



MANAGING FOODSERVICE OPERATIONS

SECOND EDITION

RUBY PUCKETT, MA, RD, LD
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MANAGING FOODSERVICE OPERATIONS:

A systems approach for
healthcare and institutions

Second Edition

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In cooperation with the
Dietary Managers Association

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Likewise, because new data are continually being published and because errors can occur in spite of the most careful writing, editing, proofreading, and typesetting, readers are urged to consult with qualified authorities before applying specific nutritional data/techniques described in this book.

PREFACE

The dietary manager is an important team member in health care and other institutions where food and nutrition plays a major role. The dietary manager faces many complex challenges and problems as health care and other organizations downsize, implement cost effective programs and continue quality improvement processes.

This book was written to assist a) students to gain skills necessary to meet their goal of becoming a dietary manager; b) those persons who desire to take the certification examination and use this book as a review manual; c) practicing managers who need more up-to-date information to perform their jobs more effectively and efficiently; and to provide information on the major areas of responsibility as defined by Dietary Managers Association. Managers also may use this material to assist in the development of training programs for employees and staff, for self-improvement, and for improving current operations and practices.

When using this book you may want to read it from cover-to-cover or only those sections that provide you with specific information to solve problems and increase your knowledge.

This book and copies of the suggested books and magazines listed in the Appendix can form the basis of a library that can be used by you and your facility to greatly enhance its operation and to improve the quality and services provided to its clients, guests and other constituencies.

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The authors thank and acknowledge advice, counsel and assistance from the following professionals:

- The Assistant Directors and Registered Dietitians, Shands Hospital at the University of Florida
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- All others whose professional assistance helped us prepare this book. (Especially to Laurel and Keith Brown for interpreting penmanship and word processing; to the authors' families, Larry Puckett and Karen Ninemeier, for their understanding of the time commitment it took to produce this book.)

The authors dedicate this book to dietary managers past, present and future and wish them every success as they face a complex and challenging world, and as they strive to improve the health of their fellow man.

Best wishes and many happy successes.

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CHAPTER ONE

The World of Non-Commercial Food Services

People must eat to maintain their health and well-being. While this statement is obviously correct, it does not do justice to the wide range of dietary alternatives available today. Lifestyles are changing—and this has a dramatic impact on the eating habits of all of us. For the majority of persons in the United States and many other areas of the world who are responsible for their own care, the traditional “meal at home” has been replaced with a wide variety of dining alternatives.

By some estimates, more than 40 percent of all meals served in the United States are consumed away from home. The world of commercial food services (those which desire to make a profit from the sale of food and beverage products and a wide variety of services) caters to the dining-out public in every conceivable market, regardless of whether the consumer is a young working mother, a family looking for an occasion to entertain children, the business person desiring to discuss important matters over a meal or a beverage, or a teenager with an appetite right after school. The array of alternatives to meet food-related, social, and other needs is vast in many—especially metropolitan—areas of our country today.

In addition to commercial restaurants featuring “fast-food,” walk-in, drive-in, drive-through service; hotels and other lodging facilities; and foodservice outlets in department stores, grocery stores, bowling alleys, etc.; there is another large segment of the hospitality industry—non-commercial or institutional food services—which is the topic of this book. In contrast to commercial foodservice operations, which exist to offer food services, these dietary services are a necessity in facilities which exist for reasons other than to provide food service. An emphasis on cost minimization, without reducing quality requirements, rather than profit maximization is a primary financial concern of many non-commercial (institutional) food services.

Readers should understand that there has long been a problem in naming this special segment of the food service industry. Neither of the terms used above—“non-commercial” and “institutional”—are appropriate; they do not describe the segment and are certainly not “glamorous”. However, the authors are not aware of another term which is in common use and will, therefore, use both of the terms interchangeably throughout the book.

