



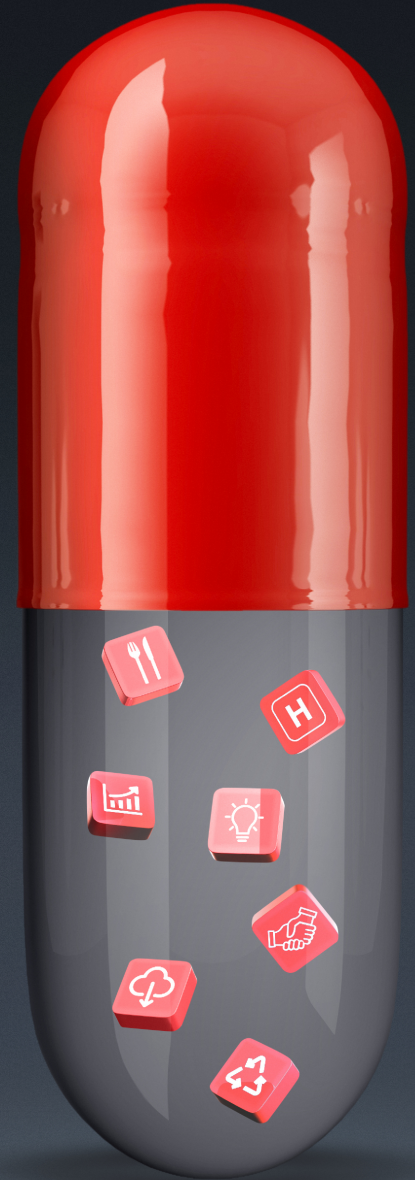
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#HIP2020

# Delivering New Horeca Formulas

24-26 FEB 2020 · Madrid IFEMA

Craig Shelton,  
Aeon Hospitality Consulting



# HUMANIZED LEADERSHIP

OR

*“Why Have Employees at All?”*

Craig C. Shelton, CEO  
Aeon Hospitality Consulting  
Shelton Hospitality Group



**“The factory of the future will have only two employees, a man and a dog. The man will be there to feed the dog. The dog will be there to keep the man from touching the equipment.”**

**-Warren G. Bennis**

They say,

*“Robots are going to take all the hospitality jobs, because labor productivity is so low.”*

## **WHAT THEY MEAN IS THAT WE MUST CHOOSE EITHER:**

- HUMAN BEINGS AND POOR PERFORMANCE, OR
- ROBOTS AND HIGH PERFORMANCE

**THIS IS ABSOLUTELY WRONG.**

## **OUR REAL PROBLEMS ARE:**

- THE FATAL FLAWS IN OUR BUSINESS MODELS HAVE GONE UNCORRECTED FOR OVER A CENTURY; AND,
- OUR LABOR MANAGEMENT THEORIES ARE ALL WRONG.

## **THE REAL ANSWER IS TO:**

- **FIX THE FLAWS IN OUR FALSE PREMISES**
- **FIX OUR BROKEN BUSINESS MODELS**
- **FIX THE WAY WE TRAIN MANAGERS, AND**
- **FIX THE WAY WE MANAGE HUMAN BEINGS**

## **HUMANISTIC LEADERSHIP IS:**

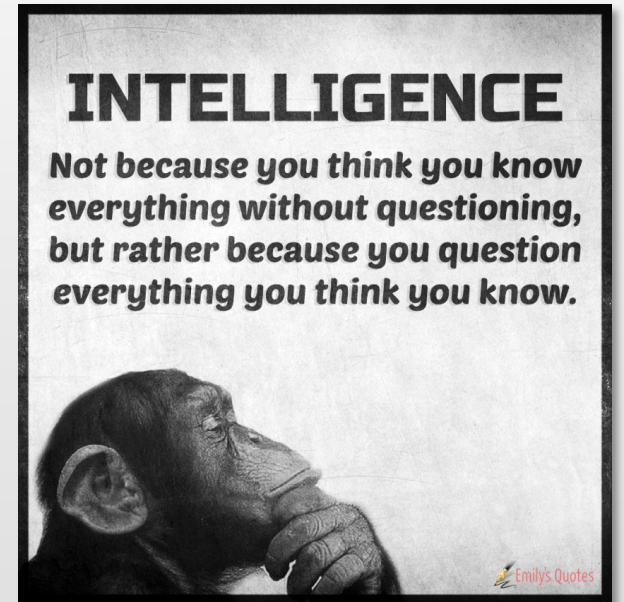
- **LEADING PEOPLE IN A WAY THAT IS BEST FOR HUMAN BEINGS.**
- **IT ALSO PRODUCES OUTSTANDING FINANCIAL RESULTS.**

# USING LABOR AND TECHNOLOGY DIFFERENTLY

To Increase Profits by as much as  
3,000 Basis Points

BY QUESTIONING EVERYTHING  
WE THINK WE KNOW.

(I will discuss six major areas)



# CAPITAL CREATION or CAPITAL DESTRUCTION?

## ROIC - WACC (Restaurant Industry - full service sector)

	<u>10% Rent</u>	<u>9% Rent</u>	<u>8% Rent</u>	<u>7% Rent</u>	<u>6% Rent</u>	<u>5% Rent</u>
EBITDAR	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%
- <u>Rent</u>	<u>10.0%</u>	<u>9.0%</u>	<u>8.0%</u>	<u>7.0%</u>	<u>6.0%</u>	<u>5.0%</u>
EBITDA	0.7%	1.7%	2.7%	3.7%	4.7%	5.7%
EBITDA	0.7%	1.7%	2.7%	3.7%	4.7%	5.7%
- <u>DA</u>	<u>0.25%</u>	<u>0.61%</u>	<u>0.97%</u>	<u>1.33%</u>	<u>1.69%</u>	<u>2.05%</u>
NOPAT	0.45%	1.09%	1.73%	2.37%	3.01%	3.65%
ROIC	0.40%	0.98%	1.56%	2.13%	2.71%	3.28%
ROIC - WACC	<b>-6.58%</b>	<b>-6.00%</b>	<b>-5.42%</b>	<b>-4.85%</b>	<b>-4.27%</b>	<b>-3.70%</b>

Sales to Investment ratio  
WACC  
Invested Capital  
ROIC = NOPAT/Invested Capital

0.9
6.98%
111.1%

### Percentage of EBITDA

EBIT	DA
64.0%	36.0%

## Key performance indicators



### Operations

Key indicator	2018 results			2017 results			2016 results		
	All clients	Full svc. rest.	Quick svc. rest.	All clients	Full svc. rest.	Quick svc. rest.	All clients	Full svc. rest.	Quick svc. rest.
Food Cost %	29.0	28.4	29.7	29.3	28.3	30.5	29.0	28.5	29.6
Store Labor %	28.7	29.4	27.8	28.2	29.4	26.9	28.0	29.0	27.1
Prime Cost %	57.7	57.8	57.5	57.5	57.7	57.4	57.0	57.5	56.7
EBITDAR %	13	10.7	16.1	11.8	11.0	12.8	12.2	11.7	12.8

% indicates percent of sales

### Financial

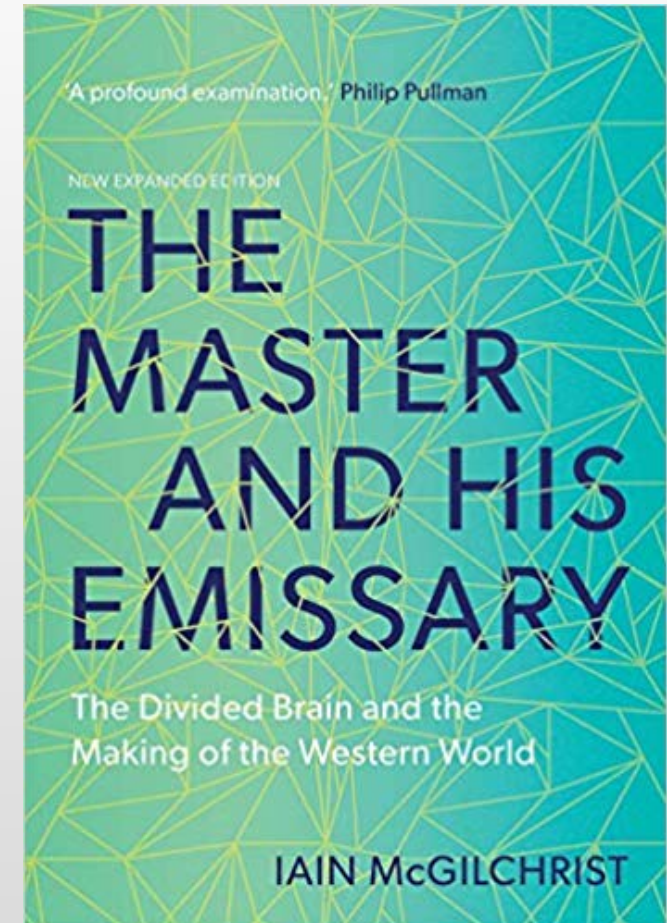
Key Indicator	2018 results			2017 results			2016 results		
	All clients	Full svc. rest.	Quick svc. rest.	All clients	Full svc. rest.	Quick svc. rest.	All clients	Full svc. rest.	Quick svc. rest.
Debt to EBITDA	2.6	3.3	2.0	3.5	3.1	3.9	3.8	3.7	3.9
Funded Debt to EBITDAR	4.9	5.5	4.2	5.4	5.2	5.7	5.5	5.5	5.6
Debt Service Coverage	2.1	1.9	2.4	1.4	1.8	1.1	1.2	1.1	1.2
Fixed Charge Coverage	1.4	1.3	1.5	1.2	1.3	1.1	1.1	1.1	1.1
Effective Interest Rate	5.0	4.8	5.3	4.5	4.1	4.8	4.6	4.8	4.3
NBV as % of Cost	44.5	42.1	51.5	47.0	44.2	51.3	46.9	45.6	48.4
Sales to Investment	1.0	0.9	1.1	1.0	1.0	1.0	1.0	1.0	0.9



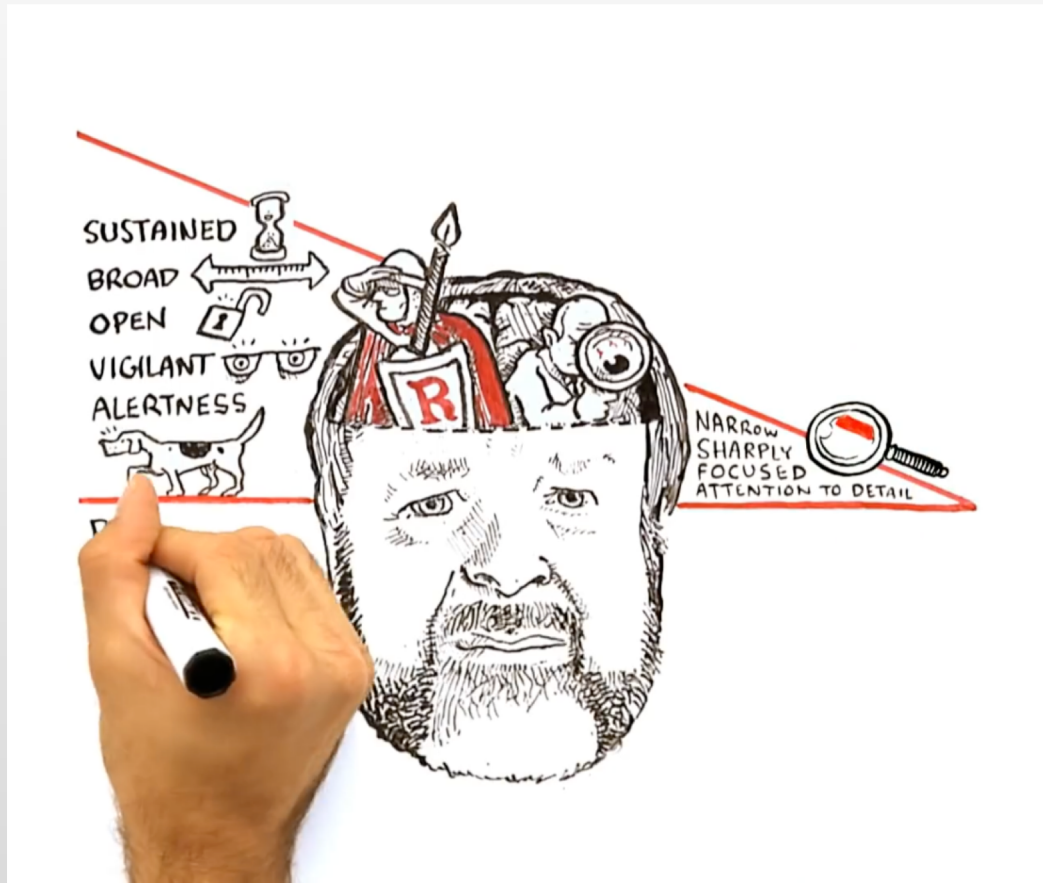
“...the left hemisphere sees truth as internal coherence of the system, not correspondence with the reality we experience.”

