A RESTAURANTS & INSTITUTIONS BOOK

FROM TURNOVER TO TEAMWORK

How to Build and Retain a Customer-Oriented Foodservice Staff

Bill Marvin

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Bill Marvin
The Restaurant Doctor™

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Preface

This book is about how to create a working environment that will encourage your best people to remain with your organization, work together easily, and deliver exceptional service to your guests. The advantage of such an environment is that the same climate that causes your staff to want to stay will also make your guests want to come back more often.

One of my former teachers once commented that life seems to be a series of things to handle. That observation is certainly true of foodservice. In fact, there are so many things to handle that it is easy for managers to become overwhelmed. Putting in more hours is not the answer. If you are not getting the results you want, it is certainly not for lack of effort. Hospitality managers are no doubt among the hardest-working people on the planet! If hard work alone solved problems or made money, we would all be incredibly relaxed, spectacularly successful, and unspeakably rich.

So what happened? Why are so many operators working harder and daily facing more problems, not the least of which is trying to keep the sort of staff needed to deliver a memorable dining experience to their guests? This book will offer some insights into what influences staff retention rates in foodservice or, for that matter, in any business enterprise.

TURNOVER IS NOT THE PROBLEM

Turnover is just a symptom. The underlying causes of turnover in your operation are probably not what you think they are. If you knew the real cause of the problem, you would already be on top of it. Don't think you are alone in this predicament; we all have blind spots.

The real reasons your good people leave can probably be traced to one of your blind spots. This book will shine some light into a few dark corners. It will help you understand why the things that are working well are happening that way. This means that if they get off track, you will be better able to bring them back into line. You may also start to understand why some things are not working, despite your best efforts.

Most of this book is based on my own experiences in "the real world." When I managed the foodservice department of the U.S. Olympic Training Center in Colorado Springs, these approaches cut turnover from 300 percent to 25 percent in six months, increased staff productivity, and doubled athlete patronage. Operators who have applied these principles to a variety of hospitality formats report similar results. This is common-sense material that I regularly present in management seminars across North America.

COMPUTING THE COST OF TURNOVER

The cost of turnover has direct and indirect components. The direct costs are those expenses that arise solely because a worker quits or is terminated. They can be calculated on a per-person basis. Indirect costs arise as a result of the impact that the staff change has on the ongoing operation. They are harder to quantify because they show up as increased costs for the entire operation.

The following summaries should help you put the costs of turnover into perspective. The expense categories in brackets are from *The Uniform System of Accounts for Restaurants* prepared by the National Restaurant Association.

Direct Costs:

Recruiting costs	
[Administrative & General Expense]:	
newspaper ads, materials	$50– 100

Staff time (present staff)	
[Payroll Expense/Employee Benefits]:	
during interviews, orientation, training, counselling (20–80 hr × $8) plus 20% benefits	200– 800
administrative paperwork, signing out old workers, signing in new workers (1–3 hr × $8) plus 20% benefits	10– 30
Staff time (new staff)	
[Payroll Expense/Employee Benefits]:	
during orientation, training, counselling (10–60 hr × $5) plus 20% benefits	60– 360
Unemployment claims of departed workers	
[Employee Benefits]:	
increase in premiums	100– 200
Administration fees for benefits sign-up [Employee Benefits]	30– 50
Overtime [Payroll Expense/Employee Benefits]:	
allowance for additional hours to cover while the position is vacant (30–60 hr × $7.50) plus 20% benefits	270– 540
Other turnover-related costs	
[Direct Operating Expense]:	
training materials, uniforms, uniform cleaning/renovation	200– 400
Direct Cost per Person	$930–2,380

Indirect Costs

1. Increased turnover creates inconsistent (decreased) guest service, which tends to lower your reputation in the market, which increases negative word-of-mouth and reduces repeat patronage, resulting in lower sales. ***Estimated impact: sales are 5–15% lower.***
2. Increased turnover means more workers with less training, which increases waste and translates into increased product

and operating costs. ***Estimated impact: operating expenses are 5–15% higher.***

3. Increased turnover means the operation is staffed with generally less-productive workers, which contributes to a higher labor cost. ***Estimated impact: labor cost is 10–20% higher.***
4. Increased turnover leads to the loss of team cohesiveness, which increases staff alienation which fuels staff turnover and keeps the process going! ***Estimated impact on sales and operating costs: escalation of the relationships previously outlined.***

In contrast, organizations with lower turnover can expect improvement in all categories (higher sales, lower costs) by approximately the same percentages.

