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Restaurant management in Lebanon: Current trends and future concerns

Carine Issa

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Restaurant management in Lebanon: Current Trends and Future Concerns

By

Carine Issa

A thesis submitted to the

Department of Hospitality and Service Management

at the

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Graduate Studies

M.S. Hospitality-Tourism
Presentation of Thesis/Project Findings

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Current Trends and Future Concerns

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Faculty Advisor: _________________________________

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Date
Committee Chairperson’s Signature

Note: This form will not be signed by the Department Chairperson until all corrections,
as suggested in the specific recommendations (above) are completed.

cc. Department Student Record File – Original Student

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Date

Signature
Acknowledgements

In recognition of the faculty of RIT, School of Hospitality and Service Management, who provided the ultimate personal experience of true teamwork.

To Dr. Jim Jacobs, for instilling the passion to pursue researching this topic.

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Chapter I

Proposal

Introduction

Lebanon, or *libnan* in Lebanese, means yogurt. It refers to the snow covering Mount-Lebanon almost all year round. This small country has, for ages, attracted the greatest Empires and Kingdoms and has, in the last Century, seduced tourists from all over the world. What is the secret? Have you ever thought that it could be possible to go ski in the morning and swim in the afternoon? View the sea from a 1000m altitude? Have the sun shining 300 days/year with an average temperature of 20°C? Well if your answer is no, you should definitely come over and discover the wonders of Lebanon.

The last foreign soldier left Lebanon in 1947 and since then, Lebanon entered the golden period as a totally independent country. Its economy reached a peak (1$=2.5 L.P). It used to be the preferred country for the Arab world tourists and most of the rich Arabs used to invest in Lebanese banks, given secret banking. It’s clear that Lebanon was the main door to the Middle East given its perfect location on the Mediterranean Sea and in between the East and the West. Tourists of Mount Lebanon were divided as such: Around 80% were rich Lebanese families who used to come to Lebanon for summer only, 15% were rich modern Arab tourists (the Bedouin were usually not hosted), and 5% were business tourists from Europe and the United States. Unfortunately, this wonderful dream ended on April 13, 1975 when the war started in Beirut and spread out to other regions of Lebanon. As expected, downtown Beirut was completely destroyed: Its hotels, its
restaurants, its banks, its companies and its houses. As a result, people were forced to run away from the bombs and occupy Mount Lebanon.

The war ended in 1990 and the government of Mr. Hariri, current prime minister, started giving high interests on the stocks and bonds of Solidere. New investors started investing in Beirut, and another golden era was about to start. Many new restaurants had opened given the many promises from the U.S.A and the U.N implying that Lebanon will regain its place as a major tourism country for the Arab world, in particular and the whole world, in general. But, in 1997, while downtown Beirut was being rebuilt, Lebanon started witnessing a strong recession. As a matter of fact, the big picture for the time being is that restaurants are fighting in order to cover the costs of operating their business instead of making profits. The normal reaction to the latter statement is that the restaurant business is in decline. The answer is no, because the opposite is actually taking place.

Nader (2001) has suggested that restoration was the first sector that has flourished right after the reconstruction of Beirut Central District. In 1999, Casper and Gambini’s was a lone restaurant in a new but empty downtown. But, as Naaman (2001) stated:

What’s the expression? They’re popping up like mushrooms. Over the past few years, innumerable restaurants have opened on Monot Street and in other parts of Ashrafieh, as well as downtown and throughout Beirut. As the economic situation in Lebanon spirals into an unfathomable abyss, the restaurant sector alone appears to be thriving, with constant new arrivals onto the dining scene. (p.24).
Problem

“For every restaurant that opens, there is one that closes”, said Mr. Doris Daccache, president of the Syndicate of Restaurant Owners. His statement implies that restaurant leaders are not creating a sustainable business. In addition, Hospitality News researchers discovered to their surprise that “although there are many restaurants in Beirut graced with attractive décor, a good location, experienced management and ‘the right name,’ quality service seems to be lacking” (Smile, 2000, p.5). Is this the only reason? Are Leaders formulating their Vision and Mission towards long-term strategies? Are they questioning the longevity of their project upon launching it?

The following questions will help further analyze the various responses stemming from different food service managers in different environments. How do managers respond to the current crisis? How do they react to change? What are their customers’ needs? How do they react to competition? What is their strategy to stay successful? How do they respond to their environment? How do they view the future of their business? The answers to these questions may help restaurant managers understand the urge of a need for change.

Purpose

This qualitative study will start by presenting the economic background of Lebanon, which directly relates to the current situation of Lebanese restaurants. It will then investigate the importance of formulating a clear vision and mission geared towards long-term strategies and sustainable organizations.
The different quotes mentioned at the beginning of this chapter are the external, superficial manifestations or symptoms of deeper problems therefore, the outcomes of the study should be three-fold:

1. The causes: Internal, deeper reasons behind the symptoms
2. The diagnosis: Connection between the symptoms and causes in order to find a cure.
3. The cure: Proposed solution to the problem causing the symptoms.

If every manager takes the time to look at his business as an outsider would view it, he will understand the need to divorce his old paradigms and admit change in order to gain competitive advantage and longevity.

**Significance**

Building a sustainable organization is no more an easy task for today’s Lebanese restaurant managers who are confronted with extremely difficult and unpredictable economical and political conditions. In addition, the Lebanese market is becoming smaller and tourism is very weak. Most owners are profit-oriented and do not understand the impact of good service practices on customer loyalty and long-term success. Most leaders are unable to combine all the ingredients required for success. There is always something lacking that is disrupting the balance and resulting in major losses that today’s entrepreneurs cannot afford.

This study offers to the food service business different perspectives on the current crisis, trends and customer needs. It also shows alternative ways of reacting to change, competition and the environment. It finally attempts to forecast the future and build a
model on how to remain successful. It is a call for change. It provides today's managers with a different purpose; to question the existence and sustainability of their business.

Summary

A case is being built for why organizations have reason to embrace new paradigms. To be a proactive leader and a progressive organization it is important to always question what is not being done well today that could be done better tomorrow. The ideas presented in best service practices, leadership and organizational change should elicit the desire to change the way we operate our business in order to face the unpredictable future. The outcome of facing problems and solving them is the potential for innovative and creative solutions to be born. The choice to survive may depend on whether this journey is pursued.
Chapter II

Review of Literature

Overview of Lebanon Tourism

Tourism development-pre-war to the present day. Lebanon, once known as the pearl of the Middle East, was a major country on the map of tourists because of its large number of tourism attractions. Prior to the 1975-1991 war, Lebanon had a thriving tourism industry. For the hundreds of thousands of nationals from the more traditional Arab countries who visited Lebanon in the early 1970s, it offered the freedom of Europe and just a few hours away. It was and still is a cosmopolitan, multi-lingual, fun-loving destination with a heady mix of East and West, of traditional and modern - as well as an important center for financial services.

Enjoying a Mediterranean climate, with dry summers, Lebanon includes an extensive coast plus mountain resorts, such as the world-renowned Cedars. A number of those are well equipped for winter skiing. It is possible to ski and swim on the same day. By the late-1960s tourism had become an important sector of the local economy, and with its many archeological sites an increasing draw for Western tourists. In 1974, just before the outbreak of the war, the tourism industry accounted for an estimated 20 percent of GDP. International arrivals topped 1.4 million and tourism receipts had grown nearly five-fold since 1964. (SRI International, 2001, p. 5)

Not surprisingly, Lebanon’s tourism suffered badly from 16 years of war, and most of its tourism infrastructure was destroyed or severely damaged. After 1975, the sector was mainly affected by political instability resulting in the absence of security
measures, the destruction of the main hotel resorts, and the lack of basic infra-structural necessities such as communication and power supply. The war also heavily damaged the tourism industry, especially quality hotels in Beirut’s hotel district. In 1996, tourism only represented 7 percent of GDP but is picking up under Lebanon’s reconstruction program. Although the country embarked rapidly on a major reconstruction and rehabilitation program after the end of the hostilities, it will be several years before the major infrastructure work is completed. Beirut’s new airport and port are operational, but roads and telecommunications are still far from adequate, and the planned new rail system is not yet built.

However, there are several developments, which bring optimism. More than US$7 billion of expatriate money has returned to Lebanon since the end of the war and Lebanese exiles—who represent about four times the population of the Lebanese in the country—are increasingly returning as tourists, or to take up residence again. According to Karam (2002b), “The usual 300,000 Lebanese expats will make the annual summer pilgrimage, bringing with them valuable hard currency…” (p. 31). There is a good climate for growth and investment. The Lebanese economy poses almost no trade barriers, it has a freely floating exchange rate mechanism allowing easy access to funds, as well as a corporate taxation policy that particularly favors foreign companies.

A large number of hotel projects, including both new build and renovations, have been completed or are under construction, and many have been postponed, due to economic and market uncertainties. But, at least 6,000 new rooms, many of them under international brands, have either opened or are scheduled to come on line in Beirut between 1996 and 2003—representing well over US$500 million in total investment. (SRI
International, 2001, p. 3) “Not one of Beirut’s 5,000 hotel rooms could be had for love nor money they said. For their part, hotel managers were spouting hyperbole, predicting bumper summer season” (Karam, 2002b, p. 31). According to Pierre Achkar – President of the Syndicate of Hotel owners, “Actuellement, le Liban compte près de 10,000 chambres d’Hôtels, 2,000 restaurants et 500 appartements meublés touristiques à louer. Selon les statistiques disponibles, près de 3 milliards $ ont été investis dans le secteur du tourisme [Nowadays, Lebanon counts around 10,000 Hotel rooms, 2,000 restaurants and 500 furnished apartments for rent by tourists]” (Abou Lahoud, 2002, p. 70). In the same instance, Alain Bejjani, Vice President of IDAL (Investment Development Authority of Lebanon) stated:

“Près de 70% des projets récents soumis à l’étude auprès d’IDAL sont de nature touristique. Ce qui équivaut à un investissement de 710 millions $. Depuis 1992, le secteur du tourisme a totalisé près de 25% du total des investissements réalisés au Liban [Around 70% of the projects submitted for study to IDAL, recently, are related to tourism. This is equivalent to a $710 million investment. Since 1992, the tourism sector has totalized around 25% of the total investments realized in Lebanon]” (Abou Lahoud, 2002, p. 70)

**Historical background of the tourism industry.** The tourism industry in Lebanon had in the sixties and early seventies made great progress. This development was spurred on by the following three factors:
1. The growth in the number of foreign visitors to Lebanon

Prior to the civil events in 1975, the traffic of foreign visitors to Lebanon had been rising steadily and impressively. This steady growth in the number of foreign visitors to Lebanon was due primarily to the following two factors:

- The development of air transports

- Lebanon's characteristics as being the commercial and business center of the Middle East: What made Lebanon the commercial and business center of the Middle East is its status as an international money market and transit center for the Middle East. The prosperous banking system of Lebanon has helped turn Beirut into a regional and international money market, which finances a tremendous volume of triangular trade and financial operations encompassing all parts of the world. The political and economic stability at the time had helped Beirut develop into a safe place where capital flows in from different markets. Its developed banking and financial institutions and its close connections with world markets have contributed to its development as a world intermediary for channeling and investing funds. Lebanon is known for a singularly high proportion of its national income earned in the trade sector. It is estimated that 30% of its income arises in this sector because of its strategic geographical location, the mercantile abilities of its people, and the open-door policy which favors services in general. Because of these factors, Lebanon has developed into a middleman for an extensive region. Since about 1960, both transit and triangular trade (import for re-export) have
grown enormously, with a major boost coming after the Suez-canal closure in 1967.

2. The development of tourism equipment and amenities

Perhaps the most significant single impulse in the development of tourism was the trend among many foreign visitors, especially Arabs, to combine pleasure with business on their sojourn in Lebanon. Cognizant of its natural endowments of a temperate and varied climate, natural and scenic beauty, archeological and historical sites, and its comparative advantage in the services sector, Lebanon saw in tourism a new resource for economic development.

The private sector was induced to undertake the development of tourist equipment almost entirely by its capital and initiative. Such tourist equipment came in the form of hotels, restaurants, nightclubs, and indoor and outdoor entertainment and recreational facilities; a variety of amenities catering to all types of tourists. This suggests that investors have indeed become tourist conscious: They realized the fact that tourists had various social origins and tastes; their period of leisure was relatively short and they demanded a range of diversions to occupy it. It also should be noted here that during that period, direct foreign investment in tourism facilities had been greatly welcomed by most Lebanese. This was mainly due to the following:

1. It provided the necessary experience in service training and management

2. It resulted in upgrading the attraction of the country by drawing a different type of foreign tourists and also foreign money.
3. It resulted in an amelioration of the standards and services of existing hotels.

3. The significance of tourism in the Lebanese economy

Tourism in Lebanon ranks among the biggest employers and contributors to national income. In 1975, it was estimated that 24,000 were employed in the various tourism facilities. In 1973, tourism’s contribution to national income was around 16% when indirect effects of tourists spending were included. (Hamady, 1985, pp. 3-10)

**Importance of tourism prior to 1975.** The importance of tourism to national income could also be detected from its contribution to GDP. Table II-1 shows the contribution of tourism to GDP for the years 1964 to 1974, and reflects a steady growth in this contribution (with the exception of the years 1967 and 1973). Also, noticeable is the fact that tourism’s contribution to GDP had doubled within ten years, reaching approximately 20% in 1974. This and the growth in the government’s returns form L.L.37 million in 1964 to L.L 189 million in 1974, indicate the importance of tourism to Lebanon and its significance in national income. (Hamady, 1985, p. 7)
Table II-1

Tourism's contribution to Gross Domestic Product

<table>
<thead>
<tr>
<th>Year</th>
<th>Tourism's contribution to GDP (LL in Millions)</th>
<th>GDP (LL in Millions)</th>
<th>Percentage Contribution of Tourism to GDP</th>
<th>Government's Returns from Tourism (LL in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>312</td>
<td>3200</td>
<td>9.7</td>
<td>37</td>
</tr>
<tr>
<td>1965</td>
<td>397</td>
<td>3523</td>
<td>11.3</td>
<td>48</td>
</tr>
<tr>
<td>1966</td>
<td>468</td>
<td>3867</td>
<td>12.1</td>
<td>56</td>
</tr>
<tr>
<td>1967</td>
<td>375</td>
<td>3820</td>
<td>9.8</td>
<td>45</td>
</tr>
<tr>
<td>1968</td>
<td>564</td>
<td>4273</td>
<td>13.2</td>
<td>68</td>
</tr>
<tr>
<td>1969</td>
<td>613</td>
<td>4565</td>
<td>13.4</td>
<td>74</td>
</tr>
<tr>
<td>1970</td>
<td>674</td>
<td>4866</td>
<td>13.9</td>
<td>81</td>
</tr>
<tr>
<td>1971</td>
<td>906</td>
<td>5399</td>
<td>16.8</td>
<td>109</td>
</tr>
<tr>
<td>1972</td>
<td>1000</td>
<td>6365</td>
<td>15.7</td>
<td>120</td>
</tr>
<tr>
<td>1973</td>
<td>928</td>
<td>7100</td>
<td>13.1</td>
<td>111</td>
</tr>
<tr>
<td>1974</td>
<td>1576</td>
<td>8140</td>
<td>19.4</td>
<td>189</td>
</tr>
</tbody>
</table>

*Source: Hamady, 1985, p. 8*

The Lebanese government, realizing the economic significance of tourism and the importance of the hotel industry as one of the main factors in its development, has intervened on behalf of the tourism industry. The organization of tourism in Lebanon was primarily the responsibility of the Conseil National du Tourisme (CNT) [National
Counsel for tourism], formed in 1962; whereas, the Ministry of Tourism dating in its present form from 1966, is responsible for the observance of standards of tourist equipment, and for the restoration and maintenance of ancient monuments. Until 1992 (abrogation date of the 1967 decree), the CNT, financed from public funds and entry to the Casino du Liban, used to undertake publicity for Lebanese tourism in foreign countries, research on tourist movement and behavior, and handle public relations aspects of tourism within the country. This last aspect includes visits by groups of journalists and travel agents. Youth travel was also a major aspect of CNT activity, catered for by a special section, which organized cultural exchanges, study tours and working holidays. CNT had, in addition, established tourist and information centers in Brussels, Frankfurt, London, Paris, Stockholm, and New York, for the purpose of increasing traffic in non-Arab visitors. (Hamady, 1985, p. 10) According to Abou Lahoud (2002), “Actuellement, le CNT existe toujours sur le papier, mais ne joue plus un rôle actif, car son budget a été annulé. Et le ministère du Tourisme n'a pas les moyens financiers de sa politique [Nowadays, the CNT still exists on the paper, but doesn't play an active role anymore, because its budget has been cancelled. And the Ministry of Tourism doesn’t have the means of the CNT politics]” (p. 70).

**The onset of the war in 1975.** With the onset of the war, the Lebanese tourism sector started deteriorating as visitors ruled out any trips to this country. Prior to the breakout of the conflicts, the number of tourist nights reached 1,993,454 nights per annum, with an average stay of 3.6 days per person; excluding those, especially Arabs, who owned houses and castles in the mountains such as Aley and Bhamdoun (Kaddoura, 1996, p. 16). SRI International (2001) found that there was 214,700 nights spent in
Lebanon's Hotels and Furnished Apartments with a 4.2 average number of nights per visitor, in 1999. The data was based in the results of a 12-month survey of 100 classified hotels and furnished apartments representative of the total accommodation supply in Lebanon. But the latter total volume of tourist nights spent in Lebanon understates the true overnight volume, since it is only based on a sample of hotels and furnished apartments over a 12-month period. It should also be noted that the majority of Lebanese visitors spend most, if not all, of their time in the country staying with friends and relations. (p. 8) Another set of data generated by the Ministry of Tourism suggested that the total number of nights spend in Lebanon Hotels was 610,110 with a 2.93 average number of nights per visitor, in 2001. (Abou-Lahoud, 2002, p. 59)

**The recovery of the tourism sector.** The recovery of the tourism sector in Lebanon commenced in 1991-1992 after the implementation of a final cease-fire; as a result, foreigners started arriving to Lebanon, yet the purpose of such visits remained mostly professional. "During the year 1991, 150,000 travelers arrived for a visit to Lebanon" (Kaddoura, 1996, p. 16); "however, the figure rose to 210,000 in 1992" (SRI International, p. 5). In the years since the war ended, most of the visitors that come to Lebanon are expatriates visiting their families. Table II-2 shows the steady growth in the number of tourists between 1992 and 2001.
Table II-2

Lebanon’s International Tourists Arrivals

<table>
<thead>
<tr>
<th>Year</th>
<th>Arrivals (‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>1,424</td>
</tr>
<tr>
<td>1992</td>
<td>210</td>
</tr>
<tr>
<td>1995</td>
<td>450</td>
</tr>
<tr>
<td>1998</td>
<td>600</td>
</tr>
<tr>
<td>1999</td>
<td>673</td>
</tr>
<tr>
<td>2001</td>
<td>837</td>
</tr>
</tbody>
</table>

Sources: SRI International, 2001, pp. 5, 7; Abou Lahoud, 2002, p. 60

Similarly, in 2001 the recorded number of tourists visiting Lebanon was 837,072 (see Table II-2) out of which 41.33% were Arabs (see Table II-3) who resided in hotels rather than in their mountain homes due to the fact that those summer houses were not ready to provide a healthy vacation for its owners before undergoing severe rehabilitation works.

Table II-3

Percentage of Total Arrivals by Nationalities

<table>
<thead>
<tr>
<th>Nationalities</th>
<th>1974</th>
<th>1999</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>0%</td>
<td>2%</td>
<td>1.67%</td>
</tr>
<tr>
<td>Americas</td>
<td>8%</td>
<td>13%</td>
<td>12.09%</td>
</tr>
<tr>
<td>Arab countries</td>
<td>63%</td>
<td>40%</td>
<td>41.33%</td>
</tr>
<tr>
<td>Asia</td>
<td>10%</td>
<td>8%</td>
<td>12.86%</td>
</tr>
<tr>
<td>Europe</td>
<td>18%</td>
<td>33%</td>
<td>28.35%</td>
</tr>
<tr>
<td>Others</td>
<td>1%</td>
<td>4%</td>
<td>3.71%</td>
</tr>
<tr>
<td><strong>Total Number of Arrivals</strong></td>
<td>1,424,000</td>
<td>673,000</td>
<td>837,072</td>
</tr>
</tbody>
</table>

Sources: SRI International, 2001, p. 6; Abou Lahoud, 2002, p. 60

The thousands of Lebanese expatriates who return each summer give an important boost to the local economy. Until September 11th, 2002 the government was still working
on attracting visitors from the rich Gulf Arab states and the West. However since September 11th, it will need to put much more effort in attracting Western visitors. According to Alexandre Hajjar, chairman/managing director of Hotel & Tourism Development Co., SARL, “A cancellation ratio of 90 percent from American tourists and businessmen and a 50 percent cancellation rate from European visitors was witnessed in the week following the US attacks” (Khoury, 2001, p. 49). However, a leading travel agency in Lebanon stated that “even though the number of Western tourists has dropped dramatically in the last nine months, the number of Arabs visiting Lebanon has increased, more than making up for any shortfall” (Karam, 2002a, p. 8). Karam added that the “Minister of Tourism revealed that despite a drop in the number of tourists for April and May, the overall figures for the year increased to 276,173, a 2.9% rise over the same period in 2001 (p. 8).

In early 1997, the Ministry of Economy and Trade, along with the Ministry of Tourism, local merchants, hotels, and Middle East Airlines launched Lebanon’s first annual “shopping month.” This highly successful venture offered incentives for regional tourists to come to Lebanon for duty-free shopping and entertainment. In 1998, around 600,000 tourists spent an estimated $1.3 billion. According to Karam (2002a), “Tourism is the second biggest contributor to the GDP (behind banking), generating a respectable $1.5 billion” (p. 30).

The hotel industry in Lebanon has embarked on a restoration project valued at $500 million. Expected to return Beirut’s hotels to their former glory, the project aims to construct 18,000 rooms by the end of 2002. Beirut’s International Airport has also been renovated. The enlargement of the Beirut airport, the reopening of prestigious hotels as
well as the rapid opening-rate of cafés, restaurants and nightclubs, reflect strong faith in
the potential of the tourism sector. However, regional instability in addition to air and sea
pollution are not helping the sector. Also, the industry lacks an overall strategy, and
seems to cater to upper-middle and upper class travelers—not tapping into the potential
of the large masses. According to Abou-Lahoud (2002), “Si le centre-ville a vocation à
devenir un centre touristique, des structures d’accueil de moyenne catégorie, à des prix
abordables, environ 80$ la nuitée, doivent être construites [If downtown has the vocation
to become a tourism center, welcoming structures of middle category, at affordable
prices, around $80 per night have to be constructed]” (p. 66).

