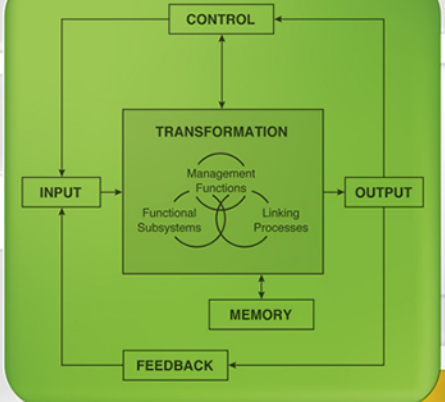
# FOODSERVICE ORGANIZATIONS

## A MANAGERIAL AND SYSTEMS APPROACH

NINTH EDITION




MARY B. GREGOIRE

Ninth Edition

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## A MANAGERIAL AND SYSTEMS APPROACH

**Mary B. Gregoire**

*Executive Director, Accreditation Council for Education in Nutrition and Dietetics and former Director, Food and Nutrition Services at Rush University Medical Center, and former Professor and Chair, Clinical Nutrition Rush University*

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**Cover Printer:** Lehigh-Phoenix Color/Hagerstown

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**Library of Congress Cataloging-in-Publication Data**

Names: Gregoire, Mary B., author.
Title: Foodservice organizations : a managerial and systems approach / Mary B. Gregoire, Executive Director, Accreditation Council for Education in Nutrition and Dietetics and former Director, Food and Nutrition Services, Rush University Medical Center; Professor and Chair, Clinical Nutrition, Rush University.
Description: Ninth Edition. | Boston : Pearson, 2016. | Includes bibliographical references and index.
Identifiers: LCCN 2015039829| ISBN 9780134038940 (alk. paper) | ISBN 0134038940 (alk. paper)
Subjects: LCSH: Food service management.
Classification: LCC TX911.3.M27 S69 2016 | DDC 647.95068—dc23
LC record available at http://lccn.loc.gov/2015039829

10 9 8 7 6 5 4 3 2 1

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ISBN 10: 0-13-403894-0
ISBN 13: 978-0-13-403894-0

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# CONTENTS

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# PREFACE

The foodservice systems model, originally developed by Dr. Allene Vaden, continues to provide the framework for this text as it has since the first edition was published in 1985. The model has withstood the test of time and remains an innovative conceptualization for describing a foodservice operation. Organizing the text around this model provides a unique design for this textbook compared with other foodservice management texts. The material in each chapter provides detailed information on how managers can efficiently and effectively transform the human, material, facility, and operational inputs of the system into outputs of meals, customer satisfaction, employee satisfaction, and financial accountability.

*Foodservice Organizations* provides a blending of theory and practice. The text is guided by a belief that effective foodservice managers must have an understanding of the empirical base that can be used to better manage their operation. Each chapter attempts to provide a blending of empirical research and the practical application of that research.

The foodservice and hospitality industries continue to grow. Each year new job opportunities become available for graduates. Students entering the field come from programs focusing on dietetics, foodservice management, and hospitality management. The basic principles for effectively managing a foodservice operation remain the same for all, and, thus, this text can meet the needs of students in a variety of programs. It was written primarily for junior- and senior-level students and also as a resource for graduate students, instructors, and foodservice managers. The text was designed as one that could be used for multiple courses, thus reducing the financial burden on students who purchase new textbooks each semester.

Every effort was made to keep the text short by providing quick reviews of information and discussions of the applications of this information. Reference lists and Web sites at the end of each chapter provide sources of additional information that can be used by students and instructors to expand discussion of topics introduced in the text.

## ORGANIZATION OF THE BOOK

The foodservice systems model serves as the conceptual framework for the book. Part 1 focuses on describing the Foodservice Systems Model. Concepts of the model are explained in depth. In Part 2, the Functional Subsystems (procurement; production; distribution and service; and safety, sanitation, and maintenance) of the transformation process are discussed. Part 3 focuses on the Management Functions and Linking Processes of the transformation process. Information on management, leadership, communication, and decision making is included, as well as discussions on human resource management, financial management, and marketing. The last section, Part 4, focuses on Outputs of the System and includes methods for evaluating the effectiveness of the system outputs.

Each chapter contains margin notes with definitions of key terms. A glossary of approximately 500 key terms is included at the end of the text. Each chapter contains an extensive bibliography and list of Web sites that can provide additional information about the chapter material. Each chapter also includes a summary of key points, study questions, ideas for class projects, and suggestions for case studies that allow application on chapter concepts.

## NEW TO THIS EDITION

Feedback from those who have used this text was very helpful in its revision. Several new topics and features have been added, including:

- Coverage of sustainability and social responsibility has been expanded throughout the text.
- Updated information on cultural influences in menu planning has been added in Chapter 3.
- Food safety information has been updated in Chapter 8 with information from the most recent release of the *Food Code* and the Servsafe® Coursebook.
- Expanded discussion on food delivery systems and customer satisfaction.

