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An Analysis of customer service orientation in a New York State QSR chain: A Case study

Ram Nabar

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AN ANALYSIS
OF
CUSTOMER SERVICE ORIENTATION
IN
A NEW YORK STATE QSR CHAIN: A CASE STUDY

By

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M.S Hospitality Tourism

A project submitted to the
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Requirements for the Degree of
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AN ANALYSIS OF
CUSTOMER SERVICE ORIENTATION IN
A NEW YORK STATE QSR CHAIN: A CASE STUDY

ABSTRACT

This is a case study about a fast food company whose aggressive growth in the past has left it vulnerable and unable to cope with the results of its expansion. This quickservice restaurant chain has been lauded by many business gurus for its innovation, efficiency and its focus on customer service. In the areas with Team Managed Units in place, customer satisfaction went up, and crew turnover went down.

The hectic pace of change within the organization, however, is creating uncertainty and insecurity, making it impossible to function without true leadership taking over at the helm of the organization. The mission statement and the values of the organization have now fallen out of alignment, and are creating insecurity in the company leading to high employee turnover, poor service, and low customer satisfaction. Team Managed Units, are a misnomer- empowerment and teamwork are no longer prominent parts of the great service once available in the restaurants. Data show a poor performance in customer rating scores and also in employee turnover.

Customers, however, continue to return today- But the question is- “How much longer before the penalty has to be paid for a poor response from management?” The company with a glowing past faces a rather dim future if the basic issues it faces are
not addressed immediately and if it fails to rally its staff behind the company vision. The company vision and stated values promote customer focus and integrity- the actions promote closed communication, high employee exploitation and resultant turnover. It talks about institutionalizing self sufficiency but places limitations by not providing adequate training to new hires who are expected to be future mentors for the implementation of that vision. The company’s strategic and operational problems are to be analyzed to realize the inherent complications and to bring forth the actual underlying issues by creating a holistic view of the system.

Seven problems postulated by Steven Covey (1992) that stand out as the cause of the current situation are analyzed here, tied in with the basic need for reorganization required to create higher staff morale and job satisfaction. The company needs to be wary of the adaptive learning trap that it has fallen into and realize that everything revolves around customer service, and any effort to deliver service in any market initiative must begin at the core- the employee. Systems thinking is the only way to be able to integrate the dynamic, changing variables into the whole, and to create synergy within the organization.

Self directed work teams need to be reinstituted into the work concept within this organization- to realize improved quality, productivity and service. Workers are increasingly demanding higher autonomy in the workplace. The ability to retain the best people is enhanced, an important factor to be considered, given that the current rate of turnover is at a huge 162 percent, with 91 percent leaving in the first 3 months!
The company has to adopt strategies that will help implement the vision that it wants to achieve, as opposed to continuing down the path that it is currently following.
ACKNOWLEDGMENTS

I dedicate this project to my parents, Ramesh and Shobha, whose love and perseverance have forever provided me guidance in times of need.

I would like to thank the following individuals for the inspirational and professional support- Professor Ed Stockham, Rochester Institute of Technology- my guide from start to finish, my colleagues and mentors Jerry Straub and Kirk Harding for their guidance and coaching, Professor Richard Marecki, for his patience and assistance and lastly, my wife- Jill Nabar for her love and support through time.

It has been a pleasure to work for this Quickservice chain and to be able to imbibe many of the superb management skills offered in the training grounds that are its restaurants- I hope this project is of value to a company that has set stellar records in the past, and will, hopefully set record standards in the future.
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CHAPTER 1

Introduction

To prevent the loss of any more customers and also to survive as a major contender in the fast food market, a corporation has to instill some fundamental changes to the way business is being done today. The hectic pace of change within this organization is not being dealt with in a positive manner from the perspective of frontline employees, or even middle management. Uncertainty and insecurity abound in the company stores, making it impossible for most employees to conform to the ideals laid down in the mission statement or the shared values of the company. As a result, a company that was once dynamic and forging way ahead of the competition, even within a saturated market, is losing customers by losing its service orientation. Customers, on the other hand, are continuously raising their expectations and expect more value for their money. The competition has cut back prices and has started delivering more value in terms of the meal experience. It is evident to see that the cleanliness of a Wendy's, or the speedy service at a Hardee's, or the value favorites like 2 Big Mac's for $2.00 are slowly but surely gaining ground that the above corporations had lost in the past decade.

The fast food company under discussion has made feverish efforts to generate new concepts and product lines and has attempted to ride the wave of a health conscious new generation. Better value combinations on items, major price cutting, and new low fat menus are only some of the changes brought
about by a company that stands by the motto- "Change is good!" Change however, is a phenomenon that needs a strong foundation with a stable organizational culture- a culture where employees and management have the commitment and the security to brave the high pace of work and a passion to please customers amidst all the confusion and instability.
Problem Statement

The aggressive growth of a Fast Food company, since joining one of the largest players in the restaurant industry, has moved it from a regional level to a national level. However, this has left it unable to cope with the many aspects of its operations, such as fast, inexpensive foodservice in a friendly environment, that contributed to its phenomenal success. The abandonment of the service oriented team concept in the favor of a production-line model is causing a lack of alignment between the cultural values and the actual organization in the company, causing high employee turnover, and a drop in customer satisfaction. The corporation is not being able to keep up with the pace of change and the volume of expansion due to a weak link between the systemic perspective and the individual sets of variables, such as employee satisfaction and commitment, customer satisfaction, product quality and consistency, and overall standard of service.
Purpose

The purpose of this study is to identify and analyze some of the problems reported to the 1-800 complaint line for this fast food chain, and to trace the actual causes for these problems. This study will revisit the mission statement and analyze if, in reality, there is alignment between it and the shared values of this organization. It will approach the issue from a Systems Perspective which will reveal points of leverage that will help in a structured process for organizational renewal and recovery from a customer service point of view.
Scope And Limitations

This case study is intended to be informative and complete with respect to the problems facing a sample of 30 stores of a fast food company, herewith referred to as "The Fast Food company", "The Company", The Corporation", or "The Quickservice Restaurant Chain" in this particular Zone of Central and Western New York. It is by no means to be assumed as an indication of the performance of the company on a national basis. The performance of stores in other regions of the country may differ, and may be the subject of studies that would, without a doubt be beneficial to the organizational renewal of the company, whenever implemented.

Since the data collected were of a proprietary nature, the name of the company has been withheld. Customer complaints have been compiled from the 1-800 complaint line for the 30 company stores, and present direct feedback from customers. A limiting factor on the complaints received is that it does not include complaints that were received directly at the stores, since there is no method for compiling data on these calls. Another factor to be kept in mind is that many customers, when encountering unsatisfactory meal experiences, do not call at all.

Many conclusions presented have been drawn on the basis of actual experience with the company. The issues being dealt with in this case study
pertain to operational problems and the possible solutions to these problems. Formulation of an action plan to institute a change in the organizational culture is beyond the scope of this study and will be an intriguing topic for further research.
Methodology

The opportunity to observe many nuances in the dynamics of operations in the recent past, from new product conceptions, to every day operations presented itself at this quickservice restaurant chain. Areas that may help the company recognize important underlying problems to be addressed have been pointed out, the inclusion of which would be crucial in any plan for self renewal that the company may develop in the future.