- Iain McGilchrist,  
The Divided Brain and the Search for Meaning

The  
**DIVIDED  
BRAIN**  
DOCUMENTARY



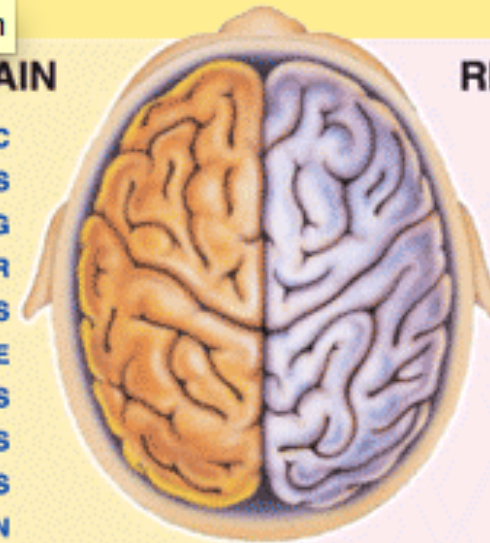
# The Divided Brain, Iain McGilchrist



## Left\_Vs\_Right\_Brain

### LEFT BRAIN

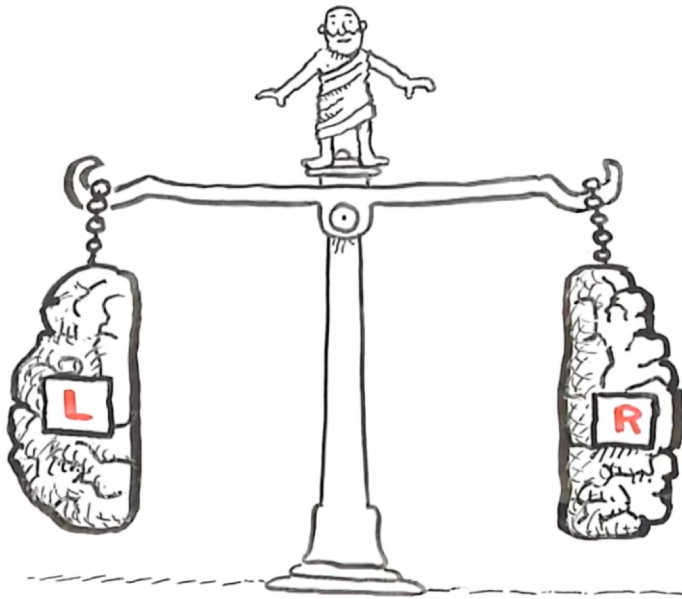
LOGIC  
ANALYSIS  
SEQUENCING  
LINEAR  
MATHEMATICS  
LANGUAGE  
FACTS  
THINK IN WORDS  
WORDS OF SONGS  
COMPUTATION



### RIGHT BRAIN

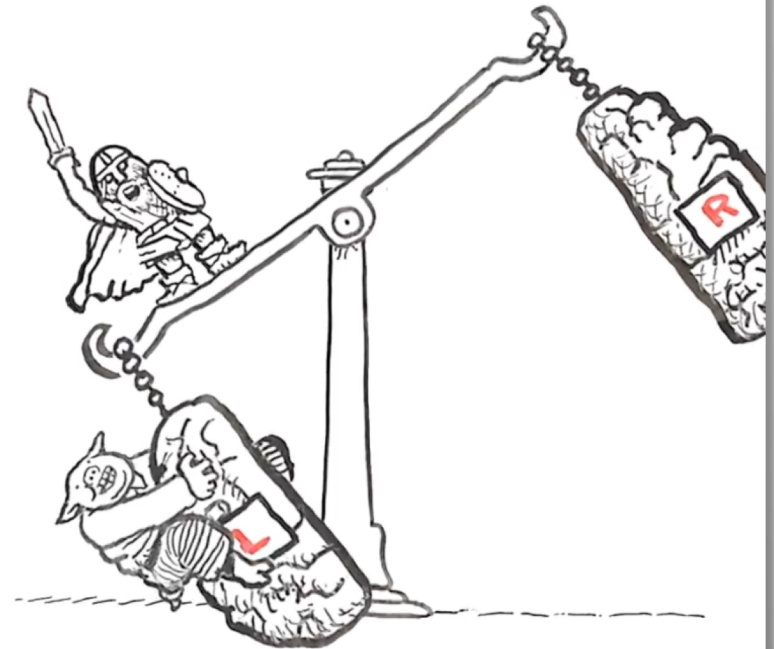
CREATIVITY  
IMAGINATION  
HOLISTIC THINKING  
INTUITION  
ARTS (Motor skill)  
RHYTHM (Beats)  
NON-VERBAL  
FEELINGS  
VISUALISATION  
TUNE OF SONGS  
DAYDREAMING

### Balanced Brain



6th CENTURY B.C. AUGUSTAN ERA

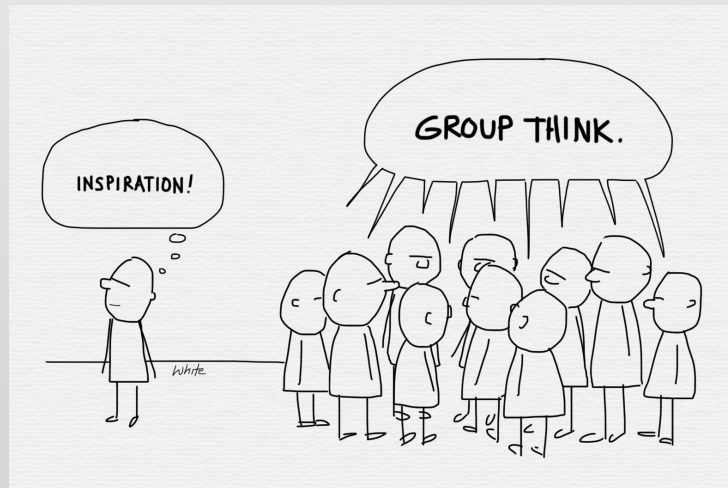
### Unbalanced Brain



15th/16th CENTURY IN EUROPE

# THE NEUROSCIENCE OF THE DIVIDED BRAIN TEACHES THAT WE SHOULD NOT BE SURPRISED TO ENCOUNTER INTELLECTUAL FAILURE AT THE INSTITUTIONAL LEVEL – INSTEAD, WE SHOULD EXPECT IT!

LH reification creates oversimplification and makes “maps” that misrepresent beings and systems as objects. LH reification It introduces error at the level of definition. When not in balance—when LH is allowed to dominate or even suppress RH perception—the self-regulating function does not take place and the longer it goes unrecognized, the greater the orthodoxy will veer from reality.



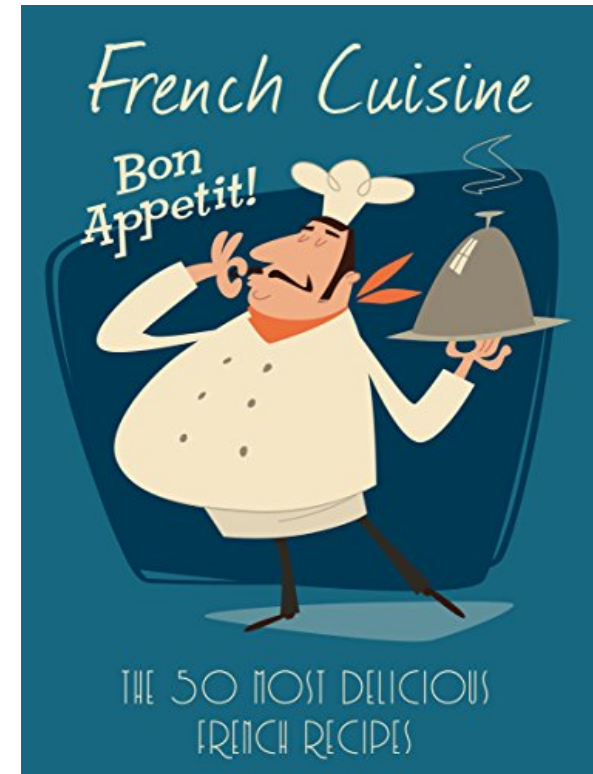
# My Story

"A calorie is a calorie is a calorie."



VS.

*Embedded cultural wisdom*



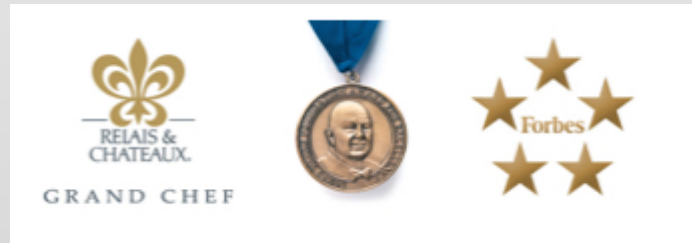
Yale University





## The Ryland Inn

*A quest to restore sanity to the American food system through holistic agriculture*





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## Elon Musk's "3-Step" First Principles Thinking:

1. Identify and define your current premises
2. Breakdown the problem into its fundamental principles.
3. Create new solutions from scratch.



# **FIRST MAJOR FALSE PREMISE:** **THE AMERICAN GEOGRAPHIC FALLACY**

That we can replicate an urban business model in a non-urban location without major modification.

There can be a terminal penalty for attempting to use an Urban Business Model in non-urban geographic locations (when a multiple seating schema exists in the cities).

Or vice versa!