Budget allocation. The Lebanese government has realized the importance of
tourism in boosting the local economy. Figure II-1 shows how the Ministry of Tourism’s
total budget has steadily increased since 1992. But, its marketing budget has remarkably
risen between the years 1994 and 1995, and fallen back in 2001 to the 1994’s marketing
budget.
Figure II-1

The Ministry of Tourism's Budget

The Ministry of Tourism's Budget-1992-95 and 2001

($ thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>1500</td>
<td>500</td>
</tr>
<tr>
<td>1993</td>
<td>2000</td>
<td>500</td>
</tr>
<tr>
<td>1994</td>
<td>3000</td>
<td>500</td>
</tr>
<tr>
<td>1995</td>
<td>4000</td>
<td>500</td>
</tr>
<tr>
<td>2001</td>
<td>5500</td>
<td>500</td>
</tr>
</tbody>
</table>

Source: SRI International, 2001, p. 17

According to Karam (2002a), the minister of tourism has admitted that the Lebanese government has reduced its tourism budget for 2003 by 10%. "Next year he will have a mere LL9 billion ($6 million) with which to pay his 130 staff and market Lebanon as a credible destination" (Karam, 2002a, p. 30). In an interview conducted by Karam (2002a), the minister of tourism acknowledged that he has no more money to allocate. Eventhough tourism is the second biggest contributor to GDP (behind banking), less productive sectors have more money to spend due to political decisions. The minister added, "In Lebanon there is a lack of political will" (Karam, 2002a, p. 30). But Lothar Klemm, German deputy came to Lebanon two years ago to take part in a discussion at the Arab World Travel and Tourism Exchange (AWTTE). He warned that:
The Lebanese sector would not get a second chance if they failed to deliver what the modern traveler expects. With so many destinations to choose from, the real test of a successful sector was if the same people came back for more. (Karam, 2002b, p. 32)

Given the limited budget allocated to Lebanon tourism marketing and promotion, the minister of tourism stated that “the government is relying on the private sector to show the way in terms of marketing. The hotels have the infrastructure and we are working closely with them, they will all be fully booked this summer” (Karam, 2002a, p. 31). The minister of tourism also expects over 1 million tourists this summer, if Syrians and Lebanese expatriates coming in on their Lebanese passport are included.

**Future Prospects.** Lebanon’s present economic growth prospects are good. The country is expected to climb slowly out of the recession that has plagued it since 1998. Inflation is presently running at 2.0 percent and GDP is forecast to grow by 1.5 percent in 2001.

Reconstruction can be expected to head the Lebanese government’s agenda for the foreseeable future, although its ambitious plans will likely be scaled back and the private sector asked to play a bigger role in the whole process. Critical to tourism development is improvement of public transport, for example—the inadequacy of which is currently a major deterrent to independent leisure tourism.

Short- to medium-term tourism growth clearly depends to as large extent on a successful outcome to the Middle East peace process – something that, for the time being, looks elusive. But there are also other constraints to growth. Despite the recommendations of WTO master plan completed in 1995/96, the country still has no
viable national tourism plan. No funds have been embarked for specific tourism
infrastructure improvements and there is little activity at local level.

Private sector investment in Lebanon is helping to stimulate growth and diversify
the country’s tourism product and market appeal. The government has made efforts to
facilitate investment. As an example, incentives include the duty-free import of
hospitality-related equipment and an interest rate support program for investment loans in
the sector. However, the imposition of a 5 percent sales tax on all hospitality products
and services in addition to the 10% VAT has had a negative impact, especially since the
funds collected are not presently reinvested back into industry-related infrastructure.

As far as the national tourism administration is concerned, provision should be
made to ensure greater cooperation and coordination between different ministries and
departments involved in tourism related matters, such as the Ministry of Culture,
Education and the Director of Antiquities. (SRL, 2001, pp. 21, 22)

Karam Karam, minister of tourism and respected gynecologist, has an unenviable job.
According to Karam (2002a), “The task of attending to a sector pregnant with potential
might prove to be his hardest delivery yet” (p. 31).

**Overview of the Restaurant Business**

**Tourism and food service.** Tourism in general and food service in particular
contribute to a nation’s economic development in many ways, in addition to the
immediately apparent prospects of creating jobs and boosting overall income. Tourist
establishments, particularly those serving food, buy from domestic sources and can help
development of such national industries such as agriculture, food processing, and
commercial fishing among others. According to Elmont (1995), “Governments in developing countries should embrace International tourism, but they should not underestimate the importance of food service as part of that development” (p. 57). Governments should encourage tourism, including development of food-service businesses, to boost the economy and create jobs. In addition, they should promote international tourism to enhance their standing in the world community. The major challenge is for governments to maximize tourism’s benefits to the society and its individuals while minimizing environmental degradation and other costs. Table II-4 shows how food service is an important part of the tourism picture and the contribution it can make to the economy.

Table II-4

Required Tourism Employment

<table>
<thead>
<tr>
<th>Sector</th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels</td>
<td>10,000</td>
<td>13,600</td>
<td>18,400</td>
</tr>
<tr>
<td>Other Lodging</td>
<td>2,700</td>
<td>4,600</td>
<td>6,300</td>
</tr>
<tr>
<td>Restaurants</td>
<td>24,500</td>
<td>30,800</td>
<td>38,800</td>
</tr>
<tr>
<td>Travel Agencies</td>
<td>2,300</td>
<td>2,700</td>
<td>3,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39,500</strong></td>
<td><strong>51,700</strong></td>
<td><strong>66,600</strong></td>
</tr>
</tbody>
</table>

*Source: SRI International, 2001*

According to Elmont, “Tourism is like a vine that can bear substantial fruit. It needs to be cultivated, however it is easily damaged” (p. 63).
Early history of eating out. Eating out has a long history. Taverns existed as early as 1700 B.C. the record of a public dining place in Ancient Egypt in 512 B.C. shows a limited menu – only one dish was served, consisting of cereal, wildfowl, and onion. Be that as it may, the ancient Egyptians had a fair selection of foods to choose from: peas, lentils, watermelons, artichokes, lettuce, endive, radishes, onions, garlic, leeks, fats – (both vegetable and animal) – beef, honey, dates, and dairy products, including milk, cheese, and butter.

Women were not permitted in such places then. By 402 B.C., however, women became part of the tavern atmosphere. Little boys could also be served if accompanied by their parents. Girls had to wait until they were married.

The ancient Romans were great eaters – out. Evidence can be seen even today in Herculaneum, a Roman resort town near Naples that in A.D. 70 was buried under some 65 feet of mud and lava by the eruption of Mt. Vesuvius. Along its streets were a number of snack bars vending bread, cheese, wine, nuts, dates, figs, and hot foods. The counters were faced with marble fragments. Wine jugs were imbedded in them, kept fresh by the cook stone. Mulled and spiced wines were served, often sweetened with honey. A number of the snack bars were identical or nearly so, giving the impression that they were part of a group under single ownership.

Bakeries were nearby, where grain was milled in the courtyard, the mill turned by blindfolded asses. Some bakeries specialized in cakes. One of them had 25 bronze baking pans of various sizes, from about 4 inches to 1.5 feet in diameter.
After the fall of Rome, eating out usually took place in an inn or tavern, but by 1200 there were cooking houses in London, Paris, and elsewhere in Europe, where cooked food could be pursued but with no seating.

The coffeehouse, which appeared in Oxford in 1650 and 7 years later in London was a forerunner of the restaurant of today. Coffee at the time was considered a cure-all. (Lundberg, 1994, pp. 216-217)

**Why people eat out.** People eat out for a variety of reasons: to satisfy hunger, social needs, and ego and self-fulfillment needs. The most popular theory of motivation that was proposed by A. H. Maslow stated that humans are wanting animals. As soon as one need is satisfied, another appears to take its place, moving from the need for safety or security up that scale through social, ego, and self-fulfillment. People go to restaurants to satisfy not only hunger but also self-esteem, self-respect, self-confidence, and prestige needs. They select a restaurant because of particular psychological needs at the moment, the way they are feeling about the money they have to spend, the prices of a restaurant is perceived in terms of its aesthetics, social status, and the kind of people that can be expected to be there (patrons, management, and employees).

A person may eat at a stand-up snack bar to satisfy a hunger or psychological need, but will select varying styles of restaurants to meet social needs, and finally will go to the high-prices places for reasons of self-esteem and self-fulfillment.

**Classification of restaurants.** According to Lundberg, Foodservices can be placed on a continuum in terms of the kinds and amounts of service offered and the menu prices charged. Figure II-2 shows how the more service given, usually the higher the prices.
Figure II-2

Kinds of Foodservice Related to Level of Price and Service


Price and service also tend to characterize the type of establishment. Walkup, takeout, home delivery, convenience store, and vending are almost devoid of service, which make low menu prices possible. They are not restaurants in the usual sense of the word. Luxury restaurants provide maximum service accompanied by the highest menu prices. In between in price and service are fast-food places, cafeterias, snack bars, and counters. The coffee shop is a combination of counter and booth service. Family restaurants usually offer table service. Dinner houses and luxury restaurants offer white tablecloth service and high prices.

A high risk business. “The Restaurant Business is one of the riskiest of businesses, many more commercial restaurants fail than succeed” (Lundberg, 1994, p.
Behind every person who likes to cook, enjoys being with people, and wants to make money lies a would-be restaurateur. The restaurant business exerts a fatal fascination on hundreds who should never consider being restaurant owners or operators. Every potential operator should consider that he or she is more likely to fail than succeed. The independent restaurant operator is hard put to compete with the huge resources of several of the chain restaurants. According to Lundberg, “Perhaps the biggest advantage is that it [the chain] can afford to make more mistakes than the independent operator; one serious error and the independent is likely to go bankrupt” (p. 233). Imagine a young, confident businessman who opens a new restaurant in a trendy part of town. Ecstatic with the initial success of his new restaurant, the young man does not realize that the growth stage of a business won’t last long before profits stabilize. He misreads the early profit as a sign of success. But when the restless crowd starts getting fed up with his restaurant and defect to one of the three new restaurants that just opened next door, this new restaurateur is taken by complete surprise. (Kayali, 2002, p. 72)

**Crisis Management**

*Moving upward in a downturn.* This young restaurateur and many other businessmen have failed to understand that downturns are a recurring fact of life in every industry. Sooner or later, demand for an industry’s products or services declines - often dragging prices down along the way – regardless of the state of the economy as a whole. According to Rigby (2001), “While it’s true that many more industries suffer downturns during recessions, it’s a mistake to think that any industry is safe during periods of normal economic growth” (p. 99).
Rigby has identified two different approaches to crisis management: The Conventional approach and the Contrarian approach summarized in Table II-5. The conventional approach appears to make sense in the short term. However, the contrarian approach enables companies to exploit industry downturns to connect their unique opportunities for upward motility.

Table II-5
Navigating a Downturn

<table>
<thead>
<tr>
<th></th>
<th>The Conventional Approach</th>
<th>The Contrarian Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storm Clouds on the Horizon</td>
<td>Express Confidence that your industry (or your company) is safe from harm.</td>
<td>Build contingency planning into your culture and you’ll be prepared for anything.</td>
</tr>
<tr>
<td></td>
<td>Hedge your bets: Diversify in the hope that your winners will offset your losers.</td>
<td>Play to win where you are strongest: reinforce your core.</td>
</tr>
<tr>
<td>Battling the Elements</td>
<td>Cut costs like there’s no tomorrow.</td>
<td>Treat your stakeholders like fellow combatants who happen to be stuck in the same foxhole.</td>
</tr>
<tr>
<td></td>
<td>On the line in the budget for acquisitions, write “$0.”</td>
<td>Scoop up bargains that bolster the core business</td>
</tr>
<tr>
<td>Here Comes the Sun</td>
<td>Spend your way back into the good graces of employees and customers.</td>
<td>Don’t overstress the engine: shift smoothly into higher levels of growth</td>
</tr>
</tbody>
</table>

*Source: Rigby, 2001, p. 101*

“The Gathering storm” or “Strom clouds on the horizon” refers to phase one of a downturn, where analysts report that industry growth is slowing. In this phase, executives are still influenced by the memories of profitable growth. Some executives act as if the storm will blow over. Others invest in unrelated businesses. But, smart executives
prepare for the worst while focusing their companies on what they do best. On one hand, “failing to plan for the worst is a much bigger mistake than upsetting the troops in the short term, because once an industry is in the middle of a downturn, it is almost impossible for a company to come up with inventive solutions” (Rigby, p. 101). On the other hand, successful managers avoid diversification and concentrate as many resources as possible on playing to win in their main field of competition.

“Eye of the hurricane” or “Battling the elements” refers to phase two of a downturn. At this point no one can ignore the high winds or copious precipitation falling from the sky. Analysts aren’t sure how long this situation will last but express their fears that the industry will never be the same again. A conventional reaction is to take quick and drastic actions in order to survive, including cautions against acquisitions spending. But, smart companies look beyond the bad times and even find ways to grow while competitors are visibly on the verge of collapse. Costs do have to be carefully managed, but the key is consistency. Contrarians know that downturns won’t last forever, they treat their stakeholders as friends who are facing the same problems. Rigby also added that “clear winners in a downturn don’t lock their purses; they spend on bargain acquisitions (...) focused acquisitions during downturns should reduce risks, not increase it” (p. 103).

“Clear skies on the horizon” or “Here comes the sun” refers to phase three of the downturn. In this phase, signs of economic renewal emerge. Analysts begin to predict a turnaround. Conventional wisdom says that companies should make an abrupt shift into the “high-spending mode”. But, companies who have successfully managed the above two phases won’t need to “put the pedal to the floor.” According to Rigby, “Failing to strengthen a company during a downturn can leave it a much tougher position
Preparation to exit a downturn is either the easiest or the hardest stage of management. The easiest if drastic measures had been wisely taken during a downturn, increasing the company's ability to return to profitability. But, the hardest if inadequate actions were taken during the exit phase, inadequately positioning the company for renewed growth. Another reason why more businesses fail after a downturn than during one is that it takes a while for downturn-diseased companies to die.

As a conclusion, business is still subject to cyclical change. Every industry will face periodic downturns of varying severity. Executives with the vision, ingenuity, and courage to go against convention can buoy their companies to new heights while competitors are sinking. (Coutu, p. 105)

**Resilience.** The above discussion about managing a downturn leads to question: Why do some people and some companies collapse under pressure? And what makes others bend and ultimately bounce back? Coutu (2002) believed that “more than education, more than experience, more than training, a person's level of resilience will determine who succeeds and who fails” (p. 47). According to Coutu, resilient people possess the three characteristics listed below:

1. “Facing down reality” or “A staunch acceptance of reality”
2. “The Search for Meaning” or “A deep belief, often buttressed by strongly held values, that life is meaningful”
3. “Ritualized ingenuity” or “An uncanny ability to improvise” (p. 48).

When asked if they really exhibited the above three characteristics, resilient people may not be able to answer. They often don't describe themselves that way. “They shrug off
their survival stories and very often assign them to luck. (...) But being lucky is not the same as being resilient” (Coutu, p. 55).

As a conclusion, Resilience is a reflex, a way of facing and understanding the world that is deeply engraved into a person’s mind and soul and helps an individual or company to successfully face downturns.

**Success ingredients**

Going back to the story of the young, confident businessman mentioned on p.30, come the end of the month, he might not be able to pay employers and suppliers. Such an inexperienced person has no real idea about the expectations of the job. Kayali (2002) added, “Suave and well-connected as he may be, this person may not have a clue about restaurant cost control or the know-how and attitude needed in the business” (p.73).

Restaurants come and go—sometimes with astonishing speed. The following table illustrates the ten pitfalls to avoid when opening a new restaurant (see Table II-6).

**Table II-6**

**Ten pitfalls to avoid when opening a new restaurant**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bad inventory control</td>
</tr>
<tr>
<td>2</td>
<td>Employee Theft</td>
</tr>
<tr>
<td>3</td>
<td>No competitive advantage</td>
</tr>
<tr>
<td>4</td>
<td>Inexperienced managers</td>
</tr>
<tr>
<td>5</td>
<td>Wrong location</td>
</tr>
<tr>
<td>6</td>
<td>Wrong concept</td>
</tr>
<tr>
<td>7</td>
<td>Lack of working capital</td>
</tr>
<tr>
<td>8</td>
<td>Too much personal income</td>
</tr>
<tr>
<td>9</td>
<td>Wrong attitude</td>
</tr>
<tr>
<td>10</td>
<td>Lack of planning</td>
</tr>
</tbody>
</table>

*Source: Kayali, 2002, p. 73*
But, is it enough to avoid the above listed pitfalls in order to be and to remain successful? What distinguishes the restaurants that come and stay? Smith (1996) has acknowledged that “telling how to make a restaurant succeed is somewhat like brain surgery” (p. 43). He has chosen to begin with a few basic ingredients for a successful restaurant (see Table II-7).

Table II-7

Basic ingredients for a successful restaurant

- Doing a feasibility study of the concept
- Opening the restaurant quietly
- Having a competitive advantage
- Managing quality, quantity and production
- Focusing on the cleanliness detail
- Creating a value-for-price that is greater than the competition
- Controlling costs and losses
- Focusing on the customer

Source: Smith, 1996, pp. 43,44

The last ingredient or “focusing on the customer” is what Smith believes makes a restaurant succeed. Focusing on the customer can be achieved by following the thirteen principles or “baker’s dozen” outlined in Table IV-4, on p. 114. Item 5 reads, “Provide an immediate greeting at the front door.” According to Smith, “You get only one chance to make a good first impression” (p.45). Berry and Parasuraman (1991) have gone more in depth and explained the impact of service reliability and service recovery on a customer’s confidence in a company’s service quality.
Service reliability and service recovery. Berry and Parasuraman refer to service reliability as doing the service right the first time. Their research suggested that reliability was not the sole determinant of customers' service-quality evaluations. There are five general dimensions that influence customers' assessment of service quality (see table II-8).

Table II-8

Five Dimensions of Service Quality

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>Ability to perform the promised service dependably and accurately</td>
</tr>
<tr>
<td>Tangibles</td>
<td>Appearance of physical facilities, equipment, personnel, and communications materials</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Willingness to help customers and to provide prompt service</td>
</tr>
<tr>
<td>Assurance</td>
<td>Knowledge and courtesy of employees and their ability to convey trust and confidence</td>
</tr>
<tr>
<td>Empathy</td>
<td>Provision of caring, individualized attention to customers</td>
</tr>
</tbody>
</table>

Source: Berry and Parasuraman, 1991, p. 16

Reliability, however, has repeatedly emerged as the most critical dimension in every study in which the relative importance of the five dimensions has been measured. Figure II-3 also summarizes the ways improved service reliability can boost a company's bottom line.
The benefits of service reliability

Source: Berry and Parasuraman, 1991, p. 18
According to Berry and Parasuraman, companies usually achieve renown for service reliability through executives who:

- Firmly believe that 100 percent reliability is a feasible and worthwhile goal
- Frequently and effectively communicate their belief company-wide
- Reward error-free service
- Are never content with the status quo and strive for continuous improvement

But, even companies with a reputation for service excellence experience service failures. However, not all is lost when service fails. Strong recovery effort can restore customer confidence and reinforce customer loyalty. Figure II-4 portrays the likely impact of weak versus strong recovery efforts on customer’s confidence in a company. The company’s past record of providing reliable service has a bearing on how its recovery efforts influence customer confidence.
Restaurant management in Lebanon 39

Figure II-4

Differential Impact of Weak and Strong Recovery Efforts Under Different Reliability Levels

![Graph showing the impact of weak and strong recovery efforts under different reliability levels.]

**Source:** Berry and Parasuraman, 1991, p. 41

According to Berry and Parasuraman, "Customers are emotionally involved in-and more attentive observers of-recovery service than routine service (...). Service-recovery excellence coupled with a reputation for service reliability is a powerful, profitable strategy for gaining and retaining customers" (p. 54).

**The “wow” effect.** Going back to the discussion of the “Baker’s Dozen”, Smith had placed great emphasis on “focusing on the customer.” In the same instance, Cohen (1997) talked about “wowing” customers where the “customer-service gospel is called ‘QAPS’ which stands for ‘Quality, Amount, Propersness, and Spirit'” (p. 79). In his talk
about the “wow” effect, Cohen explained how one restaurateur (i.e. Old San Francisco) has continued to delight his customers. In his opinion, the wow effect cannot be achieved by only “focusing on the customer” but also by:

1. Wowing yourself: Where managers place a high value in their ability to move forward and to make decisions proactively. But managers couldn’t “wow themselves if they continued to spend most of their time performing what I call ‘nonessential’ tasks (…). Our solution was time management by ‘TEAM management” (Cohen, 1997, p. 76).

2. Wowing your employees: Where managers create financial ownership (i.e. employees are financially invested in the company), and psychological ownership (i.e. employees know that the company cares about them and wants them to stay).

3. Wowing your community: Where managers understand the challenge of restaurateurs as being “reverse coconers” by “creating spaces where customers want to be. Of course, that means creating business environments that are comfortable, but it also means reaching out the community at large, where much help is needed” (Cohen, p. 81).

4. Wowing your competition: Where managers understand that competing on price alone is a recipe of failure. “None of us can afford to ignore our competitors, but sometimes ‘being aware’ turns into ‘being alike’ (…). To avoid being taken for a cookie-cutter establishment, you’ve got to be a rebel and do the unexpected” (Cohen, p. 81).