The data collected were actual data accumulated from direct observations and from minutes of managerial meetings and anecdotal notes within the company in the Zone of Central and Western New York. Complaints received by the 1-800 Complaint Hotline and observations based on the dynamics of the above mentioned meetings have also presented data used in this study. The data pertain to speed of service, employee turnover rates, National Customer ranking scores against the competition, and speed of service surveys for McDonald’s, Wendy’s, Burger King and the Company under study. They also pertain to the Service related customer complaints with respect to the speed of service, order accuracy and employee and management attitudes towards customer service. Analysis of the data follows, using charts and line graphs to reveal the trends in the above stated variables.
The data collected are mostly relevant to the time period between June 1994 to December 1994. This is an important period because it was the time for a major strategic move in price cutting by the company to gain significant competitive ground, by dropping the prices of its main menu items.

A summary of the results and findings is incorporated into the Results and Findings Section, followed up with possible resolutions within the Conclusions and Recommendations section.
CHAPTER 2

Literature Review

A Tribute To A Glowing Past

From the study of this fast food chain and seven other non restaurant companies, the research team of James L. Heskett, W. Earl Sasser and Leonard Schlesinger spent seven years in developing the concept of the service profit chain. More specifically, what they found was that an organizations commitment to service quality leads to employee satisfaction, which in turn leads to higher employee retention, which in turn enhances external service quality, which in turn drives customer satisfaction, which strongly affects company profitability. While it was these attitudes that led a group of Harvard based business professors to include the California based company in a list of companies that achieved consistent breakthrough service, this article is a picture of the company in the past. Presented here are a series of articles and case studies, in the same glowing past, that applaud the success and efficiency of this Fast food company.

"A customer is having a problem with an order? No need for the manager to get involved. All across America, this fast food chain's frontline servers have been empowered to deal with the minor annoyances that can and often do, cause a customer to walk. When a problem is swiftly solved, a customer is saved, and that means something to the company. The chain's executives have determined that a customer is worth as much as $11000 dollars in total lifetime sales. Further it is their view that sharing such dollar figures with employees will help them understand the value of keeping customers happy." (Hayes, Lynn 1993)
“According to a company spokesperson, the chain is thinking beyond the traditional restaurant business. "Today's Company managers are more like coaches, counselors and cheerleaders, making sure that their crews understand the philosophy of the company, and making sure that their workers take ownership." In the areas where Team Managed units are in place, Customer Satisfaction is up, and crew turnover is down. Customers are more satisfied, says the spokesperson, because customers were given what they wanted, instead of the company giving customers what it thought they wanted. The customers said- "Give us fast service, great product, and low prices." The Company's answer was to use innovative methods of food preparation- Concocting sauces, shredding lettuce, and cooking meat elsewhere and more efficiently. This freed space in the kitchen area. With more time and elbow room, employees found they could focus their attention on the customer. To ensure that the spotlight continues to shine intensely on meeting customer demands, frontline workers and managers are continuously mentored, and, perhaps more importantly, rewarded for meeting expectations. (Hayes, Lynn 1993)

The Harvard business gurus believe that businesses of all sizes can learn from observing the strikeouts and home runs of this winning company."

This company was also lauded for it's commitment to a service oriented approach as opposed to the production-line approach in the following article:

"Since the 1950's, service companies have largely followed an industrial model, based largely on the principles of turn of the century mass production manufacturing. Today, however, this model is obsolete, and many of these traditional companies are suffering from customer dissatisfaction, employee turnover, and declining sales and profitability. The basic premise in this production-line thinking is simple: A customer contact employee is a necessary evil. However, this industrial paradigm conflicts with what service sector customers value the most: The things that technology cannot do as well as thinking Human Beings. As an example, consider this fast food chain. In an overall market that has been flat to declining, sales growth at company-owned stores has exceeded 60 percent with profits growing at a rate of 25 percent a year. Critics of this company explain away this success
by pointing to the dramatic price cuts of its most popular items. However, this corporation is still setting records in financial performance despite these aggressive price cuts.

Perhaps the answer may be found by looking deeper into the company’s new internal logic. It is based on a very simple premise: Customers value food, the service, and the physical appearance of the restaurant—That is all. To implement this strategy, managers were freed from 15 hours of weekly paperwork; instead they used the time to coach employees and guarantee customer satisfaction. Also more food items are now delivered fully prepared, such as shredded lettuce and chopped tomatoes, so frontline workers and managers can now focus their attention on serving customers rather than manufacturing meals. (Lefever, Michael 1992).

VISION, VALUES, AND GUIDING PHILOSOPHY

In the fast paced, high volume work atmosphere like at this company, where the average wage of a team member ranges anywhere from $4.50-$5.50 an hour, it is imperative that the employees feel a sense of commitment to their job. The main reasoning behind this statement is also the vision statement of this company. Presented here are the vision statement, The Four strategies put forth by the company for the translation of this vision into reality, and the shared values that are intended to be an invisible guiding work code for all employees.

"VISION-
We will become the dominant force in the convenient food industry by our unique value orientation, our capacity for innovation and change, our uncompromising passion for customer satisfaction, and living our shared values.
THE FOUR STRATEGIES-
• Build Super Brands.
• Explode distribution points.
• Leverage innovation.
• Institutionalize Self-sufficiency.

THE SHARED VALUES-
Our shared values are the one common link that we can all hold on to. Shared values we will live by are:

Customer Focus-
-Everything we do will focus on doing more and giving more to our customers.

Integrity-
-We will do what we say. Our approach is an open and honest one.

Teamwork-
-We will combine functional excellence and cross-functional teamwork to produce exceptional results.

Diversity-
-We will respect the individual and seek value, and promote differences of race, nationality, gender, age, background, experience and style.

Balance-
-We will respect the decisions individuals make to achieve professionalism and personal balance in their lives.

Accountability-
-We all understand what is expected of us, assume ownership, and are fully committed to meeting these expectations."

Commitment to Growth-
-We value growth because it is proof that we are successfully satisfying the needs of our customers while identifying the potential of our employees and helping to bring that potential to its fullest reality.

