

# Time for Change: A new leadership decision for restaurant profit enhancement

By Godwin-Charles Ogbeide, Robert Harrington and Kayla Kesterson

## Introduction

Leadership decisions and the way in which policy changes are delivered to staff members can have a large impact on a team, particularly within a small property/operation with a small number of employees. For a restaurant located within an inn on a college campus, such decision implementation is a crucial step in success. The new general manager (GM) of this Inn and Restaurant decided to implement two new dining events, one on Thanksgiving Day and one on Christmas Eve. The implementation of these two holiday dining opportunities, with proper marketing, could result in additional revenue for the Inn's Restaurant, as well as generate positive publicity within the community for the restaurant. However, there were challenges to implementation. The foremost of these were the impact on employee morale and turnover intention due to the additional working days, especially on holidays. Up until this point in the property's history, holidays such as Mother's Day and Easter had been important days for the restaurant, but Thanksgiving and Christmas had been days off for employees. The new GM had three options: (1) Begin operations for the two additional holiday meals in the same year as his arrival to enhance annual revenue and promote the restaurant. (2) Introduce the idea to the head chef and the employees to be implemented the following year, giving them a year to prepare. (3) Introduce the idea of the two holiday meals to the employees, but only introduce one (Christmas Eve) to test the effect of the meal on the employees and community participation, with the goal of hosting both Thanksgiving and Christmas Eve meals the following year.

## General Industry and City Information

The inn and restaurant was located in a college town in Arkansas with a population of around 75,000 people (U.S. Census Bureau, 2011). The town had a variety of restaurants, both chain and independently owned, that offered a variety of dining options including American, Chinese, Thai, seafood, Cajun, Italian, pizza, Mexican food, and others, ranging from fast food to fine dining. Generally speaking, the Inn's Restaurant had many competitors. However, the Inn's Restaurant competed with three restaurants in close proximity that offered similar

dining options and comparable fine dining experiences; all-in-all, they provided the most direct competition.

## Company Background Information

The Inn, which housed the Restaurant, was originally constructed in 1906 as the first female dormitory on the university campus, and remained a women's dormitory until 1967. The building was added to the National Register of Historic Places in 1982, was no longer used for academic purposes by 1991, and became a candidate for demolition in the late 1990s. A former student of the University learned of the building's possible destruction, and as a means of giving back to the University and to preserve a historic building, was granted a lease by the Board of Trustees to renovate the dorm into a historic 49-room hotel and restaurant. The history and location of the building made it unique, and created a special appeal for guests, which was unlike any other in the area.

The Inn's Restaurant was opened to the public seven days/week for breakfast, lunch, and dinner (see Appendix 1). The restaurant was a beautiful place with elegant ambiance and nouvelle cuisine at its best with an extensive wine list to complement the selections. The restaurant was designed as a sanctuary of comfort, where guests could relax in wing-backed chairs and an elegant ambiance of southern hospitality. It had been rated many times as one of the most romantic restaurants in the city, and had won the "Best Brunch" ranking among its competitors. Local publications, including the Northwest Arkansas Times, Celebrate and CitiScapes Magazines, all recognized and boasted about the ambiance and the cuisine of the restaurant. The restaurant quickly became known for special occasion dining. Mother's Day, Easter, Graduation, Valentine's Day, and weddings all became part of its general market appeal. Because of the upper scale nature of the restaurant, and despite the fact that it was located on a college campus, college students made up a smaller portion of patrons for the restaurant, as they tended to gravitate toward lower priced options. Individuals with a higher scale of income than the students and an appreciation for special event dining (Sunday brunch, Mother's Day lunch, Valentine's Day five-course dinner, Easter lunch, etc.), as well as the hotel's guests, provided the majority of restaurant patrons.

While the Inn's Restaurant was highly regarded for both general operations and special occasions, it was largely unprofitable due to a variety of issues including cost structure and inconsistent volume and demand.

---

Godwin-Charles Ogbeide, Robert Harrington and Kayla Kesterson  
are affiliated with University of Arkansas.

