

**SJR 279/SJR 152**

# **Management of the Commonwealth's Workforce**

## **Volume 1 Human Resources Management (Exposure Draft)**

**Joint Commission on Management of  
the Commonwealth's Workforce**

**July 5, 1994**

**Exposure Draft - Not Approved**

**SJR 279/SJR 152**  
**Joint Commission on the Management of the**  
**Commonwealth's Work Force**

**Volume 1**

**Human Resource Management**

This Document is a draft of a Joint Commission on Management of the Commonwealth's Workforce report. The draft has been assembled for discussion and factual review. Do not quote, publish, or release any material contained in this document because it is subject to additional verification and editorial review.

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## Introduction

The 1993 General Assembly adopted Senate Joint Resolution (SJR) 279, which established the Joint Commission on Management of the Commonwealth's Workforce -- informally known as the *Workforce Commission*. The purpose of the Workforce Commission is to study the state's human resource policies and procedures, including: classification and compensation, the focus of the human resource system (control vs. support), career development, and employee benefits. SJR 279 also directed the Joint Legislative Audit and Review Commission to study the operation of the Commonwealth's personnel system.

Three other studies are incorporated in the SJR 279 study: 1) HJR 581 -- "Family Friendly" workplace polices, 2) HJR 677 -- strategic approach to human resource management, and 3) a study of the Commonwealth's health benefits by the Department of Personnel and Training .

The Workforce Commission was reauthorized in SJR 152, which was passed by the 1994 session of the General Assembly. This resolution specifically calls for a series of public hearings, and directs the Commission to review the Commonwealth's system of employee benefit. In addition, Item 1 of the 1994-96 appropriations act directs the Commission to review the system of compensation for state agency heads.

## Commission Membership

### Senate

Richard J. Holland, Chairman  
Hunter B. Andrews  
Stanley C. Walker  
Joseph B. Benedetti

### House of Delegates

Robert B. Ball, Vice-chairman  
George H. Heilig, Jr.  
Alson H. Smith, Jr. (1993)  
Robert D. Hull  
John S. Reid  
Lacey E. Putney  
Watkins M. Abbitt, Jr. (1994)

## Expert Assistance for the Commission

SJR 279 created a professional advisory committee to assist the Commission. Members of the advisory committee were appointed by the chairman. A total of thirty-one technical experts from government, academia, and the private sector donated their time to five of working groups.

### *Strategic Planning:*

The Honorable Richard J. Holland, Chairman  
Carol Amato  
Cynthia Coldwell  
Herb Hill  
John Accordino, Ph.D.

Staff: William E. Echelberger, Jr., Senate Finance Committee

### *Compensation:*

The Honorable Hunter B. Andrews, Chairman  
Ron Bouchard  
James Bozarth  
John Cotton  
Allen Larson  
Alison Anderson  
Barbara Newlin  
Donald Myers, Ph.D.

Staff: William E. Echelberger, Jr., Senate Finance Committee  
Jane K. Weizmann, The Wyatt Company

### *Career Development:*

The Honorable George H. Heilig, Jr., Chairman  
Robert G. Templin, Jr., Ph.D.  
Regis L. Chapman, D.P.A.  
Donald E. Williams  
James A. Rothcock  
Gerry Gosselin

Staff: Robert P. Vaughn, House Appropriations Committee



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### *Work-Family (Family Friendly) Policies:*

The Honorable Joseph Benedetti, Chairman  
Linda Amato  
Patricia Bowman  
Steven Bryan  
Donna Huang  
Clarence Jackson  
Blue Wooldridge, D.P.A.

Staff: R. J. Austin, Division of Legislative Services

### *Continuous Quality Improvement*

The Honorable Robert D. Hull, Chairman  
Ralph G. Cantrell  
Glenn H. Gilbreath, Ph.D.  
Neila L. Gunter  
Susan B. Hardwicke, Ph.D.  
Cindy S. Johnston  
Linda S. Morrison  
Tracey Ragsdale  
Peter F. Rapp  
Douglas Sears

Staff: Nancy L. Roberts, Division of Legislative Services

Without the assistance of these individuals, this report would not have been possible.

The Commission also notes the assistance of the Director and staff of the Department of Personnel and Training. Their support in providing background information, responding to requests, and providing the assistance of the consultant to the Compensation Task Force has been invaluable.

## EXECUTIVE SUMMARY

### *Overview*

This report is a compilation of findings and recommendations contained in reports from the Workforce Commission's task forces. These task force reports were originally presented to the Commission at meetings on November 23, 1993 and June 14, 1994.

The present draft report on Management of the Commonwealth's Workforce is divided into eight parts in two volumes. Volume 1 -- Human Resource Management comprises the first seven parts: (1) an overview of previous studies, (2) JLARC's Study of the Department of Personnel and Training, (3) Strategic Planning, (4) Compensation, (5) Work-Family (Family Friendly) Policies, (6) Career Development, and (7) employee benefits. Volume 2 is devoted to the eighth part -- Continuous Quality Improvement. Although at first envisioned as an integral part of a one volume report, the Workforce Commission's report on Continuous Quality Improvement has been published separately. This separate report recognizes the extensive amount of work completed by the task force on Continuous Quality Improvement. The condensation required to include quality improvement in this volume would have resulted in a reduction in its utility to the intended users -- state policy makers, and managers.

This present study of the Commonwealth's human resource system is but the latest in a long series beginning with the Commission on Economy and Efficiency in 1918. Although the recommendations of these studies move from centralized control to decentralization, one theme has remained constant -- the central human resource activity should provide services to operating agencies. Everything else has been a question of how best to organize to achieve that purpose. This theme runs strongly through the Workforce Commission's own recommendations.

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### *JLARC's Study of the Department of Personnel and Training*

SJR 279 requested JLARC to review human resources management in the Commonwealth, including activities at the Department of Personnel and Training (DPT). JLARC staff presented an overview of their key findings:

- Virginia's personnel function is more decentralized than other states.
- A majority of agencies are satisfied with the current division of responsibility between themselves and DPT.
- Larger agencies are not as satisfied and would like more decentralization. The 11 largest agencies represent two-thirds of the state's work force.
- Except for large agencies, most agencies are also satisfied with overall operation of the personnel function.
- DPT has adequate staff to perform its functions, and its organizational structure is sound.
- Employee morale in DPT is low, largely as a result of leadership turnover, agency communication, and management priorities.
- DPT has been too reactive in recent years and has failed to make the best use of internal data.
- Training needs to be expanded, especially for medium-sized agencies.
- New employee orientation and training for new agency heads is needed.

JLARC also recommended several areas for further study by the joint commission, including the consolidation of related functions in other agencies and evaluating the need for statewide human resource planning.

### *Strategic Planning*

According to the JLARC report there is no statutory, "... requirement for DPT to conduct human resources planning statewide ..." As a result, Virginia is among only seventeen states that leave human resource planning to a totally decentralized process. This may have left Virginia ill prepared to meet the challenges of the future.

Strategic planning allows an organization to make informed, *basic* choices about what things it wants to accomplish and how it wants to accomplish them. When properly carried out, strategic planning is especially valuable in an era of change. The Workforce Commission recommends: (1) establishment of a state level strategic planning process for human resources, (2) an elevation of the human resource function's organizational status and consolidation of most human resource programs in a new Department of Human Resources Management to be housed the executive offices of the Governor, (3) creation of a human resources advisory board to assist with the strategic planning process, and (4) development of professional qualifications for the director of a new Department of Human Resources Management.

### *Compensation*

In the 1990's, when all levels of government are being asked to provide the same -- or increased levels -- of service with fewer resources state compensation systems must remain flexible and adaptable, if they are to meet the needs of a modern information and service oriented organization. Unfortunately, as cited by JLARC, the Commonwealth has no central strategic planning process for the human resource function -- resulting in a lack of clearly defined goals for the Commonwealth's compensation system.

Fortunately, the major goals of a compensation system have been clearly defined in the professional literature, enabling the Workforce Commission to set out a set of four goals for the Commonwealth's compensation system:

- **Attract** qualified employees;

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- **Retain** qualified employees;
- **Motivate** employees by rewarding sustained high performance, and;
- **Support** line management in the realization of organizational objectives.

The Commission recommends a series of nineteen other recommendations relative to state employee compensation. Chief among these are: (1) retain only one system for determination of job worth for all agencies and institutions of the Commonwealth, but redesign this system to minimize administrative effort, increase flexibility, allow for job growth, and be clearly understood; (2) recognize local, regional, and national labor markets; (3) continue performance based pay; (4) adopt multiple compensation programs -- each designed to meet specific demographic or organizational needs; (5) investigate the desirability of "Alternative Rewards" systems such as bonuses, gain sharing, pay-for-skills, pay-for-knowledge, spot awards, etc.; (6) the compensation system should continue to be decentralized; (7) encourage the use of pilot programs as a tool to foster experimentation and innovation; (8) consolidate compensation activity at a service bureau designed and staffed to meet the needs of several agencies; and (9) endeavor to provide cash compensation that is more nearly competitive with labor market competition.

### *Work-Family (Family Friendly) Policies*

Today's employer must provide opportunities for employees to balance work with family responsibilities at a time when both partners increasingly are likely to be in the work force, there are more single-parent workers, and the aging of the population and the work force gives a new dimension to the concept of dependent care.

According to state and national studies, Virginia's specific work-family policies matched those most frequently provided elsewhere. However, use of the Commonwealth's available work-family policies is uneven. This leads the Commission to concentrate its recommendations on implementation. The Workforce Commission recommends: (1) benefits for part-time employees, (2) a flexible benefits program to provide more options to employees for customizing

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their benefits package, (3) benefits statements at least semi-annually, and (4) a uniform orientation program for new employees. The Commission also feels that several areas would benefit from additional study: enhancing the role of human resource officers in communicating benefits information, informing managers about the value of work-family policies, and identifying system-wide issues that affect and sometimes inhibit implementation of these policies.

### *Career Development*

Career development is composed of two sub-topics, career mobility, and training. Ideally, career mobility should provide employees with alternative job opportunities, and training should enhance and support career mobility. Faced with limited resources, it is imperative that the Commonwealth begin to focus on approaches that respond to the changing make up of the workforce.

Key Workforce Commission recommendations include: (1) identify and adopt career development models that support increased productivity, (2) identify and eliminate impediments to long-term career advancement, (3) study the concept of "dual career tracks" for technical and managerial employees and managerial employees, (4) develop a training curriculum for first and second line supervisory and managerial positions, (5) increase the mobility of executives and senior managers among state agencies, (6) establish a computerized "talent bank" for professional and managerial positions.

### *Employee Benefits*

Other than as a part of specific subsections (i.e. Work-Family Policies, and Career Development), the Workforce Commission does not address employee benefits in this draft report. It is the intent of the Commission to include a section on employee benefits as part of its final report to the 1995 session of the General Assembly. This will allow time to include public comment, as well as the work of its consultants.

*Continuous Quality Improvement*

Continuous quality improvement is a basis for managing an organization to achieve customer satisfaction by involving all employees in improving work processes. Throughout the nation, private and public sector organizations are experiencing higher productivity, greater customer satisfaction, better employee relations, increased market share and higher profits by focusing on the principles of continuous quality improvement. Notable results have been achieved by some of our own state agencies, including the Virginia Employment Commission and the Medical College of Virginia Hospitals.

The Joint Legislative Audit and Review Commission found that 32 state agencies are already using some form of continuous improvement or quality management, but most are in the very early states of implementation. To be fully successful, comprehensive leadership and coordination are needed at the top levels of state government, especially with regard to basic information and training.

As an important first step toward creating a program of continuous improvement, the 1994 Session of the General Assembly adopted the Commission's vision for management of the Commonwealth's work force. Building on the vision, the Commission recommends seven goals and a plan for implementing continuous quality improvement in the Commonwealth, beginning at the top of state government and using carefully selected pilot projects. The approach uses input from the private sector and core staffing from either the Governor's Office, an office established for this purpose, or a central state agency; financial resources, at least initially, would come from existing agency budgets. Day-to-day operations, including preparation of the state plan, monitoring of the goals and objectives, and preparation of training materials would be overseen by a Quality Council with representatives from the private sector, and a Planning and Guidance Committee, composed of representatives of the pilot agencies.

Successfully implemented, the Commission believes that continuous quality improvement can produce results for Virginia similar to those already achieved by other private and public sector organizations.

## PREVIOUS STUDIES

This report concentrates on previous, comprehensive studies of the Commonwealth's human resource system, but of course, there have been other special issue or ad hoc studies conducted by consultants, the executive branch, and the Department of Personnel and Training. Some, such as the 1988 study of health benefits, have been at the request of the General Assembly.

Three key concepts can be derived from a review of these previous studies. First, the studies over the last three quarters of a century can be divided into three distinct periods. Studies in the first half of the century were targeted toward centralization of the personnel function so that the state could address some very basic personnel issues, such as compensation, recruitment, and retention. The period from about 1950 to 1970 was the "forgotten era" in personnel. We can find little indication that the system was monitored, studied, or modified during this period. In the 1970's, there was a movement toward decentralization, beginning with the Zimmer Commission in 1970 which first identified the problems with centralization and the devotion to central controls.

Secondly, whether the drive was to centralization or decentralization, there was a persistent theme that the central activity should provide services to operating agencies. Everything else has been a question of how best to organize to achieve that purpose.

Finally, while a 1977-79 administrative study requested by the General Assembly developed a blueprint, to our knowledge, there has been little evaluation of the implementation or the effectiveness of the various strategic policies. Since 1979, the studies have concentrated on issues such as compensation, grievance procedures, and employee benefits, and most have been driven by financial conditions.

During the first two decades of twentieth century, personnel management was left to heads of state agencies, institutions, boards and commissions. Most were financed from a variety of sources and were autonomous in their personnel policies and practices.



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As early as 1918, the centralization movement had begun. A state Commission on Economy and Efficiency recommended establishment of a central personnel function. The Division of Budget performed a pay and classification study involving 3,000 state positions. But there was no change in the basic system and autonomy among the agencies in personnel administration continued.

But the momentum was building. From 1920 to 1922, Governor Westmoreland Davis spoke about the need to achieve uniformity and the need for salaries to be established by the General Assembly, according to a general policy adopted for all state departments.

The Commission on Simplification and Economy of State and Local Government considered at length the personnel problem--the confusion of titles and inequalities in pay. Over the course of several years, they developed the first uniform classification program, but no funds were provided for staff to implement the plan.

By 1926, the General Assembly gave the Governor his first real control over agency pay practices. All salary changes for employees making more than \$1,200 per year had to be approved by the Governor.

Another significant event was to have a bearing on development of a central personnel system. As a result of Governor Byrd's reorganization of state government, all institutional revenues were brought into the state system and pre-audits of payrolls by the Comptroller were established.

During the next several years with demands for salary increases, then the cuts of the Depression, and then build-up of demands again, it became apparent that a system of personnel management was essential to deal with compensation issues.

A private consultant group, Griffenhagen and Associates of Chicago, was hired in 1936 to put together classification and compensation plans. They also recommended a civil service system, but it was thought to be unnecessary

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because Virginia had experienced little of the spoils system problems that led to federal civil service and similar programs in other states at about the same time.

In 1938, however, the General Assembly directed the Virginia Advisory Legislative Council to study the desirability of establishing either a merit or civil service system.

Delegate Francis Pickens Miller of Fairfax was Chairman of the Council's Committee on Personnel Administration. Virginius Dabney (RTD), Judge Morrisett, the State Tax Commissioner, and Dr. Warner Moss of the College of William and Mary, were also members.

Although the Council ultimately rejected a civil service program, they did recommend centralized personnel administration with "appointments, promotions, and tenure based on merit and fitness". They also recommended

- The Governor as Chief Personnel Officer
- Each agency head as the appointing authority for his agency
- Prohibiting the Governor from interfering in the selection of individuals.

These are concepts that are preserved today.

This bill was accepted by the legislature and the Virginia Personnel Act was enacted into law in 1942, almost 24 years after the ideas first surfaced.

The Governor staffed a personnel section in his office and appointed the Director of Budget to serve as Director of Personnel.

It was another four years before Governor Tuck established a Commission on the Reorganization of State Government. In the area of personnel administration, the Commission called for a full-fledged Division of Personnel, equal in rank to the Division of Budget.

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The Division of Personnel was established in 1948 with a full-time Director.

It appears that while the thrust in first half of the century was to centralize, the leaders soundly rejected a control-based civil service system. Early designers saw the role of central agency as a facilitator, coordinator, and provider of services to agencies.

In fact, the report that transmitted the draft of the Virginia Personnel Act of 1942 included a quote from Leonard White, a leading authority in the field of administration at the time:

*It is the primary duty of a central personnel agency to serve, not to police the operating agencies. This restores the center of gravity where it belongs, in the operating agencies, and recognizes the fact that personnel work, central purchasing, keeping of accounts, and budgeting, are all auxiliary agencies designed to facilitate the major work of government.*

By the way, Leonard White commended the new Virginia plan as one of the most farsighted models of the time.

