EMPLOYEE AND CUSTOMER SATISFACTION IN THE RESTAURANT INDUSTRY: RESEARCH-DRIVEN INTERVENTIONS

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The quick service industry occupies a significant presence in the areas of employability, economic generation, and human resource capability. With over 160,000 locations in the United States and sales of over $173.8 billion in 2012 (Nation’s Restaurant News, 2013), this industry is one of the world’s most accessible employers. Often made up of franchise chains (i.e. McDonald’s, Burger King, Wendy’s, Taco Bell, KFC, etc.), these restaurant operations focus on high volume, high speed, and low cost. While developments in product design and technology have created strategic advantage at any one time, the restaurant segment, with over thirteen billion employees (Nation’s Restaurant Association, 2013), is an industry driven by its people. Notwithstanding, stigmatized with a reputation for minimum-wage jobs, less than desirable conditions, and limited opportunities for growth, the industry continues to struggle with an annual turnover rate upwards of 130% (Nation’s Restaurant News, 2013).

The Organization

Kentucky Fried Chicken (KFC) is a quick service restaurant company owned by parent company, YUM! Brands, which also owns the Taco Bell and Pizza Hut brands, and has a global presence in over 130 countries. KFC has long struggled with both internal team member satisfaction and external customer satisfaction. This is evidenced by high degrees of employee turnover as well as declining customer satisfaction scores (ACSI, 2014). Customer satisfaction is a predictor of repeat business, which drives overall revenue. Determining how to motivate and train our workforce is the organizational need in this situation. KFC’s Learning and Development (L&D) team was consulted to address both the team member performance gap and the customer service business gap. The particular interventions discussed in this report are exclusive to KFC US, which operates 4500 restaurants. Of these KFC restaurants, 200 are company-owned with the remaining 4300 are owned and operated by 600+ franchisees.

Since training is often an appropriate intervention for building team member skills (Christoph, Schoenfeld and Tansky, 1998), the initial thought was that a training intervention could be an effective method to teach team members to serve customers the right way. However, leveraging the research that had been conducted internally and externally, it was apparent that the culture in the restaurants was not conducive to great customer service. There is a statement made by many senior leaders in operations at YUM: “The Guest Experience will never exceed that of the Team Member Experience.” With that caveat in mind, the Learning and Development team developed two parallel objectives: develop training for customer service while simultaneously developing a plan to build a winning restaurant culture.

Historically, new customer service training was introduced at KFC and expected to be the panacea to all customer service problems. The organization questioned why the expertly designed new training did not make a difference in the customer satisfaction scores. Scholars had already investigated this question and found that environmental factors influence the transfer of learning. Among those environmental factors are organizational culture (Rhodes, et al., 2008).
Limited efforts had been made to improve the culture within KFC restaurants, primarily due to the fragmented nature of operations, which involves a high percentage of franchise ownership. Although customer service training was introduced periodically, a system-wide culture effort had never before been attempted. Please note that there are pockets of excellence regarding culture and customer service – these statements are broad generalizations of the overall brand.

The following hypothesis guided the L&D team’s effort to impact customer satisfaction scores:

*Improved Team Member Satisfaction (engagement) leads to…*

*...Improved Guest Satisfaction, which leads to…*

*...Increased Frequency of visits, which leads to…*

*...Sales, which leads to…*

*...Higher profitability for the brand*

The key stakeholders for this culture and training initiative included the leadership team, the operations leaders, the team members, and KFC customers. If the interventions worked, both team member and guest satisfaction would be expected to improve, resulting in lower turnover and higher sales.

**The Research**

Low external customer satisfaction scores and low internal team member satisfaction scores were the impetus for the initial decision to rewrite KFC’s customer service training. The American Customer Satisfaction Index (ACSI) provides annual information that identifies KFC’s below average performance among its competitors. KFC’s internal customer satisfaction reports also demonstrated continual declines in the area of friendly service. The measures for both service recovery (when there is a problem) and overall lack of a friendly attitude were the two primary issues. Hence, we had strong evidence of a performance gap from both industry and proprietary data.

