OrgVitality

Optimizing the Workforce

for Improved Business Performance

Case Study by
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Jack in the Box is a quick-serve industry leader with thousands of restaurants, an appealing brand icon, creative advertising, and a unique menu. A few years ago the company was positioned for growth, but needed something more – it needed employees that were deeply aligned with the brand, who were willing to “own” guest satisfaction and deliver the highest levels of quality and service. And the company wanted the advantages that come from increased retention of good performers in a high-turnover industry.

According to CEO Lenny Comma

“Being in a mature and largely commoditized service industry, we face incredible competition in the burger and quick serve market that forces tight margins for all players. A service business is highly dependent on labor. Inconsistency can kill the customer experience, and in the case of a highly branded business like Jack in the Box, it can injure the brand. Smiling, helpful employees in one location and disengaged ones in another are not good for consistent branding.”

The Approach

Using OrgVitality's proprietary ACE model, Jack began with some serious introspection. They already had a dose of feedback from their guests. But what was going on internally that connected to these important stakeholders? We began a programmatic effort to assess and track Alignment, Capabilities and Engagement in the context of their unique strategy to find out if improvements in ACE could help them improve guest ratings, visits and spend, and hence their financial performance.

Mark Blakenship, Chief People, Culture & Corporate Strategy Officer

"Ten years ago, Jack in the Box was an organization that looked like many others in terms of measurement. We tracked many financial, operational, and people measures. And while we observed basic relationships between such measures (e.g., higher turnover was related to higher labor costs, higher food costs were related to lower profit), we did not have a unified model across these measurement dimensions that allowed us to understand and drive improved performance through restaurant leadership. Aside from the 'cost of labor,' human capital metrics were not high on the radar of senior management at that time."

Through a series of customized ACE surveys, interviews and a review of performance data, Jack was able to obtain the diagnostic information needed to take focused action. For example:

• They were able to pinpoint key Alignment gaps—in the understanding of key brand promises, in communications flow, in areas of corporate support, and between restaurant managers and crew members;

• They soon learned about Capability gaps that needed to be closed in managerial skills, communications, resources, talent requirements and corporate support;

• Engagement varied greatly across restaurants. Why? Different drivers of Engagement were strangling higher performance: supervisory behaviors, some corporate policies, and initiative overload among others.

Said Comma, the CEO,

“We aligned our leadership model (head, heart, hands) with ACE, which first gave clarity to leaders and employees about what was expected, and second gave them permission to speak up about people, policies, or actions that didn’t line up with those expectations. To be honest, this made ourselves as leaders more vulnerable but created far more transparency and effectiveness in our culture.”

One of the insights that Jack observed is that despite uniform hiring, pay, training, onboarding, performance management and other HR systems, business performance varied greatly across their restaurants. They looked at the various combinations of high or low Alignment, Capabilities and Engagement (see Figure 1), and realized that they had examples of nearly every type of profile across their restaurants—very low and very high Engagement, Alignment and Capabilities but not always in the same configuration.