# WHY THE DISTRIBUTION OF RESTAURANTS IN USA IS SO DIFFERENT

**NYC \*\*\***

FOUR SEATINGS

SALES \$100 \$100 400 **\$80,000**  
Sales Mix ratio 50.0% 50.0%

MACROS

COGS	35%	25%	\$24,000	30.0% VARIABLE
LABOR			\$36,000	45.0%
OVERHEAD			\$12,000	15.0% FIXED
<u>DEBT SERVICE</u>	\$1,500		\$0	0.0% WAIVED

TOTAL EXPENSE \$72,000

NOI **\$8,000** 10.0%

**RURAL\*\*\***

ONE SEATING

SALES \$100 \$50 100 **\$15,000**  
Sales Mix ratio 66.7% 33.3%

MACROS

COGS	35%	25%	\$4,750	31.7% VARIABLE
LABOR			\$36,000	240.0%
OVERHEAD			\$12,000	80.0% FIXED
<u>DEBT SERVICE</u>	\$1,500		\$1,500	10.0%

TOTAL EXPENSE \$49,500

NOI **-\$34,500** -230.0%



## The Geographic Penalty of the American MULTI-SEATING PRICING FORMULA

Bev Sales as % of Total	Geographic Location			
<b>50.0%</b>	<u>Manhattan</u>	<u>2nd-Tier City</u>	<u>Urban-Suburb</u>	<u>Suburb/Exurb</u>
<b><u>SALES</u></b>				
Food	\$100.00	\$100.00	\$100.00	\$100.00
Beverage	\$100.00	\$100.00	\$100.00	\$100.00
<b><u>SEATINGS</u></b>				
5:30-7:00 PM	\$20,000	\$20,000	\$0	\$0
7:00-8:30 PM	\$20,000	\$20,000	\$20,000	\$20,000
8:30-10:00 PM	\$20,000	\$20,000	\$20,000	\$0
10:00-11:30 PM	<u>\$20,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Sales	\$80,000	\$60,000	\$40,000	\$20,000
B.O.H Labor Expense	15.0%	20.0%	30.0%	60.0%
Non-BOH Labor Cost %	17.5%	23.3%	35.0%	70.0%
<b><u>Total COGS</u></b>	<u>30.0%</u>	<u>30.0%</u>	<u>30.0%</u>	<u>30.0%</u>
<b>PRIME COST</b>	<b>62.5%</b>	<b>73.3%</b>	<b>95.0%</b>	<b>160.0%</b>
ADD OVERHEAD (25%)	87.5%	98.3%	120.0%	185.0%

## The Geographic Penalty of the American MULTI-SEATING PRICING FORMULA

Bev Sales as % of Total	Geographic Location			
<b>40.0%</b>	<u>Manhattan</u>	<u>2nd-Tier City</u>	<u>Urban-Suburb</u>	<u>Suburb/Exurb</u>
<b><u>SALES</u></b>				
Food	\$100.00	\$100.00	\$100.00	\$100.00
Beverage	\$66.67	\$66.67	\$66.67	\$66.67
<b><u>SEATINGS</u></b>				
5:30-7:00 PM	\$16,667	\$16,667	\$0	\$0
7:00-8:30 PM	\$16,667	\$16,667	\$16,667	\$16,667
8:30-10:00 PM	\$16,667	\$16,667	\$16,667	\$0
10:00-11:30 PM	<u>\$16,667</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Sales	\$66,667	\$50,000	\$33,333	\$16,667
B.O.H Labor Expense	18.0%	24.0%	36.0%	72.0%
Non-BOH Labor Cost %	21.0%	28.0%	42.0%	84.0%
<u>Total COGS</u>	<u>31.0%</u>	<u>31.0%</u>	<u>31.0%</u>	<u>31.0%</u>
<b>PRIME COST</b>	<b>70.0%</b>	<b>83.0%</b>	<b>109.0%</b>	<b>187.0%</b>
ADD OVERHEAD (25%)	95.0%	108.0%	134.0%	212.0%

## The Geographic Penalty of the American MULTI-SEATING PRICING FORMULA

Bev Sales as % of Total	Geographic Location			
<b>30.0%</b>	<u>Manhattan</u>	<u>2nd-Tier City</u>	<u>Urban-Suburb</u>	<u>Suburb/Exurb</u>
<u>SALES</u>				
Food	\$100.00	\$100.00	\$100.00	\$100.00
Beverage	\$50.00	\$50.00	\$50.00	\$50.00
	<u>SEATINGS</u>			
	5:30-7:00 PM	\$15,000	\$15,000	\$0
	7:00-8:30 PM	\$15,000	\$15,000	\$15,000
	8:30-10:00 PM	\$15,000	\$15,000	\$0
	10:00-11:30 PM	<u>\$15,000</u>	<u>\$0</u>	<u>\$0</u>
Total Sales	\$60,000	\$45,000	\$30,000	\$15,000
B.O.H Labor Expense	20.0%	26.7%	40.0%	80.0%
Non-BOH Labor Cost %	23.3%	31.1%	46.7%	93.3%
<u>Total COGS</u>	<u>31.7%</u>	<u>31.7%</u>	<u>31.7%</u>	<u>31.7%</u>
<b>PRIME COST</b>	<b>75.0%</b>	<b>89.4%</b>	<b>118.3%</b>	<b>205.0%</b>
ADD OVERHEAD (25%)	100.0%	114.4%	143.3%	230.0%

## The Geographic Penalty of the American MULTI-SEATING PRICING FORMULA

Bev Sales as % of Total	<b>20.0%</b>			
	Geographic Location			
<u>SALES</u>	<u>Manhattan</u>	<u>2nd-Tier City</u>	<u>Urban-Suburb</u>	<u>Suburb/Exurb</u>
Food	\$100.00	\$100.00	\$100.00	\$100.00
Beverage	\$33.33	\$33.33	\$33.33	\$33.33
	<u>SEATINGS</u>			
	5:30-7:00 PM	\$13,333	\$13,333	\$0
	7:00-8:30 PM	\$13,333	\$13,333	\$13,333
	8:30-10:00 PM	\$13,333	\$13,333	\$0
	10:00-11:30 PM	<u>\$13,333</u>	<u>\$0</u>	<u>\$0</u>
Total Sales	\$53,333	\$39,999	\$26,666	\$13,333
B.O.H Labor Expense	22.5%	30.0%	45.0%	90.0%
Non-BOH Labor Cost %	26.3%	35.0%	52.5%	105.0%
<u>Total COGS</u>	<u>32.5%</u>	<u>32.5%</u>	<u>32.5%</u>	<u>32.5%</u>
<b>PRIME COST</b>	<b>81.3%</b>	<b>97.5%</b>	<b>130.0%</b>	<b>227.5%</b>
ADD OVERHEAD (25%)	106.3%	122.5%	155.0%	252.5%

### NYC\*\*\* Customer Counts

	Mon	Tue	Wed	Thu	Fri	Sat	TOTAL
<u>SEATINGS</u>							
5:30-7:00 PM	80	80	80	80	80	80	
7:00-8:30 PM	80	80	80	80	80	80	
8:30-10:00 PM	80	80	80	80	80	80	
10:00-11:30 PM	80	80	80	80	80	80	
Total Customers	320	320	320	320	320	320	1920
# Employees	80	80	80	80	80	80	480

### RURAL\*\*\* Customer Counts

	Mon	Tue	Wed	Thu	Fri	Sat	
<u>SEATINGS</u>							
5:30-7:00 PM	0	0	0	0	0	0	
7:00-8:30 PM	10	25	75	150	300	750	
8:30-10:00 PM	0	0	0	0	0	0	
10:00-11:30 PM	0	0	0	0	0	0	
Total Customers	10	25	75	150	300	750	1310
# Employees	25	55	55	55	55	58	303

1:1

Peak employee-to-chair ratio

1:1

Total Sales \$384,000  
Total Labor \$153,600 40.0%

Peak employee-to-chair ratio

1:13

Total Sales \$262,000  
Total Labor \$96,960 37.0%

1:13

# HOW WE CAN USE THIS DISCOVERY TO INCREASE OUR ROI BY AN ORDER OF MAGNITUDE

BY DEVELOPING HYBRID BUSINESS MODELS THAT DELIVER THE OPTIMUM ROI FOR A SPECIFIC LOCATION:

- Conduct a forensic analysis of the individual hospitality elements.
- The profit centers that have the highest ROIC and profitability should have the largest portion of invested capital and should be launched first, to the degree possible.
- The profit centers that have the most negative ROIC and profitability should have the smallest portion of invested capital and should be launched last.



## **SECOND MAJOR FALSE PREMISE: THE SINGLE BUSINESS FALLACY**

That the Restaurant is a single business that sells food and beverages.

The Standard Restaurant Business Model is CONCEPTUALLY FALSE--it does not reflect reality--and this causes us to mis-price every food item and every beverage item.

It also unintentionally creates a perverse incentive schema that rewards “bad” customers and punishes “good” customers.

# THOUGHT EXPERIMENT #1

CASE #1 50/50

SALES	
COGS FOOD	35.0%
COGS BEV	25.0%
LABOR	45.0%
<u>OVERHEAD</u>	24.0%
TOTAL EXPENSE	
N.O.I	1.0%

	FOOD	BEV
	\$5,000,000	\$5,000,000
	\$1,750,000	
		\$1,250,000
	\$4,500,000	
	<u>\$2,400,000</u>	
	\$9,900,000	
	<b>\$100,000</b>	

# THOUGHT EXPERIMENT #1

CASE #2 100/0

		FOOD	BEV
SALES		\$5,000,000	\$0
COGS FOOD	35.0%	\$1,750,000	
COGS BEV	25.0%		\$0
LABOR	45.0%	4500000	
<u>OVERHEAD</u>	24.0%	2400000	
TOTAL EXPENSE		<hr/> \$8,650,000	
N.O.I	-73.0%	<b>-\$3,650,000</b>	

## THOUGHT EXPERIMENT #1

			MANUFACTURE FOOD	RETAIL BEV
SALES			\$5,000,000	
COGS FOOD	35.0%	\$1,750,000	35.0%	0.0%
COGS BEV	25.0%	\$0	0.0%	25.0%
LABOR	45.0%	\$4,500,000	90.0%	0.0%
<u>OVERHEAD</u>	<u>25.0%</u>	<u>\$2,500,000</u>	<u>50.0%</u>	0.0%
TOTAL EXPENSE	<u>130.0%</u>	<u>\$8,750,000</u>	<u>175.0%</u>	<u>25.0%</u>
N.O.I	-75.0%	-\$3,750,000	<b>-75.0%</b>	<b>75.0%</b>

**BUT, WHY DO WE LOSE SO MUCH MONEY ON FOOD?**

**BECAUSE WE PRICE FOOD AS IF  
WE ONLY RETAIL IT.**

## Sales Mix Ratio

Food : Beverage = 70:30

NOI = 1.0%

ITEM

COGS

Price Coefficient

**3**

MENU PRICE (Retail)

COGS

GROSS MARGIN

LABOR EXPENSE

50%

OVERHEAD

40%

TOTAL EXPENSE

NET OPERATING INCOME

## CONVENTIONAL PRICING MODEL

PASTA

CHICKEN

STEAK

RACK OF LAMB

\$3.00

\$5.00

\$10.00

\$15.00

**\$9.00**

**\$15.00**

**\$30.00**

**\$45.00**

\$3.00

\$5.00

\$10.00

\$15.00

\$6.00

\$10.00

\$20.00

\$30.00

\$3.00

\$5.00

**\$10.00**

\$15.00

\$2.40

\$4.00

**\$8.00**

\$12.00

\$5.40

\$9.00

\$18.00

\$27.00

**\$0.60**

**\$1.00**

**\$2.00**

**\$3.00**

# THOUGHT EXPERIMENT

SUBURBAN RESTAURANT\*\*\*

	<u>Night #1</u>	<u>Night #12</u>	<u>Night #3</u>	<u>Night #4</u>
Customer Count	100	100	100	100
What They Ordered				
Pasta	100	0	0	0
Chicken	0	100	0	0
Steak	0	0	100	0
Rack of Lamb	0	0	0	100
MACROS				
COGS	\$300	\$500	\$1,000	\$1,500
LABOR	?	?	?	?
OVERHEAD	?	?	?	?
TOTAL EXPENSE				
NOI				



