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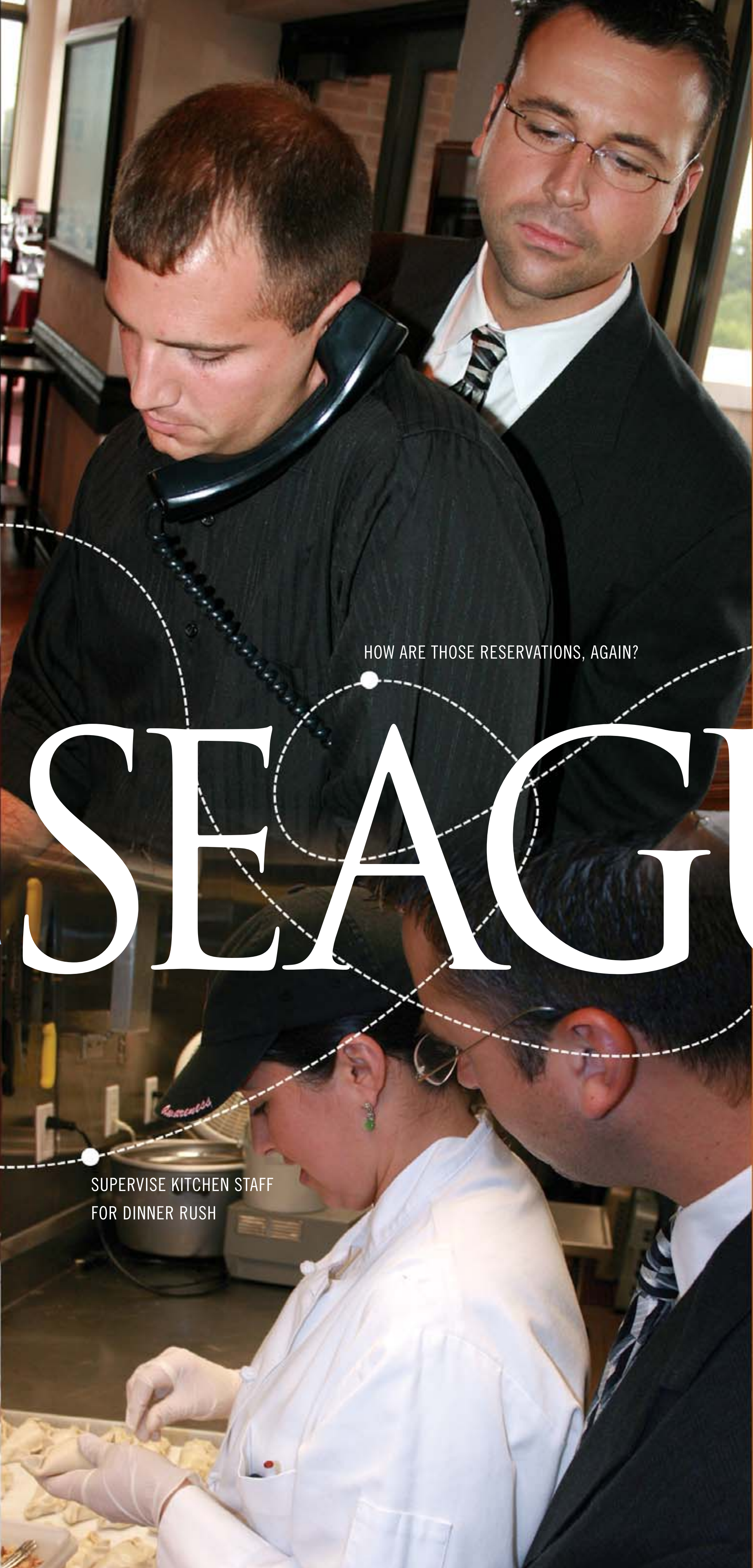

SEAGULL

And Other Tips to Help Independent Restaurant Owners Deal With Growing Pains

Editor's note: As you execute your plans to open your second, third or subsequent unit, you'll find that not only your business model will change, but your role as owner will change, as well. Your hands-on style, overseeing every shift and on top of every detail of the business may have brought you great success when you were operating a single unit, however, that approach can quickly turn into a liability when you open a second place.

