

Tips to Reduce Employee Turnover in the Restaurant Industry: Case of a Restaurant Unit Within Darden

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Introduction

According to National Restaurant Association (NRA) (2016), the restaurant industry's sales are expected to reach \$799 billion in 2017. With more than 1 million restaurants located in the United States, the restaurant industry is the nation's second-largest private sector employer (10% of U.S. workforce). Specifically, the restaurant industry employs 14.7 million employees and is expected to create an additional 1.6 million jobs by the year 2027. Despite the significant size of the sector, turnover has been a known burden to restaurateurs. As shown in Figure 1, turnover rate in the hospitality sector topped 70 percent for the second consecutive year according to the NRA (2016). The overall turnover rate in hospitality sector was 72.9 percent in 2016, up slightly from a rate of 72.2 percent in 2015.

However, when analyzing the data an overall trend emerges, the restaurant industry turnover rates are on average higher than the private sector turnover rates. Several factors contribute to the industry's comparatively higher turnover rates. For example, the restaurant industry workforce tends to face: long hours which include work on weekends and holidays, poor working environments, and possibly even negative relationships with supervisors or co-workers (Collins, 2010; Hinkin and Tracey, 2000; Lashley, 2000; Susskind et al., 2007). In addition, upward mobility in the restaurant industry often happens when employees move from one restaurant to another. More than any other industry in the economy, the existence of multiple restaurants in nearly every community gives employees additional opportunities for upward mobility and career growth (NRA, 2016).

High turnover rates significantly increase the costs of restaurant operations. A study performed by researchers at Cornell demonstrated some financial implications of employee turnover. The cost of turnover could be as high as \$5,864 per employee, which results in a total of roughly \$150,000 per year (Jaffee, 2016). High turnover rates increase financial costs, lower productivity, and result in inferior service quality (Tax and Brown, 1998; Tews, Michel, and Stafford, 2013). Thus, it is imperative for restaurateurs to reduce their excessive turnover rates.

While the retention of employees constitutes a significant problem, continuously representing one of the most significant challenges

that restaurateurs face in their operations, Darden Restaurants, Inc. (Darden) appears to differ. Darden records of low voluntary turnover rate of 8%, which is significantly lower than the industry average turnover rate of about 70% (Darden Fact Sheet, 2015). This case study focuses on one restaurant unit within Darden and seeks to find the reasons that restaurant employees choose to leave and solutions to reduce turnover rates.

Literature Review

While employee turnover continues to represent one of the most significant challenges faced by the U.S. restaurant industry, previous research has been done on factors related to employee's turnover intentions in the context of restaurants. First, employee's work status whether being a full-time or part-time is related to their turnover intentions. DiPietro and McLeod (2011) examined the effects of perceived work status of hourly employees on the relationships between turnover intentions in the casual-dining restaurant industry. Their results revealed that part-time employees recorded a generally negative trend in factors shown to contribute to turnover. In addition, part-time employees showed significantly lower levels of affective organizational commitment than those full-time. The mean scores of the desirable attributes trended lower for those part-time employees; one of the most concerning being they are less likely to help others.

Second, co-workers influence job satisfaction, which leads to lower turnover intentions. Bufquin and colleagues (2017) examined the influence of co-workers' perceived warmth and competence on employees' job satisfaction, organizational commitment, and turnover intentions in a casual dining restaurant setting. They found that co-workers' perceived warmth and competence had significant effects on employees' job satisfaction, which in turn lowered their turnover intentions. Hsu-I (2006) seeks to find the relationship among culinary arts workers locus of control, demographic variables, job satisfaction, work stress, and turnover intention. According to their finding, internal locus of control was significantly and positively correlated with employee job satisfaction and their tenure in the kitchens but significantly and negatively correlated with work stress and turnover intention. In another study, the relationships between job satisfaction and job turnover were investigated in fast food restaurants located in Hamilton, New Zealand (Mohsin and Lengler, 2015). While the study seeks to reveal the antecedents of intention to leave the current job

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Figure 1

Annual Employee Turnover Rates: Restaurants/Accommodations vs. Private Sector

(Source: Bureau of Labor Statistics, 2016)



among workers. They concluded that employees are not satisfied with their jobs. In more specific terms, training and recognition, job security, and loyalty are positively related to job satisfaction. Dissatisfaction leads to increased intentions to leave.

