

SEEING CLEARLY

When setting a new foodservice plan in motion, it pays to be transparent in your integrity, argue Brailsford & Dunlavey's vice-president **John Cornyn** FCSI and assistant project manager **Whitney Duffey**



Transparent integrity” has become a buzzword for colleges and universities, business and industry, and other noncommercial segments that employ either self- or contract-operated foodservice. As foodservice management and operations consultants, we hear those words spoken time and again, but the actions of the operators (whether a self- or a contract-management company) and the clients (one or more persons with fiscal and/or administrative responsibility) do not always find that this is a true statement. Clearly the implication is that the client-operator relationship is too often one-sided.

With 40 years of

consulting experience and almost 54 years working in the foodservice industry, Brailsford & Dunlavey’s two foodservice team vice-presidents have consulted with numerous universities, public schools, business and industry, cultural institutions, and others that either self-operated or use contract foodservice providers.

As FCSI professional and associate members, our role in evaluating operations or seeking proposals is to honour the implied obligation to be completely objective in representing the interests of our clients in selecting, negotiating and administering contracts. Our role, simply stated, is to be the client’s

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foodservice management expert and advocate.

Initially, the prevailing philosophy was an “us” versus “them” relationship. If the initial finding was that the foodservice programme was broken, in keeping with that philosophy we would usually recommend to clients that they should “test the marketplace” via a Request for Proposals (RFP) process as a means of sending a message to the incumbent organisation’s senior leadership that they had become too complacent. It was also a way to gain

access to fresh ideas from its competitors. Way too often, the low bid or highest financial investment and/or commission was the primary determinant in the selection process. Sadly, food and service quality were not the primary focus or the end result.

The need for predictions

The non-commercial foodservice segment has undergone dramatic change over the past two decades. The “good economic times” in the 1990s and early 2000s allowed most non-commercial >



foodservice entities to succeed without making major systemic changes in the way they conducted business. Revenues were up and businesses were anxious to keep employees, so dining subsidies, if necessary, were considered a cost of doing business. Colleges and universities suddenly woke up to the fact that their dining programmes could be an important part of the student recruitment and retention process and overall campus community satisfaction scores.

In both situations, recent technology has allowed for instant patron feedback that could be alternately euphoric or an involuntary career-changing disaster. During

the unfortunate economic downturns, the ability to keep our collective heads above water proved to be another challenge and an almost instant indicator of the really well run and the badly managed programmes.

The most recent economic downturn caused a number of business and industry clients to either end subsidies or tightly control the total or amount-per-employee annual cost. Not every company has decided to follow Google's example of having food be a critical part of the culture at no cost to the employee. Companies that conduct a lot of business with various government entities now have to deal with increasingly

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stringent definitions as to what is an acceptable pass-through or overhead cost when it comes to day-to-day dining operations and catering.

Several colleges and universities are dealing with a perfect storm of a declining potential student pool, significantly higher tuition discounts, and competitive pressures to upgrade their facilities (such as on-campus housing and foodservice). Public institutions are engaged in a mighty struggle to make up for a monumental loss of tuition support from their

respective state legislatures and they are using room and board plan sales to make up the delta.

We believe that while economic downturns are cyclical, we have yet to be convinced that there are too many impossible-to-predict political and social factors that make educated long-term assumptions problematic. Simply stated, there is a critical need to reassess the way we used to give consulting advice versus what is in the best interest of the clients. The paradigm shift is complete

and irreversible. Business and industry self-op or contract-managed programmes can no longer sustain past profitability levels while there are corporate layoffs or more employees telecommuting from home.

Fiduciary and ethical reasons

Colleges and universities are turning to contract management companies, if for no other reasons than it is not their "core-competency" or that they want to look for a significant capital investment to upgrade existing or build new food facilities on campus. The self-op programme generally cannot create the same monetary magic. What some administrators do not

understand is that capital investment funds are not "free"; they have to be paid back and there is a non-transparent carrying cost. Who will be responsible for providing the funds for these projects? If you said the students, you get an A+. You get bonus points if you went on to say that many meal plans have developed a horrible price to value relationship as a result.

Whether it's a corporate or collegiate dining situation, there is a need to run it as a business with real revenues and accurate expenses. Those expenses should include the inevitable need to refresh the décor, periodically remove old and add new dining concepts and, of course, replace equipment as needed. Ideally, someone in the administrative ranks is allowing the programme to accumulate reserve money for this purpose. So, where is this discussion leading?

