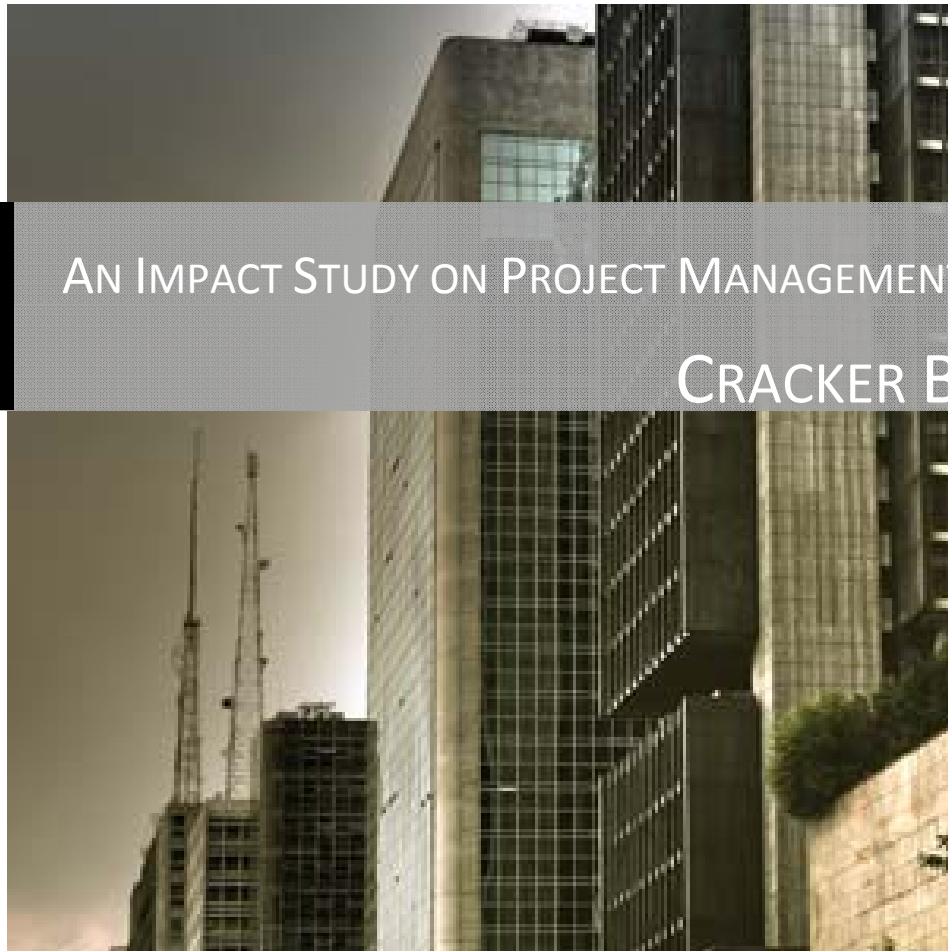


ROI Case Study



AN IMPACT STUDY ON PROJECT MANAGEMENT TRAINING CRACKER BOX, INC.

Jack J. Phillips, Ph.D.
Patti Phillips, Ph.D.

This case was prepared to serve as a basis for discussion rather than to illustrate either effective or ineffective administrative and management practices. All names, dates, places, and organization have been disguised at the request of the author or organization.

Copyright © 2007.

No part of this may be reproduced, stored in a retrieval system, or transmitted in any form or by a means without written permission.

ROI INSTITUTE™

P.O. Box 380637
Birmingham, AL 35238
Phone: 205-678-8101 • Fax: 205-678-8102
Email: info@roiinstitute.net

Background

Cracker Box, Inc. is a large, fast-growing restaurant chain located along major thoroughfares. In the last 10 years, Cracker Box has grown steadily and now has over 400 stores with plans for continued growth. Each store has a restaurant and a gift shop with a store manager responsible for both profit units. Currently, the store manager turnover is approximately 25% – lower than the industry average of 35% – but still excessive. Because of the store's growth and manager turnover, there is a need to develop new store managers – almost 150 per year.

