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KaBoom Case Study Analysis

Executive Summary

KaBoom, the largest not-for-profit producer of community-build playgrounds, faces a problem that every organization dreads – data management. Since its inception in 1995, KaBoom has been growing rapidly from year to year due to its three-pronged strategy known as “Lead, Seed, and Rally.” The overall strategy is intended to provide planning expertise and support to low income and urban area communities to construct playgrounds for “kid rich, playground poor” neighborhoods. KaBoom’s vision is “to help develop a country in which all children have, within their communities, access to equitable, fun and healthy play opportunities, with the participation and support of their families and peers” which is aimed to help as many communities possible. To carry out its vision, KaBoom partners with over 275 corporations to fund 85% of the costs for each project. The problem, however, stems from the fact that KaBoom’s goal is to reach as many communities as possible. KaBoom has been growing faster than its staff’s ability to keep track of its progress and areas of interest. The organization’s board and directors are losing sight of what information is essential and what is not. The problem is best stated by Hutchison, a member of the board, saying, “As a board, we are getting too much information and didn’t know what to pay attention to.” The organization is unsure of its current state, performance, and future projects to take on. The direction of this organization is unclear, and the board seeks to construct a performance measurement system to guide them.

As a solution, I propose the firm to slow down its operations, conduct a current state analysis framework, set metrics and goals, and spend considerable time analyzing its financial statements. To implement the solutions, I suggest that the board of directors must be prepared to talk about these suggestions at the next quarterly meeting and ensure every member of the organization is aware of the organization's change. Another resource the organization can use in this period of change is to hire a change management consultant. The purpose of a change management consultant is to "implement new concepts within a company and help transform the

ways in which the organization operates" (changeboard.com). As a result, KaBoom will have a clear structure in its operations and will operate successfully for many more years to come.

Analysis

Business model:

KaBoom's business model focuses on partnering with FORTUNE 500 companies to front the costs of each project build. The FORTUNE 500 companies are referred to as the funding partners, and KaBoom matches these funding partners with the community partners. The funding partners pay for 85% of the costs of the playground while the community partners pay for the remaining 15%. KaBoom operates on a fee-for-service basis meaning that services are paid for separately and not determined by the quality of the service.

Issue 1: Vision

From 1995 to 1998, KaBoom has built 115 playgrounds, and the number of playgrounds steadily grew year to year. Based on Exhibit 1, from 1995 to 2002, KaBoom has built over 400 playgrounds; and among these 400 playgrounds, KaBoom has trouble tracking the performance and outcome of each playground after implementation. Currently, KaBoom is focusing on reaching as many communities as possible and building as many playgrounds as possible. As a result, KaBoom is not paying attention to the impact that these playgrounds have in these communities. Yes, making the playgrounds in these "kid rich, playground poor" communities has the immediate effect of providing a workspace of play for the kids, but is there more to it? What impact are these playgrounds having for the children, and what is happening after these playgrounds are built? This is one of the problems KaBoom faces, as quoted by Deifell, a founding member of the board, "what did we want KaBoom to be as an organization? Were we more about playgrounds, community leadership, civic engagement, children, or all of the above?" The organization as a whole is unsure of its purpose, and with a weak foundation, the organization can quickly become unsuccessful. Both the vision and mission statements, as seen in exhibit 7, lack the focus on the purpose that Deifell is referring to in his quotation. As a result, one of my suggestions for KaBoom is to conduct a current state analysis on themselves in order to have a logistical and coherent framework in moving forward.

Issue 2: Metrics

A significant problem that the case study emphasized was designing and implementing a performance measurement system to track the growth and future of KaBoom. As of 2002, when the case study was written, there has been no such system in place. Hammond, the CEO of KaBoom, says it best; “we need to design a measurement system that will help us realize the KaBoom we want to build, not just measure the organization we already have.” That is why, once KaBoom realizes the company they want to build after performing a current state analysis on the company, KaBoom must then design a system that accurately measures the growth and performance of the company. With no system in place, KaBoom will fail to visualize the direction of the company. Every single member of the organization, including the community and funding partners, must be working together for KaBoom to become a successful and fruitful organization for many more years to come. An excellent performance measurement system will accurately portray the path that KaBoom is taking, and allow its employees and board of directors to easily maneuver into other paths they would like to take the company.

Issue 3: Financial analysis

Another issue that the company faces is having a sustainable business model. When you take a look at the income statement in exhibit 3, it is evident that the company has a net loss from operation in 1999, 2000, and 2002. The accounts in both operating revenue and operating costs are inconsistent from year to year, and there is no visible pattern to follow. For example, the account “other earned income” goes from 364,000 in 1999 to 23,000 in 2000 to 66,000 in 2001 and finally to 699,000 in 2002. From 1999 to 2000, there was a 93% decrease in the “other earned income” account, and from 2001 to 2002 there was an increase of over 900%. These inconsistencies and outliers lead to an unprofitable business and an unforeseen future for KaBoom. Furthermore, when community partners front 15% of the costs and funding partners front the other 85% of the costs, it is unclear to the public as to how this not-for-profit organization occurs net losses. However, this is something KaBoom realizes, and Deifell suggested adapting the DuPont Formula to be more aware of their financial statement analysis.

