

Restaurant Franchise

Refocusing staff and management on improving sales and service...

Helping restaurant teams focus on building local vision, capabilities, and motivation produced significant improvement in outlet performance.

Company Profile

The company is one of the world's largest fast food restaurant chains. It owns and manages 10% of its own restaurants and those restaurants provide the management and training model for the 90% of restaurants that are run by franchisees. Geographic regions are set up to manage all restaurants in a given area. The company has historically achieved revenue growth by building more restaurants and marketing campaigns, but the market was getting saturated and the competition much better. The US was its main market and profitability here was critical to overall corporate performance. In the future, more growth would have to come from growing existing restaurant sales, particularly in the US.

Business Challenge

The company's existing (US) restaurant sales tended to remain flat, other than during a specific promotional campaign. Customer ratings of food and service quality did not distinguish the restaurants either. These results were particularly characteristic of the restaurants operated directly by the company. However, a small minority of franchise operators did much better, even when they were in less desirable locations. The reason for this difference was not clear. The usual explanation focused on "entrepreneurial" skill. Since company-owned restaurants set standard practice for all outlets, something had to be done to help these restaurants set a better standard for all restaurants -- company owned or franchise.

Approach

We began with the assumption that people in the organization already had most of the skill and capability needed to change performance. Some people some of the time were doing outstanding things, but this expertise was not used consistently or broadly. We began by identifying distinctive practices of those operators who achieved different results in profitability and customer satisfaction. This gave us a new view of capabilities that distinguished outstanding restaurant management. A second assumption we had was that significant change required involving a cross section of all levels of the organization over time. A simple training program in new skills would not be effective as it would not address the surrounding factors in the real world of restaurant management that shaped day-day actions. Therefore we focused on one area of restaurants so we could work with a cluster of company-owned restaurants together.

Over the next four months, we met with restaurant teams for one day a month. The teams consisted of a cross section of restaurant management and staff. The different points of view on the reality of restaurant operations helped build a broader picture of necessary actions, and convey conclusions and changes with others working in their restaurant. The teams from each restaurant met as a group to work with us so that they could benefit from each other's experience in leading change. In each workshop, we helped the teams review results of past actions, reflect on what those results meant, and plan future actions. Capabilities were reviewed, and gaps were identified and training provided as required. Often, organizational barriers were identified as well and those were addressed. While it was important to provide training and other support, most of the change came from the people themselves as they learned from each other what real improvement would require and why it was important to them. The approach used is now known as Rapid Organizational Alignment, (ROA).

The overall focus of the cycles of team work across the four months involved three areas that impact performance in any organization: vision, motivation and capability. Restaurant teams defined a local vision for the success of their restaurant in their community and market. Motivation issues were addressed through increased responsibility and accountability, and changes in the company’s reward and recognition policies. One layer of management oversight was also removed. Specific capabilities were improved across leadership, restaurant management, people management, and local marketing.

Results

After one year, the restaurants involved in this change effort had achieved some important performance improvements. As the regional manager over the first set of restaurants said:

“We couldn’t be happier ... the results to date far exceeded expectations. We were concerned, going in, that everyone would be looking for immediate results while we were building for the long term. We did realize immediate positive results. The “worst case” in our region has maintained status quo, all others have done much better.

As one of the restaurant managers said:

“We must live, work and do business in the environment to make this concept successful. We had gotten away from this ... before, restaurant management was ‘just a job.’ Now managers view the restaurant as their own – they are ‘part owners’ committed to making their business successful.”

The table below presents more specific results.

Category	1 Year Later
<p>Customer Satisfaction</p> <ul style="list-style-type: none"> ● Mystery shopper ● Independent survey 	<p>Improvements across all indicators of 10-20%</p>
<p>Employee Satisfaction</p> <ul style="list-style-type: none"> ● Employee survey ● Turnover 	<p>Significant increase in expressed satisfaction. Turnover reduced by 50%.</p>
<p>Transaction Counts</p> <ul style="list-style-type: none"> ● Number of customer transactions per day compared to same time one year earlier. 	<p>Average increase of 10-15% after all other factors considered.</p>
<p>Sales</p> <ul style="list-style-type: none"> ● Total sales compared to same period a year earlier. 	<p>Restaurants averaged 8-12% increase in total sales, other factors considered. This was the largest increase in same outlet sales the company had achieved.</p>

Follow-Up

The process described here was subsequently implemented by internal facilitators in another region of the operation with similar, excellent results. As the regional manager of this second region said:

“The behavioral change we have seen – in all restaurant managers – has been impressive. The [restaurant managers] and their spouses, are more involved in their restaurants and the community than ever before. They are analyzing investments and making decisions they would never have considered before. We are realizing improved quality, service, profitability and community relationships.”