Figure 1. High | Moderate to Low | Low

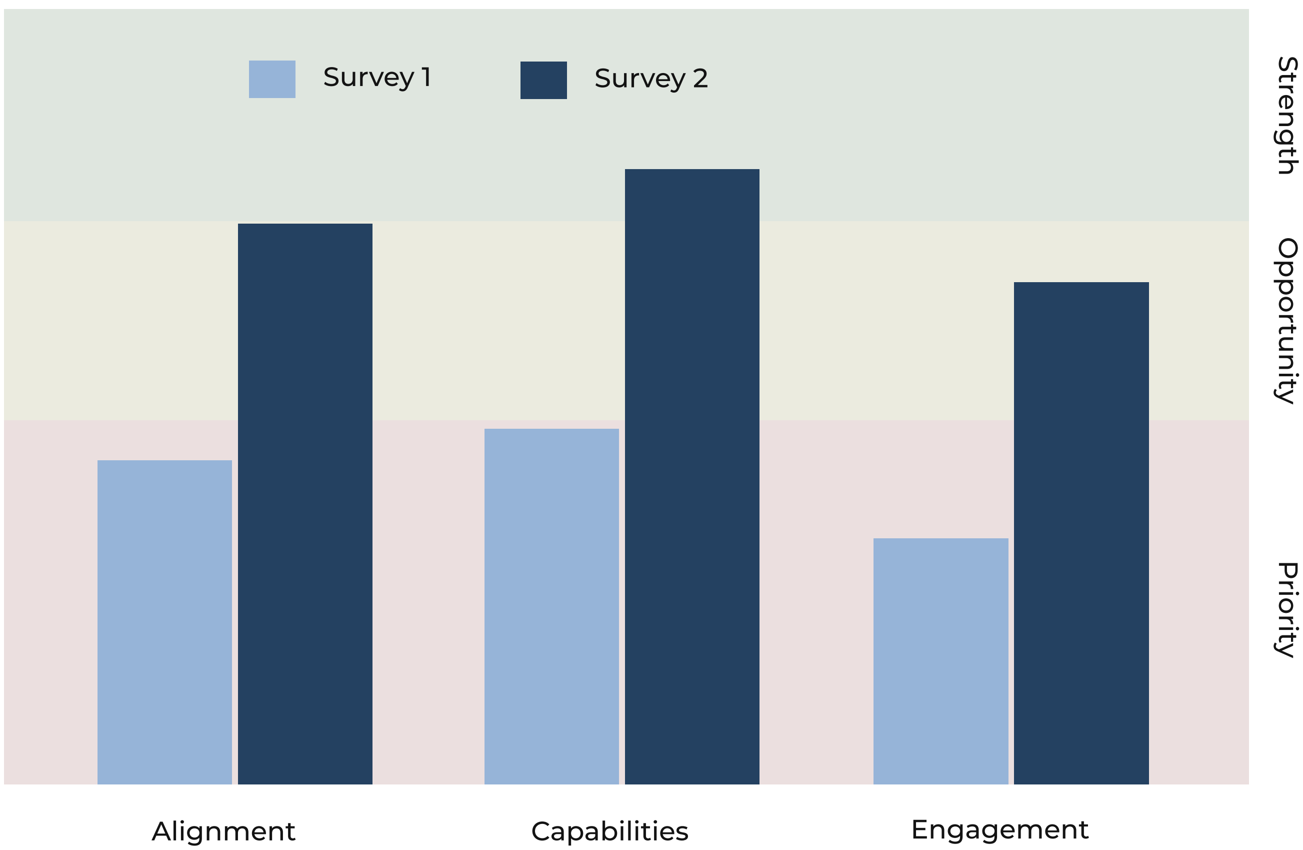
Alignment	Capabilities	Engagement	Profile	
High	High	High	Optimized Talent	
Moderate to Low	Moderate to Low	High	Misguided Enthusiasm	Sub-optimized
High	Moderate to Low	High	Under Equipped	
Low	High	High	Strategic Disconnect	
High	High	Moderate to Low	Disengaged	
High	Moderate to Low	Moderate to Low	Discouraged	
Moderate to Low	High	Moderate to Low	Wasted Talent	
Moderate to Low	Moderate to Low	Moderate to Low	Tipping Point	
Low	Low	Low	High Risk	

They quickly learned that one-size-fits-all fixes (e.g., alignment training for everyone or performance coaching) would be both costly and ineffective for those who were already high on a particular dimension (e.g., engagement). Instead, varying actions (e.g., coaching, training, process adjustments, resource adjustments) would need to be taken to improve a unit that was not high in ACE.

Results

Jack responded with swift action. Within a little over six months, follow-up actions got 90% of the low-scoring restaurants out of the 'red' (Figure 2). They also took corporate actions to begin streamlining communication, upgrading managerial people skills, setting new accountability levels and increasing brand clarity. Having the right diagnostic information was crucial in helping the company identify the true 'root causes' of low scores, allowing leadership to focus improvements.

Figure 2.