Let's take a look at Figure 1.1 (Overview of Hospitality Industry). It will show us where institutional food services fit into the industry of which they are a part. As shown in Figure 1.1, there are three major segments in the hospitality

*variety of food services
available*

*three segments in
industry*

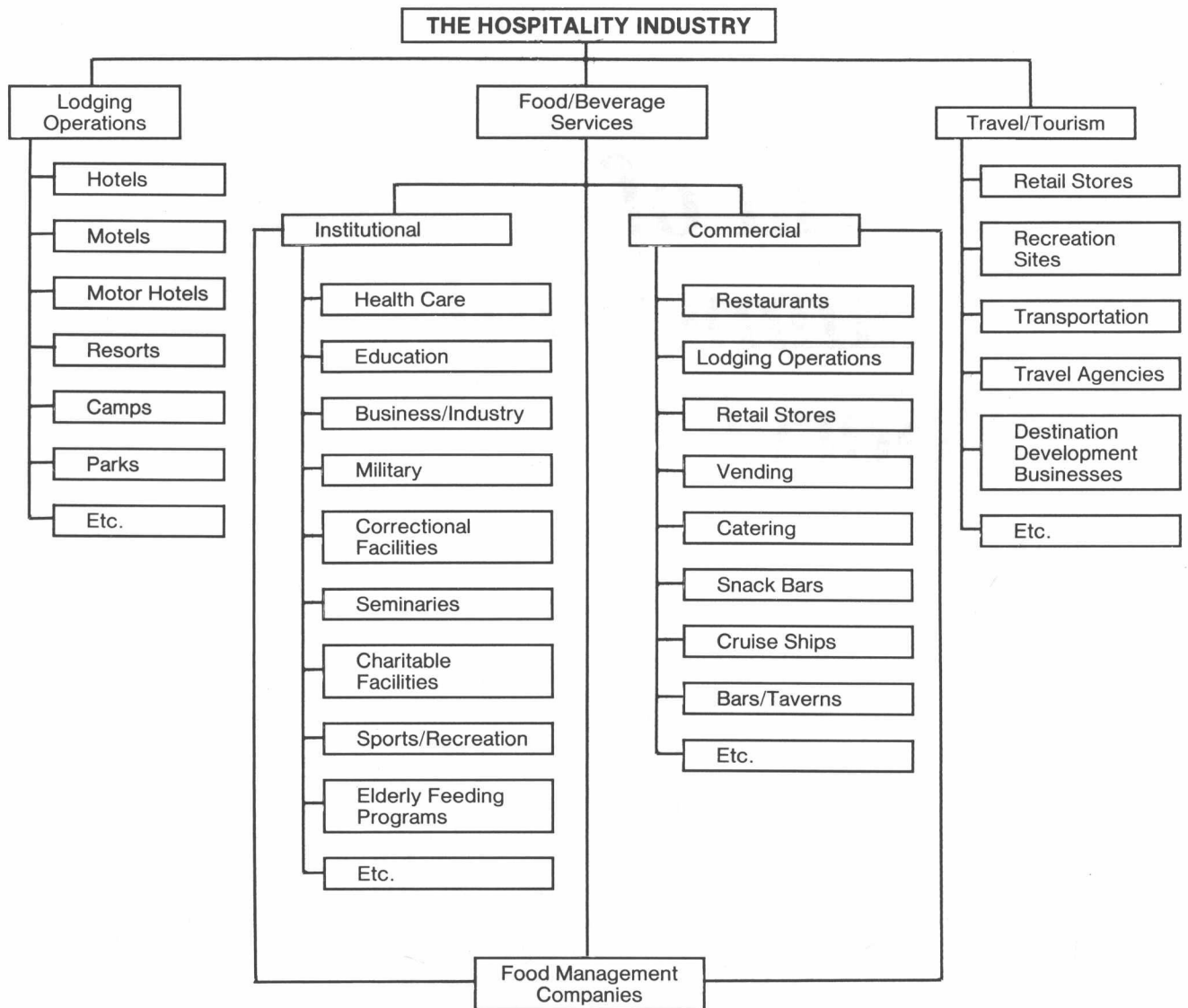


Figure 1.1 Overview of Hospitality Industry

industry: lodging operations, food and beverage services, and travel and tourism. Lodging operations, including hotels, motels, motor hotels, etc., frequently offer food services to guests. We have, therefore, included foodservice aspects of lodging operations in the food/beverage services segment of the industry. Figure 1.1 also shows the travel/tourism sector of the hospitality industry. Comprised of retail stores, recreation sites, transportation, travel agencies, and other businesses catering to the traveling public, it, along with lodging operations, will be excluded from this book. However, you should realize that your work in institutional food services is part of a vast hospitality industry composed of businesses offering a wide array of products and services to a vast range of consumers.

