

# Chapter One

## Introduction

In the past two decades scholars have dedicated a tremendous amount of effort to studying the relationship between a firm's performance and its human resource management (HRM) practices (Huselid, 1995; Delaney and Huselid, 1996; Becker and Gerhart, 1996; Becker and Huselid, 1998). What has emerged from these studies is empirical evidence that demonstrate a linkage between a firm's HRM practices and performance that can give it a competitive advantage (Huselid, 1995). However, what has also become equally clear is that human resource practices do not operate independently from each other or from the firm's overall strategy. Human resource practices operate in a complex system of interrelated parts. This system has become known as high performance work practices (HPWP) in the area of strategic human resource management (SHRM) (Becker and Huselid, 1998).

This study outlines the research conducted in the development of a construct for the conceptualization of high performance work practices within the casual theme restaurant sector of the US hospitality industry and proposes a research agenda for further investigation of those practices. Firms able to implement such systems possessing universality, i.e. complementary internal fit, have been shown to increase the intangible value of their human capital (employees) and create greater economic value (Delery, 1998). Such organizations can compete more effectively in their sector. Studies on HPWP in the service industry have been limited to heavily regulated firms such as banking. These results, however, may have limited validity for the restaurant industry. Therefore, a research agenda is presented for the development of the high performance work practices construct for the causal theme restaurant business in the US.

### **Problem Statement**

Strategic human resource management researchers have been advocates of the theory that provides support to the relationship between HRM practices, sustainable competitive advantage (SCA) and firm performance. Several strategic human resource management researchers such as, Cappelli & Singh (1992), Wright & McMahan (1992), Pfeffer (1994), Lado & Wilson (1995), Huselid (1995), Jackson & Schuler (1995), Becker & Gerhart (1996), Delany & Huselid (1996), Boxall (1998), Pfeffer (1998), Schuler & Jackson (2000), Ulrich & Beatty (2001), Lepak & Snell (2002) and others have directly or indirectly made attempts to theorize the effects of single or multiple human resource management variables on firm performance. These efforts have led to the incremental development of the strategic human resource management literature that stresses the relationships between the HRM practices, SCA and firm performance.

There is an emergent body of evidence demonstrating that "the methods used by an organization to manage its human resources can have a substantial impact on many organizationally relevant outcomes" (Delery, 1998, p. 1). The change of focus on organizational resources is noteworthy in that it shifts the traditional emphasis in the field from micro human resource management practices to a macro system of practices that the organization uses to manage its human capital. Imbedded in the discussion of HRM systems is the concept of high performance work practices (HPWP), also referred to as systems of internal fit. The study of HPWP and their importance in strategic human resource management (SHRM), however, has received less attention in the literature (Delery, 1998). Confounding the research on HPWP is a general disagreement among researchers on the micro HRM practices which comprise the SHRM system; there is little concurrence among scholars with respect to specifically which human resource practices should

be incorporated (Becker & Gerhart, 1996; Rogers & Wright, 1998; Chadwick & Cappelli, 1999). Becker & Gerhart (1996) identify six key unresolved questions in need of future study, with the development of an agreed upon set of HRM practices as the first step. Rogers & Wright deem the next decade to be critical in the establishment of a clear, sound and consistent construct for firm performance in the field of SHRM (1998). Indeed, construct development and validation of measures is fundamental to the progression of model development (Nunnally & Bernstein, 1994). The objective of this research is to conduct a Delphi study that will attempt to gain consensus among restaurant industry professionals, academics and experts as to what comprises a HPWP system. Additionally, to try and determine what are the best performance metrics to use when attempting to quantify the results of using a HPWP system

### **The Restaurant Industry**

The restaurant industry employs an estimated 12 million people in 2005, making it the nation's largest private sector employer providing work for nearly 9% of those employed in the US ([www.restaurant.org/research/employment/](http://www.restaurant.org/research/employment/)). The National Restaurant Association (NRA), the largest organization representing the US restaurant industry, has engaged in extensive lobbying efforts for the purposes of defeating legislative proposals aimed at improving the working conditions of hourly foodservice employees ([www.restaurant.org/government/minwage.cfm](http://www.restaurant.org/government/minwage.cfm)). The NRA spends millions each year fighting regulations and proposed laws at the state and national level to improve wages, health care, housing and day care. This effort by the NRA and other likeminded organizations add to the reputation of the foodservice industry as an undesirable place to work and as a business that does not value its employees.

As casual theme restaurant companies in the industry learn to view their employees from a new perspective, as strategic human capital which possesses intangible assets (knowledge, experience, skill, etc.) that are valuable to the firm, anecdotal evidence suggests that their business performance improves and the state of their restaurant workers is raised. The industry as a whole needs to break free of the current human resources paradigm of high turnover and low retention of employees, which is costing the industry billions in replacement costs, lost productivity, service quality, employee know how and experience (Pine, 2000). Gordon, (1991) concluded that "corporate cultures, consisting of widely shared assumptions and values, are, in part molded by the requirements of the industry in which they operate" (p. 410). The foodservice industry, and more specifically the restaurant segment, is subject to Gordon's exact proposition that the industry norms shape the corporate culture/thinking of individual entities, when it comes to valuing employee retention and experience. The majority of the individual firms in the restaurant industry are stuck in a paradigm of giving to their employees as little as possible, because that's how the business makes money. Perhaps for restaurant firms to harvest the full potential of their employee's intangible value, they will need to under go a fundamental change in philosophy.

### **Literature Review**

There are three streams of literature that are relevant to the discussion of high performance work practices. The resource based view of the firm (RBV), which has evolved out of the business strategy field and is concerned primarily with the development of sustainable competitive advantages in organizations. The strategic human resource management literature (SHRM), which has been developing over the past twenty years uses RBV as its foundation and is still being formulated. Finally, the hospitality co-alignment model has progressed from the business environmental literature. In short the co-alignment model has four primary components,

environmental scanning; strategy choice; structure; and firm performance. Each of the components in the model must align with each other in order for a firm to produce the desired results (Olsen, West & Tse, 1998).

### **Resource Based View (RBV)**

While past literature in business strategy has consigned the HR function to the implementation stage of strategy, current theoretical approaches argue that human resources and the organizational systems that develop them can generate a SCA (Becker and Gerhart, 1996; Barney, 1995). While some classic strategy theory takes a strategic choice view, and suggests that companies select a “generic” strategy to compete in the environment in which they find themselves, recent theorists have viewed organization strategy from a RBV, arguing that businesses develop SCA only by creating value that is rare and not easily imitated by the competition (Penrose, 1959; Wernerfelt, 1984; Barney, 1991; Barney & Wright, 1997; de Charbert, 1998). The conventional sources of competitive advantage discussed in the strategic choice literature include factors such as technology, natural resources, productivity improvements and low cost leadership. These factors have been shown to create value within an organization. RBV theorists have argued that these traditional types of competitive advantages are becoming increasingly scarce, hard to develop and easy to imitate, particularly in comparison to a well thought out employment systems (Murphy & Williams, 2004).

The RBV is predicated on the concept that in order to create a SCA and produce value for the firm, individual policies or practices produce the greatest results when they operate in a complex system that is not easily imitated (Barney, 1995). Resources are the “physical things a firm buys leases or produces for its own use or the people hired on terms that make them effectively part of the firm” (Penrose, 1959: 67). Wernerfelt (1984) defines a firm’s resources as “tangible or intangible assets which are tied semi-permanently to the firm” (p. 172). Barney (1991) further suggested that resources which can be used to create a SCA must have:

- Value: external environment usefulness
- Rareness: unique resource
- Inimitability: not easily copied
- Substitutability: cannot be replaced by other products/services or firms

“The ability of human beings to learn and thus constantly improve their services, to transfer their knowledge from one domain to another, and to combine other resources in more productive ways makes human beings distinct from other types of resources”(Penrose, 1959:69). Human expertise is viewed as a separate resource class (intangible asset) and as a distinct resource, which adds more of a value adding element to the organization than through traditional profit generating resources such as the manufacturing of goods. Boxall (1998) uses the RBV of the firm, along with other HR theories to outline the basic elements of a theory of “human resource advantage”. He asks the, how can firms build and defend competitive superiority through HR strategy across the phases of the typical industry life cycle? Boxall (1998) suggests that human resources capable of yielding sustained advantage are those which meet the tests of rare value, and relative immobility and superior appropriate ability. Firms which secure ongoing viability in their industry have the potential to build human resource advantage through superior human capital and organizational processes. These sources of superiority depend on the quality of interest alignment (firm and employee) and employee development in a firm compared with industry rivals. It is for this reason that HR strategies could become important sources of competitive

advantage in the future; “the challenge for management will be creating value through people rather than using them as objects” (Olsen & Zhao, 2002, p. 7).

### **Strategic Human Resource Management (SHRM)**

The current status of theory on valuating the HR function is “in its infancy and is seriously hampered” (Lev, 2001, p. 75). It may be such a complicated concept and influenced by so many intervening variables that it does not get fully developed for sometime. However, several studies have posited that there is a positive link between human resource practices and firm performance (Becker & Huselid, 1998; Becker & Gerhart, 1996; Delaney & Huselid, 1996; Huselid, 1995). In Becker and Gerhart’s (1996) research, influential HR practices were designated as “best practices”. The best practices approach attempts to identify efficient and effective HR practices through benchmarking among firms. For example, a company may compare selection processes, benefit packages, training, compensation, and employee relations practices, and package those exhibiting appropriate internal fit. The difficulty with this type of linkage between an individual HR practice and firm performance is that very few practices operate in isolation as demonstrated by the results of Murphy’s (2003) compensation survey of Outback Steakhouse.

The universalistic perspective purports that all HR practices and associated outcomes are universal across organizations (Delery & Doty, 1996). In the SHRM field this is the simplest and most straight forward theoretical relationship. What works in one organization is assumed to work in another organization. As in the best practice approach, universalists look for an HR practice or set of practices that will work in most if not all firms. Pfeffer (1994) proposed sixteen most effective practices for managing people and reduced the list to seven in 1998:

- Employment security.
- Selective hiring of new personnel.
- Self-managed teams and decentralization of decision making as the basic principles of organizational design.
- Comparatively high compensation contingent on organizational performance.
- Extensive training.
- Reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels.
- Extensive sharing of financial and performance information throughout the organization. (p. 96)

Delery and Doty (1996) also developed a list of seven most effective practices for managing people based in part on Pfeffer’s original sixteen:

- internal career opportunities
- formal training systems
- appraisal measures

- profit sharing
- employment security
- voice mechanisms
- job definition.

Additionally, there are some empirical studies that have investigated the relationship between firm performance and HR systems that bare describing. A study by Huselid (1995) evaluated at length the links between of high performance work practices systems and firm performance. Huselid used high performance work practices (HPWP) as defined by U.S. Department of Labor (1993) in his study which include: “extensive recruitment, selection, and training procedures, formal information sharing, attitude assessment, job design, grievance procedures, and labor-management participation programs, and performance appraisal, promotion, and incentive compensation systems that recognize and reward employee performance have all been widely linked with valued firm-level outcomes” (p. 641). Based on a national sample of nearly 1,000 firms, the results indicate that these “practices have an economically and statistically significant impact on both intermediate worker outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance” (p 635).

Huselid (1995) found considerable support for the hypothesis that investments in such practices are associated with lower worker turnover and greater productivity and business fiscal performance across a wide range of sectors and organization sizes. “A one-standard-deviation increase in such practices is associated with a relative 7.05 percent decrease in turnover and, on a per employee basis, \$27,044 more in sales and \$18,641 and \$3,814 more in market value and profits, respectively” (p. 659). However, support for the hypothesis that the impact of HPWP on organizational performance is in part reliant on their interrelationships and links with competitive strategy was tenuous and did not produce a causal relationship.

In a 1996 study on the impact of human resource management practices on perceptions of organizational performance Delaney and Huselid investigated for-profit and nonprofit firms to determine if positive associations exist between human resource management practices, such as staffing selection, training and incentive compensation, and firm performance measures. In general the findings supported the view that progressive human resource management practices are positively related to perceptual measures of firm performance. The results did not sustain the premise that complementarities among human resource management practices positively augment firm outcome. Never the less, the authors believe the improvement of reliable and valid measures of forward looking human resource practices and synergies remains a vital matter for researchers to explore. A similar study was conducted by Huselid, Jackson and Schuler (1997) using publicly available financial data as measures of firm performance. The results support the hypothesis that investments in human resources are a potential source of competitive advantage, however the authors conclude there is still very little understanding of the processes used to achieve this potential or the conditions under which it is realized.

In addition to the empirical studies aforementioned, several authors have proposed conceptual and theoretical frameworks for further exploring this important topic. Wright & Scott (1998) presented a framework that provides a theoretical foundation for understanding the dual roles of both fitting the HR system to the strategic needs of the firm and building the system so as to enable a flexibility in response to a variety strategic requirements over time. The authors contend that firms should promote simultaneously both fit and flexibility in SHRM to create a SCA.

Human resources have the potential in each organization to become a competitive advantage. Becker and Gerhart (1996) suggest that the following should be done to solidify the conceptual and practical realm of SHRM:

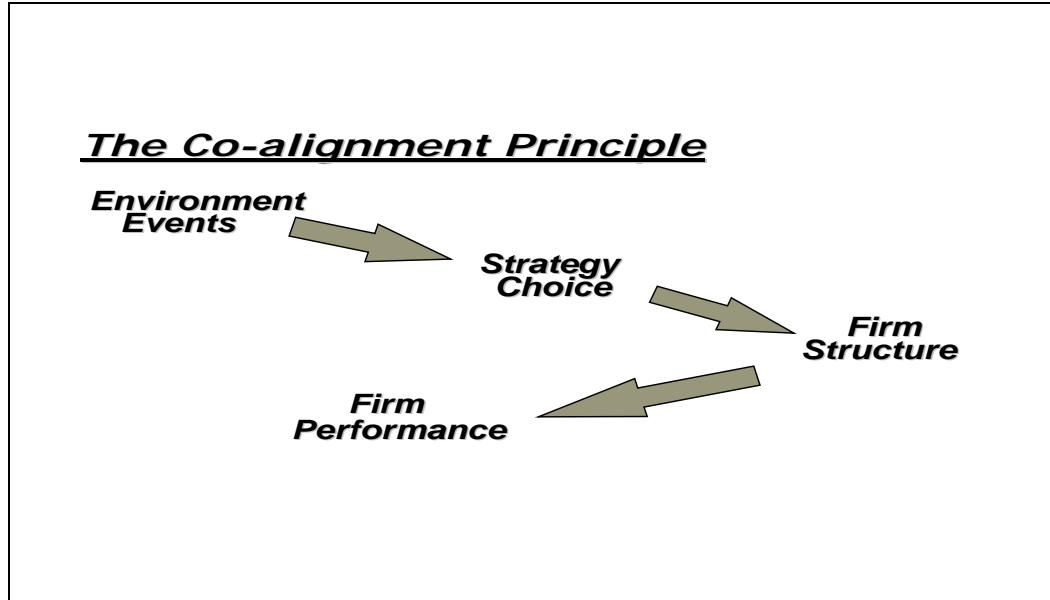
- 1) HR best practices need to be determined.
- 2) More qualitative research needs to be conducted.
- 3) The current theory needs to be built on and tested; not just more theories developed. Accumulative body of knowledge needs to be developed
- 4) A careful focus on what kind of statistical analysis needs to be done, with an emphasis on how should HR be measured
- 5) More robust and valid findings need to be produced and a more complete structural model needs to be developed
- 6) A focus on policy implications needs to be addressed with answers to the question of “why won't business listen to us”.

Although, there have now been multiple studies of the effectiveness of internal fit, very little evidence has come to the forefront to suggest that a coherent system of HR practice is needed and of great consequence (Delery,1998); this is particularly the case in the hospitality industry. A major challenge for SHRM research in the next decade “will be to establish a clear, coherent and consistent construct for organizational performance” (Rogers & Wright, 1998, p.1).

### **Co-Alignment Theory**

The co-alignment theory conceptualizes the interaction between the four constructs of the model (see figure 1). The model conceptualizes the achievement of co-alignment when the four constructs (environmental events; strategy choice; firm structure; and firm performance) are brought into alignment with each other under the organizations overarching strategy. The co-alignment theory states:

if the firm is able to identify the opportunities that exist in the forces driving change, invest in competitive methods that take advantage of these opportunities, and allocate resources to those that create the greatest value, the financial results desired by the owners and investors have a much better chance of being achieved. (Olsen, West & Tse, 1998, p. 2).



**Figure 1.1 – The Co-Alignment Principle**

*Environmental scanning* (ES) is the first of the four pillars of the co-alignment principle. Pinto and Olsen (1987) defined environmental scanning “as the process of probing an organization/s external environment for information which may be directly or indirectly relevant to top management in making decisions of a long term strategic nature” (p. 183 ). Environmental scanning is performed at multiple levels (Olsen et. al., 1998). There is the remote level which involves scanning of the general economic, political, and cultural environment. The task environment level is the more immediate to the firm and concerns those entities that the restaurant deals with on a daily basis such as customers, suppliers, competition and government regulation. The firm is also concerned with what is going on in its industry segment (e.g. quick serve, fast casual, family) and will need to scan this environment regularly. At the firm and functional environmental levels the organization is concerned with major competitors and business functions (HR, finance, marketing etc.) respectively.

Strategy choice is the firm’s purposeful choice of the *competitive methods* (the second pillar of the co-alignment theory) that will be used to compete in the market place and which should be reflective of the organization’s intended strategy. Competitive methods are bundles of goods and services combined in unique ways so as to produce a sustainable competitive advantage. The entire set of a firm’s competitive method is their strategic portfolio of goods and services which should set an organization apart from its competitors. The strategy choice should also include the firm’s domain definition or choice of target market segment and geographic area in which it competes. Slattery and Olsen (1984) analyzed the environment of hospitality organizations and identified patterns in the relationships between the environment and the organization. The study of hospitality organizations and their personally assessed environment concluded that managers make strategic choices about the environment based on their perceptions. This results in changes to the organization based on the choices of managers, as they

perceive the opportunities and threats in the environment and the ability of the organization to respond to these conditions.

Firm structure is how the business organizes itself so as to efficiently, consistently and effectively allocate its scarce resources to the implementation of its competitive methods. To do this the firm must develop or already possess the *core competencies* (the third pillar of the co-alignment theory) needed to carry this out (Olsen, West & Tse, 1998). Core competencies are those things which a firm does well and ideally better than anyone else. The combination of competitive methods and core competencies should produce a competitive advantage that cannot be easily copied or substituted and is sustainable. The essence of good strategy is to be able to position the firm to achieve a SCA in one or more areas, which will enable the firm to produce above average returns. To do this the firm must not only be successful in crafting a good strategy, competitive methods and core competencies, but the firm must be highly successful in the *implementation* (the fourth pillar of the co-alignment theory) phase of the plan.

Implementation is a process that occurs within the contextual environment of the firm. The context of each firm is different and this will affect the process in varying ways. This is part of the reason that firms are successful in implementation to varying degrees. Therefore, the implementation of strategy is the outcome of the actions of the firm within its context as those actions impact the activities of the process. The main contextual variables that impact the process according to Schmelzer and Olsen (1994) are perceived environmental uncertainty, firm structure (decision making, formalization, hierarchy) and organizational culture. To a lesser extent corporate and business strategy, life cycle stage and the size of the organization affect the context. The process variables that are involved in implementation are information systems, planning and control, project initiation style, resource allocation, method of training and the outcome variable of rewards. All of these variables can make for a highly convoluted process and a difficult measurement challenge.

The co-alignment theory's last construct is that of firm performance measurement, which leads to the feedback and review loop. West and Olsen (1988) surveyed the foodservice industry to determine whether the relationship between environmental scanning, in support of organizational strategy, has an impact on firm performance. In addition, they wanted to determine whether high scanning activity correlates to high performance and low scanning inactivity correlates to low performance in these firms. Firm performance was measured using return on assets (ROA), return on sales (ROS) and unit sales growth as dependent variables. The independent variable was the extent of environmental scanning performed by the firm. With outliers removed, the results indicated that higher performing firms engaged in significantly higher levels of environmental scanning than lower performing firms when grouped by ROS and ROA. The study demonstrated that companies can improve firm performance through the use of environmental scanning in conjunction with organizational strategy in foodservice firms.

Taylor (2002) and Chathoth (2002) both conducted separate complete studies of the co-alignment model. Using the COMPUSTAT data base, Chathoth researched 48 restaurant firms based within the United States with at least eighty percent of each firm's total revenues generated within US. These firms were selected based on criteria that helped control for country effects and industry effects. Using accrual and cash flow returns as surrogates of firm performance, the results indicated that a high variance in firm performance is explained by the co-alignment between environment risk, corporate strategy, and capital structure.

A case study by Taylor (2002) of six independently owned and operated hotels in Jamaica chosen from a randomly selected list submitted by representatives of the Jamaica Hotel



and Tourism Association. The final selections were made based on each hotel meeting the criteria of being an independent hotel in the resort areas of Jamaica, with over fifty rooms, and the willingness of the hoteliers to share information. Structured interviews were conducted with the general managers and other executive committee members within the hotels, along with observations of the operations. A questionnaire was administered to a sample of the present guests registered at each hotel to measure their perception of the hotel, compared to that of the managers. The study focused on three elements; strategy choice, firm structure, and firm performance, the fourth element of the co-alignment model, environmental forces, was held constant. Results indicated the importance of co-alignment in hotels and that performance was best when there was co-alignment. The results also indicated that the competitive methods cited by managers, as providing the greatest value to the hotels, were not always in line with what guests indicated was important to them.

For hospitality executives to effectively use a co-alignment strategy they clearly must begin with an effective environmental scanning process that does more than just benchmark competitors for ideas to mimic. Executives must proactively search out ways in which to gain a SCA and compete in the future. Currently, the most prevalent strategy in the industry appears to be that of unit growth. However, at some point in time the restaurant industry will reach a saturation point. Currently there is one restaurant for every 350 Americans. How much further can the industry grow? Those companies that are going to be successful in the future will need to be in co-alignment with the environmental realities of slower unit growth and will have to seek more effective ways to grow profit. They will need to develop new competitive methods and core competencies such as comprehensive HR systems that will yield sustainable competitive advantages.

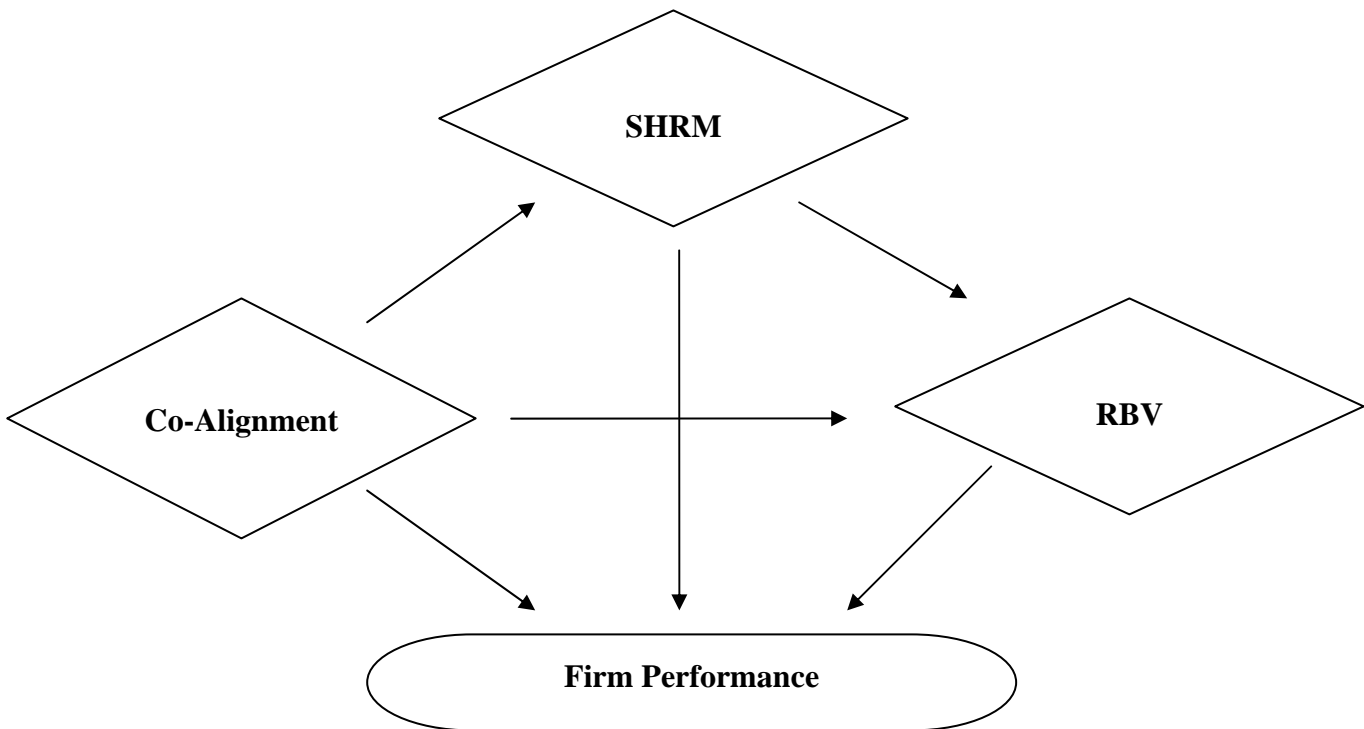
### **RBV, SHRM and Co-alignment**

Within the area of human resource management, the RBV has made vital contributions to the emergent field of SHRM in various ways. The focus on human capital as strategic intangible assets essential to the success of the organization has contributed to the successful blending of strategy and HRM. A great deal of discussion as to the validity of SCA being produced from HRM practices has been raised. Scholars and practitioners alike have debated the question of the inimitability of individual HRM practices and systems of HRM practices. The important characteristic of these HRM systems is that they are the method through which the organization continues to produce advantage over time, even as the actual people flow in and out, and even though their essential actions may change because of shifting environmental and strategic conditions. It is hypothesized that through the people management system that the firm achieves a strategic competitive advantage over other organizations and the ability to maintain this advantage over time.

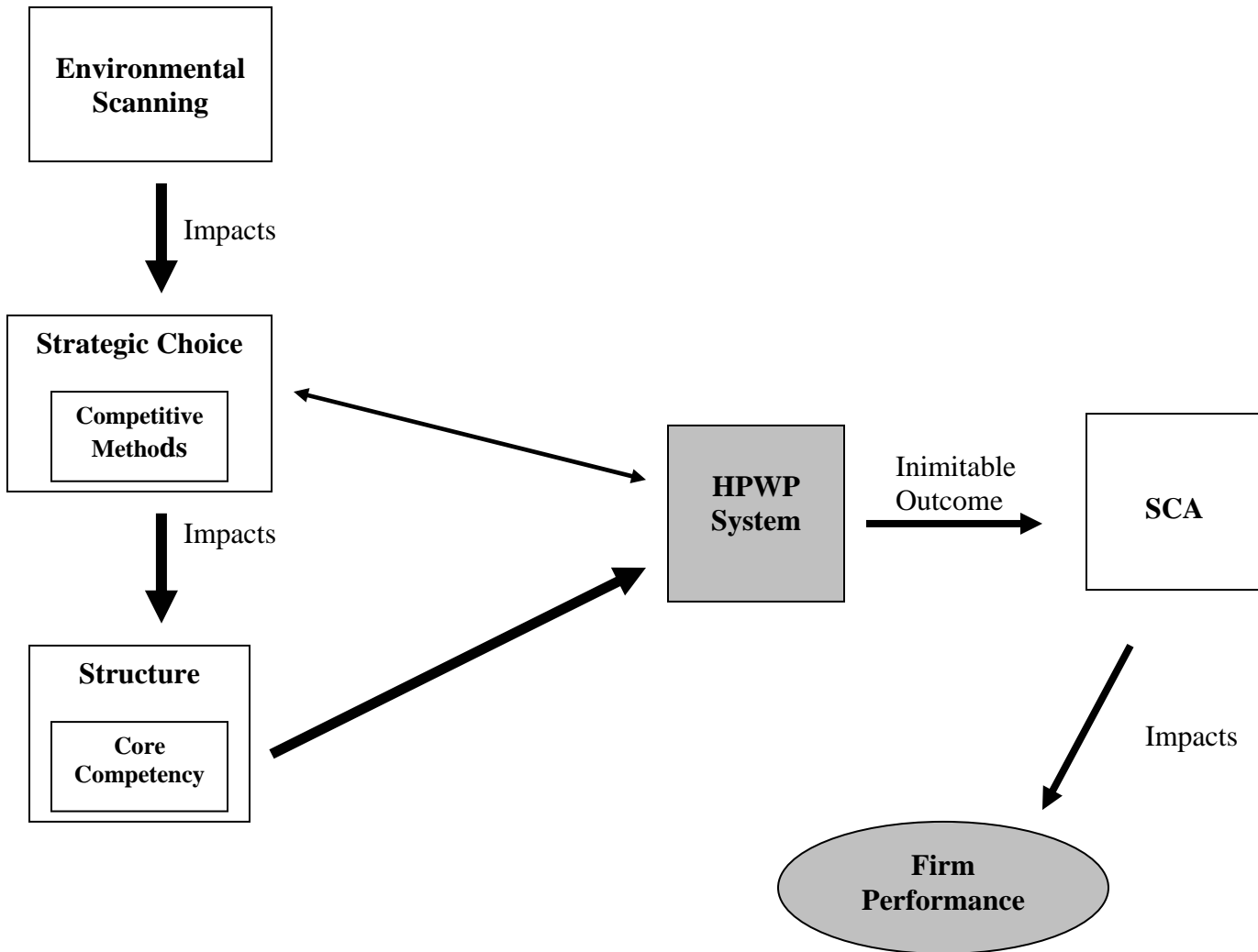
While the RBV theory has proven to be integral to the conceptual and theoretical development of the SHRM literature, the question still remains how to maintain a competitive advantage in dynamic markets. Barney (1991 & 1995) originally dismissed the use of environmental scanning to create a SCA in RBV. Barney surmised that strategic choices should come mainly from the examination of a firm's unique skills and capabilities and not from the analysis of the firm's competitive environment. Barney asserted that environmental scanning cannot be expected to improve the expectations of some businesses better than others, and therefore could not contribute to producing a SCA. More recently other RBV scholars have come to understand the connection between SCA and the environment (Eisenhardt and Martin, 2000; Fiol, 2001). Additionally, in a review of the RBV literature, Barney concluded "to the extent that

some firms in a rapidly changing market are more nimble, more able to change quickly, and more alert to changes in their competitive environment, they will be able to adapt to changing market conditions more rapidly than competitors, and thus can gain competitive advantage” (et.al., 2001, 631). Scholars have come to understand that good theory like SCAs do not operate in isolation and in order for firms to effectively compete into the future, they need to be aligned with their environment. A proposed conceptual model is presented (see Figure 1.1), which elucidates the relationships between the aforementioned schools of thought and firm performance. In Figure 1.2 a theoretical model is presented, which expounds on the relationships between the key concepts in the conceptual model (figure 1.1) and firm performance. For the purpose of this dissertation only the gray shaded boxes will be investigated.

**Figure 1.2 Proposed Conceptual Model**



**Figure 1.3 Proposed Theoretical Model**



## Research Questions and Propositions

The primary purpose of this study is the methodical confirmation vis-à-vis the components of a successful HPWP system for unit level managers, and the identification of appropriate evaluation criteria for determining the performance of a HPWP system in the US casual restaurant market. Therefore, the present study addresses the following research questions:

**Research Question 1:** From a universalistic perspective, what are the human resource practices that comprise a HPWP system construct for unit level managers, in the casual segment of the US restaurant industry?

**Research Question 2:** What performance measurements can be utilized to determine an effective HPWP?

The following two research propositions were derived from the questions and based on a review of the literature and from the proposed theoretical model (See Figure 2-2) used in this study.

**Proposition 1:** Multiple HRM practices will combine to form a universalistic HPWP system construct for firms in the casual segment of the US restaurant industry.

**Proposition 2:** There are appropriate performance appraisal criteria that can be used to determine an effective HPWP.

## Contribution of the Study

Over the past 10 to 15 years SHRM has embraced the resource based view as a theory that gives credence to the concept of human resources management as an integral part of an organization's strategy formulation and not just as a tool to manage personnel. Many noted researchers have explored the SHRM and RBV linkage in an effort to support the concept that SHRM deserves a seat at the strategy table and may perhaps be the best opportunity for some firms to gain a competitive advantage (Lado & Wilson, 1994; Jackson & Schuler, 1995; Boxall, 1996; Kamoche, 1996; Ferris et. al., 1999; Wright, Dunford & Snell, 2001). These works have drawn on the resource based view of the firm (Penrose, 1959, Wernerfelt, 1984, Barney, 1991, 1995) and have argued that HRM is more suited for producing a SCA in the present and future than the more traditional methods (Ferris et. al., 1999). What is missing in the SHRM and RBV linkage is understanding the role played by the environment on an organizations choice of strategy and the impact it has on performance. The environment and SHRM are related areas that remain, for the most part, uninvestigated (Ferris et. al., 1999). HRM is used as an overarching term that includes (1) explicit human resource practices such as hiring, training, and performance evaluation; (2) official organizational human resource policies, which are used as guidelines in the development of operational practices; and (3) organizational culture, which indicates the core values, policies and procedures which govern a firm (Jackson & Schuler, 1995). To gain an understanding of the HRM contribution to the overall strategy and performance of the firm what is needed is to explore how these three parts are impacted by the various environments of organizations, both internal and external.

The primary purpose of this study is the systematic substantiation of the components of a successful HPWP system for unit level managers, and the process restaurant

firms use for determining inclusion of the those practices, as well as the identification of appropriate evaluation criteria for determining the performance of a HPWP system in the US casual restaurant market. Therefore, the present study will contribute to the body of knowledge by defining what the HPWP are for casual theme restaurants. More specifically, in the casual theme restaurant industry, the study will determine the human resource practices that comprise a HPWP system construct for unit level managers. Finally, it will establish specific performance appraisal criteria that can be utilized to determine an effective HPWP system.

### **Contextual Framework**

The research setting is an essential component of the investigation process. For the purpose of this study, the U.S. casual theme restaurant market will be the used to assess the model. The industry has various segments that are classified in the restaurant industry, quick serve (QSR), fast casual, casual, mid-casual, upper casual, fine dining, family and other specialties such as coffee shops, bars and take-away.. The participants will be obtained from that population of restaurant concepts within the US which are identified as being in one of the aforementioned casual market segments. This will help control for country and industry effects. Both public firms and multi-unit/concepts within the restaurant industry will be identified based on the information they provide. It should be noted that hospitality research work has not investigated the relationship between the constructs identified in this study, in particular using the theoretical framework provided in RBV and SHRM.

### **Research Design**

This study proposes the use of the Delphi technique to establish the salient dimensions of high performance work practices (HPWP) system. The purpose of this Delphi application is the reliable investigation of contemporary ideas on restaurant manager employment practices used by HRM leaders and the gathering of appropriate information used in the HPWP decision making process. The Delphi Method is based on a “structured process for collecting and distilling knowledge” from an assembly of experts by means of a series of surveys intermingled with controlled opinion feedback (Adler and Ziglio, 1996). According to Helmer (1977) Delphi represents a useful communication mechanism among a group of experts and thus facilitates the development of a group consensus. Wissema (1982) states that the Delphi method has been developed in order to make dialogue between experts feasible without permitting certain types of negative social interactive and impeding opinion forming. Baldwin (1975) surmises that lacking full scientific understanding, decision-makers have to rely on their own perception or on expert opinion.

One of the key objectives of the Delphi method is to obtain consensus from a group of specialists in their particular field. Using this method, a group of restaurant experts is asked to evaluate HPWP initially identified in prior research and add to these HPWP components using their knowledge of the industry. This serves to validate earlier ideas and often takes several iterations before full consensus is achieved. The important aspect of this step is that experts contribute in privacy so are not influenced by group discussions and key thought leaders. A cross section of restaurant industry experts is used and includes company executives, consultants, academics and investors/owners. A major advantage of this method is data can be collected without physically assembling the contributors. This technique is designed to take advantage of participants’ creativity as well as the facilitating effects of group involvement and interaction.

The outcome will be a list of practices that are common to the casual restaurant industry and a more in-depth exploration of industry work practice problems and challenges. Additionally, sufficient evidence should then be available to formulate theoretical propositions to be used by scholars as they attempt to address this key issue. It is for these reasons that the Delphi method is deemed most suitable for gathering information from HR leaders on contemporary trends and problems in the casual restaurant industry.

### **Limitations**

The body of literature on human resource intangibles is not vast and it is difficult to draw any conclusions from the studies published thus far, especially with public companies not required by the Securities and Exchange Commission (SEC) to disclose significant financial information related to their employees. Most of the previous studies thus far in SHRM have been of the quantitative nature using large manufacturing databases. This study proposes the use of a qualitative case study method in the restaurant industry, which has not been previously done. In order to produce an effective study that will achieve a measure of validity, several major casual restaurant company human resource executives, investor/owners and human resource consultancies will need to agree to participate. In addition, prominent scholars in the field of hospitality human resources will need to provide insight into this complex question.

The constraints a study of this type could face are many. Complete geographic representation of the US casual restaurant industry as a whole may be difficult do to the size a number of companies. Getting busy industry leaders to participate for several iterations of the study and achieving consensus amongst them could prove easier said than done. Time is always a factor in a study of this type, getting the desired results with the available resources and within required time frame may prove daunting.

### **Summary**

The theory in the literature is that HPWP systems develop from a combination of core competencies and competitive methods, which are developed in response to environmental forces driving change as firms seek to achieve a sustainable competitive advantage. This research focused on the discovery of the components of a high performance work practice system in the US casual theme restaurant segment for operating managers for the formation of a HPWP system construct. Given the challenges and competitiveness of the restaurant industry environment today, this is a critical area of research. The case study served as the overall research approach. This method of data collection was reflective of methods used in prior exploratory research. A cross section of restaurant industry experts was used and includes company executives, consultants, academics and investors/owners. A major advantage of this method is data can be collected without physically assembling the contributors. The outcome will be a list of practices that are common to the casual theme restaurant industry, and sufficient evidence to formulate theoretical propositions to be used by scholars in future research. It was the researcher's further hope that the findings would add to the body of knowledge in strategic management literature.

## CHAPTER 2

### Literature Review

#### Introduction

The objective of this research is to conduct a Delphi study that will attempt to identify and gain consensus among restaurant professionals, academics and industry experts precisely which HRM constructs comprises a HPWP system, as well as the identification of appropriate evaluation criteria for determining the performance of a HPWP system in the US casual restaurant market. Emanating from the objective and the proposed theoretical model the following two research questions will be used to guide this study.

**Research Question 1:** From a universalistic perspective, what are the human resource practices that comprise a HPWP system construct for unit level managers, in the casual segment of the US restaurant industry?

**Research Question 2:** What performance measurements can be utilized to determine an effective HPWP?

In conducting this study it is expected that the key HPWP constructs are identified. In addition, it is anticipated that one overarching HPWP construct will be developed and face validated. This chapter will delve into the literature in the areas of RBV, SHRM and co-alignment theory to explicate the foundations of theory on the constructs identified within HPWP systems. Moreover, the literature review will also address how and why the co-alignment model is critical to the development of HPWP in the casual segment of the restaurant industry.

The literature review will start with a brief account of SHRM, RBV and co-alignment theory, and then explore in depth each body of literature as it relates to the current study of HPWP systems. Studies conducted in business research, hospitality and other fields that relate to the current study of HPWP using either SHRM, RBV or co-alignment body of knowledge will be thoroughly explored to explicate possible constructs. Each of the potential constructs identified within the literature will be discussed, which will help facilitate discussion amongst the research panel of experts. Finally, a summary of the literature review and an account of the key construct relationships to a HPWP system will conclude the chapter.

#### A Conceptual Overview

Strategic human resource management is a relatively new field in business theory. Deemed to be a macro-oriented approach of (HRM), SHRM is a blueprint of human resource allocation set to meet the firm's needs. Wright & McMahan define SHRM as "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals" (1992, p 300). Theoretically, SHRM focuses on the nature of human resources and management decision impacting a company's human capital. Strategic and non-strategic frameworks of HRM represent potential beginning points for emergent theoretical models for SHRM, which include RBV.

The resource based view is also a newly articulated field in management theory and is predicated on the concept that in order to create a sustainable competitive advantage and produce value for the firm, individual policies or practices produce the greatest results when they operate

in a complex system that is not easily imitated (Barney, 1995). Resources are the “physical things a firm buys, leases or produces for its own use or the people hired on terms that make them effectively part of the firm” (Penrose, 1959: 67). Wernerfelt (1984) defines a firm’s resources as “tangible or intangible assets which are tied semi-permanently to the firm” (p. 172). Barney (1991) further suggested that resources which can be used to create a sustainable competitive advantage must have value, rareness, inimitability and substitutability.

The co-alignment theory conceptualizes the interaction among the four constructs of the theoretical model of business strategy. The model predicts the achievement of co-alignment when the four constructs: environmental events; strategy choice; firm structure; and firm performance are brought into alignment with each other under the organizations overarching strategy. According to Olsen, West & Tse, a firm will achieve co-alignment “if the firm is able to identify the opportunities that exist in the forces driving change, invest in competitive methods that take advantage of these opportunities, and allocate resources to those that create the greatest value, the financial results desired by the owners and investors have a much better chance of being achieved.” (1998, p. 2).

Within the area of human resource management, the RBV has made vital contributions to the emergent field of SHRM in various ways (Wright et. al., 2001). The focus on human capital as strategic intangible assets essential to the success of the organization has contributed to the successful blending of strategy and HRM. Much discussion as to the validity of SCA being produced from HRM practices has been raised. Scholars and practitioners alike have debated the question of the inimitability of individual HRM practices and systems of HRM practices (Wright et. al., 2001). The important characteristic of these systems is that they are the method through which the organization continues to produce advantage over time as the actual people flow in and out, even though their essential actions may change because of shifting environmental and strategic conditions. It is through the people management system that the firm achieves a strategic competitive advantage over other organizations and the ability to maintain this advantage over time.