---

### *The New GM and Specific Areas of Interest*

The Inn's new GM began his employment in June of the current year with a major goal of enhancing the revenue of the Inn, which was badly needed. The Inn hardly broke even and the stakeholders were very concerned. Hence, a new GM was hired. Unlike the previous GM, the new GM was a hospitality college graduate with over 30 years of experience in hospitality management. His previous leadership experiences included Sales Manager for Radisson Hotel and Suites and former Director to Total Hospitality Consulting. With his fresh perspective of the property and its financial history, he saw that the restaurant was consistently successful regarding special occasion dining. However, he saw a need for development of special dining opportunities on two holidays: Thanksgiving and Christmas. His experiences with previous hotel restaurants had included Thanksgiving and Christmas specials, which seemed only fitting for the Inn's Restaurant which was known throughout the community for special event dining. An additional motive behind the implementation of Thanksgiving dinner was the presence of people in town for home football games the weekend after Thanksgiving. A motive behind the implementation of a Christmas dinner option resulted from the GM's knowledge of local churches' Christmas Eve services, which would provide an additional market on that day for the restaurant. He knew that with the right advertising and employee support, these two occasions could prove significant for the restaurant's annual revenue. He was also aware that only one other local restaurant of the same caliber as the Inn's Restaurant was open on Thanksgiving and Christmas Eve, which meant that his property would be providing a service that was rare on these occasions. The ultimate goal would be to provide a memorable special occasion dining experience in relation to the two holidays, supplying the staff with extra tips and earnings, and generating more business for the restaurant, which would in turn entice repeat business and positive word-of-mouth to bring in additional customers. The new holiday dining options would improve the restaurant's reputation for special occasion dining and provide the community with an additional dining-out option on these holidays when many other restaurants closed down for the day.

The restaurant and kitchen were not large spaces, but previous special occasion dining had proved doable and profitable, both in the form of plated, multiple-course meals and buffet-style dining. In order to feed more people in a more timely manner, and because the staff was well-prepared to execute it, the general manager chose to implement buffet-style dining for both Thanksgiving and Christmas Eve, supplying traditional specialty food items with menus designed by the restaurant's head chef. These stages of implementation could be planned and executed with few challenges. However, the restaurant employees had grown accustomed to having the days of Thanksgiving and Christmas Eve off work, and were happy to spend these days with their own families. Without most of the staff on hand for these two days, the restaurant

could not perform at the capacity needed to succeed. Therefore, attendance on these days would have to be made mandatory for all staff. Getting the staff to comply with the changes and get on board with the company's goal, while keeping morale high and controlling turnover, would be the most challenging aspect of the implementation plan.

### *Employee Morale Issues*

The Inn's Restaurant was run by the previous GM as an easy and GM-friendly place to work. Hence, the new GM was very careful not to give the employees a different perception of his sensitivity and concerns for the employees. Many of the employees were doing the best they could considering the type of training they had received and the culture bestowed by the previous GM. On the one hand, the employees might welcome the message of a change to embrace a new culture of revenue enhancement via Thanksgiving and Christmas Eve work; particularly since the Inn's Restaurant was going through changes, the economy was not good for seeking a new job, and many of them wanted to save their jobs. On the other hand, the employees had grown accustomed to having Thanksgiving and Christmas Eve off, and were happy to spend these days with their own families. The new GM was concerned that some of the key (i.e., more experienced) employees at the Inn's Restaurant might quit, to obtain another job with other organizations or competitors simply because they liked to be off on Thanksgiving and Christmas Eve, were concerned about what the next change might be, or had reservations about the new GM's leadership style.

If employees were unhappy but remained at the Inn, the new GM was concerned about the possible impact on the restaurant's quality of service and issues related to internal marketing and word-of-mouth. In other words, would lowered morale result in deterioration in the organization service culture? Would it impact positive citizenship behaviors such as internal marketing efforts to upsell food and beverage or promote the restaurant in the community?

### *Decision Options*

By the time the new GM assessed the situation and made a decision relating to the restaurant's holiday meal additions, two months had passed since his employment at the Inn. He announced the changes to the staff in late August/early September, which gave them approximately two-and-a-half months to prepare for the Thanksgiving addition, and three-and-a-half months to prepare for the Christmas Eve addition. This became a complex decision for the new GM since he would ultimately have to live with the consequences. He knew that there would be some resentment over this new idea of restaurant's holiday meal additions in order to enhance the Inn's Restaurant's revenue. However, he was convinced that in order to create a new culture of enhancing revenue and promoting the interest of the stakeholders, he needed to be sure that the idea to implement buffet-style dining for both Thanksgiving and Christmas Eve was supported by his em-

ployees (especially the key employees). The GM had three time-line options for implementing the restaurant’s holiday meal additions, and each option could prove to have differing effects on the employees.

