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# Comparative management performance of Chinese specialty restaurant and American specialty restaurant in Miami area

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COMPARATIVE MANAGEMENT PERFORMANCE  
OF CHINESE SPECIALTY RESTAURANT  
AND AMERICAN SPECIALTY RESTAURANT  
IN MIAMI AREA

by

Shu-Nuan Tanya Chin

A thesis submitted in partial fulfillment of the  
requirements for the degree of

MASTER OF SCIENCE

in

School of Hospitality Management

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Committee in charge:

Chairperson, Dr. Lendal Kotschevar  
Professor Peter Martini

May 1982

To professors: Lendal Kotschevar  
Peter Martini

This thesis, having been approved in respect to form and mechanical execution, is referred to you for judgment upon its substantial merit.

Dean Gerald W. Lattin  
School of Hospitality  
Management

This thesis of Shu-Nuan Tanya Chin is approved.

Professor

Professor

Major professor

Date of Examination: May, 1982

## BIOGRAPHICAL SKETCH

Shu-Nuan Tanya Chin was born in Taiwan in 1954. She is a graduate of Soochow University (Taipei, Taiwan) where she received a Bachelor of Art degree with a major in Japanese Literature.

After finishing the university, she worked in a big hotel which is a growing industry in Taiwan.

This experience convinced her of the long-term advantages of attending a hotel school. So she decided to continue her advanced education in that field at Florida International University.

She wrote this project as a partial fulfillment of the requirements of the Degree of Master of Science in Hotel Management.

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CHAPTER I

## THE PROBLEM AND ITS SETTING

### The Statement of the Problem

This research proposes to identify and evaluate the existing management practices and management performance of two categories of restaurants by comparing the Chinese specialty restaurant to the American specialty restaurant in the Miami, Florida area.

### The Subproblems

1. The first subproblem. The first subproblem is to identify and to evaluate the existing management practices used by the managers of these two categories of restaurants.

2. The second subproblem. The second subproblem is to identify and to evaluate the management performance in these two categories of restaurants.

### The Hypotheses

The first hypothesis is that the management practices employed by the Chinese managers are different from those employed by the American managers.

The second hypothesis is that different management practices can lead to different management performance.

### The Delimitations

The field of study will be limited to selected restaurants in the Miami, Florida area.

This study will be limited to Chinese specialty restaurants and American specialty restaurants.

### The Definitions of Terms

Management. The act, art, or techniques of managing; or of controlling and exercising discretionary powers in the direction of an enterprise. The things that are done to plan, guide, direct, control and supervise the operation of a business.<sup>1</sup>

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<sup>1</sup> Donald T. Clark and Bert A. Gottfried, University Dictionary of Business and Finance (New York: Thomas Y. Crowell Co., 1957), p. 221.

Management performance. Skills of management measured in terms of dollars or in ratios that can be compared with other companies. Some of these ratios are profit ratios, growth ratios, labor cost percentages, food cost percentages, employee turnover rate, absenteeism rate, employee productivity, etc.<sup>2</sup>

Specialty restaurant. Foodservice establishments featuring dishes of a specific nation, ethnic origin, or type.<sup>3</sup>

Management by objective. A generic title used to express both the methods and philosophy of management which embrace the continuous review of management objectives and achievement, management training, and the reinforcement of management motivation by systematic approaches to selection, salary and succession.<sup>4</sup>

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<sup>2</sup>Norman D. Moore, Dictionary of Business Finance and Investment (Dayton, Ohio: Investor's Systems, Inc., 1975), p. 259.

<sup>3</sup>C. Dewitt Coffman, Hospitality For Sale (East Lansing, Michigan: The Educational Institute of the American Hotel & Motel Association, 1980), p. 5.

<sup>4</sup>A. I. Marsh and E. O. Evans, The Dictionary of Industrial Relations (London: Hutchinson Educational Ltd., 1973), p. 194.

Management development. An organized program for management personnel, usually at the top or middle level for the purpose of developing and improving managerial functions, including planning, organizing, motivating, and controlling the activities of an organization. Management development programs concern themselves not only with specific knowledge and skills, but also with the basic attitudes which permit management to function effectively.<sup>5</sup>

Employee turnover. Movement of individuals into, through, and out of an organization. Turnover can be statistically defined as the total number (or percentage) of separations that occurs over a given time period. The turnover rate is an important indicator of the morale and health of an organization.<sup>6</sup>

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<sup>5</sup>Harold S. Roberts, Roberts' Dictionary of Industrial Relations (Washington, D.C.: The Bureau of National Affairs, Inc., 1971), p. 4.

<sup>6</sup>Jay M. Shafritz, Dictionary of Personnel Management and Labor Relations (Oak Park, Illinois: Moore Publishing Company, Inc., 1980), p. 339.

Absenteeism. The practice of a worker of failing to report for work for a period of one or more days or shifts, when he has been assigned to or scheduled for work.<sup>7</sup>

#### The Assumptions

The first assumption. The first assumption is that the Chinese restaurant will continue to play an important role in the American life.

The second assumption. The second assumption is that the research on the restaurants in the Miami area will be representative of the whole United States.

#### The Importance of the Study

China, with a total land area slightly larger than the United States, has one of the oldest continuous cultures in the world, dating from at least 1766 B.C. Because her arts, including the art of cooking, have developed independently of the West, they represent a unique genre.

---

<sup>7</sup>Roberts, op. cit., p. 4.



China's culinary art remained largely unknown to the Western world until the mid-1800s, when Chinese cooking was introduced to the United States by immigrants (mainly from the province of Kuangtung in Southeastern China) who came to the United States to work in the gold mines and in the building of the railroads. Before many decades had passed, acceptance of Chinese food had grown to such an extent that virtually every fair-sized community in the United States had at least one Chinese restaurant. The 1950s and 1960s saw a phenomenal interest in "eating Chinese".<sup>8</sup> During the 1970s along with people's enjoying Chinese dishes, Chinese restaurants are increasing at a rapid rate. There are 250 Chinese restaurants in the Miami area. How are they run? What performance have they made? Because of exposure to different management philosophies, will their management practices be different from those of American restaurant? Should there be any difference, will they influence the performance? Is there any lesson to be learned from manage-

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<sup>8</sup>Nobuko Sakamoto, The People's Republic of China Cookbook (New York: Random House, Inc., 1977), p. 1.

ment practices found in Chinese specialty restaurants?  
Could Chinese specialty restaurants profit from  
management practices found in American specialty  
restaurants? Is it possible in the American economy  
for a specialty restaurant built on a highly foreign  
food and service to compete successfully?

## CHAPTER II

THE REVIEW  
OF THE RELATED LITERATURE

Some years ago, a wag invented a new answer to the perennial question, "How's your wife?" He answered, "Compared to what?", thereby illustrating the necessity for comparison in human affairs. While this humorist cannot be credited with the development of the comparative method, this method has been explicitly incorporated into the publications, curricula, and research programs of such disciplines as economics, sociology, psychology, law, education, religion, and literature. In business administration, formal interest in comparisons is more recent, although books, articles, courses, and research projects have been multiplying since the early 1950's--especially in marketing and management.<sup>1</sup> In restaurant management, however, the comparative study is little known. Therefore, applicable information is little or nothing. Let's take a look at the development of comparative approach.

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<sup>1</sup>J. Boddewyn, "The Comparative Approach to the Study of Business Administration," Academy of Management Journal, vol. 8, No. 4 (Dec. 1965), p. 261.

## A Historical Overview

The controversy over comparative versus case analysis is actually of only recent vintage. Just as in everyday speech the individual discovers that to communicate with others he must be willing to stereotype reality--if only for the sake of brevity--the Greek approach to knowledge (herein defined as the set of tested propositions) was based on the premise that there are certain recurrent patterns in nature. In medicine this meant that diseases could be classified and treated as a group. To Plato there are "ideal types," or forms, which only the very gifted can intuit. To Aristotle, who demanded more rigorous standards of proof, there are comparabilities, or regularities, in phenomena which those who are talented and "immersed" in the data can abstract.