RBV theory has proven to be integral to the conceptual and theoretical development of the SHRM literature. Over the past decade RBV scholars have also come to understand the connection between achieving a SCA and the environment (Eisenhardt & Martin, 2000; Fiol, 2001). Additionally, in a review of the RBV literature, Barney concluded “to the extent that some firms in a rapidly changing market are more nimble, more able to change quickly, and more alert to changes in their competitive environment, they will be able to adapt to changing market conditions more rapidly than competitors, and thus can gain competitive advantage” (et.al., 2001, 631). Scholars have come to understand that businesses do not operate in isolation and in order for firms to effectively compete into the future; they need to be aligned with their environment.

### **Resource Based View of the Firm**

The RBV of the firm research examines how an organization achieves sustainable competitive advantage (SCA), and how to maintain it over time (Barney, 1991; Connor, 1991; Prahalad and Hamel 1990; Wernerfelt, 1984). The investigation of RBV has taken different avenues of exploration by researchers and has created a host of terminology that can be somewhat confusing to the reader when trying to understand the diverse uses and variations of the vocabulary. This section will review the contribution of researchers to the resource-based view of the firm.

The resource-based view of the firm research is inspired by concepts of



Selznick, (1957) and Penrose, (1959). Penrose, a professor of economics, proposed a theoretical model that was different from neoclassical price theory.

Penrose (p. 31) viewed the firm as 'an administrative organization and a collection of productive resources'. She distinguished between 'physical' and 'human resources' (p. 24), with the latter including the knowledge and experience of the management team. In effect, Penrose proceeded on the basis that all strategic management scholars and practitioners take for granted: firms are 'heterogeneous' (Penrose, 1959: 74-78) and there is money to be made from exploiting the differences. Rather than subscribing to the neoclassical position of firm homogeneity within industries, the resource-based perspective works from the premise that competition does not eliminate all 'differences among firms in the same line of business' (Nelson, 1991: 61). (in Boxall, 1996, pp. 64-65).

By characterizing organizations as unique bundles of resources, the resource-based view highlights the certain differences of the marketplace. While some elements of business can be transferred between firms, there are those distinctive capabilities or core competencies which are unique to the firm (Dierickx and Cool, 1989; Teece et al, 1992). This is where the central focus of the resource based view lies, the development of sustainable competitive advantage. Barney (1991), arguably the most influential academic in the RBV school of thought, distinguishes between competitive advantages, which are imitable by rival firms and sustained competitive advantages, which are inimitable by competitors. However, 'Schumpeterian shocks' or disruptive technologies, which can and will transform a whole industry (for example web based online booking in the airline and hotel industries), are able to create turmoil (Boxall, 1996).

Wernerfelt discovered Penrose's work and was the first to use the term "RBV of the firm". This became a growing trend in strategy during the mid-1980s and early 1990s and was used on by others (for example, Dierickx and Cool, 1989; Barney, 1991; Conner, 1991; Amit and Shoemaker, 1993; Peteraf, 1993). Unlike traditional strategy research that focuses on the external business, the RBV focuses on the internal business. The firm's financial performance is the central issue of the investigation. The RBV of the firm suggests that a firm can achieve competitive advantage only if its resources are rare, valuable, and inimitable and are not substitutable by other firms (Amit and Schoemaker, 1993; Barney, 1986, 1991, 1995, 2001; deCharbet; 1998; Lado and Wison, 1994; Taylor, 2002; Wernerfelt, 1984; Wright, 2001). RBV stresses the un-tradability and immobility of distinctive resources as the basis of competitive advantage (Dierickx and Cool 1989; Peteraf 1993). RBV sees the firms lasting competitive advantage as the possession of unique, inimitable resources and capabilities (Wernerfelt, 1984; Barney, 1986).

The conventional sources of competitive advantage discussed in the strategic choice literature include factors such as technology, natural resources, productivity improvements and low cost leadership. These factors have been shown to create value within an organization. RBV theorists have argued that these traditional types of competitive advantages are becoming increasingly scarce, hard to develop and easy to imitate, particularly in comparison to well thought out employment systems (Murphy & Williams, 2004).

In a 1986 paper, *Strategic factor markets, expectation, luck and business strategy*, Barney puts forth six early theoretical propositions concerning the development of resources:

- The economic performance of companies does not depend only on whether its strategies create imperfectly competitive product markets, but also on the cost of implementing those strategies.
- If strategic factor markets are perfect, then the cost of obtaining strategic resources will roughly equal the economic value of those resources once they are used to execute product market strategies.
- When different businesses have dissimilar expectations about the future value of a strategic resource, strategic factor markets will be imperfectly competitive.
- Barney surmises that strategic choices should come mainly from the examination of a firm's unique skills and capabilities and not from the analysis of the firm's competitive environment.
- Environmental scanning cannot be expected to improve the expectations of some businesses better than others, and therefore cannot be a source of more accurate expectations about the future value of a strategic resource for the organization.
- Unexpected superior economic returns are a matter of a firm's good luck and not its ability to more accurately anticipate the future business environment better than its competitors and implement strategy in accordance with future expectations.
- All firms have access to the same information in their competitive environment and the only way to gain a competitive advantage from the environment is to "stumble" onto some information that gives the firm an exceptional advantage over other organizations.

Barney would later modify or reject his early propositions, particularly those that dealt with the lack of impact the competitive environment and environmental scanning has on the ability of the firm to develop resources that will produce a competitive advantage and result in superior returns (1991, 1995, 1997, 2001).

RBV is predicated on the concept that in order to create a sustainable competitive advantage and produce value for the firm, individual policies or practices produce the greatest results when they operate in a complex system that is not easily imitated (Barney, 1995). Resources are the "physical things a firm buys leases or produces for its own use or the people hired on terms that make them effectively part of the firm" (Penrose, 1959: 67). Wernerfelt (1984) defines a firm's resources as "tangible or intangible assets which are tied semi-permanently to the firm" (p. 172). "The ability of human beings to learn and thus constantly improve their services, to transfer their knowledge from one domain to another, and to combine other resources in more productive ways makes human beings distinct from other types of resources"(Penrose, 1959:69). Barney (1991) further suggested that resources which can be used to create a sustainable competitive advantage must have:

- Value: external environment usefulness,
- Rareness: unique resource,
- Imperfect Inimitability: not easily copied, and

- Non-Substitutability: cannot be replaced by other products/services or firms.

In conclusion the literature on RBV of the firm has posit that in order to generate a sustainable competitive advantage and create value for the company, individual policies or practices produce the maximum outcome when they operate in a multifaceted system that is not easily imitated. This system produces a SCA that is not easily imitated, can not be substituted, has value in and out of the firm, and is rare. Additionally, RBV theorists have put forth that traditional sources of competitive advantage are becoming progressively more scarce, hard to develop and easy to imitate and that value in the future will be created through the use of intangibles. What the literature has not presented is substantial empirical evidence to support this last claim concerning HRM intangibles. Wright et al. (2001) draw attention to that much of the research on the association between RBV and HRM suffers from major methodological deficiency, producing spurious relationships or even reverse causation. Rouse and Daellenbach (1999) posit that intangible resources should be investigated by qualitative methods, of which the business literature has not produced sufficient quantity of research.

### **Sustainable Competitive Advantage**

The concept of a SCA emerged in 1984 when Day recommended types of strategies that could help to "sustain the competitive advantage" of an organization (p. 32). The actual term "SCA" was used by Porter to discuss the generic competitive strategic typologies firms can possess (low-cost or niche) to achieve sustainable competitive advantage (1985). However, it was Barney (1991) who first put forth a formal conceptual definition by suggesting: "A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy" (p. 102). Hoffman offered the following formal conceptual definition, premised in part on the definitions of each term provided in the dictionary and Barney's work (2000): "An SCA is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy".

The resource-based view implies that HPWP systems can contribute to sustained competitive advantage by making possible the development of core competencies that are company explicit, produce multifarious organizational relationships, are rooted in a company's history and customs, and create implicit organizational knowledge (Barney, 1997; Reed & DeFillippi, 1990). RBV focuses on how the individual firm obtains a sustainable competitive advantage over other firms in its competitive environment, through the use of the firm's resources (Barney, 1986b). The continued superior performance of some of the most successful restaurant firms, such as Outback and Cheesecake Factory, has been attributed to unique capabilities for managing human resources to gain competitive advantage (Murphy & Williams, 2004). On the contrary, to the extent that people management systems hinder the development of new competencies and/or tear down present organizational competencies, they may contribute to firm liability and competitive weakness.

Within the RBV of the firm structure, the organization is viewed as a connected series of resources and capabilities that are not freely bought and sold in the spot market (Conner, 1991; Rumelt, 1987; Wernerfelt, 1984). To the extent that these company specific resources and competencies yield financial rewards and cannot be replicated by the actions of competitors, they

may be effective sources of sustained competitive advantage (Barney, 1991; Dierickx & Cool, 1989; Reed & DeFillippi, 1990). An organization's resources include all elements tangible and intangible, human and non-human that are possessed or controlled by the firm and that go into the making of products and services to satisfy consumer demand (Amit & Schoemaker, 1993).

Organizational capabilities are the means by which the firm acquires, grows, and positions its resources to attain superior economic performance comparative to the competition (Dierickx & Cool, 1989). "Capabilities are dependent upon the firm's capacity to generate, exchange, and utilize the information needed to achieve desired organizational outcomes through the firm's human resources" (Amit & Schoemaker, 1993). Resources and capabilities have been described as distinctive competence (Fiol, 1991; Reed & DeFillippi, 1990), core competence (Olsen et al, 1998; Prahalad & Hamel, 1990) and organizational capabilities, reflecting a wide variety and breadth of research purposes and academic viewpoints. For the purposes of this paper, organizational competencies illustrate firm-specific resources and capabilities that enable the business to grow, select, and realize value-adding strategies. Organizational competencies include all company assets, knowledge, skills, and capabilities embedded in the organization's structure, technology, processes, skills and culture.

An essential principle of RBV is that organizational competencies that are "heterogeneous and immobile" form the foundation of sustained competitive advantage. Organizational competencies are heterogeneous when they are unequally spread and deployed across organizations within a given competitive environment (Conner, 1991; Rumelt, 1984). Barney (1991) argued that in order for heterogeneous competencies to produce a competitive advantage, they have to possess at least two conditions:

1. The competencies must be valuable, enabling the firm to exploit opportunities and/or neutralize threats in the competitive environment
2. Only a small number of firms in a particular competitive environment possess these competencies. (p.109)

In addition, organizational competencies must be relatively immobile in order to give sustainable financial benefits to the business. Competencies are immobile to the degree that they cannot be conveyed easily from one company to another. For example, organizational culture may not be entirely conveyed between organizational environments (Barney, 1986a). Immobility arises from organizational events that prevent replication of fiscal benefits associated with the organizational core competencies. Firm attributes or isolation mechanisms include:

unique historical conditions (Barney, 1991), socially complex interactions, as in the case of team productions (Amit & Schoemaker, 1993; Reed & DeFillippi, 1990), specialized assets (Teece, 1987; Williamson, 1985), tacit knowledge and skills (Polanyi, 1967; Reed & DeFillippi, 1990), and causal ambiguity (Lippman & Rumelt, 1982), or the relative difficulty in establishing causal connections between organizational competencies and outcomes (in Lado & Wilson, 1994, p.704).

Finally, organizational competencies cannot be substitutable so that the firm can maintain sustainable financial performance within the organization (Barney, 1991). Substitutes can threaten to "render the original asset stocks obsolete, typically because they no longer create value to the buyer" (Dierickx and Cool, 1989, p. 1509).

The purpose of this section was to describe the ultimate goal of an RBV strategy – sustainable competitive advantage. A SCA is the result of implementing some unique value-creating strategy not being realized by any competitors. SCA is what a RBV strategy (or any

other strategy) hopes to ultimately achieve. RBV focuses on how the individual firm obtains a SCA over other firms in its competitive environment, through the use of the firm's resources. SCA is much more easily defined and described than it is implemented and achieved. Not all firms will or can possess a SCA within the same environment and industry sector.

### **Strategic Human Resource Management**

The premise, research, and practice of HRM has evolved significantly over the past half-century, and undergone a revolution in form and purpose primarily within the past 25 years (Ferris et al., 1999). Spurred on by a considerable amount internal and external environmental forces driving change, HRM has evolved from a mainly a personnel function, with minimal financial impact, to what many academics and practitioners today regard as the sole source of SCA for businesses operating in a global economy (Dyer, 1993; Pfeffer, 1994; Snell et al., 1996; Wright & McMahan, 1992). These authors have drawn on the RBV of the firm (Barney, 1984, 1991, 1995; Connor, 1991 and Wernerfelt, 1984) and have argued that the traditional sources of competitive advantage are no longer capable of creating value the way that intangible assets such as human capital are able. The human resources value creation process is so complex and dependent on social and cultural company norms embedded in the firm that it becomes nearly impossible to imitate. However, there has been extensive discussion over whether human resource practices can provide SCA (Barney et al., 2001). Singular human resource practices may be replicated but HPWP systems, which grow over time, may be distinctive to an organization and add to the formation of explicit human capital expertise. Additionally, individual worker conduct can also impact a firm's SCA. Wright, Dunford & Snell, (2001) noted that "studies have yet to test empirically whether human resource practices are path dependent, causally ambiguous, or imitable. Likewise, there is a lack of substantiation that human resource practices affect the skills and behavior of employees, or that these factors are linked to improved performance (in Barney et al., 2001, p.631).

### **Strategic Human Resource Management Theory**

Strategic human resource management is a relatively new field in business theory. Deemed to be a "macro-oriented approach" of human resource management, SHRM is a outline of human resource allocation to meet the firm's needs. Wright & McMahan define SHRM as "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals" (1992, p 300). Theoretically, SHRM focuses on the nature of human resources and management decision impacting a company's human capital. Strategic and non-strategic frameworks of HRM represent potential beginning points for emergent theoretical models for SHRM, which include RBV.

Human expertise is viewed as a separate resource class (intangible) and as a distinct resource that brings a value-adding human element to the traditional way of viewing the organization. This is in contrast to the conventional profit generating resources methods, such as the manufacturing of goods. Boxall (1998) uses the resource-based view of the firm, along with other HR theories to outline the basic elements of a theory of "human resource advantage". He asks the question: how can firms build and defend competitive superiority through HR strategy across the phases of the typical industry life cycle? Boxall suggests that human resources capable of yielding sustained advantage are those which meet the tests of rare value, relative immobility and superior appropriate ability. Firms which secure ongoing viability in their industry have the potential to build human resource advantage through superior human capital and organizational processes. These sources of superiority depend on the quality of interest alignment (firm and employee) and employee development in a firm compared with industry rivals.

In his book “Competitive Advantage Through People”, Pfeffer (1994) argues that the source of competitive advantage has always changed over time and will continue to change under future economic conditions. Currently for firms to obtain a SCA they must look to human capital to gain an edge on the competition. According to Pfeffer, “Traditional sources of success, such as product and process technology, can still provide competitive leverage, but to a lesser degree, leaving organizational culture and capabilities, derived from how people are managed, as comparatively more vital” (p. 1). He further states that firm wishing to generate superior economic returns should have a SCA that:

- 1) Distinguishes them from their competitors
- 2) Provides positive economic benefits
- 3) Is not readily duplicated. (p 9)

Pfeffer notes that this concept of shifting from traditional assets to people does not mean that “conventional strategic analysis based on industrial economics” need be disregarded, but instead that the source of competitive advantage has changed. For example, Porter's 1985 five forces framework that determines the ability of firms in an business sector to earn above-normal returns, "the entry of new competitors, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and the rivalry among existing competitors”, will need to change its reliance on such traditional sources of SCA as technology, patents, or strategic position, to a focus on how to manage the work force. People and how they are managed, “are becoming more important because many other sources of competitive success are less powerful than they once were” (Pfeffer, 1994, p. 10). Pfeffer (1995, p. 55) further states:

Achieving competitive success through people involves fundamentally altering how one thinks about the work force and the employment relationship. It means achieving success by working with people, not by replacing them or limiting the scope of their activities. It entails seeing the work force as a source of strategic advantage, not just as a cost to be minimized or avoided. Firms that take this different perspective are often able to successfully outmaneuver and outperform their rivals.

Boxall (1996) examines the impact of the resource-based view of the firm on the theory of SHRM and posits a concept of human resource advantage. He suggests that HRM can lay the foundation for SCA by hiring and developing talented staff and melding their contributions with other resources within the firm to create synergy. From a RBV stand point, HRM can be valued not only for executing a given competitive strategy, but for its role in producing strategic competence (Barney, 1991), ‘for its potential to create firms which are more intelligent and flexible than their competitors over the long haul, firms which exhibit superior levels of co-ordination and co-operation’ (Boxall, 1996, p. 66) .

Boxall goes on further to make a distinction between human capital advantage and human process advantage:

Firms have the possibility of generating human capital advantage through recruiting and retaining outstanding people, through capturing a stock of exceptional human talent, latent with productive possibilities. Human process advantage, on the other hand, may be understood as a function of causally ambiguous, socially complex, historically evolved processes such as learning, co-operation and innovation (Grant, 1991; Amit and Shoemaker, 1993; Lado and Wilson, 1994; Baden-Fuller, 1995) which are thus very difficult to imitate... 'Human resource advantage' then, the superiority of one firm's labor

management over another's, might be conceived as the product of its human capital advantage and human process advantage. Advantage, as it were, can be traced to better people employed in organizations with better process. (in Boxall, 1996, p. 67).

This considered, how is the role of HRM practices and policies then posit to make a difference in an industry with many practitioners? This is the crux of the matter in RBV theory, are HRM practices and policies value-creating in a competitive environment?

Boxall suggests that while information of HRM policies and practices is part of a common body of knowledge, 'how to combine, implement and refine them within a particular context may not be' (69). What has been learnt about HRM policies and procedures may not be readily translated from one context to another if the required core competencies are not possessed, such as management commitment, resource allocation and strategic vision to suggest a few. HRM policies and practices may be value-adding because they are 'socially complex' (competitors may not be able to replicate the processes that uphold them) and 'historically sensitive' (it takes time to build high levels of workforce trust) (Barney, 1991; Wright et al, 1994).

Becker and Gerhart (1996) explore the impact of human resource management on organizational performance through a review of the literature, in the field of HRM and propose a list of six research issues that should be addressed:

- 1) HR best practices need to be determined
- 2) More qualitative research needs to be conducted
- 3) The current theory needs to be built on and tested not just more theories developed; a cumulative body of knowledge needs to be developed
- 4) A careful focus on what kind of statistical analysis needs to be done, focus on how HR should be measured
- 5) More robust and valid finds need to be produced and a more complete structural model needs to be developed
- 6) A focus on policy implications needs to be addressed-why won't business listen to us (p.800)

Additionally Becker and Gerhart concluded that human resource management can be a 'unique source of sustained competitive advantage'.

In a 1998 article Boxall further explored the concept of creating a SCA through the use of a 'human resource advantage'. Boxall notes that the 'fundamental priority' of SHRM in a firm is to develop and maintain the human resources that are crucial for the firm's survival and that the development of SCA through HRM is a 'second order -or higher level-strategic problem'. A firm is recognized as having a human resource advantage when it has gain a SCA in its industry sector primarily through superior management of human talents. This is the case with the management program at Outback Steakhouse Inc. and its affiliates (Murphy & Williams 2004). By offering a superior management compensation package (including ownership), Outback is able to attract and retain a highly motivated and skilled management force that produces above average industry returns. Human resources provide the foundation for SCA when they are unevenly distributed across individuals and rare in the company's competitive environment (Barney 1991; Barney & Wright, 1997; Peteraf 1993. Boxall (1998) posits that not all employees or contractors associated with a firm represent a source of rare value. There is an 'inner core' which consists of managers, technical specialists and strategically located workers' who are responsible for value-adding functions and an 'outer core' consisting of skilled and unskilled employees, which enable the company to fulfill its commitments to customers without

disruption. SCA is linked with superiority in the inner and outer cores and by attracting the most talented employees in the inner core, and managing qualified employees in the outer core effectively.

The key point in all of this is that managers have little choice but to grapple with the complex problem of human motivation in the workplace if they wish to sustain superior returns through human resources. The establishment and maintenance of employment in any kind of business depends on adequate 'mutuality' between the employer and individuals seeking work in the industry. Mutuality should be understood as the extent to which the employment relationship works well for both parties. It is concerned with the quality of alignment between business and employee interests. (in Boxall, 1998, p 270).

The knowledge about sources of human resource advantages in the beginning phase, but it would seem that amongst highly talented people, early alignment of interests is of the utmost importance.

The universalistic perspective purports that all HR practices and associated outcomes are universal across organizations (Delery & Doty, 1996). In the SHRM field this is the simplest and most straight forward theoretical relationship. What occurs in one organization is assumed to work in another organization. Pfeffer (1994) proposed sixteen most effective practices for managing people. Delery and Doty (1996) shortened the list to seven:

- Internal career opportunities
- Formal training systems
- Appraisal measures
- Profit sharing
- Employment security
- Voice mechanisms
- Job definition.

As in the best practice approach, universalists look for an HR practice or set of practices that will work in most if not all firms. These researchers speculate that some HRM practices will be better than other practices and that these 'best practices' should be adopted by all firms. Pfeffer (1994) proposed that use of 16 management practices, then latter reduced the list to seven: employment security; selective hiring of new personnel; self-managed teams and decentralization of decision making as the basic principles of organizational design; comparatively high compensation contingent on organizational performance; extensive training; reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels; extensive sharing of financial and performance information throughout the organization (Pfeffer, 1998,p. 96).

Similarly, Osterman (1994) argued that a number of innovative work practices, such as teams, job rotation, quality circles, and total quality management, result in productivity gains for all American organizations (in Delery and Doty, 1996). Pfeffer and Osterman have labeled those practices that have been previously discussed as 'high performance work practices,' or 'best practices.'

Rogers and Wright (1998) propose a theoretical outline for defining and operationalizing firm performance. They discuss the variety of different measures used in current empirical research linking HRM with the firm and suggest future research directions, the various challenges of construct definition, and requirements of various stakeholders. Rogers and Wright put forth a "multi-dimensional weighted performance measurement systems" that are derived



from their concept of “performance information markets”. They propose a framework of four distinct performance information markets to address the operationalizing of firm performance; the financial markets, the labor markets, the consumer product market and the political social market.

Becker, Huselid and Ulrich (2001) propose a 7-step framework for measuring human resource strategies which is a culmination of their decade-long research of HRM practices and performance. By following the proposed 7-step process an organization can reach the top of the HR pyramid.

- Step 1: Clearly Define Business Strategy.
- Step 2: Build a Business Case for Why and How HR Matters for Strategy Implementation.
- Step 3: Build a Strategy Map Describing the Causal Flow of Strategy Implementation.
- Step 4. Link HR Architecture to Strategy Map.
- Step 5: Design HR System in Alignment with HR Deliverables
- Step 6: Design HR Strategic Measurement System (The HR Scorecard) strategic results
- Step 7: Implement Management by Measurement.

The authors analysis of nearly 3000 firms has “consistently shown a strong relationship” between HPWP system and shareholder value. Becker, Huselid and Ulrich discovered that a 35 percent increase in the “HR index is associated with a 10-20 percent” improvement in a company’s market cap. Their research also demonstrates one of the biggest value drivers of effective strategy implementation is “strategic alignment of the HR system” and that strategy implementation has huge impact on organizational performance.

In summation, the HRM literature emphasizes the importance of human capital in enhancing firm performance or even creating competitive advantage. The current state of SHRM is at a junction in the area of theory development and has the possibility to create an important new understanding of its involvement in the improvement of organizational systems. Employee Involvement and HPWP systems have emerged as potential sources of SCA, but without a clear linkage. According to Becker and Gerhart (1996) the existing theory needs to be built on and tested not just more theories produced and this should be accomplished with new qualitative research; HPWP or best practices need to be determined.

### **SHRM Empirical research**

A study by Huselid (1995) evaluated at length the links between High Performance Work Practices systems (HPWS) and firm performance. Specifically HPWS (as defined by U.S. Department of Labor in 1993) include: “extensive recruitment, selection, and training procedures; formal information sharing, attitude assessment, job design, grievance procedures, and labor-management participation programs; and performance appraisal, promotion, and incentive compensation systems that recognize and reward employee merit have all been widely linked with valued firm-level outcomes” (p. 641). Eighteen variables were developed to represent the 13 components of a HPWS. Two measures of firm performance were used, Tobin’s q (market based measure) and gross rate of return on capital (accounting measure). Control variables were used for size, sales, research and development, employment factors, capital, net sales and total assets. Huselid proposed the following Hypotheses (p. 643, 644):

**H1a:** Systems of High Performance Work Practices will diminish employee turnover and increase productivity and corporate financial performance.

**H1b:** Employee turnover and productivity will mediate the relationship between systems of High Performance Work Practices and corporate financial performance.

**H2:** Complementarities or synergies among High Performance Work Practices will diminish employee turnover and increase productivity and corporate financial performance.

**H3:** Alignment of a firm's system of High Performance Work Practices with its competitive strategy will diminish employee turnover and increase productivity and corporate financial performance.

The human resource directors of a national sample of 3452 firms were mailed a questionnaire and 968 usable responses were received.

The results signify that these “practices have an economically and statistically significant impact on both intermediate worker outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance” (p. 658). Huselid’s study found considerable support for the hypothesis that investments in such practices are associated with lower worker turnover and greater productivity and business fiscal performance across a wide range of sectors and organization sizes. “A one-standard-deviation increase in such practices is associated with a relative 7.05 percent decrease in turnover and, on a per employee basis, \$27,044 more in sales and \$18,641 and \$3,814 more in market value and profits, respectively” (p. 659). However, the hypothesis that the alignment of corporate strategy and HPWS would have a positive impact on organizational performance was tenuous.

In a 1996 study on the impact of human resource management practices on perceptions of organizational performance Delaney and Huselid investigate 590 for-profit and nonprofit firms to determine if positive associations exist between HRM practices, (such as recruiting and training), and perceptual firm performance measures.

Delaney and Huselid hypothesized (p. 953-954):

**H1:** Progressive HRM practices (those affecting employee skills, employee motivation, and the structure of work) will be positively related to organizational performance.

**H2:** Complementarities or synergies among progressive HRM practices will be positively related to organizational performance

In general the findings supported hypothesis 1, the outcome suggest that progressive human resource management practices (including selectivity in staffing, training, and incentive compensation) are positively related to perceptual measures of firm performance. The results do not sustain the claim that complementarities among human resource management practices augment firm outcome, differing from hypothesis 2. Never the less, the authors believe the improvement of reliable and valid measures of forward looking human resource practices and synergies remains a vital matter for researchers to explore.

Koch and McGrath (1996) used a similar approach in their study of the relationship between HR planning, recruitment, staffing practices and labor productivity. In a sample of 7765 executives in business units from the Compustat II data base, they found that these HRM practices (planning, recruitment, staffing) were related to labor productivity, and that this relationship was stronger in capital intensive organizations. Koch and McGrath argued that “. . .

a highly productive workforce is likely to have attributes that make it a particularly valuable strategic asset,” (p. 335). They suggested that firms develop effective routines for acquiring human assets and develop a stock of human talent that cannot be easily imitated by current or future competitors.

A similar study was conducted by Huselid, Jackson and Schuler (1997) using publicly available financial data as measures of firm performance. A survey of 293 HRM executives from a wide range of US Firms on the impact of overall HRM quality on firm performance. Their two constructs were Technical HRM (HPWS) and Strategic HRM (“the designing and implementing policies and practices that ensure a firm's human capital contribute to the achievement of its business objectives”).

**H:1** US firms have achieved higher levels of technical HRM effectiveness than strategic HRM effectiveness

**H2:** In US firms, both strategic and technical HRM effectiveness will be positively associated with firm performance

**H3:** HR staffs in US firms will have achieved higher levels of professional capabilities than of business-related capabilities.

The survey responses were matched with publicly available financial data for the years 1991 & 1992. The results support all three hypotheses that investments in human resources are a potential source of competitive advantage; however the authors concluded there is still very little understanding of the processes used to achieve this potential or the conditions under which it is realized.

Ahmad and Schroeder (2003) try to generalize the operational effectiveness of seven HRM practices that were proposed by Pfeffer (1998), from the perspective of country and industry practices. For the empirical analyses the world class manufacturing (WCM) project database was used to test the hypotheses and data was collected from 107 plants operating in four countries and three manufacturing industries. The following two hypotheses were proposed (p. 25):

**H1.** After controlling for the industry and country effects, organizational performance will be positively related to each of the following seven HRM practices: (a) employment security (alternatively, employment insecurity is negatively related to organizational performance); (b) selective hiring; (c) use of self-managed teams and decentralization; (d) use of compensation contingent on organizational performance; (e) the extent of training; (f) reduced status distinctions and (g) sharing of information.

**H2.** After controlling for the industry and country effects, the degree of dissimilarity (measured as misfit) between an organization's existing HRM system and the ideal-type HRM system will be negatively related to the organizational performance.

The seven HRM practices were measured by a combination of twelve perceptual and objective variables. Organizational performance was measured using a manufacturing performance index that includes cost, delivery, quality, flexibility and new product speed. Controlling for country and industry, the results indicated overall support for Pfeffer's seven HRM practices in manufacturing companies and empirically validated this type of HRM system for manufacturing facilities. In addition, by controlling for industry and country the results are generalizable across these contextual factors.

In summary, the SHRM literature has been inclined to focus rather myopically on the relationship between high performance work practice systems and quantifiable indicators of

corporate performance (Ahmad and Schroeder, 2003; Huselid, Jackson and Schuler ,1997; Delaney and Huselid, 1996; Koch and McGrath,1996 & Huselid,1995) . Boxall and Purcell (2003) present a much broader view of HRM and its goals and outcomes that can help to shape future studies in this area. They argue that management and employees can have different goals and that HRM is only concerned with three aspects of performance that contribute to the organization's viability, namely its productivity, flexibility and legitimacy. Most studies have only focused on manager's perspectives and perceptions rather than on employee outcomes and voices. Ideally, future studies will appraise both quantifiable indicators of corporate performance and worker outcomes (Appelbaum et al, 2000). As Boxall and Purcell (2003, p. 19-20) indicate: 'Studies of high performance work systems should include data on costs and benefits for both companies and workers because worker motivation and broader legitimacy are unlikely to improve if only management gains'.

### **HPWP Systems**

There is an emergent body of evidence demonstrating that “the methods used by an organization to manage its human resources can have a substantial impact on many organizationally relevant out comes” (Delery, 1998, p. 1). The change of focus on organizational resources is noteworthy in that it shifts the traditional emphasis in the field from micro human resource management practices to a macro system of practices that the organization uses to manage its intangible human capital. Imbedded in the discussion of HR systems is the concept of high performance work systems (HPWS), also referred to as systems of internal fit The study of HPWS and their importance in SHRM, however, has received less attention in the literature (Delery, 1998). Confounding the research on HPWS is a general disagreement among researchers on the micro HR practices which comprise the SHRM system (Becker & Gerhart, 1996). Research would seem to imply that not many managers have the expertise needed or know how to ‘bundle’ or integrate HRM practices into HWPS that fits the organization's particular context and its developing strategies (Barney & Wright forthcoming; MacDuffie 1995). MacDuffie (1995) takes the standpoint that it is a bundle of HR practices rather than any single practice that forms an overall HRM system. Further, MacDuffie posits that it is a single bundle, rather than multiple bundles, that form a comprehensive HPWP system.

According to Guest, Conway and Dewe (2004):

one of the distinctive features of contemporary HRM is the claim that some combination of practices has advantages above and beyond the careful application of specific techniques such as sophisticated selection, training or job design. Unfortunately, there is little agreement about which practices should be combined to constitute effective HRM. It seems plausible to expect that theory and empirical research might lead us towards some kind of answer. To date, such optimism appears to be misplaced. (p. 79)

Some progress has been made in conceptualizing the content of an HPWP system, demonstrated in the emerging agreement that a HPWP system should be formulated to guarantee that employees obtain high skills, competence, motivation and the prospect to add discretionary

effort. The combined outcome should be value-added performance (Appelbaum et al, 2000; Becker et al, 1997; Delery and Doty; Huselid, 1995; MacDuffie, 1995).

Since each of these elements is essential, the HR system should consist of an appropriate combination of practices designed to elicit them. While most researchers have focused on a high performance system, a number have been more concerned with closely related concepts such as a high involvement system (Lawler et al, 1995) or a high commitment system (Wood and Albanese, 1995). These variants highlight the importance of relating the conceptual analysis of the goals of an HR system to an appropriate set of practices, and in so doing they identify one of the potential sources of confusion about what constitutes an appropriately bounded HR system (Guest, et al., 2004, p. 80)

Besides the difficulties in conceiving the components of an HPWP system, there is also difficulty in combining multiple HR practices. The ability for researchers to find the most effective combination represents both theoretical and statistical challenges. “Although, there have now been multiple studies of the effectiveness of internal fit (HPWP systems), very little evidence has come to the forefront to suggest that a coherent system of HR practice is needed and of great consequence” (Delery,1998, p. 290).

The U.S. Department of Labor (1993) defined high performance work practices to include:

- extensive recruitment and selection process
- training procedures
- formal information sharing
- attitude assessment
- job design
- grievance procedures
- labor-management participation programs
- performance appraisal, promotion, and incentive compensation systems that recognize and reward employee merit

Huselid (1995) evaluated the links between of HPWP systems (as proposed by the Department of Labor) and firm performance (1995). Huselid’s study found considerable support for the hypothesis that investments in such practices are associated with lower worker turnover and greater productivity and business fiscal performance across a wide range of sectors and organization sizes.

Pfeffer (1994) proposed sixteen interrelated practices characterize companies that achieve success through the way they manage people. Successful companies provide:

- Employment security
- Selectivity in recruiting
- High wages
- Emphasis on training and skill development
- Sharing information
- Symbolic egalitarianism
  
- Wage compression across levels and departments

- Incentive compensation such as gainsharing, pay for performance, and pay for skill
- Employee ownership
- Teams and job redesign
- Cross-training and cross-utilization
- Participation and empowerment
- Promotion from within
- Long-term perspective
- Measurement to assess progress
- Overarching vision or rationale (p. 6)

Pfeffer, Hatano, & Santalainen, (1995) discussed thirteen practices for managing people which are:

1. employment security,
2. selectivity in recruiting,
3. high wages,
4. incentive pay,
5. employee ownership,
6. information sharing,
7. participation and empowerment,
8. self-managed teams,
9. training and skill development,
10. cross-utilization and cross-training,
11. symbolic egalitarianism.
12. wage compression,
13. promotion from within (p. 55)

Pfeffer (1998) reduced his original list of sixteen high performance work practices to seven:

- employment security;
- selective hiring of new personnel;
- self-managed teams and decentralization of decision making as the basic principles of organizational design;
- comparatively high compensation contingent on organizational performance;
- extensive training;
- reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels;
- extensive sharing of financial and performance information throughout the organization (p. 96)

Delery and Doty (1996) also shortened Pfeffer's 1994 list of proposed sixteen most effective practices for managing people to seven:

- Internal career opportunities
- Formal training systems
- Appraisal measures
- Profit sharing
- Employment security
- Voice mechanisms
- Job definition. (p. 802)

Delery and Doty posit a set of practices that will work in most if not all firms. These researchers speculate that some HRM practices will be better than other practices and that these 'best practices' should be adopted by all firms.

Guest, Conway and Dewe (2004) conducted a study comparing three methodologies (regression, factor analysis and sequential tree analysis) used to determine "bundles" of HRM practices based on MaDuffie's (1995) research. They started with fourteen previously tested HR practices and surveyed 1308 managers across various manufacturing firms for their responses. The results indicated that sequential tree analysis does identify a relatively

parsimonious set of HPWP; these overlies with those practices recognized in factor analysis and more comprehensively with those occurring in regression analysis.

Hartog and Verburg (2004) assessed the HPWP/performance link in a sample of 175 Dutch firms. The study provides further evidence on the link between HPWP systems and firm performance as related to organizational culture. Senior HR managers and CEOs were questioned on HRM practices and organizational culture. An extensive set of practices (rigorous selection, extensive employee development, autonomy, pay-for-performance, profit sharing and information sharing) mentioned in the HPWP systems literature was included in the study. One HPWP system could be distinguished, consisting of employee development, strict selection and providing an overarching goal or direction. Results of regression analyses controlling for sector, firm size and age showed a significant impact of this system on several performance outcomes, as well as positive relationships with three organizational culture orientations. However, the highly institutionalized Dutch environment has little external generalizability to US firms in terms of high performance work practices.

Finally, the empirical research on HPWP systems has produced results which support the argument that investments in human resources are a potential source of competitive advantage, however there is still very little understanding of the processes used to achieve its' potential or the conditions under which it is realized. Additionally, there is a general disagreement among researchers on the micro HR practices which comprise the HPWP system and there is little agreement about what practices constitute effective HRM. It seems plausible to expect that theory and empirical research might lead us towards some kind of answer, unfortunately to date; such optimism appears to be misplaced.

### **Co-alignment Model**

The co-alignment model, conceptualized by Olsen, West, and Tse (1998), describes the relationship between four key constructs, i.e. the environment, strategy choice, firm structure, and firm performance (see figure 2.1). In short, the four constructs in the model must be in alignment with each other in order for the firm produce the greatest value for its stakeholders. Co-alignment theory purports that, "if the firm is able to identify the opportunities that exist in the forces driving change, invest in competitive methods that take advantage of these opportunities, and allocate resources to those that create the greatest value, the financial results desired by owners and investors have a much better chance of being achieved" (Olsen et al. 1998, p.2). The present study will use the co-alignment principle in conjunction with concepts in SHRM and RBV to develop a theory for a HPWP system for casual theme restaurants in the US.

Environmental scanning is the first of the constructs (environmental scanning, competitive methods, core competencies and implementation) of the co-alignment principle. Environmental scanning is performed at multiple levels. The remote level which involves scanning the general economic, political and socio-cultural environments (Olsen & Zhao2002). The task environment level is the more immediate to the firm and concerns those components that restaurants deal with on a daily basis such as customers, suppliers, competition and government regulation. The firm is also concerned with what is going on in its industry segment (e.g. QSR, fast casual, family etc.) and will need to scan this environment regularly. At the firm and functional environmental levels the organization is concerned with major competitors and business functions (human resources, finance, marketing etc.) respectively.

Strategy choice is the firm's purposeful choice of the competitive methods (second construct) that it will use to compete in the market place and which should be reflective of the organizations intended strategy. Competitive methods are bundles of goods and services

combined in unique ways so as to produce a sustainable competitive advantage. The entire set of a firm's competitive methods is their strategic portfolio of goods and services which should set an organization apart from its competitors. The strategy choice should also include the firm's domain definition or choice of target market segment and geographic area in which it competes.

Firm structure refers to how the business organizes itself so as to efficiently, consistently and effectively allocate its scarce resources to the implementation of its competitive methods. To do this the firm must develop or already possess the core competencies (third construct) needed to carry this out. Core competencies are those things which a firm does well and ideally better than anyone else. Prahalad and Hamel (1990) argued that over time competitive advantage comes, from developing core competencies that are superior to competing firms. They contend that it is an organization's capacity to gain knowledge more quickly than its competitors and apply it more effectively, that gives it competitive advantage (Hamel and Prahalad, 1993). This illustrates the concept that resources are not just accounting assets (tangible balance sheet assets) but 'anything that has an enabling capacity' (intangible assets) (Hunt, 1995: 322). The combination of competitive methods and core competencies should produce a competitive advantage that cannot be easily copied, substituted and is sustainable. The essence of good strategy is to be able to position the firm to achieve a sustainable competitive advantage in one or more areas, which will enable the firm to produce above average returns (Barney, 1995). To do this the firm must not only be successful in crafting a good strategy, competitive methods and core competencies, but the firm must be highly successful in the implementation phase of the plan (Schmelzer, 1992). Many a strategic plan would have been successful if not for lack of implementation. It is often anecdotally stated that 70-90% of strategic plans fail in the implementation stage.

Implementation is a process that occurs within the contextual environment of the firm. The context of each firm is different and this will affect the process in varying ways. This is part of the reason that firms are successful in implementation to varying degrees. Therefore, the implementation of strategy is the outcome of the actions of the firm within its context as those actions impact the activities of the process. The main contextual variables that impact the process according to Olsen and Schmelzer (1994) are perceived environmental uncertainty, firm structure (decision making, formalization, hierarchy) and organizational culture. To a lesser extent corporate and business strategy, life cycle stage and the size of the organization affect the context. The process variables that are involved in implementation are information systems, planning and control, project initiation style, resource allocation, method of training and the secondary variable of rewards. All of these variables can make for a highly convoluted process and a difficult measurement challenge.

Many a business plan would have been successful if not for lack of implementation.

The Co-alignment theory's last construct is that of firm performance measurement, which leads to the feedback and review loop. There is much debate currently going on as to what the best indicator of firm performance is. In the past ROA, ROS and most currently ROI have been used to judge the effectiveness of a firm's performance. However, in the last several years these metrics have been subject to financial engineering both legal and illegal that can distort the true nature of a firm's performance if not outright lie. The current metric that appears to be gaining favor is economic value added (EVA) or more simply some form of cash flow per share (Copland, Koller and Murrin, 1996).

For hospitality executives to effectively use a co-alignment strategy they should begin with an effective environmental scanning process that does more than just benchmark competitors for ideas to mimic. Executives must proactively search out ways in which to gain a sustainable



competitive advantage and compete in the future. Currently the most prevalent strategy seems to be that of unit growth. At some point in time the restaurant industry will reach a saturation point. Currently there is 1 restaurant for every 350 Americans (<http://www.restaurant.org/research/forecast.cfm>).

### **Co-alignment Research**

An overview of the co-alignment model has been explored thus far. The following is an exploration of the empirical research done on the co-alignment model both in and out of the hospitality field.

The early work focused on dimensions of the environment. Duncan (1972) proposed a 2 x 2 typology matrix as a way of categorizing the environmental dimensions in which an organization operates. DeNoble and Olsen (1986) propose a market volatility index for the hospitality industry and Downey & Slocum (1975) explore uncertainty. Ultimately each of these authors is using the complexity and uncertainty dimensions in their research.