1950 to 1970 was the "forgotten era". We find little indication that the new system was monitored or tested, despite the fact that Virginia's government tripled during that time.

The decade of 1970s brought even greater change in numbers, complexity, and increasing professionalism...both in the state central personnel activity and in operating agencies.

However, at least one group reported that the service-oriented approach had eroded over the years and that report initiated a decade-long process of rethinking and redefining the personnel mission.

The Zimmer Commission in 1970 said too much emphasis had been placed on control and the system included too much duplication. Words like

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plan, research, promulgate, coordinate, aid, and evaluate were used to describe the appropriate role for a central agency.

The Hopkins Commission cited the need to strengthen the central management role by decentralizing the personnel process. As a result, a 1977 Study of Personnel Management presented many ideas in the areas of employee development, classification and wage and salary administration, performance appraisal, employee-management relations, and information systems.

The 1977 study was different from other studies because the committee was composed of senior managers from the Executive Branch who dealt with the personnel management system on a daily basis. But even this committee had difficulty identifying what functions could be delegated or decentralized.

The last comprehensive look at personnel management took place in 1979. Continuing the earlier theme, the Plan for Personnel Management Decentralization shifted the focus to employee relations management and developed a blueprint with strategic targets and specific activities to be delegated to the agencies. For example, the Department of Personnel and Training was to strengthen its performance in policy development and evaluation of the effectiveness of agency personnel activities. It was to organize a career development process that would involve management training and upward mobility programs. Activities such as recruitment and job classification could be decentralized.

What seems to be missing since 1979 is any formal evaluation of the extent to which these strategies have been implemented, the effectiveness of the initiatives, or the priorities. For example, decentralization may have occurred more rapidly in some areas than others. Technology may have opened up some new opportunities. And management theory itself has changed.

As the first comprehensive review of personnel administration in 14 years, this Commission's work is especially timely.

## Major Studies Virginia's Personnel Management System

Study	Date	Key Findings and Recommendations
Commission on Economy and Efficiency	1918	Centralized personnel function
Commission on Simplification and Economy of State and Local Government	1922-1925	Personnel standards to be supervised by a Director of Personnel First uniform classification system
Governor's Committee on Consolidation and Simplification of the Organization and Management of State Government	1927	Centralization of institutional revenues and payroll pre-audits by the Comptroller
Griffenhagen and Associates (Private Consultant)	1936	Classification and compensation plans Civil Service System
Virginia Advisory Legislative Council - Committee on Personnel Administration	1938-1942	1942 Virginia Personnel Act-Centralized personnel management: appointments, promotions and tenure to be based on "merit and fitness;" Governor as Chief Personnel Officer; agency head as appointing authority for his agency; Governor prohibited from interfering in the selection and tenure of individuals.
Commission on Reorganization of State Government	1946	Division of Personnel equal in rank to the Division of the Budget (Division of Personnel was established in 1948 with a full time director.)
Zimmer Commission - Governor's Management Study	1970	Cited erosion in service-oriented approach to personnel function. Found DPT duplicated line personnel activities of agencies. Recommended DPT focus on planning, research, coordination and audit, aid and advice.
Commission on State Governmental Management (Hopkins Commission)	1975	Decentralization of personnel functions; retain policy direction in central office; recommended that the Administration develop a decentralization plan.

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Study	Date	Key Findings and Recommendations
Study of Personnel Management within the Commonwealth of Virginia (HD 12)	1977-78	Comprehensive recommendations in the areas of employee development; classification and wage and salary administration; performance appraisal; and communications. Cited need for greater decentralization of operating personnel administration programs but maintenance of centralized personnel management policies.
Plan for Personnel Management Decentralization and the Biennial Report on Personnel Management (HD 11)	1979	Established strategic requirements: <ol style="list-style-type: none"><li>1) Strengthen personnel policy development</li><li>2) Reorganize personnel staffs in state agencies</li><li>3) Establish accountability by evaluating effectiveness</li></ol> Identified goals and objectives for DPT and specific tasks to be delegated to agencies. Example: recruitment, record-keeping, classification.

## JLARC REPORT SUMMARY

*Note: This is only a brief summary of the report on the Department of Personnel and Training prepared for the Workforce Commission by JLARC. The complete report can be obtained by writing to:*

*Joint Legislative Audit and Review Commission  
Suite 1100, General Assembly Building  
Richmond, Virginia 23219*

Virginia's Department of Personnel and Training (DPT) is relatively decentralized, appropriately organized, and sufficiently staffed to perform its statutory responsibilities. Most agencies are satisfied both with the overall operation of the State personnel function and the services provided by DPT.

The department, however, has not exercised needed initiative in many areas. The department also suffers from low morale, frequent leadership turnover, and inconsistent direction. Frustrated large agencies are not satisfied with their ability to operate within the confines of the personnel system and want greater autonomy. Opportunities exist both for improvements within DPT and with the overall structure of the State personnel system.

The Virginia Personnel Act establishes the framework of the personnel function and identifies both the key entities responsible for operating the personnel system and the criteria which they must meet. Although seven other State entities provide various personnel-related services, DPT is given primary responsibility to administer the personnel function. In fiscal year 1993, the department was appropriated \$5.4 million and 88 staff to oversee Virginia's personnel function in the more than 90 State agencies employing over 110,000 State workers.

The mission of the department is to "ensure a personnel administration system based on merit principles and objective methods of appointment, promotion, transfer, layoff, removal, discipline and other incidents of state employment" consistent with the requirements of the VPA. Consequently, to meet each of the functional requirements of the Act, the department is organized

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into six divisions: Classification and Compensation; Health Benefits; Personnel Development Services; Policy and Personnel Programs; Equal Employment Opportunity; and Information Systems.

Senate Joint Resolution 279, of the 1993 Session, asks JLARC to conduct a study of the organization, staffing, management, and resource needs of the Commonwealth's personnel function in conjunction with the Joint Commission on the Management of the Commonwealth's Workforce (Workforce Commission). The study directed JLARC to include, but not be limited to, the Department of Personnel and Training, the focus of this report. To the extent that other issues related to the personnel function have been uncovered through the process of reviewing DPT, they are brought to the attention of the Workforce Commission. Additional review of the State's personnel function, resulting from issues raised in this report as well as the ongoing activities of the Workforce Commission, could be performed by JLARC staff in the future.

This summary highlights study findings and recommendations. Detailed discussions and supporting explanations are contained in the text of the report.

### *Most Agencies Are Satisfied with the State Personnel Function*

With some exceptions, State agencies appear satisfied with the operation of the State personnel function. However, large State agencies are the least satisfied. As shown in the figure below, 53 percent of agencies with a MEL over 1,000 were not satisfied with the personnel function, as compared to only 21 percent of agencies with a MEL under 100. This may be true because large agencies have more complicated personnel needs, the ability to act independently, and are more resistant to the controls of the State's personnel function.

State agencies also appear satisfied with the organization and structure of the personnel system, including the division of authority between DPT and line agencies. There appears to be little duplication or conflict among the central State entities responsible for the operation of the State personnel function.



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The design and structure of DPT appears to allow it to successfully meet the service and control expectations of most State agencies. State agencies seem to be satisfied with the performance of DPT staff. In addition, agencies report that there is little duplication or overlap of functions within DPT.

### Line Agency Opinions: Satisfaction with Present Division of Authority Between Line Agency and DPT

	Percent Satisfied	Percent Not Satisfied	Number of Respondents
Equal Employment Opportunity	95	5	86
Personnel Record Keeping	87	13	85
Agency Reorganization	83	17	84
Employee Layoffs	83	17	82
Employee Training and Development	81	19	84
Employee Recruitment	79	21	85
Health Benefits	77	23	84
Employee Promotions	75	25	83
Employee Performance Evaluation	74	26	86
Job Classification	63	37	85
Employee Compensation	60	40	85
<b>Overall Agency Satisfaction, Present Division of Authority</b>	<b>74</b>	<b>26</b>	<b>85</b>

Source: JLARC staff analysis of responses to State agency survey.

### Large-Scale Efforts to Further Decentralize the Personnel Function Are Not Recommended

Virginia's personnel function is highly decentralized, relative to other states. Unlike many states, where personnel functions such as hiring are often performed by a central personnel agency, Virginia permits a large number of personnel responsibilities to be performed by the State agencies. For example, compared to 12 southeastern states, Virginia has decentralized significantly more personnel-related activities to the line agencies. Because Virginia's present system is so highly decentralized, the opportunities for further decentralization, short of giving agencies almost total autonomy, are somewhat limited. State

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agencies are generally satisfied with the amount of the decentralization authority they already have been granted, although larger agencies want more autonomy.

There are however, two areas in which satisfaction with the decentralization of authority is markedly low. Agencies appear to be least satisfied with their level of decentralization authority in the area of classification and compensation. In addition, larger agencies and universities appear to want increased flexibility in the way that they may operate their personnel function. For example, although 74 percent of State agencies reported that they are satisfied with their present division of authority in general, more than one-third of State agencies cite they are not satisfied with their authority in the classification and compensation areas. In particular, the larger agencies and universities would like increased authority in the area of classification and compensation.

To better meet unique agency needs, requests for further decentralization should be considered by DPT, but on a case-by-case basis only. It is recommended that:

- **The Department of Personnel and Training should assess agency requests for further decentralization authority on a case-by-case basis. The department could modify existing decentralization memoranda through pilot testing the impact of more flexible policies. The department should work with the larger agencies to streamline the processing of personnel actions.**

### *DPT Needs to Address Some Internal Management Concerns*

Although staffing and resource levels of the department appear appropriate, there are a number of concerns relating to internal management, raised mostly by DPT employees. Many DPT staff appear to have low morale. Sixty-four percent of DPT staff disagreed with the survey statement "employee morale is good". Also, 53 percent of DPT staff indicate that communication within the agency is poor. This not only affects employee morale, but also

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impacts upon the cooperation and coordination between central agencies and the line agencies.

Additionally, leadership goals and priorities appear unclear to 44 percent of DPT staff. This may have some relationship to the fact that turnover in DPT leadership has been frequent -- DPT has had seven directors since 1978. Both are concerns among DPT staff, impacting on agency morale as well as agency effectiveness.

An additional concern that DPT should address is the fact that the department has not formally carried out a responsibility of the VPA. This requirement obligates DPT to evaluate the performance of State agencies in carrying out their personnel responsibilities. DPT should reinstate such a program, or provide justification to the General Assembly as to why this legislative requirement is no longer appropriate.

- **To be in compliance with statutory requirements, the Department of Personnel and Training should reinstitute a program to evaluate agency effectiveness in implementing State personnel policies. If the department believes the statutory requirement is no longer appropriate, or that it can not comply with the VPA, it should develop a position statement citing its rationale, for presentation to the 1994 General Assembly.**

### *DPT Needs to Become More Proactive*

In virtually every area of its operations, the department would benefit from a more proactive approach to management and administration. It appears that the agency could avoid a "crisis management" mode if it took more initiative to organize and plan service improvements on an ongoing basis. For example, the department did not enact the managed care health policy, or revise its Personnel Policies and Procedures Manual -- both key components of the personnel system -- until the General Assembly directed it to do so. Other examples include:

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- As DPT's training resources have lessened, its roles as training facilitator and coordinator have become more important. By comprehensively surveying agencies on their needs and coordinating services with other agencies and the VCCS, DPT could maximize its limited resources in this area. Training opportunities that cut across agencies -- such as total quality management (TQM) and the orientation of new State employees -- have not been pursued.
- DPT staff have access to a large amount of information in their daily operations. Yet they do not use it effectively. Better utilization of agency information could allow DPT to streamline and improve agency operations. For example, in 1992, DPT received over 8,600 phone calls for policy assistance. However, DPT did not maintain records showing which policies were causing the most confusion, or which agencies were calling the most frequently. If DPT were to track such information, it could target those policies needing improvement, or those agencies in need of additional training.
- DPT's solicitation of policy input from line agencies has been sporadic. Where input has been sought, it appears to have yielded some positive results. Increased and improved utilization of line agency input could improve the policy development process, enhance communication generally, and potentially minimize repetitive agency inquiries.

Management should take greater initiative in developing long-term solutions to the demands placed on the department, rather than focusing the bulk of its energy and resources on reacting to specific problems. It is recommended that:

- **The Department of Personnel and Training should assign a higher overall priority to proactively address long-term problems that face the agency.**

*Modifications Needed in Providing Compensation and Classification Services*

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DPT, through the Office of Compensation Management (OCM), is responsible for maintaining and administering both the State compensation plan and the State classification plan. While the performance of these activities was generally satisfactory, there were concerns with OCM's processing of agency compensation requests and its conducting of special compensation studies.

Agencies also reported that the Classification Review/Specification Update Project (CR/SU), designed to ensure that job positions were allocated correctly and that class specifications were rewritten to accurately reflect the work being done by employees, was beneficial but not timely. Agency comments and a review of the project suggested that DPT should make it a higher priority.

Further consideration should also be given to "banding" the number of position classifications used by the Commonwealth. Evidence suggests that while the State has moved in the direction of reducing the total number of position classifications, there is some resistance to continuing with this practice. In the past two years, the number of active position classifications used by the Commonwealth has been reduced from 1,888 to 1,725; a number fewer than the 50-state average of 1,969.

Most State agencies (79 percent) reported that for their own department the current number of position classifications was either about right (60 percent) or too few (19 percent). Advocates of maintaining the current number of "unique" position classifications contend that the system yields the flexibility necessary to operate effectively. On the other hand, proponents of position banding argue that a reduced number of classifications promotes clarity and simplicity. It is therefore suggested that both DPT and the Workforce Commission continue to research and explore potential solutions to the position classification issue. The following recommendations are made:

- **DPT should evaluate and report to the Workforce Commission on two components of OCM's processing of agency compensation requests: the expeditiousness of**

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processing, and the frequency of new hires being brought into the system at higher pay than existing employees.

- In order to further reduce the number of position classifications in the State classification plan, thereby simplifying its structure, DPT should give the Classification Review/Specification Update Project a high priority for completion. Upon completion, project results should be reported to the Workforce Commission.

### *Health Benefit Services Warrant Changes*

In 1991, the General Assembly selected a managed care, point-of-service plan, titled Key Advantage, to provide health benefit services to State and local government employees. This decision required that DPT, through the Office of State and Local Health Benefit Services (OHB), make many complex implementation decisions within a six-month time frame. Accordingly, a large-scale, intensive effort was made in the design and implementation of Key Advantage. Given the fact that the implementation phase is virtually complete, OHB needs to continue to make improvements to its program benefit and design process, and to provide agencies with improved assistance.

A review of the program benefit and design process used by OHB indicated that early procedural difficulties generated considerable, and often unnecessary, concerns with the final insurance product. Fifty-six percent of State agencies reported that they thought the process needed to be changed. Specifically, 40 percent of these agencies cited insufficient use of line agency input. This problem was compounded by the inaccurate provision of information to agency benefits administrators, which created a lasting perception that the process did not work.

Similarly, the communication weaknesses evident in the program benefit and design process also negatively affected the ability of OHB staff to provide regulatory assistance to State agencies. Policy guidance on Key Advantage was provided piecemeal and the health benefits manual (last revised in 1989) was

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not updated to include the new information. Problems of this nature lessened both agency confidence in and reliance on DPT services.

State agency responses to a JLARC survey indicated that the complex area of health benefits was not always well understood by agency benefits administrators. Despite the importance of well-informed agency benefit administrators, DPT has no accurate record of whether or not these administrators attended training. Lack of health program knowledge has, in turn, negatively impacted the ability of agency benefits administrators to provide employees with accurate and timely information. Procedural changes are needed to improve agency confidence in and use of OHB-provided information. Recommendations in this area include:

- **DPT should work to formally incorporate line agency input into its program development processes. The use of employee surveys, task forces, or focus groups should be more extensively utilized, particularly when a major program initiative such as Key Advantage is under development.**
- **Both DPT and OHB need to improve communication within the agency and the accuracy of information provided externally. Specifically, the department needs to improve the timeliness and quality of the Health Insurance Manual. The distribution of a revised Health Insurance Manual should be made a top priority.**
- **DPT should set a goal of mailing health benefit Source Books to agency benefits administrators two to four weeks prior to the start of the annual open enrollment period.**
- **DPT should maintain records on agency participation in major health benefits training programs. If it appears that an agency's level of participation is insufficient to**

**accurately inform State employees, DPT should coordinate needed training with the agency.**

***Training Services of DPT Need Improvement***

The Virginia Personnel Act requires that DPT "establish and administer a comprehensive and integrated program of employee training and management development." In previous years, DPT met this responsibility by directly providing training to State agencies. Reductions in training staff and resources have necessitated that the department change its training role from that of a provider to that of a facilitator. Accordingly, DPT, through the Office of Personnel Development Services (PDS), currently conducts about 10 percent of its total training activities and contracts out the remaining 90 percent.

