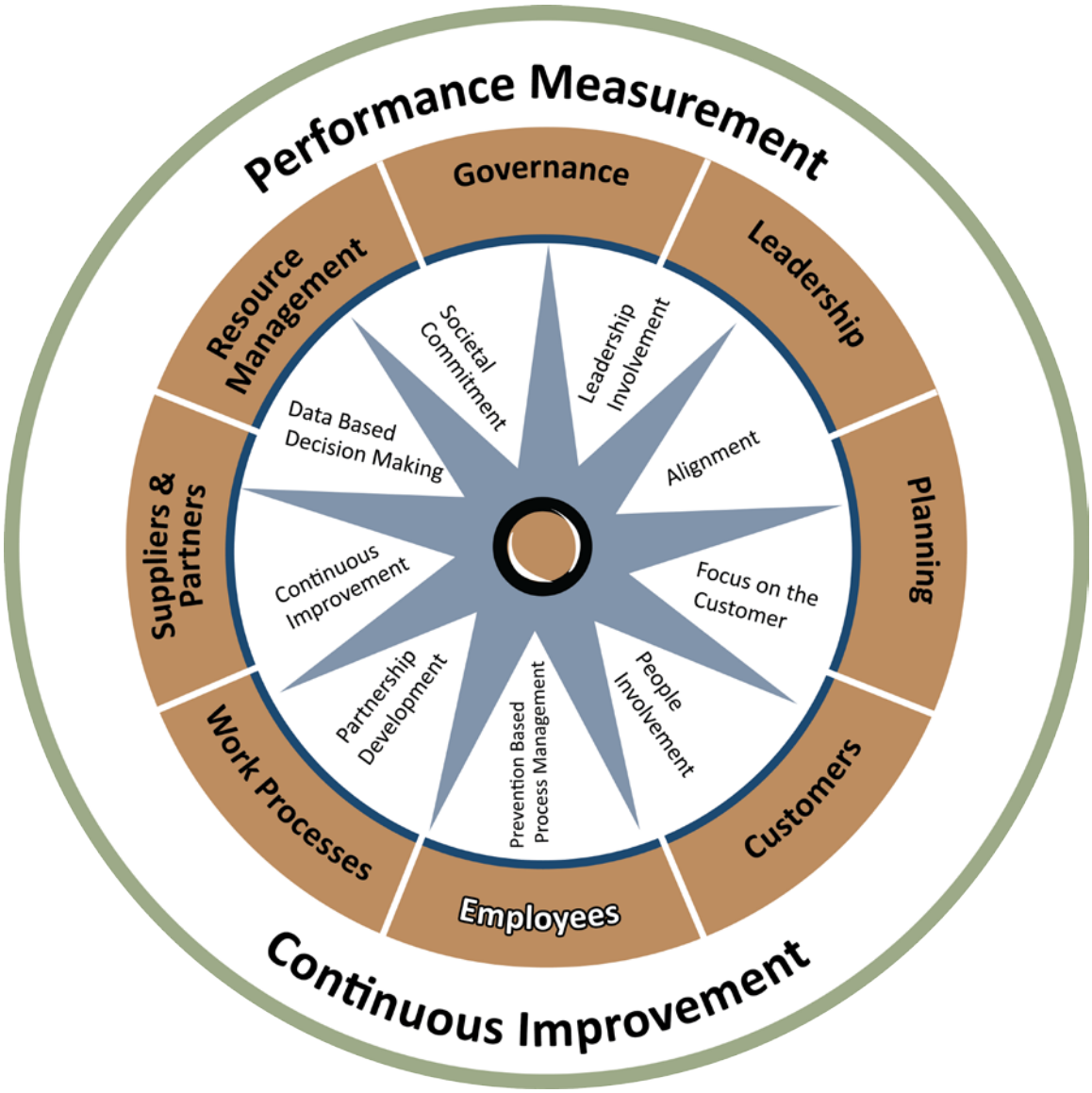
Books and articles:

Sherden, William A. (1994). *Market Ownership: The Art and Science of Becoming #1*. AMACOM.

Swartzlander, Anne. (2003). *Serving Internal and External Customers*. Prentice Hall.

Pine, Joseph and Gilmore, James. (1999). *The Experience Economy: Work Is Theatre and Every Business A Stage.* Harvard Business School Press. Boston, Massachusetts.

Chapter 5 Employees



This chapter focuses on defining and implementing strong employee practices. It includes: undertaking human resource planning that supports organizational plans, recruiting, selecting, training, and developing employees, encouraging employees to share suggestions and ideas aimed at improvement, rewarding and recognizing strong performance of individuals and teams, and ensuring a healthy workplace environment.

Practice 5.1: Undertake human resource planning that supports organization goals and objectives

Definition

- The human resource plan must be clearly linked to and support the organization's vision and strategic intent.
- Human resource planning is performed by an organization to identify the talents, capabilities and values needed to achieve the organization's strategic objectives, determine what gaps exist between these requirements and current capabilities, and employ mechanisms to fill these gaps through training, development, reassignment and/or recruitment as internal and external circumstances change.
- Additional information is also included in plans regarding other human resource related issues such as addressing employee satisfaction and well-being issues and providing opportunities for input and involvement.
- An organization's knowledge management systems provide the mechanism for sharing the knowledge of its people and the organization to ensure that high performance work is maintained through transitions.

Implementation

- In order to assess whether there is sufficient capacity (including skills, competencies and resources) to deliver on the business, it is first necessary to have a clear understanding of where the organization is headed by developing strategic, business and/or operational plans.
- Human Resource (HR) strategies are developed by examining and organization's current capabilities and future requirements, and developing plans to enable the organization to meet these requirements.
- The plan should be considered a "living document" and be subject to review. As such, organizations should establish a process that allows for regular review of planning efforts to:
  - review performance measurement information
  - assess what is working and what is not working
  - adjust the plan as needed and advise senior management accordingly
  - address new HR issues that occur
- Human resource planning should be conducted at an organization-wide level as well as at a division, branch and unit level. Organization-wide priorities should be included within operating level plans, as well as challenges and issues that may be unique to a particular working area.

<u>Methodology</u>

1. Review your business goals to determine if there are any issues likely to impact the business (e.g., key priorities; emerging directions and changes; changes to legislated mandate).

2. Scan the environment to gain an understanding of your workforce and identify any potential challenges to current staffing levels and skill sets:
    a. Workforce analysis (employment information for various occupational categories or functional communities):
        - demographics and employment characteristics such as:
            - age profile
            - average age of retirement and years of service
            - employment type
            - reasons for leaving
            - absenteeism
            - grievances
        - skills and competencies such as:
            - training/learning data
            - performance management data
        - internal workforce trends such as:
            - eligibility for retirement
            - vacancy and turnover rates
            - internal staff mobility such as deployments, promotions and secondments
            - overtime utilization rates
        - employee opinion data from staff surveys or other sources
    b. Internal scan (factors internal to the organization that may affect HR capacity to meet organizational goals):
        - changes in program or service delivery
        - changes to collective agreements
        - changes in leadership and priorities
        - capacity and quality of information systems
        - employee satisfaction
        - corporate culture change
        - anticipated changes in funding levels
    c. external scan (environmental factors expected to affect workforce capacity given known operational and HR priorities and emerging issues):
        - current workforce trends (e.g., retirement patterns, growing occupations)
        - demand and supply of employees in growing occupations
        - current and projected economic conditions
        - technological advancements which may make certain occupational positions obsolete or create new employment
        - labour policies that may affect your workforce capacity (e.g., recognition of international engineering credentials)
        - immigration and/or regional migration patterns
        - sources of recruitment

3. Conduct a gap analysis between the current state and future requirements of your workforce to determine where human resource strategies are required:
   - Based on an analysis of the environmental scan and business goals, what are the organization's current and future HR needs?
   - Based on projections, do you foresee a skills shortage in specific occupational groups? Will changes require acquisition of new skills?

4. Set HR priorities to help achieve business goals:
   - In light of the gaps identified, what strategies will achieve the desired outcome?
   - Work plans may include strategies related to:
     - recruitment/staffing
     - management development
     - mobility/redeployment
     - leadership development
     - performance management
     - succession planning
     - corporate knowledge retention
     - occupational health and safety
     - disability management
     - action planning related to employee survey results
     - competency/skills development
     - learning, training and development

5. Measure, monitor and report on progress.

6. Use results from performance-related data to determine future priorities and which programs and activities to continue.

Type of Organization

large, medium, small, micro

Related Practices

2.3, 2.4, 3.2, 3.3, 3.5, 3.7, 5.2, 5.8, 6.4, 8.1, 9.2

Tags

succession, human resource priorities, planning, knowledge, strategic priorities, workforce analysis, capacity, capability, demographics, skills and competencies, trends, requirements, retention, work plans, gaps

Practice 5.2: Recruit and select people for mutual success

Definition

- Identifying, classifying and matching people's knowledge and competencies with the organization's needs
- Procedures are developed to prescribe how the organization selects and deploys its people
- Aligning remuneration, redeployment, redundancy and other terms of employment with policy and strategy

Implementation

- The interview plan should start with reviewing the evaluation factors that are important for the position. Factors provide the foundation for the interview plan. These factors are broken down into sub-factors, which must be job related, measurable and mandatory requirements for satisfactory job performance. A well-planned interview allows the assessment of each candidate against each sub-factor
- Evaluation factors include:
  - knowledge - outlines what a candidate must know in order to perform the position duties. Identify the level of knowledge required. Sample statements might be:
    - basic awareness of current trends or issues in _____
    - working knowledge of _____ techniques
  - skills and abilities - sub-factors include required competencies and aspired behavioural levels. Examples include:
    - communication competency - adapts communication for the situation
    - ability to interpret acts and regulations
    - problem solving and judgment competency - makes complex plans or analyzes
  - personal suitability - sub-factors measure a candidate's personal traits that could affect their ability to do the job. These characteristics affect the candidate's overall suitability for the job and the work environment. Competency-based examples include:
    - adaptability competency - adapts approach
    - client focus competency - takes personal responsibility
    - teamwork competency
- Discuss and determine the weighting of each factor. Assign weighting to evaluation factors based on their relative importance to your selection process, based on the kind and level of the position under recruitment. For example:
  - if a position is highly focused on knowledge requirements, this factor may be rated as 50% of the overall score, and 25% to each factor of skills/abilities and personal suitability

    - if the technical requirements are lower and/or may be acquired on the job and it is crucial that the individual be able to fit into an existing team, the interviewer may choose to assign 20% to knowledge, 20% to skills, and 60% to suitability
- In addition to personal interview questions, candidates may also be asked to complete written or practical tests or questionnaires to screen and assess their suitability to the job. Some examples of employment tests include:
    - tests for cognitive ability
    - personality and interest inventories
    - physical ability
    - job knowledge
    - job sample (i.e., perform tasks that are part of the work required on the job).
- During personal interviews, behavioural information can be used to predict future behaviour. Behavioural questions ask the applicant how they handled a specific situation in the past, rather than how they might or should handle the situations. Using this method, the process of collecting behavioural examples is done using a technique called STAR. To be a good predictor of future behaviour, an example of past behaviour must contain:
    - the Situation or Task the candidate faced
    - the Action the candidate took
    - the Result of the candidate's action

Methodology

1. Develop a policy on recruitment and retention and processes to support implementation of this policy.

2. Conduct a needs assessment to determine the current and future human resource requirements of the organization.

3. Conduct job analysis and job evaluation to identify the individual aspects of each job and calculate its relative worth.

4. Identify vacancy for recruitment.

5. Determine most appropriate sourcing strategy for qualified applicants, including such means as:
    - Internal sourcing
    - External sourcing (through third party or publication advertising)
    - Online applications
    - Recruiting at educational institutions
    - Job fairs

6. Review job data and identify key responsibilities/functions and competencies required, as well as employment requirements such as post-secondary education or specialized work experience.
7. Prepare job specifications (including skills, effort, job responsibility and working conditions) and screening criteria, and place advertisement/job posting.

8. Screen applicants against screening criteria and develop short-list of most qualified applicants.

9. Select interview panel.

10. Develop interview questions and assign weighting to each factor of knowledge, skills and abilities, and personal suitability.

11. Conduct personal interviews and assign individual score based upon responses received and original weighting of each factor.

12. Conduct additional employment tests if required.

13. Conduct background investigation, including reference checks.

14. Conduct second interviews with supervisor or team members if required.

15. Perform final analysis of results from personal interviews, employment tests and background checks; select top candidate and make employment offer.

16. Perform new employee orientation.

Type of Organization

large, medium, small, micro

Related Practices

1.4, 5.1

Tags

recruit, select, interview, hire, knowledge, ability, suitability, employment, evaluation, factors

Practice 5.3: Promote equal opportunity and diversity

Definition

- A heterogeneous workplace where everyone has the opportunity to thrive
- Organizations must:
  - recruit and retain employees that reflect the diversity of the marketplace
  - recognize and take into account diversity and different cultural backgrounds, and promote social and cultural activities.
  - promote and ensure fairness in all terms of employment including equal opportunities policies, strategies and plans.
  - considering employees for advancement when their performance record, based on reviews, show they deserve such consideration
  - ensure appraisal systems include assessing the processes individuals work in and the results they achieve

Implementation

- Diversity encompasses more than just cultural backgrounds – it also reflects individual characteristics such as:
  - gender
  - age
  - marital status
  - ethnicity
  - religion
  - disability
  - sexual orientation
  - communication style
  - physical characteristics such as height and weight
  - speed of learning and comprehension
- Workplace diversity is focused on the differences and similarities that people bring to an organization, including dimensions which influence identities and perspectives such as profession, education, parental status and geographic location
- Diversity initiatives complement non-discrimination compliance programs by creating the workplace environment and organizational culture that encourages learning from others and captures the advantage of diverse perspectives

<u>Methodology</u>

1. Establish senior management commitment for the initiative.

2. Ensure open channels of communication to:
   - Explain the business case
   - Build on existing values and vision
   - Show employees the value

- Spell out an inclusive definition of diversity
- Explain the process
- Demonstrate commitment

3. Form a task force:
   - Establish a foundation for the initiative, including setting up a project team with membership from across the organization
   - Create a project charter
   - Identify an executive sponsor(s) to demonstrate senior leadership support for the initiative

4. Conduct a self-assessment to gather data and understanding of the initiative:
   - Conduct employee surveys, interviews and/or focus group sessions
   - Gather organizational data to gauge workplace dynamics, the current understanding of diversity among employees
   - Analyze and synthesize data to identify issues and formulate possible solutions
   - Determine what skills will be needed to develop diversity maturity

5. Develop an action plan to address opportunities for improvement identified.

6. Train employees.

7. Implement the action plan.

8. Measure results of the implementation by gathering further organization data.

Type of Organization

large, medium, small

Related Practices

1.5, 2.14

Tags

workplace, diversity, inclusion, multiculturalism, equal opportunity

Practice 5.4: Ensure people understand and commit to the strategic direction and improvement goals

Definition

- There is a common understanding at all levels of the organization's strategic intent and priorities, and each area's role in achieving overall objectives
- Individual performance plans are aligned with strategic objectives
- People in the organization can easily outline the organization's strategic direction and improvement plan, how they contribute to objectives, and how these initiatives affect them
- Effective communications, including an emphasis on face-to-face communication, is critical to achieving this understanding and commitment
- Developing communication policies, strategies and plans based on communications needs

Implementation

- Leaders must communicate a clear vision. Employees need to understand what the organization's goals are, why they are important, and how the goals can best be attained
- There are a number of vehicles available to communicate strategic direction and improvement goals:
  - a communication audit and employee survey should be conducted to determine ways in which employees prefer to receive information
  - to be effective, internal communications must be communicated through the means most appropriate to the organization's employees
  - face to face communication is the most effective method, and should be used as much as possible when communicating with employees
- The most effective way to ensure buy-in to direction and change is to directly involve all staff, stakeholders and partners in issues that affect them
- Establishing a communication plan and change management strategy is critical to the success of any change or improvement initiative, and should be done as early in the process as possible:
  - when implementing organizational change, establishing a change management team with representatives from across the organization will assist in getting buy-in and ensure communications are targeted appropriately and delivered in the most effective manner
  - even positive change can backfire in a company if it's poorly communicated to employees. Be open with employees about what is happening and communicate exactly what they need to do
  - avoid withholding information from employees. This can create a sense of anxiety or conflict. Be sure that they find out changes in the company before this information gets in the media spotlight

- in a larger company, consider communicating change to managers before other employees; managers can help relay the message to the team and incorporate that change
- communicate frequently and regularly to create a sense of stability.
- to ensure that employees understand and commit to an organization's goals, it is important to translate them into the specific impact and requirements on an individual job level – what, specifically, are individual employees expected to do to achieve these goals?

Methodology

1. Conduct an organizational assessment to determine:
   - Leadership direction:
   - What is the essence of the business strategy and/or improvement goals?
   - What are the main obstacles to implementing this strategy?
   - What do they want employees to understand better about the company and their job?
   - Communication needs of employees:
     - Where do they go now to get information about the company and their job?
     - Which are the most useful communication sources?
     - What is missing from a communication perspective, and what suggestions do they have to address these needs?
   - Assessment of current communication practices:
     - What are the organization's current communication programs?
     - How well are they functioning?
   - Best practices research:
     - What techniques are working for other organizations?

2. Identify communication objectives, for example:
   - To encourage greater teamwork among work groups
   - To secure employee buy-in to change

3. Determine key messages and issues to be communicated.

4. Identify communication strategies, tactics and tools:
   - What communication methods will be utilized to communicate the key messages (e.g., town hall meetings, face to face discussions with supervisors, company newsletter, email, and company intranet)?
   - What are the communication timelines?
   - What measures will be used to determine success of the communication plan?

5. Implement communication strategies.

6. Measure and evaluate success and implement additional strategies as required.

Type of Organization

large, medium, small

Related Practices

1.6, 2.1, 2.2, 2.7, 2.11, 3.4, 4.4, 5.5, 6.8

Tags

communication, change, employee engagement, messages, commitment, understanding

Practice 5.5: Get people involved with improvement initiatives

Definition

- Improvement initiatives are:
  - derived through organizational assessment against the framework and identified gaps that need to be addressed
  - selected by people working in specific areas and focused on processes that have an impact on performance
- Improve initiatives should be captured in action plans that denote the:
  - objective
  - chronological steps to accomplish the objective
  - responsibility (team leader, members)
  - timing
  - out-of-pocket costs
  - measurement
- Individual and team participation should be encouraged and supported in improvement activities
- People should be recognized to promote and sustain their involvement and empowerment
- An equitable process is required to select team members and team leaders

Implementation

- Directly involving all staff, stakeholders and partners in issues that affect them will ensure buy-in to direction and change initiatives
- When implementing initiatives that impact the entire organization, a change management strategy and team, with representatives from across the organization, should be established to assist in getting buy-in and communicating with others

Methodology

1. Seek employee input regarding priority areas for improvement, for example:
   - Research – interviews, surveys, focus groups
   - Suggestion programs
   - Organizational assessments
   - Strategic and business planning

2. Assign a senior management team to assess improvement ideas brought forward by staff and assign priority to those initiatives with the strongest business case and alignment with strategic objectives.

3. For initiatives with organization-wide impact, develop a change management team comprised of individuals that have:
   - Knowledge of change management or willingness to attend training
   - Knowledge of process improvement or willingness to attend training
   - Familiarity and involvement with the relevant activity or work area
   - Skills in leadership, team, risk assessment, project management, and communication

4. Meet with the team to implement the improvement opportunity:
   - Describe the current process
   - Analyze the process
   - Brainstorm changes to the process
   - Select and implement the best change
   - Implement and monitor the results
   - If change leads to improvement, implement the change
   - Update process documentation
   - Communicate the change to everyone that touches the process

5. Identify any training or developmental activities required to implement proposed changes.

Type of Organization

large, medium, small

Related Practices

2.7, 2.10, 2.11, 2.15, 4.5, 5.4, 5.6, 6.6, 6.7, 6.8, 6.9

Tags

change teams, readiness, engagement, involvement, improvement, change management, input, barriers, business case

Practice 5.6: Encourage employees to share ideas and suggestions

Definition

- Identifying and ensuring opportunities to share best practice and knowledge
- Encouraging and supporting people's involvement through activities such as:
  - in-house conferences
  - ceremonies
  - community projects
- Effective communication is open, top-down, bottom-up and horizontal, and includes feedback processes and mechanisms for getting input from people throughout the organization, including their perspectives and needs
- Ideas and suggestions are actively solicited from people across the organizations using a formalized suggestion system
- Processes are in place to review suggestions for merit, relevance to the strategic or improvement plan, and impact on reducing waste and/or cost or improving productivity
- Follow-up is provided on all suggestions received, including reasons for their acceptance or rejection
- Recognition for suggestions is provided on a consistent basis throughout the organization

Implementation

- Reward behaviours you wish to encourage – set up a formal rewards and recognition program for ideas brought forward by employees that are subsequently implemented.
- Establish and communicate criteria that will be used to assess suggestions and ideas
- Suggestion and idea programs should be both:
  - formal - such as through a suggestion or rewards and recognition program
  - informal - through regular meetings with colleagues and supervisors
- Depending on the culture of the organization, suggestion programs can either be anonymous or not:
  - including the name of the person providing a suggestion enables management to provide a direct response or seek further clarification if necessary
  - some employees may feel reluctant to disclose their name if they feel there may be negative consequences to coming forward
- When suggestions are provided by employees, it is important to follow-up and provide feedback regarding whether or not the suggestions were accepted and implemented, and reasons for doing so:
  - if the answer is no, say so
  - if the answer is yes, state when staff will see implementation
  - if the answer is unknown, explain the issues involved and give a date for further reply

Methodology

1. Develop suggestion and idea program with a representative team of employees:
   - Submission – straightforward and simple
   - Evaluation – based on criteria
   - Feedback – timely, constructive, informative
   - Implementation – timely and controlled
   - Reward and recognition – categories, criteria, event schedule
   - Measurement – individual project versus organization-wide impact

2. Seek approval from senior management.

3. Communicate the program to employees.

4. Implement the program.

Type of Organization

large, medium, small, micro

Related Practices

2.10, 2.12, 2.15, 5.5, 5.7, 5.12

Tags

suggestions, rewards and recognition, input, idea, communication

Practice 5.7: Encourage employees to be innovative and take risks

Definition

- Innovative ideas and creativity contribute to continuous improvement in organizations
- Innovation can be defined as "the practice of introducing a change that creates a new dimension of performance including making improvements to an existing service or process"
- Being creative involves:
  - producing a lot of ideas
  - putting new or existing ideas together
  - breaking an idea down to take a fresh look at its parts
  - making connections between the topic at hand and seemingly unrelated facts, events, or observations
- Risk is the chance of something happening that could clearly impact the achievement of critical goals. Risk is managed by assessing the likelihood (probability) and consequence (impact) of the risk taking place, and by implementing

an appropriate response to the risk. The risk remaining after risk management has been exercised is the residual risk or the level of exposure left, and should be acceptable and justifiable

- Organizations:
  - need employees at all levels to think creatively and take acceptable risks
  - should provide opportunities that stimulate involvement and support innovative and creative behaviour
  - should train managers to develop and implement guidelines empowering people to take action
  - build strong relationships through communication, trust and respect
  - provide support with appropriate policies that define behaviour
  - support people in learning from their failures

Implementation

- Effective leaders are required in order for innovation to occur. Leaders create an environment for innovation to take place when they:
  - understand the needs of and involve their clients in service and process improvements
  - involve all staff in identifying good ideas
  - create an environment that encourages all staff to engage in constructive dialogue to examine the way business is done
  - promote continual improvement
  - challenge the status quo.
  - support and reward risk taking, while having a risk management plan in place.
- Enterprise Risk Management:
  - is a proactive, systematic, organization-wide way of identifying, assessing, prioritizing, and responding to strategic risks to mitigate adverse events and engender opportunities to achieve outcomes
  - is the primary means through which an organization manages the impact of its strategic directions on the clients, stakeholders, and public served
  - does not eliminate risk, but allows the organization to decide how to best respond to the risk:
    - accept the risk
    - take actions to mitigate the risk to an acceptable level
    - transfer the responsibility for risk
    - terminate the activity creating the risk when the acceptable cost/benefit is in jeopardy
    - prepare contingency plans for risk beyond its control
- Establishing a formal risk management framework provides employees with the tools needed to assess risk and provide recommendations or make decisions that reflect a level of risk that is acceptable to the organization

Methodology

1. Train employees to use creativity tools such as:
   - Brainwriting
   - Brainstorming
   - Knowledge mapping
   - Morphological box
   - Picture associations
   - Problem reformulation
   - Purpose hierarchy
   - Word associations
   - Idea matrix
   - Learning from others

2. Encourage employees to use creativity tools to help teams visualize, organize, and analyze new ideas that lead to addressing challenges.

3. Include award categories for innovation and creativity in the reward and recognition program, for example Bright Idea award.