Hambrick empirically tested the interaction between environmental scanning behavior of higher-ranking executives and their organization's business level strategy (1979). Hambrick's theory is that "upper-level executives particularly direct their scanning toward those environmental sectors of key importance to the organization's strategy". To complement previous research, organizations in three industries were chosen for observation: liberal arts colleges, general hospitals and life insurance companies. A multi-method classification process using a mixture of: quantified published data, expert panel assessments and assessment by chief executives was used to identify organizations within each industry and to group them by the two extremes - prospector or defender. Six colleges, five hospitals and six insurance firms were chosen for the case study with 170 questionnaires being distributed to executives. Using the variables of frequency of scanning (7 point scale), interest in environment sector (5 point scale) and the number of hours spent scanning, the level of scanning activity was determined. Hambrick put forth four propositions:

1. "The total amount of scanning conducted by executives in Prospectors is equal to the total amount conducted by executives in defenders.
2. Executives in Prospectors scan the entrepreneurial sector more than do executives in defenders.
3. Executives in Defenders scan the engineering sector more than do executives in prospectors.
4. The amount of administrative and regulatory scanning conducted by executives in Prospectors is equal to Defenders".

Kwansa et al. (1986) performed a content analysis of the major environmental trends taking place in the hospitality industry from 1981 - 1985 and the impact of those trends on the general environmental categories of socio-cultural, political, economic, and technological; and the specific environmental areas of operations, administration, research and development, finance and marketing of hospitality businesses. The purpose was to provide small independent operators with relevant environmental information, scanned from hospitality industry publications, comparable to that of larger organizations. The research was conducted in two stages. From 1981-1983, a content analysis process was used in which researchers analyzed and categorized 5000 articles appearing in twenty-seven publications. For the years 1984-1985, 4700 articles in twenty-one journals were systematically scanned and categorized for content.

Olsen and Pinto researched environmental scanning by exploring the needs, sources and uses of information by hospitality CFOs for the purpose of strategic capital investments (1987). A survey questionnaire of two-hundred CFOs in the top US hospitality organizations (with a 23% response rate) was used to determine the information needs and investigate the sources of external information for use by chief financial officers. Content analysis of publications and information sources cited was used to analyze the data from a survey questionnaire using a framework for viewing the organization's external environment, which divided the environment into Social/consumers, economic, political and technology segments.

In 1988 Olsen and West explored the relationship between environmental scanning and firm performance in the foodservice industry and further, whether high scanning correlates to high performance and low scanning correlates to low performance. Porter's industry structure model for environmental qualities: buyers, suppliers, existing competitors, potential competitors and substitutes was used to define areas of the environment scanned and the firms studied were grouped by the type of competitive strategy. The extent of environmental scanning performed was assessed using Hambrick's (1979) multi method/trait scale, which increases the validity of the study. Ninety-two multi-unit foodservice firms participated in the study by agreeing to have three members of the executive committee respond to a pre-tested questionnaire that gathered information on firm performance, environmental scanning, demographics and strategy. The dependent variable was firm performance gauged by ROA, ROS and unit sales growth. The independent variable was the extent of environmental scanning performed by the firm. Regression analysis with and without outliers removed was conducted. Internal consistency reliability and construct validity tests were also performed. In addition, analysis of variance was calculated to determine the differences between high and low performers. The results of the study by Olsen and West indicated higher scanning tends to lead to higher performance for hospitality firms.

Dev and Olsen investigated the relationship between environmental uncertainty, business strategy, and financial performance in the US lodging industry (1989). A national cross sectional study of 2000 lodging firms general managers using a survey of self typing strategy scales based on Miles and Snow defenders, analyzers, prospectors and reactors with a 8.8% response rate. Using ANOVA the results indicated that there is no significant difference between a hotels choice of strategy and performance. However, when co-alignment is considered there is a significant effect on performance. In stable environments defenders perform best and in volatile environments analyzers perform best.

West and Anthony (1990) researched the relationship to firm performance (ROA & ROS) in the foodservice industry based on strategic group membership and environmental scanning using Farh's multi-trait multi-method scale based on Porters five competitive dimensions. A pre-tested survey was sent to CEOs of 400 US firms with 62 responding (21%). Factor analysis was used to examine the data. The study indicates that there are significant differences between strategic groups and within strategic groups; high performing firms engage in environmental scanning at significantly higher levels than low performers within and between strategic groups. Environmental scanning exerts a moderating influence on performance of firms following appropriate strategies. Strategic group membership does not guarantee performance, other variables moderate performance. The results further indicate a contingency perspective strategy is a primary determinant of performance, moderated by environmental scanning.

Kim and Olsen (1993) developed a framework for the identification of political environmental events that multinational lodging corporations have to confront. They used the Delphi technique for organizing group communication without direct discussion in order to refine group opinion and arrive at a consensus. There were forty-six participants from five different fields with seventeen participants remaining after the third round. Round one produce a list of ninety-three environmental issues. Round two and three reduced the list to 58 environmental events; law and regulation 26 events; administration 14 events; judicial 10 events and lobbying 8 events. The results produce agreement that influential events for the multinational Hotel industry is the same as other industries. There was not enough participants/representation for all of the countries so results were not generalizable to a specific country.

A content analysis was performed by Jurowski and Olsen of twenty tourism journals to identify major tourism trends for 1995-2005 (1995). Patterns of activity that exists in the general environment of the tourism industry and future environmental trends that are expected to impact the tourism industry of the future were identified. The major tourism trends identified are changing consumer preferences, economic growth and the developing world, socio-cultural stakeholder involvement, greater consumer use of technology, increased eco-tourism, changing tourist demographics - aging boomers, diverse supply offerings and self serve distribution (web).

Jogaratham, Tse, and Olsen conducted a study on how strategic posture and environmental munificence are related to firm performance and what is the unforeseen impact that environmental munificence may have on the connection between strategic posture and performance (1999). Environmental munificence refers to the extent to which an environment can support sustained growth, the scarcity or abundance of critical resources; while strategic posture refers to a firm's overall competitive orientation. A national mail sample of 1500 independent restaurants with a 21% response rate, a non-respondent survey, reliability, CFA and validity tests were performed. The results suggested that strategic posture clearly influences performance and is a significant predictor of performance. Additionally, environmental munificence is a significant predictor of performance and restaurants are better able to perform in growth-oriented environments. Environmental munificence is not a moderator for strategic posture; both do well on their own, but they are not mutually exclusive of each other although environmental munificence has a more significant effect on performance than strategic posture.

The effect of co-alignment on environment risk, corporate strategy, capital structure and firm performance was investigated using cross-sectional data of 48 restaurant companies from the COMPUSTAT data base by Chathoth (2002).The study identified the dimensions and variables using prior research within each of the constructs in the management and corporate finance fields. The Results indicated that a large variation in company performance is elucidated by the co-alignment between environment risk, corporate strategy, and capital structure when using accrual and cash flow returns as a proxy of company performance. Regression analysis Results indicate that the complete model explains 59 percent of the variance of the company's return on equity; which is the best model, as compared to other partial models that explain 51 percent (environment risk, capital structure, and firm performance) and 16 percent (environment risk, corporate strategy, and firm performance) of the variance in company performance.

A case study of the types of competitive methods used by five independent Jamaican hotels in their attempt to obtain a sustainable competitive advantage was conducted by Taylor (2002). The study investigated the co-alignment between strategy choice, firm structure and firm performance. The theoretical foundations for the study were based upon the resource-based view

and the co-alignment principle literature. The study demonstrated the importance of co-alignment in Jamaican hotels and the results indicated that better performance was achieved when there was co-alignment. The results also indicated that the competitive methods cited by managers, as providing the greatest value to the hotels, were not always in line with what guests saw as important to them.

The results lead Taylor to reached six conclusions based on her propositions in her study of the types of competitive methods used by independent Jamaican hotels in their attempt to obtain a sustainable competitive advantage:

- Conclusion 1: Hotels do not focus on forces driving change in the environment. Instead they focus on the competition only and not necessarily on their direct competitors.
- Conclusion 2: While firms are aware of their strategic choice, it is not always articulated to a point where competitive methods are chosen to support it.
- Conclusions 3: Competitive methods utilized by hotels are more obvious to guests and observers than to management.
- Conclusion 4: Competitive methods are not always aligned with the hotels core competencies; suggesting that core competencies are not considered when deciding on competitive methods.
- Conclusion 5: Firms do not monitor the performance of their competitive methods.
- Conclusion 6: The chosen methods of evaluation of performance at the hotels are guests comment cards, which is not considered a reliable measure. (p. 223-225)

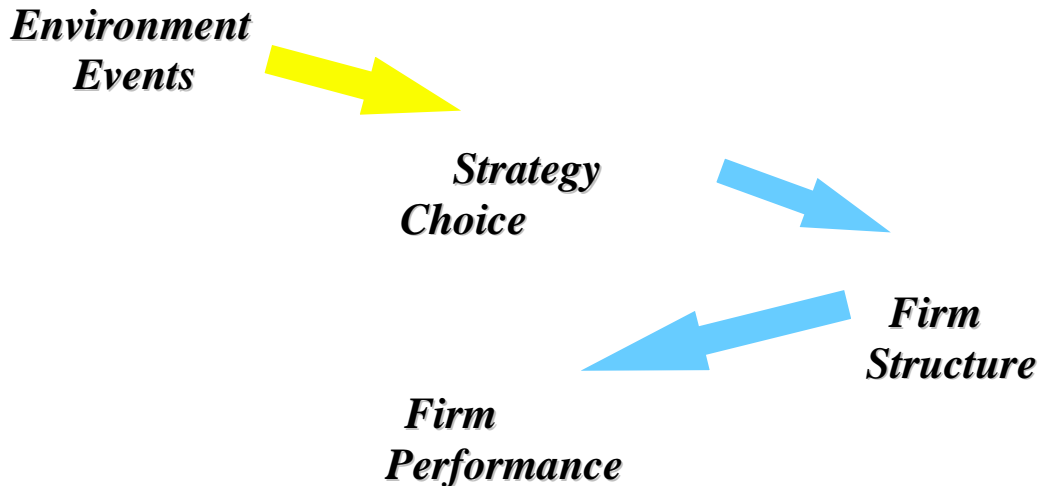
### **Relationship between the Constructs and Theories**

The co- alignment model (see Figure 2-1) is the underpinning for the current research and the proposed theoretical model. The co-alignment model is being used as the foundation of this research because it allows for the integration of all the constructs in the RBV and SHRM literature previously reviewed and it provides the essential structure to explain the proposed theoretical model (see Figure 2-2). The co-alignment principle provides the missing piece in the operationalization HPWP system in the SHRM – RBV literature link and in the proposed theoretical model. Additionally, the co-alignment principle and associated constructs have been the most widely researched and tested strategy concepts in the hospitality literature, melding other streams of strategy literature into hospitality research as noted in the literature review (West, 1988; Dev, 1988; Schmelzer, 1992; Murthy, 1994; de Charbert, 1998; Connolly, 1999; Taylor, 2002 and Chathoth 2002). For all the previous rationale it is posit that the co-alignment principle is best suited as starting point in the proposed theory.

Since Barney's (1991) article outlining the basic theoretical mode and criterion for developing resources that could produce a sustainable competitive advantage, the RBV has lead the way as the most widely used theory within SHRM, both from the standpoint of the development of theory and the foundation for empirical studies (McMahan, Virick & Wright, 1999; Wright, 2001; Barney et al., 2001). However, there are several limitations with the current state of conceptual and empirical research in the SHRM –RBV relationship, which have lead to untested theories. According to Wright et al. (2001, p. 715) no attempt has yet been made to empirically test the proposition that HR practices possess value, rareness, non-substitutability, or whether they are actually difficult to imitate, and

Figure 2.1 – The Co-Alignment Principle

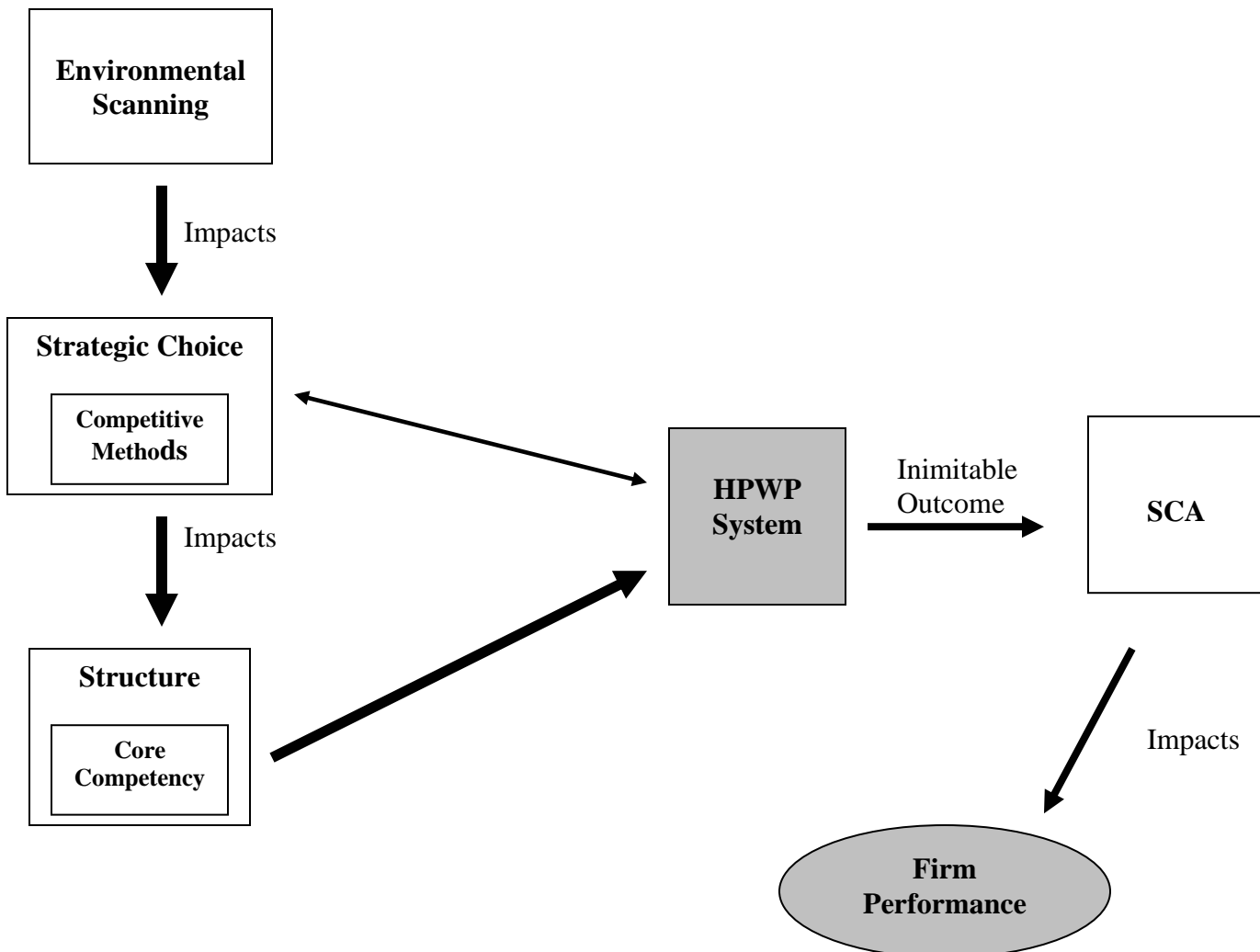
## The Co-alignment Principle



when combined lead to a SCA. “While intuitively obvious and possibly supported by anecdotal data, the field lacks verifiable quantifiable data to support these assertions” (Wright et al. 2001, p. 715). Additionally, no research has yet to establish anything close to a complete causal model through which HR practices theoretical impact organizational performance.

The current body of SHRM –RBV research is weak and provides little concrete answers because the theories and models are incomplete. The SHRM –RBV relationship does not address the synthesis of co-alignment, RBV and SHRM theories and this relationship needs to be explored to aid in the further testing of co-alignment model (see Figure 2-1), and the development of the proposed theoretical model (see Figure 2-2); which will help in understand the contributory impact of HRM on competitive methods, core competencies and firm performance. A HPWP system is comprised of an amalgamation of HRM competitive methods and core competencies, when combined are capable of producing a SCA (Huselid, 1995). The RBV provides a framework for SCA by putting forward four elements (rarity, inimitable, value and substitutability) of SCA that are essential (Barney, 1991). The co-alignment principle makes whole the proposed model by providing the foundation for a HPWP system and ultimately a SCA with its second construct, strategy choice (competitive methods), and its third construct, firm structure (core competencies), in the restaurant industry (Olsen et al., 1998).

**Figure 2.2 The Proposed Theoretical Model**



The current body of literature is ineffective to date because there is no agreement on how to operationalization the HPWP system construct and therefore no causal relationships can really be tested until this is done. To move forward, the research will need to directly test the core concepts; which, requires understanding that the inimitability of HRM competencies might come from causal ambiguity (unobservability), social or cultural complexity and path dependence (where we are today is a result of what has happened in the past). According to Wright, Dunford & Snell, 2001, p. 717) “this implies that rather than simply positing a relationship between HR practices and sustainable competitive advantage, one must realize that people management systems might impact this advantage in a variety of ways”. Becker and Gerhart (1996) suggest that the following needs to be done to solidify the conceptual and practical realm of SHRM:

- 1) HR best practices need to be determined
- 2) More qualitative research needs to be conducted

- 3) The current theory needs to be built on and tested not just more theories developed, a cumulative body of knowledge needs to be developed
- 4) A careful focus on what kind of statistical analysis needs to be done, focus on how should HR be measured
- 5) More robust and valid finds need to be produced and a more complete structural model needs to be developed
- 6) A focus on policy implications needs to be addressed-why won't business listen to us

Additionally, even though, there have now been several empirical studies of the efficacy of HPWP systems (internal fit), very little confirmation of the HPWP system thesis has been provided that would suggest that a 'coherent system of HR practice is needed and of great consequence' (Delery, 1998). This is particularly the case in the hospitality industry; a major challenge for strategic human resource management research in the next decade will be to 'establish a clear, coherent and consistent construct for organizational performance' (Rogers & Wright, 1998).

The choice of the universalistic view point for research question 1, from a universalistic perspective, what are the human resource practices that comprise a HPWP system construct for unit level managers, in the casual segment of the US restaurant industry, is made for multiple reasons. First, the universalistic perspective purports that all HR practices and associated outcomes are universal across organizations (Delery & Doty, 1996). In the SHRM field this is the simplest and most straight forward theoretical relationship. What occurs in one organization is assumed to work in another organization.

Universalistic arguments are the simplest form of theoretical statement in the SHRM literature because they imply that the relationship between a given independent variable and a dependent variable is universal across the population of organizations. Developing universalistic predictions requires two steps. First, important strategic HR practices must be identified. Second, arguments that relate the individual practices to organizational performance must be presented. (Delery & Doty, 1996, p. 803)

It would be unlikely to develop a HPWP system construct using a contingency approach, much less a configurational, because of the basic nature of their assumptions. Contingency arguments are more multifaceted than universalistic point of view because contingency arguments involve interactions rather than the simple linear relationships built-in to universalistic theories (Venkatraman, 1989).

contingency theories posit that the relationship between the relevant independent variable and the dependent variable will be different for different levels of the critical contingency variable. The organization's strategy is considered to be the primary contingency factor in the SHRM literature. Thus, a contingency perspective requires a researcher to select a theory of firm strategy and then specify how the individual HR practices will interact with firm strategy to result in organizational performance. (Delery & Doty, 1996, p.804)

Configurational point of view is more complex than those of either of universalistic or contingency theoretical perspectives. According to Delery & Doty, “configurational theorists working in SHRM must theoretically derive internally consistent configurations of HR practices, or employment systems, that maximize horizontal fit, and then link these employment systems to alternative strategic configurations to maximize vertical fit” (1996, p.805).

Many researchers have supported universalistic predictions. Huselid (1993, 1995) identified a link between organization-level outcomes and groups of high performance work practices. Instead of studying an individual practice (e.g., pay), Huselid assessed the concurrent use of multiple complicated HR work practices and concluded that the HR sophistication of a firm was significantly related to turnover, productivity, and financial outcome. Overall, “the level of support generated for universalistic predictions indicates that the universalistic perspective is a valid theoretical perspective for SHRM theorists” (Delery & Doty, 1996, p.806) (Delery & Doty, 1996, p.804).

Finally, the theoretical concepts that imply an organization can be categorized into one of a small list of typologies; do not mesh well with what firms are encountering in the restaurant business environment. The rapidly changing environment, particularly in the realm of HRM, technology and consumer preferences, has forced organizations to be highly adaptive and flexible to meet the changing milieu of tomorrow. To do this each organization has to maximize both their tangible and intangible capital and in each organization human resources have the potential to become a competitive advantage. What works well in today’s environment are organizations that are adaptable enough to align their choice of competitive methods, strategy and structure with their environment to ensure superior firm performance. This is why the proposed theoretical model which combines the co-alignment principle, SHRM and the RBV theories has the most relevance to the restaurant industry and is meritorious of further exploration.

### **Multi-item scale to Measure HPWP System:**

A HPWP system is a multi-dimensional construct or a system of HRM constructs. Since this exploratory study is attempting to develop a construct for the conceptualization of high performance work practices within the casual theme restaurant sector of the US hospitality industry, the investigative approach chosen to answer the research questions is the Delphi method. The Delphi Method is based on a “structured process for collecting and distilling knowledge” from a assembly of experts by means of a series of surveys intermingled with controlled opinion feedback (Adler and Ziglio, 1996). There are no Hospitality studies on HPWP systems in the restaurant industry to guide in the adoption of dimensions for this study; therefore we will look to research in other industries as a starting point. To determine which dimensions to include in the initial phase of this research project, the author reviewed several large scale empirical and theoretical studies conducted on HPWP systems over the last decade as previously detailed (Pfeffer, 1994; Pfeffer, Hatano & Santalainen, 1995; Huselid, 1995; Huselid & Becker, 1995; Delery & Doty, 1996; Pfeffer, 1998; Becker & Huselid, 1998; Morgan, 2001; Ahmad and Schroeder, 2003; Hartog & Verburg, 2004; Guest, Conway and Dewe, 2004). The empirical studies reviewed contained as few as a seven item scale to a twenty-four item scale to assess HPWP systems. Fourteen dimensions were chosen from the studies on HPWP systems to represent the multi-item HPWP system scale used in this study. The inclusion or exclusion of a



dimension from this study's HPWP system scale was based on the prior research's generalizability to this study and contextual factors specific to this study.

Pfeffer (1994) proposed sixteen interrelated practices which characterize companies that achieve success through the way they manage people. These are: employment security, selectivity in recruiting, high wages, emphasis on training and skill development, sharing information, symbolic egalitarianism, wage compression across levels and departments, Incentive compensation such as gainsharing, pay for performance, and pay for skill, Employee ownership, teams and job redesign, cross-training and cross-utilization, participation and empowerment, promotion from within, long-term perspective, measurement to assess progress, overarching vision or rationale. Pfeffer, Hatano, & Santalainen, (1995) discussed thirteen practices for managing people and Pfeffer (1998) reduced/combined the list to a manageable seven. These are: employment security; selective hiring of new personnel; self-managed teams and decentralization of decision making as the basic principles of organizational design; comparatively high compensation contingent on organizational performance; extensive training; reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels; extensive sharing of financial and performance information throughout the organization. Pfeffer describes all of the dimensions in detail and purports that the source of competitive advantage has shifted over time making the management of people more important because other sources of competitive advantage are less powerful than they once were.

A study by Huselid (1995) evaluated at length the links between High Performance Work Practices systems (HPWS) and firm performance in a national sample of 3452 firms. Specifically HPWS (as defined by U.S. Department of Labor in 1993) include: "extensive recruitment, selection, and training procedures; formal information sharing, attitude assessment, job design, grievance procedures, and labor-management participation programs; and performance appraisal, promotion, and incentive compensation systems that recognize and reward employee merit. Eighteen variables were developed to represent the 13 dimensions of a HPWP system. Similarly Huselid & Becker, 1995; Delaney and Huselid, 1996; Koch and McGrath, 1996; Delery & Doty, 1996; Huselid, Schuler & Jackson 1997; Becker & Huselid, 1998 all used either large scale cross-sectional mail surveys or industrial data bases such as Compustat II, with similar dimensions that were applied to a broad range of firms and or countries. Additionally, a forth coming paper by Murphy & Dipietro on best human resource practices in U.S. casual dining restaurants indicates that high compensation, performance bonus, ownership interest, job autonomy, job status quality of life and opportunity are all important to chain restaurant managers in their decision to stay with a company.

Taking the previous studies into consideration and comparing the crossover and exclusions between studies the list of dimensions in Table 2-1 were developed specific to the restaurant industry. *Employment security, selectivity in hiring/recruiting, high wages, incentive pay, employee ownership, information sharing, participation and empowerment, self-managed teams, training and development, job design, and promotion from within* as defined in Table 2-1 were all in the previous research and in the preponderance of the studies, including the BLS data.

*Reduced Status Distinctions and Barriers* was listed as one of Pfeffer's (1998), seven practices of successful organizations and included the dimensions because of the casual themed restaurant industry's very nature of reduced status distinctions across levels of employees. *Measurement of the Practices* was included as a HPWP because if an organization does not measure its results, than it is unlikely to be continuously successful in the future (Becker &

Huselid, 1998 ;Olsen et al., 1998). *Quality of Life* was cited by 25% of restaurant managers responding to survey in 2000 on compensation and turnover as the number one “most important factor influencing your decision to leave” (Murphy & Williams, 2004). Indeed, quality of life is often cited as a major reason that hospitality management students chose not to enter the restaurant management profession, despite high entry level salaries and a shortage of managers. Therefore, *Quality of Life* was added to this survey despite its omission from the literature as a dimension.

*Formalized grievance* procedures were not included in this studies list of dimensions because of the lack of unionization in the restaurant industry, which most often associated with this process. Additionally, the high turnover of hourly employees even in the best run operations and the nature of restaurant employees lead to its non-inclusion.

### **Table 2.1 HPWP System Dimensions for Delphi Pilot Study**

1. Employment Security: Employment security assumes flexibility and means that employees are not quickly laid-off for reasons such as economic downturns or the strategic mistakes of senior management, over which employees have no control. The policy focuses on maintaining total employment and not on protecting individuals from the consequences of their individual behavior or incompetence on the job (Morgan 2001).

2. Selectivity In Recruiting: Organizations serious about obtaining profits through people will expend the effort needed to ensure that they recruit the right people in the first place. Rigorous selection requires a method, refined and developed over time through feedback and learning, to ensure that the firm can identify the skills it is seeking from the applicant pool. (Pfeffer, 1998).

3. High Wages: The level of compensation sends a clear message to the organization’s employees if they are regarded as truly valued and valuable to the firm. Compensation can take many forms such as pay increases, share ownership, stock options, profit sharing, paying for skills acquisition and individual or team incentives (Morgan 2001).

4. Incentive Pay Based on Performance Appraisal: Contingent compensation also figures importantly in most high-performance work systems. Such compensation can take a number of different forms, including gain sharing, profit sharing, pay for skill, or various forms of individual or team incentives. Profit sharing also makes compensation more variable, permitting adjustments in the labor bill without layoffs (Pfeffer, Hatano & Santalainen, 1995).

5. Employee Ownership: Other forms of financial incentives designed to align the interests of employees with shareholders. (e.g., ESOPs and proprietary/partner interests (Huselid, 1995).

6. Information Sharing: The sharing of information on issues such as financial performance, strategy, and operational measures conveys to the organization’s people that they are trusted. People who are motivated and trained cannot contribute to enhancing organizational performance if they don’t have information on important dimensions of performance and, in addition, training on how to use and interpret that information (Morgan 2001).

7. Participation And Empowerment: Encouraging the decentralization of decision making and broad worker participation and empowerment in controlling their own work processes. Access to grievance systems. (Pfeffer, Hatano & Santalainen, 1995).

8. Self-Managed Teams: There is a large body of literature qualitative and quantitative evidence that workers in self-managed teams enjoy greater autonomy, flexibility and discretion. Employees have more opportunity to use their breadth of skills. This translates into intrinsic rewards and job satisfaction resulting in teams out-performing traditionally supervised work groups (Pfeffer, 1998).

9. Training And Skill Development: Virtually all descriptions of high-performance management practices emphasize employee skill development. Training, cross-training and cross-utilization are an essential component of high-performance work systems because these systems rely on front-line employee skill and initiative to identify and resolve problems, to initiate changes in work methods, and to take responsibility for quality (Pfeffer, 1998).

10. Reduced Status Distinctions and Barriers: Including dress, language, office arrangements and wage differences across levels (Delery and Doty, 1996).

11. Job Design: The extent to which jobs are clearly and precisely defined (Delery and Doty, 1996).

12. Promotion From Within: Offers an incentive for performing well which has a monetary as well as a status reward attached to it. Additionally, it provides a sense of fairness in the work place (Pfeffer, Hatano & Santalainen, 1995).

13. Measurement of the HR Practices: Including attitude assessment and measurement of the objectives are critical components in providing feedback and success of a HPWP system (Pfeffer, Hatano & Santalainen, 1995).

14. Quality of Life/Work: The degree of emotional, intellectual, or cultural satisfaction in a person's everyday life as distinct from the degree of material comfort (Bookshelf, 1998). Or as one restaurant manager put it "more time with family, less time at work" (Murphy, 2000). Including participating in quality of work life groups.

Huselid and Becker, 1995 also raised some questions about the inclusion of grievance procedures and indicated the effects could be negative. However, the ability for an employee to express a grievance is considered part of employee participation and included in that dimension.

There are other HR practices that might affect a restaurant's organizational performance that were previously cited. However, the fourteen HR practices listed above and in table 2-1 appear to have the greatest support across a diverse literature base. Thus in the interest of parsimony, I restricted the list to these fourteen HR practices to start the Delphi study. Finally, it is important to recall that the dimensions chosen are but a starting point to begin the Delphi study. Further inclusion, exclusion and discussion will assuredly change the composition of the list.

## Summary:

The author has reviewed the co-alignment model, RBV of the firm and SHRM streams of literature to support the theoretical model (see figure 2.2). The primary purpose of this study is the confirmation of the dimensions in a successful HPWP system for unit level managers, and the identification of appropriate evaluation criteria for determining the performance of a HPWP system in the USA casual themed restaurant market. Therefore, the present study addresses the following research questions:

**Research Question 1:** From a universalistic perspective, what are the human resource practices that comprise a HPWP system construct for unit level managers, in the casual segment of the US restaurant industry?

**Research Question 2:** What performance measurements can be utilized to determine an effective HPWP?

This research study will solve the aforementioned problem by attempting to achieve an understanding of the HPWP system construct in US casual themed restaurants and gain consensus on the HPWP system dimensions so they can later be measured. The grey highlighted areas of the theoretical model (see figure 2.2) are the fields of investigation for this current research.

The RBV and SHRM theoretical link has been well established and documented over the past two decades. The relationship between the co-alignment, RBV and SHRM theories has not been investigated, but individual constructs in each of the theories crossover and this is the critical component of the relationships in the proposed model. However, no attempt has yet been made to empirically assess the validity of the proposition that the alignment of HRM core competencies and competitive methods with a firm's environment and strategy leads to a HPWP system, which brings about a SCA. It is hoped that this research on HPWP systems will enhance our understanding of the relationship between CM and CC. The ultimate purpose of both the Co-alignment Model and the RBV of the firm theory is the development of a SCA. I believe by combining these two theories and SHRM it is possible to produce a HPWP system that is rare, has value, is inimitable and is non-substitutable; in other words a SCA. These are the critical links between the three theories for the hospitality industry and what the author will in part explore.

## Chapter Three

### Methodology

#### Introduction

In Chapter 1 it was indicated that the study will develop a construct for a high performance work practice system within the casual theme restaurant sector of the US hospitality industry and proposes a research agenda for further investigation of those practices. In Chapter 2, the relevant literature was reviewed and a proposed model was presented, as were the proposed dimensions of a HPWP system construct for the casual theme restaurant sector of the US hospitality industry for the study. Chapter 3 describes the research methodology and design of the study.

#### Objectives of the Study

The intent of this study is to gain consensus, using the Delphi method, from restaurant industry experts as to what are the components of a high performance work practice system construct for managers within the casual theme restaurant sector of the US hospitality industry. Additionally, to try and determine what are the best performance metrics to use when attempting to quantify the results of using a HPWP system. The literature foundations of this study are the co-alignment principle, which demonstrates a relationship between the environment, strategy choice, firm structure and performance; those areas of SHRM that focus on the research into HPWP systems; and the RBV of the firm that is the basis for most of the relevant SHRM theory.

Given that the research focuses only on the casual theme restaurant sector of the US hospitality industry the environment construct is held constant in that all the restaurants studied are believed to be subject to the same environmental forces. Since the study is exploratory in nature; the research approach chosen to answer the research questions is the Delphi method. Restaurant executives, consultants and academics consider the components of a high performance work practices construct for the casual theme restaurant business in the US.

#### Propositions to be Investigated

**Proposition 1:** Multiple HRM practices combine to form a universalistic HPWP system construct for firms in the casual segment of the US restaurant industry.

A HPWP system according to Huselid (1995) is comprised of comprehensive employee recruitment and selection procedures, incentive compensation and performance management systems, and extensive employee involvement, development and training activities that are designed to obtain, improve and strengthen employee skills and behaviors to execute the firms competitive strategy, while encouraging non-performers to depart the organization. To this end a HPWP system has great potential to “serve as an inimitable resource supporting the effective implementation of corporate strategy and the attainment of operational goals” (Becker & Huselid, 1998, p. 53).

For the purpose of this study 14 variables (See Table 3.1) were chosen based on prior empirical work: Employment Security, Selectivity In Recruiting, High Wages, Incentive Pay Based on Performance Appraisal, Employee Ownership, Information Sharing, Participation And Empowerment, Self-Managed Teams, Training and Skill Development, Reduced Status Distinctions and Barriers, Job Design, Promotion From Within, Measurement of the Practices

and Quality of work/life (Huselid, 1995; Huselid & Becker, 1995; Delery & Doty, 1996; Becker & Huselid, 1996; Huselid & Becker, 1997; Hartog, 2004). These dimensions were presented to the panel of expert's pilot study group as a starting point in the development of the HPWP system construct for the casual themed restaurant industry.

### **Table 3.1 Proposed Variables of HPWP system**

1. Employment Security: Employment security assumes flexibility and means that employees are not quickly laid-off for reasons such as economic downturns or the strategic mistakes of senior management, over which employees have no control. The policy focuses on maintaining total employment and not on protecting individuals from the consequences of their individual behavior or incompetence on the job (Morgan 2001).

2. Selectivity In Recruiting: Organizations serious about obtaining profits through people will expend the effort needed to ensure that they recruit the right people in the first place. Rigorous selection requires a method, refined and developed over time through feedback and learning, to ensure that the firm can identify the skills it is seeking from the applicant pool. (Pfeffer, 1998).

3. High Wages: The level of compensation sends a clear message to the organization's employees if they are regarded as truly valued and valuable to the firm. Compensation can take many forms such as pay increases, share ownership, stock options, profit sharing, paying for skills acquisition and individual or team incentives (Morgan 2001).

4. Incentive Pay Based on Performance Appraisal: Contingent compensation also figures importantly in most high-performance work systems. Such compensation can take a number of different forms, including gain sharing, profit sharing, pay for skill, or various forms of individual or team incentives. Profit sharing also makes compensation more variable, permitting adjustments in the labor bill without layoffs (Pfeffer, Hatano & Santalainen, 1995).

5. Employee Ownership: Other forms of financial incentives designed to align the interests of employees with shareholders. (e.g., ESOPs and proprietary/partner interests (Huselid, 1995).

6. Information Sharing: The sharing of information on issues such as financial performance, strategy, and operational measures conveys to the organization's people that they are trusted. People who are motivated and trained cannot contribute to enhancing organizational performance if they don't have information on important dimensions of performance and, in addition, training on how to use and interpret that information (Morgan 2001).

7. Participation And Empowerment: Encouraging the decentralization of decision making and broad worker participation and empowerment in controlling their own work processes. Access to grievance systems. (Pfeffer, Hatano & Santalainen, 1995).

8. Self-Managed Teams: There is a large body of literature qualitative and quantitative evidence that workers in self-managed teams enjoy greater autonomy, flexibility and discretion. Employees have more opportunity to use their breadth of skills. This translates into intrinsic rewards and job satisfaction resulting in teams out-performing traditionally supervised work groups (Pfeffer, 1998).

9. Training And Skill Development: Virtually all descriptions of high-performance management practices emphasize employee skill development. Training, cross-training and cross-utilization are an essential component of high-performance work systems because these systems rely on front-line employee skill and initiative to identify and resolve problems, to initiate changes in work methods, and to take responsibility for quality (Pfeffer, 1998).

10. Reduced Status Distinctions and Barriers: Including dress, language, office arrangements and wage differences across levels (Pfeffer, 1998).

11. Job Design: The extent to which jobs are clearly and precisely defined (Delery and Doty, 1996).

12. Promotion From Within: Offers an incentive for performing well which has a monetary as well as a status reward attached to it. Additionally, it provides a sense of fairness in the work place (Pfeffer, Hatano & Santalainen, 1995).

13. Measurement of the HR Practices: Including attitude assessment and measurement of the objectives are critical components in providing feedback and success of a HPWP system (Pfeffer, Hatano & Santalainen, 1995).

14. Quality of Work/Life: The degree of emotional, intellectual, or cultural satisfaction in a person's everyday life as distinct from the degree of material comfort. Or as one restaurant manager put it “more time with family, less time at work” (Murphy, 2000). Including participating in quality of work life groups.

**Proposition 2:** There are appropriate performance appraisal criteria that can be used to determine an effective HPWP.

Many different metrics have been used to appraise the performance of HRM practices and HPWP systems over the past decade such as turnover, productivity, ROI, ROA, GRATE, ROE, EPS, market value and market/book value (MacDuffie, 1995; Huselid, 1995; Huselid & Becker, 1995; Delery & Doty, 1996; Becker & Huselid, 1996; Huselid & Becker, 1997 and Murphy & Williams, 2004, Hartog, 2004 and Guest, Conway & Dewie, 2004). The difficulty in measuring the performance of a HPWP system is trying to determine which metrics will provide meaningful and clear-cut measurement results. Delery (1998) contends that the selection of the level of analysis for a system of HRM practices should be determined by the outcome. If the outcome is firm performance, then the level of analysis of the system would be different than if the outcome of interest is staff competence. However, clear theoretical distinctions may be hard to sustain in practice because it is most unlikely that all of the HR practices in a system will effect only firm performance or staff competency per se. There is bound to be cross over between outcome measurements. For example, selection, training and development might help to ensure a highly competent workforce. But training and development may also impact corporate firm performance or motivation. On the other hand, information sharing may not affect workforce competency, but might impact corporate firm performance or motivation. What this all means is, that it will be difficult to set up system of unique HR practices that are measurable at multiple outcome levels (e.g. Firm performance, competency and motivation). However, it is

not likely that any one metric will be able to reflect the performance outcome of all the components in a HPWP system.

With the previous discussion in mind we have chosen to use the performance outcome measurements of productivity, turnover and financial performance, which were used in Huselid's 1995 study. Both the number of work practices (thirteen) in Huselid's HPWP system and the similarities between this studies proposed set of HPWPs, are the most equivalent and complementary. Additionally, this set of outcome measurements is parsimonious, representative and the data is easily obtainable. These outcome measurements were presented to the panel of expert's focus group as a starting point in the development of appropriate performance appraisal criteria that can be used to determine an effective HPWP system in the casual themed restaurant industry.

### **Research Questions:**

The principal objective of this study is the systematic verification of the constructs of a successful HPWP system for unit level managers using the Delphi method, and the identification of suitable appraisal criteria for determining the performance of a HPWP system in the US casual themed restaurant segment. Therefore, this study will address the following research questions:

**Research Question 1:** From a universalistic perspective, what are the human resource practices that comprise a HPWP system construct for unit level managers, in the casual segment of the US restaurant industry?

**Research Question 2:** What performance measurements can be utilized to determine an effective HPWP?

### **Variable Measures:**

Fourteen variables were chosen for this study (See Table 3.1) from five prior empirical works (Huselid, 1995; Huselid & Becker, 1995; Delery & Doty, 1996; Becker & Huselid, 1996; Hartog, 2004). The operationalized questions for these variables which are used in the proposed HPWP system Delphi pilot study are discussed collectively by empirical study/author(s).

Delery & Doty (1996) used two statements to gage the *employment security* in a firm: Employees in this job can expect to stay in the organizations for as long as they wish. It is very difficult to dismiss an employee in this job, these two scale items present a reliability coefficient of .66. They used four questions to measure *participation and empowerment*: Employees in this job are allowed to make many decisions. Employees in this job are often asked by their supervisor to participate in decisions. Employees are provided the opportunity to suggest improvements in the way things are done. Superiors keep open communications with employees in this job; the authors obtained an alpha of .80. (Delery & Doty, 1996). Three scales items for a scale that measures *training and skill development*: Extensive training programs are provided for individuals in this job. There are formal training programs to teach new hires the skills they need to perform their jobs. Formal training programs are offered to employees in order to increase their promotability in this organization, alpha .83. Delery & Doty (1996) used four scale items to assess *job design*: The duties of this job are clearly defined. This job has an up-to-date job description. The job description for this job contains all of the duties performed by individual employees. The actual job duties are shaped more by the employee than by a specific job description (reverse-coded), alpha coefficient .78. *promotion from within* was measured using four statements: Individuals in this job have clear career paths within the organization.



Individuals in this job have very little future within this organization (reverse coded). Employees' career aspirations within the company are known by their immediate supervisors. Employees in this job who desire promotion have more than one potential position they could be promoted to, the authors obtained a reliability estimate of .64 . (Delery and Doty, 1996).