On this foundation, we build the outstanding company that our customers, our shareholders, and our employees want and respect. (Red Book, 1995)
COVEY’S 7 PROBLEMS

“Problems may be classified along an ill/well structured continuum. They can also be classified along an operating level/strategic level continuum. Operating problems are encountered by an organization on a day-to-day basis. Strategic problems are those that are important in terms of actions taken, resources committed and precedents set. Answers to strategic problems will ultimately decide the success of the firm. Where as senior managers must solve both operating, as well as strategic problems, middle managers generally deal only with the operational problems. However, operating problems, if left unattended, will turn into strategic problems.” (Senge, 1990)

FACTS, a popular concept at this company states- “If customers receive Fast and Friendly service, if their order is Accurate, if they find a Clean environment, and if their food is served at the correct Temperature (Hot food hot and Cold food cold), with Speed and friendly service, they will be satisfied with their meal experience.” (Red Book 1995)

The power of teamwork is illustrated by Senge(1990) as- “The fundamental characteristic of the relatively unaligned team is wasted energy. Individuals may work exceptionally hard, but their efforts do not efficiently translate into team effort. By contrast, when a team becomes more aligned, a commonality of direction emerges, and the individual’s energies harmonize. There is less wasted energy. In fact, a resonance or synergy develops, like the “coherent” light of a laser rather than the incoherent and scattered light of a lightbulb. There is commonality of purpose, or shared vision, and the understanding of how to complement one another’s efforts. Individuals constitute organizations. Even though we try to exercise more professionalism in our professional lives, our personal tendencies are carried with us into our organizations. There we continue to look for quickfixes around the symptoms, the acute symptoms, rather than deal with the chronic patterns built in to the day-to-day operations. Chronic individual problems become chronic organizational problems as a “critical mass” of people bring these problems with them through the gates each day, and as social values encourage instant gratification and quick solutions to deep and difficult problems.”
Stephen Covey (1992) has enumerated 7 problems that he considers universal. They apply to many other culture’s organizations, even to individuals within organizations. The corporation mentioned here has problems that are clearly reflected in the problems enumerated by Covey. The underlined parts describe the organizations problems most significantly.

**Problem 1** - *No shared vision or values: either the organization has no mission statement or there is no deep understanding of or commitment to the mission at all levels of the organization.*

"Many organizations have a mission statement," he says, “but typically people aren’t committed to it, because they aren’t involved in developing it; consequently it’s not part of the culture. Culture, by definition, assumes shared vision and values, as represented by a mission statement put together and understood and implemented at all levels of the organization."
Problem 2- No strategic path: either the strategy is not well developed or it ineffectively expresses the mission statement and/or fails to meet the wants and needs and realities of the stream.

“The natural tendency of most organizations is to forecast by extrapolating trends, and to call it strategic planning. The leaders of these organizations never really ask “Where do you want to be in 5 years?” or “What kind of an organization do we want to have,” instead they become very reactive to the environment, to the stream they operate in. So, while the strategic plan reflects the stream, it doesn’t reflect the vision. Other organizations get so mission- or vision-driven that their strategy does not reflect the stream.”

Problem 3- Poor alignment: Bad alignment between structure and shared values, between vision and systems; the structure and systems of the organization fully serve and reinforce the strategic paths.

Covey elaborates- “The alignment problem is prevalent everywhere. Ask yourself: “Is our mission statement a constitution?” “Is it the supreme law of the land?” If the answer is “No,” and it most usually is, you have an alignment problem.”

Covey states- “Many executives say they value capitalism, but they reward feudalism. They say they value democracy, but they reward autocracy.
They say they value openness and *glasnost*, but they behave in ways that value closeness, hidden agendas and politicking. The acute symptoms of this chronic problem are interpersonal conflicts and poor interdepartmental relations (turf wars).”

**Problem 4- Wrong style:** The management style is either incongruent with the shared vision and values, or the style inconsistently embodies the values of the mission statement.

“The style of staff people is seriously influenced by the style of senior executive mentors, and most people are mentored towards management, and not towards leadership. Consequently, they think efficiency; they think things. They don’t think people; they don’t think principles- because they weren’t mentored that way.” To quote Warren Bennis- “One of the problems with standard leadership courses is that they focus exclusively on skills and produce managers rather than leaders, when they produce anything at all. Managerial skills can, of course, be taught. And they are useful skills for leaders to have. The ingredients of leadership cannot be taught, however. They must be learned.” Covey says “An organization can tolerate many different styles, as long as people are anchored in the same governing principles. Still, it’s wise to try and find an environment that is compatible with your style. Your style will fit better in some organizations than others.”
Problem 5- Poor skills: Style does not match skills, or managers lack the skills they need to use an appropriate style."

Some times I find that people want to shift to a different style, but they simply lack the skills," says Covey. " They don’t know how to set up a complete delegation; or how to use empathy to get the other persons point of view; how to use synergy to create a third alternative; or how to work up a win-win performance agreement. Now, lacking knowledge and skills is not a deep chronic problem, because through education, we may solve those problems." In fact Carl Rogers, the father of the human potential movement claimed that if you really want people to change, empathize with them. Gradually, they gain new insights, and begin to realize more potential. In a sense, the very problems start to change them.

Problem 6- Low Trust: Staff has low trust, a depleted emotional bank account, and that low trust results in closed communication, little problem solving, and low cooperation and teamwork.

"Trust determines the quality of the relationship between people. One of the best ways to build trust is to work on the mission statement and to work on the alignment issues. Covey cautions-"But if you try to do this while keeping a closed management style, your people are always going to be walking on eggshells, without much trust. Trustworthiness, is more than competence. In
other words, you may be an honest doctor, but before I trust you, I want to know that you’re competent as well. Honest people who are incompetent in their area of professed expertise are not trustworthy."

**Problem 7- No integrity: values do not equal habits:** There is no correlation between what I value and believe and what I do.

“If a person lacks integrity, how is he going to build an emotional bank account? How is he going to be trustworthy? And at the same token, if a company lacks integrity, how is it going to satisfy its customers? How is it going to keep its best employees? How is it going to stay in business?

A person who fails to live by his value system probably does not have a mission statement. Without a clear statement of values, our habits will be all over the place. Of course, we may have a mission statement, but fail to live by it. We are then hypocritical or duplicitous.”

Peter Senge(1990) explains the need for alignment between what a corporation says and what it actually does appropriately- “Alignment is a necessary condition before empowering the individual will empower the whole team. Empowering the individual when there is a relatively low level of alignment worsens the chaos, and makes managing the team even more difficult.”
Empowerment: A Better Team Concept?

Let's take a moment to see the implications of a production line model opposed to one built on service orientation and teamwork to understand their different implications.

"Ted Levitt, a great advocate of production line thinking said-Manufacturing thinks technocratically, and that explains its success. In contrast, service looks for solutions in the performer of the task. The solution to improved service is viewed as being dependent upon improvement in the skills and attitudes in the performers of that service. Though it may cause us pain and offend us to say so, thinking in humanistic rather than technocratic terms ensures that the service sector will forever be inefficient, and that our satisfactions will forever be marginal.

He recommended:
• Simplification of tasks,
• Clear division of labor,
• Substitution of equipment and systems for employees, and
• Little decision making discretion afforded to employees.

In short, management designs the systems, and employees execute it. McDonald's is a good example. Workers are taught how to greet customers and take their order, including a script for suggesting additional items. They learn a set procedure for assembling the order, placing orders on the tray, and placing the tray where the customers need not reach for it. There is a script and a procedure for collecting money and giving change. Finally there is a script for saying thank you, and asking the customer to come again. This production line approach makes customer service interaction uniform, gives the organization control over them. It is easily learned and workers can be quickly trained and put to work. What are the gains from a production line approach? Efficient, low cost, high volume service operations, with satisfied customers.

