
Food & Beverage Service Sector Productivity Study

Prepared for

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1.0 Project Objectives & Methods

This report focuses on productivity in the food and beverage services sector (F&B) - an amorphous grouping of enterprises that share a common focus on the provision of food and beverages to New Zealand residents and international visitors. This report provides insights into the factors that directly influence food and beverage service productivity and defines productivity as the *effective use of resources to achieve operational goals* (Reynolds, 1998).

The report approaches productivity from the perspectives of both employers/managers and employees. Productivity improvements require partnerships between these two groups and by analysing the perspectives of each we hope to be able to identify critical differences and areas of common ground.

The core aims of the research are to:

- Gain an understanding of how productivity is being measured in the New Zealand food and beverage service sector and to review the differences that exist between different enterprises and sub-sectors. Integral to this will be gauging how managers and employees themselves define productivity.
- Determine the current state of productivity in a cross section of F&B sub-sectors. This work will help us to ascertain the drivers and barriers to increased productivity in the food and beverage service sector.
- Provide a clear sense of whether productivity perspectives are influencing, and are influenced by: hiring, internal communication, turnover and retention, labour outsourcing, management capability and technology.
- Provide a body of knowledge and research tools that can inform subsequent productivity studies in F&B and be adapted and used in other sectoral studies.

The outcomes of the research which underlie this report are then used to provide a sense of how the F&B services sector is performing in terms of the key productivity drivers identified by the Department of Labour (2004):

- Measuring what matters
- Building leadership and management capability
- Creating productive workplace cultures
- Encouraging innovation and the use of technology
- Investing in people and skills
- Organising work
- Networking and collaborating

The study adopts a 'mixed method' approach to understanding the productivity of the F&B services sector. By combining interviews, focus groups and a national survey it is possible to gain insights that may be missed though the application of a stand-alone method. The research is split into four inter-related phases:

Phase One - a search of relevant international and New Zealand literature to determine global and local perspectives on workplace productivity in the food and beverage services sector.

Phase Two - twenty in-depth interviews with managers/owners from a range of F&B sub-sectors in the greater Auckland area (Table 1). The average life-span of the companies covered by the interviews is 12.5 years (ranging from 10 months to 85 years).

Table 1: Interview sample distribution (no. of interviews)

Sector	Hotel Restaurant	Non Hotel Restaurant	Caterers	Takeaways	Bars & Night Clubs
Small & Medium	2	2	2	2	2
Large	2	2	2	2	2

Phase Three - four focus groups with a total of 25 employees from a range of F&B sub-sectors. Two focus groups were run for those working in larger enterprises, and two for smaller operations. The 25 participants were comprised mostly of females (15) with the 18 - 25 age category (22) dominating the overall group. Nearly half of the participants had secondary qualifications, 4 held undergraduate degrees. The majority (21) of participants said hospitality job was their main occupation. Nearly half (12) had been working in hospitality for 2-5 years; a further 6 had 1-2 years of industry experience.

Phase Four - a national web survey designed to broaden the spatial coverage of the research. The survey questions were based on key themes covered in the management interviews. Several data-bases were used to generate a list of potential participants. The survey ran for 17 days in October 2006 and closed with 56 valid responses (a 4% response). The small sample reflects similar experience in surveying working practices in this sector overseas (Pollert, 2006; Milne and Pohlmann, 1998). Over half (55%) of the survey respondents are owner/operators, while a further 37% are managers. The survey participants have a wealth of experience in F&B having owned/managed their current establishment an average of 5.3 years and been involved in the hospitality industry an average of 15.7 years. The establishments range from small to large in size and were dominated by catering (34%), hotel or lodge-based restaurants (23%), stand-alone restaurants (21%), and the 'other' category (7%) which includes bars and pubs. Cafes accounted for a further 7% of responses and fast-food/take-away 4%. Most (91%) of enterprises that completed the survey are independently owned.

2.0 The NZ Food & Beverage Services Sector

While it is difficult to provide exact figures on the size, growth and significance of the F&B sector in NZ it is clearly vital to the nation on a number of fronts. The sector is amorphous and several definitions exist. This report largely follows the Australia and New Zealand Standard Industrial Classification (ANZSIC) subdivision H57 (Table 2). Two categories are, however, excluded from the study: clubs and retail stores.

The foodservice sector achieved annual sales of \$4,020 million in 2005, an overall growth of \$354 million (10%) over 2004 (Restaurant Association of New Zealand). Driven by a positive economic environment and gains in consumers' real disposable personal incomes, industry sales are predicted to continue to rise in 2006.

Table 2: Food and beverage sector units

Food and beverage sector analysis	
Category	Sub-categories
Restaurants & cafes	Licensed and unlicensed, takeaways and dine-in
Hotels (Lodging)	Restaurants and bars within hotels, motels, backpackers and lodges
Retail stores (excluded)	Bottle stores
Catering	Catering contractors (events, office, racecourse etc)
Snack bars	Sandwich bars, ethnic takeaways etc
Bars	Taverns, pubs and nightclubs
Clubs (excluded)	RSA, Working Men's Club etc

(Source: Statistics New Zealand, 2005)

The Restaurant Association of New Zealand (RANZ) forecast average daily sales of \$11.8 million in 2006, 77% of which is expected to derive from restaurants, cafes, coffee houses and caterers. As a measure of productivity, the Restaurant Association (2006) forecast sales per employee in 2005 to be \$55,088. Most operations are small businesses with seven out of ten having no more than eight employees (Restaurant Association of New Zealand, 2006).

The food and beverage sector is an important cornerstone of New Zealand's tourism product. Between 1997 and 2002 the areas of greatest growth in tourism spending were in the hospitality sector, with accommodation and food and beverage services both up 42% (Statistics New Zealand, 2003). Preliminary figures indicate food and beverage spending by tourists increased 6.6% in 2003, 3.1% in 2004, and 2.0% in 2005 (Statistics NZ, 2005). Given the role that tourism plays in the NZ economy, it is important to understand the wider implications of productivity in this sector. The NZ Tourism Strategy identifies that *'quality is essential to business profitability'* and stresses the need to build business capability for small and medium enterprises in management and administrations skills.

The F&B services sector varies considerably in terms of revenue streams. Accommodation enterprises can, for example, rely on profits from their room rates to cross-subsidise restaurants if necessary. Stand-alone restaurants often need profits from beverage sales to compensate for the tight operating margins involved in preparing and serving food. For cafes, catering businesses and takeaways with no alcohol sales, small changes to operating costs can threaten their already precarious bottom lines. The Restaurant Association (2006) notes that many operators are locked into a cycle that generates a poor return on their investment, often resulting in short life-spans for the enterprises concerned.

By the end of 2005, the food and beverage services sector employed nearly 80,000 workers, excluding those working in hotels and takeaway outlets. The typical profile of a food service worker in New Zealand is a 15 - 24 year old female working 28.5 hours a week (RANZ, 2006). By way of contrast hospitality employers are typically salaried males, aged 30 - 39, with better educational qualifications than either staff or supervisory workers.

3.0 Perspectives on Productivity

Most studies of productivity are drawn from manufacturing industries, however, services require an approach that recognises their peculiar characteristics. In the provision of

services the processes of production and consumption are often simultaneous or can overlap - generating a specific set of challenges (Johnston & Jones, 2004; Mullins, 1998). Customers are active participants in many service encounters, and therefore an important influence on productivity (Martin et al., 2001).