To put the indirect costs into perspective, let's look at their potential impact on a full-service restaurant doing $1 million in annual sales volume. According to the latest *Restaurant Industry Operations Report*, sponsored by the National Restaurant Association, the typical operation has a turnover rate of 95% a year and would have the following operating results:

	Median Operating Results	
	Amount	*Ratio*
Sales	$1,000,000	100.0%
Cost of Sales	332,000	33.2%
Payroll Expense	294,000	29.4%
Employee Benefits	45,000	4.5%
Other Operating Expenses	171,000	17.1%
Operating Income	158,000	15.8%

Using the relationship discussed above, I projected the impact on the typical operation of a turnover rate 50% higher than the median (150% a year) and 50% lower than the median. The figures which follow reflect that turnover would have the following effect on the sales and operating expenses of the operation:

Category	*Impact*	*Change to Median Figures*
Sales	±$100,000	±10% of sales volume
Cost of Sales	±3.3%	±10% of cost of goods
Payroll Expense	±4.4%	±15% of payroll expense
Staff Benefits		same relationship to payroll expense
Other Operating Expenses	+1.7%	+10% of other operating costs (high turnover)
Other Operating Expenses	−0.9%	−5% of other operating costs (low turnover)

Applying the percentage changes to the median percentage figures (e.g., 17.1% + 10% = 18.8%, 17.1% − 5% = 16.2%) produced some revealing results. Interestingly, the difference in operating ratios correlates closely with the higher and lower quartile from the latest *Restaurant Industry Operations Report*.

	With Higher Turnover		*With Lower Turnover*	
	Amount	*Ratio*	*Amount*	*Ratio*
Sales	900,000	100.0%	1,100,000	100.0%
Cost of Sales	328,700	36.5%	330,000	30.0%
Payroll	304,200	33.8%	275,000	25.0%
Staff Benefits	46,500	5.2%	42,100	3.8%
Other Operating Expenses	169,200	18.8%	178,200	16.2%
Operating Income	51,400	5.7%	274,700	24.9%

This example suggest that higher turnover yielded operating income of more than $100,000 less than the median figures while lower turnover improved the profitability of the median operation by more than $120,000. The difference between high turnover and low turnover could be more than $220,000 a year in lost profits!

Foodservice is hard enough without giving away profits unnecessarily. If you would like to find out how to recover some of this "lost" money, read on!

Gig Harbor, Washington
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BILL R. MARVIN
THE RESTAURANT DOCTOR™

Acknowledgments

In this section of a book, the author usually lists a bunch of people you don't know and thanks them for contributions you don't understand! It may be a way to repay social and professional obligations or perhaps it's just tradition. I have always wondered whether acknowledgments were of any real value to the reader. Still, I think it important to recognize that this book, or any book, represents far more than one person's notions. In this spirit (and in no special order), I want to thank a few people whose support and ideas contributed to the work you hold in your hands:

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From Turnover to Teamwork

Contents

Part One

Ponder the Problem

Chapter One

Understand Why Workers Leave

> The conventional definition of management is getting work done through people, but real management is developing people through work.
>
> —H.H. Abedi, President,
> Bank of Credit and Commerce, Luxembourg

All turnover is a management problem, either because management failed to provide a productive working environment or because the wrong person was hired in the first place. Don't blame the workers; all they did was ask for a job. It was management that gave it to them. The simple truth is that your staff leaves because they did not want to stay, mainly because they are not getting what they want from the job.

WHAT DO WORKERS WANT?

If the way to improve staff retention is to give your workers what they want, then the obvious question becomes what is your staff looking for? When I ask the question of managers in my seminars, the typical consensus is that the primary concerns of foodservice employees are pay, benefits, and job security. However, when you ask workers the same questions, you get entirely different answers.