4. Utilize an Enterprise Risk Management Framework to assess and manage risk:
   - Conduct an environmental scan to identify the context in which the organization operates
   - Develop guidelines for risk management across the organization for use in evaluating organization-wide risks, and risks for a particular project or initiative

Example - Enterprise Risk Management Framework

The Enterprise Risk Management Framework guides employees in managing risks related to individual projects:

- Identify risks – what can happen when, where, how, and why in relation to achieving organization or project goals
- Assess the likelihood (probability) and consequence (impact) of the risk on the system and stakeholders. Rate the risk by multiplying the likelihood by consequence to obtain weighting. The higher the risk, the less acceptable it is
- Evaluate risk within the context of current controls and level of tolerance:
  - Is the risk an opportunity or threat?
  - Are current controls sufficient for constraining threats or not?
  - Is residual risk justifiable and acceptable?
- Manage the risk by:
  - accepting it
  - taking action to mitigate or contain it to a tolerable level

    - transferring it
    - terminating the activity creating the risk
    - developing a contingency plan for risks beyond your control
- Monitor and report on the risk:
    - monitor if the risk profile is changing
    - gain assurance that risk management is effective
    - identify when further action is necessary
- Communicate throughout the risk management process, and share the risk profile with leadership staff and stakeholders where appropriate. Prepare communication strategies for high risks

Type of Organization

large, medium, small

Related Practices

1.2, 2.5, 2.12, 3.3, 4.5, 5.6

Tags

innovation, creativity, risk, probability, consequence, mitigation, management, contingency, framework

Practice 5.8: Determine training needs of employees and provide the necessary training

Definition

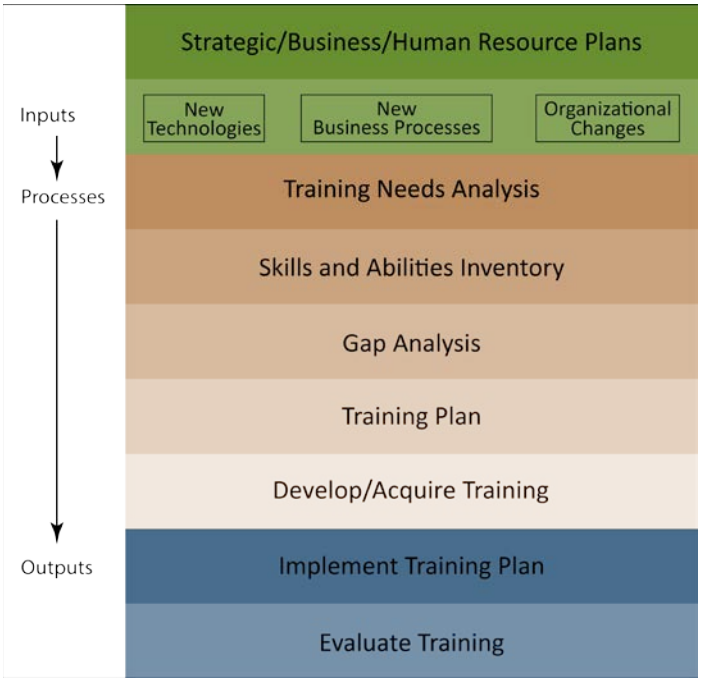
- A systematic approach exists towards training and development in addition to on-the-job skills development
- Learning is achieved through experience, exposure and education, and should be linked to effective career progression and feedback systems
- Training should also include learning critical knowledge and skills in areas related to customers such as:
    - knowledge of products, services and customers
    - how to listen to customers
    - how to recover from problems or failures
    - how to effectively manage or meet customer expectations or needs
- Training and development are provided to the people who need it, at the appropriate time, consistent with the strategic objectives of the organization.
- Training and development allow an organization to develop its people to their full potential
- Individual development plans prepared with each person assist with addressing their personal career and learning objectives

- Developing and using individual learning and development plans help ensure that staff match the present and future capability needs of the organization
- Employees should be encouraged to improve their skills in ways that collectively improve the organization and its ability to achieve its objectives
- Learning opportunities may be designed on an individual, team, and organization-wide basis, and include activities to develop team skills
- Education and training might occur inside or outside the organization and include:
  - on-the-job
  - classroom
  - computer-based
  - distance learning
  - developmental assignments
  - self-directed learning (e.g. articles, books, videos, experiences)
- Training and development programs must be evaluated in terms of:
  - effectiveness
  - timeliness
  - impact on the individual, unit, and organizational performance
  - impact on customer-related performance
  - impact on the organization's ability to meet its goals
  - cost-benefit analysis
- Employees should be encouraged to share work related knowledge acquired through education and training

Implementation

- All training and development should be directly linked to goals and objectives identified in the strategic plan, business plan, and human resource plan
- Inputs to the Training and Development Plan should include new technologies, new business processes and organizational changes required to carry out strategic directions
- Other professional development and training that will contribute to the overall growth and development of staff but may not directly relate to specific business roles and requirements should be agreed to by staff and supervisors and become part of individual staff learning and development plans

Example - Training and Development Plan Methodology



Methodology

1. Identify all training related inputs.

2. Conduct a Training Needs Analysis that identifies specific skills and competencies required for each role in the organization.

3. Conduct a skills and abilities inventory for all staff members. This inventory should be a self assessment by staff supplemented by input from supervisors based upon staff performance evaluations and feedback.

4. Conduct a skills and abilities gap analysis to determine the gaps between individuals and their roles (position).

5. Identify specific training to fill any gaps that exist for every staff member.

6. Identify organization-wide or group training that may be required as a result of training required by multiple staff members

7. Develop detailed training plan:
   - Determine training methods, delivery and modalities. This should include use of in-house trainers, external delivery and acquisition of training materials including software and on-line training resources. The training plan should be sensitive to

the various learning styles (visual, verbal, social) that a variety of staff will best respond to
- Identify other resources and supports that may be required. This should include facilities, other staff time that may be as required to develop in-house training and travel if necessary
- Determine the cost for developing, acquiring and delivering all training

8. Obtain approval and the necessary budget to support the training plan.

9. Create ownership for the plan by identifying who is responsible for ensuring that the plan is carried out. This may be a training and development coordinator or the Human Resources lead.

10. Develop and/or acquire training. This will include developing in-house materials, external contracts for training and acquisition of software or on-line resources.

11. Conduct training as identified in the Training and Development Plan.

12. Conduct a post training evaluation to determine that the training has met the intended purpose and that staff have the skills and competency to carry out their specific roles.

Example – Training Needs Analysis

Role	Skills	Competencies	Other Requirements
Senior Accountant	• Ability to prepare financial statements • Ability to conduct comprehensive financial analysis	• Ability to build relationships with customers	• Professional Accounting Designation
Junior Accountant	• Ability to prepare working papers • Ability to conduct detailed reconciliations	• Team Skills	• Enrolment in an accounting program

Example – Employee Skills and Ability Inventory

Employee Name:	
Working Title:	
Education and Training: *List all formal education completed and any additional training that has been taken.*	
Skills and Abilities: *List all specific skills and abilities that have been acquired (include job specific skills such as ability to do bank reconciliations, journal entries, etc. as well as other skills such as communication, interpersonal skills, etc).*	
Employee Signature:	**Date:**
Supervisor's Signature:	**Date:**

Type of Organization

large, medium, small, micro

Related Practices

2.8, 3.6, 4.5, 5.1, 5.12

Tags

training and development, learning, skills inventory, learning plan, training plan, methods, needs analysis, assessment, professional development, ability

Practice 5.9: Ensure employees have adequate compensation and benefits

Definition

- Organizations care for employees with compensation and benefits
- Compensation and benefits support and provide value to organizational intent
- The level of compensation should be comparable to similar positions in the industry sector
- Benefits are wide ranging across organizations and include:
  - pension plan
  - health care
  - childcare

- Compensation and recognition approaches also could include:
  - profit sharing
  - rewards for exemplary team or unit performance
  - linkage to customer satisfaction and loyalty measures
  - achievement of organizational strategic objectives, or other key organizational objectives.
- Compensation and recognition systems should be matched to work systems
- Effectiveness could be increased by linking compensation and recognition to demonstrated skills and peer evaluations

Implementation

- When conducting a job analysis to determine competencies and requirements, consideration should be given to the following job dimensions:
  - skill variety – the degree to which a job entails a variety of different activities that demand the use of a number of different skills and talents by the jobholder
  - task significance – the degree to which the job has a substantial impact on the lives or work of other people, whether in the immediate organization or in the external environment
  - autonomy – the degree to which the job provides substantial freedom, independence, and discretion to the individual in scheduling the work and determining procedures to be used in carrying it out
  - experience and education required to fulfill the job requirements.
- The focus for evaluating positions should be based upon the requirements of the job, as measured against four compensable factors, including:
  - skill - which includes the sub-factors of knowledge and experience
  - working conditions - which involves consideration of work environment factors
  - responsibility - which focuses on interpersonal skills / contact / communications, complexity / judgment / problem solving, scope of responsibility, and impact of results
  - effort required
- Analysis of salary and pay information obtained from competitors and other organizations should take into consideration the full compensation package, including base salary, other compensation, and benefits
- When developing benefit plans and programs, employee input and feedback is critical to ensuring that benefits are meaningful and motivating for the majority of staff members

<u>Methodology</u>

1. Establish a job evaluation committee comprised of employees from various levels within the organization.

2. Train job evaluation committee members to evaluate positions in an unbiased manner.

3. Undertake a job evaluation process where all employees are involved in completing job questionnaires in order to develop their job descriptions.

4. Develop a point value weighting system for each of the compensable factors.

5. Conduct review of job questionnaires and descriptions to identify benchmark positions and determine the relative value placed on all positions within the organization.

6. Based on the point totals, divide positions into groups to form salary “grades”.

7. Using benchmark positions from each salary grade, collect salary and pay information from competitors and other organizations to determine an average market salary.

8. Analyze internal salaries against the new ranges and determine if any pay equity issues exist.

9. Make salary adjustments where necessary.

10. On an ongoing basis, participate in annual salary surveys and make salary and range adjustments as conditions warrant.

Type of Organization

large, medium, small, micro

Related Practices

2.13, 3.5, 5.2, 5.10, 6.10, 9.2, 9.3

Tags

compensation, job analysis, job evaluation, classification, benefits, benchmark positions, job description, salary

Practice 5.10: Reward and recognize strong performance of both individuals and teams

Definition

- High performance work is characterized by:
  - flexibility
  - knowledge and skill sharing
  - good communication and information flow
  - alignment with organizational objectives
  - customer focus
  - rapid response to changing organizational needs and marketplace requirements
- Effective feedback supports an organization's ability to develop its people to their full potential
- Human resource practices must be consistent with and support an organization's values and principles
- Managing people and the work they do includes aligning with and measuring against organizational intent
- Link rewards and recognition to activities that relate to improvement plans and support overall strategic direction
- Appraisal systems include assessing the processes individuals work in as well as results
- Employees are considered for advancement when their performance record, based on reviews, demonstrates that they deserve such consideration
- Recognizing team as well as individual performance will encourage people to work together and create a broader commitment to the whole organization

Implementation

- The objectives of a performance appraisal are to:
  - give employees the opportunity to discuss performance and performance standards regularly with their supervisor
  - provide the supervisor with a means of identifying the strengths and weaknesses of an employee's performance
  - provide a format enabling the supervisor to recommend a specific program designed to help an employee improve performance
  - provide a basis for salary recommendations
- Individual performance goals should be agreed upon together by an employee and their supervisor
- As a minimum, performance appraisals should be conducted annually
- Interim assessments should be conducted prior to the end of the performance period to assist the employee in making adjustments to performance sooner if required, and avoid "surprises" during the performance assessment at the end of the period

- The process for assessing and improving team performance is similar to that of individual performance, except that teams and their sponsors work together to identify goals and measures and assess results against these goals
- Organizational rewards and recognition programs should be developed with employee input regarding how they prefer to receive recognition, and encourage behaviours and qualities that the organization deems to be important (such as teamwork, innovation, client service, etc.)
- Research has shown that high levels of employee engagement have a significant and positive impact on organizational performance. Engagement is characterized by having:
  - meaningful work
  - organizational direction
  - performance accountability
  - efficient work environment
  - safe, trusting, and cooperative environment

<u>Methodology</u>

1. Identify performance goals and measures for the performance period:
   - Executive/senior management – identify performance goals common to the organization
   - Management – identify department-specific goals
   - Supervisor – list goals and measures for employee
   - Employee – propose goals and measures for his or her job

2. Employee and supervisor meet and jointly agree upon the employee goals and measures.

3. Conduct interim reviews at periods agreed upon by employee and supervisor to provide feedback on results measured against established goals:
   - Incorporate changes as required to goals and measures
   - The supervisor identifies areas where improvement is required and works with the employee to develop a plan to address improvement areas
   - Supervisor and employee indicate agreement by signing a document summarizing the results discussed

4. At the end of the performance period, employee and supervisor meet again to conduct and document a final review of employee results measured against established or revised goals:
   - Supervisor and employee indicate agreement by signing a document summarizing the results discussed

- Performance goals and measures are discussed and agreed upon for the upcoming performance period in light of new organization, department and individual goals and priorities

5. Recommend individuals for merit increases and awards based upon achievement of performance goals.

6. Recommend individuals and teams for bonuses and awards based upon achievement of performance goals and the organization's established rewards and recognition program.

Type of Organization

large, medium, small, micro

Related Practices

2.3, 2.13, 3.5, 5.4, 5.9, 9.2, 9.3

Tags

performance, appraisal, goals, measures, feedback, improvement, objectives, merit, recognition

Practice 5.11: Ensure a healthy workplace environment and involve people in addressing issues related to health and wellness

Definition

- Promoting awareness and involvement in health and safety
- A written healthy workplace policy is developed with input from employees and aligned with organizational vision, mission, goals and objectives
- Healthy workplace assessments are conducted through use of an instrument such as a survey to gather employee feedback regarding needs, attitudes and preferences with respect to health wellness variables. Such variables include:
  - physical environment - a workplace that is safe, provides appropriate facilities and tools to do work well, and meets or exceeds current legislation on health and safety
  - health and wellness practices - healthy lifestyles, behaviours and coping skills
  - social environment - human relationships, communication and support
  - personal resources - psychological and educational means to cope with health and wellness
- Healthy workplaces have many opportunities to support their workforce, through such things as:
  - services
  - facilities

- activities
- personal and career counselling
- recognition
- special leave
- flexible work hours
- benefit packages

Implementation

- Developing a business case will assist in convincing managers that workplace wellness is a business strategy - that employee health and job satisfaction affects their productivity
- To prove the program is beneficial, establish a benchmark before the program begins. Indicators could include:
  - employee satisfaction
  - absenteeism rates
  - stress levels
  - drug costs
  - WCB expenses
- Assess what workplace facilities are available to support employees to make healthy choices such as showers and change areas or a secure place to store a bicycle
- Offer a variety of activities that create awareness, increase knowledge, develop skills, and provide social interaction. Activities could include:
  - walking clubs
  - participation in campaigns such as Workplace Wellness Week, SummerActive, WinterActive, and corporate challenge
  - golf days
  - newsletters that provide information about community resources
- Workplaces can also make it easier for employees to make healthy choices by providing flextime to allow employees to fit activity in when it is convenient or by subsidizing programs in cooperation with community or private fitness facilities
- Workplace health and wellness programs should be a part of the overall company strategy for a healthy workplace. Health and safety legislation and other workplace policies or programs can provide a basis for a workplace health (or health promotion) program. When setting up a program, include training and other support (e.g., time to attend sessions) and choices where possible
- Promoting your program can be done in many ways such as:
  - posters around the workplace
  - postings on your organizations intranet or internet
  - bulletin boards
  - management telling employees about the program (i.e. manager and HR department)
  - host demo days
  - flyers / pamphlets / brochures
  - kiosk where all material is promoted or found

- exhibition fairs
- e-mail or mail

Methodology

1. Obtain senior management commitment to a healthy workplace environment. This may include developing a business case for a healthy workplace.

2. Identify someone who is interested in taking on the role to be the contact point of the program. It may be a joint committee from labour and management or someone who wants to take interest in leading the project.

3. Establish an employee committee with participation and involvement from across the organization. Members could include representatives from employee groups as well as from human resources, health and safety, and communications.

4. Develop and implement a communication plan to keep employees informed and involved throughout assessment and implementation of a plan to create a healthy work environment.

5. Have the employee committee conduct an assessment of the organization's current focus on a healthy workplace to determine areas of improvement required relative to physical environment, health practices, and social environment. Acknowledge current activities and collect baseline data.

6. Identify employee interests and needs through such means as:
   - Surveys
   - Suggestion box
   - Focus group sessions

7. Develop an action plan and cost estimate to address identified gaps and issues:
   - Identify what needs to be done.
   - Set realistic goals and objectives with responsibility, timelines, and measures
   - Plan how and when the program will be initiated.
   - Plan how to maintain interest.
   - Allocate resources

8. Obtain management approval for the plan, including support for staff time and budget.

9. Implement and communicate the action plan, including introducing formal corporate policies that state the importance of the workplace health program

10. Assess progress against the plan and results achieved. Evaluate the program based on the aims and objectives set at the outset.

11. Celebrate successes and revise the program as required based upon the results of the evaluation.

Type of Organization

large, medium, small, micro

Related Practices

1.5, 2.3, 2.9, 2.14, 5.5, 5.6, 5.12, 9.2, 9.3

Tags

healthy workplace, wellness, physical environment, health practices, social environment, balance, safety, coping, ergonomics, flexible

Practice 5.12: Remove barriers to employee effectiveness

Definition

- Using innovative organization methodologies to improve the way of working, for example, restructuring the supply chain and flexible team working
- Barriers that prevent people from doing their best work include such things as:
  - poorly designed processes
  - inadequate tools
  - insufficient skills or knowledge due to lack of training, poor planning and communications
  - fear of failure

Implementation

- Employees are the best source of information regarding barriers that impede their effectiveness
- Communicate regularly with employees regarding actions taken to address their concerns

Methodology

1. Seek feedback from employees regarding policies and procedures that are a source of irritation or impede their effectiveness:
   - Suggestion box
   - Staff sessions
   - Surveys

2. Establish working committees comprised of individuals impacted by priority issues identified.

3. Analyze the issue to identify core problems:
   - Describe the current process / activity
   - Analyze the process / activity
   - Conduct research if necessary to further clarify the problem.
   - Use creativity tools to help the team visualize, organize, and analyze new ideas that lead to changes aimed at addressing the challenge:

4. Develop criteria and select the ideas that best address the challenge.

5. Develop a business case for recommended improvements.

6. Implement the improvement.

7. Validate the change has addressed the challenge.

8. Develop and/or update work process documentation.

9. Communicate the results to employees engaged in the process / activity.

Type of Organization
large, medium, small

Related Practices
2.9, 5.5, 5.6, 6.4, 6.5, 6.6, 6.7, 6.9

Tags
effectiveness, improvement, processes, barriers

Resources and References

Books and articles:

Belcourt, M., Sherman, A. W., Bohlander, G. W. And Snell, S. A. (1996). *Managing Human Resources*. Nelson Canada. Scarborough, Ontario.

Catano, James V. (2000). *Recruitment and Selection in Canada*. Nelson Canada.

D'Aprix, Roger. (1996). *Communicating for Change.* Jossey-Bass, Inc. San Francisco, California.

Drucker, Peter F. (1985). *Innovation and Entrepreneurship.* Harper Business. New York, NY.

Dyck, Dianne. (2002). *Disability Management: Theory, Strategy & Industry Practice*. Butterworths Canada Ltd. Markham, Ontario.

Esty, K., Griffin, R. and Schorr Hirsch, M. (1995). *Workplace Diversity: A Manager's Guide to Solving Problems and Turning Diversity into a Competitive Advantage*. Adams Media Corporation. Holbrook, MA.

Kotter, John P. (1996). *Leading Change*. Harvard Business School Press. Boston, Massachusetts.

Kotter, John P. and Cohen, Dan S. (2002). *The Heart of Change.* Harvard Business School Press. Boston, Massachusetts.

Nelson, Bob. (2005). *1001 Ways to Reward Employees*. Workman Publishing Company, Inc. New York, NY.

Pratt, Danielle. (2001). *The Healthy Scorecard: Delivering Breakthrough Results that Employees and Investors Will Love!* Trafford Publishing.

Ritter, Diane and Brassard, Michael. (1998). *The Creativity Tools Memory Jogger.* Goal/QPC. Salem, NH.

Robinson, Alan G. and Schroeder, Dean M. (2004). *Ideas Are Free: How the Idea Revolution Is Liberating People and Transforming Organizations.* Berrett-Koehler Publishers, Inc. San Francisco, CA.

Robinson, Alan G. and Stern, Sam. (1997). *Corporate Creativity: How Innovation and Improvement Actually Happen*. Berrett-Koehler Publishers, Inc. San Francisco, CA.

Schwind, H., Das, H. and Wagar, T. (1998). *Canadian Human Resource Management: A Strategic Approach*. McGraw-Hill Ryerson, Ltd.

Thomas, R. Roosevelt. (2005). *Building on the Promise of Diversity: How We Can Move to the Next Level in Our Workplaces, Our Communities, and Our Society*. AMACOM. New York, NY.

Yerema, Richard W. (2000). *Canada's Top 100 Employers*. Mediacorp Canada Inc.

McKeown, Geri. (2002). *A Four Step Guide to Building the Business Case for a Healthy Workplace*. National Quality Institute. Toronto, Ontario.

Building a Healthy Workplace: Blueprint for Success. (2004). Middlesex-London Health Unit. London, Ontario. Available at www.healthunit.com/articlesPDF/11054.pdf

Related websites:

About.com – Human Resources: www.humanresources.about.com

Canada Foundation for Innovation: www.innovation.ca

Canadian Centre for Occupational Health and Safety: www.ccohs.ca

Diversity in the Workplace: www.diversityintheworkplace.ca

Diversity Central – Resources for Cultural Diversity at Work: www.diversityhotwire.com

Douglas Lipp - www.douglipp.com/articles.php

Healthy Alberta – Healthy U: www.healthyalberta.com

Health Works: www.nwohealthworks.org

Ideas Are Free: www.ideasarefree.com

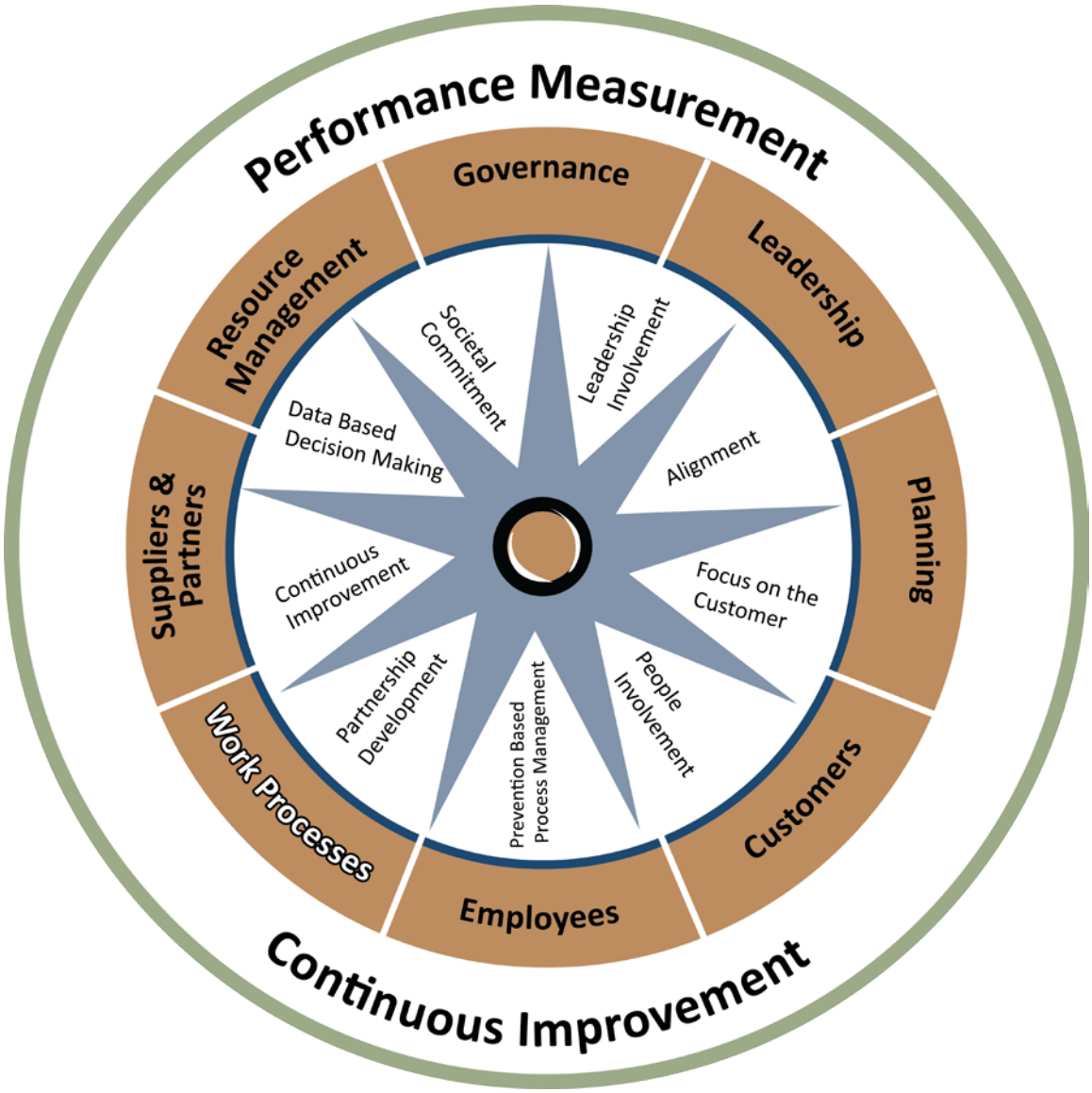
The Institute of Risk Management: www.theirm.org

Melcrum Publishing – High Performance Internal Communication: www.melcrum.com

Risk and Insurance Management Society Inc.: www.rmmagazine.com

Strategic and Business Planning Resource Centre – Human Resource Planning: www.work911.com/planningmaster/Human_Resource_Planning

Chapter 6 Work Processes



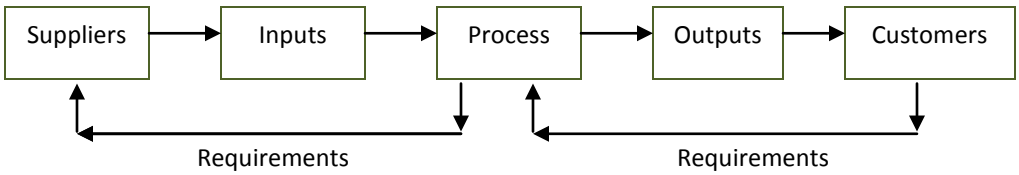
This chapter focuses on defining and implementing solid work process practices. It includes: designing, documenting, and managing work processes, analyzing and improving work processes, taking corrective action when problems occur, preventing recurrence of problems by making changes to work processes, and using benchmarking to evaluate performance.

