



This case and the company it is set in are fictitious. It was written by Sean Tucker for use in the 2009 Intercollegiate Business Competition and for classroom use. The author wishes to thank Minerva Canada for providing financial support and thanks Alyson Frankie, Moira Jackson, and Vic Pakalnis for their helpful comments on earlier drafts of this case. Research related to this case has been supported by a grant from the Community Initiatives and Research Program of the Workers Compensation Board of Manitoba.

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Keefer Restaurants Inc. is a fast-food restaurant chain with 21 locations across western Ontario. The restaurants are independently operated by franchise owners. This case involves five restaurants that are owned by Lindsey Mills and are located in London, Ontario.

In 2002, Lindsey purchased three established Keefer Restaurants and subsequently opened two new restaurants, one in 2005 and the second in 2007. Prior to buying into the Keefer franchise, she was Vice-President of Operations for a large hospital in the Greater Toronto Area. Lindsey's previous experience also included a variety of other senior management positions. Wanting a career change that would allow her to productively utilize her entrepreneurial skills, Lindsey made a radical mid-career shift and moved into the highly competitive fast-food sector. She chose Keefer Restaurants over several larger chains because Keefer franchisees have more latitude to make changes to operational policies. For example, owners can extend or shorten store hours, adapt employee and customer-service policies, and extend standardized employee training. For its part, Keefer Restaurants Inc., in consultation with franchisees, maintains control over developing menu items, food preparation processes, restaurant design, and advertising.

Two of Lindsey's restaurants are located next to separate interchanges on Highway 401 in London. Two others are located near major high schools in the city. These restaurants also cater to manufacturing and office workers. The fifth restaurant is located next to a large retail mall.

No less than 20 people are regularly employed at each restaurant. Most employees are part-time (i.e., they work less than 20 hours per week), and about half of the workforce is comprised of high school students. Supervisors are typically promoted from frontline jobs. Keefer Restaurants provides franchisees with a

standard employee training system that includes modules related to kitchen safety, food safety, robbery prevention procedures, and customer service, among others.

At the time Lindsey acquired the restaurants her main goals were to build a loyal customer base, increase revenue, and expand at a sustainable rate. In six years she has mostly attained these goals. Revenue per restaurant has increased steadily since 2002 in all but one restaurant (Appendix 1).

Lindsey's success stems from her commitment to provide customers with a high level of service. Since 2002, she along with her management team have focused on improving employee training, streamlining production processes, and introducing a more efficient employee scheduling system that ensures adequate staffing at peak periods. For example, to lower customer wait times, Lindsey introduced a policy called "three or free", which promised customers their orders are served within three minutes during the busy lunch and dinner hours, lest they receive a free beverage. In communications with restaurant managers and staff, Lindsey consistently emphasizes the mantra that the 'customer is always right'.

Customer opinion surveys confirm that Lindsey is on the right track. One recent survey showed that an average of 97% of customers at Lindsey-owned restaurants reported being satisfied or very satisfied with their dining experience. By comparison, other Keefer restaurants receive an 88% rating on average. Not surprisingly, four of the five top-performing Keefer Restaurants, in terms of revenue and customer satisfaction, are owned by Lindsey.

While striving to maintain a high level of customer service, Lindsey has also tried to address employee concerns and improve the working environment. The North American fast-food restaurant industry experiences higher employee turnover than most industries. Lindsey has instituted a number of measures that are aimed at improving employee satisfaction and retention. Specific measures include flexible scheduling, free food and beverages, and university scholarships. In late-2007, Lindsey adopted a suggestion box program for employees to anonymously report work-related concerns to their managers.

More recently, in March 2008, Lindsey adopted a statement of employee management principles (reproduced in Appendix 2). The document states that employees can expect to be treated fairly and with respect at work. These principles are prominently posted in the kitchen and at the front counter area of each restaurant, and thus are in view of both employees and customers. Despite these and other efforts, employee turnover has decreased only marginally at Lindsey-owned restaurants.

Lindsey also believes in giving back to the community. She sponsors several sports teams for local youth and has organized a popular employee volunteer program that some other local companies have adopted. Lindsey's business success and community participation have not gone unnoticed. In 2007, she was named businessperson of the year in London.

Kim Jackson, 38, is the head manager at one of the Lindsey-owned restaurants located next to Highway 401. He is married and has one child. Before he started

working for Lindsey four years ago, Kim had held various management positions in the food and hospitality industry in the Greater Toronto Area. Kim and his wife grew up in London and were glad to have an opportunity to relocate to London, where most of their families live.

Kim enjoys working with Lindsey Mills and is committed to the success of Keefer Restaurants. He would like to be promoted to a position of general manager for all of Lindsey's restaurants when new restaurants are opened in the future. In performance reviews, Lindsey has rated Kim's work as excellent, but she has been circumspect about advancement opportunities for Kim. This stance has more to do with Lindsey's approach to management than concerns about Kim's abilities; Lindsey avoids making promises that she may not be able to keep.

Kim made significant contributions to drafting the statement of employee management principles. He and Lindsey talked at length about how to define the principles and how they might be applied. Lindsey wanted to put into writing her vision of how employees could expect to be treated by store management. She also wanted the document to be concise and unambiguous, and to provide employees with information about how to communicate directly with her should a serious concern arise that a store manager could not, or would not, address. Here is an excerpt from a conversation between Lindsey and Kim just before the statement was unveiled to staff in each restaurant:

Lindsey: I think these principles reflect what we're doing already – or what we should be doing – in terms of employee management. As we expand in the years ahead, I'm concerned that we may find that this important aspect of our culture has diminished. Codifying our people-management philosophy is one way to ensure that our values survive when new stores open.

Kim: I agree. And I'm glad that we're able to do this. I showed the a draft of the statement to a couple of senior employees to get their reaction. They said that it was a good idea, and they were being genuine.

Lindsey: That's nice to hear. To me, the principles seem fair – they're what every employee should expect at work, at least as a minimum. I need you and the other managers to live up to these principles because otherwise this exercise will not amount to much and, at worst, could make some employees cynical. That said, there may be incidents – offhand, I can't think of what they might be – where we may need to manage how broadly the principles are interpreted and applied. I truly want to provide workers with the best working environment possible, but I'm also realistic enough to believe in the old adage "give them an inch and they'll take a mile." I wouldn't want to see the principles exploited in any way by activist employees.

Kim: I think I know what you mean.

Since they were introduced in March 2008, the principles have generally been well received by employees and managers alike. Managers have reported that employees are more willing to raise concerns. There is also evidence that employees feel that their concerns are being heard.

## **AN EMPLOYEE OPINION SURVEY**

In September 2008, Lindsey and another Keefer franchisee received a request from two MBA students to conduct an employee opinion survey as part of a project in their program. Lindsey and the other restaurant owner agreed to participate in the study. The questionnaire focused primarily on employee satisfaction with pay, coworkers, supervision, customers, working conditions, and work hours. A few questions related to occupational safety, and there were some additional open-ended questions that invited employees to raise other concerns. One hundred and twenty-three workers at ten restaurants responded to the survey.

Lindsey asked Kim to interpret the results and report back to her when she returned from a vacation. Kim found that employees at Lindsey-owned restaurants reported higher satisfaction with their work hours and quality of supervision than employees at the other restaurants. Two other findings stood out from the survey results. First, many employees reported that they were concerned about losing their jobs with the weakening economy. Second, and to Kim's surprise, employee satisfaction with restaurant customers was nearly the same across the two franchisees. Further, and in response to an open-ended question about workplace safety concerns, 20% of respondents at Lindsey's restaurants complained about being exposed to angry, harassing, or threatening customers. Here are some of the written comments from this survey question:

"People like to get angry about burgers."

"When I took this job no one told me that being yelled at by customers was part of the job."

"Once I had a guy throw a tray at me because we got his order wrong. I don't know what happened but he blamed me. Fortunately, the tray missed me but the incident freaked me for a while."

"I sometimes take verbal abuse from customers. I feel that some people look down on me and they think they can say anything because of where I work and my position."

"Once I calmly told an upset customer that I understood her frustration and that we were working as quickly as possible to finish her order. Well, my genuine expression of empathy just set her off! I couldn't believe it. She said some nasty things to me and reported me to my supervisor. Now I avoid saying anything to upset customers."

"Working on the late shift you come into contact with all kinds of people. Some drunken male customers can be difficult to handle. I'm a 16 year old female and I've had men as old as my father make sexual comments and some even try to touch me, repeatedly. It's really gross and sometimes I get scared."

Incidents of aggression and harassment were not new to Kim.<sup>1</sup> A couple of times he had needed to intervene to remove belligerent patrons. Two years ago he had

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<sup>1</sup> Researchers and policy makers have defined "aggression" as any action that is intended to harm another person. Examples include spreading rumours, yelling at someone, making threats, and making degrading comments. Violence is a subset of aggression and includes

called the police about three drunken customers who were threatening employees and other customers. What surprised Kim about the comments was the prevalence and severity of aggression and harassment directed at employees by customers. Kim wondered what, if anything, he could do about the problem. Since Lindsey was away on vacation, he decided to take a couple of weeks to think more about the matter before writing his report on the survey.

## AN ANONYMOUS COMPLAINT

About a week later, Kim came across this unsigned letter in the employee suggestion box in his restaurant:

To whom it may concern:

I'm writing in the hope that you will do something to make customers behave like adults. For the most part my friends and I like our jobs but we don't like how some of the customers treat us. If they don't get their food right away some people get agitated and a few have snapped. My friends and I have had customers swear at us; they say some really mean stuff. Once an angry customer leaned over the counter and threatened me. He said: "I'll do everything to make sure this is your last shift here." And, of course, there are those unpredictable drunken customers.

These kinds of incidents happen often enough to make working here unpleasant. I told my parents about some of these incidents and they told me to write this letter. I hope that you can do something to stop this behaviour. Thank you for reading my letter.

The next few days Kim was preoccupied by the letter and the comments from the employee survey.<sup>2</sup> Kim prides himself on listening to employee concerns and trying to address issues no matter how big or small they may seem to him. Further, he understands that younger employees are sometimes reluctant to raise issues for fear of being labeled a "complainer". He feels that this is a critical issue as the actions he takes or does not take will likely have implications for how he is perceived by his staff and supervisors.

## KEEFER'S SEMI-ANNUAL MEETING

The following week, Keefer Restaurant owners and managers gathered in Toronto to attend Keefer's semi-annual corporate meeting. The two main agenda items for

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physical behaviour such as pushing and throwing objects at someone, and fighting. Harassment is similar to aggression and can be defined as continually engaging in actions that a reasonable person ought to know are unwelcome or continuing to engage in actions that are known to be unwelcome. Harassment may take a psychological form (e.g., repeatedly giving someone the silent treatment) or sexual form (e.g., making sexual comments or engaging in inappropriate touching).

<sup>2</sup> The suggestion box is located in the kitchen where only employees can access it, so Kim was confident that the letter was written by a current employee.

the meeting were, first, to introduce a new advertising campaign and, second, to discuss adjusting royalties paid by franchisees. Kim was still consumed about how to respond to the stories of customer abuse to think much about these issues. And besides franchisee royalties didn't affect him. For the two-hour drive to Toronto, Kim couldn't stop thinking about what to say and recommend to Lindsey regarding the feedback he was getting from employees.

Given the sensitive nature of the issue, most of the meeting was spent discussing franchisee royalties. The President of Keefer Industries Inc., Deborah Redman, proposed increasing the royalties to better promote the Keefer brand to potential franchisees. A vigorous discussion ensued. While wholeheartedly supporting expanding the Keefer chain, the majority of current franchisees opposed changing royalty payments, particularly during a period of economic turmoil.

When the meeting ended, Kim bumped into a couple of managers he knew well. The two managers, Sarah and Thomas, worked for separate Keefer franchisees. Kim's careful introduction of the issue of customer-initiated aggression and harassment with them prompted a vigorous discussion.

Kim: Recently, I received results from an independent employee opinion survey. Generally, most things seem to be going well but the survey results suggest that inappropriate customer behaviour – I mean abuse – is a very real concern of our workers. It's not like this was the first time I had heard about it or had to intervene, but what I didn't appreciate was the frequency and scope of the problem. Some the stories are disturbing, especially the ones involving our teenaged staff.

Sarah: Based on everything I've seen in this business, I'm not surprised. I've worked in the food services industry for over a decade – half of that time as a server and cashier. I've had food thrown at me by customers and have been yelled at more times than I care to remember. Once a cook threw a mixing bowl at me for not working hard.

Thomas: I agree with Sarah in that it is a major problem. I just don't think there's much we can do about it.

Kim: Perhaps it's a dirty little secret in the fast-food industry?

Thomas: Maybe.

Sarah: A couple of months ago one of our hardest workers at a busy location, a young woman about 17 years old, came to me looking very upset. She said she was quitting because she couldn't take bullying from a group of regular customers. Apparently, some students at her high school would come to the restaurant, order food, and then blame her for ordering the wrong food. It was the first I had heard of it and there was little that I could say to change her mind. I've found that our young workers are reluctant to speak out about problems, especially problems of this nature. I think they're worried that they may lose their job for speaking out.

Thomas: That's been my experience as well.

Kim: So you're seeing the same thing. Have you put your mind to what can be done about it?

Thomas: Sadly, and I mean it when I say sadly, there isn't a lot that we can do. We can't control who walks into the restaurant for service. Some come in when they're really hungry and they expect quick service. When the food isn't there fast enough it's like a switch flicks, and people sometimes become hostile. I'm sure we've all been there ourselves but perhaps to a lesser degree. Not only that, profit margins are tight in this industry, and I can't see turning away customers that fit a certain profile being a solution. How on earth would we ever define who is and is not a potentially abusive customer? What I am saying is that there is always going to be a certain level of unwanted behaviour that our workers have to put up with.

Sarah: Regrettably, I agree with you, Thomas. If workers can't handle the bad behaviour, they're probably better off working elsewhere. I say this based on my experience and as a parent of a 16-year-old who recently left a job as a food server because of a couple of bad experiences with customers and coworkers. You've got to take life's knocks. It's part of life. You learn from it and get on with it.

Kim: So you're saying that nothing can be done – that we just have to accept this? (Kim pauses) Something just occurred to me...several months ago my sister, a retail clothing store manager, told me how they once banned a customer from entering their store because of inappropriate comments directed at female staff. Couldn't we try something like that?

Thomas: I really hate to say it, but we have to accept things the way they are in this business. We've got to keep customer loyalty in mind, and also there is loyalty to the Keefer Restaurant brand to consider. Besides, I'm really not sure how effective new policies would be in preventing aggression and harassment. No one else in the fast-food restaurant industry has taken this problem on in a serious sort of way. As you know, we're a very small fish in a big pond in this industry. To be a first mover on this issue would have little to no effect in changing attitudes and behaviour. Right or wrong, some customers think that it is acceptable for them to behave in a certain way at fast-food restaurants. Also, in terms of Keefer Restaurants, what would head office think if some of our stores adopted a radical new policy? It could drive business away and hurt us all.

Kim left the meeting feeling uneasy. He had a better understanding of the complexity of the challenges and the consequent difficulty with addressing customer abuse, but still he couldn't disregard the letter from the suggestion box and the comments from the employee opinion survey.

## **THE TASK**

Put yourself in Kim Jackson's place and develop a presentation for Lindsey Mills that A) addresses whether customer-initiated workplace abuse as it is described in this case is an ethical issue, B) proposes specific measures to address the problem of customer abuse, C) identifies stakeholder interests that may be affected by these measures, and D) describes how any conflicts among various stakeholders brought on by the measures can be minimized.

**APPENDIX 1**

**REVENUE PER RESTAURANT (\$1,000)**

<b>Restaurant #</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
1	350	355	389	430	475	480	510	530	535
2	378	380	390	415	410	420	409	405	398
3	295	290	360	377	402	434	430	505	520
4						248	284	340	390
5								150	325

## **APPENDIX 2**

### **EMPLOYEE MANAGEMENT PRINCIPLES**

Store managers and supervisors will make every reasonable effort to ensure that employees at my Keefer Restaurants:

- Are treated fairly and with respect
- Have a safe work environment
- Are listened to when they raise concerns

If you feel that any of these principles are not being upheld, please contact me directly by email, at [Lindsey@keeferrestaurants.com](mailto:Lindsey@keeferrestaurants.com), or by phone, at 905-555-7777.

Signed,

Lindsey Mills, MBA

March 2008