From a scholarly perspective, employee satisfaction has been consistently linked to guest experiences with an organization (Kralj & Solnet, 2010). Wiley (1996) asserts that in a service environment it is critical to “identify those elements of the work environment, as described by employees, that correlate, or link, to critically important organizational outcomes such as customer satisfaction and business performance” (p. 330). Not surprisingly, research in the hospitality industry has demonstrated a high correlation between organizational climate and performance (Davidson, 2003). A key measure of climate is the level of engagement of employees. Numerous studies demonstrate the criticality of engagement and its relationship to productivity (Fairhurst, 2008, Shuck & Wollard, 2010, Sheridan, 2012). An in-depth proprietary research study conducted in 2011 by the lead author found three critical factors impacting an hourly employee’s decision to stay with the company. Survey data from 935 hourly employees revealed that communication, recognition, and manager kindness and respect serve as critical engagement drivers (Gosser, 2011).
**Recognition.** Team members want to be appreciated for their work. This is the top of the list of a meta-analysis (Sheridan, 2012) as well as being predictive of KFC employees’ intent to stay (Gosser, 2011). Recognition can mean many things; however, sincere appreciation for work is important to KFC team members.

**Communication.** Team members want to know what is going on in the place where they work. This was found to be true in an internal survey from KFC as well as being listed as a top engagement driver in the meta-analysis (Sheridan, 2012).

**Kindness and respect.** Gallup has repeatedly reported that the one question on their survey measuring the strength of a workplace is “Do I have a best friend at work?” (Buckingham & Coffman, 1999) is the most related to having a strong workplace. Gallup’s twelve questions most related to a strong workplace also include a focus on recognition, communication, and kindness and respect.

These three areas, recognition, communication and kindness and respect became the focus for the Learning and Development team’s stage one intervention, which was titled: KFC’s Winning Restaurant Culture. Once completed, attention could then shift to implementing stage two, an eLearning intervention that would focus on customer service training for team members; this was titled KFC’s Service Mastery Program. The goals of each program were as follows:

**Winning Restaurant Culture Program:** Implement the engagement drivers of communication, recognition, kindness and respect, and friends at work into each restaurant across the US in a fun, unique methodology that could be replicated across 4500+ restaurants. Success metrics: Collateral developed present in restaurants (more on this in design).

**Service Mastery Program:** The goal was to develop engaging training in eLearning format that would demonstrate for our cashiers what was important to guests. All tactical as well as emotional information would be trained. Success metrics: Those that completed Service Mastery training for their cashiers earned higher guest satisfaction ratings overall and in the friendliness attribute.

**The Design Stage**

In order to build a winning restaurant culture, direction had to be given to the managers in the 4500+ restaurants. Simply telling them to focus on communication, recognition, and kindness and respect while building fun and friendship would not work consistently across the system. The KFC system has 600+ franchisees with varying opinions on management and leadership. Therefore, the intervention developed needed to have specific elements that could be implemented in every restaurant. The L&D team and an external consultant (the second author) embraced qualitative research. Telephone interviews with 30 of the best restaurant managers (company and franchise) were conducted to determine what best practices these employees had successfully deployed to drive recognition, communication, fun, friendship, and kindness and respect. The managers were chosen based on their customer satisfaction results as well as their sales and profitability. Those tactics the general managers
mentioned the most frequently were the ones used by the cross-functional team charged with creating the program. The Learning and Development team partnered with operations, guest measurement, and franchise operators to develop and execute both KFC’s Winning Restaurant Culture Program, and the eLearning Program, Service Mastery.

**KFC’s Winning Restaurant Culture Program Tactics**

The initial efforts at the restaurant level focused on addressing *Communication* and *Recognition*. It was determined that a communication board in the back of the restaurant was needed across all restaurants. After gathering all the feedback, the decision was made to provide “headers” for the communication board that would be standard and then allow all restaurants to design their own boards. There were six consistent headers for the communication board (see below):

![Communication Board Headers](image)

1. **What’s Important Now**: This would be for brand news to deliver to the team members. Every Monday, KFC corporate sends a communication bulletin to the restaurants. There is now a printable page that is titled “What’s Important Now.” It is written directly for team members so that KFC has an avenue to communicate with all team members. Though it is technologically unsophisticated at this juncture, the ability to “talk” to all team members once a week is ground-breaking.
2. **Recognition**: Any type of recognition or photos could be placed there.
3. **Results**: This allows flexibility for the restaurant operator in that any type of results they are tracking can be placed under this heading. This could be a suggestive sell contest or speed results.
4. **Voice of the Customer**: There is a customer satisfaction program across all restaurants with standardized reports. This is where team members would look to see how their restaurant is satisfying their customers.
5. **Shift Planner**: Every shift there is a diagram of where the team is deployed to work for the shift. This would allow the Team Member to understand where they will be working.
6. **Schedule**: The team schedule is posted two weeks in advance to allow team members to plan their lives.