- Implement both new holiday meals in the first year.
- Implement both new holiday meals the following year, giving the staff a year to prepare.
- Implement one of the new holiday meals his first year, and add the second meal the following year.

### *Implications of Each Decision Option*

**1. First year implementation:** This option would provide additional annual revenue to the restaurant, generate publicity, and provide the employees with two days’ worth of additional earnings and tips. However, it did not provide much time to prepare the employees for the specific plans for each day’s execution, nor to grow accustomed to working during the holidays they had previously not worked.

**2. Next year implementation:** This option would allow the GM, Head Chef, and restaurant staff more than a year to prepare for the execution of the additional special buffets, and allow the staff time to become used to the idea of working on two holidays they had previously not worked. However, any hopes of additional revenue would not be fulfilled.

**3. One holiday first year, both holidays next year:** Since Christmas Eve was the most distant of the holiday additions, its implementation would allow the staff a few months to grow accustomed to the schedule change and the head chef time to prepare the menu, order the food, and prepare the staff for execution of the meal. It could also provide a test run for the success of Christmas Eve dining, and suggest anticipated future success of that holiday along with Thanksgiving the following

year. If it proved to be successful, the inn and restaurant would increase revenue for the year, improving the bottom line. This option would also give the employees one last year of Thanksgiving at home with their families rather than at work, and they could start the preparation process for working on that holiday the following year.

### **Theoretical Concept Regarding the Case**

The GM knew that the company’s decision to implement new restaurant, holiday meal additions could be enforced with no concern about the employees’ feelings regarding new working days. However, he felt that it was important to encourage the staff and give them incentives in order to make the company’s goal important to them as well. After doing some research, the GM was very interested in implementing participative leadership (management) style, goal setting theory, and the concept of open communication. He believed these would encourage the Inn’s Restaurant employees to share in his new idea of the restaurant’s holiday meal additions to enhance the Inn’s Restaurant’s revenue, and possibly give them some incentive to support the decision.

#### *Participative Leadership (Management) Style*

Participative Leadership Style refers to a leadership style where leaders empower subordinates to be involved in the decision-making process. According to Ogbeide and Harrington (2011), Participative Leadership Style enhances the financial and strategy implementation success of restaurant firms. It also enhances employees’ motivation, satisfaction, ability to get the job done, and quality decision-making (Ogbeide, et al., 2008; Smylie, et al., 1996). Table 1 below shows some advantages and disadvantages of including employees in the decision-making process (Quinn, et al., 2003):

**Table 1**

### **Advantages and Disadvantages of Including Employees in the Decision-Making Process**

<b>Advantages</b>	<b>Disadvantages</b>
Increases the likelihood that important issues affecting the decision will surface	More people; more time and difficulty reaching consensus
Generates a wider range of perspectives (including the customers’)	Low-quality decisions can be generated if the group lacks proper expertise
Identifies potential obstacles for implementing the solution	Team meetings may not get the right info from the right people
Enhances employee skills and abilities; helps them grow.	Group think can occur (lack of objective thought)
Greater employee commitment and buy-in	

### *Goal Setting Theory*

A goal is the aim or purpose of an action within a specific time period (Locke and Latham, 2002). In this case the goal was to implement two, new special-occasion dining options while increasing revenue, market appeal, and maintaining employee support and morale. Locke and Latham (2002) had studied and aided in establishing goal setting theory with an interest in explaining, predicting, and influencing organizational or work-related task performance. Their findings suggested that the most challenging goals produced the highest levels of effort and performance, specified goals improved performance rather than encouraged individuals to “do their best.” Also, goal specificity reduced variation in performance because it reduced the ambiguity regarding the object of attainment (Locke and Latham, 2002). Locke and Latham (2002) determined that goals had the ability to affect performance through four mechanisms:

- Goals direct attention and effort toward activities relevant for achievement, rather than irrelevant activities.
- Goals have the ability to energize those who set them or seek to attain them.
- Goals affect persistence, and more difficult goals in particular are likely to prolong efforts.
- Goals indirectly affect action by leading to the discovery and use of relevant knowledge and strategies to complete the task at hand.

