

**IDENTIFICATION OF THE INTERNAL CRITICAL SUCCESS FACTORS THAT
CONTRIBUTE TO THE SUCCESS OF INDEPENDENT FULL-SERVICE
RESTAURANTS**

By

Samantha Ebrahim

Student Number

202524213

**Submitted in partial fulfillment of the requirements for the degree of
MASTERS IN BUSINESS ADMINISTRATION**

**Graduate School of Business, Faculty of Management
University of Kwa-Zulu Natal (Durban)**


Supervisor: Professor D. Soni

30 December 2006

Declaration

I, Samantha Ebrahim, do hereby declare that this report is of my own doing, except as indicated in the text, references and acknowledgements.

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

Signed..........
T 080082

Date:.....27 September 2007.....

Acknowledgements

I would like to thank the following people for their invaluable contributions:

Professor D. Soni, whose contribution enabled me to focus on the study in question, by providing the necessary guidance and advice.

My husband, Hikes, for encouraging me to study, for his loyal, loving support and tolerance, and for making me believe that I could achieve this undertaking. Words cannot express my gratefulness to you for all your time, effort and personal sacrifices you made to see me through this.

My children, Saaqqa and Orhan, who have shown a maturity far beyond their years by being so patient and understanding. They, too, have made many sacrifices to see me through this time.

My father and mother, who by affording me the many opportunities and by exposing me to a good education, set the standards for me to improve my life's lot.

Thank you to the restaurateurs and their staff who participated in this study. Their cooperation and time given made this dissertation possible.

My deepest thanks to God Almighty for giving me the courage, strength and determination to complete this dissertation.

Dedication

To my family, Hikes, Saaika and Orhan who are responsible for this dissertation becoming a reality. You make my life complete. Thank you for your unwavering love, understanding, patience and encouragement during this time. Without you, this undertaking would not have been accomplished.

To my brother Kevin, whose strength and courage inspire and give me hope each day. To my mother and father who are always there for me.

To my maternal grandmother, who at 92 years old still continues to be my greatest source of wisdom.

To the late Luca Santoniccolo (1982 - 2006), whose passion and joy for life has taught me that every moment must be cherished, as no material wealth can ever replace moments shared with our precious loved ones.

“LA VITA E’ BELLA”

Abstract

The restaurant industry and its analysts have long pondered the enigmatic question of why restaurants fail. Restaurant failures have been attributed to both external factors such as economic, social and competitive factors, as well as internal factors such as loss of motivation of owners, a lack of strong leadership and concerns of human resources. As a result of the high failure rates and high rate of attrition in the restaurant industry, particularly in the independently owned full-service restaurant sector, the aim of this study is to identify the internal critical success factors that contribute to the success of independently owned full-service restaurants.

Nine independently owned full-service restaurants were identified in Durban, KwaZulu-Natal, South Africa. However, only three of the most successful restaurants were willing to participate in the study. A total number of fifty respondents were interviewed for the study from the identified sample. The fifty respondents included the restaurateurs, employees and patrons of the selected sample. A study of these restaurants was undertaken by identifying the characteristics and their performance in the following areas that made up their internal environment: Strategy, Product/Service, Management, Financial, Marketing, Type of Business Ownership, Organisational Culture and Leadership.

These key areas making up the internal environment was identified as the factors that impact on restaurant viability by Parsa et al., (2005). The successful restaurants that made up the sample for this study were evaluated, using questionnaires, in-depth unstructured conversational interviews and a behavioral observation approach to collect the data to build a refectory of information. This was undertaken to identify and

determine the internal critical success factors that contribute to the success of independently owned full-service restaurants.

The next step involved analysing this data collected and considering it against the literature reviewed to determine the type of relationship that existed. Evidence pointed to some differing aspects between the literature and what these restaurants actually did to ensure success.

Finally, the internal critical success factors were identified in the areas of Strategy, Product/Service, Management, Marketing, Organisational Culture and Leadership and a Model for Success was predicated. Conclusions and recommendations were made with regard to the leadership styles and organisational design exercised by the restaurateurs. It was recommended that not only could these factors have strong relevance to the success of restaurants but they could have strong relevance to the success of other organisations from industries other than the restaurant industry.

It was recommended that these other industries where the principles of the other successful restaurants could be practised, were in the creative domain, such as the fashion, film or music industry. As, it is in these domains equally crucial to lead and motivate people, by instilling in them pride of doing something of very high quality that other people come to appreciate as something special, that is a change of rhythm in everyday life.

***“YOU CAN ACCOMPLISH ANYTHING IN LIFE, PROVIDED
THAT YOU DO NOT MIND WHO GETS THE CREDIT.”***

- Harry S. Truman

TABLE OF CONTENTS

Contents	Page
Title	i
Declaration	ii
Acknowledgements	iii
Dedication	iv
Abstract	v
Table of Contents	vi
List of Figures	xiii

CHAPTER ONE - INTRODUCTION

1.1	Introduction	1
1.2	Background of the Food Service Industry	5
1.3	Motivation for the Research	6
1.4	Research Problem	7
1.5	Objectives of the Study	8
1.6	Research Design	9
1.7	Literature Survey	14
1.8	Rationale for the Study	15
1.9	Contribution of the Study	15
1.10	Background to the Restaurant Industry in Durban	16
1.11	Limitations of the Study	20
1.12	Structure of the Study	21
1.13	Summary of the Chapter	22

CHAPTER TWO - LITERATURE REVIEW

2.1	Introduction	23
2.2	Strategic Management	25
2.2.1	Strategic Formulation	27
2.2.2	Strategic Implementation	28
2.2.3	The Strategic Four Factor Model	28
2.3	Strategic Formulation	31
2.3.1	Essential Components of Strategic Formulation	32
2.3.1.1	Organisational Structure	32
2.3.1.2	Developing a Strategic Vision and Mission	34
2.3.1.3	Setting Objectives	35
2.3.1.4	Crafting a Strategy to Achieve the Objectives	37
2.4	Product	41
2.4.1	Service - Guests and Moments of Truth	43
2.4.2	Staff Members - Keys to Success	44
a)	The Value of Staff Members	44
b)	The Cost of Staff Dissatisfaction	45
c)	Training Staff Members	46
2.4.3	The Menu	46
2.5	Management	48
2.5.1	The Components of Management	50
a)	Planning	50
b)	Organising	51
c)	Coordinating	52
d)	Staffing	53
e)	Directing	54
f)	Controlling	55
g)	Evaluating	56
2.5.2	Traditional Management Styles	56

c)	Market Analysis	79
2.7.5	The Marketing Plan	80
a)	Sales	82
b)	Advertising	83
c)	Public Relations and Publicity	84
2.7.5.1	Creating Menus that Sell	85
a)	Image	85
b)	Price	85
c)	Message	86
d)	Design	86
2.8	Type of Ownership	89
2.9	Organisational Culture	90
2.9.1	Vision and Mission Aligned to Culture	93
2.10	Leadership	95
2.10.1	Charismatic Leadership	96
2.10.1.1	Qualities of Charismatic Leaders	97
2.10.1.2	Reactions to Charismatic Leaders	97
2.10.2	Transformational Leadership: Beyond Charisma	97
2.10.3	Roles Restaurateurs Play	99
2.11	Summary of Chapter	101

CHAPTER THREE - RESEARCH METHODOLOGY

3.1	Introduction	103
3.2	The Research Philosophy	103
3.2.1	The Research Strategy	106
3.2.2	The Research Purpose	107
3.2.3	The Research Design	108
3.3	The Sampling Cycle	108
3.3.1	Sampling	108

3.3.2	Sampling Technique	109
3.3.3	Sample Frame	110
3.3.4	Sample Size	110
3.4	Data Collection Methods	113
3.4.1	Measuring Instruments	113
3.4.1.1	Questionnaires	113
a)	Designing the Questionnaire	114
i)	Categories of Questions	115
ii)	Number and Content of the Questions	115
iii)	Pilot Testing	119
iv)	Explaining the Purpose of the Questionnaire	120
v)	Validity and Reliability	120
vi)	Data Capturing and Analysis Theory	122
3.4.1.2	Interviews	123
a)	Types of Interviews	123
b)	Design of the Interview	124
c)	Number of Respondents	124
d)	Pre-Interview	124
e)	Post-Interview: Data Collection, Data Capturing and Analysis	125
3.4.1.3	Behavioural Observation	125
3.5	Summary of Chapter	127

CHAPTER FOUR - RESEARCH FINDINGS

4.1	Introduction	128
4.2	Research Findings	128
4.3	Qualitative Analysis of Questionnaires	129
4.4	Qualitative Analysis of Interviews, Observations and Questionnaires	138

4.4.1 The Different Roles that the Restaurateur Plays	138
4.4.1.1 The Charismatic - Envisioning Restaurateur	139
4.4.1.2 The Restaurateur as Strategist	142
4.4.1.3 The Charismatic - Empowering Restaurateur	144
4.4.1.4 The Charismatic - Energizing Restaurateur	146
4.4.2 The Restaurateur as Organisational Architect	148
4.4.2.1 The Restaurateur as Organisational Designer	148
4.4.2.2 The Restaurateur's Controlling Role	149
4.4.2.3 The Restaurateur's Rewarding Role	151
4.5 Summary of Chapter	152

CHAPTER FIVE - RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction	154
5.2 The Identified Internal Critical Success Factors Contributing to the Success of Independent Restaurants	154
5.2.1 Elements of Success	155
5.2.2 A Model for Success	158
5.3 Summary of Chapter	159

Bibliography	161
---------------------	-----

Appendices

Appendix 1 - Request for Permission Form	168
Appendix 2 - Questionnaire for Restaurateurs	169
Appendix 3 - Questionnaire for Employees and Patrons	177
Appendix 4 - Sample Consent Form	178
Appendix 5 - Ethical Clearance Letter	179

List of Figures

2.1	Restaurant Viability	23
2.2	The Strategic Four Factor-Model	29
2.3	The Five Tasks of Strategic Management	32
2.4	Organisational Planning Activities	51
2.5	Organisation Chart For a Restaurant	52
2.6	Job Description - Restaurant Manager	59
2.7	Income Statement - Full-Service Restaurant	64
2.8	Balance Sheet	66
2.9	Statement of Cash Flows	67
2.10	Legal Forms Of Business Organisation	90
3.1	Identification of Sample	112
3.2	Number of Respondents	124
5.1	A Model For Success	158

CHAPTER 1 - INTRODUCTION

1.1 Introduction

Globally, companies in the service sector are changing in response to external as well as internal forces. External forces include the economy (both domestic and international), technology, social changes, demographics, culture, politics, legal changes and competition. Internal forces include a company's culture, guests or customers, staff members, managers, services, markets, technological resources, mission, values, and vision. We find that both these external and internal forces are at work to change the ways in which service is planned, managed, delivered and evaluated. One of the biggest forces driving change in the service sector is the customer who seeks and demands value.

Wikipedia (Internet One) states that food service establishments which may have been described as restaurants were known since the 12th century in Hangzhou, a cultural, political and economic center during China's Song Dynasty. Hangzhou had a population of over one million people, a culture of hospitality and a paper currency thus creating an opportunity for the development of restaurants. A food catering establishment called Ma Yu Ching's Bucket House which is still operational today, was established in Kaifeng, China, in 1153 AD. Food catering establishments in Hangzhou catered to different styles of cuisine, price brackets, and religious requirements. In the West, restaurants as establishments dedicated to the serving of food and where specific dishes are ordered by the guest and prepared according to the order, emerged only in the 18th century. The Sobrino de Botin in Madrid, Spain opened in 1725 is the oldest restaurant in existence today according to the Guinness Book of Records. The term 'restaurant' (derived from the French word *restaurer* which means to restore) first appeared in the 16th century,

meaning “a food which restores”, and referred specifically to a rich, highly flavored soup. The term ‘restaurant’ was first applied to a food service establishment in around 1765 founded by a Parisian soup-seller named Boulanger.

Hence, the restaurant industry, which is a part of the service sector began in 1765 in Paris, France. However, restaurants also initially originated in an early form as the “coffeehouse,” which appeared in England in the mid-1600s. The first restaurant as we know them today that can be classified as full-service restaurants (customers sitting down with individual portions at individual tables, selecting food from menus, being served at their tables, during fixed opening hours) was the Grand Taverne de Londres (“the Great Tavern of London”), founded in Paris in 1782 by a man named Antoine Beauvilliers, who was a leading culinary writer and gastronomic authority. He achieved a reputation as a successful restaurateur and later wrote what became a standard cook book ‘L’ Art du cuisinier’ in 1814.

After the French Revolution in France broke up catering guilds and forced the aristocracy to flee, a retinue of servants skilled to cook excellent food were left behind thus resulting in restaurants becoming commonplace. Another factor contributing to the French tradition of dining out being born was the numerous provincials that arrived in Paris with no family to cook for them. Restaurants soon spread rapidly across the world, with the first to open in the United States, Boston in 1794 called ‘Julliens Restarator’. The modern formal style of dining, where customers are served with an ordered plate of food with the food already arranged on it, is known as ‘Service a’ la russe’. This service is said to have been introduced to France by the Russian Prince Kurakin in the 1810s, from where it spread rapidly to England and to the rest of the world. The founders or owners of restaurants are referred to as ‘restaurateurs’. A restaurant is an establishment that produces and serves food and beverage products to

order, to be consumed on the premises.

These days new operators globally, are lured into the restaurant industry as they are encouraged by the relatively little capital required to initially set up an establishment, Angelo and Vladimir (2001). However, we find a large number of restaurants that open are not in business five years later.

Angelo and Vladimir (2001, p. 76) assert that there are several reasons why so many restaurants fail every year, namely; "lack of business knowledge, lack of technical knowledge and a lack of sufficient working capital". It is clear that merely knowing and loving food is not enough to operate a thriving full-service food and beverage operation.

Durban, a major port city in South Africa, has a restaurant industry, which like any other industry, is characterized by a rate of attrition and corresponding new start-ups that may be referred to cynically as the price of inexperience (on the part of the restaurateurs). It is only in the franchised restaurant sector where this evolution and "churn" may be expected to impact adversely upon the branding and reputation of the restaurants - otherwise it is simply a case of selling the kitchen and dining area assets to another hopeful and aspirant entrepreneur and waiting for the almost inevitable crunch as the entrepreneur's inabilities surface, or a fickle market moves its allegiance to another popular hub.

What is unclear in this pattern of dynamism, is whether the rate of churn is a function of external market forces beyond the control and financial accommodation of the restaurateur, or rather the strategic, tactical and operational resources of the restaurateur, or a combination of the two whereby the restaurateur is unable to align the enterprise with the rapidly changing external environment on an ongoing/continuous basis. Generally speaking, the perception is that patrons favour less formal environments,

cheaper meals that are however presented beyond take-away standards and quick service with rapid turnover.

According to Cichy and Wise (1999), survival of a business depends on providing value for customers; whereas business success depends on increasing your customers' perceptions of the value you are providing to them. Today's customers are sophisticated, demanding, and vote with their cash or credit cards for companies that provide service that meets or exceeds expectations. Customers are likely to ignore brand or company loyalty and spend their money for products and services offered by whatever company provides hassle-free, superior service. These customers find value when the products and services they receive consistently meet and exceed their expectations and can be purchased at an acceptable price. Restaurants that favour smaller numbers of clientele with emphasis on full course meals "fine dining" seem out of favour with the majority of the market. The closure of several well established reputable restaurants in Durban supports this perception:

- Aldos in Durban North
- Eat Greek on Broadway in Durban North
- The Calabash in Umhlanga
- Chok Dee in Umhlanga
- The Colony in Morningside
- El Turko in Morningside
- El Bandido in Morningside
- El Cubano in Morningside
- Squires Loft in Morningside
- I'll Cortile in Morningside
- Harvey's in Morningside
- Naked on Ninth in Morningside
- Home in Morningside

- Saint Verde in Morningside
- Api Taki in Morningside

Zagat 2001 (Internet Two) states that few restaurateurs are able to identify that in order to be successful in the restaurant industry, they are required to exhibit an unerring real estate instinct, a grasp of financial controls, a flair for interior design, and a sense of popular trends. It is evident in the restaurant industry that good is the enemy of great, and this is one of the key reasons why we have so few restaurants that become great or exceptional. The vast majority of restaurants never become great, precisely because the vast majority become mediocre or quite good - and that is their main problem. Mediocre or good restaurants remain just that - mediocre or good. These restaurants become satisfied with their performance and are struck by inertia, thus resulting in them not substantially improving their stature and performance in the industry.

1.2 Background of the Food Service Industry

The food service industry can be divided into two basic segments: commercial or for-profit operations and noncommercial or non-profit operations. The focus of this study is based on the commercial operations sector.

There are three basic types of commercial food service operations: independents, chain restaurants, and franchises.

1.2.1 Independents

An independent operation is owned by an owner or owners who have one or more restaurant properties that have no chain relationship. Menus may not be identical among properties, food purchase specifications may

Thus the intention of this study is to construct a framework where success can be determined by undertaking an investigation of a sample of restaurants from the Durban restaurant industry whereby the propensity to greatness can be measured by isolating the incidents of key performance criteria which make up "best practices" in the restaurant industry.

1.4 Research Problem

"Identification of the internal critical success factors that contribute to the success of independently-owned full-service restaurants."

The researcher endeavours to identify the "best practices" of exceptional performance in the restaurant industry in order to establish a predictive model by which "growth paths" may be determined for current and future restaurants.

According to Thompson and Strickland (2003), the two most important situational considerations in any industry are; (1.) industry and competitive conditions and (2.) an enterprise's own competitive capabilities, resources, internal strengths and weaknesses, and market position. The alignment of these two situational considerations are critical in enabling the enterprise to generate sufficient income or capital gain.

The rate of churn evident in Durban's restaurant industry advocates that these two situational considerations may not be receiving the priority they deserve by restaurateurs.

This, then, gives rise to two questions, namely: (1.) Do we find restaurateurs keeping abreast with the industry's macro environment by analysing, for example, economic factors that ultimately affect their establishments, such as inflation, interest rates, taxation or social factors

which include consumer spending, disposable income, consumer confidence levels and changes in consumer behavior and competitive behavior?, or (2.) Are they merely focusing on the more functional day-to-day operations in the management of their establishments, thus resulting in their being rated as merely mediocre or good restaurants rather than great or exceptional establishments?

So, is it possible then, that they are merely skimming the surface, instead of gauging the true nature of the industry and competitive conditions they confront and contemplating how these conditions match up with their resources and capabilities.

1.5 Objectives of the Study

(a) To carry out a predominantly qualitative study, where purposeful sampling is utilized in selecting a sample of restaurants which will be used.

(b) To undertake a literature survey whereby "Best Practice" in general management is first identified and then to narrow the scope by identifying "Best Practice" for the management of restaurants.

(c) To collect and analyse data gathered from the restaurants having being identified as the sample by interviewing restaurateurs, undertaking a survey using a semi-structured questionnaire which provides some opportunity for open-ended answers and comments and undertaking behavioral observation at each restaurant.

(d) To analyse the data obtained from the interviews, questionnaires and behavioral observation by using Qualitative content analysis.

(e) To synthesize the results in order to identify the internal critical success factors that contribute to the success of independent restaurants.

1.6 Research Design

According to Cooper and Schindler (2003, p.81), design means: the process of stipulating the investigatory procedures to be followed in doing a certain evaluation.

Cooper and Schindler (2003) subdivides the research design into descriptors that enable the design to be classified. The descriptors begin with the degree to which the research question is crystallized, the method of data collection, the power of the researcher to produce effects in the variables under study, the purpose of the study, the time dimension, the topical scope, the research environment and the subjects perceptions of the research activity.

1.6.1 The research design for this study is as follows:

(a) Exploratory Study

The exploratory nature of the study can be established from the nature of the problem, i.e. "Identification of the internal critical success factors that contribute to the success of independently owned full-service restaurants".

This area of investigation is so new that important variables contributing to the make-up of exceptional successful restaurants are not known.

The study will rely more heavily on qualitative techniques whereby in-depth/conversational interviewing, a survey, behavioral observation and a secondary data analysis will be undertaken.

(b) Method of Data Collection - Interrogation/Communication Study

Restaurateurs will be interviewed and required to fill out a questionnaire and their responses collected by the researcher. Employees and patrons will also be interviewed. The researcher will also carry out behavioral observation at each restaurant. The selection of the restaurants to make up the sample will be based on purposeful sampling. It is necessary to utilise purposeful sampling for this study as the researcher requires cases which will most likely provide maximum information to identify the key elements that will identify great or exceptional successful restaurants.

(c) Researcher Control Variables - Ex post facto

The researcher has no control over the variables in the sense of being able to manipulate them in this study. The researcher can only report on what is happening in these food and beverage enterprises.

(d) The Purpose of the Study - Descriptive

The descriptive nature of the study results from identifying what makes a restaurant successful. The fact that the study will establish the key drivers in exceptional or great restaurants in Durban thus classifies the study as descriptive.

(e) The Time Dimension - Cross-Sectional Study

As the study is to be carried out once, it is classified as a cross-sectional study. The constraints of budget and time impose the need for cross-sectional analysis for this study.

(f) The Topical Scope - Conversational interviews, behavioral observation and a survey.

Method:

(a) Data will include face-to-face interviews, a semi-structured questionnaire with some open-ended questions, and behavioral observation. These methods of data collection will yield richer and more interesting data.

(b) Spend an extended period of time on site and interact regularly with people who are being studied.

(g) The Research Environment - Field Setting

The study will occur under actual environmental conditions (field conditions).

(h) The Participant's Perceptions of Research Activity - Actual Routine
Participants perceive no deviations from everyday routines.

1.6.2 The Phases of the Literature Survey

The literature survey will consist of one chapter which will entail chapter two consisting of a detailed literature analysis. Each concept will have a structure consisting of, citing of an authority, definition of the concept and the motivation of its relevance to the research topic.

The literature survey will be undertaken by utilizing the following resources:

- i. Use library's OPAC electronic database to identify relevant references.
- ii. Use of the library's electronic database records to do a NEXUS search to identify ongoing or completed research at other South African institutions of higher education.

iii. Use library's electronic database records to do a SABINET search to identify books in print from the libraries of other South African institutions of higher education.

iv. Use library's electronic database records to do a Science Direct search to identify electronic(PDF versions) of articles that have been printed in peer reviewed scholarly journals.

v. Use Google's search facilities.

1.6.3 Phases of Empirical Research

(a) Drawing Up and Standardising/Calibrating Questionnaires/ Interview

The questionnaire for *restaurateurs* will consist of eight sections that will be based on:

1. Section A - Restaurant Background Data
2. Section B - Strategy
3. Section C - Product
4. Section D - Management
5. Section E - Financial
6. Section F - Marketing
7. Section G - Culture
8. Section H - Leadership

A more detailed discussion on the questionnaires content can be found in Chapter 3 which discusses the Research Methodology of the study in detail.

Informal conversational interviews will be held with each restaurateur, as well as employees and patrons where possible in each restaurant. The informal conversational interviews with employees and patrons will be based on a short questionnaire with open-ended questions. A more detailed discussion on the questionnaires contents can be found in chapter 3. The researcher will also carry out behavioral observation at each restaurant focusing on the restaurateur/s, employees and patrons.

(b) Identifying a Representative Sample of Respondents/ Interviewees

The identification of successful restaurants in Durban had to be based on something other than just the researcher's opinion. Therefore the identification of successful restaurants in Durban was based on the number of Chefs Hats awarded to restaurants in The Mercury Eating Out Guide (2006), the classification of restaurants as a "Real Food" restaurant by the "Real Food Association" of KwaZulu Natal's top restaurants who share a passion for real food and the restaurants popularity in the marketplace. "Real Food" restaurants insist on using only the finest quality, freshest seasonal ingredients which are preferably local and wherever practical, both unfrozen and organic. "Real Food" restaurants are strictly by invitation only at the discretion of the Real Food Association KwaZulu Natal (2006).

The researcher has identified the sample of successful restaurants used in the study from a category of 9 successful restaurants having been identified. The successful restaurants that agreed to participate in the study were identified from this list of restaurants identified based on peer reviews, communicating with established professionals in the restaurant and hospitality industry and also by their level of popularity with the restaurant patron in Durban. This was done through the exclusion of

restaurant chains, franchises, hotel and Bed and Breakfast restaurants and fast-food establishments, as the study's focus is on identifying the internal critical success factors of full-service, independently owned restaurants only. A total of fifty individuals will be interviewed for the study from the various restaurants that make up the sample. These individuals include the restaurateurs, managers, employees and patrons of the sample restaurants. A more detailed discussion of the sampling process can be found in chapter 3.

1.7 Literature Survey

According to Woods and King (2002, p.20) the notion of a "Best Practice" is not new, Frederick Taylor said as much in 1919 nearly 100 years ago. "Among the various methods and implements used in each element of each trade there is always one method to implement which is quicker and better than any of the rest". This viewpoint came to be known as the "one best way" by Kanigel (1997 p.28). Kanigel (1997, p.30) stated that a "Best Practice" is a technique or methodology, through experience and research, has proven to reliably lead to a desired result or a "Best Practice" is a process or procedure that consistently produces superior results.

The literature survey is made up of comprehensive related literature based on "Best Practice" in general management, with specific focus on "Best Practice" in management of full-service food and beverage enterprises in the restaurant industry.