- Updated information on leadership and leader development added.
- Additional information included on emergency preparedness.

## FOR INSTRUCTORS

An *Instructor's Manual 0-13-401772-2*, which includes answers to the chapter study questions and exam questions, is available from Pearson Education. The Instructor's Manual and PowerPoint slides can be downloaded from the book's Web site at *www.pearsonhighered.com*. The text *Exploring Quantity Food Production and Service Through Problems*, 0-13-083534-X, by Lieux and Luoto (2000), provides excellent problem-based learning exercises designed to accompany the subject matter presented in this text. The hospital foodservice case study *Inlet Isles*, 0-13-032836-7, by Allen-Chabot, Curtis, and Blake (2001), provides an excellent case with problem sets that could be used to supplement several of the chapters in this text. At the end of each chapter specific case discussions from these texts that are appropriate to each chapter have been identified.

# ACKNOWLEDGMENTS

Work on a text such as this requires support from many individuals, and I would like to recognize their work and support. My husband, Wayne, continues to provide extreme understanding, support, and encouragement to my scholastic endeavors.

I appreciate the suggestions made by the reviewers. I tried to incorporate all of their suggestions as I made revisions in the text. Thanks go to Tracey Brigman, University of Georgia; Paula Cantu, Tarrant County Junior College; Amir Durrani, California State University, Long Beach; Heather Graham-Williams, Truckee Meadows Community College; Joseph Hughes, California State University, San Bernardino; Jeffrey Mitchell, Central New Mexico Community College; Ethel Nettles, Michigan State University; and Greg Quintard, Nashville Community College.

Finally, I want to thank the staff at Pearson Education for their help in guiding this publication to its latest revision. Thanks also to those who served as copy and production editors, for their review and preparation of the text for publication.

***Mary B. Gregoire***

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# ABOUT THE AUTHOR

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Chapter

# 1

# Systems Approach to a Foodservice Organization

## Enduring Understanding

- Foodservice operations are open systems that transform inputs into outputs.
- Every decision made will impact a foodservice operation in many ways.
- The same or similar output can be achieved using different inputs.
- Factors in the environment impact the foodservice system in profound ways.
- The foodservice industry is diverse.
- Sustainability efforts increase the quality of life for future generations.

## Learning Objectives

After reading and studying this chapter, you should be able to:

1. Define systems terms such as *interdependency, dynamic equilibrium,* and *equifinality*.
2. Analyze foodservice operations using the foodservice systems model.
3. Identify inputs and outputs of the foodservice systems model.
4. Discuss the transformation process.
5. Analyze ways in which factors in the environment impact the foodservice system.
6. Describe foodservice operations in the foodservice industry.
7. Compare and contrast sustainability efforts in foodservice operations.

Welcome to the exciting world of foodservice management. To guide your exploration of this field, the foodservice systems model approach to the management of foodservice organizations will be used. Viewing a foodservice operation as a system provides a way to understand the interrelatedness of work that goes on in a foodservice operation and will help you be a more effective manager. In this chapter, we discuss systems theory concepts and introduce you to the foodservice systems model. Each of the following chapters in this text then expands on various components of this foodservice systems model. You will also learn about the many opportunities that exist for managers in the foodservice industry. The concept of sustainability is introduced in this chapter. Ways to create more sustainable foodservice operations will be discussed in later chapters.

## THE SYSTEMS CONCEPT

Systems may be viewed as closed or open, based on the amount of interaction with their environment. Foodservice operations are viewed as open systems.

The application of systems concepts has been used to facilitate problem solving and decision making for managers. The systems approach focuses on the totality of the organization rather than its processes or parts. It considers the impact of both the internal and external environment on the organization.

**Model**

Conceptual simplification of a real situation in which extraneous information is excluded and analysis is simplified.

Several **models** of foodservice systems have been published in trade and professional literature. These models enabled managers, suppliers, and others to evaluate current practices and the impact of proposed changes on the foodservice operation (David, 1972; Freshwater, 1969; Gue, 1969; Konnersman, 1969; Livingston, 1968; Martin, 1999).

Before 1960, analytical fact-finding approaches were used to examine organizations. The systems era started in the 1960s and began a focus on synthesis, the act of combining separate parts into a conceptual whole. Ludwig Von Bertalanffy (1968) is credited with introducing systems theory. He proposed that the focus should be on the relationship among the parts of the whole and that the whole is greater than the sum of its parts. Von Bertalanffy, a biologist by training, introduced systems concepts that were applicable to the field of science, social science, and management. His work was one of the early examples of interdisciplinary application of a concept.

**System**

Collection of interrelated parts or subsystems unified by design to obtain one or more objectives.