By the seventeenth century, when the canons of modern scientific inquiry were being developed, the Judaeo-Christian influence had discarded the Greek cyclical view of history, replacing it with a stress on development and evolution. The notion of prere-

quisite, universal stages of historical development of Turgot was carried on by the "state of nature" political theorists, while the Cartesian search for "laws of nature" also relied heavily on comparison in its use of the analogy. In social thought, Leibniz and others began to use analogies from physiology to society, the genesis of modern "functionalism."

In the mid-nineteenth century, however, it appeared that by emphasizing the universal and the regular, science was actually conservative and tended only to support the existing state of affairs. The publication of the Malthusian hypothesis indeed made economics seem a dismal science. Romanticists and humanitarians joined forces, and the prevailing form of social inquiry of such men as Mill and Ranke focused on the particular; the argument advanced was that all social phenomena are unique and cannot be compared because there are "too many" factors involved. Because the main reason for university course offerings in

history, political science, and anthropology was often merely to produce competent monograph-writers, bureaucrats, and colonial ethnographers, the bias against search for regularity in the so-called "soft" social sciences became nearly self-sustaining.

At the end of the nineteenth century, spectacular advances in geology and biology, due in part to massive amounts of collected data, made their impact on the social sciences. The result was the early attempt to derive propositions about man and social phenomena in general by such men as Dilthey, Weber, Bagehot, and Bryce in history and political science; by Tylor, Morgan, and Frazer in anthropology. Dissatisfied with the fact that theories of such scholars had little accumulated information to back them up, the next generation of researchers began to amass as much data as it could with an appalling lack of uniformity among investigators as to the meaning--immediate or ultimate--of the "data" being collected. This antitheoretical bias was particularly dominant in the 1920's.

As advances in theory and methodology, in sociology and psychology, made their way into the rest of the social sciences, partly through the influence of Linton in anthropology and Merriam in political science, a renewed interest in comparative analysis blossomed.<sup>2</sup> During the past two decades international business operations have become massive in scale and are continuing their rapid expansion. Corrolary to this development is the ever increasing flow of publications that deal with a wide range of issues concerning international business and comparative management.<sup>3</sup>

#### A Framework for Comparative Management Study

A perennial argument between those who believe that management is a science governed by universal principles and those who say that these principles are culture-bound will probably be intensified as a result of current cross-cultural research in management science.

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<sup>2</sup>Michael Haas, "Comparative Analysis," Western Political Quarterly, XV, No. 2 (June 1962), pp. 294-303.

<sup>3</sup>Hans Schollhammer, "Strategies and Methodologies in International Business and Comparative Management Research," Management International Review, Vol. 13, No. 6 (1973), p. 17.



Particularly, the needs of developing countries for advanced technical and managerial know-how in their economic development efforts will compel us to ascertain which elements of American management know-how are transferable and which are not. It is indeed true that to date many management "process school" theorists believe that "management is management wherever practiced, a universal profession whose principles can be applied in every organized form of human activity."<sup>4</sup> A mere glance at the existing textbooks on principles of management will validate this point. Harbison and Myers, after studying management practices in 23 countries, came to the conclusion that "Organization building has its logic... which rests upon the development of management... and...there is a general logic of management development which has applicability both to advanced and industrializing countries in the modern world."<sup>5</sup>

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<sup>4</sup>Harwood E. Merrill, "Listening Post," Management News, Vol. 36 (Jan. 1963), No. 1, p. 451.

<sup>5</sup>Frederick Harbison and Charles Myers, Management in the Industrial World (New York: McGraw-Hill Book Company, 1959), p. 117.

However, many cross-cultural studies of management practices have challenged this contention of the so-called universalists. Gonzalez and McMillan, in their study of the applicability of the American management philosophy in Brazil, found that the management philosophy is culture-bound, that "American philosophy of management is not universally applicable."<sup>6</sup>

Winston Oberg, in his study of "Cross-Cultural Perspectives on Management Principles," argues that if the ground rules under which the manager operates are different in different cultures and/or countries, then it would be quite fruitless to search for a common set of strategies of management. From his overseas experience and empirical research in Brazil and the United States he concluded that "Cultural differences from one country to another are more significant than many writers (on management theory) now appear to recognize.... If management principles

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<sup>6</sup>Richard F. Gonzalez and Claude McMillan, Jr., "The University of American Management Philosophy," Journal of the Academy of Management, Vol. 4, No. 1 (April 1961), p. 39.

are to be truly universal...they must face up to the challenge of other cultures and other business climates... A (Universalist claim) is hardly warranted by either evidence or intuition at this stage in the development of management theory."<sup>7</sup>

Farmer and Richman, in their article, "A model for Research in Comparative Management," have also stressed the importance of external environmental factors on the efficiency of the manager. They argued that:

Most studies of management have taken place within a 'black box' labeled management, without much concern for the external environment in which the firm may operate. As long as this external environment is about the same for all firms, the approach is valid; however, in cases where the environment differs significantly,...as is the case between nations, present theory (of management) is inadequate to explain comparative differentials in efficiency.<sup>8</sup>

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<sup>7</sup>Winston Oberg, "Cross-Cultural Perspectives on Management Principles," Journal of the Academy of Management, Vol. 6, No. 2 (June 1963), pp. 141-142.

<sup>8</sup>Richard Farmer and Barry Richman, "A Model for Research in Comparative Management," California Management Review, (Winter 1964), pp. 141-142.

Based on these premises, they have offered a model to ascertain the influences of what they call external constraints on managerial efficiency. The general classes of external constraints considered by them are:

1. Educational Characteristics
2. Sociological Characteristics
3. Political and Legal Characteristics
4. Economic Characteristics

To evaluate the management performance in any country, they argue, one should take into consideration all the above factors. For judging relative performance of managers in different countries they also have proposed a tentative ranking for the individual factors discussed above.

It is indeed true that external environmental factors do affect management performance. To this extent, Farmer and Richman's insightful analysis of external constraints may provide a sound basis for further theoretical developments in management.

However, there is evidence that certain elements of American management know-how<sup>9</sup> are successfully applied in altogether different cultures and environments. Gonzalez and McMillan, who have argued that management philosophies are culture-bound, admit that "American management is most highly respected abroad...and American management know-how...has yielded great dividends for the host country."<sup>10</sup>

Management performance in a given industry with a given technical know-how is dependent upon the way in which the manager carries out the practice of planning, organizing, staffing, directing, and controlling. However, the management practices is dependent on both the external environmental factors and the management philosophy.

Thus, there are three key variables in the study: Management philosophy, Management practice, and Management performance.

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<sup>9</sup>By American management know-how, it means various techniques used by the manager, in a large-scale firm in the United States, to carry out his basic functions of planning, organizing, staffing, directing, and controlling.

<sup>10</sup>Gonzalez and McMillan, op. cit., p. 39.

## Management Philosophy

The concept of management philosophy is understood as the expressed and implied attitude or relationships of a firm with some of its external and internal agents such as:

- (a) Consumer  
(i.e., the company's attitude toward consumer, irrespective of market situation for a given product--does the company regard consumer loyalty important, or is it simply interested in quick profits?)
- (b) Company's involvement with the community
  - (1) Community welfare activities
  - (2) Educational institutions
- (c) Company's relationship with local, state and federal governments
- (d) Company's attitude and relationship with unions and union leaders
- (e) Company's relationship with employees
- (f) Company's relationship with suppliers and distributors

## Management Practice

While there is hardly any definitional agreement as to the nature of management, the conceptual building blocks for such a definition as well as for comparison purposes are available. Management has been viewed as: (1) a particular group of men with distinctive qualities; (2) members of hierarchies invested with authority; and (3) a set of functions, in both senses of the term, that is, activities and contributions.<sup>11</sup>

As used here, however, the term management practice pertains to the planning, organizing, directing, staffing, and controlling the operations of a business enterprise, or any unit part of such an enterprise, for the purpose of attaining the objective set for the business as a whole.<sup>12</sup>

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<sup>11</sup>J. Boddewyn, "Management: The Trees, The Forest and The Landscape," Management International Review, Nos. 2-3 (1967), pp. 131-136

<sup>12</sup>William B. Cornell, Business Organization (New York: Alexander Hamilton Institute, 1968), p. 241.