The focus of the literature survey will be on "Best Practice" in Strategy, Product, Management, Financial Management, Marketing, Type of Business Ownership, Organisational Culture and Leadership with specific reference to the management of restaurants.

1.8 Rationale For The Study

No specific research can be located that makes specific reference to the reasons that differentiate great or exceptional restaurants from mediocre or good restaurants. By creating a conceptual framework to establish what the drivers of success in the restaurant industry are, the researcher will be able, to limit the probability of “failure”, “mediocrity” and “good” in the restaurant industry and increase the probability of great or exceptional successful restaurants through establishing a common thread with regard to the “Best Practices” in the industry.

The concern of many restaurateurs is a consequence of the significant resources utilized in establishing and maintaining restaurants with very little profits at the end of day.

The intention of this study is to quantify the added value (if it exists) that the restaurant patron wants and expects, and in so doing assist restaurants in matching the right offering in the right market, with the right price, by keeping the restaurants core competencies and expanding on them by ensuring that “Best Practice” is consistently used.

This particular area of study was chosen as it represents a powerful impact on the financial health of restaurants. The changes in the external environment and its corresponding impact on restaurants has created the need to re-assess the strategic direction of them, with particular focus on how they can respond to external threats and internal weaknesses.

1.9 Contribution Of The Study

The value of this research cannot be overstated. Its value is to offer some clarity on the nature of the business dilemma, that is, “How do restaurants

become successful?” To recommend a workable solution that enables success in both existing and potential restaurateurs. The solutions will be predicated on sound theory and insight gained from the sample of three restaurants.

The intention of this study is to gain insight into the problem and to provide strategic direction in the way of “Best Practices” to existing and prospective restaurateurs with regard to strategy, product/service, management, financial control, marketing, culture and leadership.

From the researcher’s personal observation, literature review of various articles, web search and bibliographical databases search, due to the fact that there is no existing research in this area of study and the restaurant industry is characterized by high failure rates and mediocrity, the value to restaurateurs will accrue by virtue of being able to pinpoint/highlight necessary activities, functions, actions necessary to achieve “greatness” and success.

Ultimately, successful restaurants contribute to growth in an economy by providing employment and contributing to GDP. Thus, this particular area of study was selected as it is critical for success not only to restaurants themselves but also for economies that have current and future expectations for their tourism markets.

1.10 Background to the Restaurant Industry in Durban

Durban, a coastal city established in 1835 with an estimated population of 3, 346, 799 in 2004 is a major gateway to Africa and is also the largest and busiest port city on the continent, SA Venues (Internet Three). This study focuses on the identification of successful independently owned full-service restaurants to provide a sample of restaurants in order to identify

the internal critical success factors that contribute to the success of independent full-service restaurants located in Durban which includes the following greater Durban destinations, The Mercury Eating Out Guide (2006):

1. Durban City and Bay Area
2. Beachfront
3. Greyville and Morningside
4. Berea, Glenwood and Southern Suburbs
5. Highway Area - Pinetown, Westville, Botha's Hill, Hillcrest, Kloof, Gillitts, Waterfall
6. Durban North
7. Umhlanga
8. North Coast

Since the release of Nelson Mandela, the demise of apartheid and the birth of democracy, fundamental changes have occurred in the external environments of industries. Based on the researcher's personal observation as a restaurateur and patron, Durban, a city whose restaurants once thrived prior to democracy, seems unable to provide the necessary ingredients to facilitate the success it once did to the restaurant industry.

Low crime levels and intense competition, together with lower rentals, a low cost of living and a target market that can only be described as the "privileged class", are just some of the factors that could have contributed to the greater success in the industry during this era.

The 1953 Reservation of Separate Amenities Act permitted the systematic segregation of train stations, buses, cinemas, hotels, restaurants and virtually all other public places, and barred the courts from overturning

such restrictions.

The new constitution enhances democratic human rights, through the emergence of many “bills” aimed primarily at safeguarding and protecting the sanctity of human rights. One such bill, the Equity Bill was established to transform society. This too has impacted on restaurants, for we have seen the emergence of a new, so called, middle class group of society, whose tastes in cuisine varies from those who previously patronized restaurants.

With democracy came the urbanization of previously disadvantaged groups that brought a great number of people from surrounding townships and rural areas into Durban’s Central Business District and business nodes in various parts of the city. Restaurants that once boomed in the city center started to feel the adverse effects of these changes. Fewer patrons chose to brave the city centre at night; hence more and more large companies relocated their operations to suburban business nodes and continue to do so thereby contributing to a large loss of business lunch trade. People stopped going into the city to shop, as they were wary of becoming victims of crime.

Initially, there were a few discerning restaurateurs who relocated their establishments to surrounding suburbs, as they realized that there was no other way in which to retain their customers. However, there were others who were forced to stay due to lease commitments and financial constraints. Eventually there was an exodus of restaurants out of the city center as restaurateurs of full-service restaurants realized that there was no hope for either growth or survival in the city. There was also evidence of a new phenomenon that entailed many new restaurants opening in the Morningside vicinity. The few stragglers that were left behind in the city either closed down their operations totally or relocated to “greener

pastures", namely Morningside/Berea, Durban North and Umhlanga.

However, things have never been quite the same since democracy for the restaurants in Durban as they have been and continue to be susceptible to the cyclical nature of interest rates (interest rates affect the disposable income of consumers, an increase in interest rates curtails the spending power of consumers which ultimately leads to consumers cutting back on luxuries, eating out and entertainment), increased competition, low earnings of Durbanites (in comparison to Gauteng the majority of people in Durban are generally paid a lower salary which means that their disposable income does not afford them the opportunity to frequent restaurants as often), over-regulation of the restaurant industry, "poor" tourism, high rentals, laidback culture of Durbanites, changes in consumer behaviour, an overtraded market, ever increasing cost of sales, a transforming society, change in market trends and crime.

Durban's restaurant industry is presently rife with competition, however the majority of these establishments seem to be patronized mostly on weekends, resulting in these establishments appearing to be vast open spaces with only a smattering of patrons on most weekdays. However there are a few exceptions to this, with only a handful of restaurant establishments that "buzz" (relatively continuously busy) on any given day of the week. Therefore the question arises as to how many of these establishments are relatively profitable and how many of them continue to operate merely to cover their overheads, cost of sales and wages of their employees?

Other questions that arise, are whether the "eating out culture" of Durbanites warrant the number of restaurants located in Durban? Why is it that people in Durban tend to dine out on weekends and very rarely on weekdays? Why has Durban not been able to attain a more vibrant restaurant industry like other major cities such as Cape Town and

Gauteng, with its beautiful city that has both warm waters and weather?

However, even though independent restaurateurs in Durban have experienced these somewhat dramatic changes to the industry in recent years, we have also seen a small group of restaurateurs who have become extremely successful. This study focuses on how or what has made them successful with regard to Strategy, Product, Management, Financial Management, Marketing, Organisational Culture and Leadership.

1.11 Limitations Of The Study

The research project has encountered the following limitations:

- 1 The study is based upon the perceptions of the restaurateurs, employees and patrons from only three identified successful restaurants in Durban that were willing to participate in the study. Even though nine restaurants were identified according to the requirements of the study i.e. being independently owned, full-service and successful in the Durban area, only three of them were willing and able to participate in the study. However this limitation was curtailed by having a total of fifty respondents from the three restaurants that partook in the study.
- 2 The researcher was unable to gain pertinent financial information from the restaurateurs due to the fact that this information is private and confidential in nature.
- 3 One of the attributes of a qualitative study is the lack of objectivity on the part of the researcher. Recommendations and conclusions will be biased to a degree; as a result of the influence of factors such as the researchers own personal experiences, experiences of the restaurateurs, etc.

1.12 Structure of Study

Chapter One outlines the introduction to the research problem and gives a brief summary of the issues leading to the problem and background information on the food service industry and the restaurant industry in Durban. An introduction to the Research Methodology that was employed to undertake the investigation is also presented. This chapter essentially provides an overview of the thrust of the study, essentially a roadmap showing clearly the business dilemma, the objectives in resolving the dilemma and the method of how the dilemma will be resolved.

In Chapter Two, a literature review on the research problem is conducted based on identifying "Best Practice" in the areas of Strategy, Product, Management, Financial Management, Marketing, Type of Business Ownership, Organisational Culture and Leadership for restaurant management. The theory establishes the context of the restaurants internal environment.

Chapter Three presents in greater detail the Research Methodology that was employed to undertake the investigation. Chapter Four provides the framework for the analysis of the results and findings from the questionnaire, interviews and behavioral observation.

Finally Chapter Five will logically present recommendations and conclusions for both present and aspiring restaurateurs who wish to operate successful restaurants.

1.13 Conclusion/Summary

The research problem was identified and discussed briefly in this Chapter. The aim and objective of the investigation was brought to the attention of the reader. Issues such as limitations and scope were highlighted to present the conditions under which this investigation was carried out.

The merits of this study as discussed under Section 1.9 will bring to the attention of potential and existing restaurateurs the value of practising what other successful restaurateurs have practised and mastered in order to gain exceptional success in the areas of leadership, management, product/service, marketing, etc.

In order to do so, it is essential that a review of specific literature regarding the research subject matter be undertaken in order to provide the necessary theory to better understand, substantiate and corroborate the findings of the study. The next Chapter Two, is a review of the literature undertaken in this study.

CHAPTER 2 - LITERATURE REVIEW

2.1 Introduction

This chapter aims to provide a theoretical understanding of the literature that has to be considered in attempting to analyse the research question. The focus of the study is the internal factors that contribute to the success of independent full service restaurants. These internal factors from the internal environment of a restaurant have been adapted from the model of Parsa et al., (2005, p.319).

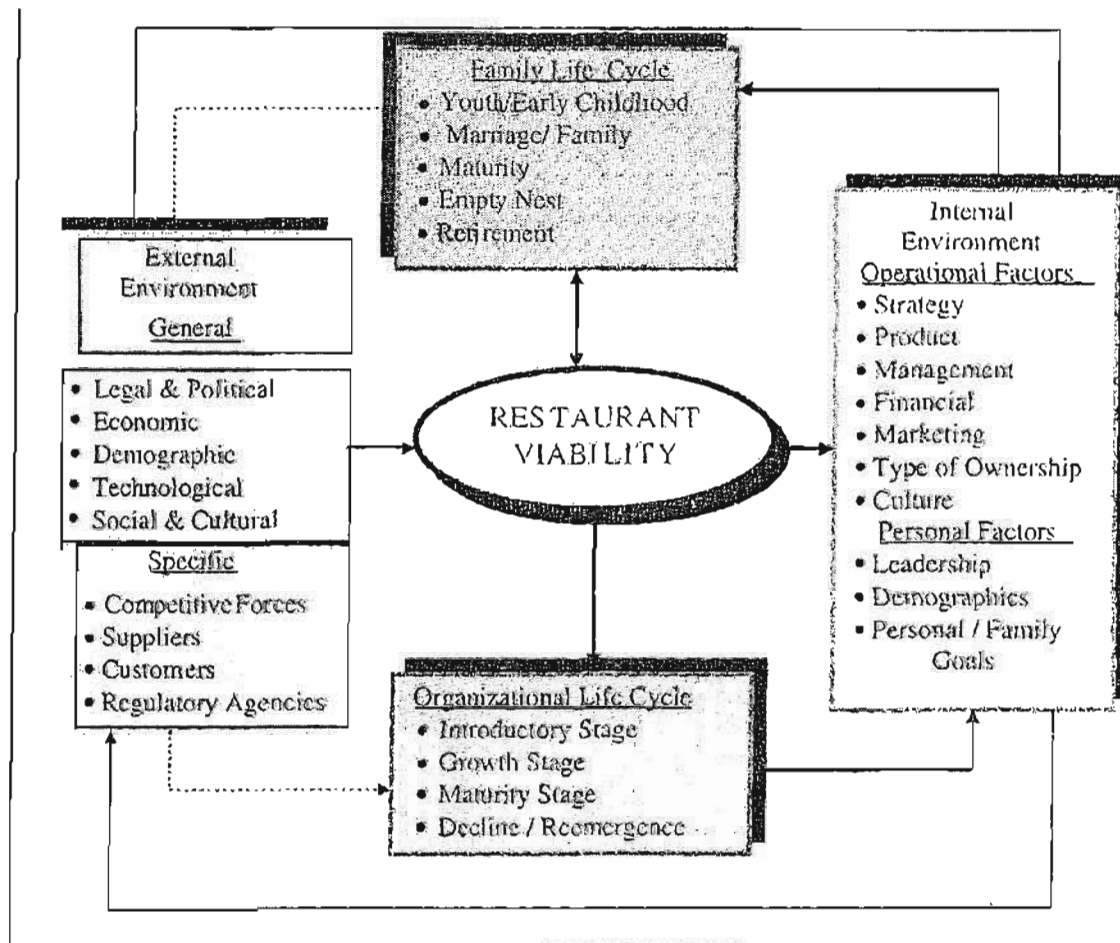


Figure 2.1: Restaurant Viability, Parsa et al., (2005)

According to this model, there are four groupings of factors that contribute to restaurant viability. This model identifies the different factors from both the external and internal environment that contribute to the success or failure of the restaurant firm. Also of importance, this model shows the roles played by the family life cycle of the restaurateur and the organisational life cycle of the restaurant.

Research data shows that the restaurant failure rate is affected more by internal factors than by external factors, Parsa et al., (2005). It is thus necessary to identify the core reasons within the internal factors of strategy, product, management, financial, marketing, type of ownership, culture, leadership, demographics and personal/family goals that lead to success in restaurants.

Management capabilities are of primary concern in the operations of a successful restaurant. Haswell et al., (1989) reported that the inadequacy, incompetence, inexperience and inefficiency of management all contributed negatively to the success of small businesses. Poor management can be connected to poor financial controls, inadequate accounting records and poor organisation. Other internal factors affecting success of restaurants include a poor product, a lack of strong leadership, internal relationships, financial volatility from a lack of cash flow, organizational culture, internal and external marketing. The restaurateurs inability to manage rapid growth and change may also hinder the success of a restaurant. Sharlit (1990), believes that a leaders' own personality traits are the root cause of many business problems, while Sull (1999, p.42) commented that managers may suffer from "active inertia".

West et al., (1990), determined five strategic factors used to determine the grand strategy of a firm. The management or owner's strategic positioning has a strong influence on a business's success. In agreement

Lee (1987) stated that management was the most important criterion for success. Managers . . .direct the marketing, oversee product quality and standardization, and decide when and how to adapt.

Angelo et al., (2001), state that restaurants that are organised for success focus on their guests. It is imperative that restaurateurs keep track of local, national and international trends as guests' preferences and tastes are constantly evolving. A restaurant's ambiance is also important to its success as décor, lighting, furnishings and other features are a natural extension of the restaurant's concept. A third element contributing to a successful restaurant is its menu which is primarily a critical sales tool that should be constructed and presented with marketing in mind. A restaurant's menu is the blueprint for the establishment as it determines its strategic direction in factors such as layout and design, décor and ambiance, theme, type of service, staffing, health and safety, target market, selection of suppliers and pricing.

In the following chapter, understanding the relationship of the operational factors of strategy, product/service, management, financial, marketing, type of ownership and culture with the personal factors of leadership, demographics and personal/family goals are discussed. The intention is to show how the factors of the internal environment of a restaurant can contribute to its success.

2.2 Strategic Management

The restaurant industry is highly competitive and dynamic, with changing consumer demands, slow growth, intense price competition, high mortality rates and an increased emphasis on service - all signs of a mature industry. To be successful, independent restaurateurs need to have a clear strategic direction and a clear understanding of how their properties

should go about the process of continuously adapting to changes in the environment.

Strategic Management can be defined as “the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, then over time initiating whatever corrective adjustments in the vision, objectives, strategy and execution are deemed necessary”. Thompson and Strickland, (2003, p.6)

Noe et al., (2000, p.42) defines Strategic Management as “managing the pattern or plan that integrates an organisation's major goals, policies, and action sequences into a cohesive whole”.

It is interesting to note the rationale given by Rowe et al., (1994, p.2) in their definition of strategic management, which is “the process by which organisations determine what value is needed and how to add to that value. It is a means for ensuring that organisations can cope effectively with the myriad of demands placed on them from within and without.”

According to Rowe et al., (1994) this view of the strategic management process was taken after trying to answer the question as to why some companies are successful while others struggle just to stay afloat.

After considering factors such as better products, marketing, management, effective leadership, productive organisation with a supportive culture, etc. they concluded that all of these factors focused on one basic requirement, “in order to succeed, a company must offer value to its customers. That is, it must provide total value”.

Nevertheless, the lessons learnt from the definition of Rowe, Noe and Thompson et al. is that strategic management is about processes,

processes that complement the organisation's abilities and capabilities to achieve its end result. If, as pointed out by these authors, the end result or goal is for example, value, then strategic management ensures that this goal is fulfilled.

Dess et al., (2003, p.3) defines strategic management as "consisting of the analysis, decisions, and actions an organisation undertakes in order to create and sustain competitive advantages." Concepts discussed in their definition revolves around "decision making" and "organisation undertaking", whilst the end result is totally different-seeking competitive advantage- from that of the other authors mentioned above.

An important point to note here, is that whatever the result required of the organisation, strategic management is a managerial process that is considered as the first most important step an organisation should undertake in establishing, redefining or repositioning its business.

It is possible, from the above definitions of strategic management to identify two separate but interdependent phases that made up this process: Strategic Formulation and Strategic implementation.

2.2.1 Strategic Formulation

Strategic Formulation - the definition by Noe et al., (2000) see this process where the strategic planning groups decide on a strategic direction, by defining the company's mission and goals, its external opportunities and threats and its internal strengths and weaknesses. Strategic alternatives are generated and compared with their ability to achieve the organisation's mission and goals.

2.2.2 Strategic Implementation

Strategic Implementation - the definition by Noe et al., (2000) views this process as a follow through on the strategy chosen from the above. Here the structuring of the organisation, allocation of the resources, ensuring that the firm has skilled employees in place and developing reward systems aligning employee behaviour with the organisation's strategic goals is undertaken.

Thompson and Strickland (2003, p.6) see the above two processes, as five interrelated managerial tasks, which are identified as follows:

- a) Developing a strategic vision and business mission.
- b) Setting objectives
- c) Crafting a strategy to achieve the objectives
- d) Implementing and executing the strategy
- e) Evaluating performance, monitoring new development and initiating corrective adjustments.

Rowe et al., (1994) point out that the key objective of strategic management is to match the organisations internal capability with the external opportunities and threats in order to formulate strategies that will achieve basic goals and maintain organisational values.

2.2.3 The Strategic Four Factor Model

Rowe et al., (1994, p.31) introduces the "Strategic Four Factor Model" as a systems framework for strategic management.

According to this model, there are four factors that make up strategic management. This model illustrates how the organisation's strategy must "balance the demands imposed by external forces and internal forces, suit the overall functioning of the organisation, and use resources in a manner

that meets goals and satisfies values". Also of importance, this model shows the interdependencies or linkages among the four main components with strategic management.

These are shown by means of the arrows that link strategic management with all four factors. The "hub", Strategic Management, is at the centre of the model, and its function "is to align the internal operations of the organisation, including the allocation of human, physical and financial resources, to achieve optimal interactions with the external environment". The main reason as to why this model was chosen was to introduce, at this stage, the concepts of interdependencies. The introduction of a model that shows how various key aspects of the strategic management are related is an important focus of this study.

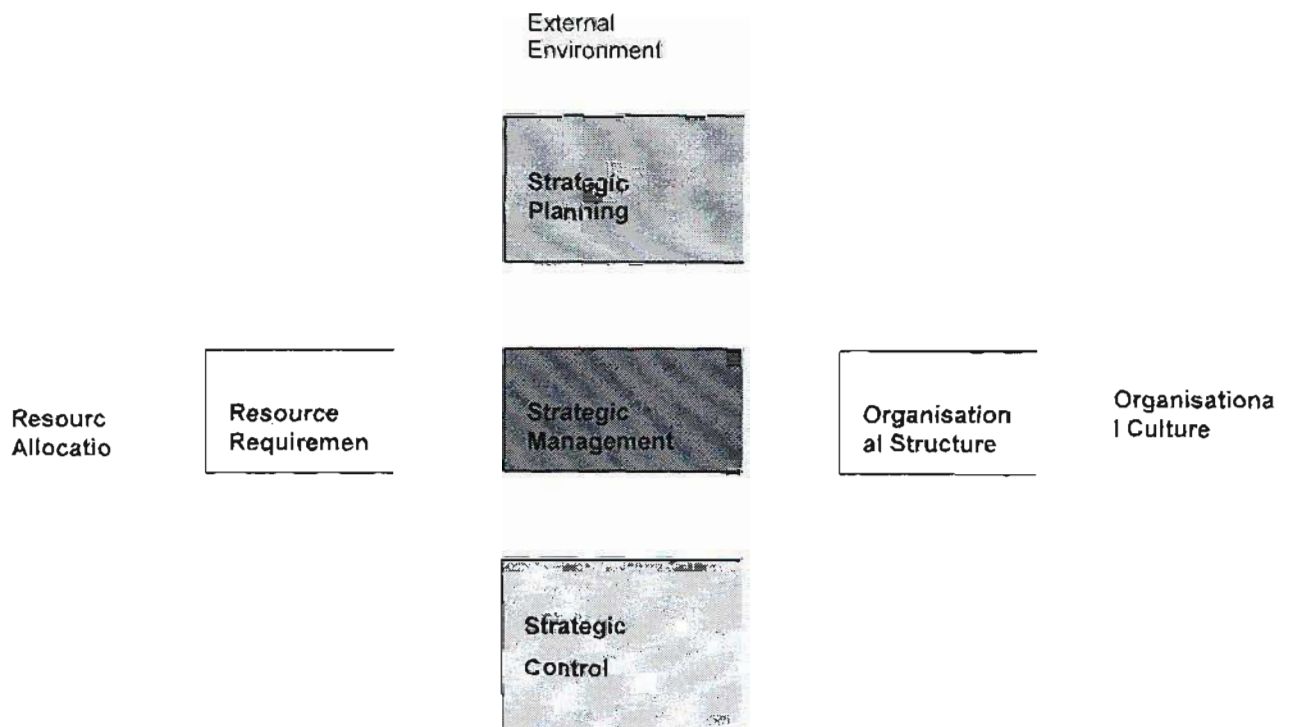


Figure 2.2: The Strategic Four-Factor Model, Rowe et al., (1994)

This model also illustrates the positioning of certain functioning's of the organisation and seeks to explain its relevance there. The illustrated model is shown above as Figure 2.

A brief outline of the four factors with reference to the above is explained. The relevance of the hub, the strategic management, has been dealt with earlier.

- a) Strategic planning- links strategic management with the organisations external environment.
- b) Organisational structure: links strategic management to organisational realities. "Does the organisational structure suit the implementation of the strategy?"
- c) Resource requirements: links the organisations resources (human, financial, etc) with strategic management. Here strategic planners determine resources requirements and their means of acquisition and allocation. The questions asked is "can the strategy succeed given the organisations available resources?" Here also strategic planners would ask questions pertaining to the culture of the organisation, decision-makings styles of its managers, and more importantly, "style of the leadership, operational values and the vision of the top executives".
- d) Strategic Control: links strategic management to the organisations internal environment, since it involves evaluating how well the organisation is implementing the strategy.

The research focuses on how the contribution of one aspect of the "resource requirement component" is influential on the success of the entire strategic management process. However, the model portrayed provides a too general picture of the contribution made by these components, and lacks the ability to effectively show the relationship that exists between them. It, therefore, cannot be used to assist in clarifying this contribution. But it does assist in bringing an important part of the

study to the fore.

Firstly, it conveys the importance of human resources management matters in the strategic management process. This is evident in all three components of this model. From the influence of the external environment on, the capability of, the suitability to, and the evaluation of, its human resources, the strategic management process appears to revolve around this major contributor.

Secondly, it highlights just how important the strategic formulation phase is to the entire strategic management process. From the literature consulted, strategic planners are highly reliant on a resource that is considered by many, as being highly “unpredictable.” It therefore goes to reason that the ability of the strategic planners to get this “contributor” right will to a large extent determinant the success of the entire strategic management process.

2.3 Strategic Formulation

The evidence presented has assisted in positioning the role of strategic formulation in the strategic management process. It has recognised the importance of and briefly outlined the different components that make up strategic formulation.

Noe et al., (2000), Thompson et al., (2003), and Rowe et al., (1994) detailed these components that are considered a part of the strategic formulation process. For ease of reference a diagrammatic format of those components, as offered by Thompson et al., (2003, p.7) is shown below as Figure 2.3. This is the “Five Tasks of Strategic Management”.

Task 1	Task 2	Task 3	Task 4	Task 5
Developing a strategic vision and business mission	Setting objectives	Crafting a strategy to achieve the objectives	Implementing and executing the strategy	Evaluating performance, new developments and initiating corrective adjustments

Figure 2.3: The Five Tasks of Strategic Management, Thompson and Strickland (2003)

2.3.1 Essential Components of Strategic Formulation

A brief review of these components is made with reference to the first 3 of 5 tasks of the Five Tasks of Strategic Management that is relevant to the strategic formulation process. It is the intention to broadly highlight what “happens” at these “stages or tasks”.