On the other hand, Levering, Moskowitz and Katz (1984) concluded in their survey of fast food restaurants that most employees who worked for McDonald's and it's franchise encountered a dehumanizing experience. McDonald's appeared to embrace a system geared to exploiting people in the lower ranks, resulting in a "dead-end" experience." (Dienhart, John 1993)
“It is commonly accepted that total quality service management requires greater empowerment of unit-level (frontline) employees. The process of employee empowerment requires major adjustments in marketing strategies. Traditionally in the quickservice restaurant industry, marketing strategies have been developed at the corporate level and restaurant units have been required to use them. QSR marketing strategies tend to be reactive and driven by competition. Such practices are incompatible with employee empowerment practices recommended for the 21st century. Hence, QSR firms cannot continue top-down marketing strategies if they intend to survive. A new marketing structure places greater accountability at the unit level. As a result, better skilled and educated personnel can be placed at a unit-management level. Empowerment is not a luxury, a responsibility that requires greater autonomy in decision making at the unit level. Consequently, more decisions of higher importance will be made at this level.” (Parsa & Khan 1993)

“Self directed work teams are small groups of people, empowered to manage themselves and the work they do on a day to day basis. Typically, members of self directed work teams do not only handle their job responsibilities, but also plan and schedule their work, share leadership responsibilities.

Primary Reasons Cited for Self Directed Work Teams-

Improved quality, productivity and service-
To stay competitive, today’s organizations must bundle service, quality, speed and cost containment into one package. Success in these areas seldom comes from giant leaps; rather, it comes from thousands of small steps taken by individuals at all levels in the organization.

Greater Flexibility-
Advances in service quality today rely heavily on an organizations ability to discover ways of increasing its responsiveness to customers and the marketplace. Teams can communicate better, tackle more opportunities, find better solutions, and implement actions more quickly.
Fewer, Simpler Job Classifications-
As the need for flexibility grows, many organizations see a need for multiskilled individuals and cross training.

Better Response to New Worker Values-
Employees today welcome the autonomy, responsibility and empowerment that self directed work teams provide. The results of a recent Louis Harris poll, as reported in the Behavioral Sciences newsletter show that of all employees who were asked, “do you want the freedom to decide how to do your work?” 77 percent answered “Yes.” Employees reported that factors such as the challenge of the task, participation in the decision making process and work that gives a feeling of accomplishment are more important than high levels of pay. Those values are wholly consistent with the empowered team concept.

Ability to Attract and Retain the Best People-
Organizations that acquire (and retain) capable work forces will offer a culture the values of new work forces. Teams offer greater participation, challenge, and feeling of accomplishment. Organizations with teams will attract and retain the best people- the others will have to do without.” (Wellins, Byham and Wilson, 1992)

“Research data show that employees perceive reliability- doing it right the first time- as the most important dimension of service quality. It matters more than employees responsiveness, courtesy or competency, or the attractiveness of the service setting. Unfortunately, in the same research, a sample of large well known firms was more deficient on reliability than on these other dimensions. Much of the touted appeal of the production line approach is that procedurally and technocratically driven organizations could deliver service more reliably and consistently than service operations heavily dependent on the skills and attitudes of employees. The production line approach was intended to routinize service so that customers would receive the “best outcome” possible from the service encounters- service delivery with no glitches in the first place. To quote Tom Peters - “Strict rules can belittle human dignity. Letting employees call the shots allows them to feel ownership of the job. They feel responsible for it and find the work meaningful. Decades of job design show that when employees have a sense of control and of doing meaningful work, they are more satisfied. This leads to lower turnover, reduced absenteeism, and easier implementation of rules in job design.”(Bowen & Lawler, 1992)
According to Peter Senge (1990), author of the Fifth Discipline- "Amidst all this complexity, that the company needs once again look systemically at its issues is apparent. Systems thinking is especially prone to evoking defensiveness because of its central message- that our actions create our reality. Thus, a team may resist seeing important problems more systemically. To do so would imply that the problems arise from our own policies and strategies- that is "from us"- rather than from forces outside our control. I have seen many situations in which teams will say "We were already thinking systemically," or espouse a systems view, then do nothing to put it in practice, or simply hold steadfastly to the view that "there is nothing we can do but cope with these problems."

So what sets a learning organization apart? A learning organization is a company that can respond to new information by altering the very "programming" by which information is processed and evaluated. Senge (1990) says- "These companies place emphasis on generative learning, called "double-loop learning" by Chris Argyris. Generative learning emphasizes continuous experimentation and feedback in an ongoing examination of the very way organizations go about defining and solving problems. Managers in these companies demonstrate behaviors of openness, systemic thinking, creativity, self efficacy, and empathy. By contrast, adaptive, or single loop learning focuses on solving problems in the present state without examining the appropriateness of current learning behaviors."
These principles are what also founded the framework that this fast food chain used to build the foundation of its philosophy and basic service strategy. This was the secret of the company's aggressive expansion and success from the late 80's to the early 90's.
The Regression Into Adaptive Learning

“We recognize an adaptive organization by it’s focus on incremental improvements to existing products, markets, services, or technologies- often within the context of the firm’s preexisting record of success. Adaptive learners (people as well as organizations) exhibit characteristics of stimulus-response behavior; they react to environmental changes with discrete, mechanistic actions that do little to address the problem directly. Enforced conformity, routine behaviors and risk avoidance block diversity of opinions, experimentation and risk-taking. Static intraorganizational relationships and long-standing practices based on the organizations success from a previous time period (and a different competitive environment) make strategic redirection and regeneration extremely difficult. Adaptive organizations do change, but only within narrowly defined ranges.

For firms that cannot break the adaptive learning habit, changing technologies, fragmentation of market demand, and new organizational forms hasten decline and resignation. This problem is especially salient for those firms that once enjoyed prominent positions in their industries.” The now outmoded trappings of success-reward systems and cultural values, for example become, in effect, the obstacles to transformation.” (Senge, 1990)
CHAPTER 3

Results And Findings

The Organization

The organization at this Company emphasizes the need for synergy within the structure which has been laid out for the implementation of a “Team” concept. The team concept at this fast food company is set up with Team Members as the base players. Team Trainers are Team Members who are specially proficient in their jobs, and are reliable enough to be regarded as an aide to the Restaurant General Manager (RGM) in the functions of training, coaching, ordering, food cost control, and other operational functions. Team Leaders, who are akin to shift managers in other organizations in a similar trade, are the next rank after Team Trainers. The Assistant General Manager of the restaurant operates under the RGM who may be responsible for the operations of one or more units at a time.