Quality is so closely entwined with more measurable outcomes in service provision that it becomes very difficult to isolate any one influence on productivity. The intangibility of service, and therefore the importance of psychological outcomes (e.g. comfort and pleasure) in the process of quality creation, represent major challenges in measuring and understanding service sector productivity in general, and the F&B sector in particular (Gummesson, 1998; Hasan & Kerr, 2003; Johnston & Jones, 2004).

This section of the report reviews the perspectives held by both employers and employees on productivity in their NZ F&B work-places and the factors that influence it. The thematic areas addressed below reflect the core themes raised by the 20 interviewees and the focus groups employee participants. Survey responses are also reviewed.

3.1 What is productivity and how is it measured?

The issue of how to measure productivity in the service sector is a critical one for this study. Gummesson (1998, 4) suggests that measurements of service productivity can be 'ambiguous and inadequate', resulting in unhelpful comparisons between industries (see also Schreyer & Pilat, 2001; Ahmad et al., 2003; Wölfl, 2004).

Food and beverage service providers often focus on reducing labour costs while maintaining sales (labour generally comprises around a third of hospitality costs, and food or beverage products, another third) (Reynolds, 2004). Concentrating on the reduction of labour costs as a percentage of sales may achieve short term productivity targets but can also jeopardise long term viability due to the erosion of service standards. Poor service affects customer satisfaction, which in turn influences sales and productivity, thereby creating a cycle of poor productivity (Kimes, 2001; Reynolds, 2004).

Some commentators argue that a primary focus in F&B service productivity is quality. Parasuraman (2002) argues that how a company allocates service inputs will directly affect productivity from the customer's perspective. This view is upheld by Bates, Bates and Johnston (2003) who found that providing better service, while labour intensive, yields higher long-term profits per employee. They concluded that better service providers have significantly better return on equity and return on total assets than their counterparts with poorer service levels.

Measuring productivity in hospitality is acknowledged to be particularly difficult (Atkinson & Brown, 2001). David, Grabski and Kasavana (1996) found nine different measurements of productivity alone in their survey of hotel chain bench-marking. Most food service contract companies use sales per labour hour to express productivity (Clark, 1997a), but according to Reynolds, do not measure the cost of food sales, which he views as a 'good measure of labour productivity, but not of operational performance' (1998,25). The heavy use of part-time and seasonal labour by F&B enterprises adds a further level of complexity to measuring productivity in the sector.

The situation in NZ mirrors the international context quite closely. It is clear that several managers and employees do not have a good understanding of productivity and what it

means in the context of their business. As the interviews and focus groups progressed, however, it became obvious that factors related to, and influenced by, productivity were very much in people’s minds - its just that productivity was not always the catchall term used to help think about them.

Both the interviews and survey show that managers view customer satisfaction and loyalty rate as the most important factors to use in assessing productivity (74% and 50% of survey respondents), whereas financial measures (meeting budget, costs and balancing, and revenue/sales per person) are ‘most important’ indicators for under a third of respondents (Table 3).

Table 3: Indicators used to assess productivity

	Most important (%)	Least important (%)
Customer Satisfaction	74	11
Return visitation / loyalty	50	12
Volume	30	30
Meeting Budget	27	27
Cost and Balancing	24	45
Revenue / Sales per person	18	41
Number of table turns	13	50
Covers Per Staff	0	67

Larger F&B enterprises (especially those housed in hotels) have fairly sophisticated financial targets on which productivity is measured.

“[Productivity is] the amount of product that gets prepared and cooked and sold in relation to the number of staff I have... how many man hours for our front of house staff measured against revenue for a particular night”.

Labour costs and food costs are the most critical and closely reviewed areas underpinning productivity. Fast food/takeaway outlets were found to be acutely aware of the various ‘actual’ versus ‘desired’ ratios they are working to.

Nevertheless for most managers (regardless of size or type of enterprise) productivity is defined by customer satisfaction. Favourable feedback from customers through comment cards, tips, and unsolicited remarks are viewed as vital indicators of productivity.

“Productivity is about how customers feel. The quality of the feedback we get from customers in terms of positive comments and tips”.

“Communication between customers and staff - observation of their relationships tells me about the level of quality, and therefore, productivity”.

Measurement of customer satisfaction ranged from sophisticated feedback forms (larger accommodation based operations) through to the simple observation of client behaviour, responses and tipping (smaller operations). In many cases smaller operators are going by their “gut-feelings” and the number of regulars that return with friends and new clientele are a critical ‘measure’ of productivity.

Productivity is also correlated with staff being able to meet or exceed expectations in a team setting.

“Defining and measuring productivity must be seen in terms of teamwork. Individual performance leads to team work. And if that works, it flows smoothly. And if it doesn’t, we can then isolate with whom the problems lie”.

Contented staff and management capability are the two factors management deem to have the most positive influence on productivity, followed by ‘internal communication’, ‘training’ and ‘employee retention’ (Table 4). The survey results were very much reflecting the information gathered from the interviews - with managers across size and type of enterprise all stressing the importance of staff happiness, communication, and their own ability to manage these situations effectively.

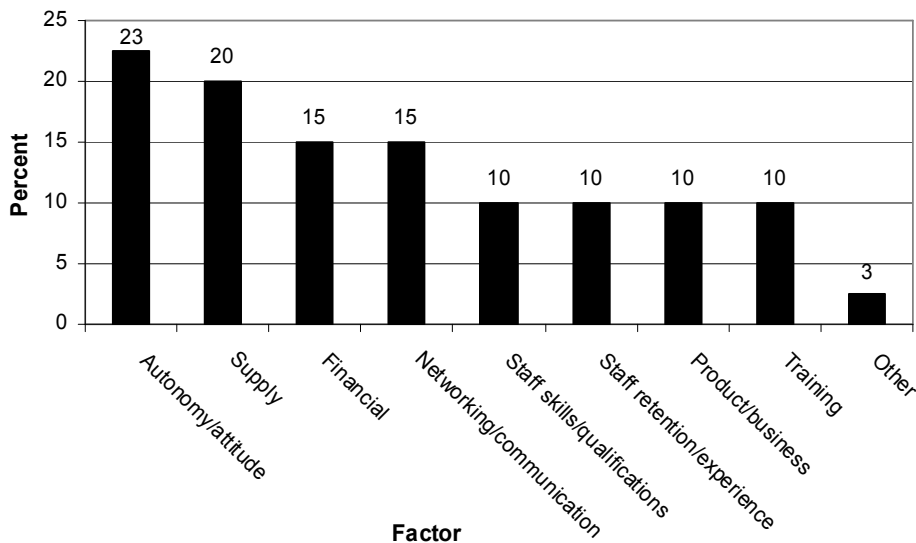
Table 4: Factors impacting on productivity (% of respondents)

	Negative influence (%)	Positive influence (%)	Mean*
Contented staff	0	85	4.9
Management capability	0	83	4.8
Internal communication	0	62	4.6
Training	2	70	4.5
Employee retention	2	62	4.5
Technology	0	40	4.3
Labour outsourcing	6	9	3.1
Seasonality	15	19	3.1
Employee turnover	27	4	2.2

* on a scale from negative influence (1) to positive influence (5)

When asked to comment on what they think would most help improve productivity in their business, managers had a wide range of suggestions (Figure 1) which were very similar with those raised in the interviews. Staff attitude to work and ability to work autonomously was the most common factor suggested (22.5%). Staff retention/experience, staff skills/qualifications and training were each commented on by 10% of respondents. Financial considerations at a macro level (e.g. taxation) were raised by 15% of respondents. Communication and networking was also considered important by 15% of respondents. Supply related factors were raised in a further 20% of cases.