Examination of DPT's training services suggested there were three areas in need of change. First, further consideration needs to be given to the training and career development of all State employees. A friction exists between agencies' desire to promote from within and the State's imperative to have an open employment process. Similarly, changes may be warranted in the provision of management training programs, continuing education courses, and orientation information for new State employees. Finally, with respect to the facilitation of training, several improvements are also needed. DPT-initiated training for new agency heads should be institutionalized. Likewise, resources such as the Training Resource Directory and the facilitation of TQM training efforts should be encouraged. Suggested recommendations include:

- **The Workforce Commission may wish to study career development options for State employees, including non-supervisors, that do not conflict with the objectives of equal opportunity and equal access.**
- **DPT should place a higher priority on management training programs so that they can be offered more frequently to State agencies, especially those of medium**



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size which do not have substantial management training programs of their own.

- DPT and the Virginia Community College System should resume efforts to assess and meet the professional development needs of State employees.
- The Secretary of Administration should develop an inter-agency task force to develop common orientation materials for new State employees.
- A training program for all new State agency heads, coordinated by DPT, should be institutionalized.
- DPT should assess the extent of TQM initiatives in the Commonwealth and report to the Workforce Commission on options for making TQM-related resources available to State agencies.

### *Changes Needed in DPT's Policy Development, Information Management, and Equal Opportunity Services*

In the policy development process, efforts need to be made to incorporate more agency input into decision-making, to improve the timeliness with which policies are issued, and to regularly review and update the Personnel Policies and Procedures Manual.

DPT could streamline its operations by tracking incoming requests for assistance, especially in areas such as personnel policy interpretation, where over 8,600 telephone calls for assistance were received in 1992. Similarly, in the area of information management, the department should work to revise the user's manual for the Personnel Management Information (PMIS) system.

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The department should continue to explore and develop options for adopting an Integrated Human Resource Information System (IHRIS).

Finally, in the area of equal employment opportunity services, the department should consider evaluating its compliance review and affirmative action assessment processes. In the past three years, DPT has experienced a 50 percent increase in EEO complaints. Specifically, JLARC staff found that there were two agencies that received almost 30 percent of the State total of complaints for this three-year period. DPT should use the compliance review process to ensure that discriminatory practices are not occurring within these agencies. The recommendations related to these areas are:

- **Recognizing that there will be occasional exceptions due to extenuating circumstances, DPT should establish an internal guideline that policies be issued to agencies at least two weeks prior to the effective date.**
- **DPT should regularly review and evaluate the policies in the Personnel Policies and Procedures Manual.**
- **DPT should develop a system to analyze agency requests for policy assistance or interpretation. The department should use this analysis to improve existing policies, as well as better identify policy training needs in specific agencies.**
- **DPT should revise the users' manual for the PMIS system to include adequate introductory materials for new users.**
- **DPT staff should evaluate causes of the 50 percent rise in EEO complaints over the past three years. To meet this objective, the department should use the compliance review process to evaluate the equal employment opportunity/affirmative action programs in agencies which have a consistently high number of EEO complaints.**

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### *Issues for the Workforce Commission to Consider*

There are a number of issues that the Workforce Commission may wish to consider to improve the operation of the State's personnel function. First, there appears to be no coordinated effort in the area of statewide human resource planning. Many State agencies are performing their own human resource planning, while other agencies have assumed that it is DPT's role to provide such planning. However, DPT maintains there is no legislative mandate for the agency to be involved in statewide human resource planning. Therefore, DPT has not assumed a leadership role in this area.

Second, the Personnel Advisory Board (PAB) appears to have been fairly inactive and ineffective over the past 15 years. Although there have been some recent efforts to increase the PAB's activity, the Workforce Commission may wish to reevaluate the role of the PAB in the State's personnel function.

Third, the Workforce Commission may want to consider realigning some of the personnel functions and agencies. Some options to consider could include:

- the consolidation of DPT and DERC to coordinate policy and procedural elements of the grievance process;
- combining DPT's benefit functions with benefit functions now located in other agencies (such as VRS and workers compensation) to form a comprehensive human resources department;
- reconfiguring the PAB to more comprehensively advise the Governor and General Assembly on employee benefits.

Finally, the General Assembly may wish to consider changing the name of the Department of Personnel and Training to the Department for Human Resources Management. This name change would reflect more current practices in the area of personnel management.

## STRATEGIC PLANNING

### *The Current Situation*

Senate Joint Resolution 279, directed the Joint Legislative Audit and Review Commission (JLARC) to undertake a study of the Department of Personnel and Training (DPT). As a part of this study, JLARC conducted a review of the human resource planning function in Virginia and in other states. Briefly, the JLARC study found that DPT does not currently undertake statewide human resource planning.

To those who value planning a key tool for anticipating and preparing for the future, this may seem to be a serious omission. It must be kept in mind, however, that -- according to the JLARC report -- there is no statutory, "... requirement for DPT to conduct human resources planning statewide ..." As many as eighty-three percent of state agencies undertake some form of human resource planning.

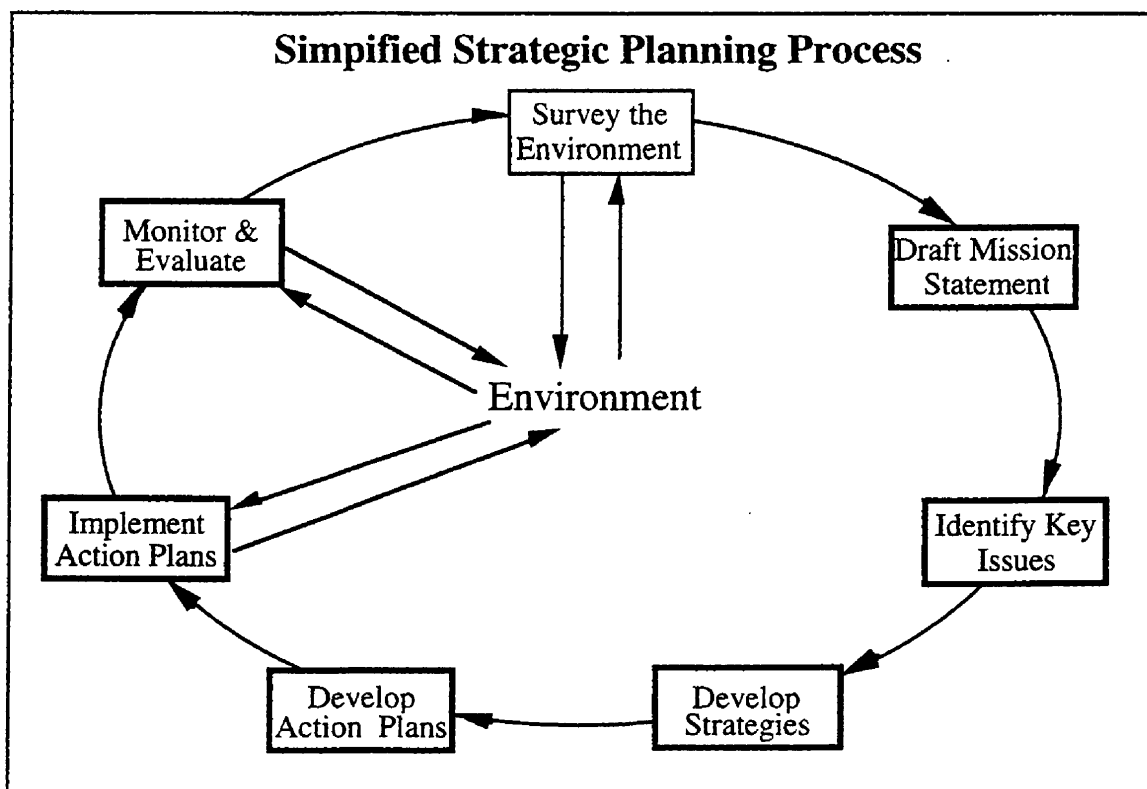
### *Current Trends*

In 1991 forty-three states, including Puerto Rico, reported conducting some form of human resource planning. Among these, Virginia is among only seventeen states that leave human resource to a totally decentralized process. Sixteen have a shared planning process, while ten leave human resources planning entirely to a central agency process.

See appendix 2 for the structure of the human resource planning function in the various states.

Numerous planning models exist that can be of help to an organization. *Strategic Planning* is one of these. Strategic planning, however, allows an organization to make informed, *basic* choices about what things it wants to accomplish and how it wants to accomplish them. When properly carried out, strategic planning is especially valuable in an era of change -- such as the

present -- because of its emphasis on a concept called *environmental scanning*. Simply put, this means nothing more than looking about to identify the key factors, individuals or organizations that may impact on the organization's desired outcomes. The strategic planning process works this environmental information into the plan in a continuous, two way flow of information known as *feed back*. A simplified strategic planning model is given in the following chart:



As the Joint Commission heard at its first meeting in May 1993, no organization establishes a human resource system for its own sake. They are established to larger support organizational objectives.

This brings us to the Commission's objectives for Strategic Planning:

**OBJECTIVE SP-1:** The Commonwealth should implement a state level strategic planning process for human resources. This moves away from the

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reactive mode of operation that was criticized by JLARC. Implementation of a state level strategic planning process will allow the Commonwealth to anticipate trends and develop plans -- including changes in personnel policies and procedures -- for meeting it's human resource needs.

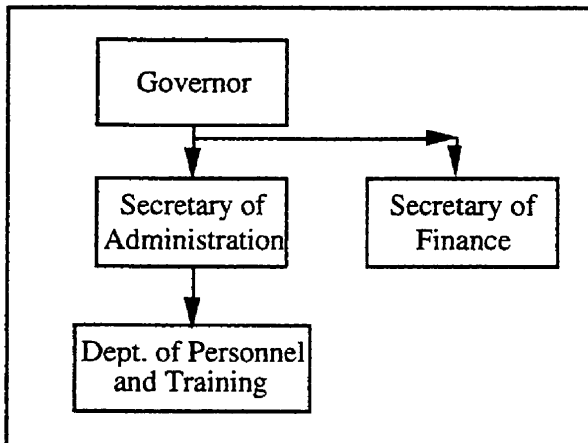
In moving toward such a process the task force feels that the Commonwealth should retain, and build on, the current agency level human resource planning already underway. In such a system, the state level planning will result in a clear definition of the Commonwealth's overall human resource program. The individual agency planning processes will determine where they fit into the overall process.

To be effective this state level process should:

- 1) Include an environmental survey of key participants in the Commonwealth's human resource system (known as *stakeholders*);
- 2) Produce recommendations that are measurable;
- 3) Take into account the Commonwealth's current and future fiscal realities;
- 4) Provide for a relationship with *Continuous Quality Improvement*, as included in the objectives of the Quality Improvement task force;
- 5) Support line management in the realization of organizational objectives;
- 6) Normally be conducted on a four year cycle, with continuous review. Reports to the General Assembly including plan modifications should be made at the end of each Governor's first year in office, and;
- 7) Allow sufficient time for development of the process and the first state-wide strategic plan for human resources.

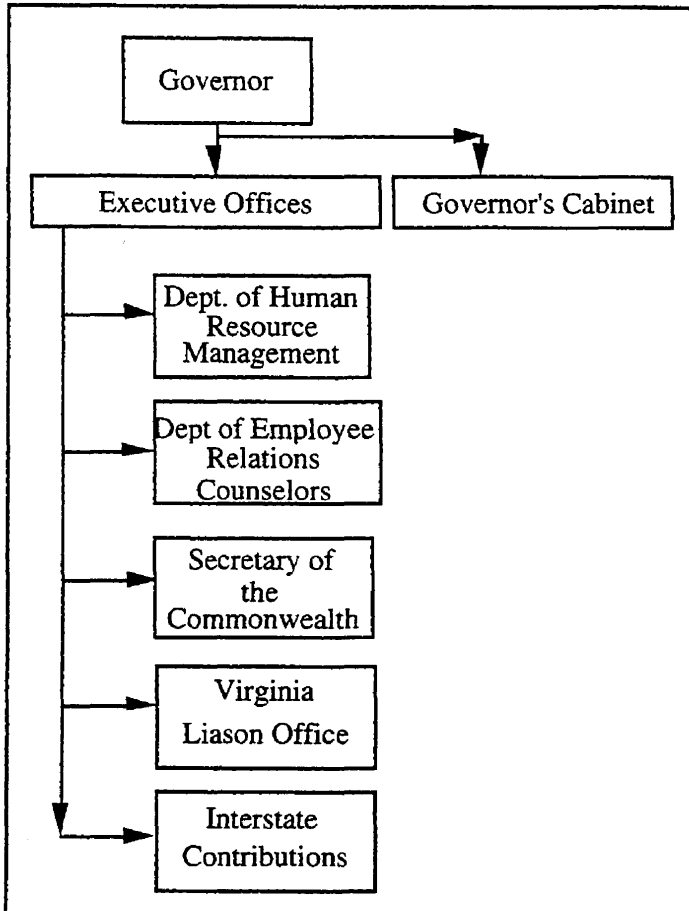
- 8) An interim strategic planning process should be implemented at DPT to allow for familiarization of staff with the strategic planning process. This will have the added benefit of assisting with implementation of changes growing out of the Commission's report.

**OBJECTIVE SP-2: The Commonwealth should elevate the organizational position of the human resource function.** At present the human resource function is carried out primarily by the Department of Personnel and Training. This agency is located at least three levels down in the Commonwealth's organizational structure. This organizational arrangement differs from that commonly utilized in the private sector, where the vice-president for human resources often has direct organizational access to the Chief Operating Officer, if not the Board Chairman. It is the opinion of the Commission that the current organizational structure is an impediment to effective human resource planning, and that it has contributed to the reactive posture criticized by



JLARC. It is also felt to be highly inappropriate for a function of state government that consumes just under 60 percent -- \$3.6 billion -- of the funds spent on direct state programs, and that impacts on all other functions of state government. By contrast, the Commonwealth's financial function is -- appropriately --- well positioned for

access to the governor. This has probably been one of many contributing factors to the Commonwealth's award winning financial management system.



The Commission's strategic planning task force debated the most appropriate organizational setting for the human resource function at considerable length. In the end it was felt that placement in the *executive offices* would be most appropriate. This would provide the desired access to the governor while avoiding the expense and organizational difficulties associated with the creation of a new cabinet secretariat. It is further felt that the size of the proposed organization is too small to justify cabinet status.

The use of the title Department of Human Resource Management (DHRM) should be given special note. The Commission concurs with the JLARC recommendation to rename the department. The modern human resource function is far broader than the old personnel function that is reflected in the current title.

The Commission concurs with the JLARC recommendation for consolidation of employee benefits into one organizational unit. Co-location within a newly created DHRM will allow for close co-ordination of planning for both cash and non-cash compensation, as the Commonwealth moves into an ever more competitive future.

The Commission's strategic planning task force also debated the JLARC recommendation that the Department of Employee Relations Counselors (DERC) be merged into the new DHRM. This issue is outside of the scope of the strategic planning task force, however, the task force members feel that considerable benefit is derived from the separation of the policy making function



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from the quasi-judicial grievance procedure implemented by DERC. Further study of the grievance procedure should be undertaken before a final decision is made concerning the disposition of DERC.

**OBJECTIVE SP-3:** The Commonwealth should create a Human Resources Advisory Board to assist the Department in implementing the human resources strategic planning process. Such an advisory board, composed of representatives from management of key agencies, as well as the private sector would:

- Insure that the strategic planning process, and the human resource system it is intended to support, remain on course as a tool to support line management in the realization of organizational objectives, and;
- Help prevent the Commonwealth's human resources function from reverting to a control orientation

**OBJECTIVE SP-4:** The Commonwealth should develop professional qualification standards for the Director of the Department of Human Resource Management. These standards should be developed to assure that the Director will be technically proficient, and fully capable of managing the human resource function for a large, modern state government. This professionalism will assist in addressing the numerous management problems identified in the JLARC study, and is essential for successful implementation of a strategic planning process for human resources.

## COMPENSATION

### *The Current Situation*

The compensation of the Commonwealth's classified workforce is a decentralized system that covers most of the employees in the executive branch of government. Personnel decisions are shared between the Department of Personnel and Training and 34 agencies which account for over 94 percent of state employment.

***Job Worth:*** To determine the relative worth of each job (i.e. what level of compensation is appropriate for that type of work) the Commonwealth utilizes the *Classification and Grade* method. Under this method classified employees are grouped into 1,870 *job classifications*, whose members share similar duties. Each job classification is assigned to a specific salary grade in the Commonwealth's *classified pay plan*, which is administered centrally by DPT. Under this pay plan there are twenty three pay grades, each divided into 20 salary steps of 2.25% each.

Hundreds of management hours are spent each year on the classification of state employees. According to the recent JLARC study, DPT conducted over 7,000 job classification studies in FY 1992 alone. The average position request required nine days to process, not including the time required for agency preparation. This intensity of labor required for maintenance and emphasis on control are two of the major drawbacks of the *classification and grade* method for determination of job worth.