A **system** is defined as a collection of interrelated parts or subsystems unified by design to obtain one or more objectives. Luchsinger and Dock (1976) listed fundamental implications of the term *system:*

- A system is designed to accomplish an objective.
- Subsystems of a system have an established arrangement.
- Interrelationships exist among the elements.
- Flow of resources through a system is more important than basic elements.
- Organization objectives are more important than those of the subsystems.

The systems approach to management is simply keeping the organization's objectives in mind throughout the performance of all activities. It requires a communication network and coordination among all parts of the organization. Decisions and actions by the manager in one area of the operation will affect others.

## THE ORGANIZATION AS A SYSTEM

**Input**

Any human, physical, or operational resource required to accomplish objectives of the system.

**Transformation**

Action or activity to change inputs into outputs.

**Output**

Result of transforming input into achievement of a system's goal.

**Internal control**

Plans, goals, standards, policies, and procedures of the organization.

**External control**

Local, state, and federal regulations and contracts with outside companies.

**Control**

Element in the systems model that ensures resources are used effectively and efficiently in accomplishing organizational objectives, ensures that the organization is functioning within legal and regulatory constraints, and provides standards to be used in evaluation of operations.

**Memory**

All stored information that provides historical records of a system's operations.

The basic systems model of an organization is shown in Figure 1-1. The major parts of a system include input, transformation, and output, as shown in the model.

The **input** of a system may be defined as any human, physical, or operational resource required to accomplish objectives of the system. **Transformation** involves any action or activity used in changing inputs into outputs, such as activities involved in the production of food. The **output** is the result from transforming the input, and it represents achievement of the system's goal. For example, the primary output in a foodservice system is the production of the desired quantity and quality of food to meet customers' needs.

The expanded systems model of an organization includes four additional parts: control, memory, environmental factors, and feedback (Figure 1-2). **Internal and external control** provides guidance for the system. Internal control consists of plans, including the goals and objectives of the organization, standards, and policies and procedures. External control consists of local, state, and federal regulations and contracts with outside companies.

The **control** element performs three functions in a system: It ensures that resources are used effectively and efficiently in accomplishing organizational objectives; it ensures that the organization is functioning within legal and regulatory constraints; and it provides standards to be used in the evaluation of operations.

**Memory** includes all stored information and provides historical records of the system's operations. Analysis of past records can assist the manager in making plans and avoiding repetition of past mistakes. Computer technology greatly enhances the memory capability of all types


**FIGURE 1-1** Basic systems model of an organization.

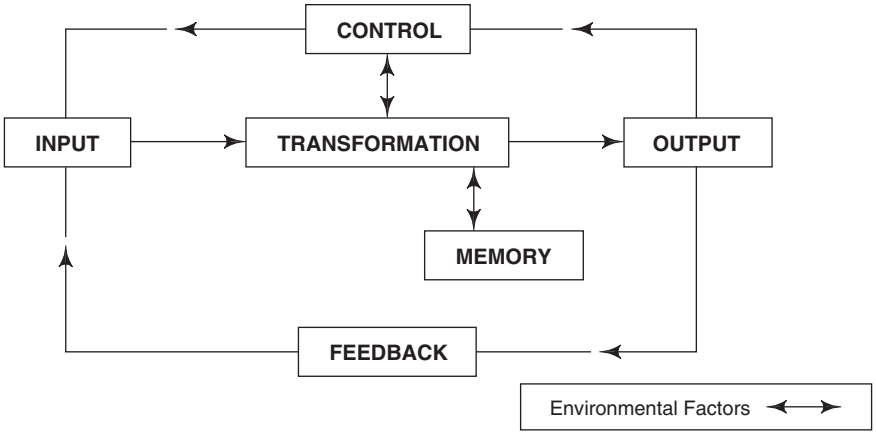


**FIGURE 1-2** Expanded systems model of an organization.

of systems. Rather than rely on filing cabinets for storage of information, managers use computers for rapid access to records.

**Environmental factors** are things that occur outside of the foodservice system yet impact some component of the system. Environmental factors may include technological innovation, globalization, competition, changing demographics, and political changes.

**Environmental factors**

Things outside the system that can impact the operation of the system.

**Feedback** includes those processes by which a system continually receives information from its internal and external environment. If used, feedback assists the system in adjusting to needed changes. For instance, feedback from customers' comments could be valuable information to the manager regarding changes needed in food or services offered. Organizations without effective feedback mechanisms become relatively closed systems and may go out of business.

**Feedback**

Processes by which a system continually receives information from its internal and external environment.

## CHARACTERISTICS OF OPEN SYSTEMS

An **open system** has a number of unique characteristics:

**Open systems**

Organizations that are in continual interaction with the environment.

- Interdependency of parts, leading to integration and synergy
- Dynamic equilibrium
- Equifinality
- Permeable boundaries
- Interface of systems and subsystems
- Hierarchy of the system

**Interdependency** is the reciprocal relationship of the parts of a system; each part mutually affects the performance of the others. This characteristic emphasizes the importance of viewing the organization as a whole rather than the parts in isolation. For example, in a foodservice system a decision to purchase a new piece of automated equipment may affect the menu, type of food purchased, and employee schedules.

