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Restaurant Operations Weekly™

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Complimentary Copy of the First Issue

I'm glad you have joined me for the first issue of Restaurant Operations Weekly!

In over 40 years in the hospitality and consulting business, I've never heard a restaurant operator say, "I'm glad I'm losing money" or "I'm sure looking forward to working another 90-hour week" or "I'm sure glad I have HR problems." All of us have experienced these tough issues and my goal through this newsletter is to provide you with insights that will make your professional life easier and more successful.

In this first issue, we'll be covering three important subjects; Advancement of hourly employees, sales building and the feature piece, "Your Restaurant May Owe You Money."

Happy reading! Let's get to it...

HUMAN RESOURCES

"Today's Dishwasher will be Tomorrow's GM"

If you don't have a structured system in place for the logical progression of your employees from dishwasher to GM, you probably have an attrition problem (due to

high turnover) and an organizational problem (due to advancement). These are not "issues," they're expensive problems and here's how to solve them both in three steps:

1. MANAGEMENT: Your top, mid and hourly management personnel must be trained to mentor, coach, support and appreciate every employee. If these managers don't have the skills, temperament or training to do this, it's time to make this your first priority. Never forget that once a person makes enough money to pay their basic bills, they work for the gratification of being your employee. A simple word of thanks used to be special...but today, it's a requirement of every manager to thank every employee for their work, every day. Gratification and thanks goes a long way towards job satisfaction.

2. ORGANIZATION: A functional "ladder system" of upward mobility must be in place, or have one created for your business. Every employee should know exactly what their current responsibilities are and what is required to advance upward in the organization. Without knowing these things, your people won't be provided with the tools they need for their job or provided goals to shoot for. Your dishwasher should know exactly what is required of him/her in order to advance up to the next job function (with more responsibility and increased pay). If it's not clear to every employee how to advance, in a structured format within your organization, there's work to be done. Employees that don't have goals or incentives that they are actively working towards need your leadership now. You must keep quality employees engaged, productive, growing and retained - or they will leave for greener pastures elsewhere.

3. OPTIMIZATION OF YOUR OPERATIONS: Unless you have examined each and every component of your business, you're most likely operating at less than optimal efficiency. Next week I'll be providing a systems optimization checklist that you can immediately use to increase the overall efficiency in your business - regardless of what kind of foodservice operation you own, run, manage or work in.

SALES BUILDING

The number one responsibility of every restaurant operator is to get people in the door. It's not the crafting of a beautiful entrée, drink or dessert or providing great service - those are all a given. You get people in the door through effective branding, selling and marketing activities. Once a guest has decided to visit you, it's only then can you sell them anything!

Branding is what you are

This is where you stand out, get noticed and differentiate yourself from the competition. This is what makes your business special and unique. Branding is the process of building trust in what you do. You build trust while trying to really understand your guests and you accomplish this by sharing your message. This is where social media content comes into play. Share your brand story and listen closely. Your goal is to be as close to your guests as possible.

Selling is what you say

This is about making your message compelling, using calls to action and employing various sales and promotion methods. Using testimonials turbocharges your efforts here. Marketing and selling both require that you know your message, that you know your guests and you strive to build trust and truly differentiate your business.

Marketing is what you do

These are the strategies you choose to use to get your message in front of your guests. This is what you do with an eye on the maximum return on your time, money and energy. Next week, I'll be discussing the power of a 12-month marketing calendar, why it's an essential tool for every operator and how to create one for your business.

FEATURE ARTICLE

"Your Restaurant May Owe You Money"

The caller on the phone said to me, "Kevin, we can't make any money, can you come to Georgia and help us out?" A few days later, I was sitting with my new client and her husband. They had purchased a large, family style restaurant that was under-performing financially and they had hired me to conduct an [Operations Analysis](#) to find out exactly what the problems and the solutions were. After having done hundreds of these projects before, I had a pretty good idea of where the problems were, but it was during our initial talk that I discovered a problem that had a tremendous solution in store for them.

They had spent \$350,000 to purchase the restaurant personally. After minor renovations, decorating and new menus, they opened their doors and immediately, both husband and wife put themselves on payroll. I asked them, "when do you plan to recoup your investment into the restaurant - what is your plan to get your initial capital back?" and they said, "We didn't think we could...did we do something wrong?"

In our consulting work, we frequently see the original investor(s) getting hurt because of situations like this where the original loan never gets paid back, with the money treated as a grant or a gift instead.

Before they purchased the business, here's what they should have done:

1. Husband and wife should have formed a corporation. This would have provided them additional protection while operating under a corporate structure as well.