However prior to this it is worthwhile to also consider a brief discussion of the organisational structure in the strategic formulation process. The inclusion of *organisational structure* is borrowed from the earlier model presented, the Four Factors model, and is a key component of this model. It also contributes to the strategic formulation process in the sense that it does address certain important areas.

2.3.1.1 Organisational Structure

The role that this component plays is crucial to the strategic formulation process since it addresses the issue of suitability. Determining the suitability of the organisational structure would answer questions such as:

“does the strategy fit the goals, objectives, labour pool and operational procedures of the organisation's unit? Do the units have appropriate communication systems and procedures to monitor and control performance?”

Organisational structure and design are closely entwined with many aspects of human resource management, Mabey et al., (2001). Literature consulted infers the importance of an organisation creating a structure and developing one that maximises the strengths of the firm, changing and manipulating one in order to gain competitive advantage, to survive, etc. But they all promote the fact that an organisations success is very much dependent on its ability to develop its human element with its structure.

Ellen McMillan's (2002) paper on “*Considering organisation structure and design from a complexity paradigm perspective*” examines this very aspect albeit from a more scientific basis. Her study, however, reveals that structure has a key role in the human dimension of an organisation.

Summary

The contribution by Human Resource Executive/Division is considered quite important in this process, and as mentioned above, the ability to ensure that the organisational structure suits the requirements of the strategy is one of its main tasks.

By providing this information at a very early stage of the strategic planning phase, Senior Management is made aware whether the organisational structure is most suitable for the organisation or not. It would be much easier to take corrective action than wait for the implementation of the strategy to take place and then address the problems.

With reference to the above “Five Tasks of Strategic Management”, the following discussion on the essential components:

2.3.1.2 Developing a strategic Vision and Mission

(Task 1)

“Leaders can best serve their organisations by introducing some sense of direction, some logic, to incremental steps” Handy (1995, p. 40).

“It is generally accepted that one of the first “components” of a general strategic management approach is to consider the “mission” of an organisation.” Swanepoel et al., (1999, p.12)

“The vision should be concrete and understandable to all.....it should excite their enthusiasm, motivating everyone in the firm to make this ideal view a future reality”, Rothwell et al., (1989, p.4).

Smith and Cronje (1992, p.52) also make it clear that the organisations mission “give direction to the organisation’s activities and is a concise organised outline of “who we are, what we do and where we are headed”.

Thompson and Strickland (1992) view the phrasing and communication of the mission statement to the lower level management as important as the mission statement is itself.

They suggest that the mission statement should have managerial value. It should be able to “crystallize senior management’s view about the long-term direction and make-up of the organisation. Keep directional related actions of lower level management on the right path. Convey an organisational purpose and identity that motivates employees. Avoid visionless or rudderless management and helps and organisation prepare

for the future.”

Summary

From the above, the intentions of the vision and mission statements are made quite clearly with respect to human resources management. It is “expected” of HR Management to use these “statements” to motivate, inspire and “plan” the employee’s role in the organisation, when considering the above.

Since the vision and mission statements drive the organisation, it is important, as mentioned by Thompson and Strickland (1992), that they are carried to all levels of the organisation. One method of ensuring that this process is achieved is to make allowance for it in the formulation of the organisations strategies.

The Human Resources management could play a major role here by adopting human resources strategies, such as a Reward Strategy, which would be linked to the achievement of these objectives.

2.3.1.3 Setting Objectives

(Task 2)

“The purpose of setting targets is to convert the statement of organisational mission and direction into specific performance targets, something the organisation’s progress can be measured by”. Thompson and Strickland (1992, p.4)

“Objectives and goals operationalise purpose” according to Rothwell et al., (1989, p.4). He mentions that, whilst goals identify the broad areas from which action ought to be taken, objectives should state the “measurable results” desired over a specific time period. Whilst goals are usually

"timeless", objectives are not, and may be expressed as short, medium and long-term.

Goals should also be "challenging but achievable", Thompson and Strickland (1992, p.4). When an organisation's objectives are broken down into specific targets, it is incumbent on the managers of those units to be accountable and responsible, resulting, according to Thompson and Strickland (1992) in a results-oriented climate. They also identify two performance yardsticks that ought to be used: Financial objectives and Strategic Objectives.

Summary

The importance of goal and objective setting to the strategic formulation process cannot be explained as deservedly as it should be in the above two paragraphs. Having an intimate knowledge of not only the external environment and the industry within which it operates, is a key to success for an organisation.

Knowing the ability and capability of its own internal environment is critical in the determination and setting out of goals and objectives and thus providing the key required for the success of the organisation. This information must be provided at the strategic planning stage in order to *prepare the senior management with enough information to plan how it intends achieving those goals and objectives.*

With specific reference to the human resources of the organisation, literature indicates that the provision of this information, or the relationship that exists here, between Human Resource division and senior management is a key determinant as to the success of these goals and objectives.

2.3.1.4 Crafting A Strategy to Achieve the Objectives

(Task 3)

Thompson and Strickland, (2003, p.4) mention that companies have two main reasons for "crafting, implementing and executing a strategy"-

- 1 Firstly, there is a need for managers to "proactively shape the way the company's business is conducted". Noe et al., (2000) sees this as the generic strategy that the organisation engages in and;
- 2 Secondly, "to mould the efforts and decisions of different divisions, departments, managers and groups into a co-ordinated, compatible whole". Hereto Noe et al., (2000) views it as the process of developing strategies for achieving the company's goals.

Financial objectives call for acceptable financial performance but strategic objectives are required for the provision of consistent direction in strengthening a company's overall business position. The objectives of the organisation will be the "ends" and the strategy the "means" of achieving them. In effect then, strategy becomes a management tool for achieving strategic targets.

The designing of good strategies is not as nearly as important as the ability "to put the organisational means in place to carry it out". Good strategies and execution will allow the organisation to adjust to unexpected conditions and circumstances, and more than likely stand out. However, having the right calibre of resources, specifically Human Resources, are the "organisational means" that will ensure this success. Thompson and Strickland, (2003, p.4).

Tyson (1995, p.5) states that, "the actions of the senior managers are influential in deciding the strategic direction an organisation should take...their belief systems, their thought processes are of paramount

importance in the creation of strategy". Senior Management then develops broad objectives for the organisation. This is achieved by considering the following:

a) SWOT Analysis

SWOT is an acronym for a company's "strengths, weaknesses, opportunities and threats," and it is used to analyse and evaluate these factors. According to Thompson and Strickland (1992, p.56) the purpose of this analysis is to "determine the features in a company's internal/external environment that will most directly affect its strategic options and opportunities."

In their suggested assessment of an external analysis, Thompson and Strickland (1992, p.57) suggests that probing questions must be asked to determine an understanding of the firm's surrounding environment.

Testing the company's strategic situation in an environment requires that an internal analysis be done. Thompson and Strickland (1992, p.86) mention five questions on which the analysis should be centred:

- i) How well is the present strategy working?
- ii) What are the company's strengths, weaknesses, opportunities and threats?
- iii) Is the company competitive on costs?
- iv) How strong is the company's competitive position?
- v) What strategic issues does the company face?

Evaluation of how well the company's present strategy is working requires an understanding on what the company's strategy is trying to achieve. On completion of this analysis, the two lists are carefully evaluated, and the appraisal of how well the company's present strategy complements the strengths and addresses the weakness is undertaken.

In identification of the opportunities and threats facing the organisation, Thompson and Strickland (1992, p.89) reminds one that the organisation's strengths and weaknesses will also determine the nature of opportunities and threats available to and facing the organisation. "A core competence is a basis for competitive advantage because it represents specialised expertise that rivals don't have and can't readily match". Thompson and Strickland (1992, p.38).

b) Core Competence

Core competence is defined by Thompson and Strickland (1992, p.89) as to "something a company does especially well in comparison to its competitors".

They also go on to say that that the importance of a core competence to strategy making "rests with the added capability it gives to an organisation in going after a particular market opportunity, the competitive edge it can yield in the market place, and its potential for being a cornerstone of strategy". Core competencies don't appear naturally. They must be developed and consciously nurtured, and this is usually done from organisation building actions.

For strategy to work the implementers must ensure that the organisation is staffed with the right types of personnel and that the necessary support functions and budgets together with the incentives needed to generate the desired competencies and competitive capabilities.

c) Leaders, Leadership and Strategy

"Weak leadership can wreck the soundest strategy; forceful execution of even a poor plan can bring victory" Sun Zi.

"An organisation's Chief Executive Officer (CEO) is the most visible and important strategy manager. The CEO, as captain of the ship, bears full responsibility for leading the tasks of formulating and implementing the strategic plans of the whole organisation, even though many other managers have a hand in the process." Thompson and Strickland (1992, p.13)

In their paper Thompson and Richardson (2003) argue that it is a key role of the strategic leader to ensure that his/her organisation possesses a wide range of generic competencies. This is in order for the organisation to develop and sustain more specific competencies in learning, change management and product/service competitive competency.

However, Hendry and Johnson (1993, p.13) state "A leaders vision can be implemented successfully only if key managers can make the vision meaningful. A vision is a top manager's or top management team's concrete idea of what the organisation should be at some time in the future. A vision is usually different from a straight projection of the present, and therefore its realisation usually requires a change in the way the organisation goes about its business. Managers must interpret the vision and translate it into action in a unified way".

Summary

It is mentioned that in order to achieve the objectives and goals as determined by Senior Management, the organisation must now determine "how" it intends achieving these goals and objectives.

Many organisations, as pointed out by Noe et al., are more interested in "how" they intend achieving these goals and objectives that they forget the most important element, "with what", or the resources of the organisation. It will serve the organisation well to have the most brilliant plans available

to achieve its objectives. However, should they not have the resources to carry out these plans, then these plans are of no value.

One of the most important processes that take place is "SWOT analysis" of the organisation and, as mentioned, the role of HR here as well is most important and crucial. Having the "core competence" points to the need of having the correct human resources available to carry out these strategies.

Once again, these important concepts are merely highlighted, but as pointed out by Ambrosini et al., (1998, p.4) and other literature, "the core competencies of an organisation are considered essential to corporate survival in the short and long term."

There is consensus that apart from the typical role that a leader is expected to perform his involvement in the crafting of the strategies is crucial. The leader's ability to lead his organisation to a new level, to be able to realise that having the vision also means being able to accept new and different interpretations of achieving the goals. Allowing certain fundamental changes to the organisation will have a major impact on its crafting of the strategy.

A leader that supports change to the organisation's way of thinking is able to achieve greater successes than those who don't.

2.4 Product

The basis of any business is a product or offering, with the business aiming to make the product or offering different and better in some way that will cause the target market to favour it and even pay a price premium (Kotler 1999).

Bhowan et al., (2001, p.2) defines a product "as any need-satisfying market offering that offers the buyer the functional or psychological benefit he or she requires". The term product may be used interchangeably with 'market/product offering' and includes the tangible/physical product, ideas, people, places and intangible services. Bhowan et al., (2001) continues by stating that the success of the marketing exchange depends on the product as the product must live up to the benefit's the customer wants, and/or the expectations created by the other elements in the marketing mix.

A service is intangible, and takes the form of a deed performed by one party for another party, whereas a 'good' is tangible and can be seen and touched. For example, the restaurant patron receives a menu item or beverage ordered, which are tangible, but the service the patron receives is intangible. The restaurant industry focuses on people processing (services directed at people's bodies) which as a result has a distinctive implication for marketing, operations and the human resource function within restaurant organisations.

Abbey (1998) has expanded product to product-service, because of the service orientation of the hospitality industry. The product-service mix in a restaurant must be tailored to the needs and wants of the guests, whether the restaurant is focusing on its current guest base or seeking out additional markets.

Both product and service in a restaurant are the fundamental link between the number of guests a restaurant can attain and the value the restaurant offers. According to Cichy and Wise (1999, p.3) "business survival depends on providing value for customers; business success depends on increasing your customer's perception of the value you are providing them".

should be serving the needs of someone who is directly serving the guest. Positive moments of truth result in guests having a delightful experience at a restaurant, which can lead to many repeat guests and an excellent reputation for the restaurant. Negative moments of truth can ruin the service experience of guests, resulting in a service experience where no one wins. The guest loses because their expectations were not exceeded or even met; the server loses because his tip was probably small and he was exposed to the displeasure of unhappy guests; the restaurant loses because none of the guests will be eager to return. Studies have shown that the average guest who has a complaint tells 8 to 10 people Cichy and Wise (1999).

If moments of truth are not handled correctly, guests are not likely to come back, and few restaurants can survive long without a substantial number of repeat guests. Survival and success depend more on retaining guests by providing them with quality service than on continually attracting new guests with costly promotions and sales blitzes Cichy and Wise (1999).

2.4.2 Staff Members - Keys to Success

A motivated staff is the key to success in providing quality products and service in a restaurant.

(a) The Value of Staff Members

Staff members in a restaurant are just as valuable as guests, in a sense that, without them, the restaurant fails: if there is no one to perform the work, no work gets done, nothing of value is produced, no guests come, and the restaurant must close its doors.

The value of staff in the context of quality service - that is, in the sense of

consistently meeting or exceeding guest expectations -their true value is in their ability to keep guests coming back by providing excellent service during moments of truth.

The performance of staff during moments of truth can be seen as a product of the combination of staff members' personal resources and the organisational resources of the restaurant. The personal resources of a member include everything that the individual brings to the task of consistently meeting or exceeding guest expectations. These resources include personality, character, life values, thoughts, feelings and more.

Typical organisational resources include physical facilities, technological systems, workplace design and training systems. These organisational resources by themselves do not create value. A restaurant may have the best of all of these resources, but it is the performance of staff members that determine whether these resources actually produce value for guests. In order for a staff member to do a good job when handling moments of truth, he or she must merge the organizational resources provided by the company with their unique talents as individuals. Without the contribution of personal resources from staff members, guest expectations are rarely exceeded-in fact, they might not even be met Cichy and Wise (1999).

(b) The Cost of Staff Dissatisfaction

It is essential that a restaurant develop and retain a committed and productive staff rather than manage a revolving door of terminated staff members and new-hires. Lost business is the critical cost of staff dissatisfaction. A dissatisfied staff leads to service related problems for guests, which can result in guests taking their business elsewhere. Cichy and Wise (1999) state that one of the keys to retaining staff members is to increase their level of satisfaction with their position. Staff members stay

with a company longer when they perceive value in the quality of their work environment and feel adequately compensated for the work they perform.

Finding positive, service-orientated people is critical if a restaurant wants to build an organisation known for its outstanding service.

(c) Training Staff Members

The training of staff members is essential for success in a restaurant, as staff members do not want to be told simply what to do, the "why's" are also important.

According to Ninemeier (2000), the foundation for training and for preventing performance problems is job analysis. That is, determining what knowledge the staff members being trained must have, what tasks they need to perform, and the standards at which they must perform them.

2.4.3 Menu

In many respects, the restaurant's menu is a mission statement; it defines an operation's concept and communicates that concept to guests. In essence the menu can almost be described as the restaurant's business card. It is made up of the tangible product offered to the guest by the establishment. It is one of the single biggest influences on an operation's development of a loyal guest base and a positive return on its investment of energy, money, time, and other resources. One of its goals is to influence the behaviors and emotions of the guest reading the menu. The use of standard recipes and standard purchase specifications are critical tools ensuring consistency in quality of menu items.

From influencing guests to select the most profitable menu items, to convincing them to feel good about their menu choices, to displaying the restaurateurs innovative products, the menu serves as a statement of the restaurant's positioning and theme.

Summary

It is evident that today's guests are as sophisticated as any in the history of the restaurant industry. While many guests enjoy sampling new menu items that add variety and excitement to their experience, others prefer predictable, familiar products. Ultimately, guests are demanding value from restaurants and they are building strong and loyal relationships with operations that provide this value.

This value, of course, is directly related to price as well as the tangible products and intangible services the operation provides. A guest's perception of value may be based on any combination of factors, such as, the selection offered on the menu, the quality of the products, portion sizes, the style and quality of service and price. Consistently producing and serving quality products is a must for sustained success in the restaurant industry. The importance of staff in the restaurant industry is emphasized through the cost of staff dissatisfaction. Also we see the importance of the menu which dictates what foods must be prepared, what ingredients need to be purchased, the types of equipment required, the number of workers that must be hired and the skill level of those workers.

2.5 Management

Thompson and Strickland (2003, p.4) assert that "among all the things managers do, nothing affects a company's ultimate success or failure

more fundamentally than how well its management team sets the company's long-term direction, develops competitively effective strategic moves and business approaches and implements what needs to be done internally to produce good day in, day out strategy execution".

The hospitality industry has experienced tremendous change in management information systems, coupled with equally significant changes in business conditions and the expectations of guests and employees, which as a result has opened new opportunities for company managers to rethink, and, in some cases, reinvent the way they do business. There are many hospitality companies including restaurants who have seized the opportunity to flatten their organisational structures by redistributing power and responsibility and by releasing decision-making authority to the lowest possible level.

Greenberg and Baron (2000) state that the essential function of managers is to put into practice the means to achieve the leader's vision, i.e. managers create plans and monitor results by implementing organisational strategy through others. Organisations are collections of people who work together and coordinate their actions to achieve a wide variety of goals, with the goal being a desired future outcome that an organisation strives to achieve.

Hill et al., (2000, p.5), defines management as the "planning, organising, leading, and controlling of resources to achieve organizational goals effectively and efficiently". Organisational performance is a measure of how efficiently and effectively managers use resources to achieve organisational goals, increasing in direct proportion to increases in efficiency and effectiveness. Efficiency is a measure of how well or how productively resources are used to achieve a goal, thus making organizations efficient when managers minimize the amount of input

resources (such as labour and raw materials) or the amount of time needed to produce a given output of goods or services.

“Management is the process of using what you have, to do what you want to do. What you have are resources; what you want to do is meet organisational goals.” Kavanaugh and Ninemeier (2001, p.3) Resources are the assets of food service operations consisting of seven basic resource categories i.e. people, money, time, work procedures and methods, energy, food and beverage products and equipment.

It is known that all resources are in limited supply, with no manager having all the resources he or she needs. Therefore, a manager's job becomes one of determining the best way to use the limited resources to achieve organisational goals. The organisational goals outline what the hospitality operation wishes to accomplish and indicates why the business exists. Typical goals include: increasing profits or lowering costs, defining and attaining quality and quantity standards for products and services e.g. using purchase specifications to purchase raw ingredients and maintaining or creating a good public image.

How the organisation chooses to best utilize its resources will ultimately lead to achieving its goals efficiently and effectively thereby contributing to the success of the organization. Woods and King (2002) states that the managers of a restaurant unit need to have a solid base of technical skills to model the behaviors they expect from their staff, e.g. when a restaurant is short-staffed, the manager serves guests, operates a point-of-sale terminal, fills in at the broiler, or even works the dishline if necessary.

According to Woods and King (2002), Katz (1974) offered a view of management in relation to three skills; technical skills, human relation skills and conceptual skills.

Technical skill is critical to managing in the restaurant industry as it involves the specialized knowledge of tools, techniques, methods, procedures, or processes associated with a specific type of activity. Also critical to success of the restaurant manager is his human resource skill, where the manager has to be able to work effectively with people at every level in the organisation. Restaurant managers need interpersonal skills that basically enable them to relate to guests, bosses, peers and employees. A restaurant manager's conceptual skill enables him or her to see beyond the technical aspects of his or her position. It includes recognizing the interdependence of the various departments in the organization, such as the 'kitchen' and the 'front of house'; as well as seeing the bigger picture of how the organisation fits into the structure of the industry, the community, and the wider world.

2.5.1 The Components of Management

Kavanaugh and Ninemeier (2001, p.8) discuss management by separating it into the basic management components of planning, organising, coordinating, staffing, directing, controlling and evaluating:

(a) Planning

The planning activities of hospitality organisations can be categorized as either strategic or operational. Strategic planning activities are general and futuristic in nature while operational planning activities are more specific and usually cover a planning horizon of no more than one year. Fig. 2.4 outlines one possible sequence of common organisational planning activities.

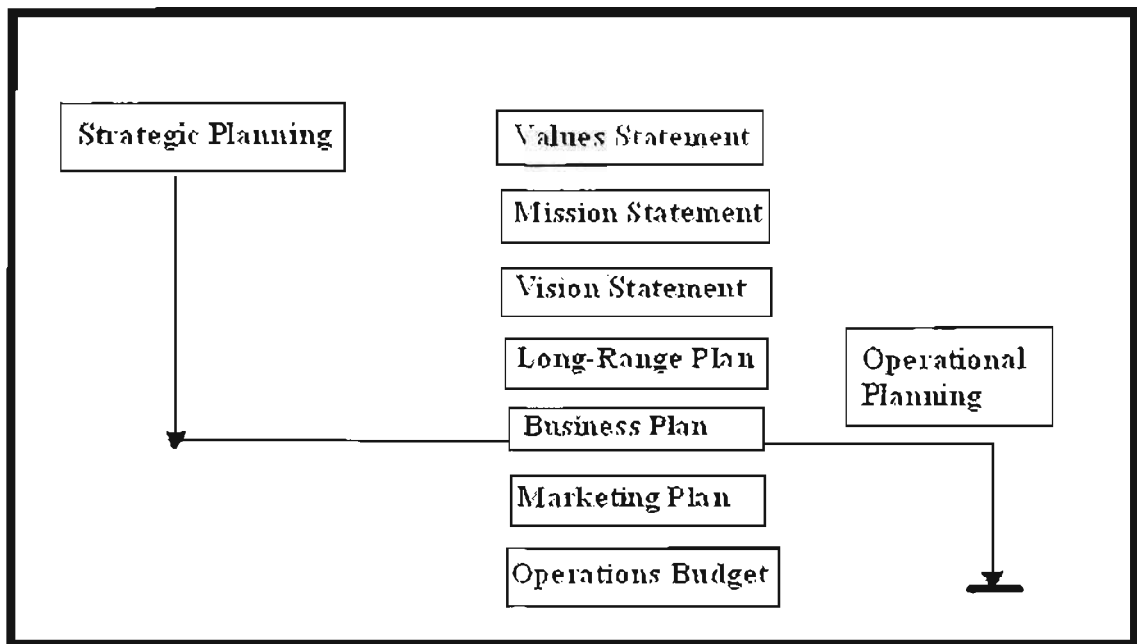


Figure 2.4: Organisational Planning Activities, Kavanaugh and Ninemeier (2001, p.8)

(b) Organising

Organising involves establishing the flow of authority and communication between people and organisational levels. Fig.2.5 presents a sample organization chart of an independent restaurant.

Successful restaurants are characterized by a staff of skilled individuals assembled in a highly complementary constellation. The non-administrative employees of such a restaurant are divided into two distinct groups: one group consists of those who work in the dining room, the *salle*, the other is made up of the kitchen staff. There are two different teams in the top restaurants. One team works exclusively in the service of the guests, the other is restricted to the preparation of food in the kitchen.

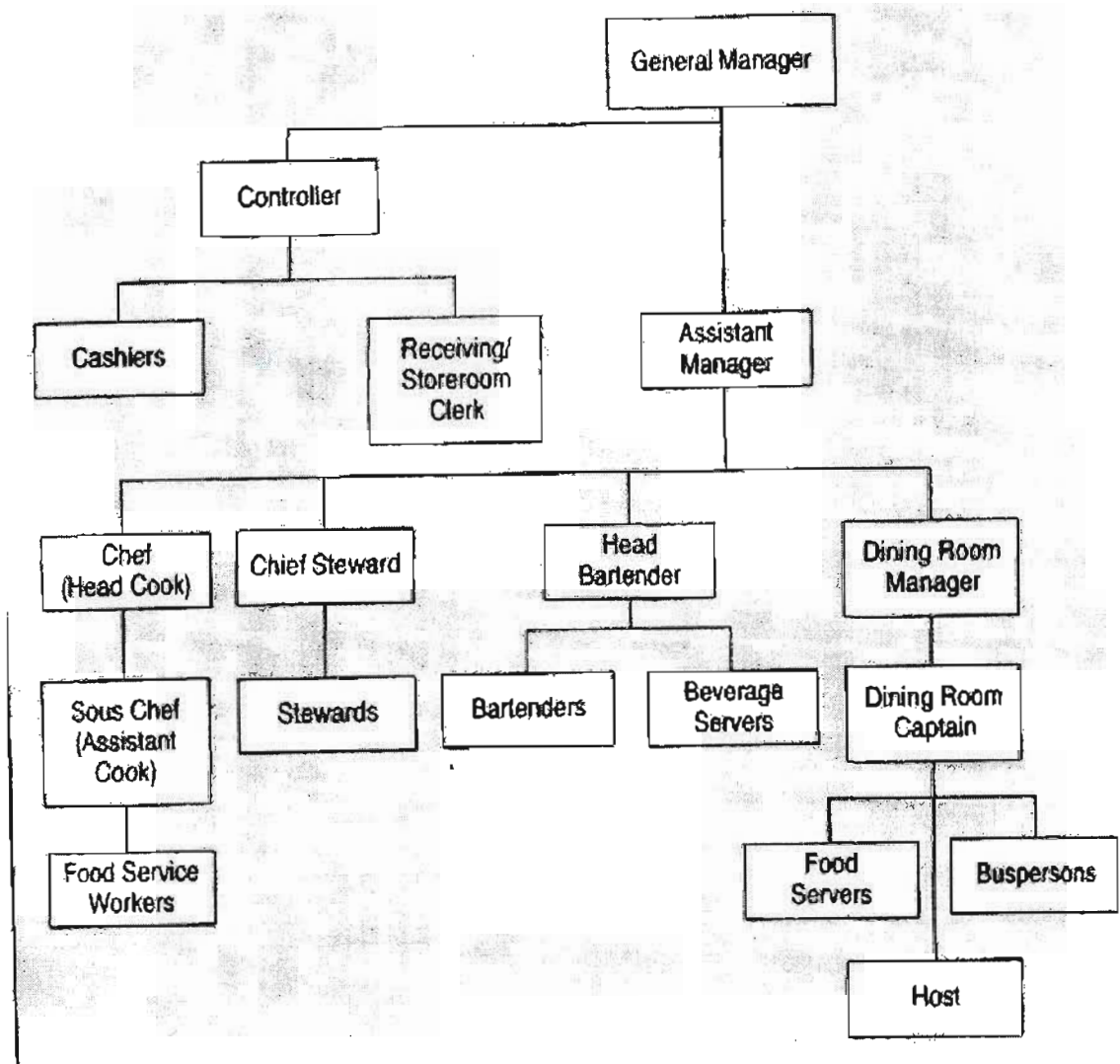


Figure 2.5: Organisation Chart for a Restaurant, Kavanaugh and Ninemeier (2001, p.13)

(c) Coordinating

The management skill of coordinating involves the ability to efficiently use resources to attain the organization's objectives. The manager must be able to coordinate the efforts of his or her employees through good planning and effective organisation. Lynch (2000) divides the resources of an organization into three broad categories:

(i) Tangible Resources - the physical resources of the organization such

as plant and equipment or the location of a business.