Third, researchers investigate turnover intention in relation to tipping. Based on surveys from several hundred restaurant servers in the United States, Lynn (2017) concludes that servers' attitudes toward working for tips and average tip sizes were weakly related to several factors such as: their service-orientation, intended job-tenure, and occupational-tenure. Surprisingly, tipping does not substantially help to attract and retain more service-oriented workers. Fourth, interactions with customers can be stressful, thus possibly increasing restaurant employees' turnover intentions. For example, Han and others (2016) studied the relationships between customer incivility, restaurant frontline service employee burnout, and their turnover intention. Results confirmed that customer incivility has a positive relationship with restaurant frontline service employee job burnout. Further, this study found that the relationship between customer incivility and turnover intention as seen through job burnout was fully mediated. While employees leave a job due to several reasons mentioned above, restaurant operations face a serious dilemma in retaining employees.

Methodology

Darden employs around 150,000 people and is the 35th largest employer in the U.S. According to the company's statistics, 75% of the workforce is part time, averaging 15 dollars per hour (Darden Fact Sheet, 2015). Darden is the parent brand of Olive Garden, Longhorn, Seasons 52, Bahama Breeze, The Capital Grille and Eddie V'S. Darden has recorded low turnover rates and has been recognized for the positive work

environment. Fortune Magazine has recognized Darden as one of the top 100 best companies to work for in 2012, 2013 and 2014. The highest ranking that Darden received was 65th out of the 100 best companies to work for. Fortune lists the voluntary turnover rate at 8%, which is significantly lower than the industry average turnover rate at about 70% as it provides a pathway for thousands of individuals throughout the country to advance from entry-level jobs into management roles (Darden Fact Sheet, 2015). To learn specific practices in place at Darden, the case of Longhorn Steakhouse in Greenville, North Carolina was studied. An interview was selected as the method in which to study this unit's current practices to gain a better understanding of the issue and identify potential solutions to reduce turnover rates. A structured interview was done with the service manager Mr. Andrew Cunningham at Longhorn Steakhouse in Greenville, North Carolina. Interview method was used because interviews are particularly useful for getting the story behind a participant's experiences and the interviewer can pursue in-depth information around the topic (McNamara, 1999).

Results

The most important turnover factors present in a full-service restaurant setting are determined and then specifically analyzed. The factors chosen to analyze in depth include: hiring practices, monetary rewards, training policies, flexible scheduling, burnout, and creating a fun working environment.

Hiring The Right Employees

It is important to hire the right employees from the start. Restaurants should look for the commitment, fit, and attitude of potential candidates when hiring because the ability to retain employees starts

with hiring the right employees. Research shows that several human resource practices can be used to lower turnover rates. Factors such as organizational commitment and organizational fit have a strong correlation to turnover intentions (Bhat, 2014). Employees who feel connected to their organization are much more likely to stay (Bhat, 2014). Interestingly, attitude is considered as a key factor. The interview with Mr. Cunningham supports the notion: "It is important to hire the right people so you can build a team of loyal, skilled employees. The number one thing I look for in an applicant is attitude. I believe attitude is more important than experience because it is much easier to train someone on skills than to try to fix a bad attitude".

