RESTAURANTCO.:

ACHIEVING AN IDEAL BALANCE OF AUTONOMY AND CONTROL IN THE RESTAURANT BUSINESS

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Introduction

Hospitality and tourism are among the most competitive fields of business performance. Restaurants exemplify a potentially attractive target for unions. However, historically, the restaurant industry has exhibited one of the lowest rates of unionisation compared to other industries. Informality and the growing significance of front-line managers have been the most characteristic features of many organisations in the service industry. Recent attempts to enhance business performance and achieve a sustained competitive advantage have resulted in organisational and cultural changes, which not all managers and employees willingly accept. This paper analyses the case of RestaurantCo, a large non-unionised company operating in the UK (Suter & Marchington 2011). The paper includes the analysis of the emerging tensions between managers' autonomy and structural centralisation, the efficiency of the organisation's capability framework and recommendations to integrate the existing HR functions, recommendations to balance formal and informal employee involvement and participation (EIP) practices, as well as the role of informality and its appropriateness in line managers' operations beyond the restaurant business.

RestaurantCo.: Centralisation and Autonomy

The study of RestaurantCo. demonstrates the emerging tensions between the centralisation of corporate decisions and the historical autonomy of line managers working in branches. According to Suter and Marchington (2011), each restaurant establishment was usually run by a branch manager and two assistants. For years, the roles and responsibilities of a brand manager did not differ significantly from those of an assistant manager, with all supervisory functions included (Suter & Marchington 2011). Branch managers dealt primarily with wider issues, whereas immediate problems were assigned to branch manager assistants on the site (Suter & Marchington 2011). Branch managers also carried a number of HR functions, including employee performance appraisal and personal development (Suter & Marchington 2011).

Under the new owner, branch managers have experienced a dramatic shift in their roles and responsibilities. On the one hand, the HR functions they used to fulfil have become much more formalised and sophisticated (Suter & Marchington

2011). On the other hand, branch managers have lost part of their autonomy in organisational decisions affecting their branches. For example, they have faced pressure from the head office to implement formal relationship systems with their subordinates (Suter & Marchington 2011). As a result, while being fully responsible for the quality and efficiency of all branch operations, branch managers are slowly losing their ability to impact organisational decision-making (Suter & Marchington 2011)

These changes in centralisation and branch managers' organisational responsibilities stem from the broader shift in the organisation's consciousness and the corporate strategy adopted by the new owner. The latter can be called a "meta-routine", which "modifies the operational routine over time to keep pace with changes in the environment" (Knott 2001, p.433). Under the influence of the corporate strategy, or meta-routine, managers shape their day-to-day behaviours and operational decisions (Knott 2001). Yet, one of the biggest mistakes head-office managers have made is in reducing the scope of managers' involvement in on-site decisions, while also increasing their responsibility for the quality of performance results. To a large extent, the discussed conflict is that of dependence and autonomy – a conflict, which is extremely common in franchise organisations and can easily emerge in complex organisational structures with multiple units operating independently (Dant & Gundlach 1998). The situation branch managers are currently in is similar to that which many franchisees and independent organisational units frequently face: while the head office seeks to impose greater control on branch managers, the latter prefer free-riding for the benefit of their branch (Lafontaine & Shaw 2005). Moreover, the stronger managers' perceptions of dependence, the stronger will be their desire for autonomy (Dant & Gundlach 1998).

A good thing is that dependence (or, in case of RestaurantCo., centralisation) and autonomy of branch managers are not irreconcilable (Dant & Gundlach 1998). The striving of the head office to control branch managers and deprive them of part of their functions is quite understandable, given the importance of standardisation and uniformity across large restaurant chains. In this situation, the best way to minimise contradictions between managers' striving for autonomy and head office's emphasis on centralisation is to adopt the so-called "plural vision" of management, in which standardisation and managers' free-riding will peacefully coexist. The plural vision of managing restaurant chains was proposed by Bradach (1997). The idea has the potential to improve branch performance at RestaurantCo. The head office and branch managers must define the boundaries of uniformity and standardisation, which they cannot cross. Bradach (1997) proposes using four processes – modelling, socialisation, ratcheting, and mutual learning – to pursue greater uniformity and improved systemwide adaptation across the res-

taurant chains. Through modelling and socialisation, the head office and branch managers can define the scope of brand managers' autonomy and adjust the lines of their on-site responsibility. At present, the biggest problem is the incongruence of managers' limited autonomy and the growing responsibility for the processes and results, in which they are not allowed to participate. Bearing in mind the long-term growth of RestaurantCo. and the contribution that branch managers used to make for the sake of success, they must have a voice in head office's decisions regarding their place in the corporate hierarchy.