Huselid, (1995) asked two questions to determine a firm's level of *selectivity in recruiting*: What proportion of the workforce is administered an employment test prior to hiring? For the five positions that your firm hires most frequently, how many qualified applicants do you have per position (on average)? For *employee ownership*: What is the proportion of the workforce that have access to company incentive plans, profit-sharing plans, and/or gain-sharing plans was the question Huselid asked to determine employee ownership stake in the company. He asked one question to determine a firm's level of *training and skill development*: What is the average number of hours of training received by a typical employee over the last 12 months? And lastly, one question was asked to determine an employee's *quality of work/life*: What is the proportion of the workforce who participate in Quality of Work Life (QWL) teams? (Huselid,1995). The questions were indexed and an overall Cronbach's alpha of .67 based on the standard mean value for the questions included in the indexed scale were obtained.

Huselid & Becker (1995) asked one question to determine an organization's degree of *high wages* and *promotion from within* respectively: If the market rate for total compensation (Base + Bonus + Benefits) is considered to be the 50th percentile, what is your firm's target percentile for total compensation? What proportion of non-entry level jobs have been filled from within in recent (i .e., over the past five) years? The selection and development index of which these two variable questions were a part of received an overall reliability of .47.

Becker & Huselid (1996) used four scale items to measure the degree of *Incentive pay based on performance appraisal*: What proportion of the workforce is eligible for cash bonuses based on individual performance or company-wide productivity or profitability? What proportion of the workforce is eligible for deferred bonuses (placed into pension or 401k plans) based on individual performance or company-wide productivity or profitability? What proportional change in total compensation could a high performer normally expect as a result of a performance review? -Minus -What proportional change in total compensation could a low performer normally expect as a result of a performance review? *Employee ownership* was measured with one question item: What proportion of the average employee's total compensation is accounted for by cash bonuses plus deferred bonuses? Becker & Huselid (1996) used one questionnaire item to measure the degree of *information sharing, job design and measurement of the hr practices* respectively: What is the proportion of the workforce that is included in formal information sharing programs (e.g., a newsletter or regular meeting) that provides information on a wide variety of topics relevant to the business and its operation? What proportion of the workforce holds jobs that have been subject to formal job analysis? What proportion of the workforce is regularly administered attitude surveys? The questions were combined in an overall index with a Cronbach's alpha of .71 based on the standard mean value for the questions included in the index scale developed by Becker & Huselid, (1996).

*Reduced status distinctions and barriers* questions were culled from Delery & Doty (1996), but were never used in their survey. Do executives dress differently than other employees? Do executives have "special perks" (e.g. parking, lunch rooms, and offices)? Are executives compensation packages held to a multiplier of the lowest paid employee? Does the organization actively try and reduce status distinctions between employees?

In summary fourteen dimensions were chosen for this study (See Table 3.1) from five prior empirical works (Huselid, 1995; Huselid & Becker, 1995; Delery & Doty, 1996; Becker & Huselid, 1996; Hartog, 2004). The original expert panel focus group to develop and test the final instrument is comprised of seven and will be presented with these dimensions and questions as a starting point in the development of the first round Delphi survey instrument, which will be used in the proposed HPWP system Delphi pilot study and subsequent rounds.

### **Table 3.2 Operationalized Questioned for HPWP System Dimensions**

1. Employment Security: Employees in this job can expect to stay in the organizations for as long as they wish. It is very difficult to dismiss an employee in this job (Delery & Doty, 1996)

2. Selectivity In Recruiting: What proportion of the workforce is administered an employment test prior to hiring? For the five positions that your firm hires most frequently, how many qualified applicants do you have per position (on average)? (Huselid, 1995)

3. High Wages: If the market rate for total compensation (Base + Bonus + Benefits) is considered to be the 50th percentile, what is your firm's target percentile for total compensation? (Huselid & Becker, 1995)

4. Incentive Pay Based on Performance Appraisal: What proportion of the workforce is eligible for cash bonuses based on individual performance or company-wide productivity or profitability?

What proportion of the workforce is eligible for deferred bonuses (placed into pension or 401k plans) based on individual performance or company-wide productivity or profitability? What proportional change in total compensation could a high performer normally expect as a result of a performance review? -Minus -What proportional change in total compensation could a low performer normally expect as a result of a performance review? (Becker & Huselid, 1996)

5. Employee Ownership: What is the proportion of the workforce that has access to company incentive plans, profit-sharing plans, and/or gain-sharing plans? (Huselid, 1995). What proportion of the average employee's total compensation is accounted for by cash bonuses plus deferred bonuses? (Becker & Huselid, 1996)

6. Information Sharing: What is the proportion of the workforce is included in formal information sharing programs (e.g., a newsletter or regular meeting) that provides information on a wide variety of topics relevant to the business and its operation? (Huselid & Becker, 1997). How often are such meetings held? (Hartog, 2004)

7. Participation And Empowerment: Employees in this job are allowed to make many decisions. Employees in this job are often asked by their supervisor to participate in decisions. Employees are provided the opportunity to suggest improvements in the way things are done. Superiors keep open communications with employees in this job. (Delery & Doty, 1996).

8. Self-Managed Teams: What is the proportion of the workforce who participates in labor-management participation teams programs and/or Quality Circles (QC)? (Huselid, 1995).

9. Training And Skill Development: Extensive training programs are provided for individuals in this job. There are formal training programs to teach new hires the skills they need to perform their jobs. Formal training programs are offered to employees in order to increase their promotability in this organization. (Delery & Doty, 1996)

What is the average number of hours of training received by a typical employee over the last 12 months? (Huselid, 1995)

10. Reduced Status Distinctions and Barriers Do executives dress differently than other employees? Do executives have “special perks” (e.g. parking, lunch rooms, and offices)? Are executives compensation packages held to a multiplier of the lowest paid employee? Does the organization actively try and reduce status distinctions between employees?

11. Job Design: The duties of this job are clearly defined. This job has an up-to-date job description. The job description for this job contains all of the duties performed by individual employees. The actual job duties are shaped more by the employee than by a specific job description (reverse-coded). (Delery and Doty, 1996). What proportion of the workforce holds jobs that have been subject to formal job analysis? (Huselid & Becker, 1997)

12. Promotion From Within: Individuals in this job have clear career paths within the organization. Individuals in this job have very little future within this organization (reverse-coded). Employees' career aspirations within the company are known by their immediate supervisors. Employees in this job who desire promotion have more than one potential position they could be promoted to. (Delery and Doty, 1996).

What proportion of nonentry level jobs have been filled from within in recent (i.e., over the past five) years? (Huselid & Becker, 1995)

13. Measurement of the HR Practices What proportion of the work forces is regularly administered attitude surveys? (Huselid & Becker, 1997)

14. Quality of Work/Life: What is the proportion of the workforce who participate in Quality of Work Life (QWL) teams? (Huselid, 1995).

## **Delphi Research Justification**

This paper outlines the research conducted in the development of a construct for the conceptualization of high performance work practices within the casual theme restaurant sector of the US hospitality industry and proposes a research agenda for further investigation of those practices. Studies on HPWP in the service industry have been limited to heavily regulated firms such as banking. These results, however, may have limited validity for the restaurant industry because of the size of the banking industry and the heavy regulatory environment. Therefore, a research agenda is presented for the development of the high performance work practices construct for the causal theme restaurant business in the US.

Confounding the research on HPWP systems is a general disagreement among researchers on the micro HRM practices which comprise the SHRM system; there is little concurrence among scholars with respect to specifically which human resource practices should be incorporated (Becker & Gerhart, 1996; Rogers & Wright, 1998; Chadwick & Cappelli, 1999). Significant progress has been made in unraveling the links between HPWP systems and performance, even though several theoretical and empirical problems remain. For example, as

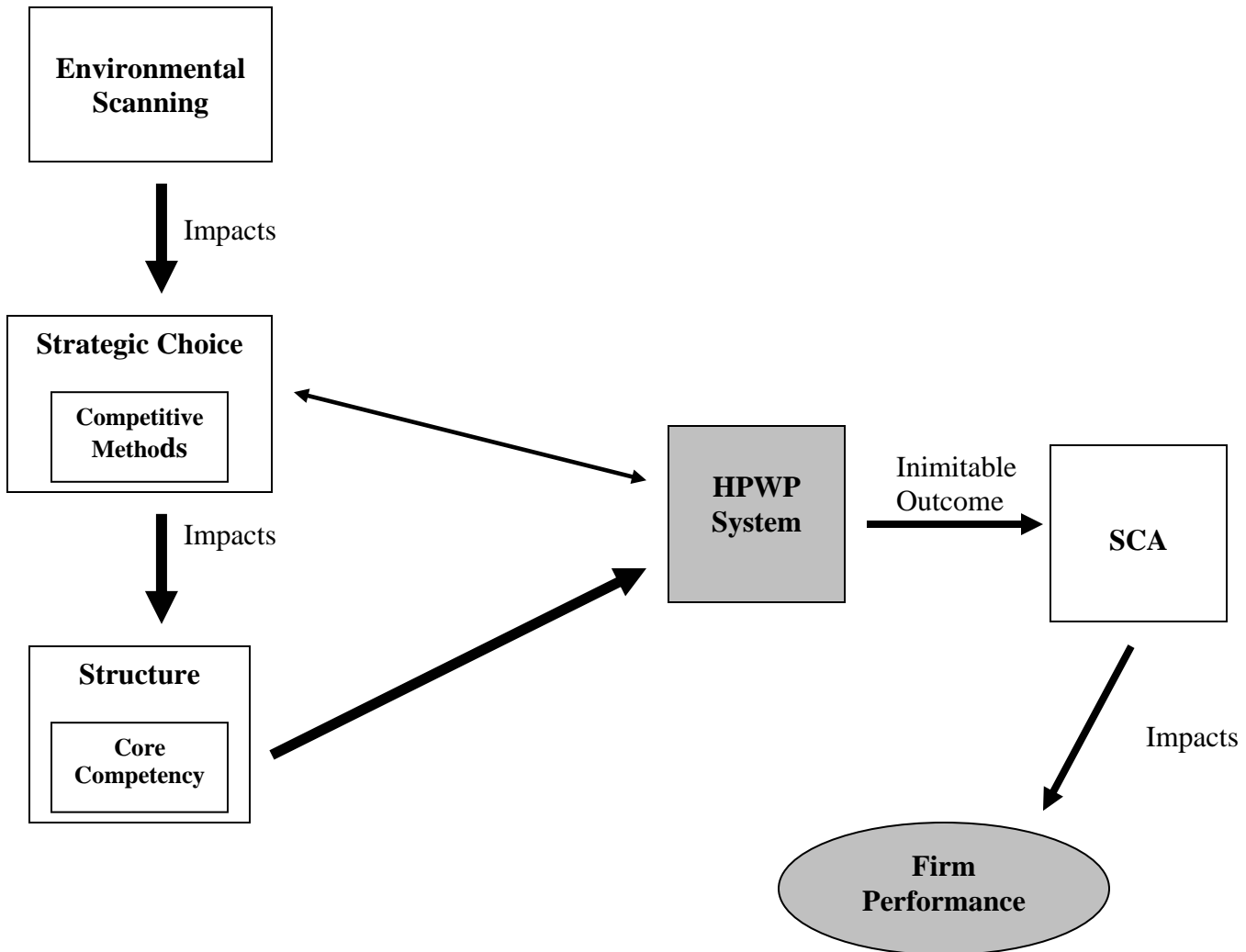
Purcell (1999), Guest (2001) and others have noted, “there is no clear consensus on the number or content of the practices that should be included” (Hartog, 2004, p 54). Many different HRM practices are researched, some focus on individual practices and their effects, while others take a systems approach and argue for synergetic effects of combinations of practices (MacDuffie, 1995; Huselid, 1995; Huselid & Becker, 1995; Delery & Doty, 1996; Becker & Huselid, 1996; Huselid & Becker, 1997 and Murphy & Williams, 2004, and Guest, Conway & Dewie, 2004).

Becker & Gerhart (1996) identify six key unresolved questions in need of future study, with the development of an agreed upon set of HRM practices as the first step. Rogers & Wright deem the next decade to be critical in the establishment of a clear, sound and consistent construct for firm performance in the field of SHRM (1998). Indeed, construct development and validation of measures is fundamental to the progression of model development (Nunnally & Bernstein, 1994). The purpose of this research is to conduct a Delphi study that will attempt to gain consensus among restaurant industry professionals, academics and leaders with regard to exactly what encompasses a HPWP system.

The basic framework proposed for this study, as shown in Figure 3-1, is based on the Co-Alignment Principle (Olsen et al., 1998) and the HPWP system concept in the SHRM literature. The researcher intended to conduct an exploratory case study on an emerging issue of HPWP system being used to create a sustainable competitive advantage. However, agreements on the dimensions in a HPWP system construct for the restaurant industry have not been established and this should be the first step in the research process. To do otherwise would prove to be an insurmountable hurdle at present in terms of theory and resources. Even though, there have now been several empirical studies of the efficacy of HPWP systems (internal fit), very little confirmation of the HPWP system thesis has been provided that would suggest that a ‘coherent system of HR practice is needed and of great consequence’ (Delery, 1998). Both due to the limited resources available for carrying out large scale research to test the entire model and lack of theoretical knowledge on the issue, the researcher opted to limit this exploratory study. Only the HPWP and firm performance constructs of the proposed basic framework as shown in the shaded areas of Figure 3-1 were included in this study. This is consistent with the two primary research questions discussed; what are the human resource practices that comprise a HPWP system construct for unit level managers and what are the specific performance appraisal criteria that can be utilized to determine an effective HPWP system?

**Figure 3-1**

**A Framework for investigating the process of development of a HPWP system constructs**



## **Delphi Research Methodology**

According to Turoff and Linstone (2002, p. 3) the Delphi method can be characterized as:

a method for structuring a group communication process so that the process is effective in allowing a group of individuals, as a whole, to deal with a complex problem. ...To accomplish this "structured communication" there is provided: some feedback of individual contributions of information and knowledge; some assessment of the group judgment or view; some opportunity for individuals to revise views; and some degree of anonymity for the individual responses,

The Delphi Method is based on a “structured process for collecting and distilling knowledge” from a assembly of experts by means of a series of surveys intermingled with controlled opinion feedback (Adler and Ziglio, 1996). According to Helmer (1977) Delphi represents a useful communication mechanism among a group of experts and thus facilitates the development of a group consensus. Wissema (1982) states that the Delphi method has been developed in order to make dialogue between experts feasible without permitting certain types of negative social interactive and impeding opinion forming. Baldwin (1975) surmises that lacking full scientific understanding, decision-makers have to rely on their own perception or on expert opinion. Tersine et al. (1976) recommend the steps in Figure 3-2 to be taken for implementing the Delphi survey.

The Delphi method recognizes human judgment as genuine and useful inputs in generating forecasts. Single experts sometimes suffer biases; group meetings suffer from “follow the leader” tendencies or group think processes and reluctance to abandon previously stated opinions (Gatewood and Gatewood, 1983, Fowles, 1978. Forecasts about various aspects of the future are often derived through the collation of expert judgment. Dalkey and Helmer developed the method for the collection of judgment for such studies (Gordon and Hayward, 1968).

Delbecq et al., (1975) argue that the most important issue in this process is the understanding of the aim of the Delphi exercise by all participants. Otherwise the panelists may answer inappropriately or become frustrated and lose interest. The respondents to the questionnaire should be well informed in the appropriate area (Hanson and Ramani, 1988), but the literature suggests that a high degree of expertise is not necessary (Armstrong, 1978; Welty, 1972). The minimum number of participants to ensure a good group performance is somewhat dependent on the study design. Experiments by Brockhoff (1975) suggest that under ideal circumstances, groups as small as four can perform well.

### **Types of the Delphi technique**

There are multiple types of the Delphi techniques. van Zolingen and Klaassen (2003) offer categories of Delphi: classical Delphi, decision Delphi and policy Delphi. Features of each type of Delphi are shown in Figure 3-3.

The Delphi method selected for this study most resembles the classical Delphi technique. Panel members are decision makers at the restaurant, academic and consultant level. All participants responded to two rounds of surveys with iteration. The implemented Delphi was completely anonymous, where panel members are not mentioned by name and their questionnaire responses remain anonymous. Although panel members were not known to each other in this study, the members knew that they were restaurant industry experts. The group response statistics were made available for all members so that they can adjust their original responses in order to help the researcher reach group consensus.

The Delphi method was deemed the most appropriate technique for this study because it is an effective process for allowing a group of individuals to deal with a complex problem and gain consensus (Turoff and Linstone, 2002).

## **Sample Selection**

The foodservice industry has various sector classifications, quick serve (QSR), fast casual, casual, mid-casual, upper casual, fine dining, family and other specialties such as coffee shops, bars and take-away. For the purpose of this study, the U.S. casual themed restaurant market will be used as the boundary. The participants will be obtained from that population of restaurant concepts within the US which are identified as being in the casual themed restaurant market segment. This will help control for country and industry environment effects. In addition, a cross section of restaurant industry experts are used, which include company executives, consultants and academics. The Delphi Method is based on a “structured process for collecting and distilling knowledge” from an assembly of experts by means of a series of surveys intermingled with controlled opinion feedback (Adler and Ziglio, 1996). Most importantly, the mixture of participants is considered vital to the process (Jones and Twiss 1978) with an emphasis on the advantages of a small, highly motivated group (Merigliano 1987). The group of experts should include practitioners, academics and outside industry experts to achieve the greatest breadth of results and agreement between scholars and industry leaders. Additionally, participant selection must guarantee both a range of participants which is as wide as possible in perspective and a firm foundation of all participants in the relevant subject matter (Linstone and Turoff 1975). It should be noted that hospitality research work has not investigated the relationship between the constructs identified in this study, in particular using the theoretical framework provided in RBV and SHRM. For these reasons, the criteria chosen for restaurant firms are:

1a) be a national casual restaurant brand operating and/or managing a sufficient number of units to generate system-wide sales in excess of \$100 million.

1b) be a regional casual restaurant brand operating and/or managing a sufficient number of units to generate system-wide sales in excess of \$25 million.

2) Have progressive HRM practices particularly for their unit managers (see table 3-2).

Even though there are no definitive guidelines for determining the optimal number of participants, a panel of 10 to 15 members is sufficient for producing effective results if the group is homogeneous (Tersine and Riggs, 1976; Brady, 1988). However, if the panel members are principally heterogeneous (with wide representation), a larger number is required to achieve realistic quality (Taylor and Judd, 1989). Dalkey recommends a group of 30-35 members for social issues (Gow, 1979), while Talyor and Judd (1989) propose a group of 20-30 members for environmental forecasting. Even though there is no specific procedure for determining the optimal number of group members to use, more group members should be used to compensate for those group members who drop out between rounds. The Delphi technique is a labor-intensive research method and the larger the number of group members, the greater the information load, for both the participants and the investigator. Therefore, it is critical to seriously apprise the number of participants.

The original expert panel pilot study group used to develop and test the final instrument is comprised of seven. Five will be from industry at the HR director level and above, one hospitality academic and one HR hospitality consultant. The First Delphi round will start out with 20 restaurant HRM managers or above and a combination of 10 academics and industry experts that have agreed to participate from various national and regional companies. The second Delphi round and subsequent rounds will be finish with no less than 15 respondents.

More details on the companies and comprehensive discussion on selection of participants can be found under data collection and in Chapter Four.

### **Semi-structured Interviews**

The rationale for the study commanded that primary data used to answer these two research questions came from US casual themed restaurant companies both large and small, and industry experts from various backgrounds. Thus general surveys were required as a data collection technique. However, it was expected that some detailed qualitative data could not be gathered through general surveys. Therefore, semi-structured individual interviews were conducted with an expert panel focus group and this information was used to develop and test the final instrument to be used in the Delphi rounds.

Semi-structured interviews (Lewin, 2005), were conducted before the Delphi method was implemented and used for the purpose of narrowing a gap between academic literature used to develop the instrument and restaurant industry practitioner's domains. This enabled the interviewer/author the ability to gain clarification to a response or give clarity to a question (see Figure 3.2). Five restaurant HR executives at the Vice-president or director's level, one HR hospitality academic and one HR hospitality consultant were chosen as experts to participate in the focus group interviews. It was expected that some of the questions may not be interpreted in the intended way. Therefore, the questionnaires were pre-tested among and revised based on suggestions of the researcher's colleagues who had experience in managing restaurants in the past. Interview script were prepared and used during the interviews. Scripts allowed a researcher flexibility of giving clarification to questions or asking alternative questions to be better understood by the interviewees.



The interview technique prescribes that the investigators collect data that are related to or bolsters the research question and not attempt a fishing expedition (Yin, 2003). This researcher chose semi-structured interviews and the Delphi technique as a collection method for a primary data. In addition, secondary data were collected through various sources including company documents ranging from annual reports, policies and procedures, to manuals, archival records, as well as governmental documents and periodicals. This method of collecting data from various sources refers to “triangulation” suggested by Denzin (1978) to increase construct validity (Yin, 2003).

## **Research Design Quality**

This section addresses the validity and reliability for this study. The reader should appreciate that the primary goal of a qualitative study is not on the validity and reliability metrics. Rather, qualitative research focuses on shaping a unique interpretation of actual events. Verification methods are aimed at providing honest representations and authentic information (Creswell, 1994).

Two facets of this study helped provide internal validity to the findings. First, several sources of data will be used during the analysis: previous research results; open-ended interview questions; transcribed interviews; and samples of company documents relating to HR practices and third party data to verify company reports. The inter-weaving of these data sources will provide triangulation for the emergent themes and research findings. Second, external expert review and peer analysis of the transcriptions, questionnaires and statistical process helped ensure the validity of the interpretations developed from the data. This process helped to verify that the descriptions and conclusions represent the reality of the research. To accomplish this process, examples of the transcripts along with the audio source tapes, and statistically analysis were reviewed by a secondary researcher. No personal information about the participants will be provided to this researcher.

The development of a rich, robust, descriptive narrative of the findings is generally viewed as the primary means of achieving external validity (Creswell, 1994). This form of reporting will provide other researchers and readers who are interested in the transferability of these results with a solid framework for comparisons. My role as researcher and the biases that I might bring to this study are apparent. The background of the experts which guide the research into specific areas will be clearly stated in chapter four. The final set of questionnaires and statistics are provided in the Appendix. This will help form a replica for further studies and for the application of these results by other researchers. Using this research as a framework for comparison, other research involving similar examples might be able to verify the themes and conclusions presented as a result of this study.

The concept of validity is to ensure that a study reflects the true meaning of the concepts under investigation. The three types of validity that are generally tested are: construct validity, internal validity and external validity.

### **Construct Validity**

Construct validity is especial troublesome for qualitative study design (Yin, 2003). Those that are critical of this methodology often focus on the lack of subjective judgment and

insufficient operational sets of measures. Miles & Huberman (1994) point out that the construct validity is addressed if research design is connected to the theory. The research design of this study is based on three streams of theoretical literature: SHRM, RBV and the co-alignment theory for hospitality organizations. The three elements of the model under investigation; HRM competitive methods, HRM core competencies and, HPWP serve as a theoretical background of the research design in this study, under the overall concept of the Co-Alignment Principle.

According to Yin (2003) three procedures can be used to augment validity when doing qualitative research. First, the use of multiple sources of evidence; second, the use of a chain of evidence; and lastly a review of the research draft to mitigate construct validity problems. Data triangulation is a multiple source tool adopted by the research to achieve construct validity. Under the data triangulation technique for this study, three sources of data are used: interviews, company documents and documents from periodicals as described earlier in the data collection section are combined to quantify the same event (HPWP). Although this is an exploratory study where a major part of data comes from the interviews (Berg, 2004), secondary data in forms of corporate documents regarding expert's credentials, corporate HR policies and practices and so forth should be gathered and analyzed to help validate the information collected.. This information helped the researcher understand the problem so the two Delphi surveys contained questions relevant to the firm and its hotels.

### **Internal Validity**

The internal validity is a main concern in the study involving identification of causal relationships (Yin, 2003). Since this study is descriptive or exploratory in nature and does not involve any causal relationship, the internal validity is out of the concern of the researchers. However, when future research explores the relationships proposed from this study, then internal validity may need to be included as a factor in that design.

### **External Validity**

External validity is also called generalizability which is the ability of a researcher to generalize their findings to a broader scope beyond the case under study, whether within the same industry or another industry. However, since this case study will include multiple firms and experts within the casual themed restaurant segment and from a broad geographic area in the US, it is hoped that the study will be able to generalize its' finding to the overall casual theme restaurant segment of the US restaurant industry. Additionally, the researcher is still able to generalize findings to theoretical propositions to be tested in other later research. External threats to validity involve generalizability of research results to similar situations and subjects (Creswell, 1994). Although qualitative research is not intended to provide research results that can be generalized to other situations or subjects (Creswell, 1994), it does not mean that qualitative research results are never generalizable beyond the study (Maxwell, 1996, p. 97). Qualitative studies have face validity and are generally conducted with a focus on the development of a theory that will be applicable to future situations (Maxwell, 1996, p. 97).

### **Reliability**

The goal of reliability is to minimize errors and biases in research. Research can be reliable (repeatable), but not valid (inaccurate). Reliability can be tested when other studies exactly replicate the design and method of the prior research or the same study is segmented for testing. This is difficult to accomplish in qualitative research because methodological design

makes replication exceptionally difficult. Creswell (1994) wrote, "statements about the researcher's positions—the central assumptions, the selection of informants, the biases and values of the researcher—enhance the study's chances of being replicated in another setting" (p. 159). These assumptions, selection, process, and so forth are documented. Other researchers were asked to comment on this documentation and modified the instruments and supporting documentation where it was necessary. The procedures and rules in the research design stage as well as database from this study will be maintained and made available for other researchers to test for reliability.

### **The Researcher's Role and Bias**

Following from the qualitative study framework chosen for this research, the author (as the researcher) was the primary means of data collection, interpretation, and analysis. This role follows that of a non-participant observer ([Creswell, 1994](#); [Cohen and Manion, 1989](#)). The author's role as researcher and observer was clearly known by all the participants.

As the primary instrument of analysis and interpretation it is important that the author states their own biases that may effect analysis and interpretation of the data, and color the results. The intent of a qualitative study is to provide a full and rich description of the realities experienced by the participants. These personal biases are presented here so that the reader can also be aware of the possible impacts these biases may have had on this study. The author spent 23 years in the foodservice industry, as a line employee, a manager and an owner throughout all aspects of operation. The past six years have been devoted to teaching at the university level and working towards my Ph.D. in hospitality management. This dissertation is the final stage and the author is anxious to complete it and be done. Additionally, the author hopes to derive a stream of research from this dissertation that will take him through the tenure process.

### **Summary of data collection methods**

Figure 3-2 summarizes key points discussed throughout the data collection section. It illustrates sources of data collected through out the study in chronological order and shows which source provided answers for which research question. Data provided by each source are discussed in Chapter Four.

### **Method of analysis**

Researchers have identified a few fundamental commonalities in the method of making sense of qualitative data. The author has adopted the framework developed by Miles and Huberman (1994) to describe the major phases of data analysis: data reduction, data display, and conclusion drawing. The researcher adopted a "pattern matching" approach for data analysis, which is considered to be one of the most desirable techniques for qualitative study method analysis (Yin, 2003; Campbell, 1975). The criteria for interpreting a study's findings address the problem of how close does a match have to be in order to be considered a match? This is a choice for the investigators. It is the researcher's decision whether statistical tests should be required or to reach qualitative conclusion on the pattern. The researcher chose to use the arithmetic mean and standard deviation statistical tests to determine if a respondent's answer to a question was outside the group consensus.

The researcher will follow Miles and Huberman (1994) recommendation for using the three concurrent flows of activity as a methodical means of analyzing the data collected. These simultaneous streams of activity include data reduction, data display, and conclusion reaching. Reduction of data collected is accomplished through the use of a summary table. A matrix is then used as a cross-tabulation tool to display the data in a layout that shows the relationship among constructs. Comparisons and contrasts are procedures that aid the investigators in reaching conclusions from the gathered data. Tables 3-3 for proposition 1 and Table 3-4 for proposition 2 list the method of analysis for the pilot study research questions.

**Table 3-3: Proposition 1 Results**

PROPOSITION	RESEARCH QUESTION	DIMENSIONS	OPERATIONAL QUESTIONS	Information captured	Results
Multiple HRM practices will combine to form a universalistic HPWP system construct for firms in the casual segment of the US restaurant industry.	What are the human resource practices that comprise a HPWP system construct for unit level managers, in the casual segment of the US restaurant industry?	1. <u>Employment Security</u>	Is employment security a dimension of a HPWP System?		Contingency table of key dimensions column = HPWP, row= participants opinions
		2. <u>Selectivity In Recruiting:</u>	Is selectivity in recruiting a dimension of a HPWP System?		
		3. <u>High Wages</u>	Is high wages a dimension of a HPWP System?		
		4. <u>Incentive Pay Based on Performance Appraisal</u>	Is incentive pay a dimension of a HPWP System?		
		5. <u>Employee Ownership:</u>	Is employment ownership a dimension of a HPWP System?		

6. Information Sharing: Is information sharing a dimension of a HPWP System?
7. Participation And Empowerment Is participation and empowerment a dimension of a HPWP System?
8. Self-Managed Teams: Are self managed teams a dimension of a HPWP System?
9. Training And Skill Development: Is training and development a dimension of a HPWP System?  
How many hours a year of training do managers Receive?
10. Reduced Status Distinctions and Barriers: ~~How many hours~~ Is reduced status a dimension of a HPWP System?
11. Job Design: Is job design a dimension of a HPWP System?
12. Promotion From Within: Is promotion from within a dimension of a HPWP System?
13. Measurement of the Practices Is measurement of the HR practices a dimension of a HPWP System?

14. Quality of work/life: Is quality of work/life a dimension of a HPWP System?

**Table 3-4: Proposition 2 Results**

PROPOSITION	RESEARCH QUESTION	DIMENSIONS	OPERATIONAL QUESTIONS	Information captured	Results
There are appropriate performance appraisal criteria that can be used to determine an effective HPWP.	What performance measurement proxies can be utilized to determine an effective HPWP?	<u>1. Employment Security</u>	Multiple measures should be used to determine the performance effectiveness of a HPWP system, would you use additional measures besides these four?		Contingency table of key dimensions column = Perform, row= participants opinions
		<u>2. Selectivity In Recruiting:</u>			
		<u>3. High Wages</u>	<u>Productivity</u> defined as sales per employee.		
		<u>4. Incentive Pay Based on Performance Appraisal</u>	<u>Turnover</u> defined as average annual rate of manager turnover.		
		<u>5. Employee Ownership:</u>	<u>Financial Performance</u> defined as gross annual rate of return on capital (GRATE) for accounting profits and Market/book value for		
		<u>6. Information Sharing:</u>			

7. Participation  
And  
Empowerment

8. Self-  
Managed  
Teams:

9. Training  
And Skill  
Development:

10. Reduced  
Status  
Distinctions  
and Barriers:

11. Job  
Design:

12. Promotion  
From Within:

13. Quality of  
work/life:

HPWP System  
Overall

## **Summary**

This chapter justified how the case study methodology is used in this research and how other techniques like the use of multiple sources of evidence; the use of a chain of evidence and a review of the case study draft as a data collection techniques and concurrent flows of activity as methods of analysis are selected for the study. The criteria on how the case-study company is selected are also mentioned. The overall plan of the research including the test for design quality of this research is discussed throughout the chapter.



## **Chapter Four**

### **Results and Analysis**

#### **Introduction**

The HPWP dimensions and the performance metrics were identified in the U.S. causal themed restaurant industry using the Delphi technique. This chapter reports the results of survey questionnaires regarding the HPWP dimensions and the performance measures. Participation of panel members is summarized and the results of each of the two Delphi rounds are presented. The important factors that result from Round 1 and Round 2 of the survey are presented and discussed.

#### **Participant Assembly**

The Delphi Method is based on a “structured process for collecting and distilling knowledge” from an assembly of experts by means of a series of surveys intermingled with controlled opinion feedback (Adler and Ziglio, 1996). Most importantly, the mixture of participants is considered vital to the process with an emphasis on the advantages of a small, highly motivated group (Jones and Twiss, 1978). The group of experts should include practitioners, academics and outside industry experts (for this study independent hospitality HR consultant firms) to achieve the greatest breadth of results and agreement between scholars and industry leaders. Additionally, participant selection must guarantee both a range of participants which is as wide as possible in perspective and a firm foundation of all participants in the relevant subject matter (Linstone and Turoff, 1975).

The assembly process consisted of the author contacting restaurant industry executives and academics and industry experts/consultants with whom the interviewer developed relationships over the course of the past five years. All those contacted agreed to participate at some level. This selection method was used intentionally to help insure a wide range of participant perspectives and that all participants were well versed in the pertinent subject matter (Linstone and Turoff, 1975).

The original expert panel pilot study group used to refine and test the final instrument is comprised of seven participants: five are from the restaurant industry at the corporate HR director level and above, one is a hospitality academic and one an HR hospitality consultant. The First Delphi round began with 22 restaurant HRM managers or above. There were a combination of ten academics and industry experts/consultants from various national and regional companies that agreed to participate. The first Delphi round finished with 24 respondents. The second Delphi round finished with 19 respondents.

#### **Interview Pilot Study Panel**

Nine candidates were approached to participate in the original pilot study group used to refine and test the final instrument. Seven HR executives, one academic and one HR consultant were contacted. The intent was to allow for a drop-out of participants and still have the required seven. Only one of the restaurant executives became too busy to participate in the interview process. Therefore, eight completed the interview process (see Table 4.0). Their self reported Biographies are listed in Appendix 5.

**Table 4.1 Interviewees**

<b>Name</b>	<b>Position</b>	<b>Restaurant</b>
Richard Puttick Regional Employment Director	Regional Employment Director	Longhorn Steak House
Ron Bojalad	Senior Vice President of Group Human Resources	Darden Restaurants
John DeNapoli	Southeast Partner	Fleming's Steakhouse and Wine Bar
Wes Garnett	Senior Vice President of Family Resources	Buca De Beppo
Sandee Pritchard	Chief People Officer	Donnatos Restaurant
David Mansbach	Vice President and Managing Director	HVS International
Duncan Dickson	Assistant Professor	University of Central Florida
Sarah Jackson	Vice President of Training and HR	Tony Romas

**Restaurant Executives**

The gathering process consisted of the author contacting restaurant industry executives with whom the author developed relationships over the course of the past five years. This selection method was used intentionally to help insure a wide range of participant perspective and that all participants were fully versed in the relevant subject topic (Hanson and Ramani, 1988). Restaurant companies of all sizes, both public and private franchised as well as company owned, were selected to participate in the Delphi. Twenty-two executives at all levels, ranging from recruiters to Vice Presidents who are involved in the HR function, were chosen to participate. All those contacted received an explanation of the Delphi process so they would understand the aim of the Delphi exercise (Delbecq et al., 1975) and all who were contacted agreed to participate in some portion of the Delphi. The restaurants represented by the 22 executives who agreed to participate are listed in Table 4.1.

**Table 4.2 Restaurant Companies**

Longhorn Steak House
Darden Restaurants
Fleming's Steakhouse and Wine Bar
Buca De Beppo
Donnatos Restaurant
Red Lobster
Maggianos Little Italy
TGI Fridays
Chillis Bar & Grill
Houston's Restaurant
Sonny's BBQ
Tony Romas
Olive garden
Levy restaurants Inc.
Smokey Bones BBQ
Cheesecake Factory
E-brands restaurant
First Watch Restaurant
Applebee's Bar & Grill

### **Consultants and Academics**

Those solicited for participation in this group were largely from academic institutions, however, participants also included others working as consultants or contractors in human resource management-related areas. An emphasis on HR research and oriented work was universal to many members in this group. As previously stated by Linstone and Turoff (1975), the group of experts should include practitioners, academics and outside industry experts to achieve the greatest breadth of results and agreement between scholars and industry leaders. Additionally, participant selection must guarantee both a range of participants, which is as wide as possible with respect to perspective and a firm foundation of all participants in the relevant subject matter.

As with the restaurant group the process consisted of the author contacting consultants and academics with whom the author developed relationships over the previous fifteen years. This selection method was used intentionally to help insure a wide range of experience in the mixture of participants, which is considered vital to the process (Jones and Twiss 1978). Ten consultants and academics at all levels from small business owners to Vice Presidents and Professors who are involved in HR research and oriented work were chosen to participate. Those contacted received an explanation of the Delphi process so they would understand the aim of the Delphi exercise (Delbecq et al., 1975). The institutions represented by the 10 consultants and academics are listed in Table 4.2

**Table 4.3 Consultants and Academics**

University of New Orleans
Za-Bistro Consulting
Virtual Path Ways
HVS International
California Consulting
University of Central Florida
Virginia Tech

**Company Profiles**

A brief overview of each of the companies (see Table 4.1) that agreed to participate in the Delphi is listed in Appendix 5. Since each participant was told that their answers would only be reported in the aggregate and without company association, no data is link to any specific company or person. The participant's association is listed to demonstrate the breadth of experience and knowledge represented. The companies represented have a combined total of 7768 restaurants as of December 31, 2005 covering all 50 states in the US. Information is reported on parent company and brands. For comparison purposes all information reported in this section is from Hoovers.com. Hoover's, Inc., is a Dunn and Bradstreet company that delivers comprehensive company, industry, and market intelligence on business. Their database contains information on 12 million companies and is considered an authority for company information, as well as a source for objective editorial content combined with valuable financial information.

**Table 4.4 Rankings by Performance**

Parent Company	Fiscal Year	Annual Sales (\$ mil.)	Net Operating Cash Flow (\$ mil.)	Cash Flow Per Share	Cash Flow % of sales
Buca Inc	2003**	257	14.7	2.64	5.72
Brinkers	2005	3,912	443.5	4.33	11.33
Darden	2005	5,278	583.2	3.52	11.05
Donnatos	private	private	private	private	private
Carlson	private	private	private	private	private
Houston's	private	private	private	private	private
Rare	2004	\$812	\$86.30	\$2.63	10.62
Outback	2004	3,201	322.3	\$3.76	10.07
Sonny's BBQ	private	private	private	private	private
Romacorp	private	private	private	private	private
Restaurant Industry				2.64	
Market*				2.94	
* Public companies trading on the NYSE, the ASE, and the NASDAQ.					
**company restructuring 2004					

**Source: Hoovers Online**

## Preliminary Findings through Interviews

Nine candidates were approached to participate in the original pilot study group used to refine and test the final instrument. Only one of the restaurant executives became too busy to participate in the interview process. Therefore, eight completed the interview process. All agreed that their interview comments could be used in the study.

The positions held by the eight participants are: Senior Vice President of Human Resource (2), Vice President of Human Resource (1), Chief People Officer (1), Joint Venture Partner (1), Regional Human Resources Manager (1), Vice President Human Resource - Consultant (1) and a Human Resource/Restaurant Professor (1). According to their positions, they all had strong expertise and background in HRM and restaurants.

## Work Practices

Under this section, the panel members ranked 14 preselected work practice dimensions on a seven point Likert-type ordinal measurement agreement scale (Table 4.4) and suggested multiple other dimensions in the open response section. These additional suggestions include succession planning, excellent reputation, diversity (3), education, corporate support, mentoring, corporate reputation, good organizational reputation (2), company loyalty, and benefits; which were used in the construction of the Delphi instrument. The factors are listed in rank order of importance. All of the dimensions have a median above five; this seems to indicate that the pilot study panel agreed that all of the work practice dimensions based on their Likert-type agreement score should be used in the Delphi rounds.

**Table 4.5 Work Practice Dimensions**

<b>Work Practice Dimensions</b>	<b>Mean</b>	<b>Median</b>	<b>Std.</b>
Information Sharing	6.63	7.00	0.52
Measurement of the HR Practices	6.63	7.00	0.52
Selectivity In Recruiting	6.50	7.00	0.76
Promotion From Within	6.50	6.50	0.53
Quality of Work/Life	6.50	7.00	0.76
Employee Ownership	6.25	6.50	1.04
Participation And Empowerment	6.25	6.50	0.89
Training And Skill Development	6.23	7.00	0.74
Incentive Pay Based on Performance Appraisal	5.88	7.00	1.89
Self-Managed Teams	5.63	5.50	0.74
High Wages	5.25	5.50	1.28
Employment Security	5.13	6.00	2.23
Reduced Status Distinctions and Barriers	4.75	5.00	1.49
Job Design	4.50	5.00	2.33

### Performance Metrics

In this section, the panel members ranked three pre-selected performance measures (Table 4.5) and ranked five pre-selected operationalized performance measures on a seven point Likert-type ordinal measurement agreement scale (Table 4.6) and suggested multiple other performance measures in the open response section. These additional suggestions include customer service, promotion from within, retention (2), sales, people development, employee survey (2), same store sales, customer satisfaction scores (3), employee satisfaction, percentage of seats filled (2), restaurant level earnings and cost per hire. The metrics are not listed in rank order of importance (as indicated by mean) because of the need to keep the multiple sub-items together in categories; additionally, the list is short. None of the measures had a mean below four (neither agree nor disagree); this indicates that all of the measures should be used in the Delphi rounds. However, it is worth noting at this point that the rank order of the measures in Table 4.5 corresponds to Table 4.6 rank order.

**Table 4.6 Performance Measures**

<b>Performance Measures</b>	<b>Mean</b>	<b>Median</b>	<b>St.dev</b>
Productivity	4.88	5.00	2.23
Turnover	6.75	7	0.71
Financial performance	6.63	7.00	0.74

**Table 4.7 Operationalized Performance Measures**

<b>Performance Measures Defined</b>			
Productivity			
Sales per employee.	5.50	6.00	1.93
Turnover			
Average annual rate of manager turnover	6.63	7.00	0.74
Financial performance			
Gross annual rate of return on capital (GRATE)	4.50	5.00	1.77
Market/book value for economic profits.	4.00	4.00	1.83
Operational Cash Flow	6.75	7.00	0.46

### Future Questionnaire Construction

Under this section, the panel members ranked 22 preselected operationalized work practice statements on a seven point Likert-type ordinal measurement agreement scale (Table 4.7) and suggested one minor change and two other operationalized work practice statements in the open response section. The operationalized work practice statements are listed as they appeared on the interview survey.

