

White Paper on New Zealand Business Excellence Foundation

Why Spectrum chose to embark on a different quality framework

Background

Spectrum Care required a quality framework to take us forward on our journey to excellence. We were unable to compare our performance to other providers or enterprises without a comparative framework that gave us evidence-based information that enabled us to learn, to compare and to identify trends.

Historically, we were bound by compliance-based Certification audits founded upon Health and Disability Sector Standards, Infection Prevention and Control Standards, Restraint Standards and Risk Management Standards, and by a separate but similar set of standards for Accreditation.

Both Certification and Accreditation are currently awarded by Ministry of Health approved audit organisations. Spectrum Care consistently achieved the maximum three-year certification and, in 2007, achieved an aggregate six out of seven for Accreditation. According to auditors, this anecdotally makes us a leader in the field; however, our lead cannot be benchmarked against the best.

We were not able to abandon Certification audits. This three-yearly process checked an organisation's compliance against minimum standards and, in essence, becomes our license to operate.

Accreditation is a higher-level assessment. There are a number of weaknesses that we saw with Accreditation:

- The evaluation and award is by one audit organisation, auditing only within the health sector
- The standards are becoming more clinical and hospital based, and consequently are becoming less applicable to organisations that are community based
- Historically, the calibre of auditors had been questioned by the sector
- Accreditation is not a benchmarking tool
- The whole process is about surveying organisations in one sector in one country and is, therefore, very localised in a global context
- The cost of Accreditation is approximately \$14,000 per year
- Accreditation is only recognised within the health sector
- An emphasis on process is at the expense of an examination of business results

- There were issues around the containment of intellectual or proprietary knowledge for some providers when their contracted auditors worked in their normal jobs with what could be regarded as competitors
- Accreditation would not tell us when we were world class
- Accreditation is significantly compliance based, requiring us to prepare and submit Action Plans to our Designated Auditing Agency
- Accreditation adds minimal value to the plethora of results we get from other mandated audits.

The NZBEF model

The Criteria for Performance Excellence has been developed (and is updated annually) by the US Department of Commerce and the US National Institute of Standards and Technology, which are responsible for the US Baldrige National Quality Programme and associated Awards, and which moderates this award process globally. The Criteria reflects the most successful management practices identified in high-performance organisations worldwide. These practices are encapsulated into the model known as the 'Criteria for Performance Excellence'.

In New Zealand, the 'Criteria' is the framework that underpins the services of the NZBEF and is a model for all organisations that are committed to performance improvement. It is designed to improve organisational performance practices, capabilities and results. The 'Criteria' in NZ has been tailored for specific sectors including Business, Health, Education, and Local Authorities. A Not-for-Profit criteria has been available since 2008. This recognises the different management dimensions of a NFP operation.

Organisations employing the Framework's internationally recognised and respected criteria experience improved employee satisfaction, increased productivity, greater customer satisfaction and loyalty, and increased market share and profitability.

The framework addresses an evaluation across seven organisational elements, outlined by the gold shading in the diagram the follows. It can be seen that other quality models address only part of these elements and, therefore, provide an incomplete picture of an organisation's performance or of its quality framework.

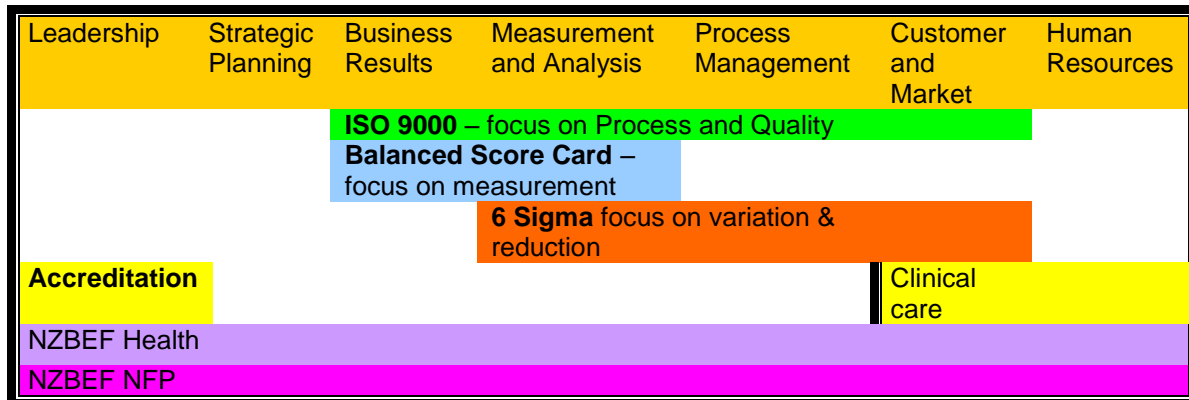


Diagram one: Business Excellence compared to other quality models

NZ Ministry of Economic Development research has identified the most common international business improvement models and diagram one (above) demonstrates the vertical alignments between their key areas of capability. The models are not mutually exclusive and, indeed, complement each other. Many organisations use one or more of the models. However, it is important to understand what each model is best used for and how the models align to assist organisational improvement.