Figure 1.1 focuses our attention on food and beverage services—the segment of the hospitality industry containing the food service operations which are the topic of this book. By reviewing Figure 1.1, you will gain an understanding of our definition of non-commercial (institutional) food services noted above. Each type of these programs provides food service as an integral part of the primary task or activity for which the facility exists. For example, healthcare facilities

operate primarily to care for clients; schools, colleges, universities, and other educational institutions provide knowledge to students. Business and industry operations exist to manufacture products and/or to provide services. The military must defend our country. Correctional facilities, seminaries, charitable facilities, and sports/recreation units all exist for specialized purposes. Each of these organizations must, however, provide food and beverage services as it undertakes its primary activities and, therefore, dietary services become very important. While this point will be addressed later in this chapter as specific objectives of institutional foodservice operations are discussed, you should begin now to recognize the role of dietary services in your own facility.

Unfortunately for our classification system, a clear-cut distinction between institutional (not-for-profit) and commercial (for-profit) dietary services is not always possible. Figure 1.1 suggests the role of food management companies which can be responsible for food services in any type of operation. For example, a hotel or other lodging property may "contract out" food and beverage services to a food management company. Food management companies may also operate restaurants and provide food services in snack bars and on cruise ships, etc. In the institutional domain, the role of food management companies is increasing. We must, therefore, consider the role of the food management companies as our discussion of institutional dietary services evolves. A later section of this chapter will be devoted to the topic.

It may be easier to think about the segments of food and beverage services by "looking at the numbers." Figure 1.2 (Statistical Overview of Foodservice Industry) helps us with this task.

If we classify Eating and Drinking, Retail and Hotel/Motel markets as "commercial" food services, 1990 sales were \$194,765 billion. If the Leisure, Business and Industry, Health Care, Student, Vending and Airline markets are considered "non-commercial", this segment's sales were \$72,993 billion in 1990. The total

market for food services is staggering

	1982 Sales (\$000,000)		1982 Purchases* (\$000,000)		1982 vs 1981 % Sales Growth		1983 Sales (\$000,000)		1983 Purchases (\$000,000)		1983 vs 1982 % Sales Growth		1988 Sales Growth (\$000,000)		% Compound Annual Growth	
Total Market	139,660	59,421	6.4	150,500	63,590	7.8	215,726	7.5	215,726	7.5	2.8					
Commercial/Contract	119,214	46,019	6.6	129,657	49,850	8.8	187,782	7.7	187,782	7.7	3.0					
Institutional/Internal	19,732	11,362	5.6	20,843	11,645	5.6	26,897	5.2	26,897	5.2	0.7					
Military **	714	2,040	7.5	772	2,095	8.2	1,047	6.3	1,047	6.3	1.7					
MAJOR MARKET SEGMENTS																
Eating/Drinking Places	93,232	33,093	7.5	101,688	36,085	9.1	148,241	7.8	148,241	7.8	3.2					
Eating Places	85,330	30,259	7.8	93,351	33,095	9.4	138,254	8.2	138,254	8.2	3.5					
Full Menu Restaurants & Lunchrooms	45,436	16,487	6.9	49,422	17,933	8.8	69,984	7.2	69,984	7.2	2.6					
Limited Menu Restaurants	35,142	12,121	9.4	38,832	13,394	10.5	61,214	9.5	61,214	9.5	4.8					
Hotel/Motel Market	8,632	2,830	2.2	9,359	3,068	8.4	13,076	6.9	13,076	6.9	2.3					
Transportation Market	2,073	906	5.4	2,306	1,008	11.2	3,515	8.8	3,515	8.8	4.1					
Leisure Market	2,850	1,030	6.0	3,059	1,103	7.3	4,400	7.5	4,400	7.5	2.9					
Retail Market	3,956	1,417	4.4	4,228	1,514	6.9	6,246	8.1	6,246	8.1	3.4					
Business/Industrial Market	7,875	8,632	-1.1	8,343	9,037	5.9	11,189	6.0	11,189	6.0	1.5					
Student Market	7,374	4,803	8.0	7,836	4,705	6.3	9,410	3.7	9,410	3.7	-0.8					
Home Care Market	11,335	5,497	6.6	11,963	5,798	5.5	16,157	6.2	16,157	6.2	1.6					

