

Establishing the Strategy based on Data Part 2 of 3

Liz Scott and Jeff Curtis

Abstract

In Part One of this series on cost benefit analysis we reviewed data collection techniques and the types of data that should be collected to quantify current status of the disability cost and justify the value of a disability management program. Data collection includes quantitative costs and trends as well as qualitative patterns. The types and multiple sources of the data were identified and discussed. Once the data has been collected and the baseline or current position established it is essential to summarize the information and use it to set clear measurable and appropriate goals. In establishing goals it is essential that they line up with the company's strategic plan and direction. The chances of endorsement for the program are greater if the program is regarded as an integral part of the corporation's path to success.

Establishing the Strategy based on Data (Part 2 of 3)

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Data Summary

The data should be summarized at a high level and articulated as a key part of the disability management plan. An example of a brief summary of disability data may appear as follows:

Strategic Plan

Once the data has been collected and summarized the next step is to determine the potential impact and examine how goals will be formulated to achieve desired results, primarily lowered costs. Remember that the goals for the disability management program

Direct Costs

Workers' Compensation Cost
 Premium: \$ 100,000
 Experience Rating
 Penalty: \$ 20,000
 Total Cost: \$ 120,000

Sick Leave /
 Short Term Disability Cost
 Cost: \$ 120,000

Long Term Disability
 Premium Cost: \$ 40,000
 (it is essential in this area to understand the funding mechanism of the LTD plan)

Indirect Costs:

In companies that have established cost tracking mechanisms there is an opportunity to quantitatively measure indirect cost. However, in industries that do not have a means of tracking the total direct cost can be multiplied by four and can be used to estimate indirect costs (Conference Board of Canada, 1989).

Some of the data points for indirect cost include replacement cost, retraining cost, administrative time, productivity cost, modified work program cost, accommodation cost, healthcare cost, etc.

Replacement Costs:

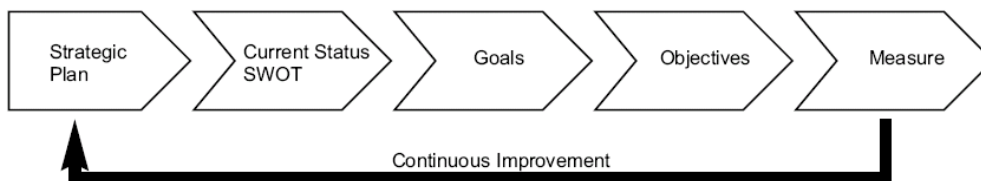
In many industries if a worker is off on disability the job must still get done in their absence. This creates a quantifiable cost of the replacement worker. In companies that have established cost tracking metrics there may be an opportunity to quantify cost.

should fit directly into the corporation's strategic plan.

Most organizations go through strategic planning to focus the company on high-level understanding of corporate goals. The identified strategic plan is then cascaded through each department with the level of detail increasing at each level of the organization. Strategic planning is generally performed on a yearly basis to ensure the corporation's focus is revisited and sufficient to obtain success. The key

deliverables that will assist in delivering the product or service and maintaining profitability are articulated. The process identifies key focus areas and provides senior management with direction to fulfill the corporation's goals. Areas that all employees will ultimately assist in achieving.

The strategic planning process can then be formally defined as a process of setting goals and objectives and deciding how to accomplish them. An appropriate



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supporting structure can also be determined from this process.

The planning process includes:

- ✓ Set / Confirm the overall strategy & goal of the organization
- ✓ Determine the current state
- ✓ Develop an understanding about influencers on the future position including a Strengths, Weaknesses Opportunities and Threats (SWOT) analysis
- ✓ Identify and choose appropriate objectives that will move the business forward
- ✓ Implement the action plan and evaluate results

The importance of understanding the basis of corporate planning cannot be underestimated. Planning focuses attention on key strategic focus areas and creates attention on key results.

Understanding the corporation's focus and strategic plan will provide the conduit for the formulation of the disability management initiatives.

For example, if the company has a strategic planning process that has identified employee retention and company profitability as two of the key strategic areas, it is important for the disability management program to align with those directions. "Today's employers go to considerable lengths to attract talent by promising a position and work environment that is engaging and satisfying." (Curtis & Scott, 2004).