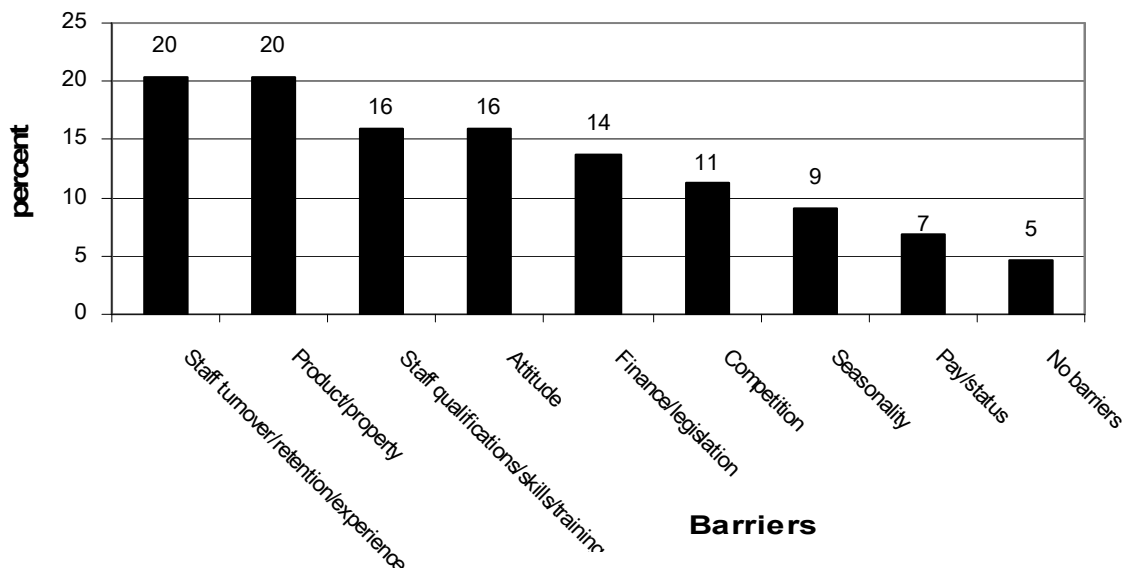
Figure 1: Factors influencing productivity improvements



Note: respondents could indicate more than one type of effect, so percentages do not add up to 100

Over half of national survey respondents (52.3%) said that the primary barriers to improving their productivity are finding and retaining good staff, lack of qualifications/knowledge/skills, and poor employee attitudes to work (Figure 2). Difficulties with the property/product upon which the business is based were also a cause for some concern. Interestingly very few workplaces featured productivity incentives with the exception of some of the larger enterprises.

Figure 2: Barriers to improving productivity



Note: respondents could indicate more than one type of effect, so percentages do not add up to 100

Some comments illustrated the frustrations experienced by some managers:

“In my experience, most people will do the least amount of work required until management are forced to make them be more accountable...”

The majority of employees are not given individual productivity-related targets to meet, although non-monetary targets such as quality service are often emphasized. Employees in all focus groups said that general head count, ‘table turns’, smoothness of daily operations and how much they ‘up sold’ in a day are good indicators of productivity. Managers were often perceived as *“discussing numbers behind closed doors”* and targets are not communicated to employees, or the targets do not mean much to the employees.

Those working in larger organizations are more likely to have financial targets to be met each day and/or each week; and they are also encouraged to up-sell by offering customers drinks with their meals and desserts in order to meet targets. In larger enterprises, there are individual staff incentives for achieving productivity related targets, such as prizes and rewards:

“If we sell an extra breakfast we get one point, if we upgrade a room we get two points. When we reach 400 points we can stay for one night in the hotel free. For 20 points we may be able to park our car for one day free”.

Employees said that being efficient at what one does is an indicator of productivity. This includes taking the orders correctly, preparing and serving food quickly, reducing food

wastage, and ensuring there are enough resources (i.e. clean glasses and cutlery) to provide to the customers.

Participants across all focus groups said good customer service is an essential indicator of productivity. For them good customer service includes “*being really nice to the guests*”, “*being fast*” but “*not too fast, which can be seen as abrupt*”, having strong abilities for multi-tasking and “*doing little jobs, which usually don’t belong to anyone in particular*”.

3.2 The Central Role of Management

The research presented above reveals quite clearly the central importance of effective management in achieving higher productivity in the F&B sector. In an industry as labour-intensive as F&B, people, and their skills, are central to all attempts to enhance productivity (D’Annunzio-Green, Maxwell & Watson, 2000). Research has shown the positive relationship between effective human resource management and superior organisational performance in many different sectors and nations (Drucker, 1994; Huselid, 1995; Wright and Haggerty, 2005; Neal, West & Patterson, 2005). Such an approach is consistent with current views on the positive role that empowerment and high-involvement work practices can play on productivity improvement (see Guthrie, 2001).

Such approaches shift the focus from scientific management practices (i.e. task simplification and specialisation) to one that relies more on the intellectual contribution of employees, and emphasises the responsibility for productivity lying at the employee, rather than solely at the management, level (Kilic & Okumus, 2005; Davies, Taylor & Savery, 2001; Koys, 2003). Gavin and Mason (2004) recommend that organisations be designed and managed to promote worker satisfaction, and suggest that healthy and happy employees are more productive. In other research service strategies that took account of the need for employee development and well-being were found to have a positive effect on employee satisfaction and productivity (Goldstein, 2003).

As the Department of Labour (2004) notes in its discussion of productivity drivers, there is a:

“need to make sure the activities that create value within a firm are aligned with each other and with the overall business strategy, and that they are functioning effectively.”

This can be aided by employee participation.

“It is critical that employees at all levels of a firm have an opportunity to contribute to work organisation and to provide relevant practical advice from their respective positions.”

It is commonly accepted that effective leadership will lead to higher organisational performance and poor leadership will result in poor performance (Øgaard et al., 2005; Simons 2002). In its discussion of productivity drivers the Department of Labour also notes that:

“Leadership by example plays a strong role in creating a positive and productive workplace culture, and inspiring others to pursue those opportunities which have been identified. Leadership depth is important.”

Across all the sectors represented in the interviews, most managers are aware of their role in enhancing productivity.

“I am the conductor, I can put my sticks up and down and others have to perform. My performance is determined on good service, standards being met and the financials being sound”.

“No one likes to work for a bad manager. I have learnt from good managers I have had in the past and then applied the good things gained from them. I still watch good managers now and whenever I go into bars and restaurants I watch how their staff work. For a while I did this every month at a café in Auckland to learn and observe”.

Two management types emerged from the interviews: non-adaptive and adaptive. The former refers to a leadership style underpinned by a more paternalistic philosophy. The adaptive approach, by way of contrast, refers to a leadership style that emphasises things like team tasks and targets, and enhancing employees’ readiness to participate in meeting overarching requirements.

It is not easy to generalise which of these approaches is superior in terms of F&B service productivity. The value of each depends on the environment in which the business is operating and the organisational culture and structure it exhibits, along with a range of other variables.

3.2.1 Employee autonomy and communication

According to many of managers interviewed, autonomy is important for hospitality employees especially when it comes to the spontaneity involved in the interaction between staff and customers. However, a culture of “controlled autonomy” also exists in some cases - especially in the larger enterprises - and is designed to control the major productivity parameters such as service standards, wastage, human resource costs. Smaller businesses, constrained by heavy and unpredictable workloads and limited resources, tend to give their staff more freedom.