The detailed description of the items is as follows:<sup>13</sup>

Managerial Function	Description of Element Which Should be Studied
Planning	(a) Commitment period (b) Location of planning authority (c) Methodologies, techniques and tools used in planning
Organizing	(a) Authority-responsibility relationships (b) Organization charts (c) Degree of centralization and decentralization (d) Span of control (e) Degree of specialization (f) The uses of informal organizations and management attitudes toward such group (g) Grouping of activities and departmentation (h) Uses of specialist staff and its relationship with line executives
Staffing	(a) Methods used in appraising, selecting and training personnel (b) Promotion criteria used (c) Management development practices used

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<sup>13</sup>J. Boddewyn, Comparative Management and Marketing (Glenview, Illinois: Scott, Foresman and Company, 1969), p. 90.



## Directing

- (a) The techniques used for motivating high level manpower to cooperate in achieving organizational objectives and goals
- (b) The methods and techniques used for motivating workers
- (c) Communication techniques used
- (d) Supervisory techniques used

## Controlling

- (a) Control techniques used for different areas, i.e., finance, production, marketing, etc.
- (b) Types of control standards
- (c) Information feedback systems and procedures for corrective actions

---

## Management Performance

Management performance reflects the achievement of the objectives of a company. Obviously a company has multiple objectives. It must earn a profit if it is to continue in existence: earnings are necessary to attract additional capital and to provide a cushion for meeting the risks inherent in business activity. But for survival it is also essential that a company provide goods or services

customers want, that its conditions of employment continue to attract competent employees, that it be a desirable customer to the people who supply raw materials, and that it be an acceptable corporate citizen in the community in which it operates.<sup>14</sup>

In discussing the evaluation of management performance, multiple criteria will be needed. Here are some criterial identified by the General Electric Company as the key result areas.

- (1) Profitability - in both percent of sales and return on investment.
- (2) Market position.
- (3) Productivity - which means improving costs as well as sales.
- (4) Leadership in technological research.
- (5) Development of future people, both technical or functional and managerial.
- (6) Employee attitudes and relations.
- (7) Public attitudes.
- (8) Balance of long-range and short-range objectives.<sup>15</sup>

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<sup>14</sup>William H. Newman, Charles E. Sumer, and E. Kirby Warren, The Process of Management (Englewood Cliffs, New Jersey: Prentice-Hall, Inc. 1972), p. 412.

<sup>15</sup>Ibid., p. 413.

The following elements or factors are suggested by another source for ascertaining the degree of management performance. It is admitted that this list of factors is not exhaustive ; however, all the factors combined will give an over-all idea of the effectiveness of the manager. These factors are:

- (a) Net and gross profits in the last five years
- (b) The percentage increase in profits in the last five years (year by year)
- (c) Market share of the company in main product line and percent increase or decrease in market share in the last five years
- (d) The market price of a company's stock and percent increase or decrease in prices in the last five years
- (e) The percentage increase in sales during the last five years
- (f) Employee morale and turnover
- (g) Employees' evaluation of the company and ranking of the companies under study by the employees of each firm

- (h) Over-all evaluation of the company and ranking by the general public
- (i) Evaluation of the company and ranking by the consumers<sup>16</sup>

### Summary

In sum, knowledge arises mostly out of comparison and the discovery of regularities. The greatest break-throughs in science have been made by those who saw comparability in phenomena previously thought to be unrelated. Indeed, according to Bronowsky, creativity in science occurs only when new comparabilities are seen.<sup>17</sup> In contrast with the natural sciences, Weber argues, advances in the social sciences almost exclusively require the use of analogy,<sup>18</sup> the type of comparative tool provides by classificatory schemes and checklists. Thus, the more sophisticated the mode of analysis used, the more comparability is being assumed.

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<sup>16</sup>J. Boddewyn, op. cit., pp. 90-91.

<sup>17</sup>J. Bronowsky, Science and Human Values (New York: Harper, Torchbook ed., 1959), pp. 23-32.

<sup>18</sup>Max Weber, The Methodology of the Social Science, trans. E. A. Shils and H. A. Finch (Glencoe: Free Press, 1949), p. 175.

In equilibrium analysis, for example, one can never know how appropriate a steady-state model is for a given phenomenon until some indices have been selected, quantified, and compared over time.

## CHAPTER III

## DESIGN OF THE STUDY

### Conceptual Framework of the Study

The research proposes to identify and evaluate the existing management practices and management performance of Chinese specialty restaurants and American specialty restaurants.

The chi-square analysis, which is a method to test the significance of the difference between two statistics,<sup>1</sup> is used to decide whether there is significant difference on practice and performance between the two categories of restaurants and whether the management practice has influence on the management performance. Figure 3-1 sketches the conceptual framework of the study. Further efforts are also made to identify the factors correlating to the profitability on investment as shown in Figure 3-2.

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<sup>1</sup>Dick A. Leabo, Basic Statistics (Richard D. Irwin, Inc., 1968), p. 429.

Figure 3-1

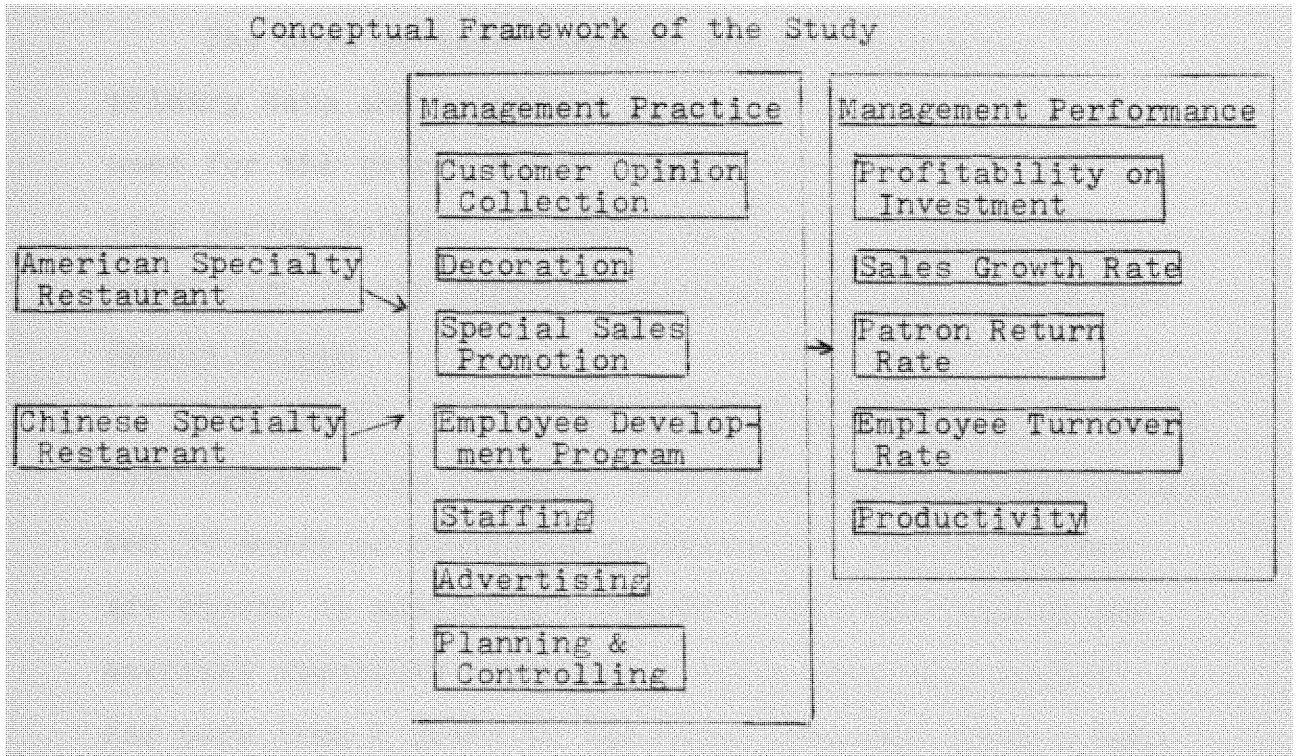
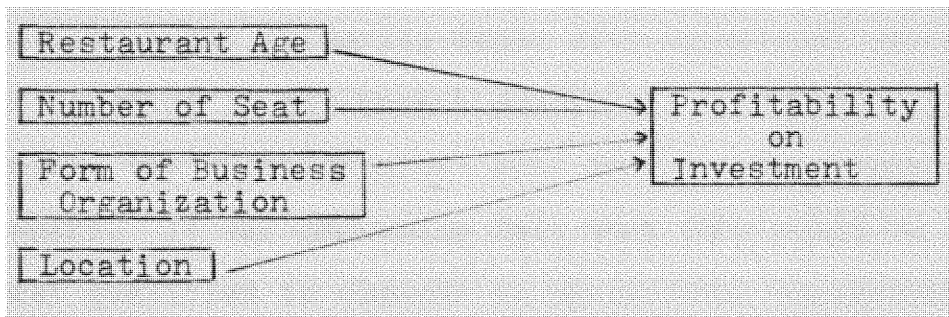


Figure 3-2

Correlation Factors of the Profitability





## The Research Methodology

The data of this research are of two kinds: primary data and secondary data. The research method used for the gathering of primary data was the Descriptive Survey Method. A survey presented in questionnaire form to the sample restaurants has been conducted.