Figure 1.2 Statistical Overview of Foodservice Industry

From: *Restaurant Business*, September 20, 1991. (pg 74). Reprinted with permission of *Restaurant Business*.

**sales and purchases:
student market**

**sales and purchases:
healthcare market**

**dietary services are
changing**

foodservice market (\$267,758 billion) is almost incomprehensible, and the non-commercial sector generated approximately 27 percent of total industry sales!

Statistics are also available for the student and healthcare markets, which comprise the largest segments of institutional food services. Figure 1.3 (Economic Overview of Student Market) reviews foodservice sales and purchases in both self-operated and contract-managed schools and colleges/universities. Note that sales in this market approximated \$15.9 billion in 1990. The total dollar value of food purchases was, for that year, more than \$7.5 billion. Internally-operated programs spent more than \$5.4 billion for food products in 1990; contract-managed operations spent almost \$2.1 billion. Self-operated programs comprise the largest operational structure for this segment.

Let's take a look at Figure 1.4 (Economic Overview of Health Care Market) which shows the other significant foodservice specialty involving institutional operations. As shown in Figure 1.4, contract services represent \$2.6 billion and \$1.2 billion, respectively in sales and purchases in the total health care market of approximately \$11.2 billion in sales and \$5.6 billion in purchases. With today's federal and state emphases relating to reimbursement and other concerns the role of contract management companies in health care is likely to continue to increase.

A Close Look at Institutional Food Services

Food services offered by educational and healthcare facilities comprise the two largest segments of the institutional foodservice market. Hospitals provide dietary services not only to clients and employees, but to visitors and others in cash operations in manual and vended dining services. Some hospitals are generating additional revenues by marketing their dietary services to the community for special functions. Elderly feeding programs (on-and/or off-site), outpatient food services, nutrition counseling, provision of meals to government or charitable group-operated programs, etc. serve as other examples of food services in hospitals.

Today, many hospitals offer clients "restaurant style" menus which allow choices from among a variety of different menu items. The need to prepare a variety of special diets to meet medical needs of clients dictates special concerns

	1982 Sales (\$'000,000)		1982 Purchases** (\$'000,000)		1982 vs 1981 % Sales Growth		1983 Sales (\$'000,000)		1983 Purchases (\$'000,000)		1983 vs 1982 % Sales Growth		1988 Sales Growth (\$'000,000)		1983-1988 % Compound Annual Growth	
															Nominal	Real
School—Internal (public, parochial, elementary & secondary)*	2,464	2,814	4.2	2,496	2,690	1.3	2,564	0.5	—3.8							
School—Contract	720	295	9.5	723	287	0.4	953	5.7	1.1							
Colleges, Universities—Internal	2,783	1,243	9.7	3,061	1,268	10.0	3,874	4.8	0.3							
Colleges, Universities—Contract	1,407	451	10.7	1,556	460	10.6	2,019	5.3	0.8							
TOTAL	7,374	4,803	8.0	7,836	4,705	6.3	9,410	3.7	-0.8							

1982: \$7,374,000,000 + 8.0% Sales Growth

1983: \$7,836,000,000 + 6.3% Sales Growth

1988: \$9,410,000,000 + 3.7% Compound Annual Sales Growth

* Actual cash receipts from children plus parochial and other private schools.