It is difficult to be objective about our strengths and weaknesses as we face new challenges. That's why we owe it to ourselves to engage in good old-fashioned soul-searching anytime we expand our enterprises. What is our business philosophy? Are we able to trust our managers to run the show? Do we have the right people among our existing staff to help us get to the next level?

In this excerpt from a recent RestaurantOwner.com teleseminar, experienced restaurateurs Jim Laube, Jay Goldstein and Chris Tripoli discuss the problems of "seagull management," and other issues that you might face in the growth phase.

With Jim Laube,
Jay Goldstein and
Chris Tripoli

Jim Laube: When restaurants start to grow, how does the primary owner's role change?

Chris Tripoli: When there's one unit, you might see him in charge of bill paying, acting as final decision maker on ordering, and walking the floor, touching tables, and introducing him or herself to customers.

The operator then wants to keep that same role in the second unit. That's hard and it also impedes the development of the key people. We always suggest that the owner assess himself and pick the role he sees himself doing. If I'm going to have more than one unit, do I want to be the behind-the-scenes businessperson handling office, decisions, bills, etc., or do I see myself handling more of the management, marketing, promotion, and supervision out front? In either case, you need to build a team around you to handle the other side.

Seagull Management

Jay Goldstein: There is a tendency when you open your second restaurant to constantly bounce back and forth between the two restaurants because you're afraid that you're going to miss something at the other one when you're not there. And that can be highly frustrating to the owner and the managers because none of them ever really get anything done. Your managers have some questions, they've got some ideas, and they want to have some time with the owner, and he runs in, runs around, he's on the telephone, he's faxing things, he's got his computer going. We advise that when you do spend time in a unit, spend quality time in the unit. That's why you're there. And don't let the other unit draw you away from what you should be doing when you are in the second unit.

Chris Tripoli: That's where that term "seagull management" comes from.

Jim Laube: Seagull management?

Chris Tripoli: Seagull management. Swoop on in, poop on everybody, and keep on flying.

Jim Laube: Is there anything that people can do upfront just to evaluate themselves to get a sense how good they would be in a multiunit-type of environment?

Chris Tripoli: When you run a single unit, you need to stand back and take a hard look at yourself before you decide to grow, and decide what your role can be, what it is that you do well, and what type of people you need to be successful.

Especially in a small environment, you've got a very close support team — a lot of times these include family members and key staff members, as well as an accountant and vendor, with whom you have a close relationship. These are people with whom you need a conversation in a structured manner to elicit constructive input.

You're basically asking these key people to help evaluate you and tell you how they work with you, including the problems, the opportunities for improvement, and where they see your strengths and weaknesses. You're asking them to help assess your work relationship with them.

At the end of that process, you need to sit down and review your notes to learn what you need to do to help those around you to grow with you at the helm. If they can't grow, your company can't grow.

Manager Versus Partner

Jay Goldstein: I agree. An important thing to consider when growing is how it affects people — your staff and management. How are we going to track them? What are their responsibilities? How are we going to evaluate them? And how do we reward them?

The term "managing partner" or "managing operator" typically refers to somebody who either has a small share of ownership in that one unit that they operate, or they are being treated as if they are an owner in that their bonus comes off the bottom line or the available cash flow. And that's the difference from a standard general manager who may have a bonus based off certain goals, but no real stake in the ultimate success of the business.

So, if you feel like your particular concept needs a manager who shoulders the risk/reward at the unit level then I would certainly propose that you look at some type of managing operator or managing partner arrangement rather than a general manager with an incentive bonus.

On the other hand, we see sometimes with small pizza chains and other fast-casual concepts that grow from four to six to 10 to 12 units, an emphasis on developing a general manager who is being trained to become an area manager. If that is your growth plan, then the managing partner or managing director structure is actually more costly to you and probably not the best strategy.

Chris Tripoli: There are some companies where all managers were really managing partners and had a very small base salary, but they would earn anywhere from 10 percent or more of the bottom line and then, once they had more than one store, they had 20 percent of the bottom line, and an even smaller base salary. A lot of smaller independents that I've seen are dealing more with like a 5 percent bottom line as a rule, some larger, some smaller, to accompany the base salary.

