How To Use The People Equity Model To Better Understand Business Performance

2012 HRPS Strategic Talent Management Forum

Jay Jamrog
SVP Research
i4cp

Mark Blankenship, Ph.D.
SVP and Chief Administrative Office
Jack in the Box
Who we are:
i4cp focuses on the people practices that make high-performance organizations unique.
High-performance organizations consistently outperform most of their competitors for extended periods of time.

These companies performed better over the past five years, based on these four indicators:

1. Revenue growth
2. Market share
3. Profitability
4. Customer satisfaction
The 5 Domains of High Performance

i4cp research has shown that high-performance companies excel in five core areas:

1. Strategy
2. Leadership
3. Talent
4. Culture
5. Market (customer focus)
i4cp helps organizations leverage the core domains of high performance through 4 delivery vehicles:

1. Research
2. Peers
3. Tools
4. Data
Having an Engaged Workforce

Has an extremely high correlation with Market Performance

.33
As a result, Senior leadership is highly invested in engagement

Especially in High Performing Organizations

- High Market Performers: 72.7% Yes, 23.6% No
- Low Market Performers: 53.3% Yes, 33.3% No
Why isn’t it part of a manager’s performance review?

- Yes: 25.9%
- No: 64.7%
Why doesn’t it drive decision making?

37.8 Yes
50.2 No
And, why aren’t more organizations measuring the impact on the business?
High Performing Orgs are more likely to measure the impact of engagement on the business

- Customer Satisfaction: 83.3% for High Market Performers, 50.0% for Low Market Performers
- Revenue Growth: 62.5% for High Market Performers, 12.5% for Low Market Performers
- Profitability: 66.7% for High Market Performers, 37.5% for Low Market Performers
How To Use The People Equity Model
To Better Understand Business Performance

Mark Blankenship, Ph.D.
2012 HRPS Strategic Talent Management Forum
Overview

• How Jack Thinks about HR metrics
• Using a Strategic Framework
• Capturing Data that Provides Insights
• Linking Talent Data to the Bottom Line
• On-going Tracking & Accountability
Service-Profit Chain Framework

People Measures

- Internal Service
- Employee Satisfaction
- Employee Retention

External Service Quality

Operational Measures

- Higher Revenue/Profits
- Guest Retention
- Guest Satisfaction
Validation of the Service Profit Chain at Jack In The Box

- Internal Service
- Understanding of Goals
- Strategic Alignment
- Supervision
- Training/Dev. Opportunities
- Compensation & Benefits

Employee Satisfaction

Validation of the Service Profit Chain

- Supervision: 84%
- Training/Opportunities: 7%
- Understanding of Goals: 4%
- Strategic Alignment: 3%
- Compensation/Benefits: 2%

R² = 0.57
Relationship Between Crew Turnover and Guest Ratings

![Bar graph showing the relationship between crew turnover and guest ratings. The graph indicates that average guest ratings decrease as crew turnover increases.](image-url)
Relationship Between Crew Turnover and Restaurant Sales

![Bar chart showing the relationship between crew turnover and average restaurant sales. The chart displays three categories: Low, System Average, and High crew turnover, with corresponding average sales values.]
Employee Communication Skills

Reduced Turnover: 270% v 104%
Increased Promotion: 8.4% v 33.2%
Leadership: My Restaurant Manager consistently role models key behaviors that direct restaurant employees to achieve business goals.

Example behaviors include: lets me know what is expected of me; remains calm during stressful events; treats me well, which leads me to treat guests and staff well; is honest; and acts on feedback to improve his/her leadership.

- Strongly Agree
- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree
- Strongly Disagree
The Service Profit Chain

Selection & Development
- New Hire & Exit Questionnaires
- Under The Hood, First & Female
- Doing The Right Thing Follow-Up
- Our Commitment to You Statement
- Quality of Work Life Survey
- Speaker Talks
- Training Philosophy Statement
- Culture Under Construction Update
- New Restaurant PC w/Windows NT
- Radio Guest Videos
- Paid Internship Program

Information & Communications
- Revised HR Policies for all Management
- Revised Workforce Centers
- New Service Certification
- Patterns of Management Tools
- Revised Grill Certification
- Reward Crew Performance Appraisal
- Certified Training/Program
- New Crew Member Uniforms

Hassle Free Experience
- Restaurant Cleanliness Program
- Compliment Handling, Compliments, & Supportive Sizing
- New Menu Rounds
- Online Confirmation System
- Direct Store Delivery

Customer/Market Data
- Customer Satisfaction Data (Annually)
- Quick-Track Data (Quarterly)
- Internal System (Monthly)
- Customer Focus Groups

Business Outcomes
- Increased Shareholder Value
- Increased Market Share
- Increased Stability/Personal Wealth
- Accelerated Growth