### Sample Design

The sample size of the study encompassed 60 specialty restaurants which comprise 30 Chinese specialty restaurants and 30 American specialty restaurants. The restaurants are chosen by assigning a number to all the Chinese and American specialty restaurants which have been opened for more than 2 years in the Miami area and using a random number table.

In view of the fact that the nature of the information sought primarily deals with management performance as relating to management practices, management philosophies, the questionnaires were sent to the managers, or owners. It was generally felt that they would be the best qualified to comment on operational management philosophies, practices, and performance.

The selection of this sample group was made with the help of the following printed sources of Restaurant information:

- (1) Greater Miami Yellow Pages "Restaurants"
- (2) Miami Magazine "Restaurants"
- (3) Guide to Restaurants of Greater Miami (1977)

#### Questionnaire Design

Questionnaire is designed to collect the information in 3 fields: the basic data of the restaurant, the management practice information, and the data for performance rating.

The questionnaires sent to the top executives (managers, or owners) of the sample restaurant companies, consisted of 21 questions covering 3 pages.

Page 1 of the questionnaire is designed for the basic data of the restaurant. Question 1 through 10 primarily relate to management practice. Question 11 through 21 generally relate to management performance.

Along with the questionnaire, a cover letter, a postage free return envelope, and a separate page clarifying unfamiliar terms were included in the survey

package mailed to the respective respondents. The survey envelopes were mailed through the use of first class postage to insure the safety of undamaged delivery, along with the possible enhancement of quick responses.

## CHAPTER IV

Management Practice and  
Management Performance Analysis

Response Data

The sources of data for this study are from either the owners, or the managers of the sample restaurants. They have important responsibilities, limit time schedules and commitments which keep them very busy. Some of them may not have been able to answer the questionnaires due to time constraints or the nature of the information sought may have elicited negative reactions. The recovery rate of the questionnaires is shown in Table 4-1.

Table 4-1  
Recovery Rate of the Questionnaires

Sample Restaurant	Issuance	Response	Recovery Rate
Chinese Specialty Restaurant	30	24	80%
American Specialty Restaurant	30	10	33.3%
Total	60	34	56.7%

Management Practice Rating

The management practice rating system is to reflect the level of the management and marketing skills applied by the restaurant industry.

The following items are major indicators selected to evaluate the management practice.

1. Customer opinion collection. The importance of the customer opinion collection can not be overlooked in light of the contribution of the feedback in the management cycle of planning, execution, and control.

Business can get customer opinion through ways like face to face, business reply card and other more. To evaluate this practice executed by the restaurant, one point is assigned to each communication way used to get customer opinion. Practice rating for the two categories is tabulated in Table 4-2.

Table 4-2

Management Practice - Customer Opinion Collection

	Chinese Restaurant	American Restaurant
Face to Face	22	10
Business Reply Card	3	10
Other	3	12
Average Rating	1.17	3.2

2. Decoration. Decoration is part of the product and service provided by the restaurant. Quality of decoration is really quality of product itself. For rating this item,

no credit is given for those restaurants without redecoration in last 2 years. In less than 2 years, redecoration furnished by a professional designer is rated as 2 points, 1 point for redecoration done by an amateur designer. Table 4-3 lists the result of the rating.

Table 4-3  
Management Practice - Decoration

	Chinese Restaurant	American Restaurant
Professional Designer	10	5
Amateur Designer	3	4
Average Rating	0.54	0.9

3. Special Promotion. To bring in the maximum number of guests or patrons and to create special patronage, it is necessary that special promotion be utilized.

The evaluation of the practice is to assign 3 points to frequent special promotion, 2 points to occasional special promotion and 1 point to rare special promotion. Table 4-4 tabulates the outcome.

Table 4-4  
Management Practice - Special Promotion

	Chinese Restaurant	American Restaurant
Frequently	9	15
Occasionally	26	10
Rarely	8	0
Average Rating	1.83	2.5

4. Employee Development Program. Employee Development program is aimed at developing future people, both technical or functional and managerial to meet company's manpower in one end and is intended to satisfy the employee's desire for developing in the other end. The indicator used to evaluate the practice in this field is the frequency of employee development program. Restaurant has this kind of program annually is rated as 1 point. Those have the program semi-annually are rated 2 points. 3 points rating is credited to those have the program quarterly. The average rating is shown in Table 4-5.



Table 4-5

## Management Practice - Employee Development Program

	Chinese Restaurant	American Restaurant
Annually	0	8
Semi-Annually	0	0
Quarterly	0	0
Average Rating	0	0.8

5. Staffing. The indicator for a company's staffing practice is what kind and how many professional staffs they have. To evaluate this, those restaurants have management school graduate staff is credited 2 points. Credit for employing non-management college graduate is one point. The rating is shown in Table 4-6.

Table 4-6

## Management Practice - Staffing

	Chinese Restaurant	American Restaurant
Management degree	2	8
Non-management degree	11	6
Average rating	0.54	1.4

6. Advertising. Advertising is the purchased use of space or time for the purpose of selling or promoting a product or service to the public or a specific market.

The advertising media include publications, radio, and television and a variety of printed materials, including direct mail. Generally, advertising is broad-stroke selling that reaches wide areas of people.

To evaluate this practice, one point is assigned to each of the above-mentioned media used by the restaurant. The result is tabulated in Table 4-7.

Table 4-7  
Management Practice - Advertising

	Chinese Restaurant	American Restaurant
Telephone book listing	22	10
Shopping center guides	1	1
Radio	1	2
Magazines	0	2
Newspaper	4	4
Tourist guide books	4	4
Television	0	1
Direct Mail	0	4
Average rating	1.33	2.8

7. Marketing management. Marketing management is a managerial activity which aims at understanding the potential markets which can be served and the environment within which a property must operate as it attempts to capture its share of those markets. Any restaurant operation can be improved through marketing.

To evaluate the practice, 2-point is assigned to the restaurant that has marketing department or people in charge of marketing activities. Table 4-8 tabulates the rating of this item.

Table 4-8

Management Practice - Dept. or People in charge of Marketing

	Chinese Restaurant	American Restaurant
Yes	4	14
No	0	0
Average rating	0.15	1.4

8. Planning and control technique. Planning is a basic management function. Without it, an enterprise would soon disintegrate; the pattern of its actions would be random. Control is the function to assure that the results of operations conform as closely as possible to establish goals and to provide timely information that may prompt revision of the goals. The major planning and control techniques listed below are used to rate the practice executed:

- . Budgeting
- . Management by Objective
- . Managerial Accounting
- . Marketing Planning
- . Service or Product Analysis

Each of the techniques used by the restaurant will be given 2 points. The rating is tabulated in Table 4-9.