Practice 6.1: Design and document key processes

Definition

- A process is a series of definable, repeatable, and measurable steps which transform some input from suppliers into a useful result or output for an internal or external customer (i.e. SIPOC)
- Processes are designed with a full understanding of the people, equipment, materials, and information needed to produce the desired outcome
- There are two types of processes: customer (e.g. sell consulting services) or support (e.g. hire employees)
- A key process has a strong linkage to: strategy, policy, customer requirements, business plan, improvement goals
- People that touch the key process (i.e. understand the people, materials, measurements, and information needed to produce the desired outcome) should be involved in designing and documenting it (e.g. employees, customers, suppliers)
- Documentation should be comprised of swim-lane process maps at three levels of detail:
  - What is done - key activities, usually 5 to 7 steps
  - Who does what - key activities by department/function, includes responsibilities and handoffs
  - How it is done - key activities of an individual, includes responsibilities, handoffs, and yes-no decision points
- Process map symbols should be simple (e.g. start, flow, activity, decision, end, connectors to another page/departments)

Example – SIPOC



Example – Key Processes

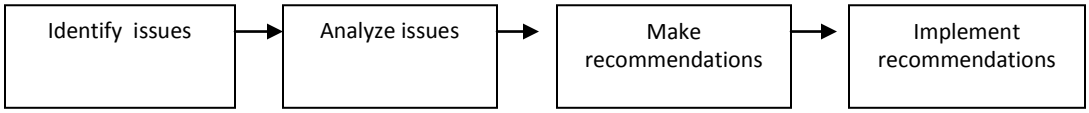
Private sector - research and development, information and knowledge management, supply chain management, project management, marketing

Non-Profit sector – fundraising, media relations, advocacy

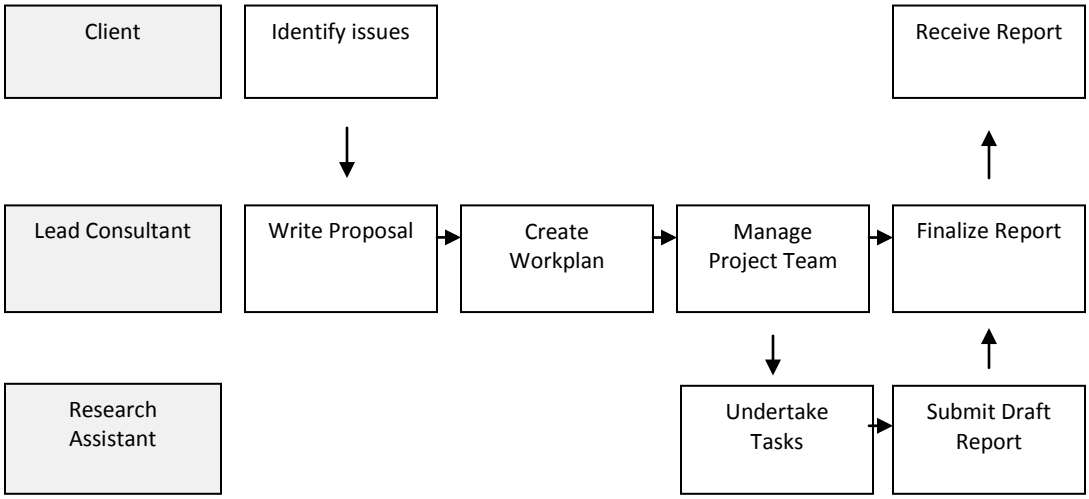
Public sector – leadership (e.g. planning, external relations), service delivery (e.g. transportation, water, housing)

Example – The Consulting Process

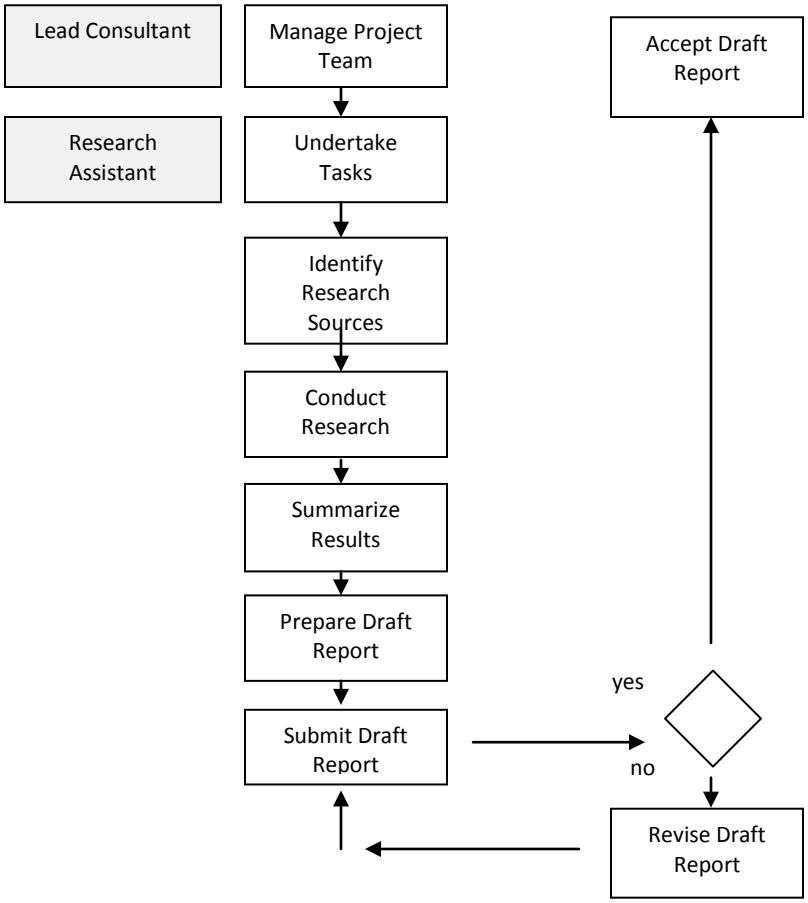
Level 1:



Level 2:



Level 3:



Implementation

- The design and documentation of key processes should reflect 'current state'
- The design and documentation of key processes should have stakeholder involvement
- The implementation of a process should be planned, tested, executed, and validated
- The process should be preventative in nature, with consideration given to eliminating probable causes of non-conformance
- The finalized process maps should be accessible to all employees
- The process maps should be maintained by a process owner
- A well designed process will yield the desired service to meet the needs of the client

Methodology

1. Select a representative team of management and staff.

2. Train the team in process mapping.

3. Work with the team to identify key processes.

4. Work with the team to document key processes.

5. Validate key process maps with stakeholders:
   - Employees
   - Suppliers
   - Partners

6. Finalize key process maps.

7. Share key process maps with stakeholders (e.g. signage, electronic manual, sharepoint site).

Type of Organization

large, medium, small, micro

Related Practices

1.4, 4.6, 5.6, 6.2 - 6.12, 7.4, 7.5, 8.7, 9.2

Tags

work activities, process design, process maps, service standards, process measures

Practice 6.2: Monitor and control processes to ensure service standards are met consistently

Definition

- For a work process to be stable (in control), it must be measured.
- Service standards indicate 'how much of what is required by when' and depict the knowledge, attitude, skills, and/or behaviour expected of employees on a given task.
- The process can be measured at the input, activity, output of the process.
- For each work process there is documentation on what is to be measured, how it is to be measured, and at what process stage.
- There should be a defined criterion (e.g. pass/fail, good/bad, accept/reject) for each measurement point with instructions on actions to be taken on non-conformances.
- Statistical methods are used to monitor and analyze processes.
- A process is stable when all special causes, resulting in an out-of-control condition, have been identified, analyzed, corrected, and prevented from occurring.
- There are two causes of variation:

- special cause - variation that is intermittent, localized, seasonal, unpredictable, unstable. Its origin can usually be traced to an element of the system that can be corrected locally (e.g. computer crash).
- common cause – variation that is always present, part of the random variation inherent in the process itself. Its origin can usually be traced to an element of the process that only management can correct (e.g. substandard materials).

Example – Service Standard for Writing Proposals

The management consulting proposal should include the following components: client background, understanding, approach, scope, project objectives, methodology, timing and deliverables, consulting team, consulting firm background, fees and expenses, acceptance paragraph. A cover letter, on the firm's letterhead, should accompany the proposal. Both the cover letter and the proposal should be enclosed in an envelope with the firm's logo, name, and return address. The proposal should be submitted to the client at least four hours in advance of the submission deadline.

Implementation

- People that touch the work process should be involved in reviewing the process maps, determining process measures, and gathering process measurement data
- Process measures should include: cycle (turnaround) time, cost, steps that are automated or manual, volumes or rates
- The process owner should analyze the data and report on process performance
- When service standards are not met, corrective action should be taken to minimize negative impact on the organization or customer

Methodology

1. Identify members of the process team.

2. Work with the process team to:
   - Determine process measures for each key process
   - Define criteria for each measurement point (i.e. pass/fail, control/out of control, accept/reject) with actions to take on non-conformances
   - Act on non-conformances
   - Track and record process measures
   - Forward measurement data to the process owner

3. Request the process owner work with management to determine frequency of reporting measurement results.

4. Require the process owner analyze process data using statistical methods and report results to the process team and management:
   - Histogram

- Pareto chart
- Run chart
- Control chart

Type of Organization

large, medium, small, micro

Related Practices

4.6, 5.6, 6.1, 6.3 - 6.12, 8.7, 9.2

Tags

work activities, process design, process maps, service standards, process measures

Practice 6.3: Monitor and control processes to ensure system standards are met consistently

Definition

- For a work process to be stable (in control), it must be measured
- System standards are legislated or regulated by government authorities (e.g. quality, environment, occupational health and safety) and organizations committed to excellence meet or exceed system standards
- The process can be measured at the input, activity, output of the process
- For each key process there is documentation on what is to be measured, how it is to be measured, and at what process stage
- There should be a defined criterion (e.g. pass/fail, good/bad, accept/reject) for each measurement point with instructions on actions to be taken on non-conformances
- Statistical methods are used to monitor and analyze processes

Example – Canada Occupational Health and Safety Regulations

Federal regulations governing occupational health and safety are found at www.laws.justice.gc.ca/en/SOR-86-304 . The consulting firm should review the regulations and take note of all regulations pertaining to their office(s) and assure compliance (e.g. lighting levels in office areas is described at www.laws.justice.gc.ca/PDF/Regulation/S/SOR-86-304.pdf

Implementation

- Designated people in the organization should be responsible for maintaining information on system standards and monitoring the work environment to ensure conformance with the standards

- Related measurements are included in the system standards and the designated representative is responsible for working with management to set targets that may meet or exceed the standards.
- The designated representative is responsible for gathering, analyzing, and reporting on related measurement data
- When system standards are not met, corrective action should be taken to minimize negative impact on the organization or customer

Methodology

1. Identify designated representatives that will be responsible for maintaining system standards.

2. Provide related training to the representatives to ensure understanding of the system standards.

3. Have the representatives work with management to:
   - Determine measurement targets that conform with system standards
   - Acquire necessary equipment and materials
   - Determine measurement schedule
   - Determine action to take on non-conformances
   - Determine frequency of reporting measurement results

4. Request the representatives track and record measurement data and act on non-conformances.

5. Require the representatives analyze measurement data using statistical methods and report on conformance with system standards to management:
   - Histogram
   - Pareto chart
   - Run chart
   - Control chart

Type of Organization

large, medium, small, micro

Related Practices

1.3, 2.14, 5.11, 6.4, 6.5, 7.5, 8.4, 9.2

Additional Notes

Other sources of information;
- Municipal, Provincial, and Federal Legislation

Tags
work environment, system standards, government legislation and regulations

Practice 6.4: Ensure processes are in place to anticipate or adjust for change

Definition

- Excellent organizations learn, prepare for change and maintain the agility needed to meet new challenges as they arise (e.g. legislation, new venture, innovation)
- Core practices include:
  - defining and deploying a consistent methodology to facilitate process improvement
  - establishing processes to capture and exploit innovative opportunities
  - involving employees in the improvement process
  - learning from others

Example

Two processes that may be used to manage change include: abiding by new lobbying legislation and implementing a QMS at the firm.

Implementation

- The organization acknowledges that creativity exists naturally within everyone in the organization and must be harnessed
- Being creative involves:
  - producing ideas
  - putting ideas together in different combinations
  - breaking an idea down to examine its parts
  - making connections between the topic at hand and seemingly unrelated facts, events, or observations

Methodology

- Identify the challenge that exists.
- Describe the work processes and employees affected by the challenge.
- Create a team comprised of a representative sample of these employees.
- Use creativity tools to help the team visualize, organize, and analyze new ideas that lead to addressing the challenge:

- brainwriting
- brainstorming
- knowledge mapping
- morphological box
- picture associations
- problem reformulation
- purpose hierarchy
- word associations
- idea matrix
- learning from others

5. Develop criteria and select the idea that best addresses the challenge.

6. Implement the idea.

7. Validate the idea has addressed the challenge.

8. Develop and/or update work process documentation.

Type of Organization

large, medium, small

Related Practices

2.15, 3.3, 3.7, 5.6, 5.7, 6.8, 7.4, 7.5, 9.2

Tags

change, challenge, adaptation, regulation, legislation, innovation, creativity

Practice 6.5: Take corrective action when problems occur

Definition

- Excellent organizations monitor how they perform against required standards, customer expectations, and/or competitor performance
- A problem exists when there is a gap between the current performance level of a process, product, or service and the desired performance level
- Corrective action eliminates the gap and prevents unnecessary rework or the delivery of non-conforming services to the customer

Example

Problems that may occur on a consulting assignment include: discovering statistical errors in data analysis and delivering a consulting report to the client prior to finalization.

Implementation

- The organization acknowledges that problems may lead to errors, rework, customer dissatisfaction, tarnished image in the marketplace, etc.
- Problems are solved most effectively with a systematic approach
- Employees that touch the process should be involved in solving problems
- Systematic problem solving should be a core competency for all employees

Example – Systematic Approach

Use the plan-do-study-act cycle (PDSA) when a problem is discovered internally and the LEARN cycle when non-conforming services have been delivered to the customer.

The PDSA cycle is comprised of:

- Planning what you are going to do
- Doing what you have planned
- Studying (measuring) what you have done to ensure conformance with the plan
- Acting on study (measurement) results to ensure conformance or realize improvement

The LEARN cycle is comprised of:

- Listening to the customer so you understand the problem
- Empathizing with the customer to show your concern
- Asking open-ended questions to gather more information
- Reaching a mutually acceptable solution with the customer
- Next opportunity, following up to ensure the customer is satisfied

Methodology

1. Train employees in systematic problem solving:
    - Problem identification
    - Data gathering and analysis
    - Root cause analysis
    - Validation of corrective actions

2. Empower employees to solve problems within a defined scope and refer problems outside the scope to management.

3. Require employees to maintain a record of activities:
    - Problem identification
    - Data gathering and analysis
    - Corrective action, including root cause analysis
    - Validation of corrective actions

4. Require employees to report on activities to people touching the process and management.

Type of Organization

large, medium, small, micro

Related Practices

1.5, 2.12, 4.4, 4.5, 4.6, 4.7, 4.8, 5.7, 6.6, 9.2, 9.3

Tags

problem, defect, non-conformance, challenge, customer dissatisfaction, problem-solving

Practice 6.6: Prevent recurrence of problems by making changes to processes

Definition

- A disciplined approach is used to resolve problems including:
    - problem identification
    - data gathering and analysis
    - root cause analysis
    - validation of corrective actions

Example

A management consulting firm experienced declining referrals due to client dissatisfaction and wanted to turn this situation around.

Implementation

- Process improvement tools are used to identify root causes and put forward ideas for improvement
- Any changes to the process should be documented and people trained to implement the changes

Example

A review of the consulting engagement process revealed a lack of follow up with clients at critical points to determine level of satisfaction. Changes were made to the process so that consultants dialogued with the client after each phase of work and upon completion of the engagement. The dialogue included two questions that were used to gauge the level of client satisfaction (What went well? What could be improved?). The data collected was used to make changes to the project methodology that resulted in improvement and higher client satisfaction ratings.

Methodology

1. Identify the recurring problem using statistical methods (e.g. run chart).

2. Create a team of representative employees that touch the related work process.

3. Meet with the team to:
   - Describe the current work process (e.g. process map, flowchart)
   - Analyze the problem (e.g. brainstorming, cause and effect diagram)
   - Select the root cause (i.e. root cause analysis)
   - Develop solutions (e.g. action to take, to what/with whom, desired effect)

4. Identify selection criteria to rank order the solutions (e.g. matrix diagram).

5. Select the most effective solution and develop an action plan.

6. Develop countermeasures for problems that may occur during implementation of the action plan.

7. Implement the solution following the PDSA cycle to ensure that changes to process will prevent recurrence of the problem:
   - Plan - plan a change
   - Do - carry out the change
   - Study - check to see if the desired result was achieved
   - Act - adopt the change if the desired result was achieved

8. Document the change.

9. Train employees that touch the process to implement the change.

Type of Organization

large, medium, small, micro

Related Practices

3.3, 4.6, 4.7, 4.8, 5.5, 5.6, 5.7, 5.8, 6.8, 9.2

Tags

problem, defect, non-conformance, challenge, customer dissatisfaction, problem-solving, root cause, solution, action plan, countermeasures, risk, contingency

Practice 6.7: Analyze processes on a regular basis and make changes aimed at continual improvement

Definition

- Continuous improvement is the aim of the organization, in particular:
  - delivering the organizations policy and strategy
  - creating value for customers
  - achieving organizational success and sustainability
  - reducing the costs associated with poor quality (e.g. errors, waste, duplication, client dissatisfaction)
- Continuous improvement is largely driven by client needs
- A process owner should be assigned to analyze a process and this assignment should be communicated to others
- Process ownership includes responsibility for the design, operation, and improvement of the process
- While an individual may own a process, everyone is responsible for their part of the process
- A disciplined approach should be used in process improvement
- Process improvements should be planned, tested, executed, and validated

Implementation

- The process owner is responsible for process improvement including:
  - maintenance of the process
  - producing an output that meets the established requirements
  - generating and communicating appropriate performance data
  - making changes aimed at improving the process
- Process improvement approaches include, but are not limited to:
  - using performance results
  - using perception results from stakeholders
  - sharing successful strategies across the organization to drive learning and innovation
  - performing process analysis and research
  - conducting technical and business research and development
  - benchmarking

    - using alternative technology
- Process measures should be openly and regularly communicated throughout the organization
- Communication may include:
    - internal mail
    - bulletin boards
    - meetings
    - email
- Visuals such as charts and graphs assist employees with the understanding of performance measures
- Any changes to the process should be documented and people trained to implement the changes

Methodology

1. Create a process improvement team including the process owner and a representative sample of people that touch the process.

2. Meet with the team to:
    - Describe the current work process (e.g. process map, flowchart)
    - Analyze the process (e.g. visuals (chart, graph), discussion (what is going well, what needs to improve))
    - Analyze performance results (i.e. process measures)
    - Analyze perception results (e.g. stakeholder research)
    - Brainstorm changes aimed at improving the process

3. Identify selection criteria to rank order the changes (e.g. matrix diagram).

5. Select the most effective change and develop an action plan.

6. Develop countermeasures for problems that may occur during implementation of the action plan.

7. Implement the change following the PDSA cycle to ensure the change will result in improvement:
    - Plan - plan a change
    - Do - carry out the change
    - Study - check to see if the desired result was achieved
    - Act - adopt the change if the desired result was achieved

8. Document the change.

9. Train employees that touch the process to implement the change.

Type of Organization
large, medium, small, micro

Related Practices
3.3, 5.5, 5.6, 5.7, 5.8, 6.8, 9.2, 9.3

Tags
process improvement, continual improvement, action plan

Practice 6.8: Communicate changes in process to all employees that touch the process

Definition

- With the support of management, the process owner is responsible for communicating changes in process
- Changes in process should be widely communicated to employees that touch the process
- Communication methods should be used that are appropriate for the people and the organization
- Changes in process should also be communicated to relevant stakeholders outside the organization

Implementation

- Use communication methods appropriate for different learning styles (i.e. visual, auditory, kinesthetic) in the organization
- Use a variety of communication methods to reach all stakeholders
- Ensure that updates to process documentation are comprehensive

Methodology

1. Have process owner and team to update the process documentation, for example:
   - Process map
   - Policy
   - Procedures
   - Process measurements
   - Data collection method and forms
   - Data analysis methods

2. Have the process owner and team identify the best methods of communication for internal and external stakeholders, for example:
   - Newsletter

- Email
- Process documentation
- Posters
- Storyboard displays
- Meetings
- Training sessions

3. Have the process owner and team develop a communication action plan and divide responsibilities for implementation:
   - Audience – employees, customers, suppliers, partners
   - Method(s) of communication
   - Tasks
   - Responsibility
   - Timing
   - Out-of-pocket costs

5. Have the process owner and team implement the communication action plan and report on progress.

6. Have the process owner monitor the changes in process to ensure understanding across stakeholder and conformance with new process.

Type of Organization

large, medium, small, micro

Related Practices

1.6, 5.4, 8.7, 9.2

Tags

communication, learning styles, process documentation

Practice 6.9: Involve customers, suppliers, and/or partners in designing and analyzing processes

Definition

- Process management and improvement activities involve several disciplines and cut vertically, horizontally, or diagonally across several functional areas within the organization
- The process team should include relevant stakeholders that touch the process
- An open management style is used where team members are free to contribute ideas, think creatively, and learn from each other

Implementation

- Management should provide needed resources to the team
- The team should:
  - be led by the process owner
  - have the right knowledge, skills, and experience
  - represent all perspectives
  - be a manageable size
  - have time to work on the project
  - use good team-based practices
- This practice can be extended to including suppliers and partners in planning activities, motivating them to initiate improvements in their own services

Methodology

1. Request resources from management:
   - Time
   - Meeting space
   - Materials

2. Assemble a strong team:
   - Led by the process owner
   - Right knowledge, skills, and experience
   - All perspectives (e.g. employees, customers, suppliers, partners)
   - Manageable size

3. Meet to create a common understanding about the project:
   - Understand roles and responsibilities
   - Clear goals and objectives
   - Well defined process
   - Strong leadership
   - Respect for each members contribution
   - Decision-making by consensus

4. Meet to design/analyze processes and document work:
   - Process maps
   - Policy
   - Procedures
   - Records and forms
   - Measures
   - Measurement methods

5. Make decisions by consensus.

6. Recognize members for their contribution.

Type of Organization

large, medium, small, micro

Related Practices

2.7, 4.7, 5.5, 6.1, 6.7, 7.4, 9.2

Tags

process management, design, team, improvement

Practice 6.10: Use external data to compare performance to other organizations

Definition

- Informal benchmarking is comparing and learning from the behaviour and practices of others
- There are two types of formal benchmarking: performance and best practice
- Performance benchmarking:
  - the comparison of performance data obtained from studying similar processes or activities (i.e. internally, between organizations)
  - useful for identifying strengths and opportunities form improvement
  - may involve the comparison of financial or non-financial measures
  - enables a performance gap to be identified
- Best practice benchmarking:
  - the comparison of performance data obtained from studying similar processes or activities and identifying, adapting, and implementing the practices that produced the best performance results
  - provides the idea, best practice or solution as to how performance can be improved
  - used for learning from the experience of others and achieving breakthrough improvement in performance
  - focuses on action or doing something with the comparison data and learning why other organizations are achieving higher levels of performance
  - projects take from 2 to 4 months to identify best practices

Implementation

- Gain support of management
- Set clear project objectives
- Link project objectives to strategic objectives
- Determine type of benchmarking project that will be undertaken
- Use results to improve performance in target areas

Methodology

1. Provide training in benchmarking to employees that will form a team:
   - Research
   - Project management
   - Tools
   - Resources

2. Develop a project brief that specifies the aim and scope of the benchmarking exercise.

3. Identify process performance data to be benchmarked
   - Governance
   - Leadership
   - Planning
   - Customer
   - Employees
   - Work Processes
   - Suppliers and Partners
   - Resource Management
   - Organizational Results

4. Determine benchmarking sources:
   - Internal
   - Associations
   - Government
   - Quality organizations
   - Benchmarking exchanges

5. Determine benchmarking methodology:
   - Searching websites
   - Literature searches
   - Site visits/meetings with benchmarking partners

6. Conduct benchmarking exercise and summarize results.

7. Communicate benchmarking results:
   - Presentations
   - Reports
   - Meetings
   - Email
   - Intranet

- Newsletter
- Notice board

8. Undertake a cost-benefit analysis of the benchmarking project.

9. Determine improvement projects

Type of Organization

large, medium, small

Related Practices

1.7, 1.8, 2.16, 2.17, 3.10, 3.11, 4.10, 4.11, 5.13, 5.14, 6.11, 6.12, 7.6, 7.7, 8.9, 8.10, 9.1, 9.2, 9.3

Tags

process measurement, performance measurement, benchmarking, best practice

Resources and References

Books and articles:

Brassard, Michael and Ritter, Diane. (1998). *The Creativity Tools Memory Jogger*. Goal/QPC. Salem, NH.