**Interdependency**

Each part of the system affects performance of other parts of the system.

Interaction among units of an organization is implied by interdependency. Units do not operate in a vacuum but continually relate with other units. For example, for the organization to function as an effective system, the purchasing department must interact with the production unit and advertising with the sales department. The result of effective interaction is **integration**, in which the parts of the system share objectives of the entire organization. Integration leads to **synergy**, meaning that the units or parts of an organization working together may have greater impact than each of them operating separately.

**Integration**

Parts are blended together into a unified whole.

**Synergy**

Working together can create greater outcomes than working individually.

**Dynamic equilibrium**, or steady state, is the continuous response and adaptation of a system to its internal and external environment, which includes all the conditions, circumstances, and influences affecting the system. To remain viable, an organization must be responsive to social, political, and economic pressures. A foodservice director continually must evaluate cost and availability of food, labor, and supplies and advances in new technology. Change then is required to adapt to these new conditions and maintain viability. Feedback is important in maintaining dynamic equilibrium.

**Dynamic equilibrium**

Continuous response and adaptation of a system to its internal and external environment.

**Equifinality**

Same or similar output can be achieved by using different inputs or by varying the transformation process.

The term **equifinality** is applied to the organization as a system. It means that a same or similar output could be achieved by using different inputs or by varying the transformation processes. In other words, various alternatives may be used to attain similar results. In a foodservice organization, a decision to change from conventional to convenience foods will affect inputs and the transformation processes; however, a similar output, meals for a given clientele, will be achieved from these different inputs and processes.

**Permeability of boundaries**

Characteristic that allows the system to be penetrated or affected by the changing external environment.

**Boundaries**

Limits of a system that set the domain of organizational activity.

**Permeability of boundaries** is the characteristic of an open system that allows the system to be penetrated or affected by the changing external environment. **Boundaries** define the limits of a system, and permeability allows the system to interact with the environment. For example, a hospital constantly interrelates with the community, other healthcare institutions, and government agencies, all of which are part of the external environment.

The concept of boundaries among levels of a system, between subsystems, or between systems is a rather nebulous one. The walls between subsystems cannot be rigid, however, if an organization is to be effective. For example, activities of the food production and service units provide boundaries for each subsystem. Despite separate realms of activity, the boundaries between the two subsystems need to be highly permeable because the goal of the foodservice system is to satisfy the customer. The production and service subsystems, therefore, must be interdependent and work together to meet this goal.

**Interface**

Area where two systems or subsystems come in contact with each other.

The area of interdependency between two subsystems or two systems is often referred to as the **interface**. The example just cited illustrates the interface between the production and service subsystems of a foodservice organization. The overall organizational system has many interfaces with other systems such as suppliers, government agencies, community organizations, and unions.

A point of friction often occurs when two moving parts come together. Similarly, the interface between two subsystems within an organization is likely to be characterized by tension. Whyte (1948), in a landmark study of the restaurant industry, and later Slater (1989) identified the area between the front and back of the house as a point of maximum tension between waitstaff and cooks. In hospitals, a classic example of interface is patient tray service. Food and nutrition services personnel and nursing personnel are in direct contact with each other many times during the day, and conflict frequently can occur. An age-old argument in many hospitals has been, "Who is responsible for clearing the patient's bedside table at mealtime?" These interface areas often require special attention by managers.

An organization can be described as having three different levels. The model shown in Figure 1-3 was adapted from that proposed initially by Parsons (1960) and modified by Petit (1967) and Kast and Rosenzweig (1985) as a way of conceptualizing the organization as a system.

The internal level, also called the technical core or operational level, is where goods and services of the organization are produced. The organizational level, in which coordination and services for the technical operations are provided, is responsible for relating the technical and policy-making levels. Policy making/corporate level, the third level, is primarily responsible for interaction with the environment and long-range planning. An example is the corporate headquarters for a chain of restaurants. Although all three levels have permeable boundaries

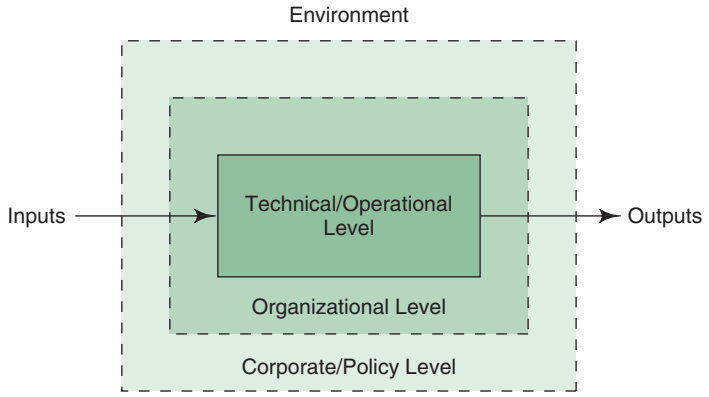


**FIGURE 1-3** Systems concepts in levels of the organization.

and environmental interaction, the degree of permeability increases from the technical to the policy-making level.