Most of the managers feel that their employees have autonomy in their jobs. The difference lies in the extent to which formal methods are used to enhance communication. The larger organisations - especially hotels - have more formal consultation systems such as ‘tea and scone’ sessions and regular meetings where staff and management can discuss ideas and performance. As one manager from a larger organisation noted:

“Decision-making in an organisation this size is slower. Roll out of information is slower. No getting away from it, so the key is being smarter about how they make and implement decisions.”

Managers were asked in the web survey how they would characterise the level of input their employees have in suggesting how the workplace can be better organised? The majority of the 55 managers who responded feel that their employees have either reasonable (49%) or significant (29%) levels of input into workplace organisation; only 4% believe their employees have no or very limited input.

The ability of staff and management to communicate effectively is vital to the creation of lower-stress workplaces (Johlke and Duhan, 2000; Davies et al., 2001). Stress is associated in a number of studies with reduced work output and poor employee performance (Lo & Lamm, 2005). Although respondents in an Auckland hotel study did not report high levels of work-related stress or stress-induced illness (Lo & Lamm, 2005), other research (Poulston, 2006; Wood, 1997) points to the fact that unpleasant, and stressful conditions in hospitality workplaces will have a negative influence on service quality, employee productivity and business performance.

Most employees feel that their managers rarely if ever discuss productivity concepts with them. Employees of larger organisations said their relationship with their managers is often formal, with some managers being very authoritarian to the point where everything is done as dictated, and no ideas are to be expressed. Participants in the smaller organisations also came across authoritarian managers and were usually disappointed in terms of productivity outcomes:

“My manager does not really encourage us to give input she just wants us to do what she asks. We are not encouraged to be creative, just to follow exactly what we are told. Once I put some magazines out for customers but was told to remove them. After that I didn’t use my initiative as she didn’t want our ideas”.

Some employees, mostly from smaller enterprises, have managers and supervisors who are more open to staff ideas about improving productivity and the work environment:

“We can make suggestions to our manager and he will discuss it with people on the same shift. He is willing to try new ideas”.

Those employees in large organisations commented that being casual and/or part time, they don’t have much contact with their manager, and thus *“couldn’t care less as long as I get paid”*. Quality relationships between staff and management clearly have a bearing on whether the employees feel there is a good climate in which to discuss productivity, and how encouraged they feel to share ideas.

Feedback from managers on employee achievements plays a significant role for some employees in creating job satisfaction. Regular appraisals, pay rises and tips are stated as additional useful monetary indicators of productivity:

“One of the main drivers for me to be more productive is recognition, like one of the managers saying thank you at the end of the day.”

Smaller businesses are very positive about seeking staff input, but usually in an informal way with the owners and managers being happy to have staff input or ask staff about how things are going, often through just chatting with employees.

“The internal communication among the staff, from me and the staff...keeps the whole thing flowing very well and very productively....”

The workplace climate both in terms of manager encouragement, as well as other employee attitudes, does not always encourage individuals to improve their work practices, as is illustrated:

“From my experience it is more like tall poppy syndrome. If you do something outside the norm everybody else may get niggled because they don’t want to push themselves as much. It can be frustrating”.

Participants also admitted that making suggestions sometimes caused unwanted arguments, and organisations (especially larger) often have set ways of doing things making it hard for suggestions to be implemented. Some participants expressed doubt if their suggestions ever *“make it to the head office”*.

Good communication in a team has a significant impact on the efficiency of staff and their ability to perform the *“dance”*, and helps to improve the customer experience. It is especially crucial, but hard to achieve, when there is *“not time to say please and thanks”*. Employees in larger organisations said that communication between staff was better in smaller teams where everyone listened to each other to avoid making mistakes, which helped to reduce conflict at the workplace. These same employees explained how Christmas and social events they have experienced gave them a chance to socialise which enhanced workplace relationships and fostered greater teamwork.

On several occasions focus group participants mentioned that conflict between kitchen staff and wait staff has a significant impact on overall productivity. Wait staff often get caught in the middle when customers are unhappy with their meal and the kitchen does not appreciate the criticism.

Employees think that poor English greatly affects customer service and productivity, especially in the case of phone orders. Chefs with poor English can be a particular cause of conflict among staff, exacerbating the antagonism between front of house and kitchen staff.

“Customers often got annoyed and even ‘grumpy’ when staff speak poor English, which effectively reduces customer satisfaction”.

3.2.2 Quality of working life

The majority of managers interviewed said that they feel their jobs could potentially offer a comfortable level of work-life balance, but most choose to work a large number of hours. Many spoke of their passion for what they do, rather than viewing it as work.

“It is full on, it is my fault though. I work 6 days, 60-70 hours a week. I do what I know, and I still really enjoy my job, especially the project work as we have so many resources”.

While several managers commented about the fact that they do not demonstrate good work-life balance themselves, they stated that they are highly aware of the importance of it for their staff productivity.

“Work-life balance is very important - they [staff] are rostered off with a weekend off once a month, and are not allowed to come in. We try to roster the days they want off”.

The managers who responded to the web survey were asked if they think hospitality is an attractive career. Of the 53 participants who responded, 75% stated that they did feel it is attractive, with only 25% disagreeing.

Employees were less sure about the ability to manage work-life balance in a F&B services role, and less certain about F&B offering attractive career options. Working too many shifts can be a “novelty” at first, but inevitably results in one being overworked and stressed out. Most employees felt it is harder for permanent employees to achieve work-life balance, making some employees frustrated and leading them to seek less demanding, more motivating, and better paid work.

Employees from a range of organisation types said that hospitality work is “*hard and tiring and poorly paid*”. Negative comments about hospitality work also referred to being paid only minimum wage, working long hours, not getting paid overtime, rarely getting tips and bonuses, stressful work environment, and having to deal with negative customers. Uncertainty over work-flows was often commented on:

“If we are short of staff everyone has to do anything. I have done room service, a la Carte, as well as cashier. When we are not busy it is a totally different pace”.

The overwhelming majority of employees say they will not be working in hospitality in the future. Those studying at university plan to quit their hospitality jobs after completing their studies. Among the reasons for quitting are: it’s not a “*real*” career; it’s not challenging enough; it has negative customers, and low pay. Employee dissatisfaction with high levels of formality at the workplace, as well as their desire to change their job is also apparent in larger enterprises.

“Never took it to be a career, just the hours suited”.

There were a number of participants from a range of (mostly small) organisations who genuinely do enjoy working in the industry. These individuals are more likely to be working in establishments where their contribution is sought and valued, and display the attitude and enthusiasm for the industry demonstrated by the managers interviewed. For some employees flexibility in their work environment was also a real positive:

“I have flexibility at work; they are not too strict as long as you do your job properly. The café is busy but there are times when there is not too much pressure”.

Some employees in larger organisations also believe that hospitality is becoming more professional, offers more opportunities, and people are “*starting to get paid more*”.