Solutions and Implementation Plan*Solution to Issue 1:*

A solution to the lack of direction the company faces is to conduct a current state analysis framework on itself. A current state analysis lists "the key pain points within the identified business processes and tasks within them, and highlights the areas where a change is expected" (aoteastudios). By laying out the framework of the company in front of all the employees, the board of directors will have a better understanding of the issues the company is facing and the direction they would like to go. This framework will give the organization a transparent approach to modifying its mission and vision statements to fit better what the organization's definition of success is. To conduct this analysis, KaBoom can hire a change management consultant to help them with this process of changing. The purpose of a change management consultant is to "implement new concepts within a company and help transform the ways in which the organization operates" (changeboard.com). Although KaBoom doesn't **need** to hire a change management consultant to perform a current state analysis report, I believe hiring one will make the transition to change more fluid and efficient for KaBoom. As a result of conducting this framework, KaBoom could then concentrate on the metrics it chooses to implement for the performance measurement system.

Solution to issue 2:

A solution to designing and implementing a performance measurement system is to first decide on what defines success for KaBoom. As I said above, the board of directors is unsure of KaBoom's purpose and what their focus is on. Their focus can be about making as many playgrounds as possible, community leadership, civic engagement, the children, or maybe all of the above. As soon KaBoom chooses what defines success for them, KaBoom can then brainstorm metrics to implement in their performance measurement system to track their progress to success. In exhibit 5, the company already brainstormed "vital signs" or parameters, which they can incorporate into the performance measurement analysis. For example, the retention rate and retention of funding partners are useful metrics to track how well KaBoom maintains its relationship with other partners. Employee morale is an excellent metric to measure how happy the employees are when they work for the company's vision. However, if the company wanted to focus on maybe making as many playgrounds as possible, a useful metric can be the growth rate from year to year. Also, another useful metric can include the geography of the United States and see where playgrounds are being built the most. These metrics will help

KaBoom track their success and allow them to continue doing what the work that is successful for them. To implement this new performance management system, the KaBoom can include on their website the metrics that mean the most to the organization. By being transparent on their website, the public can track the progress of the company along with the board of directors.

Solution to issue 3:

Lastly, a solution to their weak performing income statements is to be more consistent with their operating revenue and costs. A suggestion I have is to slow down the operations for KaBoom to understand the numbers they are pulling from their income statements. KaBoom needs to realize what they are doing right and wrong from year to year for them to end the year operating on a net profit, as opposed to a net loss. If the company keeps ending the financial year in a net loss, the company is doomed to fail in the future. Furthermore, if the community and funding partners pay 100% of the project build costs, KaBoom needs to be more aware of its cash flows. Therefore, another suggestion I have is for KaBoom to analyze their cash flow and balance sheet statements, not only their income statements. By doing so, KaBoom will have a stronger understanding of their financial report and can be better equipped to stay profitable year to year. KaBoom needs to know exactly where every dollar is coming into the business, and where that dollar is going to. An action plan to implement this solution is to hire a financial consultant or do the analysis in-house since a lot of members on the board of directors have a business background. Furthermore, a suggestion that one of the board members made was adapting the DuPont formula analysis. By applying the DuPont formula in their financial analysis, KaBoom can better understand the return on investment by analyzing the profit margin, total asset turnover, and leverage factor and how all these ratios affect one another. As a result, by performing several different techniques of analysis and slowing down the operation growth of the organization, KaBoom can have a more steady financial growth into the future.

Appendix

Exhibit 1 KaBOOM! Playground Builds by Year

	Inception to 1998	1999	2000	2001	2002
Playgrounds	115	64	63	90	109

Source: Company documents.

Exhibit 3 KaBOOM! Four-Year Income Statement, 1999–2002 ('000s)

	1999	2000	2001	2002
Operating Revenue				
Funding partner earned income	1,731	2,268	5,063	3,488
Community partner earned income	258	318	627	880
Other earned income	364	23	66	699
Grants: corporate, foundation and other revenue	109	117	255	233
In-kind contributions	269	190	358	526
Total Operating Revenue	2,732	2,915	6,368	5,825
Operating Costs				
Construction total	1,900	1,855	2,681	3,867
Grant expense	70	49	140	21
Other program-specific costs	325	483	691	1,492
Management & general costs	610	664	716	562
Development costs	457	347	465	550
Total Operating Costs	3,364	3,398	4,693	6,492

Source: Company documents.

Exhibit 5 "Vital Sign" Data Presented to the Board, Managers, and External Constituents, 1999

Administration and Operations	Project Management
Balance of cash flow	Level of vendor involvement
Growth in reserve funds	Diversity in vendors
Employee ratio to projects; capacity for new projects	Lead time required for planning a build
	Lead time required for ordering equipment for a build
Margin per project	
Margin per employee	Retention of Funding Partners
Project Management	Renewal rate
Number of projects completed by year	Increase in support
Projects completed versus planned	Diversity of support (in-kind versus cash)
Level, amount of community fundraising	Number of referrals
	Staff Development and Retention
Outcome of Playground Projects	Retention rate
Community impact and satisfaction	Promotions rate
Number of referrals from community partners	Completion of performance evaluations
Number of new partnerships formed	Assessment of performance evaluation ratings
Growth of Club KaBOOM! database	Employee morale

Source: Company documents.

Exhibit 7 KaBOOM! Guiding Principles

Mission: Every child through the participation of their communities should have healthy play opportunities.

Vision: Our vision is to help develop a country in which all children have, within their communities, access to equitable, fun and healthy play opportunities, with the participation and support of their families and peers.

Core Values:

- Play—Fundamental to children’s healthy development
- Access to play opportunities—equity is vital for all children
- Community action and participation—the process is as important as the product
- Family involvement—in playground, training, education and advocacy is key

Source: Company documents

Works Cited

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