

Industry investment a capital idea, but newbies fight for funding

By Sarah E. Lockyer

Amid forecasts for another year of stellar foodservice growth in which many established operators expect improved access to capital, first-time owner-operators still will struggle for startup financing as banks and other lenders remain wary of restaurant business risks.

According to the National Restaurant Association, sales at the industry's commercial eating-and-drinking establishments are expected to reach a record \$341.75 billion in 2005. That projection



In 2005 lenders will favor industry vets over new ventures, said Frank Roth of GE Commercial Finance.

represents a 5-percent increase from 2004, a year that saw

an increase of almost 6 percent over 2003 results.

"The industry has performed well in the last 24 months," Frank Roth, senior vice president of global marketing at GE Commercial Finance, Franchise Finance, in Scottsdale, Ariz., said. "It has stabilized and grown, and

we like that. When the industry performs well, more lenders want to come into the space."

Roth said restaurants with proven track records should have no trouble in 2005 garnering capital for new units, acquisitions or renovation of existing (See *INDUSTRY*, page 61)



The Achilles Group runs HR for Cordua Restaurants, operator of Churrascos restaurants.

Smaller firms turn to outsourcing as way of managing HR, staff's needs

By Dina Berta

HOUSTON — After years of being the go-to-guy to handle human-resources issues at Cordua Restaurants, a chain featuring South American-inspired cuisine, vice president of operations Jaime Rangel gladly welcomed the outside services of a local personnel firm.

"If there was a complaint, or someone did not get a paid vacation or things like that, they were looking to me," Rangel said. "It was taking too much of my time and not allowing me to focus on operations."

For smaller restaurant companies and independents with no human-resources executives or departments, (See *SMALLER*, page 14)

Out-of-store order technology rewards guests, fast-food operators

Groundbreaking system cuts costs, speeds service, frees up workers

By Alan J. Liddle

Operators of some McDonald's restaurants say they are tallying faster customer throughput, higher guest satisfaction and reduced operating costs by using a new technology through which guests unknowingly place their orders to specially trained workers based miles, even states, away.

Drive-thru and in-store customers placing orders at other chains, including Hardee's and Carl's Jr., also could be marveling soon at the newfound efficiency and undivided attention demonstrated by the worker who is replying through a squawk-box system or tabletop phone.

The reason for the employee's focus on the order is that he

isn't simultaneously counting out change for other customers, filling drink cups or passing food across the counter or through a drive-thru window. In fact, the smooth-talking intercom jockey, whose training emphasizes suggestive upselling, can't possibly be distracted by conflicting duties because he's not even in the restaurant. Instead, he and his counterparts are located at a service center in Colorado or Missouri, linked electronically to drive-thru speaker-microphone devices, dining room and play area phones and kitchen displays at multiple restaurants that could be hundreds of miles away.

(See *OUT-OF-STORE*, page 48)



A recap of sales, labor and other metrics, also is known as a dashboard, is shown above for a restaurant using the remote-call-center technology.

Pizza Inn sues law firm, fired chief executive over job contract

Taps general counsel McDonald as acting CEO, gives no reason for annual-meeting delay

By Ron Ruggless

THE COLONY, TEXAS — Pizza Inn Inc., the 410-unit chain based here, expanded a lawsuit against the Dallas law firm that had drawn up employment contracts for former Pizza Inn chief executive Ronald W. Parker, whom the company fired in December over an alleged "scheme."

Also in early January, the company had yet to reschedule

its shareholders' meeting, which was postponed from Dec. 15 without explanation.

At a special meeting Dec. 11, Pizza Inn's board of directors terminated Parker, who had been chief executive since 2002, and named Rod McDonald acting chief executive. McDonald is Pizza Inn's corporate secretary and general counsel. He was

unavailable for comment as of presstime.

McDonald joined Pizza Inn in 1997 and previously had worked at TCBY Enterprises Inc., operator and franchisor of the chain of frozen-yogurt shops.

Mark Schwarz, chairman of Pizza Inn's board, said in a statement: "Rod McDonald has many years of outstanding service with

Pizza Inn. The board of directors of Pizza Inn will be working closely with Rod to ensure a smooth transition during this period for employees and franchisees. We will immediately begin looking for an outstanding leader to serve as the permanent chief executive officer of Pizza Inn."

Meanwhile, Pizza Inn added (See *PIZZA INN*, page 59)

Smaller firms turn to outsourcing their HR functions

(Continued from page 1)

hiring outsiders to help manage people is becoming as common a practice as outsourcing payroll and information technology services. Owners and managers of small companies say their use of outside firms as "HR departments" also helps in competing against larger regional and national chains whose deep pockets allow them to run their own personnel divisions.

"The most important reason to chose to outsource is it allows us to focus on what we're good at," said Judson Holt, chief operations officer and a partner in Lupe Tortillas, a Mexican restaurant that his parents founded in 1983 and now has four locations in the Houston area.

"We're not HR people," Holt said. "That's an area that requires experience and expertise. We're restaurant operators. We need to stay focused on running good restaurants."

Holt said the goal is to have 25 Lupe Tortillas open within the next six years. To prepare for that growth, the company needed help in building a compensation and bonus structure for its senior management team. The small chain also needed assistance in screening management candidates and conducting management training on harassment and discrimination issues and rules of the U.S. Equal Employment Opportunity Commission.

To manage all that, Lupe Tortillas hired the Achilles Group, a Houston-based human-resources firm that acts as the HR department for small and midsized companies in a variety of industries, including foodservice, and works

for Cordua Restaurants and Willie's Restaurants, also based in Houston.