There were also two blank headers sent so that the restaurant that allowed flexibility in communicating with their team members. The teams could be creative in how they put together their individual boards.
The second tactic for driving higher Communication was the introduction of the shift huddle. Similar to a huddle in football, this tactic allows for the shift manager to provide direction before each of the two shifts in a restaurant: before lunch and before dinner. This concept may be intimidating for junior managers, so a shift huddle template was developed to provide some direction (see below). This template ensures that the current promotions are shared as well as goals and recognition. Once a manager becomes familiar with the concept of a shift huddle, this can be eliminated.

![Shift Huddle Template]

Regarding Recognition, it was found that the best managers write what are called “recognition cards.” A third tactic introduced involved preprinted recognition cards that allow space for the manager to write what the recipient did that was appreciated. These cards are kept at the restaurant for one week as there is a weekly drawing with the cards. Each restaurant team determines their own list of “priceless rewards.” Priceless rewards cost zero to very little money and usually include the manager doing some type of activity, such as a chicken dance or cleaning task. The person whose card is pulled gets to choose the award. Designed to inspire fun in the restaurant manager is encouraged to write a minimum of one card per shift. Below is an example:

![Recognition Cards Example]
Finally, there were several other tactics developed to promote *Kindness and Respect*, including:

- A picture frame to place the cook’s photo on the front counter.
- A mirror reminding drive-through cashiers to smile

Once created, our attention turned to how the L&D team could effectively cascade these tactics to team members in each of the 4500 restaurants. A board game was proposed as a fun way to introduce these new elements, as well as reinforce a commitment to service standards. The game, Chickenopoly, organically introduced team members to these new in-restaurant tools that were designed to promote *Communication, Recognition and Kindness and Respect*. In an effort to maximize the game’s fun component, the L&D team partnered with a local university’s design students to create the board game template (see below).

![Chickenopoly Board Game](image)

This game uses cardboard chickens as currency. Timed and played with a die and pawns, team members move around the board answering questions. Chickens are lost or earned during game play. The team member with the most chickens wins the game. There are four categories of cards:

1. *What’s Going On*: focuses on communication
2. *Let’s Make it Fun*: recognition focus
3. *#GuestStandards*: guest expectations of service
4. *I Will Commit*: the individual team members’ commitments

The KFC Leadership Team sponsored Winning Restaurant Culture kits to be sent to each of the 4500 restaurants, an investment of over $300,000. The individual operators (franchisees or company general managers) had to invest labor dollars to hold a team meeting, which was optional for franchisees though highly encouraged. There are 20 employees on average on a team and the team meeting lasted three hours. Even using a minimum wage average (that is well below the average nationwide), the cost of labor alone was $435 per restaurant. Given the 4500 restaurants, this initiative was rolled out to 90,000 employees with a low estimate of almost $2 million in labor dollars.
Because franchisee operators are not contractually required to conduct training developed by the corporation, they had to understand the value of driving a winning restaurant culture. The Winning Restaurant Culture Program was kicked off at KFC’s national franchise convention in February, 2014. There were 1400 people present in the audience. A video was shown to help the franchisees understand the severity of low engagement and the return on their investment for improving the culture in the restaurant. Each of the three components (Communication, Recognition and Kindness and Respect) were discussed and the Chickenopoly game was played. This drove tremendous excitement.

From there, the process was shared at seven regional franchise association meetings. These were held across the country with the average attendance of 300-400 above restaurant leaders and restaurant general managers. In all, about 2100 additional leaders were reached. After that, regional restaurant manager rallies were held to roll out KFC’s Winning Restaurant Culture Program in different cities across the country. It was expected that if a restaurant manager could not attend a rally or regional meeting, their above restaurant leader would roll out the program and then the restaurant manager would hold his/her team meeting with the games and collateral. This rollout was conducted from February – June of 2014, with the kits arriving after the regional meetings and/or rallies.

**Service Mastery Program Elements**

Once the Winning Restaurant Culture cascade occurred, the L&D Team wanted all incumbent cashiers to take Service Mastery, the eLearning curriculum designed to teach cashiers how to serve guests. This training was written in conjunction with a third-party vendor, Interactive Services.