2. They loan their personal funds to the new corporation via a [Shareholder Loan Agreement](#), detailing the loan payback details and interest rate. In this case, their \$350,000, at 10% interest over 10 years grew to \$555,033. Their business owed them over \$205,000 just in interest! This converted to a monthly loan payback from their corporation to them personally in the amount of \$4625 a month, tax free for several years.

3. Their loan of \$350,000 with interest of \$205,000 should have been placed on the balance sheet as a "Shareholder loan payable" in the amount of \$555,000 and as the loan payments were made, the payable amount shrinks.

By coming off from payroll and taking their loan payback first, their worker's compensation cost was reduced significantly and their own health insurance protected them anyway, so they still had coverage.

Get accounting advice first. If you are going into the business, ask your accountant if getting your loan (with interest) paid back before putting yourself on taxed payroll makes sense for your situation. This initial capital belongs to you - it's certainly not a gift to your business. If you own a restaurant already, it may not be too late to get this structured properly now.

Working with clients, we commonly see hundreds of thousands of dollars in original funding that never gets paid back to the shareholder(s) because they did not ask or were not told about a Shareholder Loan Agreement. Don't let this happen to you. Following up on this consulting advice could be the best thing that will happen to you this year!

LEADERSHIP & MANAGEMENT

In 1966, Peter Drucker's book, "[The Effective Executive](#)" hit the book stores and it became an instant best seller for good reason - he touched the nerves of almost

every person in a leadership position by his authoritative work on the subject of management. Today, his work is still regarded as the leading voice on management and executive leadership.

In today's fluid environment, where horizontal organizational charts, leadership by "robots" and other interesting concepts are emerging and challenging the "way it used to be" tried and proven systems of leadership, I believe it's time we focus on some leadership and management basics.

Drucker says, "Knowledge work is not defined by quantity. Neither is knowledge work defined by its costs. Knowledge work is defined by its results." So my question is this: What results are you producing that bring value to yourself and your company? There's more to it than just a job title of course. Another way to say this might be, "What value are you bringing to yourself and the shareholders you are responsible to?"

Effective executives differ widely in their personalities, strengths, weaknesses, values, and beliefs. In common is the belief that they must get the right things done at the right time. Some people are born effective, yet, effectiveness is also a discipline. And, like every discipline, effectiveness (the ability to produce results) can be learned. We'll be going down this road together. Next week, we'll dig into how to produce results that you can be proud of.

WRAP-UP

Your business simply must have a structured "ladder system" of upward mobility for hourly employees. Regardless of the size of your organization, without a defined ladder system and clear upward career path for your employees, they'll be tempted to look elsewhere for opportunity. This is a project requiring specialized job descriptions and matching organizational chart, including a tracking system of staff achievement. If this is more than you're up for or want this system crafted for you, [let us know](#).

The number one responsibility for every business owner is the ***promotion of the business***. Once a guest has decided to patronize your business, it's only then can you sell them anything. All of your daily priorities need to be built around this simple premise.

If you have invested money into your business and don't have a shareholder loan agreement in place, ***it's likely that your business owes you the money back***. Check with your accountant to see if going off payroll makes sense while you begin to enjoy the return of your original investment, with interest.

"Knowledge work is defined by its results" so it's a good time to really examine the value proposition you bring to your organization. Next week we'll be discussing how to produce results that you can be proud of.

I'll leave you with one more Drucker insight to get you fired up:

**"Problem solving does not produce results. It prevents damage.
Exploiting opportunities produces results."**

Thanks for reading! Until next week....



Kevin Moll

President and Founder

[Restaurant Consulting Services, Inc.](#)

2833 S. Colorado Blvd., Denver, Colorado

[Send me a message through our contact page](#)



#1 Responsibility for Operators

The number one responsibility of every restaurant operator is to get people in the door. It's not the crafting of a beautiful entrée, drink or dessert or providing great service – those are all a given. You get people in the door through authentic branding, selling and marketing activities. Once a guest has decided to visit you, it's only then can you sell them anything.

Development

[Ready to open your own restaurant? Learn how here](#)

[Six ways to combat sexual harassment in restaurants](#)

[How to be a competent & capable manager](#)

[How to find meaning at work even when your job feels miserable](#)

[Think practice makes perfect? Think again. This article will change how you train everyone from now on](#)

[Predictive scheduling - How to adjust to local labor law changes](#)

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Resources

[Food Holidays in March](#)

[Days and Weeks of the Year - Calendar](#)

[Minimum Wage Laws in the U.S. \(US Dept. of Labor\)](#)

[America's most polarizing restaurant brands](#)

"It is not enough that we do our best; sometimes we must do what is required.

- Winston Churchill



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Our mailing address is:
Restaurant Operations Weekly
2833 S. Colorado Blvd.
Denver, Colorado 80222