Another characteristic of a system is **hierarchy**. A system is composed of subsystems of lower order; the system is also part of a larger suprasystem. In fact, the ultimate system is the universe. For purposes of analysis, however, the largest unit with which one works generally is defined as the system, and the units become subsystems. A **subsystem**, a complete system in itself but not independent, is an interdependent part of the whole system.

**Hierarchy**

Characteristic of a system that is composed of subsystems of a lower order and a suprasystem of a higher order.

**Subsystem**

Complete system within itself that is part of a larger system.

For example, a hospital may be viewed as a system; food and nutrition services, nursing, radiology, and other departments are considered subsystems. By the same token, a college or university may be viewed as a system, and academic units and student services as two of the subsystems. Often in colleges and universities the foodservice department is a component of the student services division. One could, however, analyze foodservice departments in a hospital and college in more detail and thus view them as systems; the units within the foodservice would then become the subsystems.

## A FOODSERVICE SYSTEMS MODEL

A foodservice systems model (Figure 1-4) was developed to illustrate applications of systems theory to a foodservice organization. An examination of the model reveals that it is based on the basic systems model of an organization (Figure 1-1), which includes input, transformation, and output. The additional components of control, memory, environmental factors, and feedback, which are from the expanded systems model of an organization (Figure 1-2), are integral parts of the foodservice systems model.

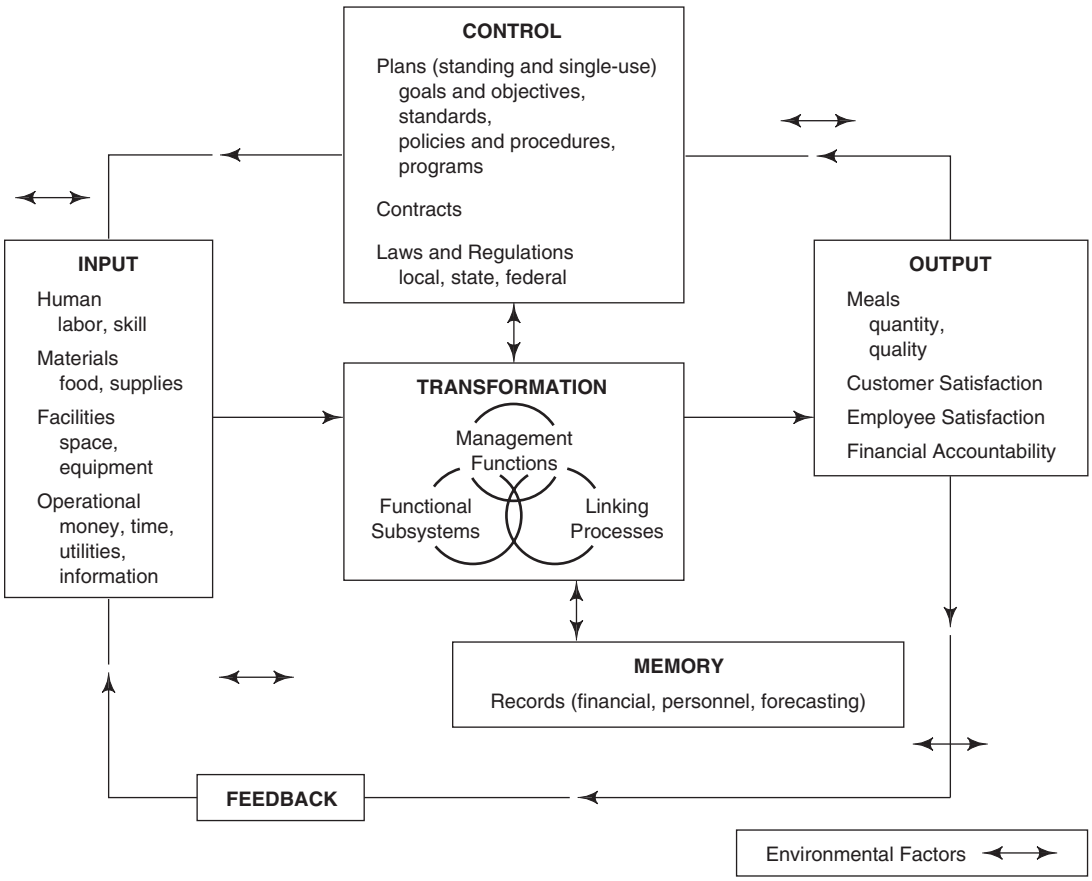


**FIGURE 1-4** A foodservice systems model. *Source*: Adapted from *A Model for Evaluating the Foodservice System*, by A. G. Vaden. (1980). Manhattan, KS: Kansas State University. © 1980. Used by permission.