3.2.3 Support Networks

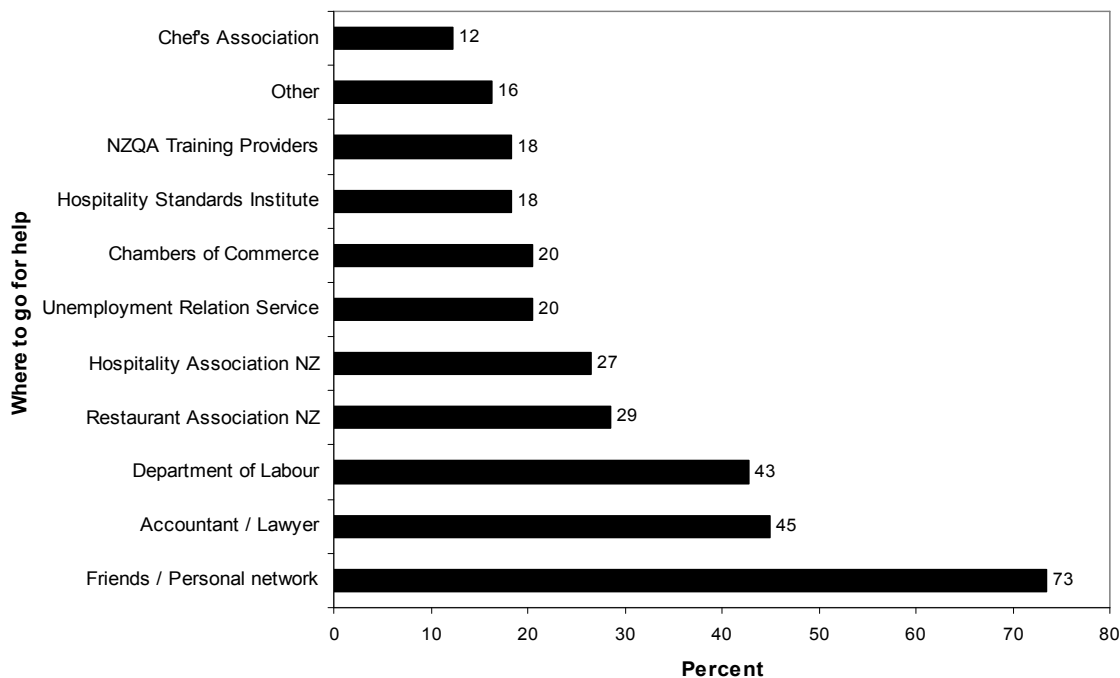
As the Department of Labour (2004) notes:

“Firms do not operate in isolation and there are significant productivity gains to be achieved by improving the exchange of knowledge, information and ideas through both formal and informal networks”.

Those employers that completed the web survey use a variety of sources to help build managerial capability. The web survey participants were asked where they went to for help as an employer/manager (Figure 3). The two most popular sources are friends and

personal networks (73%), followed by accountant or lawyer (45%). The Department of Labour ranks third as a source for those seeking assistance (43%).

Figure 3: Sources of Assistance Used by Managers



Note: respondents could select more than one source of assistance, so percentages do not add to 100.

Productivity is a topic for discussion for some managers with colleagues in their internal and external networks. External parties were often identified as trustworthy sources with which to discuss productivity, particularly regarding new products and process innovations.

About a third of the managers said that they do not really discuss productivity, especially beyond the walls of their own establishment.

“Productivity is not talked about in NZ like it is overseas - more a cost balancing act here. The industry is not so good at discussing productivity.”

For employees networks also play an important role (Evans, Wills, & Datta, 2006). In many cases ethnic or friendship networks are important in the hiring process - with recommendations for existing staff playing a role in the attraction of new workers. Within firms the ‘social capital’ associated with close knit work teams was also often mentioned - with effective team work seen a great way to learn new skills and create a more enjoyable work environment (see Tufts, 2006).

3.3 Hiring & Training

According to Fair and Brook (2001, 28), businesses should “never under-estimate the contribution to productivity that ongoing everyday training makes”. At the same time the Department of Labour (2004) stresses

“Skills shortages choke off growth potential. The knowledge, ability and skills of workers contribute to workplace productivity. Ongoing investment in foundation, technical, supervisory and managerial skills, together with improvements in work organisation, can help improve the productivity and performance of New Zealand firms.”

The link between training and productivity is reflected in recent comments by Bruce Robertson, CEO of the Hospitality Association of New Zealand

“One of the other keys to improved productivity is training. Three trained staff will always out-perform four untrained staff and that applies right throughout the industry”.

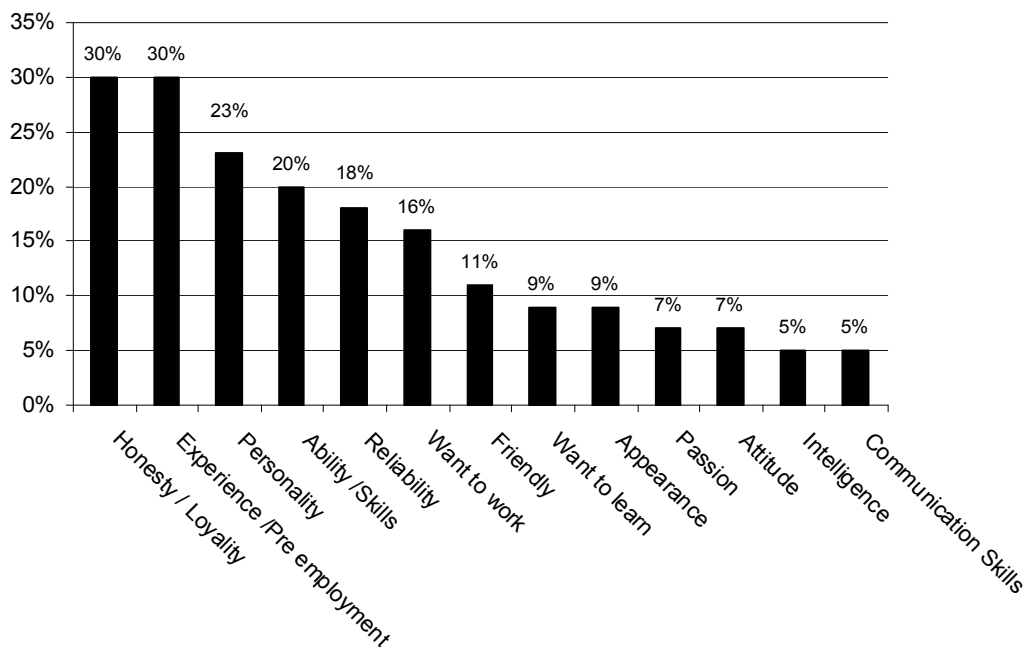
Research has shown that effective hiring and training is linked to a better ability to meet the needs of a target market (Shaw & Patterson, 1995), greater organisation commitment (Roehl & Swerdlow, 1999), more effective use of new technology (Milne & Ateljevic, 2001; Milne et al., 2004), and enhanced work outcomes.

A firm can only achieve higher productivity by employing the right individuals with the capacity and desire to contribute to its goals.

“Good hiring creates a team; good communication creates a feeling of involvement, that it’s more than just a job...”

Managers were asked in the web survey to identify the key characteristics or skills that they look for when recruiting staff. The two most commonly mentioned characteristics are honesty/loyalty, and experience (30% each) (Figure 4). Personality and ability are sought by 23% and 20% of managers respectively.

Figure 4: Key characteristics or skills sought when recruiting staff



Note: respondents could indicate more than one type of effect, so percentages do not add up to 100.

Increasingly, these managers are recruiting from international sources and new migrant groups - this can lead to language difficulties. Managers were asked in the web survey about the adequacy of numeracy, literacy and language skills among applicants. Over 80% of managers feel that overall, applicants do have adequate language and literacy skills, although only 66% test language and 59% test literacy skills when hiring. Only a third of managers test for numeracy skills when hiring.