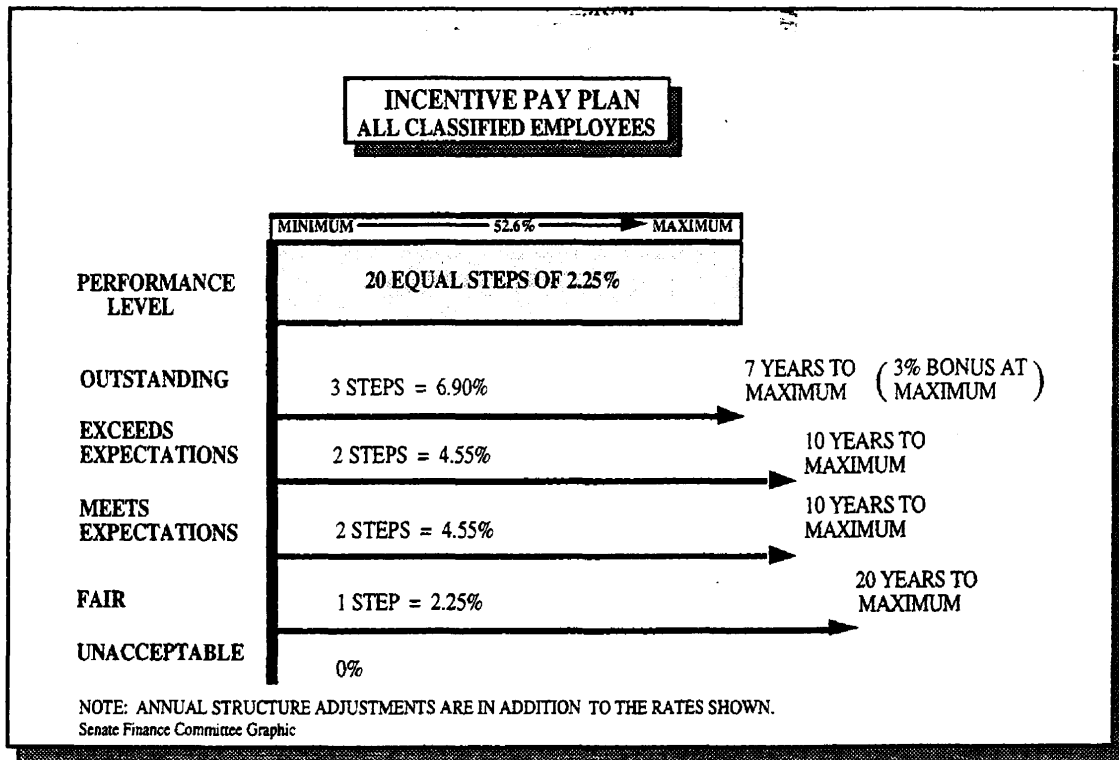
***Compensation Policy:*** Since 1982, Virginia has been a leader in the move toward a performance based pay system for public employees. The *Employee Incentive Pay Program (EIPP)* was authorized by the 1989 and 1990 sessions of the General Assembly. This represented a major step toward the objective of linking salary increases to performance.

The EIPP has two components: (1) the *Incentive Pay Plan* -- covers all classified employees in the Executive Branch, except those at institutions of

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higher education, and (2) the *Management Pay Plan* -- a pilot program for managerial and professional employees at institutions of higher education.

The *Incentive Pay Plan* provides larger salary increases to employees who perform above standards. Simply, the IPP provides variable salary increases based on employee performance. Outstanding employees who have reached the maximum salary for the job receive bonuses.



Like the Incentive Pay Plan, the *Management Pay Plan* (MPP) awards larger salary increases based on exceptional performance. The MPP is similar to many private sector pay plans. Supervisors are given flexibility in determining how large an increase to provide, within specific limits. Under the MPP, these performance increases combine the performance increase and the annual cost of competition increase -- thereby placing greater emphasis on performance. The MPP is divided into 23 pay grades, which, unlike the IPP, are not subdivided into rigid steps. Outstanding employees who have reached the maximum salary for the job receive bonuses.

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<b>MANAGEMENT PAY PLAN MANAGERS AND PROFESSIONALS At Institutions of Higher Education</b>					
PERFORMANCE LEVEL	MINIMUM ————— 52.6% —————> MAXIMUM				
	FIRST QUARTILE	SECOND QUARTILE	THIRD QUARTILE	FOURTH QUARTILE	
OUTSTANDING	6% to 8%	5.75% to 7.75%	5.5% to 7.5%	5.25% to 7.25%	7 YEARS TO MAXIMUM (3% BONUS AT MAXIMUM)
EFFECTIVE	5% to 6%	4.5% to 5.5%	4% to 5%	3.5% to 4.5%	10 YEARS TO MAXIMUM
ACCEPTABLE	4%	3%	2%	1%	20 YEARS TO MAXIMUM
UNACCEPTABLE	0%	0%	0%	0%	

NOTE: THE RANGES OF INCREASE FOR THE TOP THREE LEVELS OF PERFORMANCE WOULD CHANGE ANNUALLY TO REFLECT STRUCTURE ADJUSTMENTS.

Senate Finance Committee Graphic

The 1993 General Assembly provided funding for the Incentive Pay Plan. There are no plans at present to implement the Management Pay Plan.

### *Current Trends*

At present, the field of public administration is focusing great attention on human resource management and compensation in particular. This is -- no doubt -- in recognition of the central role played by public employees in providing state services. In Virginia, for example, approximately \$3.6 billion -- just under 60 percent -- of the funds spent on direct state programs goes toward salaries and benefits. In the 1990's, when all levels of government are being asked to provide the same -- or increased levels -- of service with fewer resources state personnel systems must remain flexible and adaptable, if they are to meet the needs of a modern information and service oriented organization.

In their book *Reinventing Government*, David Osborne and Ted Gambler suggest that increased flexibility, and responsiveness could allow service expansion either through savings or increased efficiency and productivity. This theme has been echoed in the reports of numerous studies and commissions,

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most notably those of Vice-president Gore, and former Governor William Winter.

Models exist -- often adapted from the private sector -- that provide greater flexibility and productivity than is typical of public sector personnel systems. Most of the experimentation with adapting these models has, to date, been carried out at the local level. In Virginia, the City of Hampton has won national recognition for its innovative human resource system. In all of these reforms two themes appear to move to the forefront: 1) support of line management in the realization of organizational objectives, and 2) flexibility to adapt to differing organizational needs and an ever changing environment.

### OBJECTIVES OF THE COMPENSATION TASK FORCE

#### *Goals of the Commonwealth's Compensation System*

The compensation system of any organization is composed of four basic subsystems:

- 1) A subsystem for determination of **Job Worth**;
- 2) A **Pay Practices** subsystem,
- 3) A subsystem of compensation **Policies and Procedures** (including performance management), and;
- 4) A subsystem of **Cash and Non-cash Compensation** (salary and employee benefits).

For each of these subsystems, there are numerous options available to the human resource manager. For example, the Commonwealth's current method of arriving at a determination of job worth -- the *Classification and Grade method* -- is but one of many means that can be employed. Each option has its own unique set of strengths and weaknesses that make it possible to select a method that best fits the goals of a specific organization.

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As the Joint Commission heard at its first meeting in May 1993, no organization establishes a human resource system -- including the compensation system -- for its own sake. They are established to support organizational goals. Before any determination can be made concerning the compensation system that best fits an organization's goals; however, it is essential that the goals be clearly identified. Goal setting would ideally be a function of the strategic planning process. Unfortunately, as cited by JLARC in its report to this Commission, the Commonwealth has no central strategic planning process for the human resource function.

Fortunately, the major goals of a compensation system vary little from one organization to another, and have been clearly defined in the professional literature. As a result, the Commission feels comfortable setting out a set of goals for the Commonwealth's compensation system. It is recognized, of course, that the details supporting these goals will be worked out as a part of the strategic planning process outlined in the section on Strategic Planning.

The four major goals for the Commonwealth's compensation system should be to:

- **Attract** qualified employees;
- **Retain** qualified employees;
- **Motivate** employees by rewarding sustained high performance, and;
- **Support** line management in the realization of organizational objectives.

While the first three goals are traditional, textbook ones for any compensation system, the final goal is an addition by the task force. The addition of this as a separate goal, however, is consistent with the current thinking in the field of public administration. It is also a traditional one in Virginia, having been voiced numerous times since at least the turn of the twentieth century. The lack of a specific goal relative to line agency support, when coupled with the control oriented nature of the job classification method

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used by the Commonwealth to determine the relative worth of jobs, has allowed the Commonwealth's compensation system to lose focus and become overly centered on control features. This brings us to the Commission's first objective in the area of compensation:

**OBJECTIVE C-1:** The Commonwealth should redesign its present compensation system to establish a better fit with the objectives of a large public sector organization as it moves into the twenty-first century. In doing so; however, it is imperative for the Commonwealth to keep in mind that:

- 1) The reform of such a large system will take time -- perhaps years -- and will be most successful (in the opinion of the task force) if viewed as an evolutionary process;
- 2) The reform process should never be viewed as complete. The changes that come from this effort should not be viewed as having produced a final, perfect compensation system for the Commonwealth. In the modern world, change has become the only constant,;
- 3) Two way communication between the Commonwealth and its employees is essential to success;
- 4) public hearings early in 1994 would be useful in establishing such communication, and.
- 5) The revised compensation system should be affordable.

In undertaking this redesign of the compensation system, the Commonwealth should attempt to address a number of objectives in each of the four main subsystems.

### **Job Worth Objectives:**

**OBJECTIVE C-2:** The Commonwealth's job worth system should be revised to:

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- minimize administrative effort;
- Be clearly understood by both managers and employees;
- Increase the flexibility of management and employees to define job duties;
- Allow employees to grow into responsibility in a job without encountering undue restrictions inherent in the current classification system.

See the Appendix 1 for a list of strengths and weaknesses of the present classification system.

**OBJECTIVE C-3:** There should continue to be only one system for determination of job worth for all agencies and institutions of the Commonwealth. The Commonwealth's current job worth method -- classification and grade -- is universally applied. This is true even when another method might be more appropriate. The revised system should recognize the differing organizational and demographic factors affecting job groupings by providing for different evaluation methods to fit the major categories of work. (i.e. professional, protective service, skilled trades, etc.) The exact methods and organization should be determined during a detailed redesign of the Commonwealth's compensation system.

**OBJECTIVE C-4:** The Commonwealth should continue to recognize the competitive labor market in establishing its base salary levels. The practice of recognizing local, regional, and national labor markets -- long practiced by major private sector employers and recently adopted by the federal government -- should be expanded and extended statewide. (Currently this practice is only partially applied in Northern Virginia.) This will enable the Commonwealth to better establish "external equity".



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**OBJECTIVE C-5:** The Commonwealth's compensation system should continue to provide "internal equity" within each competitive labor market.

**Pay Practices Objectives:**

**OBJECTIVE C-6:** Movement through the pay structure should continue to be on a performance basis.

**OBJECTIVE C-7:** The Commonwealth's compensation system should recognize the diversity of demographic and organizational needs within state government. The current monomorphic compensation system should be phased out in favor of multiple compensation programs -- each designed to meet specific demographic or organizational needs. An ad hoc trend in this direction has already begun with the creation of separate compensation systems for lottery sales staff, health care employees at the two teaching hospitals, and professional employees at certain non-higher education agencies in the education secretariat.

**OBJECTIVE C-8:** The Commonwealth should consider use of "Broad Banding" as one of the several optional programs discussed in objective C-7. While "Broad Banding" is the trend of the moment in public sector compensation, it originated as a compensation tool for the technical/scientific community, and is probably best suited for use in those or related fields. Used in other areas, the task force is concerned about the possibility of unwarranted upward classification and the resulting increases in cost.

**OBJECTIVE C-9:** The current Employee Incentive Pay Plan (EIPP) should be retained as one of the several optional compensation programs as described in objective C-7. Private industry has already begun to move

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toward other concepts that better support activities such as "Continuous Quality Improvement" and the use of teams. The Commonwealth's fiscal realities have also changed dramatically in the 1990's. The high annual cost of automatic increases for the entire classified workforce -- now estimated at over \$240 million per biennium may no longer be supportable.

**OBJECTIVE C-10:** The Commonwealth should continue to maintain a competitive pay structure. The method of distribution to employees should be modified to be consistent with the recognition of multiple geographic labor markets, as in objective C-4, and competitive within those markets. Movement through the pay structure should be as provided in objective C-6.

**OBJECTIVE C-11:** The Commonwealth should evaluate the desirability of moving toward a system of "total compensation". As a first step, the Comptroller should alter the current employee pay stub to show the value of non-cash benefits. This can be accomplished as a part of the proposed new integrated human resource and payroll system. *It is essential, however, for the Commonwealth to keep in mind that, at present and for the foreseeable future, cash compensation (i.e. salary) will remain its primary competitive tool .*

**OBJECTIVE C-12:** The Commonwealth should investigate the desirability of "Alternative Rewards" systems such as bonuses, gain sharing, pay-for-skills, pay-for-knowledge, spot awards, and others. Alternative rewards are an increasingly popular form of compensation among private sector employers. While each program may not be appropriate for the entire workforce, the availability of a number of programs would allow the compensation program to be tailored to the organizational or demographic needs of each agency.

*Policies and Procedures Objectives*

**OBJECTIVE C-13:** Implementation of the compensation system should continue to be decentralized. Decentralization of the personnel function has been a primary issue of contention within state government for a number of years. It is the opinion of the task force that, when taken as a whole, the objectives it has set out will create a compensation system with great flexibility. This may serve the needs of those who currently call for further decentralization.

The exact blend of central vs. agency authority and responsibility should be tailored to the parameters of the redesigned compensation system, and will not necessarily correspond to the current division of authority and responsibility. In any event, the nature of the relationship between the line agencies and the central human resource agency should be *clearly* defined – as part of the revised compensation system – prior to implementation. This will help avoid many of the controversies inherent in the current system.

**OBJECTIVE C-14:** Rules and regulations governing the compensation system should be promulgated by DPT with input from line agencies and employees wherever possible. The utility of input from the participants in a system is one of the primary tenets, and strengths, of modern strategic planning.

**OBJECTIVE C-15:** The use of pilot programs should be encouraged as a tool to foster experimentation and innovation. Pilot programs offer an opportunity to test new ideas while avoiding the expense and risk of full scale implementation. The experience gained can be valuable in building program support, and refining program concepts, or avoiding costly mistakes.

**OBJECTIVE C-16:** In the case of small agencies, every effort should be made to consolidate compensation activity at a service bureau designed and staffed to meet the needs of several agencies. (This role could also be filled by the personnel office of a nearby large agency.) This would be more effective and less costly than the current system of providing personnel officers for every agency.

**OBJECTIVE C-17:** The Commonwealth's compensation system should be continuously reviewed and updated as part of the strategic planning process for human resources, as recommended by the task force on strategic planning. The Commonwealth as an employer exists in an increasingly competitive, quickly changing world. Forecasts point toward increases in competition, and the rate of change. If the compensation system is to remain competitive, it must be continually reviewed and updated to insure that it continues to meet the needs of the Commonwealth.

**Cash and Non-cash Compensation Objectives:**

**OBJECTIVE C-18:** The Commonwealth should endeavor to provide cash compensation that is more nearly competitive with labor market competition. Since 1990, the Commonwealth has generally become less competitive in cash compensation. State employee salaries are now an average of 12.21 percent behind those of their private sector counter parts. This is the result of the absence of meaningful salary increases from July 1, 1990 to December 1, 1993. Although the economic slow down has softened the impact on the Commonwealth as an employer, non-competitive cash compensation will have a long term negative effect on the ability of the Commonwealth to attract and retain high quality employees.

**OBJECTIVE C-19:** The Commission should investigate options for providing flexibility in its program of non-cash compensation. The Commonwealth offers an extensive array of non-cash compensation, such as

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sick leave, annual leave, health insurance, VRS retirement, and group life insurance. While the Task force did not undertake an extensive review of the Commonwealth's non-cash compensation program, opportunities appear to exist for improvement in such areas as pension portability, optional benefits, and general modernization.

## Work-Family ("Family-Friendly") Policies

### *Introduction*

Changing demographics of the work force make work-family, or "family friendly," personnel policies increasingly important to private and public sector employers. Today's employer must provide opportunities for employees to balance work with family responsibilities at a time when both partners increasingly are likely to be in the work force, there are more single-parent workers, and the aging of the population and the work force gives a new dimension to the concept of dependent care. These trends are projected to continue.

Programs and policies considered particularly worker or family friendly generally fall into one of three or four major categories.

- **Flexible work environment.** Many policies are directed towards offering a flexible structuring of work to facilitate family responsibilities. Programs such as flexible schedules and work sites, part-time employment and job sharing, and leave policies are examples.
- **Child care needs.** A second set of policies is designed to help parents meet child care service needs. Included are a variety of programs ranging from referral services to subsidized care and pre-tax spending accounts to direct provision of care.
- **Elder care needs.** A third group of programs is directed at the growing awareness of the need for elder care. These programs generally parallel in concept those for child care.
- **Employee well-being.** Finally, a range of employee counseling services, wellness programs, and the like are directed to the employee.