The RGM’s function is to act as a coach and a cheerleader for the staff. More often than not the RGM is involved in every aspect of business development, financial planning and customer satisfaction. This is the individual that is the leader of the team within the restaurant. The RGM’s report to the Market Manager(MM) who may have 15-20 restaurants in their Dominant Market Area(DMA). The Market Managers function is to co-ordinate the functions of Business planning, marketing, sales, budgeting and forecasting, in
tandem with the RGM’s. Monitoring customer satisfaction, speed of service, and customer complaints and response times to these complaints are some of the functions of the MM on a Zone level. The MM’s report to the Zone Vice President (ZVP) who may be responsible for up to 400 restaurants within the zone. The glowing tributes, in the literature review from many authorities on restaurant management bear testimony to the fact that this corporation was doing something right. The concepts are clearly thought out, and all the claims were true. A lot of the above was observed in reality. However, something went wrong. Employee turnover is now up and customer satisfaction is down in many units. A company that was so profitable and committed to consistency in it’s methods that it would not even consider franchising its stores, is suddenly considering franchising stores all across the United States. Customers are complaining more frequently about store cleanliness and employee attitudes. Profits are down and company growth has been flat for the last few years. Many of the stores in this zone are not able to generate a profit. Table 1 shows the actual turnover rates for the company during the year 1995, with a total turnover of 162 percent. The majority of the turnover occurred during the first 3 months. The top three reasons for crew turnover from the exit interviews as revealed by this study, are-

- Lack of Management
- Lack of Training
- Work Environment.
Table 1: Employee Turnover Rates For QSR Company for 1995 - Company Payroll Services

<table>
<thead>
<tr>
<th>Duration</th>
<th>Turnover Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3 Months</td>
<td>91%</td>
</tr>
<tr>
<td>4-6 Months</td>
<td>38%</td>
</tr>
<tr>
<td>7-9 Months</td>
<td>20%</td>
</tr>
<tr>
<td>9-12 Months</td>
<td>13%</td>
</tr>
</tbody>
</table>

Total Year 162%

Source: Payroll services

Direct observations revealed that these three situations occur because many of the RGM's are not equipped with the knowledge to coach and lead their team members to ensure smooth functioning and teamwork. Some have faded out of the culture and no longer embrace organizational values. The training provided to the managers is inadequate and thereby results in a high stress work environment that does nothing to reflect the organizational values. The training program in place for crew, as well as management has been noted in observations as lacking in providing the technical resources required for the job. It also does not successfully communicate the organizational vision and shared values, as is displayed by numbers in Table 1 - The Lack of management.
THE NOT-SO-IDEAL PRESENT

There is no doubt that this company’s success came from more than just slashing it’s prices. The company had clearly rejected the production line model in the favor of a system with service oriented employees at it’s core. This company had provided great quality food at an affordable price to its consumers. Lately, as demonstrated by the price cutting and the introduction of the new menu, response times in the execution of new marketing initiatives have been very high. The complexity of operations for the store teams has greatly increased and has resulted in poor service. Subsequently, customer satisfaction scores have been very low. Figure 1 displays the results that these initiatives had on customer perspectives. This tracking study had customers rate the Quickservice Restaurant Company in this study, versus McDonald’s, Wendy’s and Burger King from 1991 through 1995. The Quickservice Company scored at Number 3, only ahead of Burger King, after Wendy’s at Number 1, and McDonald’s at Number 2 in overall customer satisfaction.
Figure 1  National Ratings, Customer Satisfaction: Wendy's, McDonalds, Burger King and QSR Company From 1991-1995

From a Tracking Study

- McDonald's  - Wendy's  - QSR Company  - Burger King
Through direct observations it is noted that other restaurant chains such as Wendy's consistently maintain higher standards of cleanliness, hygiene, product consistency and speed of service. These attributes contribute towards a favorable customer perception, as revealed by Figure 1.

While the competition has been forging ahead and making waves through aggressive advertising, followed up with great product technology, this fast food company has become a victim of adaptive learning as described by Senge(1990) in its new initiatives, which cause more customer loss due to incorrect implementation. This quickservice chain is now at the crossroads where rejuvenation of the team concept is becoming more and more imperative by the day, to allow for smoother implementation of initiatives, as discussed by Wellins, Byham and Wilson (1992).

One of the reasons for this loss of ground to the competition is the lack of a structured problem solving process for operating problems and strategic problems. The operational problems faced by this fast food company, are of considerable significance and are most of the problems discussed in this case study. The confusion resulting from not addressing the operating problems is resulting in the low ratings in customer satisfaction (Figure 1), and high employee turnover rates (Table 1). This further prevents the company from seeing the big picture, and thereby causes it to focus only on short term fixes. While much of the company's past success can be attributed to strategic
planning, the operational processes pertaining to product manufacturing are still lacking in ample planning and execution. For example-

- Shortage of product inventory at the central distribution centers.
- Marketing modules publicized by the marketing department are
- Improper execution of training programs to properly ready staff for a

It is important to manage each one of these functions correctly. Another important aspect that is often overlooked is the need to consistently deliver the basic premise of what customer satisfaction is built upon- FACTS. Table 2 displays the complaints compiled by an independent corporation, which monitors the 1-800 complaint line for the company. Shown here are the data compiled for a duration of 6 business periods (each period equals 4 weeks), versus transactions for the fast food company, in Central and Western New York.

Table 2 shows that the accuracy of orders and the time taken to serve them has been the cause of several complaints- 204 complaints called in over a period of 24 weeks over factors pertaining to the Fast and the Accurate parts of F.A.C.T.S. alone! It must also be borne in mind here that these numbers do not represent the actual systemwide complaints- many of the customers call the store directly, for which data compilation procedures are not in place. In addition, there were 200 reported instances where the employees were rude,
slow or unconcerned about guest needs, with their managers displaying the same behavior on 77 instances during this time period. The price rollback, implemented in Period 9 involved price cuts of up to 25% on major menu items, and primary goals of increased transactions and gross revenue were either met or exceeded. The company policy on staffing stores did not accommodate a transactional increase of up to 20% and an undesirable increase of customer complaints eclipsed those sales increases due to short staffing. Complaints such as “the order taking too long” increased threefold (a total increase from 11 complaints to 33 complaints per 10,000 transactions).