Training can positively impact on employee productivity, promoting customer satisfaction and sustaining competitive advantage (Eaglen, Lashley, & Thomas, 2000; Lashley, 2002). Training is associated with improved job satisfaction and intention to stay (Chiang, Back, & Canter, 2005), and with reduced workplace problems and staff turnover (Poulston, 2006).

Most managers interviewed for this study believe training has very positive and direct impacts on productivity improvement. Some rank it the number one factor and most of them describe it as having '*important*', '*crucial*', '*huge*' and '*massive*' importance. On-the-job, in-house, and self-training are the most common forms of training in the industry. Constrained by cost, many of the interviewees from smaller enterprises expressed their inability and reluctance to employ outside trainers, although a couple of them talked about using outside trainers in specialist areas.

These findings are confirmed through the web survey which indicates that 88% of managers say the most common form of training engaged in is informal and on-the-job. This is followed by formal in-house training (40%) and training by an external provider (31%). Over half the managers think the training they are providing to their staff matches their needs. However, constrained by time, money and business pressure, a number of managers expressed their concern about the lack of training they were able to provide.

Tertiary/private training is considered to be too theoretical and as not meeting the industry's requirements well. Most of the managers interviewed, and 60% of web survey participants, feel formal tertiary/private hospitality qualifications do not adequately prepare people to enter employment in their workplace.

"I think on the job training is very important - it is hard to take a student from tech and put them in this environment".

A theme of "*wanting to train them our way*" emerged amongst some of the managers interviewed. Some managers expressed annoyance at needing to at times 'un-train' those that had been trained to do jobs one way.

Employees had generally undergone some type of training when they first started their job; and the majority had on-the-job training provided by other staff and/or the manager. During on-the-job training, participants appreciate the opportunity to see senior staff "*showing tricks of the trade*" in the context of the workplace, and to ask questions. Employees said training provided by the manager rather than senior colleagues was most valuable, as other staff often "*forgot little things*" or deliberately "*withheld information*" on the best ways to do things. Some didn't have either formal or on-the-job training and were forced to follow a "*sink or swim*" approach - "*You are given a till and a bag of money and told to go for it*".

Employees in larger organisations tended to have taken formal induction courses. During induction training, participants watch videos, are given manuals and introduced to key procedures. Research shows that employees of small and medium enterprises are less

likely to have the opportunity to take part in this type of training than those working in large organisations Milne et al. (2004).

Employees in the focus groups generally believed that *“training helps to access jobs”*, but were less certain about its ability to provide access directly to managerial level jobs. Those in small organisation focus groups felt that there is a *“gap between education, hospitality and employers’ expectations”* and most expressed some scepticism about the ability of tertiary providers to really prepare people for the F&B workforce.

3.4 Turnover & Retention

As one F&B manager interviewed noted:

“Employee retention is important for consistency of products and customer service standards, so customers know what to expect”.

Hinkin and Tracey (2000, 18) list the following productivity-related costs of staff turnover: pre-departure productivity loss; learning curve; errors and waste; supervisory and peer disruption. Turnover can also negatively affect productivity within inter-dependent worker groupings and teams (Sheehan, 2001; Argote et al., 1995). However not all staff turnover has negative implications. Moderate turnover can help to replace unproductive employees, enable career progression, enhance job and employee matching and is therefore viewed as enhancing productivity by some (Ilmakunnas et al., 2005).

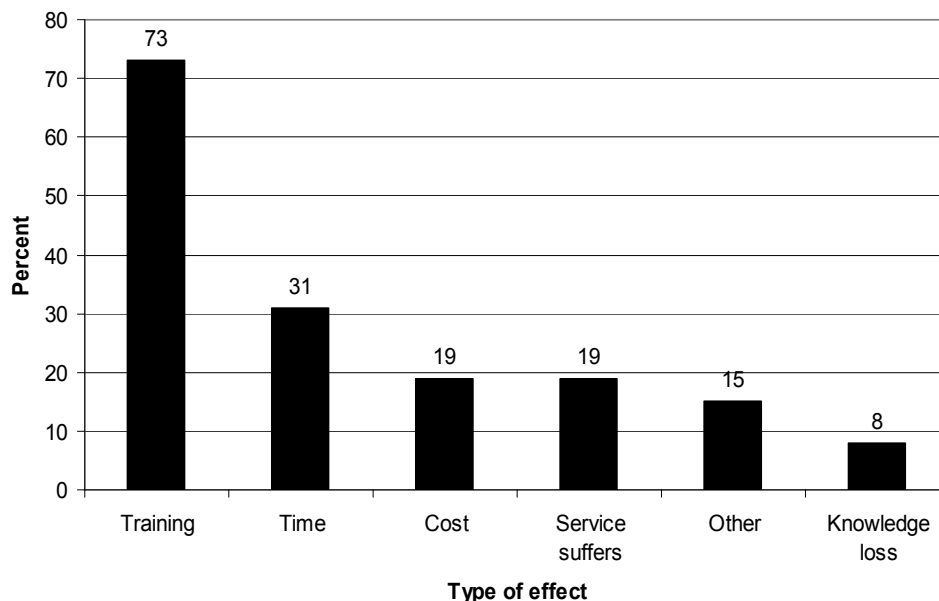
A recent study of Auckland hospitality workers (Poulston, 2006) indicated short lengths of employment are common (87% have been in their current job fewer than five years), and that the majority work part-time. The latest survey conducted by the Restaurant Association (March 2006) indicates an average annual staff turnover of 29%, up from 26% in 2005. A New Zealand study of productivity found that high-involvement work practices and employee retention were strongly associated with strong enterprise performance (Guthrie, 2001). While turnover increases exposure to disruptions associated with the loss of employees in high involvement work practices this damage is greater than in settings where processes are more automated, for example the preparation areas of fast food establishments (Krackhardt & Porter, 1986).

Several managers stated in the interviews that they have real problems with staff turnover, tending to attribute much of the problem to the tight labour market rather than to factors that are directly within their control. Of the managers who completed the web survey question asking whether staff turnover affects productivity in their business, 54% feel it does, 29% feel it does not, and 17% responded ‘not applicable’. The need for training new staff was seen as having the greatest negative effect on productivity (Figure 5). The time and cost involved are also detrimental effects stemming from staff turnover.

“Turnover is costly and involves extra training - there’s also a trust issue with long term staff”.

Large hotels are the most pro-active in developing strategies to cope with turnover and to increase retention. Such strategies include succession planning, valuing internal communication to develop teams, and offering incentives for staff to stay. Training and flexible hours are also seen to be important in improving retention.

Figure 5: Negative productivity effects of staff turnover



Note: respondents could indicate more than one type of effect, percentages do not add to 100.

Overall, employees agreed that new staff often reduce productivity, because they are inefficient in their job, and because it is a burden on experienced staff to train someone new. Some employees, however, give new staff credit saying they usually are the most willing to learn.

Longer term staff not only have more industry experience, which helps to increase overall productivity, but also a stronger relationship with the kitchen staff, seen by many as prerequisite for having a “good night”.

3.5 Technology

In its discussion of productivity drivers the Department of Labour has identified that:

“innovation is a key part of raising workplace productivity. The appropriate introduction of advanced technology is linked with higher productivity, greater market share and employment growth”.