**Strategic posture.** In addition to doing the unexpected, “high performing restaurants take a long-term strategic posture relative to low-performing restaurants”
(p. 91), as stated by Jogaratnam, Tse, and Olsen (1999). In their study, they have investigated the link between strategic posture and performance as it pertains to independent restaurant operators. Jogaratnam et al. (1999) have adopted the following dimensions to describe strategic posture:

1. Agressiveness: the aggressive allocation of resources to improve market position and pursue market share at a faster rate than competitors;
2. Analysis: overall problem solving based on the use of management systems and a thorough and comprehensive analysis of alternatives;
3. Futurity: emphasizing long-term effectiveness and growth by trying to forecast environmental trends and demand patterns;
4. Proactiveness: acting in anticipation of changing trends and constantly seeking new opportunities and trying out new ideas, products, services, or technological developments; and
5. Service quality: concerted efforts to improve service quality to enhance the guest’s overall experience. (p. 92)

The study of Jogaratnam et al. suggested that on one hand, the successful restaurants (i.e. high performing) generally pursued a less-aggressive posture than did the low-performing restaurants. Moreover, the high-performing restaurants placed a greater importance on thorough analysis with respect to problem solving. And also, the high performers were committed to delivering quality service. On the other hand, the low-performing restaurants displayed characteristics that were more short-term in orientation and less futuristic than did the high performers. The high and low performing restaurants differed with respect to innovation as well. Finally, Jogaratnam et al. stated:
The low performing restaurants exhibited a tendency to maintain the status quo and to react to changes in the environment. They were less likely to keep up with the times and were less effective exploiters of opportunity. (p. 95)

The latter quote leads to a discussion of the different ways in which organizations react to changes in the environment. The following discussion will also deal with adaptation, evolution and creativity.

**Change**

Many organizations are troubled by questions that haunt their work. Why do so many organizations feel lifeless? Why do projects take so long, develop ever-greater complexity, and yet too often fail to achieve any truly significant results? Why does progress, when it appears, so often comes from unexpected places, or as a result of surprises or synchronistic events that planning had not considered? Why does change itself, that event that is supposed to be managed, keep drowning executives, relentlessly making them feel capable and more confused? And why have expectations for success diminished to the point that often the best we hope for is endurance and patience to survive the frequent disruptive forces in organizations and life? In this world order and change, autonomy and control are not the great opposites that were thought to be. It is a world where change and constant creation are ways of sustaining order and capacity. Organizations are no longer inherently unmanageable in this world of constant flux and unpredictability. Rather, present ways of organizing are outmoded. “The layers of complexity, the sense of things being beyond and out of control, are but signals of our failure to understand a deeper reality of organizational life, and of life in general”
(Wheatley, 1999, p. 5). The practices managers developed to work in a stable, predictable world often no longer apply, and indeed are outmoded. While the world changes, organizations, managers, and employees within them may not always be able to foresee or adapt to change. Figure II-5 shows how people respond to change. Perception refers to how the change is communicated and perceived by the individual. The resultant attitude is how the individual assesses the significance of the change process. Finally, the resultant behavior is the impact of the change initiative on the individual.

**Figure II-5**

A conceptualization regarding response to change

<table>
<thead>
<tr>
<th>PERCEPTION</th>
<th>RESULTANT ATTITUDE</th>
<th>RESULTANT BEHAVIOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threatening/Punitive</td>
<td>Angry/Hostile</td>
<td>Resists Actively or Passively</td>
</tr>
<tr>
<td>Uncertain/Unclear/Ambiguous</td>
<td>Concerned</td>
<td>Anxiety</td>
</tr>
<tr>
<td>Neutral (Non-Threatening)</td>
<td>Indifferent/Accepting</td>
<td>No Change</td>
</tr>
<tr>
<td>Friendly (Positive, Helpful)</td>
<td>Enthusiastic</td>
<td>Supports the change</td>
</tr>
</tbody>
</table>

Source: Eitington, 1997, p. 565
According to Pieters and Young (1999), most people in organizations will have no trouble agreeing with the idea that continuing change has become a certainty. They also accept the likelihood that they will be faced with more rapid change in the future. “Yet an examination of the design of most organizations will also reveal that they are poorly prepared to cope with the onslaught of change except in energy-consuming, fire-fighting, and reactive or retroactive ways” (p. 10). When organizations are examined closely for the behaviors, systems, and structures that impact their capacity for change, they fall somewhere on the continuum in Figure II-6 in terms of their overall orientation to change. Assessments locate the organization at some position on the scale. Where the organization needs to be is primarily influenced by the uncertainty of the business environment.

Figure II-6

Orientation to change continuum

| AVERSE | RESISTENT | MANAGING | FRIENDLY | SEEKING |

Source: Pieters and Young, 2000, p. 13

According to a study conducted by CDS, the major factors preventing Lebanese companies from responding to change where Management’s lack of understanding of the change process and the lack of teamwork. The other factors are listed in Table II-9 by order of importance.
Table II-9

Percentage of all participating executives

<table>
<thead>
<tr>
<th>Factors preventing change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management’s lack of understanding of the change process</td>
<td>94%</td>
</tr>
<tr>
<td>Lack of teamwork</td>
<td>93%</td>
</tr>
<tr>
<td>Lack of internal communication</td>
<td>86%</td>
</tr>
<tr>
<td>Lack of the appreciation of the need to change</td>
<td>83%</td>
</tr>
<tr>
<td>Paralyzing bureaucracy</td>
<td>83%</td>
</tr>
<tr>
<td>Employee’s lack of understanding of the change process</td>
<td>76%</td>
</tr>
<tr>
<td>Inappropriate legal framework</td>
<td>73%</td>
</tr>
<tr>
<td>Lack of financial resources</td>
<td>72%</td>
</tr>
<tr>
<td>Employees’ lack of trust in management</td>
<td>68%</td>
</tr>
<tr>
<td>Employee’s self-interest</td>
<td>68%</td>
</tr>
</tbody>
</table>

Source: CDS, 2002

As a conclusion, the pressures of change have reached Lebanon in many significant ways. Many factors are preventing Lebanese companies from responding to these pressures. According to CDS research, globally, corporate Lebanon is lagging well behind the developed world, as change has become a habit of rejuvenating companies abroad, corporate Lebanon and the rest of the world appear to be drifting apart. The following discussion will investigate the different ways in which organizations respond to change.
Organizations as organisms. In the organism metaphor, Morgan (1998) described the “open systems” approach to organization as build on the principle that organizations like organisms, are “open” to their environment and must achieve an appropriate relation with that environment if they are to survive. The open systems approach has generated many new concepts for thinking about social systems and organizations, which are often presented as general principles for thinking about all kinds of systems. These principles are summarized in table II-10.

Table II-10

Principles of open systems

<table>
<thead>
<tr>
<th>General principles</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open system</td>
<td>One in which there is continuous exchange with the environment</td>
</tr>
<tr>
<td>Homeostasis</td>
<td>Self-regulation and the ability to maintain a steady state</td>
</tr>
<tr>
<td>Entropy</td>
<td>The tendency of closed systems to deteriorate and run down</td>
</tr>
<tr>
<td>Negative entropy</td>
<td>Open systems’ attempt to sustain themselves by importing energy to offset entropic tendencies</td>
</tr>
<tr>
<td>Requisite variety</td>
<td>The internal complexity of a system</td>
</tr>
<tr>
<td>Equifinality</td>
<td>The fact that in an open system there may be many different ways of arriving at the same end. The structure of a system at a given time does not determine the process but rather a manifestation of the process</td>
</tr>
<tr>
<td>System evolution</td>
<td>A cyclical process of variation, selection, and retention of selected system characteristics that allow the system to deal with challenges and opportunities posed by the environment</td>
</tr>
</tbody>
</table>

Source: Morgan, 1998, pp. 41-42
According to Morgan (1998), the above listed principles have had three main practical implications on organizations:

1. Open systems theory emphasizes the importance of the environment in which organizations exist.

2. Organizations are seen as a set of interrelated subsystems.

3. The open systems approach encourages organizations to establish congruencies or “alignments” between different systems and to identify and eliminate potential dysfunctions.

Organizations, like organisms, can be conceived as sets of interacting subsystems. “Just as molecules, cells, and organs can be seen as subsystems of a living organism, even though they are complex open systems on their own account” (Morgan, p. 43). These subsystems can be defined in many ways. Figure II-7 shows one example stressing relations between the different variable that influence the functioning of an organization, thereby providing a useful diagnostic tool.
Figure II-7

How an organization can be seem as a set of subsystems

On one hand, inputs that energize the organization refer to human financial, informational, and material resources. On the other hand, organizational outputs refer to the production of goods and services at a level of efficiency and effectiveness, which will influence future resources availability and systems operation. Pieters and Young (2000) have suggested the customer-supplier model (see Figure II-15) that shows how getting feedback on performance is necessary for continuous improvement. Also, Figure II-16 illustrates the system’s view of an organization suggested by Zemke and Woods (1998). The system’s view of an organization shows how a system transforms inputs into outputs.
through a series of processes. The three implications of “open systems” mentioned earlier, have helped organizations move away from bureaucratic thinking and organize in a way that meets the requirements of the environment. The fact of adapting the organization to the environment is known as the contingency theory.

**Contingency theory.** Morgan stated that the contingency theory suggests that:

- Organizations are open systems that need careful management to satisfy internal needs and to adapt to environmental circumstances.
- There is no one best way of organizing. The appropriate form depends on the kind of task or environment with which one is dealing.
- Management must be concerned, above all else, with achieving alignments and “good fits”.
- Different approaches to management may be necessary to perform different tasks within the same organization.
- Different types or “species” of organizations are needed in different types of environments. (p. 44)

Morgan added that “each species of organization seems to have distinct characteristics and distinctive niches in which it excels (...). As technological and market changes challenge traditional niches, many old-style bureaucracies are becoming extinct and being replaced by more nimble competitors” (p. 52). The contingency theory is a school of thought, which argues that managers have to develop a “good fit” between the organization and environment in order to respond to market challenges. However, the
natural selection theory school believes that “although short-term innovation and adjustments are always possible, the forces of natural selection and the environment are ultimately in control” (Morgan, p. 52).

**Natural selection.** Natural selection, or the “population ecology” view of organizations brings Darwin’s theory of evolution to the center of organizational analysis. This assimilation can be explained as such: Organizations, like organisms in nature, depend for survival on their ability to acquire an adequate supply of the resources necessary to sustain existence. They face competition from other organizations and since there is resource scarcity, only the fittest survive. Although selection may be the mechanism through which evolution occurs, it depends on there being variation in individual characteristics. Without variation there is nothing to select. Morgan added, “So most applications of Darwin’s theory build on a cyclical model that allows for the variation, selection, retention, and modification of species characteristics (…). In this way, new species and ecological patterns evolve from variations in the old” (p. 58).

As a result, the population perspective gives a better insight on how whole industries or types of organizations may come and go, when faced with new kinds of competition or environmental circumstances.

**Innovation vs. evolution.** Hamel (2001), has gone beyond the talk of evolution and gave insights on the importance of radical innovation. According to Hamel, evolution is the same as incremental innovation or continuous improvement, and revolution is the same as nonlinear innovation or radical innovation. “I have never suggested that these different forms of innovation cannot or should not coexist. (...)[but] radical innovation is more likely to create large amounts of new wealth than continuous improvement” (p.
Hamel has warned people having a casual understanding of the revolutionary imperative, not to distort the case for radical innovation. Table II-11 summarizes the five distortions that one can have about revolution vs. evolution.

Table II-11

<table>
<thead>
<tr>
<th>Distortion</th>
<th>Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>A company must choose between radical innovation and incrementalism</td>
<td>Incrementalism become a problem only when it prevents a company from considering more radical shifts in strategy and embracing entirely new business models</td>
</tr>
<tr>
<td>Radical Innovation implies abandoning a hundred-year-old brand or throwing out carefully honed business practices</td>
<td>Radical innovation does imply that a company must be willing to reinterpret and reapply brands, assets, and competencies in new ways if it hopes to create new wealth</td>
</tr>
<tr>
<td>Radical innovation is more risky than incrementalism and should therefore be avoided</td>
<td>The fault lies not with the original, radical idea but with the hasty decisions that led the company to take unnecessary risks</td>
</tr>
<tr>
<td>Radical innovation means creating entirely new businesses or making dramatic changes in corporate direction</td>
<td>Radical innovation comes in all sizes. Sometimes, it changes an entire industry; sometimes it simply redefines a particular aspect of customer experience or takes a big bite out of costs</td>
</tr>
<tr>
<td>Since radical innovation is by definition disruptive, a company can tolerate only so much revolutionary thinking</td>
<td>Radical innovation must happen within a context – within some broad rules that define both what is in-bounds and what is out-of-bounds.</td>
</tr>
</tbody>
</table>

Source: Adapted from Hamel, pp. 150, 152

The question is not how much radial innovation a company can tolerate but how much it must engender if it hopes to stay relevant today’s fast-changing world. In the end, Hamel warned to “beware of CEOs whose ambitions stretch no further than the
incremental” (p. 153). Morgan (1998) has referred to innovation as “creative
destruction.” Morgan explained that Marx’s analysis of society stresses that social
arrangements generate inner contradictions that defeat the purposes for which they were
set up, leading to a continuing pattern of negation and counter-negation. The negation of
the negation allows for the progressive development of the system until a limit is reached
where its inner contradictions can no longer be contained.

According to Morgan, the first step in the successful management of paradox rests
in recognizing that both dimensions of the contradictions that accompany change usually
have merit. This requirement distinguishes the management of paradox from the
management of resistance to change. The second vital step rests in finding ways of
creating contexts that can mobilize and retain desirable qualities on both sides while
minimizing the negative dimensions.

Dialectical thinking can also make a major contribution to how we understand and
approach the process of innovation. Morgan invites us to “see evolution and development
as a process of creative destruction where new innovations lead to the destruction of
established practices” (p. 252). New innovations tend to displace old innovations. In turn,
they define the frontier for the next phase of innovation, creating a pattern where
problems tend to generate new solutions, which set the basis for new problems, which
lead to new solutions, to new problems, and so on. The process applies to the evolution if
social life and the development of products, services, and business processes of all kinds.
Thinking dialectically shows how the breakthrough in effect creates the frontier for new
competition. “Any organization wishing to sustain competitive advantage must recognize
how its successes are going to become weaknesses” (Morgan, 1998, p. 252).
**Survival of the fitting.** The population ecology and contingency views of organization both presume that organizations and environments are separate phenomena. However, many biologists now believe that it is the whole ecosystem that evolves. "Or as Kenneth Boulding has put it, evolution involves the 'survival of the fitting,' not just the survival of the fittest" (Morgan, p. 61). "Survival of the fitting" suggests that evolution is always evolution of a pattern of relations embracing organisms and their environment, rather than organisms evolving by adapting to environmental changes, or as a result of these changes, organisms that are to survive are selected. Under the influence of the "survival of the fitting", competition is encouraged as the basic rule of organizational life. However, as suggested by Morgan, "under the influence of more ecological interpretations stressing the survival of the fitting, the ethic of collaboration receives much more attention" (p. 62).

**Autopoiesis.** Autopoiesis, a new approach to systems theory has challenged the basic idea that organizations must respond to changes in the environment. Traditional approaches to organization theory have shown that change originated in the environment. As the organism metaphor has already shown, the organization is viewed as an open system in constant interaction with its environment, transforming inputs into outputs as a means of creating conditions necessary for survival. Humberto Maturana and Francisco Varela argue that "all living systems are organizationally closed, autonomous systems of interaction that make reference only to themselves" (Morgan, 1998, p. 215). They have based their argument on the idea that living systems are characterized by three principal features: autonomy, circularity, and self-reference. In her talk about change, Wheatley (1999) has stated that "life is about creation. This ability of life to create itself is captured
in a strange-sounding new word, autopoiesis (from Greek, meaning self-production or self-making) (...). Change is prompted only when an organism decides that changing is the only way to maintain itself” (p. 20).

Nowadays, many organizations are preoccupied with understanding their environment as “a world out there” that has an existence of its own. But Morgan argues that “if we put ourselves ‘inside’ such systems we come to realize that we are within a closed system of interaction and that the environment is part of the system’s organization because it is part of its domain of essential interaction” (Morgan, 1998, p. 216). Many organizations encounter problems in dealing with the wider world because they do not recognize how they are part of their environment. But other organizations have succeeded in making major breakthroughs by breaking and reshaping the boundaries traditionally drawn between themselves and their customers and competition, creating a new sense of identity for themselves and the system as a whole. Morgan also suggested that:

The challenge presented by the theory of autopoiesis is to understand how organizations change and transform themselves along with their environment, and to develop approaches to organization that can foster open-ended evolution (...).

In the long run, survival can only be with, never survival against, the environment or context in which one is operating. (p. 221)

Lichtenstein, has in turn explained how the greater the degree of self-organizing, the higher the likelihood of survival and positive performance.

**Self organization.** In his talk about self-organized transitions, Lichtenstein (2000) has explained how successful transitions incorporated three qualities: high self-reference, increased capacity, and interdependent organizing. Lichtenstein has also agreed with
Hamel on the fact that “Far from being incremental, change erupted when the company crossed a critical threshold – a limitation on its ability to grow within its organizing framework” (p. 131). Figure II-8 illustrates the three phases of complex adaptive systems change.

Figure II-8

The Pattern of Complex adaptive Systems Change

Stage 1 refers to “increased organizing” where an initial configuration supports and limits the amount of work that can be done. Stage 2 refers to “tension and threshold” where as work activity goes beyond system limits, stress and tension increase. Finally, stage 3 is the newly emerging configuration. At the peak tension, a critical event catalyzes a shift, transforming the firm into a new configuration. Senge (1994) referred to this tension as “creative tension”. In a learning organization, the discipline of creating shared vision is rooted in personal mastery as explained on page 84 of this chapter. And personal mastery is based on a commitment to the truth about current reality. That
commitment provides a clear idea of where one is and what he believes and allows him to begin to build the creative tension that will propel the individual toward creating what he truly wants. "In order to generate creative tension we need both a compelling vision and a clear understanding of our current reality" (Wardman, 1994, p. 108). Senge has also noted that tension, by its nature, seeks resolution, and the most natural resolution of this tension is for our reality to move closer to what we want. "It's as if we have set up a rubber band between the two poles of our vision and current reality" (Senge, 1994, p. 195). Lichtenstein defined self-organization as "a transformational process initiated by external events, through which a new internally generated order emerges" (p. 133).

Figure II-8 highlighted that transformative change does follow a consistent pattern. And figure II-9 illustrates the three qualities and the impacts of positive self-organization.
Figure II-9

Qualities and Impacts of Positive Self-Organization

- **High self-reference:** The newly emerging configuration is well connected to the experience and expertise of the organization.
- **Increased capacity:** The new order increases the capacity of the organization to accomplish its goals, through reconfiguring existing resources and creative synergies.
- **Interdependent organizing:** The newly emerging configuration utilizes a balance between structure and flexibility, with high levels of interdependence and communication.

Source: Lichtenstein, 2000, p. 138
In summary, complex adaptive systems change focuses on the level of activity and resources that can be generated and used by the company. If and when the organizing activities in the company expand or drop beyond those limits, stress and tension will increase, driving the system into a nonlinear state. At that point, small actions can become amplified to a peak tension where one particular event will initiate a system-wide reorganization. This transformation will be self-organized if the emergent activity structures are self-referenced, if they increase the system’s capacity, and if they generate interdependent organizing. Finally, according to Lichtenstein, “the higher the degree of self-organization, the higher the likelihood of survival, and of positive performance in the midterm” (p. 134).

**Chaos theory.** Lichtenstein has suggested that an organization crosses a “critical threshold” limiting its ability to grow within its organizing framework. Senge has described it as “creative tension”. Still the chaos theory refers to it as “the edge of chaos” situation. Chaos and complexity consider that organizations and their relationships with the environment are part of an attractor pattern. Key organizing rules – embedded in various aspects of structure, culture, information, mindsets, beliefs, and perceived identity – tend to hold organization-environment relations in a particular configuration. When pushed into edge-of-chaos situations the basic pattern can flip into new forms.

“The managerial challenge rests in nudging systems into desired paths by initiating small changes that can produce large effects” (Morgan, 1998, p. 255). Wheatley (1999) explained that new understandings of change and disorder have emerged from chaos theory. This field has led to a new appreciation of the relationship between order and chaos. These two forces are now understood as mirror images, two states that contain the
other. "A system can descend into chaos and unpredictability, yet within that state of chaos the system is held within boundaries that are well-ordered and predictable. Without the partnering of these two forces, no change is possible" (Wheatley, 1999, p. 13). She added that:

A system is defined as chaotic when it becomes impossible to know what it will do next. The system never behaves the same way twice. But as chaos theory shows, if we look at such as system over time, it demonstrates and inherent orderliness. (p. 22)

Organizations confusing control with order often fail to understand where to find order. "If we believe that responsible leaders must have their hands into everything, controlling every decision, and moment, then we cannot hope for anything except what we already have - a treadmill a frantic that end up destroying our individual and collective vitality" (Wheatley, p. 25). The latter quote has an important implication on the fundamental role of managers in shaping and creating contexts in which appropriate forms of self-organization can occur. According to Morgan, "Managers have to become skilled in helping to shape the 'minimum specs' that can define an appropriate context, while allowing the details to unfold within this frame" (p. 226). In this way, they can help to shape emergent processes of self-organization, while avoiding the trap of imposing too much control. The path in which the system evolves is highly unpredictable because, given the complexity and nonlinearity of the system, seemingly insignificant changes can unfold to create large effects. Morgan referred to this incremental change as the "butterfly effect", whereby a small change as insignificant as a butterfly flapping its wings in Peking can influence weather patterns in the Gulf of Mexico" (p. 226), Morgan has also
added that "Under conditions of nonlinearity and randomness, incremental changes that may themselves seem insignificant can precipitate major discontinuous or qualitative changes because of the emergent properties triggered by marginal adjustments" (p. 226).

In much of the management literature, quantum and incremental change are seen as opposites. Quantum change is seen as the route to marginal improvements. While this is true under conditions of linearity, in complex non-linear systems incremental changes can produce large quantum effects. In this case, people have to focus on finding high leverage initiatives within their sphere of influence that can have the capacity to shift the context, so that potentials for major change can be unleashed.

**Customer focus**

Nowadays, the command and control type of management has become obsolete. Organizations are realizing the importance of focusing on the customer. Albrecht (1994) has illustrated how a company’s strategy, people and systems interplay in order to impact on the customer’s experience and perception of value. The service triangle (see Figure II-10) shows that the real issue is neither quality nor service, but superior customer value. Lewis and Nightingale (1991) have also added, “let’s get rid of ‘service, service, service’ and concentrate on the real ‘ultimate strategy’-customer, customer, customer” (p. 27).
The service triangle

Source: Albrecht (1994, p. 32)

**Service leadership.** Albrecht has defined “Service Leadership” as the “capacity to lead with a service focus”:

- Service to the customer
- Service to the organization
- Service to the employee-those who do the work in achieving the objectives” (p. 30).