Effectiveness of the Capability Framework and Integrating HR Functions

In the restaurant business, as well as in any other industry or field, aligning the HR function to the organisation's strategic orientation is vital for its future sustainability and profitability (Lindgren, Henfridsson & Schultze 2004). Even more important is integrating the existing HR functions and responsibilities into business performance and strategic decision making (Storey 2007). Managers must have freedom and opportunity to articulate and implement the organisation's strategic vision, and enact a relationship between the environment and the firm, which benefits the firm's strategic position (Lindgren et al. 2004). However, until present, RestaurantCo. has been mostly unsuccessful in developing and implementing its capability framework. The new owner has failed to acknowledge the organisation's service orientation and the flexible environment, in which it operates. Traditional competence frameworks involve competence sourcing, coaching and training (Lindgren et al. 2004). None of these elements have been included in RestaurantCo.'s competence frameworks. The reality of RestaurantCo.'s performance does not match the capability framework developed by HR professionals. Instead of encouraging innovation and motivating collaboration with other restaurant managers, the organisation has focused on structural centralisation and management control. The organisation has failed to integrate the existing HR functions into a single system of Human Resource Management, while the head office has also deprived line managers of their historical opportunity to make relevant HR decisions.

One of the biggest problems with competences and HRM at RestaurantCo. is that the head office has adopted the so-called job-based approach to HR management (Lindgren et al. 2004). In this model of HR management, organisations develop job descriptions and implement procedures to make sure that their employees fit

these descriptions (Lindgren et al. 2004). Yet, even though line managers' responsibilities in RestaurantCo. go beyond traditional job descriptions, these responsibilities and functions are justified by the changing needs and requirements of the restaurant industry. RestaurantCo. operates in a service industry, which has far-reaching implications for the way its HR processes are managed.

Management and administration in the service industry differ considerably from other industries. First, "the customer's perception of service quality is more directly linked to the morale, motivation, knowledge, skills, and authority of front-ling staff who are in direct contact with customers, than in the case of a product-selling organisation" (Mahesh 1988, p.10). Second, in the service industry, managers should be responsive to staff needs rather than impose their demands on workers (Mahesh 1988). Therefore, the service industry requires that managers' jobs are freedom-centred rather than controlled (Mahesh 1988). Third, in the service industry, traditional instruments of performance measurement and output control should give place to the subjective measures of customer satisfaction (Mahesh 1988). Managers operate well and successfully cope with their functions, as long as their customers are satisfied. Fourth, the service industry does not favour centralisation and toughening of decision making channels in organisations (Mahesh 1988). Thus, the recommended integration of HR functions at RestaurantCo. should take place in a manner that eliminates bureaucratic complexities and promotes excellence in service through decentralisation and organisational flexibility.

Since the middle of the 19th century, there has been a growing recognition of the devolution of HR functions to line managers (Beattie 2006). Needless to say, line managers should play one of the primary roles in the way HR functions at RestaurantCo. Like many years before, the role of the front-line remains central to the debates on HRM integration (Storey 2007). The task of the HR system at RestaurantCo. is not to control, but to manage and motivate; otherwise, the entire organisation may end up in the middle of a disaster (Mahesh 1988). However, both line and top managers must understand that the creation of an integrated HR system in existing organisations is extremely complicated (Mahesh 1988). A company with a history of success as that of RestaurantCo. will have to emphasise numerous and various factors, to transform itself into a dynamic organism, sensitive and responsive to customer needs (Mahesh 1988). To develop a truly integrated HRM system, RestaurantCo. will have to align executive goals to line managers' customer satisfaction priorities. The company must pursue the line of decentralisation and collaboration, where rewards and punishments will be tied to changes in customer satisfaction (Mahesh 1988). HRM policies should foster employee commitment, organisational integration, and flexibility in the workplace

(Goss-Turner 1999). The role of line managers in devising and implementing reward systems should be vital (Purcell & Hutchinson 2007). Line managers must have manoeuvre and freedom to apply HR practices in ways that benefit their employees and branches (Rousseau, Ho & Greenberg 2006). As of today, line managers are required to perform in accordance with the top managers' bureaucratic expectations that threaten branch employees to pursue excellence at all costs (Rousseau, Ho & Greenberg 2006).