The store managers operate autonomously and are held accountable for store performance. Utilizing the team environment, managers control expenses, monitor operating results, and take actions as needed to improve store performance. Each store has dozens of performance measures all reported in a monthly operating report. Some measures are actually reported weekly.

Store Manager Training

Store managers are recruited both internally and externally and must have restaurant experience. Many of them have college degrees. The training program for new managers usually lasts nine months. When selected, the store manager trainee reports directly to a store manager who serves as a mentor to the trainee. Trainees are usually assigned to the same store location for the duration of training. During the training period, the entire store team reports to the store manager trainee as the store manager coaches the trainee. As part of the formal training and development, each store manager trainee is required to attend at least three one-week programs offered by the company's C.U. One of those programs is the Performance Management Program.

Performance Management Program

The Performance Management Program teaches new store managers how to improve store performance. Program participants learn how to:

- Establish measurable goals for employees,
- Provide performance feedback,
- Measure progress toward goals, and
- Take action to ensure that goals are met.

The program focuses on using the store team to solve problems and improve performance. The one-week program is residential and evening assignments are often part of the process. It is taught by both the corporate university staff and operation managers. Program sessions take place at the location of the corporate university near the company's headquarters.

Needs Assessment

Prior to attending the program, participants are asked to provide brief, limited needs assessment data. Each participant is asked to meet with the store manager (his or her mentor) and identify at least three operating measures that, if improved, should enhance store performance. Each measure should focus on changes that both the store manager and manager trainee feel should be made. The measures may be productivity, absenteeism, turnover, customer complaints, revenues, inventory control, accidents, or any other measure that should improve performance. It is possible for each participant in a specific group to have different measures.

To ensure that the job performance needs are met, each participant was asked to review the detailed objectives of the program and select three (3) measures that can be improved utilizing the efforts of the team and skills taught in the program. The important point in this step is to avoid selecting measures that cannot be enhanced through the use of the skills of the team.

As participants register for the program, they are reminded of the requirement to complete an action plan as part of the application of the process. This requirement is presented as an integral part of the program and not as an “add on” data collection tool. Action planning is necessary for participants to see the actual improvements generated from the entire group of program participants. Credit is not granted until the action planning process is completed.

Action Planning

Figure 1 shows the sequence of activities as the action planning process is introduced to participants and reinforced throughout the program. The requirement for the action plan is communicated prior to the program along with the request for needs assessment. On the opening day, the action planning process is described in a 15-minute discussion. Participants are provided with specially prepared notepads for them to capture specific action items throughout the program. They are instructed to make notes when they learn a technique or skill that can be useful in improving one of the measures on their list of three. In essence, this notepad becomes a rough draft of the action plan.

The action planning process is discussed in greater detail in a one-hour session on Thursday afternoon. This discussion includes three parts:

1. The actual forms are provided and discussed.
2. The guidelines for developing action plans are presented. The SMART (Specific, Measurable, Achievable, Realistic, and Time-Based) requirements are utilized.
3. An example is discussed to illustrate what a complete action plan should look like.

The action planning forms are distributed in a booklet that contains instructions, five blank action plans (only 3 are required – one for each measure) and the examples of completed action plans.

Figure 1

Sequence of Activities for Action Planning

Before the One Week Session

- Communicate the action plan requirement early.
- Identify three operating measures for improvement.

During the One Week Session

- Describe the action planning process at the beginning of the program.
- Teach the action planning process.
- Allow time to develop the plan.
- Have the facilitator approve the action plan.
- Require participants to assign a monetary value for each proposed improvement.
- If possible, require action plans to be presented to the group.
- Explain the follow-up mechanism.

After the One Week Session

- Require participants to provide improvement data.
- Ask participants to isolate the effects of the program.
- Ask participants to provide a level of confidence for estimates.
- Collect action plans at the pre-determined follow-up time.
- Summarize the data and calculate the ROI.