## CONVENTIONAL PRICING MODEL

ITEM		<u>PASTA</u>	<u>CHICKEN</u>	<u>STEAK</u>	<u>RACK OF LAMB</u>
COGS		\$3.00	\$5.00	\$10.00	\$15.00
Price Coefficient	<b>3</b>				
MENU PRICE (Retail)		<b>\$9.00</b>	<b>\$15.00</b>	<b>\$30.00</b>	<b>\$45.00</b>
<u>COGS</u>		<u>\$3.00</u>	<u>\$5.00</u>	<u>\$10.00</u>	<u>\$15.00</u>
GROSS MARGIN		\$6.00	\$10.00	\$20.00	\$30.00
LABOR EXPENSE	50%	\$3.00	\$5.00	<b>\$10.00</b>	\$15.00
<u>OVERHEAD</u>	40%	<u>\$2.40</u>	<u>\$4.00</u>	<b>\$8.00</b>	<u>\$12.00</u>
TOTAL EXPENSE		\$5.40	\$9.00	\$18.00	\$27.00
NET OPERATING INCOME		<b>\$0.60</b>	<b>\$1.00</b>	<b>\$2.00</b>	<b>\$3.00</b>
COGS		\$3.00	\$5.00	\$10.00	\$15.00
<u>FIXED</u>		<u>\$18.00</u>	<u>\$18.00</u>	<u>\$18.00</u>	<u>\$18.00</u>
TRUE COST		\$21.00	\$23.00	\$28.00	\$33.00
PROFIT / LOSS		-\$12.00 <b>-133.3%</b>	-\$8.00 <b>-53.3%</b>	\$2.00 <b>6.7%</b>	\$12.00 <b>26.7%</b>

## PERVERSE INCENTIVES

### Customer Rewards Programs

#### Customer A

6 people

Food

-75.0%

\$600

Beverage

75.0%

\$0

Profit / Loss

**-\$450**

Customer

Rewards Points

600

#### Customer B

1 person

Food

-75.0%

\$0

Beverage

75.0%

\$80

Profit / Loss

**\$60**

80

# ENLIGHTENED PRICING MODEL

WE ACTUALLY HAVE TWO DIFFERENT BUSINESSES UNDER ONE ROOF:

1. We **MANUFACTURE FOOD** and must price it as a manufactured good allocating the *pro rata* fixed expense to each customer regardless what he orders.
2. We merely **RETAIL BEVERAGE** and may price it as the purely incremental retail item it is.

## ENLIGHTENED PRICING MODEL

<u>ITEM</u>	<u>PASTA</u>	<u>CHICKEN</u>	<u>STEAK</u>	<u>RACK OF LAMB</u>
COGS	\$3.00	\$5.00	\$10.00	\$15.00
Price Coefficient				
MENU PRICE (Retail)	<b>\$23.00</b>	<b>\$25.00</b>	<b>\$30.00</b>	<b>\$35.00</b>
<u>COGS</u>	<u>\$3.00</u>	<u>\$5.00</u>	<u>\$10.00</u>	<u>\$15.00</u>
GROSS MARGIN	\$20.00	\$20.00	\$20.00	\$20.00
LABOR EXPENSE	\$10.00	\$10.00	\$10.00	\$10.00
<u>OVERHEAD</u>	<u>\$8.00</u>	<u>\$8.00</u>	<u>\$8.00</u>	<u>\$8.00</u>
TOTAL EXPENSE	\$18.00	\$18.00	\$18.00	\$18.00
NET OPERATING INCOME	<b>\$2.00</b>	<b>\$2.00</b>	<b>\$2.00</b>	<b>\$2.00</b>
COGS	\$3.00	\$5.00	\$10.00	\$15.00
<u>FIXED</u>	<u>\$18.00</u>	<u>\$18.00</u>	<u>\$18.00</u>	<u>\$18.00</u>
TRUE COST	\$21.00	\$23.00	\$28.00	\$33.00
PROFIT / LOSS	<b>\$2.00</b> <b>8.7%</b>	<b>\$2.00</b> <b>8.0%</b>	<b>\$2.00</b> <b>6.7%</b>	<b>\$2.00</b> <b>5.7%</b>

## EXTRAORDINARY INCREASE IN NOI

Number of Guests	100	
Avg. Food Sale	\$30.00	
Total Food Sale	\$3,000	
Total Beverage Sale	\$3,000	50/50 sales mix
<b>Total F&amp;B Sales</b>	<b>\$6,000</b>	
Total Food Profit	\$200	\$2 per person
Total Beverage Profit	\$1,500	
<b>Total Profit</b>	<b>\$1,700</b>	
NOI (% of Sales)	<b>28.3%</b>	

### Conventional Pricing Model

Sales Mix Ratio

Food : Beverage = 70:30

**NOI = 1.0%**

### Enlightened Pricing Model

Sales Mix Ratio

Food : Beverage = 50:50

**NOI = 28.3%**

## **THIRD MAJOR FALSE PREMISE: THE “PROVIDE AN EXPERIENCE” FALLACY**

The idea that the primary purpose of a restaurant is to provide the guest with “*an experience*”.

But, entertainment value IS NOT the only reason customers use restaurants.

In most cases it is not even the primary reason.

# The lineage of restaurants from Stately homes

1. Hundreds of years ago no network of municipal buildings existed with which to administrate the State. Stately homes served that function.
2. The brigade system was designed to put both sides of the negotiating table into the correct psychological state to hear the other side in good faith.
  - Perfect platform upon which to conduct “**the business of State**”.
3. After the French Revolution, the mercantile class copied the form of stately homes, creating the first “power restaurants” in major cities.
  - Perfect platform upon which to conduct “**the business of business**”.
4. After WWI, the middle class copied the form of power restaurants into various restaurant versions designed for various social levels.
  - Perfect platform upon which to conduct “**the business of life—whether that business is personal or business**”.

# THERE IS A “DEAL GOING DOWN” ON EVERY TABLE.

1. The primary function of restaurant service is to help get the deal done using any ethical means by putting both sides of the negotiating table into the correct psychological state to hear the other side in good faith.
2. The idea that “*We Are Here to Give The Customer an Experience*” often turns the service protocols into weapons that HARM the customer’s larger purpose.
  - The “Specials” always interrupt the host at the worst moment.
  - The water pitcher: a WMD...
3. If you can, “**BE A WING MAN**”.
4. At a minimum, **DO NO HARM TO THE DEAL THAT IS GOING DOWN!**
5. “The deal” is the priority. If they can be entertained as well—that’s great.

**WE CAN USE THIS DISCOVERY TO REDESIGN SERVICE TRAINING AND  
ACTIVATE A QUANTUM LEAP IN CUSTOMER SATISFACTION.**



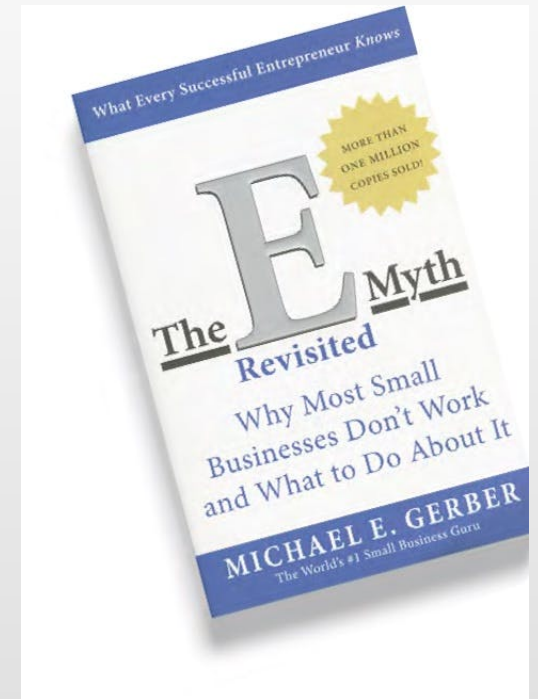
**If we redeploy our human resources to help our guests achieve the the deals they bring to our tables, we can create value for our guests thousands of times greater than the cost of the meal.**

**What is your customer's ROIC?**

# FOURTH MAJOR FALSE PREMISE: THE TECHNICIAN IS A MANAGER FALLACY

That a line employee will make a good manager without massive training in management. Everything that makes an employee a great technician will make him a terrible manager.

Most restaurant companies do not hire professionally-trained managers or adequately train within, instead they promote technicians and give them titles.



**Most managers falsely believe that their primary function depends upon the position they hold.**

**Instead the primary function of all managers is exactly the same:**

To protect and grow all the assets of the company while increasing employee engagement, increasing customer engagement, and increasing ownership's equity value.

**How many different asset types are There?**

Financial Assets, Real Estate, FF&E, Inventories, Human Capital, Intellectual Capital, Non-Strategic Assets, Reputational Capital, etc.

**EACH OF THESE MANAGEMENT CATEGORIES REQUIRES INTENSIVE TRAINING TO MASTER**



# THE AEON MINI-MBA PROGRAM

LEVEL VI

### The Map is not the Territory **Holistic Knowing**

Epistemology, Reification, Group Think Error

LEVEL V

### Meta Analysis **Macro Strategy**

First Principles Thinking, Second-Order Thinking

LEVEL IV

### CORPORATE GROWTH **Human Sigma**

Employee Engagement, Circle of Competence

LEVEL III

### POWERFUL TEAMS **Extreme Ownership**

Navy SEALS-style Team Leadership

LEVEL II

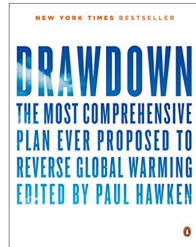
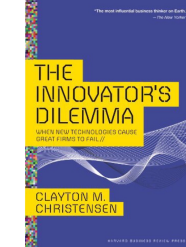
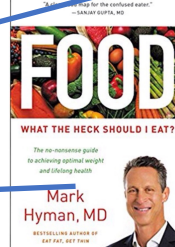
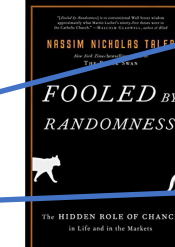
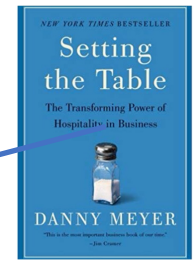
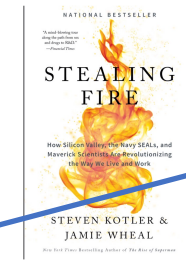
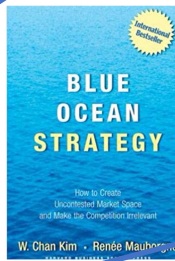
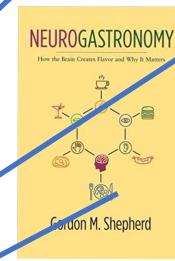
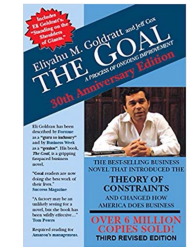
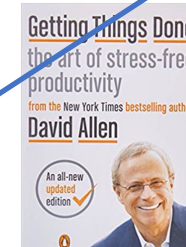
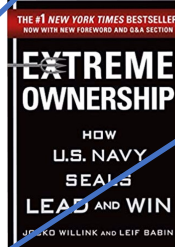
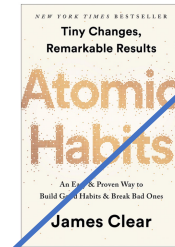
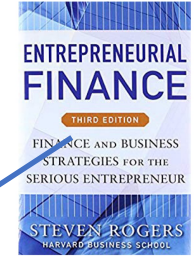
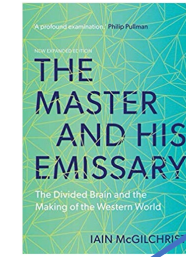
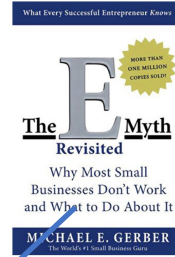
### PERSONAL PRODUCTIVITY **GTD**

