

Restaurant Business

May 1, 2004

ISSUES & ANSWERS FOR THE GROWTH-MINDED RESTAURATEUR

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Put it on
the plastic

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Still no
sign

40

Raising the
chocolate bar



Body Snatchers

**Poaching another restaurant's employees
is sneaky, greasy, shifty, and mean.
Too bad it works so well.**

Abduction Case

Many restaurateurs consider stealing a fellow operator's employees beneath them. The trouble is, many more do not.

BY MICHAEL MALONE

THINGS WERE STARTING TO GEL at George Reis' Ocean restaurant in Birmingham, AL. The upscale seafood place got four out of four stars in the local paper, and won Birmingham's "best seafood" honors in a readers' poll. The bartender Reis had promoted to GM was proving to be a keeper, and receipts were tallying around \$2 million a year at the two-year-old place.

And then Kami showed up.

The femme fatale strolled into the restaurant one day, took a seat near the open kitchen, and began flirting with the line cooks. She told them they were cute. She asked them out for drinks. And when they accepted, she offered them jobs.

Kami was no ordinary customer. Reis alleges she'd been hired by McCormick & Schmick's to lure his workers to the seafood chain's new unit slated to open nearby. Kami called the restaurant every day for two weeks, Reis says, addressed staffers in suggestive terms, and was enough of a fixture around Ocean that Reis found her number on speed-dial on his GM's company cell phone—

Florida chef Tim Creehan has been forced to watch as several chains have pinched his workers.

READER ROI

What you'll learn by reading this story:

Why the age-old practice of poaching is back in vogue—and nastier than ever.

Why independent restaurateurs stand to lose more than most.

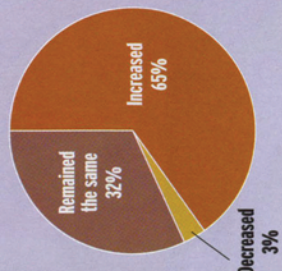
How poaching not only depletes the ranks, but can cause huge image problems.

dropped from 6.4% in February of last year to 5.6% for the same period this year. Indeed, this dynamic seems to be keeping plenty of operators awake at night.

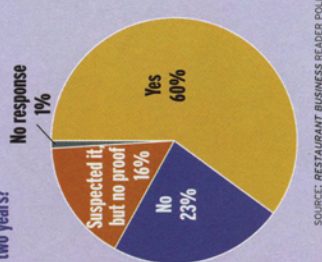
Whereas many operators' concerns in the months after 9/11 centered on preserving traffic, the focus has clearly shifted back to filling shifts, not just seats. Asked to rate their level of concern over labor on a scale of 1-6 (6 being the No. 1 anxiety) 37% of respondents in the RB poll gave labor a 5, while 29% put it at the top of their worry list. Additionally, 65% said their labor concerns had increased in the past two years, while just 3% said they'd decreased.

IT ONLY FOLLOWS that some restaurateurs, in the race to hire, have started to play hardball. Tim Creehan, chef and owner of Beach Walk Cafe in Destin, FL, has seen chains such as Bonefish Grill, Cracker Barrel, and Red Lobster pop up in recent years in his small beach town

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"Bonefish built a big restaurant, then couldn't open because they didn't have a staff," he says. "The labor pool here is only so big, so they look to existing restaurants for staffers."

(Bonefish did not return a call seeking comment for this story.) HR managers at several major restaurant companies don't dispute it, either. "If we see somebody we like in a new market, we won't hesitate to go after them," says Ann Dowell, executive director of HR at Chipotle. "I don't think it's taboo anymore."

But where to draw the line between plain-old recruiting and poaching? When does a hiring tactic cross the line to become taboo? While there's no single definition, of course, for many, poaching is when the competitor turns into a predator by coming after your workers directly—either by physically coming onto your turf or advertising in a

way that slams your restaurant.

