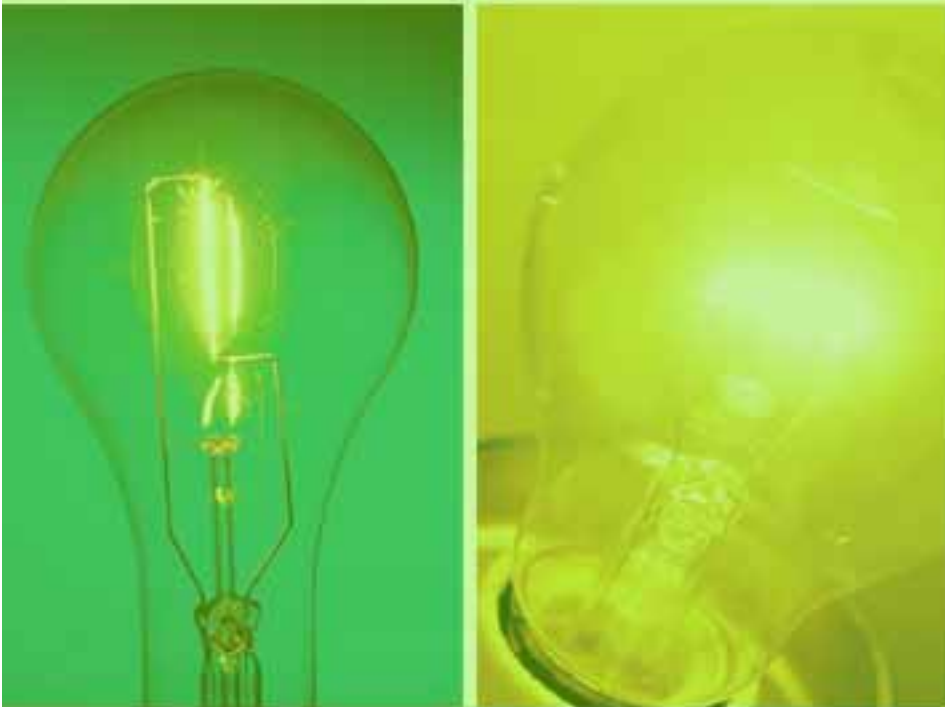


Building Shareholder Value Using Formative Evaluation



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Evaluation in Organizations

- Personnel performance
- Training initiatives
- Human resource development



Lacking Lexical Understanding

- Evaluation is a common business activity
- Terminology is different
- Serious evaluation is misunderstood



Evaluation Case Study

- Purpose
- Methodology
- Value Premises
- Discoveries



Purpose

- Determine the merit of the organization's value-based management approach
- Use results to improve operating efficiency
- Increase shareholder value



The Evaluand

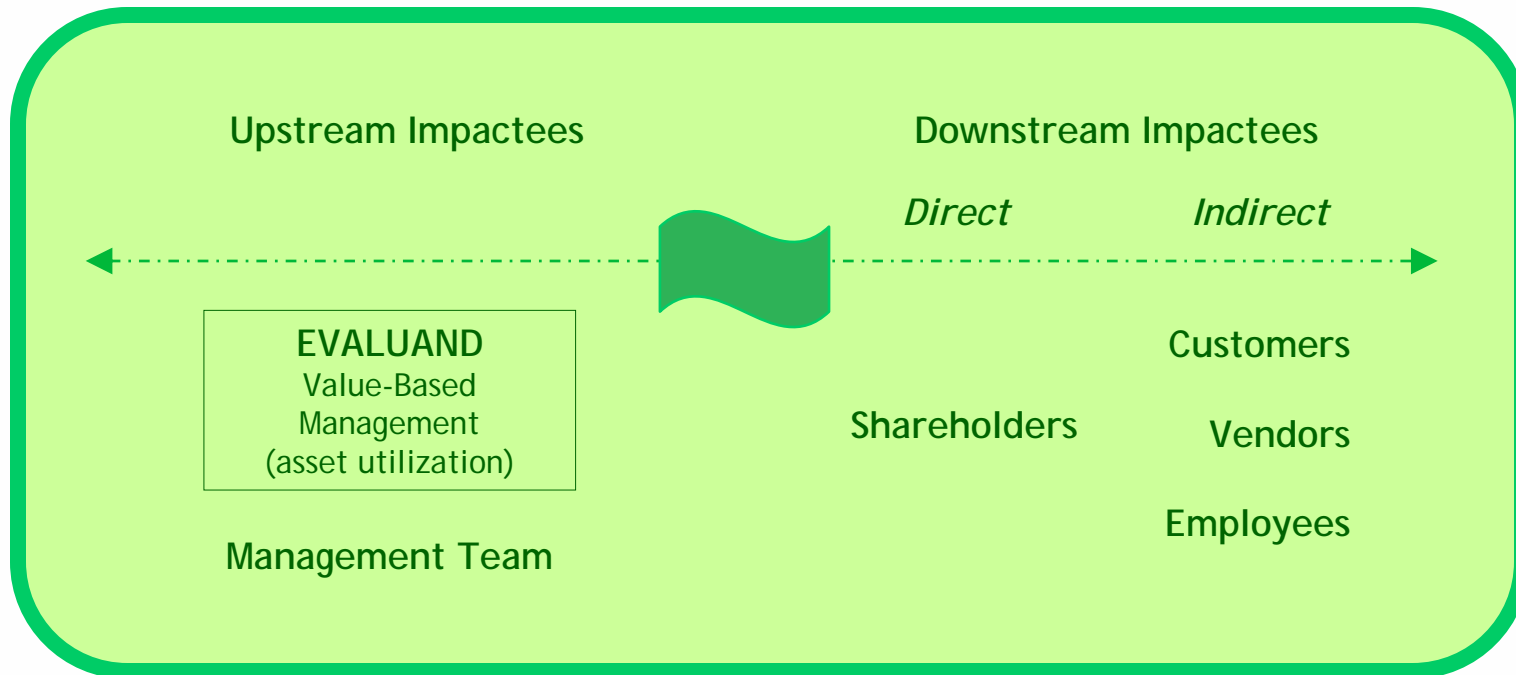
- Value-based management
 - Manage resources to create value
 - Guides financial planning, monitoring, and managing operations
 - Operationalized as “asset utilization”