Table 4-9

Management Practice - Planning & Control Techniques

	Chinese Restaurant	American Restaurant
Budgeting	10	18
Management by Objective	0	2
Service or Product Analysis	8	18
Managerial Accounting Skill	0	2
Marketing Planning	0	10
Average rating	0.75	5

Distribution of Management Practice Rating

The add-up of the above items comes out the total rating of management practice. Total point of 13 & over is rated as excellent management practice. There are 12 restaurants; that is, 2 Chinese specialty restaurants, and 10 American specialty restaurants. Total point of 8 - 12 is rated as good management practice. 7 restaurants, all are Chinese specialty restaurants, are rated as good. Total point of 6 - 7 is rated as fair management practice. There are 5 Chinese specialty restaurants in this group. Total point of 5 & under is rated as poor management practice. There are 10 Chinese restaurants. Table 4-10 summaries the result.

Table 4-10

## Distribution of Management Practice Rating

Practice rating	Chinese Restaurant	American Restaurant	Total
Excellent	2	10	12
Good	7	0	7
Fair	5	0	5
Poor	10	0	10
Total	24	10	34

Average management practice rating of Chinese special restaurant is 6.31. Average management practice rating of American specialty restaurant is 18.

To test whether there is a significant difference of management practice between the two categories, the expected frequencies are computed and shown in Table 4-11.

Table 4-11

## The Distribution of Expected Frequencies of Management Practice

Practice Rating	Chinese Restaurant	American Restaurant	Total
Excellent	$24 \times \frac{12}{34} = 8.47$	$10 \times \frac{12}{34} = 3.53$	12
Good	$24 \times \frac{7}{34} = 4.94$	$10 \times \frac{7}{34} = 2.06$	7
Fair	$24 \times \frac{5}{34} = 3.53$	$10 \times \frac{5}{34} = 1.47$	5
Poor	$24 \times \frac{10}{34} = 7.06$	$10 \times \frac{10}{34} = 2.94$	10
Total	24	10	34

Here, the null hypothesis  $H_0$  is that the Chinese specialty restaurant and American specialty restaurant have no significant difference on management practice. Using the .001 level of significance for  $df = (4-1)(2-1) = 3$ , the criteria for reaching a decision are:

$$\text{Accept } H_0 \text{ if } X_c^2 \leq 16.268$$

$$\text{Reject } H_0 \text{ if } X_c^2 > 16.268$$

Table 4-12

Computation of  $X_c^2$  of Management Practice

Cell (Row-Column)	Observed Frequency $f_o$	Expected Frequency $f_e$	$f_o - f_e$	$(f_o - f_e)^2$	$\frac{(f_o - f_e)^2}{f_e}$
1 - 1	2	8.47	6.47	41.86	4.94
1 - 2	10	3.53	6.47	41.86	11.86
2 - 1	7	4.94	2.06	4.24	0.86
2 - 2	0	2.06	2.06	4.24	2.06
3 - 1	5	3.53	1.47	2.16	0.61
3 - 2	0	1.47	1.47	2.16	1.47
4 - 1	10	7.06	2.94	8.64	1.224
4 - 2	0	2.94	2.94	8.64	2.94
	34	34		$X_c^2 = 25.96$	

From Table 4-12, the computed value of  $X_c^2 = 25.96 > 16.268$ , therefore the null hypothesis is rejected. The conclusion can be drawn that Chinese specialty restaurant and American specialty restaurant have significant difference on management practice. Comparing the average rating, American restaurant is apparently superior to Chinese restaurant, as far as the management practice is concerned.

## Management Performance Rating

The management performance is also composed of the rating for the performance of several dimensions. The rating system is shown below item by item.

1. Profitability on investment. To differentiate the performance regarding the profitability on investment, the restaurant with a profitability of 15% & over is rated 4 points. For the profitability of 9-14%, 3-8%, and under 3%, the ratings are 3, 2, and 1 respectively. The distribution is tabulated in Table 5-1 and is analyzed in further in Chapter 5.

2. Sales Growth Rate. The rating system for sales growth rate: 4 points for growth rate of 15% & over, 3 points for 10-14%, 2 points for 5-9%, and 1 point for growth rate of under 5%. The distribution and average rating are tabulated in Table 4-13.

Table 4-13

### The Distribution and Average Rating of Growth Rate

Sales Growth Rate	Chinese Restaurant	American Restaurant
15% & Over	3	3
10% - 14%	8	5
5% - 9%	8	2
Under 5%	5	0
Total	24	10
Average rating	2.4	3.1

3. Patron return rate. Following criteria are the rating for return patron.

- 4 points for patron return rate of 80% & Over.
- 3 points for patron return rate of 50% - 79%.
- 2 points for patron return rate of 25% - 49%.
- 1 point for patron return rate of Under 25%.

Table 4-14 presents the outcome.

Table 4-14

The Distribution and average rating of Patron Return Rate

Patron Return Rate	Chinese Restaurant	American Restaurant
80% & Over	5	2
50% - 79%	4	5
25% - 49%	8	3
Under 25%	7	0
Total	24	10
Average rating	2.3	2.9

4. Employee turnover rate. Rating system for employee turnover rate is as follows:

- 1 point for turnover rate of 100% & Over.
- 2 points for turnover rate of 60% - 99%.
- 3 points for turnover rate of 30% - 59%.
- 4 points for turnover rate of Under 30%.

The distribution is shown in Table 4-15.



Table 4-15

## The Distribution and Average Rating of Employee Turnover Rate

Employee Turnover Rate	Chinese Restaurant	American Restaurant
100% & Over	3	3
60% - 99%	6	4
30% - 59%	7	3
Under 30%	8	0
Total	24	10
Average Rating	2.8	2.0

5. Productivity. Productivity of \$25 & Over per man hour is rated as 4 points. \$20 - \$24/man hour is rated as 3. \$15 - \$19/man hour is rated as 2. Productivity under \$15 per man hour is rated as 1. The distribution is tabulated in Table 4-16.

Table 4-16

## The Distribution and Average Rating of Productivity

Productivity (\$/man hour)	Chinese Restaurant	American Restaurant
\$25 & Over	9	3
\$20 - \$24	10	4
\$15 - \$19	4	3
Under \$15	1	0
Total	24	10
Average Rating	3.13	3

Distribution of Management Performance Rating

The total performance rating is obtained by adding the rating of each of the above items. To differentiate the management performance of the sample restaurant, criteria are established as below:

Restaurants with total points of 16 & over are rated as excellent management performance. Among them 5 are Chinese restaurants and 2 are American restaurants. Restaurants of 14 or 15 points are rated as good performance. 6 Chinese restaurants and 5 American restaurants are so rated. Restaurants of 12 or 13 points are rated as fair performance. 9 Chinese restaurants and 2 American restaurants are included in this group. Total points under 12 points are rated as poor performance. 4 Chinese restaurants and one American restaurant are on the list. The distribution is tabulated in Table 4-17.

Table 4-17

The Distribution of Management Performance Rating

Performance Rating	Chinese Restaurants	American Restaurants	Total
Excellent	5	2	7
Good	6	5	11
Fair	9	2	11
Poor	4	1	5
Total	24	10	34

Average management performance rating of Chinese Specialty restaurants is 13.96. Management performance rating of American Specialty restaurants is averaged at 14.5. The computation of expected frequencies is shown in Table 4-18.

Table 4-18

Computation of Expected Frequencies -  
Management Performance Rating

Performance Rating	Chinese Restaurant	American Restaurant	Total
Excellent	4.94	2.06	7
Good	7.76	3.24	11
Fair	7.76	3.24	11
Poor	3.53	1.47	5
Total	24	10	34

Here, the null hypothesis  $H_0$  is that the Chinese restaurant and the American restaurant have no significant difference in management performance. Using the .1 level of significance, for  $df = (4-1)(2-1) = 3$ , the criteria for reaching a decision are:

Accept  $H_0$  if  $X_c^2 \leq 6.251$

Reject  $H_0$  if  $X_c^2 > 6.251$

The computed value of  $X_c^2$  is 2.248 which is less than 6.251. Therefore the null hypothesis is accepted. The conclusion can be drawn that management performance of Chinese restaurant and that of American restaurant have no significant difference.

#### Management Practice and Management Performance Correlation Test

Will good management practice lead to good management performance? These two variables must be tested based on the same procedure in the last section to see if there is any correlation between them.