The price cuts, while increasing the gross revenue figures by driving up the transaction counts, reduced the percentage of profit per dollar. Making up for the reduced profit margin by expanding the workload of the existing staff has increased the complaints disproportionately to the profits and percentage of transactions. This has had a negative effect on employee turnover, as demonstrated in Table 1 (Employee Turnover rates for QSR Company for 1995). While this policy may work for a short period of time under high volume peak periods of operation, a sustained policy of under staffing and the inherent problems associated with it has only driven away business while cutting the profit margin. Over the continued course of time, price cuts alone have not overcome customer dissatisfaction and transactions have dropped. This has put the company in the unenviable position of a reduced profit margin, lower revenues and reduced transactions.
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<tr>
<td>Transaction</td>
<td>2120809</td>
<td>420455</td>
<td>340728</td>
<td>369970</td>
<td>356956</td>
<td>333337</td>
<td>299363</td>
<td></td>
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<tr>
<td>Order Related</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Took Too Long</td>
<td>82</td>
<td>0.886</td>
<td>33</td>
<td>0.786</td>
<td>19</td>
<td>0.559</td>
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<td>0.306</td>
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<tr>
<td>Items Missing</td>
<td>44</td>
<td>0.207</td>
<td>14</td>
<td>0.333</td>
<td>10</td>
<td>0.294</td>
<td>4</td>
<td>0.111</td>
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<tr>
<td>Wrong Items</td>
<td>44</td>
<td>0.207</td>
<td>14</td>
<td>0.333</td>
<td>8</td>
<td>0.235</td>
<td>6</td>
<td>0.167</td>
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<td>Incorrect Total</td>
<td>1</td>
<td>0.033</td>
<td>4</td>
<td>0.095</td>
<td>1</td>
<td>0.025</td>
<td>2</td>
<td>0.056</td>
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<tr>
<td>Overcharged</td>
<td>6</td>
<td>0.026</td>
<td>1</td>
<td>0.025</td>
<td>2</td>
<td>0.059</td>
<td>2</td>
<td>0.056</td>
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<tr>
<td>Unlisted Category</td>
<td>21</td>
<td>0.099</td>
<td>3</td>
<td>0.071</td>
<td>3</td>
<td>0.088</td>
<td>2</td>
<td>0.056</td>
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<tr>
<td>Sub Total</td>
<td>204</td>
<td>0.962</td>
<td>69</td>
<td>1.643</td>
<td>43</td>
<td>1.265</td>
<td>27</td>
<td>0.75</td>
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<tr>
<td>Employee Related</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slow Service</td>
<td>64</td>
<td>0.302</td>
<td>15</td>
<td>0.357</td>
<td>17</td>
<td>0.5</td>
<td>11</td>
<td>0.306</td>
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<tr>
<td>Rude to Guest</td>
<td>62</td>
<td>0.292</td>
<td>13</td>
<td>0.311</td>
<td>22</td>
<td>0.647</td>
<td>11</td>
<td>0.306</td>
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<tr>
<td>Fraternization</td>
<td>15</td>
<td>0.071</td>
<td>2</td>
<td>0.046</td>
<td>6</td>
<td>0.176</td>
<td>5</td>
<td>0.139</td>
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<tr>
<td>Ignored Guest</td>
<td>14</td>
<td>0.066</td>
<td>5</td>
<td>0.119</td>
<td>1</td>
<td>0.029</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Not Friendly</td>
<td>11</td>
<td>0.052</td>
<td>3</td>
<td>0.071</td>
<td>4</td>
<td>0.118</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Unlisted category</td>
<td>34</td>
<td>0.16</td>
<td>6</td>
<td>0.143</td>
<td>10</td>
<td>0.294</td>
<td>6</td>
<td>0.167</td>
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<tr>
<td>Sub Total</td>
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<td>44</td>
<td>1.048</td>
<td>60</td>
<td>1.765</td>
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<td>Manager Related</td>
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<tr>
<td>Rude To Guest</td>
<td>19</td>
<td>0.09</td>
<td>6</td>
<td>0.143</td>
<td>3</td>
<td>0.088</td>
<td>1</td>
<td>0.028</td>
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<td>Not Helpful</td>
<td>16</td>
<td>0.075</td>
<td>4</td>
<td>0.095</td>
<td>7</td>
<td>0.206</td>
<td>2</td>
<td>0.056</td>
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<tr>
<td>Cnt Resolve Problem</td>
<td>10</td>
<td>0.047</td>
<td>1</td>
<td>0.024</td>
<td>2</td>
<td>0.059</td>
<td>4</td>
<td>0.111</td>
</tr>
<tr>
<td>Availability</td>
<td>8</td>
<td>0.038</td>
<td>3</td>
<td>0.071</td>
<td>1</td>
<td>0.029</td>
<td>1</td>
<td>0.028</td>
</tr>
<tr>
<td>Didnt call back</td>
<td>5</td>
<td>0.024</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0.029</td>
<td>3</td>
<td>0.083</td>
</tr>
<tr>
<td>Unlisted category</td>
<td>19</td>
<td>0.09</td>
<td>4</td>
<td>0.095</td>
<td>7</td>
<td>0.206</td>
<td>5</td>
<td>0.139</td>
</tr>
<tr>
<td>Sub Total</td>
<td>77</td>
<td>0.363</td>
<td>18</td>
<td>0.429</td>
<td>21</td>
<td>0.618</td>
<td>16</td>
<td>0.444</td>
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</table>
This fast food company has displayed the ability to embrace generative learning in the past, i.e., learning how to learn. During the early 90's, while the overall market for fast food had been flat to declining, the company redefined it's business on the basis of a very simple premise- Putting the customers first required that the MM's trained and recruited store managers who actually wanted to create or deliver goods that customers valued. The selection process focused on hiring store managers who held positive attitudes towards responsibility, teamwork, customer service, and sharing. These store managers were aware of the importance of empowerment in the team concept. Today, the competition such as Wendy's, McDonald's and Burger King are empowering their management teams by providing the benefits of tighter controls, redesigned operations and reducing turnover as displayed in Table 3.

Table 3 depicts what the company is doing with respect to competitor strategy- It is interesting to note that all the competitors have leveraged labor for a competitive advantage. By way of positioning, the company in this study has the greatest opportunities in training for operations and new product launches. A study of the strategic plan for different fast food companies reveals that the QSR company has the highest percentage of labor to sales. Though this may be partially due to the low average check resulting from low pricing, the company has to devise a strategy to further lower its labor percentage in the long term. This is a recommended topic for further research.
**Table 3** Fast Food Competition
Perspective On Labor: 1995
Strategic Plan Assessment
Source- McKinsey Study: Competitor Profiles

<table>
<thead>
<tr>
<th></th>
<th>Improve Training</th>
<th>Reduce Turnover</th>
<th>Tighten Cost Controls</th>
<th>Instill Performance Improvement</th>
<th>Labor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wendy's</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>25%</td>
</tr>
<tr>
<td>Burger King</td>
<td>Redesign Restaurant Operations</td>
<td>Improve D/T Technology</td>
<td>Remove Management Layer</td>
<td>Local Mgrs Work From Home</td>
<td>27-30%</td>
</tr>
<tr>
<td>McDonalds</td>
<td>Enforcing Consistency</td>
<td></td>
<td></td>
<td></td>
<td>26-29%</td>
</tr>
<tr>
<td>Quick Service Company</td>
<td>Opportunites: New Product Training</td>
<td>Management Complement</td>
<td>Operations Recertification: Management, Crew and Stores</td>
<td>29.8%</td>
<td></td>
</tr>
</tbody>
</table>

Furthermore, a tracking study had customers rate the speed of service for McDonald's, Wendy's, Burger King and the Company on a scale of 1-10 for each year from Jan 1991- December 1994. The speed of service of the company in this study has declined and left it in the unenviable position of No. 3, with Burger King being a close No. 4 in the comparison with Wendy's, McDonald's and Burger King as shown in Figure 2.
Figure 2  Speed of Service Rated By Customers Of
McDonalds, Wendy's, Burger King And
QSR company On A Scale of 1 - 10 From
January 1991 - December 1994
From a Tracking Study
The challenge facing the corporation today is the challenge of making employees feel committed to their place of work and to instill within them the need to feel affiliated to their workplace, as stated by Covey (1992) in problem 1 and Problem 6 of his Seven Problems. Covey states that if the organization's mission statement is not part of the culture, it causes low trust, little problem solving and low cooperation and team work. To change this, managers and mentors should be held accountable to their commitment to the organizational values of teamwork, integrity and accountability. Only after this alignment has occurred, will the next step of empowering the individual team members be successful. As Peter Senge(1990) quoted earlier- “Alignment is a necessary condition before empowering the individual will empower the whole team.” This is especially true in an environment where there is visible conflict between stated company values and actual operating practices.