Another definition of Service Leadership was suggested by Berry and Parasuraman, who have considered it as one of the main pillars of service reliability. In their opinion, “leaders with a passion for perfection are the lifeblood of a reliability-centered service strategy. Leaders who set high standards nurture a “do-it-right-first culture” (p.21).
The following discussion will detail all aspects of Service Leadership viewed from different authors in the literature.

**Customer value.** Albrecht has defined customer value as "the 'mindware' created by the hardware and software you provide. It's the customer's perception of specific need fulfillment" (p. 137). It is interesting to look at the hierarchy of customer value described by Albrecht in order to better understand where one's organization stands. It consists of four levels:

- **Basic:** Fundamental components for operating a business
- **Expected:** What the customer is waiting for
- **Desired:** Added-value features that the customer would like to have but not necessarily expect. It is the first possible level of differentiation from competitors
- **Unanticipated:** Added-value features that go beyond expectations and desires. They are surprises that set a business apart from its competitors if they add significant value in the eyes of the customer.

Berry and Parasuraman (1991) have even differentiated two levels of customers' service expectations: a desired level and an adequate level. The desired service being the level customers believe can and should be delivered. And the adequate level being the minimum level customers are willing to accept. Figure II-11 illustrates the zone of tolerance that separates the desired and adequate service levels. The zone of tolerance is actually a range of service performance that a customer considers satisfactory. What if the performance level is below the zone of tolerance? This will surely lead to customer frustration and decrease loyalty. But, a performance level above the zone of tolerance will pleasantly surprise customers and strengthen their loyalty.
Figure II-11

Two levels of expectations

<table>
<thead>
<tr>
<th>Desired Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zone of Tolerance</td>
</tr>
<tr>
<td>Adequate Service</td>
</tr>
</tbody>
</table>

Source: Berry and Parasuraman (1991, p. 58)

But is “surprise” the right word to describe the effect of a performance level above the zone of tolerance? Pine II and Gilmore (1999) have used mathematical equations in order to differentiate between the different levels of the 3-S model. Figure II-12 shows a pyramid where satisfaction, sacrifice and surprise are on three different levels of the hierarchy.
Looking at the following equations better explains the three different levels of the 3-S model:

- Customer satisfaction =
  
  \[ \text{What customer expect to get} - \text{What customer perceives he gets} \]

- Customer sacrifice =
  
  \[ \text{What customer wants exactly} - \text{What customer settles for} \]

- Customer surprise =
  
  \[ \text{What customer gets to perceive} - \text{What customer expects to get.} \]

(Pine and Gilmore, p. 78, 96)

To truly differentiate themselves, businesses must focus on increasing customer satisfaction, then on eliminating customer sacrifice, and finally on creating customer surprise. But, Pine and Gilmore have also realized that once a company successfully
stages customer surprise, customers start expecting to be surprised; therefore they have added a fourth S to the 3-S model: Suspense.

"Customer suspense =

What customer does not yet know – What customer remembers from past” (p. 99).

**The service quality model.** It is another way of looking at customers perceptions and expectations. While, Pine and Gilmore referred to the difference between customer expectations and customer perceptions as customer satisfaction; Berry and Parasuraman (1991) have called it the Service quality gap. This gap is one among four others illustrated in the Conceptual Model of Service Quality (see Figure II-13). Albrecht described strategic Gap Analysis as the answer to: What’s the Delta? And referred to the “Delta” as “the disparity between what is and what ought to be” (p.181).

Figure II-13

**Conceptual Model of Service Quality**

![Conceptual Model of Service Quality](source: Berry and Parasurman (1991))
As shown above, Gap 1 is between expected service and management perceptions of customer expectations. This gap is due to a poor upward communication between management and front line employees who happen to interact with customers on a daily basis. As depicted by Albrecht, filling gap 1 is actually finding the "invisible truth":

Historians report that the Greek philosopher Aristotle believed women had fewer teeth than men. The way they arrived at that conclusion was very simple: He just decided it must be so. And that's the same way many executives today come to believe what they believe about their customers. (p. 138)

Gap 2 is between Service Quality specifications and Management perception of customer expectations. It is due to a perception of infeasibility, meaning that management thinks that it is not feasible to put specifications that would match or even exceed customer expectations. Gap 3 is between service delivery and service quality specifications and is due to a poor tech-job fit. Gap 4 is between service delivery and external communication to customers. It is due to a poor horizontal communication between the department delivering the service and the department marketing this same service.

Finally gap 5 is between perceived service and expected service. This gap links organizational barriers to Service Quality (gaps 1, 2, 3 and 4) and customer’s assessment of Service quality. Customer satisfaction measurements essentially focus on understanding and managing customer expectations of what companies already do rather than truly ascertaining what customers really want. According to Pine II and Gilmore, “Customers don’t want choice; they just want what they want” (p. 76). The latter quote leads to a discussion of the role of customization in shifting up the progression of economic value.
The Progression of economic value. It consists of four levels: commodities, goods, services and experiences. Figure II-14 shows how customization has an “automatic shifting” effect on the different levels of the hierarchy.

Figure II-14

Shifting Up the Progression of Economic Value

<table>
<thead>
<tr>
<th>Differentiated</th>
<th>Relevant to Needs of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Competitive position</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Extract Commodities</strong></td>
<td>Commoditization</td>
</tr>
<tr>
<td><strong>Make Goods</strong></td>
<td>Commoditization</td>
</tr>
<tr>
<td><strong>Deliver Services</strong></td>
<td>Customization</td>
</tr>
<tr>
<td><strong>Stage Experiences</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Undifferentiated</th>
<th>Irrelevant to</th>
</tr>
</thead>
</table>

Source: Pine II and Gilmore (1999, p. 72)

Figure IV-2 illustrates how “customizing a good automatically turns it into a service” (Pine II and Gilmore, p. 71). Also, customizing a service automatically turns it into an experience. A resulting experience is what Lanning has described in Table II-12.
Table II-12
Criteria for a resulting experience

A resulting experience clearly is:
1) An event (or sequence of events), physical and/or mental, which happens in the customer’s life as a result of doing what some business proposes
2) The end-result consequence of this event for the customer
3) In comparison to a customer’s alternative experience, either superior, equal, or inferior
4) The value for the customer of this relative consequence
5) Specific and measurable: one can objectively determine if the customer experiences the events, consequence, and value compared to alternatives.

A resulting experience is not:
6) About ‘us’, i.e. NOT products/services or their attributes, features, advantages, differentiators; not our plans, resources, assets, capabilities, processes, functions, reputation or descriptions of excellence
7) A vague, ambiguous topic or platitude, e.g. NOT superior, total, outstanding, or unsurpassed quality, service, satisfaction, performance, convenience, partnership, reliability, timeliness, productivity, or responsiveness.

Source: Lanning (1998, p. 41)

A company’s competitive position is more differentiated when it is staging experiences rather than just delivering services. It also responds better to customer needs and would charge a premium price instead of the market price. Pine and Gilmore explained that, “Mass customization means efficiently serving customers uniquely, combining the coequal imperatives for both low cost and individual customization present in today’s highly turbulent, competitive environment” (p. 72). It hopes to gain the best of both worlds, the “mass” and the “customization” by modularizing a company’s goods and services. But, most companies still resist mass customizing their offerings. Instead, they place more and more variety into their distribution channels and leave it to buyers to choose for themselves. In the same instance, Pine and Gilmore stated that:
Variety is not the same as customization. Variety means producing and distributing product choices to outlets in the hope that some customer will come along and buy them. Customization, on the other hand means producing in response to a particular customer’s desires.

**Profitable value.** Lanning has even gone beyond competitive positioning, added value and Unique Selling Proposition (USP) by introducing the concept of Profitable Value. The traditional view of business is that of a system of functions that supply a product:

Develop the product → Produce the product → Market the product

Value-delivery view of a business is that of a system of resources and processes that delivers a value proposition:

Choose a complete value proposition → Provide each experience in the chosen proposition → Communicate these same experiences

According to Lanning, on one hand “positioning is the way an organization wants to make customer perceive the product. But a chosen value proposition is the decision as to what experiences the customer will have, not how the customer should be made to think about the product” (p. 73). On the other hand, a USP is what advertising must articulate to convey a unique reason for the consumer to buy what is being advertised. It is written for the customer but is doesn’t provide strategic guidance to the organization. Therefore, a USP comes after and is driven by the value proposition. It can be considered a manifestation of one in advertising. Finally Lanning explained why a value proposition is not a value added. He stated:
Delivering a value proposition does not necessarily require adding anything to anything (...). Moreover, the value in a value proposition is the value in the customer’s experience, not the value in the product. It is the experience of the customer that must be differentiated. (p. 79)

Following the above discussion about what a value proposition is not, it is interesting to look at Table II-13 that lists the questions that a value proposition should answer in order to be complete.

Table II-13

The complete Value proposition

<table>
<thead>
<tr>
<th>Answers the following questions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) What is the specific timeframe for delivering this proposition?</td>
</tr>
<tr>
<td>2) Who is the intended customer who will derive the resulting experiences chosen in this proposition?</td>
</tr>
<tr>
<td>3) What do we want them to do in return for the experiences they will obtain? (What purchase and/or usage of products/services and any other major behaviors we want them to exhibit?)</td>
</tr>
<tr>
<td>4) What is the best competing alternative(s) they will have available?</td>
</tr>
<tr>
<td>5) What resulting experiences, including price, will they experience, including equal or inferior ones, ensuring each is:</td>
</tr>
<tr>
<td>• An event or events in the customer’s lives, resulting from doing what they want them to do, with some end-result consequence for them in comparison to their alternatives, this relative consequence having some value, all expressed in measurably specific terms</td>
</tr>
<tr>
<td>• Not a description of us, characteristics of our products, services, processes, resources, functions or general excellence, nor a vague ambiguous topic or platitude</td>
</tr>
</tbody>
</table>

Source: Lanning (1998, p. 63)
A complete value proposition is about customers but for the organization. It articulates the essence of a business, defining exactly and completely what the organization fully intends to make happen in the customer’s life. But, according to Albrecht, “the longer you’ve been in business, the greater the probability you don’t understand what’s going on in the minds of your customers” (p. 138).

Understanding customers’ needs. Many organizations have an arrogant attitude that blocks them from inquiring into their customers’ attitudes. “Developing competitive advantage with services means finding an unsatisfied need that can be filled or eliminating a service that the customer is not willing to pay for” (Lewis and Nightingale, 1991, p. 26). Therefore, ignorance or misconception about the psyche of the customer can lead organizations down the wrong road. So, any improvement effort that does not contribute to adding value to the customer is misdirected. The emphasis should be on the customer’s exact needs, not an abstract or traditional idea of what service ought to be.

Focusing on the customer is not necessarily the same as providing service, because services must be designed for customer’s needs and their willingness to pay for it. “Offer too little service, and customers will not come back. Offer too much service, and no matter how happy you make your customers, your property will be priced out of the market” (Lewis and Nightingale, 1991, p. 20). In the same instance, Lewis and Nightingale added that “too much service blows as ill wind as too little service. Less service is good service if that’s what the customer wants” (p.21). In her research about exceptional service and its impact on customers, Walsh (2000) explained that finding a proper service level is a conundrum, because her study seemed to indicate that restaurants and hotels that simply encourage their employees to offer good service in a general,
unfocused fashion will probably end up with a mixed service offering. She added that it is complicated to understand what makes a service encounter memorable by the fact that customers in her study had difficulty articulating their concept of exceptional service:

They knew when they saw exceptionally good or poor service, but otherwise they seemed to pay little attention to the service provider’s performance. That outcome poses a challenge for hospitality managers. If customers notice only extremely memorable service encounters (either far above or badly below expectations), then the work some organizations take to focus on and provide outstanding service may be a wasted effort. (Walsh, 2000, p. 50)

Results from her preliminary work suggested that:

Hospitality companies should examine their mission, positioning, and pricing to determine whether it makes sense to go all out to impress customers. Such a comment might seem heretical, given the industry’s lengthy fascination with service excellence. However, managers should determine whether focusing on ‘creating a sense of relationship through a transaction’ is truly important to the hotel or restaurant’s success. (Walsh, 2000, p. 50)

Lewis and Nightingale also showed that many times service providers misunderstand the type of encounter, they create a problem whether they underrate or overrate the level of service needed. “Research often shows that customers’ definitions and rankings of the importance of services are different from how management perceives them” (p. 25). The latter quote highlights Gap 1, already discussed on page 66 and the same authors refer to the manifestation of gap 1 as “conceptits”. They stated that “many
hotel restaurants have “conceptitis” — they are built according to someone’s concept of what a fancy restaurant ought to be (…). Hotel restaurants, like any other business today, must be based on the customer” (Lewis and Nightingale, p. 24). In this same analysis, they identified the cure for conceptitis as to examine what the customer wants and proposed ten steps for developing a strategy for restaurants. Step one is “ask the customer” and highlights the importance of customer feedback.

**Customer feedback.** Pieters and Young (2000) have suggested the “customer-supplier model” (see Figure II-15) in order to show how “clarifying and getting feedback on performance to requirements is necessary for quality and continuous improvement across all links in the steps of a process” (p. 168). When customers and suppliers agree on requirements and how they are to be measured, feedback can be given in objective and factual ways and be perceived as part of a business exchange, not as a blame or personal attack. This addresses a key value of effective customer-supplier relationships based on the model.

Figure II-15

**Customer-supplier model**

![Customer-supplier model diagram](image)

*Source: Pieters and Young, 2000, p. 168*
According to Pieters and Young, “Highly capable Ever-Changing Organizations make use of the model, or their own version of the model, as a fundamental piece of their quality and continuous improvement processes” (p. 170). In the same instance, Woods (1998) have suggested another model: The systems view of an organization (see Figure II-16), which shows how any borders that are put up to separate the company and its assets and employees from either its employees its suppliers or its customers are artificial, arbitrary and detrimental. An accurate view of the organization is one that includes customers and suppliers as parts. This means that looking out for the interests of the organization by definition means looking for the interests of all the organization’s parts, including customers and suppliers. Woods has defined a system as “a group of components whose functions are interdependent, and which, through a series of processes, transforms inputs into outputs” (Woods, 1998, p. 7).

Figure II-16

The system’s view of an organization

The upside down pyramid. To create the system just described, organizations must change from traditional management hierarchies to a more modern leadership orientation that focuses on self-directed employee action and on providing an environment that enables employees to use their skills, intelligence, and abilities to operate the various processes for which they're responsible. Leadership revolves around self-directed individuals and work teams with a common focus and vision. Meadow (1998) has also shown the importance of creating an environment that encourages leadership among employees. He believes that the traditional manager limits employees through detailed job descriptions and copious specific procedures. The rationale behind this behavior is that restricting decision-making authority reduces the chances of mistakes. Unfortunately, this model leaves customers (internal and external) dissatisfied and possibly angry. So, Meadows advised leaders to create an environment with a defined but large latitude for creative decision-making, limited job descriptions and procedure manuals, and definite out-of-bounds behaviors. (Meadows, 1998, pp. 377, 378) Figure II-17 shows how the traditional organization is a hierarchy with the leaders on the top and the customers and the service workers at the bottom. Employees who survive in this environment work to please their managers, not to satisfy the customers. This results in creating both internal and external customer dissatisfaction, which in turn can lead to financial failure. Building a customer-service focused organization requires to abandon the traditional model and to adopt the modern design illustrated in Figure II-18.
Figure II-17
The traditional organizational pyramid

Figure II-18
A superior organizational pyramid


Figure II-11 shows how “the leaders help the support units shine, the support units help the customer contact employees shine, and the customer contact employees— with information and decision-making autonomy—help the customer shine” (Meadows, 1998, p. 379). This structure increases the chances of exceeding customer expectations and trust builds that will serve as a foundation for building customer-server partnerships.

But, Blanchard (Hesselbein, Goldsmith and Beckhard, 1996) gave a new insight in his talk about pyramids and stated that “the paradox is that the pyramid has to be right side up or down depending on the task” (p. 84). He thought that it is essential for the pyramid to stay upright when it comes to setting the vision, values, mission, and major goals. But if the pyramid remains right side up when visions and goals are being implemented, all the energy and attention continues to flow back up the pyramid, away from the customers. Turning the pyramid upside down results in “an ultimate organization where
people not only know where they are headed but are empowered to get there” (Hesselbein et al., 1996, p. 86).

**Learning organizations**

Change driven by authority is more efficient to organize, often more effective in the short run, and more immediately comfortable for people in many organizations. In this case, success often depends entirely in a single leader’s initiative to feed the system with enthusiasm, ideas and initiative. When the leader moves on or loses interest or energy, or actions fail to produce the desired results for some reason, then the force of the initiative begins to decelerate. But, if the initiative is driven by learning, the change process becomes self-perpetuating. If one of its leaders disappeared halfway through, the initiative might change somewhat, but it would keep going, because its vitality would not depend on any one individual. According to Senge (1999), “A learning-oriented strategy aims to produce self-sustaining change in a way that continually accelerates its own growth and development. In systems terms, it operates as a ‘virtuous reinforcing cycle’” (p. 41). According to Kim and Mullen (1994), “Systems thinking is a discipline that continually prods us to examine how our own actions create our reality and to identify ways in which we can change our own behavior to make a difference” (p. 113).

Organizations start to recognize that solutions that once worked are now totally inappropriate (i.e. corporate merger, reorganization, downsizing...). According to Wheatley (1999):

> Each of us lives and works in organizations designed from Newtonian images of the universe. We manage by separating things into parts, we believe that influence
occurs as a direct result of force exerted from one person to another, we engage in complex planning for a world that we keep expecting to be predictable, and we search continually for better methods of objectively measuring and perceiving the world (...). Intentionally or not, we work from a world view that is strongly anchored in the natural sciences. But science has changed (...). We need to expand our search for the principles of organization to include what I presently known about how the universe organizes. (pp. 7-8)

The latter quote leads to a better understanding of the importance of a shift in mind if organizations hope to successfully manage in today’s unpredictable world. It is not important to agree on one expert interpretation or one best practice. That is not the nature of the universe. The world co-evolves as living beings interact with it. This world is impossible to pin down, constantly changing, and infinitely more interesting than anything ever imagined. Kim and Mullen (1994) also pinpointed many interesting questions that Wheatley has raised in her talk about diversity:

I wonder why we limit ourselves so quickly to one idea or one structure or one perception, or to the idea that “truth” exists in objective form (...). Why should we stay locked in our belief that there is one right way to do something, or one correct interpretation to a situation, when the universe welcomes diversity and seams to thrive on a multiplicity of meanings? Why should we avoid participation and worry only about its risks, when we need more and more eyes to evoke reality? (p. 111)
Systems thinking is the fifth of the five disciplines that Senge (1990) says are the core disciplines in building the learning organization: personal mastery, mental models, team learning, shared vision, and systems thinking. Before exploring each of the five disciplines, it is important to explain the difference between six different types of learning.

**Adaptive vs. generative learning (proactive vs. reactive).** Leading corporations are focusing on generative learning, which is about creating, as well as adaptive learning, which is about coping, Senge argues that “increasing adaptiveness is only the first stage in moving toward learning organizations” (Larsen et al., 1996, p. 26). Generative learning, unlike adaptive learning, requires new ways of looking at the world. Generative learning requires seeing the systems that control events. “When we fail to grasp the systemic source of problems, we are left to ‘push on’ symptoms rather than eliminate underlying causes” (Larsen, 1996, p. 26). Without systemic thinking, the best organizations can ever do is adaptive learning.

**Conceptual vs. operational learning.** Total Quality Control (TQC) focuses on analyzing the separate parts that make up the whole, whereas systems thinking strives to synthesize the constituent parts. By emphasizing the importance of trying to understand a problem, not simply solve it, systems thinking attempts to transform problem-solving organizations into learning organizations. Kim has proposed the SQM model shown on Figure II-19 that fuses the conceptual strength of systems thinking (top) and the operational focus of Total Quality methods (bottom) into a seamless process.
According to Kim, “Systemic Quality Management [SQM] blends the conceptual strength of systems thinking and the operational focus of Total Quality into a seamless process” (Kim, 1994b, p. 37). Just as TQC provides workers with methods for approaching their work more scientifically, systems thinking provides managers with tools and a framework for continually testing and improving their decision making. “By synthesizing these two methods into an integrated process, the Systems Quality Management model captures the dual nature of manager’s new work – rethinking issues and testing the outcomes on a conceptual as well as operational levels” (Kim, 1994b, p. 37).
The latter quote raises the importance of questioning existing practices, a process depicted in double loop learning.

**Single loop vs. double loop learning.** Single loop learning is linear. It tries to find a better way to do a process. It is comparable to continuous quality improvement or operational learning. In single loop learning, people respond to changes in their organizational environment by detecting errors and correcting them to maintain the current or desired status. Single-loop learning does not encourage any reflection or inquiry that may lead to a reframing of the situation; it rather focuses on analyzing and correcting the problem at hand. However, double loop learning goes a step further and asks why one is doing the process in the first place. Double loop learning involves surfacing and challenging deep-rooted assumptions and norms of an organization that may lead to a reformulation of the problem. “Similarly, while single-loop accounting explains how things are being done, double-loop accounting explores why they are done that way” (Kofman, 1994, p. 30). Morgan (1998) has explained how to draw a distinction between the process of learning and learning to learn. Figure II-20 shows how single-loop learning rests in an ability to detect and correct error in relation to a given set of operating norms. And double loop learning depends on being able to take a “double look” at the situation by questioning the relevance of operating norms.
Step 1 = the process of sensing, scanning, and monitoring the environment.
Step 2 = the comparison of this information against operating norms.
Step 2a = the process of questioning whether operating norms are appropriate.
Step 3 = the process of initiating appropriate action

Source: Morgan, 1998, p. 80

The five disciplines. The core of learning organization work is based upon five "learning disciplines":

1. "Mental models – reflecting upon, continually clarifying, and improving our internal pictures of the world, and seeing how they shape our actions and decisions" (Senge et al., 1994, p. 6). "A mental model is one’s way of looking at the world. It is a framework for the cognitive processes of our mind"
Chris Argyris has developed the "Ladder of inference" that provides a framework for exploring mental models. Figure II-21 graphically depicts the process used to draw conclusive opinions and judgments from data, showing that individual evaluations are, in reality, highly abstract and inferential. There is nothing inherently wrong about drawing inferences and conclusions from the events we observe. Kim (1994a) stated:

What we don’t often realize, however is that our set of beliefs and assumptions directly affect the selection process by which we receive new observable data. Agyris calls this process the reflexive loop because it happens subconsciously and involuntarily. (p. 57)

Figure II-21

The reflexive loop

<table>
<thead>
<tr>
<th>Build: Beliefs/Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build: Beliefs/Assumptions</td>
</tr>
<tr>
<td>Make: Judgments/Conclusions</td>
</tr>
<tr>
<td>Add: Culturally shared meaning</td>
</tr>
<tr>
<td>Directly Observable Data</td>
</tr>
<tr>
<td>LIFE</td>
</tr>
</tbody>
</table>

Reflexive loop

Selection process

Source: Kim, 1994a, p. 57
The reflexive loop, above illustrates how mental models can influence the way people view reality. One makes leaps up the “Ladder of inference” from data to values and assumptions, and then operates based on those assumptions as if they were reality.