Simply stated, there are rock-solid fiduciary and ethical reasons for a dining programme to be operated with transparent integrity. Once upon a time the operative word was

Separation of operator and client administrator

1 When there are "problems" in a dining programme the cause does not always rest with the operator. Sometimes the corporate or university client does not reinvest revenues in the facilities or makes decisions that negatively impact the foodservice operator's ability to perform. Other times there is not a proactive and timely commitment to working with the operator or contractor. It is a "reactive" management style that benefits neither party.

2 At one time, there were a dozen or more contract management companies, at least five or six of which would have been interested in – and had the expertise to handle – a major corporation or larger university's dining needs. Through acquisitions and mergers, there are now only three or four companies (Aramark, Compass Group and Sodexo) with the expertise and resources commensurate with the needs of small, mid-sized, or large institutions with residence hall students. Given this limited pool of contract operators, the potential for real change through the RFP process is reduced. Of course, if there is no need for a large capital investment that is "interest-free", then one or more of the mid- to lower-tier companies can step up and successfully manage the programme.

3 Investments in the operations are often shared and there is a buyout clause to be considered. Amortisation of these investments is usually over 10 to 15 years or longer, depending upon the type of and investment value.

4 The dollar cost of a transition can range from \$150,000 to \$1,500,000, depending upon whether or not you changed vendors as a result of the process. There is also a cost relative to the time, administration, evaluation committee persons, and other university personnel needed to expend to do a careful RFP and selection process.

5 The RFP process takes six to eight months from the time it is announced to the transition. This lengthy "lame duck" period can be traumatic for the current operator's management and staff team, and often results in altered food and service quality levels.

6 Students have become very aware of the way in which colleges and universities are using meal plans to generate extra income that was not dedicated to the dining programme. They want the meal plan money to be reflected in the meal programme. It takes co-operation and honest communications between the client and its foodservice operator to make this happen.

7 An operator's employees frequently interact with students or employees several times a week in different ways. It is these relationships that reflect the "soft" or people side of a responsive dining programme.

John Cornyn FCSI
and Whitney Duffey
(far right)



“partnering.” Since several attorneys have taken exception to that word and it does not really address what is needed, we have dropped it.

Collaborate, communicate

Transparent integrity between a self-op or contractor-managed programme and the client is the way to a productive, successful long-term relationship that is beneficial to both parties. Transparent, simply defined, means removing the smoke and mirrors and replacing them with truthful, unvarnished facts. The “integrity” portion means not “us versus them” but “we”. There is still, however, the need for the “we” to be mindful of the needs of each of the participants. Times have changed and both parties need to learn new communication skills if there is to be a fair and equitable working partnership.

Gone for the foreseeable future, and perhaps forever, are the days of simply managing a contract. In the case of self-operated foodservice, the department must be operated within the larger entity (housing, student union, etc) in which it resides.

In contractor-managed accounts, the contractor must be fully committed to this concept of transparent integrity. It must not be us versus them, but the “we” that rules the long-term planning processes and the short-term decisions. This takes a leap in thinking on the part of both contractor and client. Still, in the middle of all this is the “separation of operator and client administrator”. This has always been a fine line that becomes even finer when you talk about integrity. The client needs to be careful not to start “doing the operator’s work”, and the operator needs to make sure it is not allowing it to happen. Some reasons for this are presented in the box on the previous page.

Survey the landscape

As a result of these and other changes, it has become more cost-effective to attain a quality dining programme by working with the foodservice operator with an open, transparent relationship process. Positive, aggressive and consistent administration of the dining programme by the person with day-to-day responsibility for foodservice



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is often more effective than the reactive process of changing contractors. This does not replace the need to periodically survey the marketplace; it simply suggests that there are other, less expensive and time-consuming ways to do this other than an RFP process. If an RFP process is not mandatory, clients should consider the pros and cons of conducting a “best practices” survey, the results of which could be used to renegotiate an existing or new contract.

A best practices process is

simple: an open, transparent one with integrity is formed and sustained based on the same set of operational and financial result objectives.

It will be far more rewarding to work in collaboration with the foodservice operator and will ultimately result in high patron satisfaction with the dining programme. ■

Brailsford & Dunlavey is a programme management firm working with educational institutions, municipalities, public agencies and non-profit clients.