Table 4-19

The Distribution of Management Performance against Management Practice

Practice	Excellent	Good	Fair	Poor	Total
Performance					
Excellent	4	1	1	1	7
Good	5	2	1	3	11
Fair	2	4	3	2	11
Poor	1	0	0	4	5
Total	12	7	5	10	34

To do so, the distribution of Management performance against management practice is prepared and shown in Table 4-19. The computed expected frequencies are tabulated in Table 4-20.

Table 4-20

Expected Frequency of Management Performance against Management Practice

Practice	Excellent	Good	Fair	Poor	Total
Performance					
Excellent	2.47	1.44	1.03	2.06	7
Good	3.88	2.26	1.62	3.24	11
Fair	3.88	2.26	1.62	3.24	11
Poor	1.76	1.03	0.73	1.47	5
Total	12	7	5	10	34

The null hypothesis  $H_0$  here is that the management performance has no correlation with the management practice. Using the .01 level of significance, for  $df = (4-1)(4-1) = 9$ , the criteria for reaching a decision are:

Accept  $H_0$  if  $X_c^2 \leq 14.684$

Reject  $H_0$  if  $X_c^2 > 14.684$

The computed value of  $X_c^2$  is 12.57 which is less than 14.684. The conclusion can be drawn that restaurant management practice has no significant effect on management performance. It is also clearly understood from the fact that American restaurant has absolutely superior management practice to that of Chinese restaurant, but end up with similar management performance to that of Chinese restaurant.

## CHAPTER V

## Profitability Analysis

A company must earn a profit if it is to continue in existence: earnings are necessary to attract additional capital and to provide a cushion for meeting the risks inherent in business activity. In this chapter, efforts will be made to identify the factors correlating to the profitability of the restaurant business.

### Profitability Comparison between Chinese and American Restaurant

Table 5-1

The Occurrence of Profitability of  
Chinese and American Restaurant

Profitability	Chinese Restaurant	American Restaurant	Total
15% & Over	14	5	19
9% - 14%	6	5	11
3% - 8%	2	0	2
Under 3%	2	0	2
Total	24	10	34

Table 5-1 is the occurrence of profitability of Chinese and American restaurant.

The computed expected frequencies are tabulated in Table 5-2.

Table 5-2

Computation of Expected Frequencies -  
Profitability of Chinese and American Restaurant

Profitability	Chinese Restaurant	American Restaurant	Total
15% & Over	$24 \times \frac{19}{34} = 13.41$	$10 \times \frac{19}{34} = 5.59$	19
9% - 14%	$24 \times \frac{11}{34} = 7.76$	$10 \times \frac{11}{34} = 3.24$	11
3% - 8%	$24 \times \frac{2}{34} = 1.41$	$10 \times \frac{2}{34} = 0.59$	2
Under 3%	$24 \times \frac{2}{34} = 1.41$	$10 \times \frac{2}{34} = 0.59$	2
Total	24	10	34

The null hypothesis is that Chinese restaurant and American restaurant have no significant difference on profitability. For 0.1 level of significance and  $df = (4-1)(2-1) = 3$ , the criteria for reaching a decision are:

$$\text{Accept } H_0 \text{ if } X_c^2 \leq 6.251$$

$$\text{Reject } H_0 \text{ if } X_c^2 > 6.251$$



Table 5-3  
Computation of  $\chi_c^2$  -

PROFITABILITY OF CHINESE AND AMERICAN RESTAURANT

Cell (Row-Column)	Observed Frequency $f_o$	Expected Frequency $f_e$	$f_o - f_e$	$(f_o - f_e)^2$	$\frac{(f_o - f_e)^2}{f_e}$
1 - 1	14	13.41	0.59	0.348	0.026
1 - 2	5	5.59	-0.59	0.348	0.063
2 - 1	6	7.76	-1.76	3.098	0.4
2 - 2	5	3.24	1.76	3.10	0.96
3 - 1	2	1.41	0.59	0.348	0.25
3 - 2	0	0.59	-0.59	0.348	0.59
4 - 1	2	1.41	0.59	0.348	0.25
4 - 2	<u>0</u>	<u>0.59</u>	-0.59	0.348	<u>0.59</u>
	34	34		$\chi_c^2 = 3.129$	

From Table 5-3, the computed value of  $\chi_c^2 = 3.129 < 6.251$ ; therefore the null hypothesis is accepted. The conclusion can be drawn that profitability of American specialty restaurant and Chinese specialty restaurant have no significant difference.

Affecting Factors Identification

1. Restaurant Age. Table 5-4 is the distribution of profitability against restaurant age.

Table 5-4  
Distribution of Profitability against Restaurant Age

Age \ Profitability	Profitability				Total
	15% & Over	9%-14%	3%-8%	Under 3%	
8, 9, & Over	3	3	0	0	6
6, 7	8	2	0	0	10
4, 5	7	2	2	1	12
2, 3	1	4	0	1	6
Total	19	11	2	2	34

The expected frequencies are tabulated in Table 5-5.

Table 5-5  
Computation of Expected Frequencies -  
Profitability against Restaurant Age

Age \ Profitability	Profitability				Total
	15% & Over	9%-14%	3%-8%	Under 3%	
8, 9, & Over	$\frac{6}{34} \times 19 = 3.353$	$\frac{6}{34} \times 11 = 1.941$	$\frac{6}{34} \times 2 = 0.353$	$\frac{6}{34} \times 2 = 0.353$	6
6, 7	$\frac{10}{34} \times 19 = 5.588$	$\frac{10}{34} \times 11 = 3.236^*$	$\frac{10}{34} \times 2 = 0.588$	$\frac{10}{34} \times 2 = 0.588$	10
4, 5	$\frac{12}{34} \times 19 = 6.706$	$\frac{12}{34} \times 11 = 3.882$	$\frac{12}{34} \times 2 = 0.706$	$\frac{12}{34} \times 2 = 0.706$	12
2, 3	$\frac{6}{34} \times 19 = 3.353$	$\frac{6}{34} \times 11 = 1.941$	$\frac{6}{34} \times 2 = 0.353$	$\frac{6}{34} \times 2 = 0.353$	6
Total	19	11	2	2	34

\*Rounded to make totals agree.

The null hypothesis is that there is no important effect between age of restaurant and profitability of restaurant. Using the .1 level of significance and  $df = (4-1)(4-1) = 9$ , the criteria are:

$$\text{Accept } H_0 \text{ if } X_c^2 \leq 14.684$$

$$\text{Reject } H_0 \text{ if } X_c^2 > 14.684$$

Table 5-6

Computation of  $X_c^2$  -

Profitability against Restaurant Age						
Cell (Row-Column)	Observed Frequency $f_o$	Expected Frequency $f_e$	$f_o - f_e$	$(f_o - f_e)^2$	$\frac{(f_o - f_e)^2}{f_e}$	
1 - 1	3	3.353	-0.353	0.125	0.037	
1 - 2	3	1.941	1.059	1.121	0.578	
1 - 3	0	0.353	-0.353	0.125	0.354	
1 - 4	0	0.353	-0.353	0.125	0.354	
2 - 1	8	5.588	2.412	5.818	1.041	
2 - 2	2	3.236	-1.236	1.528	0.472	
2 - 3	0	0.588	-0.588	0.346	0.588	
2 - 4	0	0.588	-0.588	0.346	0.588	
3 - 1	7	6.706	0.294	0.086	0.013	
3 - 2	2	3.882	-1.882	3.542	0.912	
3 - 3	2	0.706	1.294	1.674	2.371	
3 - 4	1	0.706	0.294	0.086	0.122	
4 - 1	1	3.353	-2.353	5.537	1.651	
4 - 2	4	1.941	2.059	4.239	2.184	
4 - 3	0	0.353	-0.353	0.125	0.354	
4 - 4	1	0.353	0.647	0.419	1.187	
	<u>34</u>	<u>34</u>				$X_c^2 = 12.806$

Because  $X_c^2 = 12.806 < 14.684$ , the null hypothesis is accepted; that is, the conclusion can be drawn that the age of restaurant is irrelevant to the profitability of the restaurant.