Perry, John W. (2003). *A Five Step Roadmap for Improving a Process*. National Quality Institute. Toronto, Ontario. Available at www.excellence.ca.

The Problem Solving Memory Jogger: Seven Steps to Improved Processes. Goal/QPC. Available at www.goalqpc.com .

Related websites:

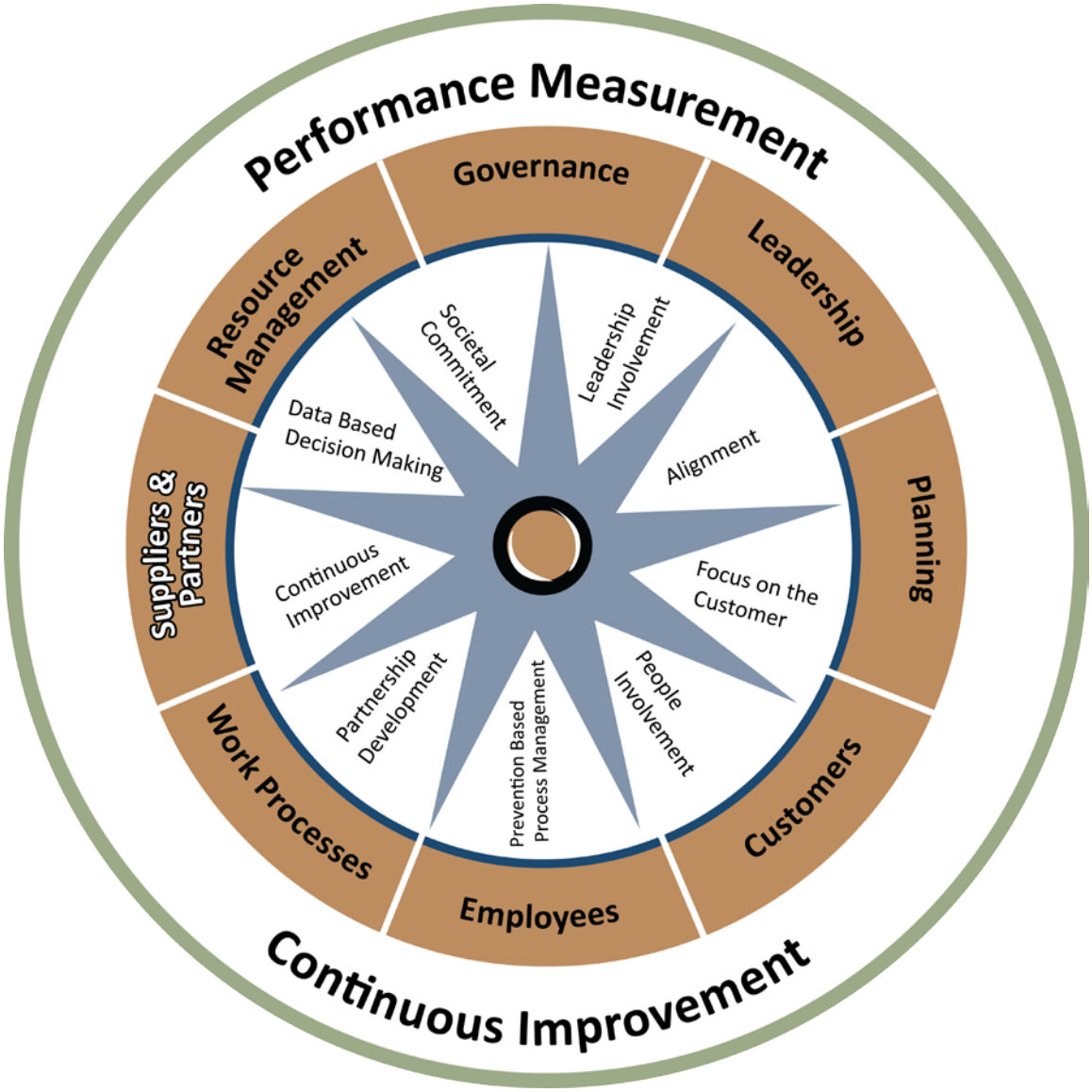
Global Benchmarking Network: www.globalbenchmarking.org

Business Performance Improvement Resource: www.bpir.com

Award recipient information is available through the following organizations:

- Excellence Canada: www.excellence.ca
- Baldrige National Quality Program: www.quality.nist.gov
- European Foundation for Quality Management (EFQM): www.efqm.org
- SAI Global: www.sai-global.com

Chapter 7 Suppliers and Partners



This chapter focuses on defining and implementing mutually beneficial supplier and partner practices. It includes: using criteria to select suppliers and partners, developing win-win relationships, sharing information about strategic and business plans, and working together to develop products, services and standards.

Practice 7.1: Select suppliers and partners on the basis of criteria

Definition

- The organization must have a clear definition of what they require from suppliers and partners.
- The definition should align with the organization's policy, strategy, and mission and be stated in procurement specifications.
- The procurement specifications describe features and performance characteristics and range from simple agreements on a specific item to complex technical documents.
- The organization must select the partner most able to meet the specifications.
- To supplement these specifications, the organization must use quality control to assure delivery of supplier / partners supplied products / services.

Example – Management consulting suppliers and partners

Suppliers and partners on a consulting assignment must be carefully selected to ensure the consulting process and end product conforms with the firm's vision of quality. Characteristics might include:

- CMC designation or commitment to the CMC code of conduct
- Commitment to deliver the terms of the proposed project
- Acceptable level of experience with similar projects
- Excellent reputation in the marketplace

Implementation

- Supplier and partner relationships should maximize value to the organization and their customers
- The organization should identify and leverage core competencies of suppliers and partners
- The process should be carried out by key senior management, consulting technical advisors and service providers as required

Methodology

1. Confirm current strategy and intent (i.e. the scope, accuracy, currency and relevance of the strategic and business plans):
   - Do organizational activities conform with strategic and business plans?
   - If not, what needs to change to ensure alignment?

2. Confirm value chains that are used to meet customer needs:
   - What value is delivered to customers?
   - How is it delivered?
   - Who is involved in delivering value?

- What are the relationships among those involved?
- Are changes being contemplated in the near future with respect to any aspect of the current value chain?

3. Confirm key processes that support the value chains and the key attributes of those processes:
   - What technologies are being used?
   - What are the customer interfaces?
   - What is the nature of the interface?
   - What is actually happening at each of these points?
   - Who manages the interface?

4. Identify potential improvement points (i.e strengths and weaknesses in key business processes using feedback from employees, customers, and key stakeholders):
   - What is being done well?
   - What needs to improve?
   - Which processes are most critical to the overall value proposition being offered?
   - Are there weak points that are critical to good service delivery?
     - efficiency
     - asset usage
     - customer service
     - marketing
     - financial management
     - profitability

5. Create profile of skills and capacities needed to capitalize on improvement opportunities (i.e. in order of priority: critical, essential, nice to have).

6. Identify sources of skills and capacities to assess organizational capability in addressing the improvements:
   - Does the organization have the skills and capacities?
   - Is the organization willing to develop the skills and capacities?
   - Would it be more effective to obtain these skills and capacities through supplier or partnership arrangements?
     - Specialized or general skills and requirements
     - Availability in the current marketplace
     - Amount of competition
     - Time frame to acquisition
     - Potential cost
     - Risks related to:
       - existing relationships
       - creating interdependencies and linkages not previously in place

- creating and sustaining operational integration of a new process participant

7. Determine selection criteria that will be used, to approach and select potential suppliers or partners, and weight factors according to importance.

8. Approach suppliers and partners and invite them to express interest in working with the organization:
   - Request for expression of interest
   - Request for qualifications
   - Request for proposal

9. Evaluate submissions using criteria and weighting factor to select the preferred partners.

Type of Organization

large, medium, small, micro

Related Practices

2.3, 2.4, 3.4, 3.6, 4.2, 6.7, 8.1, 8.2, 9.2

Tags

strategy, partnerships, supply chain, value added

Practice 7.2: Develop win-win partnering arrangements

Definition

- The organization establishes mutually beneficial relationships with suppliers and partners
- Both parties should discuss the costs and benefits of working together and agree on terms of the working relationship
- The terms of the working relationship should be captured in a formal agreement

Implementation

- Partnering arrangements and agreements are the responsibility of senior management, consulting technical advisors and service providers as required
- Senior management must understand and support the strategy underlying the development of supplier and partner relationships
- The organization should ensure the original strategic intent is not lost in the details required to establish complex relationships

Methodology

1. Determine procurement strategy (i.e. method that will be used to procure the supplier or partner):
   - Requests for expression of interest - open ended, closed or targeted
   - Requests for qualifications - open ended, closed or targeted
   - Requests for proposal - open ended, closed or targeted
   - Targeted discussions

   The choice of approach can be driven by a number of general factors:
   - Time and resources available to manage the process
   - Nature of the required service (specialized versus generic)
   - Nature of the market (level of openness and competitiveness)
   - Scope of the market (local, national, international)
   - Size of the opportunity
   - Sector involved (public, private, non profit)

2. Develop procurement instruments (i.e. documents that address the specifics of the desired relationship):
   - Overall strategic intent of the relationship
   - Commitment to quality
   - Clarification of customer requirements
   - Supplier and partner selection criteria
   - Specific skills and capacities anticipated from the supplier or partner
   - Role of the supplier or partner in the value chain
   - Work processes
   - Joint and shared accountabilities
   - Scope of joint and shared activities
   - Scope, nature and timing of commitments
   - Performance management framework
   - Economic and incentives framework
   - Dispute resolution and crisis management tools
   - Linkages to other parties and relationships
   - Risk and reward sharing
   - Exit provisions
   - Nature of and expectations surrounding customer contact
   - Shared and discreet decision making
   - Risk and risk mitigation strategies
   - Information collection and management

3. Deploy procurement strategy (i.e. method and agreement) in accordance with agreed upon time frame and process.

4. Develop a formal agreement that accurately reflects the substance, spirit, and strategic intent of the relationship with the supplier or partner.

5. Ask the supplier or partner to review the agreement and make any mutually acceptable modifications prior to signing and dating the agreement.

6. Monitor the agreement and remain open to discussing and updating the agreement to assure both parties are satisfied with arrangements.

Type of Organization

large, medium, small, micro

Related Practices

1.1, 1.6, 2.3, 3.5, 3.7,4.6, 6.2, 6.3, 7.3, 8.7, 8.8, 9.2

Additional Notes

- In public sector situations, developing supplier and partner arrangements must conform with government regulations concerning procurement, for example maintaining an open and transparent process

Tags

partners, suppliers, procurement, strategic intent, networks, supply chain, reward sharing

Practice 7.3: Share information with suppliers and partners that links to strategic and business plans

Definition

- There is open communication between the organizations and key suppliers and partners
- Suppliers and partners are aware of the organizations':
  - focus on quality
  - short and long range plans
  - expectations of suppliers and partners
  - performance measures
  - measurement processes
- Information shared between the organization and its' suppliers and partners should be used to:
  - establish a common direction
  - meet customer requirements
  - provide feedback on performance
  - take corrective action

- improve work processes
- continually improve

- The organization uses a variety of communication methods including:
  - conversations
  - correspondence
  - reports
  - meetings
  - planning sessions

Implementation

- In some countries, there is legislation governing the management of information in the public sector (e.g. Canada). Both freedom of information and protection of privacy legislation impact how information about the customer can be used and shared
- Considerable time and energy is required to collect and manage information. Accordingly, organizations should weigh the costs and benefits of collecting and managing information
- Information management should be linked to achieving strategic and business objectives
- The organization should ensure suppliers and partners receive information related to fulfilling their responsibilities and improving performance
- Creating synergy in working together adds value to the customer and supplier-partner chain

<u>Methodology</u>

1. Work with suppliers and partners to reach a common understanding with respect to the current information environment:
   - What kind of information is generated to products or services provided?
   - How often is information generated?
   - What volume of information is generated?
   - How is information used?
     - validation and quality control
     - analysis and usage
     - distribution
     - storage
     - confidentiality and security
     - technologies and processes
     - legal and accountability framework around information management

2. Work with suppliers and partners to develop a shared profile of the information environment needed to support the desired relationship:
   - What information is needed to:

    - understand whether strategic objectives are being met
    - understand operational realities
    - govern the organization
    - communicate with stakeholders
    - assess work processes and stakeholder satisfaction
    - manage resources
    - continually improve
    - support performance measurement
  - How is information managed?
    - decision making framework
    - quality
    - intended use
    - distribution
    - retention
    - disposal

3. Work with suppliers and partners to identify any gaps between current information and required information. Particular attention is given to any gaps related to:
   - Understanding the organizations' strategic and business plans
   - Sustaining high levels of customer service
   - Maintaining knowledge about current and future customer requirements
   - Providing feedback on supplier and partner performance

4. Work with suppliers and partners to fill information gaps according to priority and to develop a joint plan for addressing these priorities.

Type of Organization

large, medium, small, micro

Related Practices

1.6, 2.3, 3.4, 6.2, 6.3, 6.6, 6.8, 8.7, 9.2

Tags

information management, information technology, privacy, customer data, freedom of information

Practice 7.4: Involve suppliers and partners in the development of new products and services

Definition

- The organization should:
  - make suppliers and partners aware of new product or service plans

- invite suppliers and partners to participate in the design and review of new products or services and associated work processes
- support innovative and creative thinking with suppliers and partners

Implementation

There are four steps to the implementation process, recognizing that ultimately this is an iterative process and participants may have to revisit previous stages in the process as additional analysis is carried out and new information emerges from interaction among participants.

Methodology

1. Work with suppliers and partners to determine how new opportunities will be managed:
   - How opportunities will be identified?
   - Who will be responsible for opportunity identification?
   - What tools and processes will be used?
   - What decision making process will be used to decide how to proceed?
   - What information is required before an opportunity warrants further attention?
   - How will this information be validated and managed?

2. Work with suppliers and partners to develop a review and assessment process that will be used to analyze and assess potential opportunities. Criteria may include:
   - Alignment with strategic and business objectives
   - Market feasibility
   - Economic implications:
     - cost
     - benefit
     - return on equity
     - return on investment
   - Alignment with current relationship plans
   - Potential risks
   - Development and implementation realities:
     - timing
     - costs
     - technical challenges
   - Spill over impacts such as: other relationships and lines of products or services
   - Information sharing and management implications
   - Technical and process implications
   - Nature and scope of customer involvement

3. Work with suppliers and partners to develop an implementation plan:
   - Accountability for detailed planning across current suppliers or partners

- Identification of others outside the current relationship who may need to be involved
- Time frames and levels of effort to go into implementation planning
- Nature and scope of customer involvement
- Process for agreeing to a specific implementation strategy

4. Work with suppliers and partners to confirm the hand-off process that will move the opportunity from the development stage to operational reality. Particular attention should be paid to the responsibility for customer service and changes in the supplier or partner relationship. Prior to hand-off, such responsibilities should be:
   - Reflected in planning and work process documentation
   - Reflected in partnership agreements
   - Communicated to stakeholders affected by the change

Type of Organization

large, medium, small

Related Practices

1.4, 4.9, 5.5, 5.7, 6.4, 6.5, 6.9, 7.3, 8.6, 9.2

Tags

opportunity, assessment, innovation, customer centric, R&D, research and development

Practice 7.5: Involve suppliers and partners in the development of social and environmental standards

Definition

- Standards are created by recognized authorities and provide a rule of principle that is used as a basis for judgment
- While some standards are established in government legislation, other standards require organizations to be self-regulating
- Social standards include protection for internal and external stakeholders, for example:
  - labour
  - employment
  - occupational health and safety
  - organizational accountability
- Environmental standards regulate the effect of human activity on the environment, for example:
  - air
  - water
  - land

- The organization should:
  - make suppliers and partners aware of current and emerging social and environmental standards
  - invite suppliers and partners to participate in the development of social and environmental standards, related work processes, and performance targets
- Support innovative and creative thinking with suppliers and partners

Implementation

- The organization should:
  - make suppliers and partners aware of current and emerging social and environmental standards
  - invite suppliers and partners to participate in the design and review of new standards and associated work processes
  - support innovative and creative thinking with suppliers and partners

Methodology

1. Work with suppliers and partners to identify standards relevant to the activities encompassed by the supplier or partnership relationship:
   - What standards apply to the scope of activities captured by the relationship?
   - Designate whether standards are:
     - public or private sector
     - municipal, provincial, federal, or international scope
     - industry based
     - best practises

2. Work with suppliers and partners to reach a common understanding about the meaning of the standards and the application of such to their relationship. This includes understanding how standards setting bodies and independent decision makers have interpreted application of the standards in circumstances similar to those captured by the relationship. This may require some research and direct contact with one or more standard setting bodies.

3. Work with suppliers and partners to develop a commitment to compliance and reach an understanding on how to implement and conform to the standards. Factors may include:
   - Economic implications and the distribution of costs and benefits
   - Accountability for different aspects of the standard
   - Information that will be collected, used, and managed
   - Legal and relationship supporting documents.
   - Process adjustments required to accommodate the standard
   - Reporting requirements

- Managing progressive components to the standards
- Managing non-compliance to standards
- Use of rewards or incentives to meet standards
- Communications with internal and external stakeholders

The particular challenge at this stage is ensuring there is a shared understanding of the applicability and implications of standards before commitments are made. One risk at this stage is the costs of commitment and compliance not being shared equitably.

4. Work with suppliers and partners to develop an implementation plan for the standards. The implementation plan might include:
   - Documented standard
   - Changes to work processes and targets
   - Performance measurement
   - Communication with internal and external stakeholders
   - Responsibility
   - Timing
   - Budget

   Particular attention at this stage should be paid to managing implementation in a low risk manner. Much credibility can be lost by rushing into the process and not meeting expectations at the outset, especially if these expectations flow from valued customers.

Type of Organization
large, medium, small

Related Practices
1.5, 2.10, 2.14, 2.15, 3.9, 5.4, 6.7, 6.8, 8.4, 9.2

Tags
standards, compliance, environment, social, commitments

Resources and References

Lambert, Douglas M. and Knemeyer, A. Michael. (2004) *We're in This Together*. Harvard Business Review. December 2004, Vol. 82 Issue 12, p114-122.

Adner, Ron. (2006). *Match Your Innovation Strategy to Your Innovation Ecosystem,* Harvard Business Review. April 2006, Vol. 84 Issue 4, p98-107.

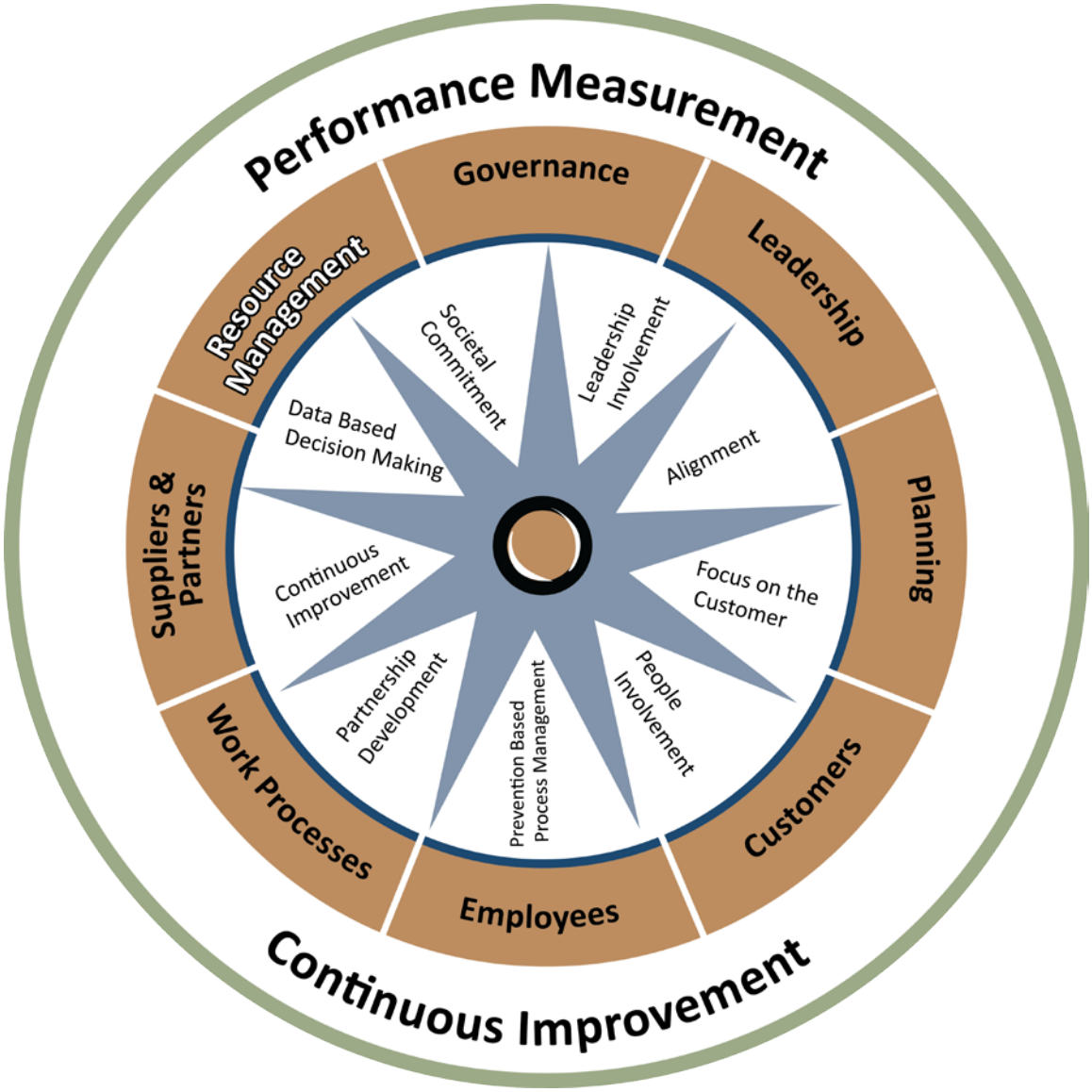
Corbett, Charles J., Blackburn, Joseph D., and van Wassenhove, Luk N,. (1999). *Partnerships to Improve Supply Chains.* Sloan Management Review. Summer 1999, Vol. 40 Issue 4, p71-82.

Slobodow, Brian; Abdullah, Omer; Babuschak, William C.. (2008). *When Supplier Partnerships Aren't.* MIT Sloan Management Review. Winter 2008, Vol. 49 Issue 2, p77-83.

Selden, Larry; MacMillan, Ian C.. (2006). *Manage Customer Centric Innovation Systematically*. Harvard Business Review. April 2006, Vol. 84 Issue 4, p108-116.

Wassmer, Ulrich, Dussauge, Pierre, and Planellas, Marcel. (2010). *How to Manage Alliances Better Than One at a Time*. Sloan Management Review. Spring 2010, Vol. 51 Issue 3, p77-84.

Chapter 8 Resource Management



This chapter focuses on defining and implementing solid resource management practices. It includes: defining resource requirements, developing a strategy to manage resources wisely, managing the adverse impact of operations on the environment and society, and preparing for resource interruptions.

Practice 8.1: Define resource requirements

Definition

- Resources include all non-human items used within or required by the organization's operations at an enterprise level, and/or within specific projects or initiatives
- Resources include, but are not limited to:
  - financial
  - asset
  - technology
  - knowledge
  - transportation
- Organization must plan and manage resources to support policy and strategy and the effective operation of processes.
- While planning and managing resources, the organization must balance the current and future needs of the organization, the community, and the environment.
- Resource requirements are the interrelationships between resources, products, and business processes.
- All resource types should be known and understood so the right resources are in place where and when needed to complete any task within the organization.

Implementation

- Organization must:
  - identify resources
  - inventory resources
  - define relationship between resources and business processes
  - assign an owner to each resource
- When inventorying, resources can be classified into many different types and subtypes as appropriate for the organization

Example – Resource Type

- Facilities:
  - factories
  - retail stores
  - meeting rooms
  - refineries
  - warehouses
  - distribution centres
- Assets:
  - financial assets and instruments:
    - cash on hand
    - cash flows
    - debt instruments

        - vendor credit
        - covenants
        - investments
        - controls
    - vehicles
    - computers
    - aircraft
    - heavy equipment
- Knowledge:
    - databases
    - research reports
    - surveys
    - benchmarks
- Transportation
    - owned
    - un-owned

Methodology

1. Define type of resources.

2. Inventory and classify resources according to type.

3. Define all resource interrelationships:
    - Identify resources required for other resources, business processes, product production streams and customer service.
    - Review all work process maps to determine what resources are required by each process, product, etc.
    - Document the understanding of how a limitation in the availability of resources can affect completion of processes or hamper process quality.