Self Management

LEVEL I

### FOUNDATIONAL KNOWLEDGE **The E-Myth**

Key 1st Principles



# LEVEL I

LEVEL VI

The Map is not the Territory  
**Holistic Knowing**  
Epistemology, Reification, Group Think Error

LEVEL V

Meta Analysis  
**Macro Strategy**  
First Principles Thinking, Second-Order Thinking

LEVEL IV

CORPORATE GROWTH  
**Human Sigma**  
Employee Engagement, Circle of Competence

LEVEL III

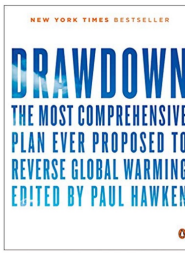
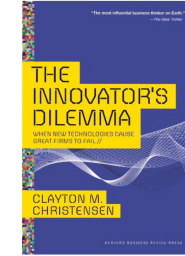
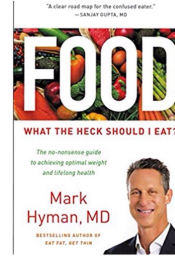
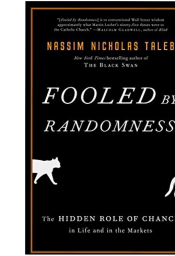
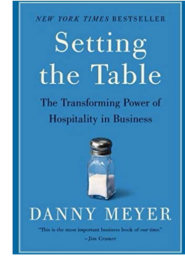
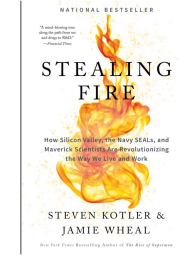
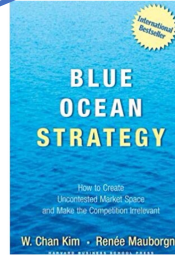
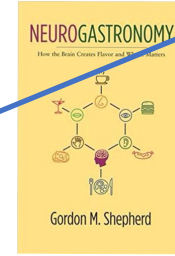
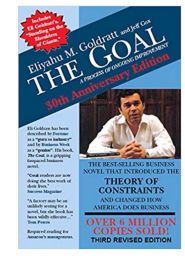
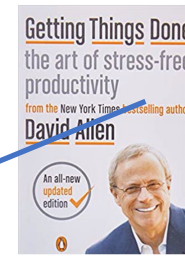
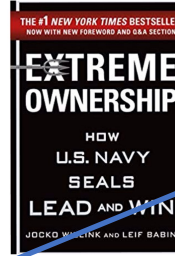
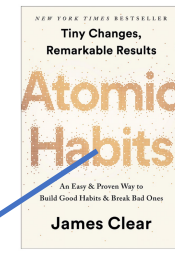
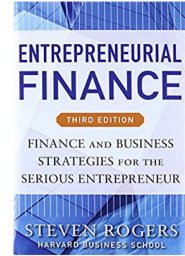
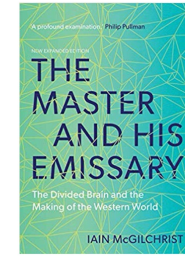
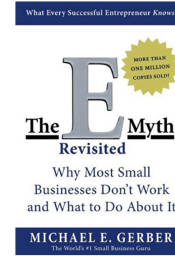
POWERFUL TEAMS  
**Extreme Ownership**  
Navy SEALS-style Team Leadership

LEVEL II

PERSONAL PRODUCTIVITY  
**GTD**  
Self Management

LEVEL I

FOUNDATIONAL KNOWLEDGE  
**The E-Myth**  
Key 1st Principles



# LEVEL II

LEVEL VI

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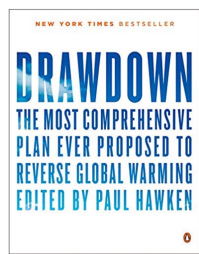
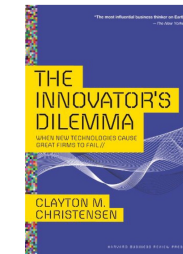
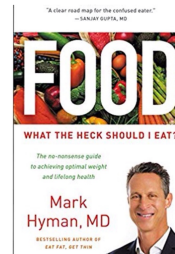
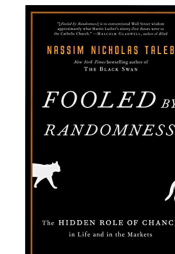
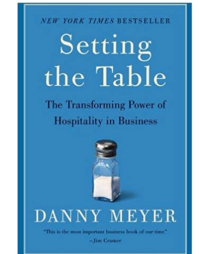
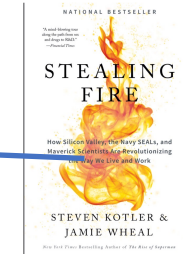
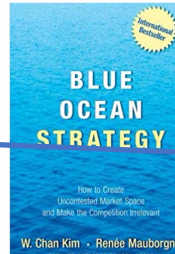
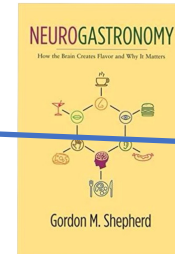
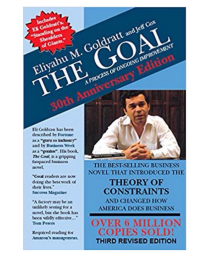
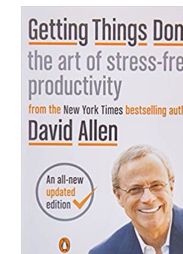
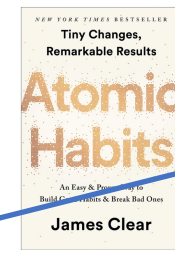
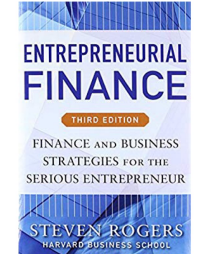
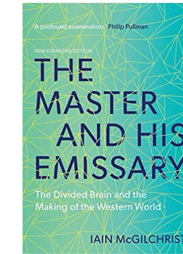
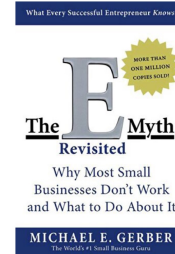
POWERFUL TEAMS  
**Extreme Ownership**  
Navy SEALS-style Team Leadership

LEVEL II

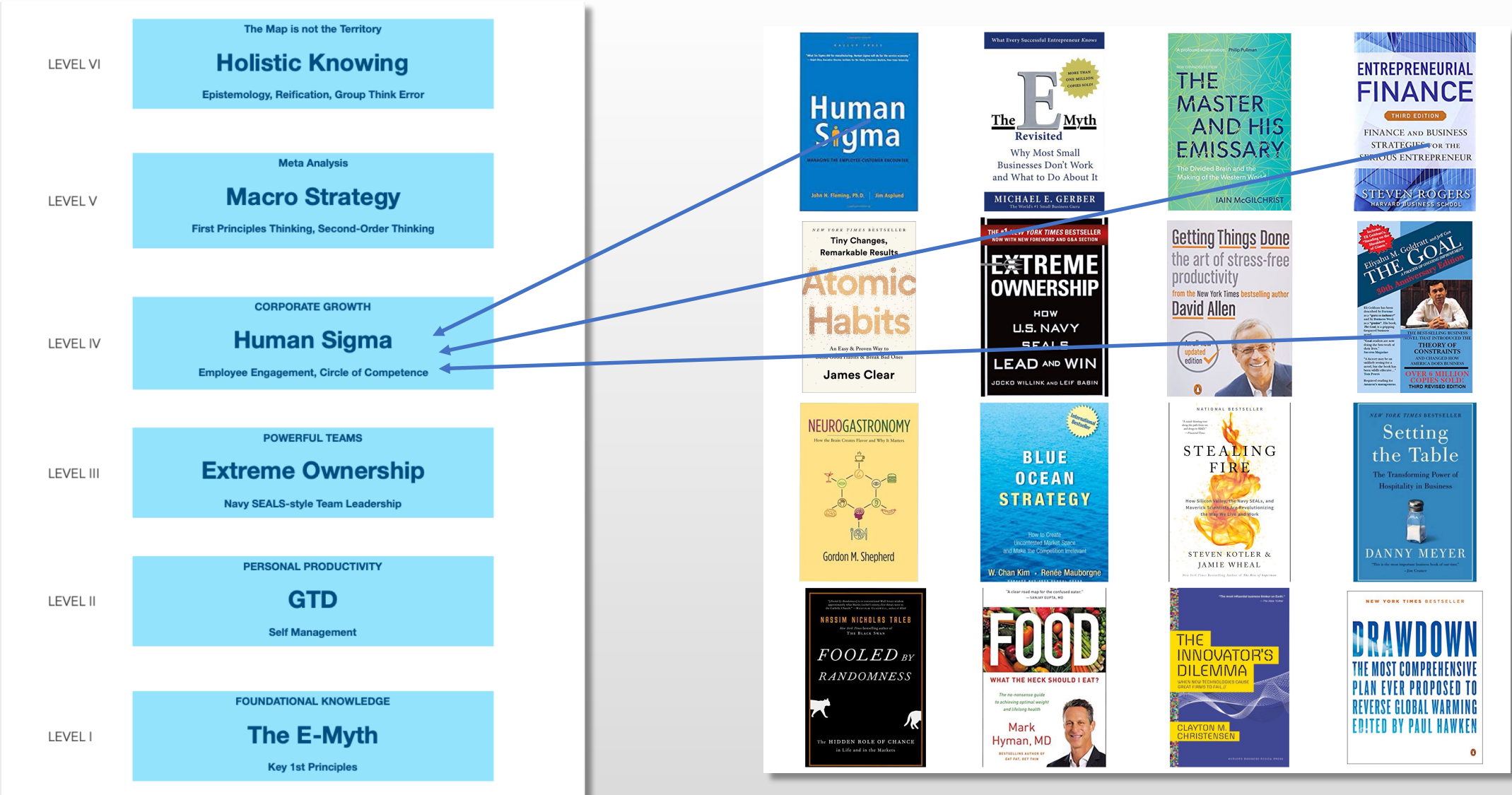
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**GTD**  
Self Management