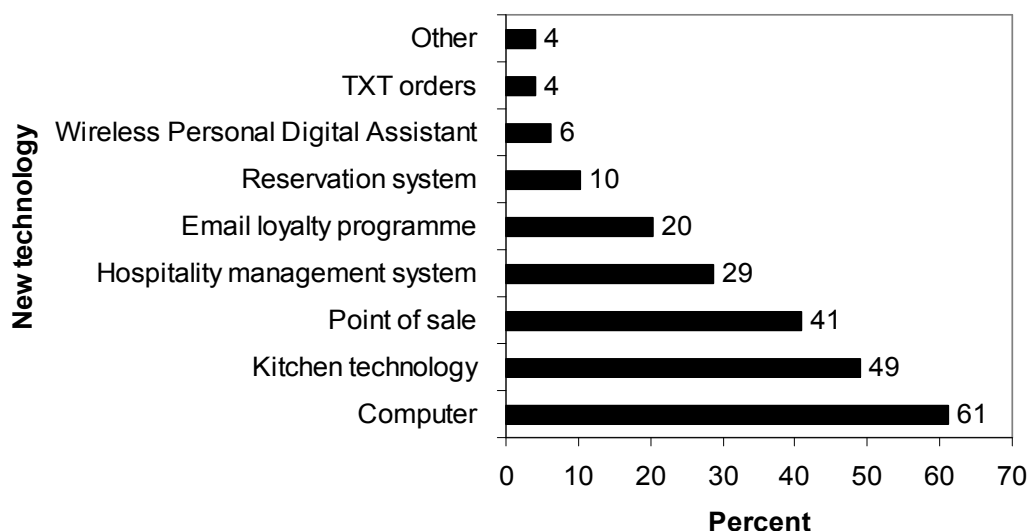
The introduction of advanced technology has been cited by several authors as an important and positive influence on productivity (Lee et al., 2003; Sharma & Upneja, 2005; Sigala, 2003; Black & Lynch, 2001). Positive impacts however do not simply ‘appear’, rather they stem from the competent use and exploitation of IT capabilities (Sigala, 2003). Technology has been found to ‘support employees, enhance the quality of service, improve efficiencies, gain competitive advantage, maintain relationships with customers and increase profitability’ (Lee, Barker, & Kandampully, 2003, 423), while poor investment in technology (along with poor training) is likely to reduce profitability (Milne & Ateljevic, 2001; Milne et al., 2004).

Several studies have shown that SMEs in the hospitality sector have special difficulties in maximising the productivity potential of information technologies (see Milne et al., 2004). Such enterprises are more likely to recognise the limitations of technology and emphasise

the importance of ‘the human touch’ (Gummesson, 1998, 14). At the same time SME owners and managers are more likely to have to out-source aspects of IT maintenance and may feel more removed from its application to the business setting.

The web survey found that 89% of managers have introduced new technology in the last two years with the view to improving productivity in their workplace. The interviews revealed a similar trend. A range of technologies have been introduced by managers, primarily in the front of house area with computers being the most common purchase (Figure 6). Smaller businesses have a slower uptake of ‘cutting edge’ ICT devices such as wireless personal digital assistants and text message ordering.

Figure 6: Recent Technological Introductions



Note: respondents could indicate more than one type of technology introduced, so percentages do not add to 100.

Both managers and employees are divided on the issue of technology and productivity. Some think it enhances staff efficiency, saves time and improves productivity. Others say it in fact creates inefficiencies when it breaks down or requires updating.

While technology was discussed as an important contributor to productivity, most of the technology identified as bringing real efficiency gains is in the front of house environment. In particular, technological innovations are central to streamlining ordering and point of sale processes.

It appears that the food and beverage service sector is recognising the advantages of implementing technology in the workplace. However, the industry is by no means at the leading edge of technology adoption, and many employees and managers seem unaware of the innovations currently available. Contributing factors are likely to be a lack of long term focus on productivity improvement, coupled with the up-front cost of implementing technology applications. The latter has a particular impact on smaller F&B firms.

Employees feel that technology such as wireless personal digital assistants can certainly improve accuracy and record keeping but that such developments must go hand-in-hand with good communication among staff and management if positive productivity outcomes are to eventuate. Technology makes it easier to perform multiple tasks and to do them correctly, especially for new staff. However, some employees also commented that it’s often hard to learn new technology on top of general work practices and this is where many employees felt that a lack of effective training becomes a significant factor.

Training on the job may suffice for the basics - but the introduction of new technology and the extra demands it places on staff may sometimes require the input of external training which is beyond the capabilities and resources of smaller firms.

4.0 Conclusions

This report has highlighted key issues surrounding productivity in the food and beverage service sector from two perspectives: management and employees. The concept of improving productivity requires a 'partnership' of managers and employees, yet differing motivations and factors influence each group. In the following summary we return to the original aims and objectives briefly and then go on to look at the implications for the various productivity drivers that have been defined by the Department of Labour. The final section of the conclusions reflects on possible ways forward.

While the research has been able to focus on the issue of productivity in the food and beverage services sector the complexity of the sector makes it very difficult to identify unifying themes and issues. Nevertheless the following statements can be made in relation to the broad aims that have guided the study

- **how managers and employees themselves define productivity.**

Productivity itself is not a well understood concept among some of the managers interviewed and surveyed, and is not a concept that is discussed with most workers. There is recognition across the sector that input cost and ratio-based measures of labour productivity only show part of the overall picture - there is growing awareness of the need to not only acknowledge, but also define and measure, the important elements of service quality, client satisfaction and also worker happiness that constitute part of the productivity 'equation'.

- **determine the current state of productivity in the sector**

Given the difficulties involved in defining and measuring productivity in this sector, and the diverse nature of the enterprises that comprise it, it is hard to make any clear statement on the state of productivity in the sector. The next section of these conclusions provides commentary on how each of the productivity drivers identified by the Department of Labour is faring at the moment but the level of diversity is considerable and makes the development of catchall statements rather difficult. It is clear that there is considerable difference in the views of employers and employees on the quality of F&B work and its ability to provide long term career opportunities. While there are definitely steps being taken to create better workplace environments that can enhance customer satisfaction it is clear that there is some way to go before a true partnership model can be seen operating effectively.

- **understand what factors influence productivity**

The interviews, focus groups and national survey revealed the following major influences on productivity:

- i. The lack of understanding of what productivity means, and difficulties in defining it, make it hard to adopt strategies that will get buy-in from key

stakeholders. In this sense it can be argued that the inability to really measure what matters causes considerable difficulties for the sector

- ii. Management capabilities are seen as central in influencing productivity and performance. Areas of communication, worker autonomy and reward were highlighted as being particularly important. It is also clear that employers and employees have somewhat differing perspectives on the work-life balance dimensions that characterise F&B employment. The use of formal and informal networks was important for both managers and employees in their attempts to improve performance.
 - iii. Hiring and training are highlighted by both employers and employees as having a major influence on the ability to work productively. It is perhaps in the area of training that the clearest differences also emerge between small and larger enterprises included in the study, with the latter often lacking the resources to provide requisite up-skilling.
 - iv. Turnover and retention also received a great deal of attention from those included in the research. Both employers and employees were very much aware of the significant costs that high turnover can have on both the 'bottom-line' and also the work-place environment.
 - v. Technology is also a factor that is seen to have a big impact on productivity in the sector. While its influence on productivity cannot always be easily measured, investment in new technology has been significant in the sector - for both large and small operations. It is clear, however, that technology adoption is not sufficient to bring about productivity improvements - it must be supported by effective managerial policies and training regimes.
- **provide a body of knowledge and identify methods that can inform subsequent productivity studies in other service sectors**

Despite the small sample size the survey provides a useful counterpart to the interview and focus group dimensions of the research. Future research will need to gain better support from all industry associations, and utilise more direct and recently constructed databases if sample sizes are to be increased. Nevertheless it is clear that there is real value in pursuing a mixed method approach to evaluating different stakeholder perspectives on productivity. The research tools presented in the document that accompanies this report will provide a suitable base for future studies of this type.