4. Establish an owner for each resource that will be responsible for its availability and service level.

Type of Organization

large, medium, small, micro

Related Practices

2.4, 2.13, 3.2, 3.5, 3.6, 6.1, 8.8, 9.2

Additional Notes

- Small organizations should address this element early in their evolution and keep up to date on all resource management activities as failure to do so will create much more work as the organization grows.

- In larger organizations grows, resource management is supported by complex computer-based business management systems such as: Oracle/PeopleSoft, SAP, Great Plains Dynamix.

Tags

resource, resource type, resource owner, resource level, service level

Practice 8.2: Develop a strategy to manage resources effectively

Definition

- The strategy should:
  - align with strategic and business objectives
  - provide for the efficient and effective deployment of resources when they are required
  - conform with industry best practices
  - support and improve the effective and/or efficient operation of the organization

Example – Resource Considerations

Facilities – the maintenance and care of commercial or institutional buildings. Duties include the care of systems: environmental, health, safety, mechanical, power, security, and space management.

Assets – practices aimed at maintaining the buildings, equipment, and materials of the organization that provide value. In doing so, the organization must describe assets in terms of: intended performance, current condition, maintenance and lifecycle management, costs, benefits, and anticipated changes.

Technology – in developing technology strategy, the organization must understand the value of technology for the organization and the customer. In doing so, the organization must: examine the role that technology plays in the organization, identify relevant technologies, develop technologies suitable for the organization, and assess technologies in use. In addition, it must use technology to support improvement.

Knowledge – systems and processes to consolidate knowledge and share it across the organization. Knowledge is used to support decision-making, stimulate innovative thinking, and ensure organizational success and sustainability. Core practices include: defining knowledge requirements, sourcing and creating knowledge (e.g. discussions, apprenticeship, libraries, training, mentoring, computer systems), encouraging the application of knowledge, and maintaining a knowledge store that is user friendly and secure.

Transportation – involves the movement of goods and people from one location to another. Modes of transport include: air, rail, road, water, cable, pipeline, and space. The management of transportation must consider such items as: sourcing (host, supplier), efficiency, cost, traceability of goods, and service quality control.

Implementation

- The planning process should be followed for each resource
- Resource management should follow industry best practices
- Proper planning and resource optimization will contribute to organizational productivity

Methodology

1. Identify resource type.

2. Research best practices.

3. Assess organizational practices against best practices.

4. Prepare an action plan to address gaps.

5. Prepare a strategy to ensure optimal resource and service levels are met.

6. Assign a resource owner to manage each resource.

Type of Organization
large, medium, small, micro

Related Practices
2.4, 2.13, 3.2, 3.5, 3.6, 6.1, 8.4, 8.5, 8.6, 8.8, 9.2

Tags
resource, resource type, resource owner, resource optimization, resourcing, outsourcing

Practice 8.3: Manage the security of resources

Definition

- Organization must mitigate the physical loss of resources within the organization or those in transit
- Organization must work with stakeholders (i.e. suppliers, partners, customers, employees) to safeguard and eliminate potential loss of resources through shrinkage, theft, damage, etc

Implementation

- Each type of resource will require a different security approach
- Organization should provide formal security awareness training for relevant stakeholders
- Topics included in training include:
  - nature of sensitive material and physical assets they may come in contact with, for example:
    - trade secrets
    - privacy concerns
    - government classified information
  - employee and contractor responsibilities in handling sensitive information including review of employee nondisclosure agreements
  - requirements for proper handling of sensitive material in physical form including:
    - marking
    - transmission
    - storage
    - destruction
  - proper methods for protecting information on computer systems:
    - password policy
    - two-factor authentication
    - malware
    - phishing
    - social engineering
  - workplace security including:
    - building access
    - wearing security badges
    - reporting incidents
    - forbidden articles
  - consequences of failure to properly protect resources:
    - potential loss of employment
    - economic consequences for the organization
    - damage to individuals whose private records are divulged
    - possible civil and criminal penalties

<u>Methodology</u>

1. Identify resources by type.

2. For each resource, identify and describe security threats.

3. For each security threat, develop a response guideline to address or mitigate the threat.

4. Assign an owner to manage each type of resource.

5. Monitor the effectiveness of the security strategy at a resource level

Type of Organization
large, medium, small

Related Practices
1.2, 1.4, 2.5, 3.3, 6.2, 6.3, 7.5, 8.4, 8.5, 8.7

Tags
resource, resource type, resource owner, resource level, service level, risk, resource security, security, threat, vulnerability, shrinkage, theft, supply chain.

Practice 8.4: Minimize the adverse impact of products and services on the environment and community

Definition

- Organization must recognize that each process, resource, product and service has the potential to be detrimental, neutral or positive to the surrounding natural environment and cultural fabric of the community
- To minimize adverse impacts, the organization must examine all process, resource, product, and services for potential environmental and cultural impacts and identify ways to address or mitigate these impacts

Implementation

- Organization must measure and manage any adverse effects of the organizations resources on the community and employees
- In doing so, the organization must:
  - utilize resources in an environmentally sound manner throughout the entire lifecycle of a product
  - optimize:
    - ergonomics and employee health and safety
    - material inventories
    - consumption of utilities
    - transportation usage
  - reduce and recycle waste
  - minimize any adverse global impact of products, production processes, and services

Methodology

1. Develop and document the organization's values regarding environmental impacts and community impacts.

2. Ensure the environmental and community values are aligned and not in contradiction.

3. Develop a high-level matrix mapping organizational activities (e.g. processes, resources, products, services) against the environmental and community values.

4. Use a rating scale to identify the degree of conformance between organizational activities and environmental and community values.

5. Identify organizational activities that do not conform with environmental and community values.

6. Create improvement projects, with an assigned owner and desired targets, to address non-conformances.

7. Monitor improvement projects.

8. Report on progress to stakeholders.

Type of Organization
large, medium, small, micro

Related Practices
1.1, 1.5, 1.6, 2.14, 6.3, 7.5, 8.6, 8.7, 9.2

Tags
environment, community, social responsibility, hazards, pollution, environmental protection

Practice 8.5: Manage the maintenance and utilization of assets to improve total life cycle performance

Definition

- The organization should practice enterprise asset management, optimizing the whole life of assets to maximize their value

- Enterprise asset management provides a platform for connecting people, processes, assets, industry-based knowledge and decision-based support capabilities based on quality information - a holistic view of the organization's asset base
- With respect to plant, equipment, and facilities, the life of the asset is comprised of:
  - design
  - construction
  - commissioning
  - operation
  - maintenance
  - decommissioning or replacement
- With respect to information technology, the organization focuses on hardware and software asset management ensuring it has the ability to manage these assets throughout their life cycle
- Asset management across the organization (e.g. departments, locations) can result in better utilization and performance, reduced costs, and extended life

Implementation

- Downtimes are expensive in terms of lost production capacity and unfavourable publicity
- Organizations must maximize their asset productive life cycles via optimal maintenance programs
- In the event of asset failure, quick response time is critical
- Today, industry-specific environmental health and occupational safety regulations are being enforced by government with organizations responsible for compliance
- Organization are responding proactively with robust asset management systems that include:
  - asset registers
  - risk registers
  - work planning and scheduling
  - life cycle costing
  - systematic methods for problem identification
  - root cause analysis
  - continuous improvement

<u>Methodology</u>

1. Develop an overall preventative maintenance strategy at an organizational level.

2. Determine and document the appropriate routine preventative maintenance schedule for each asset to avoid unplanned outages.

3. Examine each asset and its use with the assistance of the asset supplier and in-house personnel to document wear patterns and trends and define metrics most appropriate to track usage that could lead to unplanned outages.

4. For critical assets that will have to be shutdown for maintenance at times, identify parallel assets with alternating preventative maintenance schedules and load balancing to avoid unplanned outages.

5. Train operational staff and maintenance personnel to track the usage and performance of each asset.

6. Monitor and report on asset performance.

Type of Organization
large, medium, small

Related Practices
1.1, 1.3, 3.1, 3.3, 3.5, 3.6, 3.7, 6.3, 7.5, 8.2, 8.3, 8.8, 9.2

Tags
preventative maintenance, asset management, enterprise asset management, resource level, service level, measurement, wear and tear, planned outage, unplanned outage

Practice 8.6: Identify alternative and emerging technology and related cost-benefit to the organization and society

Definition
- Organization must manage the technology portfolio:
  - identifying and replacing outdated technology
  - exploiting new technology
  - developing innovative and environmentally friendly technology
  - using technology to support improvement
- Technology advances at a rapid pace, posing a challenge for the organization to keep current

Example – Toxic Paint

Years ago, consumer products like automobiles and electric guitars were painted differently. Paint products used in the 1950s were highly toxic and produced nasty waste by-products that were not always disposed of in a safe and environmentally friendly manner. Many employees responsible for manufacturing these products ended up with long term health problems and disease as a result.

Implementation

- The organization should evaluate alternative and emerging technology in a balanced manner, considering internal and external factors such as:
  - quality
  - safety
  - efficiency
  - cost
  - societal impact

Methodology

1. Identify criteria and a cost-benefit business case approach to be used in evaluating alternative and emerging technology.

2. Encourage employees to submit innovative proposals for consideration.

3. Evaluate the proposals on the basis of criteria and business case.

4. Seek approval from management for the best proposals.

5. Provide feedback to innovator in a timely manner.

6. Implement the approved proposals with consideration for: communication, implementation, training, timing, and updating work processes.

7. Communicate the adoption of new technology to employees.

Type of Organization

large, medium, small

Related Practices

1.3, 2.14, 3.6, 5.6, 6.7, 7.4, 9.2

Tags

alternative technology, emerging technology, innovation, research and development, R&D

Practice 8.7: Provide appropriate access for stakeholders to relevant knowledge and information

Definition

- Organization puts in place systems and processes to encourage its people to access, discuss and build upon data, information and knowledge
- Stakeholders include internal and external parties:
  - internal - Board, investors, owners, employees
  - external - suppliers, partners customers, community
- Organization should communicate information about resources used in the organization to all stakeholders who might depend on the resource

Implementation

- The organization ensures all decisions are based on current information, knowledge, and fact
- The resource owner should be responsible for communicating about the resource, including changes to the resource
- Communication methods should be used that are appropriate for the stakeholders and the organization
- Communication methods include, but are not limited to:
  - website
  - intranet
  - email
  - newsletter
  - meetings
  - training sessions
  - documentation:
    - work processes
    - resource
  - publicity
- The organization should use a variety of communication methods to reach all stakeholders

<u>Methodology</u>

1. Have resource owner maintain current information on resource.

2. Develop a communication action plan for stakeholders, using the best methods of communication for each stakeholder group.

3. Have the resource owner implement the communication plan.

4. Have the resource owner monitor and report on the degree of understanding across stakeholder groups.

Type of Organization

large, medium, small

Related Practices

1.2, 2.14, 7.3, 9.2

Additional Notes

- Legislation provides rules regarding access to data held by government bodies. Each province and territory in Canada has its own access to information legislation

Tags

knowledge, information, access to information

Practice 8.8: Prepare for resource interruptions

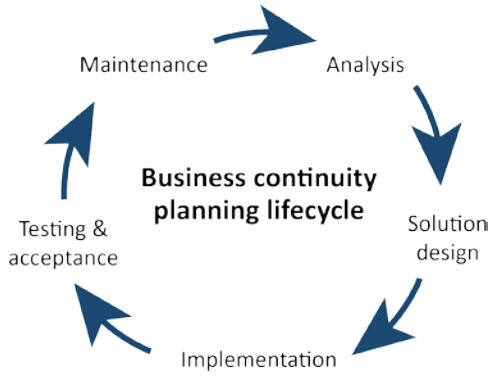
Definition

- Resource management is the efficient and effective deployment of organization's resources when they are needed
- Resource fluctuations can be costly to the organization including:
  - overages
  - shortages
  - interruptions
- Organizations use techniques such as:
  - business continuity planning to determine how the organization will recover from a major disruption
  - resource levelling to smooth the stock of resources on hand, reducing both excess inventories and shortages

Example – Business Continuity Planning

Business continuity planning determines how to stay in business in the event of a disruption or disaster (e.g. fire, earthquakes, pandemic, resource shortage, computer system crash, economic downturn). The business continuity planning cycle is intended to reduce adverse stakeholder impacts in terms of scope and duration. Any type of organization may create a business continuity planning manual that is stored off-site and contains information necessary for business operation and/or survival (e.g. contact information for crisis management staff, general staff members, clients, vendors, location of offsite data backup storage media, copies of insurance contracts).

Business Continuity Planning Lifecycle



Implementation

- A business continuity plan is conducted in five phases:
  - analysis
  - solution design
  - implementation
  - testing and organization acceptance
  - maintenance
- For resource levelling, the organization must maintain current and future data on:
  - demands for various resources
  - the resource configurations required in those demands
  - supply of the resources
- Although the goal is to achieve 100% resource utilization, this is difficult given fluctuations in supply and demand and unforeseen events in the marketplace
- Organizations often invest in resources as stored capabilities, unleashing the capabilities as demanded

<u>Methodology</u>

1. List possible types of resource interruptions.

2. Analyze each type of resource interruption citing the resulting impact on the organization and identifying available resources and resources that can be reallocated.

3. For each resource disruption, identify the most cost effective recovery solution that meets the organizations requirements within the desired time frame.

4. Prepare work processes to implement the recovery solution.

5. Test the recovery solution to ensure organizational acceptance and the solution satisfies the organizations' requirements.

6. Train all employees to ensure awareness and offer specialized training for individuals that play critical roles.

7. Review the manual on an annual basis to ensure it is current and comprehensive.

Type of Organization
large, medium, small

Related Practices
1.2, 2.5, 3.3, 3.6, 3.7, 6.4, 6.5, 8.2, 8.3, 8.5, 8.6, 9.2

Additional Notes
- Standards:
  - International Organization for Standardization:
    - ISO/IEC 27001:2005 (formerly BS 7799-2:2002) Information Security Management System
    - ISO/IEC 27002:2005 (remunerated ISO17999:2005) Information Security Management - Code of Practice
    - ISO/IEC 22399:2007 Guideline for incident preparedness and operational continuity management
    - ISO/IEC 24762:2008 Guidelines for information and communications technology disaster recovery services
    - IWA 5:2006 Emergency Preparedness
  - British Standards Institution:
    - BS 25999-1:2006 Business Continuity Management Part 1: Code of practice
    - BS 25999-2:2007 Business Continuity Management Part 2: Specification
    - BS 25777:2008 Information and communications technology continuity management - Code of practice

Tags
resource levelling, resource interruption, business interruption, disaster, disaster planning, business continuity plan

Resources and References

<u>Books and articles:</u>

Barnes, James C. (2001). *A Guide to Business Continuity Planning*. John Wiley & Sons Ltd. West Sussex, England.

Fulmer, Kenneth L. (1996). *Business Continuity Planning, A Step-by-Step Guide with Planning Forms on CDROM* . Rothstein Associates Inc. Brookfield, Connecticut.

Related websites:

International Association of IT Asset Managers: www.iaitam.org

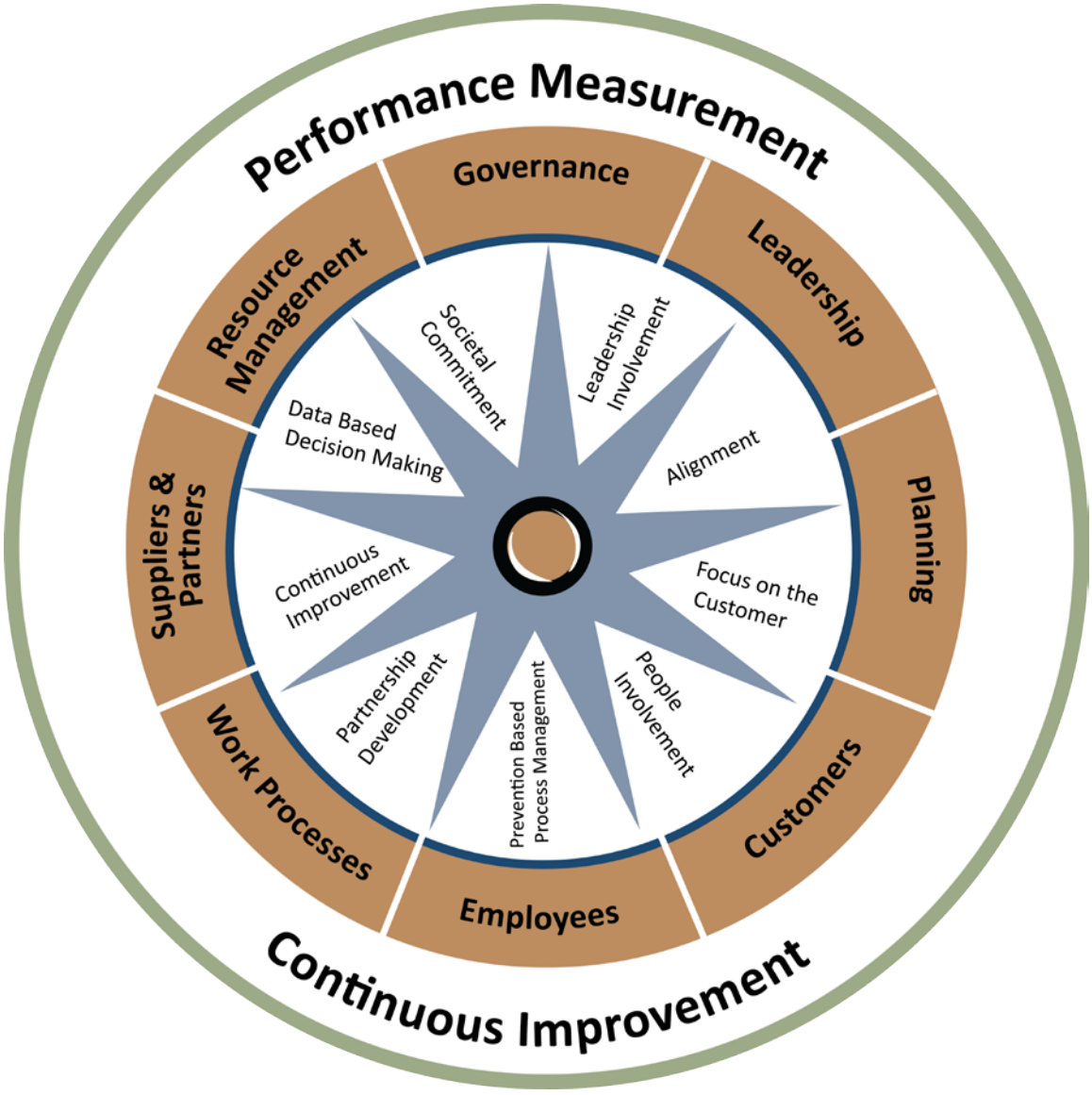
Institute of Asset Management: www.theiam.org

Access to Information Act 1983: www.laws.justice.gc.ca/en/A-1/index.html

Business Continuity Institute: www.thebci.org

DRI Canada Institute for Continuity Management: www.dri.ca

Chapter 9 Continuous Improvement and Performance Measurement



This chapter focuses on evaluating and improving the approach to each management area, measuring performance in each management area, and measuring overall organizational performance.

Practice 9.1: Continuous improvement - evaluate and improve the approach to each management area

Practice 9.1.1: Governance

Practice 9.1.2: Leadership

Practice 9.1.3: Planning

Practice 9.1.4: Customers

Practice 9.1.5: Employees

Practice 9.1.6: Work Processes

Practice 9.1.7: Suppliers and Partners

Practice 9.1.8: Resource Management

Definition

- The organization applies the same principles of continuous improvement to all management areas
- Evaluation may include all practices in each management area
- Appraisal is based on self-analysis and feedback from employees and other stakeholders
- The resulting data is analyzed and acted upon to maintain strengths and realize opportunities for improvement
- The results should be shared in stakeholder communications

Implementation

- Periodic evaluations should be conducted of all practices
- The evaluation should include performance results
- The evaluation should be led by the leader for leadership practices (e.g. Board Chair, CEO, owner), and by senior management for all other management areas

<u>Methodology</u>

1. Review processes, practices, and results on a set schedule (i.e. quarterly, semi-annually, annually)

2. Identify opportunities for improvement

3. Develop action plans to realize improvement opportunities

4. Share results with relevant stakeholders

Type of Organization
large, medium, small, micro

Related Practices
1.1-1.8, 2.1-2.17, 3.1, 3.2, 3.10, 4.1-4.10, 5.4, 5.5, 5.13, 5.14, 6.1-6.11, 7.1-7.6, 8.1-8.9, 9.1, 9.2, 9.3

Additional Notes
- Experience may dictate new approaches to business planning, especially if planned performance of the plan repeatedly falls short of expectations in certain areas
- The evaluation process can be very formal in large organizations or informal in smaller organizations

Tags
effectiveness, evaluation, evaluate, improvements, objectives, planning process, customer experience, marketing media, feedback loop, transaction, standards, customer relationship management, satisfaction, survey, methodology, process improvement, process management, continuous improvement, performance management, goal achievement, resource, resource type, service level, product, input material, raw material, work activities, process design, process maps, service standards, process measures

Practice 9.2 Performance Measurement (Management Areas) - measure performance in each management area

Practice 9.2.1: Governance measures

Definition
- Key measures for governance include:
  - stakeholder understanding of governance
  - community perception of organizational governance

Implementation
- Measurement methods include:
  - surveys
  - reports
  - press articles
  - feedback at public meetings and from public representatives and governmental authorities

- Include board evaluation and periodic reporting to stakeholders through financial statements and annual reports.

Methodology

1. Ensure that governance manuals are in existence containing relevant information for carrying out governance responsibilities.

2. Verify the adequacy of internal control systems, management information systems, and accuracy of information reported using an independent external verification party.

3. Develop and implement a board evaluation tool.

4. Evaluate the CEO against established performance expectations on an annual basis.

5. Solicit quantitative and qualitative feedback and assessment from stakeholders during annual general meetings or through formal surveys.

6. Report measurement results to relevant stakeholders.

7. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small

Related Practices

2.1-2.6, 2.14-2.17

Tags

governance, decision making, accountabilities, terms of reference, fiduciary responsibilities, committee terms of reference/committee charters, board evaluation

Practice 9.2.2: Leadership measures

Definition

- Key measures for leadership include:
  - senior management effectiveness in setting strategic direction
  - senior management effectiveness in demonstrating leadership in quality principles
  - the extent of senior management involvement in the implementation of quality principles

- the extent of senior management involvement in the implementation of improvement initiatives
- the level of understanding within the organization about the corporate statements and strategic plan
- the degree that leadership is shared throughout the organization
- the degree to which senior management share ideas and quality practices with others

Implementation

- Methods of measurement include:
  - senior management effectiveness in setting strategic direction - employee and stakeholder feedback via informal communication, interviews, surveys
  - senior management effectiveness in demonstrating leadership in quality principles - employee and stakeholder feedback via informal communication, interviews, surveys
  - the extent of senior management involvement in the implementation of quality principles – employee feedback via informal communication, interviews, surveys
  - the extent of senior management involvement in the implementation of improvement initiatives - senior management sponsoring and leading improvement teams, attendance at recognition events for successful teams, coaching peers and others in quality improvement principles and methods
  - the level of understanding within the organization about the corporate statements and strategic plan - employee feedback via informal communication (e.g. meetings, planning sessions) and interviews
  - the degree that leadership is shared throughout the organization – number of management levels, spans of control, and extent to which individuals or teams are authorized to act to improve operations and respond to client needs
  - the degree to which senior management share ideas and quality practices with others – the number of occasions where management share experiences with others (e.g. presentations) internally and externally

<u>Methodology</u>

1. Set up a working group to measure and report on leadership performance (e.g. Board committee, CEO and external consultant).

2. Develop measurement methods.

3. Gather and analyze data.

4. Report measurement results to relevant stakeholders.

5. Identify opportunities for improvement.

6. Discuss findings with senior management.

7. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small

Related Practices

2.1-2.16, 9.3

Tags

management performance, management effectiveness, leadership effectiveness, leadership measures

Practice 9.2.3: Planning measures

Definition

- Key measures for business planning include:
  - understanding about business plan
  - effective implementation of improvement plans
  - quality assessment findings

Implementation

- Measurement methods include:
  - employee surveys and performance reviews
  - conversations with stakeholders
  - deployment of business planning objectives
  - results of internal and/or external quality assessments
- Business planning measurement results should be reported on a regular basis to internal and external stakeholders

Methodology

1. Set up a working group within the organization made up of management and staff to measure and report on business planning measures.