(ii) Intangible Resources - those resources that have no physical presence that represent a real benefit to the organization, such as brand names and service levels.

(iii) Organisational Capability - the skills, routines, management and leadership of the organization.

(d) Staffing

Staffing involves recruiting applicants and hiring those best qualified. The basic principles of staffing should be followed:

(i) Jobs must be designed to the specific tasks to be performed with the job tasks being listed in job descriptions.

(ii) Personal qualities needed to adequately perform job tasks must also be considered with the personal qualities being recorded in job specifications.

(iii) All possible sources of job applicants should be considered.

(iv) Job application forms should be used to collect information about applicants.

(v) Applicants should be screened. Tests can be used to assess the abilities of applicants. Preliminary interviews and reference checks may also help eliminate unqualified applicants.

(vi) Employee orientation, training, and evaluation programmes should

be developed and implemented.

(vii) Decisions about promotions and demotions are part of the staffing process.

(e) Directing

Directing includes all the activities necessary to oversee, motivate, train, evaluate and discipline employees. Directing incorporates the following principles:

(i) Employees must know what they are expected to do. They should be properly oriented and trained.

(ii) Organisational goals are easier to attain when they mesh with some of the personal goals of employees.

(iii) Delegation which is the act of giving formal organisational authority to an employee is a directing technique.

(iv) Directing includes motivating your employees. Keep in mind that your attitude affects employee attitudes and performances.

(v) Procedures for employee discipline should include positive reinforcement as well as a variety of actions that you can use to help employees correct inappropriate behaviour. These actions range from informal counseling to termination.

(vi) Managers should not relate to all employees in the same way. Your leadership style should vary according to employee needs.

(vii) It's important to gain employee cooperation. Employees should be

treated honestly and fairly.

(viii) Solicit employee ideas and, whenever possible, use them.
Show your appreciation to employees who perform their jobs well.

(f) Controlling

Controlling helps to ensure that you are attaining your objectives, by beginning with establishing performance standards, continuing with assessing actual performance, and then involves making a comparison between performance standards and actual performance to determine whether and to what extent corrective action is necessary. Control is based on the following principles:

(i) Operating budgets are the most important control tools because they indicate revenue and expense expectations.

(ii) Preventive controls are more effective than controls imposed after things go wrong.

(iii) Control cannot be accomplished until budget restrictions or performance standards have been set, e.g. the use of standard recipes.

An organization's leader has two main controlling functions: an externally directed role, towards that of the organisational environment and an internally directed role, focused on the operations of the organisation.

One of the most important factors in the environment of successful restaurants are the suppliers who furnish the restaurants with the crucial factor for their functioning, the raw material that is turned into output in the form of the dishes served for the guests. It is not possible to produce an

outstanding dish without starting out with top-quality ingredients. Equally important is the way operations are designed to function in an optimal manner. Thus when considering the controlling role of the restaurateur's architectural role, it is necessary to pay attention to how its supplier relations are set up, as well as the way its daily operations function.

(g) Evaluating

Evaluating means looking at how well you and your employees achieved your objectives. Evaluating principles include the following:

(i) Time to evaluate must be set aside regularly.

(ii) Evaluation helps to establish new objectives.

(iii) Input from guests and others outside the restaurant establishment is useful in the evaluation process.

(iv) Evaluation helps in the assignment of organisational resources.

2.5.2 Traditional Management Styles

According to Woods and King (2002) the three traditional management styles are those of the autocratic manager, the bureaucratic manager, and the democratic manager:

(a) The Autocratic Manager

These managers stress immediate, short term results over concerns about people in an organisation. They generally give orders without explanations and expect these orders to be obeyed without question.

Decisions are made by them without input from their staff and they are usually unwilling to delegate work to employees under their supervision. There is often a structured set of rewards and punishments that are used to ensure employee compliance. Since employees are given little, if any, direction about how to perform their jobs. They learn to suppress their initiative and simply follow orders.

(b) The Bureaucratic Manager

Bureaucratic managers make decisions by enforcing rules, regulations, policies, and procedures that are already in place. Concerns for results and for people take a back seat to the status quo of the way things have always been done. Like the employees created by autocratic managers, employees under the thumb of bureaucratic managers quickly learn to suppress their initiative and simply follow the rules. When no rule seems to apply to a situation, employees cease to act and call the bureaucrat.

(c) The Democratic Manager

The democratic manager is almost the reverse of the autocratic manager by focusing more on a participative process than on short-term, immediate results. They take time to keep employees informed on matters directly affecting their work, and often use delegation as an opportunity for employees to develop higher levels of job satisfaction. Democratic managers share decision -making and problem-solving responsibilities with their staff. As they are open to new ideas, they often foster and champion change within their organizations. These managers want employees to be less dependent on them, to willingly accept responsibility, and to take the initiative to get things done themselves.

Summary

An important point to note here, is that in view of the rapidly changing business environment today's managers need the flexibility to adopt different styles of management for specific circumstances. Even though it appears that the democratic style of management is most appealing, this style of management when taken to extremes can definitely stifle an organization as quickly as bureaucratic red tape. The potential abuses of an extreme democratic style can result in paralysis by analysis, wasted time in unproductive meetings, or even abdication under the excuse of delegation.

On the other hand, even though it may be considered that the autocratic manager is a dinosaur from the past without a place in the present day world of business, I have found that when situations call for immediate action, an autocratic style might be needed and expected from management. Consider what happens in a restaurant when twice the expected number of guests need to be served at lunch. There simply isn't time for everyone to meet the usual standards of service, so "service by the book" goes out the window, nor is their time for the manager to always consult with the staff. As a result the manager must make decisions to coordinate the staff's actions.

Similarly in my view, every management position has some bureaucratic functions. For example, legal issues relating to hiring and firing, require managers to strictly adhere to established policies and procedures. In these situations, a manager has to ensure that his decisions are not recklessly autocratic or democratic as these can result in possible expensive lawsuits. So as it appears each situation calls for certain skills and abilities and therefore skilled managers need to be able to adjust their approach to the unique needs of each situation and the available

resources.

Figure 2.6 outlines a sample job description of a restaurant manager, Ninemeier (2000, p.25).

i. BASIC RESPONSIBILITIES

Responsible for meeting all budget goals; for ensuring that quality standards for food and beverage production and service to guests are constantly maintained; for meeting with clients and booking special catered events; for supervising, scheduling and training the food and beverage controller and assistant managers; for delegating general management tasks to assistant managers; for verifying through analysis of source documents that all revenue due is collected from food and beverage sales; for designing/improving existing cash security and recordkeeping/accounting systems; for supervising department heads in absence of Assistant Restaurant Managers.

ii. SPECIFIC DUTIES

- A. Develops operating budgets.**
- B. Monitors budget to control expenses.**
- C. Serves as restaurant contact for all advertising/marketing activities.**
- D. Supervises, schedules, and trains staff.**
- E. Provides required information needed by the controller for payroll, tax, and financial statements and related purposes.**
- F. Reviews all operating reports with department heads; conducts regular and ad hoc meetings to correct operating problems.**
- G. Meets with prospective clients; plans and prices special catered events.**
- H. Designs and improves restaurant cash security and cash disbursements systems.**
- I. Conducts cost reduction/minimization studies.**
- J. Audits source documents to ensure that all monies due have been collected.**
- K. Delegates miscellaneous administrative tasks to assistant managers.**
- L. Serves as restaurant's contact with insurance agent, attorney, banker, and**

accountant.

M. Reviews reports, makes recommendations and follows up to ensure that all problems have been corrected.

N. Is available to provide assistance as needed during busy periods.

O. Addresses special problems as assigned by owner.

lii. REPORTS TO

Owners

iv. SUPERVISES

Assistant Restaurant Managers, Food and Beverage Controller, Subordinates.

v. EQUIPMENT USED

Must be able to operate and perform minor repairs on all equipment in restaurant.

vi. OTHER

Must know how to operate and do minor maintenance and repair work on all food production and service equipment and building heating, ventilating, air conditioning, plumbing, and electrical systems. Must be tactful and courteous in dealing with the public.

Figure 2.6: Job Description - Restaurant Manager, Ninemeier (2000)

2.6 Financial

The understanding of financial accounting enables the restaurateur in making sound economic decisions. All economic decisions require

financial information. Therefore the restaurateur needs to know how the data is processed and how the financial reports are prepared. With this knowledge, he or she can make intelligent economic decisions and succeed in this extremely competitive business environment. Independent full-service restaurants must absorb all expenses, including occupancy costs, depreciation, and interest. Cote (2002) states that it is necessary for the restaurateur to have sufficient start-up capital initially, and to later ensure that there is sufficient operational capital thereafter to enable success.

Ninemeier (2000, p.322) states that "the best standard against which to measure the financial performance of a food service operation is its own financial plan developed by management in the form of an operations budget".

2.6.1 The Restaurant's Operations Budget

The restaurant's operations budget is a profit plan and a control tool that addresses all revenue and expense items appearing on the business's income statement. Annual operations budgets are commonly divided into monthly plans. These monthly plans become standards against which management can evaluate the actual results of operations each month. Thus, the operation's budget enables management to accomplish two of its most important functions: planning and control.

(a) As a Profit Plan

The operations budget is developed by projecting revenue, determining profit requirements and estimating expenses for each month of the upcoming fiscal year. These plans are then combined to form the annual operation's budget.

Revenue is projected by forecasting food and beverage sales for the budget period by looking at sales histories and past monthly income statements, new competition, planned street improvements, weather related to different seasons in the year, social issues, economic variables such as inflation, consumer spending, consumer lifestyles and disposable income of consumers Ninemeier (2001).

The traditional approach to determining profit requirements is by deducting estimated expenses from forecasted revenue:

$$\text{Revenue} - \text{Expenses} = \text{Profit}$$

Once revenue volumes are estimated and profit requirements are determined, expenses required to generate the projected level of revenue can be estimated. A restaurant's expenses generally include: cost of food sold, cost of beverage sold, labour expense, supplies expense, utilities, marketing expense, rent expense, depreciation expense, insurance expense, employee meals, etc. Budget planning requires that the restaurateur examines how these expenses are affected by changes in revenue volume.

(b) As a Control Tool

Ninemeier (2000, p.55) states that by developing a thorough operations budget managers are reminded of the extent to which they are responsible for meeting revenue, profit, and expense goals. Restaurateurs are able to identify and analyze significant variances between budgeted figures and actual results of operations thereby allowing greater financial control.

2.6.2 Financial Statements

According to Cote (2002) “the purpose of financial statements is to present in monetary terms what a business has accomplished, its financial well-being, and the sources and uses of its cash during the period examined”. The income statement for a restaurant presents what it has accomplished, the balance sheet shows its well-being, and the statement of cash flows explains where cash came from and how the cash was spent.

(a) The Restaurant Income Statement

The major components of an income statement common to any restaurant are:

- Sales
- Cost of Sales
- = Gross Profit
- Operating Expenses
- = Operating Income
- Interest Expense
- = Income Before Income Taxes
- Income Taxes
- = Net Income

Sales:

Food \$

Beverage

Total Sales**Cost of Sales:**

Food

Beverage

Total Cost of Sales**Gross Profit****Operating Expenses:**

Salaries and Wages

Employee Benefits

Direct Operating Expenses

Music and Entertainment

Marketing

Utility Services

Repairs and Maintenance

Occupancy

Depreciation

Administration and General Expenses

Other Income

Total Operating Expenses**Operating Income**

Interest Expense

Income Before Income Taxes

Income Taxes

Net Income

\$

Figure 2.7: Income Statement- Full-Service Restaurant, Cote (2002)

(i) Food sales includes the sale of all food products, Sales taxes (vat) are not part of food sales because the collection of these taxes is a liability until they are paid to the government.

(ii) Beverage sales include all alcoholic beverages and soft drinks. Sales taxes are not part of beverage sales. Food sales and beverage sales must be recorded in separate bookkeeping accounts to provide management with meaningful sales and cost analyses as the markup on liquor is considerably different from that on food, inventory life is longer for liquor than for food and selling liquor is not as labour intensive as selling food.

(iii) The cost of sales for food and beverages are accounted for independently and represent the cost of food or beverage used to generate a customer sale, that is the ingredients used.

(iv) The operating expenses represent expenses directly related to the day-to-day operations of the business and reflect operating policies and management efficiency. Operating expenses do not include cost of sales, interest expense, and income taxes.

(b) The Restaurant Balance Sheet

Unlike an income statement that may vary by type of industry because of the differences in sales (products and services) and the kinds of expenses incurred, the balance sheet is fairly standard regardless of the industry. The balance sheet is made up of assets, liabilities and equity.

Deb's Steakhouse, Inc.
Balance Sheet
December 31, 20X2

ASSETS			
CURRENT ASSETS			
Cash	\$34,000		
Account Receivable	4,000		
Inventories	5,000		
Prepaid Expenses	<u>2,000</u>		
Total Current Assets			\$ 45,000
 PROPERTY AND EQUIPMENT			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	
Land	\$ 30,000		
Building	60,000	\$ 15,000	
Furniture and Equipment	52,000	25,000	
China, Glassware, Silver	8,000		
Total	150,000	40,000	110,000
 OTHER ASSETS			
Security Deposits		1,500	
Preopening Expenses		<u>2,500</u>	
Total Other Assets			<u>4,000</u>
 \$159,000			
 LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable		\$ 11,000	
Sales Tax payable		1,000	
Accrued Expenses		9,000	
Current Portion of Long-Term Debt		<u>6,000</u>	
Total Current Liabilities			\$27,000
 LONG-TERM LIABILITIES			
Mortgage Payable		40,000	
Less Current Portion of Long-Term Debt		<u>6,000</u>	
Net Long-Term Liabilities			<u>34,000</u>
TOTAL LIABILITIES			61,000
 OWNER'S EQUITY			
Capital, Deb Barry-December 31, 20X2			<u>98,000</u>
\$159,000			

Figure 2.8: Balance Sheet, Cote (2002, p.65)

(c) The Restaurant Statement of Cash Flows

The focus of this statement is on cash provided or cash used and not on profit and loss. Cash flow is the net result of cash receipts minus cash payments. If the cash payments exceed the cash receipts, the cash flow is negative, which is also called a cash outflow, meaning cash has been used by an activity. If cash receipts exceed cash payments, the cash flow is positive, also called a cash inflow, meaning cash has been provided by an activity. There are three major sections that make up the statement: operating activities, investing activities and financing activities.

Deb's Steakhouse, Inc.		
Statement of Cash Flows		
December 31, 20X2		
Cash Flows from Operating Activities:		
Cash provided from operations		\$27,000
Cash Flows from Investing Activities:		
Cash proceeds from sale of equipment	\$5,000	
Deposit on vehicles	<u>(20,000)</u>	
Cash used by investing activities		(15,000)
Cash Flows from Financing Activities:		
Issuance of 1,000 shares of common stock	11,000	
Payment of 20X1 dividends declared	<u>(1,000)</u>	
Cash provided from financing activities		<u>10,000</u>
Increase (decrease) in cash for the year		<u>\$22,000</u>
Cash at the beginning of the year		12,000
Cash at the end of the year		\$34,000

Figure 2.9: Statement of Cash Flows, Cote (2002, p.69)

2.6.3 Analyzing the Financial Statements

(a) Food and Beverage Ratio Analyses

Restaurateurs may use ratios to analyze balance sheet items and income statement items Cote (2002). The most popular ratios used by restaurants are the food cost percentage and the beverage cost percentage. The food cost percentage measures cost efficiency in generating customer sales.

The formula is:

$$(i) \quad \frac{\text{Cost of Food Sold}}{\text{Food Sales}} = \text{Food Cost Percentage}$$

This ratio expresses the food cost as a percentage of net food sales.

The beverage cost percentage ratio is similar to the food cost percentage:

$$(ii) \quad \frac{\text{Cost of Beverage Sold}}{\text{Beverage Sales}} = \text{Beverage Cost Percentage}$$

(iii) Labour Cost Percentage - Includes salaries, wages and employee benefits. The labour cost ratio expresses the total labour cost as a percentage of food sales.

(iv) Prime Cost Percentage - Includes cost of sales plus total labour cost (salaries, wages, and employee benefits.)

$$\begin{aligned} & \text{Cost of Food Sold\%} \\ & + \text{Total Labour Cost \%} \\ & = \text{Prime Cost Ratio} \end{aligned}$$

(v) Profit Margin Ratio - Measures the amount of net income (income after income taxes) produced by each sales rand.

Net Income

Food Sales

(b) Balance Sheet Ratios

(i) Current Ratio - Shows the relationship of current assets to current liabilities.

Current Assets

Current Liabilities

(ii) Acid-Test Ratio - Is also called the quick ratio, is a more refined version of the current ratio, resulting in a more strict measurement of liquidity. This ratio excludes the less liquid assets of inventories and prepaid expenses.

Cash + Short-Term Investments + Receivables

Current Liabilities

(c) Food Sales Statistics and Analysis

Food sales statistics provide management with a basis for analyzing selling prices, sales mix, efficiency, and profitability.

(i) Sales Mix - The amount of sales reporting depends on the restaurateur's desire for detailed information and the operation's sales mix. Sales mix is the relationship of an element of sales to the total.

$$\frac{\text{Item Sales R}}{\text{Total Sales R}} = \text{Sales Mix \%}$$

(ii) Average Food Check - The average food check reveals how much, on average, a guest is spending. If the average check is lower than projected, the profit target might not be realized.

$$\frac{\text{Meal period Sales R}}{\text{Number of Customers}} = \text{Average Food Check}$$

(iii) Average Food Sale Per Seat - This is computed by using the total number of available seats in the restaurant, regardless of whether they were occupied during the meal period.

$$\frac{\text{Food Sales R}}{\text{Available Seats}} = \text{Average Food Sale Per Seat}$$

(iv) Seat Turnover - Defines the number of times that a seat is occupied during a meal period. The more times a seat is occupied by a different customer, the greater the sales generation during a meal period. The meal period, type of menu items, customer market, and staff efficiency affect the seat turnover statistic.

$$\frac{\text{Guests Served}}{\text{Available Seats}} = \text{Seat Turnover}$$

(d) Beverage Sales Statistics

(i) Beverage/food Sales Ratio - Shows the relationship of beverage sales to food sales.

$$\frac{\text{Beverage Sales}}{\text{Food Sales}} R = \text{Beverage/Food Ratio}$$

Summary

From the above, the intentions of the restaurateur with regard to the financial management of his or her restaurant are made quite clearly to the importance of understanding the basic theory and practice of it.

In the highly competitive restaurant industry, success often depends on the restaurateurs ability to make daily operating decisions and long-term strategic decisions based upon analyses of financial information. In order to achieve satisfactory profit objectives, the restaurateur must thoroughly understand how the financial system accumulates and processes financial information. Ultimately the economic decisions undertaken by the restaurateur are linked to all facets of the organisation.

2.7 Marketing

Restaurants sell happiness! Not only are you marketing a product and service, you are marketing an experience.

Kotler (1999), states that one of the main contributions of modern marketing has been to help companies see the importance of shifting their organisations from being product-centred to becoming market- and customer-centred.

Marketing can be defined as “a response to customer needs for the exchange of products and or services with monetary value through the management of mutually beneficial relationships” Arbee and Naidu(2001, p.55).

Hoffman et al., (2005, p.4) defines Marketing as the “planning and implementation of almost everything an organisation does to facilitate an exchange between itself and its customers”.

According to Abbey (1998, p.5), Marketing is defined as “the study and management of the exchange process involving the things that a firm will do to select a target market and stimulate or alter the market’s demand for the firm’s services”.

It is interesting to note that the common theme surrounding the above definitions is that marketing is the planning and implementation of almost everything an organisation does to enable an exchange between itself and its customers. The focus on the customer as the core marketing activity is also evident. The modern customer is continuously seeking products and services that offer value and delight, no longer does the customer merely want his needs met, he now wants us to exceed his expectations in every way possible.

Kotler (1999) states that successful companies operate on a meeting needs focus instead on a selling product focus. Kotler goes on to note that scholars today are questioning whether the core concept underlying marketing should be 'exchange' or 'relationships' or 'networks'.

Kotler (1999) believes that there are nine prominent winning marketing practises, however only three are discussed as they are relevant to the study.

(a) Win Through Higher Quality

Everyone agrees that poor quality is bad for business. Customers who have been burned with bad quality won't return and will bad-mouth the company.

(b) Win Through Better Service

We all want good service, however customers define service in different ways. Every service breaks down into a list of attributes: speed, cordiality, knowledge and so on. Each person places different weights at different times in different contexts on each of the service attributes.

(c) Win Through Exceeding Customer Expectations

Meeting customer expectations will only satisfy customers; exceeding their expectations will delight them. Customers who are delighted with a supplier have a much higher probability of remaining a customer.

Defining Marketing in the context of the Hospitality Industry, Ninemeier (2000) quite simply states that it is "the business from the perspective of the guest."

2.7.1 Focus on the Guest

Ninemeier (2000) states that a marketing emphasis on excellent guest relations is a significant key to a restaurant operation's success.

Restaurateurs and their managers that are committed to marketing practise the following principles:

(i) Use strategies that focus on what is best for the guest.

- (ii) Talk about service routinely.
- (iii) Use guest-friendly systems.
- (iv) Exemplify all aspects of excellent guest relations as they interact with guests.
- (v) Balance high-tech with high touch; that is, tempering systems and methods with the personal factor.
- (vi) Market service to their guests.
- (vii) Measure service and make the results available to their employees.

A restaurateur should be able to effectively answer the following marketing-related questions:

- (i) How important is service in my organization?
- (ii) How do I tell/show my staff about service-related concerns?
- (iii) How do I evaluate service levels?
- (iv) What are my service strategies?
- (v) What are my service procedures?
- (vi) How do I train my staff about service-related issues?
- (vii) How do I reinforce service strategies?

(viii) Is service a “program” or a “philosophy” at my property?

(ix) Does my staff know about “moments of truth” -any opportunity a guest has to form an impression about the restaurant -and are all possible moments of truth favorable?

2.7.2 The Marketing Mix

Abbey (1998) states that the term Marketing Mix is used to indicate the integrating of several variables to satisfy specific consumer need. An organization has the task of forming these variables into a marketing mix that meets the needs of each consumer group.

It was found that the four P's that make up the marketing mix was too restrictive for the hospitality industry, thus resulting in product being expanded to product-service, because of the service orientation of the hospitality industry. Place, the second element in the marketing mix, has been broadened to place-distribution to include the channels of distribution or the intermediaries who aid in the flow of hospitality products and services to guests. The promotion “P” is now promotion-communication, since marketing communication is different from promotion. With promotion, information only flows from the seller to the consumer; marketing communication is a two-way exchange. Effective marketers listen to consumers before developing products or services. The last “P”, price has been expanded to price-rate.

Conceptually, the marketing mix might be seen as:

(i) Developing a product-service mix based on the wants and needs of the target market(s).

(ii) Determining the most appropriate channels or ways to reach the market.

(iii) Determining promotion, including sales, advertising and public relations and other communication strategies and informing markets of the restaurant's product-service.

(iv) Establishing a price-rate mix that is competitive and will ensure a fair return to the restaurant while providing value to its guests.

2.7.3 The Challenge of Hospitality Marketing and Sales

Hospitality sales differs greatly from consumer goods sales in that the hospitality salesperson is selling something that has both tangible and intangible elements. The food and beverage products offered in a restaurant are tangible, but the services provided are intangible. Guests can't take the restaurant's products and services home to use and admire; when the dining experience is over, all they have is a memory.

