

What Makes a Successful Restaurant?

Allen J. Tran and Elizabeth Reutter

Department of Food Science and Human Nutrition, Hospitality Management Program,
University of Illinois at Urbana-Champaign, Urbana, IL 61801

Introduction - What are we doing?

We are studying the factors that predict a restaurant's long-term success or failure.

The hospitality industry is a field that requires one to be great at a variety of subjects, from real estate, product development and manufacturing, inventory, hiring, training, and service delivery. When any combination of these elements is not adequate, success becomes difficult.

With this knowledge in mind information about what kinds of systems and philosophies contribute to success and avoid failure is important for hospitality managers.

Why are we doing this?

The hospitality industry suffers from a notion of high failure rate as well as issues like high employee turnover and poor employee-supervisor relations.

A potential benefit of this research is better understanding of what separates a successful restaurant from one that fails. Consistent elements of success could be valuable in guiding managers to better management techniques, leading to benefits like increased profits and higher employee morale.

Methods - How are we doing this?

We are investigating these factors through a multidisciplinary perspective, incorporating

- a case interview with William Myers (a local restaurant owner and franchisee)
- scholarly journal articles within business management and industrial/organizational psychology
- relevant books from recognized individuals in the business and hospitality industries

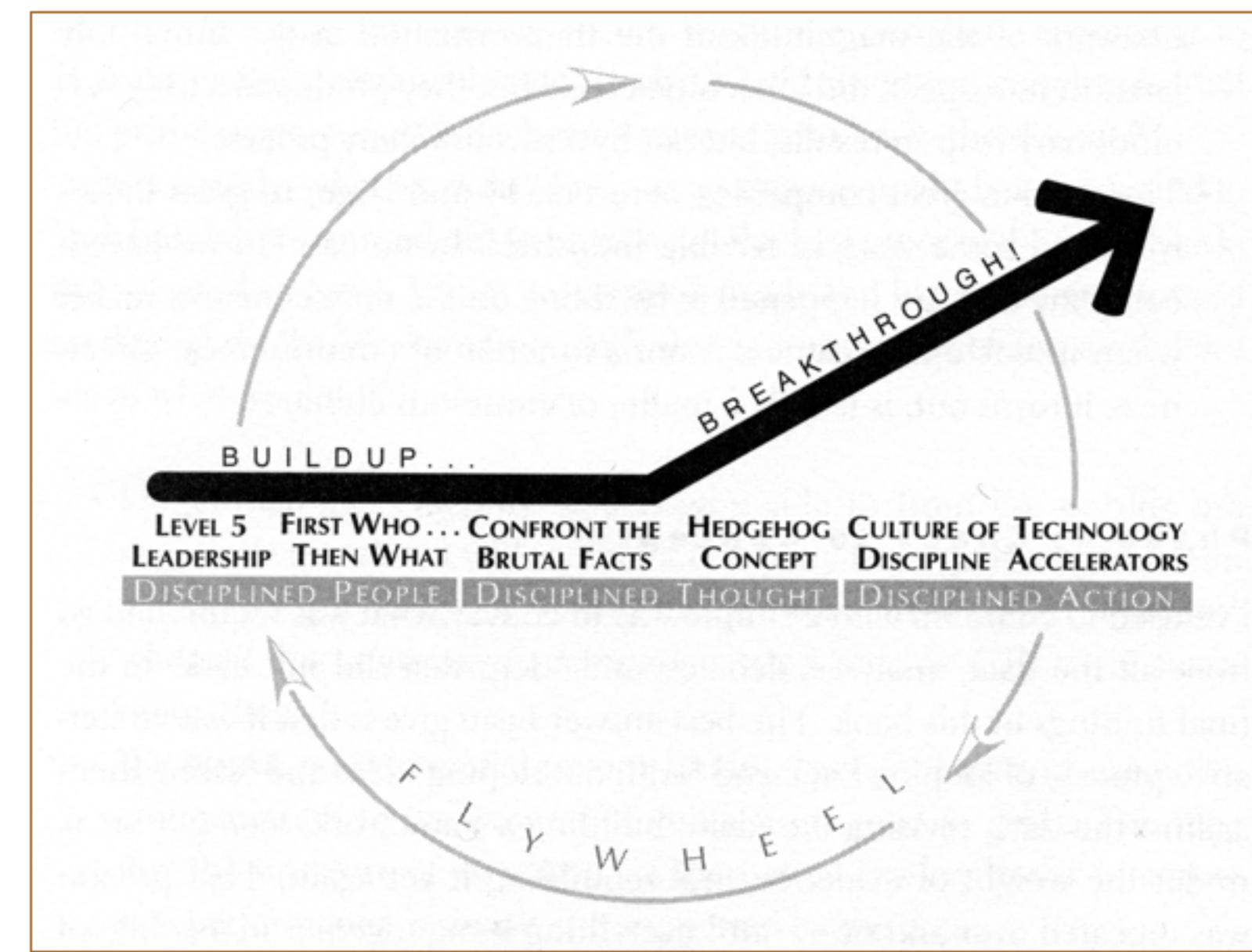


Figure 1. Good to Great Framework [2]

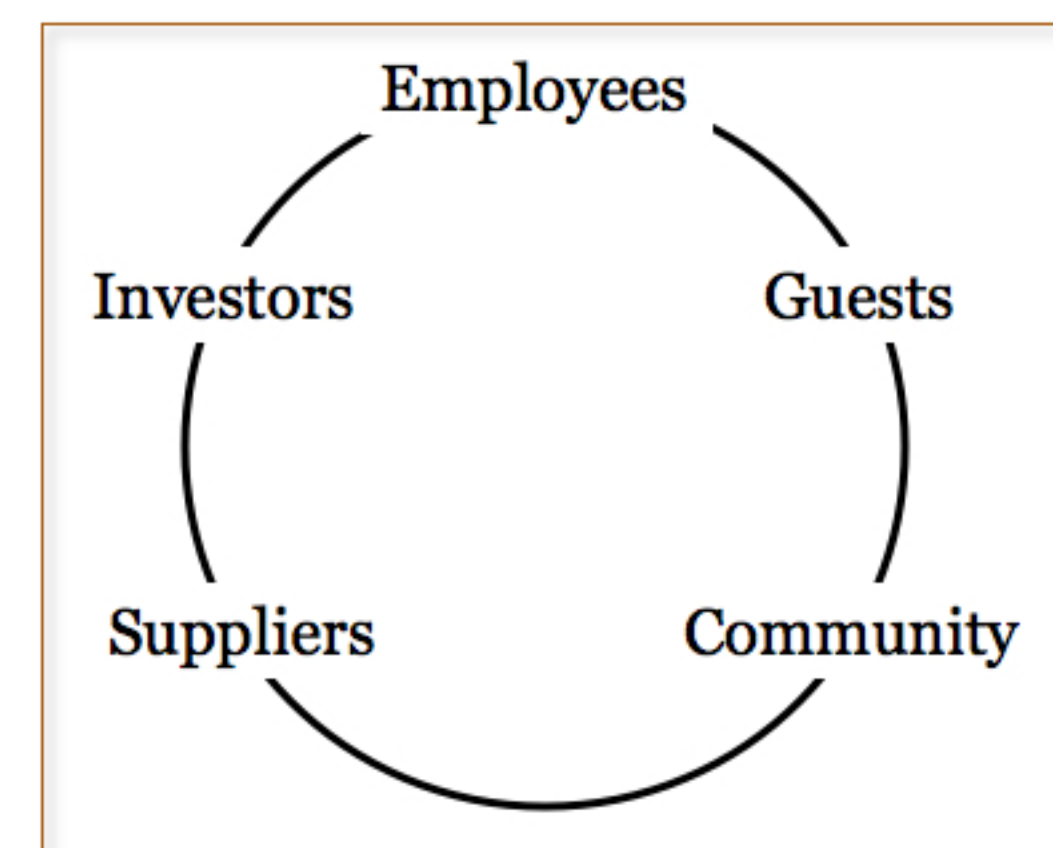


Figure 3. Danny Meyer's "Virtuous cycle of Enlightened Hospitality" [1]