**Table 4.8 Operationalized Work Practice Dimensions**

<b>Operationalized Questions</b>	<b>Mean</b>	<b>Median</b>	<b>St.dev</b>
<u>Employment Security</u>			
1. Management in this job can expect to stay in the organizations for as long as they wish.	4.25	4.00	1.98
2. It is very difficult to dismiss a Manager in this job.	5.88	6.50	2.03
<u>Selectivity In Recruiting</u>			
3. All managers are administered an employment test prior to hiring.	5.13	6.00	2.36
4. You have many applicants for open management positions.	6.00	6.50	1.20
<u>High Wages</u>			
5. Your firm's management compensation (Base + Bonus + Benefits) is in the top 25% for restaurant managers.	6.25	7.00	1.16
<u>Incentive Pay Based on Performance Appraisal</u>			
6. Managers are eligible for cash bonuses based on individual or company performance.	4.50	4.50	2.20
7. Managers are eligible for deferred bonuses based on individual or company performance.	5.88	6.50	2.03
<u>Employee Ownership</u>			
8. Managers have access to company stock options, profit-sharing plans, and/or gain-sharing plans.	6.50	7.00	0.76
<u>Information Sharing</u>			
9. Managers are included in formal information sharing programs (e.g., a newsletter or regular meeting).	6.50	7.00	0.93
<u>Participation And Empowerment</u>			
10. Managers in this job are allowed to make many unit decisions.	6.50	7.00	0.76
11. Managers are provided the opportunity to suggest improvements in the way things are done in the firm.	6.25	6.50	0.89
<u>Self-Managed Teams</u>			
12. Managers are involved in labor-management participation teams and programs.	6.50	7.00	0.76
<u>Training And Skill Development</u>			
13. Formal training programs are provided for individuals in this job.	6.25	6.50	0.89
14. Formal development programs are offered to managers in this organization.	6.00	7.00	1.77
<u>Reduced Status Distinctions and Barriers</u>			
15. Managers dress differently than other employees.	3.63	2.50	2.88

16. Managers have “special perks” (e.g. parking, lunch rooms, and offices).	5.50	6.00	2.00
<u>Job Design</u>			
17. The duties of this job are clearly defined.	5.63	6.00	2.00
18. This job has an up-to-date job description.	6.38	7.00	0.92
<u>Promotion From Within</u>			
19. Individuals in this job have clear career paths within the organization.	6.38	6.50	0.74
20. Managers' career aspirations within the company are known by their immediate supervisors.	4.50	6.00	2.27
<u>Measurement of the HR Practices</u>			
21. Managers are regularly administered attitude surveys.	4.63	5.00	2.13
<u>Quality of Work/Life</u>			
22. Managers participate in Quality of Work Life (QWL) teams.	5.75	5.75	5.75

### **Interview Summary**

Previous SHRM research has dubbed high value HRM work practices as - High Performance Work Practices (HPWP). These studies have been conducted mostly in manufacturing firms, multiple contextual settings, highly regulated industries and or countries which do not possess similar operational characteristics of the restaurant service industry. There are dramatic differences in the business models between the previously stated industries and the US restaurant industry and hence a subtle shift in the HRM work practices that is required between them is apparent from the pilot study interviews results. Wright, Dunford & Snell referred systems of HRM practices as people management systems (2001). The casual restaurant industry is undoubtedly part of the US service sector where the emphasis is on internal and external customer service and satisfaction.

### **Survey Construction Overview**

This section describes the steps that were used to construct the instrument and administer the study. In total, the final survey instrument went through six revisions before being deemed ready for use in the first Delphi round.

### **Initial Survey**

The first survey questionnaire was prepared based on information gathered through research of the appropriate empirical and theoretical literature. Fourteen dimensions were chosen for this study (See Table 3.1) from five empirical works (Huselid, 1995; Huselid & Becker, 1995; Delery & Doty, 1996; Becker & Huselid, 1996; Hartog, 2004). The previously discussed operational questions for the 14 dimensions are also tested in this study (see table 3.2). The author and his advisor revised the questionnaire for clarity, formatting and comprehension twice on July 27 (questionnaire one) and again on August 2, 2005 (questionnaire two).

### **Pretests**

It was expected that some of the questions may not be interpreted in the intended way. Therefore, the questionnaire (see Appendix 1) was pre-tested among the researcher’s colleagues



who had experience in managing restaurants and or a relevant expertise/experience in HRM as well as survey construction. The questionnaire was sent to six faculty at the University of Central Florida during the month of August 2005 for the purpose of determining if the questionnaire was clear, properly formatted and easily understood. Once again the questionnaire was revised. Based on suggestions of peers modifications were made and questionnaire four was created. On September 12, 2005 the research proposal along with questionnaire four were presented to the author's dissertation committee. The proposal was passed with revisions and questionnaire five was produced (see Appendix 2).

### **Pilot Study Interviews**

Between September 22, and November 5, 2005 eight individual semi-structured interviews were conducted with the expert panel pilot study cohort. This information was used to further develop and test the final instrument in November of 2005. Additionally, secondary data were collected from these experts including company documents ranging from annual reports, biographies, HR policies and procedures, to manuals, and archival records. Also collected were government documents and periodicals pertinent to the companies for use in data verification.

The participants provided crucial information on the components of a high performance work practices system used in the questionnaire, and for work practice performance evaluation criteria. The researcher then made revisions based on the pilot study interviews and questionnaire six was developed. A detailed description is given in the preliminary findings section of the interviews.

### **Delphi Survey First Round**

Questionnaire six was formatted for online delivery and once again pretested for the purpose of determining if the questionnaire was correct, clear, properly formatted and easily understood. One format change was made and the survey was distributed.

The first Delphi survey (see Appendix 3) was sent out electronically (<http://www.hospitality.ucf.edu/surveys/hrworkpractice.htm>) on November 9, 2005 to the preselected Delphi participants for the study. A reminder was sent out on December 1, 2005 and data collection for the first survey ended after four weeks. Out of 32 participants including the pilot group, 24 completed Delphi round 1. Five were incomplete, but only one respondent left the HPWP dimensions section incomplete. Thus, all responses were usable to some extent. A consensus on the dimensions of HPWP system was not reached from the first-round survey according to the protocol (see Chapter Three). Therefore another round was needed.

### **Delphi second Round**

The second round was done in the form of controlled feedback. An individually tailored E-mail letter was sent on December 12 to all participating in the first round for the purpose of giving feedback (see Appendix 4). In addition, it provided opportunity for participants to change their position to help the group reached a consensus. Again, the second Delphi round was reviewed for the purpose of determining if the letter was correct, clear, properly formatted and easily understood. The participants had four weeks to complete the second round. A reminder

was sent out on January 3, 2006, 19 responded to the letter. Since consensus was reached according to the protocol, the Delphi was concluded at this point.

### **Qualitative Descriptions and Delphi Results**

The objective of this research is to conduct a Delphi study that will achieve consensus among restaurant industry professionals, academics and leaders as to what the work practice dimensions of a HPWP system are and the HR metrics used to measure them. On the basis of the Delphi findings the following research questions were answered:

**Research Question 1:** From a universalistic perspective, what are the human resource practices that comprise a HPWP system construct for unit level managers, in the casual segment of the US restaurant industry?

**Research Question 2:** What performance measurements can be utilized to determine an effective HPWP?

For the most part the Delphi panel validated the a priori work practice dimensions which were developed from the previous literature. The panel consisted of 32 experts invited to participate in this study. Out of 32 panel members, 24 panel members, which accounted for 75%, completed the first round questionnaire. The positions held by the 24 participants are: Vice President of Human Resource (5), Vice President of Operations (1), Joint Venture Partner (1), Director Human Resources (8), Human Resource/Restaurant Consultant (3) Human Resource/Restaurant Academic (5) and 1 unidentified. In accordance to their positions, they all appear to have strong expertise and background in HRM.

### **Dimensions of High Performance Work Practices**

Round one lists 16 Dimensions of High Performance Work Practices, (Table 4.8). The panel members ranked 16 preselected work practice dimensions on a seven point Likert-type ordinal measurement agreement scale and made no other suggestions in the open response section. Two work practice dimensions were added based on the pilot study, Diversity (# 15) and Employer of Choice (#16). Out of the initial 32 participants who agreed to take part, 24 respondents, which accounted for 75%, completed the first round questionnaire. The dimensions are listed in rank order of importance (as indicated by mean). None of the dimensions had a mean below five; this indicates that all of the work practice dimensions should be used in the second Delphi round. A consensus on the dimensions of HPWP system was not reached from the first-round survey. According to the protocol if a participant's response was more than one standard deviation outside the group mean, then they were not in consensus with the group. Therefore another round was conducted.

The second round was done in the form of controlled feedback. An individually tailored E-mail letter was sent to the 24 participants in the first round for the purpose of giving feedback and gaining consensus (Table 4.9). This provided occasion for participants to change their response and aid the group in reaching a consensus. The participants had four weeks to complete the second round. A reminder was sent out on January 3, 2006. Out of 24 first round participants, 19 responded to the request. Since consensus was reached according to the protocol, the Delphi was concluded at this point.

**Table 4.9 Work practice Dimensions Delphi Round 1**

<b>Work Practice Dimensions</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>Std.</b>
Training And Skill Development	24	6.50	7.00	0.83
Employer of Choice	22	6.43	7.00	0.99
Information Sharing	24	6.33	6.00	0.70
Selectivity In Recruiting	24	6.29	6.00	0.75
Measurement of the HR Practices	23	6.22	6.00	0.90
Promotion From Within	23	6.09	7.00	1.41
Quality of Work/Life	23	6.09	6.00	1.31
Diversity	22	6.08	6.00	1.32
Incentive Pay Based on Performance				
Appraisal	24	5.88	6.00	1.33
Participation And Empowerment	24	5.83	6.00	0.96
Employee Ownership	24	5.67	6.00	1.40
Self-Managed Teams	24	5.58	5.50	0.88
Employment Security	24	5.50	6.00	1.44
Job Design	24	5.42	6.00	1.10
High Wages	24	5.50	6.00	1.39
Reduced Status Distinctions and Barriers	24	5.04	5.00	1.30

**Table 4.9 Work practice Dimensions Delphi Round 2**

<b>Work Practice Dimensions</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>Std.</b>
Training And Skill Development	19	6.58	7.00	0.65
Information Sharing	19	6.46	6.00	0.51
Employer of Choice	19	6.41	7.00	1.01
Selectivity In Recruiting	19	6.29	6.00	0.75
Measurement of the HR Practices	18	6.21	6.00	0.88
Promotion From Within	19	6.17	6.50	1.31
Quality of Work/Life	19	6.09	6.00	1.31
Diversity	19	6.09	6.00	1.35
Incentive Pay Based on Performance				
Appraisal	19	5.88	6.00	1.33
Participation And Empowerment	19	5.88	6.00	0.90
Self-Managed Teams	19	5.71	6.00	0.75
Employee Ownership	19	5.67	6.00	1.40
High Wages	19	5.63	6.00	0.88
Job Design	19	5.58	6.00	1.47
Employment Security	19	5.50	6.00	1.44
Reduced Status Distinctions and Barriers	19	5.25	5.00	1.15

### Performance Dimensions

Round 1 listed five performance measures, (Table 4.10). The Delphi panel members ranked the five preselected performance measures on a seven point Likert-type ordinal measurement agreement scale and made some general comments for clarification in the open response section. Two performance measures were added based on the pilot study, Retention and Guest Satisfaction. Out of the initial 32 participants who agreed to take part, between 21 - 24 participants answered the five performance measures of the first round questionnaire.

To operationalize the performance measures (Table 4.11) eight performance definitions are used. Between 18 and 23 participants answered the eight operationalized performance measures of the first round questionnaire. Three operationalized performance measures were added based on the pilot study: Productivity - defined as customers per employee hour (#2), Retention - defined as average annual rate of manager retention (#7), and Guest Satisfaction - defined as overall guest satisfaction score (#8).

A consensus on the performance measures used to evaluate work practices in a HPWP system was not reached from the first-round survey. According to the protocol if a participant's response was more than one standard deviation outside the group mean, then they were not in consensus with the group. Therefore another round was conducted.

The second round was done in the form of controlled feedback. An individually tailored E-mail letter was sent to the 24 participants in the first round for the purpose of giving feedback and gaining consensus (Table 4.12 & 4.13). This provided occasion for participants to change their response and aid the group in reaching a consensus. Nineteen participants responded to the request to answer the round two questionnaire. Since consensus was reached according to the protocol, the Delphi was concluded at this point.

**Table 4.11 Performance Measures Delphi Round 1**

<b>Performance Measures</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>Std.</b>
<u>Retention</u>	21	6.52	7.00	0.87
<u>Turnover</u>	24	6.46	7.00	0.72
<u>Guest Satisfaction</u>	21	6.27	7.00	0.94
<u>Financial Performance</u>	24	6.08	6.50	1.14
<u>Productivity</u>	24	5.79	6.00	1.53

**Table 4.12 Operationalized Performance Measures Delphi Round 1**

<b>Operationalized Performance Measures</b>				
<u>Productivity</u>				
1. Defined as sales per employee hour.	22	5.30	6.00	1.61
2. Defined as customers per employee hour.	18	5.25	5.50	1.65
<u>Turnover</u>				
3. Defined as average annual rate of manager turnover.	23	5.96	6.00	1.36

<u>Financial Performance</u>				
4. Defined as gross annual rate of return on capital	23	4.87	5.00	1.39
5. Defined as Market/book value for economic profits.	22	4.45	4.50	1.47
6. Defined as Operational Cash Flow	23	6.04	6.00	1.11
<u>Retention</u>				
7. Defined as average annual rate of manager retention	19	6.45	7.00	0.76
<u>Guest Satisfaction</u>				
8. Defined as overall guest satisfaction score	20	6.19	6.00	0.98

**Table 4.13 Performance Measures Delphi Round 2**

<b>Performance Measures</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>Std.</b>
<u>Retention</u>	19	6.62	7.00	0.74
<u>Turnover</u>	19	6.54	7.00	0.59
<u>Guest Satisfaction</u>	19	6.52	7.00	0.60
<u>Financial Performance</u>	19	6.21	6.50	0.88
<u>Productivity</u>	19	5.79	6.00	1.53

**Table 4.14 Operationalized Performance Measures Delphi Round 2**

<b>Operationalized Performance Measures</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>Std.</b>
<u>Productivity</u>				
1. Defined as sales per employee hour.	19	5.42	6.00	1.56
2. Defined as customers per employee hour.	19	5.29	5.00	1.52
<u>Turnover</u>				
3. Defined as average annual rate of manager turnover.	19	6.21	6.00	0.78
<u>Financial Performance</u>				
4. Defined as gross annual rate of return on capital	19	4.96	5.00	1.23
5. Defined as Market/book value for economic profits.	19	4.48	5.00	1.44
6. Defined as Operational Cash Flow	19	6.08	6.00	0.97
<u>Retention</u>				
7. Defined as average annual rate of manager retention	19	6.62	7.00	0.50
<u>Guest Satisfaction</u>				
8. Defined as overall guest satisfaction score	19	6.23	6.50	0.97

### **Operationalized Work Practice Statements**

In this section, the Delphi participants' ranked 24 preselected operationalized work practice statements on a seven point Likert-type ordinal measurement agreement scale (Table 4.14 and 4.15), which will be used in future research. One statement (#21) had a minor change and two other operationalized work practice statements (#23 & # 24) were added from the pilot study open response section. The operationalized work practice statements are listed as they appeared on the interview survey. Since consensus was reached according to the protocol the Delphi was concluded.

**Table 4.15 Operationalized Work Practice Statements Delphi Round 1**

<b>Work Practice Statements</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>Std.</b>
<u>Employment Security</u>				
1. Management in this job can expect to stay in the organizations for as long as they wish.	23	4.35	5.00	2.10
2. It is very difficult to dismiss a Manager in this job.	23	3.26	3.00	1.60
<u>Selectivity In Recruiting</u>				
3. All managers are administered an employment test prior to hiring.	23	5.43	6.00	2.00
4. You have many applicants for open management positions.	23	4.83	5.00	1.99
<u>High Wages</u>				
5. Your firm's management compensation (Base + Bonus + Benefits) is in the top 25% for restaurant managers.	23	5.83	6.00	1.34
<u>Incentive Pay Based on Performance Appraisal</u>				
6. Managers are eligible for cash bonuses based on individual or company performance .	23	6.09	6.00	1.12
7. Managers are eligible for deferred bonuses based on individual or company performance.	23	4.52	5.00	2.09
<u>Employee Ownership</u>				
8. Managers have access to company stock options, profit-sharing plans, and/or manager partnerships.	23	5.48	6.00	2.00
<u>Information Sharing</u>				
9. Managers are included in formal information sharing programs (e.g., a newsletter or regular meeting).	23	6.09	6.00	0.95
<u>Participation And Empowerment</u>				
10. Managers in this job are allowed to make many unit decisions.	23	6.00	6.00	0.90
11. Managers are provided the opportunity to suggest improvements in the way things are done in the firm.	23	6.17	6.00	0.78
<u>Self-Managed Teams</u>				
12. Managers are involved in labor-management participation teams and programs.	23	5.57	6.00	1.41
<u>Training And Skill Development</u>				
13. Formal training programs are provided for individuals in this job.	23	6.48	7.00	0.85
14. Formal development programs are offered to managers in this organization.	23	5.83	6.00	1.44
<u>Reduced Status Distinctions and Barriers</u>				
15. Managers dress differently than other employees.	22	5.41	6.00	1.79

16. Managers have “special perks” (e.g. parking, lunch rooms, and offices).	22	4.32	5.00	2.10
<u>Job Design</u>				
17. The duties of this job are clearly defined.	23	5.91	6.00	1.48
18. This job has an up-to-date job description.	23	5.83	6.00	1.53
<u>Promotion From Within</u>				
19. Individuals in this job have clear career paths within the organization.	23	5.83	6.00	1.40
20. Managers' career aspirations within the company are known by their immediate supervisors.	23	5.57	6.00	1.47
<u>Measurement of the HR Practices</u>				
21. Managers are regularly administered HR employee satisfaction surveys.	23	4.78	5.00	1.88
<u>Quality of Work/Life</u>				
22. Managers participate in Quality of Work Life (QWL) teams.	23	4.26	4.00	1.81
23. Are managers required to work more than 5 days/50 hours	23	4.87	5.00	1.82
24. Managers are provided the opportunity for balanced life planning	23	5.30	6.00	1.64

**Table 4.16 Operationalized Work Practice Statements Delphi Round 2**

<b>Work Practice Statements</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>Std.</b>
<u>Employment Security</u>				
1. Management in this job can expect to stay in the organizations for as long as they wish.	19	4.35	5.00	2.10
2. It is very difficult to dismiss a Manager in this job.	19	3.26	3.00	1.60
<u>Selectivity In Recruiting</u>				
3. All managers are administered an employment test prior to hiring.	19	5.43	6.00	2.00
4. You have many applicants for open management positions.	19	4.83	5.00	1.99
<u>High Wages</u>				
5. Your firm’s management compensation (Base + Bonus + Benefits) is in the top 25% for restaurant managers.	19	5.83	6.00	1.34
<u>Incentive Pay Based on Performance Appraisal</u>				
6. Managers are eligible for cash bonuses based on individual or company performance .	19	6.09	6.00	1.12
7. Managers are eligible for deferred bonuses based on individual or company performance.	19	4.52	5.00	2.09
<u>Employee Ownership</u>				



8. Managers have access to company stock options, profit-sharing plans, and/or manager partnerships.	19	5.48	6.00	2.00
<u>Information Sharing</u>				
9. Managers are included in formal information sharing programs (e.g., a newsletter or regular meeting).	19	6.09	6.00	0.95
<u>Participation And Empowerment</u>				
10. Managers in this job are allowed to make many unit decisions.	19	6.00	6.00	0.90
11. Managers are provided the opportunity to suggest improvements in the way things are done in the firm.	19	6.17	6.00	0.78
<u>Self-Managed Teams</u>				
12. Managers are involved in labor-management participation teams and programs.	19	5.57	6.00	1.41
<u>Training And Skill Development</u>				
13. Formal training programs are provided for individuals in this job.	19	6.48	7.00	0.85
14. Formal development programs are offered to managers in this organization.	19	5.83	6.00	1.44
<u>Reduced Status Distinctions and Barriers</u>				
15. Managers dress differently than other employees.	19	5.41	6.00	1.79
16. Managers have “special perks” (e.g. parking, lunch rooms, and offices).	19	4.32	5.00	2.10
<u>Job Design</u>				
17. The duties of this job are clearly defined.	19	5.91	6.00	1.48
18. This job has an up-to-date job description.	19	5.83	6.00	1.53
<u>Promotion From Within</u>				
19. Individuals in this job have clear career paths within the organization.	18	5.83	6.00	1.40
20. Managers' career aspirations within the company are known by their immediate supervisors.	18	5.57	6.00	1.47
<u>Measurement of the HR Practices</u>				
21. Managers are regularly administered HR employee satisfaction surveys.	19	4.78	5.00	1.88
<u>Quality of Work/Life</u>				
22. Managers participate in Quality of Work Life (QWL) teams.	19	4.26	4.00	1.81
23. Are managers required to work more than 5 days/50 hours	19	4.87	5.00	1.82
24. Managers are provided the opportunity for balanced life planning	19	5.30	6.00	1.64

## **Summary**

This chapter reports the results of survey questionnaires regarding the HPWP dimensions and the performance measures. Participation of panel members was summarized and the results of each of the two Delphi rounds were presented and discussed. Consensus was reached according to the protocol, and the Delphi was concluded at the completion of round two.

## Chapter Five

### Discussion and Conclusions

#### Introduction

This chapter is a discussion of the results from this exploratory study on HPWP in the context of the US casual themed restaurant segment. The chapter also presents the resulting construct, deemed a High Performance People System (HPPS), from the study and the theoretical model, figure 5.1, which conceptualize the relationships that produce an SCA in the US casual themed restaurant segment with unit level management. This model can be used to test the relationships in a HPPS in future research where causality among its components can be specified. The model was developed based on the findings of the two guiding research questions in Chapter Four and the previous theoretical literature on Co-alignment, SHRM and RBV.

The chapter also offers commentaries on the work practice dimensions and other major findings. Based on the model, literature and results from this study, a set of propositions is offered for future studies. Also discussed in this chapter are the contributions to the body of knowledge and limitations of the study, as well as, suggestions for future research.

#### Summary of the Study

In an effort to understand the relationship between a firm's performance and its HRM practices studies have been conducted by Huselid, 1995; Delaney and Huselid, 1996; Becker and Gerhart, 1996; Becker and Huselid, 1998; Hartog, 2004. What has been produced from these studies is empirical support that demonstrates a relationship between a firm's HRM work practices and firm performance that can give it a competitive advantage (Huselid, 1995). What has also become equally clear is that human resource practices operate in an intricate system of interrelated parts, which has become known as HPWP in the area of strategic human resource management (Becker and Huselid, 1998). This research conducts a Delphi study that produced consensus among restaurant industry professionals, academics and leaders on the composition a HPWP system for managers in the casual themed restaurant segment. The following research questions and propositions were the guiding principles addressed in the present study:

**Research Question 1:** From a universalistic perspective, what are the human resource practices that comprise a HPWP system construct for unit level managers, in the casual segment of the US restaurant industry?

**Research Question 2:** What performance measurements can be utilized to determine an effective HPWP?

The following two research propositions were derived from the research questions and the proposed theoretical model (See Figure 2.2) used in this study.

**Proposition 1:** Multiple HRM practices will combine to form a universalistic HPWP system construct for firms in the casual segment of the US restaurant industry.

**Proposition 2:** There are appropriate performance appraisal criteria that can be used to determine an effective HPWP.

The previous chapters described in detail the literature, theory and research on Co-alignment, RBV and SHRM that was the basis for the development of a construct for the conceptualization of HPWP in the casual theme restaurant sector of the US hospitality industry for management. Firms able to implement such HPWP systems possessing universality, i.e. complementary internal fit, have been shown to increase the intangible value of their human capital (employees) and create greater economic value (Delery, 1998). This study used the co-alignment principle in conjunction with concepts in SHRM and RBV to develop a theory for a HPWP system for casual theme restaurants in the US, which is named a High Performance People System (HPPS).

The co-alignment model for hospitality organizations, which is the foundation of the theoretical model for this research (Olsen, West, and Tse; 1998), describes the relationship between four key constructs: the environment, strategy choice, firm structure, and firm performance. Briefly, the four constructs in the model must be in alignment with each other in order for the firm to produce the greatest value for its stakeholders. Co-alignment theory purports that, "if the firm is able to identify the opportunities that exist in the forces driving change, invest in competitive methods that take advantage of these opportunities, and allocate resources to those that create the greatest value, the financial results desired by owners and investors have a much better chance of being achieved" (Olsen et al. 1998, p.2).

SHRM researchers have been advocates of the theory that supports the causal relationship between HRM practices, sustainable competitive advantage (SCA) and firm performance. Several strategic human resource management researchers such as, Cappelli & Singh (1992), Wright & McMahan (1992), Pfeffer (1994), Lado & Wison (1995), Huselid (1995), Jackson & Schuler (1995), Becker & Gerhart (1996), Delany & Huselid (1996), Boxall (1998), Pfeffer (1998), Schuler & Jackson (2000), Ulrich & Beatty (2001), Lepak & Snell (2002), Hartog (2004) and others have directly or indirectly made attempts to theorize the effects of single or multiple human resource management variables on firm performance. These efforts have led to the incremental development of the strategic human resource management literature that stresses the relationships between the HRM practices, SCA and firm performance. There is an emergent body of evidence demonstrating that "the methods used by an organization to manage its human resources can have a substantial impact on many organizationally relevant outcomes" (Delery, 1998, p. 1). Convoluting the research on HPWP is incongruity among researchers on the micro HRM practices which are included in the SHRM system; there is little concurrence among scholars with respect to specifically which human resource practices should be incorporated (Becker & Gerhart, 1996; Rogers & Wright, 1998; Chadwick & Cappelli, 1999).

RBV is one of the ten schools of thought in the field of management theory (Mintzberg, 2000) and is predicated on the concept that in order to create a sustainable competitive advantage and produce value for the firm, individual policies or practices produce the greatest results when they operate in a complex system that is not easily imitated (Barney, 1995). Resources are the "physical things a firm buys, leases or produces for its own use or the people hired on terms that make them effectively part of the firm" (Penrose, 1959: 67). Wernerfelt (1984) defines a firm's resources as "tangible or intangible assets which are tied semi-permanently to the firm" (p. 172). Barney (1991) further suggested that resources which can be used to create an SCA must have value, rareness, inimitability and substitutability.

The research focused on the discovery of the components of an HPWP system construct in the US casual theme restaurant segment for operating managers and the performance metrics used to judge their effectiveness. An exploratory study, in part using the Delphi method, serves as the overall research approach. A cross section of restaurant industry experts including company executives, consultants, academics and investors/owners contributed to the study. The outcome is a list of HRM work practices that are common to the casual theme restaurant industry and performance metrics.

Based on prior empirical work the study started with 14 HRM work practice dimensions (See Table 3.1) and 3 performance measurements of productivity, turnover and financial performance (Huselid, 1995; Huselid & Becker, 1995; Delery & Doty, 1996; Becker & Huselid, 1996; Huselid & Becker, 1997; Hartog, 2004). These dimensions and performance metrics were presented to the panel of experts making up the pilot study group as a starting point in the development of the HPWP system construct for the casual themed restaurant industry.

After compiling the results of the pilot study and pre-testing the survey instrument, the first Delphi survey (see Appendix 3) and a subsequent reminder were sent out electronically to the preselected Delphi participants for the study. A consensus on the research questions was not reached from the first-round survey according to the protocol. Therefore, the second round was administered which provided an opportunity for participants to change their position, and thus help the group reach a consensus. Since consensus was reached according to the protocol (see tables 4.9, 4.12 & 4.13), the Delphi was concluded at this point.

In summary, figure 1.1 put forth a conceptual model to clarify the relationships between the above mentioned schools of thought and firm performance. Figure 1.2 presented a working theoretical model which expounds on the relationships between the key concepts in the conceptual model and firm performance. Finally, figure 5.1 displays the results and the relationships of the study which methodically confirms the components of a HPPS for unit level managers, and identifies appropriate evaluation criteria for determining the performance of HPPS in the US casual restaurant market.

The remainder of this chapter will discuss the findings relevant to the research questions and propositions that lead to the development of a High Performance People System (HPPS) theoretical model for casual themed restaurant management and the limitations, contributions and possible future research.

## **Theoretical Model Description**

The co- alignment model (see Figure 2.1) is the foundation of this research and the presented theoretical model. The co-alignment model allows for the integration of all the constructs in the RBV and SHRM literature previously reviewed and it provides the essential structure to explain the proposed theoretical model (see Figure 5.1). The co-alignment principle is the foundation of the proposed theoretical model and the third construct in the SHRM – RBV literature link for an operationalized HPPS system. Additionally, the co-alignment principle and associated constructs have been the most widely researched and tested strategy concepts in the hospitality literature, melding other streams of strategy literature into hospitality research as noted in the literature review (West, 1988; Dev, 1988; Schmelzer, 1992; Murthy, 1994; de Charbert, 1998; Connolly, 1999; Taylor, 2002 and Chathoth 2002). For all the previous rationale

it is proposed that the co-alignment principle is best suited as starting point in the proposed theory. Environmental scanning is the first construct of the co-alignment model and underpins the choice of core competency dimensions for use in firm's High Performance People System (HPPS) based on internal and external environmental scanning.

Barney's (1991) article delineating the basic theoretical means and criterion for developing resources that could generate an SCA has lead the way as the most widely used premise within SHRM (McMahan, Virick & Wright, 1999; Wright, 2001; Barney et al., 2001). However, according to Wright et al. (2001, p. 715) no attempt has yet been made to empirically test the proposition that HR practices possess value, rareness, non-substitutability, or whether they are actually difficult to imitate, and when combined lead to an SCA. The model suggests and is supported by the study that allocation of resources, both tangible and intangible, to core competencies in support of HPPS is essential for positive financial performance. Additionally, no research has yet to establish a complete causal model through which HR practices positively impact organizational performance. The outcome of this study is the development of a High Performance People System (HPPS) model, figure 5.1, for management in the casual themed segment of the restaurant industry.

The framework for the HPPS model, figure 5.1, is based on previous theoretical literature on Co-alignment, SHRM and RBV and the findings of the exploratory research conducted for this study, which conceptualizes the relationships that produce an SCA in the US casual themed restaurant segment with unit level management. The model serves as a means to synthesize the findings of the two research questions in this study. Both the dimensions of HRM work practices and the stakeholder performance outcomes to measure the investments in work practices are included in the framework. The model's design suggests that a decision to invest in work practices is the result of environmental scanning and a strategic choice to produce a competitive method through the use of intangible human capital, specifically unit management. The selection of specific dimensions in the HPPS construct is based on interviewee's scanning of internal and external environmental forces and reflects the first construct of the Co-Alignment Model Proposition.

The framework is a result of the research questions and propositions underpinned by the Co-Alignment Model and thus it is driven by the central thesis of the Co-Alignment Model. The constructs in the framework are significantly impacted by environmental forces and a need for competitive methods and core competencies to align with these forces to produce a competitive advantage. However, every framework operates within boundaries, which the results of this study suggest are the people management practices or dimensions that comprise a firm's HPPS construct and are important to the firm's value creation process.

The data from the Delphi study indicates that the work practice dimensions which address the first research question and comprise an HPPS are Training And Skill Development, Information Sharing, Employer of Choice, Selectivity In Recruiting, Measurement of the HR Practices, Promotion From Within, Quality of Work/Life, Diversity, Incentive Pay Based on Performance Appraisal, Participation and Empowerment, Self-Managed Teams, Employee Ownership and High Wages. These are the relevant dimensions to the casual themed restaurant service industry according to the Delphi results and are represented in the first construct of the theoretical model (figure 5.2) labeled SHRM-HPPS core competencies.

The components that were not considered relevant dimensions to the casual themed restaurant service industry are: job design, employment security and reduced status distinctions and barriers as determined by the principle investigator, and the research results which did not produce consensus that the dimensions belong in a work practice system for casual themed restaurant managers.

The performance dimensions of Productivity, Turnover, Financial Performance, Retention and Guest Satisfaction address the second research question, what performance measurements can be utilized to determine an effective HPWP, and are the pertinent dimensions to the casual themed restaurant service industry. The performance dimensions agreed as relevant by participants are included in SCA stakeholder results construct of the model and the data results of the Delphi study. The Data suggests that the work practices in the HPPS construct of the theoretical model can best be measured by the eight operationalized performance metrics: average annual rate of manager retention; average annual rate of manager turnover; overall guest satisfaction score; gross annual rate of return on capital; market/book value for economic profits; operational cash flow; sales per employee hour; customers per employee hour. These performance metrics are in the theoretical model's performance construct because the data from the Delphi study generated "strongly agree" consensus that they are all important metrics in determining the effectiveness of an HR work practice system for casual themed restaurant managers.

Previous SHRM research has dubbed a set of HRM work practices - High Performance Work Systems (HPWS) or some similar variation. The vast majority of these studies have been conducted in manufacturing firms, multiple contextual settings, highly regulated industries and or countries which do not possess similar operational characteristics of the restaurant service industry. Wright, Dunford & Snell referred to systems of HRM practices as people management system in their 2001 review of the impact that RBV has had on SHRM theoretical and empirical literature. The restaurant industry lands squarely in the service sector of the economy where the focus in high performing companies is on the internal and external customers, guests or people. Indeed, the organizations in this study increasingly refer to their employees as "our people" and demonstrate deep commitment to their personal and professional development as well as quality of work/life for them. Buca di Beppo refers to its HRM function as Family Resources or Human Relations while Donato's Restaurants has a Chief People Officer heading their HRM function.

The result from this study is a second generation model in the social science management field that focuses on the creation of value with a High Performance People System (HPPS) for management in the casual themed segment of the restaurant industry. There is a fundamental difference in the way intangible human capital is viewed in high performing service organizations. In an HPPS people are viewed as value creating and value-adding to the firm and are part of the firm's value proposition, versus a drain on company resources or an expenditure of the firm's capital.

Finally, the model is presented as qualitative evidence from the study. The HPPS construct and dimension in the model is the outcome of the data gathered from this exploratory study. The model resulting from the data is regarded as a framework for further investigation into causality between HPPS, performance and intangible value creation. The casual relationships will be explored in future research in order to build and elucidate the relevant theory and interactions.

## **Decision Rules for Inclusion in the HPPS**

Decision rules are used to categorize items into decision classes (Miles & Huberman, 1994). The underlying assumption when using decision rules is that the data is described using common attributes. Attributes can be of different types, e.g. numeric attribute or categorical attribute, where values are members of the set of labels (e.g. good, sufficient, bad). Such attributes are called condition attributes. It is also expected that there is at least one attribute, designated the decision attribute, that assigns each item to a decision class and there is a probability that classification derived from the decision rules will be incorrect - misclassified. Decision rules represent data in the form of “*if ... then ...*” clauses. The statement between “*if*” and “*then*” is the condition description and what follows after “*then*” is the decision condition.

In this study a seven point Likert-type ordinal measurement agreement scale is used for data measurement purposes. Since ordinal data by nature are numbers used to denote the position in an ordered sequence (first, second, third, fourth, etc.) and do not measure distance, as does interval data, the appropriate average to use is the median (Zikmund, 2003). However, in order to aid in the qualitative decision process of triangulation the mean and standard deviation were calculated and displayed in the results tables (Denzin, 1978).

This method of collecting data from various sources refers to “triangulation” suggested by Denzin (1978) to increase construct validity (Yin, 2003). Semi-structured interviews (Lewin, 2005), were conducted before the Delphi method was implemented and used for the purpose of narrowing a gap between academic literature used to develop the instrument and restaurant industry practitioner’s domains. In addition, secondary data were collected through various sources including company documents ranging from annual reports, policies and procedures, to manuals, archival records, as well as governmental documents and periodicals. All of the sources of primary and secondary data were combined to help the researcher in the qualitative decision process. Only after all of the data was gathered was a final judgment rendered regarding the research questions.

## **The Dimensions of High Performance People System (HPPS)**

The underpinnings of the HPPS model is based on Co-alignment, SHRM and RBV literature, as well as the findings of this study, which demonstrates the relationships that produce a competitive method in the US casual themed restaurant segment with unit level management. The HPPS Framework implies that the environmental forces driving change must be identified by scanning environmental events in the US casual themed restaurant segment to choose the dimensions of the HPPS core competency. The study indicates that there are 13 HRM dimensions applicable to the US casual themed restaurant segment for unit management (Table 5.1). These dimensions were identified as ones being highly important to the firm.

In regards to the dimensions included in the HPPS construct that address the first research question, “from a universalistic perspective, what are the human resource practices that comprise a HPWP system construct for unit level managers, in the casual segment of the US restaurant industry”, training and skill development, information sharing, employer of choice, selectivity in recruiting, measurement of the HR practices, promotion from within, quality of work/life, diversity, incentive pay based on performance appraisal, participation and empowerment, self-managed teams, employee ownership and high wages are the 13 relevant dimensions to the casual themed restaurant service industry. The work practices that were not considered relevant



dimensions to the casual themed restaurant service industry are: Job Design, Employment Security and Reduced Status Distinctions and Barriers as determined by the principle investigator, the expert panel pilot study interviews and the Delphi research results. Each of the 16 dimensions is discussed in detail below.

As with many Likert-type agreement-scale survey instruments the responses from the participants tended to cluster. With preselected and highly researched dimensions this was more so the case. This required the researcher to make qualitative judgments based on multiple criteria from various sources of information, a process known as data triangulation.

**Table 5.1 Work practice Dimensions**

<b>Work Practice Dimensions</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>Std.</b>
Training And Skill Development	19	6.58	7.00	0.65
Information Sharing	19	6.46	6.00	0.51
Employer of Choice	19	6.41	7.00	1.01
Selectivity In Recruiting	19	6.29	6.00	0.75
Measurement of the HR Practices	18	6.21	6.00	0.88
Promotion From Within	19	6.17	6.50	1.31
Quality of Work/Life	19	6.09	6.00	1.31
Diversity	19	6.09	6.00	1.35
Incentive Pay Based on Performance				
Appraisal	19	5.88	6.00	1.33
Participation And Empowerment	19	5.88	6.00	0.90
Self-Managed Teams	19	5.71	6.00	0.75
Employee Ownership	19	5.67	6.00	1.40
High Wages	19	5.63	6.00	0.88
Job Design	19	5.58	6.00	1.47
Employment Security	19	5.50	6.00	1.44
Reduced Status Distinctions and Barriers	19	5.25	5.00	1.15

### **Training and Skill Development**

Training and skill development mean ranked first out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 6.58 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of .65. Virtually all descriptions of high-performance management practices emphasize employee skill development. Training, cross-training and cross-utilization are essential components of high-performance work systems because these systems rely on front-line employee skill and initiative to identify and resolve problems, to initiate changes in work methods, and to take responsibility for quality (Pfeffer, 1998).

According to John Denapoli, Regional Partner for Outback Inc., training and development is “critical, so important, it takes an assistant manager to the next level of a managing partner”. Each manager at Outback Inc. “has a mentor” that helps them fully develop their potential. There is also the “BYTE program, better yourself through

education,” that consists of “14 modules to develop themselves and become more valuable”

Richard Puttick, Regional Employment Director for Longhorn Steakhouses states, “We firmly believe that the companies with the smartest people wins...two of our highest coefficients of success are “smartest (people) and education”. LongHorn is a “firm believer in on-going training and development – even for our seasoned managers. We recognize that keeping people challenged and continually learning creates a great work environment” (longhornsteakhouse.com)

Ron Bojalad, Senior Vice President of Group Human Resources Darden Restaurants, commented that training and development was focused “more around leadership development...(managers are interested in) what are you going to do for me to help me grow and become the next Joe Lee” (former CEO of Darden Restaurants).

At Olive Garden, “managers set their own pace for promotion, based on their skills and preparation. Before promotion to General Manager, our managers are invited to participate in a two-day program that gives them an opportunity to showcase their talents. Our goal is to help you become successful as a manager and as a General Manager” (olivegarden.com).

### **Information Sharing**

Information sharing mean ranked second out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 6.46 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of .51. The sharing of information on issues such as financial performance, strategy, and operational measures conveys to the organization’s people that they are trusted. People who are motivated and trained cannot contribute to enhancing organizational performance if they don’t have information on important dimensions of performance and, in addition, training on how to use and interpret that information (Morgan 2001).

While none of the interviewees commented directly on information sharing, all of the companies they represented carried extensive information on their websites for their employees. As an example Darden Restaurants has employee information available on unit restaurant’s POS system in many languages and additionally information is available 24-7 via web-based employee access. (Darden Restaurants, 2006). The restaurant companies in the study share the financial performance information for the restaurant units, collectively and individually, with the unit managers to assess performance and incentive pay.

### **Employer of Choice**

Employer of choice mean ranked third out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 6.41 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of 1.01. A term used to designate an organization that, because of its status and reputation, is always the first choice (or at least on the short list) of world-class organizations. It essentially means being able to provide employees with the most enjoyable and fulfilling working environment as possible and balancing this with their home and personal life.

According to John Denapoli, Regional Partner for Outback Inc., “corporate reputation gives employees pride. No one wants to work for a schlock (low quality) outfit – they want to work for the best. This is how you attract high quality applicants, good people come to you, you

don't get them on Monster.com". David Mansbach, Vice President and Managing Director of HVS Executive Search stated, "excellent reputation...customer brand vs. company brand (employment brand)...who do you see as the best companies" (to work for). Wes Garnett, Senior Vice President of Family Resources, contributed that "excellent organizational reputation" should be a work practice dimension.

Sandee Pritchard, Chief People officer for Donatos Restaurants, "the industry is not an employer of choice". Donatos wants its managers to think of work as "a place people can professionally call home". Donatos "company philosophy is based on a strong belief in product, principle and people. We promote from within and seek out diversity. Our number one priority is your professional and personal growth, so we offer a wide range of career opportunities for you to choose from" (donatos.com).

### **Selectivity in Recruiting**

Selectivity in recruiting mean ranked fourth out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 6.29 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of .75. Organizations serious about obtaining profits through people will expend the effort needed to ensure that they recruit the right people in the first place. Rigorous selection requires a method, refined and developed over time through feedback and learning, to ensure that the firm can identify the skills it is seeking from the applicant pool. (Pfeffer, 1998).

