HOSPITALITY CASE STUDY ON OPERATIONS, STRATEGIC PLANNING AND ORGANIZATIONAL BEHAVIOR

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Abstract

This paper is about a real-life case study applicable to hospitality higher education settings. It describes the method to be used in the classroom to provide students with the opportunity of increasing their understanding of managerial problem resolution; specifically, conducting a company’s SWOT analysis, choosing operational alternatives, resolving quantitative reasoning scenarios, and compiling a plan of action.

KEYWORDS: Hospitality case study resolution, strategic planning, organizational behavior, quantitative analysis student learning goals

TEACHING GOALS

The example case that follows is intended as a first-level exercise in a university hospitality program setting. First, students are asked first to prepare for class discussion of the case by perusing the situation, reflecting on the issues involved, and developing some plausible alternatives to resolve the issues on hand. Secondly, they are required to review in depth the quantitative information given before attempting to formulate a diagnosis of the situation. Finally, students are asked to propose what in their opinion is an appropriate action plan and to provide recommendations for the resolution of the issues involved in the case.

By withholding detailed information, students are presented with the opportunity to identify possible causes for the lower-than-expected results by James’ and Chez James. Students are also empowered to propose possible operational, marketing and strategic solutions for the two companies. Finally, the case offers students an example of a successful operation, the Lumberjack Restaurant, in a college town setting.

HOSPITALITY STRATEGIC MANAGEMENT CASE STUDY

Pineville, Arizona is a college town with a population of 60,000 residents. The average number of students on the university campus is about 13,000. The city receives many tourists during the summer months, mostly on their way to and from Grand Canyon National Park.

The major restaurant and lodging areas in Pineville are located along Broadway and off Interstate 40 that crosses the city east to west. There are many franchised and independent restaurants and bars, including quick service, family, vegetarian, and ethnic eateries and sport, student, juice and traditional bars and pubs. Many residents eat out regularly. University students have the choice of using on-campus eateries or the large variety of restaurants and bars that the town offers. Although competition is fierce, the abundance of local customers, students, and tourists seems to provide sufficient business for most establishments to do well. On weekends, there are usually lines waiting for tables at most restaurants and student bars.
PONDEROSA INC.

Ponderosa Inc. Company consists of three restaurants owned by a local family who started the business soon after the end of WWII. The founder of the company owned a lumber mill that went out of business after logging operations all but stopped in the region. Rather than moving out of town, Paul James converted an old barn into a restaurant. Several years thereafter, he purchased two new restaurants to be run by his two children, John and Laurie James. Today, Mr. James is president of the corporation and John and Laurie are board members.

The James' Restaurant

The first establishment opened by Paul James in a converted lumber barn was the first full-service restaurant in town. Over the years, it became a local landmark, renowned for its first-class food and courteous, friendly service. Today, its clientele consists mostly of repeat older people, families and some businessmen wanting to treat people from out of town to a full, leisurely meal in a nostalgic setting. The establishment also does substantial business with seasonal bus tours, and banquets and functions from local profit and nonprofit organizations.

Because of the traditional nature of the restaurant, the company did not pursue the 'college student market' because old Mr. James believes that college students do not fit in with the other clientele. As manager, he views the restaurant as a place to visit for a special evening dinner. Mr. James attributes the steady drop of business over the last five years to the intense competition created by new restaurants in town. He insists to continue to provide a fine dining menu and service as he has done for the last forty years.

The James' restaurant consists of three connecting dining rooms with a seating capacity of 180 customers. Each of the three dining areas can be closed to cater to private banquets and functions. The setting is considered to be beautiful, with walls are finished in knotty pine with oak beam ceilings and wooden floors. The cocktail lounge has a capacity of 60 people and can be accessed without entering the restaurant. The dimly lit room has a large woodstove in one corner and solid darkly stained furniture is placed around a small dance floor. Servers and bartenders wear distinct western-style attire. On weekends, electronic keyboard music is played in the evening catering to a younger clientele. Business at the lounge, booming in the at one time, is slow now with most of the revenue coming from dining room sales.

The James' house prepares all menu items from scratch. The menu offers traditional American dishes with complete dinner specials and several a la carte items, such as roast duck, stuffed jumbo shrimp, prime rib and chicken pie. Some dishes favored by older customers are surf and turf, roast leg of lamb, grilled sole, sirloin steak, lamb chops, and liver and onions. Old Mr. James makes a point to set the highest standards for ingredients. Most dishes are prepared with real butter and heavy cream. Pecan rolls and corn fritters are the specialty of the house.

