
Case 41 The Simkin Cafe Chain¹

Angela Simkin's first café sold light snacks, exotic salads, cooked pies, ice cream desserts, beverages and sandwiches and had the decor of an old-fashioned Parisian café-bar.

Following Angela Simkin's death, her husband Samuel was eager to expand the business. His wife had never wanted to open more than one outlet despite his constant encouragement. Samuel decided to use his wife's café as a model for a whole chain of outlets throughout the country. He believed that the key to business success was to replicate the original café in every detail. He used standard layout and equipment, and formally outlined detailed instructions for food preparation and for service, specific standards for cleanliness and maintenance and strict methods of record keeping. There was a right way of doing everything in Samuel Simkin's view. He would often cite Ray Kroc and Frederick Taylor as his business gurus.

It was the responsibility of each café manager to train workers and supervisors to follow standard procedures and methods. At least once a month, at irregular intervals, someone from head office would make out a quality audit of each café. This audit included an 8 page check-list covering how work was being done, the condition of food inventories and of equipment, the accuracy with which standard operating procedures were being followed, the friendliness of the café's atmosphere, even the attractiveness of employees' physical appearance. On many occasions, Samuel Simkin would carry out the audit himself. Indeed, all 17 cafés in the Simkin chain could expect to see Samuel at least three times a year. His policy was to visit his cafés without any advanced notice. In truth, he quite liked to see the nervousness such visits engendered in his managers and employees.

In addition to quality audit reports, a monthly financial report for each café showed ratios of food items and supplies used per sales unit, labour hours and wages in relation to sales, and the operating profit before fixed capital and overhead costs.

Samuel Simkin was an energetic man who was convinced that his management system – the 'Simkin System' as he called it – would work and he urged all café managers and employees to follow it without deviation. 'Good citizens' were those managers who kept to the system strictly and made it work. These people regularly received bonuses in the form of free cinema tickets, cheap car hire deals, and the like. At the same time, Samuel ensured that managers who failed to make the grade as 'good citizens' either changed their ways rapidly or were fired.

When Samuel Simkin retired, his niece Laura gave up her job as a financial management consultant to become the chief executive officer of the Simkin café chain. As well as being committed to expansion of the business, Laura was a strong advocate of management by objectives (MBO) and she immediately set about establishing this management technique to coordinate the activities of all the company cafés. She relied more heavily on the café managers than her uncle ever had, and allowed them a considerable degree of autonomy in the way they managed their cafés.

Laura Simkin dropped the monthly financial reporting system initiated by her uncle. Instead, at the beginning of each year the district directors meet with their café managers and agreed on target results for the forthcoming financial year. These results are expressed primarily in terms of total sales and operating profits. Head office control now centres on how well a manager is meeting these agreed targets. The quality audits are still made but no-one pays much attention to them at head office so long as profit margins are maintained or widened.

The MBO programme has proved to be very popular with the café managers and has generated good results from older managers who were brought up under Samuel Simkin's stricter regime. Problems are arising mostly from newer managers. These managers have a strong sense of autonomy and independence. They claim to be adapting to new and changing market demands (for example, the young manager of one of the cafés in a central urban location offers a range of less expensive snacks to cater for diners who are unemployed or on low incomes). On the other hand, the longer serving managers complain that the newer managers are undisciplined and are allowing quality standards to fall in order to meet their financial targets.

Whilst the high employee turnover and low levels of work motivation associated with Samuel Simkin's time as head of the café chain have all but disappeared, Laura is now worried about dropping standards in the cafés and is using 'mystery diners' to check what is happening in various outlets. Reports from these diners go both to café managers and to head office management. In general they confirm that occasionally the food is poor, that some managers are allowing their café to fill up with young people who take over an hour to drink a single cup of coffee, or that the service is rather too casual.

The most recent progress reports on the cafés run by new managers suggest that whilst targets are likely to be reached (even exceeded) in the short term, their standards of decor and service vary markedly from those associated with the traditional Angela Simkin café model upon which the company's prosperity has been built.

As a consequence, the company directors are becoming increasingly anxious about the effects of lower quality on the company's prestige, market position and profits and are demanding action from Laura Simkin.