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Key 1st Principles



# LEVEL III



# LEVEL IV





# LEVEL V

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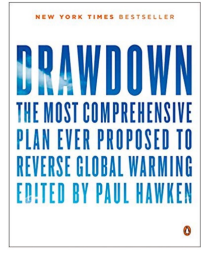
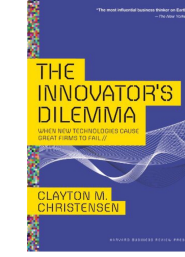
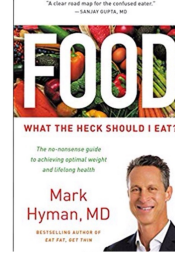
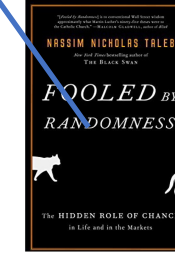
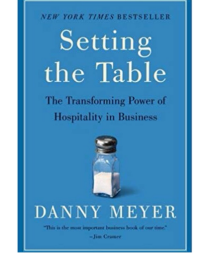
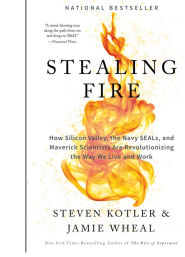
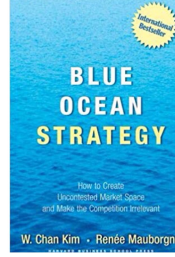
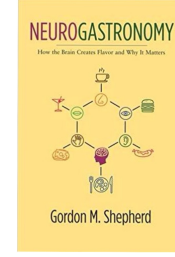
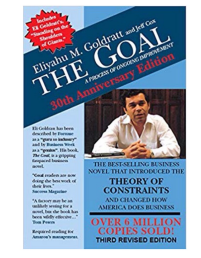
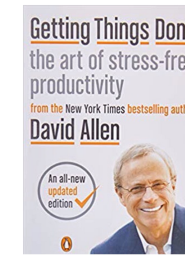
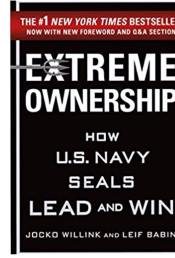
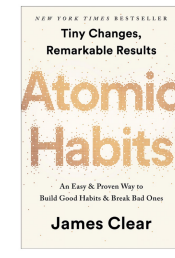
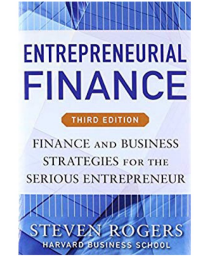
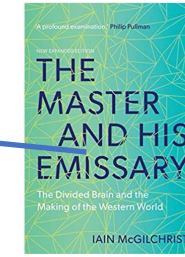
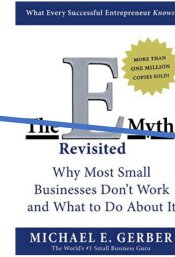
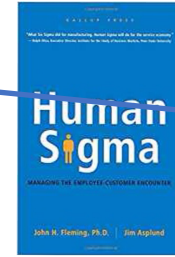
### PERSONAL PRODUCTIVITY **GTD**

Self Management

LEVEL I

### FOUNDATIONAL KNOWLEDGE **The E-Myth**

Key 1st Principles



# LEVEL VI

# **FIFTH MAJOR FALSE PREMISE:** **THE KITCHEN MANAGEMENT FALLACY**

THAT WE DO NOT REALIZE THAT OUR KITCHENS ARE MANUFACTURING PLANTS --AND NEED TO BE MANAGED AS SUCH.

Therefore we do not practice the THEORY OF CONSTRAINTS management protocols but instead perpetuate the failed system of "COST BASIS ACCOUNTING MANAGEMENT" -- taught in business-schools the world over.

# In the Theory of Constraints, management's job is to:

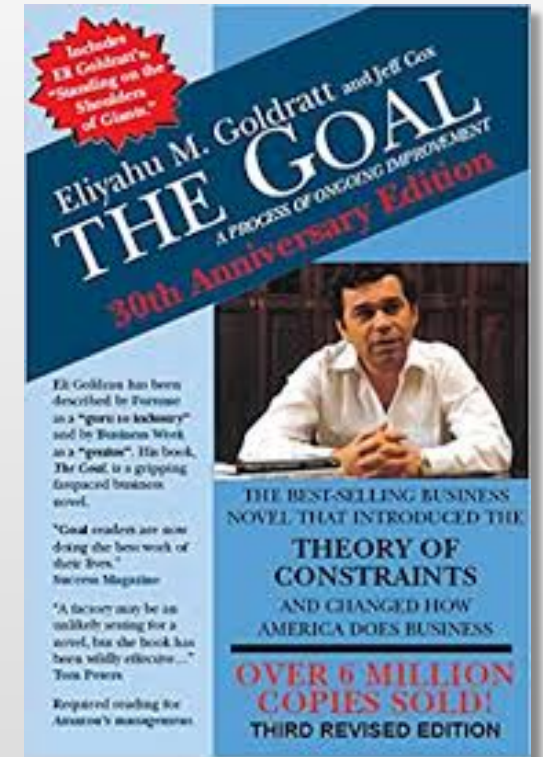
1. Locate all bottlenecks as they occur and “unblock” them to create maximum throughput speed.
2. Because they practice a “**Cost Basis Accounting Management**” style, they falsely believe that when they shave any line item (including labor), those “savings” will fall to the bottom line. But it backfires and causes bottlenecks. Throughput speed collapses and it can cost the loss of an entire potential second seating.
3. The “**Theory of Constraints**” management can deliver an exponential increase in profitability—especially in sub-optimal locations.

## COST BASIS ACCOUNTING THEORY OF LABOR MANAGEMENT

SINGLE SEATING	\$P.P	#PPL	EXT.
SALES	\$100	100	\$10,000
MACROS			
COGS (30%)			\$3,000
LABOR (45%)			\$4,500
<u>OVERHEAD (24%)</u>			<u>\$2,400</u>
TOTAL EXPENSE			\$9,900
<b>NOI</b>			<b>\$100</b>
			<b>1.0%</b>

## THEORY OF CONSTRAINTS LABOR MANAGEMENT

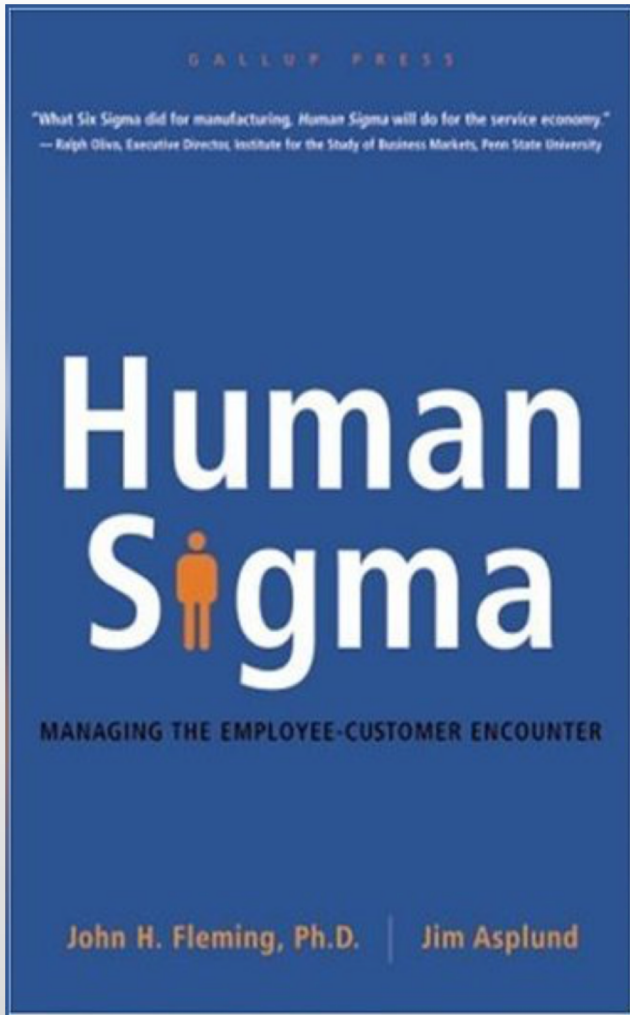
TWO SEATINGS	\$P.P	#PPL	EXT.
SALES	\$100	200	\$20,000
MACROS			
COGS (30%)			\$6,000
LABOR (45%)			\$5,500
<u>OVERHEAD (24%)</u>			<u>\$2,400</u>
TOTAL EXPENSE			\$13,900
<b>NOI</b>			<b>\$6,100</b>
			<b>30.5%</b>



# **SIXTH MAJOR FALSE PREMISE: MANAGING HUMAN BEINGS THE SAME WAY WE MANAGE OBJECTS**

- “Cost Basic Accounting Management Theory” needs to be replaced with “Human Sigma”.
- Management teams need to understand how to create flow states in their teams.

**HOW HUMAN SIGMA CAN CREATE A SALES GROWTH PERFORMANCE MULTIPLIER FIVE TIMES GREATER THAN INDUSTRY AVERAGE.**



## Human Sigma Rules

- The Human Sigma combines a proven method for assessing the health of the employee-customer encounter with a disciplined process for improving it.
- It is based on five rules to bring excellence to the way employees engage and interact with customers.

# EMPLOYEE ENGAGEMENT DIRECTLY DRIVES CUSTOMER ENGAGEMENT

## FOUR DIMENSIONS OF EMPLOYEE ENGAGEMENT

Among the many variables that discriminate between highly productive workplaces and those that are unproductive is the quality of the local workplace manager and his or her ability to meet a core set of employees' emotional requirements. Work units that meet these conditions of engagement perform at a much higher level than work units that fail to meet them.



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## The Customer Engagement Hierarchy

Four key elements -- Confidence, Integrity, Pride, and Passion, along with the rational elements associated with customer satisfaction -- constitute what Gallup calls the customer engagement hierarchy.



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# HOW TO MEASURE EMPLOYEE ENGAGEMENT

## The 12 Elements of Great Managing

To identify the elements of worker engagement, Gallup conducted many thousands of interviews in all kinds of organizations, at all levels, in most industries, and in many countries. These 12 statements – the Gallup Q<sup>12</sup> – emerged from Gallup's pioneering research as those that best predict employee and workgroup performance.

1. I know what is expected of me at work.
2. I have the materials and equipment I need to do my work right.
3. At work, I have the opportunity to do what I do best every day.
4. In the last seven days, I have received recognition or praise for doing good work.
5. My supervisor, or someone at work, seems to care about me as a person.
6. There is someone at work who encourages my development.
7. At work, my opinions seem to count.
8. The mission or purpose of my company makes me feel my job is important.
9. My associates or fellow employees are committed to doing quality work.
10. I have a best friend at work.
11. In the last six months, someone at work has talked to me about my progress.
12. This last year, I have had opportunities at work to learn and grow.

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## The Five New Rules of HumanSigma Management

In the process of working with some of the best run companies in the world, Gallup has learned a great deal about how these organizations unleash the power of their human systems -- and how the worst fail to do so. Though the HumanSigma management model may be implemented in various ways, the underlying philosophy can be boiled down to five new rules.

### Rule 1:

You can't measure and manage the employee and customer experiences as separate entities.

### Rule 2:

Emotion frames the employee-customer encounter.

### Rule 3:

You must measure and manage the employee-customer encounter at the local level.

### Rule 4:

We can quantify and summarize the effectiveness of the employee-customer encounter in a single performance measure -- the HumanSigma metric -- that is powerfully related to financial performance.

### Rule 5:

Improvement in local HumanSigma performance requires deliberate and active intervention through attention to a combination of transactional and transformational intervention activities.