2. “Personal Mastery – learning to expand our personal capacity to create the results we most desire, and creating an organizational environment which encourages all its members to develop themselves toward the goals and purposes they choose” (Senge et al., 1994, p. 6). Personal mastery has two components. First, one must define what he is trying to achieve (a goal). Second, one must have a true measure of how close one is to the goal.

3. “Shared vision – building a sense of commitment on a group, by developing shared images of the future we seek to create, and the principles and guiding practices by which we hope to get there” (Senge et al., 1994, p. 6). According to Kim and Mullen (1994), “in a learning organization, the discipline of creating shared vision is rooted in personal mastery; and personal mastery is based on a commitment to the truth about current reality” (p. 108). Senge (1990) emphasizes that ongoing conversations about personal visions are vital to creating an organization’s shared vision. In addition, Senge (1990) stressed that for shared vision to develop members of the organization must enroll in the vision. When an organization has a shared vision, the driving force for change comes from what Senge calls “creative tension.” Creative tension being the difference between the shared vision and current reality. With truly committed members the creative tension will drive the organization toward its goals.
4. "Team learning – transforming conversational and collective thinking skills, so that groups of people can reliably develop intelligence and ability greater than the sum of individual members' talents" (Senge et al., 1994, p. 6). Larsen et al. (1996) have suggested many definitions of teams and have recognized that the most widely applicable is the definition used by Katzenbach and Smith in French and Bell. It reads as follows: "A team is a small number of people with complementary skills who are committed to a common purpose, set of performance goals, and approach for which they hold themselves mutually accountable" (p. 7). According to Larsen et al., Tuckman identified four stages that teams had to go through in order to be successful. They are: forming, storming, norming and performing. But, contributors to The Fifth Discipline Fieldbook declare that team learning is not team building.

According to Senge (1990), the definition of team learning is:

The process of aligning and developing the capacity of a team to create the results its members truly desire. It builds on the discipline of developing shared vision. It also builds on personal mastery, for talented teams are made up of talented individuals. (p. 236)

Signs that team learning is occurring are a harder to measure than performance indicators, primarily because people are not used to looking at them. The sorts of things people have to learn to look for in the future are a feeling and energy throughout the organization, and a sense of alignment. According to Senge (1994):
I think ultimately the truest sign if a learning organization at work will be when people begin to enter into these dialogues of joint inquiry instead of always advocating their positions. Then we can begin to learn what never could be learned individually – no matter how bright we are. What couldn’t be learned individually will become possible as a group. That will be organizational learning. (p. 117)

5. “Systems thinking – a way of thinking about, and a language for describing and understanding, the forces and interrelationships that shape the behavior of systems. This discipline helps us to see how to change systems more effectively, and to act more in tune with the larger processes of the natural and economical world” (Senge et al., 1994, p. 6) Systems thinking needs the disciplines of building shared vision, mental models, team learning, and personal mastery to realize its potential. Building shared vision fosters commitment to the long term. Mental models focus on the openness needed to uncover shortcomings in present ways of seeing the world. Team learning develops the skills of groups of people to look for the larger picture that lies beyond individual perspectives. And personal mastery fosters personal motivation to continually learn how ones actions affect the world. According to Senge (1990), systems thinking is critical to the learning organization, because it represents a new perception of the individual and his world:

At the heart of a learning organization is a shift of mind – from seeing ourselves as separate from the world to connected to the world, from seeing problems as caused by someone or something “out there” to seeing
how our own actions create the problems we experience. A learning
organization is a place where people are continually discovering how they
create their reality, and how they can change it. (pp. 12-13)

At the foundation of systems thinking is the identification of circles of causality or
feedback loops. These can be reinforcing or balancing, and they may contain delays.
A number of system structures or archetypes are commonly found in a variety of
settings. Some of these have been carefully studied, and their patterns of behavior and
leverage points identified. Senge discussed them in *The Fifth Discipline Fieldbook*.

**Archetypes.** In *The Fifth Discipline Fieldbook*, Senge et al. (1994) has
explained that there were basically two building blocks of all systems representations:
reinforcing and balancing loops. “Reinforcing loops generate exponential growth and
collapse, in which the growth or collapse continues at an ever increasing rate” (p.
114). But, a reinforcing loop, by definition is incomplete. You never have a vicious or
virtuous cycle by itself. Somewhere, sometime, it will run up against at least one
balancing mechanism that limits it. Balancing processes generate the forces of
resistance, which eventually limit growth. But they are also the mechanisms, found in
nature and all systems that fix problems, maintain stability, and achieve equilibrium.
According to Senge et al. (1994), “Balancing processes are always bound to a target –
a constraint or goal which is often implicitly set by the forces of the system” (p. 117).
Whenever current reality doesn’t match the balancing loop’s target, the resulting gap
(between the target and the system’s actual performance) generates a kind of
pressure, which the system cannot ignore. The greater the gap, the greater the
pressure. It’s as if the system itself has a single-minded awareness of how things
ought to be, and will do everything in its power to return to that state. Until the gap is recognized, and the goal or constraint identified, the behavior of the balancing loop can’t be understood. Delays occur often in both reinforcing and balancing loops.

“Delays can have enormous influence in a system, frequently accentuating the impact of other forces” (Senge et al., 1994, p. 119). When unacknowledged delays occur, people tend to react impatiently, usually redoubling their efforts to get what they want. This results in unnecessary perturbations in the system.

Two main systems archetypes were used in chapter IV to illustrate the impact of hasty decisions undertaken by restaurant owners: Fixes that backfire and Limits to growth. On one hand, the central theme of the “systems that backfire” archetype is that “almost any decision carries long-term and short-term consequences, and the two are often diametrically opposed” (Senge et al., 1994, p. 126). On the other hand, the “limits to growth” archetype “helps us come to terms with the ways in which, by pushing hard to overcome the constraints on our lives, we make the effects of those constraints even worse than they otherwise would be” (Senge et al., p. 130). If only organizations could anticipate the “worst times” while they’re still in the “best times”, they would avoid the trap of “limits to growth.”

The future

Long-standing progress in “limits to growth” situations can only be made if organizations understand where the apparent limits to their success are coming from. Limits generally don’t become visible until they’re provoked, by the time they are provoked it may be too late to deal with them. “Therefore, your highest leverage comes
from anticipating them, rather than reacting to them” (Senge, 1999, p. 60). According to
Senge (1999), “Experience with limits to growth suggests four basic strategies” (p. 61),
one of them being to “think about the future today.” Albrecht (1994) has in turn defined
scenario planning as “a way to work out broad options for uncontrollable outcomes and
develop an attack plan for each one” (p. 118). But, it is also important to note the
difference between planning and futuring, as suggested by Albrecht:

Planning is the appropriate word for designing a set of actions to achieve a clearly
defined outcome, when you have high certainty about the situation in which the
actions will take place and nearly full control of the factors that ensure success in
achieving the outcome. (p. 60)

But in a global marketplace with increasing competition, “you need a thinking process
that is exploitive rather than deterministic. For want of a better word, let’s simply call it
futuring” (Albrecht, p. 61). The typical annual planning cycle that so many organizations
follow may actually impair their agility in responding to changes, threats, and
opportunities. Writing the annual plan and budget is typically such an exhaustive process
that thereafter nobody wants to change it, even if some major environmental event occurs
in the middle of the year. Both planning and futuring are needed in order to make an
enterprise successful. Individuals skilled in both disciplines are needed. “Whereas,
futuring is the process of deciding how to behave based on what’s happening in the
immediate and near future environment, planning is the translation of that decision into
manageable actions” (Albrecht, p. 62).

**Scenario building.** Schwartz (1991), has identified eight steps to developing
future scenarios. These steps are listed in Table II-14.
Table II-14

Steps to developing scenarios

<table>
<thead>
<tr>
<th>Step One</th>
<th>Identify Focal Issue or Decision: What are the decisions that will have a long-term influence in the company success?</th>
</tr>
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<tbody>
<tr>
<td>Step Two</td>
<td>Listing the key factors influencing the success or failure of that decision</td>
</tr>
<tr>
<td>Step Three</td>
<td>Listing the driving forces in the macro-environment that influence the key factors listed above</td>
</tr>
<tr>
<td>Step Four</td>
<td>Rank the key factors and driving forces on the basis of importance and uncertainty</td>
</tr>
<tr>
<td>Step Five</td>
<td>Selecting a few scenarios whose differences make a difference to decision makers</td>
</tr>
<tr>
<td>Step Six</td>
<td>Fleshing out the scenarios</td>
</tr>
<tr>
<td>Step Seven</td>
<td>Determine implications by rehearsing the future</td>
</tr>
<tr>
<td>Step Eight</td>
<td>Selection of sigh indicators and signposts that show which scenario is closest to the course of history</td>
</tr>
</tbody>
</table>

According to Schwartz you can tell you have good scenarios when:

They are both plausible and surprising; when they have the power to break old stereotypes; and when the makers assume ownership of team and put them to work. Scenario making is intensely participatory, or it fails. (p. 248)

In order to explain what using scenarios was like, Schwartz has used the theater metaphor to picture how rehearsing the future takes place. Rehearsing the future is like a well-practiced actor who thoroughly learns his part for three different plays, preparing for the performance of the following month. When the night of the performance finally comes, the actor walks up on the stage but doesn't know which plays he is performing. To find out, he has to look at the scenery around him. Hopefully, he had enough sense ahead of time to talk to the stage manager and find out what each set looks like in detail - so that, by fixing only one or two details, he will be able to tell. That's what using scenarios is like. In the real world, nobody knows ahead of time which scenario will take place. But one should prepare for all three, and then train himself to look for one or two small details so that he can recognize the full play before he's called upon to act. Finally, Schwartz asked: "How do you judge whether a scenario was effective?" and he answered: "The test is not whether you got the future right. This is fairly easy if you consider multiple scenarios. The real test is whether anyone changed his behavior because he saw the future differently" (p. 206).

**PEST and SWOT analysis.** As depicted in figure II-14, step three in building scenarios lies in identifying driving forces. Schwartz stated that "Whenever I look for driving forces I first run through a familiar litany of categories: Society, Technology, Economics, Politics and Environment. Blair and Meadows (1996) have grouped the
Political, Economic, Social and Technical factors, and showed the importance of using the PEST analysis in scanning the horizons before rushing into making changes in the company's products or services. "It is not wise to embark on the journey of change without a clear idea of where you are heading" (Blair and Meadows, p. 37). In addition, the same authors have shown the importance of both the PEST and SWOT analysis as useful tools in diagnosing the environment in order to formulate a clear and plausible vision statement. Blair and Meadows suggested that "drawing on your analysis of the environment, your customers, your competitors and the capability within your organization, your strategic vision must take into account the synergy between these factors" (p. 46).

**Vision statements.** The time to start thinking about the meaning and direction of the business is not when things start going wrong. Any business whose leaders do not have a clear sense of where the environment is going and what kind of a future the business must prepare for may be risking its actual survival. Albrecht (1994) has defined a vision statement as:

A shared image of what we want the enterprise to be or become, typically expressed in terms of success in the eyes of its customers or others whose approval can affect its destiny (…). It is a determination the leaders make, which provides an aiming point for a future orientation. (pp. 64-65)

Albrecht also added that there were three components that help to make a vision statement valid and useful for people. It has to be a focused concept; it should have a noble purpose and finally it should have a plausible chance of success. Wheatley (1999) suggested that "organizational vision and values act like fields, unseen but real forces that
influence people’s behavior” (p. 15). This is quite different from more traditional notions that vision is an evocative message about some desired future state delivered by a charismatic leader. Her thoughts are based on Quantum physics, where many scientists now work with the concept of fields – invisible forces that occupy space and influence behavior. According to Kim and Mullen (1994), Wheatley also suggested that, “Field creation is not just a task for senior managers. Every employee has energy to contribute; in a field-filled space, there are no unimportant players” (p. 113). One of the most useful business metaphors Albrecht have come across is the idea of “the northbound train” as an image that conveys a firm commitment to a particular direction. Albrecht has defined the northbound train as “the fundamental driving idea of the business, before which all resistance crumbles” (p. 20). As a conclusion to his book The Northbound Train, Albrecht suggested that:

Strategic thinking, after all, is a process of educated guesswork. It is neither all science nor all art; maybe it’s a scientific art, or maybe it’s an artistic science (...) It requires a certain degree of humility, a willingness to commit fully to a common cause and get on with it. But above all, there must be a northbound train, however difficult the process of defining it. The people who give their energies, their ideas, their personal commitment, and, in many cases their careers to the enterprise deserve no less. (p. 205)

**Summary**

Tourism in general and food service in particular contribute to a nation’s economic development in many ways, in addition to the immediately apparent prospects
of creating jobs and boosting overall income. The restaurant business is a high risk business and many more commercial restaurants fail than succeed. Sooner or later, demand for an industry’s products or services declines regardless of the state of the economy as a whole. While it is true that many more industries suffer downturns during recessions, it is a mistake to think that any industry is safe during periods of normal economic growth. Executives with the vision, ingenuity and courage will go against convention and buoy their companies while competitors are sinking.

There is no secret recipe for success; however, it is important to understand the positive impact of service reliability and service recovery on customers’ confidence in a company’s service quality. In addition, high performing restaurants take a long-term strategic posture relative to low-performing restaurants.

The pressures of change have reached Lebanon, but many factors are preventing Lebanese companies from responding to these pressures. Part of chap. II has investigated the different ways in which organizations responded to change and concluded that the command and control type of management has become obsolete. Organizations are realizing the importance of service leadership, or the capacity to lead with a service focus.

An ultimate organization is where people not only know where they are headed but are empowered to get there. Change driven by authority is more efficient to organize, often more effective in the short run, and more immediately comfortable for people in many organizations. But, if the initiative is driven by learning the change process becomes self-perpetuating. Systems thinking is a discipline that helps examine how ones actions shape his reality and to identify ways in which one can change his own behavior.
to make a difference. If only organizations could anticipate the worst times while they’re still in the best times, they would avoid the trap of limits to growth.

Long-standing progress in limits to growth situations can only be made if organizations understand where the apparent limits to their success are coming from. The time has come to use the knowledge gained thus far in this review to plan how the rest of the journey will be expedited.
Chapter III

Methodology

Organizations won’t thrive today unless they acknowledge the importance of learning. But, companies that establish change initiatives discover, after initial success, that even the most promising efforts to transform or revitalize organizations can fail to sustain themselves over time. That’s because organizations resemble complex natural systems that prevent the status quo. Learning is actually the secret for sustaining momentum. It occurs when balancing inquiry and advocacy by designing the best questions to ask. (Senge, 1999) The questions elicited will ultimately produce information that can then be analyzed to produce new thinking patterns that ultimately have the power to change behaviors to one’s benefit. Phenomenography is a research approach designed to answer certain questions about thinking and learning. It will require designing a research method to investigate the qualitatively different ways in which Lebanese restaurant managers react to today’s challenges in order to remain successful.

Nature of the study

This qualitative study will investigate how to accelerate success and avoid the obstacles that can stall momentum. It will address how business leaders can work together and anticipate the challenges that profound change will ultimately force the organization to face. The study will also show the urge to build personal and organizational capabilities needed to meet these challenges. It is important to note that these challenges are not imposed from the outside; they are the product of assumptions
and practices that people take for granted - an inherent, natural part of the process of change (Senge, 1999).

**Procedure**

The problem statement consists of many themes and sub-themes. Interviews and site visits will be triggered by those themes. Findings are going to derive from a triangulation between the initial background of the researcher, the literature review and the interview analysis and comparison. Finally, recommendations will be derived from the findings.

Figure III-1

**Research methodology**
The following research is a phenomenological study, in which human experiences are examined through the detailed descriptions of the people being studied. As a method the procedure involves studying a small number of subjects through extensive and prolonged engagement to develop patterns and relationships of meaning. Through this process the researcher “brackets” his or her own experiences in order to understand those of the informants (Creswell, 1994, p.12). Phenomenology also involves looking at the mistaken conceptions of reality. This study will involve looking at why some restaurant managers assume that by offering the best quality, price and service, their organization will necessarily be successful, when it actually won’t. In this study, information gathering is performed through broad, open-ended questions that are asked by the interviewer in the interview process. In an unstructured interview, the general questions to be addressed and specific information desired are anticipated by the interviewer but are addressed in whatever context or order that happen to arise (Creswell, 1994).

The study involved conducting a total of 10 interviews with different types of restaurants, which differed in the following specifications:


2. Year of foundation: Before, during and after the war. The restaurants founded before or during the war (until 1991) will be referred to as the old generation of restaurants and those founded after the war will be referred to as the new generation of restaurants.

3. Type of operation: Theme restaurants, fine dining restaurants, Casual dining restaurants and coffeehouses.
4. Affiliation: Independent restaurants and restaurants belonging to a company (owning many different restaurants with different names and different specifications).

The selection of restaurants to participate in the study was based on obtaining a generic mix from all types of restaurants, mentioned above. Referrals were obtained by networking with leaders in the restaurant business as well as using references from texts in local hospitality magazines. The process of identifying restaurants participating in the study involved making a phone call to a referred contact person and explaining the thesis project and then questioning the individual as to whether he/she would be willing to be the subject of an interview.

The interviews were conducted with senior managers, including financial managers, marketing managers, operations managers and General Managers. It is important to note that in all cases, the General Manager was simultaneously the Owner/Co-Owner of the restaurant or company being interviewed. It is also important to note that five interviews were conducted with companies owning many different restaurants and five other interviews were conducted with independent restaurants. These special cases will be highlighted in the transcribed interviews located in the appendix. The criteria used to select these individuals to interview was based on identifying the individual within the organization who was knowledgeable of the vision and overall structure of the organization as well as being involved in decision making and strategic processes. A date was set for the interview and a confirming phone call was made the day of the interview in order to confirm the date, time and location. Most of the interviews were conducted on site of the restaurant being interviewed. Geographically, two
interviews were conducted in downtown Beirut, two other interviews in Mount-Lebanon and six others in Great Beirut.

The interviews were approximately 45 min in length. None of the interviews were taped. Thorough notes were taken by the interviewer instead. Some demographic data was collected including the type of restaurant operation, locations, affiliation and year of foundation. The unstructured interviews began with an open-ended question asking the individual to explain how their restaurant/company first started. As the interview progressed more defined guiding questions were interjected to obtain more depth or provide clarification through examples. Table III-1 shows the series of questions that originated from the knowledge gained in the literature review.

Table III-1
Interview leading questions

<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>How did it first start and expand?</td>
</tr>
<tr>
<td>What is your competitive advantage?</td>
</tr>
<tr>
<td>What do your stakeholders represent to your company?</td>
</tr>
<tr>
<td>How did you react to the challenges you have faced during and after the war?</td>
</tr>
<tr>
<td>How do you deal with the impacts of the current crisis on your business?</td>
</tr>
<tr>
<td>What are the key ingredients for success?</td>
</tr>
<tr>
<td>How is competition affecting your target clientele?</td>
</tr>
<tr>
<td>What is your vision for the future?</td>
</tr>
</tbody>
</table>
The unstructured interviews were employed in an attempt to avoid bias by the interviewer and allow the interviewee to unfold their story naturally. The open-ended questions allowed the interviewee to choose dimensions of the question they wanted to answer. The guiding questions above were formulated in order to generate more in depth information that would conceptualize the data collected. Interviews have elicited a lot of relevant information, but it is also important to consider the significance of what evaded or was left unsaid.

This study has analyzed numerous periodicals and texts in the review of the literature, noted special observations during site visits and conducted nine interviews including a mix of restaurants. Utilizing these different sets of data allowed the researcher to study the current fast restaurant expansion phenomenon from several perspectives and potentially discovering new meanings that may exist.

**Guiding questions**

This phenomenological study investigates the sustainability of today’s restaurant organizations going through the current Lebanese economical crisis. Questions derived from this statement were framed in general terms to guide the research and allow more in depth questions to evolve. Theses questions may have derived from experience or theory but also may have evolved from the data analysis to support a particular theme. These questions were tentative as the research progressed and were subject to refinement as it proceeded.

After the first interview had been conducted, the data had to be coded. Coding helped in learning how to improve the questioning for the next interview. Mistakes and
omissions from the first interview were corrected and the next questioning was developed accordingly. This process was repeated again and again for each interview. And it went on and on for each interview. So every time an interview was completed, a literature review took place to ensure that the data was understood. In addition, this became the major literature review pieces that enabled the comparison and the development of findings and recommendations, as shown on Figure III-1.

Figure III-2

The interview process
Assumptions

The major goal of the vast majority of restaurants is to maximize profitability. Most strategic decisions are focused on short-term profits with disregard to their impact on long-term consequences. The managers interviewed for the purpose of the study may believe that their thoughts and actions are in the best interest of the restaurant. Nevertheless, their practices may not lead to long-term success. This differentiation is clarified as the study proceeds.