Abbey (1998) states that hospitality salespeople must consider the following characteristics of hospitality products and services when selling:

(a) Intangibility

A restaurant must sell the benefits or the experience its products and services will provide to the customer. Since customers cannot see, touch, or use the restaurant experience before they buy, they must rely on the salesperson's description of the restaurant, the cuisine served, the type of service, the ambiance and the experiences it offers.

(b) Perishability

An empty restaurant seat represents business lost forever. In contrast to consumer goods, the hospitality product has no shelf-life; it cannot be stockpiled or inventoried to sell later. This perish ability places heavy pressure on restaurateurs to develop innovative pricing, promotion, and planning strategies. Some restaurants charge fees to customers who fail to honor their reservations.

(c) Inconsistency

The service rendered by a food server(waiter) may vary greatly at different restaurants, or even at the same restaurant establishment. Maintaining a consistent level of service is essential for the success of restaurant entities, and consistency is a special challenge to chain restaurants. An employee may provide varied levels of service from day to day, thus causing the restaurant to perform poorly as a result.

(d) Inseparability

Production and consumption are largely simultaneous with services. The hospitality consumer comes to the establishment, and services are consumed at the place time they are created. To compound the problem, guests not only come into contact with employees of the establishment but with other guests as well. This makes the other guests part of the product and often affects the quality of service.

From the above, it is quite clear that while general marketing methods used for selling tangible consumer products can be borrowed by hospitality salespeople, they must make modifications to them in order to effectively sell the often intangible products and services offered by the

hospitality industry.

2.7.4 Ongoing Market Research

It is essential that a restaurant continues with ongoing marketing research to ensure that the business meets the needs and wants of guests. This research ultimately culminates in the restaurateur being able to develop a marketing plan. According to Ninemeier (2000) this ongoing marketing research typically includes a property analysis, a competition analysis, and a market analysis:

(a) Property Analysis

A property analysis is a written, unbiased appraisal of a food service operation's production and service areas, products, and services. It is used to assess the strengths and weaknesses of the operation. The building's exterior, the landscaping if any, and the property's signage should be included in the analysis. The establishment should be carefully evaluated in terms of traffic flow , accessibility, eye appeal, and compatibility with local surroundings.

Other categories that should be assessed are: location, type of restaurant, source and volume of business, days and hours of operation, menu prices, guest check average, type of service, number of seats, availability of liquor service, entertainment, and promotional efforts. By utilizing the property analysis tool, the restaurateur has the insight to view the establishment from the guest's perspective. Friends and or staff may be invited as guests during selected meal periods to provide the kind of feedback that "insiders" may be incapable of providing.

(b) Competition Analysis

It is essential for the restaurateur to be aware of what the competition is doing. Competitors should be analysed under the same categories as the property analysis. Food service managers and staff should visit competitors' operations at a variety of times (lunch, dinner; slow and peak business periods) to completely understand the service and atmosphere provided by competitors.

(c) Market Analysis

A market analysis identifies the current markets served by the restaurant and examines marketplace factors and trends that provide opportunities or pose threats to the operation. A market is a group of guests with similar needs, wants, backgrounds, incomes, buying habits, etc. Market analysis involves guest profile research and identification of marketplace factors and trends.

Data on a guest's age, gender, frequency of visits to the restaurant, and employment is important in positioning or repositioning the restaurant. For example, if research indicates that a operation draws business people at lunch and families in the evening, it makes it easier to plan menus that will appeal to each group. Similarly, if guest profile research shows that most lunch guests are businesswoman, the operation might want to appeal to that market with an eye-catching salad bar and specially priced small lunch portions for light eaters.

Guest profile information can be gathered by the restaurateur, manager, host, or food servers simply by talking with guests. Information can also be gathered by observing details about patrons such as briefcases that identify guests as businesspeople, shopping bags that identify guests as

objectives, necessary resources, planned activities, and expected results.

Arbee and Naidu (2001, p.14) assert that there are specific questions that have to be answered during the marketing planning process:

(i) Where are we in terms of our company, customers, competitors and category/industry sector? (situation analysis)

(ii) What is occurring in the external market environment and what are the opportunities and threats? (environmental scanning)

(iii) What do we want to achieve? (objective)

(iv) What will assist us in getting to the desired position? (process)

(v) How can we get to the desired position? (strategy)

(vi) What system will we implement to achieve our objectives? (resource allocation, implementation, feedback and control)

(vii) Will we recycle the plan annually, and adapt strategy on a continuous basis? (continuous evaluation)

The marketing plan translates ongoing marketing research into strategies and tactics. Ninemeier (2000, p.61) states that creating a marketing plan involves selecting target markets, determining objectives, creating action plans to meet those objectives, and monitoring and evaluating those plans to measure their success and help set new objectives.

Restaurateurs should first identify which major markets their operation already appeals to, using guest surveys and guest comment cards.

Internal merchandising involves the use of in-house signs, displays, and other promotional material to increase sales. Examples include posters, table tent cards, wine displays, and dessert carts. The power of suggestion can be overwhelming when a food server rolls a cart loaded with mouth - watering desserts directly to a guest's table.

Abbey (1998) states that the most important merchandising tool is a restaurant's menu. A good menu, through the types of items offered and the presentation of those items, can enhance the image and increase the profits of any restaurant.

The menu must reflect the restaurant's positioning or image, provide information, and serve as a suggestive selling tool. Restaurateurs that follow a menu development cycle that includes image, price, message and design are able to create menus that sell.

Special promotions can be used to increase the public's awareness of the operation, attracting new guests, keeping regular guests happy, increasing business during slow periods and spotlighting special events. Examples of special promotions can be couponing/vouchers, product sampling, contests, packages, premiums (gifts), gift certificates, discounting and bonus offers.

External selling involves the use of salespeople to sell outside groups or banquets and other large food and beverage functions. Only restaurants that have large banquet facilities are likely to use external sales people.

(b) Advertising

Advertising is the second major tool restaurateurs use to reach marketing objectives. Restaurateurs use advertising to inform the public about their

food service facility and persuade guests to visit it. Media such as outdoor signs, newspapers, magazines, radio, television, direct mail, and the internet are used to reach the public.

(c) Public Relations and Publicity

These marketing tools are used by restaurateurs to keep current guests and attract new guests through efforts that are much more indirect and subtle than sales and advertising efforts.

Public relations refers to the process of communicating favorable information about the restaurant to the public in order to create a positive information. The ultimate purpose of effective public relations is to create goodwill and increase the number of guests who patronize the restaurant. The restaurateur focuses on maintaining good relations with guests; the media; competitors; the chamber of commerce; business groups; community organisations; trade associations and government groups.

Satisfying the restaurant's current guests and properly handling their problems and complaints is a major contribution to good public relations and to the success of the restaurant. Satisfied guests provide positive word-of-mouth referrals to others.

Charity work, sponsoring local sports teams and other community organisations are typical public relations activities that restaurants undertake to enhance their public relations.

Publicity is free coverage of a restaurant, its staff, or special restaurant events by the media. A restaurateur is unable to control publicity content and therefore should try to generate as much positive publicity as possible by informing the media of upcoming events, significant accomplishments

of food service employees or even a celebrity cook-off.

2.7.5.1 Creating Menus That Sell

(a) Image

The menu development cycle begins with your restaurant's positioning or image. A restaurant can position itself through service differentiation, location or ambiance. The restaurant's image refers to how the establishment is perceived by your patrons. What image does the restaurant create? What type of ambiance or atmosphere does it offer? When people patronize the restaurant, do they expect a romantic atmosphere or a casual dining experience? While there are a myriad of menu options, the menu must live up to the guest's expectations. Since the restaurant's image is determined in part by the type of clientele the restaurant attracts (or hopes to attract), it is important to determine if the restaurant caters primarily to the health-conscious, business people or families, which would therefore require a more varied menu.

(b) Price

Pricing of a restaurant menu has to correspond with the positioning of the establishment. According to a study detailed in the Cornell Hotel and Restaurant Administration Quarterly (2004) by Kimes and Robson, restaurants can charge different prices for the same menu items during lunch and dinner without risking customers' perceptions of fairness. In addition, the study found that variable pricing on weekends versus weekdays is also likely to be acceptable with customers. The restaurateur must consider the type of operation, guest perception and demand and competition when pricing menu items.

Summary

A service business entails something that is primarily intangible being delivered by people to people. Both employees and patrons are very much a part of the product in the consumer's mind as any other attribute of the service. From the literature discussed above it is clear that the marketing focus for restaurants is that which is based on relationships.

Guests do not buy just a meal or a few drinks; they buy a social experience as well. The social experience always involves people. The restaurant's employees contribute greatly to the marketing plan of the establishment. Food and beverage employees can help make dining or relaxing over a drink a pleasurable occasion, thereby making a difference between a highly successful operation and empty seats.

According to Ellison (2004, p.73), Gronroos (1990) states that "internal marketing is a prerequisite for successful external marketing. Internal marketing is a management philosophy in which management creates, encourages and enhances an understanding of and an appreciation for, the roles of the employees in the organisation". Customer-conscious employees reflect the marketing culture, the importance of the customer to the organization, and take a holistic view of their jobs.

Other important aspects identified from the literature points to the positioning of the restaurant, the menu which is an important marketing tool and the use of external marketing through media. It is necessary for the restaurant to have a clear understanding of 'Who are we?' If the internal messages or the shared understandings are unclear, confused or misunderstood by the restaurant's employees, then the positioning of the establishment is likely to remain unclear, confused and misunderstood by customers. As a result we may conclude that the positioning of a

restaurant is closely linked with its culture, mission and vision.

According to Ellson (2004, p.36) Day (1990, p.9) argues: The essence of competitive advantage is a positioning theme that sets a business apart from its rivals in ways that are meaningful to the target customers. The most successful themes are built on some combination of three thrusts; better (through superior quality or service), faster (by being able to sense and satisfy shifting customer requirements faster than competitors) and closer (with the creation of durable relationships).

It is clear that the connection made between the restaurateur and his staff with the guest can be strengthened through employee recognition of guests which is one of the most effective tools for building goodwill and repeat business. Guests enjoy being addressed by their names as soon as they walk into a restaurant, it makes them feel valued.

Other aspects contributing to repeat business would appear to be good recommendations of food and beverage products, reassurance to guests using conversation and personal observation. An example of this would be a leisure diner has time to talk to a server(waiter) and taste-test different foods; a business person on the other hand, may want to place an order immediately and may prefer to order foods that can be prepared quickly.

Guest follow-up is also a critical marketing tool as it is one of the most easiest and most inexpensive way to build guest goodwill and loyalty.

It is evident that restaurants have to have a culture of focusing on the customer in order to be successful and this culture of focus on the customer has to be evident in its marketing efforts.

2.8 Type of Ownership

Cote (2002) states that the formation of a business requires selecting its legal form of business organisation. The form of business selected affects start-up organisational costs, personal liability, government regulation, accounting and legal fees, independence of owner, complexity of the accounting system, the business year and income taxes.

This particular study will focus on the three common legal forms of business that are likely to be used by the independent restaurant owner(s), that is, a proprietorship, a partnership, and a closed corporation.

A proprietorship business form is distinguished in that the business is not legally incorporated and the business is owned by a single individual. The owner of the business is a self-employed individual. A significant advantage of this unincorporated form of business is that it is the easiest, quickest and least expensive form of business to legally establish.

A partnership has many similarities to a proprietorship, except for the number of owners. A partnership is distinguished in that the business form is not legally incorporated, and the business is owned by two or more individuals. A corporation is distinguished by the facts that the business form is legally incorporated and the business is owned by one or more individuals. Figure 2.10 below compares the distinguishing features of a proprietorship to those of a partnership and a corporation.

Exhibit 4 Legal Forms of Business Organization

Exhibit 4 Legal Forms of Business Organization

	Human Resources			Initial Funding		Government Regulation	Revenue		
	Management Control	Personnel and Expertise	Continuity/Transferability	Requirements and Costs	Ability to Raise Capital	Losses/Debts	Profits	Growth Potential	
Proprietorship	One owner in total control	Depends mainly on owner's skills; hard to obtain quality employees	Ends on death of owner; free to sell or transfer	Costs are lowest (filing fee required if business held under name other than owner's)	Limited—all equity (funding) must come from proprietor; loans based on credit-worthiness of owner	Owner liable for all debts	Little regulation; few records needed	All profits to owner	Limited options—reinvest profits; obtain loans on owner's line-of-credit
Partnership	Divided among two or more partners; decisions made by majority or prearranged agreement (limited partner cannot manage the business)	Depends mainly on partners' skills; hard to find suitable employees	Ends on death of partner (unless otherwise agreed in writing); transfer conditions vary with agreement	Costs low; general partnership agreement optional but recommended (limited means that agreement stating liabilities and responsibilities of each partner is required)	Limited to resources of each of the partners and the ability of each to acquire loans and/or investors	Partners liable for all debts (limited partner has restricted liability and involvement per partnership agreement)	Subject to limited regulation; few records needed; articles of partnership should be drawn up	Divided among partners	Limited options—reinvest profits; obtain loans on owners' lines-of-credit
Corporation	Corporation acts as one person, but Board of Directors holds legal, formal control; working control held by those who manage the business day-to-day	Allows for flexible management; easier to secure quality employees with the necessary expertise	Continues with overlapping; most flexible in terms of transfer of interest (i.e., ownership) from one shareholder to another	Costs are highest; legal forms, documents, professional fees required	Greatest equity potential—can sell new stock; loans based on corporate financial strength and expertise, thus providing larger borrowing base	Corporation liable for all debts (i.e., shareholders are liable only for amount invested; are liable for more only if personal guarantees were given)	Extensive record-keeping required; must have articles of incorporation, by-laws and filing fees	Retained in corporation; shareholders receive dividends	Flexible—can reinvest profits (at discretion of Board of Directors); sell additional shares; obtain loans on corporate credit

Source: *Minding Your Own Small Business: An Introductory Curriculum*, Department of Health, Education, and Welfare 1979. Contract Number 300-7000330.

Figure 2.10: Legal Forms of Business Organisation, Cote (2002, p.39)

2.9 Organisational Culture

Leaders use reward systems, symbols, and structure among other means to shape the organisation's culture, Pearce and Robinson (2003).

Pearce and Robinson (2003) state that organisational culture is the set of important assumptions that are often unstated that members of an organisation share in common. The culture of an organisation is similar to an individuals personality which is intangible yet an ever-present theme

that provides direction, meaning and the basis for action. An organisation's opinions and actions are influenced by the shared assumptions (beliefs and values) of its members. Culture is not itself visible. However, it is made visible only through its representation in the operation of the organisation.

Hill et al., (2000), defines organisational culture as a set of values, norms, standards of behavior and common expectations that control the ways in which individuals and groups in an organisation interact with each other and work to achieve organisational goals.

According to Hill et al., (2000), there are specific factors that create a strong organisational culture such as the values of the founder e.g. McDonald's founder, Ray Kroc insisted from the beginning on high standards of customer service and cleanliness at his restaurants; these became core sources of McDonald's competitive advantage, the socialization of organisation members, ceremonies and rites and stories about the organisations heroes and villains. It is believed that employees learn market orientation from other employees through socialization.

It is interesting to note that Pearce and Robinson (2000) state that leaders create distinct cultures through emphasizing key themes or dominant values, encouraging dissemination of stories and legends about core values, institutionalizing practices that systematically reinforce desired beliefs and values and adapt some very common themes in their own unique ways such as a belief in being the best or better than the best. Greenberg and Baron (2000, p.486) define organisational culture as "a cognitive framework consisting of attitudes, values, behavioral norms and expectations shared by the organisations members".

Nevertheless, the lessons learnt from the above definitions of organisational culture is that at the root of any organizational culture is a set of core characteristics that are collectively valued by the members of the organisation.

First, organisations may differ regarding their sensitivity to the needs of customers and employees. It is apparent that restaurants place a high value on customer service and satisfaction. Second, organisations differ regarding their interest in having their employees generate new ideas. Some restaurateurs allow their head chefs free reign in the generation of new dishes for the menu by encouraging them to be unique with fresh ideas. Third, organisations differ regarding the value placed on taking risks. Fourth, organisations differ regarding their openness of available communication options where employees may be encouraged to make decisions freely and to communicate with whomever is needed to get the job done.

It is interesting to note the common theme through organisational culture is that it is learned, it is shared and it is transmitted within the organisation. The ultimate source of culture is based on the founder's beliefs and values and how he transmits this to the members of his organisation. Customers do not merely purchase a product or service but a company's ethos because what companies do, make or sell are inseparable from what they are. Ellison (2004) states that according to Pottruck and Pearce (2000) successful companies have cultures and principles that are created and consciously sustained through the support and encouragement of individual contribution, team playing and risk taking. These companies, they say, are driven by the personal values of their managers.

Greenberg and Baron (2000) identify four organisational cultures:

(a) Networked Cultures, are characterized by high sociability and low solidarity. These cultures are extremely friendly and light-hearted in style, where people tend to keep their doors open and they tend to talk about business in an informal, casual manner. A great deal of time is spent socializing with people getting to know each other quickly and feel they are part of a family.

(b) Mercenary Cultures, involve people who are highly focused on pulling together to get the job done with communication being swift and direct, handled in a no-nonsense way with a businesslike manner predominating. Idle chatter is not tolerated and winning is considered to be everything.

(d) Fragmented Cultures, people have little contact with each other, only talking to each other when it is necessary or useful to do so. Members of a fragmented culture do not identify with the organisation in which they work.

(e) Communal Cultures, are very friendly, with members getting along well both personally and professionally.

2.9.1 Vision and Mission Aligned to Culture

Drucker (1954, p52) contends that "if we want to know what a business is we have to start with its purpose" and importantly goes on to consider the customers' view of 'value' as decisive in what he describes as the two basic functions of business: marketing and innovation. Most importantly, perhaps, there is recognition that "the customer is the foundation of a business and keeps it in existence"(p. 53). These two functions are described as serving and creating customers. The mission to serve and

create customers is a strong contributor in a restaurant.

The link between the restaurant's mission and vision with its culture is further emphasized by Levitt (1986) asking the basic questions in adopting a market-led approach: What business are we in? What business could we be in? What business do we want to be in? What must we do to get into or consolidate in that business? The marketing concept defines a distinct organisational culture, a fundamental shared set of beliefs and values that put the customer in the centre of the restaurant's thinking about strategy and operations. In this sense, vision and mission reflect the culture of the restaurant organisation.

Woods and King (2002) suggest that best-performing small to medium sized (SME) operations in the hospitality, tourism and leisure industry share certain elements of culture including: supporting values such as building the future together, cooperative setting of missions and strategies, development of teamwork and organisational learning.

Summary

The behaviour of an organisation in the market reveals its culture, its essential values and attitudes. These appear as a personality that is recognizable and distinctive from competitors and competitive offerings in the industry and ultimately to its customers. The culture of an organisation will affect the way that the environment is perceived and the way that the organisation seeks stability in the external environment.

The importance of culture is in part the capability or inability of the organisation to identify and adapt to the changing external environment and its ability to grow and succeed over the long term.

Ultimately, organisational culture reflects the founder/leader and the history of the company. Since value for guests and profits for the restaurant depend on the restaurant's leader, manager and staff members successfully handling moments of truth, the primary challenge for a restaurant's leader and manager is to create an organisational culture that places a high priority on providing quality service to guests. It is important to note that the hallmark of such a culture is that the leader, manager and each staff member realizes the contribution to guest satisfaction that he or she makes at each moment of truth.

Within an organizational culture that emphasizes quality service, the act of managing itself becomes a form of service i.e. managers serve the restaurant's staff members who in turn, serve guests. So, if you are not serving a customer you should be serving someone who is. It is essential to create a robust service-culture in a restaurant in order to ensure success.

2.10 Leadership

Cichy and Wise (2002) state that as food service operators address the challenges of labour issues, governmental regulations, changes in consumer behaviour and debt structuring, only the most capable and qualified leaders will be truly successful.

Leadership can be defined as "the process whereby one individual influences group members toward attaining defined group or organizational goals" Greenberg et al., (2000, p.445). According to this definition, leadership primarily involves influence whereby the leader changes the actions or attitudes of subordinates. The use of noncoercive influential techniques is what distinguishes a leader from a dictator.

Leadership involves the exercise of influence for the purpose to attain defined group or organizational goals. The focus of leaders is to alter those actions or attitudes of their subordinates that relate to specific goals.

Leaders are primarily responsible for creating the essential purpose or mission of an organisation and the strategy for attaining it, whereas the manager's primary responsibility is to implement that vision. It is evident that in order for organizations to succeed - they must be led by individuals who are visionary with a strong commitment to change.

Burns (1978) described leadership as a stream of evolving interrelationships in which leaders are continuously evoking motivational responses from followers and modifying their behaviour as they meet responsiveness or resistance in a ceaseless process of flow and counter flow.

2.10.1 Charismatic Leadership

Greenberg et al., (2000), considers a charismatic leader to be an individual who is able to exert especially powerful effects on followers through the attributes that followers make about them. These individuals have high self-confidence, present a clearly articulated vision, behave in extraordinary ways, are recognized as change agents and are sensitive to environmental concerns.

According to Woods and King (2002), charismatic leaders in present day organisations fit the stereotypical image of supportive, sensitive, nurturing, and considerate leaders such as Mahatma Gandhi or Nelson Mandela. Charismatic leaders empower their people. One way to ensure that people will share the leader's vision and work together towards the

common goal is to express high performance expectations and take every step necessary for employees to make that happen.

2.10.1.1 Qualities of Charismatic Leaders

(a) Self-Confidence. Others readily become aware of the fact that charismatic leaders are highly confident in their ability and judgment.

(b) A Vision. The extent to which a leader proposes a state of affairs that improves the status quo by articulating that vision clearly and be willing to make sacrifices to make it come true.

(c) Extraordinary Behavior. These leaders are unconventional, and when successful, their quirky ways elicit admiration.

(d) Recognized As Agents of Change. Charismatic leaders make things happen thus making the status quo their enemy.

(e) Environmental Sensitivity. They are highly realistic about both constraints imposed on them and the resources needed to change things, so they know what they can and cannot do.

2.10.1.2 Reactions To Charismatic Leaders

Charismatic leaders inspire high performance levels amongst followers who can be described as also having high levels of devotion, loyalty and reverence for their leader. The charismatic leader is able to surround himself with motivated and enthusiastic followers who are constantly excited about their leader and his or her ideas.

2.10.2 Transformational Leadership: Beyond Charisma

Theorists have recognized the importance of charisma in leadership. However, the most successful leaders also revitalize and transform their organisations. Greenberg et al., (2000, p.462) defines transformational

leadership as, "Leadership in which leaders use their charisma to transform and revitalize their organisation".

Transformational leaders provide a strong vision and a sense of mission for the organisation. They are able to stimulate intellectually by helping their followers to recognize problems and solutions, give individual consideration through support, encouragement, and attention they need to perform well and inspirational motivation. Transformational leaders seek to empower their followers by elevating them to do "their own thing" by serving them as mentors.

Bass et al., (1993) states that transformational leaders possess good visioning, rhetorical and impression management skills, and they use these skills to develop strong emotional bonds with followers. The idealized influence aspect of transformational leadership is very close to the charismatic leadership; however according to Bass (1985) there are major differences between transformational and charismatic leaders. Charisma is a necessary but not sufficient component of transformational leadership. Some leaders may be charismatic but may have no transformational leadership characteristics.

Burns (1978) described transformational leadership as a process in which leaders and followers raise one another to higher levels of morality and motivation. Transformational leaders seek to raise the consciousness of followers by appealing to higher ideals and moral values such as liberty, justice, equality, peace, and humanitarian and not baser emotions such as fear, greed, jealousy, or hatred.

Although Bass treated charisma and transformational leadership as distinct concepts, the work of Tichy and DeVanna (1986) talks about articulating a vision, which enthuses followers and creates considerable

loyalty and trust which sounds very similar to charisma. Therefore, while conceptually they may be distinct, much of the writing fails to make it clear.

2.10.3 Roles Restaurateurs Play

Organisational researchers agree that the real sources of organisational success, which allows firms to achieve sustained levels of innovation and outstanding performance are closely linked with the human resource management practices found in the company, Collins (2001); Collins and Porras (1994); Kets de Vries (2001).

The sources of an organisation's competitive advantage can be found in its culture and capabilities that derive from how people in it are managed by their leaders. Pfeffer (1998) believes it is more difficult to imitate or understand competences and management practices than it is to copy strategy, technology, or global presence.

For an organisation to become truly outstanding, its employees have to exhibit and share a set of excellence-enhancing values, norms, and behaviour. In entrepreneurial organisations, these are first introduced into the organisation by the founder during the start-up phase and the early years of the organisation and play a determinant role in shaping the development and the corporate culture of the organisation, Schein (1985). Later, when the founder's leading style and personality have become institutionalized into the work environment, and have become a 'way of life' for all employees, the values implanted by him or her become the life blood of the organisation's culture and serve as a socialization factor for new organisational members, thus continuing the organisational practices that have led to the firms excellence.

An important research stream in the organisational literature deals with the phenomenon of the 'inspirational role of leaders'. The challenge for leaders of organisations becomes how to affect the mind-set of the organisational participants through value creation, through influencing the culture, and through building commitment to the organisation's mission, objectives, and strategies to obtain above average organisational performance, Kets de Vries (2001).