2. Develop measurement methods.

3. Gather and analyze data.

4. Report measurement results to relevant stakeholders.

5. Identify opportunities for improvement.

6. Develop action plans aimed at realizing improvement opportunities.

Type of Organization
large, medium, small

Related Practices
1.8, 2.17, 4.11, 5.14, 6.12, 7.7, 8.10

Additional Notes
- Management and staff must ask themselves what they have learned from the planning process, the measures of success, the review and improvement processes, and their assessments of quality at all levels in the organization

Tags
measurement, measures, quality assessment, continual improvement, implementation

Practice 9.2.4: Customer measures

Definition
- Measures include:
  - perceived image of organization in the marketplace
  - customer awareness of the organization
  - perceived value of products and services
  - customer complaints
  - customer satisfaction
  - loyalty
  - confidence
  - retention
  - market share
- The foregoing measures depict the success of delivering the desired customer experience and realizing a positive image in the marketplace

Implementation
- Measurement methods include:
  - industry surveys
  - customer interviews, surveys, and focus groups
  - internal data collection
  - conversations with stakeholders
- Customer measurement results should be reported on a regular basis to internal and external stakeholders

Methodology

1. Set up a working group within the organization made up of management and staff to measure and report on customer measures.

2. Develop measurement methods.

3. Gather and analyze data.

4. Report measurement results to relevant stakeholders.

5. Identify opportunities for improvement.

6. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small

Related Practices

2.1, 2.3, 2.4, 4.1 - 4.10, 6.2, 9.1, 9.2

Tags

customer satisfaction, business plan, marketing plan, marketing programs, target market, customer segments, feedback loops, standard behaviours, customer relationship management

Practice 9.2.5: Employee measures

Definition

- Key measures for employees include:
  - employee motivation
  - degree of employee involvement
  - satisfaction
  - morale
  - effectiveness of training
  - suggestions & ideas submitted and used
  - dissatisfaction such as: turnover, grievances, absenteeism
- The emphasis of measurement should be on data that show effectiveness or outcomes, for example, increased workforce retention resulting from establishing a recognition program or the number of promotions resulting from a leadership development program
- Formal and informal employee satisfaction surveys are an effective means of measuring results related to employee-focused programs and processes

- Questions may be focused towards areas of satisfaction, as well as perception of factors influencing employee motivation, for example:
  - opportunities to learn and develop
  - confidence in leadership
  - awareness and understanding of organization mission, vision, policies and strategies
- Indicators of engagement and satisfaction might include improvement in:
  - decision making
  - organizational culture
  - leadership development
- Other factors that results could be reported against include:
  - incidence and rate of absenteeism
  - staff turnover
  - grievances filed
  - employee strikes
  - use of organization provided facilities and benefits
  - external awards and recognition
  - success rates of training and development to meet objectives
  - volunteer involvement in process and program activities, improvement teams, and suggestion programs

Example – Employee Survey Tips

The invitation to participate in the employee survey should include:
- What is happening - "We are conducting an employee satisfaction survey"
- Why it is happening - "As our organization changes and faces new challenges, it becomes increasingly important to gauge the level of satisfaction of our employees"
- The survey is anonymous and confidential. If using an outside supplier, mention that only the supplier will see the completed responses
- How the results will be used
- How long the survey will take to complete. Most surveys of this type, if properly designed, will take only 15 or 20 minutes to complete
- The deadline for completion
- A thank you for the employees' time

To achieve a high response rate to employee surveys:
- Market the survey to the employees and managers before the survey begins
- Make it clear that the survey can be completed on company time, and make sure all supervisors support this
- Make sure employees understand their responses will be confidential
- Let employees know how many people have responded at various points in time
- Establish an overall response rate goal and give all employees "something extra" if the goal is reached

- Send reminder messages
- Summarize the results and share with employees
- Act on the findings

Other tips include:
- Conduct the employee satisfaction survey at least once a year to get opinions and attitudes on variables
- Ensure surveys are consistent from one year to the next
- Include qualitative sections in surveys as well as quantitative, with open-ended questions allowing employees to raise concerns not specifically raised in other questions
- Select organizations that are similar in size and industry sector when benchmarking
- Communicate the survey results to employees and sharing how findings will be used
- Draft and disseminate a Q & A sheet to all managers for use in employee meetings

Example – Employee Engagement

Employee engagement is the level of commitment an employee has toward the organization. Primary behaviours of engaged employees include:
- Speaking positively about the organization to coworkers, potential employees and customers
- Having a strong desire to continue working for the organization
- Exerting extra effort
- Engaging in behaviours that contribute to the organization's success

Implementation
- Measurement methods include:
  - employee motivation, satisfaction and morale:
    - qualitative and quantitative data from employee satisfaction surveys
    - volunteer involvement in social programs and process and program initiatives
  - degree of employee involvement:
    - numbers of suggestions and ideas submitted and used
    - employee feedback via informal communication, surveys, interviews and focus group discussions
    - existence of staff-lead improvement initiatives
    - volunteer involvement in process and program initiatives
  - training:
    - percent of payroll spent on training
    - training dollars spent per employee
    - average training hours per employee
    - percent of employees trained per year
    - take-up / participation levels in training programs

        - staff competencies post training (demonstrated ability to apply knowledge learned)
    - dissatisfaction (turnover, grievances, absenteeism):
        - termination reasons, as determined during exit interviews and surveys
        - length of service for voluntary terminations
        - turnover rate (number of separations during a month divided by the total number of employees at mid-month, multiplied by 100)
        - absenteeism rate (number of worker days lost through job absence during a period divided by the average number of employees times the number of workdays, multiplied by 100)
        - number of grievances filed annually
        - incidence of disputes with labour unions
- Employee measures should be tracked and reported on an ongoing basis (i.e., quarterly, semi-annually, annually)

Methodology

1. Set up a working group within the organization made up of management and staff to measure and report on employee measures.

2. Develop measurement methods.

3. Gather and analyze data.

4. Report measurement results to relevant stakeholders.

5. Identify opportunities for improvement.

6. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small

Related Practices

5.13, 9.3

Tags

measures, satisfaction, effectiveness, absenteeism, suggestions, turnover, grievances

Practice 9.2.6: Work process measures

Definition

- Key measures for work processes include:
  - cycle times
    - response time
    - turnaround time
  - process design changes
    - minor changes
    - major changes
  - process capability:
    - speed
    - accuracy
  - level of service / product quality:
    - customer satisfaction
    - service errors
    - conformance to product specifications
    - product defects
  - performance of products and services:
    - sales
    - refunds
    - warranty claims
    - repairs
    - replacements
- Measures are numerical quantifications of the input, activity and outputs of a process
- Measures are intended to monitor for desired outputs
- Measures can be derived from one measurement or composed of more than one measurement
- The correlation between product and service performance and customer indicators is a critical management tool:
  - defining and focusing on key quality and customer requirements
  - identifying product and service differentiators in the marketplace
  - determining cause-effect relationships between product and service attributes:
    - evidence of customer satisfaction and loyalty
    - positive referrals
    - emerging or changing market segments
    - changing importance of requirements
    - potential obsolescence of product or service offerings

Example – Sears Research

Sears studied the relationship between employee satisfaction, customer loyalty, and revenue. The company demonstrated when employee satisfaction increased 5%, customer loyalty increased 1.3%, and revenues increased 0.5%. In 1997, this revenue increase represented $200 million in incremental revenue.

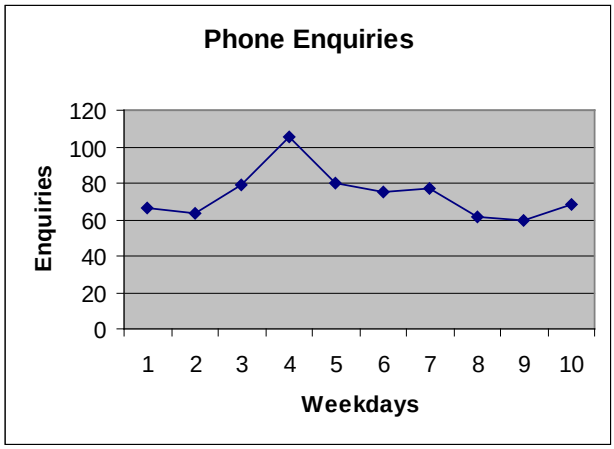
Implementation

- Measurement methods include:
  - check sheet – historical data that shows patterns and trends
  - run chart - line graph for data plotted in chronological order
  - control chart – run chart with upper and lower control limits
  - histogram - bar chart with range of values along the horizontal axis and how often each value occurs on the vertical axis
  - pareto chart - a special bar chart that rank orders the data from the most to least significant
  - scatter diagram - study the relationship between the changes observed in two different sets of variables
  - Importance Performance Matrix – a grid used to identify priority areas for improvement or focus

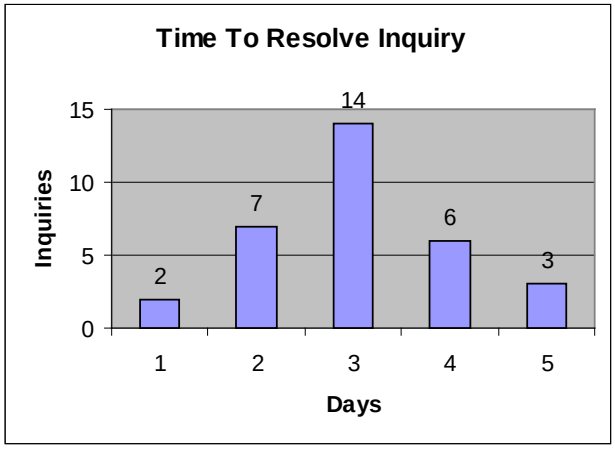
Example – Check Sheet, reasons for admission delays in emergency room

	Week 1	Week 2	Week 3	Week 4	Total
Lab delays	90	40	60	60	250
No beds	20	70	20	40	150
Incomplete chart	70	30	10	20	130
Total	180	140	90	120	530

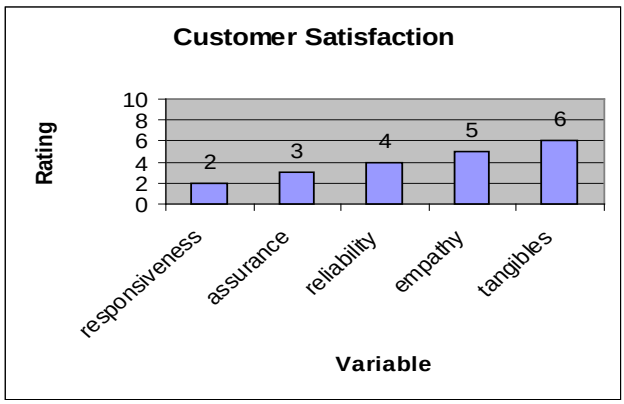
Example – Run Chart, customer phone enquiries over two weeks



Example – Histogram, time to resolve a customer enquiry

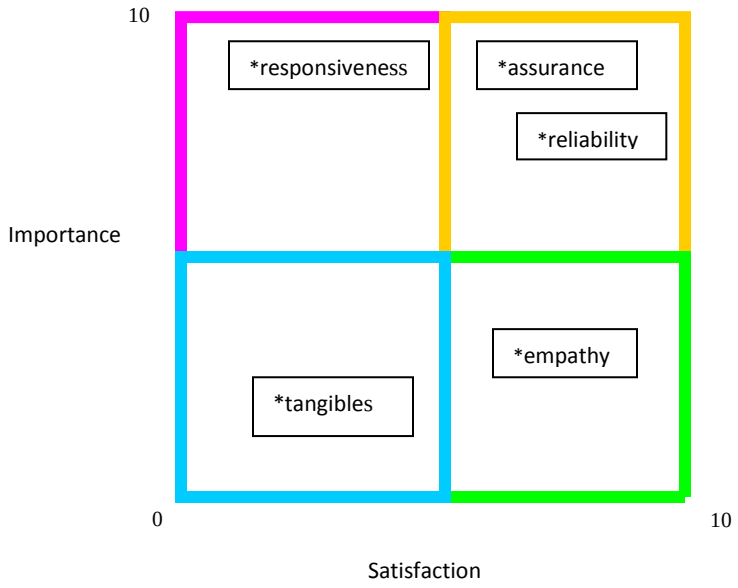


Example – Pareto Chart, customer ratings on customer satisfaction variables



Example – Scatter Diagram, course ratings for instructors given length of training experience

Example – Importance Performance Matrix, the relationship between importance and satisfaction ratings for customer service variable



Methodology

1. Set up a working group within the organization made up of management and staff to measure and report on work process measures.

2. Develop measurement methods.

3. Gather and analyze data.

4. Report measurement results to relevant stakeholders.

5. Identify opportunities for improvement.

6. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small

Related Practices

1.8, 2.17, 3.11, 4.11, 5.14, 6.12, 7.7, 8.10, 9.1, 9.2, 9.3

Tags

performance measurement, process improvement, process management, work systems design, indicators, key measures, benchmarks, industry standards

Practice 9.2.7: Supplier and partner measures

Definition

- Key measures for suppliers and partners include:
  - number of qualified suppliers or partners
  - quality and value of purchases
  - extent of supplier or partner involvement in new product or service development
  - extent of supplier or partner involvement in the development of social and environmental standards

Implementation

- Measurement methods include:
  - number of qualified suppliers or partners – review of supplier and partner records to evaluate performance results
  - quality and value of purchases - review of supplier and partner records to evaluate conformance with product or service requirements and budgets, comparisons between the quality and cost of supplier and partner products or services and their direct competitors
  - extent of supplier or partner involvement in new product or service development – degree of participation in new developments, the number and value of breakthrough improvements, the number and value of new products and services
  - extent of supplier or partner involvement in the development of social and environmental standards – degree of participation in new standards, a comparison between the cost and benefit of past versus present standards

Methodology

1. Set up a working group within the organization made up of management and staff to measure and report on supplier and partner measures.

2. Agree on key measures.

3. Develop measurement methods.

4. Gather and analyze data.

5. Report measurement results to relevant stakeholders.

6. Identify opportunities for improvement.

7. Develop action plans aimed at realizing improvement opportunities.

Type of Organization
large, medium, small

Related Practices
7.1-7.6, 9.2, 9.3

Tags
measurement, evaluation, performance management

Practice 9.2.8: Resource management measures

Definition

- Key measures for resource management include:
  - profitability
  - adherence to budgets
  - expenditure management
  - cost reduction / control
  - return on investment
  - return on assets
  - value of assets
  - effects of products and services throughout their life cycle
  - innovation rates
  - value of intellectual property
  - accessibility to knowledge and information
  - optimization of transportation

Implementation

- Measurement methods include:
  - review of organizational records
  - analysis of metrics (e.g. financial ratios, innovations, copyrights, patents)
  - employee and stakeholder surveys
  - stakeholder interviews
  - preparation and deployment of business continuity plan
- Resource management measurement results should be reported on a regular basis to internal and external stakeholders

Methodology

1. Set up a working group within the organization made up of management and staff to measure and report on resource management measures.

2. Develop measurement methods.

3. Gather and analyze data.

4. Report measurement results to relevant stakeholders.

5. Identify opportunities for improvement.

6. Develop action plans aimed at realizing improvement opportunities.

Type of Organization
large, medium, small

Related Practices
1.8, 4.11, 5.14, 6.12, 7.7, 9.2, 9.3

Tags
budget, profitability, cost control, return on investment, return on assets, innovation, intellectual property

Practice 9.3: Performance Measurement (Organization) - measure overall organizational performance

Practice 9.3.1: Organizational relevance to the marketplace

Definition

- To ensure continued relevance, managers must understand the key organizational characteristics of their organization
- Encompasses an objective evaluation of the organization's:
  - products and services
  - financial performance
  - market performance
  - workplace results
  - results of all key processes and process improvement activities
- Includes being able to describe the organization's operating environment, and relationships with customers, suppliers, partners and stakeholders
- Supports an organization's purpose of providing superior value of offerings as viewed by customers and the marketplace

Implementation

- The organization:
  - measures and assesses its capacity to ensure stakeholder relevance in the future
  - collects data on trends in the business environment and the markets in which it would like to operate in the future
  - uses data and information to validate its market analysis process and predict its ability to create offerings of value to future customers

<u>Methodology</u>

1. Describe the organizational environment:
   - Main product offerings and delivery mechanisms used to provide products to customers
   - Organizational culture
   - Purpose, vision, values and mission
   - Organization's core competencies
   - Workforce profile
   - Major facilities, technologies and equipment
   - Regulatory environment under which the organization operates

2. Describe the organizational relationships:
   - Organizational structure and governance system

- Key market segments, customer groups, stakeholder groups
- Key types of suppliers, partners and collaborators
- Role that suppliers play in work systems and the production and delivery of key products and customer support services
- Key mechanisms for communicating and managing relationships with customer groups, suppliers
- Supply chain requirements
- Innovation processes

3. Describe organization's competitive environment:
   - Competitive position, relative size and growth in industry or markets served
   - Number and types of competitors
   - Principal factors that determine success relative to competitors
   - Key changes that are taking place and impact competitive situation, including opportunities for innovation and collaboration
   - Available sources of comparative and competitive data from within industry and outside industry
   - Any limitations to obtaining data should be acknowledged.
   - Key business, operational and human resource strategic challenges and advantages
   - Organizational sustainability
   - Key elements of performance improvement system

4. Compare organizational relevance with key competitors.

5. Report results for all indicators to relevant stakeholders, including trends, performance against targets and comparative data against competitors and/or "best in class".

6. Interpret data appropriately and apply to all relevant areas of the organization.

Type of Organization

large, medium, small

Related Practices

1.5, 2.1, 2.11, 2.14, 3.1, 4.9, 5.4, 6.1, 7.4, 7.5, 8.4, 8.8

Additional Notes

- For not for profit groups, relationships with funding sources would also need to be included

Tags

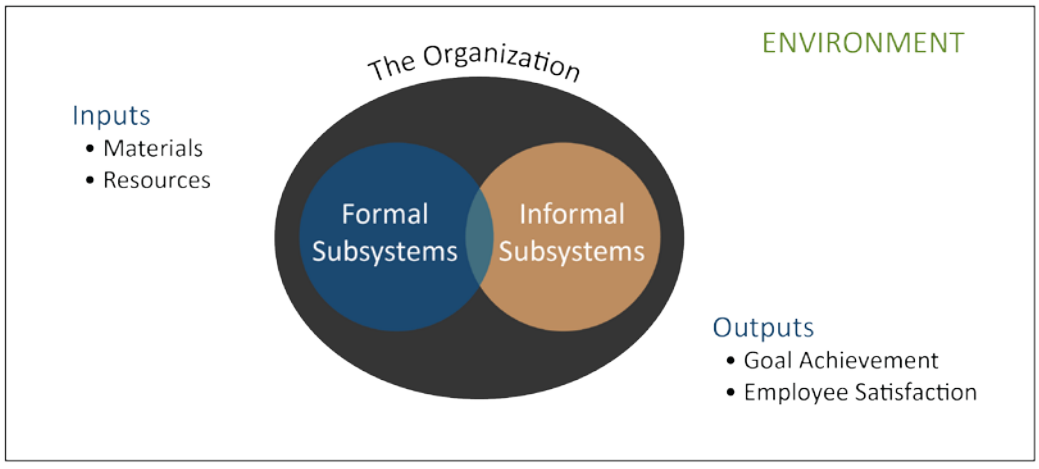
organizational relevance, organizational sustainability, organizational success

Practice 9.3.2: Organizational capability to manage change

Definition

- The organization continually measures its technology, knowledge, skills and resources, augments the information with data gathered through benchmarking activities, and assesses its capability against what is required to be successful in the future
- Definition of an Organization:
  - consists of a group of people trying to influence others to achieve certain objectives that create wealth or well-being through a variety of processes, technologies, structures and cultures
  - the basic unit of an organization is the role rather than the person in it
  - the organization is maintained in existence, often over a long period of time, despite many changes of members
  - a system of interacting subsystems and components set within wider systems and environments that provide inputs to the system and which receive its outputs:
    - there are two main subsystems – the formal and the informal
    - the formal system's elements include the strategy, the organization's goals,, the structure of the organization, the management team, the operations and the technology
    - the informal system consists of the culture, politics and leadership of the organization

The Organization



Source: Senior and Fleming, *Organizational Change, 3rd Edition,* Pearson Education Limited, 2006.

- Organizational Capability to Manage Change:
  - the pace and scale of the change demanded of organizations and those who work within them are enormous
  - global competition and the information age have thrown the world of work into disarray
  - organizations are attempting to recreate themselves and move from the traditional structure to a dynamic new model where people can contribute their creativity, energy and foresight in return for being nurtured, developed and enthused
  - there are a number of environmental forces that can impact an organization's ability to manage change:
    - political factors - government legislation, government ideology, international law, universal rights, wars, local regulations, taxation, union activities
    - economic factors - competitors, suppliers, currency exchange rates, employment rates, wage rates, government economic policies, lending policies of financial institutions, changes from public to private ownership
    - socio-cultural factors - demographic trends of customers and employees, lifestyle changes, skills availability, attitudes to work and employment, attitudes to minority groups, gender issues, willingness and ability to move, concern for the environment, business ethics
    - technological factors - information technology / internet, new production processes, computerization of processes, changes in transport technology

Implementation

- To assess an organization's ability to manage change, the following questions should be asked:
  - What is the nature of the change?
  - What are the strategies to be employed?
  - How does the change initiative affect the organization externally and internally?
  - considering the above will provide the consultant with:
    - ideas on what resources are needed
    - the impact that will be made
    - obstacles that may be encountered along the way

<u>Methodology</u>

1. Conduct an assessment of the environment:
   - Scope of change
   - Object of change
   - Duration of change
   - Depth of change
   - Direction of change

2. Create urgency within the organization.

3. Harness support from the leadership team.

4. Articulate the vision and goals.

5. Nominate roles and communicate the vision.

6. Grow the capability for action.

7. Entrench the change within the organization.

8. Follow up on the change on a regular basis to ensure the organization has not returned to its earlier ways of operating.

Type of Organization

large, medium, small

Related Practices

2.1-2.17, 3.1, 3.3, 3.7, 5.6-5.8, 6.4, 7.4, 7.5, 8.8

Tags

organizational change, change management, change initiatives, change, resistance, innovation, creativity, adaptation

Practice 9.3.3: Meeting stakeholder objectives

Definition

- Stakeholders include:
  - shareholders or owners
  - employees
  - customers
  - suppliers
  - partners
  - wider community
- The organization determines the key objectives of each stakeholder group, giving consideration to their perception of value and the systems used to track success in achieving these objectives
- Organization compares levels and trends in the data against targets and benchmarks

Implementation

- Organization has systems in place to monitor the delivery of stakeholder objectives:
  - employee service standards
  - listing of enquiries and complaints

- methods to solicit feedback
  - interviews
  - surveys
  - focus groups

Methodology

1. Define stakeholder groups.

2. Gather, analyze, and evaluate information to determine stakeholder needs.

3. Measure stakeholder satisfaction to gain information for improvement, for example:
   - Conformance to service standards
   - Time to respond to inquiries and complaints from the stakeholder base
   - Time to provide requested information or resolve complaints to the stakeholder's satisfaction
   - Number of inquiries handled or number of complaints received and resolved

4. Report results to relevant stakeholders.

5. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small

Related Practices

1.1-1.8, 2.11, 4.2, 4.11, 5.6, 5.14, 6.9, 7.2, 7.7, 8.7

Tags

stakeholder confidence, stakeholder satisfaction, stakeholder needs

Practice 9.3.4: Community perception of organization as a model of excellence or employer of choice

Definition

- Organizations earn a reputation as a model of excellence or employer of choice through:
  - stakeholder word of mouth
  - research with community members
  - employee surveys
  - organizational evidence
  - media coverage

    - award programs
- Research may gather information with perception measures and performance indicators
- Studies have consistently found employers of choice enjoy:
    - better financial results
    - bigger pool of job candidates
    - higher level of employee engagement
- An employer of choice:
    - builds a unique organization culture that attracts the right employees
    - has dedicated employees that go the extra mile to help the organization succeed
    - has loyal employees that choose to stay even when competitors try to recruit them
    - has senior management that:
        - inspire employees with a clear vision
        - work hard to communicate effectively with employees
        - build trust with employees by delivering on their promises
    - rewards employees for their performance
    - provides employees with plenty of developmental and career advancement opportunities
    - have systems and practices in place that enable employees to do their best work

<u>Example</u>

Statistics Canada and Delta Hotels & Resorts have an integrated quality and healthy workplace system. These organizations have earned the Canada Award of Excellence in both the quality and healthy workplace streams.