John Denapoli, Regional Partner for Outback Inc., simply stated its "huge". Sandee Pritchard, Chief People officer for Donatos Restaurants, selectivity in recruiting is "off the charts" cannot emphasize enough the importance. Longhorn Steakhouses uses a "corporate assessment center to evaluate potential management" according to Richard Puttnick. We aim to "hire the best (i.e. fast track GMs), but you need soldiers too". We are "selective, but flexible". Longhorn states this clearly on its homepage: "From your very first day, you'll see why Longhorn is a great place to build a career. The atmosphere is relaxed, the energy is high and the salary and benefits are among the best you'll find. We aim to be the casual dining industry's Employer of Choice" (longhorn.com).

### **Measurement of the HR Practices**

Measurement of HR practices mean ranked fifth out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 6.21 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of .88. Including attitude assessment and measurement of the objectives are critical components in providing feedback and success of a HPWP system (Pfeffer, Hatano & Santalainen, 1995).

The statement "Managers are regularly administered HR employee satisfaction surveys" was used to operationalize "measurement of HR practices". While agreement was strong on the need to measure HR practices, the type of measurement and the methodology varied from company to company. Further indicating that agreement on how intangible HR work practices are measured is far from consensus and quantifiable.

Rare Hospitality used a general employee survey that asked "specific HR questions" and has "one on one heart talks" to gauge employee's feelings about HR issues. Wes Garnett suggested an HR practice survey as well. Darden uses an employee engagement survey comparing year over year and Donatos has recently started an engagement program with their managers as well. Duncan Dickson also suggested an HR employee satisfaction survey. While

John Denapoli stated that Outback Inc. was the only U.S. company that did not have a corporate HR department “only Training and Development at corporate level” and that the HR function is “best left up to those (managing & regional partners) that have a stake in the company. Responsibility is on operators...can’t blame it on HR, it is accountability”.

### **Promotion From Within**

Promotion from within mean ranked sixth out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 6.17 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of 1.31. Offers an incentive for performing well which has a monetary as well as a status reward attached to it. Additionally, it provides a sense of fairness in the work place (Pfeffer, Hatano & Santalainen, 1995).

According to John Denapoli, Regional Partner for Outback Inc., promotion from within is “very helpful to keep employees”. Outback’s company information states that “historically we have developed our management candidates from our own ranks” (outback.com, 2006). Darden’s leadership and assessment center focuses on internal promotion with more than 50% of its managers promoted from within. “At Olive Garden, managers set their own pace for promotion, based on their skills and preparation. Our goal is to help you become successful as a manager and as a General Manager” (olivegarden.com, 2006).

### **Quality of Work/Life**

Quality of work/life mean ranked seventh out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 6.09 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of 1.31. It is defined as: the degree of emotional, intellectual, or cultural satisfaction in a person's everyday life as distinct from the degree of material comfort. The level of balance between work, family, friends and society.

According to John Denapoli, Regional Partner for Outback Inc., “important to managers and company... we want to provide our managers with the opportunity to pursue family and career interests outside the restaurant; therefore we are open for dinner only.”

Ron Bojalad, Senior Vice President of Group Human Resources Darden, “quality of work life is Huge! It is not just generational...companies that gain the reputation for this (quality of work/life) will win the war”. Donatos restaurants uses Lets Get Engaged, LGE, a performance engagement program to help their managers achieve a healthy work life balance that would improve their performance on the job and at home (Berta, 2005). Longhorn is committed to hiring the best and providing the challenges and opportunities required to retain and grow its people. They have a guarantee 5 day work week and overtime pay for the occasional 6th day worked (Published report, 2005).

### **Diversity**

In its broadest context, diversity is defined as "recognizing, appreciating, valuing, and utilizing the unique talents and contributions of all individuals" regardless of age, career experience, color, communication style, culture, disability, educational level or background, employee status, ethnicity, family status, function, gender, language, management style, marital status, national origin, organizational level, parental status, physical appearance, race, regional origin, religion, sexual orientation, thinking style, speed of learning and comprehension. (SHRM, 2003).

Diversity mean ranked eighth out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 6.09 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of 1.35. Defined as a collective mixture characterized by differences and similarities that are applied in pursuit of organizational objectives. It is the process of planning for, organizing, directing, and supporting these collective mixtures in a way that adds a measurable difference to organizational performance.

According to John Denapoli, Regional Partner for Outback Inc., “have to pay attention to diversity at the manager level...inclusion is essential to our future growth and success, but at the employee level not an issue...it just happens”. Richard Puttick, Regional Employment Director for Longhorn Steakhouses, “our diversity goal is to reflect the markets that we do business in”.

Sandee Pritchard, Chief People Officer Donatos Restaurants, Donatos won the 2005 Best Practice Award for diversity from People Report, a human resource analysis company in Dallas. Diversity “should be part of company culture... (most of) the restaurant managers are still a white male”

Darden has a diversity link on their homepage and a diversity vision statement which states "Darden Restaurants recognizes the value of a business environment that embraces individual differences, including those among our guests, employees, business partners and all others in the communities in which we operate, and we are committed to creating and maintaining such an environment. This commitment is based upon the recognition and belief that diversity is critical to our ability to excel in an increasingly diverse and dynamic marketplace". (darden.com, 2006).

### **Incentive Pay Based on Performance Appraisal**

Incentive pay based on performance appraisal mean ranked ninth out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 5.88 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of 1.33. Contingent compensation also figures importantly in most high-performance work systems. Such compensation can take a number of different forms, including gain sharing, profit sharing, pay for skill, or various forms of individual or team incentives. Profit sharing also makes compensation more variable, permitting adjustments in the labor bill without layoffs (Pfeffer, Hatano & Santalainen, 1995).

John Denapoli, Regional Partner for Outback Inc., added that the actual “performance appraisal must be clear and based on performance”. All the companies interviewed featured incentive pay as part of the compensation package. Outback, Longhorn and Buca di Beppo have managing partners with an equity stake and these companies in addition with Darden represent that incentive pay is greater than base pay for the vast majority of general managers/managing partners.

### **Participation and Empowerment**

Participation and empowerment **also** mean ranked ninth out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 5.88 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of .90. Defined as: encouraging the decentralization of decision making and broad worker participation and empowerment in controlling their work processes. (Pfeffer, Hatano & Santalainen, 1995).

Richard Puttick, Regional Employment Director for Longhorn Steakhouses, “managers make decisions for their units...but within guidelines”.

The number one quality of a successful Longhorn Manager is centered around an outlook of complete guest satisfaction. If something is not right in the eyes of our guests, our managers are not only empowered, but compelled to do whatever it takes to make it right – on the spot! (longhorn.com, 2006)

### **Self-Managed Teams**

Self managed teams mean ranked tenth out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 5.71 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of .75. There is a large body of literature qualitative and quantitative evidence that workers in self-managed teams enjoy greater autonomy, flexibility and discretion. Employees have more opportunity to use their breadth of skills. This translates into intrinsic rewards and job satisfaction resulting in teams out-performing traditionally supervised work groups (Pfeffer, 1998).

While none of the interviewees commented directly on self-managed teams, all of the companies they represented refer to their employees as team members on their websites and in printed material for their employees. As an example, Longhorn's website states up front on their employment page: "we need talented team members" and John Denapoli, Regional Partner for Outback Inc., and added that we want managing partners to be "captains of their own ships". In order for a self managed team to be successful in a restaurant it must have committed team members who recognize the value in working for the overall good of the organization and the self managed team.

### **Employee Ownership**

Employee ownership mean ranked eleventh out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 5.67 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of 1.40. The dimension is defined as: Other forms of financial incentives designed to align the interests of employees with shareholders. (e.g., ESOPs and proprietary/partner interests) (Huselid, 1995).

Richard Puttick, Regional Employment Director for Longhorn Steakhouses, states that employee ownership "is important that's why we created GM managing partner... We offer the opportunity to become a Managing Partner to those assistants that demonstrate great potential... Managing Partners can earn over \$100K plus benefits. They also receive an annual 10% base salary match from RARE Hospitality in long-term compensation".

John Denapoli, Regional Partner for Outback Inc., suggests that "one aspect that attracts great people to Outback is the equity stake we offer to all Managing Partners. Additionally, Managing Partners have a 5-year contract, which contributes to our stable environment and low turnover of both management and hourly employees."

### **High Wages**

High wages mean ranked twelfth out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 5.63 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of .88. The level of compensation sends a clear message to the organization's employees if they are regarded as truly valued and valuable to the firm. Compensation can take many forms such as pay increases, share ownership, stock options, profit sharing, paying for skills acquisition and individual or team incentives (Morgan 2001).

Richard Puttick, Regional Employment Director for Longhorn Steakhouses, RARE “wants to be in the top 10% of compensation in the restaurant industry...our average managing partner earns in excess of \$100,000 annually”.

Ron Bojalad, Senior Vice President of Group Human Resources Darden Restaurants, “a 7+ when all compensation and benefits is included...total benefits package is important. Benefits are huge; people are concerned about retirement, medical, etc.”

High wages have been included in the HPPS construct even though high wages ranks in the bottom quartile of the dimensions and its ranking is similar to that of the three dimensions (job design, reduced status distinctions and job security) that were dropped from the construct. The researcher decided based on the literature (Lawler, 1969), published company documents that were collected and industry reports on wages that high wages should be included in the construct.

### **Job Design**

Job design mean ranked thirteenth out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 5.58 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of 1.47. The extent to which jobs are clearly and precisely defined (Delery and Doty, 1996).

Richard Puttick, Regional Employment Director for Longhorn Steakhouses, job design is a “secondary thing, often done after the fact”... to fill a requirement.

Ron Bojalad, Senior Vice President of Group Human Resources Darden Restaurants, “if you ever worked in industry (restaurant), you know what a manager does... a job description is not important even though we have them”. Red Lobster’s restaurant managers’ job description is as follows: “Be a role model and teacher; create an environment where you and the restaurant crew are living our principles, keeping the promises and living the non-negotiables by providing leadership to crew members who deliver a great dining experience for our guests by maintaining consistently high standards, modeling a passion for service, and attending to the details” ([www.redlobster.com](http://www.redlobster.com)).

Job Design is not included in the HPPS construct because it ranks in the bottom quartile of the dimensions and its ranking is similar to that of the two dimensions (reduced status distinctions and employment security) that were dropped from the construct. Following the research protocol of triangulation the researcher decided based on the literature (Lawler, 1969), lack of information in published company documents that were collected, industry reports on job design and the comments from the panelists in addition to the ranking that job design should not be included in the HPPS construct.

### **Employment Security**

Employment security mean ranked fourteenth out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 5.50 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of 1.44. Employment security assumes flexibility and means that employees are not quickly laid-off for reasons such as economic downturns or the strategic mistakes of senior management, over which employees have no control. The policy focuses on maintaining total employment and not on protecting individuals from the consequences of their individual behavior or incompetence on the job (Morgan, 2001).

David Mansbach is Vice President and Managing Director of HVS Executive Search, “if others met (performance goals)...not an issue”. Richard Puttick, Regional Employment Director, ‘management stability dictates employee security...which benefits customer loyalty.’ Duncan Dickson, Assistant Professor of Hospitality Management at the University of Central Florida, Rosen College of Hospitality Management gives employment security a 7 when it is defined from the “company’s perspective as company loyalty”. That is to say that it is important to an employer that their employees are loyal to the company. Ron Bojalad, Darden’s Senior Vice President of Group Human Resources, commented that employment security “was changing with generational differences, different motivation for gen x and gen y.” Sandee Pritchard, Chief People Officer Donatos Restaurants, simply states “employee security doesn’t exist”.

Employment security is not included in the HPPS construct because it ranks in the bottom quartile of the dimensions and its ranking is similar to that of the two dimensions (reduced status distinctions and job design) that were dropped from the construct. Following the research protocol of triangulation the researcher decided based on the current literature which seems to indicate that job security in the US is no longer prevalent and may never have been in the restaurant industry, lack of information in published company documents that were collected, industry reports on employment security and the comments from the panelists in addition to the ranking that employment security should not be included in the HPPS construct. It is generally agreed that employment security is a thing of the past in the US restaurant segment for unit managers. Their security today is based on their unit performance.

### **Reduced Status Distinctions and Barriers**

Reduced status distinctions and barriers (including dress, language, office arrangements and wage differences across levels) mean ranked fifteenth out of the 16 dimensions in the final round of the Delphi for the proposed HPPS construct with a mean of 5.25 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of 1.15. Wes Garnett, Senior Vice President of Family Resources, does not like the dimension “in restaurants there should be a distinction between management and employees for the customers benefit” The customer wants to know who is in charge of the restaurant operation, who is in management and who is not.

Reduced status distinctions and barriers is not included in the HPPS construct for unit level management because the nature of casual restaurant business does not generally perpetuate distinction between employees in dress, language and offices. Additionally, reduced status distinctions and barriers ranks in the bottom quartile of the dimensions and its ranking is similar to that of the two dimensions (employment security and job design) that were dropped from the construct. Following the research protocol of triangulation the researcher decided based on the current information in published company documents that were collected, the comments from the panelists and personal observation in addition to the ranking that reduced status distinctions and barriers should not be included in the HPPS construct.

### **The Performance Dimensions of HPPS System**

Sustainable competitive advantages is achieved when the firm’s competitive methods, core competencies and allocation of available resources are in alignment with the forces driving change in the environment and the resulting alignment produces a bundle of goods and service



that possess value, substitutability, are rare and inimitable. Whether a competitive method is an SCA is ultimately determined by performance success over time.

In this section, the panel members ranked three pre-selected performance measures (Table 4.5) on a seven point Likert-type scale (Table 4.6) and suggested multiple other performance measures in the open response section. These additional suggestions include customer service, promotion from within, retention (2), sales, people development, employee survey (2), same store sales, customer satisfaction scores (3), employee satisfaction, % of seats filled (2), restaurant level earnings and cost per hire. Two performance measures were added to the original three performance measures, Turnover, Financial Performance and Productivity, based on the pilot study, Retention and Guest Satisfaction.

In regards to the performance metrics, Turnover, Financial Performance, Productivity, Retention and Guest Satisfaction, that address the second research question, there is little practical difference in the mean rankings in the last Delphi round. These performance metrics were all given a “strongly agree” score (i.e. “6” or higher median score on the scale 1 to 7) on the final Delphi round (Table 5.2). The performance measures are discussed below by rank order.

**Table 5.2 Performance Dimensions**

<b>Performance Dimensions</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>Std.</b>
<u>Retention</u>	19	6.62	7.00	0.74
<u>Turnover</u>	19	6.54	7.00	0.59
<u>Guest Satisfaction</u>	19	6.52	7.00	0.60
<u>Financial Performance</u>	19	6.21	6.50	0.88
<u>Productivity</u>	19	5.79	6.00	1.53

### **Retention**

Retention mean ranked first out of the five performance metrics in the final round of the Delphi for the proposed HPPS measurements with a mean of 6.62 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of .74. When retention was further defined as “average annual rate of manager retention” the mean score was 6.62 as well with a standard deviation of .50 (Table 5.3). Successful organizations realize employee retention of talented management is integral to sustaining their leadership and growth in the marketplace. A priority to become an employer of choice and add value to the firm is retaining high-caliber employees in today's competitive labor market.

### **Turnover**

Turnover mean ranked second out of the five performance metrics in the final round of the Delphi for the proposed HPPS measurements with a mean of 6.54 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of .59. When turnover was further defined as “average annual rate of manager turnover” the mean score was 6.21 with a standard deviation of .78 (Table 5.3).

Ron Bojalad, Senior Vice President of Group Human Resources Darden Restaurants, explained that “turnover should be measured on the absolute plus improvement year over year and against the industry standards”. Additionally, he expressed concern that not every company

measures turnover the same way. Some companies exclude employee “training or probationary periods” for as much as the first 3 months, which distorts the industry averages. Richard Puttick, Regional Employment Director for Longhorn Steakhouses, indicates that longhorn uses a rolling 12 months to measure turnover, which gives them a “constant trend indicator”. Usually, we think of turnover from an organizational perspective -individuals leaving an organization. However, from the perspective of the customers who use services, turnover occurs more frequently; not only when a service provider leaves the organization, but also when they get transferred or promoted. As far as the guest is concerned, whenever there is a change in who provides support, there is turnover.

**Table 5.3 Performance Dimensions Defined**

<b>Performance Measures</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>Std.</b>
<u>Retention</u>				
Defined as average annual rate of manager retention	19	6.62	7.00	0.50
<u>Turnover</u>				
Defined as average annual rate of manager turnover.	19	6.21	6.00	0.78
<u>Guest Satisfaction</u>				
Defined as overall guest satisfaction score	19	6.23	6.50	0.97
<u>Financial Performance</u>				
Defined as gross annual rate of return on capital	19	4.96	5.00	1.23
Defined as Market/book value for economic profits.	19	4.48	5.00	1.44
Defined as Operational Cash Flow	19	6.08	6.00	0.97
<u>Productivity</u>				
Defined as sales per employee hour.	19	5.42	6.00	1.56
Defined as customers per employee hour.	19	5.29	5.00	1.52

### **Guest Satisfaction**

Guest satisfaction mean ranked third out of the five performance metrics in the final round of the Delphi for the proposed HPPS measurements with a mean of 6.62 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of .60. When guest satisfaction was further defined as “overall guest satisfaction score” the mean score was 6.23 with a standard deviation of .97 (Table 5.3).

Ron Bojalad, Senior Vice President of Group Human Resources Darden Restaurants, stated that Olive Garden uses guest satisfaction survey (GSS) measurement in addition to mystery shoppers. While this type of measurement is subject to response polarity, Olive Garden uses randomly generated surveys for customers that have both web entry and 800 number responses to mitigate this problem. Additionally, the surveys are used for in house year over year comparisons. Longhorn on the other hand does not use GSS.

### **Financial Performance**

Financial Performance mean ranked fourth out of the five performance metrics in the final round of the Delphi for the proposed HPPS measurements with a mean of 6.21 on a seven

point Likert-type ordinal measurement agreement scale and a standard deviation of .88. . When financial performance was further defined as “gross annual rate of return on capital (GRATE)” the mean score was 4.96 with a standard deviation of 1.23 (Table 5.3). When financial performance was further defined as “Market/book value for economic profits” the mean score was 4.48 with a standard deviation of 1.44 (Table 5.3). . When financial performance was further defined as “Operational Cash Flow” the mean score was 6.08 with a standard deviation of .97 (Table 5.3).

John Denapoli, Regional Partner for Outback Inc., emphasizes that both sales and cash flow are important and should not be a problem as long as the manager is executing properly. Ron Bojalad, Senior Vice President of Group Human Resources Darden Restaurants, stated that at the restaurant level they were indifferent to both “gross annual rate of return on capital (GRATE) and Market/book value for economic profits” and that in addition to operating cash flow “restaurant level earnings (sales – controllable expenses) was important”.

### **Productivity**

Productivity mean ranked last out of the five performance metrics in the final round of the Delphi for the proposed HPPS measurements with a mean of 5.79 on a seven point Likert-type ordinal measurement agreement scale and a standard deviation of 1.53. When productivity was further defined as “sales per employee hour” the mean score was 5.42 with a standard deviation of 1.56 (Table 5.3). When productivity was further defined as “as customers per employee hour” the mean score was 5.29 with a standard deviation of 1.52 (Table 5.3).

Duncan Dickson, Assistant Professor of Hospitality Management, expressed a concern that defining productivity as “sales per employee” would encourage managers to cut back on employees and hurt customer service in casual restaurants. Ron Bojalad, Senior Vice President of Group Human Resources Darden Restaurants, indicated that productivity could be reflected by how hours are managed.

### **Rankings by Performance**

This did not work as out planned. Many of the restaurants turned out to be private or concepts within a parent company and it does not seem to add value to the results.

Of the 19 participants in the final round of the Delphi, 5 were from private companies that did not disclose financial results, and 9 were concepts in a parent company that could not be disaggregated and the balance were academic or HR consultants experts. Upon further examination of the interview text, no useful financial data could be gleaned to aid in the ranking of the private companies. It is worth noting that the public company’s performance compared favorable to the industry mean according to Hoovers (see figure 4.3) and that based on the public company’s published data they appear to offer high performance work practices. Additionally, this was not in the scope of investigation of either of the research questions; however, it was worth examining in that the exercise disclosed future pitfalls to avoid when this research is ultimately done.

### **Commentaries to the Findings**

This section is a discussion on what the findings mean in a broader context, a pulling out or extrapolation of the results. This is where the momentum shifts from deductive reasoning or inference, conclusions based on what is known to be true, to inductive reasoning, conclusions based on our premise or observations. The Co-Alignment Principle which has been discussed in

Chapter Two asserts that an alignment of environmental events, strategic choice (competitive methods), and a firm's structure (core competencies) creates value-adding performance. Since this study deals with a relationship between HRM work practices (core competencies) and performance, these are further discussed in this section.

## **HPPS Construct**

The HPPS Framework implies that the internal and external environmental forces driving change must be identified by scanning environmental events to choose the dimensions of the HPPS construct. The study indicates that there are 13 HRM dimensions applicable to US casual themed restaurant segment for management (Table 5.1); Training And Skill Development, Information Sharing, Employer of Choice, Selectivity In Recruiting, Measurement of the HR Practices, Promotion From Within, Quality of Work/Life, Diversity, Incentive Pay Based on Performance Appraisal, Participation And Empowerment, Self-Managed Teams, Employee Ownership and High Wages are the relevant dimensions to the casual themed restaurant service industry. These dimensions were identified as ones being highly important to the firm. These dimensions were given a "strongly agree" score (i.e. "6" or higher median score on the scale 1 to 7) on the final Delphi round. This leads to commentary 1.

- **Commentary 1:** The HPPS construct for casual restaurant firm unit level managers contains 13 work practice dimensions that contain fundamental elements of a value-adding core competency.

What has come to light from conducting this study is an HPPS construct containing 13 dimensions that is posit to produce an SCA for casual restaurant firms. According to Huselid (1995), an HPWP system is comprised of an amalgamation of HRM competitive methods and core competencies, when combined are capable of producing an SCA. However, what this study demonstrates is that a restaurant HPPS is not an amalgamation of competitive methods and core competencies, but a combination of multiple core competencies in support of the competitive methods. The primary competitive method (a bundle of goods and/or services) the HPPS supports is the management team in the casual themed restaurant. They are an intangible component in the guest service experience. The management team is the one that implements and executes the service plan. They hire and conduct the training of service staff to ensure a great guest experience and they are the ones to make adjustments to improve the experience when necessary. High performing management is rare, not easily imitable, is value-adding and is difficult to replace. These are the four essential elements of an SCA, rarity, inimitable, value and substitutability, according to Barney (1991). This leads to commentary 2.

- **Commentary 2:** A restaurant HPPS is different than a manufacturing HPWP system because its focus is squarely on being a multifaceted core competency that supports the value-adding manager competitive method – management is the intangible competitive advantage which oversees the execution of the production of outstanding food and service to achieve customer satisfaction.

In most high performance restaurant companies, managers are given the freedom to have control of their work environment within clearly defined frameworks. As John Denopli stated

“they are captains of their own ship” and in charge of their own destiny; “I am here to help them be successful”. In these work systems managers are more knowledgeable about their operating environment as they have a clear stake in the restaurants performance. HPPS recognize managers as people who are capable of being key contributors to the success of the organization. Managers are given an opportunity to interact in team meetings, joint problem solving sessions and information sharing. HPPS and people management systems aid in keeping the morale of the employees at high levels. By involving people, employee involvement systems rest on the interaction between the tangibles and intangibles.

The work practices that were not considered relevant dimensions to the casual themed restaurant service industry are: Job Design, Employment Security and Reduced Status Distinctions and Barriers as determined by the principle investigator, the pilot study expert panel and the Delphi research results. As reflected in the previous comments these work practice dimensions did not appear important for the casual themed restaurant service industry. This leads to commentary 3 & 4.

- **Commentary 3:** The casual restaurant service sector does not have all of the same work practices that were suggested by previous studies conducted in manufacturing and other regulated industries. Job Design, Employment Security and Reduced Status Distinctions and Barriers that were included in those previous studies do not seem to apply in the US casual themed restaurant segment for unit managers according to the research results.
- **Commentary 4:** In the US casual themed restaurant segment for unit managers, Diversity and Quality of Work Life are important work practice dimensions in a HPPS.

This is an important distinction and a significant finding of this study. Over the last several business cycles the US economy has successfully transformed itself from a manufacturing economy to a service and knowledge economy. However, the focus in mainstream accounting practices, academic business research and government statistics has not significantly evolved with this rapidly changing environmental reality. The future of the US economy clearly rests with the creation of value through the use of intangible knowledge works, whose value is hard to quantify and is highly mobile. Thus knowing what components of an HPPS for intangible, value creating unit level restaurant managers are required to attract and retain, will ultimately add value to the firm.

### **Performance Measures for HPPS**

The difficulty in measuring the effectiveness of an HPPS is its intangibility. Intangibles are qualities in a person or group of people, especially those in an organizational group, which affect performance but are not directly quantifiable. They are often cited as a reason for performance which is surprisingly better or worse than expected. So, how is the immeasurable measured? This is the current dilemma with the valuation of intangibles; although they often far exceed in value “hard or real assets” in today’s knowledge economy. As previously stated, this study represents that a restaurant HPPS is a combination of core competencies in support of the competitive methods. The primary competitive method the HPPS supports is the value-adding

management team in the casual themed restaurant, which oversees the execution of the production of outstanding food and service to achieve customer satisfaction. The normative definition of competitive method is:

A competitive method is a portfolio of products and services that is bundled in such a way that it attracts those customers from within the overall demand curve of the industry (Olsen et. al., 2006)

This definition would not include a value-adding manager competitive method; however, nearly every casual themed restaurant operator would agree that quality management adds value to the firm and is hard to find in great supply and highly mobile. This realization does not necessarily mean that organizations act on this knowledge by changing their business model to provide for a HPPS. Therefore, what needs to be measured are not the core competencies, but the competitive method – management. What an organization really wants to know, is whether or not their investment in a competitive method produce acceptable returns. Is their investment in core competencies that support a competitive method worth it? Or should the firm invest its limited resources in other assets, tangible or otherwise?

- **Commentary 5:** To effectively assess an HPPS core competency in the US casual themed restaurant industry, the value-adding manager competitive method must be effectively measured.

So what measures should a casual themed restaurant firm use? The results of the study and the answer to research question 2 would seem to indicate that a restaurant company use retention, turnover, guest satisfaction and operational cash flow for financial performance. However, not all stakeholders were fully represented in the performance outcome section of the model (see figure 5.2). The performance metrics need to be reevaluated to determine if employee surveys need to be part of the evaluation process. Additionally, in general, the author feels that the performance dimensions to measure the effectiveness of the work practices and HPPS do not accurately gage the value of these core competencies. This study proposes that a restaurant HPPS is a combination of core competencies in support of the competitive method (management). What needs to be measured is the competitive method not the core competencies.

- **Commentary 6:** To effectively assess the value-adding manager competitive method in the US casual themed restaurant industry, all stakeholders' outcomes need to be measured.
- **Commentary 7:** To effectively measure all stakeholders' outcomes in the US casual themed restaurant industry, retention, turnover, guest satisfaction, operational cash flow for financial performance, employee quality of work life and same store sales should be collectively assessed.

### **Human Capital Intangibles**

Baruch Lev, a professor at the Stern School of Business at New York University, and a leading authority on intangibles, was commissioned by The Brookings Institution to do a comprehensive study of intangibles in all aspects of business (2001). Dr. Lev wrote barely two pages on human resource intangibles and concluded, “the research on human resource

expenditures (intangibles) is in its infancy and is seriously hampered by the absence of publicly disclosed corporate data on human resources” (p. 75). The body of literature on human resource intangibles is deficient and it is difficult to draw any conclusions from the studies published thus far, especially with public companies not required by the Securities and Exchange Commission (SEC) to disclose significant financial information related to their employees. According to a recent BusinessWeek cover story not much has changed over the last 10 years:

Assessing how much bang for the buck companies get from their spending on intangibles is even harder, especially in the fast-changing knowledge economy. Take employee training. In the old days, that required flying people to a teaching facility, which cost companies a lot of time on top of the cost of the instructors and real estate. Now online learning and other innovations are driving down the cost of training. At IBM the training budget fell by \$10 million from 2003 to 2004, a 1.4% decline, while the number of classroom and e-learning hours rose by 29%. Are other companies seeing an equally dramatic decline in the cost of training? No one knows. (p. 55)

The idea that individual worker performance has implications for business level results has been widespread among scholars and practitioners for many years (Huselid, 1995). Interest in this area has recently intensified as academics have begun to debate that, as a group, a company's employees can also provide a distinctive source of competitive advantage that is difficult for its competitors to imitate. An employment system that creates a distinct sustainable competitive advantage is an “intangible asset” and it is not carried on the balance sheet, as are traditional assets (plant and equipment). Bill Gates was quoted in an article in the Journal of Business Strategy Review “Our primary assets, which are software and our software development skills, do not show up on the balance sheet at all” (1999). Intangible assets are now worth on average three times more than firm's hard assets, according to the Harvard Management Update Newsletter (Wagner, 2001). Microsoft for example, reported in 2000 that it had revenue of \$23 billion, physical assets of \$52 billion and a market capitalization (number of outstanding common stock shares times their price) of more than \$423 billion. That leaves a spread between intangibles and tangible assets of eight fold.

“As innovation accelerates, it is increasingly difficult to measure the source of wealth. The three biggest measurement headaches are human capital, healthcare and computers”. (Rohwer, 1999: 263). Human capital is basically the ability of employees to generate economic output through the application of their education, knowledge and skills; it refers to employees' know-how, capabilities, skills and expertise. “The best known indicator of human intellectual capital value is market to book value” (Dzinkowski, 2000: 93). The difficulty with this valuation is that there is no distinction as to what part of the intangible value is representative of human capital and what belongs to other intangibles (trademarks, etc). The other complex issue is that stock market valuations are so volatile and book value of assets does not always represent their true worth. On Friday July 26, 2002, in the midst of a severe stock market slide, Tyco International announced that it had hired Edward Breen, the former president of Motorola, to be its new CEO (Eisiner, 2002: C1). Tyco's stock shot up 46% that day, worth \$7.5 billion in market value, while at the same time Motorola's stock declined \$2.5 billion, a \$10 billion swing due to the departure and arrival of one man. Is this a demonstration of the power and value of human capital intangibles... or just due to some wild market forces? Most likely the cause is a little of both.

## **Intangible Valuation**

According to David Norton, co-developer of the balanced scorecard, the greatest anxiety today for business executives in the new economy is that “human capital is the foundation of value creation” and they don’t know how to create, measure, keep it or ultimately value it (Becker, Huselid & Ulrich, 2001:ix). Top level management realize that they are in a battle for talented employees, but they only seem to know how to manage their human capital like operating costs, something to be cut when the budget gets tight (Becker, Huselid & Ulrich, 2001). The outcome of this paper for intangible value is the advancement of a model to demonstrate the economic value of an HRM intangible dimension and ultimately an HPPS; and additionally to demonstrate why restaurant firms should invest in HRM as a strategy to develop core competencies that produce economic value-added (EVA) for the firm. Intangible Economic Value (EVA) is the potential and ability of employees to add additional value above and beyond the cost of the products and services they create while engaged in work activities or work related activities. “The best known indicator of human intellectual capital value is market to book value” (Dzinkowski, 2000: 93).

“The growth of intangible value and the drive to increase this value has not left HR unaffected. The most striking change in the new economy is the realization of the intangible economic value of Human Capital, and how that translates into fundamental business imperatives to attract, retain and develop that Human Capital” (McCormick, 2002:1).

There are lots of intangibles that have the potential to create value, including skilled employees, specialized training and development, intellectual property, business processes, customer intimacy, corporate culture, brand equity, and many others that don't show up on most balance sheets. Businesses and investors have to understand how to identify the intangibles that contribute to the creation of value; how to measure them to understand the nature of the value they create; and how to improve their value to measurably grow the bottom line. CFOs, COOs, and CEOs are already approaching this challenge from multiple fronts, which is reflected in trends like business intelligence and the balanced scorecard -- initiatives that hinge on mapping business processes directly to corporate strategy. Unfortunately, few HR managers are sitting at the strategy table to represent HR's value, because the HR value creation process is not fully understood or causal.

Despite all the advances in technology, metrics, and analytics, human resource managers have made little progress in easing concerns expressed by today's CEOs, not only about hot button issues like health benefits and retirement plans, but every area of the HR function. Now, a changing economic environment is giving CFOs and COOs the opportunity to gain control over the destiny of marketing as a business function.

The fundamental driver shaping current trends in corporate strategy is a shift in how the value of a business is measured. Until the early 1980s, up to 75% of the market value of a business was defined by the tangible assets that appeared on the balance sheet. Today, that number is less than 25%.



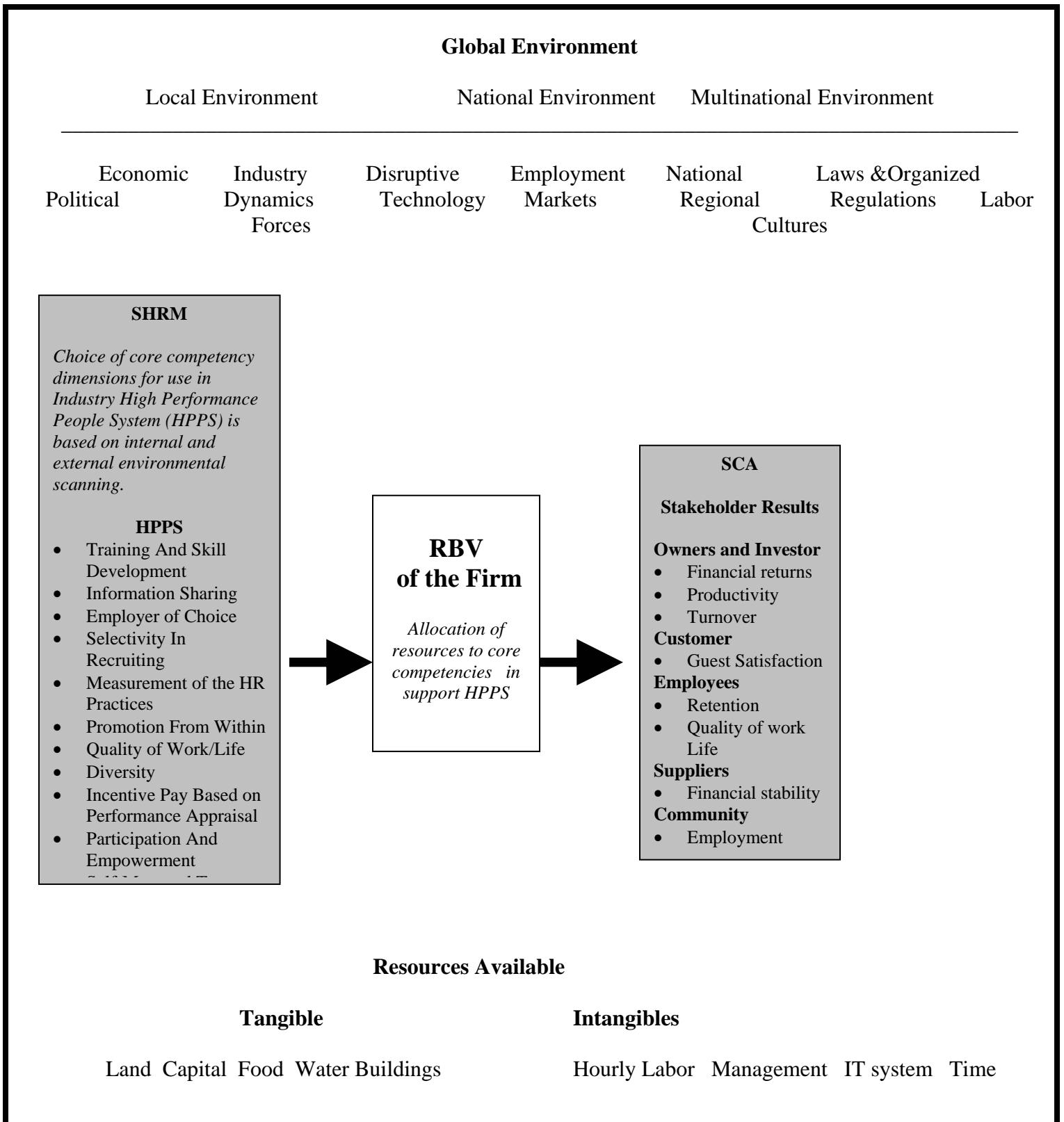
“Gone are the days when businesses can afford to view people purely as costs. In the 21st century knowledge economy, people must be seen as wealth and capability generators who can profoundly affect market appeal, reputation, and performance. How well businesses measure and then improve know-how greatly influences how successful they are. When it comes to measuring know-how, no one metric or approach can meet all purposes. Several areas commonly explored in existing reporting on intangible value include customer capital, human capital, intellectual capital and relationship capital. Without doubt, the area of measuring business know-how (intangible assets) is undergoing fundamental change” (Allister, 2003 p. 1).

There are numerous concerns with this problem; however they all can be summarized in two simple statements. How comfortable can the executives be when they cannot identify, and therefore cannot control ninety percent of the firm’s value? Additionally, as value and risk are two sides of the same coin, how comfortable can other stakeholders in the firm, specifically, investors and regulators, be when the leadership can’t identify the major sources of value, and degree of risk?

In the “New Economy”, growth is no longer driven predominantly by investments in physical assets, but by investments in intellectual, organizational, and reputational assets. Growing discrepancy between the important role of intangibles on firm’s growth and the ability to identify, measure, and account for those assets is a serious potential problem for a restaurant firm.

Today’s casual themed restaurant company is an amalgamation of concepts with brand identities, systems and procedures, human capital and a proven track record. These are all intangible assets. The problems for the casual themed restaurant industry pertain not only to the issue of the inherent difficulty in measuring, quantifying, and accounting for intangibles, but also the challenge of intangible asset value fluctuation. Today while tangible assets fluctuate in value due to variation in economic conditions, competition or political instability, these patterns of fluctuation can be ascertained and value can be reassessed relatively quickly and accurately. Not so with intangible assets.

- **Commentary 9:** Additionally, in general, the author feels that the performance dimensions to measure the effectiveness of the work practices and HPPS do not accurately gage the value of these core competencies. Managers are intangible human capital and as such present a difficult measurement challenge. As previously stated, this study represents that a restaurant HPPS is a combination of core competencies in support of the competitive methods. The primary competitive method the HPPS supports is the management team in the casual themed restaurant. What need to be measured are not the core competencies, but the value creation of value-adding manager competitive method. Therefore, future research should explore this concept and consider measuring the EVA of management and not the HPPS in future study designs.



**Figure 5.1: Theoretical Model of an HPPS for Unit Management that Creates SCA for Stakeholders in the Casual Themed Restaurant Industry**

Note: financial returns in the model 5.1 include more than just cash. Financial returns also reflect value creation in market price and accounting profits

### **Critique of the Model**

First, the three streams of literature, the Co-alignment principle, Resource Based View of the firm and Strategic Human Resource Management, have not been previously linked together in a model. The challenges and opportunities are clear in doing so. RBV and SHRM have a priori theoretical connection in the strategic management literature. However, the majority of this research has been done in non-service oriented sectors and with large national data base samples. The concept of co-alignment has its origins in the strategic management environmental literature, but has been more thoroughly developed and investigated in the hospitality service literature. Consequently, not only are three streams of literature being melded together but two different research contextual settings, large manufacturing and small service units, are being required to transcend their basic differences.

Second, the proposed model is developed from an exploratory Delphi process in a specific contextual setting. That is, the components for the HPPS as specified in the model are thought to be specifically relevant to unit level managers in casual themed restaurants in the US. There is a need to test whether the model can be applied in the context of other restaurant and service segments.

Third, this was an exploratory qualitative study where the first research question was designed to capture the common dimensions of an HRM work practice construct for unit level managers in casual themed restaurants in the US. Therefore, the model is proposed without presenting causality between its constructs, even though the causality among the constructs of the Co-Alignment Principle has been tested (Chathoth, 2002; Taylor, 2002). These constructs are environmental scanning, competitive methods, core competencies, HPPS dimensions and stakeholder outcome must be properly assessed if an SCA is to be obtained by the organization. Additionally, the causal relationships between the components in the model have not been hypothesized.

Fourth, the study's second research question addressed what performance measurements can be utilized to determine an effective HRM work practice system for unit level managers in casual themed restaurants in the US. No attempt was made to empirically test the model's assertion that HPPS possess value, rareness, non-substitutability, or whether they are actually difficult to imitate, and when combined lead to an SCA. As Wright et al. stated about other HRM work practice studies, "While intuitively obvious and possibly supported by anecdotal data, the field lacks verifiable quantifiable data to support these assertions" (2001, p. 715).

Lastly, even though a consensus was reached through the Delphi process and the two research questions were answered, further testing of the models HPPS dimensions need to be conducted to understand if there are differences between the expert panel conclusions and unit manager's desires.

### **Propositions**

**Proposition 1:** The work practice dimensions of Training And Skill Development, Information Sharing, Employer of Choice, Selectivity In Recruiting, Measurement of the HR Practices, Promotion From Within, Quality of Work/Life, Diversity, Incentive Pay Based on Performance Appraisal, Participation And Empowerment, Self-Managed Teams, Employee Ownership and High Wages and Benefits combine to form a universalistic HPPS construct for unit level managers, in the casual segment of the US restaurant industry.

**Proposition 2:** A casual themed restaurant firm's investments in HPPS for unit level managers will yield value-added financial returns, increased productivity and reduced annual employee turnover.

**Proposition 3** A casual themed restaurant firm's investments in HPPS for unit level managers will improve period over period overall guest satisfaction scores.

**Proposition 4:** A casual themed restaurant firm's investments in HPPS for unit level managers will improve manager's retention and satisfaction with quality of work life.

**Proposition 5:** The firm's choice of the content of HPPS dimensions, for use with unit level managers in the casual segment of the US restaurant industry, is based on environmental scanning and competitive analysis.

**Proposition 6:** To achieve an SCA the appropriate allocation of firm resources to the HPPS, in support of unit level managers in the casual segment of the US restaurant industry, is required.