** Not including \$841 million worth of commodities and milk—a 13.7% decrease from 1981.

Figure 1.3 Economic Overview of Student Market Foodservice Sales
From: *Restaurant Business*. September 20, 1991. (pg 110). Reprinted with permission of *Restaurant Business*.

in many facilities. Dietary services in hospitals also offer special catered events such as banquets for governing boards, departmental administrative staff, physicians, etc. Indeed, hospital dietary services are complex, requiring personnel with a wide variety of management, dietetic services, and other skills.

Nursing homes comprise the other major segment of the healthcare industry. Traditional long-term care, often requiring skilled nursing services, is the most common example. However, comprehensive retirement communities, foster care programs, and temporary care facilities, with or without skilled nursing services, provide other examples of nursing home operations—all of which require the services of skilled dietary managers, dietetic and other personnel to assure that dietetic goals are fully attained.

Today, a wide variety of other healthcare facilities require dietary services. These include wellness/fitness clinics, mental health facilities, ambulatory services, etc. Many other institutions may offer health care services to residents, students, and others who consume the institutions' products and services. To the extent that this occurs, health care dietary services are an integral part of many facilities with primary goals other than health care.

The second largest employer of institutional foodservice personnel are schools, colleges, and universities. Feeding programs are offered in many public and private elementary and secondary schools. A wide range of post-secondary schools, including one- and two-year community colleges, vocational schools, four-year undergraduate and graduate universities, etc., must also provide food services. These can range from basic food services available for commuting students at the facility during weekdays to a vast array of often very creative programs featuring up to 21 meals per week for residents of housing programs and others.

Likewise, a wide variety of specialized schools providing educational services to handicapped children and clients, government-sponsored vocational preparation services, and, of course, pre-elementary programs frequently offer food services for attendees.

The list of other types of foodservice programs continues. Business and industry facilities may offer manual and/or vended food services for employees. Frequently, these are subsidized by the company as a fringe benefit so that employees may receive a substantial meal at a very low cost. Business/industry operations in executive dining rooms in banks, insurance companies, and similar operations provide gourmet food services which will rival almost any commercial

**many types of
institutional food
services**

	1982 Sales (\$000,000)		1982 Purchases (\$000,000)		1982 vs 1981 % Sales Growth		1983 Sales (\$000,000)		1983 Purchases (\$000,000)		1983 vs 1982 % Sales Growth		1988 Sales Growth (\$000,000)		1983-1988 %Compound Annual Growth	
Hospital—Internal	7,641	3,439	6.4	8,038	3,618	5.2	10,534	5.6	1.0							
Hospital/Nursing Home—Contract	989	396	9.6	1,082	433	9.4	1,690	9.3	4.6							
Other Institutions— Internal (For specialized care including nursing and old age homes, orphanages, etc.)	2,705	1,662	6.1	2,843	1,747	5.1	3,933	6.7	2.1							
TOTAL	11,335	5,497	6.6	11,963	5,798	5.5	16,157	6.2	1.6							

1982: \$11,335,000,000 + 6.6% Sales Growth
 1983: \$11,963,000,000 + 5.5% Sales Growth
 1988: \$16,157,000,000 + 6.2% Compound Annual Sales Growth

Figure 1.4 Economic Overview of Health Care Market Foodservice Sales

From: *Restaurant Business*. September 20, 1991. (pg 110). Reprinted with permission of *Restaurant Business*.

operation. By contrast, programs on oil rigs, in shops and manufacturing plants, etc., all are designed for special purposes, and the employees as the recipients of food and beverage services must be considered as programs are planned.

Extensive dietary programs are operated by correctional facilities, charitable organizations, sports and recreation entities, etc. Elderly feeding programs, ranging from Meals on Wheels (in which meals are delivered to homebound recipients) to congregate-site feeding programs, often feeding hundreds of people, are other examples of institutional foodservice operations.

