RESTAURANT FINANCE MONITOR®

Volume 23, Number 8 • Restaurant Finance Monitor, 2808 Anthony Lane South, Minneapolis, MN 55418 • ISSN #1061-382X

August 22, 2012

Management Over Easy—The Talent Fix for Casual Dining

By David Mansbach

If you try to put a finger on the lingering malaise in casual dining, you may wonder why the sector still employs so many so-called "leaders," yet winds up persistently lagging behind relevant metrics for the industry. No wonder that casual dining is drawing interest from private equity players who are finding financial value and opportunity in this space.

Some would excuse the malaise because of the soft economy, demographic changes, and even the weather. However, that doesn't explain the remarkably few success stories who must compete for similar customers and are at the mercy of identical forces as the failing brands. In my view, the casual-dining segment is mired in a management carousel that, for over a decade, has bounced senior management from one company to the next on the basis of little more than their title. Hiring existing casual dining executives may be the safe choice, but it doesn't automatically make it the best option, as recent financial outcomes certainly bear out. Sadly, casual dining is backward looking, while society and culture is ever-changing and moving forward. A worn-out formula that doesn't work at one chain is unlikely to succeed by shifting it to another.

Fortunately there is a recipe for revitalizing the world of casual dining above its stale industry template. The solution lies in identifying and developing the next generation of leaders to move casual dining past survival, and direct it towards growth and increasing profitability. The secret sauce is the rightful application of talent management and succession planning which, in my view, has three main ingredients:

First, raise human capital by cross training. Everyone from a restaurant general manager to senior VP, even the CFO should be opened up to industry experiences outside their existing job roles. They should be given the opportunity to stretch their skills beyond their functional silos and gain a broader perspective of all the demands of the restaurant industry. Working in all pieces of the company—marketing, finance, operations, logistics, and more—will foster goodwill among these top employees and enable them to break through confidently when the opportunity arises for elevation to higher management. Furthermore, this expansion must be taken abroad into these increasingly multi-national and multi-cultural restaurant operations.

Second, nurture and retain your internal bench strength. This is a corollary to the first dictum. Your best talent will leave; your superstars will be filched by other firms…unless you provide them with a clear vision of their future in the company. Simply moving an employee up the ladder of the organization won't be enough to say that they aren't headed off a cliff. You must make it apparent, in no uncertain terms, that they're on the escalator, to the firm's top jobs, no matter how long that process may take.

Third, be open to attracting talent from other restaurant segments. For example, new talent could be acquired from quick service and fast casual segments, or even from other industries. Don't discount the ability of senior managers in other fields to add value to the restaurant business. Draft these identifiable leaders, and design a clear corporate path for them towards senior leadership opportunities. Only a minuscule number of companies in the casual dining space have had the guts to take this route. But this last prescriptive has paid the largest dividends in recent years.

It took J. Patrick Doyle over 13 years to make it to the top job at Domino's Pizza in March 2010. But that was the plan all along when he was recruited out of Gerber Products, the baby food company. Doyle started as Domino's Senior VP of Marketing in 1997. Prior to Gerber, he was European General Manager of Intervascular, SA in LaCiotat, France, and spent five years as a corporate finance officer at First Chicago Corporation.

When Avon's Elizabeth Smith realized that the CEO wouldn't make way for her to take over the top job, her desire for a CEO role brought her to the attention of Outback Steakhouse, where she replaced Bill Allen in 2009. Outback executives reported that "Smith's track record of managing multiple brands, running an efficient company and understanding consumers transcended her inexperience in the restaurant business."

Why are my prescriptions so critical to the straining casual dining segment? The available pool of potential leaders within the industry is dying off, either by retirement or attrition. Couple this with the copious scarcity of innovative ideas and you see why casual dining seems to be racing to a precipice. For example, a Chief Executive Officer search might yield perhaps 75 to 100 suitable candidates. To be truly competitive, however, we need to expand this selection by double that number. One thing is abundantly clear, we can't slice or dice our way out of the problem. What the industry needs is an upsurge of fresh management talent. And to make that happen, we must break the habit of stale reliance on retread industry leaders, with tired management practices and philosophies.

The best way of achieving this is by seeing talent management through the broad scope of succession planning. These people strategies have to be properly integrated—not held apart as a distant outpost—from the overall strategic goals of the restaurant company and its parent. This process needs to occupy a central position, as much as finance or operations management, in its ability to serve the chain's current and future needs.

What's required, ultimately, is an attitude adjustment on the part of boards, private equity owners and executive search consultants to view talent management and succession planning as a better part of the business practice. Only then will it finally drive the funk out of casual dining and make it a competitive category once again.

David Mansbach, CCP, is President, The Americas, for HVS Executive Search specializing in retained executive search and compensation consulting. You can reach him at dmansbach@hvs.com or (516) 248-8828 x 262.