**Proposition 7:** An HPPS, for unit level managers in the casual segment of the US restaurant industry, creates value for stakeholders.

## **Contribution of Study**

### **Contribution to the Literature**

This study contributes to the strategy literature by the systematic substantiation of the components of an HPPS system for unit level managers, as well as the identification of appropriate evaluation criteria for determining the performance of an HPPS system in the US casual restaurant themed segment. Therefore, the present study contributes to the body of knowledge by defining what the construct of an HPPS is for casual theme restaurants. More specifically, in the casual theme restaurant industry, the study determines the human resource work practice dimensions that comprise an HPPS system construct for unit level managers and by establishing specific performance appraisal criteria that can be utilized to determine an effective HPPS system. Similarly this study confirms many of the basic work practice dimensions of an HPWP system in the literature and the metrics that have been used to measure firm performance previously. Also, this study differs from previous research in that it established a new HPPS construct for unit level managers, as well as the identification of appropriate evaluation criteria for determining the performance of an HPPS construct in the US casual restaurant themed segment.

Over the past 20 years SHRM has embraced the RBV as a theory that gives credence to the idea of HRM as an integral part of an organization's strategy formulation. Many noted researchers have explored the SHRM and RBV linkage in an effort to demonstrate that it is an opportunity for some firms to gain a competitive advantage (Lado & Wilson, 1994; Jackson & Schuler, 1995; Boxall, 1996; Kamoche, 1996; Ferris et. al., 1999; Wright, Dunford & Snell, 2001). These works have drawn on the RBV of the firm (Penrose, 1959, Wernerfelt, 1984, Barney, 1991, 1995) and have argued that HRM is more suited for producing an SCA than the more traditional methods (Ferris et. al., 1999). What is missing in the SHRM and RBV linkage is an understanding of the role played by the environment on an organization's choice of strategy and the impact it has on performance. The environment and SHRM are related areas that remain, for the most part, uninvestigated (Ferris et. al., 1999). To gain an understanding of the contribution to the overall strategy/performance linkage of the firm from HRM work practices, this study used the Co-alignment principle as the underpinning of the model (figure 5.2) to show the relationship.

The published theory is that HPWP systems develop from a combination of core competencies and competitive methods, which are developed in response to environmental forces driving change as firms seek to achieve a sustainable competitive advantage. The results of the study for research question 1 revealed the dimensions of an HPPS in the US casual theme restaurant segment for operating managers and the formation of an HPPS system construct that is a core competency in support of a value-adding manager competitive method. This is different from mainstream literature and a substantial finding of this study. Over the last several decades the US business economy has successfully transformed itself from a manufacturing economy to a service and knowledge economy. The future of the US economy clearly rests with the creation of value through the use of

intangible knowledge workers, whose value is hard to measure and highly transferable to another enterprise and in fact may be a competitive method.

The concept of competitive methods therefore, is not a simple one. Bundles of products and services, both tangible and intangible do not lend themselves to precise definitions. The approach taken...to address this challenge is that a competitive method must result in increased revenue for the firm. That is, each CM must appeal to the customer in the market place and serve as the main reason why that customer is willing to part with his money. Its outcome is directed toward top of the line performance (Olsen et. al., 2006, ch. 8)

The outcome from this research is a list of practices that are common to the casual theme restaurant industry, and sufficient evidence to formulate theoretical propositions to be used by scholars in future research. It is the researcher's further hope that the findings would add to the body of knowledge in the aforementioned fields of study.

### **Contribution to the US Restaurant Industry**

Given the challenges and competitiveness of the restaurant industry environment today, this is a critical area of research. With the future growth of the restaurant sector dependent to an extent on its ability to find employees and managers to operate units, the old ideas about HRM work practices and attitudes about the quality of life in and outside of work are under going a transformation. Experienced managers are increasingly leveraging their value to the company and by "making a statement about who they are, where they want to live, how they want to work". The shortage of qualified managers in the restaurant industry to grow their concepts will further necessitate change. The restaurant industry has been challenged by these issues for a long time and the inability of some to change continues to prolong the problem, "employers, unwillingness to increase pay, shifts with long hours and poor corporate recognition of good performance just scratch the surface on a list of shortcomings that exacerbate employee flight" (Prewitt, 2000).

### **Limitations of this Study**

#### **Limitation**

What has come to light from conducting this study is an HPPS construct containing 13 dimensions and performance metrics for it. The dimensions need further refinement regarding content and managers viewpoint. The performance metrics need additional expansion and quantitative verification.

The body of literature on human resource intangibles is not vast and it is difficult to draw any conclusions from the studies published thus far, especially since public companies are not required by the Securities and Exchange Commission (SEC) to disclose significant financial information related to their employees. More research needs to be done on the valuation of HRM management intangibles and HPPS specifically by using the dimensions and metrics from this study.

Most of the previous studies thus far in SHRM have been of the quantitative nature using large manufacturing databases. This study's use of exploratory qualitative information, which has not been previously done, while valuable, will need to be followed up by more in-depth case studies and quantitative methods in order to produce an effective study that will achieve a greater measure of validity.

An additional drawback of using qualitative study research design is the issue of generalization. The model developed from the findings in this study may not be generalized to other firms within the same or other industries. However, this research is probative in nature and the generalization of the findings was not an objective. The study serves as an early step in the development of a decision-making model for investments in HRM work practices.

Another limitation was the short amount of time for the semi-structured interviews. The researcher had less than 90 minutes with each participant visited, which was mainly due to the interviewees' available free time. Additionally, the possibility arises that the metrics could be the result of industry group think and therefore invalid.

## **Suggestions for Future Studies**

The previous chapters outlined the research conducted in the development of a construct for the conceptualization of HPPS within the casual theme restaurant sector of the US hospitality industry for unit managers and the performance metrics to assess their effectiveness. A proposed research agenda for further investigation of those practices is now discussed.

First, now that the experts have spoken, what do the unit managers have to say? Will the managers that have the responsibility of running the casual restaurants feel the same way about the work practices? A comparison between the panel's results and the managers will need to be examined to determine if there are differences in work practice dimensions and an HPPS construct.

Second, Performance metrics need to be reevaluated to determine if employee surveys need to be part of the evaluation process. The experts commented on different types of employee surveys such as employee engagement survey, employee attitude survey and employee satisfaction survey. Taken separately the comments reflected different metrics, but now in hindsight the comments reflect an overall opinion that employees need to be asked what they think and how they feel about a variety of issues.

Additionally, in general, the author feels that the performance dimensions to measure the effectiveness of the work practices and HPPS do not accurately gage the value of these core competencies. Managers are intangible human capital and as such present a difficult measurement challenge. As previously stated, this study represents that a restaurant HPPS is a combination of core competencies in support of the competitive methods. The primary competitive method the HPPS supports is the value-adding manager in the casual themed restaurant. What should be measured are not the core competencies, but the value-adding manager competitive method. Therefore, research question 2, suggesting that there are appropriate performance appraisal criteria that can be used to determine an effective HPWP, is ill-conceived and misdirected; it should have been measuring the value-adding manager competitive method and not the HPWP system.

Third, the individual work practice dimensions need further definition. Organizations need to know the most effective components of each of the work practice dimensions. For example, what selection methods achieve the best hiring results? What is the best type of manager ownership program? How much training and what type is valuable? Are we paying enough or too much? What is the right amount of work hours to achieve an effective work life balance for managers? What is the best type of employee survey to gage employee opinion and feeling?

Fourth, case studies of restaurant firms that are in alignment according to the HPPS model. This should aid in the discovery of more of the idiosyncrasies of the work practice dimensions for further definition. Exploration of cooperating organizations should also possibly help in the verification of the model's basic assumption that alignment leads to competitive advantage.

Fifth, after further refinement of the work practice and performance dimensions a larger quantitative study of restaurant firm's alignment could be undertaken using public companies and those private companies willing to discuss the topic to further validate the model and theory.

Sixth, expand the framework to other restaurant segments that have similar characteristics to the casual theme restaurant market (i.e. mid-scale dining, QRS,) as well as other service sectors that rely heavily on customer service, such as retail outlets where managers can make a big impact on unit performance.

Seventh, for the work practice dimensions included in the HPPS, the operationalized work practice statements (Table 4.15) from Delphi round 2 can be used in future survey construction and quantitative studies. Each agreed upon dimension in the HPPS construct had at least one operationalized statement with a median of 6 or higher, which can be used in future research. Consensus was reached according to the Delphi protocol for the operationalized work practice statements. The operationalized statements are not addressed by either of the research question and were intended for future research; hence they have not been subject to a great deal of discussion.

Lastly, theory and model refinement will be an on-going process involving theory testing which may ultimately lead to construct validity, theory refutability and model acceptance. The likelihood is equally strong that the theory and the model are discredited or ignored into obscurity.

## Summary

This chapter discusses the findings relevant to the research questions and propositions that lead to the development of a High Performance People System (HPPS) theoretical model for casual themed restaurant management and the limitations, contributions and possible future research. A final theoretical model was proposed based on the results of the study using a triangulation methodology. Nine commentaries to the findings were reviewed and significant issues were raised. Finally, seven propositions were put forth based on the research and the model to aid in further exploration.

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### High Performance Work practice System Questionnaire 3

Please indicate the degree to which each of the following work practices belong in a HRM high performance work practice (HPWP) system for the casual themed restaurant segment managers, if any? Second, are the numbered questions following the work practices appropriate to determine if the work practices are present in a firm?

	<b>Disagree</b>				<b>Agree</b>		
	1	2	3	4	5	6	7
<u>Employment Security</u> belongs in a HPWP system for managers.	1	2	3	4	5	6	7
1. Employees in this job can expect to stay in the organizations for as long as they wish.	1	2	3	4	5	6	7
2. It is very difficult to dismiss an employee in this job.	1	2	3	4	5	6	7
<u>Selectivity In Recruiting</u> belongs in a HPWP system for managers.	1	2	3	4	5	6	7
3. All managers are administered an employment test prior to hiring?	1	2	3	4	5	6	7
4. For the managers that your firm hires you have many applicants.	1	2	3	4	5	6	7
<u>High Wages</u> belongs in a HPWP system for managers.	1	2	3	4	5	6	7
5. Your firm's management compensation (Base + Bonus + Benefits) is in the top 25%, if the going market rate for total compensation is considered to be the 50th percentile (Base + Bonus + Benefits).	1	2	3	4	5	6	7
<u>Incentive Pay Based on Performance Appraisal</u> belongs in a HPWP system for managers.	1	2	3	4	5	6	7
6. Managers are eligible for cash bonuses based on individual performance or company-wide productivity or profitability.	1	2	3	4	5	6	7
7. Managers are eligible for deferred bonuses (placed into pension or 401k plans) based on individual performance or company-wide productivity or profitability.	1	2	3	4	5	6	7
<u>Employee Ownership</u> belongs in a HPWP system for managers.	1	2	3	4	5	6	7
8. Managers have access to company stock options, profit-sharing plans, and/or gain-sharing plans?	1	2	3	4	5	6	7
<u>Information Sharing</u> belongs in a HPWP system for managers.	1	2	3	4	5	6	7
9. Managers are included in formal information sharing programs (e.g., a newsletter or regular meeting) that provides information on a wide variety of topics relevant to the business and its operation?	1	2	3	4	5	6	7
<u>Participation And Empowerment</u> belongs in a HPWP system for managers.	1	2	3	4	5	6	7
10. Employees in this job are allowed to make many decisions.	1	2	3	4	5	6	7
11. Employees in this job are often asked by their supervisor to participate in decisions.	1	2	3	4	5	6	7
12. Employees are provided the opportunity to suggest improvements in the way things are done.	1	2	3	4	5	6	7

Self-Managed Teams belongs in a HPWP system for managers.

- |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
|   | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 13. Employees participate in labor-management participation teams programs and/or Quality Circles (QC)? | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Training And Skill Development belongs in a HPWP system for managers.

- |  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 14. Extensive training programs are provided for individuals in this job.  |   |   |   |   |   |   |   |
| 15. There are formal training programs to teach new hires the skills they need to perform their jobs.                | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 16. Formal training programs are offered to employees in order to increase their promotability in this organization. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Reduced Status Distinctions and Barriers belongs in a HPWP system for managers.

- |  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 17. Managers dress differently than other employees?                                 |   |   |   |   |   |   |   |
| 18. Managers have "special perks" (e.g. parking, lunch rooms, and offices)?          | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 19. The organization actively tries to reduce status distinctions between employees? | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Job Design belongs in a HPWP system for managers.

- |  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 20. The duties of this job are clearly defined.  |   |   |   |   |   |   |   |
| 21. This job has an up-to-date job description.  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 22. The job description for this job contains all of the duties performed by individual employees. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Promotion From Within belongs in a HPWP system for managers.

- |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
|   | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 23. Individuals in this job have clear career paths within the organization.                                    |   |   |   |   |   |   |   |
| 24. Employees' career aspirations within the company are known by their immediate supervisors.                  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 25. Employees in this job who desire promotion have more than one potential position they could be promoted to. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Measurement of the HR Practices belongs in a HPWP system for managers.

- |  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 26. Employees are regularly administered attitude surveys? |   |   |   |   |   |   |   |

Quality of Work/Life belongs in a HPWP system for managers.

- |  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 27. Employees participate in Quality of Work Life (QWL) teams? | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

**What additional work practices belong in a HRM high performance work practice system, if any?**

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**What additional questions would you ask to determine if the work practices in Part I are present in an organization?**

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**Multiple measures should be used to determine the performance effectiveness of a HPWP system; would you use these measures?**

<u>Productivity</u>	1	2	3	4	5	6	7
Defined as sales per employee.	1	2	3	4	5	6	7
<u>Turnover</u>	1	2	3	4	5	6	7
Defined as average annual rate of manager turnover.							
<u>Financial Performance (3)</u>	1	2	3	4	5	6	7
Defined as gross annual rate of return on capital (GRATE) for accounting profits	1	2	3	4	5	6	7
Market/book value for economic profits.	1	2	3	4	5	6	7
Operational Cash Flow	1	2	3	4	5	6	7

**What additional measures would you use to determine the performance effectiveness of a HPWP system?**

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**Please go back and check that all questions have been answered.**

**Thank you for your participation!!!**

# Human Resource (HR) Work Practice System Questionnaire 5

## Part I

Please indicate the degree to which each of the following underlined HR work practices belong in a work practice system for casual themed restaurant managers.

	Disagree				Agree		
1. <u>Employment Security</u>	1	2	3	4	5	6	7
2. <u>Selectivity In Recruiting</u>	1	2	3	4	5	6	7
3. <u>High Wages</u>	1	2	3	4	5	6	7
4. <u>Incentive Pay Based on Performance Appraisal</u>	1	2	3	4	5	6	7
5. <u>Employee Ownership</u>	1	2	3	4	5	6	7
6. <u>Information Sharing</u>	1	2	3	4	5	6	7
7. <u>Participation And Empowerment</u>	1	2	3	4	5	6	7
8. <u>Self-Managed Teams</u>	1	2	3	4	5	6	7
9. <u>Training And Skill Development</u>	1	2	3	4	5	6	7
10. <u>Reduced Status Distinctions and Barriers</u>	1	2	3	4	5	6	7
11. <u>Job Design</u>	1	2	3	4	5	6	7
12. <u>Promotion From Within</u>	1	2	3	4	5	6	7
13. <u>Measurement of the HR Practices</u>	1	2	3	4	5	6	7
14. <u>Quality of Work/Life</u>	1	2	3	4	5	6	7

What additional HR work practices belong in a work practice system in a restaurant, if any?

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## Part II

Are the numbered questions following the underlined HR work practices appropriate to determine if the work practices are present in a restaurant?

	Disagree				Agree		
<u>Employment Security</u>							
28. Management in this job can expect to stay in the organizations for as long as they wish.	1	2	3	4	5	6	7
29. It is very difficult to dismiss a Manager in this job.	1	2	3	4	5	6	7
<u>Selectivity In Recruiting</u>							
30. All managers are administered an employment test prior to hiring.	1	2	3	4	5	6	7
31. You have many applicants for open management positions.	1	2	3	4	5	6	7
<u>High Wages</u>							
32. Your firm's management compensation (Base + Bonus + Benefits) is in the top 25% for restaurant managers.	1	2	3	4	5	6	7
<u>Incentive Pay Based on Performance Appraisal</u>							
33. Managers are eligible for cash bonuses based on individual or company performance .	1	2	3	4	5	6	7
34. Managers are eligible for deferred bonuses based on	1	2	3	4	5	6	7

individual or company performance.

Employee Ownership

35. Managers have access to company stock options, profit-sharing plans, and/or gain-sharing plans. 1 2 3 4 5 6 7

Information Sharing

36. Managers are included in formal information sharing programs (e.g., a newsletter or regular meeting). 1 2 3 4 5 6 7

Participation And Empowerment

37. Managers in this job are allowed to make many unit decisions. 1 2 3 4 5 6 7

38. Managers are provided the opportunity to suggest improvements in the way things are done in the firm. 1 2 3 4 5 6 7

Self-Managed Teams

39. Managers are involved in labor-management participation teams and programs. 1 2 3 4 5 6 7

Training And Skill Development

40. Formal training programs are provided for individuals in this job. 1 2 3 4 5 6 7

41. Formal development programs are offered to managers in this organization. 1 2 3 4 5 6 7

Reduced Status Distinctions and Barriers

42. Managers dress differently than other employees. 1 2 3 4 5 6 7

43. Managers have "special perks" (e.g. parking, lunch rooms, and offices). 1 2 3 4 5 6 7

Job Design

44. The duties of this job are clearly defined. 1 2 3 4 5 6 7

45. This job has an up-to-date job description. 1 2 3 4 5 6 7

Promotion From Within

46. Individuals in this job have clear career paths within the organization. 1 2 3 4 5 6 7

47. Managers' career aspirations within the company are known by their immediate supervisors. 1 2 3 4 5 6 7

Measurement of the HR Practices

48. Managers are regularly administered attitude surveys. 1 2 3 4 5 6 7

Quality of Work/Life

49. Managers participate in Quality of Work Life (QWL) teams. 1 2 3 4 5 6 7

**What additional questions would you ask to determine if the underlined HR work practices in Part I are present in a restaurant?**

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**Part III**

**Would you use these performance measures to determine the effectiveness of a HR work practice system for casual themed restaurant managers?**

	Disagree			Agree			
<u>Productivity</u>	1	2	3	4	5	6	7
<u>Turnover</u>	1	2	3	4	5	6	7
<u>Financial Performance</u>	1	2	3	4	5	6	7

**What additional performance measures would you use to determine the effectiveness of a HR work practice system for casual themed restaurant managers?**

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**Part IV**

**Are the numbered performance definitions following the underlined performance measures appropriate to determine the effectiveness of a HR work practice system for casual themed restaurant managers?**

Productivity

1. Defined as sales per employee. 1 2 3 4 5 6 7

Turnover

2. Defined as average annual rate of manager turnover. 1 2 3 4 5 6 7

Financial Performance

3. Defined as gross annual rate of return on capital (GRATE) for accounting profits 1 2 3 4 5 6 7
4. Defined as Market/book value for economic profits. 1 2 3 4 5 6 7
5. Defined as Operational Cash Flow 1 2 3 4 5 6 7

**What additional ways would you use to determine the effectiveness of a HR work practice system for casual themed restaurant managers?**

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**Thank you for your participation!!!**

# Human Resource (HR) Work Practice System Questionnaire 7

## Part I

Please indicate your level of agreement with the statement below that each of the following underlined HR work practices belong in a work practice system for casual themed restaurant managers.

Agree	Strongly Disagree	>>>>>>	Strongly				
15. <u>Employment Security:</u> Employment security assumes flexibility and means that employees are not quickly laid-off for reasons over which employees have no control. The policy focuses on maintaining total employment and not on protecting individuals from the consequences of their individual behavior or incompetence on the job	1	2	3	4	5	6	7
16. <u>Selectivity In Recruiting</u> Rigorous selection requires a method, refined and developed over time through feedback and learning, to ensure that the firm can identify the skills it is seeking from the applicant pool.	1	2	3	4	5	6	7
17. <u>High Wages</u> Compensation can take many forms such as pay increases, share ownership, stock options, profit sharing, paying for skills acquisition and individual or team incentives	1	2	3	4	5	6	7
18. <u>Incentive Pay Based on Performance Appraisal</u> Compensation can take a number of different forms, including gain sharing, profit sharing, pay for skill, or various forms of individual or team incentives	1	2	3	4	5	6	7
19. <u>Employee Ownership</u> Other forms of financial incentives designed to align the interests of employees with shareholders. (e.g., ESOPs and proprietary/partner interests).	1	2	3	4	5	6	7
20. <u>Information Sharing</u> Regular sharing of information on issues such as financial performance, strategy, and operational measures through formal and informal channels.	1	2	3	4	5	6	7
21. <u>Participation And Empowerment</u> The decentralization of decision making and broad worker participation and empowerment in controlling their own work processes.	1	2	3	4	5	6	7
22. <u>Self-Managed Teams</u> Workers in self-managed teams enjoy greater autonomy, flexibility and discretion.	1	2	3	4	5	6	7
23. <u>Training And Skill Development</u> Emphasize employee skill development, advanced education, training, cross-training and cross-utilization.	1	2	3	4	5	6	7
24. <u>Reduced Status Distinctions and Barriers</u> Including dress, language, office arrangements and wage differences across levels	1	2	3	4	5	6	7

25. Job Design

The extent to which jobs are clearly and precisely defined

26. Promotion From Within

An incentive for performing well which has a monetary as well as a status reward attached to it, includes succession planning

1 2 3 4 5 6 7

27. Measurement of the HR Practices

Including employee assessment and measurement of the objectives to provide feedback and success of a work practice.

28. Quality of Work/Life

The degree of emotional, intellectual, or cultural satisfaction in a person's everyday life as distinct from the degree of material comfort

15. Diversity:

1 2 3 4 5 6 7

Defined as a collective mixture characterized by differences and similarities that are applied in pursuit of organizational objectives. It is the process of planning for, organizing, directing, and supporting these collective mixtures in a way that adds a measurable difference to organizational performance”

16. Employer of Choice:

1 2 3 4 5 6 7

Defined as a term used to designate an organization that, because of its status and reputation, is always the first choice (or at least on the short list) of world-class organizations. It essentially means being able to provide employees with the most enjoyable and fulfilling working environment as possible and balancing this with their home and personal life.

**What additional HR work practices belong in a work practice system in a restaurant, if any?**

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**Part II**

Please review the numbered statements below and the underlined HR work practices from Part I. Based upon your experience please indicate your level of agreement that the numbered statements accurately represent the underlined work practices for a restaurant company.

	<b>Disagree</b>						<b>Agree</b>
<u>Employment Security</u>							
17. Management in this job can expect to stay in the organizations for as long as they wish.	1	2	3	4	5	6	7
18. It is very difficult to dismiss a Manager in this job.	1	2	3	4	5	6	7
<u>Selectivity In Recruiting</u>							
19. All managers are administered an employment test prior to hiring.	1	2	3	4	5	6	7
20. You have many applicants for open management positions.	1	2	3	4	5	6	7
<u>High Wages</u>							
21. Your firm’s management compensation (Base + Bonus + Benefits) is in the top 25% for restaurant managers.	1	2	3	4	5	6	7
<u>Incentive Pay Based on Performance Appraisal</u>							



22. Managers are eligible for cash bonuses based on individual or company performance .	1	2	3	4	5	6	7
23. Managers are eligible for deferred bonuses based on individual or company performance.	1	2	3	4	5	6	7
<u>Employee Ownership</u>							
24. Managers have access to company stock options, profit-sharing plans, and/or manager partnerships.	1	2	3	4	5	6	7
<u>Information Sharing</u>							
25. Managers are included in formal information sharing programs (e.g., a newsletter or regular meeting).	1	2	3	4	5	6	7
<u>Participation And Empowerment</u>							
26. Managers in this job are allowed to make many unit decisions.	1	2	3	4	5	6	7
27. Managers are provided the opportunity to suggest improvements in the way things are done in the firm.	1	2	3	4	5	6	7
<u>Self-Managed Teams</u>							
28. Managers are involved in labor-management participation teams and programs.	1	2	3	4	5	6	7
<u>Training And Skill Development</u>							
29. Formal training programs are provided for individuals in this job.	1	2	3	4	5	6	7
30. Formal development programs are offered to managers in this organization.	1	2	3	4	5	6	7
<u>Reduced Status Distinctions and Barriers</u>							
31. Managers dress differently than other employees.	1	2	3	4	5	6	7
32. Managers have “special perks” (e.g. parking, lunch rooms, and offices).	1	2	3	4	5	6	7
<u>Job Design</u>							
33. The duties of this job are clearly defined.	1	2	3	4	5	6	7
34. This job has an up-to-date job description.	1	2	3	4	5	6	7
<u>Promotion From Within</u>							
35. Individuals in this job have clear career paths within the organization.	1	2	3	4	5	6	7
36. Managers' career aspirations within the company are known by their immediate supervisors.	1	2	3	4	5	6	7
<u>Measurement of the HR Practices</u>							
37. Managers are regularly administered HR employee satisfaction surveys.	1	2	3	4	5	6	7
<u>Quality of Work/Life</u>							
38. Managers participate in Quality of Work Life (QWL) teams.	1	2	3	4	5	6	7
39. Are managers required to work more than 5 days/50 hours	1	2	3	4	5	6	7
40. Managers are provided the opportunity for balanced life planning	1	2	3	4	5	6	7

**Part III**

**Would you use these performance measures to determine the effectiveness of a HR work practice system for casual themed restaurant managers?**

	Disagree					Agree	
<u>41. Productivity</u>	1	2	3	4	5	6	7
<u>42. Turnover</u>	1	2	3	4	5	6	7
<u>43. Financial Performance</u>	1	2	3	4	5	6	7
<u>44. Retention</u>	1	2	3	4	5	6	7
<u>45. Guest Satisfaction</u>	1	2	3	4	5	6	7

**Part IV**

**Are the numbered performance definitions following the underlined performance measures appropriate to determine the effectiveness of a HR work practice system for casual themed restaurant managers?**

Productivity

46. Defined as sales per employee hour. 1 2 3 4 5 6 7

47. Defined as customers per employee hour. 1 2 3 4 5 6 7

Turnover

48. Defined as average annual rate of manager turnover. 1 2 3 4 5 6 7

Financial Performance

49. Defined as gross annual rate of return on capital (GRATE) for accounting profits 1 2 3 4 5 6 7

50. Defined as Market/book value for economic profits. 1 2 3 4 5 6 7

51. Defined as Operational Cash Flow 1 2 3 4 5 6 7

Retention

52. Defined as average annual rate of manager retention 1 2 3 4 5 6 7

Guest Satisfaction

53. Defined as overall guest satisfaction score 1 2 3 4 5 6 7

## Round 2 Letter

Hi Dave,

The results have been tabulated for HR work practices survey you participated in and I am now trying to gain consensus on the work practices and performance measures according to the studies required protocol. Your answers on questions #3, 43 and 47 was greater than 1 standard deviation from the group mean on a 1- 7 scale. If You wish to change your answer, please indicate. The questionnaire is attached. All information is confidential and is reported in the aggregate.

Your answers

3. 4 mean 5.23  
43. 5 mean 6.07  
47. 2 mean 5.11

Thank you,

Kevin

Kevin S. Murphy  
Assistant Professor  
Rosen College of Hospitality Management  
University of Central Florida  
Office 283  
9907 Universal Blvd.  
Orlando, FL  
32819-9357

407-903-8035  
407903-8105 Fax  
website: <http://pegasus.cc.ucf.edu/~ksmurphy>

## Interviewees Biographies

As Darden's Senior Vice President of Group Human Resources, Ron Bojalad leads the development of the human resources across the Darden operating companies including Red Lobster, Olive Garden, Bahama Breeze and Smokey Bones Barbeque & Grill. In overseeing these functions, Bojalad leads one of the largest workforces in the United States with more than 150,000 people. Before being named to his current position in September 2005, Bojalad served as the senior vice president of human resources for Olive Garden since 1997. Bojalad joined Olive Garden as director of employee relations in September 1994 and was promoted to vice president of employment and employee relations in 1995. Before his time with Olive Garden, Bojalad worked as a personnel manager with General Mills and Emerson Electric. Bojalad has a bachelor's degree in Business Administration with a concentration in personnel and industrial relations from the University of Kentucky.

David Mansbach is Vice President and Managing Director of HVS Executive Search in New York and specializes in executive search, compensation consulting and corporate governance counseling for the restaurant and retail industries. Mr. Mansbach is a frequent lecturer on industry related issues and has written many articles with publications such as *Nation's Restaurant News*, *Restaurant Business Magazine*, *Restaurant Finance Monitor* and *Hotel Business* on issues relating to executive selection, pay-for-performance, corporate governance and executive leadership.

Sarah Jackson is Vice President of Training and HR functions for the 255 unit Tony Roma's restaurant chain since May 2004. Prior to Jackson joining Tony Roma's restaurant she most recently directed service excellence strategies for Olive Garden. During her 15-year tenure with Darden Restaurants, Inc., she held leadership positions in HR, Training and Operations Development with Bahama Breeze, Red Lobster, Olive Garden and Darden's new business division. She gained her initial experience in the industry with Ponderosa, Casa Lupita and Grisanti's Restaurants.

Wes Garnett joined BUCA, Inc. in December, 2002 as the Senior Vice President of Family Resources and as a member of the executive management team for the company. Garnett brings 22 years of human resource experience with him to BUCA, Inc. Prior to joining BUCA, Inc, Garnett most recently served as vice president, human resources and training for Taco John's International, Inc, a \$300 million 440-unit quick service concept.. During the course of his career, Garnett held positions with Denamerica Corporation (Denny's franchisee), Prufrock Corporation (Black-Eyed Pea concept), Grand Metropolitan (Burger King franchisee), Cracker Barrel Restaurant and S & A Restaurant Corporation (Steak & Ale concept). Garnett earned his bachelor's degree from Utah State University in 1971 and completed his master's program at the same institution in 1974.

John DeNapoli is the Southeast Partner for Fleming's Prime Steakhouse & Wine Bar since 2000. Fleming's is a member of the Outback Steakhouse Company of restaurants that include Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Roy's, Lee Roy Selmon's, Cheeseburger In Paradise and Paul Lee's Chinese Kitchen. Denapoli also serves on the Industry Advisory Board for Florida International University's School of Hospitality and Tourism management.

Duncan Dickson is an Assistant Professor of Hospitality Management at the University of Central Florida, Rosen College of Hospitality Management teaching Human Resource Management, Training & Development and Guest Services Management. Professor Dickson has a long history of expertise in the training

and development arena and he is also a Director of the international organization the New World Association for Hotel and Tourism Training. Prior to joining UCF, Dickson served almost twenty years with Walt Disney World, Co. where as Director of Casting he was very active in the creation, development, and teaching of numerous training programs.

He holds his Bachelor's degree from the University of Maryland, his Master's from Cornell University and his Ed.D from UCF.

Richard Puttick is Regional Employment Director for Longhorn Steakhouse, Rare Hospitality International's largest restaurant concept, which operates over 200 Longhorn Steakhouses. Mr Puttick started with Longhorn over 15 years ago. He served first as a general manager for five years, then as a recruiter and most recently as regional employment director.

Sandee Pritchard is Chief People Officer for Donatos Restaurants a 200 unit fast casual pizza concept located primarily in the Midwest. She is an executive with diverse experience in operations, franchise management, human resources, training, organizational and management development. Ms. Pritchard formerly held several restaurant industry positions over her 17 year career. Chief People Officer with Whataburger, Inc.; Vice President of Operations Support and Vice President of People Services & Leadership Development, AFC Enterprises; Vice President of People Support, Panera Bread/Saint Louis Bread Co.; Vice President, Human Resource Services, Long John Silver's Restaurants, Inc.; Vice President, Training and Management Development, Hardee's Food Systems, Inc.; Director, Area Operations, Wendy's International and Market General Manager and Compensation Manager, KFC Corporation (Pepsico- Yum! Brands). Ms Pritchard earned her BS, Business Administration, University of Louisville in 1990.

## Company Profiles

### **Brinker International, Inc.** (NYSE: EAT), [#492 in FORTUNE 500](#)

6820 LBJ Fwy. Dallas, TX 75240 )

<http://www.brinker.com>

Brinker International, owner and operator of the Chili's Grill & Bar chain. Brinker is the #2 casual-dining restaurant operator (behind [Darden](#)). Chili's, with more than 1,000 locations, trails only [Applebee's](#) as the largest full-service chain. The restaurants offer southwestern-style dishes, such as fajitas, margarita grilled chicken, and its popular baby back ribs. In addition to Chili's, Brinker operates the Italian-themed Romano's Macaroni Grill and the Mexican-flavored On The Border Mexican Grill & Cantina. Its smaller chains include Maggiano's Little Italy, [Rockfish Seafood Grill](#) (43%-owned), and Corner Bakery Cafe. Brinker International operates and franchises more than 1,580 restaurants in 49 US states, the District of Columbia, and more than 23 other countries.

### **BUCA, Inc. (NASDAQ: BUCA)**

1300 Nicollet Mall, Ste. 5003

Minneapolis, MN 55403

<http://www.bucainc.com>

BUCA owns and operates nearly 100 Buca di Beppo Italian restaurants in about 30 states and the District of Columbia. Geared for larger parties of people and event dining, the menu features Southern Italian American cuisine served family-style to encourage sharing and conversation. The restaurants are open primarily for dinner only. In addition to its Buca di Beppo concept, the company has about 10 similarly themed Vinny T's in Connecticut, Massachusetts, Pennsylvania, and Maine, which offer both family-style service and individual portions.

### **Carlson Restaurants Worldwide, Inc.** (Privately held)

4201 Marsh Ln., Carrollton, TX 75007

<http://www.fridays.com>

Carlson Restaurants Worldwide (CRW) operates and franchises more than 760 T.G.I. Friday's casual dining restaurants across the US and in 54 other countries. The chain offers a menu of beef, chicken, and seafood dishes but is popular for its appetizers and bar-like atmosphere. CRW also owns Pick Up Stix, a chain of 100 Asian restaurants that serve Americanized-Chinese food. The company is a subsidiary of travel and hospitality conglomerate [Carlson Companies](#).

### **Darden Restaurants, Inc.** (NYSE: [DRI](#)) Fortune 500 # 386

5900 Lake Ellenor Dr. Orlando, FL 32809

<http://www.dardenrestaurants.com>

With more than 1,381 locations in the US and Canada, Darden is the leading operator of casual-dining restaurants, including flagships Red Lobster and Olive Garden. Red Lobster is the #1 seafood chain (about 680 units), while Olive Garden leads the Italian-dining segment (about 560 outlets). Both chains cater to families with mid-priced menu items, themed interiors, and primarily suburban locations. Darden also operates a small

chain of tropical-themed Bahama Breeze restaurants (about 32 outlets) that offer Caribbean-inspired food, along with Smokey Bones Barbeque & Grill (about 104 outlets), a growing chain of barbeque eateries.

Darden is continuing to place hope in its Smokey Bones concept. With the broad appeal of its barbeque menu and little competition in the segment, the company feels it has the leverage to rapidly make Smokey Bones a strong third revenue stream. In 2005 the company opened 35 new Smokey Bones locations and plans to open about 30 more during 2006.

Darden is testing a casual grill and wine bar concept called Seasons 52 that features a rotating menu of nutritious, "seasonally inspired" dishes. As of 2005, the company had three Season 52 sites, with plans to open two or three more during 2006. Overall, the company hopes to open about 60 new restaurants during 2006 (Hoovers.com, 2006).

#### **Donatos Restaurant Corp. (Privately held)**

935 Taylor Station Rd., Columbus, OH 43230  
<http://www.donatos.com>

Donatos operates and franchises about 200 units. This fast casual restaurant operates in seven states, primarily in Ohio and surrounding areas. Most shops are owned, only 20% are franchised. The chain serves several varieties of specialty pizza, such as its Chicken Vegy Medley (yes, we've spelled that correctly) and Mariachi Beef, along with extra topping choices for customers. Its menu also includes sub sandwiches, salads, and desert pizzas. Donatos' locations offer dine-in seating, as well as carry-out, delivery, and take and bake pizzas. The company also offers catering services for group events. CEO Jim Grote and his family own the business he founded in 1963. Late in 2003, Grote reacquired Donatos from #1 fast-food chain [McDonald's](#).

#### **Hillstone Restaurant Group (Privately held)**

2425 E. Camelback Rd., Ste. 200, Phoenix, AZ 85016  
<http://www.houstons.com>

Hillstone Restaurant Group, which does business as Houston's Restaurants, operates about 50 upscale casual-dining locations in more than a dozen states. In addition to the Houston's chain, the company has a small number of restaurants operating under such names as Bandera, Palm Beach Grill, and Rutherford Grill. CEO George Biel opened the first Houston's in 1977.

#### **Outback Steakhouse, Inc. (NYSE: OSI)**

2202 N. West Shore Blvd., Ste. 500, Tampa, FL 33607  
<http://www.outback.com>

Outback Steakhouse is the #3 operator of casual-dining spots (behind [Darden Restaurants](#) and [Brinker International](#)). Outback Steakhouse has 1,175 system-wide restaurants in all 50 US states and 20 other countries. Its 881-unit signature concept offers steak, chicken, and seafood served in an Australian-themed atmosphere. Outback also operates 200 Carrabba's Italian Grill restaurants, which offer pasta, chicken, and seafood dishes. Other concepts include Bonafish Grill, Cheeseburger In Paradise, Fleming's Prime Steakhouse, Lee Roy Selmon's, Paul Lee's Chinese Kitchen, and Roy's. The company owns about 86% of its locations. Outback has experienced robust growth due in part to the popularity of its core restaurant concepts -- Outback and Carrabba's. The company has also emphasized an aggressive expansion strategy, opening about 110 new locations per year.

#### **RARE Hospitality International, Inc. (NASDAQ: RARE)**

8215 Roswell Rd., Bldg. 600, Atlanta, GA 30350  
<http://www.rarehospitality.com>

It owns more than 270 casual-dining restaurants that specialize in steak and beef dishes. Its flagship LongHorn Steakhouse chain offers steak, seafood, and chicken dishes in a casual setting with Western decor. There are about 215 LongHorn Steakhouses in 23 states. The more than 25 Bugaboo Creek Steak House is a moderately priced chain catering more to families with a mountain lodge motif and nearly 30 locations in 10 states and the Capital. The 20 or so upscale Capital Grilles are found in 18 states and DC. All RARE Hospitality restaurants are primarily in the Midwest and Southeast.

**Romacorp, Inc.** (Privately held)

9304 Forest Ln., Ste. 200, Dallas, TX 75243  
<http://www.tonyromas.com>

Romacorp is operates about 250 Tony Roma's locations around the world. In addition to ribs, the chain offers a menu of burgers and sandwiches, chicken, steak, and appetizers. The company owns and operates about 25 locations and franchises the rest. Tony Roma's restaurants can be found in some 24 states and 30 countries. The chain's namesake, the late Tony Roma, opened his first barbecue restaurant in North Miami in the early 1970s. The company filed Chapter 11 bankruptcy in November 2005.

**Sonny's Franchise Company** (Privately held)

2605 Maitland Center Pkwy., Ste. C, Maitland, FL 32751-7139  
<http://www.sonnysbbq.com>

Sonny's Franchise Company operates Sonny's Real Pit Bar-B-Q, one of the country's leading barbecue restaurant chains. Its more than 150 owned and franchised restaurants specialize in barbecue beef, chicken, pork, and ribs served with a variety of complementary sides, such as beans, coleslaw, and French fries. Sonny's Real Pit Bar-B-Q locations operate in nine Southern states. Floyd "Sonny" Tillman and his wife Lucille opened their first barbecue joint in 1968. Bob and Jeff Yarmuth bought the company in 1991.



### High Performance Work practice System Questionnaire 3

Please indicate the degree to which each of the following work practices belong in a HRM high performance work practice (HPWP) system for the casual themed restaurant segment managers, if any? Second, are the numbered questions following the work practices appropriate to determine if the work practices are present in a firm?

Please do not leave any items blank

	Disagree						Agree
<u>Employment Security</u> belongs in a HPWP system for managers.							
50. Employees in this job can expect to stay in the organizations for as long as they wish.							
51. It is very difficult to dismiss an employee in this job.							
	1	2	3	4	5	6	7
<u>Selectivity In Recruiting</u> belongs in a HPWP system for managers.							
52. All managers are administered an employment test prior to hiring?							
53. For the managers that your firm hires you have many applicants.							
	1	2	3	4	5	6	7
<u>High Wages</u> belongs in a HPWP system for managers.							
54. Your firm's management compensation (Base + Bonus + Benefits) is in the top 25%, if the going market rate for total compensation is considered to be the 50th percentile (Base + Bonus + Benefits).							
	1	2	3	4	5	6	7
<u>Incentive Pay Based on Performance Appraisal</u> belongs in a HPWP system for managers.							
55. Managers are eligible for cash bonuses based on individual performance or company-wide productivity or profitability.							
56. Managers are eligible for deferred bonuses (placed into pension or 401k plans) based on individual performance or company-wide productivity or profitability.							
	1	2	3	4	5	6	7
<u>Employee Ownership</u> belongs in a HPWP system for managers.							
57. Managers have access to company stock options, profit-sharing plans, and/or gain-sharing plans?							
	1	2	3	4	5	6	7
<u>Information Sharing</u> belongs in a HPWP system for managers.							
58. Managers are included in formal information sharing programs (e.g., a newsletter or regular meeting) that provides information on a wide variety of topics relevant to the business and its operation?							
	1	2	3	4	5	6	7
<u>Participation And Empowerment</u> belongs in a HPWP system for managers.							
59. Employees in this job are allowed to make many decisions.							
60. Employees in this job are often asked by their supervisor to participate in decisions.							
	1	2	3	4	5	6	7

1 2 3 4 5 6 7  
 1 2 3 4 5 6 7  
 1 2 3 4 5 6 7

Self-Managed Teams belongs in a HPWP system for managers.

62. Employees participate in labor-management participation teams programs and/or Quality Circles (QC)? 1 2 3 4 5 6 7  
 1 2 3 4 5 6 7

Training And Skill Development belongs in a HPWP system for managers.