2. Number of seat. Table 5-7 is the distribution of profitability against restaurant size.

Table 5-7  
Distribution of Profitability against Restaurant Size

Seat \ Profitability	15% & Over		9% - 14%		3% - 8%		Under 3%		Total
	$f_e$	$f_o$	$f_e$	$f_o$	$f_e$	$f_o$	$f_e$	$f_o$	
Over 120	8	6.147	1	3.559	1	0.647	1	0.647	11
101 - 120	5	7.824	9	4.529	0	0.824	0	0.824	14
80 - 100	5	3.912	1	2.265	1	0.412	0	0.412	7
Under 80	1	1.118	0	0.647	0	0.118	1	0.118	2
Total	19	19	11	11	2	2	2	2	34

The null hypothesis is that the size of restaurant is not correlated with the profitability of restaurant. Using the .05 level of significance and  $df = (4-1)(4-1)=9$ , the criteria for reaching a decision are:

$$\text{Accept } H_0 \text{ if } X_c^2 \leq 16.919$$

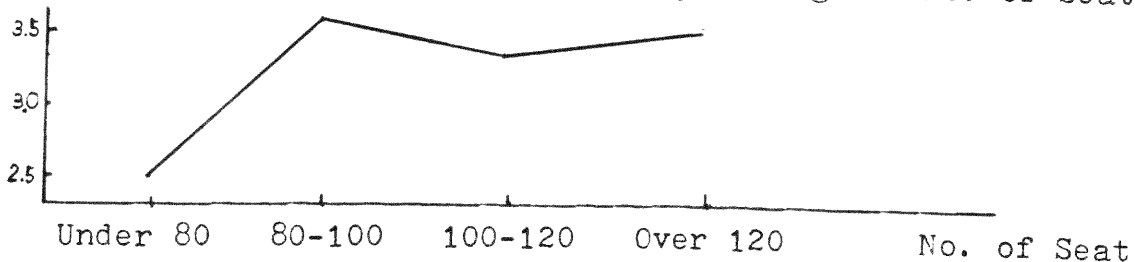
$$\text{Reject } H_0 \text{ if } X_c^2 > 16.919$$

The computed value of  $\chi_c^2 = 19.502 > 16.919$ ; therefore the null hypothesis is rejected. The conclusion can be drawn that the size of restaurant is correlated with the profitability of restaurant.

Profitability rating for the eleven restaurants which have seats over 120 is averaged at 3.455. Eight of them, representing 72.73%, have 15% & over profitability. For the fourteen restaurants with seats of 100-120, the average rating is 3.357. Five of them, which account for 35.71%, have profitability of 15% & over. The average profitability rating for the seven restaurants with seats of 80-100 is 3.57. Five of them; i.e. 71.43%, have 15% & over profitability. The two restaurants with seats of under 80 have average profitability rating of 2.5.

Figure 5-1 is a plot of profitability rating against number of seats. The restaurants with seats of 80-100 have the best profitability rating.

Figure 5-1 Curve of Profitability Rating vs. No. of Seat



3. Form of Business Organization. Table 5-8 is the distribution of profitability against business form.

Table 5-8  
Distribution of Profitability against Business Form

Profitability \ Organization	15% & Over		9% - 14%		3% - 8%		Under 3%		Total
	$f_c$	$f_e$	$f_c$	$f_e$	$f_c$	$f_e$	$f_c$	$f_e$	
Sole Proprietorship	10	7.265	3	4.206	0	0.765	0	0.765	13
Partnership	8	7.265	2	4.206	2	0.765	1	0.765	13
Corporation	1	4.471	6	2.588	0	0.471	1	0.471	8
Total	19	19	11	11	2	2	2	2	34

The null hypothesis is that the form of business organization is not relevant to the profitability of restaurant. Using the .05 level of significance and  $df = (4-1)(3-1) = 6$ , the criteria are:

$$\text{Accept } H_0 \text{ if } X_c^2 \leq 12.592$$

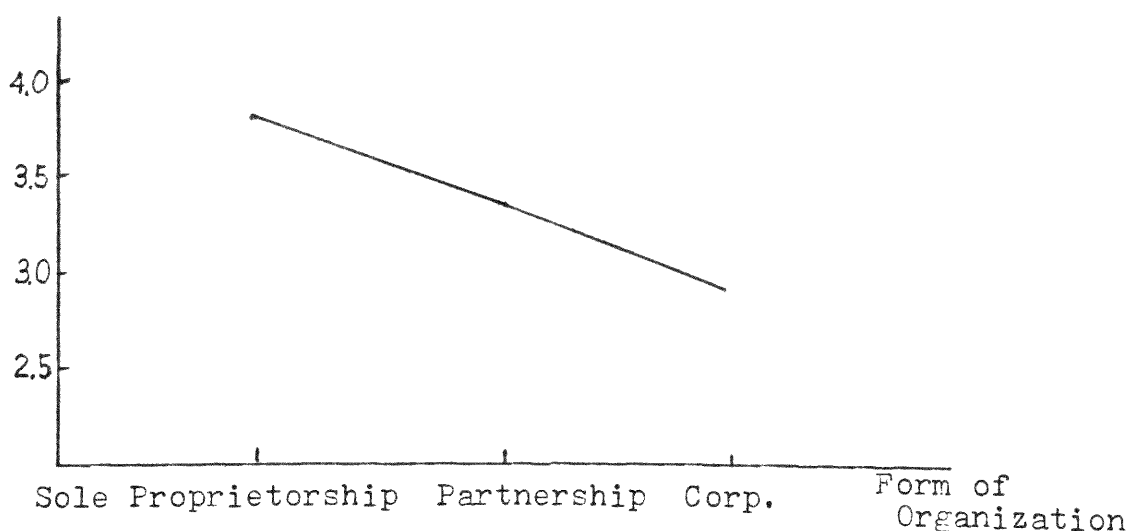
$$\text{Reject } H_0 \text{ if } X_c^2 > 12.592$$

Because  $X_c^2 = 14.46 > 12.592$ , the null hypothesis is rejected. The conclusion can be drawn that the form of business organization is relevant to the profitability of the restaurant.

Profitability rating for the thirteen restaurants which are sole proprietorship is averaged at 3.769. Ten of them, representing 76.9%, have profitability of 15% & over. The average profitability rating for the thirteen restaurants which are in the form of partnership is 3.308. Eight of them, which account for 61.5%, have profitability of 15% & over. The eight restaurants with the form of corporation have average profitability rating of 2.875. Only one of them has profitability of 15% & over. Figure 5-2 is a plot of profitability rating against form of organization. It shows that the sole proprietorship has the best profitability.

Figure 5-2

Curve of profitability Rating vs. Form of Organization



4. Location. Table 5-9 is the distribution of profitability against location.

Table 5-9  
Distribution of Profitability against Location

Profitability \ Location	15% & Over		9%-14%		3%-8%		Under 3%		Total
	$f_o$	$f_e$	$f_o$	$f_e$	$f_o$	$f_e$	$f_o$	$f_e$	
Commercial	14	11.73	7	6.79	0	1.24	0	1.24	21
Residential	5	7.26	4	4.21	2	0.76	2	0.76	13
Total	19	19	11	11	2	2	2	2	34

The null hypothesis is that the location of the restaurant is not correlated with the profitability of the restaurant. Using the .1 level of significance and  $df = (4-1)(2-1) = 3$ , the criteria are:

$$\text{Accept } H_0 \text{ if } X_c^2 \leq 6.251$$

$$\text{Reject } H_0 \text{ if } X_c^2 > 6.251$$

The computed value of  $X_c^2 = 7.68 > 6.251$ , the null hypothesis is rejected; that is, the conclusion can be drawn that the location of the restaurant has an important effect on the profitability of the restaurant.



Profitability rating for the 21 restaurants located in Commercial area is 3.67. Fourteen of them, representing 66.67%, have profitability of 15% & over. The average profitability rating for the thirteen restaurants located in Residential area is 2.92. Five of them, which account for 38.46%, have 15% & over profitability. Evidently, commercial area is the proper location for the restaurant operation.

CHAPTER VI

## CONCLUSIONS AND RECOMMENDATIONS

The conclusions to be drawn from this study are as follows:

1. The management of Chinese specialty restaurants are exposed to the same environment of advanced marketing and management technology as the management of American specialty restaurants. But their low rating of management practice points out that they are not adopting and applying those techniques.