The company had originally introduced the Team concept to be able to motivate Team Members for this very reason- to achieve common goals, and to create an affiliation between employees and the organizational vision. Today, however, the team concept is not being implemented in the concept of the true self directed work teams as described by Wellins, Byham & Wilson (1992).

This is evident through direct observations within many of the company stores where team members are not involved in the functions of planning for staffing, inventory, customer satisfaction score improvement, or speed of service
goals. Furthermore, minutes from company market meetings and observations on team dynamics within these meetings reveal that the participants do not display behaviors of teamwork. Instead, individual agendas take precedence over those of the restaurant management team. This causes the poor alignment as described by Covey (1992) in his third problem. Therefore it is important to revisit what management is actually doing to create a work environment described as being fun and enjoyable. The need to align systems and employees starts at the top. A look at the relationships between the 7 problems postulated by Covey (1992) in the review of the literature and the status of the organization in this study would reveal areas of focus for future strategic planning.
A Comparison of QSR Practices to Covey’s 7 Problems

It is evident from the lower speed of service ratings, and from the low ratings on customer satisfaction that the QSR company in this case study has significant opportunities that need to be addressed immediately. To regain the customer loyalty and to improve employee satisfaction as well as attitudes, the company has to pay attention to some fundamental problems, as described by Covey (1992). Presented here is an analysis of company practices in relation to Covey’s model of the “7 Problems.”

**Problem 1-** There is no deep understanding of or commitment to the mission at all levels of the organization.....

Three major factors were observed at the corporation that cause a lack of commitment to the mission statement in the North East zone, observed in market meetings and through feedback from management teams-

- Market Manager attitudes were not in alignment with shared values
- RGM’s were too caught up in their own routines to be mentoring team
- The result of the first two led to a non-committal attitude amongst the employees and store managers.
Problem 2-  *Strategy is not well developed or it ineffectively expresses the mission statement.....*

A social radar with regard to the value system at this restaurant chain is badly missing. The value system is not deeply embedded and shared at the center of the organization and the company lacks internal security and becomes subject to all the fickle forces at play on the outside. This company has to make sure that its strategic path leads from its mission statement and reflects its vision and values and also reflects the environmental realities so that it doesn’t face the current problems it is getting into.

Problem 3-  *Bad alignment between structure and shared values, between vision and systems.....*

Since the shared value system at this fact food chain is not being closely adhered to, there is a lack of an inner source of security. So where does this company get the security today? In rigid structures and systems. Because it gives people the sense of security that the sun will come up tomorrow. But by having rigid structures and systems in place, the company defies what has been set as a very basic premise in its mission statement, and it is quoted here- “We will become the dominant force in the convenient food industry by leveraging our unique value orientation, our capacity for innovation and change.........” Every time a change is introduced, it creates intense resistance from the staff. The team concept fails in its implementation. Today, this quickservice chain
faces the problem of having competition with a very similar cost structure in their products, and it knows that unless the company restructures, it cannot possibly compete. Yet, the rigid philosophy of “That’s not the way things are done around here” still prevails. And while the fast food company is downsizing in order to adapt to the ever changing stream of its dynamic environment, it causes great consternation. People are fearful. They are subject to the new with an old structure, one that is supposed to guide them. The old structure had worked well in the past, but has now evolved into a stage of adaptive learning.

**Problem 4-**  *Wrong style: The management style is either incongruent with the shared vision and values*. . . .

The corollary- It is necessary for this fast food chain today to recruit people whose management style is congruent with what the organizational style was originally deemed to be. This is the situation ongoing at this fast food company. This is displayed in the data presented in Table 2. Complaints regarding employee and management attitudes are wholly incongruent with the company values and mission statement. While people in leadership roles are fearful and learning to not learn, they are also mentoring other people to act and feel the way they do, which just makes it an incessant chain of no self renewal.
The conflict resulting from this confusion in cultural alignment has serious implications on the performance of the company. While the chain had originally intended to create an atmosphere that “made work fun” as per promotional recruitment slogans, an attitude of fear and job insecurity pervades the system in levels notably going as high as Restaurant General Managers. These General Managers indulge in feeble interactions in monthly meeting sessions, originally intended to be “think tanks.”

Politics and power plays are the norm, with the group discussions dominated by senior managers. Market teams, which are functional teams put together to sort out financial dilemmas, customer satisfaction issues, and other operational problems, are usually created with the most rewarding alliances that would create personal gain, than to actually create a well matched group of people, synchronized in their work, and keyed towards achieving their objectives. The performance of these teams does little or nothing to actually sort important issues out for the company at an operational level.

To make these crucial meetings effective, there needs to be a higher level of clarity in communication from the MM level downwards to instill higher commitment in the RGM’s. The attitude in the RGM’s in this particular zone is one of fear, anxiety, job insecurity, and leans towards politics and bureaucracy. The work environment that this company is trying to instill and build into it’s values, build into it’s shared vision, has been one of togetherness, open
communication, and innovation. However, it is surprising to note that none of the above are evident in the day to day life of the managers. While higher levels of management are so far from their intended goal, it is really ineffectual to communicate this downwards to the employees, and expect them to uphold the ideals stated in vision statements.

**Problem 5-** Managers lack the skills they need to use an appropriate style.

By going through a structured training program (a more effective training program than the one currently in use), people at this fast food chain may also develop their desire or even change their style. For example, when people get a new time organizing tool and the training to go with it, the organization may perceive some major change. Or when people start to learn and apply the skills of empathy, they may find that the development of these skills enhances their style. It has been observed that many managers within the organization are inadequately trained. This is revealed in Table 1 by employee exit interviews where the top three reasons for turnover have been-

- Lack of Management
- Lack of Training
- Work environment.
This means that management does not have an efficient plan in place for adequately mentoring subordinates. This only spreads behaviors of "adaptive learning" making the work environment error prone leading to higher turnover.

**Problem 6- Low Trust: Staff has low trust, a depleted emotional bank account.....**

This company has shown too much of a focus on integrity and not enough on personal competence and professional performance. This is reflected in the lack of a structured training program for new hires into management, which only leaves one course of action when goals are not met-low integrity. While these methods do not pay off for managers in the long run, they create more turnover and adaptive learning in management.

**Problem 7- Values do not equal habits.....**

The presence of a mission statement and shared values, while there is no adherence to the same, is hypocritical or duplicitous. Corporate duplicity within the framework of this fast food company is much the same, only compounded, since the corporation is made up of individuals. That’s why when we detect one or more of the 7 problems in organizations- and when the senior executives want to blame everybody and everything else for those problems- we have them look in the mirror to identify one of the primary sources. They
need not look at anyone else or ask any question except one; “Do I have integrity myself?”. The proper implementation of the high ideals is of vital importance to the sustained success of the company in the future, and is an important issue that needs to be addressed immediately. Each introduction of a new product or service creates more complication within the work environment, thereby creating a block in speed of service, increasing the workload of an already overworked employee, and hurting customer satisfaction.