Monetary Rewards, Training, and Flexible Schedule

Research recognizes pay level, training, and flexible scheduling as the vital factors that help to retain current employees to their jobs (DiPetro and Milman, 2008). In terms of monetary reward, Darden offers health care coverage to both full-time and part-time employees starting on the first day of employment. Darden also allows employees the option to enroll in a 401K savings plan. In addition, Darden provides their employees with other benefits such as discounts for a variety of products. As far as training is concerned, Darden offers an extensive training program for new employees which takes place over 5 days and is comprised of hands on experience and learning modules from the company handbook. Knowledge is tested through end of the day review exams. During training the new employee is paired with an experienced server and shadows the experienced one so that the new one understands and prepares for their job responsibilities through direct observation. Throughout training the new employees are encouraged to taste different menu items so they will be more knowledgeable to customers. In terms of creating flexible schedules, Mr. Cunningham explains that because restaurants require employees to work long hours and holidays he likes to give part time workers 4 days on and 3 days off so they can enjoy a break. He also tries to accommodate their other commitments such as school.

Burnout

Many service organizations train employees that the customer is always right, however what about the situations where the customers are behaving irrationally? This causes psychological stress on the employees that are forced to bite their tongues and smile as they serve these rude individuals. Management has little control over the behavior of customers. A study conducted to see if there were any negative results on turnover stemming from these unpleasant interactions found that frontline employees dealing with customer incivility can cause burnout (Han, Bonn, and Cho, 2016). However, management can lessen the impacts of burnout if there is open communication and support. If employees feel as though they can trust their superiors, they can come to them in these situations and get the help and sup-

port they need. Mr. Cunningham understands this first hand because he has been working with the company for over 10 years. 10 years ago, he started working for Darden as a server. He admits that even he has experienced a period of burnout during his career, so he can relate to employees going through this: "It is important to listen to employees and show them you care. If they trust you enough to come to you when there is a problem, then you can talk through things together and fix the issue. But if there is no open communication present, you will not have the opportunity and your employees may leave due to a factor that could have been resolved."

Mr. Cunningham also goes on to explain how he tries to accommodate employees to keep them satisfied, "If I see an employee who is showing signs of burnout and may be thinking about quitting I make the effort to talk to them so I can understand what the problem is. By creating this context of open communication, it is much easier to fix any issues. Most of the time it is something that can be resolved by working on their schedule and assigning different shifts". Mr. Cunningham also believes that it is important to be empathetic and understanding. He acknowledges that all managers have different leadership styles, but he makes sure to be there for his employees. For example, when a customer complains the best thing to do is use the incident as a learning opportunity rather than yelling or overreacting. When one of these unpleasant interactions happens, he talks to the employee to listen and understand their side of the story then he asks what went wrong and how can this problem be avoided in the future. This way they can step back calmly and analyze the situation rather than becoming more upset and frustrated by being yelled at.

Fun Working Environment

Having fun in the workplace can be used to increase employee satisfaction. Studies show that allowing employees to have fun in the workplace (such as team building activities, social events, productivity contests and celebrations) increases their perception on job satisfaction and can increase performance, whereas the negative impacts of emotional exhaustion can decrease (Tews et al., 2013). These researchers also found that when managers support these team building activities, there is a negative correlation to turnover. Therefore, by creating an environment that employees engage in team building activities, turnover can be reduced while performance and satisfaction increases (Tews et al., 2013).

Mr. Cunningham also expresses how he and his co-managers at Longhorn try to incorporate fun through activities in the everyday work environment for employees: "Something we do here to make the environment fun for employees is hold contests. Each manager has their own team of about five servers, and there are new challenges every week such as, which team can sell the most appetizers or desserts. It is an effective way to motivate employees while also having fun and team building." These contests that Mr. Cunningham describes are a way to boost morale

among employees while also using a game as a fun way to increase sales. By creating a healthy competition, coworkers on the same team work together to reach a common goal and the manager assigned as team leader can get to know their employees on a more personal level. During this game, the managers can gain insight as to what motivates specific employees and what leadership style proves to be the most effective.