Implementation

- Organization solicits feedback from stakeholders on the organization
- Methods to solicit feedback include:
    - conversations
    - interviews
    - surveys
    - focus groups
- Stakeholders include:
    - shareholders or owners
    - employees
    - customers
    - suppliers
    - partners
    - wider community
- Perception measures include:
    - image – responsiveness to contacts, as an employer, as a member of the community

    - performance as a responsible citizen – disclosures of information relevant to the community, equal opportunity practices, impact on economy, relationships with relevant authorities, ethical behaviour
    - involvement in the community – education and training, community bodies, medical and welfare, sport and leisure, voluntary work, philanthropy
    - reduction and prevention of nuisance and harm from operations or throughout the lifecycle of products and services – health risk, accidents, noise, odour, hazards
    - reporting on activities to assist in preservation and sustainability of resources – choice of transport, ecological impact, reduction and elimination of waste and packaging, usage of utilities, recycling
- Performance indicators may include:
    - handling changes in employment levels
    - dealings with authorities on issues such as: certification, clearance, import and export, planning, and product release
    - accolades and awards received – exchange of information in relation to: social responsibility good practices, auditing and social reporting
- Organization may apply for an excellence or employer of choice award, for example:
    - Australian Business Excellence Awards
    - Canada Awards of Excellence
    - Malcolm Baldrige Quality Award
    - EFQM Excellence Award

<u>Methodology</u>

1. Communicate with stakeholders:
    - Clearly articulate commitment to excellence to stakeholders
    - Keep stakeholders apprised of progress in the excellence journey
    - Share performance measurement results with stakeholders
    - Provide tangible results
    - Encourage senior management to speak about organization's excellence journey to other groups

2. Provide press releases and offer to speak to media regarding organizational achievements.

3. Apply for recognition with reputable award programs:
    - Obtain the criteria for reputable award programs.
    - Self-assess the organization against the criteria.
    - Fill gaps, using outside expertise as required
    - Prepare award application
    - Apply for an award

Type of Organization

large, medium, small

Related Practices

1.8, 2.11, 2.17, 3.1, 3.11, 4.11, 5.14, 6.12, 7.7, 8.10

Tags

employee of choice, organizational culture, company vision

Practice 9.3.5: Quality of products or services

Definition

- Organization strives for positive levels and trends in the quality of products and services
- Process improvements result in improvements in product and service quality
- These improvements are reflected in customer satisfaction, loyalty, and confidence
- The correlation between product and service quality and customer satisfaction is a critical management tool with multiple uses:
  - defining and focusing on key quality and customer requirements
  - identifying product and service differentiators in the marketplace
  - determining cause-effect relationships between your product and service attributes and evidence of customer satisfaction and loyalty and referrals
  - revealing:
    - emerging or changing market segments
    - changing importance of requirements
    - potential obsolescence of product or service offerings

Implementation

- Organization monitors the quality of products and services:
  - conformance to service standards
  - level of customer satisfaction, loyalty, confidence
  - conformance to product specifications
  - performance of products such as refunds, warranty claims, repairs, and replacements
- Organization gathers information from a variety of sources:
  - work process measurement results
  - customer interviews, surveys, and focus groups
  - transaction records

Methodology

1. Determine method of measurement for service and product quality.

2. Gather data at regular intervals.

3. Analyze data.

4. Summarize findings.

5. Share findings with relevant stakeholders, for example:
   - Shareholders and owners
   - Employees
   - Customers
   - Suppliers
   - Partners

6. Develop action plans aimed at realizing improvement opportunities.

Type of Organization
large, medium, small, micro

Related Practices
1.8, 2.11, 2.17, 3.1, 3.11, 4.11, 5.14, 6.2, 6.3, 6.7, 6.12, 7.1, 7.4, 7.5, 7.7, 8.4, 8.10

Tags
service quality, product quality, service standards, product specifications

Practice 9.3.6: Performance accomplishments and program outcomes

Definition

- Organization comprehensively measures and achieves outstanding results with respect to the key elements of their policy and strategy:
  - key performance outcomes are key results defined by the organization and agreed in their policy and strategy
  - key performance indicators are operational measures used to monitor and understand the processes and predict and improve the organization's likely key performance outcomes

Implementation

- Key performance outcomes may include:
  - financial outcomes:
    - market related and general data – sales, share price, dividends
    - profitability – gross margins, earnings per share, earning before interest and tax, contribution margin

    - investment and asset related information – return on invested capital, return on net assets, return on capital employed
    - budgetary performance – performance against organization or unit budgets
  - non-financial outcomes:
    - market share
    - time to market
    - success rates
    - volumes
    - process performance
- Key performance indicators may include:
  - financial:
    - cash flow
    - depreciation
    - maintenance costs
    - project costs
    - credit ratings
  - non-financial:
    - processes – performance, assessments, innovations, cycle times
    - external resources including partnerships – supplier performance, supplier price, number and value added partnerships, number and value added improvements with partners
    - buildings, equipment and material – defect rates, inventory turnover, utilization
    - technology – innovation rate, value of intellectual property, patents, royalties
    - information and knowledge – accessibility, integrity, value of intellectual capital

<u>Methodology</u>

1. Determine key performance indicators and outcomes that will be tracked.

2. Determine measurement methods.

3. Gather data at regular intervals.

4. Analyze data, comparing results to strategic objectives and policy.

5. Summarize findings.

6. Share findings with relevant stakeholders to assist with decision-making and continual improvement:, for example
   - Shareholders and owners
   - Employees

- Customers
- Suppliers
- Partners

7. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small

Related Practices

1.8, 2.11, 2.17, 3.1, 3.11, 4.11, 5.14, 6.12, 7.7, 8.10

Tags

program outcomes, performance, indicators, performance accomplishments

Practice 9.3.7: Customer satisfaction

Definition

- Organization measures customer satisfaction to gain information for improvement
- There are two types of customer measures:
  - perception measures
  - performance measures
- Perception measures reflect the customers perception of the organization
- Performance indicators are internal measures used by the organization to monitor, understand, predict, and improve the performance of the organization and to predict perceptions of external customers

Implementation

- Perception measures include:
  - image – accessibility, communication, transparency, flexibility, pro-active behaviour, responsiveness
  - products and services – quality, value, reliability, design innovation, delivery, environmental profile
  - sales and after sales support – capabilities and behaviour of employees, advice and support, customer literature and technical documentation, handling complaints, product training, response time, technical support, warranty and guarantee provisions
- Performance indicators:
  - image – number of customer accolades, nominations for awards, press coverage
  - products and services – competitiveness, defect / error / rejection rates, seals of approval, environmental labels, guarantee and warranty provisions, complaints, logistic indicators, product life cycle, innovation in design, time to market

  - sales and after sales support – demand for training, handling of complaints, response rates
- Satisfaction surveys are developed to provide an understanding of customers' expectations and satisfaction and typically require multiple questions that address different measures
- A key aspect in measuring customer satisfaction is the customers' comparative satisfaction with competitors, competing or alternative offerings, and/or organizations providing similar products or services
- Competitive information may be derived from company benchmarking studies or from independent studies
- Measures are usually tracked by lower level management and the results are given to senior leadership for their review and discussion at senior management meetings
- The best timing for measuring customer satisfaction and building customer satisfaction surveys depends on:
  - the kind of product or service provided
  - the kinds of customers served
  - how many customers are served
  - the longevity and frequency of customer/supplier interactions
  - what you intend to do with the results

Methodology

1. Determine key factors that affect customer satisfaction.

2. Determine how these factors differ for different customer segments.

3. Measure customer satisfaction using appropriate measures for the organization.

4. Analyze findings, segmenting results to address the diversity of the customer base.

5. Summarize and display data from client surveys in graphical and chart form.

6. Share results with relevant stakeholders.

7. Utilize the appropriate comparative data to benchmark organizational results with others.

8. Ensure that management responds to issues of concern or dissatisfaction, issues are discussed and corrective actions are taken.

9. Develop action plans aimed at realizing improvement opportunities.

Example – Survey Tips

Overall satisfaction or dissatisfaction is often measured using a five-point satisfaction scale:

- Very Satisfied
- Somewhat Satisfied
- Neither Satisfied Nor Dissatisfied
- Somewhat Dissatisfied
- Very Dissatisfied

The like-dislike measure is used as an overall measure of satisfaction with a product or service after purchase. This evaluative dimension may be measured in terms of:

- Like-Dislike
- Favorable-Unfavorable
- Approve-Disapprove
- Good-Bad
- Delight-Failure

Ensure that customers feel free to express their opinions without fear of retribution.

Focus format of survey not only on quantitative data. There should also be qualitative sections, with open-ended questions allowing customers to raise concerns not specifically raised in other questions.

Example – Survey Approaches

There are three types of survey approaches:

- Post purchase evaluation — satisfaction feedback obtained from the customer at the time of product or service delivery (or shortly afterwards). This type of satisfaction survey is typically used as part of a CRM (Customer Relationship Management System) and focuses on having a long term relationship with the individual customer
- Periodic satisfaction surveys — satisfaction feedback from groups of customers at periodic intervals to provide an occasional snapshot of customer experiences and expectations
- Continuous satisfaction tracking — satisfaction feedback obtained from the individual customer at the time of product or service delivery (or shortly afterwards). Satisfaction tracking surveys are often part of a management initiative to assure quality is at high levels over time

Type of Organization

large, medium, small, micro

Related Practices

1.8, 2.3, 2.11, 3.1, 4.1-4.11, 5.5, 5.6, 5.7, 6.9, 8.4, 8.8

Tags

customer service, customer satisfaction, survey, service standards

Practice 9.3.8: Customer loyalty

Definition

- Organization must examine customer-focused performance results with the aim of demonstrating how well it has been satisfying the customer and has developed loyalty, repeat business, and referrals
- Customer engagement is another term for customer loyalty and refers to the customers' investment in the organization's brand and product offerings
- Characteristics of engagement include:
  - customer retention and loyalty
  - customer willingness to make an effort to do business
  - customer willingness to increase business
  - customer willingness to actively advocate for and recommend the organizations' brand and product offerings

Implementation

- Customer loyalty goes beyond satisfaction measurements because loyalty, repeat business, and longer-term customer relationships are better indicators and measures of future success in the marketplace and organizational sustainability
- Factors that lead to customer preference are of critical importance in understanding factors that drive markets and potentially affect longer term competitiveness and organizational sustainability

<u>Methodology</u>

1. Determine key factors that affect customer loyalty through research with:
   - Past, current, and potential customers
   - Competitors or comparable organizations
   - Literature review

2. Determine how these factors differ for different customer segments.

3. Measure customer loyalty using appropriate measures for the organization:
   - Historical records:
     - length of customer relationship
     - frequency / value of orders

    - lifetime value
    - referral business
- Primary research on customer requirements:
    - conversations
    - interviews
    - surveys
    - focus groups

4. Analyze findings, segmenting results to address the diversity of the customer base.

5. Summarize and share findings with relevant stakeholders.

6. Utilize the appropriate comparative data to benchmark organizational results with others.

7. Ensure that management responds to issues of concern and corrective actions are taken.

8. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small

Related Practices

1.8, 2.3, 2.11, 3.1, 4.1-4.11, 5.5, 5.6, 5.7, 6.9, 8.4, 8.8

Tags

customer preference, loyalty, retention, relationships

Practice 9.3.9: Customer confidence

Definition

- Customer confidence occurs when an organization has developed a good level of trust amongst customers regarding services and/or products provided
- Confidence is achieved by consistently:
    - providing programs and services that meet the organizations' mandate
    - meeting service delivery standards (e.g. employees conveying accurate product knowledge to the customer)
    - producing product that conforms with specifications
    - improving service and product quality
    - improving operational efficiency

Implementation

- Organization designs and manages its relationships with customers to suit the market, promote trust and confidence, and provide clear contact points and access mechanisms

Methodology

1. Determine key factors that affect service and/or product performance and customer confidence.

2. Gather data on product / service performance and customer confidence, in particular current levels and trends in key measures or indicators that are important to customers.

3. Analyze findings, segmenting results to address the diversity of the customer base.

4. Compare the measurement results with the performance of competitors and other organizations with similar offerings.

5. Summarize and share findings with relevant stakeholders.

6. Ensure that management responds to issues of concern and corrective actions are implemented.

7. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small

Related Practices

1.8, 2.3, 2.11, 3.1, 4.1-4.11, 5.5, 5.6, 5.7, 6.9, 8.4, 8.8

Additional Notes

- For some non-profit organizations, product or service performance measures might be mandated by funding sources. This could impact customer confidence.

Tags

customer confidence, service delivery standards, product specifications, product performance, customer service

Practice 9.3.10: Employee satisfaction

Definition

- Organization comprehensively measures and achieves outstanding results with respect to their people
- The organization uses two types of measures:
  - perception measures
  - performance indicators
- Perception measures pertain to the employees perception of the organization and are obtained from:
  - interviews
  - surveys
  - focus groups
  - structured appraisals
- Performance indicators are internal measures the organization uses to monitor, understand, predict, and improve the performance of employees and to predict their perceptions

Implementation

- Perception measures include:
  - motivation – career development, communication, empowerment, equal opportunities, involvement, leadership, opportunity to learn and achieve, recognition, target setting and appraisal, training and development, and the organizations' corporate statements, policy, and strategy
  - satisfaction – organization's administration, employment conditions, facilities and services, health and safety conditions, job security, pay and benefits, peer relationships, working environment, and the organization's management of change, environmental policy and impact, and role in the community and society
- Performance indicators include:
  - achievements – competency requirements versus competencies available, productivity, success rates of training and development to meet objectives, external rewards and recognition
  - motivation and involvement – involvement in improvement teams, involvement in suggestion schemes, levels of training and development, measureable benefits of team work, recognition of individuals and teams, response rate to people survey
  - satisfaction – absenteeism and sickness levels, accident levels, grievances, recruitment trends, staff turnover and loyalty, strikes, use of organization provided facilities and benefits
  - services provided – accuracy of personnel administration, communication effectiveness, speed of response to enquiries, training evaluation

Methodology

1. Determine key factors that affect employee satisfaction.

2. Determine how these factors differ for different employee groups (e.g. senior management, management, supervisors, staff).

3. Develop an employee satisfaction survey with open-ended and closed-ended questions.

4. Administer the survey:
   - Measuring employee satisfaction at least once a year
   - Using appropriate measures for the organization
   - Ensuring employees feel free to express their opinions without retribution
   - Ensuring that survey questions are consistent from year to year

5. Analyze findings, segmenting results to address the diversity of the employee base.

6. Summarize and display data from employee survey in graphical and chart form.

7. Ensure that survey data is readily available to relevant stakeholders.

8. Utilize the appropriate comparative data to benchmark organizational results with others.

9. Ensure that management responds to issues of concern or dissatisfaction, issues are discussed and corrective actions are taken.

10. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small, micro

Related Practices

2.11, 3.1, 5.1-5.14

Additional Notes

- Not for profit organizations that rely on volunteers should include results for their volunteer workforce, as appropriate

Tags

employee satisfaction, retention, morale, employee motivation, employee involvement, turnover, grievances, absenteeism, workforce engagement, performance management, rewards, recognition, incentive practices

Practice 9.3.11: Employee morale

Definition

- Morale is the capacity of people to maintain belief in the organization, oneself, and others
- Morale is linked to employee satisfaction and motivation
- Factors influencing morale in the workplace include:
  - job security
  - management style
  - staff feeling their contribution is valued by their employer
  - realistic opportunities for merit-based promotion
  - perceived status of the work being done by the organization as a whole
  - team composition
  - work culture
- Measurement of morale are obtained from:
  - observations
  - conversations
  - interviews
  - surveys
  - focus groups
  - structured appraisals

Implementation

- The assessment of employee morale should employ quantitative and qualitative measurement methods
- Employee morale questions should be included in the employee satisfaction survey
- Only aggregated data should be shared with all employees to maintain confidentiality of individual responses

<u>Methodology</u>

1. Determine key factors that affect employee morale.

2. Determine how these factors differ for different employee groups (e.g. senior management, management, supervisors, staff).

3. Conduct research on employee morale:
   - Include questions pertaining to employee morale on the employee satisfaction survey
   - Use other methods to gauge employee morale such as observations, conversations, and interviews

4. Consolidate and analyze findings, segmenting results to address the diversity of the employee base.

5. Summarize and display data from employee survey in graphical and chart form.

6. Ensure that survey data is readily available to relevant stakeholders.

7. Utilize the appropriate comparative data to benchmark organizational results with others.

8. Ensure that management responds to issues of concern or dissatisfaction, issues are discussed and corrective actions are taken.

9. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small

Related Practices

2.11, 3.1, 5.1-5.14

Additional Notes

- Not for profit organizations that rely on volunteers should include results for their volunteer workforce, as appropriate

Tags

employee morale, motivation, satisfaction, involvement, and engagement

Practice 9.3.12: Financial performance

Definition

- Organization measures and achieves outstanding results with respect to their financial performance
- The organization uses two types of measures:
  - performance outcomes
  - performance indicators
- Performance outcomes are key results defined by the organization and agreed in their policy and strategy
- Performance indicators are operational measures used to monitor and understand the processes and predict and improve the organizations likely key performance outcomes

- Financial measures are usually tracked by management and the results are given to senior leadership for their review and discussion
- Satisfactory trends in these measures provide a sound foundation for stakeholder confidence

Implementation

- Performance outcomes include:
  - financial outcomes:
    - market related and general data – sales, share price, dividends, business growth, charitable grants and donations received, percentage of revenues derived from new products, programs, and/or services
    - profitability – gross margins, earnings per share, earnings before interest and tax, contribution margin
    - investment and asset related information – return on invested capital, return on net assets, return on capital employed
    - operations efficiency – collections, billing, receivables
    - budgetary performance – adherence to budgets, performance against organization or unit budgets
- Performance indicators include:
  - financial:
    - cash flow
    - depreciation
    - maintenance costs
    - project costs
    - credit ratings

<u>Methodology</u>

1. Track financial performance measures on an ongoing basis to assess organization's financial performance and viability.

2. Assess measures of financial return and viability.

3. Utilize the appropriate comparative data to benchmark organization with others.

4. Measures that fall outside of appropriate levels should be discussed and reassessed, monitored or rectified as required.

5. Share measurement results with relevant stakeholders.

6. Develop action plans aimed at realizing improvement opportunities.

Type of Organization

large, medium, small, micro

Related Practices

2.4, 2.11, 3.1, 3.2, 3.5, 3.7, 3.11, 5.9, 8.1, 8.10

Additional Notes

- For non-profit organizations additional financial measures might include:
  - performance to budget
  - reserve funds
  - cost avoidance or savings
  - administrative expenditures as a percentage of budget
  - cost of fundraising versus funds raised

Tags

financial performance, financial viability, financial return, profits/losses, budgets, expenditure management, revenue management, cost reduction, cost control and asset management

Resources and References

Allan, Leslie. (2008). *Managing Change in the Workplace – 2nd edition.*

Brassard, Michael and Ritter, Diane. (2010). *The Memory Jogger 2: Tools for Continuous Improvement and Effective Planning*. Goal/QPC. Salem, NH.

Gerst, Robert. (2002). *The Performance Improvement Toolkit: The Guide to Knowledge Based Improvement*. Converge Consulting Group Inc. Calgary, Alberta.

Kotter, John P. (1996). *Leading Change*. Harvard Business School Press. Boston, Massachusetts.

Kotter, John P. and Cohen, Dan S. (2002). *The Heart of Change.* Harvard Business School Press. Boston, Massachusetts.

Pratt, Danielle. (2001). *The Healthy Scorecard: Delivering Breakthrough Results that Employees and Investors Will Love!* Trafford Publishing.

Yerema, Richard W. (2000-2009). *Canada's Top 100 Employers*. Mediacorp Canada Inc.

Alpha Measure: www.alphameasure.com

Hewitt Survey: www.hewittassociates.com

List of National Quality Awards: http://en.wikipedia.org/wiki/List_of_national_quality_awards

Appendix 1 - Applicability to Organization Size and Comparison to Leading Frameworks

Organizational Excellence Framework **Principles**	Micro	S-M-L	Canadian	Malcolm Baldrige	EFQM	Australian
1. Leadership involvement – ensuring senior management is actively involved in establishing and communicating direction.						
2. Alignment – understanding the organization is a system of interrelated and interconnected work processes and all activities need to be aligned with the established direction.						
3. Focus on the customer – ensuring the primary aim of everyone in the organization is to understand and meet the needs of the customer.						
4. People involvement – nurturing and reinforcing cooperation and teamwork and giving employees the opportunity to develop their full potential.						
5. Prevention based process management – establishing consistency in work processes and developing a mindset of prevention.						
6. Partnership development – developing and maintaining value-adding relationships with suppliers and partners.						
7. Continuous improvement – harnessing the collective knowledge, skills, and creativity of stakeholders to relentlessly pursue improvement.						
8. Data based decision making – basing decisions on performance measurement findings.						
9. Societal commitment – striving to understand and demonstrate corporate commitment to society.						

Key Management Area and Practices	Micro	S-M-L	Canadian	Malcolm Baldrige	EFQM	Australian
1.0 Governance						
1.1 Identify governance responsibility to stakeholders (e.g. core values, policies, regulations, process)						
1.2 Implement an effective system of leadership, authority, decision making, accountability, and control						
1.3 Ensure governance system meets legal, financial, ethical, and reporting obligations*						
1.4 Establish governance processes at all appropriate levels in the organization (i.e. roles, powers, responsibilities) and links to stakeholders						
1.5 Act as a model of good practice for employers and people in the community						
1.6 Communicate policy and strategy to stakeholders						
2.0 Leadership	Micro	S-M-L	Canadian	Malcolm Baldrige	EFQM	Australian
2.1 Develop corporate statements (e.g. vision, mission, core values) *						
2.2 Communicate corporate statements to all levels in the organization *						
2.3 Identify factors that will contribute to organizational success						
2.4 Develop a strategic plan with goals and objectives that will guide the organization toward its vision						
2.5 Use risk management to assess strategic goals and objectives						

2.6 Monitor and review the strategic plan on a regular basis						
2.7 Ensure senior management demonstrates a commitment to continuous improvement *						
2.8 Ensure senior management participates in professional bodies, conferences, and seminars						
2.9 Remove barriers to organizational effectiveness						
2.10 Promote teamwork amongst employees *						
2.11 Communicate openly to employees about organizational performance						
2.12 Share responsibility, accountability, and leadership throughout the organization						
2.13 Link senior management rewards and recognition to organizational performance						
2.14 Demonstrate responsibility to society and the environment *						
2.15 Learn from ideas and good practices and share them internally and with other organizations						
3.0 Planning	Micro	S-M-L	Canadian	Malcolm Baldrige	EFQM	Australian
3.1 Use factual information to provide input to the business planning process *						
3.2 Create a business plan that identifies, prioritizes, and incorporates a balanced set of objectives, measures, and initiatives that support the strategic direction *						
3.3 Develop contingency plans for unforeseen events						
3.4 Communicate and integrate the business plan internally and externally						
3.5 Allocate resources to ensure effective implementation of the business plan						
3.6 Conduct a capability gap analysis for resources (e.g. financial, assets, technology, knowledge, information)						
3.7 Reallocate resource requirements to adjust to changing circumstances						

3.8 Monitor and review the business plan on a regular basis *						
3.9 Make changes to the business plan aimed at continual improvement *						
4.0 Customers	Micro	S-M-L	Canadian	Malcolm Baldrige	EFQM	Australian
4.1 Use research to define and segment customers *						
4.2 Determine customer needs and expectations *						
4.3 Communicate the value of products and services to the customer *						
4.4 Align employees on the importance of the customer *						
4.5 Train and empower employees to be advocates for the customer *						
4.6 Ensure positive customer experiences by identifying and managing customer contact points *						
4.7 Make it easy for the customer to do business and provide feedback *						
4.8 Respond successfully to customer feedback *						
4.9 Reaffirm presence in established markets or the requirement to change market approach						
5.0 Employees	Micro	S-M-L	Canadian	Malcolm Baldrige	EFQM	Australian
5.1 Undertake human resource planning that supports organization goals and objectives *						
5.2 Recruit and select people for mutual success*						
5.3 Promote equal opportunity and diversity						

5.4 Ensure people understand and commit to the strategic direction and improvement goals						
5.5 Get people involved with improvement initiatives						
5.6 Encourage employees to share ideas and suggestions *						
5.7 Encourage employees to be innovative and take risks						
5.8 Determine training needs of employees and provide the necessary training *						
5.9 Ensure employees have adequate compensation and benefits *						
5.10 Reward and recognize strong performance of both individuals and teams *						
5.11 Ensure a healthy workplace environment and involve people in addressing issues related to health and wellness *						
5.12 Remove barriers to employee effectiveness						
6.0 Work Processes	Micro	S-M-L	Canadian	Malcolm Baldrige	EFQM	Australian
6.1 Design and document key processes *						
6.2 Monitor and control processes to ensure service standards are met consistently *						
6.3 Monitor and control processes to ensure system standards are met consistently (e.g. quality, environment, health & safety) *						
6.4 Ensure processes are in place to anticipate or adjust for change (e.g. legislation, new venture, innovation)						
6.5 Take corrective action when problems occur *						
6.6 Prevent recurrence of problems by making changes to processes *						
6.7 Analyze processes on a regular basis and make changes aimed at continual improvement *						

6.8 Communicate changes in process to all employees that touch the process *						
6.9 Involve customers, suppliers, and/or partners in designing and analyzing processes *						
6.10 Use external data to compare performance to other organizations (e.g. benchmarks)						
7.0 Suppliers & Partners	Micro	S-M-L	Canadian	Malcolm Baldrige	EFQM	Australian
7.1 Select suppliers and partners on the basis of criteria *						
7.2 Develop win-win partnering arrangements *						
7.3 Share information with suppliers and partners that links to strategic and business plans *						
7.4 Involve suppliers and partners in the development of new products and services						
7.5 Involve suppliers and partners in the development of social and environmental standards						
8.0 Resource Management	Micro	S-M-L	Canadian	Malcolm Baldrige	EFQM	Australian
8.1 Define resource requirements (e.g. financial, asset, technology, knowledge, transportation) *						
8.2 Develop a strategy to manage resources effectively *						
8.3 Manage the security of resources						
8.4 Minimize the adverse impact of products and services on the environment and community *						
8.5 Manage the maintenance and utilization of assets to improve total life cycle performance						
8.6 Identify alternative and emerging technology and related cost-benefit to the organization and society						

8.7 Provide appropriate access for stakeholders to relevant knowledge and information						
8.8 Prepare for resource interruptions						
9.0 Continuous Improvement and Performance Measurement	Micro	S-M-L	Canadian	Malcolm Baldrige	EFQM	Australian
9.1 Continuous Improvement - evaluate and improve the approach to each management area *						
9.1.1 Governance						
9.1.2 Leadership						
9.1.3 Planning						
9.1.4 Customers						
9.1.5 Employees						
9.1.6 Work Processes						
9.1.7 Suppliers and Partners						
9.1.8 Resource Management						
9.2 Performance Measurement (Management Areas) – measure performance in each management area						
9.2.1 Governance measures - stakeholder understanding of governance, community perception of organizational governance						
9.2.2 Leadership measures - management effectiveness & involvement, understanding about strategic plan, shared leadership, senior management sharing ideas and quality practices						
9.2.3 Planning measures - understanding about business plan, effective implementation of improvement plans, quality assessment findings						

9.2.4 Customer measures – perceived image of organization in the marketplace, customer awareness of the organization, perceived value of products and services, customer complaints, customer satisfaction, loyalty, confidence, and retention, market share						
9.2.5 Employee measures - employee motivation, degree of employee involvement, satisfaction, morale, effectiveness of training, suggestions & ideas submitted and used, dissatisfaction (turnover, grievances, absenteeism)						
9.2.6 Work process measures - cycle times, process design changes, process capability, level of service / product quality, performance of products and services (e.g. refunds, warranty claims, repairs, replacements)						
9.2.7 Supplier and partner measures – number of qualified suppliers / partners, quality & value of purchases, extent of supplier / partner involvement in new product/service development, extent of supplier / partner involvement in social and environmental standards						
9.2.8 Resource management measures – profitability, adherence to budgets, expenditure management, cost reduction / control, return on investment, return on assets, value of assets, effects of products and services throughout their life cycle, innovation rates, value of intellectual property, accessibility to knowledge and information, optimization of transportation						
9.3 Performance Measurement (Organization) – measure overall organization performance						
9.3.1 Organizational relevance to the marketplace						
9.3.2 Organizational capability to manage change						
9.3.3 Meeting stakeholder objectives						
9.3.4 Community perception of organization as model of excellence or employer of choice						
9.3.5 Quality of products or services *						
9.3.6 Performance accomplishments and program outcomes						

9.3.7 Customer satisfaction *						
9.3.8 Customer loyalty						
9.3.9 Customer confidence						
9.3.10 Employee satisfaction *						
9.3.11 Employee morale						
9.3.12 Financial performance *						

Sources: 2009; National Quality Institute, www.nqi.ca (currently Excellence Canada); Malcolm Baldrige, www.quality.nist.gov ; European Foundation for Quality Management, www.efqm.org; SAI Global, www.sai-global.com

Appendix 2 - Principles

Following are additional details regarding the principles upon which the Organizational Excellence Framework is based.