Summary

Establishing the methodological process is an important aspect in producing a coherent qualitative research. The process begins by identifying the phenomenon to be studied, and determining the questions to be asked about the area of interest. The conceptualization of the project must be clear, but as the data is collected and analyzed, the questions were also under continual review and reformulation. This interdependent process of continuously evolving inquiry is the nature of qualitative research. Its goal is to create new meaning about the phenomenon being studied and increase excitement as findings emerge from data analysis.
Chapter IV

Analysis and findings

The current situation

It is the best times and the worst times for the Lebanese restaurants. Intense competition is suffocating even successful existing establishments. Jogaratnam, Tse, and Olsen (1999) refer to this situation as the mature stage of the restaurant industry life cycle. It is commonly manifested by increased competition, shortening of concept life cycles, saturated markets, stagnant sales, declining margins, and associated consolidation, as well as high failure rates. Given these symptoms, the most obvious cause behind the high failure rate among Lebanese restaurants is low demand limited to local Lebanese customers after the long years of war (see chap. II, p.11). Other causes will be examined in the following interview analysis. The study of Jogaratnam et al. (1999) also mentioned that “restaurant managers must develop reasoned yet distinctive methods of adapting to conditions and exploiting opportunities as they arise” (p. 92). The following analysis will show that this is only one method among others in dealing with such a challenging situation. According to a study conducted by CDS (Consulting and Development Services), business assumptions are changing worldwide. The following chart (see Table IV-1) indicates how new business realities are moving leaders towards viewing their organization as a learning organization.
Table IV-1

Business assumptions are changing

<table>
<thead>
<tr>
<th>Assumption 1</th>
<th>Assumption 2</th>
<th>Assumption 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization is a closed system</td>
<td>The operating environment is stable enough to be understood</td>
<td>The control levers in an organization have known effects</td>
</tr>
<tr>
<td>Reality 1</td>
<td>Reality 2</td>
<td>Reality 3</td>
</tr>
<tr>
<td>The organization is a complex open system</td>
<td>Environments are changing rapidly and creating many opportunities and threats</td>
<td>Many actions lead to unexpected (positive or negative) consequences</td>
</tr>
</tbody>
</table>

Source: CDS, 2002

The same study has acknowledged that there is a need for change in corporate Lebanon. Corporate changes that have taken place in Lebanon were limited and insufficient. Even though, some management issues have gained importance in the last five years (namely, innovation, global mindset, distribution networks, productivity and the ability to hire and keep good people, with the exception of innovation replacing premium image), most management priorities of corporate Lebanon has not changed in the past five years, remaining comparable to that of corporate America in the 1980's (see Table IV-2). The latter statement implies that there is still a lot to be accomplished. Given this general picture about Lebanese management trends, interviews with restaurant owners and managers gave more insight into how open to change the leaders in the restaurant business were.
Table IV-2

Classification of Management priorities in corporate Lebanon

<table>
<thead>
<tr>
<th>Management priorities of corporate Lebanon</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years</td>
<td>1995</td>
</tr>
<tr>
<td>Quality</td>
<td>1</td>
</tr>
<tr>
<td>Premium image</td>
<td>2</td>
</tr>
<tr>
<td>Customer service</td>
<td>3</td>
</tr>
<tr>
<td>Customer focus</td>
<td>4</td>
</tr>
<tr>
<td>Hire and keep the right people</td>
<td>5</td>
</tr>
<tr>
<td>Profitability</td>
<td>7</td>
</tr>
<tr>
<td>Productivity</td>
<td>8</td>
</tr>
<tr>
<td>Technology</td>
<td>9</td>
</tr>
<tr>
<td>Innovation</td>
<td>10</td>
</tr>
<tr>
<td>Low cost</td>
<td>11</td>
</tr>
<tr>
<td>Distribution networks</td>
<td>12</td>
</tr>
<tr>
<td>Low price</td>
<td>13</td>
</tr>
<tr>
<td>Global mindset</td>
<td></td>
</tr>
</tbody>
</table>

Source: CDS, 2002

Description of the sample

As already mentioned in chap. III, five interviews were performed with independent restaurant owners and four with management company partners. In three out of the nine cases, interviews were performed with both the owners and department managers, namely a marketing manager, an operations manager, and a purchasing manager. Table IV-3 classifies the different interviews according to:

1. **The geographical location of the different restaurant outlets:** Beirut Central District is the area that has been rebuilt by Solidere after the last war; Ashrafieh and Verdun are situated in Beirut and are close to the Central district. Monot Street is located in Ashrafieh and is known for its active nightlife. Kesserwan is
located at the coast North of Beirut and the middle Metn is the middle part of mount-Lebanon.

2. The restaurant generation: Depends on whether it was founded before or after the 1990’s. The last war in Lebanon has taken place in the year 1990 and since 1995 Lebanon has known an active reconstruction of its Central district. The old generation refers to restaurants founded before the year 1990 and the new generation refers to restaurants founded after the year 1990.

3. Affiliation: The interviewed people either own an independent restaurant or have shares in a management company that manages many different outlets with different concepts and settings. Both independent restaurants and restaurants belonging to a central administration/management company have many different outlets located in different locations.

4. Class: The old generation of restaurants will be classified as class A and the new generation of restaurants will be classified as class B. In addition, businesses where the owner is also the manager is referred to as class 1 and businesses where the owner is not the manager will be referred to as class 2. If the independent restaurants are affiliated to a bigger management company the classification number will be placed in parentheses.

5. Market segments/ Major concept categories: Goldman (1993) classified restaurants according to market segments and major concept categories among many other factors. Market segments refer to: Quick service, Mid-scale and Upscale. Concept categories refer to: Steak houses, Seafood restaurants, Mexican

The following classification is adapting Goldman’s classification to the Lebanese market. This thesis has not studied quick-service restaurants. Mid-scale Lebanese restaurants included in the following study offer full table service. The atmosphere is casual, sometimes slightly formal. Service is faster than in upscale restaurants and slower than in quick-service restaurants. The average check in 2002 was $15-20. Upscale restaurants included in the following study provide a full menu, full table service, good food made with fresh ingredients, and highly personalized service. This is often assimilated to fine dining restaurants in Lebanon. The average check in 2002 was $30-45. For the purpose of the study, Goldman’s concept categories will be reduced to casual dining and fine dining, because both casual dining and fine dining restaurants include Italian restaurants, Asian restaurants, French restaurants, Family-style restaurants and so forth. Two more concepts were added to Goldman’s concept categories in this study: Theme restaurants (like the Hard Rock café) and Coffeehouses (like Starbucks café).

Casual dining implies dining informally and simply, at moderate prices. However, casual dining does not mean unsophisticated dining. On the contrary, the movement was encouraged by the Lebanese consumer’s increasing frequency of dining out. Goldman (1993) stated:

The casual-dining segment may offer the most opportunity for the independent restaurateur, but the competition is strong and customers are savvy. To operate in this segment, an operator must create a complete
concept, with an appropriate décor, atmosphere, marketing food quality and variety, moderate prices, and excellent service. (p. 63)

The fine-dining segment is expecting continuing declines in both sales and customer traffic in Lebanon, same as the American fine-dining segment. In response to the casual movement, many owners of fine-dining restaurants have lowered their prices, relaxed the formalities, and restructured their menus. In other words, they have tried to become more like casual restaurants. “Concept blurring may occur” (Goldman, 1993, p. 63), as it is occurring in some instances in Lebanon.
<table>
<thead>
<tr>
<th>Interview #</th>
<th>Geographical locations</th>
<th>Year of foundation/Generation</th>
<th>Class</th>
<th># of outlets</th>
<th>Restaurant segment/Concept category</th>
<th>Affiliation</th>
<th>Owner /Manager</th>
<th>Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Middle Metn</td>
<td>1966/ Old</td>
<td>A</td>
<td>2</td>
<td>Fine dining Upscale</td>
<td>None</td>
<td>Family business: Owner is the manager</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Middle Metn and Beirut Central District</td>
<td>1964/ Old</td>
<td>A</td>
<td>2</td>
<td>Casual dining Upscale</td>
<td>None</td>
<td>Family business: Owner is the manager</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Beirut Central District and Monot Street</td>
<td>1997/ New</td>
<td>B</td>
<td>4</td>
<td>Casual dining Midscale</td>
<td>Yes</td>
<td>Shareholders business: Owners are not managers</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>Beirut Central District, Verdun and Ashrafieh</td>
<td>1992/ New</td>
<td>B</td>
<td>7</td>
<td>Casual dining Midscale</td>
<td>Yes</td>
<td>Family business: Owners are not managers</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Mainly Ashrafieh</td>
<td>1992/ New</td>
<td>B</td>
<td>around 20</td>
<td>Fine dining Upscale</td>
<td>Yes</td>
<td>Shareholders business: Owners are not managers</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>Beirut Central District, Ashrafieh and Kesserwan</td>
<td>1988?/ Old</td>
<td>A</td>
<td>4</td>
<td>Theme restaurant Midscale</td>
<td>None</td>
<td>Shareholders business: Owners are not managers</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>Beirut Central District and Greater Beirut</td>
<td>1996/ New</td>
<td>B</td>
<td>2</td>
<td>Coffeehouse Midscale</td>
<td>None</td>
<td>Shareholders business: Owners are not managers</td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>Mainly Beirut Central District</td>
<td>1998/ New</td>
<td>B</td>
<td>5</td>
<td>Casual dining Midscale</td>
<td>Yes</td>
<td>Partners are managers but not owners</td>
<td>2</td>
</tr>
<tr>
<td>9</td>
<td>Ashrafieh and Kesserwan</td>
<td>1977/ Old</td>
<td>A</td>
<td>3</td>
<td>Casual dining Midscale</td>
<td>None</td>
<td>Family business: Owner is the manager</td>
<td>1</td>
</tr>
</tbody>
</table>
Success factors

“For every restaurant that opens, there is one that closes” (see p. 8). The latter quote raises the following question: What is the secret behind the success of the above listed restaurant outlets? According to the interviews, the major ingredients of success can be summarized as follows: Restaurant atmosphere/decoration, food quality, service quality, price, presence of the owner, luck, professionalism, follow-up and change, right people in the right place, strong public relations, following the trend, choice of the concept, and teamwork.

The ingredients listed as such don’t really explain how managers interpret or use these ingredients. Some restaurant leaders went beyond just naming the success factors and gave us insight on the meaning of each. Good food quality, good service quality and good prices don’t mean anything if taken separately. As mentioned in Interview (I) #8, what is really needed is consistency in food quality and service quality or as I#9 put it, “you have to be reliable for the service you offer, the quality of food that you serve, the price you ask for…” Another interviewee has explained how the three dimensions should be related to each other in order to give value to the customer. I#6 mentioned that “price, service and quality are the most important elements for the success of a restaurant. Leaders should find the secret recipe that balances the above three elements (…) that pleases the biggest percentage of the population of customers.” The interviewee’s main point here concerns the value for money that the customers are getting.

In the same instance, Lewis and Nightingale (1991) acknowledged that “the industry should operate between two extremes, being a good provider of service and of profits” (p. 27). The same study points out that service must be designed for customers’
needs and their willingness to pay for it. According to another study conducted by Walsh (2000), "Outstanding service can be too good if customers are not willing to pay for extra services or amenities they haven’t asked for." In their study, Lewis and Nightingale (1991) show that many times companies focus on an abstract or traditional idea of what service ought to be instead of emphasizing on the customer exact needs. Service is not by the book; it is "by the customer" (see chap. II, p. 66). Some managers fail to realize that front line employees “become preoccupied with ‘making the operations manual happy’, rather than wowing customers and co-workers” (Cohen, 1997, p. 75). I#4 is an example of a manager who puts too much emphasis on operations manuals, which seem to represent the solution to all service flaws in his outlets. Many times we find a gap between real customer expectations and what management thinks his customer expectations are. Another gap was highlighted in I#8, when the interviewee stressed on the fact that customers will loose trust in the company if it doesn’t deliver what it has promised through marketing and public relations (see chap. II, p. 65).

I#5 went more in depth in explaining what good service is and mentioned that “the customer is the king.” The latter statement is very close to what Lewis and Nightingale (1991) believe; the word “quality” is going to be replaced by the word “customer satisfaction”. The ultimate message of their study is “Let’s get rid of ‘service, service, service’ and concentrate on the real ‘ultimate strategy’-customer, customer, customer” (p. 27). Another manager in I#6 went beyond looking at the customer as a separate entity and explained the mutual beneficial relationship between employees and customers. “Employees need to give their best in order to get the best feedback from their customers” (see chap. II, p. 76). I#9 has also noted the importance of answering
individual customer needs by combining food items in different ways than the ones mentioned on the menu. In the same instance, I#8 agreed with Lewis and Nightingale (1991) on the fact that the old formula was location, location, location, and today it is replaced by service, service, service. One of his outlets is located in South Lebanon in a very unusual location and it has succeeded in attracting a lot of clients and doubling the forecasted revenues for the last two years.

Finally, the choice of the concept is mentioned as another ingredient of success. While I#6 has applied the strategy "think global and act local" in implementing the concept of his theme restaurant, I#9 has adapted the concept to the location of his café. In their research, Lewis and Nightingale (1991) have used the word "conceptitis" to refer to building a restaurant concept according to "what a restaurant ought to be." According to their study, the cure for conceptitis is to examine what the customer wants. "Creating a restaurant concept is a marketing problem and not an F&B problem" (Lewis and Nightingale, 1991, p. 24).

Other researchers in the Hospitality field have tried to list the major success factors of restaurants, but I#9 agreed with Smith (1996) on the fact that "if there were ingredients for success, it would’ve been so easy for any entrepreneur to succeed. There are no magical recipes. But there are important standards to consider altogether when launching a new place." In the same instance, Smith mentioned that "telling how to make a restaurant succeed is somewhat trying to describe brain surgery" (p. 43). When people open a restaurant, they often look at books that tell them how to do it. They are surprised by the fact that there are no prescriptions for success. However, few restaurateurs succeed if they fail to observe the principles of paying attention to the customer and keeping
control of the fundamentals. Keeping these considerations in mind, Smith referred to his thirteen principles for a successful restaurant as “a baker’s dozen” (see chap. II, p. 34). His recommendations were found spread out in the talks with the interviewees, but it was impossible for them to combine all of the ingredients in one interview. According to I#7, professionalism is about being able to combine all the ingredients of success. Before talking about the baker’s dozen, the following are the basic ingredients for a successful restaurant as suggested by Smith and applied to some of the interview cases:

1. **Feasibility:** I#5 mentioned that the reason why Lebanese entrepreneurs don’t conduct feasibility studies is because they’re not asking about any results other than making money. The outcome is obviously a business with a very low potential as long as it doesn’t look at service as the major profit generator on the long term.

2. **Deeper than expected:** Opening gambit: Smith advised a soft opening as it provides a chance to really listen to what prospective guests think of the restaurant. This is exactly what I#8 did for most of its openings.

3. **Competitive advantage:** “The new restaurant concept needs to have a ‘D&B’ - a reason that it’s different and better than the competition” (p. 43). The same study mentions that too many restaurants in too many markets are already chasing too few prospects. The chase usually results in a bunch of discounts, which in turn mean low profits or no profits for anyone. This is exactly what I#5 is trying to avoid by standing against the dumping policy applied in earlier times by its outlets’ managers.
4. A manager of quality, quantity, production: I#1 and I#2 have focused a lot on cost control during the times of crisis. But they also stressed on the fact that controlling quantities and food production has never had a negative impact on their food quality even in the worst times.

5. The cleanliness detail: I#9 has mentioned cleanliness as one of the ingredients of success.

6. Seizing opportunity: Smith thought that restaurateurs should create a value-for-price benefit that is greater than the competition. This is what I#6 was referring to when he mentioned the secret recipe for the quality/price ratio.

7. Control costs and losses: same as 4)

8. Focus on the customer: This is basically the big title for the baker’s dozen (see Table IV-4). In Item 11, “spend at least three percent of your sales dollars on in-house promotions.” Smith warned about being careful of discounting as a promotion tool. It debases the currency of the experience. Sell a meal, not a deal. As mentioned above, I#5 agrees with this advice and avoids the dumping policy. In item 12, “have fun with your team at work,” Smith repeated that the friendliest people should be hired for the team even if they don’t have previous restaurant experience. This is because enthusiasm cannot be taught. I#4 stated that it was preferable to hire inexperienced staff, because he thought that “it is harder to change old habit than to give new ones.”
Table IV-4

Thirteen principles for a successful restaurant

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Remember your guests’ names</td>
</tr>
<tr>
<td>2.</td>
<td>Feed the ego’s as well as the appetite</td>
</tr>
<tr>
<td>3.</td>
<td>Give the best value in town</td>
</tr>
<tr>
<td>4.</td>
<td>Surprise the guest</td>
</tr>
<tr>
<td>5.</td>
<td>Provide an immediate greeting at the front door</td>
</tr>
<tr>
<td>6.</td>
<td>Fill the restaurant with “friendlies”</td>
</tr>
<tr>
<td>7.</td>
<td>Keep the menu simple, but have a signature on each item</td>
</tr>
<tr>
<td>8.</td>
<td>Bake your own breads</td>
</tr>
<tr>
<td>9.</td>
<td>Instant nibbles—provide something to eat immediately</td>
</tr>
<tr>
<td>10.</td>
<td>Have fun with your team at work</td>
</tr>
<tr>
<td>11.</td>
<td>Keep the restaurant looking busy and novel</td>
</tr>
<tr>
<td>12.</td>
<td>Spend at least three percent of your sales on in-house promotions</td>
</tr>
<tr>
<td>13.</td>
<td>The answer is “yes.” What’s the question?</td>
</tr>
</tbody>
</table>

Source: Smith (1996, p. 44)

Smith acknowledged that, in order to be successful, restaurants need the eight ingredients discussed earlier, in addition to the baker’s dozen of ideas listed in Chart IV-4. I#1 has acknowledged the importance of remembering guests’ names and even guests’ voices over the phone even after 13 years of absence. Of course this goes beyond the best practices in customer service. The “as usual” stated by the Maitre d’, meaning remembering what each customer usually orders, illustrated how this restaurant feeds the ego of its guests as well as their appetite. As stated by Smith, immediate greeting at the front door is to be provided because you only get one chance to make a good first impression and I#9 stated that “the customer will only forgive you one mistake.” But, I#4 didn’t agree with the latter statements and he said: “I am persuaded that new customers will always give you another chance.” According to Berry and Parasuraman (1991), improved service reliability leads to higher profits, and service reliability is what they referred to as “doing the service right the first time” (see chap. II, p. 36). I#4 can still
please his customers even with poor service reliability only if his company proved to have strong recovery efforts. As already discussed in chap. II, Berry and Parasuraman (1991), refer to service recovery as “doing the service very right the second time.”

Customers are the sole judges of service quality. Management may think the company’s service is fine, but if customers disagree, the restaurant has a problem. Customers assess service quality by comparing what they want or expect with what they perceive they are getting. To earn a reputation for quality service, companies must consistently perform at levels customers perceive as meeting or surpassing their expectations (see chap. II, p. 62). I#9 has used the words: expectations, surprise, exceed, deceive, standards and excellence. He said, “We also like to surprise them [customers] by exceeding their expectations.” According to Pine II and Gilmore (1999), customer surprise doesn’t mean exceeding their expectations but rather transcend expectations and go off in unexpected directions. I#9 stressed the importance of keeping up with the standards in order to never deceive customers. According to Berry and Parasuraman (1991), a performance level below the zone of tolerance will engender customer frustrations and decrease customer loyalty. This is what I#9 is avoiding especially in the current times of economical crisis. Another interesting discussion about expectations took place in I#7 where high standards corresponded to high “adequate service” from the start, which means that the minimum level of what customers are willing to accept was already high from the beginning. So going lower than this “adequate service” would cause frustration and obviously I#7 would lose customers.
**Customer needs**

"The Lebanese customer is exigent like any customer in the world", stated I#5. But I#9 thought that we can’t make generalizations because there are several types of customers, the only generalization is that the Lebanese customer has traveled a lot; therefore, he is difficult and very demanding. I#9 added that the Lebanese customer is more demanding when dining in Lebanon than abroad. I#5 also added that what is specific about the Lebanese customer is that he likes to be known by other customers who happen to hang out in the same restaurant and be recognized by the staff. I#2 has also stated the importance of greeting the customer as soon as he gets in by faces he is used to seeing and a manager he already knows. I#2 thought that this is the reason why American chain restaurants and theme restaurants are not very successful in Lebanon. I#6 has successfully adapted the American concept of the theme restaurant to the Lebanese customer needs. He understood that Lebanese customers are used to eating in a family ambiance and would like to get the same experience at the restaurant. "The staff relationship with them should be that of family members to each other." He added, "The added value (...) is the very special relationship between the staff and the customer." Some refer to it as the added value, others as the competitive advantage, "our competitive advantage is about doing the best we can in the following areas: decoration, menu and view" (see I#4), and still others refer to it as the Unique Selling Proposition, "it [the company] is different because of the Unique Selling Proposition it offers to its customers" (see I#8). But what is it exactly? Lanning (1998) described it as: The Value proposition.
Pine II and Gilmore (1999) referred to the role of customization in turning commodities into goods, goods into services and services into experiences as the “automatic shifting.” The difference between customization, mass customization and variety was explained in chap. II (see chap. II, p. 67). Customization is what I#5 referred to as personalization/individualization of service. In one of his outlets, the chef cooks a special meal for a lady in front of her and the item bears the name of the lady sitting there and the ingredients match the color of her eyes, lips.... Mass customization is illustrated in I#6, where the American theme restaurant concept has been adapted to the Lebanese market. Finally I#8 critiqued the exhaustive menus of most downtown restaurants actually representing variety. She said, “They think that by offering an exhaustive menu, they will attract customers from other restaurants.” According to Pine II and Gilmore (1999), “Customers don’t want choice; they just want exactly what they want” (p. 76). I#5 acknowledged that their first priority is food quality, and customers understand that they are to pay the price. As mentioned in chap. II, Pine and Gilmore (1999) explain how staging experiences is relevant to customer needs, differentiates the company in its competitive position and consequently customers are willing to pay a premium price (see chap. II, p. 67). In the same instance, Lanning (1998) clearly defines the criteria for a resulting experience (see chap. II, p. 67). In addition, chap. II explained why and how a value proposition is not a USP and not a value added.