Management at this fast food company today is wary of the concept of empowering teams at the restaurant level. However, all positions at the store level are still referred to as Team Member, Team Trainer, and Team Leader Positions. This only creates ambiguity within the workplace, for the team positions do not function as team members at all. The company has slowly but surely edged back to its orientation as a production line operation, due to the mixed cultures brought in from different organizations, by people in responsible management positions- people that were never broken into the organizational culture intended by the leaders at the company.

In the competitive business environment today, the production line approach adopted by fast food restaurants, although seemingly effective, often leaves the intangible aspects of customer service transaction. Customers are turned off by cold, mechanical employees. It is vital to remember that to create dedication and involvement in employees, a company must strive to create an
environment that creates a bond between employees and their workplace. We also have to remember that though planning is put in place, that standards are set, and that certain procedures are laid down that may not be deviated from during any customer service transaction- none of these are effective unless the employees are committed to their jobs. Independence, flexibility, increased span of control, all enhance commitment.

The important thing to remember, however, is that in a high volume situation, where the work environment is subject to high amount of transactions, human beings are prone to error. Though it is very important to get things right the first time, it is also essential to have a program in place to have service recovery designed into the system. This kind of service recovery can only be achieved by empowering employees to make decisions without having to first consult with their supervisor, who may or may not be immediately available.

The company's rejection of the tried and true empowerment model and it's leaning towards the production line approach is detrimental to it's customer base as well as bottom line profit. This is amply corroborated by the number of complaints received and the chaos caused by a lack of alignment between the company values and the strategies adopted by management to implement the corporate vision in its restaurant units. The time is ripe for the company to rejuvenate and implement it's concept for empowerment to be able to survive the competition.
The company has slowly but decisively started slipping into the category of the "learning disadvantaged" when trying to build new sources of competitive advantage. A focus on ongoing change becomes the basis for a predictable future strategy, one that the competition has closely watched with a wary eye. Adaptive learning has also retarded the company's ability to build sources of competitive advantage to a large degree. Strong attempts are still being made within the company to produce upbeat commercials and creative advertising blitzes (such as recent Popular game promotion campaigns), introductions of new items (to envision a healthy fast food product, which until then did not exist), and even more price cuts to reach markets that were otherwise untapped. While the innovative spirit continues to thrive at the company headquarters, the execution of these new initiatives is fraught with errors and operational slip-ups. These slip-ups are predominantly errors in the basic premise of the company all along. The delivery of FACTS.

Figure 3 shows an adaptation of Senge's (1990) archetype for this Quickservice Company's case. This is a Growth and Underinvestment archetype. It shows the interrelationship between Pricing strategy, the Service capacity, the Revenues and Service quality. The QSR chain's pricing and promotions are leveraged to increase the Number of Customers served (or Transaction increases, as demonstrated in Table 2). This translates into higher gross revenues, which is the basis for future strategy. To cope with this higher number of transactions, the Company has to make adjustments to its
capabilities in providing good, Quality service. This involves higher training and better systems. Failure to simplify operations creates an environment where there is a delay in the follow through of Additions to Service capacity and personnel. This essentially results from high turnover and a lack of proper management due to reasons similar to those postulated in Covey's (1992) 7 Problems. This affects the QSR Company's reputation, which has an adverse effect on its customer base.

![Figure 3](image_url) Senge's Growth and Underinvestment Archetype Adapted For The QSR Company
CHAPTER 4

Conclusions And Recommendations

The need for a service oriented model given the basic values at this fast food chain bring forth a requirement for strong leadership to bring about a successful change in culture in the North East zone of Central and Western New York. There is a need to visit the past to understand the Vision, Shared Values and company philosophy that were the basis for past success and also to research ways to make the commitment to sustained, high service quality a reality.

Today, the company in this study needs to step back and examine the way operating problems relating to cleanliness, employee turnover, and customer satisfaction are being addressed- issues which result in very basic violations of this winning company philosophy. Behaviors such as rudeness of management and employees alike to customers clearly indicates a lack of a “fit” between the organizations stated values and the mentoring process- once again suggesting a need for restructuring and retraining. This training will have to be implemented at all levels within the organization.

To facilitate the proper implementation of this training to create the true team environment, the company has to perform an objective inventory of each individual store to examine the alignment of its units with the intended corporate
vision. Management needs to have a realistic view of the leadership behaviors displayed within the restaurants. While expansive visions are being laid out by higher management, the responses in restaurants, as decisively displayed by Tables 1 and 2 and Figures 1, 2 and 3 have fallen short of their goals. Failure to implement prompt corrective action will most certainly cause further shifts in strategy. Any perceived deviation from the Corporate values and vision will have to be dealt with swiftly in order to bring about the desired organizational change. This may include, but may not be limited to replacing management, instituting standardized operating procedures, and eliminating bureaucratic behavior within the stores.

Management at this quickservice chain needs to demonstrate behaviors of openness, systemic thinking, creativity, self efficacy, and empathy to be able to create an environment of commitment and job satisfaction. The management meetings or think tanks- originally intended to be the grounds for creating the “learning organization” that the corporation was intended to be need to be more focused on what stores with low complaint rates are doing right and what the others are doing wrong. This will allow those managers with a poor performance to bring operations to a uniform standard within the region.

The data collected in Table 2 (Customer complaint categories: Service related) reveal issues ranging from a decline in the speed of service, cleanliness of the store, courtesy of the employees, to poor product preparation
and product consistency. To continue to be successful, the firm has to be able to maintain high service quality to go with its low prices. Failing to maintain service quality makes price its only competitive advantage, which in turn makes it vulnerable. As we come to understand the systemic dynamics of growth and underinvestment, we become aware of strategies that succeed in sustaining growth in revenues and profits, maintaining high service quality, and expanding service capacity at a pace in balance with the numbers of customers served. By limiting the growth in demand, and making a commitment to service quality, this company can recuperate enough to rebuild its team environment and do a better job at meeting its service capacity goals. This can be achieved by-

1. Moderately increasing prices even if they are kept below those of the competition, and,
2. Through sustained, high service standards.

Increasing prices would lead to lower transactions, but will sustain the revenue goals and increase profits per dollar. It will also allow time for each store to implement high standards of service and thereby improve the QSR companies reputation, generating more customers in the long term, as explained in Figure 3. Lately, the value conscious customers of this company have been replaced by price conscious customers, mostly due to the negligence of the company itself. The focus on quality service has been mostly sidelined by price cutting, a scheme that competitors have closely monitored and countered.
Profits are down. Provided with effective leadership, employee turnover will most likely be reduced, which will also reduce the need to hire and train new staff all the time, making it a lot easier to maintain an organization culture within a team framework- the original concept that all the philosophies of the company are built around.

In conclusion, Teams can still provide the advantage that this company needs to differentiate its services as being superior to those of its competition. The flexible setup of its restaurants coupled with the innovative methods for food production from its main central distribution network allows for wonderful variations in menu planning and execution. Also, the company has had a favorable encounter with team work in the past, only it got too defensive once old learning patterns set in, amidst the lack of alignment between the vision and actual values.
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