Service Mastery was designed using adult learning theory while incorporating the realities of the restaurant environment. Eight modules were written for team members so that the training could be phased. No module is longer than 10 minutes. Six modules have a 5-minute simulation following as a way to assess the learner’s knowledge. Each module also has an on-the-job training exercise to ensure the training is understood in the restaurant. This requirement was waived for incumbents, but must be taken by all new hires. The curriculum culminates in a Capstone game that has four levels, including hints and a scoreboard. The Capstone assesses whether knowledge has been gained. There is an additional module for managers called “Leading Great Service.” The final certification is an observation checklist by the manager, who then manually marks the training track complete.

The Brandon Hall Group, a preeminent research and analyst firm, recognized KFC’s Service Mastery eLearning program in 2014, with their Silver Excellence Award for Best Custom Content. The submission for the award is attached and provides a robust description of the training intervention.

**Results of the Programs**

In an effort to measure whether the Winning Restaurant Culture Program is being implemented at the restaurants without introducing an additional survey, we leveraged a third-party back of house evaluation that takes place quarterly. Several extra questions on this evaluation tool allowed us to determine the extent of use for each of the collateral pieces sent in the Winning Restaurant Culture kit. Historically, very little adoption of new materials has taken place at the restaurant level, so our
expectations were moderate. It was found, however, that 77% of the system had implemented the communication board, which was a huge win. Fifty percent of the restaurants are using shift huddles and about 55% are using recognition cards. While there is room for improvement, this is promising start in the KFC system. Qualitative data from roundtables indicated that the game drove organic fun and a sense of teamwork and friendship. The team members stated that they “rarely ever have fun together.” This process created an easy-to-implement meeting for our managers, resulting in friendship and fun among the teams.

Regarding the results of the Service Mastery eLearning, they are better than expected. SMG is the vendor that conducts the external customer satisfaction program. Customers are invited (through the back of the receipt) to take a survey regarding their experience. This data was correlated to the Service Mastery eLearning completion rates of the cashiers and managers for each of the restaurants. Each restaurant is placed in one of four categories:

1. Zero completion – no one in the restaurant had started the eLearning modules
2. 1 – 74% of cashiers / managers had completed the eLearning modules
3. 75-99% of cashiers / managers had completed the eLearning modules
4. 100% completed – everyone in the restaurant completed the eLearning modules

The results showed a positive correlation with taking the training and overall customer satisfaction score for the “friendliness” attribute. There is a 7-point improvement in the “friendliness” attribute and an 8-point improvement in overall satisfaction when comparing the restaurants with zero completion to those with 100% complete. The performance improves among each category. The actual completion rates are not as high as the company would like. Leveraging the Brandon Hall Silver award with the customer satisfaction results, the KFC’s L&T team will be encouraging franchise operators to embrace this important training.

**Implications**

The practical implication to be drawn from the Winning Restaurant Culture and Service Mastery programs created and executed by KFC’s L&D team is the importance of research to guide HRD interventions. HR professionals need to remain cognizant of the value of using needs assessments as a learning tool to help improve organizational systems, as well as help individuals be more successful in their positions (Cumberland, 2014). Furthermore the interventions shared here support a process whereby L&D teams partner with other functions to create more impactful interventions. The results from these specific interventions lend support to prior research that finds employee satisfaction is an antecedent to customer satisfaction. Finally, the execution of the training program using eLearning provides evidence that this method can be an effective manner to teach employees.

The Winning Restaurant Culture and Service Mastery programs have been shared with colleagues at:

1. AHRD’s 2014 Annual Conference
2. Elliott Masie, 2014 Learning Conference
3. Graduate courses at the University of Louisville
4. Other YUM! Brands restaurant brands including Taco Bell, Pizza Hut, and International.

This type of large-scale change process takes time, as well as was as financial and human capital resources. The KFC Corporation has not only been patient, but also supported the development of the interventions with time, cross-functional team members and dollars. While many franchisees have adopted the interventions, more work needs to be done. The eLearning completion rates are not where the organization needs them to be – the Chief Operating Officer is personally promoting this effort given our recent correlation results. Both the Winning Culture and Service Masterly interventions will undergo full-scale program evaluations to ensure positive impact on customer and employee satisfaction scores. These scores will then be analyzed with restaurant traffic and sales figures to determine correlations.

Our findings might also inform future HRD research theory development. Future research could investigate variables that impact employee perceptions of customer training interventions. For example, how do generational or tenure differences impact employee reactions to interventions designed to improve the workplace culture. Future empirical research may also use a pre-post design to assess whether interventions designed to improve communication, recognition and kindness and respect have an impact on hourly employees organizational commitment and intent to stay.
References