On Thursday evening, the booklets are completed in a proctored session lasting approximately 1½ hours. Participants work in teams to complete all three action plans. Each plan takes about 20-30 minutes to complete. Figure 4 shows a blank action plan. The top portion of the plan is completed along with the left side where the action steps are indicated. Also, parts A, B, and C on the right side are completed during the session. The remainder of the form, parts D, E, and F as well as intangible benefits, are completed in a six-month follow-up. The session is monitored by the senior facilitator and sometimes an operations executive. Having the operations executive involved provides an additional benefit of keeping the participants focused on the task. Also, this involvement usually leaves operating executives impressed with the focus of the program and the quality of the action planning documents.

The next day, Friday, the participants briefly review the action planning process with the group. To save time, the best action plans from each team are presented to the entire group to underscore the quality of the action planning process. The follow-up steps are explained to the group that usually requires them to submit completed plans to the corporate university staff, leaving a copy with the store manager. It is recommended that the manager trainee and the store manager discuss the document before sending a copy to the C.U. staff. Contact information is included in case there is some question about the data.

Questions

1. Is the needs assessment adequate?
2. Prepare a recommended data collection plan.
3. Prepare a recommended ROI analysis plan.

Data Collection Plan

Program: _____ Responsibility: _____ Date: _____

| Level | Objective(s) | Measures/Data | Data Collection Method | Data Sources | Timing | Responsibilities |
|-------|----------------------------|--|------------------------|--------------|--------|------------------|
| 1 | Reaction/Satisfaction | | | | | |
| 2 | Learning | | | | | |
| 3 | Application/Implementation | | | | | |
| 4 | Business Impact | | | | | |
| 5 | ROI | Comments: _____ _____ _____ _____ | | | | |

Figure 2– Blank Data Collection Plan

ROI Analysis Plan

Program: _____ Responsibility: _____ Date: _____

| Data Items (Usually Level 4) | Methods for Isolating the Effects of the Program/ Process | Methods of Converting Data to Monetary Values | Cost Categories | Intangible Benefits | Communication Targets for Final Report | Other Influences/ Issues During Application | Comments |
|---------------------------------|--|---|-----------------|------------------------|---|--|----------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Figure 3 – Blank ROI Analysis Plan

ROI Action Plan

Name: _____ Instructor Signature: _____ Follow-Up Date _____
 Objective: _____ Evaluation Period: _____ to _____
 Improvement Measure: _____ Current Performance _____ Target Performance _____

| Action Steps | Analysis |
|-----------------------------|--|
| 1. _____ _____ | A. What is the unit of measure? _____ |
| 2. _____ _____ | B. What is the value (cost) of one unit? \$ _____ |
| 3. _____ _____ | C. How did you arrive at this value? _____ _____ _____ |
| 4. _____ _____ | D. How much did the measure change during the evaluation period? (monthly value) _____ |
| 5. _____ _____ | E. What percent of this change was actually caused by this program? _____ % |
| 6. _____ _____ | F. What level of confidence do you place on the above information? (100% = Certainty and 0% - No Confidence) _____ % |
| 7. _____ _____ | |
| Intangible Benefits: | |

Figure 4 – Blank ROI Action Plan

Data Collection and Analysis

Reaction data are collected at the end of the program using a standard questionnaire, which focuses on issues such as relevance of the material, the amount of new information, and intention to actually use the skills. The content, delivery, and facilitation are also evaluated.

Learning improvement was measured at the end of the program using a self-assessment and a facilitator assessment. Although these measures are subjective, they provide an indication of improvements in learning. In a typical program, significant improvements in both the self-assessments and facilitator-assessments are usually reported.

To determine the extent to which the skills are actually being utilized and to check progress of the action plan, a questionnaire was distributed three months following participation in the program. Both the store manager trainee and their immediate managers received the two-page, user-friendly questionnaire that covered the following areas:

1. Skill Usage
2. Skill Frequencies
3. Barriers to Implementation
4. Enablers for Implementation
5. Quality of the Support from the Manager
6. Additional Intangible Benefits
7. Recommendations for Program Improvements

The action plan could focus on any specific steps as long as they are consistent with the skills required in the program and are related to the business improvement measures. The most difficult part of developing the plan is to convert the measure to a monetary value. Three approaches are offered to the participants.