Arrows in the model represent the flow of materials, energy, and information throughout the foodservice system. Gaps in the arrows from output to input on the periphery of the model represent the permeability of the boundaries of the foodservice system and reflect the environmental interaction inherent in the effectiveness of the system. The bidirectional arrows represent environmental interactions, both internal and external to the system.

The inputs of the foodservice system are the human and physical resources that are transformed to produce the output. Traditionally, these resources have been referred to as men, materials, money, and minutes. This traditional definition has been expanded by defining the following four types of **resources**:

**Resources**

Human, material, facility, and operational inputs to the foodservice system that are transformed into outputs.

- **Human.** Labor and skills
- **Materials.** Food and supplies
- **Facilities.** Space and equipment
- **Operational.** Money, time, utilities, and information

Input requirements are dependent upon and specified by the objectives and plans of the organization. For example, the decision to open a full-service restaurant serving fine cuisine rather than a limited-menu operation with carryout service would have a major impact on type and skill of staff, food and supplies for production of menu items, capital investment, and type of foodservice facility and layout.

In the foodservice systems model (Figure 1-4), transformation includes the functional subsystems of the foodservice operation, managerial functions, and linking processes. These are all interdependent parts of transformation that function in a synergistic way to produce the output of the system. Each will be discussed in further detail in later chapters of this text.

**Functional subsystem**

Components of the transformation process that includes procurement; production; distribution and service; and safety, sanitation, and maintenance.

The **functional subsystems** of a foodservice system (Figure 1-5) are classified according to their purpose and may include procurement; production; distribution and service; and safety, sanitation, and maintenance. Depending on the type of foodservice system, the subsystems within the system may vary.

The type of system determines the characteristics and activities of the subsystems. In the example given previously, the full-service restaurant serving fine cuisine would have a more sophisticated and elaborate production unit than that of the limited-menu restaurant. Distribution and service in hospitals and many schools represent a very complex and difficult subsystem to control; the appropriate food at the correct temperature and quality must be delivered to patients and students in many locations. The distribution and service subsystem is the most important difference between restaurants and onsite foodservice operations. Food contractors

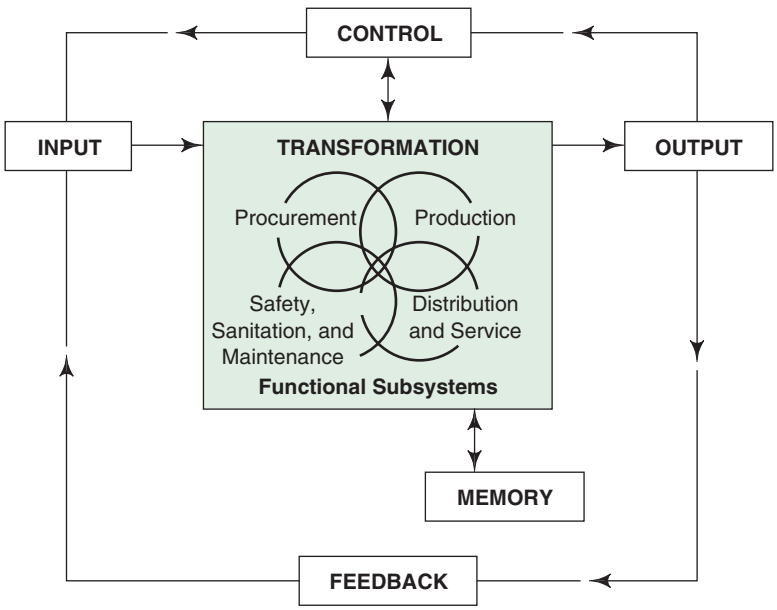


**FIGURE 1-5** Functional subsystems of a foodservice system.

providing meals for several airlines face the complexities of different menus and schedules, varying numbers of passengers, and problems such as delayed and canceled flights. Designing subsystems to meet the unique characteristics of these various foodservice organizations requires a systems approach in which the overall objectives of the organization are considered along with interrelationships among parts of the system.

**Management functions**, an integral component of the transformation element, are performed by managers to coordinate the subsystems in accomplishing the system's objectives. In this text, management functions include planning, organizing, staffing, directing, and controlling. These functions are used to manage the operation, including human resources, finances, and marketing.

**Management functions**

Component of the transformation process that includes planning, organizing, staffing, directing, and controlling.

The **linking processes** of decision making, communication, and balance are needed to coordinate the characteristics of the system in the transformation from inputs to outputs. **Decision making** is defined as the selection by management of a course of action from a variety of alternatives. **Communication**, which is the vehicle for transmitting decisions and other information, includes oral and written forms. **Balance** refers to management's ability to maintain organizational stability under shifting technological, economic, political, and social conditions.