While the list of examples can continue, the point is that there is a wide range of institutional foodservice programs available for recipients of all ages, ranging from very basic to highly specialized, extensive, and complex feeding operations. Just a few—or many thousands—of meals can be prepared. Institutional dietary managers must use the same basic principles of management necessary for any business to assure that all resources available to the foodservice operation are used to most effectively meet organizational goals.

Proprietary, Philanthropic and Governmental Facilities

differing organizational structures

Institutions offering dietary services are generally organized into one of three different types of structures. Many are proprietary (self-owned). Examples include nursing homes owned and operated by individuals or corporations, facilities offering foster care services, some specialized schools teaching vocational skills, etc. While some of these operations are small (and frequently referred to as “mom and pop” operations) they can also be very large. Privately-owned nursing homes, for example, can range in size from fewer than five beds to several hundred beds. Likewise, privately-held corporations own and/or operate a multi-unit chain of nursing homes or hospitals which can have only a few, or very many units within the chain.

Another category of facility organization includes voluntary, non-profit (philanthropic) facilities. Many hospitals, nursing homes, and schools, for example, are owned and operated on a not-for-profit basis by charitable organizations. Again, these can range in size from very small operations to very large facilities and can number from one unit to a multi-unit chain.

Governments at all levels also own and/or operate institutional facilities. State governments may run special schools for the handicapped; local governments operate elementary and secondary schools; states run colleges, universities, and correctional facilities. A wide range of federal government facilities includes hospitals and educational institutions. County and city governments operate jails, homes for the indigent, hospitals, etc.

Fortunately for the institutional foodservice operator and dietary manager, the basic principles of organizing and managing food services do not vary by the type of organization operating the facility. While budgeting, record keeping, policies and procedures, etc. will be different, the basic management principles and procedures used to meet dietary goals will not change. The dietary manager must know and practice a wide range of management principles. Taken together, these represent the content of this book.

Self-Operated and Contracted Food Services

Institutional foodservice programs can be operated by the facility itself (self-operated programs) or by a for-profit management company. While there are potential advantages and disadvantages to each type of operation, each facility must determine for itself the “best” management plan for operation of its dietary services. Traditionally, institutions have operated their own programs. However, there has been a significant growth in the use of management companies over the past decade. Today, institutional administrators are facing increased pressure to operate

within cost containment and other restraints which received less emphasis in the past. Therefore, many facilities desire to reconsider traditional methods of operation to assure that, in the process, the best alternative is being used.

Details about the many considerations important in making these decisions about management companies are beyond the scope of this book.¹ However, the need to carefully consider this alternative is easily justified: (a) a significant part of the operating expense of every facility is consumed in the purchase of resources needed for dietary services; (b) resources needed for capital costs involved in construction of space and purchases of equipment are expensive; (c) dietary services have a direct impact upon the quality of care and other services provided to patients and residents of the facility and other consumers; (d) management of dietary services is a specific discipline for which many institutional administrators are unprepared; (e) dietary services are frequently used as the basis for personal evaluation (by patients, residents, and others) and by objective evaluation (by governmental agencies, accreditation/licensure commissions, etc.); and (f) frequently, institutional dietary services can be more effectively operated so that costs can be reduced without sacrificing dietary services goals.

When considering the usefulness of a management company, it is important to assess—for the specific facility—advantages and disadvantages. For example, advantages in using a management company often include:

1. Companies (at least large, multi-unit companies) are likely to have staff specialists who can provide specific information to their accounts (the term used to mean their “clients”) as problems arise.

2. Product and supply costs may be less since large companies frequently negotiate national-level contracts for purchase of items throughout the country.

3. Management company personnel can call on the combined experience of personnel in all units within the chain to resolve “unique” operating problems.

4. Operating costs may be less when management companies are utilized. (A wide range of factors, such as how to allocate costs between the company and the facility and how to assess the extent to which non-financial foodservice goals are attained are among factors which must be addressed as differences between self-operated and management company-operated dietary services are assessed.)

