Case Notes

# Chapter 1: Operations Management, Processes, and Supply Chain Management

# Organ Mountain Vegan Restaurant

## Case Summary

John Kohl owned the Organ Mountain Vegan Restaurant and had dreams of a successful business. However, despite John’s knowledge of the restaurant business, his business was not going well. John made a major management mistake. He assumed since his business was small, he didn’t need formalized processes and systems for purchasing, inventory, management, or quality control. Now he was paying the price!

Case AnalysisThis case clearly illustrates the importance of the POLC framework, planning, organizing, leading, and controlling. Specifically, John has failed in organizing and controlling by having no processes in place that will provide guidance for purchasing supplies or for managing inventory. Because of the lack of processes, John’s restaurant is losing money due to spoilage and the need to buy some supplies on short notice and at higher prices. Furthermore, John is violating one of the fundamental processes of the eight key supply chain processes—demand management.

## Sample Answers to Case Questions

1. Identify the operations and/or supply chain problems that John is facing at his restaurant.

1. John has started a highly-specialized restaurant (vegan) in a relatively small city in NM. This may make it hard to attract a decent-sized clientele.
2. John started the restaurant in a downtown area in a location of a previously-failed restaurant. There might be a location problem.
3. John has one full-time and one part-time cook for the entire time they are open—he may be overworking his full-time chef.
4. He has no system in place to control purchasing. He allows two people, the chef and a waiter, to perform all the purchasing—these people may have no idea how purchasing should be performed.
5. He has no system to manage inventories. John is frequently running out of supplies and food and has too much of other items.
6. John has personnel problems—the chef takes frequent cigarette breaks and fights with the part-time cook and kitchen helper. Also, employees finger-point and blame others.
7. They are not doing a good job of taking reservations or controlling customer flow.
8. John is starting to have quality and customer service problems.

2. Discuss the reasons or potential causes for the problems listed in question 1.

a. The highly-specialized restaurant (vegan) reduces the customer base: John’s taste for vegetarian dishes is skewing the design of his menu. He may not have thought about how this would go over with potential customers.

b. Location problem: John may not be aware of traffic patterns in this area, or why the previous restaurant failed.

c. Overworking his chef: John may have scheduled his full-time chef too many hours considering that the chef is also purchasing food and alcohol. This could be way more than 40 hours per week.

d. No purchasing control: We don’t know how much experience the chef or waiter have with purchasing. Perhaps they are using an unreliable distributor, perhaps they are getting “kickbacks”, perhaps they are ordering items without checking existing supplies.

e. No inventory control: The storage area may make it hard to track inventories; the chef and waiter may not be trained in proper ordering and inventory control practices.

f. Personnel problems: John’s chef is more interested in taking breaks than cooking—this may tie into the overworked chef problem. The chef yelling at others and people blaming others is an indication that John has lost control of his people.

g. Reservation and customer flow problem: There appears to be days with heavy walk-in traffic that may be causing long queues or perhaps John is taking too many reservations. Maybe there is also a seating problem in the queuing area.

h. Customers are complaining: There are food problems and waiter problems causing complaints.

3. What is the restaurant’s supply chain? Which of the key supply chain processes should be of concern to John? Describe how each of these processes is affected.

The restaurant supply chain consists of the distributors used (1st tier suppliers), the restaurant itself, and the restaurant’s customers. In looking at Table 1.1, the key processes involved are customer service management (John’s customers are complaining), demand management (they are having queuing problems), possibly order fulfillment (customers might be complaining about long food wait times), manufacturing flow management (their vegan menu may not be satisfying their market), supplier relationship management (the distributors used may be creating food quality and delivery problems), and product development and commercialization (they may need to develop non-vegan food items).

4. What could John have done differently to avoid the problems listed in question 1?

a. The highly-specialized restaurant (vegan) reduces the customer base: John should have considered expanding his menu to include a few, non-vegan dishes.

b. Location problem: He should have looked for space in a more upscale area of town. He also should have tried to find out why the previous restaurant failed.

c. Overworking his chef: John should have scheduled his full-time chef to include time spent tracking, ordering, and receiving food. He should have considered when the part-time chef worked so as not to overlap the full-time chef.

d. No purchasing control: John could have considered how purchasing was performed—who does it and who to use.

e. No inventory control: John should have considered how inventories would be tracked, who would track them, and where the inventories would go.

f. Personnel problems: John should have developed policies for breaks and smoking. He needed to explain the helper’s duties to both the chef and the helper, and set some guidelines about controlling or punishing the helper as well as discussing things with the part-time cook. John needed to also manage his meeting better.

g. Reservation and customer flow problem: John should have discussed the “art” of taking reservations or should have revised the number of reservations on their busiest days.

h. Customers are complaining: There are food problems and server problems. John should be watching this more closely.

5. Going forward, what should John do, to solve his problems and create a more successful restaurant?

a. The highly-specialized restaurant (vegan) reduces the customer base: John needs to poll some customers to see if they would prefer non-vegan dishes. A customer comment card should also be placed on each table, with a collection box near the door. Perhaps he could introduce a few non-vegan dishes to see how they go over.

b. Location problem: John is probably stuck here until his lease expires. He should scout out some better, more upscale locations, and do some advertising or promotions to increase the number of customers.

c. Overworking his chef: John should schedule his full-time chef to include time spent tracking, ordering, and receiving food. His kitchen helper should be trained to perform some of these duties. John should communicate who is in charge—the full-time chef. If the chef is making unreasonable demands on the others, the chef should probably be replaced.

d. No purchasing control: John needs to communicate to everyone which suppliers or distributors to use, how often to order goods, and who performs the orders and receiving. He needs to assure that distributors are not rewarding the chef or waiter for their business.

e. No inventory control: John should be using some inventory control software—calculating order quantities and time between orders. Also, inventories need to be stored in locations that make it easy to see the current inventory levels.

f. Personnel problems: John needs to have reasonable policies for breaks and smoking. Obviously, smoking in the kitchen or in front of customers cannot be permitted; and breaks cannot occur during busy periods. John needs to explain the helper’s duties to both the chef and the helper, and set some guidelines about controlling or punishing the helper as well as discussing things with the part-time cook. When things get out of hand, John needs to step in and mediate or discipline workers. John needs to set expectations for his meetings and explain what should happen, by printing an agenda for his meetings but then give people a chance to air their differences or problems.

g. Reservation and customer flow problem: John must do a better job of taking and then communicating reservations to his waiters. On historically busy days when there are lots of customers with no reservations, he should take fewer reservations.

h. Customers are complaining: There are food problems and server problems. This is perhaps his worst problem. John needs to create a checksheet to monitor when food or server problems are occurring. Perhaps food is cooked badly, or perhaps purchased food is bad or spoiled then served. This could be a purchasing problem or a cooking problem. Also, what servers are receiving complaints? This needs to be corrected quickly.