The 3-year-old Achilles Group is one of dozens of specialized HR firms that have been springing up across the country to serve such businesses. The Society of Human Resource Management has reported that anywhere from 50 percent to more than 70 percent of companies outsource some aspect of their HR business.

"A lot of HR people in the restaurant business, unless they work for a major company like a Landry's or Pappas, are isolated professionals," said JP Magill, founding partner and vice president of operations for Achilles. "Their experience is not as deep as it needs to be, and they can't sit down with the business owner and executive staff and participate on a business level on how to grow their business. They are more reactive to what's going on."

Cordua Restaurants plans to open two more restaurants this year and more in the coming years, Rangel said. There would be no way to speed up its growth without some help in human resources, he added.

Founded by chef Michael Cordua, the company has more than 400 employees working in its four concepts — two Amazon Grills, two casual Churrascos and its fine-dining restaurants, Americas and Artista.

"We needed to have more resources at hand," said Rangel, who started as a waiter 15 years ago at Churrascos. "It was going to be too much for one person. I would have to pay a very high salary to bring in some-

one who would bring all the expertise a whole department could bring. I didn't know who to hire."

Achilles charges roughly \$1,000 to \$3,000 per month for a year of services.

"It depends on size of location, number of employees," Magill said. "But it's half of what it cost an operation to hire its own HR department. The trade-off you get is we're not at your site as much, but you get more expertise and skill."

Besides establishing compensation and bonus programs, doing background checks on candidates and management training, most of what Achilles does for restaurants is help operators make sure that their procedures and policies line up with fair-employment standards, Magill said.

If restaurant operators are debating whether it is worth it to outsource some of their personnel functions, they should consider how much time they spend handling HR problems, according to Scott Miller, director of operations for Willie's Restaurants. That chain operates 11 Willie's Grill & Ice House restaurants in Houston and San Antonio.

"Consider your time," Miller said. "Sit down and put a pencil to it. Figure out how much your time is worth and how much you spend dealing with employee issues. The labor market is probably the largest stumbling block for the restaurant business. It's where most problems arise. It's quite a task — all the laws and regulations."

Q&A

Tom Landis: Helping Hispanics compute in English

Name a way to teach English to Spanish-speaking employees, and Dallas restaurateur Tom Landis has probably tried it, from bringing teachers into his Texadelphia restaurants to bringing a local community college course into the restaurants via cable TV.

Recently, Landis, helped by a grant from the U.S. Small Business Administration, has been able to offer his employees laptop computers and wireless Internet connections to use an interactive software language program called Rosetta Stone.

Landis, founding partner in PML Restaurants, which owns six Texadelphia units and franchises five Pizza Patrón restaurants, is hosting a seminar for restaurant executives to learn more about the Rosetta Stone software. At the event he'll also offer information about two other English-as-a-second-language systems that have been gaining national attention — Sed de Saber, an interactive program created by Leap Frog Enterprise, and Daily Dose, an instruction program promoted by the National Restaurant Association Educational Foundation.

The seminar is scheduled for Jan. 21 and will be held at the Bill J. Priest Institute for Economic Development

in Dallas. More information can be obtained by calling (214) 860-5752.

What's the goal of this corporate summit?

It's to help employers find the best program for their employees to learn English. It's an incredibly hard task. Five years ago no one was talking about it. Now it's gotten to be one of the biggest issues in the industry.

Why is that?

The biggest problem always has been and always will be employee turnover and finding and hiring good talent. Yet every restaurant owner or manager knows some employee who has been hard-working, is loyal and knows the restaurant well but just lacks

English [language skills]. English is the newest ingredient necessary to allow someone to move up in the company.

Why did you stop offering class instruction in your restaurants?

It's too difficult to get 15 or 20 employees at one time together. That doesn't work. I think we're presenting three viable options. There is some exciting and cost-effective stuff out there.

— Dina Berta



Tom Landis

NEWS DIGESTS

J&W University taps Matkowski as Denver campus prexy

PROVIDENCE, R.I. — John Bowen, president of the Johnson & Wales University system, based here, named Bette Matkowski president of the university's Denver campus, effective Feb. 1.

Matkowski, who currently is president of Lamar Community College in Lamar, Colo., replaces Mark Burke, who resigned in 2004. Denver is one of six campus locations in the Johnson & Wales system. J&W offers degrees in culinary arts, hospitality and business and boasts more than 16,000 enrolled students.

A former English teacher in Ohio public schools, Matkowski joined the Community College of Vermont, where she held various positions, including faculty member, adviser, equity officer and director of the Western region. She served as dean of advancement and enrollment for five years at Lamar Community College before becoming its president in 2000.

HR happenings

Harry Rose, chief executive of the Rose Group, received Applebee's International's 2004 National Franchisee of the Year Award at the casual-dining chain's conference in Puerto Rico. The award is based on several criteria, including guest satisfaction scores, adherence to cleanliness, food preparation standards and sales performance. The Rose Group owns 42 Applebee's Neighborhood Grill & Bar restaurants in eastern Pennsylvania and Maryland. . . . Hardee's franchisee Dan Ponder Jr. received the 2004 Independent Hardee's Franchise Association Founders Award. Ponder, president of Ponder Enterprises, owns 12 Hardee's restaurants in Georgia, Florida and Alabama. He also sits on the board of directors of Hardee's parent company, CKE Restaurants Inc.



Applauding franchisee Harry Rose are, from left, Applebee's Dave Goebel, president and COO; Lloyd Hill, chief executive; and Sam Rothschild, VP of franchisee operations.

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