Internal Service
- New Hire & Exit Questionnaires
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Employee Satisfaction
- Job & Workplace Design
- Rewards & Recognition
- Food Quality & Service

Employee Retention
- Media Restaurant
- Jack’s Bonus Bucks (Red)
- Jack’s Inner Circle
- Internet Survey Prize
- Guest Service Prize
- Workforce Prize
- Jack’s Silver
- Extra Effort Award
- Achievement Certificates
- Jack’s Circle of Excellence (Restaurant Managers)

External Service Quality
- New Mystery Guest Report
- Revised C & I Report
- New Manager Skills Qual
- Guest Service Employee Focus Group

Guest Satisfaction
- New Mystery Guest Report
- Revised C & I Report
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Guest Retention
- Increased Shareholder Value
- Increased Market Share
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- Accelerated Growth

Revenue Growth
- Higher Profits

“Take care of your employees, and they will take care of your guests, who in turn will take care of your company.”
—Paul Schults

The Eight-Stage Process of Creating Major Change
1. Establish a Sense of Urgency
2. Creating the Guiding Coalition
3. Developing a Vision and Strategy
4. Communicating the Change Vision
5. Empowering Broad-Based Action
6. Generating Short-Term Wins
7. Consolidating Gains and Producing More Change
8. Anchoring New Approaches in the Culture

Legend
- In Concept
- In Progress
- In System
## ACE Profiles: Are Leaders Optimizing Talent?

<table>
<thead>
<tr>
<th>Alignment</th>
<th>Capabilities</th>
<th>Engagement</th>
<th>Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Optimized Talent</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>Misguided Enthusiasm</td>
</tr>
<tr>
<td>Disengaged</td>
<td>High</td>
<td>High</td>
<td>Strategic Disconnect</td>
</tr>
<tr>
<td>Under Equipped</td>
<td>High</td>
<td>High</td>
<td>Under Equipped</td>
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<tr>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>Disengaged</td>
</tr>
<tr>
<td>Wasted Talent</td>
<td>Low</td>
<td>Low</td>
<td>Unable/Unwilling</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Wasted Talent</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>High Risk</td>
</tr>
</tbody>
</table>

Sub-Optimization

High: High Performance
Low: Low Performance

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Metrus Group
People Equity (ACE) Scorecard

JIB

<table>
<thead>
<tr>
<th>A</th>
<th>C</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td>86</td>
<td>80</td>
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</table>

Corporate

<table>
<thead>
<tr>
<th>A</th>
<th>C</th>
<th>E</th>
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<tbody>
<tr>
<td>73</td>
<td>75</td>
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Field

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<tr>
<td>86</td>
<td>87</td>
<td>81</td>
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Alignment  ◆  Capabilities  ◆  Engagement
# People Equity (ACE) Scorecard

## Area

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>C</th>
<th>E</th>
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<tbody>
<tr>
<td>A</td>
<td>80</td>
<td>80</td>
<td>72</td>
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## Restaurants

<table>
<thead>
<tr>
<th>Restaurant</th>
<th>A</th>
<th>C</th>
<th>E</th>
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<tbody>
<tr>
<td>1</td>
<td>84</td>
<td>84</td>
<td>74</td>
</tr>
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<td>2</td>
<td>83</td>
<td>72</td>
<td>68</td>
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<td>3</td>
<td>69</td>
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<td>4</td>
<td>54</td>
<td>45</td>
<td>34</td>
</tr>
<tr>
<td>5</td>
<td>38</td>
<td>39</td>
<td>27</td>
</tr>
<tr>
<td>6</td>
<td>83</td>
<td>87</td>
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</tr>
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<td>7</td>
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<td>8</td>
<td>60</td>
<td>55</td>
<td>47</td>
</tr>
<tr>
<td>9</td>
<td>87</td>
<td>85</td>
<td>88</td>
</tr>
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<td>10</td>
<td>70</td>
<td>70</td>
<td>62</td>
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<tr>
<td>11</td>
<td>84</td>
<td>83</td>
<td>80</td>
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</table>
Linking Talent To Business Outcomes

Internal

External

Profits
ACE and People Measures

**Relative Importance**

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>C</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>R=.70</td>
<td>24%</td>
<td>46%</td>
<td>30%</td>
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</tbody>
</table>

**Relative Importance**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>R=-.51</td>
<td>15%</td>
<td>39%</td>
<td>47%</td>
</tr>
</tbody>
</table>

**Turnover**

- Explained by ACE: 51%
- By other Factors: 49%

**Labor as % of Sales**

- Explained by ACE: 26%
- By other Factors: 74%
Impact Analysis: People

Turnover 21% lower (25 point differential) at Optimized People Equity locations.