2. Chinese specialty restaurants are especially rated poor on items of staffing professional people and holding employee development program. They are reluctant to hire management school graduates and are spending few money on employee development program. This might be one of the main factors lead to their low management practice rating.

3. The study shows no significant difference on management performance between the two categories of restaurants. The American specialty restaurants average better on sales growth rate and patron return rate. On the other hand, Chinese specialty restaurants have lower employee turnover rate. Both of them have similar profitability and productivity. The low employee turnover rate of Chinese specialty restaurants might be

originated from the facts 1) that Chinese people have higher loyalty to their employer and 2) that it is not easy for them to change their jobs in a foreign environment.

4. The correlation test shows that management practices have no direct influence on management performance.

### Recommendations

First of all, in respect of profitability, the study shows that number of seats, form of business organization, and location are influencing factors.

1. Number of seats. Seats of 80-100 is the most profitable restaurant size.

2. Form of business organization. Sole proprietorship is the most profitable form of restaurant organization.

3. Location of restaurant. Commercial area is the proper location for the restaurant operation.

Secondly, with respect to management practice, Chinese specialty restaurants have lower rating. It is recommended that Chinese specialty restaurants 1) hire more professional management school graduates to operate more efficiently and profitably 2) put stress on application

of principles of foodservice management, which are objective principle, market principle, systems principle, planning principle, adaptation principle, limited-resource principle, and people principle.

Lastly, it is possible to suggest that the success of foodservice managers lies in their appreciation and application of principles of foodservice management; that the prosperity of an operation is due to its ability to adapt to changed or changing conditions. Remember! All the foodservice operators, especially Chinese restaurant operators! "To fail to change is to fail."

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APPENDIX A

Title of the Study

COMPARATIVE MANAGEMENT PERFORMANCE  
OF CHINESE SPECIALTY RESTAURANT  
AND AMERICAN SPECIALTY RESTAURANT  
IN MIAMI AREA

Sponsoring Agency or Institution

School of Hospitality Management  
Florida International University

Return the completed questionnaire to:

Shu-Nuan Tanya Chin  
12564 SW 267 Terrace  
Naranja, Fla. 33032



APPENDIX B

Shu-Nuan Tanya Chin  
12564 SW 267 Terrace  
Naranja, Florida 33032

Dear Sir,

In conjunction with fulfilling the requirements for a Master's Degree in Hospitality Management Administration at Florida International University, I am conducting a survey on Management Practice and Management Performance of specialty restaurants. You are selected as one of the sample restaurants.

The following questionnaire is designed to collect the information concerning the management practices you are using and management performance you might accomplish. Hopefully we can find some correlation factors lead to the improvement of the performance so that the industry can benefit from this finding.

Your answer to the questions will be most helpful and highly appreciated.

Very truly yours,

Shu-Nuan Tanya Chin

## APPENDIX C

### Clarification of Terms

Management by Objective - is a process specifying that superiors and those who report to them will jointly establish objectives over a specified time frame, meeting periodically to evaluate their progress in meetings these goals.

Managerial Accounting - is a resource of management that supplies financial information at all levels to be used in the planning and administering of the business. Various techniques include: standard costing and budgetary control.

Management Development Program - is a leadership training for middle- or top- level personnel to upgrade their skills.

Absenteeism Rate - is a measure of the amount of absenteeism in an industrial establishment, usually obtained by dividing the total number of employee days or hours lost by absence by the total number of employee days or hours assigned for work during the period.

Employee Turnover Rate - Movement of individuals into, through, and out of an organization. Turnover can be statistically defined as the total number (or percentage) of separations that occurs over a given time period. The turnover rate is an important indicator of the morale and health of an organization. Turnover rate = number of employee separations/total number of employee.

Appendix D

QUESTIONNAIRE

Restaurant Name \_\_\_\_\_

Address \_\_\_\_\_

Business history \_\_\_\_\_ years.

Business hour \_\_\_\_\_, \_\_\_\_\_ days a week.

No. of seats in the dining room \_\_\_\_\_

Bar \_\_\_\_\_ Yes \_\_\_\_\_ No

Take-out service \_\_\_\_\_ Yes \_\_\_\_\_ No

Car parking facilities \_\_\_\_\_

Do you serve Beverage (wine)? \_\_\_\_\_ Yes \_\_\_\_\_ No

Do you present live entertainment? \_\_\_\_\_ Yes \_\_\_\_\_ No

Where is your establishment located?

- \_\_\_\_\_ Commercial District
- \_\_\_\_\_ Residential District
- \_\_\_\_\_ Other, please describe. \_\_\_\_\_

What is your operation type?

- \_\_\_\_\_ Freestanding
- \_\_\_\_\_ Hotel restaurant
- \_\_\_\_\_ Franchised
- \_\_\_\_\_ Other, please describe. \_\_\_\_\_

What is the form of your business organization?

- \_\_\_\_\_ Sole proprietorship
- \_\_\_\_\_ Partnership
- \_\_\_\_\_ Corporation
- \_\_\_\_\_ Other, please describe. \_\_\_\_\_

1. How do you get opinions from your customers?  
 Face to face  
 Business reply card  
 None for the last year  
 Other, please describe \_\_\_\_\_
2. How long has it been since you've completely redecorated?  
 By \_\_\_\_\_ Professional Designer  
 \_\_\_\_\_ Amateur Designer
3. How often do you arrange Special Sales Promotion?  
 Frequently  Occasionally  
 Rarely  Never
4. How often do you have Management (Employee) Development Program?  
 \_\_\_\_\_ Annually  Semi-annually  
 \_\_\_\_\_ Quarterly  Never
5. What type of Training Program do you have? \_\_\_\_\_
6. How well do you know your customer patronage?  
 Very well  Fair  
 No idea
7. What kind of advertising do you ever run for the past 6 months?  
 Telephone book listings  
 Newspapers  
 Shopping center guides  
 Tourist guide books  
 Radio  
 Television  
 Magazines  
 Direct mail  
 None
8. Do you have any departments or people in charge of sales (or marketing) promotion or advertising affairs?  
 Yes  No
9. Do you have any of the following management techniques in the past year?  
 Budgeting  
 Managerial Accounting Skill  
 Management by Objective  
 Marketing Planning  
 Service or Product Analysis
10. Employee's salary is \_\_\_\_\_ reviewed once a year.  
 \_\_\_\_\_ reviewed once per 6 months.  
 \_\_\_\_\_ not reviewed in the past year.

11. How many workers? Full time \_\_\_\_\_, Part time \_\_\_\_\_/day.
12. For the full-time worker -  
 How many management school graduate? \_\_\_\_\_  
 How many non-management college/university graduate? \_\_\_\_\_
13. How many dollars does 1 hour of labor bring in? \_\_\_\_\_
14. What is your Profitability as percent of sales?  
 \_\_\_\_\_ 15% & Over                      \_\_\_\_\_ 9% - 14%  
 \_\_\_\_\_ 3% - 8%                              \_\_\_\_\_ Under 3%
15. What is your Profitability on Investment?  
 \_\_\_\_\_ 15% & Over                      \_\_\_\_\_ 9% - 14%  
 \_\_\_\_\_ 3% - 8%                              \_\_\_\_\_ Under 3%
16. Sales volume for the past three year (If you don't have the exact figures, please give your estimation).  
 1981 \_\_\_\_\_ 1980 \_\_\_\_\_ 1979 \_\_\_\_\_
17. Percentage of return patrons  
 \_\_\_\_\_ 80% & Over                      \_\_\_\_\_ 50% - 79%  
 \_\_\_\_\_ 25% - 49%                              \_\_\_\_\_ Under 25%
18. What's the employee turnover rate based on one year?  
 (number of employee separations/total number of employee)  
 \_\_\_\_\_ 100% & Over                      \_\_\_\_\_ 60% - 99%  
 \_\_\_\_\_ 30% - 59%                              \_\_\_\_\_ Under 30%
19. What's your food cost percentage? \_\_\_\_\_
20. What's your labor cost percentage? \_\_\_\_\_
21. What's your absenteeism rate? \_\_\_\_\_

I wish to express my extreme thanks to you and your organization for the time and cooperation you have given me in the fulfillment of this project.

Sincerely yours,

Shu-Nuan Tanya Chin