**Linking processes**

Processes of decision making, communication, and balance needed in the transformation process.

**Decision making**

Selection of a course of action from a variety of alternatives.

**Communication**

Oral, written, or computer-generated information used to transmit decisions and other information.

**Balance**

Ability to maintain organizational stability under changing economic, political, social, and technological conditions.

The outputs are the goods and services that result from transforming the inputs of the system; they express how objectives are achieved. The primary output in the foodservice system is meals in proper quantity and quality. In addition, customer and employee satisfaction and financial accountability are desired outcomes.

Traditionally, textbooks in this field have stated that the objective of a foodservice is to produce the highest possible quality food at the lowest possible cost. In this text, however, the objective of production of food is to satisfy the expectations, desires, and needs of customers, clients, or patients. A customer at an office snack bar, for example, might be content with a grilled cheese sandwich and tomato soup; that evening at an upscale restaurant, however, the customer will have quite different expectations of the cuisine.

Customer satisfaction is closely related to the types and quality of food and services provided and to customer expectations. For example, a college student, pleased with pizza on the luncheon menu of a college residence hall, would be unhappy if that same item were served at a special function of a social fraternity at a country club, even though in both instances the product may be of high quality. The student's (customer's) expectations in these two situations are quite different.

Employee satisfaction is another important output of the foodservice system. Management should be concerned about the satisfaction of its employees. Managers also should be concerned about assisting employees in achieving and coordinating personal and organizational objectives. The effectiveness of any system, in large measure, is related to the quality of work done by the people staffing the organization.

Financial accountability is an output applicable to either a for-profit or not-for-profit foodservice organization. A foodservice manager must control costs in relation to revenues regardless of the type of operation. In the profit-making organization, a specific profit objective generally is defined as a percent of income. In a not-for-profit organization, the financial objective may be to generate a certain percentage of revenues in excess of expenses to provide funds for renovations, replacement costs, or expansion of operations.

Control encompasses the goals and objectives, standards, policies and procedures, and programs of the foodservice organization. The menu is considered the most important internal control of a foodservice system. The menu controls food and labor costs, type of equipment needed, customer and employee satisfaction, and profit. All plans, however, are internal controls of the system and may be either standing or for single use. Standing plans are those used repeatedly over a period of time and updated or reviewed periodically for changes. Single-use plans are those designed to be used only one time for a specific purpose or function.

A cycle menu is an example of a standing plan. For example, a hospital may have a 2-week menu cycle that is repeated throughout a 3-month seasonal period. Many restaurants use the same menu every day; some might add a daily special. Various types of organizational policies also are examples of standing plans. The menu for a special catered function, however, is an example of a single-use plan. A particular single-use plan may provide the basis for a subsequent event of a similar type, but is not intended to be used in its exact form on a second occasion.

Contracts and various local, state, and federal laws and regulations are other components of control. Contracts are either internal or external controls. Internal controls may be for security, pest control, and laundry services; legal requirements are externally imposed controls on the foodservice system. The foodservice manager must fulfill various contractual and legal obligations to avoid litigation. For example, in constructing a foodservice facility, local, state, and federal building and fire codes must be followed in both design and construction. Federal legislation, such as the Occupational Health and Safety Act of 1972 and the Americans with Disabilities Act of 1990, specify safety and access requirements businesses must incorporate in their operations. Controls, then, are standards for evaluating the system, and they provide the basis for the managerial process of controlling.

Memory stores and updates information for use in the foodservice system. Inventory, financial, forecasting, and personnel records and copies of menus are among the records that management should maintain. Review of past records provides information to management for analyzing trends and making adjustments in the system.

Environmental factors include things such as technological innovation, globalization, competition, changing demographics, government regulations, consumer demands, and other factors that are external to the foodservice operation. They involve how a foodservice relates to and interacts with customers, employees, government officials, vendors, crop growers, food distributors, truckers, health inspectors, and thousands of other influences affecting its operation. These environmental factors often require that organizations be flexible, willing to change, quality conscious, and customer focused if they are to be successful. **Environmental scanning** is the term used to describe the search for and acquisition of information about events and trends external to the organization.

**Environmental scanning**

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Feedback provides information essential to the continuing effectiveness of the system and for evaluation and control. As stated earlier, a system continually receives information from its internal and external environment that, if used, assists the system in adapting to changing conditions. Effective use of feedback is critical to maintaining viability of the system. A few examples of feedback that a foodservice manager must evaluate and use on a regular basis are comments from customers, plate waste, patronage, profit or loss, and employee performance and morale.