Jay Goldstein: I've also seen some scenarios where you've got good performing managers who, once they cross a certain timeline with you in length of service, their percentage share of profit can increase. It helps them feel like they've got a stake in the business, and the longer they stay, the better their position becomes.

Performing Gap Analysis of Your Management Needs

Jim Laube: One of the big issues is incentives to managers; how do you evaluate whether you have the right people to grow?

Jay Goldstein: You have to do what we call "gap analysis." You have to determine your key players, the key positions in your organization, and the real drivers of the business success. You have to ask if you have any gaps between the existing position and the needs of the business, given the number of units you intend to operate. Then you need to look internally to see if you have any existing talent with the potential to fill those gaps. If not, you have to go outside to find it.

Chris Tripoli: The best people I've seen in key positions to help small restaurants grow are those who are not just capable at their jobs, but also demonstrate that they're compatible with the business owner's principles. As an owner, ask yourself how you can evaluate a person separately from his or her capabilities, such as his ability to communicate with you.

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A lot of times, we make wrong management hiring decisions because the person has been with us for a long time and really knows his job, when those skills are only half of what we need to succeed. If he or she is not necessarily compatible with our principles and our priorities and then we start growing and we put them in that position to supervise others, it can create problems.

Jim Laube: If somebody evaluates his current management staff and they deem that the restaurant is weak in some areas, what are some of the ways that he can shore up his staff prior to committing to growth?

Chris Tripoli: I think that's a great time to work with your people and to try to develop their potential; but having to hire outside isn't a bad thing. I think the best successful companies that are out there, say, in the four- to five- to six-unit range realize that back when they were one or two units, they tended to promote from within. But at a certain point, you will find that you need a 50/50 mixture of people of internal and outside talent.

In developing someone who is weak in a key area, you have to be prepared for failure. But should it be attempted? Certainly, it should, particularly if he is strong in other areas. And I think the best approach is to give that person a series of short reviews and small tasks, like 90-day workout plans to help this person learn what it is or be exposed to what it is you want him to do. And then have an honest review session with him, and provide a plan of action for improvement.

Jay Goldstein: And as you're looking to grow your business, you should keep an eye out for spectacular talent outside your walls. I'm not encouraging you to engage in piracy in which you steal folks from other businesses by offering them more money and making them all kinds of promises. I'm suggesting that, if you go to certain businesses and you are impressed by the service or attitude of someone who tells you that he or she is looking for other situations or opportunities, then he or she might be someone you should consider bringing on board.

Above All, Be Consistent

Jim Laube: How important is consistency between your units when you're thinking about growing?

Chris Tripoli: I think consistency is the prime way you'll be measured because, once you're in more than one location, it isn't so much what's different about your concept anymore. You started growing because you've already established your points of difference. So, your challenge now is to make sure that if somebody is eating lunch on a Tuesday at Unit No. 2, they're getting the same experience from atmosphere, lighting, music, cleanliness, food, portion, price as they would be getting on the other side of town at Unit No. 1.

The restaurant business isn't about one thing. If it were, it would be so much easier on us. It's about a hundred things all working together simultaneously. So, when people ask me to name the most important thing about running a restaurant, I tell them it is consistency.

First, it all starts with making sure that we've properly defined our concepts, so that it's very important for us to be remembered for the one big thing. Are we known for the biggest pizza? Are we known for the best burger? Are we known for the simple, quick-casual? Are we known for the pork burrito? It starts with making sure that we have defined who we are and what we want to be known for.

Then, second, of course, we need to be consistent in the way we manage our product and our people. So, we have to have the confidence to create systems and be committed to them. Finally, we need checks and balances to make sure that daily operations work properly, from product procurement to staff selection and training to how we, as owners, manage the business. What processes do I have to ensure that my businesses are opening right, closing right, that I've got the right products, that I've trained my managers right.

Owners need to have a playbook to which they can refer in order to kind of help them stay consistent with their current duties. They can't operate in a shotgun manner as multiunit owners. It doesn't work. **RS&G**

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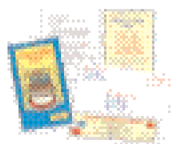

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