### *The Current Situation*

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The Commonwealth's employee benefits package compares favorably overall to those offered by other states and by the private sector. According to the 1992 Report on the Salary Survey, prepared by the Department of Personnel and Training pursuant to Section 2.1-114.6 of the Code of Virginia, Virginia's cost of benefits as a percentage of salary was 41.84 percent while that of the private sector surveyed was 34.54 percent.<sup>1</sup> A survey of twenty other states with regard to availability of specific work-family policies, conducted by the Department of Personnel and Training at the request of the Joint Commission, confirmed that Virginia offers a wide range of programs and in some cases pioneers new programs.<sup>2</sup>

A report by the United States Bureau of Labor Statistics on benefits provided by state and local governments shows that Virginia offers leave and retirement benefits and most insurance coverage available to a majority of state and local employees nationally.<sup>3</sup> The major exceptions were sickness and accident insurance (offered to 21 percent of employees nationally) and long-term disability insurance (27 percent). Likewise, Virginia's specific work-family policies matched those most frequently provided elsewhere.

There are some benefits areas into which the Commonwealth has not entered -- indeed they are new to public sector employment generally -- that are likely to become more important in the future. Most significant would be flexible benefits (5 percent of state and local employees nationally), employer subsidized child care (9 percent), long-term care insurance (2 percent), and elder care (4 percent).

Use of the Commonwealth's available work-family policies is uneven, as seen in Table 1. Whether the state pays for the program or some or all of the cost must be borne by the employee is a probable factor in extent of use. Some policies are discretionary to the agency and unevenness in the extent to which agencies promote the use of the programs is indicated. Also, several of the programs still are relatively new and therefore unfamiliar to employees.

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**TABLE 1**  
**Virginia's Work-Family Programs**

Program	Employees Using Benefit	Number of Agencies Reporting/Implementing
<u>Mandatory</u>		
Family Sick Leave	19,000	71
Parental Leave	220	68
Leave to Assist School	8,000	62
Employee Assistance Service	859 - 4,850*	63
Dependent Child Care Spending Accounts	730	57
Leave Sharing	4,000	51
<u>Discretionary</u>		
Flexible Work Schedule	14,000	68
Leave without Pay-Medical	1,800	68
Leave without Pay-Educational	100	42
Commonhealth	17,000	59
Flexible Work Place (Telecommuting)	359	32
Job-Sharing	40	19

**SOURCE:** Department of Personnel and Training. Survey Results of 74 agencies; 49,342 of total workforce of 87,632.

\* First number is reported by individual agencies, second number reported by State Employee Assistance Services.



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### *Areas of Concern*

The attention of the Workforce Commission's task force on work-family policies was drawn to problems in communicating the availability of programs to employees, adequately explaining them, and counseling and assisting employees in their use. Reports by the Department of Personnel and Training, the State Government Employees Association, and others at our meetings emphasized this point. There apparently is no uniform method of disseminating information once it reaches the agency level.

A second area highlighted in Task Force meetings was the need for more emphasis on flexible work arrangements such as job sharing that are likely to become more important in the future structure of the Commonwealth's work force. The most glaring barrier to employee use of part-time and job share arrangements is the paucity of benefits attached to part time positions (See Table 2). Although the Commission has not had an opportunity to study the issue extensively, indications are that a non-supportive agency environment and lack of receptivity by executives and managers to these flexible arrangements also create problems in some agencies.

**TABLE 2**  
**Benefits for Part-Time Employees**

Benefit Program	Percent of All State and Local Part-Time Employees Covered, 1990	Virginia Part-Time Employees Covered
Annual Leave	26%	Yes
Sick Leave	49%	Yes
Maternity Leave (unpaid)	28%	Yes
Paternity Leave (unpaid)	18%	Yes
Medical Care	38%	
Life Insurance	36%	
Dental Care	25%	
Sickness/accident insurance	14%	
Long-term disability insurance	8%	
Retirement	48%	
Flexible Benefits	2%	
Reimbursement Account	12%	

*Source: Bureau of Labor Statistics, U.S. Department of Labor, Employee Benefits in State and Local Governments, 1990 (Bulletin 2398, February 1992), p. 99. Includes only those employees for whom the employer pays all or a part of the cost of the benefit.*

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### Objectives to be Implemented by the Commonwealth

**Objective WF-1: Benefits should be extended to part-time employees.** The Commonwealth should develop a plan for extending benefits such as health care, life insurance, and retirement benefits to part-time employees, either with state contributions or by options that would allow employees to purchase coverage or membership.

This recommendation clearly applies to the "permanent" part-time employees of the Commonwealth who occupy positions covered by the classified service. The number of employees in this category as of November 1993 was 964, producing an FTE of 523.

To the extent possible, part-time wage employees also should be given access to the benefits system. The number of employees in this category as of November 1993, excluding part-time faculty positions, was 31,776, producing an FTE of 13,639. In developing a plan for part-time employee benefits, the Commonwealth should (i) establish guidelines to include persons who are employed on a regular basis for a minimum period of time under part-time wage arrangements and (ii) determine whether the Commonwealth should fund a part of the cost of benefits or simply make benefits available for purchase by these employees.

**Objective WF-2. Flexible benefits programs for employees should be considered.** The Commonwealth should examine the feasibility of offering employees a flexible benefits program whereby an employee may choose the programs and benefits levels most appropriate to his or her situation. The plan should include as one element a reimbursement or credit "opt out" of mandatory programs where appropriate. For example, an employee covered by a spouse's health insurance program with another employer might be allowed to opt out of the Commonwealth's health plan.

**Objective WF-3. All employees should receive regular benefits statements.** To promote employee awareness of benefits and their costs, the Department of Personnel and Training should provide a benefits statement quarterly or semi-

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annually to each employee as is now done by VRS for retirement benefits. The statement should itemize and show the Commonwealth's cost to provide each benefit.

**Objective WF-4. A uniform orientation program for new employees should be developed.** The Task Force endorses the recommendation made by the Joint Legislative Audit and Review Commission that the Secretary of Administration appoint a task force to develop a uniform orientation program and process for new employees. The program should include information on benefits as identified herein.

### *Objectives for further study by the Commission*

**Objective WF-5. The Commission should study methods to enhance the capacity of human resource officers to promote work-family policies.** The Joint Commission and its Task Force should develop recommendations to enhance the role of agency human resource officers as focal points in extending the use of work-family policies. Human resource officers should be the preliminary source of program information and advice to employees, serve as advocates for employees with agency managers, and assist agency executives and managers in developing and implementing programs.

**Core of "benefits experts."** Efforts should be made in particular to address the needs of officers in smaller agencies who commonly must assist in the entire range of technical benefits policies and frequently have multiple responsibilities as well. One program might be to develop a core of "benefits experts" in each benefits policy area, drawn from human resource officers across state agencies, who could advise officers who need assistance and guidelines.

**Objective WF-6. The Commission should develop recommendations to empower managers to support work-family policies.** The Joint Commission and its Task Force should develop recommendations for methods to empower executives and managers to support work-family policies in their agencies. Managers need to be aware of the importance of such policies and to receive the training and resources needed to support them.

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**Objective WF-7. The Commission should identify and address system-wide issues.** The Joint Commission and its Task Force should examine systems issues that must be addressed at the agency or state-wide level before several work-family policies can be fully implemented. Flexible work sites (telecommuting), for example, require agreed upon policies with regard to such issues as provision of computers and equipment, telephone services, work accounting, and the like.

**Objective WF-8. The Commission should identify additional policies, if any, that the Commonwealth should adopt.** The Joint Commission and its Task Force should examine work-family policies being used in the private sector and by other governments nationally, but not currently made available to the Commonwealth's work force, to determine which, if any, should be added to those that are now provided.

### Endnotes

1. Office of Compensation Management, Department of Personnel and Training, Commonwealth of Virginia, *Report on Salary Survey to the Governor and the General Assembly* (December 1992)

2. Dorthula H. Powell-Woodson, Director, Department of Personnel and Training, *An Interim Report on the Implementation and Use of Family-Friendly Policies in the Commonwealth and Other States: A Presentation to the Joint Workforce Commission* (September 3, 1993)

3. Bureau of Labor Statistics, U. S. Department of Labor, *Employee Benefits in State and Local Governments, 1990* (Bulletin 2398, February 1992).

## CAREER DEVELOPMENT

### Current Situation:

The Commonwealth's commitment to career development has waned over the years, primarily due to the state's fiscal condition. While it is not uncommon for training activities to be scaled back, it is important to recognize that the success of all programs and activities are dependent on a well-trained and motivated workforce. According to the JLARC study of the Department of Personnel and Training, "the range of career development activities among State agencies varies. It ranges from informally encouraging individual employee career development to providing numerous training opportunities to all levels of staff."

Despite the impact of budget cutbacks, a number of agencies have been proactive in the career development area. However, there are a number of impediments outside their control. According to the JLARC study, the most frequently identified impediments were:

- lack of resources;
- limited career advancement opportunities for State employees;
- inability to be trained outside of one's current job classification responsibilities;
- policy barrier denying preferential consideration of in-house State employees for position vacancies; and
- State budget cuts.

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### *Discussion*

Career development is composed of two sub-topics, career mobility, and training. Career mobility should provide employees with alternative job opportunities, either through job promotion or lateral movement in another area. Career mobility should not always be seen as a promotion in the sense of a new pay grade, but should be seen in the sense of job enrichment. To support career mobility, employees should be provided either formal or informal training and educational opportunities that enhance the individuals current job performance or prepares the individual for alternative job opportunities.

Currently, most state-provided training is centered on the employee's current job, as opposed to the overall "development" of the individual. This mentality is reinforced through the state's current classification structure which rewards individual for what they do as opposed to what they know. Unlike in the private sector, there is no reward for employees who master or expand their responsibilities. Generally, the level of compensation is influenced by how many people an employee supervises.

The current requirement of upgrading a position based on the number of employees supervised, encourages agencies to create layers of middle management. This philosophy runs counter to the culture of empowering employees and "downsizing" middle management.

Faced with limited resources, it is imperative that the Commonwealth begin to focus on approaches that respond to the changing make up of the workforce. In order to attract and retain competent employees, it is important that we recognize the changes in the work culture and the skills required in the 21st century.

Over the next year, working with the new administration, the Workforce Commission should study the current policies and procedures that either enhance or serve as an impediment to career development. The Commission should develop strategies and plans that will assure the optimum long-term

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development and utilization of the Commonwealth's employees, while continuing the commitment of equal employment opportunity.

The following objectives should be adopted by the Commission:

**Objective CD-1:** Identify career development models and approaches in the public and private sectors that support the non-traditional organization structures, career paths, and work environments that are currently in place. This review should include identifying programs that will result in improved state agency productivity and quality performance.

**Objective CD-2:** Identify impediments to long-term career advancement and recommend changes to current policies and practices to overcome those barriers. This review should include the inability to be trained outside of one's current job classification responsibilities; the current policy denying preferential consideration of in-house employees for position vacancies; and the lack of incentives for employees who expand their responsibilities without moving into another pay grade.

**Objective CD-3:** Study the concept of "dual career tracks" for technical employees and managerial employees in order for skilled employees to have career progression without moving into a management position. This concept will not fit into all organizations and job classes.

**Objective CD-4:** Direct the Secretary of Administration to develop a training curriculum for first and second line supervisory and managerial positions. This should include a provision for on-going training and educational enhancements.

**Objective CD-5:** Explore alternatives to increase the mobility of executives and senior managers among state agencies. This should include an examination of assigning individuals to agencies where they are most needed.

**Objective CD-6:** Explore the feasibility of establishing a computerized "talent bank" for professional and managerial positions. This talent bank could allow preferential consideration of in-house employees.



## Appendix 1

# Comments from June 25, 1993 Meeting of the DPT Job Classification Task Force

### *Strengths of the Current Classification System*

- Statewide classes and comparative evaluation of positions keep playing field fairly level among all agencies, regardless of the availability of funds.
- Having a structured system builds employee trust because it is less subjective; the managers' discretionary authority is limited.
- The system can withstand legal challenges, such as under equal pay for equal work.
- The system provides flexibility for balancing market and alignment needs or concerns.

### *Concerns About the Current Classification System*

#### *General Issues*

Who is the employer, the individual agency or the Commonwealth? To what extent is equitable treatment of employees among different agencies an issue? How much authority should be decentralized to agency personnel officers and how much to agency managers? How important are employee concerns, compared to management needs?

#### *Specific Issues*

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- The intent of the classification system needs to be clearly defined, and rewards designed to support its intent. Currently, abuse of the system is rewarded.
- The process of post-auditing position actions can cause problems, because actions have already been taken, and employees compensated, before issues are raised concerning the appropriateness of the actions.
- The current system does not provide sufficient compensation, or classification levels, for recruitment of highly technical jobs.
- Needs for dual career tracks, so that experienced technicians or professionals can have increased compensation without moving into management positions, are not being met.
- The current system promotes hierarchical organizations, rather than the flatter organizations which support TQM.
- Having very specific classes (in some class series) limits flexibility in responding to organizational changes and making functional work assignments.
- The system is not flexible enough to adapt to changing management needs, philosophy, or style.
- The compensation structure, processes, and rules need to be simplified to improve employee understanding and acceptance.
- Combining classes, or levels of classes, so that ranges would be broader, would ameliorate agencies' differing ability to pay.
- In some cases, agency-specific needs are not being met due to the use of generic job classes or series.
- There is little flexibility for job rotation, except where generic classes are used; the 90-day rule contributes to the inflexibility.

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- The system doesn't promote or reward horizontal skill development, cross-training or re-training.
- A large amount of staff time and resources are spent on categorizing jobs.
- There is a need to effectively communicate the flexibility that currently is available to agency human resource staff and managers.
- The rules of the system force agency and DPT human resource staffs into control roles, rather than service roles.
- The graded salary plan creates attachment to artificial indicators of employees' value (their salary grades).
- In some class series, there may be inappropriate distinctions between large and small agencies, or operating distinctions between large and small agencies, or operating and central agencies. An example would be that a specialist in one area of accounting in a large agency may be paid as much or more than an employee who is responsible for all accounting functions in a small agency.
- There are few class series with "entry" level classes, below journey level, which allow recruitment of minimally qualified applicants.
- The amount of time between identifying the need for a position and classifying it, or filling it, is too long.
- Simplification of the classification process would help small agencies, who do not have professional classification staffs, to function independently.
- The classification system doesn't cover all agencies (all branches of government, or all positions in the Executive Branch), which creates inequities. Note: Exempt agencies could provide examples of other approaches for consideration.

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- The class specification development process is too complex.
- The seven classification factors may not be adequate.
- The cumulative effect of salary adjustments for some classes, particularly those with counterparts in private industry, due to market movement disadvantages (with regard to alignment) employees in other jobs, which may be found only in the public sector.
- The rigid classification structure encourages conflict over marginal changes in duties and their effect on classification; the focus is away from work to be done.

## Appendix 2

### States with a Human Resource Planning Function

State	Central Personnel	Central Agency	Decentralized
Alabama			✓
Arizona			✓
Arkansas			✓
California (Dept. of Personnel)		✓	✓
California (b)			✓
Colorado			✓
Connecticut	✓		✓
Delaware	✓		✓
Florida			✓
Georgia			✓
Hawaii			✓
Idaho			✓
Illinois			✓
Indiana	✓		✓
Iowa			✓
Kansas	✓		✓
Kentucky			✓
Louisiana		✓	✓
Maine	✓		✓
Maryland	✓		✓
Massachusetts	✓		✓
Michigan	✓		✓
Minnesota			✓
Mississippi	✓		✓
Missouri			✓
Montana			✓
Nebraska			✓
Nevada			✓
New Hampshire			✓
New Jersey	✓		✓
New Mexico	✓		✓
New York	✓		✓
North Carolina			✓
North Dakota			✓
Ohio			✓
Oklahoma	✓		✓
Oregon	✓		✓
Pennsylvania	✓		✓
Rhode Island	✓		✓
South Carolina	✓		✓
South Dakota	✓		✓
Tennessee	✓		✓
Texas (c)		✓	✓
Utah			✓
Vermont	✓		✓
Virginia			✓
Washington	✓		✓
West Virginia	✓		✓
Wisconsin			✓
Wyoming			✓
Puerto Rico	✓		✓
<b>Total</b>	<b>23</b>	<b>3</b>	<b>33</b>





**SJR 279/SJR 152**

**Management of the  
Commonwealth's Workforce**

**Volume 2  
Continuous Quality Improvement  
(Exposure Draft)**

**Joint Commission on Management of  
the Commonwealth's Workforce**

**July 5, 1994**





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**SJR 279/SJR 152  
Joint Commission on the Management of the  
Commonwealth's Work Force**

**Volume 2  
Continuous Quality Improvement**

This Document is a draft of a Joint Commission on Management of the Commonwealth's Workforce report. The draft has been assembled for discussion and factual review. Do not quote, publish, or release any material contained in this document because it is subject to additional verification and editorial review.