## THE FOODSERVICE INDUSTRY

The foodservice industry is exciting because it is in a constant state of change. Diversity in the workplace is becoming more prevalent. Customers are being heard and are given more choices in the market. Employees are becoming more empowered. The importance of food safety is being recognized. This list is just a beginning. The industry offers many challenging and rewarding career opportunities. Foodservice operations commonly are categorized as either commercial or **onsite foodservices**. The commercial segment includes foodservices in which selling food for profit is the primary activity of the business; the onsite (sometimes referred to as noncommercial or institutional) segment provides foodservice as a secondary activity for the business in which the foodservice is located. These segments are not clear-cut, and each segment has a few characteristics of the other segments. Business in some of these foodservice operations is dependent upon the economy. Current information about the foodservice industry is available from the professional organization for foodservice managers, the National Restaurant Association, www.restaurant.org.

**Onsite foodservice**

Foodservice operations in which sale of food is secondary to the goal of the organization; typically not-for-profit.

### Commercial Segment

The **commercial foodservice** segment includes a broad range of restaurants (from limited service to fine dining), lodging, food and beverage, recreation and sports, and convenience stores. The number of commercial foodservice operations and total sales in these operations continue to increase.

**Commercial foodservice**

Foodservice operations in which sale of food is the primary activity and a profit is desired.

**LIMITED-SERVICE, LIMITED-MENU** Limited-service, limited-menu restaurants (sometimes referred to as quick service or fast food) were designed to provide a limited number of food items to a customer in a relatively short period of time. Often the customer orders food at a

counter and pays for it before eating. These restaurants are targeting working professionals and parents who want to have a meal served quickly at a low price. Many restaurants have created a new concept referred to as "fast/casual," "adult fast food," or "quality quick service." These companies combine the speed and convenience of fast food with food quality and exciting décor at a price between the two. Other restaurants offer an upscale menu and environment combined with quick-service techniques.

**FULL-SERVICE RESTAURANTS** Full-service restaurants provide waited table service for customers. Guests are greeted and seated by a host/hostess and orders taken and delivered by waitstaff. Payment occurs after the meal is completed. A tip is typically given for the service provided by the waitstaff member. The style and ambiance of full-service restaurants varies greatly from casual to fine dining.

***Casual Dining Restaurants*** Casual dining restaurants are designed to attract middle-income individuals who enjoy dining out but do not want the formal atmosphere and high price found in a fine dining restaurant (Chon & Sparrows, 2000). The atmosphere is casual, the mood relaxed, and the price midrange at these restaurants. Some may have themes, such as Olive Garden or Red Lobster. Others offer more varied menus such as Applebee's, Bennigan's, and TGI Fridays. Entree items in these restaurants typically are less than $12.

***Fine Dining Restaurants*** Fine dining restaurants, often referred to as "white tablecloth" restaurants, are characterized by a high level of attentive table service, expensive-looking furnishings and décor, and fine cuisine (Chon & Sparrows, 2000). Staff members in these restaurants work to create a memorable dining experience that communicates elegance and attention to every need of the guest. Prices paid for a meal in a fine dining restaurant often can exceed $100 per person. Spago in Los Angeles and Jean-Georges in New York City are examples of well-known fine dining restaurants.

**HOTEL AND MOTEL RESTAURANTS** A hotel's food and beverage department is an exception if the profit exceeds 20% while the rooms division has profit margins of 75–80% (Payne, 1998). Operating a full-service restaurant is expensive, and guests for some reason prefer not to eat in a traditional hotel restaurant (Andorka, 1998a, b). Food courts in hotels have become a popular way to meet the needs of the customer while keeping the investment at low levels. "People don't usually want to eat in a traditional hotel restaurant," said Barbara Shuster, foodservice director for a large chain of hotels. She did an analysis of her company's full-service hotels and found that the operators were having real problems keeping their restaurants profitable. She found that 40–50% of their investments were on food costs and 45–50% on labor. Making a profit was impossible. In 1995, a program was launched to add food courts in place of restaurants to 18 hotels around the country. Food costs were slashed to an average of 32% and labor costs to an average of 28% of their investments. This allowed hotels to provide foodservice options that better met guests' needs without a large investment of capital (Andorka, 1998a, b).

Food and beverage operations in hotels usually have longer hours of service than do independent restaurants. Hotels serve three meals a day, 7 days per week. Operating a medium-priced, a fine dining, and perhaps a theme restaurant inside one full-service hotel has been common in major U.S. cities. These operations require multiple kitchens with duplicate staffing, expanded managerial controls, and higher costs for distribution of food and supplies and maintenance of the foodservice operation. Hotel dining operations are labor intensive, but room service, usually advertised as quick service, is the most labor-intensive service in the entire hotel. Labor is a hotel's greatest cost, representing as much as 50% of all expenses and being responsible for 25% of all revenue. Most food and beverage revenues are based on the number of rooms sold for a night. The American Hotel and Lodging Association is the professional organization for hotel and lodging managers. Information about the organization and the industry can be found at www.ahla.com.

The bed-and-breakfast (B&B) segment of the hospitality industry, long popular in European private homes and country inns, has expanded in the United States. An increasing number of B&Bs are being opened as primary businesses; a major change is the addition of