Evaluation Questions

1. How does the company's asset utilization compare to internal and industry standards?
2. How do changes in asset utilization impact company stakeholders?
3. What ripple effects occur with the maximization of asset utilization?
4. How can the company's asset utilization be improved?

Stakeholders





Methodology

- Analytic component evaluation
- Multi-method field study
 - Literature review
 - Semi-structured interviews
 - Record review and data analysis
- Sources of information
 - Key financial and operations personnel
 - Company operating data



Methodology (cont.)

- Management-oriented approach
 - Emphasized improvement as the primary purpose
 - Considered from decision-maker's POV
- Consumer-oriented approach
 - Placed greater emphasis on downstream impactees
 - Considered alternative programs



Value Premises

- Management's organizational goals
- Industry standards
- Environmental standards
- Ethical and legal standards



Dimensions of Merit

Dimension	Subdimension	Indicator
Resource Management	Efficiency	<ul style="list-style-type: none">• Inventory turnover• Days sales outstanding• Sales to fixed assets
	Profitability	<ul style="list-style-type: none">• Earnings before taxes
Sustainability	Value Creation	<ul style="list-style-type: none">• Earnings growth• RONA
Side Impacts	Customer Satisfaction	<ul style="list-style-type: none">• Market share• Revenue growth• Warranty claims
Comparative Effectiveness		<ul style="list-style-type: none">• EVA• Residual income



Reporting & Supporting

- Key Evaluation Checklist (Scriven, 2005)
- Drafts submitted for review and comment
- Written and oral reports provided
- Post-evaluation follow-up





Recommendation Example

Inventory management should be given greater attention to improve inventory turnover within the facility.



Serious Evaluation

- Recognized an expanded group of impactees
- Searched for side impacts
- Considered alternatives
- Synthesized facts with values



Lessons Learned

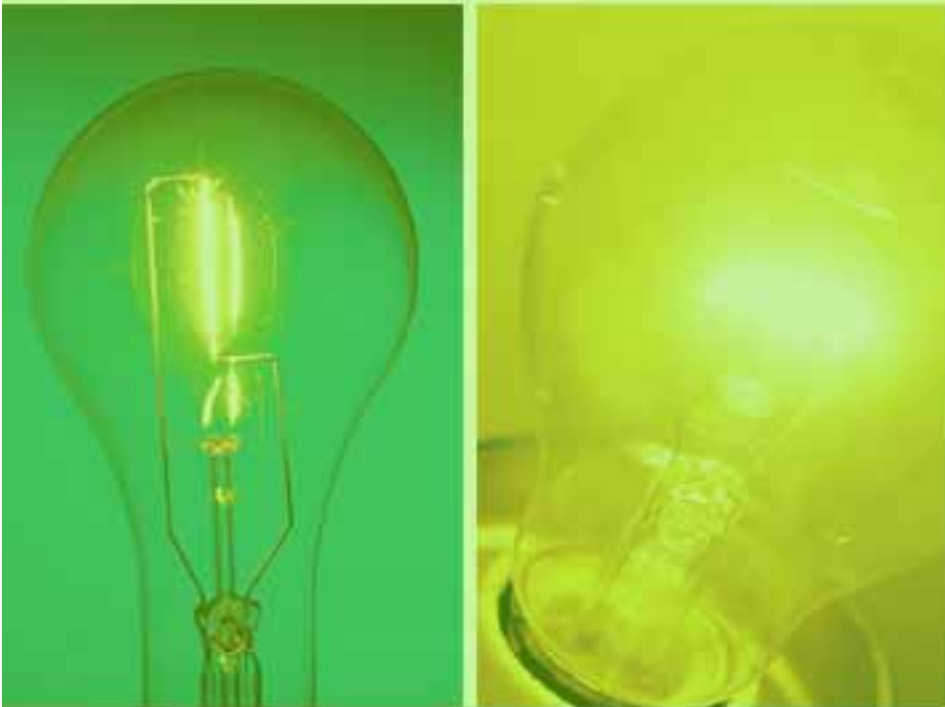
- Building credibility
- Minimizing political issues
- Client education
- Being assertive *and* flexible
- Brevity is a virtue



Building Shareholder Value

- Informed decision-making
- Identified areas for improvement
- Stimulated new initiatives
- Improved operating efficiency
- Increased shareholder value

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