**July 5, 1994**



**MEMBERS OF THE TASK FORCE ON CONTINUOUS QUALITY  
IMPROVEMENT:**

Delegate Robert D. Hull, Chairman  
Ralph G. Cantrell  
Glenn H. Gilbreath, Ph.D.  
Neila L. Gunter  
Susan B. Hardwicke, Ph.D.  
Cindy S. Johnston  
Linda S. Morrison  
Tracey Ragsdale  
Peter F. Rapp  
Douglas Sears

**STAFF:**

Nancy L. Roberts, Manager  
Jennifer Weiskopf, Intern  
Sherri E. Johnson, Administrative Assistant  
Carol S. Agee, Operations Staff Assistant  
*Division of Legislative Services*

Brian Taylor, Committee Clerk  
*Office of the Clerk, Senate*



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## EXECUTIVE SUMMARY

Established by the Joint Commission on Management of the Commonwealth's Work Force (SJR 279, 1993 and SJR 152, 1994), the Task Force on Continuous Quality Improvement, working with representatives of the private and public sectors, proposes a plan to the Joint Commission for implementing a program of continuous improvement in the Commonwealth.

By involving all employees in improving work processes, public and private organizations throughout the nation are achieving higher levels of performance and customer satisfaction. For example, Xerox is one of only two American companies that have regained their market share from the Japanese, due largely to the use of a quality improvement process. Locally, impressive results have been achieved at St. Mary's Hospital, the Virginia Employment Commission, and the Medical College of Virginia Hospitals.

On the recommendation of the Task Force and the Joint Commission, the 1994 Session of the General Assembly took the first step toward creating a program of continuous improvement by adopting a vision for management of the Commonwealth's work force. Introduced as House Joint Resolution 26 by Delegate Robert D. Hull, the General Assembly's vision for the Commonwealth's work force is as follows:

*To attract and support a highly satisfied, effective and productive work force, a culture must be created which fosters high performance organizations, within a framework of trust and cooperation, that:*

- 1. Include strategic planning in a cascading process that produces goals that staff understand and support and that are focused on the customer;*
- 2. Define customers and their requirements and the contribution each step of the work process makes in meeting those requirements;*
- 3. Encourage and reward innovation and initiative and use processes that identify and remove barriers which prevent agencies from achieving their mission;*
- 4. Promote cost effectiveness by examining resource allocations and basic business processes;*
- 5. Are proactive and committed to achieving results that support the organization's mission;*

6. *Couple accountability with the decentralization of authority and skills for decision making to the closest point possible to where work is performed; and*
7. *Are able to adapt to changes in the needs of the customer on an ongoing basis.*

In response to a survey in support of Senate Joint Resolution 279 (1993), the staff of the Joint Legislative Audit and Review Commission found that 32 state agencies are already using some form of continuous improvement or quality management, but most are in the very early stages of implementation. Comprehensive leadership and coordination are needed at the top levels of state government, especially with regard to basic information and training.

To recommend a comprehensive plan for Virginia, the Task Force reviewed the work of other states and localities. As a result, the Task Force proposes a modified top-down approach, initiating the program at the top of state government and using carefully selected pilot projects. This approach, focusing on continuous process improvement, customer satisfaction, and employee involvement, uses input from the private sector with core staffing provided by the Governor's Office, an office established for this purpose, or a central state agency. Financial resources, at least initially, would come from existing state budgets.

Based on a set of seven goals, the plan for continuous improvement can help Virginia government become more entrepreneurial and deliver more effective services for the same, or less, dollar cost. Private companies that have adopted the principles of continuous improvement have achieved better employee relations, higher productivity, greater customer satisfaction, increased market share, and higher profits. Successfully implemented, continuous quality improvement promises to produce results for Virginia similar to those already achieved by other private and public sector organizations.



## JOINT COMMISSION ON MANAGEMENT OF THE COMMONWEALTH'S WORK FORCE

### SECOND INTERIM REPORT OF THE TASK FORCE ON CONTINUOUS QUALITY IMPROVEMENT

#### Introduction

The Joint Commission on Management of the Commonwealth's Work Force (SJR 279, 1993 and SJR 152, 1994) established the Task Force on Continuous Quality Improvement to recommend ways to introduce quality principles into management of the Commonwealth's human resources.

Continuous quality improvement, or total quality management, is a basis for managing an organization to achieve customer satisfaction by involving all employees in improving work processes. The early roots of quality improvement were first developed in the United States by Walter A. Shewhart of Bell Laboratories, who created a means of measuring variance in production systems called "statistical process control". Statistical process control (SPC) was used extensively by the War Department during World War II and, later, was introduced to post-war Japan by one of Shewhart's students, W. Edwards Deming.<sup>1</sup>

Not until the 1980's with publication of Deming's book, Out of the Crisis, however, did the concepts begin to win widespread acceptance in the United States. Deming expanded his original ideas to include strategic thinking about the need for cultural change and management's responsibility for leadership.<sup>2</sup> He proposed a 14-point approach to transform organizations, focusing on constancy of purpose, teamwork, and customer expectations. In his view, 80 to 90 percent of an organization's quality problems are caused by faulty management systems and processes rather than worker mistakes.<sup>3</sup> His ideas, with their emphasis on mission, decentralization, measurement and employee problem-solving, have become the foundation of the quality movement.

#### Current Situation

Continuous quality improvement has produced some impressive results in private industry and the public sector. Xerox is one of only two American companies that regained their market share from the Japanese, largely as a result of implementing a quality management process. Washington

Analytical Services, a subsidiary of EG & G, produced a 50 percent decrease in operating capital expenses over a 15 month period.

Locally, St. Mary's Hospital has been able to keep operating expenses level during a time of rising medical costs elsewhere. Reynolds Metals Company reported that cost-cutting and production improvements grounded in total quality management exceeded expectations. By eliminating bottlenecks and "squeezing every possible penny" out of operating expenses, the company met its goal of cutting costs by more than \$200 million.<sup>4</sup>

At the federal level, several agencies have adopted total quality management, and the Federal Quality Institute was established to assist in implementing continuous quality improvement in federal agencies, notably the Department of Defense, the General Accounting Office, the Internal Revenue Service, and the Forest Service. Many states also implemented continuous improvement programs, including Arkansas, California, Colorado, Maine, Minnesota, South Carolina, and Wisconsin. Maine Governor John R. McKernan, Jr., for example, spearheaded a comprehensive implementation of total quality management in the executive branch departments. Quality councils were created in all agencies, employee action teams were established, and employees were trained in the philosophy and the techniques. South Carolina has taken a slightly different approach, creating a network of agencies, boards and commissions that meets monthly and is staffed by employees of the personnel agency.<sup>5</sup>

In Virginia, the Joint Legislative Audit and Review Commission (JLARC) staff learned from their survey of state agencies in support of SJR 279 (1993) that 32 agencies (38 percent of the respondents) are using quality principles in the management of their agencies. (Appendix A, Table 1) It appears from the survey results that larger agencies are more likely to practice total quality management. Sixty percent of agencies with a maximum employment level (MEL) of least 1,000 reported that they practice total quality. Only 30 percent of the agencies with less than 1,000 MEL reported using total quality. (Appendix A, Table 2)

However, the JLARC staff observed an apparent lack of consistent form or application of quality principles. Most agencies are in the very early stages of implementation. While some are merely raising awareness, others appear to be embarking on a transformation of their organizations. Comprehensive leadership and coordination at the top levels of state government is needed, especially with regard to access to basic information and training.<sup>6</sup>

The Department of Personnel and Training (DPT) is attempting to provide support to agencies that are implementing total quality management. DPT has conducted seminars to inform participants about how total quality might be implemented in a government setting. Executive development programs such as the Virginia Executive Institute (VEI) and the Commonwealth Management Institute (CMI) include segments on total quality management. The Department has also accumulated a library of materials which will be available as a resource to state agencies.<sup>7</sup>

Some agencies expressed to JLARC staff their concern about particular barriers to successful implementation of total quality management. Most often cited are the current performance evaluation and job classification systems. For example, agencies cite problems with encouraging and rewarding team activities under the current systems. The Incentive Pay Plan is believed to foster unproductive competition among employees and focus on the individual, rather than collaboration and team problem-solving. The current method for determining job worth, the state's classification system, also is perceived to interfere with team activities. Narrowly defined jobs may not relate to the activities necessary for flexible work teams.<sup>8</sup>

With this background in mind, the Task Force began to formulate the most effective system for Virginia which would build on the work already being accomplished but would provide the necessary leadership and coordination.

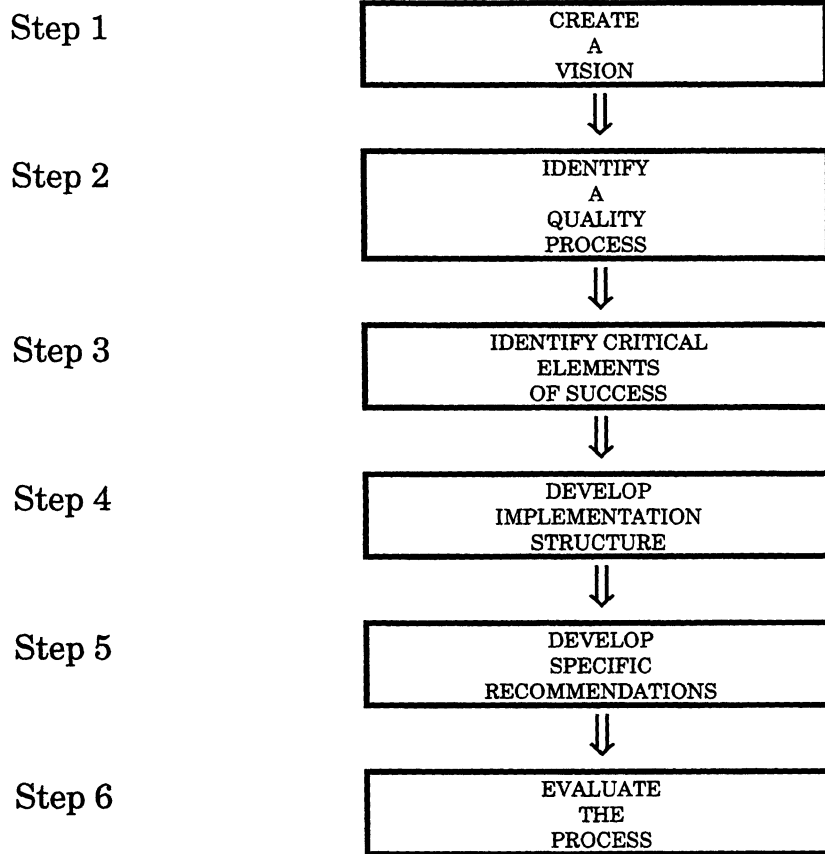
### **Task Force Mission and Process**

Intent on using a quality process itself, during its initial stages, the Task Force developed the following mission statement to achieve consensus and to guide its activities.

*To make recommendations for the continuous improvement of the Commonwealth's work force that help agencies become high performance organizations and to propose mechanisms necessary to measure, monitor, and communicate their successes.*

In addition, the members adopted a six-step process for developing recommendations to the Commission. The Task Force has completed steps one through five and the results are included in this report.

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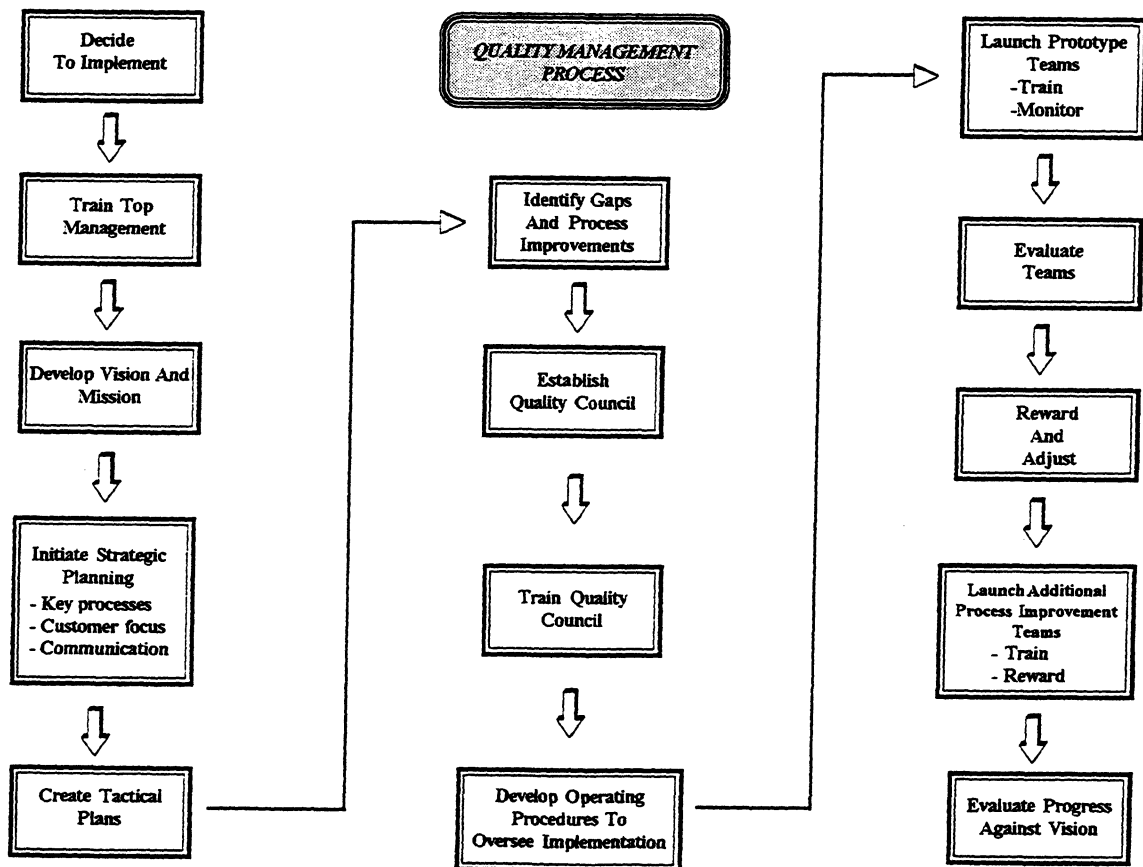
**Step One: Create a Vision.** The Task Force proposed and the Commission recommended a vision for the management of the Commonwealth's work force to the General Assembly. Introduced by Delegate Robert D. Hull, House Joint Resolution 26, which described the vision, was approved by the 1994 Session of the General Assembly.

*To attract and support a highly satisfied, effective and productive work force, a culture must be created which fosters high performance organizations, within a framework of trust and cooperation, that:*

- 1. Include strategic planning in a cascading process that produces goals that staff understand and support and that are focused on the customer;*
- 2. Define customers and their requirements and the contribution each step of the work process makes in meeting those requirements;*

3. *Encourage and reward innovation and initiative and use processes that identify and remove barriers which prevent agencies from achieving their mission;*
4. *Promote cost effectiveness by examining resource allocations and basic business processes;*
5. *Are proactive and committed to achieving results that support the organization's mission;*
6. *Couple accountability with the decentralization of authority and skills for decision making to the closest point possible to where work is performed; and*
7. *Are able to adapt to changes in the needs of the customer on an ongoing basis.*

**Step Two: Identify a Process to Establish Quality in the Commonwealth's Work Force.** The quality management initiative must begin at the top of state government and then be replicated throughout all the agencies.



First, a decision is made to implement a quality management program to achieve a high performance organization. Top management is trained in attitudes, process improvement, and other quality tools and strategies for implementation. Every success story begins with top management. These are the people who will make it happen. They set the tone and they must be on board and knowledgeable early in the process.

Top management will lead the development of a vision and mission for the organization and they will initiate strategic planning whereby customers and key processes are identified. It is important to communicate this vision and mission throughout the organization, to let everyone know "what is going on."

Tactical plans are developed with help from persons in the organization who are familiar with the work processes. They ask questions like: "What are we doing versus what needs to be done?" Identified gaps are areas to be addressed in process improvement projects.

Next, a Quality Council is established, usually composed of individuals at various levels. Here is the key: The Council is responsible and accountable for the success of the quality implementation.

Members of the Quality Council receive training and they develop a charter and operating procedures. The Council oversees training and implementation, designs communication processes, identifies quality issues, establishes two or three prototype teams, tracks their progress and measures results.

The Quality Council also has an ongoing responsibility to monitor how the issues are addressed. They evaluate the prototype teams--what works, what's not working. They keep track of changes in the environment or the group that may affect the teams or implementation. They adjust the team approach as necessary and they arrange for recognition and rewards for the teams when their work is complete.

Based on the experience with the prototype teams, the Quality Council "launches" many more process improvement teams. The members of the prototype teams may become members of new teams and the process begins again.

Once a year, the Quality Council and top management meet to review the vision and mission and to measure progress against the vision.

This quality management process can be replicated throughout state government, beginning with the Governor's office and moving across state agencies.

But there are some key factors associated with success. That was the next step and objective for the task force--to identify the critical elements for effective implementation of a quality process.

**Step Three: Identify and Prioritize Critical Elements for Success.** The Task Force believes these elements are essential for successful implementation of continuous quality improvement.