The disability management program can directly impact both of these corporate strategies and the disability management plan can demonstrate how the program will assist in achieving the company's goals.

Goals and Objectives

Once the overall corporate strategy has been reviewed and set for the disability management program, detailed goals will need to be developed to ensure the results are

obtained. Goals need to be specific, measurable and realistic. An example of a goal of the disability management program would be to assist with the retention of valued employees following an event of disability. By articulating the goal: Employees will return to work in 80% of the cases within one week of absence; the measure to ensure this goal is met would be a duration / severity measure.

Another goal that would align with the strategic plan would be to decrease the costs of disabilities. The goal could be stated, the cost of Workers' Compensation will be decreased by 10% in 2004 through the use of the early and safe return to work program. The key measure to ensure this is accomplished is the cost of Workers' Compensation per employee or per \$100 of payroll. The Washington Business Group on Health (2003) has recently published standardized metrics for tracking disability data. These standards will bring some consistency to measures and establish a basis for best practice benchmarking.

Goals should be developed for each of the key areas that the disability management program can influence.

The overall goals should have four key characteristics:

Measurable -- There must be a way to reflect progress. "What gets measured gets done." Ensure that targets have a quantitative nature.

Meaningful -- The target must represent something significant. The objective has to be essential to the success of resolving the disability and the health of the employee. The worthiness of the goal must be apparent. It should be obvious that attainment of your objective will improve your employee's potential of return to function and increase the chances that the employer will have a valuable human resource back at work.

Achievable -- Creation of an unreasonably aggressive goal serves no purpose. Actively or passively, participants will become discouraged and drop out. The goal must be attainable in a realistic amount of time given the current condition and resources.

Challenging -- The establishment of a goal that stretches the capabilities of the insurance company and the engagement of the absent employee. The objective must be realistic for those who will end up being participants. The ability to accomplish goals presents a positive impression on the program.

Remember to be careful with the use of absolute goals like "no lost time" workdays or "no LTD claims." While these are great ambitions and few would dispute the desire to have a world free of illness and injury, they represent an unrealistic future state. It is important to establish significant but achievable goals.

There are a number of reasons to go through this process including the fact that goal setting is an essential part of the larger company planning activities. Goal setting encompasses:

- ✓ The identification of values, issues and problems
- ✓ Goal selection
- ✓ Choice of strategies
- ✓ Decisions about operations and tactics
- ✓ Monitoring
- ✓ Assessment and revision of strategies and goals

Once the goals are established, specific objectives to achieve the goals should be designed that detail the activities that will result in successful execution.

Tracking Success

Tracking against the specified goals and objectives then becomes an important component of the disability management program. Tracking means extracting the data from many sources on many items.

It is essential to ensure the data is tracked consistently year over year to avoid unexplained variances. Some of the data may be available from the day-to-day disability management functions. As an example when a claim is commenced, basic information can be collected including the date of the disability, diagnosis, expected return to work date, actual return to work date (modified and regular), work history, job/position, department. Claim initiation data can be tracked such as initial contact timeframe and follow-up timeframes.

Case management data may include referrals to preferred providers, specialized interventions, contact intervals, return to work dates, expected cost or interventions.

Return to work data may include actual return to work date, modified return to work date or regular return to work dates.

Qualitative surveys can be used to gather data from supervisors and employees on value, satisfaction and any suggestions for improvement. These surveys can be done either in written form or through the use of focus groups. They add an ability to quantify the qualitative data into surveys and charts for data driven summaries.

Once the baseline has been established and strategy, goals and objectives formulated, it can be proven that disability management fits into the corporation's strategic plan and corporate goals and it can assist in fulfilling important mandates. Data can be used to develop goals and objectives that align with the corporation's strategic direction. The measurement of success in program implementation has many favourable results including the long-term sustainability of the disability management program. In the third part of this series we will discuss measuring success and performing the return on investment calculation.

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Liz and Jeff recently spoke at the International Forum on Disability Management in the Netherlands on the topic of cost effectiveness of disability management.

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