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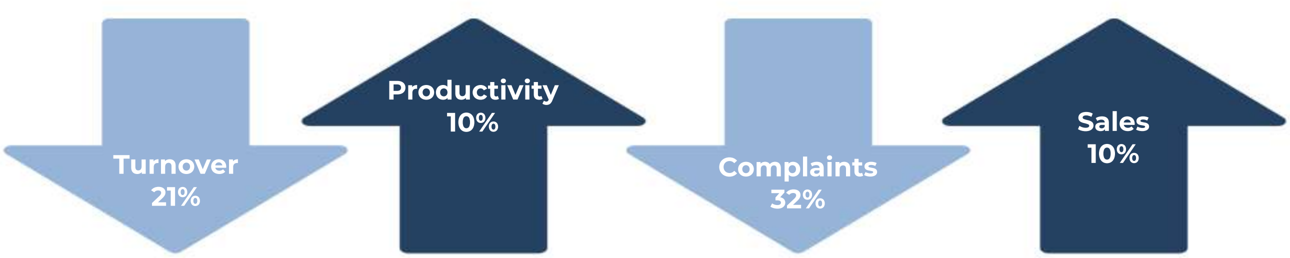
“A good example was how we used survey results in designing and managing the role of District Managers (DMs), who oversaw multiple Restaurant Managers (RMs). The feedback suggested that RMs wanted and needed more contact with their DMs, whose role allowed them to come and go as needed. We restructured the role, requiring far more face-to-face contact with RMs. The DMs did not like it at first, but the RMs appreciated getting more support and ideas from their bosses. Ratings of DMs went up, and while the morale of DMs went down initially, they rebounded the next year. The information helped us see a key gap in the value chain, take action and then test our hypothesis.”

Jack in the Box continued the partnership to statistically look at the service-profit chain—their model at the time for connecting people, service, customers and profit. The findings validated the effort put into ACE improvements (see Figure 3). A, C and E were shown to be highly related to employee turnover, productivity, complaints and revenue.

Figure 3.



Sometimes what we found was surprising. For example, Capabilities, rather than Engagement, was the strongest predictor of turnover at Jack in the Box at first (accounting for 46% of the explained variance in turnover across sites), although Engagement was the biggest predictor of productivity. Capabilities was also the largest predictor of guest satisfaction.

HIGH ACE RESTAURANTS
PERFORM BETTER

But stopping at this level of analysis would leave management wondering what to do if they want to increase Capabilities and reduce turnover. We conducted driver analyses (using relative weight analysis) to help us understand what drivers to focus on to increase alignment, capabilities or engagement.   Looking for strong drivers of Capabilities, we found the relative contribution of training was about twice as much as improving teamwork or any other factor.

It turned out that in restaurants with low Capabilities, the managers were providing crew with computer-based training, but not ensuring employees got the required hands-on training before working at a new station (saving some time). We were able to pinpoint this "shortcut" as something that was counterproductive in a way restaurant managers were not realizing. Employees made more mistakes. Customers were unhappy. The half-trained staff was stressed. Their coworkers were frustrated. And guest satisfaction was down while turnover was up. But now, instead of debating what might be happening, we had the data to show managers exactly how their choices were connected to the outcomes.

Furthermore, by 'getting the red out'—moving units out of the High Risk profile—the analysis showed a significant increase in revenue and profit. Profits were an astounding 30% higher at the triple-green, optimized talent locations. Turnover—one of the biggest costs in this labor-intensive industry – was 21% lower in high ACE locations than their ACE-impoverished counterparts. For hard-pressed restaurant managers, less time spent on talent acquisition and training, means more time available for effectively running the operation. On the intangible side, it means more brand clarity to guests and employees alike, more cooperation and alignment across functions.

One of the key features of this partnership for was Jack's willingness to experiment and continuously improve the predictive framework, and their tenacity to stay the course. This was only possible with strong continuous support from the leadership team. Over the years we were able to adapt the survey instrument to changing organizational realities and strategic goals, maintaining trust and confidence in the measurement tool. Also, they embraced the concept of building an aligned, capable and engaged workforce—not simply a measurement tool, but a continuous improvement process. The customized ACE instrument is simply a reflection of their unique culture and their aspirations.

External Recognition

The Society for Industrial and Organizational Psychology (SIOP) and the Society for Human Resource Management (SHRM) awarded Jack in the Box the Human Resource Management Impact Award winner in recognition of this work in creatively and effectively using evidence-based measurement and management to drive business success.

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