Research has shown a distinct difference between transactional and transformational leadership. While transactional leadership can be viewed as a mundane contractual exchange based on self-interest (often described in the literature as the manager's role). Transformational leadership seeks to satisfy the higher needs of followers - to engage in a process of mutual stimulation and elevation whereby followers will transcend their own self-interests for the good of the group, Kotter (1990).

A number of researchers have built on Burns' notion of transformational leadership in an effort to broaden early charismatic conceptualizations. Bass and Avolio (1993) view charisma as an important component of transformational leadership. Shamir et al., (1993), contend that charismatic leadership affects followers, self-concepts and has motivational results through its ability to change follower perceptions of the task that has to be accomplished, to offer an attractive vision of the future, to create a group identity, and to heighten individual and collective feelings of self-efficacy.

These various views of a focus on the inspirational role of leadership contribute to a rich description of the leadership mystique is all about. Researchers who view leadership as a charismatic process favour a perspective whereby the leader is seen as one of the crucial factors of organisational success. They suggest that the most effective leaders take



on two roles: a visionary, charismatic role (consisting of envisioning, empowering, and energizing) and an architectural role (designing the organisation, and formulating control and reward systems), Kets de Vries and Florent (1999).

Summary.

When studying great restaurateurs from the point of view of these researchers, the starting point in the creation of outstanding entrepreneurial organizations - the most outstanding restaurants in Durban - is the role played by the leader, i.e. the restaurateur.

It is his leading style, the vision and enthusiasm he generates, the goals he sets, the fundamental values he espouses that will create an outstanding organisation. By institutionalizing his values of excellence into the fundamental practices and the corporate culture of the organisation, he creates a culture and organisational environment that is conducive to outstanding performance. The leaders demographics and personal/family goals will also be taken into account in this study.

2.11 Summary of Chapter

In all organisations, there are certain essential internal factors that are necessary for the organization to perform. In this chapter, the study focused on the internal environment of a restaurant organization, where the focus was on Strategy, Product, Management, Type of Business Ownership, Marketing, Organisational Culture, and Leadership.

What has been clearly defined by the literature reviewed is how and what a successful restaurant requires to ensure and maintain success. Using the information provided, it is necessary to construct a plan of action, or

methodology to apply what has been provided in the literature review and to test it against the three successful restaurants under study. In order to do so, a research strategy must be devised that would best be able to extract the information required to conduct this analysis. The following Chapter Three provides this strategy.

CHAPTER THREE - RESEARCH METHODOLOGY

3.1 Introduction

In Chapter One, a very brief mention was made of the research methodology that would be adopted in the study. The Research Philosophy that would be followed was the combination of both the Qualitative and Quantitative Approaches.

In this Chapter, the Research Philosophy and the rationale behind these approaches are explained in depth. The Research Strategy chosen for the study is also made clear and the two routes chosen are discussed, that is the use of in-depth interviewing (conversational rather than structured), participant behavioural observation analysis (Qualitative) and a survey (Quantitative). However, due to there being only three restaurants that make up the sample, the data from the survey (questionnaire) will be analysed using Qualitative Content analysis. These methods would form the basis of the research of the organisations. The study cannot be classified as being Quantitative even though a questionnaire was used. However, due to the fact that the survey is usually classified as being a Quantitative data collection method the literature in this chapter will make some reference to Quantitative studies.

Finally, the methods for data collection, capturing and analysis to support the research strategies are offered lastly. This Chapter proposes the strategy of the methodology that must be followed in order to draw a conclusion on the research question.

3.2 The Research Philosophy

Understanding the perceptions of others on various issues in order to attain a clearer and bigger picture is one of the main objectives of

Qualitative Research, according to Sanders, Lewis and Thornhill (2000). According to Ellson (2004), a Qualitative approach to research is widely used in a variety of domains including health care, public health, business studies, change management, human resources and organisational studies. A Quantitative study revolves around the collection of data, which can be analysed statistically to quantify the results of the study and can be applied more widely. However due to the nature of this study, the data collected will be analyzed solely in a Qualitative manner using Content Analysis.

It has also been said that the reasoning behind a Qualitative study is to control the field of study as much as possible and contain the attention to as narrow a band of behaviour using an objective and detached action. According to Rudestam and Newton (2001, p.36), "Qualitative implies that the data are in the form of words as opposed to numbers...usually reduced to themes or categories and evaluated subjectively..." and where there is "more emphasis on description and discovery and less emphasis on hypothesis testing and verification".

Whilst the Research Philosophy adopted is a combination of a Qualitative and Quantitative approach (survey - questionnaire), a major portion of this investigation will be in terms of the former, the Qualitative Research. Literature consulted portrays the Qualitative Researcher as one that views the world as to being socially constructed and the science as being driven by human interest. Here, the researcher is a subjective entity, and is a part of the world that he or she is observing. Objectivity is unfortunately impossible to achieve with this type research philosophy.

One of the advantages advocated by this method is, amongst others, that this type of Qualitative research often has greater validity and less artificiality. This is simply because the ability of researchers to observe a

Seeking insights offers the opportunity to identify characteristics and features of the problem. Qualitative research, according to Ghauri et al., (1995), allows for the use of integrative powers of research to draw an integrative explanation. This study will adopt only a qualitative approach in the interpretation of its findings.

3.2.1 The Research Strategy

Examples of Qualitative research strategies include in-depth interviewing (usually conversational rather than structured), participant observation (to perceive firsthand what participants in the setting experience), a Case Study, Action Research, Grounded Theory and Ethnography approach.

For the purposes of this research, the main research strategies adopted are the interviewing, observation and survey approach to answering the research problem.

However, as mentioned earlier, the use of both Qualitative and Quantitative philosophy in this research will be undertaken. However, the data collected from the study will be analyzed only Qualitatively. One of the strategies of Quantitative research philosophy is 'Surveys'. Surveys require a sample to be selected from a population and studied. The results are inferred about the population.

The primary function of surveys is to determine the perceptions, attitudes, opinions, attitudes and preferences of people in the interest of revealing a trend of value to the researcher. Where a sample is representative of the larger population, it is possible to use statistical techniques to assess the applicability and generalisability of the findings to a larger population. In order to achieve this information, surveys make use of data collection instruments such as questionnaires and interviews to obtain the data

required.

The communication approach involves surveying people and therefore indirectly their businesses (in this study restaurateurs and their restaurants are the focus) and recording their responses for analysis. The great strength of the survey as a primary data collecting approach is its versatility. We seldom learn much about opinions, attitudes, intentions and expectations except by survey.

For this study, a combined research strategy involving in-depth interviewing/conversations with restaurateurs their employees and patrons, observation of the operations at each of the three restaurants that make up the sample and a survey where each restaurateur was required to complete a ten page interviewer-administered questionnaire has been adopted.

3.2.2 The Research Purpose

The above research design can also be classified in terms of their purposes. The following common forms of research designs are available and this is defined mainly on the basis of their broad purpose:

- a) Causal-comparative research- using an experimental or quasi-experimental design to study closely comparable groups- to establish differences; reasons for these differences and uncover causal links.
- b) Co-relational research- discovering the relationship between variables through the use of co-relational statistics.
- c) Explanatory research- explaining the relationship among variables and to identify the connected-ness among the components of a phenomenon.
- d) Descriptive research-describes the characteristics of an existing phenomenon, but also examine the many patterns of related behaviours.

- e) Exploratory research- primarily concerned with finding out what is happening.

3.2.3 The Research Design

An Exploratory Research Design has been chosen using a combined Interview, Observation and Survey strategy. This design has been chosen since the “problem” is un-structured and not clearly understood and only through examining related literature and theories can we propose any possibilities.

3.3 The Sampling Cycle

In social sciences research, the sample may be divided into three specific sub components:

- a) Invited Sample-all elements of the population are selected to form the sample and invited to participate in the study.
- b) Accepting Sample-those elements of the population that accepts the invitation is called the accepting sample.
- c) Data-producing sample-the actual portion of the accepting sample that provides data for the study.

3.3.1 Sampling

Due to conditions under which the researcher has to conduct her research it may not be practical or feasible to be able to research all the appropriate subjects for a research project.

The process of selecting a fractional part of the whole relevant group or population of appropriate subjects is called sampling. The principle followed is that by selecting some of the elements of the total population and focusing the research attention on this group, the sample, it is

possible to infer that the findings of the study will be relevant to the whole population of interest.

There are two broad types of sampling: Probability and Non-probability.

Probability Sampling

In this study, the probability sampling technique is used since the entire population is known and will be used in the research process. The population targeted for the interviews, observation and survey portion of the research using a questionnaire as the primary data collection equipment, are three Durban restaurants that have been identified as being amongst the most popular and successful restaurants in Durban.

Saunders et al., (2000) defines probability sampling as the deliberate choice of the number of people who are to provide you with the data from which it is possible to generalise and draw conclusions from the findings from the sample to the population. Every element in the population has an equal probability of being chosen once they are included in the sampling frame.

3.3.2 Sampling Technique

There are four types of sampling techniques or designs that can be used if the probability sampling method is used. They are: Simple random sampling, Systematic sampling, Stratified sampling and Cluster sampling. Simple random sampling has been chosen as the technique of drawing a sample of the population for this research. With this technique there is no biases or predetermination in the selection process. Here every member of the chosen sample has an equal chance of being selected, and since the population is representative of total successful, popular restaurants in Durban, it is possible to infer that these findings will be relevant to the

The Real Food Restaurant Association of KwaZulu-Natal (2006) identifies Café 1999, Ile Maurice, 9th Avenue Bistro, Andreotti's & Aubergine, Zest and Sprigs as "Real Food" Restaurants.

The restaurants identified as having a high popularity in the market place were Spiga d' oro and Butcher Boys. The identification of these two restaurants was undertaken by observation and through interviews with fellow restaurateurs, consumers and hospitality professionals who have expertise in the industry.

The Mercury Eating Out Guide	Real Food Association of KwaZulu Natal	Popularity in the Market Place
Café 1999 - Berea Ile Maurice - Umhlanga 9 th Avenue Bistro - Berea Andreotti's & Aubergine - Hillcrest Zest - Kloof Havana - Beachfront	Café 1999 Ile Maurice 9 th Avenue Bistro Andreotti's & Aubergine Zest Sprigs - Kloof	Spiga d' oro - Morningside Butcher Boys - Morningside

Figure 3.1: Identification of Sample, The Mercury Eating Out Guide (2006), The Real Food Association KwaZulu Natal (2006), Popularity in the Marketplace

Three of the nine identified successful independently owned restaurants agreed to participate in the study. Each of the restaurants that made up the sample are owned by two restaurateurs who were interviewed. Also interviewed at each restaurant were one manager, between two and four employees and ten patrons.

3.4 Data Collection Methods

The two most commonly used primary data collection methods are the questionnaire and the interview. Since all research is generally concerned with obtaining answers to questions, the questionnaire and interview are data collection instruments that enable the researcher to pose questions to the subjects of the identified sample in search for the answers to the research questions. However in this study the researcher had also chosen to utilise an observation approach as well due to the nature of the study. A behavioral observation study of the restaurateur, his employees and patrons was carried out to gain more insight into how they contribute to the success of the restaurants that made up the sample.

3.4.1 Measuring Instruments

Saunders et al., (2000) say it depends to a large degree on the type of circumstances, the amount of information required, the speed thereof and the accuracy as to which of the many measuring instruments the researcher wishes to quantify his variables.

The three measuring instruments that were considered for this investigation were:

- 3.4.1.1 Questionnaires
- 3.4.1.2 Unstructured, conversational interviews.
- 3.4.1.3 Behavioural observation

3.4.1.1 Questionnaires

Questionnaires are one of the most widely used survey data collection techniques. They are used most widely in surveys with descriptive or exploratory purposes. They can also be used effectively in studies with

experiment and case study research strategies.

Since each person is asked to respond to the same set of questions, questionnaires provide an efficient way of collecting responses from a sample. Frey and Oishi (1995) have said that the standard questionnaires are designed to reduce the error that could be attributed to the interviewer. This is accomplished by scripting the question format, order and defining in detail how the interviewer is to move through the questionnaire.

The writer prefers to self-administer as a greater role can be played in enhancing respondents questions and clarifying responses. This has a further advantage over mailed questionnaires, which may be filled in by someone else or may never be returned. Interview bias can be avoided and the response rate will be very high.

Saunders et al., (2000, p.280) maintain that is generally good practice not to rely solely on questionnaire data but to use the questionnaire in conjunction with at least one other data collection instrument. An interview and behavioural observation was chosen as other data collection instruments to supplement and complement this process.

a) Designing the questionnaires

There were two questionnaires used in the study, one that was used solely for the restaurateurs and one that was used for the restaurateurs, employees and patrons.

The questionnaire for only the restaurateurs was designed after the first round of interviews with the restaurateurs. After these initial meetings the researcher was able to compile the questionnaire with a combination of close-ended questions giving the respondent a choice of categories, as

One of the reasons given for this is that many of the researchers do not have absolute clarity about their research objectives. The ability of the researcher to provide questions that are relevant, concise, well constructed with a clear purpose will generally result in a better participant response rate and data.

Bearing the above in mind, 39 questions were included in the questionnaire. Other characteristics associated with the formation of good research questions were kept in mind.

These questions were divided into eight sections for ease of data collection and as well for the easy interpretation of the data.

Section A: Comprised of 10 questions and were questions that would provide background data on the restaurant such as type of business ownership, length of establishment, number of employees, seating capacity, menu categorization, customer classification, availability of speciality menus, normal trading times and peak trading times. The questions were structured in a "single-option response" format, and required the respondent to tick the most appropriate response.

Section B: Comprised of 5 questions and were questions based on strategy. The questions were structured using dichotomous questions which is generally a "yes/no" question with two of the questions asking for an open-ended response if the respondent's initial response was yes. The purpose of this section was to determine the degree to which strategic management was practised in the restaurant.

Section C: This section was structured so that it could elicit a particular response from the sample with regard to products and service:

Question Nos. 1 to 4: Comprise of 4 questions which were based on determining the use of standard recipes and standard purchase specifications, the importance of staff training on a daily basis, the role that staff play in contributing to success through the delivery of quality service and products and determining whether the restaurant experiences more “positive moments of truth” than “negative moments of truth”. The questions were structured using a “multiple choice response” format, and required selecting either a “strongly agree”, “agree”, “strongly disagree” or “disagree” option and a “not sure” option.

Questions Nos. 5: Comprises of 1 question and was a “behavioural” type question. The question was structured as open-ended. The open-ended question seeks to explore the qualitative, in-depth aspects of a particular topic or issue by giving a person the chance to respond in detail. The question was based on determining how or if the restaurant (restaurateur) had displayed innovativeness with regard to products and/or service in the past year.

Section D: Based on management, comprised of 5 questions based on determining the necessity of a restaurant manager possessing technical skills, human relation skills and conceptual skills, the role of planning in the management process, the importance of clear distinct levels of employees, the role of motivating and inspiring staff and determining management style. Questions 1 to 4 were structured using a “multiple choice response” format, and required selecting either a “strongly agree”, “agree”, “strongly disagree” or “disagree” option and a “not sure” option. Two of these questions required that the respondent explain their choice with an open-ended response. Question 5 was structured as a multiple choice question leading to an open-ended question as the respondent was required to explain why they believed themselves to have a particular style of management.

Section E: This section comprised of 5 questions based on Financial aspects of the restaurant with regard to growth, average percentage growth observed, the reasons for this growth, the use of budgets and the analysis of financial statements through specific ratio analysis. The questions were structured using a “multiple choice response” format with the respondent having to explain his response to number 3.

Section F: Comprised of 5 questions based on Marketing to determine if the restaurant had a marketing strategy and the reasons for the response, the essential component in marketing the restaurant, the role of the menu and front-of-house staff in marketing, the percentage of sales allocated for marketing annually and the importance of having a defined target market. Questions 1 to 4 were structured using a “multiple choice response” format with the respondent having to explain his response. Question 5 was structured as an open-ended question to determine the importance the restaurateur placed on having a defined target market.

Section G: This section comprised of one open-ended question based on determining the organisational culture of the restaurant.

Section H: Based on Leadership, comprising of 1 multiple choice question determining the leadership style of the restaurateur where an explanation had to be provided by the respondent for his choice. Two other multiple choice questions were used to determine restaurateurs age and marital status.

A second short questionnaire which included only four open ended questions was also used during the interview with the restaurateurs, employees and patrons which included the following questions:

- 1 How do these restaurants reach the top?
- 2 What do the restaurateurs do to become Durban's foremost representatives of excellence?
- 3 How are they able to differentiate their establishment from the other restaurants in Durban?
- 4 What kind of leaders are these great restaurateurs?

This questionnaire was deliberately designed to be short as the restaurateurs did not want their patrons overly disturbed while they were dining and neither did they want their employees to be disturbed from their duties for a long duration.

iii) Pilot Testing

A pilot test of the questionnaires was conducted before finalising the questionnaires. The purpose of this test was to:

- 1 reveal any flaws of the questions and suggest possible changes,
- 2 determine the clarity of the instructions and questions- this also assisted in minimising the error rate and revealed the adequacy of the data for the research questions,
- 3 determine the time required to complete the questions.

The test was conducted with three participants (restaurants - including the restaurateurs, employees and patrons) and the researcher was present to answer any queries. Only three participants were used in the pilot test as the sample size of the study was small. An open feedback session was held with the 'pilot group' for any suggestions on improvement to the questionnaire. The total number of respondents were three restaurateurs,

three employees and six patrons.

iv) Explaining the Purpose of the Questionnaire

The researcher initially visited the participants (restaurateurs) personally to explain the purpose of the study and to determine if the restaurateur would participate in the study. Approximately one hour was spent with each restaurateur at these initial interviews. A second informal interview was held at each restaurant that had agreed to participate in the study where the researcher had lunch and spent approximately one to two hours with the restaurateur. Participants were handed their questionnaires at these lunches where the researcher also explained the purpose of the questionnaire. This was done to orient the participant of the purpose of the questionnaire as well and also the basic aim of the study. A third meeting was held with each restaurateur where the researcher administered the questionnaire. At all three meetings the researcher was also able to carry out behavioral observation as a minimum of three hours was spent on each visit to the restaurant. In total the researcher spent approximately 10 hours at each restaurant. A covering letter stating the purpose was also included and attached to the questionnaire. The researcher also interviewed managers, employees and patrons during the ten hours that was spent at each restaurant. The researcher approached managers, employees and patrons and politely requested some of their time at the approval of the restaurateurs. A brief description of the study was given verbally to these respondents prior to the interview.

v) Validity and Reliability

Frey et al., (1995) talk of the need for data quality to have the following characteristics in order for the research methodology to have any integrity.

- 1 Validity-accuracy which survey measures.
- 2 Reliability-consistency of measurements.
- 3 Generalisation-external validity

Validity

Saunders et al., (2000) says validity is concerned with whether the findings are really what they appear to be about and whether the researcher is actually measuring what he has set out to do.

The threats to validity using, Ghauri's et al., (1995) analysis, were perceived to be the following:

History

Refers to specific events, external to the study, that occur at the same time and that may affect the response.

Test Effect

In a "test effect", the test or experiment could affect the participant's response.

Reliability

Ghauri et al., (1994), Cooper et al., (2003), define reliability as to the consistency or repeatability of the measurement of some phenomena.

Easterby-Smith [Saunders et al., (2000)] stated that by considering the following two questions, reliability could be assessed:

- 1 On different occasions will the measure yield the same results?
- 2 Will different researchers at different times yield similar observations?

The threats to the reliability of the study could be biased when

consideration is offered to the questions mentioned above. With reference to the concern mentioned with the issue of validity above, specifically, "History", another questionnaire made at a different time may not realise the same results. Cooper et al., (2003, p.236) mention that "if a measurement is not valid, then it hardly matters if it is reliable".

vi) Data Capturing and Analysis Theory

On completion of the questionnaire, the answers were copied onto this spreadsheet. They were checked and double-checked to spot any errors as a result of copying them on to the summary page.

Data Capturing

On completion of the summary pages of each questionnaire, these answers were entered onto a computer spreadsheet. The results required were not meant to generate any or determine statistical data, but would be used to validate and corroborate any findings from the interviews and observations as well as to substantiate any of the arguments. The main reason that a normal spreadsheet was used was to allow for quick and accurate checking of data.

Data Analysis

As mentioned above, the analysis of the data would be used in conjunction with the findings of the interviews and observation. Each of the sections in the questionnaire has been analysed to try and describe a particular pattern of thought or thoughts amongst the restaurateurs.

The strategy chosen for the data analysis would require that only Qualitative data analysis is used in the form of content analysis.

3.4.1.2 Interviews

As mentioned earlier, questionnaires and interviews are the most widely used primary data collection methods. There are three methods of executing an interview: persona, telephonic or by mail.

Interviews are generally associated with typically qualitative research. The interview is a form of data collection that is very common in descriptive research such as surveys, but it can also be used to collect valid and reliable data in other types of research, such as Quantitative, depending on the type of interview.

With interviews, the researcher is able to make greater use of open-ended type of questions and it is possible to end up with large and potentially unlimited information. This is as a result of the interview situation. Since the interview, which is often face to face, is obtained through direct verbal interaction, the researcher is able to follow up on verbal lead gained during the interview and thus is able to obtain more data and greater clarity. In comparison to other methods of data collection, the interview situation permits much greater depth Ghauri et al., (1994).

a) Types of Interview

Interviews can follow a highly structured, structured, semi-structured or unstructured, open-ended style. Ghauri et al., (1994) list the advantages and disadvantages of these styles, and also recommends which approach to consider.

The interview type will normally be based on the research design adopted. For quantitative studies, the interviews are highly structured, as it uses, only closed questions with pre-coded answers. On the opposite end of the continuum, one could use an unstructured open-ended question, and is best suited for studies that use a Qualitative approach to the study.

b) Design of the Interview

This study has adopted an unstructured style of interview, since it will provide the respondents with open ended questions and take the form of a conversation. Other than the conversations/interviews held with the restaurateurs, the researcher was also able to converse with one manager, between four and two servers/waiters from each restaurant as well as ten patrons from each restaurant. The interview with the restaurateurs was based on the first questionnaire (Appendix 1) and the interviews with managers, employees and patrons was base on the second shorter questionnaire (Appendix 2).

c) Number of Respondents

In order to gain a deeper understanding of the research problem, it was decided, that all three subjects and their partners (restaurateurs) be interviewed.

The researcher had conversations based on the second short questionnaire with managers and servers at each restaurant who served her and spoke to patrons that were also dining at the restaurants at the time. The total respondents were fifty.

Restaurant	Number of Restaurateur	Number of Manager	Number of Employees	Number of Patrons
A	2	1	4	10
B	2	1	2	10
C	2	1	2	10

Figure 3.2: Number of Respondents, Sample Restaurants (2006)

d) Pre-Interview

A personal visit to each restaurant seeking an audience with the

respondent was undertaken. A verbal invitation was extended to the restaurateur where the nature of the interview was explained and a request was made for a verbal confirmation as to whether this was acceptable or not. All three restaurateurs and their partners indicated verbally that they would be willing to participate in the study.

The respondents were also assured of confidentiality and that their opinions and remarks would not be misquoted or used out of context.

e) Post Interview: Data Collection, Data Capturing and Analysis

The data collected from the interviews was done by means of making short notes during the interview process. The data was used during the discussion of the findings in Chapter Four. Some of the data was also used to reach recommendations to the problem and is found in Chapter Five.

3.4.1.3 Behavioral Observation

Direct observation was undertaken for this study where the researcher was physically present and personally monitored what took place. The role of the researcher can also be categorized as participant observer, as the researcher dined at all three restaurants on three instances for each restaurant. This approach is very flexible because it allows the observer to react to and report subtle aspects of events and behaviors as they occur.

However, a weakness of this approach is that observers' perception circuits may become overloaded as events move quickly, and observers must later try to reconstruct what they were not able to record. Also, observer fatigue, boredom, and distracting events can reduce the accuracy and completeness of observation.

According to Ellson (2004, p.100), the values of participant observation research felt by most phenomenological researchers are:

- a) By direct observation the researcher is better able to understand the context.
- b) First-hand experience enables the researcher to relate to the environment through direct experience, 'to develop an insider's view of what is happening'.
- c) The researcher is directly able to observe activities and infer meanings that are not seen by participants and staff.
- d) Through direct observation, the researcher can learn things that participants and staff are not willing, or even able to disclose.
- e) The researcher can include his own perceptions and impressions of what is, or what is not, important and essential to understanding.
- f) First-hand observation and participation enables the researcher to gather data through direct experience enabling understanding and interpretation of the setting and participants.

According to Cooper and Schindler (2003) observational study of persons can be classified into four major categories: non-verbal behaviour, linguistic behaviour, extralinguistic behaviour and spatial relationships.

Non-verbal behaviour is the most prevalent of these and includes body movement, motor expressions, and even exchanged glances. One can study body movement as an indicator of interest or boredom, anger or pleasure in a certain environment. Motor expressions such as facial movements can be observed as a sign of emotional states. An observation was made of both the restaurateur and his employees.

Linguistic behaviour is a second frequently used form of behaviour observation. It involves interaction processes that occur between people.

The study involved the observation of the linguistic interaction between the restaurateur and his employees, as well as the linguistic interaction between the restaurateur and his employees with patrons.