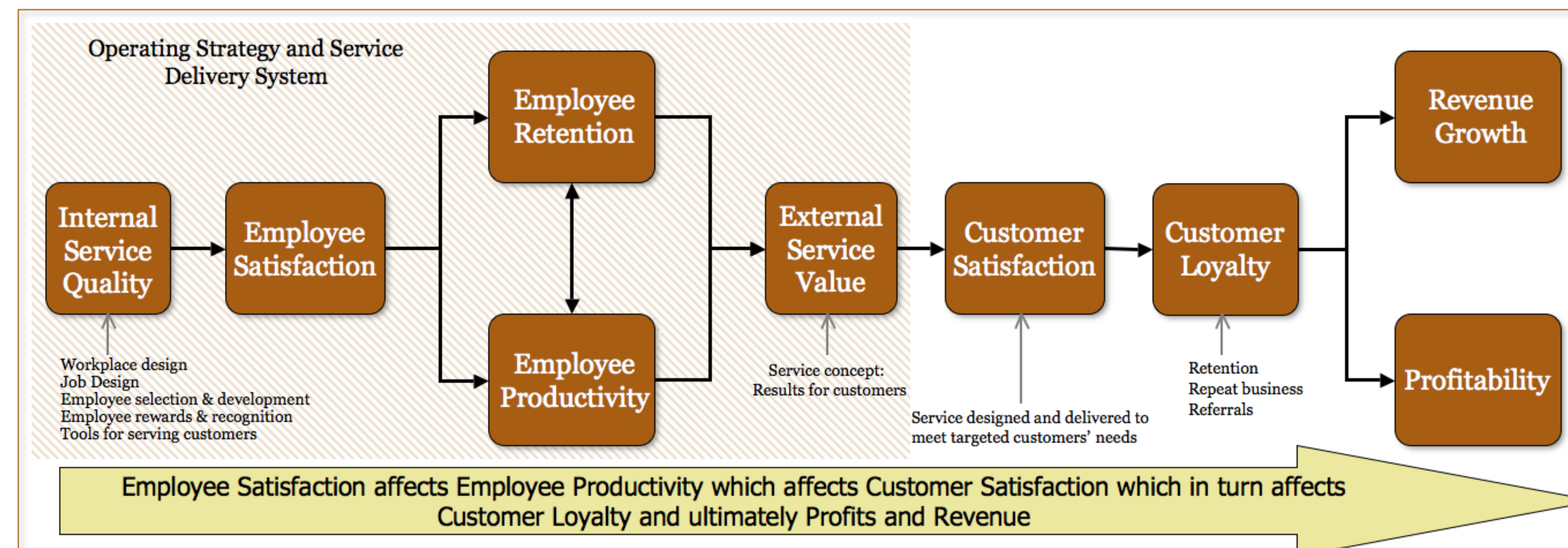


Figure 2. Service-Profit Chain Model [3]

Results - Where are we now?

The research conducted produced a good deal of knowledge concerning restaurant success. Much of the information concerned either the technical planning of a restaurant and its concept or the interpersonal relationships between the many points of contact within a restaurant operation.

Of note, three interesting concepts arose from the research:

- The framework to go from Good to Great [2]
- The "virtuous cycle of enlightened hospitality" by Danny Meyer [3]
- The Service-Profit Chain model

The first concept dealt with how managers should approach planning and executing a successful business plan, taking examples from a study of 1,435 companies that identified 11 businesses with substantial performance improvements over time.

The second and third concepts dealt with interpersonal relationships within a business and both suggested a paradigm shift in placing the employee satisfaction as the highest priority. This notion is seen conceptually to make beneficial relationships with connected factors that ultimately benefit investors and profitability.

In addition the research generated specific information about forces bearing on restaurant success [4], such as:

- Having a well-defined concept
- Recognizing the family cycle of the owners and employees
- Extensive planning
- Priority of having relationships with the community over formal marketing and advertising
- The owners having knowledge in all areas of the business

Conclusions

The results from the research gives clues about the importance of human relations within and outside of a restaurant operation. When seeing the research information as a whole, a relatively comprehensive pool of data was generated but much of the data had similar findings.

One article stated that "restaurant failure rate is affected more by internal than external factors, although both apply"[4]. With this statement made restaurant managers should focus not only on the technical aspects of an operation. Because the hospitality industry is one that relies heavily on personal interactions, it may be wise to also include a people-centered view incorporating all the people involved, particularly the employees who make up the operation.

Future Work - Where to next?

More investigation is needed to connect:

- More businesses in the cohort
- Psychological elements in worker behavior

Also, the Service-Profit Chain has not been directly studied in the setting of the restaurant industry. Researchers have found that the S-PC fits only certain service fields [5], primarily:

- Services where staff contact is high
- Services where this is little opportunity for technological substitution
- Services where staff contact is critical to customer value
- Services with high labor costs

Although the hospitality industry appears to fit this service field model, new research should be focused in this direction to confirm the hypothesis.

Acknowledgements

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Further Information

Contact information:
ajtran@uiuc.edu

U of I Hospitality Management Program:
http://www.fshn.uiuc.edu/academics/undergraduate_programs/hospitality_management/index.html

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