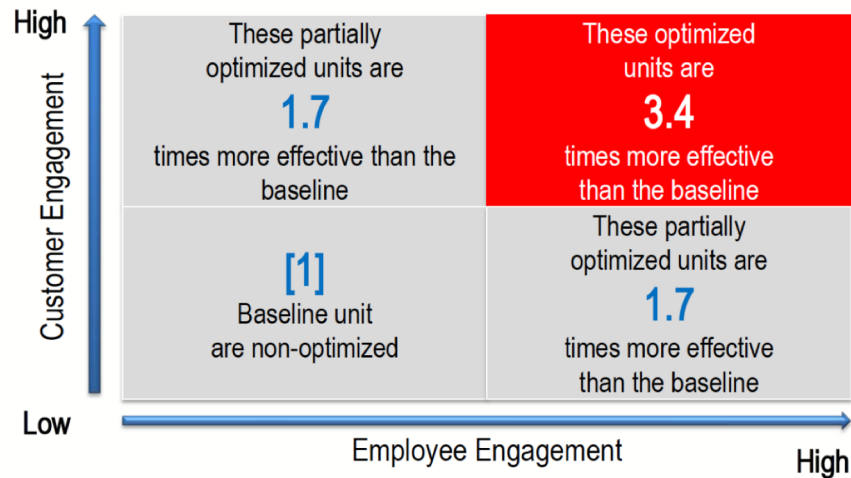
Adapted from *Human Sigma: Managing the Employee-Customer Encounter*, Gallup Press.

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# EXTRAORDINARY IMPROVEMENT IN PERFORMANCE METRICS

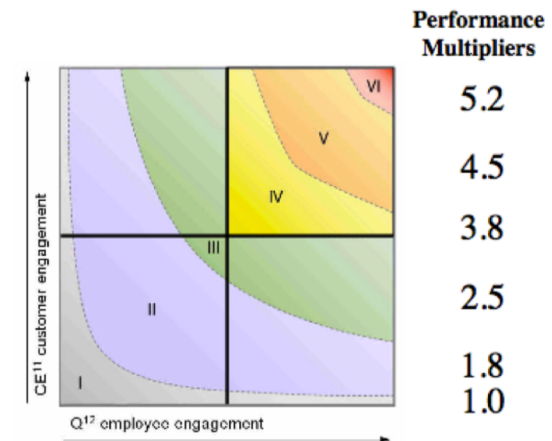
## 4. The Interaction of Employee and Customer Engagement

Local business units with even moderately high levels of both worker and customer engagement are, on average, more effective financially than units with very high levels of only one form of engagement.



## Human Sigma & The Performance Bands

$$HS = \sqrt{\frac{(EE \text{ percentile} \times CE \text{ percentile})}{2}}$$



# How Much Better Do Companies Perform Who Manage Labor with Human Sigma?

“The results thus far have been extraordinary. The ten companies, all of which have applied the best-practice principles for managing the employee-customer encounter, together outperformed their five largest peers during 2003 by 26% in gross margins and by 85% in sales growth.”

-John H. Fleming, Harvard Business review (2005)



# **SEVENTH MAJOR FALSE PREMISE:**

## **THE GM ORGANIZATIONAL STRUCTURE**

- The GM is accountable for all three divisions of the business.
- The restaurant industry has terrible Human Sigma metrics.
- The GM-based organizational structure is a “failure-by-design” error.

# How Do the Restaurant Industry Human Sigma Metrics Compare to Other Industries ?

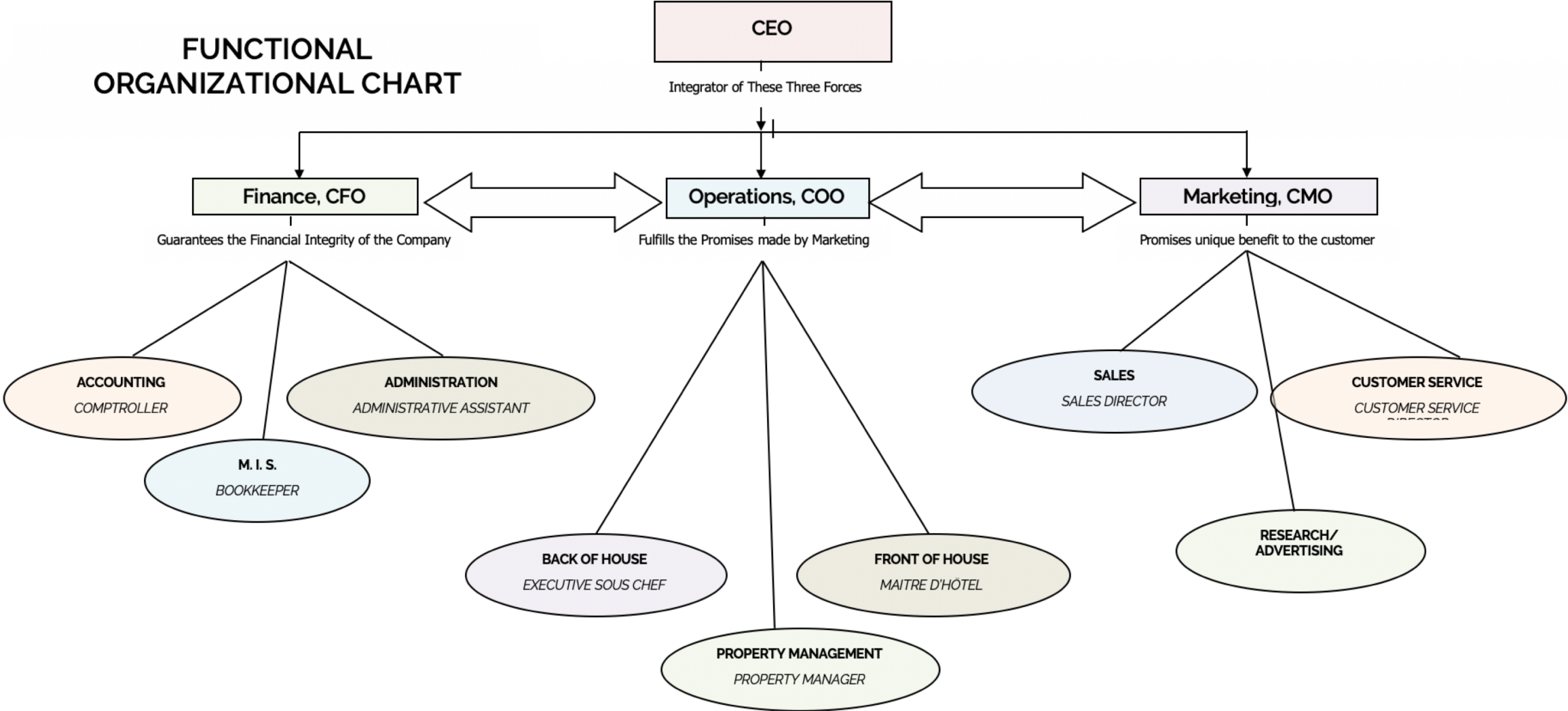
A survey conducted by Gallup and TDn2K finds that:

- 1. Restaurant GM's are about half as likely to be engaged as any other kind of manager.**
2. And because a manager's behavior cascades down to their team, disengaged GMs can suck the life out of every store they oversee--and with it the profit out of the company's revenue--every day.
3. In an industry with such high turnover and narrow margins, that's a disaster.

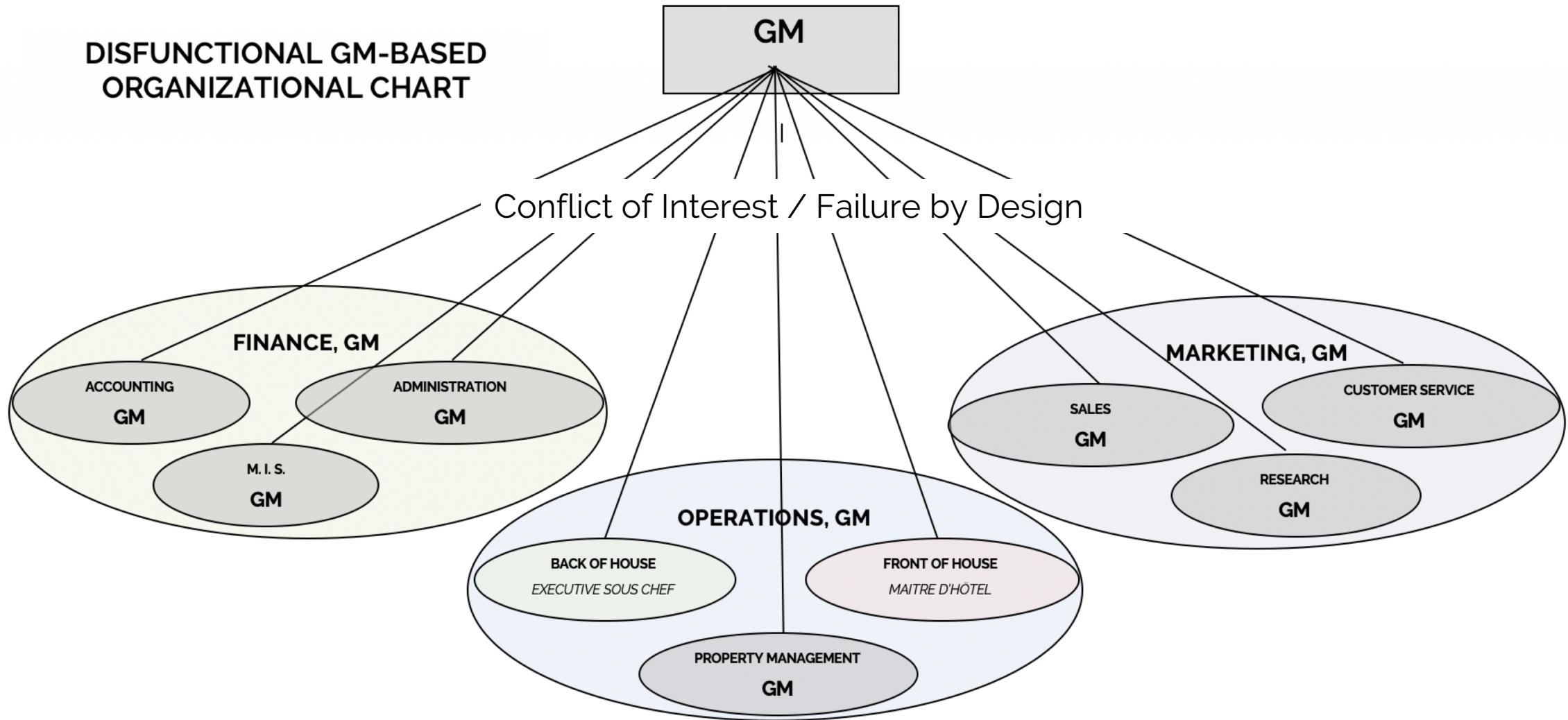
Meanwhile, in all other industries, the percentage of "engaged" workers in the U.S. -- those who are highly involved in, enthusiastic about and committed to their work and workplace -- reached 35%--a new high since Gallup began tracking the metric in 2000.

# Organizational Structure Based Upon the Functional Needs of the Business

## FUNCTIONAL ORGANIZATIONAL CHART



# Dysfunctional GM-Based Organizational Structure



# So, are robots are going to take all the hospitality jobs?

## THE COUNTERARGUMENT:

### A. FINANCIAL

1. YES, Efficiency is terrible (often lowest industry of all) among publicly-traded restaurants (chart). And even lower for independents (Baker Tilly).

