Effective Management during Recession (A Study of Fast Food Restaurant in Warri, Delta State)

[1]Egberi Agbarha Kelvin and [2]Eruteya Ernest Ejiro
[1&2]Department of Business Administration and Management,
School of Business Studies,
Delta State Polytechnic, Ozoro,
P.M.B. 5, Ozoro

Abstracts

This paper is aimed at assessing the effect of management experience in operating a successful Fast Food outfit using selected fast food restaurants in Warri, Delta State. Survey research design method was adopted, simple random sampling was used and a total of 220 employees of selected restaurants were sampled. Multiple regression analysis was employed for the analytical purpose to review the nature of statistical significance among the studied variables. The findings show that there is a significant positive relationship between Management experience, Service Quality and performance of restaurants in Warri, Delta State. The study conclude that In the present recession state of Nigerians economic, Managers with the experience on how to improve staff productivity, make scheduling of jobs easier, make staff to perform tasks at their highest skill level, serve customers well, and understand the market trends so as to develop effective marketing and operational strategies will give the organization competitive edge over others in the industry. Therefore, it is recommended that for managers of restaurants and other food outfits to cope with the present economic realities of recession, they should be train their staff to acquire the necessary skill and experience needed for effective management, good service offered to customers to their delight.

Keywords: *Management experience, Service Quality, Economic Recession.*

INTRODUCTION

Fast foods were first introduced to Nigerians within the context of what is obtained in the West by the United African Company (UAC) when they opened MR. BIGGS restaurant in 1987. Since the 1960s Nigeria has had one of the fastest population growth rates in the world. In 2010 almost half of all Nigerians live in cities (Business Wire, 2011). As more people migrate to the already crowded cities the demand for fast food will be expected to increase. Some trace the modern history of fast foods in America to 1912 with the opening of a fast food restaurant called the Automat in New York. The Automat was a cafeteria with its prepared foods behind small glass windows and coin-operated slots. The company also popularized the notion of "take-out" food, with their slogan "less work for mother". The American company White castle is generally credited with opening the second fast-food outlet in Wichita, Kansas in 1921.

The food intake of the people of any country could be related to a number of factors. Egbule and Ibobo (2015) affirmed that the projections indicate that industries constituting the service sector will continue to grow relative to other segments of the national economy, and that the modern businesses operate in a more dynamic environment. The dynamic nature of the business environment has been rapid and unpredictable. Economic variables as well as the ability and experience of restaurant owners and managers of restaurants appears to have been complex both in form and also seem to have impact on the practice of businesses in Nigeria (Egbule and Ibobo, 2015). Divers consumers and clients having been exhibiting complex behaviours both in local and international markets make businesses difficult.

Many firms in the fast food industry in Delta State seem to ignore these problems and as a result, some may not compete favorably. This has created a gap in the study of Nigerian fast food performance and successful operation, which this study seeks to achieve. Cultural trends regarding how people think, their likes and behaviors seem to have major implications for management of fast food businesses. However, many fast food firms appear to ignore this aspect of the environment challenges. Warri is a major and a metropolitan city in Delta State, majority of people living there are non-indigenes including staff of blue cheap companies located in Warri. Most fast food outfits in Warri seem to overlook the cultural diversity of their customers in playing down on quality services. The general purpose of this study is to assess the effect of management experience in operating a successful Fast Food outfit.

REVIEW OF LITERATURE

Management Experience

There is need for a sound concept and restaurant management experience because. Miller(2008) said that Passion isn't enough, implying that experience is needed in performing our managerial roles. In order to operate a restaurant successfully one must at least have a restaurant background or do intense research on the subject. If one has spent his or her working life as an electrician or doctor, the person is not likely equipped to operate a restaurant. When a person has ten years' experience in a field the person has become more knowledgeable than the majority of the population in that area and would benefit from opening a business related to that field (Howell, 1997). People should not open a business in a field where experience was not obtained (Howell 1997). Lee, Renig, and Shanklin (2007) found, based on an independent survey of food and beverage directors and administrators of assisted living facilities, of thirty-four attributes required to be an effective manager the top ten were as follows:

Managers need the ability to communicate effectively in both verbally and writing, Furthermore, Heffes(2004) quoting Kerrii Anderson (The Executive Vice President of Wendy's International) said the restaurant business is the toughest to operate successfully, in order to do so; the restaurant must be operated by finding new ways to cut costs while developing new products and approaches.

We thereby hypothesize that:

H*$_1$*:* *There is significant relationship between Managerial experiences on performance of fast food Restaurants.

Service Quality Performance of Restaurants

Many researchers in the Fast Food and hospitality industry perceived service quality as a critical issue. Service quality is the customer judgment about a product overall excellence. Bruck *et al* (2000) in Egbule and Ibobo (2015) suggested that perceived product quality have impact on customers purchasing choices.