Benefits of engaging with the NZBEF model

There are a range of benefits in utilising this model:

- It is an internationally recognised model, designed to provide clear guidelines on criteria for performance excellence
- It not only allows quantitative and qualitative benchmarking on a national and international scale, but the evaluation process allocates a score across all categories. This, in turn, allows organisations to:
 - Identify numerically where they currently sit against an established framework
 - Identify strengths
 - Identify opportunities for improvement
 - Identify where to focus resources
 - Compare with other organisations and with best practice
- Evaluators receive advanced management training at no cost – this being provided by NZBEF – which they can apply in their own organisation

- There is no requirement to go for an award. Many organisations simply pay the comparatively modest annual fee and use the BEF framework (and support resources) to build their system rigour. They then go for an award with a basic cost plus Evaluator expenses. This option is significantly less expensive than the previous Accreditation model
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- Evaluators build networks of advisors across all sectors (something we did not then do)
- Evaluators explore, in detail, another organisation's operations without risk of loss of intellectual property or advantaging a competitor
- There is a staged programme of advancement through the various stages to performance excellence benchmarked globally across multiple sectors
- Engagement in the BEF process is a superior marketing and promotional tool than alternative models and has wider acceptance
- The model is more integrated than other systems, despite having more elements to it
- There is a focus upon how a system is approached, deployed, learned from and integrated with other systems and these aspects at different levels drive excellence. The evaluations are not, therefore, pocketed or 'siloes' and there is a focus upon the extent to which systems penetrate an organisation and deliver the required business results
- Evaluators become 'expert' in one category, but contribute to all other category evaluations
- The 'results' category compels a selective approach to what operations are required to be measured and how this measure changes over time, providing patterns or trends in performance not evident from snapshot audits
- Business Excellence awards are the most prestigious in New Zealand enterprises and obtaining an award is evidence of hard work over a long period of time that is aligned with world-class performance.
- Membership of the NZBEF gives access to quality resources such as Centre for Organisational Excellence Research and world-class benchmarking data from bpir.com
- Business results from organisations involved with Baldrige are superior to those not aligned with their criteria (see fig 1). There is no evidence that the results would be any different in a New Zealand environment

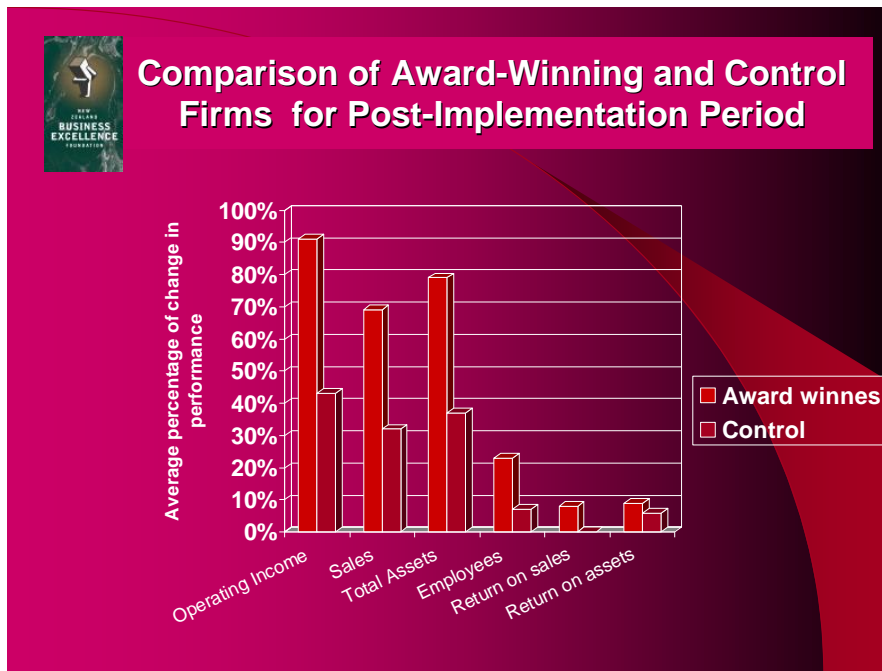


Figure 1: Data based upon two five-year periods of 600 US award winners against a control group of same industry and same size (based upon book value of assets). The first period was the five years prior to first award and the second period the four years after first quality award achieved.

- The core values of NZBEF are strongly aligned with those of Spectrum Care

Barriers and solutions to engagement

1. Service Managers were not attuned to business models of excellence or quality, only to Certification and Accreditation.
 - We need to spend some time training managers in the scheme and make it a priority that a number of them are trained as evaluators each year. This takes some commitment, but the ROI would be high in terms of higher level management knowledge. Without this higher level of operating we will find it slower to make the progress we want to.
 - We need to create a climate of dissatisfaction with current performance

2. It will be seen as an add-on and a project that only belongs to a certain segment of the organisation.
 - We solved this by addressing 1 (above) and by integrating this into all training, including induction
 - We started using BEF terminology in work practice
 - Integrated it more carefully into strategic planning
 - Assigned categories of ownership to key managers
 - Valued those staff engaged in the process

3. Will not be organisation-wide.
 - Addressed by having Chief Executive champion the model and have the Leadership Team model the behaviours and language
 - Encouraged self-managing quality improvement teams in homes and rewarded performance
 - Needed to simplify the model for non-managers
 - Trained selected staff in self-assessment
 - Regularly self-assessed to motivate the workforce

Recommendations

- 1 That we should fully engage the organisation in the Business Excellence model.

(Retaining certification for operating requirements and remaining mindful of Accreditation standards where they will assist. This brought us a range of quality tools under the umbrella of BE.)

- 2 That four managers per year were trained as evaluators and allocated a category to own the system improvements.

(This gave an early critical mass, provided organisational momentum and up-skilled our managers.)

- 3 That the communication strategy addresses Business Excellence as our quality framework and that we presented that in a modern manner that motivated our younger workforce.

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