Mr. Cunningham says the managers also like to surprise the employees with snacks sometimes to show that the work they are doing is appreciated. In the restaurant industry employees often work on holidays, which can be tough because in most industries employees are given the day off. However, for restaurants holidays can often be the busiest days of the year. Mr. Cunningham shares that on the recent Easter Sunday, the managers decided to surprise the employees with dinner, so they picked up about 20 pizzas and laid them out in the back. The managers encouraged the employees to eat as much as they wanted and to take some home too. By doing this, management could show the employees that they appreciated their work and dedication to their job even when it was a time they would have rather spent with family or doing something other than working.

Discussion

Turnover occurs very frequently in the food service industry and has become an epidemic. This case study provides an overview on the topic by demonstrating the factors that lead to turnover and what can be done to decrease turnover given specific examples of successful practices utilized at one restaurant unit within Darden. While it is important for restaurateurs to be aware of the turnover issue and know how to decrease the level of voluntarily turnover in their operations, this case study provides insights and solutions that can be used to create an environment in which employees enjoy working. The factors identified from the interview are hiring practices, monetary rewards, training policies, flexible scheduling, burnout, and fun working environment. Restaurant operators are recommended to pay attention to the methods used to recruit employees and criteria used to evaluate candidates to make the best employment decisions. In addition, conflicts in the workplace may occur between coworkers, managers, or customers. Open communication is an essential component in creating and enforcing successful human resources practices. It is important for all managers to be informed and consistent on the application of the practices. Once the human resources practices are in place retention efforts need to be constantly enforced. This is where open communication and conflict resolution really come into play.

An organization should be able to retain the best employees or they will be forced to spend more time and money hiring and training the new employees. Managers need to find ways to show their employees they are valued and respected. For example, they should try to be accommodating to time off requests and other scheduling prefer-

ences and to get to know employees by building and developing trust. It should be noted that all turnover is not bad if it removes unsuccessful employees. However, it is important for managers to be able to keep and retain the best employees. Several factors are examined from the recruitment process to uncivil customers and creating an environment where employees are encouraged to have fun on the job. Retention can also be achieved by providing the benefits employees want and need. As seen at Darden, they offer employees the opportunity to enroll in a health care plan even if they are part time. Darden also offers benefits such as a 401K savings plan, Darden Dimes which gives employees the option to donate the change from their paycheck to a plan that is in place to help employees with expenses if they are faced with an emergency or natural disaster, discounts at local businesses and the opportunity to move up within the company.

The goal of these practices is to create an overall positive work environment. A positive work environment is important because studies have shown that satisfied employees are more productive. Having more productive employees decreases waste caused by mistakes, creates more satisfied customers and makes the company more money in the long run. Along with human resource practices, retention efforts and benefit plans, value can be added by playing games or holding contests. Endorsing these activities makes the workplace fun for employees and furthermore, can be a bonding experience that motivates employees to work harder. The idea is that open communication, a positive work environment, and empathetic managers can lower the chances that employees will experience burnout. This positive work environment will keep employees satisfied, which results in reducing turnover and saving money. Restaurateurs can help to increase retention rates by putting an emphasis on these factors that assist in reducing turnover. Management should develop strategies that place an emphasis on training, managing burnout, and creating a fun working environment. It is suggested that other establishments can use these ideas to create their own solutions to combat turnover rates. Managers need to make it their priority to find a solution that will lead to higher retention rates and lower turnover because doing so will significantly reduce costs.

Limitations and Future Studies

This case study has several limitations. First, the results are based on one restaurant unit within Darden due to limited resources. Although this inside look is beneficial, it should be noted that using such one unit as a sample cannot scientifically or presumably generalize about the total population from this sample due to lack of representations. Future studies are suggested to include a bigger sample to represent the population. Although interview is a scientific method in which the verbal conversation between two people, with the objective of collecting relevant information, it has limitations. It depends greatly on the interviewee's use of language to describe his experiences and therefore his perceptions are expressed using their words and mean-

ings that may differ from those of the researchers. Also, the analytical process and interpretation of results tend to be influenced by the researchers' use of questions to previous concepts. Further research on quantitative studies are recommended to prove causal relationships.

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