Are Lebanese restaurant managers aware of the importance of Delivering Profitable Value? According to the interviews, managers might be delivering profitable value to their customers without knowing that they actually are. I#9 has
defined only a part of his Value proposition related to what resulting experiences, including price, they will experience. He described his outlet as “a convenient place to eat, read your newspaper and have a cup of coffee, with all the menu items available 24/7 (...) competitive advantage is what you get for your money.” In the same context, I#7 thought that customer loyalty in her restaurant is due to the resulting experience. She said, “They can come at anytime of the day and sit for hours without feeling crushed. We have a library for those who like to sit and read, we have sofas for meetings…”

But how important is the role of customer feedback in determining the value proposition? The upside-down pyramid suggested by Meadow and Blanchard (Zemke and Woods, 1998, p. 379) implies that service providers should be empowered to serve customers and be creative decision makers. The “system’s view of an organization” suggested by Woods (1998) added importance to customer feedback in improving the company’s performance (see chap. II, p.76). I#7 is actually implementing the concept depicted in the upside down pyramid. He said, “The customer is at the top, he gives feedback to our employees, who at their turn give feedback to management, who at this time adapts its strategies accordingly.” I#7 acknowledged that customer feedback has even changed their business direction. They opened a coffeehouse in 1998, two years after having started the delivery business. “Customers started asking for a place where they can sit and eat.” I#7 added that the delivery business helped them get closer to their customers and better understand their needs. The introduction of French fries and many other menu items in addition to daily specials was also due to customer demand. I#2 also stated that
"the menu has changed due to (…), the increasing customer requests (…) I think that big seated dinners helped me get a better idea of customers’ wants and needs, pertaining to individual menu items." I#9 also counted on customer criticism for newly introduced menu items. I#5 even defined and adjusted standards according to customer feedback. On the contrary, I#3 counted on his own taste in order to adjust the recipes.

Lanning (1998) described a complete value proposition as answering five major questions (see chap. II, p.70). It will be interesting to look at how Lebanese restaurant managers have answered the following two questions:

- Who is the intended customer who will derive the resulting experiences chosen in this proposition?

- What is the best competing alternative(s) they [customers] will have available?

**Competition and Target markets**

Competition among fashionable restaurants in Beirut has reached a fevered pitch. A number of restaurants have closed over the past few months, and countless others have set up shop Downtown or in Ashrafieh’s trendy Monot district. Insufficient tourists mean restaurants must fight over a small pool of diners, who mercilessly forsake yesterday’s hotspots for the latest attractions. (Tohme, 2002, p. 12)

The latter quote summarizes the competitive situation of the Lebanese restaurant business. In the same article, I#3 explained that two of his outlets located in Monot "haven’t been faring as well as before, due to a couple of factors: The Monot scene
changed while downtown witnessed a sudden boom. A third factor was depicted in I#3 by dividing the Lebanese customers in three categories:

1) Those who don't care about what they eat. They go out to see and be seen
2) Those who care about what they eat
3) Those who hang out just for fun, neither care about the food nor about other people

I#3 noted that the first type of customer likes to follow the trend, are disloyal and used to be the majority of the Monot outlet’s clients. The lack of proper demographic data in Lebanon prevents restaurateurs from having a clear picture of income distribution among the Lebanese population. According to I#5 a total of 10,000 customers have high income of which 3,000 to 5,000 are loyal customers. While I#4 estimated that 10-15% of the Lebanese population (total Lebanese population is around 4 million people) is both fashion conscious and high-income people. And I#8 mentioned that statistics have calculated a total of 48,000 chairs with only 30 people going out every day (i.e. high-income people). Whatever the exact figure is, the intended customer who will derive the resulting experiences depends on the average check of each outlet. On one hand, I#4 refused to target high-income people, because their main goal was to insure high customer turnover. On the other hand the main target of I#5 is high-income people who are willing to pay high average checks for getting high quality food and service in return. Even though I#7 is a coffee shop, it doesn't intend to lower its average check because it still wants to target high-income business people who are willing to pay the price for high quality products. I#6 has positioned itself as being at the middle of the continuum having at one end fast-food
restaurants and on the other end fine dining restaurants. It modestly targets middle to high-income people and has recently begun expanding its portion of the market catering to the 40-60 age bracket. I#2 is also targeting the same income bracket but focusing more on families. Finally, I#9 has conceived a menu that has slightly changed for the last 25 years and which is meant to please everyone. The only differing target clientele among all the interviewed people is the one of I#8. Instead of targeting the restaurant customer, they target the owner himself. They study the feasibility of the project in light of existing and future competition in addition to demand and supply, and then they develop the concept based on previous experience and extensive research.

I#3 was asked if his company's investments downtown will bear fruits in spite of Lebanon's ailing economy, he replied, "If we have more tourists and a healthier economy, we expect to see return in two to three years, however if the economy doesn't pick up, then we are in big trouble" (Tohme, 2002, p. 12). So, how do other owners view today's restaurant competitive situation? I#5 illustrated the situation by comparing demand to "a cake that is being divided and subdivided in many parts and subparts. Today, the different pieces of the cake are becoming smaller and smaller as new restaurants are opening." I#8 added that the lack of professionalism in new restaurants opening downtown is actually disturbing the market. I#9 has a totally different view, he noted that "with the increasing number of competitors, we are witnessing an increase in the number of people going out."

The different interviews have also investigated on how do Lebanese restaurant managers react to competition. Jogaratnam, Tse and Olsen (1999) referred
to “strategic posture” as a company’s overall competitive orientation and tactics that support that orientation (see chap. II, p.41). High and low performers differ in the emphasis that they place on various competitive attributes, namely Aggressiveness, Analysis, Futurity, Proactiveness, Innovativeness and Service quality.

In their study, Jogaratnam et al. investigated the link between strategic posture and performance as it pertains to independent restaurant operators and found that successful restaurants generally pursued a less aggressive posture than did the low-performing restaurants. Aggressiveness is commonly manifested in tactics such as a tendency to lower prices and to seek market share at the expense of profits. It is exactly what the competition has forced I#2 to do with seafood and drinks. In addition, I#9 noted that “the new lunch delivery formula is not generating any profits but is important for us to keep moving.” In other words, the aggressive preference is for tactics that enhance customer counts; therefore restaurants choosing to open in downtown for this reason are considered as having an aggressive strategic posture.

On one hand, I#3 considered that “opening in downtown is the only way to move forward. (...) You need to push forward or you’re out of the market. Location is very important and downtown Beirut is soon going to attract a high concentration of customers.” On the other hand, I#5 considered that “it’s still not the time for us to be there. It’s too chaotic over there right now. We’re going to let the existing restaurants battle and kill each other. It won’t do us any good to participate in a pre-war. We’re waiting for a little bit more stability.” The study of Jogaratnam et al. suggested that aggressiveness may have a negative effect on long-term, overall performance.
In the same instance, they added that “high performing restaurants placed a greater importance on thorough analysis with respect to problem solving (...) undertook thorough and comprehensive analysis of competitors and available alternatives (...)” (p. 95). Namely, I#8 analyzes the competitors, studies their weaknesses and learns form their experiences, good or bad. Another example is I#4 where the concept of one of his outlets came from a study of the market to see what was missing: an up-scale Chinese restaurant.

“The high- and low-performing restaurants differed with respect to innovation as well. The high performers were more likely to be the first to introduce new products and services in the market (...)” (Jogaratnam et al., p. 95). I#8 were the first to launch the fusion cuisine concept in Lebanon, which was still successful after three years of operation. According to I#8, “This is due to a lot of involvement for continuous improvement.” In the same instance, I#7 were the first to introduce bagels to their menu, which is continuously being improved and innovated.

“Finally, the high performing restaurants were committed to delivering quality service.” (Jogaratnam et al., p. 95). According to I#5, despite the increasing competition of restaurants opening downtown, he knows that his loyal customers will always come back because they are the ones who expect to receive exceptional service and the best quality products.

Two additional strategic postures were left out and will be discussed in subsequent paragraphs: Proactiveness (see chap. IV, p. 129) and Futurity (see chap. IV, p. 144)
Crisis management

"Confronted with an increasingly competitive and dynamic environment, the restaurant manager must develop reasoned yet distinctive methods of adapting to conditions and exploiting opportunities as they arise" (Jogaratnam et al., p. 92). According to I#1, "The current crisis is no longer related to bombs or war, it is more of an economical crisis." In this study, the interviewed restaurants were divided in two groups: The old generation and the new generation. The old generation has witnessed the war with bombs and lack of security, in addition to witnessing today's economical crisis. According to I#6, the new generation of restaurants has never lived the war and is only going through today's economical crisis. "Downturns are a recurring fact of life in every industry. Sooner or later, demand for an industry's products or services declines-often dragging prices down along the way-regardless of the state of the economy as a whole" (Rigby, 2001, p. 99). Distinguishing between the war crisis and post-war crisis is very important in the following analysis because reactions have differed along with the overall aspect of the Lebanese restaurant market and its trends.

Coutu (2002) referred to resilient companies as those who "face reality with staunchness, make meaning of hardship instead of crying out in despair, and improvise solutions from thin air" (p.55) (see chap. II, p. 34). Coutu added, "A common belief about resilience, when facing down reality is that it stems from an optimistic nature" (p. 48). In the same instance, I#6 stated that his optimism is due to the fact that during wartime, which was considered the worst situation, his restaurant was working well. In his opinion, mood is very important and his intuition says that
things are going to get better. He added, “A leader should never be extrovert with pessimistic feelings.” Another dimension of resilience is to be robust under conditions of enormous stress and change. According to Coutu, “the most successful organizations and people possess strong value systems” (p. 52). I#2, I#1 and I#9 have successfully survived more than 25 years under high stress. Despite the fact that the restaurant of I#2 was totally burned in 1990 and the restaurant of I#9 was totally bombed in 1978, they never lost hope and kept on changing locations, expanding their menus and increasing their number of seats. Despite the fact that I#1 was forced to lower his prices in order to remain opened, he refused to lower the quality of his food because he had a strongly held value of “Consistency and quality.”

Finally, Coutu referred to the “third building block of resilience” as doing “with whatever is at hand” or “bricolage in the modern sense (...)” defined as a kind of inventiveness, an ability to improvise a solution to a problem without proper or obvious tools or materials” (p. 52). Bricolage is illustrated in the talk of I#8 who referred to today’s situation as very challenging because innovation is not only about creating new things but it is a combination of things that come up to be innovative. He added that “crisis is also challenging because you need to generate ideas that do not cost a lot because you really can’t lose money.” The above examples show that many survivors have exhibited high levels of resilience, but according to Coutu, “resilient people don’t often describe themselves that way. They shrug off their survival stories and very often assign them to luck.” She added, “Obviously, luck does have a lot to do with surviving (...). But being lucky is not the same as being resilient” (p.55). I#1 has added luck to the five ingredients of success because it has
played an important role in the success of his restaurant during the war. When Beirut was being bombed, people used to run away from the city and agglomerate in Mount Lebanon where his restaurant was located. He thought that he had gained most of his customers during that period.

Another way to react to crisis was illustrated by Rigby (2001) who stated that “during industry downturns, smart executives don’t panic. Instead, they coolly place counterintuitive bets to outperform slumping competitors” (p. 99). (see chap. II, p. 31). As mentioned in chap. II, Rigby has divided crisis into three phases: The gathering storm, Eye of the hurricane and Clear skies on the horizon. He has also contrasted the conventional approach and contrarians approach to navigating a downturn. Lebanese restaurant success stories have in most cases adopted the contrarians approach in facing wartimes and post-war economical challenges.

In phase one or “storm clouds on the horizon,” Rigby (2001) advised to “play to win where you are strongest; reinforce your core” (p. 101). I#7 stressed the fact that crisis is not causing them any problems, on the contrary they are working at continuously improving quality and increasing their portion sizes. But, the conventional approach focusing on diversification illustrates the pitfalls of playing in the hope that your winners will offset your losers. A clear example of diversification is I#5, who continuously closes down restaurants, when revenues decrease below a certain level and replaces them with different restaurants with a different concept and a different decoration. Another example of diversification is I#3 who has introduced Sushi in an attempt to attract customers and increase occupancy. The other advice for phase one is to “build contingency planning into your culture,” but I#5 noted that it
was very difficult because she's able to forecast for only a very short period given high uncertainty, a condition which Lebanese managers are used to working in.

In phase two, where companies are “battling the elements,” the core of the contrarian approach is to see beyond the bad times and “scoop up bargains that bolster the core business” (Rigby, 2001, p. 101). I#8 is planning for international expansion because he doesn’t want to leave all his eggs in the same basket and at the same time he believes that “we are passing through a period of rainy days, but we believe that sunny days are coming.” According to Rigby, “clear winners in a downturn don’t lock their purses; they spend on bargain acquisitions” (p. 103). This is exactly what I#9 did after having been bombed in 1978. I#9 said, “After this bad experience, we thought it was too risky to keep all our eggs in the same basket, so we decided to open another outlet in Zouk in the summer of 1979.” At that time, Zouk wasn’t a popular outing place, but it became a trendy and crowded place ten years later. The same applies to I#2 whose restaurant was burned in 1990. Between 1990 and 1995, they rented a location in Mount Lebanon, very close to Beirut and during this five-year period, they built another restaurant. Another contrarian approach to looking behind the storm is “to treat your stakeholders like fellow combatants who happen to be stuck in the same foxhole” (Rigby, 2001, p. 101). The old generation of restaurants like I#1, 2 and 9 have succeeded in making friends with their employees, who worked with them in eliminating duplicate operations, improved forecasts, reduced inventories and improved cycle times. I#1 stated:

There was a time when bombing was so close to the restaurant that we had to shut down for seven months. During that phase, all employees were receiving their
salaries as if they were going to work. The personnel then understood that I was there for them both in times of richness and crisis. This kept their morale high and the whole team was able to overcome the crisis.

The same applies for I#2 who stated that “the restaurant was burned in 1990, but the personnel were still receiving their salaries.” During times of crisis, I#2 would talk to his personnel and ask them to be mindful of food and other expenses. He raised their awareness about not serving huge portions and then throwing the food away, in addition to letting them feel responsible for electricity bills and other expenses. His ultimate goal was to let them act as if they were the owners themselves.

Unfortunately, the direct effect of crisis on I#5 was to adopt the conventional approach of downsizing. But, they tried to limit it as much as possible by relocating people depending on the needs of their different outlets.

How about the last phase of the downturn when clear skies appear on the horizon and here comes the sun? Rigdby answers, “Don’t overstress the engine: shift smoothly into higher levels of growth” (p.101). The old generation of restaurants has witnessed the wartime crisis, has successfully faced it and is now subject to another downturn. So they are both in phase three of navigating the old storm and in phase one of a new cyclical change. On the other hand, the new generation of restaurants is facing the post-war crisis and failure to strengthen their company during this downturn can leave them in a much tougher position afterward. Opening in downtown Beirut might be a good deal for the new generation of restaurants who are in a better position to shop for new bargains than the old generation of restaurants. Expanding in downtown is considered as overstretching the engines of the businesses,
which have just navigated their ways through the war storms. When asked about newborn restaurants in downtown, a couple of interviewees said: “wait and see.” Is it the most appropriate attitude? The last section of this chapter will actually deal with the extend to which the future can be predicted (see chap. IV, p. 144).

**Change management**

Survival seemed to be the most predominant aspect of reacting to the war and post-war crisis, as mentioned in the latter paragraph. According to Charles Darwin, “It is not the strongest of the species that survives, nor the most intelligent; it is the most adaptable to change.” He defines adaptation as a means of surviving to changes that occur in the environment. As mentioned on p. 123, two more strategic postures were left out: Proactiveness and Futurity.

The following discussion will deal with proactiveness. As mentioned by Jogaratnam et al., “The low performing restaurants exhibited a tendency to maintain the status quo and to react to changes in the environment. They were less likely to keep up with the times and were less effective exploiters of opportunity” (p. 95). Opportunism is part of the evolutionary process that is a direct result of adaptation (see chap. II, p. 46). As mentioned in chap. II, Morgan (1998) noted that the idea that organizations can adapt to their environment offers too much power to the organization and too little to the environment as a force of organizational survival (see chap. II, p. 51); however, “natural selection” focuses on how environments “select” organizations or populations of organizations. 1 attributed his success in the 70’s and 80’s to luck. But, “natural selection” offers a new insight on looking at the rising number of customers coming to his restaurant. The environmental aspects were as follows as illustrated by 1, “people
used to run away from Beirut and agglomerate in Mount Lebanon. So, the restaurant has gained most of its customers during that period." Restaurants in Mount Lebanon can be considered an example of a population that has been naturally selected by changes in the environment due to bombings in Beirut. More drastic effects of the environment were restaurants totally burned, such those of I#2 and I#9. Today, natural selection is acting on another population of restaurants; it is in favor of downtown restaurants, as scarcity of resources is slowly killing restaurants in Mount Lebanon and other locations outside Beirut. But, the latter statement should not imply that all downtown restaurants are in good shape. The population ecology view of organizations places emphasis on resource scarcity and competition. As mentioned at the beginning of chap. IV, it is the best times and the worst times for the Lebanese restaurants. Intense competition is suffocating even successful existing establishments and “Competition among fashionable restaurants in Beirut has reached a fevered pitch (...) Insufficient tourists mean restaurants must fight over a small pool of diners…” (Tohme, 2002). This implies that downtown restaurants have to compete for the same resources in order to survive.

As already mentioned in chap. II, organization and management researchers are split in terms of their explanations of how organizations can strike an appropriate relationship with the environment. One school (supporting the natural selection view discussed above) argues that “although short-term innovation and adjustments are always possible, the forces of natural selection and the environment are ultimately in control” (Morgan, 1998, p. 52). The other school of thought (supporting the contingency theory) argues that “managers can use the insights of contingency theory to develop a ‘good fit’ between organization and environment” (Morgan, 1998, p. 52). The contingency theory
suggests that organizations must always pay close attention to their environment (see chap. II, p. 50). One of the practical implications of open systems is that organizations are seen as sets of interrelated subsystems. This way of thinking helped to find ways of managing the relations between critical subsystems and their environment (see chap. II, p. 46). In chap. II, Figure II- 7 shows how feedback systems are important in self-regulating the organizational subsystems. Applying Homeostasis to the service business gives us more insight on the importance of customer feedback in self-regulating the processes transforming inputs into outputs. I#9 has introduced new lunch formulas in order to respond to the changing customer needs. The majority of I#7 clientele is business people, whose feedback contributed in the addition of some menu items and the creation of daily specials. The different interviews also gave more insight on how organizations are open systems that need careful management in order to adapt to environmental circumstances. For instance, downsizing is a quick response to the environment characterized by the aspects of an economical crisis. I#5 mentioned that in addition to downsizing they are relocating existing staff depending on the needs in different outlets. I#2 has also mentioned another response to the environment, he said, “Competition started lowering the prices of drinks and seafood, two years ago, which forced us to do as well.” I#2 has also gone through a lot of changes as a response to the environment: change in location due to the impacts of war, change in capacity due to the increased demand, and change in menu due to customer needs. Another aspect of adaptation is trend following where restaurants try to assimilate themselves to another population of restaurants that seems to be fitter. The introduction of Sushi in I#3 is an illustration of trend following, a short-term fix in order to attract a bigger number of customers.
Another trend follower is I#4 who confirms that “the trend was the ‘French style’ of food and service. Nowadays, 90% of the Lebanese population prefers to eat less fancy food and dine in a more relaxed atmosphere.” Following the new trends in dining might have led I#4 to create successful concepts for his outlets. I#5 confirmed the importance of following the trend, one speaker said, “In my opinion, there are no standards for restaurants in Lebanon; you have to be in for your service, food and public relations.”

The other speaker acknowledged that I#5 management tends to follow the trend but she’s trying to avoid mixing everything in one place. She said, “I believe that le Bistro has got a trash-menu because it includes almost everything, always trying to include trendy food even if it doesn’t fit.” I#7 agreed and said “In my opinion it is a big mistake to include everything trendy in one place. You can’t be a coffeehouse and serve Sushi or fusion cuisine, just because it’s trendy and it’s going to bring you more customers.” She added, “It’s true that the Lebanese customer likes to follow the trend. But, it’s just a short-term phenomenon, once they get bored of Sushi, they won’t ask for it anymore. To keep customers coming back to us, we continuously change our menu.” It is clear that I#7 focuses more on innovation and creativity as determinants of success.

In their discussion about creativity versus structure, Seely and Duguid (2001) thought that “in isolation these forces [spark innovation versus introduce structure] can destroy a company, but conjointly they produce creativity and growth” (p. 93). The most important insight derived from their talk is that “great new ideas help those organizations with the discipline and infrastructure needed to implement them.” Interviews suggested that trendsetters didn’t embark in new ideas unless they had all the support necessary to implement them. I#8 stated, “As soon as we felt that we were ready as a structure, we
knew it was the right time for expansion." One example of their creativity or trend setting was their ability to attract people to beach parties on Sunday afternoons in the South, for the first time in Lebanon. Another example is the unprecedented Cobra and Zebra meat offered at one of their outlets. I#6 also considered himself as a trendsetter because he has succeeded in adapting the theme restaurant concept to the Lebanese customer needs. In addition his benchmarking formula consisting of a secret recipe is difficult to copy by competitors. I#7 labels innovation as an urge, she said, "In order to stay at the edge, we always feel the urge to innovate. For example, we can’t keep the same menu items for more than six months, we should always create something new." But, I#8 even went beyond the usual definition of innovation. He said that "innovation is not about creating something new it is about creating a combination of things that add up to be innovative."

But, why do restaurants feel the urge to innovate? As suggested by Lichtenstein (2000), at some point, companies reach a certain tension and threshold that limit their ability to grow within their existing organizing framework. Morgan (1998) also refers to it as the "edge of chaos" situation (see chap. II, p. 55 & p. 59). According to Lichenstein, "positive self-organized change is characterized by high self-reference, increased capacity and independent organizing." High self-reference meaning "the more the new dynamic order is congruent with the origins and evolving expertise of the firm, the more successful the change will be" (p. 133). Hamel (2001) also suggested that "radical innovation doesn’t imply that a company must abandon a hundred-year-old brand or throw out carefully honed business practices. It does imply that a company must be willing to reinterpret and reapply brands, assets and competencies in new ways if it hopes to create new wealth" (see chap. II, p. 50). I#6 has successfully managed to
radically innovate its logo, packaging, food and service in order to answer to the new market needs. The new patterns have evolved from a well-established structure. Hamel pointed out that “radical innovation comes in all sizes (...) enough ‘small’ innovations can reorder competitive positions in radical ways” (p. 152). This same idea is also suggested by the “butterfly effect” in the chaos theory (see chap. II, p. 59). I#9 haven’t gone through any major changes so far. He thought that “customers are used to something very specific and they might be afraid of major changes, they won’t appreciate it. But, we went through minor changes …” But Hamel warns that “Incrementalism is a problem only when it prevents a company from considering more radical shifts in strategy and embracing entirely new business models” (p. 150). Morgan (1998) suggested that contradiction and crisis were the main pillars of the logic of dialectical change and the innovation was to be viewed as “creative destruction” (see chap. II, p. 51). One example of creative destruction is illustrated in I#5, who usually closes down restaurants, when revenues decrease below a certain level. He said, “We open up a different restaurant with a different concept and a different decoration in the same location.” Another example of revolution is the revolutionary practice of I#6 in creating a new restaurant with a profit sharing program, where every single employee shares a part of the total revenue.