## Efficiency: Publicly-Traded Restaurants (USA)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenue per Employee	\$78,890	\$98,557	\$89,053	\$88,554	\$90,905	\$92,559
Revenue/Employee Ranking	# 101	# 96	# 100	# 101	# 100	# 101
Net Income per Employee	\$7,268	\$6,744	\$9,515	\$11,453	\$10,625	\$10,996
Net Income/Employee Ranking	# 88	# 81	# 75	# 80	# 85	# 84

Source: CSImarket.com



2. However, profitability—at least in publicly-traded restaurants—is moderately good.

## Profitability: Publicly-Traded Restaurants (USA)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Pre-Tax Margin	13.97%	11.97%	14.70%	17.80%	16.01%	10.56%
Pre-Tax Margin Ranking	# 36	# 30	# 31	# 15	# 26	# 32
Net Margin	9.21%	6.84%	10.68%	12.93%	11.69%	8.64%
Net Margin Ranking	# 38	# 74	# 30	# 19	# 63	# 33

Source: CSImarket.com

## Profitability: Independant Restaurants (USA)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
EBITDAR - Full Service	12.5%	12.7%	11.7%	11.0%	10.7%	
EBITDAR - Quick Service	13.0%	12.8%	12.8%	12.8%	16.1%	
Sales-to-Investment - Full Service	1.0	1.0	1.0	1.0	0.9	
Sales-to-Investment - Quick Service	1.0	1.0	0.9	1.0	1.1	

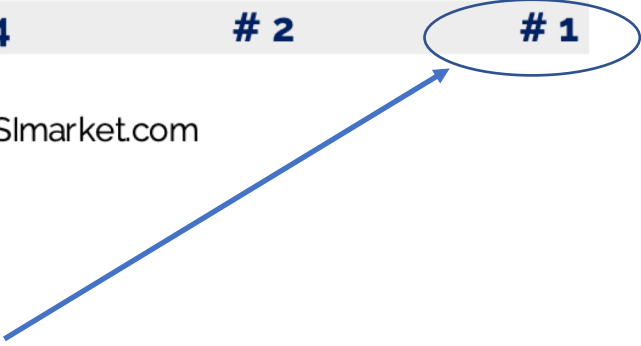
Source: Baker Tilley

3. But, most importantly, **Management Effectiveness**—at least in publicly-traded restaurants—is **outstanding!**  
 (#1 Industry in 2019).

## Management Effectiveness: Publicly-Traded Restaurants (USA)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Return On Assets (TTM)	10.68%	16.79%	9.52%	10.83%	9.98%	10.60%
ROA Ranking	# 8	# 20	# 11	# 7	# 12	# 12
Return on Investment	14.47%	19.97%	26.34%	34.98%	37.41%	27.58%
ROI Ranking	# 12	# 8	# 6	# 5	# 6	# 6
Return on Equity	27.99%	29.13%	54.92%	92.52%	155.04%	548.41%
ROE Ranking	# 11	# 13	# 7	# 4	# 2	# 1

Source: CSImarket.com



# COUNTERPOINT:

## A. THE FINANCIAL ARGUMENT

## B. Focus on ROI's (RETURN ON INVESTMENT, RETURN ON EQUITY)

1. **This is our circle of competency**—and we need to be very careful before we adopt any new technologies that could upset our ability to deliver outstanding ROI's, because that is pretty much our sole strength. Technology costs are front-loaded. Labor cost occur at moment of production. (**TVM, NPV**).
2. We do not need to buy into the fetishization of “productivity”.
  - **Productivity is not a virtue *per se*.**
  - Higher labor productivity does not imply higher sales or higher profits. It only signifies success in replacing human beings with machinery.
3. **EBITDA and un-levered free cash flow** are both financing neutral, which means their values are impervious to the company's capital structure.

# Returns on Invested Capital (ROA's, ROI's, ROE's) are the better metrics for investment decisions.

“Over the last 60 years, roughly two-thirds of the value of the S&P 500 price was attributable to steady-state value and the other one-third to future value creation. Both pieces are important...The important point is that future value creation is based on three elements:

1. finding projects that generate a positive spread between the return on invested capital (ROIC) and the weighted average cost of capital (WACC),
2. how much you can invest in those projects, and
3. how long you can find those projects in a competitive world.

NOT on the basis of productivity.”

Our strength lies in reduced capital requirements relative to returns compared to other industries. Chipotle outperformed most competitors by, among other things, building their unit restaurants for about half the cost. We should think carefully before committing to very expensive technologies that may upset our ROIC ratios.

<https://www.bluemountaincapital.com/wp-content/uploads/2015/03/What-Does-an-EV-EBITDA-Multiple-Mean.pdf>

## B. THE QUALITATIVE ARGUMENT

### 1. UNSUITABILITY of ROBOTIZED MANUFACTURING PROCESSES for FOOD PREPARATION:

Robotized manufacturing requires uniformity of inputs. Nature does not comply without unintended consequences.

History of Industrial agriculture produced countless unintended consequences:

- A. Diet-related diseases
- B. Soil Depletion, Nitrogen run-off, etc.
- C. Anthropogenic climate change acceleration (GHG)

### 2. UNPROVEN SUITABILITY OF ROBOTS for CUSTOMER ENGAGEMENT in SERVICE SECTOR

Gallup Organization's HUMAN SIGMA research proved that there is a nearly perfect correlation between employee engagement and customer engagement.

Gallup Organization's previous book, **FIRST BREAK ALL THE RULES**, established that disappointing labor metrics are mostly due to bad labor management theories of the past. We should use Human Sigma before divesting of our human labor.

### **3. THERE ARE MANY ALTERNATIVE STRATEGIES FOR ACHIEVING GREAT FINANCIAL PERFORMANCE WITHOUT DIVESTING LABOR**

- A. Whenever it appears that human labor is underperforming its technological alternative, it is vital to determine whether that is intrinsically so or whether it is due to the mismanagement or improper utilization of that labor.
- B. Wherever technology can replace human labor in repetitive tasks, we should welcome it.
- C. Let's redeploy that labor to things most human: establishing extraordinary customer engagement and soul-satisfying food that is maximally nutritious as a result of sustainable agriculture.
- D. THIS PRESENTATION OUTLINED SEVEN ENLIGHTENED STRATEGIES TO RADICALLY IMPROVE BUSINESS.  
BUT, THERE ARE COUNTLESS MORE.**

# BRINGING IT ALL TOGETHER

HOW SHALL WE BETTER INTEGRATE  
TECHNOLOGY WITH HUMAN CAPITAL?

**IF ALL WE ARE DOING IS RETAILING FOOD & BEVERAGE,  
THEN WE ARE MASSIVELY OVERPRICED AND OUR FUTURE  
IS A "RACE TO THE BOTTOM".**

- If your marriage was in trouble, would you bring your spouse to a drive-through window? Is that the best strategy to save it? Would you think a Grubhub delivery the best strategy? What if you were on a first date?
- If you had a multi-million dollar business deal at stake, would you entrust it to a drive-through window or a food delivery?

**IF ALL WE ARE DOING IS RETAILING FOOD & BEVERAGE, THEN WE  
SHOULD OPERATE A GROCERY STORE WHERE PEOPLE DO NOT  
BRING "DEALS" TO GET DONE.**



# RESTAURANTS ARE THE BEST PLATFORMS EVER DEVISED UPON WHICH CUSTOMERS CAN CONDUCT “THE BUSINESS OF LIFE”.

If we redesign our service component so that its purpose is to:

1. **Maximize customer engagement;** and,
2. **Help our guests to “seal the deals”** they bring to our tables, then we can create value for our guests thousands of times greater than the cost of the meal.

**THEN WE WILL HAVE AN ENLIGHTENED BASIS OF HOW TO  
HUMANELY INTEGRATE TECHNOLOGY WITH HUMAN CAPITAL  
FOR THE BETTERMENT OF OUR CUSTOMERS, OUR EMPLOYEES,  
AND OUR COMPANIES.**

# WE ACTUALLY HAVE TWO DIFFERENT BUSINESSES UNDER ONE ROOF

They are almost mirror opposites in many characteristics

SERVICE COMPANY	
Degree of customer Contact	<b>HIGH</b>
Uniformity of input	<b>LOW</b>
Labor contents of job	<b>HIGH</b>
Uniformity of output	<b>LOW</b>
Measurement of productivity ⊕	<b>LOW</b>

MANUFACTURING COMPANY	
Degree of customer Contact	<b>LOW</b>
Uniformity of input	<b>HIGH</b>
Labor contents of job	<b>LOW</b>
Uniformity of output	<b>HIGH</b>
Measurement of productivity ⊕	<b>HIGH</b>

# TWO DIFFERENT BUSINESSES UNDER ONE ROOF

## SERVICE COMPANY

1. CUSTOMER ENGAGEMENT REQUIRES EMPLOYEE ENGAGEMENT.
2. EMPLOYEE ENGAGEMENT REQUIRES HUMAN BEINGS.
3. USE TECHNOLOGY TO ENHANCE EMPLOYEE ENGAGEMENT.
4. USE TECHNOLOGY TO ENHANCE LABOR'S ABILITY TO CREATE VALUE FOR CUSTOMERS BY HELPING THEM TO "SEAL THE DEAL."

## MANUFACTURING COMPANY

1. MANAGE MANUFACTURING WITH THE 'THEORY OF CONSTRAINTS'.
2. USE TECHNOLOGY TO HELP HUMAN BEINGS INCREASE THROUGHPUT SPEED.
3. USE TECHNOLOGY TO ALLOW HUMAN BEINGS TO SPEND MORE OF THEIR TIME BEING CREATIVE.
4. USE HUMAN BEINGS TO HELP TECHNOLOGY BETTER DEAL WITH THE NON-UNIFORMITY OF NATURAL INPUTS.

**THE PROPER SYNTHESIS OF HUMAN BEINGS AND TECHNOLOGY  
IS GREATER THAN THE SUM OF ITS PARTS**

## **FINAL THOUGHTS:**

### **AN EIGHTH ENLIGHTENED STRATEGY:**

#### **A SHIFT FROM RIVALROUS TO ANTI-RIVALROUS ACTIVITIES**

A strategic shift in corporate mindsets from the purely extractive business model of the scarcity mindset to the cooperative/collaborative/generative business model of the abundance mindset.

# FROM RIVALROUS TO ANTI-RIVALROUS BUSINESS MODELS

1. In a rivalrous system, the value of something goes up with its scarcity
2. In an anti-rivalrous system, the value of something goes up with its abundance (Metcalfe's Law) .
  - Think of Calculus, Facebook, Pokémon Go.
3. What type of non-rivalrous enterprises could be created within the Hospitality Industries.
  - Carbon-negative, 100% grass-fed, and organic Integrated Crop-Livestock System (ICLS) approaches as apotheosis of this strategy. Topsoil creation. Nutrient density. Increased biomass. Increased ecosystem health.
  - Restaurants can play in both bricks & mortar and the digisphere.
  - Employee Engagement & Ownership business models.

“Since 2011, KKR has been developing and implementing an employee engagement and ownership model, which revolves around making every portfolio company worker a part-owner of the business. The program aims to give every hourly production worker a stake and a voice in contributing to a company's success...So far, KKR, has applied this model to over a dozen companies with more than 20,000 workers. And it has paid off for the firm as well. ‘We’ve tended to get at least

**500 basis points of EBITDA margin improvement**, mostly in the first few years at engagement-model companies’.”



THANK YOU!

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