5. When a management company is used, less time and effort must normally be spent by top-level facility administrators. (Frequently, this is a reason why management companies are desired.) However, since the ultimate responsibility for operation of dietary services will still rest with top-level administrators, they cannot, by “default,” delegate important matters such as establishing dietary goals and evaluating performance of the dietary department to a management company serving as an independent contractor.

Potential disadvantages to use of a management company must also be noted:

1. There may be a loss of internal control as operating decisions are made by management company representatives.

2. Facility administrators, employees, governing boards, etc. may have negative attitudes about use of a management company. (The concept of “making a profit” in institutional operations has historically been of great concern in, for example, the school/educational market.)

3. Support services of the management company will probably need to be shared with other institutions. This can cause a problem when, for example, a facility has specific operating problems which cannot be addressed “until the company gets around to it.”

4. If the management company contract does not include monitoring requirements, it is possible that problems with quality standards, preventive maintenance, communication, and other difficulties can increase over the life of the contract.

**use of management
companies controversial**

**advantages of
management companies**

**disadvantages of
management companies**

¹Interested readers are referred to: Herman Zaccarelli and Jack Ninemeier. *Cost Effective Contract Food Service: An Institutional Guide*. Second Edition. Winona, Minn. Center for Business and Entrepreneurial Management, 1988.

5. The facility will become dependent upon the management company. For example, how quickly can another company be found—or can the facility “tool up” for self-operation if the contract with the management company is terminated?

6. Higher operating costs may arise if a management company is used. While lower operating costs frequently result from use of a management company, management fees and other additional costs will be incurred. If operating costs are not decreased to a point which exceeds the level of management fees, it is unlikely that the facility will benefit economically from use of the management company.

While obviously overstated, the procedures used by some institutional facilities to consider use of a management company for dietary services really involve little more than “calling around, getting prices, and making a decision.” A more formalized process should be used and should include the following steps:

***process to consider
management companies***

1. Representatives of the facility must first objectively define the goals of the dietary services for the facility. (A discussion about institutional foodservice goals follows later in this chapter.)

2. The existing dietary operation should be analyzed to determine where operational improvements can be made. This process will yield the foundation of the basic program which will need to be implemented—or improved upon—if a management company is to be utilized.

3. All concerns for operation of dietary services, such as menu, quality of food to be purchased, operating costs, responsibilities of the management company and the facility, etc., must be assessed and incorporated into a series of dietary specifications.

4. Dietary specifications should be incorporated into a formalized request for proposal. Additional information relating to the proposal responses, criteria to be used to determine eligibility of companies for providing dietary services for the facility, etc. should also be included in the request for proposals.

5. Requests for proposals should be sent to all management companies deemed eligible for potential operation of the facility's foodservice program.

6. Proposal responses which are returned must be objectively analyzed to assess the extent to which each meets the standards for the dietary services cited in the specifications.

7. A contract may then be awarded to the management company whose proposal response is judged to be most useful in attaining dietary goals. Frequently, a series of negotiation sessions to discuss concerns in a “give and take” atmosphere must take place between the management company and the facility. This procedure is better than a more traditional approach which involves the facility “taking or leaving” the contract which has been offered by the management company.

8. As a result of the negotiation process, an agreement for dietary services may evolve. To the extent possible, the dietary specifications originally incorporated into the request for proposal should become part of the contract itself. These specifications, along with general provisions, agreements about the responsibilities of the facility and the contractor, a wide range of legal and financial provisions and related concerns, will typically constitute the finalized agreement for dietary services.

***monitoring management
company contract***

After the agreement has been negotiated and signed, it must be monitored. A wide variety of intentional or unintentional problems can arise because of procedures which have been used by either the facility or the management company. Problems can involve economic or non-economic concerns and could be one-time or continual. In any event, a process to monitor and correct operating problems as they arise should be an integral part of any agreement for management company operation of institutional dietary services.

Typically, the contract will specify that a committee made up of representatives of both the facility and the management company participate in regularly scheduled meetings and special sessions as necessary to assure that operating prob-