

CASE 5 Perfect Pizzeria

Perfect Pizzeria in Southville, deep in southern Illinois, is the chain's second-largest franchise. The headquarters is located in Phoenix, Arizona. Although the business is prospering, it has employee and managerial problems.

Each operation has one manager, an assistant manager, and from two to five night managers. The managers of each pizzeria work under an area supervisor. There are no systematic criteria for being a manager or becoming a manager trainee. The franchise has no formalized training period for the manager. No college education is required. The managers for whom the case observer worked during a four-year period were relatively young (ages 24 to 27), and only one had completed college. They came from the ranks of night managers,

assistant managers, or both. The night managers were chosen for their ability to perform the duties of the regular employees. The assistant managers worked a two-hour shift during the luncheon period five days a week to gain knowledge about bookkeeping and management. Those who were becoming managers remained at that level unless they expressed interest in investing in the business.

The employees were mostly college students, with a few high school students performing the less challenging jobs. Because Perfect Pizzeria was located in an area with few job opportunities, it had a relatively easy task of filling its employee quotas. All the employees, with the exception of the manager, were employed part time. Consequently, they earned only the minimum wage.

*Canadian Organizational Behaviour
By Steven L. McShane © 2004*

The Perfect Pizzeria system is devised so that food and beverage costs and profits are set up according to a percentage. If the percentage of food unsold or damaged in any way is very low, the manager gets a bonus. If the percentage is high, the manager does not receive a bonus; rather, he or she receives only his or her normal salary.

There are many ways the percentage can fluctuate. Because the manager cannot be in the store 24 hours a day, some employees make up for their paycheques by helping themselves to the food. When a friend comes in to order a pizza, extra ingredients are put on the friend's pizza. Occasional nibbles by 18 to 20 employees throughout the day at the meal table also raise the percentage figure. An occasional bucket of sauce may be spilled or a pizza accidentally burned. Sometimes the wrong size of pizza may be made.

In the event of an employee mistake or a burned pizza by the oven person, the expense is supposed to come from the individual. Because of peer pressure, the night manager seldom writes up a bill for the erring employee. Instead, the establishment takes the loss and the error goes unnoticed until the end of the month when inventory is taken. That's when the manager finds out that the percentage is high and that there will be no bonus.

In the present instance, the manager took retaliatory measures. Previously, each employee was entitled to a free pizza, salad, and all the soft drinks he or she could drink for every 6 hours of work. The manager raised this figure from 6 to 12 hours of work. However, the employees had been receiving these 6-hour benefits for a long time. Therefore, they simply took advantage of the situation whenever the manager or the assistant was not in the building. Although the night managers theoretically had complete control of the operation in the evenings, they did not command the respect that the manager or assistant manager did. That was because night managers received the same pay as the regular employees, could not reprimand other employees, and were basically the same age or sometimes even younger than the other employees.

Thus, apathy grew within the pizzeria. There seemed to be a further separation between the manager and his workers, who had started out being a closely knit group. The manager made no attempt to alleviate the problem, because he felt it would iron itself out. Either the employees who

were dissatisfied would quit or they would be content to put up with the new regulations. As it turned out, there was a rash of employee dismissals. The manager had no problem filling the vacancies with new workers, but the loss of key personnel was costly to the business.

With the high turnover, the manager found he had to spend more time in the building supervising and sometimes taking the place of inexperienced workers. This was in direct violation of the franchise regulation, which stated that a manager would act as a supervisor and at no time take part in the actual food preparation. Employees were not placed under strict supervision with the manager working alongside them. The operation no longer worked smoothly because of differences between the remaining experienced workers and the manager concerning the way in which a particular function should be performed.

Within two months, the manager was again free to go back to his office and leave his subordinates in charge of the entire operation. During this two-month period, in spite of the differences between experienced workers and the manager, the unsold/damaged food percentage had returned to the previous low level and the manager received a bonus each month. The manager felt that his problems had been resolved and that conditions would remain the same, since the new personnel had now been properly trained.

It didn't take long for the new employees to become influenced by the other employees. Immediately after the manager returned to his supervisory role, the unsold/damaged food percentage began to rise. This time the manager took a bolder step. He cut out any benefits that the employees had—no free pizzas, salads, or drinks. With the job market at an even lower ebb than usual, most employees were forced to stay. The appointment of a new area supervisor made it impossible for the manager to "work behind the counter," because the supervisor was centrally located in Southville.

The manager tried still another approach to alleviate the rising unsold/damaged food percentage problem and maintain his bonus. He placed a notice on the bulletin board, stating that if the percentage remained at a high level, a lie detector test would be given to all employees. All those found guilty of taking or purposefully wasting food or drinks would be immediately terminated. This did

not have the desired effect on the employees, because they knew if they were all subjected to the test, all would be found guilty and the manager would have to dismiss all of them. This would leave him in a worse situation than ever.

Even before the following month's percentage was calculated, the manager knew it would be high. He had evidently received information from

one of the night managers about the employees' feelings toward the notice. What he did not expect was that the percentage would reach an all-time high. That is the state of affairs at the present time.

Source: J. E. Dittlich and R. A. Zawacki, *People and Organizations*. (Plano, Texas: Business Publications, 1981), pp. 126-128. Used by permission of Irwin/McGraw-Hill.