Spatial relationships involves how a person relates physically to others. The study involved observing how the restaurateur approached both patrons he knew and those he did not know. An observation was also made on how employees physically approached patrons.

Extralinguistic behaviour was not used for this study.

3.5 Summary of Chapter

The approach to this study in terms of the research philosophy adopted by the researcher as well as the research strategy chosen was discussed in depth. The merits of the various measuring instruments and methods of data collection were also discussed in this Chapter and reasons given for the final choice.

These instruments lend credibility to the investigation as the results so obtained were free from bias, improper data collection and were valid and reliable given the circumstances. The choice of the sample was discussed. The formation of the questionnaire and the interview and the limitations thereof were brought to the attention of the reader as well as the behavioral observation strategy. Chapter Four will provide the results, analysis and the interpretation of the interviews ,questionnaire and behavioral observation. Chapter Four that follows aims to do this.

CHAPTER FOUR - RESEARCH FINDINGS

4.1 Introduction

In Chapter One and Chapter Three, the Research Philosophy was introduced that set the stage for the study. The combined Research Approach using both Qualitative and Quantitative (Survey - Questionnaire) methods were adopted. Reasons for adopting this philosophy were explained and so were the advantages and disadvantages.

This chapter focuses on the interpretation of the data collected from the Quantitative method (Survey - Questionnaire) and the Qualitative methods (Conversational Interviews and Behavioural Observations), to answer the research question. The findings on the research conducted will be explained. As stated previously the data will be analysed using only Qualitative Analysis in the form of Content analysis as only three successful restaurants were used in this study.

The findings will reveal the internal critical success factors that contribute to successful independent restaurants.

4.2 Research Findings

The basic aim of this chapter is to use the data collected from the questionnaire, conversational interviews and observation to determine How these restaurants have reached the top? What do the restaurateurs do to become Durban's representatives of excellence? How are they able to differentiate their restaurant from the hundreds of other restaurants? and What kind of leaders are these restaurateurs?

4.3 Qualitative Analysis of Questionnaire For Only Restaurateurs

Section A - Background Data

Question 1

“Coding of restaurants”

Each restaurant was coded as: Restaurant A, Restaurant B and Restaurant C.

Question 2

“Type of business ownership...”

All of the respondents are in partnerships with either family members or close friends.

Question 3

“How long has this business been trading?”

All of the respondents fell into the category of 0 to 10 years at present locations, with Restaurant A being established for the category of 10 to 20 years in total and Restaurant B having being established for the category of 30 to 40 years in total.

Question 4

“How many employees do you have?”

Restaurant A and Restaurant B fell into the category of 30 to 40 employees, while Restaurant C fell into the category of 10 to 20 employees.

Question 5

“What is your capacity with regard to the number of patrons you can accommodate?”

Restaurant A and Restaurant C fell into the category of 50 to 100 and

Question 5

“Do you analyse the external environment, i.e. your competitors, consumer behaviour, economy?”

All of the respondents answered 'yes', thus indicating that these restaurateurs are very aware of the external factors that may hinder or aid their success.

Section C - Product

Question 1

“The use of standard recipes and standard purchase specifications are an important part of your operational strategies”.

All of the respondents 'strongly agreed', indicating the crucial role these tools play in institutionalizing quality at every level. Once again, the formalization of certain core organisational processes is highlighted.

Question 2

“The training of your staff on a daily basis is an important contributing factor to the success of your operational strategies”.

All of the respondents 'strongly agreed', indicating that these restaurateurs value the contribution made by their employees and realise that the extensive training of knowledge and skills is also a crucial factor that contributes to the high commitment of employees. By providing such training to their employees, these restaurateurs signal commitment and investment towards the people who work for them. One can infer that they convey to people that they are valued enough to be invested in and thus elicit a desire from their people to give in exchange for what they receive.

Question 3

“Your staff contribute greatly to meeting and exceeding guest expectations in the context of quality and service”.

All of the respondents 'strongly agreed', thus indicating that all respondents are aware that one of the crucial factors for filling their restaurants with customers is the behaviour demonstrated and service offered by their employees toward the guests.

Question 4

“Your establishment experiences more positive “moments of truth” than negative “moments of truth”.

All of the respondents 'strongly agreed', thus indicating that patrons experienced higher levels of positive experiences at these establishments than negative experiences.

Question 5

“Can you give me an example/s of how you’ve displayed innovativeness with regard to your products and/or service in your establishment in the past year?”

All respondents indicated that they had displayed innovativeness in their menus, cocktails and wines, the training of their employees and the events that they had hosted at their restaurants.

Section D - Management

Question 1

“It is essential for restaurant managers to possess technical skills, human-relation skill and conceptual skills in order to manage a restaurant successfully”.

All of the respondents 'strongly agreed', indicating that they recognize the interdependence of all three dimensions in managing in the restaurant industry.

Question 2

“Planning activities for a restaurant are both strategic and operational”.

All of the respondents ‘strongly agreed’, indicating that the respondents view planning as being both strategic and operational with every move being carefully thought out with a number of action plans always in the horizon.

Question 3

“It is necessary to have clear, distinct levels of employees in an organization that facilitates the flow of authority and communication”.

The majority of respondents ‘strongly agreed’ while Restaurant C merely ‘agreed’. It is clear that the two larger restaurants who have a greater number of employees have more structure while Restaurant C, being a smaller establishment, with fewer employees, has less structure.

However, an observation made with regard to the organisational structure of these restaurants, is that as they are relatively small in size, they have a highly organic structure i.e. they develop gradually and naturally, without being forced or contrived, with little formalization of behaviour.

Question 4

“Motivating and inspiring your employees on a daily basis are critical to the success of your establishment”.

All of the respondents ‘strongly agreed’, indicating again the value placed on their employees. One can infer that the way management treats employees strongly influences the way employees treat customers. These restaurateurs know that high standards of service are given by people who are proud of who they work for.

Question 5

“What is your management style?”

All of the respondents chose the ‘All three’ alternative, indicating a flexible management style incorporating autocratic, bureaucratic and democratic management styles. One can infer that in the management of a successful restaurant flexible management is a requirement.

Section E - Financial

Question 1

“Have you seen acceptable growth in the business in the last two to five years?”

All of the respondents answered ‘yes’, indicating that all had experienced growth in their restaurants.

Question 2

“What is the average percentage of the positive or negative growth noticed?”

Restaurant A and Restaurant B indicated positive growth of 20 to 30%, while Restaurant C indicated positive growth of 30 to 40%. Both these results show that these restaurant have shown amazing growth for independent restaurants.

Question 3

“What do you think are the main reasons for this?”

Restaurant B and Restaurant C indicated that ‘Management and Leadership’ was the main reason, while Restaurant A indicated that the main reasons for their positive growth was a combination of ‘Change in Consumer Behaviour’ and ‘Management and Leadership’.

Question 3

“Your menu and front-of-house staff are essential marketing tools.”

All of the respondents ‘strongly agreed’, indicating the valuable contribution of employees to the success of the restaurants.

Question 4

“What percentage of sales do you allocate to marketing annually?”

All of the respondents’ responses fell into the 0 to 5% category, as all respondents stated that they had no marketing budget as no formal marketing was utilized. All respondents had never used any form of advertising in the media.

Question 5

“How important do you believe having a defined target market is to the success of the restaurant?”

All of the respondents indicated that it was important to have a defined target market, as it offers strategic direction to the operation. They believe that knowing their target market has enabled them to better position their establishments in the marketplace as they are aware of what their customers’ needs and expectations are. This results in their having the ability to deliver value to their customers which comes from having sound conceptions of what these customers want and value, and from the way to organize and manage people to get them to produce that value.

Section G - Culture

Question 1

“How would you describe the organisational culture at your establishment?”

The common theme in the responses of all the respondents was a family-orientated, networked, communal culture focused on delivering

exceptional value to its customers.

Section H - Leadership

Question 1

“What is the leadership style of the owner?”

All responses reflected that the restaurateurs were all charismatic, transformational and visionary.

Question 2

“Owner/Restaurateurs age...”

Restaurant A - 20 to 30 years category and 40 to 50 years category

Restaurant B - 50 to 60 years

Restaurant C - 20 to 30 years

Question 3

“Marital status...”

Restaurant A - Unmarried

Restaurant B - Married

Restaurant C - Unmarried

4.4 Qualitative Analysis from Interviews, Observations and Questionnaire For Restaurateurs Managers, Employees and Patrons

4.4.1 The Different Roles That the Restaurateur Plays

When studying these three successful restaurants, it appears that the starting point in the creation of these restaurants is the role played by the leader/s i.e. the restaurateurs. It is his leading style, the vision and enthusiasm he generates, the goals he sets, the fundamental values he

espouses that creates the successful restaurant.

These restaurateurs have created a culture and internal environment that is conducive to outstanding performance by institutionalizing their values of excellence into the fundamental practices and the culture of the organisation. The success of these restaurateurs is clearly based on their ability to transmit and embed their own fundamental values of excellence into the organisations' culture and functioning.

They appear to have done this by exercising two different roles: the charismatic and architectural role. All three restaurateurs have exercised envisioning, empowering and energizing roles to attain what they have. All of them have endured and persevered in the face of adversity in an industry that is your life, with little or no time to enjoy life outside of it. The restaurateurs' architectural role has been emphasized in the design of their organisations' structure and the setting up of appropriate control and reward systems.

The charismatic role played by the restaurateurs has played an important part in the formation of their strategy and organizational culture (including the personal relationships the restaurateur/s has with his patrons, subordinates and colleagues); while the architectural role is of great importance in the way the restaurateur communicates with the restaurant's environment, such as suppliers and other outside stakeholders, as well as the way he designs the organisation's structure and operations.

4.4.1.1 The Charismatic - Envisioning Restaurateur

The attraction of restaurants that are able to create consistent, exceptional food and maintain exceptional service while creating an

atmosphere in which one wants to be, lies in their rarity. Everything there is aligned to please the guest. The guest is made to feel really special no matter what his social standing. To enable such an experience, an all-out effort is made to make even the simplest of food extraordinary. These restaurateurs ensure this with an emphasis on “real food”. Only the finest quality, freshest seasonal ingredients, preferably local and wherever practical, both unfrozen and organic are used with everything being made from scratch. It has been found that at least one of the partners in each restaurant ensures maximum commitment to both quality and consistency. He or she is personally responsible for the food, which is only cooked when ordered and not before.

The meal is flawless in every detail. The service is thorough and constant, and the surroundings creates an ambiance of both beauty, trendiness and vibrancy. Everything in the restaurant is dedicated to making the guest feel good. After having paid the bill, the guest leaves the table with the satisfying feeling that he or she is someone really special.

As one guest expressed:

Everytime I dine here, I am treated with such warmth and sincerity by the owners. The food is always consistently exceptional and the atmosphere is always happy. I leave feeling special and great, like I can take on anything.

The theme that emerges over and over again, and which is the guiding light for everything the restaurateur and his team do, is the sincere pleasure they want to give to every guest.

One of the restaurateurs expressed it this way:

My greatest wish is for each guest to be surprised and enchanted by what they have ordered to eat. When guests eat, and I see how much they

enjoy what they are eating, I am ecstatically happy, because it means that my team and I have reached our goal. For this, I am willing to do everything.

The restaurateurs are true believers in personal relationships with their guests. All guests are treated equally with much warmth and sincerity. While many visiting celebrities find their way to these restaurants, one of the secrets of these restaurateurs is that they treat 'normal' clients also like 'celebrities'. They often make an effort to meet each guest personally before the meal. They return after the meal, inquiring about the guest's satisfaction. They sometimes pull up a chair and enjoy a glass of wine with you. They strive not only to serve a perfect dish, but, as far as possible, to serve a dish that is perfect for the specific person who is going to eat it, even if it means customizing a dish that the guest makes up as long as they have all the ingredients.

As one restaurateur expressed:

We will make you something especially for you. Tell us what you want and we will make it for you. We are innovative in seeing to your every wish.

This innovativeness is also evident from the ever efficient and obliging servers/waiters at these successful restaurants. These restaurateurs have realized that when the guest is treated to the right products and extraordinary service, price truly becomes secondary as evidenced by the unavailability of tables at short notice at these restaurants.

These restaurants appear to truly delight the patron, going beyond the concept of customer-focus. What they sell is not necessary a product, but something intangible and in some instances ethereal.

As one restaurateur said:

A restaurant is a cultural place, where people come to exchange emotions and feel good, to forget their worries and celebrate life. The meal is an experience or an event. We don't just sell food, we sell a dream.

The majority of patrons visit these restaurants not merely to appease their hunger, but to escape everyday life for a few hours and to indulge in an exceptional experience. The secret of attracting patrons is to create a mutual fantasy, giving them a chance to spend a few hours in a world of exclusivity, with other beautiful people, and wealth, far from life's ordinary realities.

The key to the success of these restaurants stems from the restaurateurs' and their teams' ability to take the most basic human need of eating and turn it into a unique event that provides a momentary fulfillment of their patrons' dreams. They are places for recuperation and rejuvenation.

4.4.1.2 The Restaurateur as a Strategist

These restaurants are entrepreneurial organisations that rely on personal, charismatic leadership to establish a strategic vision. Strategy is often built around the personal needs and orientation of the leader, on his or her specific 'mania or obsession'. The strategist of these successful restaurants is the restaurateur/s, who develops and applies his own concepts to the restaurant's strategy. It is here that strategic response is rooted in the restaurateurs' profound knowledge of the operations. The restaurateurs tend to seek out and 'enact or engage' the correct niche of their restaurant, thus rendering the external environment less of a risk factor, and even retaining the necessary flexibility to adapt to a changing external environment.

The restaurateurs of the restaurants studied tend to constantly worry

about what the next strategic move should be and how it should be executed. Their mind seems to be always on the next step, the next expansion and renovation, the next special menu that they will design or the new wine list that they need to work on. They are constantly thinking about what improvements they can make to make the restaurant better. The strategy-making style of these restaurateurs shows an immense preoccupation with detail and procedures. Every move is very carefully thought out, with a number of action plans, expansion plans and renovation plans always in the pipeline. Each new menu, redecoration, or expansion is very carefully designed, with many checkpoints, detailed evaluation procedures and strict schedules for controlling the process. A common theme in the strategy-making style of the restaurateurs is a general tendency towards risk-taking behaviour. These restaurateurs are prepared to think out of the box and push the envelope, thus differentiating them from other restaurateurs. They appear not to be afraid of venturing outside familiar and safe territory and take serious risks in order to pursue the goals they set themselves.

As one restaurateur puts it:

I have entered into many risky situations and have mastered them all. This includes starting from scratch again after one of my restaurants basically burnt to the ground with me not receiving a cent from the insurance. I am very ambitious and to reach my goals I have to take risks.

The restaurateurs follow a bold but focused and well thought-through strategy, guided by the knowledge that, in order to succeed with what they have set their minds to, they need to take certain risks.

Employees confirm this view:

The owner likes to take risks. His latest restaurant was a very daring venture and nobody knew how it would turn out, because of it being

located in an area that had become run down, but it has taken off like crazy with a number of other new restaurants now opening on the same street. Even though he is so young, he is always following some kind of challenge, but never jumps into it blindly. He always carefully examines the desires of the prospective clients.

Thus, the capacity and willingness for taking calculated risks when designing their organisation's strategy was identified as one of the basic denominators of the restaurateurs. While they may appear to have a strong tendency to exhibit daredevil behaviour, the strategic decisions undertaken by them are done so with great care and not, as entrepreneurs often do, on impulse. They follow their own hunches and gut when making decisions, but without neglecting the facts. The apparent balance between risk-taking behaviour and well-planned and thought-through decision-making appears to be one of the main factors that contribute to these restaurateurs' success.

We see that in the envisioning role restaurateurs develop their organisation's strategy, in the next charismatic role, the empowering role, restaurateurs concentrate on creating a team that is willing to accompany them on their way to implementing the envisioned strategy.

4.4.1.3 The Charismatic - Empowering Restaurateur

The literature states that one of the restaurant's key factors for sustained high performance is its people. The sources of competitive advantage can be found in the culture and capabilities of the organization and these are influenced by how people are managed.

In top successful restaurants, employees work hard because they perceive their work as meaningful. They put up with working for long

hours at supersonic speed and hardly any rest because they perceive that they are contributing to something special. These people are ambitious first and foremost for their organisation. Being part of something that is rare and having a voice, the power to influence what they do, are crucial for making these people put the team's goals first, before their own, personal goals.

The restaurateurs studied believe that showing confidence and trust in their people is crucial to their success. They are convinced that by conveying to their people that they are able to perform above average and making it clear to them that they believe in them, these people will do their utmost to live up to the restaurateurs' expectations. The restaurateurs help their followers envision that they want to and can be the best in what they are doing. They are very much aware of the fact that confidence and trust in one's people are the greatest motivators and crucial to success.

By making their employees understand that the goals pursued by the organisation are to be outstanding, the restaurateurs are effectively communicating to their team that they have high performance expectations and regard their people as competent, responsible individuals who are able to reach those high goals. This ultimately enhances employees self-esteem, and reinforces everyone's aspirations for high performance.

As one restaurateur put it:

Given the chance, people have the desire to become better, and they do when they see a chance for it and you give them an opportunity for it. If you give them the possibility to grow, they will go farther than you ever dared to imagine.

In their empowering role, the restaurateurs not only convey to their

employees that they have confidence in their ability to reach certain predetermined goals, but also give them the responsibility needed to attain those goals.

One employee describes this the following way:

I started as a runner and in two years I have become a profit sharing manager in the restaurant. I was given the opportunity to grow with the business. I was coached and mentored by the owner who believed in me.

To enable people to believe in themselves and their capabilities, convincing them that they can be 'the best' is the first step towards outstanding performance.

4.4.1.4 The Charismatic - Energizing Restaurateur

The task of the restaurateur, in his energizing leadership role, is to line up his people behind the common organisational goals, to motivate them and give them the will and energy to invest themselves into the shared vision. Product quality and customer service are the top priority among these restaurateurs' goals. By openly communicating their vision, the restaurateur has an animating and energizing effect on his subordinates and is able to create a feeling of excitement and family unity in the organisation. The restaurateur instils a sense of extended family, a sense of meaning among the members of the team. People are willing to put aside their own personal ambitions because they feel that if the team(extended family) and restaurant are doing well, then everyone will win and prosper.

As one employee of such a restaurant confirms:

I work for these restaurateurs because it is very exciting. They are young and talented and extremely passionate about their extended family. I have

great respect for them. They strive for perfection both for its own sake and to create a pleasant experience for the guest.

One of the most remarkable observations made during this study is that the atmosphere reigning in these successful restaurants is often joyful. There is always a respectful, teasing tone between the team members. Everyone is quite willing to assist each other if required. There seems to be an element of enjoyment in what these people are doing that comes across in their behaviour.

This was confirmed by one of the employees:

I am really enthusiastic about my job. I love working here. It's almost as if I'm going to a party everyday and my best friends and family are always able to go to the party with me.

Thus, as we have seen, the effect of the energizing restaurateur can be judged from the kind of work that employees do at these successful restaurants. People will only be able to withstand the kind of hard work and extreme conditions of long hours (one of these successful restaurants stays open till 4:00 am), excessive temperatures in the kitchen, etc.; that is the standard requirement in these places because they perceive that they are contributing to something special. People who have fun, smile at the customer and are warm to everyone. People who enjoy their work are creative and innovative. A joyful atmosphere makes people want to stay and come back time and time again. Having fun at work was found to be one of the most crucial factors for keeping the best people in these restaurants, more important than financial rewards. People were able to have fun, be respected and be a part of a happy extended family.

4.4.2 The Restaurateur as Organisational Architect

The restaurateurs' role as organisational architect sees that one of his tasks is to create and improve organisational design, adapt the organisation to the environment, and align the restaurants infrastructure and operations towards this goal.

4.4.2.1 The Restaurateur as Organisational Designer

To outside observers it may seem that these independent restaurants have an absence of structure. However, as they are entrepreneurial organisations they tend to have the structure that is best adapted to its functioning in the context of its work environment. To observers, the restaurateur is the 'superstar', surrounded by supporting actors. It is clear that part of the success of these restaurateurs lies in the fact that they are very aware of the role that their employees play and do not believe the false notion that they themselves are the only ones responsible for the success of their restaurants. They know how to create a team culture with an atmosphere of mutual respect, trust, support and collaboration.

They ensure that they recruit the right people to sit in the right seats on their bus. They believe that passion and curiosity are sufficient to compensate for the initial lack of certain skills.

As one restaurateur expressed it:

I think the most important things for being successful in this industry is to feel love and passion for what you do.

The staffing in a successful restaurant represents a broad array of specialized talents, from the pastry chef, to the waiters and kitchen staff. Other than having complementary talents, it is necessary for the

personalities of these people to also complement one another. The individual talents must coalesce to produce a successful restaurant. This was evident in all three restaurants that participated in the study. It was found that the two distinct groups of employees: one group consisting of those who worked in the dining room and the other which is made up of the kitchen staff complemented each other. Thus they are able to create a harmonious flow between production and service in the restaurants.

4.4.2.2 The Restaurateur's Controlling Role

The control of the quality of ingredients used for the dishes is a crucial factor for these restaurants. Every ingredient has to always be the freshest available, most often representing the finest quality in the region where the restaurant is located. The success of these restaurants are based on the way these restaurateurs procure their products. These restaurateurs tend to have long-term contracts with their major suppliers with whom they deal directly. They often choose their suppliers by sourcing out the best ones and then building up long-term relationships with them. These restaurateurs are clearly aware of the importance of their relations with their suppliers who constitute a crucial part of their success. Thus, these relations are well taken care of by the restaurateurs.

The other focus of the restaurateur's controlling role is the day-to-day operation of their restaurant. It was found that these successful restaurants are characterized by a striving to institutionalize quality at every level. The goals of these successful restaurants are described in quality-related terms: to improve customer satisfaction, to meet competitive standards, to reduce costs of poor quality and to improve key processes. Product quality and customer service are the top priority among these restaurants goals, and customer satisfaction is the main focus. All employees are trained in quality improvement processes almost

on a daily basis. Measures for quality have been developed and are practised rigorously.

The preparation of every dish is governed by a complete and unalterable set of precise rules where standard recipes are used stringently. The rules are adhered to, with the aim to ensure the consistently high standard of everything that is put in front of the guest. These rules extend to the way dishes are prepared, garnished, and served, as well as to every single item of the organisation's internal environment such as dress requirements for waiters and kitchen staff, and the decoration of the dining room and the tables. Thoroughness, completeness, and conformity to standard and established procedures are the main values that are stressed in these restaurants.

One restaurateur put it this way:

In order for a dish to taste the same every day of the year, we practise rigor as it is the clue to it all. Perfection from our kitchen consists of hundreds of details that are optimized. It can never be done through improvising.

Evident in these restaurants is the presence of a strong formalization of work and production processes. These restaurateurs know when and how to standardize without killing the spirit of creativity and innovation. As is visible the success of these restaurants comes from delivering value to its customers. They have this ability as it comes from having sound conceptions of what their customers want and value, and the way to manage and organize people to get them to produce that value. The restaurateurs studied point out that one of the crucial factors for filling their restaurants with customers is the behaviour demonstrated and service offered by the employees to the guests. The way they treat their employees strongly influences the way their employees treat customers. It

is evident that their employees are proud of the restaurants they work for and as a result they give high standards of service.

4.4.2.3 The Restaurateur's Rewarding Role

It is apparent that financial rewards are not the most important part of the rewarding role of the restaurateurs of these successful restaurants. The prospect of enriching themselves is not what motivates these people to work in these places. It is the way people feel they are treated that keeps them in the restaurant. Thus, one of the aims of every restaurateur in this study is to do whatever is in his power to reward his employees and give them recognition for the hard work they do and the value they contribute to the restaurant.

These restaurateurs help their employees identify their unique strengths and weaknesses and tie them to their personal and career aspirations. They encourage employees to establish long-term development goals and help them conceptualize a plan for attaining them. They emphasize the employees role and responsibilities and they give plentiful instruction and feedback.

As one restaurateur put it:

Each one of my employees has a clear career path laid out for him in the organisation. He may start as a dishwasher and work himself up to being a chef. I find that this is extremely motivating in our extended family as each person gets the opportunity to be the best they possibly can.

There is a continuous flow of extensive knowledge and skills that is also a crucial factor that contributes to the high commitment of employees in these restaurants. It shows them that their wellbeing is important and that they are highly valued. It is evident that these successful restaurants are

breeding grounds for future generations of successful restaurateurs.

4.5 Summary of Chapter

For the restaurateur, the restaurant is a dream that has become his reality. It is his own little kingdom, which he created and where he is the sole ruler. For the employees, the restaurant is the place where they learn to someday become a ruler of their own kingdom: their own restaurant. For the guest, outstanding restaurants are places where they can immerse themselves in a state of bliss, having every wish taken care of, a memory that can be remembered in difficult times.

The findings of this study has shown that the functioning of these successful restaurants are built on the leadership roles that their owners take on. The restaurateur provides a personal vision, to be the best and develops clearly articulated business goals around that vision. He likes to give guests the chance to spend a few hours in a world that is beautiful and exciting, far from life's ordinary realities. The vision and supporting goals are constantly reinforced in the team through communication and through strong and obvious personal commitment of the restaurateur. They are able to instil in their people a high level of self-esteem and self-confidence, and to create an environment of mutual support, respect and trust, which motivates employees to perform well beyond expectations.