#### Leadership Development

- Supportive and congruent with and actively establishes a quality culture
- Customer and employee focused
- Uses data, not opinion, in making decisions

#### Quality Process Training

- Incorporates "Why, What , How"
- Includes leadership, facilitator, process and tools, and team training
- Available "just in time"--as close as possible to when it will be used
- Ample resources so that it is easy to start and easy to accomplish

#### Policies and Procedures

- Frameworks rather than mandates, allowing decisions to be made at the lowest possible level
- Prescriptive, rather than prohibitive
- Supporting the vision, mission, goals, and leadership styles

#### Clear Assignments

- Authority and responsibility built in at every stage
- Well-defined duties
- Tasks have standards which are measured, evaluated, rewarded and addressed in the personnel system

- All performance is evaluated on at least four factors: customer satisfaction, use of quality tools, employee satisfaction, and business results

#### Clear Communication

- Vision and quality process communicated to all employees
- Employees understand the vision, how quality is a means of achieving the vision, and how their roles relate to the vision and mission of the organization

**Step Four: Develop a Structure for Top-Down Implementation.** The Task Force believes that implementation of quality improvement is most successful when it begins and is championed at the top. Quality is everyone's job, but a certain infrastructure is necessary to make it work, including quality councils, staffing, schedules, and milestones.

In developing an implementation plan, the Task Force reviewed information on quality management practices in other states and localities. The results of that research are included in Appendices B and C. The search was narrowed to ten states that demonstrated a variety of approaches; some of the common elements are presented below.

**Origin.** Most quality plans are initiated by an executive order from the Governor and may stem from the need for reform, reorganization, restructuring, or revenue shortfalls. Leadership usually comes from the Governor's office, existing central agencies, loaned business executives, or a new state quality office. In South Carolina, a different approach was used, establishing a network of individuals from various state agencies to lead the effort.

**Focus.** Vision, mission and goals with emphasis on the customer and streamlining processes form the most common focus. This focus provides the guidance for all other activities. Massachusetts hopes "to transform government service and the way people think about government." Arizona launched Project SLIM (State Long Term Management Project) which has produced cost savings for the state.

**Organizational structure.** Structure varies with implementation style. In all cases, the work is overseen by a quality council, a task force, a steering committee or some previously established office in state government. The two



most common approaches involve the use of pilot projects or the inclusion of agencies at their own pace. California uses "Pioneer Projects", South Carolina uses a self-paced approach, and Colorado allows its agencies to determine their own level of involvement. The states are also divided on the use of outside consultants. In Arkansas, a quality manager from Eastman Company provided initial start-up at no cost to the state. Florida uses only internal resources.

**Resource allocations.** Dedicated resources differ among the states, ranging from specific appropriations (Oklahoma and South Carolina) to "requests for volunteers" from the private sector. California, for example, matched volunteers from the private sector with agencies that submitted well-conceived proposals for help. Some states have formed partnerships with universities or businesses. In New York, costs must be absorbed within existing budgets.

**Communication.** All states have found that their success depended on a good communication system, either through the use of guidebooks, resource libraries, videos, newsletters, training seminars, or citizen questionnaires.

**Award Systems.** The means of assessing progress differ, but awards are typically presented to both individuals and teams, not just organizations, as a means of recognizing achievements. New York and Florida recognize both private and public sector organizations.

**Results.** Since most of the programs are relatively new, long-term results are largely undocumented. However, short-term benefits in cost savings and employee training and morale have been observed. For example, Arizona reported 51 million dollars in savings over a three-year period and nearly 26 million dollars in new revenue and avoided costs. This combined total of 77 million dollars resulted from teams of state employees making improvements in direct and indirect services every day.

From this base of data, the Task Force coalesced the information into three models that might have application in Virginia. The characteristics and attributes of each model follow.

The **Network Model**, similar to that used in South Carolina, where a group of 31 agencies work together to implement the initiative, is:

**Decentralized.** A decentralized structure allows agencies to implement continuous quality improvement in the manner that best fits their organizations.

**Informal.** Guidance and coordination come from a core group of agency liaisons which might have a rotating chair or a committee of officers, or it might be supported by the staff of a particular agency, such as South Carolina's Division of Human Resources Management. The members of this group are typically very committed to continuous quality improvement, but the drawbacks might be that their goals are ambiguous or inconsistent. Such an effort might lack a guiding vision or unifying force for the whole state.

**Flexible.** This structure would be easy to work with because it does not require new funding and each agency could work from existing funds. Because some of our state agencies already have quality initiatives, this structure could get started very quickly. However, universal adoption could take some time.

The **Top-Down Model**, similar to that used in New York, is:

**Centralized.** This model is initiated by the Governor and overseen by the staff in his office. For example, in New York, the Governor's Office of Employee Relations holds responsibility. Funding is provided by the Governor's Office, and the state sponsors most of the training and monitoring functions.

**Hierarchical.** The hierarchical structure often translates into easier and faster communication of goals, and reduces some of the ambiguity found in the network structure.

**Formal.** This structure ensures constancy, consistency, and continuity, but there are two drawbacks. First, it will always require the support of the administration; and a change in administration (or political party) might have a detrimental effect on the program. Also,

the structure of this model might dictate too much, too fast, and too soon to agencies that are not ready to make the change.

The **Modified Top-Down Model**, similar to that used in Arkansas and Kansas, is:

**Centralized.** This model begins with an initiative from the Governor, but the responsibility rests with another organization, which serves as the liaison between the agencies and the Governor. Therefore, it might require the creation of salaried positions. In Arkansas, only two positions are salaried, that of a Director and a Trainer. This keeps costs down and also serves to ensure that the work is not interrupted if the leadership changes hands. Funds might be required from the legislature, or they could be transferred from existing budgets.

**Formal, yet flexible.** The formality in this model comes from its support from the Governor and certain reporting functions. Its flexibility derives from coordinated efforts and shared resources.

**Loosely structured.** The loose structure of this model means that it could reach all agencies quickly, although it may take longer to see the expected results. Its success often depends on the zealous commitment of individuals.

**Quality Initiative Models**

Network	Top-Down	Modified Top-Down
● Decentralized	● Centralized	● Centralized
● Informal	● Hierarchical	● Formal, yet Flexible
● Flexible	● Structured	● Loosely Structured

While models differ, the Task Force learned that the success of the strategy depends less on the specific structure than on the commitment of resources and the dedication and vision of individuals who believe in the outcome.

Several Virginia agencies have already begun to implement quality management programs on their own initiative. Clearly, much is already being done to improve processes, enhance customer service, and reduce costs in state agencies and facilities.

At the **Virginia Employment Commission**, one team redesigned the unemployment insurance intake process. The team reduced the number of forms that an individual had to sign or complete from 16 to 1. The wait time was reduced from eight hours to one hour or less. The number of visits made to a local office in the majority of cases was reduced from at least two to only one. Other teams have improved the timeliness of unemployment payments, transformed the appeals process, and reformed the process for reporting to the federal government, such that VEC is now exceeding federal standards in this area. Other process improvements resulting from team efforts include the jobs computers now located in libraries, DMV offices, shopping centers, and grocery stores.

At the **Medical College of Virginia Hospitals**, waiting time for emergency patients has been reduced from 24 minutes to 6 minutes, due to redesigned patient flow. The time required for admission to the hospital has decreased from 59 minutes to 25 minutes as a result of a patient-focused redesign of the admitting process. Other improvements have occurred in radiology, obstetrics, pediatrics, and the laboratory. All have occurred through the concerted look at improving processes to improve service and reduce costs.

The **Department of Mental Health, Mental Retardation and Substance Abuse Services** has integrated quality management with the strategic planning process. They have established a quality council, quality coordinators, and a newsletter to facilitate communication. Central Virginia Training Center has established quality improvement teams to achieve reductions in absentee call-ins, on-the-job injuries, clinic waiting times, and to improve the process for making and fulfilling work orders.

**Step Five: Develop Specific Recommendations for Implementation.** The Task Force proposes an implementation strategy (Appendix D), based on

some of the best practices in the public and private sectors, and which strongly relies on a successful plan that is already in effect in Kansas.

**Goals.** The Task Force proposes seven goals for implementing continuous improvement in Virginia, as listed in the plan. Setting and adhering to these goals is an important first step in implementing the quality effort, because they clarify expectations and provide a guide for future actions.

- Implementation Goals**
- A. Provide access to quality management orientation and training for all state employees.
  - B. Facilitate adoption of quality management in all state agencies, including the elimination of barriers to implementation.
  - C. Establish state agencies as the benchmarks for other organizations.
  - D. Ensure that adequate preparation has occurred within state agencies to assure a high level of success, including implementation of a management skills development plan.
  - E. Monitor, measure, and report success in all agencies implementing quality management.
  - F. Assure long-term commitment to quality management principles in state government.
  - G. Establish a permanent network to support coordination and cooperation among state agencies implementing quality management.

**Organization.** The Task Force proposes the modified top-down approach and the use of pilot projects as most suitable for Virginia. This approach involves both the executive and legislative branches of government with input from the private sector through the Quality Council. It provides for strong leadership from the top, sufficient formality to ensure accountability,

continuity for stability over time, and the flexibility to take advantage of the different experiences of various agencies.

**Implementation.** Day-to-day operations would be overseen by the Planning and Guidance Committee which would develop the state plan, create and monitor goals and objectives, and prepare training materials. A number of options for staffing are available, but the Task Force believes core staffing should be available either from the Governor's office, an office established for this purpose, or a central state agency. Resources would come at least initially from existing state agency budgets. Pilot agencies would be responsible for materials, supplies, training, and staffing.

**Quality Initiative Roles**

- **General Assembly**
  - Establishes the Policy
- **Governor**
  - Initiates Implementation and Serves as Champion
- **Quality Council**
  - Oversees and Monitors Implementation
- **Planning and Guidance Committee**
  - Formulates State Plan, Goals and Objectives, Training Materials
- **Administrative Office**
  - Provides Staff Support and Technical Assistance

**Operations.** Operating guidelines are proposed to ensure continuity and quality in the process. The goal is to achieve a balance between the need to have sufficient information for coordination but not to impose onerous reporting requirements which waste time and money. Agencies choosing to participate would be required to submit written implementation plans to the Quality Council.

Finally, based on the Kansas experience, the Task Force suggests a work plan for the Planning and Guidance Committee, as well as training guidelines.

**Evaluation.** Participating agencies would submit quarterly progress reports and activity results to the Quality Council as a means of achieving continuous improvement in the process.

**Step Six: Evaluate the Results of the Task Force.** Consistent with a quality process, the final step and objective of the Task Force will be to evaluate its own results. The Task Force will select specific performance and effectiveness measures to monitor its progress in fulfilling the mission.

## **Conclusion**

The purpose of the recommended implementation strategy is to give enough specificity to serve as a beginning blueprint. Members of the Task Force strongly believe that continuous quality improvement should drive the policies related to all business processes, including management of the Commonwealth's work force.

Obviously, many approaches to achieving high performance organizations through continuous improvement are possible. The common denominator is the emphasis on quality, leadership, process improvement, teamwork, employee involvement, and customer satisfaction.

An important caveat is necessary: The process takes time and commitment with small successes along the way. Some organizations have been working to implement quality programs for many years. W. Edwards Deming says that launching a quality program is like turning a large ship traveling at full speed. It takes time and distance to turn.<sup>9</sup> Joseph M. Juran made a similar predication: "When it comes to quality, there is no such thing as improvement in general. Any improvement in quality is going to come about project by project and no other way."<sup>10</sup>

Carefully implemented, a program of continuous quality improvement can produce high performance organizations and results for Virginia that are similar to those already achieved by other forward-thinking private and public sector organizations. The key is to begin and to build on the important accomplishments that are already underway.

Respectfully Submitted,

The Honorable Robert D. Hull, Chairman

Ralph G. Cantrell

Glenn H. Gilbreath, Ph.D.

Neila L. Gunter

Susan B. Hardwicke, Ph.D.

Cindy S. Johnston

Linda S. Morrison

Tracey Ragsdale

Peter F. Rapp

Douglas Sears



## End Notes

<sup>1</sup>Regina Kay Brough, "The Eight Rules for Producing Results," The Journal of State Government, Vol. 65, No. 1, (January-March 1992), pp. 4 - 5.

<sup>2</sup>Ibid., p. 6.

<sup>3</sup>Herbert N. Jasper, "Down the Quality Road," Government Executive, (April 1992), p. 39.

<sup>4</sup>Chip Jones, "Reynolds' Russian Problem," Richmond Times-Dispatch, November 14, 1993, p. E1.

<sup>5</sup>R. Kirk Jonas and Julie Bly Cole, "Technical Support Paper: Elements of Total Quality Management and the Virginia Personnel System," Research Findings Presented to the Task Force on Continuous Quality Improvement, November 5, 1993, p. 7.

<sup>6</sup>Ibid., pp. 5 - 7.

<sup>7</sup>Ibid., p. 7.

<sup>8</sup>Ibid., p. 8.

<sup>9</sup>Kansas, Quality Management Guidebook, (May 1993), Appendix A: 16.

<sup>10</sup>Ibid., Appendix A: 10.

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**Table 1**

**Virginia State Agencies Reporting Involvement with TQM Activities**

- |   |  |
|---|--|
| * Dept. of Lottery  | * Dept. of Agriculture & Consumer Services   |
| * Dept. of Mental Health, Mental Retardation and Substance Abuse Services | * Dept. of Labor and Industry                |
| * University of Virginia  | * Virginia Port Authority                    |
| * Dept. of Planning and Budget  | * Dept. of Minority Business Enterprise      |
| * Virginia Commonwealth University  | * Dept. of Alcoholic Beverage Control        |
| * Radford University  | * Dept. of Accounts                          |
| * Milk Commission   | * Dept. of Mines, Minerals and Energy        |
| * Virginia State Library and Archives                                     | * Dept. for the Aging                        |
| * Dept. of Employee Relations Counselors                                  | * Virginia Polytechnic Institute             |
| * State Council on Higher Education in Virginia                           | * Dept. of Motor Vehicles                    |
| * George Mason University   | * Dept. of Housing and Community Development |
| * Dept. of Social Services  | * Dept. of Information Technology            |
| * Dept. of Taxation   | * Virginia Employment Commission             |
| * Dept. of General Services   | * Dept. of Economic Development              |
| * Compensation Board  | * Dept. of Rehabilitative Services           |
| * Dept. of Commerce   | * Dept. of Military Affairs                  |

Source: JLARC staff analysis of State agency survey, 1993.

**Table 2**

**State Agencies Reporting Involvement with TQM  
By Agency Size**

<u>State Agency MEL</u>	<u>Report Utilizing TQM</u>	<u>Report Not Utilizing TQM</u>
Greater than or equal to 1000	12 (60 percent)	8 (40 percent)
Less than 1000	20 (30 percent)	46 (70 percent)

N=86

Source: JLARC staff analysis of State agency survey.