So what do the findings mean for the drivers that have been identified by the Department of Labour as underlying future improvements in productivity? Because of the diversity of the sector we do not try to provide overarching numerical 'grades' for where the F&B services sector sits in terms of preparedness and capacity, rather we attempt to tease out the key commonalities and differences that emerge in the following table.

Measuring what matters

- Productivity is not well understood by many employers and employees and there is limited awareness of how the concept can be applied.
- Productivity is, in some cases (usually larger enterprises) being measured using variables such as profit, labour cost, spend per cover. These provide some, albeit narrow, indicators of productivity and performance.
- Encouragingly more holistic approaches to understanding productivity are developing with many managers and employees defining productivity in relation to customer satisfaction and also employee satisfaction.
- Employers and managers both indicate that contented staff and management capability are the two factors that have the most influence on productivity. Internal communication, training and employee retention make up the remainder of the 5 top influences on productivity.
- Customer satisfaction and loyalty rate as the most important factors for employers in assessing productivity. Nevertheless financial measures (meeting budget, costs and balancing, and revenue/sales per worker) remain as the 'important' factors for a minority of respondents.
- Employees tend to focus on non-monetary targets such as quality service and employee satisfaction when questioned about definitions of productivity. Many employees also state that head count and table turns, smoothness of daily operations and daily sales are good indicators of productivity. On the whole larger firms place greater emphasis on setting targets and getting staff to achieve them.

Building leadership and management capability

- The larger organisations tend to be more formal in terms of impersonal relationships between employers and employees, but are also more likely to have set provision for staff development and input. Smaller organisations are less likely to have formal feedback mechanisms, but are more likely to encourage casual feedback from employees.
- Quality of leadership has a strong bearing on productivity - something which is recognised by both employees and employers.
- There is often a lack of clear goals or aims communicated to staff in terms of productivity - larger firms tended to have more focused communications on this matter than their smaller counterparts.
- There is strong passion from management and a belief that their love of the industry is somehow shared by many employees. Employee perspectives are markedly different.
- From an **employee** perspective, the personality and leadership style of individual employers/managers plays a big part in encouraging or discouraging employee input.

- The training of staff tends to be informal and in-house though the larger the organisation the more likely it is that they will engage in formalised training.

Creating Productive Workplace cultures

- A real mixture of workplace cultures exists, which reflects the diversity of the sector and of the management styles found within it. They range from a culture in which staff felt empowered, motivated, and valued as contributing intelligent adults, to cultures in which authoritarian management styles are used to drive staff to work in highly prescribed ways, thus leaving staff feeling disengaged and under-valued.
- The presence of unions was not found to be strong in many of the organisations studied. Employees did not raise unions in any meaningful way during focus group discussions.
- Within the employee groups, there were a number of participants from a range of (mostly small) organisations who genuinely do enjoy working in the industry. These individuals are more likely to be working in establishments where their contribution is sought and valued.
- There are widely different perspectives between employers and employees as to the attractiveness and future plans for employment in the hospitality sector. The former feel the sector offers real chances for career development, the latter often view the work as a temporary option.
- While many employers state that autonomy is important for hospitality employees especially when it comes to the interaction between staff and customers many employees feel that the focus is on the customer and not staff well being, many employees feel excluded from meaningful dialogue on moving enterprise productivity forward.
- Employees feel that good communication in a team environment has a significant impact on efficiency and helps to improve customer experience.
- Conflicts between kitchen staff and waiting staff have a significant impact on overall productivity, as well as the relationship with customers.

Encouraging Innovation and technology use

- There has been considerable investment in IT across the sector, but some firms have placed more emphasis on introducing new technology than others, investment in new technology has been less significant within SME.
- Nearly all managers have introduced a new technology in the last two years with a view to enhancing productivity - primarily in the front of house arena with computers being the core technology tool used.
- Overall, managers are divided on the issue of technology. Some think it enhances staff efficiency, saves time and improves productivity. Others said it in can creates inefficiencies when it breaks down. Most of the technologies identified as bringing real efficiency gains are in the front of house environment, specifically by enhancing and streamlining processes for ordering, point of sale and cashiering.
- Employees support IT introduction if they feel it assists them in enhancing

customer satisfaction, however many feel that levels of training are not always sufficient to allow them to maximise the potential of the technologies.

Investing in People and skills

- The most common impediment to productivity growth across all sectors is identified as being labour. Recruiting into hospitality is already difficult, because of its image as a low-skilled and low-paid industry. The majority of employers say that the primary barriers to improving productivity are finding and retaining good staff, lack of requisite qualifications/knowledge/skills, and staff attitude to work.
- There is a strong feeling about the need to 'professionalise' the industry and improve training. Several employees were sceptical about the ability of tertiary trainers to provide them with the skills that are needed by employers.
- Most employers believe training has a very positive impact on productivity. The most common form of training engaged in is informal on-the-job training.
- Managers highlighted the importance of training in basic skills. Tertiary/private training is considered by many employers to be too theoretical and not meeting the industry's requirements well.
- Employers feel strongly that there is a lack of qualified people in the labour market. Many comments were made about applicants for work having low skills, low motivation and a poor attitude towards work.
- A clear majority of employers feel that job applicants have adequate language and literacy skills, although large numbers do not formally test these areas when hiring.

Organising work

- The majority of managers feel that their employees have either reasonable or significant input into workplace organisation. Employees, on the other hand, tended to feel somewhat left out from decision making. Employees that did feel they could contribute tended to be in a workplace with a positive culture that values internal communication between all levels. In these situations workers felt valued and that they wanted to 'go the extra mile'.
- Staff turnover rates vary a great deal across organisations. Smaller organisations generally have lower rates, with small family-run takeaways experiencing virtually nil staff turnover. Medium sized restaurants seem to have the biggest problems with up to 80% staff turnover rates.
- Large hotels are the most pro-active in developing strategies to cope with turnover and to increase retention.

Networking and collaborating

- The use of networking and collaboration by employers varies considerably and includes both formal and informal approaches. Friends and lawyers/accountants tend to be the first 'port of call' but the Department of Labour also rates well as a source of information for managers on how to improve their performance.
- Employees rely heavily on networks both within and outside the enterprise. Ethnic or friendship based networks play an important role in recruitment and also help to shape the quality of work in the workplace.

Kilic and Okumus (2005, 316) refer to productivity as a 'multi-dimensional concept' a complex combination of inputs, operations and outputs, a change in any of the contributing factors will affect overall productivity (see also Bowman & Wittmer, 2000). This study of the F&B services sector in New Zealand has shown quite clearly that productivity must be viewed in this multi-faceted manner.

Good management practice and particularly effective communication is necessary to facilitate understanding between employers and employees. A partnership approach between employers, employees and other stakeholder groups such as training associations, unions, suppliers, customers can help to achieve productivity gains, with the aim of meeting the interests of all stakeholders. Only when such a partnership approach is adopted, can win-win outcomes be achieved for all those involved, helping to transferring the benefits of greater productivity to a range of stakeholders.

Perhaps the most positive finding to emerge from this study is the fact that, while they might not recognise it, both employers and employees appear to share a common focus in terms of productivity - providing quality service and experiences to the customer. This represents the common ground upon which future productivity partnerships can be established.

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