It was found that the *restaurateurs* of these successful restaurants create and improve organisational design, adapt the organisation to the requirements of its external environment, and align the restaurant's infrastructure and operations towards this goal. They create their management team and the work team that constitute the backbone of the organisation in an extremely selective way. Once hired, the restaurateurs invest in the personal growth of their employees by providing them with

training. Restaurateurs also build close relationships with their most crucial suppliers on whose products hinges the quality of the dishes and they design the strict organisational processes that allow the dishes to be recreated again and again at the same high level of quality that guests expect from them.

Thus, as we have seen from this study, these successful restaurateurs are able to perfectly align the roles they play i.e. the charismatic role and the architectural role, and as a result have attained a rare phenomenon, i.e. an exceptionally successful restaurant. The following chapter will examine the recommendations made to both existing and aspiring restaurateurs who wish to ensure that their restaurants are as successful as the restaurants that have partaken in this study.

CHAPTER FIVE - RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

In this chapter, the recommendations to address the findings of the study will be discussed and proposed. The identification of the internal critical success factors in the restaurants that participated in the study will be used to make recommendations to facilitate success in existing restaurants and potential new restaurants.

5.2 The Identified Internal Critical Success Factors Contributing to The Success of Independent Restaurants

The following is a summary of the many internal forces that facilitate an independent restaurant's success:

Have a clear strategic vision with strategies being deliberate and carefully planned. Ensure that the restaurant is able to articulate who they are, what they do and where they are going. Ultimately, maintain a clear vision, mission and operation strategies but be willing to amend strategies as the situation changes. Ensure systems and procedures are in place and practised efficiently as a basis to attain organisational goals of improving customer satisfaction, reducing costs of poor quality and meeting competitive standards.

Maintain a strong formalization of work and production processes. Have the capacity and willingness to take calculated risks, thus ensuring a balance between risk-taking behaviour and well-planned and thought-through decision-making.

Maintain consistent quality in exceptional products and service by utilizing

tools such as standard recipes, thus institutionalizing quality at every level. Create an atmosphere/ambiance of beauty, trendiness and vibrancy. Emphasize and practise the concept of 'real food', using only the finest quality, freshest seasonal ingredients and making food from scratch.

Maintain managerial flexibility and have strong technical skills, human relation skills and conceptual skills. Planning must be carefully thought out, with a number of action plans always in the horizon. Maintain a highly organic organisational structure.

Treat employees well and they will treat customers well - respect and trust them, make sure that they are proud to be working for the restaurant. Maintain a work atmosphere that is joyful. Ensure people have fun at work. Be aware of the importance of relations with suppliers.

Ensure thoroughness, completeness and conformity to standards and established procedures e.g. food and beverage control standards, hygiene, safety, etc.

Know the target market. Ensure a family-orientated, networked, communal culture focused on delivering value to customers. Standardize without killing the spirit of creativity and innovation within the organisation.

Have sound conceptions of what customers want and value and manage and organize people to get them to produce this value. Note the importance of behaviour demonstrated and service offered by employees to the guest.

Focus on a marketing strategy based on brand building through the strengthening of relationships with customers, the community and colleagues or peers in the industry. Identify the unique strengths

10. Show confidence, respect and trust to employees thus creating a motivating and inspiring environment.
11. Create an enabling culture of self-belief.
12. Display innovativeness.
13. Management flexibility.
14. Organic organisational structure.
15. Create a team culture that is linked to a family-orientated, networked, communal culture with an atmosphere of mutual respect, trust, support and collaboration.
16. Create a harmonious flow: production to service.
17. Maintain thoroughness, completeness, and conformity to standards and procedures. Example, food and beverage control standards and hygiene and safety standards and procedures.
18. Build strong relationships with suppliers and other external stakeholders e.g. The community.
19. Have a defined target market.
20. Maintain a strong formalization of work and production processes.
21. Deliver value to customers.
22. Marketing strategy focused on brand building based on relationships.

23. Captilise on unique strengths of employees.
24. Reward, recognise and acknowledge hard work employees do and the value they contribute.
25. Create and improve organisational design.
26. Adapt the organisation to the requirements of the external environment.
27. Align the restaurant's infrastructure and operations.
28. Maintain charismatic, transformational and visionary leadership.

. 5.2.2 A Model For Success

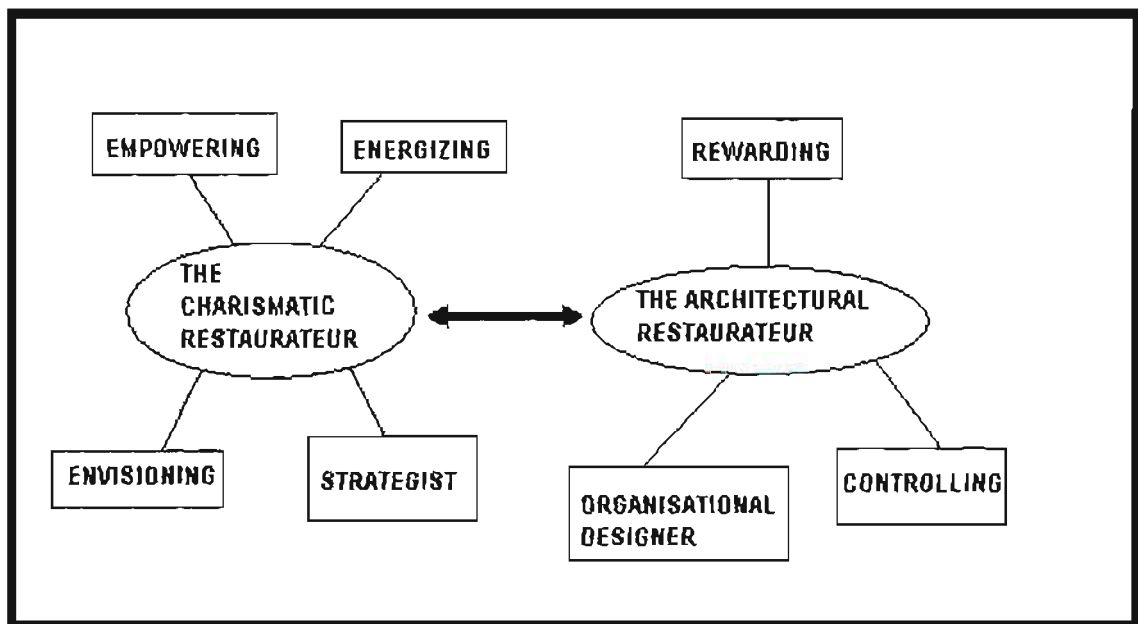


Figure 5.1.: A Model For Success based on the findings of this research

When observing these successful restaurateurs, one needs to question if the way they create and lead their organizations is a unique and one-of-a-kind phenomenon which is perfectly adapted to their own organizational environment in the restaurant industry only, or is it possible to adapt the lessons learnt from these restaurateurs to other areas of organisational study in other industries?

Apart from the more general lessons, like, for example, the way the restaurateurs motivate their people and provide them with a sense of meaning, there exist some very tangible areas, where the leadership styles and organisational design exercised by these restaurateurs can have strong relevance to the success of other organisations from industries other than the restaurant industry. These other industries where the principles of the successful restaurants could be practiced, I believe are in the creative domain, such as the fashion industry, film industry and music industry. In these domains, it is equally crucial to lead and motivate people, by instilling in them pride of doing something of very high quality that other people come to appreciate as something special, a change in the rhythm of everyday life.

Thus, as we have seen, the restaurateur's leadership style is not only perfectly coherent with the demands of their own area but certain factors can also be applied to other industries that show certain similarities with the internal critical success factors found in successful restaurants.

Further research into the restaurant industry and these other industries can be undertaken to verify if this is truly the case.

References

1. Abbey, J.R., 1998, *Hospitality Sales and Marketing*, 4th Edition, The Educational Institute of the American Hotel & Lodging Association, Michigan, USA.
2. Ambrosini, V., Johnson, G., Scholes, K., 1998, *Exploring Techniques of Analysis and Evaluation in Strategic Management*, Biddles Ltd., Great Britain.
3. Angelo, R.M. and Vladimir, A.N., 2001, *Hospitality Today An Introduction*, 4th Edition, The Educational Institute of the American Hotel and Lodging Association, Michigan, USA.
4. Arbee, A. and Naidu, K., 2001, *Marketing Philosophy and Strategy*, 1st Edition, Natal Business School Publishers, South Africa.
5. Bass, B.M. and Avolio, B.J., 1993, *Transformational Leadership: A Response to Critiques in Leadership Theory and Research Perspectives and Directions*, Academic Press, New York.
6. Bhowan, K., Hosking, C., Msweli-Mbanga, P and Naidu, K., 2001, *Marketing Mix Strategies*, Natal Business School Publishers, South Africa.
7. Burns, J.M., 1978, *Leadership*, Harper and Row, New York.
8. Cichy, R.F. and Wise, P.E., 1999, *Managing Service in Food and Beverage Operations*, 2nd Edition, The Educational Institute of the American Hotel & Lodging Association, Michigan, USA.
9. Collins, J., 2001, *Good to Great: Why Some Companies Make the Leap and Others Don't*, HarperCollins, New York.

10. Collins, J. and Porras, J.I., 1994, *Built to Last*, HarperBusiness, New York.
11. Cooper, D.R., Schindler, P.S., 1998, *Business Research Methods*, 6th Edition, Mc-Graw Hill/ Irwin, Boston.
12. Cooper, D. R., Schindler, P. S., 2003, *Business Research Methods*, 8th Edition, Mc-Graw Hill/ Irwin, Singapore.
13. Cote, R., 2002, *Basic Hotel and Restaurant Accounting*, 5th Edition, The Educational Institute of the American Hotel & Lodging Association, Michigan, USA.
14. Dess, George. G, Lumpkin, G.T., 2003, *Strategic Management*, International Edition, R.R. Donnelly & Sons Company, New York.
15. Drucker, P.F., 1954, *The Practice of Management*, Harper and Row, New York.
16. Ellson, T., 2004, *Culture and Positioning As Determinants of Strategy*, Palgrave Macmillan, New York.
17. Frey, J.H., Oishi, S.M., 1995, *How to Conduct Interviews by Telephone and in Person*, Sage Publishing, London, Great Britain.
18. Ghauri, P., Gronhaug, K., Kristianslund, I., 1995, *Research Methods in Business Studies*, Prentice Hall, Europe.
19. Greenberg, J. and Baron, R.A., 2000, *Behavior in Organizations*, 7th Edition, Prentice-Hall Inc., Upper Saddle River, New Jersey.
20. Gronroos, C., 1990, *Relationship Approach to Marketing and Organizational*

Behavior Interface, Journal of Business Research, pages 3 - 11.

21. Handy, C., 1989, *The Age of Unreason*, Arrow Books, London, Great Britain.

22. Handy, C., 1995, *The Age of Paradox*, Harvard Business School Press, Boston, MA.

23. Haswell, S. and Holmes, S., 1989, *Estimating the Small Business Failure Rate*, Journal of Small Business Management, pages 68 - 74.

24. Hendry, Johnson, Newton, 1993, *Strategic Thinking*, 4th Series, John Wiley and Sons Ltd., West Sussex, England.

25. Hill, C.W.L., George, J.M. and Jones G.R., 2000, *Contemporary Management*, McGraw-Hill Companies, Inc., USA.

26. Hoffman, K.D., Czinkota, M.R., Dickson, P.R., Dunne, P., Griffin, A., Hutt, M.D., Krishnan, B.C., Lusch, R.F., Ronkainen, I.A., Rosenbloom, B., Sheth, J.N., Shimp, T.A., Siguaw, J.A., Simpson, P.M., Speh, T.W. and Urbany, J.E., 2005, *Marketing Principles & Best Practices*, 3rd Edition, South Western Thomson, USA.

27. Kanigel, R., 1997, *The One Best Way*, Penguin Books, New York.

28. Katz, R., 1974, *Skills of an Effective Administrator*, Harvard Business Review, pages 90 - 101.

29. Kavanaugh, K.R.R. and Ninemeier, J.D., 2001, *Supervision in the Hospitality Industry*, 3rd Edition, The Educational Institute of the American Hotel & Lodging Association, Michigan, USA.

30. Kets de Vries, M.F.R., 2001, *The Learnership Mystique*, Prentice-Hall, London.
31. Kets de Vries, M.F.R. and Florent, E., 1999, *The New Global Leaders*, Josey-Bass, San Fransisco
32. Kimes, S. E., Robson, S. K. A, 2004, *The Impact of Restaurant Table Characteristics on Meal Duration and Spending*, Cornell Hotel and Restaurant Administration Quarterly, pages 333 - 346.
33. Kotler, P., 1999, *Kotler on Marketing: How to Create, Win and Dominate Markets*, 1st Edition, The Free Press, New York.
34. Kotter, J.P., 1990, *A Force For Change: How Leadership Differs from Management*, The Free Press, New York.
35. Lee, D.R., 1987, *Why Some Succeed Where Others Fail*, Cornell Hotel and Restaurant Administration Quarterly, pages 33 - 37.
36. Levitt, T., 1986, *The Marketing Imagination*, The Free Press, New York.
37. Lynch, R, 2000, *Corporate Strategy*, 2nd Edition, Graphos, Spain.
38. Mabey, C., Salaman, G., Storey, J., 2001, *Organisational Structuring and Restructuring* in Salaman, G., (ed), *Understanding Business Organizations*, Routledge, London, Great Britain.
39. McMillan, E., 2002, *Considering Organisation Structure and Design from a Complexity Paradigm Perspective*, Centre For Complexity, Open University, Walton Hall, United Kingdom.

40. Ninemeier, J.D., 2000, *Food and Beverage Management*, 3rd Edition, The Educational Institute of the American Hotel & Lodging Association, Michigan, USA.
41. Ninemeier, J.D., 2001, *Planning and Control for Food and Beverage Operations*, 5th Edition, The Educational Institute of the American Hotel and Lodging Association, Michigan, New York.
42. Noe, R.A., Hollenbeck, J.R., Gerthart, B., Wright, P.M, 2000, *Human Resources Management*, 3rd Edition, Mc-Graw Hill Inc., R.R.Donnelley & Sons, Co., USA.
43. Parsa, H.G., Self, J.T., Njite D. and King, T., 2005, *Why Restaurants Fail*, Cornell Hotel and Restaurant Administration Quarterly, pages 304 - 322.
44. Pearce, J. A. and Robinson, R.B., 2000, *Formulation, Implementation, and Control of Competitive Strategy*, 7th Edition, McGraw-Hill Higher Education, USA.
45. Pfeffer, J., 1998, *The Human Equation: Building Profits by Putting People First*, Harvard Business School Press, Boston, MA.
46. Pottruck, D. S., Pearce, T., 2000, *Clicks and Mortar*, Jossey Bass Inc. Publishers, San Fransisco, CA, USA.
47. *Real Food Association KwaZulu Natal*, 2006, KwaZulu Natal, South Africa.
48. Rothwell, W. J., Kazanas, H. C., 1989, *Strategic Human Resource Development*, 10th Edition, Prentice Hall, New Jersey.
49. Rudestam, K. E., Newton, R. R., 2001, *Surviving Your Dissertation - a Comprehensive guide to Context and Process*, 2nd Edition, Sage Publications,

Inc. California.

50. Salkind, N. J., 2000, *Exploring Research*, Prentice Hall, Upper Saddle River, NJ.

51. Saunders, M., Lewis, P., Thornhill, A., 2000, *Research Methods for Business Students*, 2nd Edition, Pearson Education Limited, Essex, Great Britain.

52. Schein, E., 1985, *Organizational Culture and Leadership*, Josey-Bass, San Fransisco.

53. Sharlit, I., 1990, *Six Early Warning Signs of Business Failure*, Executive Psychology, pages 26 - 30.

54. Shamir, B., House, R.J. and Arthur, M., 1993, *The Motivational Effects of Charismatic Leadership*, Organization Science.

55. Smit, P. J., Cronje, G. J. de J., 1992, *Management Principles*, Juta & Co., South Africa.

56. Sull, D. 1999, *Why Good Companies Go Bad!*, Harvard Business Review, pages 42 - 52.

57. Stevens, A., 2006, *The Mercury Eating Out Guide*, Independent Newspapers, Durban, South Africa.

58. Swanepoel, B. J., Slabbert, J. R., Erasmus, B. J., Nel, P. S., 1999, *The Management of Employment Relations*, Special Student Edition, Butterworth Publishers (Pty) Ltd., Durban, South Africa.

59. Tichy, N.M. and Devana, M.A., 1986, *The Transformational Leader*, Wiley,

New York.

60. Thompson, J. R., Strickland J., 1992, *Strategic Management, Concepts and Cases*, 6th Edition, Von Hoffmann Press, USA.

61. Thompson, J. R., Strickland, J., 2003, *Strategic Management, Concepts and Cases*, 13th Edition, Von Hoffman Press, USA

62. Tyson, S. 1995, *Human Resource Strategy*, 10th Edition, Pitman Publishing, Great Britain.

63. West, J. and Olsen, M., 1990, *Grand Strategy: Making Your Restaurant a Winner*, Cornell Hotel and Restaurant Administration, pages 72 - 77.

64. Woods, R.H. and King, J.Z., 2002, *Leadership and Management in the Hospitality Industry*, The Educational Institute of the American Hotel & Lodging Association, Michigan, USA.

Internet References

1. www.wikipedia

2. www.zagat.com

3. www.SA-venues.com

4. www.cornellpress.cornell.edu/

Appendix 1

Permission to use my responses for academic research

I hereby give permission that my responses may be used for research purposes provided that my identity is not revealed in the published records of the research.

Initials and surname _____

Postal address: _____

_____ Postal code: _____

Contact numbers: Home: _____ Cell: _____

Signature: _____

Appendix 2

Restaurateur Questionnaire

A. Background Data

1. Restaurant: _____

2. Type of business ownership . . .

Proprietorship ☐ Partnership ☐ Closed Corporation ☐

3. How long has this business been trading?

0 - 10yrs ☐ 10 - 20yrs ☐ 20 - 30yrs ☐ 30 - 40yrs ☐

4. How many employees do you have?

0 - 10 ☐ 10 - 20 ☐ 20 - 30 ☐ 30 - 40 ☐

5. What is your capacity with regard to the number of patrons you can accommodate?

0 - 50 ☐ 50 - 100 ☐ 100 - 150 ☐

6. What is your menu categorization?

Table d' hote ☐ A' la carte ☐ Combination ☐

7. Who are your customers?

Holiday makers ☐ Locals ☐ An even mix of both ☐

More holiday makers than regulars ☐ More regulars than holiday makers ☐

8. Availability of Specialty Menus . . .

Children ☐ Alcoholic Beverages ☐ Take-Out ☐

9. What are your normal trading times? _____

10. What are your peak trading times? _____

B. Strategy

1. Does the restaurant have a clear strategic vision?

Yes ☐ No ☐

If you have answered yes, explain what it is.

2. Does the restaurant have a mission statement?

Yes ☐ No ☐

If you have answered yes, explain what it is.

3. Are the operational strategies of the establishment documented?

Yes ☐ No ☐

4. Are you stringent in seeing these operational strategies through?

Yes ☐ No ☐

5. Do you analyse the external environment, i.e. your competitors, consumer behaviour, economy?

Yes ☐ No ☐

C. Product

1. The use of standard recipes and standard purchase specifications are an important part of your operational strategies.

Strongly ☐ Disagree ☐ Agree ☐ Strongly ☐ Not Sure ☐
Disagree Agree

2. The training of your staff on a daily basis is an important contributing factor to the success of your establishment.

Strongly ☐ Disagree ☐ Agree ☐ Strongly ☐ Not Sure ☐
Disagree Agree

3. Your staff contribute greatly to meeting and exceeding guest expectations in the context of quality service and products.

Strongly ☐ Disagree ☐ Agree ☐ Strongly ☐ Not Sure ☐
Disagree Agree

4. Your establishment experiences more positive "moments of truth" than negative "moments of truth".

Strongly ☐ Disagree ☐ Agree ☐ Strongly ☐ Not Sure ☐
Disagree Agree

5. Can you give me an example/s of how you've displayed innovativeness with regard to your products and/or service in your establishment in the past year.

D. Management

1. It is essential for restaurant managers to possess technical skills, human relation skills and conceptual skills in order to manage a restaurant successfully.

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐ Not Sure ☐

Explain your choice.

2. Planning activities for a restaurant are both strategic and operational.

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐ Not Sure ☐

3. It is necessary to have clear, distinct levels of employees in an organization (restaurant) that facilitates the flow of authority and communication.

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐ Not Sure ☐

4. Motivating and inspiring your employees on a daily basis are critical to the success of your establishment.

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐ Not Sure ☐

Explain your choice.

5. What is your management style?

Autocratic ☐ Bureaucratic ☐ Democratic ☐ All Three ☐

Explain your choice.

E. Financial

1. Have you seen acceptable growth in the business in the last 2 to 5 years?

Yes ☐ No ☐

2. What is the average percentage of the positive or negative growth noticed?

-50% to -40% ☐ -40% to -30% ☐ -30% to -20% ☐

-20% to -10% ☐ -10% to 0% ☐ 0% to 10% ☐

10% to 20% ☐ 20% to 30% ☐ 30% to 40% ☐

40% to 50% ☐

3. What do you think are the main reasons for this?

Stock ☐ Economy ☐ Change in consumer behaviour ☐

Management and leadership ☐

Explain your choice.

4. Do you work with a . . .

Monthly Budget ☐ Yearly Budget ☐ Both ☐

5. Do you analyze your financial statements with any of the following?

Food and Beverage Ratios ☐ Balance Sheet Ratios ☐

Food Sales Statistics ☐ Beverage Sales Statistics ☐ All ☐

F. Marketing

1. Do you have a marketing strategy?

Yes ☐ No ☐

Explain your choice.

2. What do you consider to be the essential component in marketing your restaurant?

Relationships ☐ Advertising and Promotions ☐

Explain your choice.

3. Your menu and front -of- house staff are essential marketing tools.

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐ Not Sure ☐

Explain your choice.

4. What percentage of sales do you allocate to marketing annually?

0 to 5% ☐ 5 to 10% ☐ 10 to 15% ☐ 15 to 20% ☐

5. How important do you believe having a defined target market is to the success of the restaurant?

G. Culture

1. How would you describe the organizational culture at your establishment?

H. Leadership

1. What is the leadership style of the owner?

Charismatic ☐ Transformational ☐ Visionary ☐
All three of the above choices ☐ Modest and Self-effacing ☐

Explain your choice.

2. Owner/Restaurateurs age . . .

20 to 30yrs ☐

30 to 40yrs ☐

40 to 50yrs ☐

50 to 60yrs ☐

3. Marital status . . .

Married ☐

Unmarried ☐

Appendix 3

Employees/Patrons Questionnaire

1. How do these restaurateurs reach the top?

2. What do the restaurateurs do to become Durban's foremost representation of excellence?

3. How are they (restaurateurs) able to differentiate their establishment from the other restaurants in Durban?

4. What kind of leaders are they?

Appendix 4

Identification of the Internal Critical Success Factors that Contribute Towards the Success Of Independent Full - Service Restaurants

Letter of informed consent

Date: 2006-11-1

Dear Respondent

MBA Research - Dissertation

Researcher: Samantha Ebrahim (h) 5732501
(Cell) 0845001550
Supervisor: Professor Dhiru V. Soni (O) 2083735

Graduate School of Business
University of KwaZulu - Natal

We require your help to identify the internal critical success factors that contribute towards the success of successful restaurants.

Consent and Participation

Although you do not have to complete the questionnaire because participation is voluntary, you will assist me greatly with your answers, which will only take a short time.

Undertaking by Researcher

The researcher undertakes to:-

- Honor the agreement that participants can withdraw at any given time, should they wish without any negative or undesirable consequences to themselves.
- Treat responses in a confidential manner.
- Ensure anonymity where requested.
- Provide the participants with copies of the survey results as benefits to them, should they choose to receive such.
- Dispose of the collected data as soon as the MBA dissertation has been accepted and passed.

Consent

I _____ (please provide your name and surname) hereby confirm that I understand the contents of this document and the nature of the research project, and I hereby agree to participate in the research project, provided that my personal identity or the identity of the organization for which I work are not revealed in the final published research report.

I understand that I can withdraw from the project at any time, should I so desire.

Signature of participant _____

Date _____

RESEARCH OFFICE (GOVAN MBEKI CENTRE)
WESTVILLE CAMPUS
TELEPHONE NO.: 031 – 2603587
EMAIL : ximbap@ukzn.ac.za

27 NOVEMBER 2006

MRS. ST EBRAHIM (202524213)
GRADUATE SCHOOL OF BUSINESS

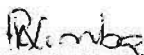
Dear Mrs. Ebrahim

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/06744A

I wish to confirm that ethical clearance has been granted for the following project:

“Identification of the internal critical success factors that contribute towards the success of a restaurant”

Yours faithfully



MS. PHUMELELE XIMBA
RESEARCH OFFICE

cc. Faculty Office (Christel Haddon)
cc. Supervisor (Prof. D Soni)