Rust and Oliver (1994) indicated that customer perceived overall service quality is based on three dimensions of the service encounter as follows: the customer-employee interaction, the outcome and the service environment (Bintner 1991). Brady and Cronin (2001) stated that customer perception of service quality includes: organizational, technical and functional quality, the service product, the service delivery the service environment, the responsiveness, the empathy, the assurances, and the tangibles related with the service experience. Soriano (2002) categorized food service quality into four dimensions as follows:

1. Quality of food: menu variety, innovative food, presentation of food, fresh ingredients and food consistency.
2. Quality of service: equipment, appearance of employees, courtesy of employees, waiting-time before being seated, waiting-time before food arriving, and waiting time before paying the bill.
3. Cost/value: competitively priced food and wine.
4. Place: appearance, ambience or atmosphere of a restaurant, bathroom, telephone service and parking.

A number of studies (e.g. Stevens et al., 1995; John and Tyas, 1996; Qin and Prybutok, 2008; Qin, Prybutok and Zhao, 2010) in Egbule and Ibobo (2015) have been carried out in evaluating service quality in the fast food industry. Kara, Kaynak, and Kucukemiroglu (1995) investigated customer perception of fast food restaurants service quality in the United States and Canada using eleven attributes: price, friendliness of personnel, and variety of menu, service speed, cleanliness, calorie content, convenience, business hours, and novelties for children, service delivery and seating facilities. Hence we hypothesize that:

***H*$_2$*:* *There is significant relationship between service quality and performance of fast food Restaurants.*

Overview of Economic Recession

Economic recession is a period of general economic decline and is typically accompanied by a drop in the stock market, an increase in unemployment, and a decline in the housing market (Paul 2015). Generally, a recession is less severe than a depression hence a good management skill is needed to cope during the period of recession. The blame for a recession generally falls on the federal leadership who are the managers of the economy, often either the president himself, the CBN governor (who is the head of the Federal Reserve), the federal executive council (FEC) or the entire administration.

Factors that Cause Recessions (Paul, 2015)

I. **High interest rates** are a cause of recession because they limit liquidity, or the amount of money available to invest.

II. **Another factor is increased inflation.** Inflation refers to a general rise in the prices of goods and services over a period of time. As inflation increases, the percentage of goods and services that can be purchased with the same amount of money decreases.

III. **Reduced consumer confidence** is another factor that can cause a recession. If consumers believe the economy is bad, they are less likely to spend money. Consumer confidence is psychological but can have a real impact on any economy.

IV. **Reduced real wages,** another factor, refers to wages that have been adjusted for inflation. Falling real wages means that a worker's paycheck is not keeping up with inflation. The worker might be making the same amount of money, but his purchasing power has been reduced.

How to Manage a Business during Recession

According to Owen (2015), small businesses face enormous challenges to start up, manage, and sustain over a long period. Those challenges become greater during an economic downturn. A recession, as defined by Investor Words.com, is a period of economic decline in the gross domestic product for two or more quarters. Since a quarter comprises three months, a recession has at least six months of negative impact on small businesses. Profiling ways of managing recession Owen (2015) proposed the following measures:

1. Look for costing cutting measures. As small businesses grow, unmoved inventory and slow selling products accumulate.

2. Focus on customer service. Reducing your workforce might seem to be a logical way to cut costs, but is actually counterproductive. The reason is twofold: You are not instilling confidence in surviving employees, and when economic conditions improve, you must start from scratch in vetting and training new employees. Customer service is the reason your small business remains in business, make an effort for it to be your saving grace in an economic downturn. Remember, 70 percent of the U.S. economy is based on

consumer spending, according to CNN Money.com. Give your customers a reason to spend their money in your business.

3. Check your cash flow and profit and loss statements regularly. Look to streamline where possible, cutting back on incidentals such as office supplies and travel expenses. If possible, close lines of credit, and pay cash instead.
4. Improve employee productivity. Be sure to foster productivity by offering employee incentives, such as small bonuses or sales percentages, is an innovative way to rejuvenate your team. Small incentives, coupled with honest dialogue, impart respect and increases productivity. Keep in mind that employees are your small business.

Nature of Fast Food Industry in Warri

The Fast Food industry is currently in its growth phase and has been experiencing dwindling patronage in this recession period in Nigeria. Salami and Ajobo,(2012) affirmed that the nominal average growth rate of the restaurant industry between the year 2000 and 2010 was 37% while real growth rate was just23%.Continuing, they said the amount spent by an average Deltan on Fast Food grew by over 200% between 2010 and 2014, which is indicative of the growing acceptance of Fast Food culture and the changing lifestyle of Deltans. But the industry is still performing below its potential.

According to Business Wire (2011), Mr. Biggs is the biggest Fast Food Company in Nigeria both in turnover and in the number of outlets owned. Other key players are Tantalizers, Tastee Fried Chicken (TFC), Sweet Sensations and Chicken Republic. A consumer survey conducted by Adeoye (2012), showed that TFC is the market leader in terms of quality of product offering while sweet sensations has a strong hold on the African Cuisine segment of the market which is indicative of the growing acceptance of Fast Food culture and the changing lifestyle of Deltans. But the industry is still performing below its potential.