**QUALITY MANAGEMENT INITIATIVES IN STATE GOVERNMENTS HIGHLIGHTS OF PRACTICES WITH POTENTIAL APPLICATIONS TO THE COMMONWEALTH OF VIRGINIA**

State	Origin	Focus	Organizational Structure	Resources	Communication Strategies	Award Programs	Results
<b>Arizona</b>	<ul style="list-style-type: none"> <li>• Office for Excellence in Government (OEG) provides leadership for the quality movement</li> <li>• Governor initiated State Long Term Management (SLIM) Project</li> </ul>	Gov't that is responsive to its customers, the citizens	<ul style="list-style-type: none"> <li>• OEG oversees and coordinates quality initiatives</li> <li>• Project SLIM is overseen by a Steering committee of business and community leaders</li> </ul>	<ul style="list-style-type: none"> <li>• Networks and partnerships</li> <li>• Statewide data bank</li> <li>• Legislature approved \$2.5 million</li> </ul>	<ul style="list-style-type: none"> <li>• State Employee Coordination Committee</li> <li>• Video presentations about Project SLIM and how it functions</li> <li>• Paycheck Stuffers ("P.S." cards)</li> <li>• Arizona State newsletter, <i>Highlights</i></li> </ul>	"Spirit of Excellence" awards are given to individuals, teams, and organizations.	<ul style="list-style-type: none"> <li>• Cost savings, expenditure reductions and revenue enhancement</li> <li>• Received the 1992 Exemplary State and Local Award</li> </ul>
<b>Arkansas</b>	<ul style="list-style-type: none"> <li>• Arkansas Quality Management Task Force</li> <li>• Executive Order includes all state agencies in the quality management improvement process</li> </ul>	<ul style="list-style-type: none"> <li>• Improve services</li> <li>• Exceed expectations of customers (the people of Arkansas)</li> </ul>	<ul style="list-style-type: none"> <li>• Governor's Quality Advisory Council</li> <li>• State Quality Coordinator</li> <li>• Quality Management Training Coordinator</li> <li>• Quality Management courses offered by the Inter-Agency Training Program</li> </ul>	<ul style="list-style-type: none"> <li>• Quality Manager of Eastman Company provided initial orientation, training, and organization for "start-up" of state program, at no cost to the state</li> <li>• Legislation authorized two salaried positions</li> </ul>	Team of volunteers made up of members of the Governor's Quality Advisory Council works to market the quality concept and to strategize communications	<ul style="list-style-type: none"> <li>• Governor's Quality Award recognizes project teams that use quality management techniques</li> <li>• "Day of Celebration" honors teams that have completed projects</li> </ul>	Increased productivity, money saved, and reduced time

State	Origin	Focus	Organizational Structure	Resources	Communication Strategies	Award Programs	Results
California	Executive Order created Quality Task Force	Implement innovative gov't and exceptional customer service	<ul style="list-style-type: none"> <li>• Task Force has not yet been designated</li> <li>• "Pioneer Projects" consist of work teams to improve processes and achieve results</li> </ul>	<ul style="list-style-type: none"> <li>• Volunteers work with "Pioneer Projects" on a "pro-bono" basis</li> <li>• No funds available</li> </ul>	Unofficial newsletter, <i>New Century Express</i>	Proposal submitted to Governor	"Pioneer Projects" may request regulatory relief from the departments of Finance, Personnel, and General Services
Colorado	Governor issued Executive Order on Quality Management in 1990 and 1992	"Many paths to excellence"	Operates on agency level with central guidance provided by state	Budget requests have not been approved	Under development	Being researched	<ul style="list-style-type: none"> <li>• Strategic Plans are complete</li> <li>• TQM efforts are underway</li> </ul>
Florida	"Total Quality Leadership" initiated by Governor	Continuous Improvement	<ul style="list-style-type: none"> <li>• Department of Management Services leads effort</li> <li>• Florida Quality Management Committee</li> <li>• Regional Quality Councils</li> </ul>	<ul style="list-style-type: none"> <li>• Significant budget deficit</li> <li>• Funds provided through normal budget sources</li> <li>• No outside organizations</li> </ul>	Marketing through forums, seminars, and conferences	Governor's Sterling Award recognizes high performance in public, private, health care, and education sectors	Revised personnel system
Kansas	Governor issued Executive Order establishing Kansas Quality Management Council	Tailor TQM to fit specific needs of Kansas gov't	<ul style="list-style-type: none"> <li>• Kansas Quality Management Planning and Guidance Committee</li> <li>• Governor's Office for Efficiency Management</li> <li>• Division of Personnel Services</li> </ul>	Directed to remain within authorized budget limitations	Clear, consistent and timely communication is essential in order to implement KQM	Not mentioned	Not available

State	Origin	Focus	Organizational Structure	Resources	Communication Strategies	Award Programs	Results
Massachusetts	Commonwealth Quality Improvement Council	Transform gov't service and change the way that people think about gov't	<ul style="list-style-type: none"> <li>• Chaired by the Governor with 14 members</li> <li>• Pilot programs identified by senior management</li> </ul>	Supported by MIT Ctr. for Quality Management	Monthly meetings and "brown bag" sessions	Modeled after Baldrige Award	Cabinet level employees and senior managers have been trained
New York	Executive Order established Quality through Participation (QtP)	To lead the nation with the quality of public programs and services	Governor's Office for Employee Relations (GOER) oversees implementation	<ul style="list-style-type: none"> <li>• Costs must be absorbed within existing budgets</li> <li>• GOER provides consulting</li> </ul>	Comprehensive communication strategy is under development	Excelsior Award recognizes high performance in the public, private, and education sectors	Expected to strengthen service delivery and response to customers
Oklahoma	Executive Order established Quality Oklahoma	Responsive and innovative services	<ul style="list-style-type: none"> <li>• Governor's Quality Council</li> <li>• Materials adapted from Xerox</li> <li>• Office of Personnel Management provides staff</li> </ul>	Legislature provided initial funding of \$116,000	Plans to develop a statewide communication network	To be implemented in future	Large number of employees have completed training classes
South Carolina	South Carolina State Government Quality Network composed of 30 agencies, boards, and commissions	Improve the delivery of state government services	Self-paced, free-market approach	Network is staffed by the Dept. of Human Resource Management's Productivity and Quality Services Division	<ul style="list-style-type: none"> <li>• <i>Reaching Above and Beyond - The Quality Journey</i> provides an overview to TQM</li> <li>• <i>Quality Network News</i> published quarterly</li> </ul>	Plans underway to use Baldrige criteria	Agencies have integrated TQM concepts

**QUALITY MANAGEMENT INITIATIVES IN LOCAL GOVERNMENTS  
HIGHLIGHTS OF PRACTICES WITH POTENTIAL APPLICATIONS TO THE COMMONWEALTH OF VIRGINIA**

Locality	Origin	Focus	Organizational Structure	Resources	Communication Strategies	Award Programs	Results
<b>Chesterfield</b>	Board of Supervisors directed the County Administrator to study TQI.	Providing a first choice community through excellence in public service.	<ul style="list-style-type: none"> <li>• Everyone is involved</li> <li>• Executive Steering Committee makes policies</li> </ul>	Consulting Contract with Quality Alert, Inc.	TQI Selling and Marketing Committee	In the process of developing an employee recognition system	By the end of 1996, all employees will be trained in the principles, tools, and implementation of TQI.
<b>Fairfax County</b>	Strategic Initiatives of Senior Management	Customer Responsive Government	Deliberate, incremental program to make Fairfax County a customer responsive government	<ul style="list-style-type: none"> <li>• Fairfax County managers and employees</li> <li>• Business executives</li> </ul>	No central communication strategies	Not mentioned	Improved efficiency, utilization of technology, and adoption of a customer orientation
<b>Roanoke</b>	County looked for a new approach	"To make optimum use of resources in providing the highest level of services to customers"	<ul style="list-style-type: none"> <li>• Steering Committee</li> <li>• Process of change in two areas: (1) empowerment and (2) teamwork</li> </ul>	In-house training program developed with the help of a consultant	Improved communication with those who are not directly involved is necessary	Not mentioned	Just beginning to see some results
<b>Virginia Beach</b>	City Manager initiated program for maximization of current resources	"Business as Usual"	<ul style="list-style-type: none"> <li>• Quality Management Steering Committee</li> <li>• Quality Alliance</li> </ul>	<ul style="list-style-type: none"> <li>• City Manager's Office</li> <li>• Virginia Tech Productivity Center</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Focus Group</li> <li>• <i>City Manager's Update</i></li> <li>• <i>The Beam</i></li> </ul>	<ul style="list-style-type: none"> <li>• Certificates of completion of training</li> <li>• Gainsharing</li> </ul>	<ul style="list-style-type: none"> <li>• Productivity and quality initiatives save money</li> <li>• Citizen Satisfaction</li> </ul>

APPENDIX D

**CONTINUOUS IMPROVEMENT IMPLEMENTATION STRATEGY  
(BASED ON THE KANSAS PLAN)**

**I. GOALS**

- A. Provide access to continuous improvement orientation and training for all state employees.
- B. Facilitate adoption of continuous improvement in all state agencies, including the elimination of barriers to implementation.
- C. Establish state agencies as the benchmarks for other organizations.
- D. Ensure that adequate preparation has occurred within state agencies to assure a high level of success, including implementation of a management skills development plan.
- E. Monitor, measure, and report success in all agencies implementing continuous improvement.
- F. Assure long-term commitment to continuous improvement principles in state government.
- G. Establish a permanent network to support coordination and cooperation among state agencies implementing continuous improvement.

**II. ORGANIZATION**

- A. The Governor will be asked to issue an Executive Order implementing continuous improvement within the executive branch of Virginia state government.
- B. The General Assembly will be asked to approve a statement of values for the Commonwealth.
- C. Continuous improvement will be introduced in a carefully managed process to assure its successful implementation in several pilot agencies, and it will initially be limited to specific work units and several key processes within the pilot agencies.



- D. The Quality Council will be composed of individuals selected by the Governor, including representatives of the private sector who are knowledgeable about the continuous improvement process.
- E. The Planning and Guidance Committee will have representation from each pilot agency.
- F. The Planning and Guidance Committee will provide coordination, shared assistance and networking among the pilot agencies. For uniform application of continuous improvement, the committee will be responsible for the development of state training materials based upon input generated from the pilot agencies. Pilot agencies presently implementing continuous improvement and using training materials will continue to use those materials until state training materials have been approved by the Council. Approved training materials will be used within all remaining divisions or sections of the pilot agencies and for all agencies implementing programs in the future.
- G. All agencies implementing continuous improvement projects will be required to prepare written implementation plans that will be reviewed by the Planning and Guidance Committee. Committee recommendations will be forwarded to the Council for approval.
- H. Partnership development with private sector companies, which are recognized for exemplary continuous improvement implementation, is encouraged. Proposals for partnership agreements or technical assistance must be consistent with applicable state laws and regulations.
- I. Agencies may enter into an agreement to acquire continuous improvement consultative or training assistance after obtaining approval of the Council.

### **III. IMPLEMENTATION**

#### **A. Staffing**

1. The Governor's Office, a new office, or an existing central state agency will be responsible for providing staff support to the Council and the Planning Committee.
2. The staffing entity will assign sufficient personnel to deliver or oversee training requirements authorized by the Council and the Planning and Guidance Committee.

3. Additional staff from agencies will be temporarily assigned as needed to the Council and Planning Committee to execute responsibilities.
4. Each pilot agency will assign an appropriate level of staff for internal support of continuous improvement activities.

**B. Equipment/Supplies**

Preparation of supplies and materials will initially be the responsibility of each pilot agency.

**C. Budget**

Continuous improvement projects will be considered a top priority in pilot agencies and will be supported at an appropriate level.

**IV. OPERATIONS**

**A. To achieve coordinated implementation, agencies will follow certain policy guidelines.**

1. No agency will begin to implement continuous improvement until:
  - a. It submits a written implementation plan to the Planning and Guidance Committee; and
  - b. The implementation plan receives approval by the Council.
2. All approved implementation plans will include progress report procedures that will regularly inform the Planning and Guidance Committee, the Council and the Governor. Such reports will cover two broad categories:
  - a. Progress on the implementation of the approved plan; and
  - b. Outcomes of specific activities that result in improvements in the quality of state government. Improvements that can be associated with actual cost savings, increased productivity and efficiency, and customer satisfaction should be reported.
3. All implementation plans submitted by agencies will include:
  - a. Vision statement and specific goals;

- b. Implementation strategy that includes requirements for supplies, staffing and training;
  - c. Operational strategy which includes procedures (i) to coordinate and control continuous improvement activities within the agency and in cooperation with other state agencies and (ii) to address key products, services, core processes, and customers;
  - d. Evaluation plan which will provide progress reports on both results;
  - e. A program schedule reflecting major activities and time lines for continuous improvement projects within the agency; and
  - f. Recognition efforts to include individual and team recognition for accomplishments.
- B. Long-term coordination and policy development will be provided by the Council. Agencies will not be required to resubmit plans on a continuing basis.
- C. Coordination and shared assistance between agencies will be facilitated by members of the Planning and Guidance Committee and administrative support staff.

## **V. EVALUATION**

- A. Each participating agency will be required to submit a quarterly progress report on implementation and activity results to the Council.
- B. The Council will submit a quarterly report to the Governor.

## **VI. PLANNING AND GUIDANCE COMMITTEE WORK PLAN**

- A. Complete leadership structure
  - 1. Establish Quality Council
  - 2. Establish Planning and Guidance Committee
  - 3. Establish subcommittee of the Planning and Guidance Committee to monitor and update the implementation strategy

**B. Prepare Continuous Improvement Guidebook**

1. At a minimum, the Guidebook should include the following topics:
  - a. Principles
  - b. Essentials
  - c. Elements
  - d. Planning Process
  - e. Implementation Process for Agencies
  - f. Management Development, Team-building, and Interactive Skills
  - g. Suggested Forms
  - h. Role of Leaders
  - i. Change Management
  - j. Recognition/Awards
  
2. Production of the Guidebook will follow certain guidelines:
  - a. A subcommittee made up of representatives from each pilot agency will be responsible for development of the manual;
  - b. The Guidebook should be given priority by staff;
  - c. Pilot agencies should develop a consensus on the major components of the manual;
  - d. During the period of preparation, pilot agencies should continue using materials currently in use;
  - e. After completion and approval by the Council, all agencies (including pilot agencies) will use the Guidebook;
  - f. The Guidebook should be revised and updated on a timely basis; and
  - g. Proposed changes should be submitted to the Council.

**C. Establish a Communications Network**

1. Internal Network
  - a. Recognition Program
  - b. Employee awareness (events/meetings)
  - c. Inter-agency information exchange process
  - d. Newsletter
  - e. Reporting system

2. External Network

Public and media information strategy

3. Quality Month

- a. Quality Week/Month
- b. Involving employees at all levels and private sector

D. Establish Training Program

1. Designate an office

2. Establish a training subcommittee (representatives from all pilot agencies)

3. Prepare training work plan covering the following:

a. Training Policy

- based on principles selected for the Guidebook
- giving options to agencies to use central training or offer their own provided it is consistent with the Guidebook

b. Development of a diagnostic tools manual covering such topics as:

- nominal group process
- definition of "process"
- flow charts
- tally sheets
- pareto chart
- histogram
- cause and effect diagram
- scatter diagram
- problem solving skills

E. Develop Implementation Workshop Plan

1. Conduct workshops for pilot agencies

2. Present workshop agenda and feedback to agency Cabinet Secretaries and Council

F. Develop Continuous Improvement Materials

Designate a materials committee to finalize draft materials

**VII. CONTINUOUS IMPROVEMENT TRAINING GUIDELINES**

A. Training Schedules

All agency implementation plans must contain a training schedule.

The Just-in-Time principle should be followed in developing agency training plans in order to gain the advantage of higher retention rates. The Just-in-Time principle is summarized below:

- Train the Trainers: prior to all other training (with the exception of awareness training)
- Awareness: not more than 1 year prior to initiation of team activities
- Training of Facilitators: approximately 90 days prior to initiation of team activities
- Training of Team Leaders: approximately 60 days before initiation of team activities
- Team Members: approximately 30 days prior to initiation of team activities -  
- then on-going as necessary

Both initial and refresher training for trainers should be provided.

B. Awareness Training

The minimum topics to be covered in awareness training are:

- Principles
- Essentials
- Planning Process
- Implementation Process for Agencies
- Suggested Measurements

- Roles
- Change Management

The Guidebook will include all required awareness training topics and should be provided to all participants in awareness training.

Awareness training is the minimum level of training for anyone involved in implementing continuous improvement in an agency. At a minimum, every employee directly involved on a continuous improvement team and everyone in the chain of command from agency head to the unit supervisor of the participation team must receive awareness training prior to the initiation of team activities.

Agencies are encouraged to selectively expand the scope of awareness training internally and externally. For example:

- Line managers of uninvolved units should be trained when the agency wants to encourage program expansion
- Official advisory boards and commissions may appropriately participate
- Larger agencies should involve a variety of key staff positions in budgeting, personnel, and other appropriate units even though they are not directly involved in continuous improvement

Awareness training should occur prior to any other training and no sooner than one year prior to initiation of team projects.

### C. Agency Training Capability

Agencies have at least five basic options to develop the level of training capacity necessary to implement continuous improvement programs:

- Train staff members to do training
- Arrange to use training programs being conducted by other agencies
- Use outside consultants as trainers within budgetary guidelines
- Use some combination of the above

Agencies are encouraged to develop cost-effective training programs but to keep in mind that adequate training is essential to success. Therefore, quality training

to fewer participants should be the option of choice over a weak program for a larger number of participants.

When evaluating training plans and programs (both in-house and those of consultants) agencies should consider the following:

- The variety of instructional methods used, e.g. lecture, role play, exercises, group discussion, case studies. Look for variety and appropriateness of method to learning objective
- Quality of visual aids such as handouts, overhead transparencies, flip charts and videos
- Methods to evaluate learning of participants are included, e.g. feedback instruments and experiential opportunities to apply what has been learned
- The outline of the material to be presented is clear with approximate times indicated
- The objectives of the training program being evaluated are compatible with the training needs of the agency and the continuous improvement philosophy

When selecting consultants to perform training, agencies should:

- Document the agency's training needs prior to contacting a consultant
- Determine if the consultant has worked extensively with governmental agencies or will use materials and training methods suited to needs in agency
- Find a trustworthy consultant who demonstrates sincere interest in understanding the agency, how it fits into the continuous improvement model, and who can be relied on to protect the interests of the agency
- The consultant's outline of the material to be presented clearly adheres to the agency's specifications with time line included
- Establish and maintain a plan to monitor the activities and progress of the consultant

#### D. Training Responsibilities

Trainers will be responsible for training facilitators.

Facilitators will be responsible for training team leaders and team members.



People selected as trainers and facilitators should possess the following attributes:

- Sufficient knowledge of basic applied management statistics to teach continuous improvement diagnostic tools to facilitators
- Sufficient knowledge from formal training and experience to teach the topics covered in the Continuous improvement Guidebook and handbooks

People selected as facilitators should be chosen based upon their demonstrated ability to work effectively with groups.

Facilitators should have their responsibilities made part of their formal position descriptions.