The Lumberjack Restaurant

The second restaurant opened by the James family is located in downtown Pineville. Built on the ground floor of a historic building, it was established as a more upscale alternative to the quick-service restaurants. John James made sure that the target market included almost everyone. He sought lunch and dinner business as well as young lovers of live music, particularly blues and jazz.

The layout of the restaurant consists of a main room with a bar at one end and a stage at the other. There are tables on the floor with about 60 seats. The back connecting room offers a large video screen for sports broadcasts, a pool table and an electronic dartboard. The walls are finished in bare brick and decorated with large jazz and rock artwork prints. The menu at the Lumberjack is aimed at attracting a variety of customers. A good selection of soups, salads, burgers and Mexican dishes are featured, together with $1.50 drafts during jazz or blues concerts. The place is usually packed for lunch and dinner.
The simple yet tasty menu at affordable prices attracts customers. A $6.95 brunch is sold on Sundays that brings in families before and after church. Service is courteous and speedy and casually attired waiters serve meals without any fuss. Beer is poured in hard plastic glasses and paper napkins are used instead of napery. The Lumberjack clientele, particularly the college students, love the casualness of the restaurant.

Chez James

The latest acquisition of the James group is a quality French restaurant. Since a trip to Europe with her high school class, the dream of the youngest James daughters, Laurie, has been to manage a French-style bistro. Laurie has a degree from a culinary school and some experience in her father’s two other restaurants when she was a teenager. She is directly responsible for all operations, including food purchasing and supervising the menu. Her husband John, a native of Wales, is her assistant in charge of guest and personnel relations. He also has expertise in classic tableside dining room service and in quality wines.

Located in a quiet area of town, Chez James is the perfect place for elegant dinners accompanied by the best cocktails and selected wines. In spite of its good reputation, the restaurant, on average, serves only about 55 meals per day.

Advertising

Each property advertises separately. Paul believes that the James’ restaurant’s reputation and word of mouth advertising with some advertisement in telephone directories, brochures sent regularly to the town’s visitor center should be sufficient to attract a continuous flow of customers. It is apparent, however, that the current advertising effort is insufficient to offset the seasonal fluctuations in business.

The manager of the Lumberjack insists that the restaurant is advertised everywhere. Spots on the local radio stations are being broadcast when the jazz and blues bands are playing. The place is advertised in the university’s weekly publication and at all sport events on campus. Food and drink specials are featured in the local newspaper and brochures are distributed frequently by mail by an advertising company.

Chez James is listed in the Host Magazine that is placed in rooms at all lodging establishments in the area and in the travel section of the local Sunday newspaper. To reduce operational costs, Laurie has recently discontinued advertising on two road billboards and with three regional radio stations.

Organization

Old Mr. James had been the soul of the organization since the founding of the first restaurant. Besides managing the James’ restaurant, he is the de facto decision-maker for the three properties. There is poor inter-property communication, each manager operates independently, but follows the whims of the family patriarch. Standard operating procedures, training methods and employee manuals exist, but are not followed consistently. Everyone considers the organizational environment of the company to be “like a family.”

Accounting is the only procedure that is totally integrated for the three properties. After opening of Chez James, Paul hired a company controller to coordinate all financial procedures. Murphy, a CPA with extensive experience in the hospitality industry, does an excellent job in keeping accurate records and cash controls. It is the controller who, because of the declining profits for the company as a whole, recommended hiring a corporate vice-president of operations to take over the reins of the organization. It seems that the only way to avoid bankruptcy in the future is to implement immediate changes in the mission, organization and management procedures of the company.