First, standard values were used if they were available. Fortunately, for Cracker Box, standard values are available for most of the operating measures. Operations managers had previously assigned a cost (or value) to a particular measure to control costs and develop an appreciation for the impact of the different measures. Second, if a standard value is not available, the participants are encouraged to use expert input. This option is a matter of contacting someone in the organization who may know the value of a particular item. Participants are encouraged to call the expert on Friday morning and include the value to the action plan. Third, if a standard value or expert input is not available, participants are asked to estimate the cost or value using all of the knowledge and resources available to them. Fortunately, the measure is a concern to the trainee and the store manager so there is some appreciation for the actual value. An estimate was possible in every case when standard values and expert input was not available. It was important to require this value to be developed during the program or at least have it developed soon after the program is completed.

A six-month follow-up was planned and the participants were required to furnish five items.

1. The actual change in the measure on a monthly basis is included in part D of the action plan. This value is used to develop an annual (first year) improvement.
2. The only feasible way to isolate the effects of the program is to obtain an estimate directly from the participants. As they monitor the business measures and observe their improvement, the participants probably know the actual influences driving a particular measure – at least the portion of the improvement related directly to their actions, which are detailed on the action plan. Realizing that other factors could have influenced the improvement, the manager trainees were asked to estimate the percent of improvement resulting from the application of the skills required in the training program (the action steps on the action plan). Each manager trainee was asked to be conservative with the estimate and express it as a percentage (part E on the action plan).
3. Recognizing that the above value is an estimate, the manager trainees were asked to indicate the level of confidence in their allocation of the contribution to this program. This is included in part F on the action plan, using 100% for certainty and 0% for no confidence. This reflects the degree of uncertainty in the value and actually frames an error range for the estimate.
4. The participants were asked to provide input on intangible measures observed or monitored during the six months that were directly linked to this program.
5. Participants were asked to provide additional comments including explanations.

Figure 5 shows a sample of the action plan document used for this program. The example focuses directly on absenteeism from participant No. 3. This participant has a weekly absenteeism rate of 8% with a goal to reduce it to 5%. Specific action steps are indicated on the left side of the form. The actual value is \$41 per absence and this represents a standard value. The actual change on a monthly basis is 2.5%, slightly below the target. The participant estimated that 65% of the change is directly attributable to this program and is 80% confident in this estimate. The 80% becomes a discount factor adjusting to the low side of the range. This particular location, which is known because of the identity of the store trainee, has 40 employees. Also, employees work an average 220 days. The actual improvement value for this example can be calculated as follows:

$$40 \text{ Employees} \times 220 \text{ Days} \times 2.5\% \times \$41 = \$9,020$$

This is a total first year improvement before the adjustments. Table 1 presents the annual improvement values on the first measure only for 14 participants. A similar table is generated for the second and third measures. The values are adjusted with the contribution estimate and the confidence estimate. Thus, in the absenteeism example, the \$9,020 is adjusted by 65% and 80% to yield \$4,690. This same adjustment is made for each of the values, with a total first year adjusted values for the first measure of \$68,240. A similar process is undertaken for the second and third measures yielding totals of \$61,525 and \$58,713, respectively. Thus, the total benefits would be the sum of these three values.

Table 1

Business Impact Data

| Participant | Improvement (Dollar Values) | Measure | Contribution Estimate from Manager Trainees | Confidence Estimate |
|--------------------|--|----------------|--|--------------------------------|
| 1 | \$5,500 | Labor Savings | 60% | 80% |
| 2 | 15,000 | Turnover | 50% | 80% |
| 3 | 9,020 | Absenteeism | 65% | 80% |
| 4 | 2,100 | Shortages | 90% | 90% |
| 5 | 0 | | ----- | |
| 6 | 29,000 | Turnover | 40% | 75% |
| 7 | 2,241 | Inventory | 70% | 95% |
| 8 | 3,621 | Procedures | 100% | 80% |
| 9 | 21,000 | Turnover | 75% | 80% |
| 10 | 1,500 | Food Spoilage | 100% | 100% |
| 11 | 15,000 | Labor Savings | 80% | 85% |
| 12 | 6,310 | Accidents | 70% | 100% |
| 13 | 14,500 | Absenteeism | 80% | 70% |
| 14 | 3,650 | Productivity | 100% | 90% |