As already mentioned in chap II, both the “survival of the fitting” and “autopoiesis” theories highlight how organization and environment are part of the same broad pattern and how, in evolution, it is a pattern that evolves (see chap. II, p. 54). However, in the Lebanese restaurant market, competition is still the basic rule of organizational life. The ethic of collaboration has just started to get more attention.
especially with the creation of managing companies, which own different restaurant outlets with different concepts, especially I#3, 4, 5 and 8.

**Learning organizations and the fifth discipline**

The organism metaphor *(chap. II, p. 46)* leads people to think that events dictate behavior; however, according to Senge, events do not dictate behavior; instead, they are the product of behavior. What really causes behavior are the interactions between elements of the system. In diagrammatic form:

Systems (patterns of relationships) → patterns of behavior → events (snapshots)

Senge has explained the difference between adaptive learning and generative learning. He argued that increasing adaptiveness is only the first stage in moving toward learning organizations. But, generative learning requires seeing the systems that control events. This is why leading corporations are focusing on generative learning, which is about creating, as well as adaptive learning, which is about coping. *(see chap. II, p. 80)*. Apart from the distinction between adaptive learning and generative learning, Kim (1994b) has explained the difference between conceptual learning and operational learning as illustrated in the Systemic Quality Model (SQM) *(see chap. II, p. 80)*. A good example of the SQM model is I#8 who views his competitive advantage in having two different departments with two different functions: Operations and Consulting. The consulting department is macro-oriented and can be assimilated to conceptual learning and the operations department is micro-oriented and can be assimilated to operational learning.

Integrating TQC [Total Quality Control] and systems thinking can accelerate organizational learning beyond the current capabilities of TQC methods (…)
By synthesizing these two methods into an integrated process, the Systemic Quality Management [SQM] model captures the dual nature of manager’s new work—rethinking issues and testing the outcomes on a conceptual as well as an operational level. (Kim, 1994b, pp. 35-42)

Whereas TQC focuses on analyzing the separate parts that make up the whole, systems thinking strives to synthesize the constituent parts. In the same instance Kofman and Senge added that “the defining characteristics of a system are that it cannot be understood as a function of its isolated components” (Larsen, 1996, p. 13).

Systems thinking is the fifth of the five disciplines that Peter Senge (1990) said are the core disciplines in building the learning organization, namely personal mastery, mental models, team learning, shared vision and systems thinking (see chap. II, p. 83). I acknowledge that the most efficient way to transform vision into action is through teamwork. She added that “unfortunately, teamwork is not part of the Lebanese culture. ‘I did it’ generally dominates the ‘we did it’ for managers.” Another observation she made about Lebanon is that it is “located in a geographical zone where we find difficulty in calling things by their names. Managers don’t care about identifying problems. In my opinion, they shouldn’t be afraid of recognizing that there is a problem.” Argyris maintains that true learning occurs when the left-hand and right-hand columns begin to match (see chap. II, p. 83). “People and organizations learn by recognizing mistakes and correcting them. No progress can be made if we pretend that the mistakes never happened” (Larsen, 1996). In his talk about mental models, Argyris believes that we arrive at our actions through what he calls the “ladder of inference.” “Problems are nothing more than a formal set of assumptions about the world” (Kim, 1994a, p. 55).
Why do we consider something a problem? The "why" is what leads people to surface the deeper set of assumptions that may give insight into reformulating an entirely different problem. "The concept of double-loop accounting is the analog of Chris Argyris and Donald Schöns's work on single-loop and double-loop learning" (Kofman, 1994, p. 28).

As mentioned in chap. II, double loop learning takes us beyond the simple reporting of facts and figures. It questions where those numbers and figures came from, why they are important and allows one to pinpoint leverage points for creating effective change. According to I#7, the lack of professionalism leads to unsustainable businesses. In her opinion, it is due to the fact that most restaurant owners are profit oriented and they are mostly interested in short-term profit, "they don't understand the concept of 'sacrifice short-term profit for long term success.'" According to Kofman (1994), they "manage by the numbers (...) their underlying purpose remains the same—to provide financial control by "keeping score" in the game of business" (p. 27). Modern cybernetics has brought a new insight by drawing a distinction between the process of learning and the process of learning to learn. "Simple cybernetic systems, like house thermostats, are able to learn in the sense of being able to detect and correct deviations from predetermined norms, but they are unable to question the appropriateness of what they are doing" (Morgan, 1998, p. 78). I#9 has mentioned the practice of double loop learning with his team. He said, "I have regular weekly meetings with the staff (...). In the process, we continuously auto-critique ..." From a systems thinking perspective, by questioning whether operating norms are appropriate "we can see how solutions feedback to create other problems, or even a repeat of the same problem" (Kim 1994a, p. 54).
According to Senge:

At the heart of a learning organization is a shift of mind—from seeing ourselves as separate from the world to connected to the world, from seeing problems as caused by someone or something “out there” to seeing how our actions create the problems we experience. (Senge, 1990, pp. 12-13)

Systems thinking analysis uses a combination of archetypes (see chap. II, p. 88). Their knowledge helps identifying and understanding the underlying causes of problems, possible leverage points, and so forth. The theories of autopoiesis, chaos, and complexity discussed by Morgan (see chap. II, pp. 54-61) encourage managers to understand how change unfolds through circular patterns of interaction and how organizations evolve or disappear along with changes occurring in the broader context. They invite managers to think more systematically about this context and the evolving pattern to which they belong. Morgan put it this way:

This requires to think about change in terms of loops rather than lines and to replace the idea of mechanical causality, for example, that A causes B, with the idea of mutual causality, which suggests that A and B may be co-defined as a consequence of belonging to the same system of circular relations. (p. 234)

As Peter Senge suggested, “it is often possible to detect distinct system archetypes that, once recognized, help to create general strategies of systems management” (Morgan, 1998, p. 240). When applying this approach to the analysis of detailed organizational problems, Senge shows that many systems tend to be inherently unstable because of delayed feedback and response between elements, which leads people to underplay or
exaggerate their behaviors. I#1 has acknowledged that the current crisis is no more related to bombs or war, it is more of an economical crisis. To better illustrate the situation here is what he said:

In response to that [ economical crisis ], most restaurants are lowering their prices. This is exactly what I did. I have lowered my prices, thus lowering my revenues, in order to remain opened ($15-25/person). In order not to lower my revenues, I could’ve lowered the quality of my food, but I totally refused to diminish the quality of what I offer to my customers. “Constancy and quality” is my motto.

Controlling prices is an example of balancing (or negative or controlling) feedback. In this case, a change in one part of the system causes a change in another part of the system, which, in turn, counteracts the change in the first (see Figure IV-1-a).

**Figure IV-1-a)**

**Balancing feedback for setting prices**

- Desired prices
- Perceived gap
- Current prices
- Lower revenues
- Adjusted prices

**Figure IV-1-b)**

**Balancing feedback for setting profits**

- Perceived profits
- Perceived gap
- Current Profits
- Lower food costs
- Adjusted food cost
If the perceived gap is positive, i.e., current prices is greater than desired prices, the prices have to be lowered, thus reducing the gap. This is a balancing system because more adjustment means fewer gaps. The leverage point in this system is desired prices. I#1 has stressed that lowering his prices have lowered his revenues thus lowering his profits. Of course, as long as he has refused to diminish his food costs he would not have led to lower his food quality. It is important to note that I#1 restaurant is located in Mount Lebanon and that I#1 refuses to open in downtown. The attitude of downtown restaurants in general is not quite the same as I#1. Fine diners in downtown Beirut often complain of medium to low quality food associated with moderate to high prices. Figure IV-1-b is another example of balancing feedback illustrating the case of a number of downtown restaurants. In this case, desired profits are the leverage point.

The word and arrow diagram below (see Figure IV-2) consists of three systems archetypes: (1) Limits to growth (2) Fixes that backfire (3) Balancing feedback (see chap. II, p. 88). The archetypes building blocks are mainly reinforcing loops and balancing loops that attempt to diagnose the underlying causes of the symptoms observed by downtown customers.
Word-and-Arrow diagram for Downtown's restaurants problems

Investors' paradigm

+ Restaurant supply

(-) Competition

+ Occupancy

(-) Perceived Quality

Adjusted quality

Better quality

(-) Perceived gap

Desired quality

Desired profits

Current profits

Adjusted food cost

Perceived gap

Prices

Gross Operating Profits = Revenues - Operating costs

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According to I#7 people choosing to invest in the Hospitality industry think that the restaurant business is the fastest moneymaking option. The reinforcing loop at the top left of the diagram shows how investors' paradigm is increasing the restaurant supply, which in turn is reinforcing their flawed mental models (see chap. II, p. 83). According to Senge, "our flawed mental models usually cause us to make mistakes in this process of abstraction, and we end up with inappropriate actions. This entire process becomes a loop" (Larsen et al, 1996, p. 5). The negative feedback loop on the top-left is a balancing loop, which prevents the growth in restaurant supply to grow forever. It causes this growth to level off when the competition starts to make it harder for existing restaurants to survive. Thus, the limiting factor in this system is increasing competition. Of course, there is a delay between rising competition and its negative effect on restaurant supply. Reducing prices is a quick fix implemented by managers in order to respond to increasing competition coupled with the economical crisis, which is reducing the buying power of people.

The archetype right at the middle of Figure IV-2 is called "fixes that backfire" (see chap. II, p. 88). Normally, reducing prices is going to increase occupancy, thus reducing competition in the minds of managers. The new adjusted costs have had an unintended consequence on perceived quality that is being reduced. Transcribing Figure IV-1-b to Figure IV-2 better explains the process. This is how it works: In the balancing loop of Figure IV-1-b, desired profits represent the leverage point. If the current profits are lower than the desired profits, one way is to adjust food costs by lowering them, thus reducing the perceived quality of food products. Going back to Figure IV-2, when perceived quality goes below a certain level, it will indirectly decrease occupancy on the
long run, because customers will choose to go to other restaurants, which offer a better food quality.

The time dimension is a factor that tricks people who fail to think systematically. For example, because it takes time for customers to decide to go to other restaurants, managers may not perceive lower occupancy as resulting from a response to decreases in quality, but rather as an independent initiative. When system archetypes apply, it becomes easy to focus on high leverage points, and to identify and avoid symptomatic solutions to real problems. This is because the analysis, which serves as the foundation for the archetypes has already been done.

Figure IV-2 only illustrates one of many other causes underlying the short-term success of many restaurants downtown. The dotted balancing feedback shows another scenario where desired quality is the leverage point (instead of desired prices in Figure IV-1-a). If the perceived gap is negative, i.e., current/perceived quality is greater than desired quality, it has to be adjusted to a higher level, where restaurant operators offer a better level of quality to their customers. In this case, revenues will be lower. I#5 noted that “today is the market of a reasonable average ticket. But, it doesn’t mean that quality is going to be compromised.” In the same instance, I#7 said that offering high quality products is at the expense of their profit margin, which turns out to be lower than the normal. She added, “they [managers] don’t understand the concept of sacrifice short term profits for long term success.”
The future

Views have differed on how the Lebanese restaurant business will look in the future. I#2 has chosen to “wait and see”. In the systems language, he’s just watching the Reinforcing and Balancing loops interacting. As suggested the chaos theory, “There is order in chaos, whether we analyze that order by understanding attractor patterns, feedback loops, or unfolding contradictions. However, the order becomes apparent only with hindsight. (…) can we find rules that will predict the emergence of a pattern before it becomes reality?” (Morgan, 1998, p. 257) Schwartz (1996) has attempted to answer the question in the following extract from a letter to his newborn son:

Instead of being confident in our plans, we can be confident in ourselves. What does it mean to be confident in yourself? In part it means believing in your own ability to take a long view and act accordingly. It means knowing that you are prepared for anything - that you have maneuvering room no matter what happens, that you can make meaningful choices and will not have to be a complete prisoner of circumstances. (p.211)

Schwartz has also explained the importance of building different scenarios and rehearsing them (see chap. II, p. 90). Ignoring the importance of scenarios often leads decision makers in the wrong direction, to illustrate here is what I#2 said:

In 1990, when we decided to build the huge restaurant in Mount-Lebanon, we never thought, that downtown Beirut would be rebuilt that fast. Our initial change in capacity was due to the increasing number of customers year after year. But now that Beirut has attracted most of the population, we have lost many customers.
As mentioned on p. 124, two more strategic postures were left out: Proactiveness and Futurity. Proactiveness was discussed on p. 130 of this chapter and futurity will be discussed in the following section. “The low-performing restaurants displayed characteristics that were more short-term in orientation and less futuristic (...). The high performers were more likely to pursue long-term effectiveness, performance and growth” (Jogaratnam et al., 1999, p.95). In the same instance, Jogaratnam et al. described futurity as “emphasizing long-term effectiveness and growth by trying to forecast environmental trends and demand patterns” (p.92). I#1 has confirmed that “having the idea to open a new restaurant is not enough. Continuity, personnel management and planning are also important for long-term success.” But, as discussed in chap. II, Albrecht (1994) stated that “we need both planning and futuring to make an enterprise successful” (p.62).

According to the interview, I#5 seems to be unable to build a picture of the future. When asked about her vision for Idarat, she said, “I can’t tell, I need more time. It all depends on this year’s achievements.” And when asked about managing in times of crisis, she said, “It is a very big responsibility and it is very difficult. We usually forecast for a very short period. It is almost impossible to anticipate and people in here are used to working in such uncertain conditions.” But, Senge has explained that making any long-standing progress entails an understanding of where the apparent limits to success are coming from (see chap. II, p. 88). “Limits don’t become visible until they’re provoked, but by the time you provoke them it may be too late to deal with them. Therefore, your highest leverage comes from anticipating them, rather than reacting to them” (Senge, 1999, p.60).
In the same instance, Schwartz has shown how scenario planning helps in rehearsing the future:

In the real world, you don’t know ahead of time which scenario will take place. But you prepare for all three, and then train yourself to look for one or two small details so that you can recognize the full play before you’re called upon to act.

(p.191)

The “one or two small details” he’s referring to are actually driving forces or scenario building blocks. “Whenever I look for driving forces I first run through a familiar litany of categories: society, technology, economics, politics [and] environment” (Shwartz, p. 105). I#4 has carefully looked at driving forces upon launching both the restaurant on Monot Street and the café in Beirut Central District. He said:

We chose to open our new café in Beirut Central district because we felt this region was going to prosper in no time (...). The many festivals taking place over there are attracting lots of people, who really enjoy walking down the newly decorated streets...”

Blair and Meadows (1996) have chosen to highlight the importance of the social, technical, economic and political factors in the following way:

It is not wise to embark on the journey of change without a clear idea of where you are heading (…) ‘If a man does not know to which port he is sailing, no wind is favorable’. Seneca. This is where political, economic, social and technical (PEST) analysis comes in. (p.37)

As mentioned in chap. II, Blair and Meadows (1996) have explained how both PEST analysis and SWOT analysis are fundamental in forming a vision for the future. In the
same instance Albrecht (1994) described the three components of a valid and useful vision statement (see chap. II, p. 93). I#9 stated his strategy for staying successful as to “have regular meetings with the staff in order to communicate to them my values and always remind them of the spirit of ‘the chase.” He might have referred to “spirit” as the “vision” of his restaurant because both are abstract in nature.

Albrecht has even gone beyond the vision statement. He described the Northbound train as being the “fundamental driving idea of the business, before which all resistance crumbles” (p. 20). I#6 stated that the board of directors including him “all share a common value that says that optimistic employees are the most valuable asset and we believe in employee growth and promotion.” But the latter statement is even stronger than a common value. It is the northbound train that has driven the small kiosk in Kaslik to become a theme restaurant chain franchising and expanding internationally. He concluded, “If a man doesn’t have something to die for, why to live.” I#2 has also showed an optimistic attitude towards the future. In his opinion, investing in Beirut is not a very risky adventure because in case another war happens, the whole country is going to be buried in the dark, as long as people’s money reserves are empty nobody will be exempted. I#9 viewed optimism as a beneficial attitude because “when you’re optimistic, you have a good time and good health.” Projecting the local attitude to the global perspective leads us to Shwartz’s view about the future. In his book, The art of the long view, he has suggested three scenarios for the world in 2005 and acknowledged that he was optimistic about the future because:

Each of these scenarios could happen. My vision of the future no longer relies on a world without troubles and cares. Rather it is a world where the challenges are
realizable (...). Suddenly it becomes possible to imagine a future where people feel more inclined to build and plan - for themselves, and for their children.

(p.190)

He concluded, "I believe that this is the hidden driving force of our time - a capacity to dream of a better tomorrow, confident that tomorrow will arrive."
Chapter V

Conclusions and Recommendations

Conclusions

Constant change is a permanent part of business today, and survival will depend on how companies optimize their present performance and create their future.

The restaurant business in Lebanon has gone through a lot of unpredictable changes due to the onset of the war in 1975. Restaurants are still facing environmental pressures created by political and economical instability. Since tourism and food service are closely linked, the problem is further aggravated by an exponential increase in restaurant supply and a linear increase in tourism figures. Given the fact that the restaurant business is a high-risk business, managers have to be careful about misreading the early profits as a sign of success. They should understand that no one is safe even in periods of normal economic growth.

New approaches to organizational management practices and designs must continually be questioned and challenged if organizations are to survive in the rapidly changing marketplace. Qualitative research encourages individuals to continually question future possibilities as opposed to searching for a definitive answer. The questions posed in this research may help organizations determine their potential for long-term success and to evaluate the resources and processes required to make it happen. Asking questions creates an environment that stimulates everyone to participate in trying to find a possible solution or a best-case scenario. The risk involved in considering new
approaches may be less intimidating because there are no right or wrong answers and creative thinking becomes the norm.

This research indicated that crisis hits businesses many times during their life span; therefore, people should exhibit resilience and the ability to courageously navigate the crisis. It is almost impossible to exactly determine what distinguishes restaurants that come and stay. But, beyond the basic ingredients that seem obvious to restaurant managers lies a secret ingredient: the customer. Improved service reliability will increase customer’s confidence in the company’s service quality, which in turn, will increase profits. High-performing restaurants exhibit a tendency to react to changes in the environment and to keep up with the times and exploit opportunities as they arise.

Organizations, like organisms, are open-systems which adapt to the environment in order to respond to market challenges. But, the forces of natural selection are also exerted on populations of organizations. In this way, new species evolve from variations in the old. Evolution is the same as continuous improvement and must be coupled with radical innovation if organizations are wishing to sustain competitive advantage.

Every organization must recognize that its own successes are going to become weaknesses. At some point, organizations reach a tension or threshold limiting its ability to grow within its organizing framework. It will eventually shift into a newly emerging configuration. The system descended into chaos, yet within that state of chaos the system was held within boundaries that are well ordered and predictable. In this complex system, small changes can produce large effects. With this in mind, organizations should no longer confuse control with order. Nowadays, the command and control type of
management has become obsolete. Organizations are realizing the importance of focusing on the customer.

Leading with a service focus implies that the company strategy, processes and people must be focused on meeting and exceeding customer's expectations. The real challenge is to find what the customer really wants and not what management thinks the customer wants. Managers should go beyond developing the product, producing the product and marketing it. Rather, they should be able to stage memorable experiences through choosing a complete value proposition, in addition to providing and communicating the experience to the guest. Customer feedback plays a crucial role in building long-term relationships between the company and customer. The upside down pyramid places customers at the top, enabling managers to create an environment where employees are empowered to participate in decision-making.

In learning organizations, self-sustaining change is produced in a way that continually accelerates its own growth and development. The core of learning organizations is based upon the five learning disciplines. The fifth discipline refers to systems thinking that helps understand the forces and interrelationships that shape the behavior of systems. It is a discipline that calls the individual to examine how his own actions create his reality and to identify ways in which he can change his own behavior to make a difference. The use of archetypes gives insight on how to anticipate the worst times while still being in the best times. In addition, scenario planning helps organizations rehearse the future and be prepared to act if any of the scenarios takes place. The ultimate goal of scenario building is whether anyone changed his behavior because he saw the future differently.
As a conclusion, Wheatley (1999) stated:

Nature offers abundant displays of order and clear lessons for how to achieve it. Despite the experience of fluctuations and changes that disrupt our plans, the world is inherently orderly. It continues to create systems of great scope, capacity, and diversity. And fluctuation and change are essential to the process by which order is created. (p. 19)

**Recommendations**

There are opportunities to continually expand this area of research. As learning organizations become the wave of the future, and the speed of change races forward; managers will need to modify their approaches to design a system that creates a climate that continually supports learning. As continuous improvement is a journey, research will need to continually document existing methodologies as well as unfold themes that will create new theories for organizations to put into practice. Continuous learning and innovation will ultimately distinguish the potential for developing high performance organizations.

If this study were to be replicated, one might consider developing a model that can be developed in order to evaluate the extent to which managers were change-oriented. However, as this study unfolded, the fact that it was difficult to identify where restaurants were in their life cycle actually resulted in obtaining valuable information. The benefits of conducting a research such as this one, is its capacity to identify the limits to growth and models of success along the entire continuum. This study only investigated the macro-level of restaurant management. It would be
interesting to conduct further research at the micro-level by taking a closer look at internal relationships within the organization. In addition, the studied restaurants formed a random sample. They consisted of both independent and company-owned restaurants from the old and new generation, located in Greater Beirut and Mount-Lebanon. Further research could investigate the following questions more in depth:

- Do independent restaurants react differently than company-owned restaurants?
- Do restaurants in Greater Beirut exhibit a different level of innovative thinking than restaurants in Mount Lebanon?
- Finally, how fit is the old generation of restaurants as compared to the new generation of restaurants?

Qualitative research is considered valuable as it has the capacity to contrast different perspective and highlight the contribution of each in formulating the findings. Finally, the process of triangulation enabled the researcher to learn from other experiences and expand his thinking patterns to unlimited dimensions.
Bibliography