The most important, however, is that HR managers and offices are supposed to be available to line managers at their convenience. Also, the boundaries of HR functions and control among line managers and the HR department should be clearly defined. Finally, regular HRM training should be provided, to ensure that line managers can successfully cope with their people management responsibilities. This way, RestaurantCo. will create an effective bundle of HR responsibilities and functions, creating an environment that is particularly conducive to sustaining profitability, excellent performance, and customer satisfaction in the long run.

Employee Involvement and Participation: Formal and Informal

In a service organisation as prominent as RestaurantCo., the way line managers operate greatly impacts the organisation's overall performance (Suter & Marchington 2011).

For many years, managers and employees at RestaurantCo. worked side by side, cooperatively, on the most essential workplace tasks (Suter & Marchington 2011). The final result was the development of the EIP systems, based on informal manager-worker relationships and almost unlimited workers' involvement in organisational branch decisions. Under the new owner, however, formalisation of organisational structure, bureaucracy, and control have become top management priorities. As of today, one of the most challenging tasks facing the organisation is finding the right balance of formal and informal EIP. Formal EIP are those which rely on written governing rules and bylaws, whereas informal EIP have no defined structure or written policy (Kaufman & Taras 2000). The organisation's capability framework provides perfect behavioural solutions to harnessing informal EIP potentials within RestaurantCo. Nevertheless, at present, little has been accomplished to balance formal and informal EIP tools.

Effective co-existence of formal and informal EIP is vital for the organisation's sur-

vival. While informal EIP shapes the ground for the successful implementation of formal EIP methodologies, the latter inspires the creation of structures, channels and processes that guide informal EIP (Storey 2007). Top managers should realise that, for many years, informality has been the key component of the organisation's growth and business success. Simultaneously, employees must finally recognise the importance and effectiveness of formal EIP procedures. In this situation, the task of line managers is two-fold: on the one hand, line managers must familiarise employees with the importance and benefits of using formal EIP; on the other hand, top managers and owners must recognise the inevitability of informal relationships in a service organisation. The way in which EIP is practised must stem from the micro-organisational considerations that are unique to each branch (Storey 2007). No matter which type of EIP line managers eventually choose, one of their primary functions is to enact the spirit of EIP by all means (Storey 2007).

Informality in the Service Industry: Good or Bad for Business?

Informal relationships are naturally developed in all organisations, but nowhere else has informality been as pervasive and crucial to organisations' competitiveness as in the service industry. Managers of large corporations gradually realise the need to influence organisations' informal structures, to enable people to present and influence diverse decisions without breaking the existing formal networks (Lecraw & Morrison 1993). In the atmosphere of the service sector's informality, all that the best top managers can do is to become conscious of the informal dynamic at RestaurantCo., and use its organisational performance and growth potentials to the fullest. Reasons why informality works well in the restaurant business are many, from the constantly changing customer demands to the long working hours. In the atmosphere of changeability and flexibility, informal day-to-day communications are much more important than official meetings with employees (CIPD 2001). Informality at RestaurantCo., as well as in the rest of the service industry, can be rightly considered as an effective instrument of fostering and managing employee voice (CIPD 2001). In many service sectors and organisations, despite the presence of relevant formal communication mechanisms, informality is what really matters in delivering employees' concerns to managers (CIPD 2001). Despite certain operational difficulties, informality has long been the defining feature of organisational performance in the service industry. The role of formality here is simply to define the most important channels for informal communications with managers.

Managers and owners in other organisations and sectors recognise the value of informal relations. However, informality will hardly work in traditional product/manufacturing industries. One reason why informality does not belong to the product manufacturing sector is because of the solid pressure of unions, which displace informal communication channels and ties for the sake of formal relationships between managers and employees. Another reason is that the service industry is more flexible and prone to changes than the product manufacturing sector, where most organisational processes are heavily standardised. The small size of restaurants and the fact that most line managers and employees constantly work side by side further justify the importance of informality in the service sector (Suter & Marchington 2011). The flexibility and diversity of organisational arrangements in the service industry further favour the creation of informal EIP networks and ties.

Conclusion

The service industry differs greatly from manufacturing. Consequently, managers and employees in the service sector rely on informal relations, which do not harm the quality of efficiency of restaurant chains" performance but exemplify an essential ingredient of their organisational cultures. Thus, there is no need to suppress the existing informality at RestaurantCo. The importance of informality is justified by the fact that managers and employees in the restaurant sector work side by side. The best the organisation can do is to give employees voice in all organisational decisions and promote the creation of EIP networks and ties.

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