Total Annual Benefit for First Measure is \$68,240
 Total Annual Benefit for Second Measure is \$61,525
 Total Annual Benefit for Third Measure is \$58,713

ROI Action Plan

Name: John Mathews Instructor Signature: _____ Follow-Up Date 1 September
 Objective: Reduce Weekly Absenteeism Rate for Team Evaluation Period: March to April
 Improvement Measure: Absenteeism Rate Current Performance 8% Target Performance 5%

| Action Steps | Analysis |
|---|---|
| <ol style="list-style-type: none"> 1. <u>Meet with team to discuss reasons for absenteeism – using problem solving skills.</u> 10 March 2. <u>Review absenteeism records for each employee – look for trends and patterns.</u> 20 March 3. <u>Counsel with “problem employees” to correct habits and explore opportunities for improvement.</u> 4. <u>Conduct a brief “performance discussion” with an employee returning to work after an unplanned absence.</u> 5. <u>Provide recognition to employees who have perfect attendance.</u> 6. <u>Follow-up with each discussion and discuss improvement or lack of improvement and plan other action.</u> 31 March 7. <u>Monitor improvement and provide recognition when appropriate.</u> | <ol style="list-style-type: none"> G. What is the unit of measure? <u>One Absence</u> H. What is the value (cost) of one unit? <u>\$ 41.00</u> I. How did you arrive at this value? <u>Standard Value</u> J. How much did the measure change during the evaluation period? (monthly value) <u>2.5%</u> K. What percent of this change was actually caused by this program? <u>65%</u> L. What level of confidence do you place on the above information? (100% = Certainty and 0% - No Confidence) <u>80%</u> |
| Intangible Benefits: <i>Less Stress, Greater Job Satisfaction</i> | |

Figure 5 – Completed Action Plan

Cost

Table 2 shows the program cost summary reflecting a fully loaded cost profile. The cost of the needs assessment is prorated over the life of the program, which is estimated to be three years with 10 sessions per year. The program development cost is prorated over the life of the program as well. The program materials and lodging costs are direct costs. Facilitation and coordination were estimated. Time away from work represents lost opportunity and is calculated by the actual salary costs adjusted for 30% employee benefits factor. Training and education overhead was estimated. Actual direct costs for the evaluation are included. These total costs of \$47,242 represent a very conservative approach to cost accumulation.

| | |
|---|----------|
| • Needs Assessment (Prorated over 30 Sessions) | \$1,500 |
| • Program Development (Prorated over 30 Sessions) | 1,700 |
| • Program Materials – 14 @ \$40 | 560 |
| • Travel & Lodging – 14 @ \$900 | 12,600 |
| • Facilitation & Coordination | 8,000 |
| • Facilities & Refreshments – 5 days @ \$350 | 1,750 |
| • Participants Salaries Plus Benefits – 14 @ 521 x 1.3 | 9,482 |
| • Training & Education Overhead (Allocated) | 900 |
| • ROI Evaluation | 10,750 |
| | <hr/> |
| | \$47,242 |

Questions

1. Calculate the total benefits for 1 year.
2. Calculate the BCR and ROI.
3. Is this value realistic?
4. What are the advantages of this approach?

Data Collection Plan

Program: Performance Management Program **Responsibility:** _____ **Date:** _____