I. Leadership Involvement

Statement
Ensure senior management is committed and actively involved in establishing and communicating direction.

Definition
- Recognize that visionary and strategic leadership is at the core of the principles and essential for successful implementation of the Framework
- Demonstrate commitment to corporate statements through words and behaviour
- Unite and motivate other management to inspire stakeholders
- Facilitate, reinforce, communicate, and support the changes necessary for improvement
- Demonstrate the capability to adapt and realign the direction in light of changing circumstances

Related Practices
- Governance – 1.6
- Leadership – 2.1, 2.2, 2.3, 2.4, 2.7, 2.11, 2.13
- Planning – 3.2, 3.4, 3.5, 3.6, 3.7
- Customers – 4.9
- Employees – 5.4
- Work Processes – 6.7
- Suppliers & Partners – 7.3
- Resource Management – 8.1, 8.2, 8.8
- Performance Measurement – 9.2

II. Alignment

Statement
Understand the organization is a system of interrelated and interconnected work processes and that all activities need to be aligned with the established direction.

Definition
- Recognize that alignment is internal and external and that performance is based on alignment between internal capacity and external requirements:
  - internal – resources, people, work processes
  - external – customers, suppliers, partners, community, marketplace orientation
- Appreciate that alignment is related to organizational productivity and success:
  - internal alignment and work process variation are inversely related
  - improvements in internal alignment will free up resources that can be reallocated to external alignment activities
- Alignment activities include, but are not limited to:
  - establishing a governance system that meets stakeholder objectives
  - aligning strategic planning goals and objectives with corporate statements
  - aligning the goals and objectives of other plans (financial, marketing, quality, human resource, etc) with the strategic plan
  - aligning employees on the importance of the customer
  - aligning employee learning and performance objectives with organizational plans
  - aligning work processes to deliver products/services that meet customer requirements
  - aligning suppliers and partners on the combined responsibility and commitment to excellence
  - allocating resources to achieve organizational goals and objectives

Related Practices
- Governance – 1.4
- Leadership – 2.4
- Planning – 3.2, 3.5
- Customers – 4.4
- Employees – 5.4, 5.8
- Work Processes – 6.1, 6.2, 6.3
- Suppliers & Partners – 7.3
- Resource Management – 8.1
- Performance Measurement – 9.1, 9.2

III. Focus on the Customer

Statement
Ensure the primary aim of everyone in the organization is to understand and meet the needs of the customer.

Definition
- Create sustainable customer value
- Understand the customer intimately
- Acknowledge that customers are the final judge of product/service quality
- Understand that customer trust and confidence (loyalty, retention, market share) is maximized through a clear focus on the needs and expectations of existing and potential customers
- Be responsive to customer needs and expectations
- Segment customers to improve the effectiveness of product/service delivery
- Monitor competitor activity and understand the organizations' competitive advantage
- Anticipate future customer needs and expectations
- Monitor and review the experiences and perceptions of customers
- Respond quickly and effectively when things go wrong
- Build and maintain excellent relationships with customers

Related Practices
- Governance – 1.1
- Leadership – 2.12
- Planning – n/a
- Customers – 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10
- Employees – 5.6
- Work Processes – 6.9
- Suppliers & Partners – 7.4
- Resource Management – n/a
- Performance Measurement – 9.1, 9.2

IV. People Involvement

Statement
Nurture and reinforce cooperation and teamwork and give employees the opportunity to develop their full potential.

Definition
- Maximize the contribution of employees through their development and involvement
- Identify and understand the competencies needed, at present and in the future, to implement the organization's plans
- Recruit and develop people to match these competencies and actively and positively support them
- Promote personal development
- Allow people to realize and unlock their full potential
- Prepare people to meet and adapt to the changes required of them (operational, personal)
- Recognize the importance of people's intellectual capital and use knowledge for the benefit of the organization
- Find innovative ways to engage talent at all levels in the organization
- Seek to care, reward, and recognize people in a way that builds their commitment and loyalty to the organization
- Actively involve people through shared values and a culture of trust, openness and empowerment
- Involve people to generate and implement ideas for improvement

Related Practices
- Governance – 1.4
- Leadership – 2.1, 2.2, 2.3, 2.10, 2.12, 2.13
- Planning – 3.2, 3.5
- Customers – 4.4, 4.5
- Employees – 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9, 5.10, 5.11, 5.12, 5.13
- Work Processes – 6.1, 6.7, 6.8
- Suppliers & Partners – 7.3
- Resource Management – 8.1, 8.7
- Performance Measurement – 9.3

V. Prevention Based Process Management

Statement
Establish consistency in work processes and develop a mindset of prevention.

Definition
- Implement plans of the organization through a clear and integrated set of processes
- Deploy, manage, and improve processes on a day-to-day basis
- Identify and effectively manage risks
- Establish the root cause of process problems so that changes can be made to prevent problems from recurring
- Identify and implement appropriate prevention measures to maintain a high confidence level with stakeholders
- Develop leading edge processes that move the organization out front

Related Practices
- Governance – 1.4
- Leadership – 2.5, 2.9
- Planning – 3.3, 3.6, 3.7
- Customers – 4.7, 4.8
- Employees – 5.5, 5.6, 5.12
- Work Processes – 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11
- Suppliers & Partners – n/a
- Resource Management – 8.3, 8.4, 8.8
- Performance Measurement – 9.2

VI. Partnership Development

Statement
Develop and maintain value-adding relationships with suppliers and partners.

Definition
- Develop and maintain value-adding partnerships
- Recognize that success may depend on partnership
- Seek out and develop partnerships with other organizations (customers, society, suppliers, competitors) that are based on mutual benefit
- Recognize that suppliers and partners enable the organization to deliver enhanced value to stakeholders through optimizing core competencies
- Work with suppliers and partners to achieve shared goals
- Support one another with expertise, resources, and knowledge
- Build sustainable relationships based on mutual trust, respect, and openness

Related Practices
- Governance – n/a
- Leadership – n/a
- Planning – 3.4
- Customers – 4.9
- Employees – n/a
- Work Processes – 6.9
- Suppliers & Partners – 7.1, 7.2, 7.3, 7.4, 7.5, 7.6
- Resource Management – 8.6
- Performance Measurement – 9.2

VII. Continuous Improvement

Statement
Harness the collective knowledge, skills, and creativity of stakeholders to relentlessly pursue improvement.

Definition
- Challenge the status quo
- Effect change by using learning to create innovation and improvement opportunities
- Learn from activities within the organization and from others
- Monitor performance over time
- Benchmark performance to others
- Capture and share the knowledge of people to maximize learning throughout the organization
- Accept and use ideas from all stakeholders
- Encourage people to look beyond today and today's capabilities
- Guard intellectual property
- Ask people to seek opportunities for continuous innovation and improvement that add value

Related Practices
- Governance – 1.7, 1.8
- Leadership – 2.6, 2.7, 2.9, 2.15, 2.16, 2.17
- Planning – 3.8, 3.9, 3.10, 3.11
- Customers – 4.9, 4.10, 4.11
- Employees – 5.5, 5.6, 5.7, 5.12, 5.13, 5.14
- Work Processes – 6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11, 6.12
- Suppliers & Partners – 7.4, 7.5, 7.6, 737
- Resource Management – 8.4, 8.5, 8.6, 8.9, 8.10
- Performance Measurement – 9.1, 9.2, 9.3

VIII. Data Based Decision Making

Statement
Base decisions on performance measurement findings.

Definition
- Govern the organization in a professional manner, meeting and exceeding all corporate requirements
- Manage the organization through a set of interdependent and interrelated systems, processes and facts
- Make decisions on factually reliable information relating to:
  - current and projected performance
  - process and systems capability
  - stakeholder expectations
  - competitor performance
  - benchmarks
- Be agile, flexible and responsive as stakeholder needs and expectations change

Related Practices
- Governance – 1.1, 1.2, 1.3, 1.7, 1.8
- Leadership – 2.13, 2.16, 2.17
- Planning – 3.1, 3.2, 3.3, 3.10, 3.11
- Customers – 4.1, 4.8., 4.9, 4.10, 4.11
- Employees – 5.9, 5.10, 5.13, 5.14
- Work Processes – 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.9, 6.10, 6.11, 6.12
- Suppliers & Partners – 7.1, 7.6, 7.7
- Resource Management – 8.1, 8.4, 8.5, 8.6, 8.8, 8.9, 8.10
- Performance Measurement – 9.1, 9.2, 9.3

IX. Societal Commitment

Statement
Strive to understand and demonstrate corporate commitment to society.

Definition
- Exceed the minimum regulatory framework in which the organization operates
- Strive to understand and respond to the expectations of stakeholders in society
- Adopt a highly ethical approach by being transparent and accountable to stakeholders
- Give consideration to and actively promote social responsibility and ecological sustainability
- Express corporate social responsibility in the organization's core values
- Seek out and promote opportunities to work on mutually beneficial projects with society
- Inspire and maintain high levels of confidence with stakeholders
- Take care to manage risk and minimize any adverse impact the organization has on society

Related Practices
- Governance – 1.1, 1.3, 1.4, 1.5
- Leadership – 2.8, 2.14, 2.15
- Planning – 3.3
- Customers – 4.9
- Employees – 5.3, 5.11
- Work Processes – 6.3, 6.4
- Suppliers & Partners – 7.4, 7.5
- Resource Management – 8.4, 8.6, 8.7
- Performance Measurement – 9.2

Appendix 3 – Self-Assessment and Improvement Planning

Two very important activities in the implementation and annual maintenance of the Organizational Excellence Framework (OEF) are self-assessment and improvement planning.

The following pages provide the methodology for self-assessing against the Organizational Excellence Framework and preparing an improvement plan to address gaps. It is recommended that a good cross-section of employees from the organization be involved in this exercise.

The **self-assessment** requires that employees gauge the extent to which the principles and practices of the Framework are in place throughout the organization. Both quantitative and qualitative data is gathered during this exercise. A 'scale' is used to quantify the degree to which a principle or practice is in place while 'statements' are used to provide additional detail on strengths and opportunities for improvement. At the conclusion of the assessment exercise, the ratings and statements are used to prepare an improvement plan.

The **improvement plan** identifies any gaps that exist between the current operations and the Framework and charts a course for improvement. The gaps include those practices that receive a low rating and/or have statements that identify an opportunity for improvement. Each of these gaps is documented and addressed in an action plan.

The individual action plans identify:

- Key management area – one of the key management areas: governance, leadership, planning, customers, employees, work processes, suppliers and partners, resource management, or continuous improvement and performance measurement
- Practice – best practice identified as a gap or opportunity for improvement
- Action steps – chronological steps that will be taken to fully implement the practice
- Responsibility – owner of the action plan and other team members
- Timing – timeframe for the action plan that includes a start and completion date

- Measurement – measurement method that will be used to track progress on the action plan
- Cost – estimate of any out-of-pocket expenses

Together, the action plans comprise the improvement plan. Some tips with respect to implementation of the improvement plan include:

- Preparing a gantt chart so that employees can see the improvement plan at a glance
- Scheduling regular meetings to review progress on implementation and communicating results throughout the organization
- Setting an overall timeframe that is appropriate for the organization and identifying ways to maintain momentum
- Making sure to have fun and celebrate success along the way

1.0 Self-Assessment

The **principles** and **practices** of the Organizational Excellence Framework are provided on the following pages.

Use low-medium-high ratings or corresponding percentages to indicate the extent to which the **principles** are part of your organizational culture:

- Low, 0%-20%
- Low-Medium, 21%-40%
- Medium, 41%-60%
- Medium-High , 61%-80%
- High, 81%-100%

Use the following rating scale to indicate the extent to which the OEF management area **practices** are in place in your organization.

For both the principles and practices, make notes under the 224statements to denote strengths and opportunities for improvement. Please note that all statements apply to medium and large organizations and highlighted statements (*) apply to small and micro organizations.

Rating Scale:

0% to 25% – Just Beginning

- No systematic approach
- Limited deployment
- Few or poor results
- Focus is on 'correction'

26% - 50% – Good Start

- Beginning of systematic approach
- Effective deployment in some major areas
- Work process is understood and stable
- Some good results
- Focus is on 'prevention'

51% to 75% – Doing Well

- Sound systematic approach
- Effective deployment across areas
- Work process is understood, documented, stable, and reviewed for improvement
- Good results
- Focus is on continuous improvement

76% to 100% – High Performance

- Sound systematic approach
- High levels of understanding
- Very effective deployment across areas
- Work process is understood, documented and reviewed for improvement
- Focus is on continuous improvement
- Positive results are documented showing sustained improvement

Principles

	L-M-H
1. Leadership involvement – ensuring senior management is actively involved in establishing and communicating direction.	
2. Alignment – understanding the organization is a system of interrelated and interconnected work processes and all activities need to be aligned with the established direction.	
3. Focus on the customer – ensuring the primary aim of everyone in the organization is to understand and meet the needs of the customer.	
4. People involvement – nurturing and reinforcing cooperation and teamwork and giving employees the opportunity to develop their full potential.	
5. Prevention based process management – establishing consistency in work processes and developing a mindset of prevention.	
6. Partnership development – developing and maintaining value-adding relationships with suppliers and partners.	
7. Continuous improvement – harnessing the collective knowledge, skills, and creativity of stakeholders to relentlessly pursue improvement.	
8. Data based decision making – basing decisions on performance measurement findings.	
9. Societal commitment – striving to understand and demonstrate corporate commitment to society.	
Average Rating	

Strengths	Opportunities for Improvement

Management Area and Practices

1.0 Governance	**%**
1.1 Identify governance responsibility to stakeholders (e.g. core values, policies, regulations, process)	
1.2 Implement an effective system of leadership, authority, decision making, accountability, and control	
1.3 Ensure governance system meets legal, financial, ethical, and reporting obligations*	
1.4 Establish governance processes at all appropriate levels in the organization (i.e. roles, powers, responsibilities) and links to stakeholders	
1.5 Act as a model of good practice for employers and people in the community	
1.6 Communicate policy and strategy to stakeholders	
Average Score	

Strengths	Opportunities for Improvement

2.0 Leadership	**%**
2.1 Develop corporate statements (e.g. vision, mission, core values) *	
2.2 Communicate corporate statements to all levels in the organization *	
2.3 Identify factors that will contribute to organizational success	
2.4 Develop a strategic plan with goals and objectives that will guide the organization toward its vision	

2.5 Use risk management to assess strategic goals and objectives	
2.6 Monitor and review the strategic plan on a regular basis	
2.7 Ensure senior management demonstrates a commitment to continuous improvement *	
2.8 Ensure senior management participates in professional bodies, conferences, and seminars	
2.9 Remove barriers to organizational effectiveness	
2.10 Promote teamwork amongst employees *	
2.11 Communicate openly to employees about organizational performance	
2.12 Share responsibility, accountability, and leadership throughout the organization	
2.13 Link senior management rewards and recognition to organizational performance	
2.14 Demonstrate responsibility to society and the environment *	
2.15 Learn from ideas and good practices and share them internally and with other organizations	
Average Score	

Strengths	Opportunities for Improvement

3.0 Planning	**%**
3.1 Use factual information to provide input to the business planning process *	
3.2 Create a business plan that identifies, prioritizes, and incorporates a balanced set of objectives, measures, and initiatives that support the strategic direction *	
3.3 Develop contingency plans for unforeseen events	
3.4 Communicate and integrate the business plan internally and externally	
3.5 Allocate resources to ensure effective implementation of the business plan	
3.6 Conduct a capability gap analysis for resources (e.g. financial, assets, technology, knowledge, information)	
3.7 Reallocate resource requirements to adjust to changing circumstances	
3.8 Monitor and review the business plan on a regular basis *	
3.9 Make changes to the business plan aimed at continual improvement *	
Average Score	

Strengths	Opportunities for Improvement

4.0 Customers	**%**
4.1 Use research to define and segment customers *	
4.2 Determine customer needs and expectations *	
4.3 Communicate the value of products and services to the customer *	
4.4 Align employees on the importance of the customer *	
4.5 Train and empower employees to be advocates for the customer *	
4.6 Ensure positive customer experiences by identifying and managing customer contact points *	
4.7 Make it easy for the customer to do business and provide feedback *	
4.8 Respond successfully to customer feedback *	
4.9 Reaffirm presence in established markets or the requirement to change market approach	
Average Score	

Strengths	Opportunities for Improvement

5.0 Employees	**%**
5.1 Undertake human resource planning that supports organization goals and objectives *	
5.2 Recruit and select people for mutual success*	
5.3 Promote equal opportunity and diversity	

5.4 Ensure people understand and commit to the strategic direction and improvement goals	
5.5 Get people involved with improvement initiatives	
5.6 Encourage employees to share ideas and suggestions *	
5.7 Encourage employees to be innovative and take risks	
5.8 Determine training needs of employees and provide the necessary training *	
5.9 Ensure employees have adequate compensation and benefits *	
5.10 Reward and recognize strong performance of both individuals and teams *	
5.11 Ensure a healthy workplace environment and involve people in addressing issues related to health and wellness *	
5.12 Remove barriers to employee effectiveness	
Average Score	

Strengths	Opportunities for Improvement

6.0 Work Processes	**%**
6.1 Design and document key processes *	
6.2 Monitor and control processes to ensure service standards are met consistently *	
6.3 Monitor and control processes to ensure system standards are met consistently (e.g. quality, environment, health & safety) *	
6.4 Ensure processes are in place to anticipate or adjust for change (e.g. legislation, new venture, innovation)	

6.5 Take corrective action when problems occur *	
6.6 Prevent recurrence of problems by making changes to processes *	
6.7 Analyze processes on a regular basis and make changes aimed at continual improvement *	
6.8 Communicate changes in process to all employees that touch the process *	
6.9 Involve customers, suppliers, and/or partners in designing and analyzing processes *	
6.10 Use external data to compare performance to other organizations (e.g. benchmarks)	
Average Score	

Strengths	Opportunities for Improvement

7.0 Suppliers & Partners	**%**
7.1 Select suppliers and partners on the basis of criteria *	
7.2 Develop win-win partnering arrangements *	
7.3 Share information with suppliers and partners that links to strategic and business plans *	
7.4 Involve suppliers and partners in the development of new products and services	
7.5 Involve suppliers and partners in the development of social and environmental standards	
Average Score	

Strengths	Opportunities for Improvement

8.0 Resource Management	**%**
8.1 Define resource requirements (e.g. financial, asset, technology, knowledge, transportation) *	
8.2 Develop a strategy to manage resources effectively *	
8.3 Manage the security of resources	
8.4 Minimize the adverse impact of products and services on the environment and community *	
8.5 Manage the maintenance and utilization of assets to improve total life cycle performance	
8.6 Identify alternative and emerging technology and related cost-benefit to the organization and society	
8.7 Provide appropriate access for stakeholders to relevant knowledge and information	
8.8 Prepare for resource interruptions	
Average Score	

Strengths	Opportunities for Improvement

9.0 Continuous Improvement and Performance Measurement	**%**
9.1 Continuous Improvement - evaluate and improve the approach to each management area *	
9.1.1 Governance	
9.1.2 Leadership	
9.1.3 Planning	
9.1.4 Customers	
9.1.5 Employees	
9.1.6 Work Processes	
9.1.7 Suppliers and Partners	
9.1.8 Resource Management	
9.2 Performance Measurement (Management Areas) – measure performance in each management area	
9.2.1 Governance measures - stakeholder understanding of governance, community perception of organizational governance	
9.2.2 Leadership measures - management effectiveness & involvement, understanding about strategic plan, shared leadership, senior management sharing ideas and quality practices	
9.2.3 Planning measures - understanding about business plan, effective implementation of improvement plans, quality assessment findings	
9.2.4 Customer measures – perceived image of organization in the marketplace, customer awareness of the organization, perceived value of products and services, customer complaints, customer satisfaction, loyalty, confidence, and retention, market share	
9.2.5 Employee measures - employee motivation, degree of employee involvement, satisfaction, morale, effectiveness of training, suggestions & ideas submitted and used, dissatisfaction (turnover, grievances, absenteeism)	

9.2.6 Work process measures - cycle times, process design changes, process capability, level of service / product quality, performance of products and services (e.g. refunds, warranty claims, repairs, replacements)	
9.2.7 Supplier and partner measures – number of qualified suppliers / partners, quality & value of purchases, extent of supplier / partner involvement in new product/service development, extent of supplier / partner involvement in social and environmental standards	
9.2.8 Resource management measures – profitability, adherence to budgets, expenditure management, cost reduction / control, return on investment, return on assets, value of assets, effects of products and services throughout their life cycle, innovation rates, value of intellectual property, accessibility to knowledge and information, optimization of transportation	
9.3 Performance Measurement (Organization) – measure overall organization performance	
9.3.1 Organizational relevance to the marketplace	
9.3.2 Organizational capability to manage change	
9.3.3 Meeting stakeholder objectives	
9.3.4 Community perception of organization as model of excellence or employer of choice	
9.3.5 Quality of products or services *	
9.3.6 Performance accomplishments and program outcomes	
9.3.7 Customer satisfaction *	
9.3.8 Customer loyalty	
9.3.9 Customer confidence	
9.3.10 Employee satisfaction *	
9.3.11 Employee morale	
9.3.12 Financial performance *	
Average Score	

Strengths	Opportunities for Improvement

Sources: National Quality Institute, www.nqi.ca (currently Excellence Canada); Malcolm Baldrige, www.quality.nist.gov ; European Foundation for Quality Management, www.efqm.org; SAI Global, www.sai-global.com

2.0 IMPROVEMENT PLANNING

Use the following action plan templates to document and address the gaps (practices that need to be implemented/improved) identified in the assessment. The following examples provide a sample action plan and a blank action plan template.

Key Management Area: 2.0 Leadership
Practice 2.1: Develop corporate statements
Action Steps: 1. Gather and review existing corporate records e.g. strategic plan, business plan 2. Summarize the foregoing information into a briefing document 3. Convene a representative gathering of personnel 4. Work with the team to create draft corporate statements (i.e. vision, mission, core values) 5. Circulate draft statements to employees and stakeholders for their review and comment 6. Finalize corporate statements and prepare to communicate comprehensively 7. Display corporate statements in the workplace 8. Ask management to show strong support for statements
Responsibility: Andrea Price (owner), Jeff Smith and Valerie Bufton (team members)
Timing: January to March 2012
Measurement: Corporate statements displayed and supported in the workplace
Cost: $250 for signage

Key Management Area:
Practice:
Action Steps: 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.
Responsibility:
Timing:
Measurement:
Cost: