



"Integrity, Honesty, Growth"

Labor Optimization

Restaurant Labor Optimization

One of the greatest challenges restaurant operators face is efficient labor management. As minimum wages rise and health care expenses soar, it is crucial to implement high-performance systems and techniques that keep labor costs manageable.

Whether your venue demands a higher labor cost or your labor cost is “ok”, it can always be tweaked to assure getting the most “bang for your buck” with keeping your product and services at the high standard that you envision.

It’s clear that labor optimization will become critical to any restaurant open today seeking to still be alive in five years. It’s not that managing labor is any more or less important than it was in the past, it’s that the sophistication required to manage and optimize it going forward will prove far more challenging. As survival-of-the-fittest instincts kick in for the strong to evolve or die, they will look for every competitive edge they claw into their toolkit, including killing off the weaker of their kind that didn’t prepare or avail themselves with the best offensive and defensive strategies.

If this all sounds like one of those futuristic game shows where friends compete for their lives until only one or a few are left standing, that is, sadly, sort of the case. Globally, we will soon reach the point where there are so many more people desiring to eat in restaurants than there are people willing to work in them for the wages offered, that for both factors of costs to operators and changing demands of consumers there will be a seismic shift in restaurant economic models, and new tools and tactics will be devised and deployed in the battle for a share of consumer stomachs.

Perform Capacity Analysis

The first step in any improvement initiative is to establish baselines and conduct a gap analysis of current performance to desired targets and comparable industry or internal benchmarks. Some questions to ask when beginning to set the baselines include:

- What are sales per employee? Per labor hour?
- What are employee turnover and retention rates? At individual units? Company wide?
- What are the current limits of capacity for each profit center within the restaurant? Each cost center?
- After performing this analysis, what correlations and patterns were evident after this analysis?

Execute Station & Position Productivity Analysis

After establishing maximum capacity and par levels, it's time to conduct a gap analysis to see how station- and position-level data and performance stack up. Here are three methods to identify areas of opportunity for process improvements when looking to optimize labor:

- TASK ANALYSIS
- LABOR ANALYSIS
- TIME & MOTION STUDIES

Foster Associate Engagement

There has probably never been a discussion on the subject of labor productivity that didn't also address the critically important consideration of Associate Engagement.

Communicating (early and often) about the changes that will be upcoming for employees is a crucial step before implementing the productivity initiatives. In fact, Associate Engagement can even be improved during times of change if employees are provided with tools to provide their feedback to the changes being made, and their opinions are heard and taken into account.

Develop Company Culture

Company culture is something that needs to be actively lived in an organization, not just a mission statement and mantra that rests in a dusty three ring binder on a shelf in the back office. Having this set of values, "norms," and beliefs developed and truly integrated into the company is something many companies (mistakenly) believe is an unnecessary expense, rather than an investment that pays returns in the long term.

Perform Organizational Design

Organizational design – or identifying elements of work flows or systems that provide opportunities for improvement – enables companies to focus efforts on maximizing both human processes and technological advances.

Applying this methodology to restaurants (which have historically lagged behind the times in terms of adopting technological advancements) may lead to the realization that the organizational chart needs to be dramatically reworked.