A summary of results is shown in the following operating statement prepared by Mr. Murphy.
### James’ Restaurant vs. Lumberjack vs. Chez James

<table>
<thead>
<tr>
<th></th>
<th>James’ Restaurant</th>
<th>Lumberjack</th>
<th>Chez James</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food sales</td>
<td>72,553</td>
<td>539,802</td>
<td>289,771</td>
</tr>
<tr>
<td>Cost of food sales</td>
<td>34,825</td>
<td>145,746</td>
<td>89,829</td>
</tr>
<tr>
<td>Beverage sales</td>
<td>12,334</td>
<td>269,901</td>
<td>81,136</td>
</tr>
<tr>
<td>Cost of beverage sales</td>
<td>3,823</td>
<td>59,378</td>
<td>37,323</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td><strong>46,239</strong></td>
<td><strong>604,579</strong></td>
<td><strong>243,755</strong></td>
</tr>
<tr>
<td>Labor cost</td>
<td>35,652</td>
<td>210,522</td>
<td>144,654</td>
</tr>
<tr>
<td>Other expenses</td>
<td>35,652</td>
<td>210,522</td>
<td>144,654</td>
</tr>
<tr>
<td>Fixed expenses</td>
<td>7,640</td>
<td>89,067</td>
<td>77,890</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td><strong>2,400</strong></td>
<td><strong>257,218</strong></td>
<td><strong>-1,043</strong></td>
</tr>
</tbody>
</table>

**Controller assessment of the company:**

After closely examining the results, Mr. Murphy makes clear to the board that the Lumberjack is the only successful establishment and that operational costs of the other two restaurants are bringing the company down.

Recognizing the difficult position the company is in; the James family decides to hire a professional troubleshooter with the title of company vice-president (you) to regain financial stability in the company.

**CLASSROOM RESOLUTION OF THE CASE**

Following an open discussion of the case in the classroom, students are asked to:

1. Review all information provided about the company, including a careful analysis of the quantitative information provided.
2. Identify the key problems that the new vice-president of operations needs to address.
3. Specify recommendations, addressing the strategic issues identified.
4. Propose a plan of action (road map).

The instructor’s evaluation of student work is based on the following considerations:

1. Are the conclusions based on facts and quantitative evidence rather than on unsupported opinions and overgeneralizations?
2. Do students have an applicable knowledge of strategic concepts and analytical tools?
3. Is the interpretation of the evidence based on actual analyses rather than on unsubstantiated arguments?

**INSTRUCTOR’S NOTES**

The preponderant method of practicing strategic management in university settings is concerned with the use of cases about real companies. Case studies place students at the center of decision-making, giving them the opportunity to diagnose situations and to recommend appropriate courses of action. Cases are important as complements to assigned readings and classroom lectures because they provide students with a practical way to understand the problems that real managers face in the real world. The
resolution of case studies in higher education business programs are, in fact, effective tools to help students learn by doing.

The goals of case resolution in a classroom setting include: 1) helping students increase their understanding of how to solve managerial problems; 2) providing an opportunity to analyze a company’s weaknesses and strengths; 3) evaluating possible alternatives; 4) asking students to propose effective plans of action; and 5) having students acquire actual business experience.

The resolution of this case involves students in three major aspects of hospitality education: operational applications, strategic planning and management, and organizational behavior.

- The operational aspect of this case is aimed for students to demonstrate their competency in the effective resolution of technical situations, such as **quantitative analysis**, **problem solving** and **decision-making**.
- From a strategic planning perspective, students are instructed on how to analyze the current position of the company and how to develop plans to compete in the market with services and products they are able to provide. In this phase of the case resolution, students should be able to apply the principles of **SWOT analyses**; that is, identifying the company’s internal strengths and weaknesses and its external opportunities and threats, developing a **strategic vision**, setting **strategic objectives**, and finding the most effective way of implementing these objectives within appropriate **time horizons**.
- The aspect of organizational behavior should teach students the principles of hospitality **company organization**, **group behavior** and the achievement of optimal **productivity** in the workplace.

**STUDENT LEARNING GOALS**

Specifically, students will benefit from the following learning activities:

- Interpretation of the operational results provided, by having to work out the percentages of food and beverage costs, labor cost and other expenses to total revenue.
- Interpretation of inter-outlet total food sales.
- Proposal of operative methods to curb the negative net profit of James’ and Chez James restaurants. For example, by reducing the labor from the current 42 percent to the industry-accepted average of 30, the net profit would be increased from negative 3 percent to a positive 9 percent. Students should apply common methods used in restaurant management to lower labor cost, such as preventing overtime, curbing employee turnover and scheduling workers effectively.
- Proposal of innovative marketing approaches to remedy the actual situation. For example, changing the stodgy, made-from-scratch menu at James’ to a lighter, fresher bill of fare that would appeal to a younger crowd. Changing the theme at **Chez James** may also solve the restaurant’s problems, as the current French cuisine menu may not be appealing to a college town clientele.

**REFERENCES**