63. Extensive training programs are provided for individuals in this job. 1 2 3 4 5 6 7  
 64. There are formal training programs to teach new hires the skills they need to perform their jobs. 1 2 3 4 5 6 7  
 65. Formal training programs are offered to employees in order to increase their promotability in this organization. 1 2 3 4 5 6 7  
 1 2 3 4 5 6 7

Reduced Status Distinctions and Barriers belongs in a HPWP system for managers.

1 2 3 4 5 6 7  
 66. Managers dress differently than other employees? 1 2 3 4 5 6 7  
 67. Managers have “special perks” (e.g. parking, lunch rooms, and offices)? 1 2 3 4 5 6 7  
 68. The organization actively tries to reduce status distinctions between employees? 1 2 3 4 5 6 7  
 1 2 3 4 5 6 7

Job Design belongs in a HPWP system for managers.

1 2 3 4 5 6 7  
 69. The duties of this job are clearly defined. 1 2 3 4 5 6 7  
 70. This job has an up-to-date job description. 1 2 3 4 5 6 7  
 71. The job description for this job contains all of the duties performed by individual employees. 1 2 3 4 5 6 7  
 1 2 3 4 5 6 7

Promotion From Within belongs in a HPWP system for managers.

1 2 3 4 5 6 7  
 72. Individuals in this job have clear career paths within the organization. 1 2 3 4 5 6 7  
 73. Employees' career aspirations within the company are known by their immediate supervisors. 1 2 3 4 5 6 7  
 74. Employees in this job who desire promotion have more than one potential position they could be promoted to. 1 2 3 4 5 6 7  
 1 2 3 4 5 6 7

Measurement of the HR Practices belongs in a HPWP system for managers.

1 2 3 4 5 6 7  
 75. Employees are regularly administered attitude surveys? 1 2 3 4 5 6 7

Quality of Work/Life belongs in a HPWP system for managers.

1 2 3 4 5 6 7  
 76. Employees participate in Quality of Work Life (QWL) teams? 1 2 3 4 5 6 7  
 1 2 3 4 5 6 7

**What additional work practices belong in a HRM high performance work practice system, if any?**

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**What additional questions would you ask to determine if the work practices in Part I are present in an organization?**

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**Multiple measures should be used to determine the performance effectiveness of a HPWP system; would you use these measures?**

Productivity 1 2 3 4 5  
6 7

Defined as sales per employee. 1 2 3 4 5  
6 7

Turnover 1 2 3 4 5  
6 7

Defined as average annual rate of manager turnover.

Financial Performance (3) 1 2 3 4 5  
6 7

Defined as gross annual rate of return on capital (GRATE) for 1 2 3 4 5  
6 7  
accounting profits

Market/book value for economic profits. 1 2 3 4 5  
6 7

Operational Cash Flow 1 2 3 4 5  
6 7

**What additional measures would you use to determine the performance effectiveness of a HPWP system?**

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**Please go back and check that all questions have been answered.**

**Thank you for your participation!!!**

## Human Resource (HR) Work Practice System Questionnaire 5

### Part I

Please indicate the degree to which each of the following underlined HR work practices belong in a work practice system for casual themed restaurant managers.

Agree	Disagree						
29. <u>Employment Security</u>	1	2	3	4	5	6	7
30. <u>Selectivity In Recruiting</u>	1	2	3	4	5	6	7
31. <u>High Wages</u>	1	2	3	4	5	6	7
32. <u>Incentive Pay Based on Performance Appraisal</u>	1	2	3	4	5	6	7
33. <u>Employee Ownership</u>	1	2	3	4	5	6	7
34. <u>Information Sharing</u>	1	2	3	4	5	6	7
35. <u>Participation And Empowerment</u>	1	2	3	4	5	6	7
36. <u>Self-Managed Teams</u>	1	2	3	4	5	6	7
37. <u>Training And Skill Development</u>	1	2	3	4	5	6	7
38. <u>Reduced Status Distinctions and Barriers</u>	1	2	3	4	5	6	7
39. <u>Job Design</u>	1	2	3	4	5	6	7
40. <u>Promotion From Within</u>	1	2	3	4	5	6	7
41. <u>Measurement of the HR Practices</u>	1	2	3	4	5	6	7
42. <u>Quality of Work/Life</u>	1	2	3	4	5	6	7

What additional HR work practices belong in a work practice system in a restaurant, if any?

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### Part II

Are the numbered questions following the underlined HR work practices appropriate to determine if the work practices are present in a restaurant?

	Disagree						
	Agree						
<u>Employment Security</u>							
77. Management in this job can expect to stay in the organizations for as long as they wish.	1	2	3	4	5	6	7
78. It is very difficult to dismiss a Manager in this job.	1	2	3	4	5	6	7
<u>Selectivity In Recruiting</u>							
79. All managers are administered an employment test prior to hiring.	1	2	3	4	5	6	7

80. You have many applicants for open management positions.	1	2	3	4	5	6	7
<u>High Wages</u>							
81. Your firm's management compensation (Base + Bonus + Benefits) is in the top 25% for restaurant managers.	1	2	3	4	5	6	7
<u>Incentive Pay Based on Performance Appraisal</u>							
82. Managers are eligible for cash bonuses based on individual or company performance .	1	2	3	4	5	6	7
83. Managers are eligible for deferred bonuses based on individual or company performance.	1	2	3	4	5	6	7
<u>Employee Ownership</u>							
84. Managers have access to company stock options, profit-sharing plans, and/or gain-sharing plans.	1	2	3	4	5	6	7
<u>Information Sharing</u>							
85. Managers are included in formal information sharing programs (e.g., a newsletter or regular meeting).	1	2	3	4	5	6	7
<u>Participation And Empowerment</u>							
86. Managers in this job are allowed to make many unit decisions.	1	2	3	4	5	6	7
87. Managers are provided the opportunity to suggest improvements in the way things are done in the firm.	1	2	3	4	5	6	7
<u>Self-Managed Teams</u>							
88. Managers are involved in labor-management participation teams and programs.	1	2	3	4	5	6	7
<u>Training And Skill Development</u>							
89. Formal training programs are provided for individuals in this job.	1	2	3	4	5	6	7
90. Formal development programs are offered to managers in this organization.	1	2	3	4	5	6	7
<u>Reduced Status Distinctions and Barriers</u>							
91. Managers dress differently than other employees.	1	2	3	4	5	6	7
92. Managers have "special perks" (e.g. parking, lunch rooms, and offices).	1	2	3	4	5	6	7
<u>Job Design</u>							
93. The duties of this job are clearly defined.	1	2	3	4	5	6	7
94. This job has an up-to-date job description.	1	2	3	4	5	6	7
<u>Promotion From Within</u>							
95. Individuals in this job have clear career paths within the organization.	1	2	3	4	5	6	7
96. Managers' career aspirations within the company are known by their immediate supervisors.	1	2	3	4	5	6	7
<u>Measurement of the HR Practices</u>							
97. Managers are regularly administered attitude surveys.	1	2	3	4	5	6	7
<u>Quality of Work/Life</u>							
98. Managers participate in Quality of Work Life (QWL) teams.	1	2	3	4	5	6	7

What additional questions would you ask to determine if the underlined HR work practices in Part I are present in a restaurant?

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**Part III**

Would you use these performance measures to determine the effectiveness of a HR work practice system for casual themed restaurant managers?

	Disagree			
	Agree			
<u>Productivity</u>	1	2	3	4
5 6 7				
<u>Turnover</u>	1	2	3	4
5 6 7				
<u>Financial Performance</u>	1	2	3	4
5 6 7				

What additional performance measures would you use to determine the effectiveness of a HR work practice system for casual themed restaurant managers?

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**Part IV**

Are the numbered performance definitions following the underlined performance measures appropriate to determine the effectiveness of a HR work practice system for casual themed restaurant managers?

Productivity

- |                                   |   |   |   |   |   |
|-----------------------------------|---|---|---|---|---|
| 6. Defined as sales per employee. | 1 | 2 | 3 | 4 | 5 |
| 6 7                               |   |   |   |   |   |

Turnover

- |  |   |   |   |   |   |
|--|---|---|---|---|---|
| 7. Defined as average annual rate of manager turnover. | 1 | 2 | 3 | 4 | 5 |
| 6 7  |   |   |   |   |   |

Financial Performance

- |   |   |   |   |   |   |
|---|---|---|---|---|---|
| 8. Defined as gross annual rate of return on capital (GRATE) for<br>6 7<br>accounting profits | 1 | 2 | 3 | 4 | 5 |
| 9. Defined as Market/book value for economic profits.<br>6 7                                  | 1 | 2 | 3 | 4 | 5 |
| 10. Defined as Operational Cash Flow<br>6 7   | 1 | 2 | 3 | 4 | 5 |

**What additional ways would you use to determine the effectiveness of a HR work practice system for casual themed restaurant managers?**

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**Thank you for your participation!!!**



# Human Resource (HR) Work Practice System Questionnaire 7

## Part I

Please indicate your level of agreement with the statement below that each of the following underlined HR work practices belong in a work practice system for casual themed restaurant managers.

<b>Strongly Agree</b>	<b>Strongly Disagree &gt;&gt;&gt;&gt;&gt;&gt;&gt;</b>						
43. <u>Employment Security:</u> Employment security assumes flexibility and means that employees are not quickly laid-off for reasons over which employees have no control. The policy focuses on maintaining total employment and not on protecting individuals from the consequences of their individual behavior or incompetence on the job	1	2	3	4	5	6	7
44. <u>Selectivity In Recruiting</u> Rigorous selection requires a method, refined and developed over time through feedback and learning, to ensure that the firm can identify the skills it is seeking from the applicant pool.	1	2	3	4	5	6	7
45. <u>High Wages</u> Compensation can take many forms such as pay increases, share ownership, stock options, profit sharing, paying for skills acquisition and individual or team incentives	1	2	3	4	5	6	7
46. <u>Incentive Pay Based on Performance Appraisal</u> Compensation can take a number of different forms, including gain sharing, profit sharing, pay for skill, or various forms of individual or team incentives	1	2	3	4	5	6	7
47. <u>Employee Ownership</u> Other forms of financial incentives designed to align the interests of employees with shareholders. (e.g., ESOPs and proprietary/partner interests).	1	2	3	4	5	6	7
48. <u>Information Sharing</u> Regular sharing of information on issues such as financial performance, strategy, and operational measures through formal and informal channels.	1	2	3	4	5	6	7
49. <u>Participation And Empowerment</u> The decentralization of decision making and broad worker participation and empowerment in controlling their own work processes.	1	2	3	4	5	6	7
50. <u>Self-Managed Teams</u> Workers in self-managed teams enjoy greater autonomy, flexibility and discretion.	1	2	3	4	5	6	7
51. <u>Training And Skill Development</u>	1	2	3	4	5	6	7

Emphasize employee skill development, advanced education, training, cross-training and cross-utilization.

1 2 3 4 5 6 7

52. Reduced Status Distinctions and Barriers

Including dress, language, office arrangements and wage differences across levels

1 2 3 4 5 6 7

53. Job Design

The extent to which jobs are clearly and precisely defined

54. Promotion From Within

1 2 3 4 5 6 7

An incentive for performing well which has a monetary as well as a status reward attached to it, includes succession planning

55. Measurement of the HR Practices

Including employee assessment and measurement of the objectives to provide feedback and success of a work practice.

56. Quality of Work/Life

The degree of emotional, intellectual, or cultural satisfaction in a person's everyday life as distinct from the degree of material comfort

15. Diversity: 1 2 3 4 5 6 7

Defined as a collective mixture characterized by differences and similarities that are applied in pursuit of organizational objectives. It is the process of planning for, organizing, directing, and supporting these collective mixtures in a way that adds a measurable difference to organizational performance”

16. Employer of Choice: 1 2 3 4 5 6 7

Defined as a term used to designate an organization that, because of its status and reputation, is always the first choice (or at least on the short list) of world-class organizations. It essentially means being able to provide employees with the most enjoyable and fulfilling working environment as possible and balancing this with their home and personal life.

**What additional HR work practices belong in a work practice system in a restaurant, if any?**

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**Part II**

Please review the numbered statements below and the underlined HR work practices from Part I.

Based upon your experience please indicate your level of agreement that the numbered statements accurately represent the underlined work practices for a restaurant company.

	Disagree							
	Agree							
<u>Employment Security</u>								
41. Management in this job can expect to stay in the organizations for as long as they wish.	1	2	3	4	5	6	7	
42. It is very difficult to dismiss a Manager in this job.	1	2	3	4	5	6	7	
<u>Selectivity In Recruiting</u>								
43. All managers are administered an employment test prior to hiring.	1	2	3	4	5	6	7	
44. You have many applicants for open management positions.	1	2	3	4	5	6	7	
<u>High Wages</u>								
45. Your firm's management compensation (Base + Bonus + Benefits) is in the top 25% for restaurant managers.	1	2	3	4	5	6	7	
<u>Incentive Pay Based on Performance Appraisal</u>								
46. Managers are eligible for cash bonuses based on individual or company performance .	1	2	3	4	5	6	7	
47. Managers are eligible for deferred bonuses based on individual or company performance.	1	2	3	4	5	6	7	
<u>Employee Ownership</u>								
48. Managers have access to company stock options, profit-sharing plans, and/or manager partnerships.	1	2	3	4	5	6	7	
<u>Information Sharing</u>								
49. Managers are included in formal information sharing programs (e.g., a newsletter or regular meeting).	1	2	3	4	5	6	7	
<u>Participation And Empowerment</u>								
50. Managers in this job are allowed to make many unit decisions.	1	2	3	4	5	6	7	
51. Managers are provided the opportunity to suggest improvements in the way things are done in the firm.	1	2	3	4	5	6	7	
<u>Self-Managed Teams</u>								
52. Managers are involved in labor-management participation teams and programs.	1	2	3	4	5	6	7	
<u>Training And Skill Development</u>								
53. Formal training programs are provided for individuals in this job.	1	2	3	4	5	6	7	
54. Formal development programs are offered to managers in this organization.	1	2	3	4	5	6	7	
<u>Reduced Status Distinctions and Barriers</u>								
55. Managers dress differently than other employees.	1	2	3	4	5	6	7	
56. Managers have "special perks" (e.g. parking, lunch rooms, and offices).	1	2	3	4	5	6	7	
<u>Job Design</u>								
57. The duties of this job are clearly defined.	1	2	3	4	5	6	7	
58. This job has an up-to-date job description.	1	2	3	4	5	6	7	
<u>Promotion From Within</u>								
59. Individuals in this job have clear career paths within the	1	2	3	4	5	6	7	

organization.

60. Managers' career aspirations within the company are known by their immediate supervisors. 1 2 3 4 5 6 7

Measurement of the HR Practices

61. Managers are regularly administered HR employee satisfaction surveys. 1 2 3 4 5 6 7

Quality of Work/Life

62. Managers participate in Quality of Work Life (QWL) teams. 1 2 3 4 5 6 7

63. Are managers required to work more than 5 days/50 hours 1 2 3 4 5 6 7

64. Managers are provided the opportunity for balanced life planning 1 2 3 4 5 6 7

**Part III**

**Would you use these performance measures to determine the effectiveness of a HR work practice system for casual themed restaurant managers?**

	Disagree					Agree
<u>41. Productivity</u>	1	2	3	4	5	
6 7						
<u>42. Turnover</u>	1	2	3	4	5	
6 7						
<u>43. Financial Performance</u>	1	2	3	4	5	
6 7						
<u>44. Retention</u>	1	2	3	4	5	
6 7						
<u>45. Guest Satisfaction</u>	1	2	3	4	5	
6 7						

**Part IV**

**Are the numbered performance definitions following the underlined performance measures appropriate to determine the effectiveness of a HR work practice system for casual themed restaurant managers?**

Productivity

52. Defined as sales per employee hour. 1 2 3 4 5  
6 7

53. Defined as customers per employee hour. 1 2 3 4 5  
6 7

Turnover

54. Defined as average annual rate of manager turnover. 1 2 3 4 5  
6 7

Financial Performance

55. Defined as gross annual rate of return on capital (GRATE) for 1 2 3 4 5  
6 7  
accounting profits

56. Defined as Market/book value for economic profits. 1 2 3 4 5  
6 7

57. Defined as Operational Cash Flow 1 2 3 4 5  
6 7

Retention

52. Defined as average annual rate of manager retention 1 2 3 4 5  
6 7

Guest Satisfaction

53. Defined as overall guest satisfaction score 1 2 3 4 5  
6 7

## Round 2 Letter

Hi Dave,

The results have been tabulated for HR work practices survey you participated in and I am now trying to gain consensus on the work practices and performance measures according to the studies required protocol. Your answers on questions #3, 43 and 47 was greater than 1 standard deviation from the group mean on a 1- 7 scale. If You wish to change your answer, please indicate. The questionnaire is attached. All information is confidential and is reported in the aggregate.

Your answers

3. 4 mean 5.23  
43. 5 mean 6.07  
47. 2 mean 5.11

Thank you,

Kevin

Kevin S. Murphy  
Assistant Professor  
Rosen College of Hospitality Management  
University of Central Florida  
Office 283  
9907 Universal Blvd.  
Orlando, FL  
32819-9357

407-903-8035

407903-8105 Fax

website: <http://pegasus.cc.ucf.edu/~ksmurphy>

## Interviewees Biographies

As Darden's Senior Vice President of Group Human Resources, Ron Bojalad leads the development of the human resources across the Darden operating companies including Red Lobster, Olive Garden, Bahama Breeze and Smokey Bones Barbeque & Grill. In overseeing these functions, Bojalad leads one of the largest workforces in the United States with more than 150,000 people. Before being named to his current position in September 2005, Bojalad served as the senior vice president of human resources for Olive Garden since 1997. Bojalad joined Olive Garden as director of employee relations in September 1994 and was promoted to vice president of employment and employee relations in 1995. Before his time with Olive Garden, Bojalad worked as a personnel manager with General Mills and Emerson Electric. Bojalad has a bachelor's degree in Business Administration with a concentration in personnel and industrial relations from the University of Kentucky.

David Mansbach is Vice President and Managing Director of HVS Executive Search in New York and specializes in executive search, compensation consulting and corporate governance counseling for the restaurant and retail industries. Mr. Mansbach is a frequent lecturer on industry related issues and has written many articles with publications such as *Nation's Restaurant News*, *Restaurant Business Magazine*, *Restaurant Finance Monitor* and *Hotel Business* on issues relating to executive selection, pay-for-performance, corporate governance and executive leadership.

Sarah Jackson is Vice President of Training and HR functions for the 255 unit Tony Roma's restaurant chain since May 2004. Prior to Jackson joining Tony Roma's restaurant she most recently directed service excellence strategies for Olive Garden. During her 15-year tenure with Darden Restaurants, Inc., she held leadership positions in HR, Training and Operations Development with Bahama Breeze, Red Lobster, Olive Garden and Darden's new business division. She gained her initial experience in the industry with Ponderosa, Casa Lupita and Grisanti's Restaurants.

Wes Garnett joined BUCA, Inc. in December, 2002 as the Senior Vice President of Family Resources and as a member of the executive management team for the company. Garnett brings 22 years of human resource experience with him to BUCA, Inc. Prior to joining BUCA, Inc, Garnett most recently served as vice president, human resources and training for Taco John's International, Inc, a \$300 million 440-unit quick service concept.. During the course of his career, Garnett held positions with Denamerica Corporation (Denny's franchisee), Prufrock Corporation (Black-Eyed Pea concept), Grand Metropolitan (Burger King franchisee), Cracker Barrel Restaurant and S & A Restaurant Corporation (Steak & Ale concept). Garnett earned his bachelor's degree from Utah State University in 1971 and completed his master's program at the same institution in 1974.

John DeNapoli is the Southeast Partner for Fleming's Prime Steakhouse & Wine Bar since 2000. Fleming's is a member of the Outback Steakhouse Company of restaurants that include Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Roy's, Lee Roy Selmon's, Cheeseburger In Paradise and Paul Lee's Chinese Kitchen. Denapoli also serves on the Industry Advisory Board for Florida International University's School of Hospitality and Tourism management.

Duncan Dickson is an Assistant Professor of Hospitality Management at the University of Central Florida, Rosen College of Hospitality Management teaching Human Resource Management, Training & Development and Guest Services Management. Professor Dickson has a long history of expertise in the training and development arena and he is also a Director of the international organization the New World Association for Hotel and Tourism Training. Prior to joining UCF, Dickson served almost twenty years with Walt Disney World, Co. where as Director of Casting he was very active in the creation, development, and teaching of numerous training programs.

He holds his Bachelor's degree from the University of Maryland, his Master's from Cornell University and his Ed.D from UCF.

Richard Puttick is Regional Employment Director for Longhorn Steakhouse, Rare Hospitality International's largest restaurant concept, which operates over 200 Longhorn Steakhouses. Mr Puttick started with Longhorn over 15 years ago. He served first as a general manager for five years, then as a recruiter and most recently as regional employment director.

Sandee Pritchard is Chief People Officer for Donatos Restaurants a 200 unit fast casual pizza concept located primarily in the Midwest. She is an executive with diverse experience in operations, franchise management, human resources, training, organizational and management development. Ms. Pritchard formerly held several restaurant industry positions over her 17 year career. Chief People Officer with Whataburger, Inc.; Vice President of Operations Support and Vice President of People Services & Leadership Development, AFC Enterprises; Vice President of People Support, Panera Bread/Saint Louis Bread Co.; Vice President, Human Resource Services, Long John Silver's Restaurants, Inc.; Vice President, Training and Management Development, Hardee's Food Systems, Inc.; Director, Area Operations, Wendy's International and Market General Manager and Compensation Manager, KFC Corporation (Pepsico- Yum! Brands). Ms Pritchard earned her BS, Business Administration, University of Louisville in 1990.



## Company Profiles

### **Brinker International, Inc.** (NYSE: EAT), [#492 in FORTUNE 500](#)

6820 LBJ Fwy. Dallas, TX 75240 )

<http://www.brinker.com>

Brinker International, owner and operator of the Chili's Grill & Bar chain. Brinker is the #2 casual-dining restaurant operator (behind [Darden](#)). Chili's, with more than 1,000 locations, trails only [Applebee's](#) as the largest full-service chain. The restaurants offer southwestern-style dishes, such as fajitas, margarita grilled chicken, and its popular baby back ribs. In addition to Chili's, Brinker operates the Italian-themed Romano's Macaroni Grill and the Mexican-flavored On The Border Mexican Grill & Cantina. Its smaller chains include Maggiano's Little Italy, [Rockfish Seafood Grill](#) (43%-owned), and Corner Bakery Cafe. Brinker International operates and franchises more than 1,580 restaurants in 49 US states, the District of Columbia, and more than 23 other countries.

### **BUCA, Inc. (NASDAQ: BUCA)**

1300 Nicollet Mall, Ste. 5003

Minneapolis, MN 55403

<http://www.bucainc.com>

BUCA owns and operates nearly 100 Buca di Beppo Italian restaurants in about 30 states and the District of Columbia. Geared for larger parties of people and event dining, the menu features Southern Italian American cuisine served family-style to encourage sharing and conversation. The restaurants are open primarily for dinner only. In addition to its Buca di Beppo concept, the company has about 10 similarly themed Vinny T's in Connecticut, Massachusetts, Pennsylvania, and Maine, which offer both family-style service and individual portions.

### **Carlson Restaurants Worldwide, Inc.** (Privately held)

4201 Marsh Ln., Carrollton, TX 75007

<http://www.fridays.com>

Carlson Restaurants Worldwide (CRW) operates and franchises more than 760 T.G.I. Friday's casual dining restaurants across the US and in 54 other countries. The chain offers a menu of beef, chicken, and seafood dishes but is popular for its appetizers and bar-like atmosphere. CRW also owns Pick Up Stix, a chain of 100 Asian restaurants that serve Americanized-Chinese food. The company is a subsidiary of travel and hospitality conglomerate [Carlson Companies](#).

### **Darden Restaurants, Inc.** (NYSE: DRI) Fortune 500 # 386

5900 Lake Ellenor Dr. Orlando, FL 32809

<http://www.dardenrestaurants.com>

With more than 1,381 locations in the US and Canada, Darden is the leading operator of casual-dining restaurants, including flagships Red Lobster and Olive Garden. Red Lobster is the #1 seafood chain (about 680 units), while Olive Garden leads the Italian-dining segment (about 560 outlets). Both chains cater to families with mid-priced menu items, themed interiors, and primarily suburban locations. Darden also operates a small chain of tropical-themed Bahama Breeze restaurants (about 32 outlets) that offer Caribbean-inspired food, along with Smokey Bones Barbeque & Grill (about 104 outlets), a growing chain of barbeque eateries.

Darden is continuing to place hope in its Smokey Bones concept. With the broad appeal of its barbeque menu and little competition in the segment, the company feels it has the leverage to rapidly make Smokey Bones a strong third revenue stream. In 2005 the company opened 35 new Smokey Bones locations and plans to open about 30 more during 2006.

Darden is testing a casual grill and wine bar concept called Seasons 52 that features a rotating menu of nutritious, "seasonally inspired" dishes. As of 2005, the company had three Season 52 sites, with plans to open two or three more during 2006. Overall, the company hopes to open about 60 new restaurants during 2006 (Hoovers.com, 2006).

**Donatos Restaurant Corp. (Privately held)**

935 Taylor Station Rd., Columbus, OH 43230  
<http://www.donatos.com>

Donatos operates and franchises about 200 units. This fast casual restaurant operates in seven states, primarily in Ohio and surrounding areas. Most shops are owned, only 20% are franchised. The chain serves several varieties of specialty pizza, such as its Chicken Vegy Medley (yes, we've spelled that correctly) and Mariachi Beef, along with extra topping choices for customers. Its menu also includes sub sandwiches, salads, and desert pizzas. Donatos' locations offer dine-in seating, as well as carry-out, delivery, and take and bake pizzas. The company also offers catering services for group events. CEO Jim Grote and his family own the business he founded in 1963. Late in 2003, Grote reacquired Donatos from #1 fast-food chain [McDonald's](#).

**Hillstone Restaurant Group (Privately held)**

2425 E. Camelback Rd., Ste. 200, Phoenix, AZ 85016  
<http://www.houstons.com>

Hillstone Restaurant Group, which does business as Houston's Restaurants, operates about 50 upscale casual-dining locations in more than a dozen states. In addition to the Houston's chain, the company has a small number of restaurants operating under such names as Bandera, Palm Beach Grill, and Rutherford Grill. CEO George Biel opened the first Houston's in 1977.

**Outback Steakhouse, Inc. (NYSE: OSI)**

2202 N. West Shore Blvd., Ste. 500, Tampa, FL 33607  
<http://www.outback.com>

Outback Steakhouse is the #3 operator of casual-dining spots (behind [Darden Restaurants](#) and [Brinker International](#)). Outback Steakhouse has 1,175 system-wide restaurants in all 50 US states and 20 other countries. Its 881-unit signature concept offers steak, chicken, and seafood served in an Australian-themed atmosphere. Outback also operates 200 Carrabba's Italian Grill restaurants, which offer pasta, chicken, and seafood dishes. Other concepts include Bonefish Grill, Cheeseburger In Paradise, Fleming's Prime Steakhouse, Lee Roy Selmon's, Paul Lee's Chinese Kitchen, and Roy's. The company owns about 86% of its locations. Outback has experienced robust growth due in part to the popularity of its core restaurant concepts -- Outback and Carrabba's. The company has also emphasized an aggressive expansion strategy, opening about 110 new locations per year.

**RARE Hospitality International, Inc. (NASDAQ: RARE)**

8215 Roswell Rd., Bldg. 600, Atlanta, GA 30350  
<http://www.rarehospitality.com>

It owns more than 270 casual-dining restaurants that specialize in steak and beef dishes. Its flagship LongHorn Steakhouse chain offers steak, seafood, and chicken dishes in a casual setting with Western decor. There are about 215 LongHorn Steakhouses in 23 states. The more than 25 Bugaboo Creek Steak House is a moderately priced chain catering more to families with a mountain lodge motif and nearly 30 locations in 10 states and the Capital. The 20 or so upscale Capital Grilles are found in 18 states and DC. All RARE Hospitality restaurants are primarily in the Midwest and Southeast.

**Romacorp, Inc. (Privately held)**

9304 Forest Ln., Ste. 200, Dallas, TX 75243  
<http://www.tonyromas.com>

Romacorp is operates about 250 Tony Roma's locations around the world. In addition to ribs, the chain offers a menu of burgers and sandwiches, chicken, steak, and appetizers. The company owns and operates about 25 locations and franchises the rest. Tony Roma's restaurants can be found in some 24 states and 30 countries. The chain's namesake, the late Tony Roma, opened his first barbecue restaurant in North Miami in the early 1970s. The company filed Chapter 11 bankruptcy in November 2005.

**Sonny's Franchise Company (Privately held)**

2605 Maitland Center Pkwy., Ste. C, Maitland, FL 32751-7139  
<http://www.sonnysbbq.com>

Sonny's Franchise Company operates Sonny's Real Pit Bar-B-Q, one of the country's leading barbecue restaurant chains. Its more than 150 owned and franchised restaurants specialize in barbecue beef, chicken, pork, and ribs served with a variety of complementary sides, such as beans, coleslaw, and French fries. Sonny's Real Pit Bar-B-Q locations operate in nine Southern states. Floyd "Sonny" Tillman and his wife Lucille opened their first barbecue joint in 1968. Bob and Jeff Yarmuth bought the company in 1991.

## Curriculum Vitae

Kevin S. Murphy, Ph.D.,CEC, CPFM

Office: (407) 903-8035

Fax: (407) 903-8105  
[ksmurphy@mail.ucf.edu](mailto:ksmurphy@mail.ucf.edu)

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### EDUCATIONAL BACKGROUND

2006 Ph.D. Hospitality and Tourism Management, Virginia Tech, Blacksburg, VA  
2000 MS in Hospitality and Tourism Management, Virginia Tech, Blacksburg, VA  
1997 BS in Hospitality and Tourism Management, Virginia Tech, Blacksburg, VA  
1986 AS in Accounting, Bentley College, Waltham, MA  
1984 Corporate Sous Chefs Apprenticeship Program, Sheraton Boston Hotel

### CERTIFICATIONS

2001 Certified HACCP Manager  
2001 Certified Food Safety Manager (CPFM)  
1996 Certified Executive Chef (CEC)  
1995 Certified Hospitality Educator (CHE)

### UNIVERSITY EXPERIENCE

2003-present UNIVERSITY OF CENTRAL FLORIDA, ROSEN SCHOOL OF  
HOSPITALITY MANAGEMENT, Orlando, Florida

#### **Assistant Professor**

Courses Taught:

- Restaurant Management
- Quantity Food Production
- Intermediate Food Production
- Purchasing and Supply Procurement (online)
- International Gastronomy (study abroad)
- Food & Beverage Management in Hospitality Organizations
- Culture and Cuisine
- Hospitality Facilities Design and Equipment (online)
- Special Topics in Foodservice

2000-2003 JAMES MADISON UNIVERSITY, COLLEGE OF BUSINESS, HOSPITALITY  
& TOURISM MANAGEMENT DEPARTMENT, Harrisonburg, Virginia

#### **Instructor**

Courses Taught:

- General Business: Decision Making In a Modern Society
- Special Events and Meeting Planning
- Advanced Foodservice and Production Management I & II
- Theme Dinner Lab
- Food Purchasing, Production & Control
- Culinary Arts
- Special Studies Abroad – French Gastronomy

999-2000 VIRGINIA TECH, HOSPITALITY & TOURISM MANAGEMENT, Blacksburg, Virginia

**Instructor** (summer 1999 & 2000)

Courses Taught:

- Food & Beverage Management

**Graduate Teaching Assistant** (fall 1999, spring 2000)

Courses Taught:

- Food Production and Purchasing Management
- Food and Beverage Management Lab

1991-1996 VIRGINIA TECH, HOSPITALITY & TOURISM MANAGEMENT, Blacksburg, Virginia

**Instructor**

Courses Taught:

- Catering Management (Instructor)
- HTM Introductory Class (Guest Lecturer)
- Food and Beverage Management (Lab Coordinator)
- Food Production and Purchasing Management (Lab Coordinator)
- HRM Professional Seminar (Guest Lecturer)

## PROFESSIONAL EXPERIENCE

1996-1999 L & R Inc. T/A THE FARMHOUSE RESTAURANT, Christiansburg, Virginia  
Vice President and General Manager (**Jan. 1996 – May 1999**)

Responsible for the overall operation of a 650-seat restaurant with banquet facilities for 250, a 110-seat lounge, and off-property catering business. Duties include the management of: employees engaged in sales and marketing, an in-house accounting office, compilation of financial statements, banquet and catering, dining room and lounge staff, operation of kitchen

and the renovation and maintenance of a 4.5 acre complex. Accomplishments include the implementation of an outstanding customer service program and the establishment of an off-property catering business.

1991-1996 VIRGINIA TECH-DONALDSON BROWN CONFERENCE CENTER,  
Blacksburg, Virginia  
**Associate Director** (Oct. 1994 - Jan. 1996)

Managed the overall facility and personnel of the lodging office, sales and catering, and food and beverage departments. Provided budget and financial projections for hotel. Planned and obtained funding for conference room renovation. Hospitality and Tourism Management Department faculty member serving on committees, instructing catering management course and HTM introduction course, and responsible for overall performance of Fine Dining restaurant lab courses.

**Food and Beverage Director** (Nov. 1993 – Oct. 1994)

Managed all food and beverage operations and sales office. Provided budget projections for food and beverage operation. Implemented continuous break station for conference facility and improved conference room amenity service. Hospitality and Tourism Management Department faculty member serving on departmental committees, instructing catering management course, and implementing Fine Dining lab courses at the Donaldson Brown Hotel and Conference Center facility.

*Executive Chef (Oct. 1991- Oct. 1993)*

Managed and supervised all food and beverage activities including food preparation and dining services. Revived failing food and beverage operation. Planned complete renovation and implementation of new dining room and instructional kitchen facilities including layout and design after flood. Department of Hotel and Restaurant Management faculty member instructing catering management course, and serving on committee to plan integration of hospitality department and the Donaldson Brown Conference Center.

1990-1991 RAMADA AIRPORT HOTEL, Boston, MA  
**Executive Chef**

Managed the overall operation of all food outlets, employees, ordering, and inventory cost controls for a 350-room unionized hotel with banquet facilities for 550, two restaurant outlets and a popular nightclub. Managed the kitchen operation through a citywide union contract negotiation and strike threat.

1989-1991 AT EASE CUISINE, Boston, MA  
**Executive Chef/Owner**

Started and operated catering company that produced home meals for working families. Also catered social and business events in metropolitan Boston for a variety of business and social clientele ranging from corporate lunches to weddings. Closed business upon moving to Virginia.

1988-1989    WORLD TRADE CENTER, Boston, MA  
**Executive Sous Chef**

Responsible for the daily operation of banquet facilities (feeding from two to 4,000), and the management of two restaurants, purchasing, and inventory for a multi-use state-of-the-art conference facility. Met with clients to plan and arrange details of corporate events. Responsible for hiring and terminating hourly personnel. Developing and implementing quality standards training program.

1986-1988    J. BILDNER AND SON, Boston, MA  
**Executive Chef**

Responsible for the operational management of the main commissary and catering kitchen for a ten unit restaurant and retail chain. Duties included menu preparation, ordering, receiving, inventory, gross profit and quality monitoring of the Corporate Chef's Apprentice Program. Prepared catered events for an upscale business and social clientele in the greater Boston area.

1980-1986    SHERATON BOSTON HOTEL, Boston, MA  
**Sous Chef**

Seven years of high volume experience at The Sheraton International Corporation's flagship hotel. 1650 rooms, seven food outlets, banquet facilities for up to 5,000. Worked and managed all areas of hotel kitchen. Completed four years of quality apprenticeship in the Corporate Sous Chef Apprentice Program and retain restaurant chef's position upon completion of apprentice program.

1975-1980    WELLSELEY COUNTRY CLUB, Wellseley, MA  
**Assistant Chef**

## **ASSOCIATIONS**

1989-present    American Culinary Federation (ACF)

                    New River Valley Chapter (co-founder, 1993/Sec., 1993-94/President,

- 1995-present/Treasurer, culinary salon chair/judge 2001-2003)
- 2000-present Council on Hotel Restaurant Institutional Education (CHRIE)
- 1989-present World Association of Cooks
- 1992-present National Restaurant Association
- 1994-present National Guild of Baking and Pastry Professionals

## **AWARDS and HONORS**

- 2005 International CHRIE, Chef Herman Breithaupt Award, nominated
- 2004 Chapter Chef of the Year, American Culinary Federation
- 2003 International CHRIE, Chef Herman Breithaupt Award, nominated
- 2001 American Society of Travel Agents Foundation Simmons Scholarship
- 2000 Travel Industry Association Educational Foundation Award
- 2000 Food Consultants Society International Scholarship Award
- 2000 National Restaurant Association Educational Foundation Scholarship
- 2000 International Foodservice Editorial Council (IFEC) Scholarship
- 1998 Taste of the Blue Ridge – Blue Ribbon
- 1997 Taste of the Blue Ridge – Blue Ribbon
- 1997 Best Restaurant – Gold
- 1997 Eta Sigma Delta Honor Society
- 1996 Best Restaurant – Gold
- 1995 Chapter Chef of the Year (American Culinary Federation)

### American Culinary Federation/Epicurean Club of Boston

- 1985 First Prize, Boston Culinary Exhibition
- 1978 Judge's Prize, Boston Culinary Exhibition
- 1977 Judge's Prize, Boston Culinary Exhibition

## **SEMINARS, SHORT COURSES and WORKSHOPS**

- 2002 Harvey J. Brightman Excellence in Teaching Short Course, Harrisonburg, Virginia
- 2002 CHRIE, Experiential Teaching Methods Workshops, Orlando Florida



2001 Certified Professional Food Manager Course, University of South Florida  
 2001 HACCP Sanitation Certification Short Course, Las Vegas, Nevada  
 2000 American Culinary Federation Chefs Forum, Nashville, Tennessee  
 1996 American Culinary Federation, Restaurant Marketing Seminar, Myrtle Beach, SC  
 1998 American Culinary Federation, Hospitality Education Seminar, Anaheim, CA  
 1997 Learning Weekend for Pastry Chefs, Williamsburg, VA  
 1995 Certified Hospitality Educator Workshop, Nashville, TN  
 1995 Certified Executive Chef Seminar, San Francisco, CA  
 1995 Managing Change Workshop, Blacksburg, VA  
 1995 Dennis Waitley Seminar, Roanoke, VA  
 1995 MSL Retreat, Meadows of Dan, VA  
 1994 Learning Weekend for Pastry Chefs, Atlanta, GA  
 1994 National Restaurant Association, Management Seminar, Chicago, IL  
 1994 American Culinary Federation, Supervisor Workshop, Ponte Verde, FL  
 1993 American Culinary Federation, Certification Workshop, Washington, DC  
 1992 American Culinary Federation, Sanitation Seminar, Asheville, NC

#### **ACTIVITIES AND SERVICE**

2002-03 Eta Sigma Delta Honor Society, Faculty Advisor  
 2002 New River Valley ACF Culinary Competition Judge  
 2002 Event Chairperson, American Culinary Federation NRV Culinary Salon  
 2001 New River Valley ACF Culinary Competition Judge  
 2000 4-H Conference Center-Food Service Consultant  
 1999-present ACF Site Team Evaluator  
 1991-present St. Mary's Catholic Church

- Marriage Preparation Team
- Catholic School Committee (Chairman)
- Parish Council Member
- Eucharistic Minister
- CCD Teacher

1992-1996 Montgomery County School, Guest Lecturer  
 1994-1995 State 4-H Congress Workshop, Presenter  
 1992-1995 YMCA Adult Education Workshop, Instructor  
 1991-1994 Boy Scouts of America, Troop Leader  
 1993 FHA – Heros Culinary Judge, Blacksburg, VA  
 1988-1990 Cub Scouts of America, Troop Leader  
 1986-1990 Little League of America, Team Coach

#### **Publications**

Refereed Publications:

- 2004 Murphy, K. S., & Williams, J. A. (2004). The Impact Of Compensation On The Turnover Intentions Of Outback Steakhouse Managers. *Journal of Food Service Business Research*.
- 2003 Murphy, Kevin S., A Proposed Framework for Deriving Human Resource Intangible Value in Foodservice Firms Using Economic Value Added (EVA). In, Halin Qu, (Eds.) *Proceedings from the 2004 International Council on Hotel, Restaurant and Institutional Education Conference and Exposition, Palm Springs, California*.
- 2003 Murphy, Kevin S., Human Resource Intangible Value in Restaurants. In, Halin Qu, (Eds.) *Proceedings from the 2004 International Council on Hotel, Restaurant and Institutional Education Conference and Exposition, Palm Springs, California*.
- 2003 Murphy, Kevin S., The Impact of Compensation on Management Turnover. In, Halin Qu, (Eds.) *Advances in Hospitality Research: Vol. VIII, Proceedings of the Eighth Annual Graduate Education and Graduate Student research Conference in Hospitality and Tourism*.
- 2002 MURPHY, KEVIN S., AN ANALYSIS OF THE EFFECT OF COMPENSATION OFFERINGS ON THE TURNOVER INTENTIONS OF RESTAURANT MANAGING PARTNERS FOR OUTBACK STEAKHOUSE. IN DEFRANCO, A., ABBOTT, J. (EDS.) *ADVANCES IN HOSPITALITY RESEARCH: VOL. VII, PROCEEDINGS OF THE SEVENTH ANNUAL GRADUATE EDUCATION AND GRADUATE STUDENT RESEARCH CONFERENCE IN HOSPITALITY AND TOURISM (PP. 443-435)*.

**Grants And Projects Funded**

- 2001 The Virginia Museum Of Fine Arts, Richmond, Virginia. *Strategic Plan For A Non-Profit Museum Foodservice* (\$12,316)
- 2001 National Restaurant Association Educational Foundation Grant (\$4,500)
- 2000 Smith Mountain Lake 4-H Educational Conference Center, *Menu Evaluation And Design For Conference Center*. (\$450).