Optimized People Equity locations are 10% more productive.
ACE and the Voice of the Guest

Relative Importance

<table>
<thead>
<tr>
<th></th>
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<tr>
<td></td>
<td>35%</td>
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<tr>
<td></td>
<td>15%</td>
<td>40%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Problem Rate (Complaints)

- R = -.49
  - 25% Explained by ACE
  - 75% By other Factors

Overall Sat. Top Box

- R = .43
  - 19% Explained by ACE
  - 81% By other Factors

Variance in Performance
- Explained by ACE
- By other Factors
Impact Analysis: Voice of the Guest

Problems per 1000 Transactions

<table>
<thead>
<tr>
<th></th>
<th>Sub-optimized</th>
<th>Optimized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problems</td>
<td>0.139</td>
<td>0.122</td>
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</table>

Problem Resolution

<table>
<thead>
<tr>
<th></th>
<th>Sub-optimized</th>
<th>Optimized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolution</td>
<td>16%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Overall Satisfaction

<table>
<thead>
<tr>
<th></th>
<th>Sub-optimized</th>
<th>Optimized</th>
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<tbody>
<tr>
<td>Top Box</td>
<td>60%</td>
<td>65%</td>
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</table>

Problems are less frequent and more likely to be resolved at Optimized People Equity locations...

...and overall satisfaction is higher.
Impact Analysis: Top & Bottom Lines

Sales 10% Higher in Qtr.

- Sub-optimized: $305,900
- Optimized: $334,400

Profit 30% Higher in Qtr.

- Sub-optimized: $60,100
- Optimized: $78,400
The Drivers and Enablers of ACE
Relative Importance for Capabilities (Corporate)

C05 I have access to the training I need to perform well in my job. 20%
C09 I have confidence in the leadership ability of my direct supervisor. 10%
C08 There is good teamwork and cooperation within my department. 9%
C06 Company does a good job of hiring people with high potential. 9%
C07 Company does a good job of retaining top performing employees. 8%
C19 I get excellent service from people in other parts of the company. 8%
C23 My supervisor does a good job working with employees who need to improve their performance. 7%
C21 My supervisor is a valuable resource for me in achieving my goals. 7%
C20 Senior leaders set a good example for cooperation and teamwork. 7%
C10 I have confidence in the leadership ability of the company's senior leaders. 6%
C24 I get the information I need from other departments. 5%
C25 I get the cooperation I need from other departments. 5%
Using Strategic Talent Information

• Post ACE survey to sub-optimized locations
  – Drives accountability for change
  – Efficient and targeted

• Continue to understand drivers of ACE
  – Leaders are the key
  – Working on internal value survey for staff functions

• Integrative approach with data
  – Engagement data connected to dashboard
  – Guest & operational data inform engagement tactics
Jack in the Box Leadership Framework

HEAD
Strategy/Alignment

VALUES

HEART
Impact/Engagement

HANDS
Execution/Capabilities
Implications for HR Leaders

• Strategic Change Success Driven by Leadership (Alignment)
• Right People, Prepared Right Way (Capabilities)
• Must Address Engagement Through Culture (Engagement)
In the end, it is important to remember that we cannot become what we need to be by remaining what we are.

--Max De Pree, CEO of Herman Miller, In Leadership Is an Art
The Keys to Building Engaged Workforce
What High Performing Organizations do differently

**Correlation with Market Performance**

**0.22**
My organization has created a culture in which employees want to take ownership of challenges and finding solutions

**0.21**
My organization’s leadership helps employees see and feel how they are contributing to the organization overall

**0.20**
There is clear understanding in my organization of what the company stands for, what it wants to achieve, and how people can contribute to the company's success

**0.13**
Employee engagement is a reflection of how employees feel about their relationship with their immediate supervisor

**0.12**
My organization does an effective job of taking meaningful action following engagement surveys

<table>
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<td>30.2</td>
<td>14.3</td>
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<td>28.6</td>
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<td>39.3</td>
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<td>Employee engagement is a reflection of how employees feel about their relationship with their immediate supervisor</td>
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<td>35.7</td>
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<td>17.9</td>
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## Engagement Starts With Hiring Engaged People

### Selection Criteria…

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<td>1. Has passion for work</td>
<td>1. Intelligent</td>
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<td>2. Has positive attitudes toward peers and customers</td>
<td>2. Confident in work abilities</td>
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<tr>
<td>3. Has desire to set and achieve goals</td>
<td>3. Has excellent job skills</td>
</tr>
<tr>
<td>4. Adaptable</td>
<td>4. Has positive attitudes toward peers and customers</td>
</tr>
<tr>
<td>5. Intelligent</td>
<td>5. Emotionally mature</td>
</tr>
<tr>
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Make engagement a leadership priority at all levels

Especially for Supervisors
Hold leaders accountable for engagement then recognize and reward it

What gets measured gets done
What gets rewarded gets repeated

A culture of accountability makes a good organization great, and a great organization unstoppable

46
Actively promote engagement

Build it into other talent management processes
Build a learning culture