| Level | Objective(s) | Measures/Data | Data Collection Method | Data Sources | Timing | Responsibilities |
|----------|--|--|--|---|--|--|
| 1 | Reaction/Satisfaction <ul style="list-style-type: none"> • Obtain positive reaction to program and materials • Identify planned actions | <ul style="list-style-type: none"> • Average rating of 4.0 out of 5.0 on quality, quantity, and usefulness of material • 100% submit planned actions | <ul style="list-style-type: none"> • Standard feedback questionnaire | <ul style="list-style-type: none"> • Participant | <ul style="list-style-type: none"> • End of program | <ul style="list-style-type: none"> • Facilitator |
| 2 | Learning <ul style="list-style-type: none"> • Knowledge on establishing employee goals • Knowledge on providing feedback • Knowledge on measuring employee performance | <ul style="list-style-type: none"> • Be able to identify 100% of steps necessary to establish, monitor, and achieve goals • Demonstrate ability to provide employee feedback | <ul style="list-style-type: none"> • Skill practice • Facilitator assessment • Participant assessment | <ul style="list-style-type: none"> • Participant | <ul style="list-style-type: none"> • During program | <ul style="list-style-type: none"> • Facilitator |
| 3 | Application/Implementation <ul style="list-style-type: none"> • Complete all steps of action plan | <ul style="list-style-type: none"> • The number of steps completed on action plan | <ul style="list-style-type: none"> • Follow-up questionnaire • Action plan | <ul style="list-style-type: none"> • Participant • Participant's manager • Participant | <ul style="list-style-type: none"> • 3 months after program • 6 months after program | <ul style="list-style-type: none"> • Corporate University staff |
| 4 | Business Impact <ul style="list-style-type: none"> • Identify 3 measures that need improvement | <ul style="list-style-type: none"> • Varies | <ul style="list-style-type: none"> • Action plan | <ul style="list-style-type: none"> • Participant | <ul style="list-style-type: none"> • 6 months after program | <ul style="list-style-type: none"> • Corporate University staff |
| 5 | ROI <ul style="list-style-type: none"> • Complete all steps of action plan | Comments: _____ _____ _____ _____ | | | | |

Figure 6—Data Collection Plan
 © 2007 ROI Institute, Inc. All rights reserved.

ROI Analysis Plan

Program: Performance Management Program **Responsibility:** _____ **Date:** _____

| Data Items (Usually Level 4) | Methods for Isolating the Effects of the Program/ Process | Methods of Converting Data to Monetary Values | Cost Categories | Intangible Benefits | Communication Targets for Final Report | Other Influences/ Issues During Application | Comments |
|--|--|---|---|---|---|--|----------|
| <ul style="list-style-type: none"> • 3 measures identified by manager trainee and manager | <ul style="list-style-type: none"> • Participant estimation | <ul style="list-style-type: none"> • Standard values • Expert input • Participant estimation | <ul style="list-style-type: none"> • Needs assessment • Program development • Program material • Travel & lodging • Facilitation & coordination • Participant salaries plus benefits • Training overhead • Evaluation | <ul style="list-style-type: none"> • Achievement • Confidence • Job satisfaction • Permanent store assignment | <ul style="list-style-type: none"> • Store managers • Participants • Corporate University staff • Regional operating executives • VP store operations • Senior VP Human resources | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Client Signature: _____ Date: _____

Figure 7 –ROI Analysis Plan

ROI Analysis

The monetary benefits are calculated by adding the values of the three measures, totaling \$188,478. This leaves a benefits to cost ratio and ROI as follows:

$$\text{BCR} = \$188,478 / \$47,242 = 3.98$$

$$\text{ROI} = (\$188,478 - \$47,242) / \$47,242 = 298\%$$

Balanced Data

This program drives several intangible measures that were considered to be important and helpful to the management team. Thus, several types of data items are actually generated:

1. Reaction, Satisfaction and Planned Action
2. Learning
3. Application and Implementation
4. Business Impact
5. ROI
6. Intangible Benefits

Collectively the six types of data provide a balanced viewpoint of the success of the program.

Building evaluation into the program positions the action plan as an application tool instead of a data collection tool. This helps secure commitment and ownership for the process. It also shifts much of the responsibility for evaluation to the participants as they collect data, isolate the effects of the program, and convert the data to monetary values – the three most critical steps of the process. The costs are easy to capture and the report is easily generated and sent to the various target audiences.

This approach has the additional advantage of evaluating programs where a variety of measures are influenced. This situation is typical of leadership, teambuilding, and communication programs. The application can vary considerably and the actual business measure driven can vary with each participant. The improvements are integrated after they are converted to monetary value. Thus, the common value among measures is the monetary value representing the value of the improvement.

Questions

1. Is this approach credible?
2. How should the data be presented to the senior team?
3. How can the data be used in future programs?