In order to successfully facilitate commitment to goal(s), one must make goal attainment important to the people involved in its success, which included the stressing of the importance of the outcomes that could be expected as a result of the work put in to goal attainment. Those integral in attaining the goal must also believe the goal can be attained (Locke and Latham, 2002). With these concepts in mind, the GM wanted

to make a plan to set goals for the restaurant’s new holiday dining with the staff in order to get them involved and invested in this venture.

### *The Concept of Open Communication*

After careful evaluation of the employees concerns, the new GM realized that one of the things he must embark on for a successful change in leadership style was communication. The need for open communication in an organization during a major change between the leaders and those who were going to be affected by the decision was essential (Goodman and Truss, 2004). It was also very critical for the new GM to utilize the 10 steps (see Table 2) for communicating significant changes to an organization (Szpekman, 2004).

Bearing the above in mind, the new GM needed to ensure that the communication plan clearly explained his vision and goal enough to generate commitment and reduce uncertainty (Goodman and Truss, 2004). This is very critical for retaining key employees, maintaining employees’ morale, and productivity (Mickelson and Worley, 2003).

### *Decision Making*

The GM recognized that each time-line option for implementing the additional buffets had its own advantages and disadvantages relating to employee morale and chance of turnover. If the additional dining days were too rigidly and quickly enforced, employees could become disgruntled, and possibly upset that they were not consulted about the changes, which would likely lead to negative changes in job performance and employee-customer relations. Unhappy employees could very likely lead to unhappy customers, creating negative word-of-mouth. However, the responsibility of the new GM was to increase revenue for the Inn and the Inn’s Restaurant, and the implementation of additional special occasion dining was a way not only to improve the bottom line, but also to build on the current reputation of the restaurant

---

**Table 2**

### **Andy Szpekman (2004) 10 steps for Communicating Significant Changes to an Organization**

- 
1. Talk less and listen more
  2. Separate facts from reassurance
  3. Ditch the vain attempts to spin the message
  4. Tell it all, all at once. Letting bad news trickle out slowly breeds distrust and creates anxiety
  5. Hone messages into clear, simple statements
  6. Strive to reduce uncertainty and instill a new sense of control
  7. Let people arrive at conclusions themselves
  8. Keep senior leaders visible
  9. Reassure high-performing employees of their value
  10. Measure performance outcomes and monitor employee reaction
-

within the community. A decision regarding implementation had to be made that could compromise the two, preferably without majorly affecting the employee morale and spiking employee turnover. An important part of this transition would be communicating the changes to the employees, which would provide incentives for them to choose / want to work on days when they were typically home with their families.

The GM had already set a new goal for the company, involving the expansion of special occasion dining options for Thanksgiving and Christmas, and had thought about different implementation time schedules. But, he knew that employee morale and support would be crucial to making the endeavor successful. Rather than just getting the timing right and agreeable to employees, he wanted to merge the company's goals with the personal goals of the employees. Also, he wanted to set goals with the staff for achieving success with each of the new holiday meals, creating a stronger team environment. The first step in convincing the employees that goal attainment was important was to make a public commitment, in turn making it a matter of integrity (Locke and Latham, 2002), which in this case involved ways of presenting the implementation of Thanksgiving and Christmas Eve dining options and the schedule changes that accompanied the decision.

### **Discussion Questions**

- Which timeline option for implementation makes the most sense for the company in your opinion? Why?
- Should the GM be concerned about the employee reaction to the changes? Why?
- Is the increased revenue more important than the employees' concerns? Could there be devastating affects to the company if one or the other is ignored? In this regard, how should the GM assess the results of this decision using cost-benefit analysis given the quantitative and qualitative nature of the various potential outcomes?
- What steps should the GM consider in communicating changes to the employees?
- What are some possible points the GM could make to the employees to provide them with incentive for coming to work on widely celebrated holidays?
- What are some possible impacts of participative leadership style and goal-setting theory for implementing the schedule change? How would getting the employees involved in the decision-making process benefit the organization through the changes?