Table 1: Correlation between Managerial experience, Service quality and Restaurant Performance

		1	2	3	4
Managerial experience	Pearson correlation	1			
	Sig. (2-tailed)				
	N	220			
Service quality	Pearson correlation	.577**	1		
	Sig. (2-tailed)	.000			
	N	220	220		
Restaurant Performance	Pearson correlation	.686**	.786**	1	
	Sig. (2-tailed)	.000	.000		
	N	220	220	220	

***Correlation is significant at the 0.01 level (2-tailed).*

According to Business Wire (2011), Mr. Biggs is the biggest Fast Food Company in Nigeria both in turnover and in the number of outlets owned. Other key players are Tantalizers, Tastee Fried Chicken (TFC), Sweet Sensations and Chicken Republic. A consumer survey conducted by Adeoye (2012), showed that TFC is the market leader in terms of quality of product offering while sweet sensations has a strong hold on the African Cuisine segment of the market.

METHODOLOGY

The study utilized a self-administrative validated questionnaire of five point Likert scale adapted from Egbule and Ibobo (2015). Questionnaire was distributed among different experts to maintain content validity. The study population comprises of 500 employees of selected fast food out fits in Warri town of which 250 were sampled as derived using Taro Yamen's formular of sample size derivation. A total of 220 sets of validated questionnaire were retrieved. Data analysis purpose was done using SPSS version 20.

RESULTS

Table 2: Results of Multiple Regressions of dimensions of independent variable on Restaurant Performance coefficients[a]

	Unstandardized Coefficients		**Standardized Coefficients**		
Model	B	Std. Error	Beta	t	Sig.
1					
(Constant) Managerial	87.762	1.825	391	.539 5.14	.591
experience	.472	.020			.000
Service quality	.336	.039	.245	2.22	.004

a. Dependent Variable: Restaurant Performance

Table 3: Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.721[a]	.519	.512	1.439

Source: Analysis of Field Survey, 2017

The questionnaire was collected and analyzed. 220 valid questionnaires were retrieved of which 62.7% of them were completed by female customers and the largest group of respondents was between the ages of 31 and 40 years (28.2%). In the respect of marital status, 55.9% of the respondents were married, 37.3% of the respondents had WAEC/GCE/NECO, while same 37.3% had HND/B.Sc.

Hypothesis 1: It is clear from table 2 that for managerial experience (|3= .391, p<.05) implying a positive effect on performance of fast food Restaurants. Hence, there is significant positive relationship between Managerial experiences and performance of fast food Restaurants in Warri, Delta State.

This finding is in accord with (Miller, 2008) stating that there is need for a sound concept and restaurant management experience because Passion isn't enough, implying that experience is needed in performing our managerial roles. For managers of restaurants to operate a restaurant successfully they need to have at least a restaurant background.

Hypothesis 2: Results of regression analysis in table 2 shows that service quality (|3= .245, p<.05) indicating a positive effect on performance. Indicating that there is significant positive relationship between service quality and performance of fast food Restaurants in Warri Delta State.

This finding is in alignment with (Prybutok, 2008; Qin, Prybutok and Zhao, 2010) in Egbule and Ibobo (2015) that positive relationship exists between service quality and performance of fast food Restaurants. This is supported by (Sorino, 2002) that customers have also been increasingly concerned about the quality of service, and that the quality of food and fresh ingredients are the most important reason for customers to return to a restaurant and become loyal to that specific restaurant, hence improving its performance of fast food Restaurants in Delta State.

The regression coefficient of Adjusted R2 indicated that the two constructs: Managers experience and service quality explained 51.2% of the variance in Restaurant Performance (Table 3). More so, there is positive correlation among the measured variables (Table 1). This is supported by (Salami & Ajobo, 2012) that to operate a restaurant successfully one must at least have a restaurant background and managerial experience to the delight of customers.

CONCLUSION AND RECOMMENDATION

In the present recession state of Nigerians economic, Managers with the experience on how to improve staff productivity, make scheduling of jobs easier, make staff to perform tasks at their highest skill level, serve customers well, helping staff to prioritize and accomplish important task, recording and guiding the organization towards achieving its set goals and understand the market trends so as to develop effective marketing and operational strategies will give the organization competitive edge over others in the industry.

Hence, it is strategically important for restaurant owners or managers to have the ability and burning desires to attract, maintain, and satisfy their customers in order to operate a successful restaurant. To gain a competitive advantage in today's market, restaurants must offer value beside good food and good service and restaurant owners or managers of restaurant should be those have experience on the effective functioning of restaurant. Therefore, it is recommended that for managers of restaurants and other food outfits to cope with the present economic realities of recession, they should be training of their staff to acquire the necessary skill and experience needed for effective management, good service offered to customers to their delight.

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