Examples abound. An HR exec at fast-casual chain Noodles & Co. says he encourages managers to visit the major concepts in a new market, and give them a heads-up about job openings at Noodles. A recruiting chief at Famous Dave's frequently dines out at rival concepts, and drops business cards on the GM if he's impressed with the operation. Another operator mentions a restaurateur sticking his head in the back door at T.G.I. Friday's, and offering cash bonuses to any and every staffer willing to walk out with him. A Church's Chicken franchisee says he wouldn't hesitate to grab as many Burger King hourlies as he could get his hands on. "The only rule is, you don't steal from another unit in your system," he says.

But stealing from the guy across the street? That's just fine. According to the RB poll, the most popular methods of poaching were eating in competitors' restaurants and talking to staffers, and getting employees to lure friends who work in other restaurants.

Greasy? Perhaps. But these days operators say that sticking to the high road can leave you in the dust. Mark DeResta, chef and partner at the fine-dining Abruzzo Italian Grill in Hood River, OR, says poaching never occurred in the small town, where all the operators were friendly with each other. Until a newcomer poached his sous chef, that is.

"If someone does it to you, you have no choice but to go and do it to the next guy," he says. "If you're a nice guy in this business, you lose."

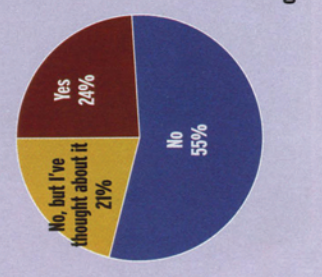
COMPOUNDING THE PROBLEM, sources say, is poachers' willingness to go lower than ever in pursuit of their ends. Restaurant companies, for example, seem to be increasing their reliance on third parties to do the dirty work, thereby keeping their name above potential controversy. "A restaurant company has to be very careful about whom they go after," says Joleen Flory Lundgren, VP of HR at Famous Dave's. "By using a search firm, your name is not associated with poaching."

Many also report that the recruiters are using cutthroat methods not seen before. One HR exec who asked not to be identified once encountered a recruiter who posed as a student at work on a school project just to obtain a list of GMs from a company's headquarters. "The search firms are definitely more brazen," adds Anita Gutel, staffing director at Red Lobster. "Everyone's fighting for the best talent."

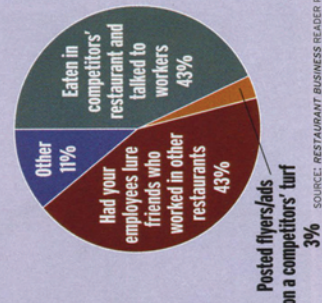
The pervasiveness of the internet, coupled with increasingly brazen headhunters, has also made poaching easier than ever. While most would agree that simply listing jobs online doesn't qualify as poaching, cases arise that some feel cross an ethical line. Gutel says that a common arrangement she makes with recruiters often ends up forcing her into a position in which she's helping supply workers to competing chains. She'll hire a recruiter to post an ad on an internet job board, she says, but suspects that some applicants who answer an ad for Red Lobster are then guided by the recruiters to open jobs they're simultaneously repping for other chains—and she's the one paying for the whole thing. "We rely on search firms in markets that are tough to staff," she says, "but there's often a conflict with them."

Oddly enough, the widespread popularity of the open kitchen seems to have given poachers a new and easy way to play their game. Alan Lazarus, chef and owner at upscale

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restaurant Vespatio in Austin, TX, recently watched a chef walk into his restaurant, saunter up to the line, and start chatting to his grill cook about a job opening. "He walked right into my restaurant in his f----- chef coat, and made my guy an offer!" says Lazarus. "That's really unethical."

AND AS THE PACE AND INTENSITY of poaching escalates, some are predicting that brazen behavior like this will be the least of the changes in store for restaurant owners everywhere. Because apart from being ethically dubious, poaching also does a fine job of spotlighting precisely what a given employer does and doesn't offer in the way of pay and benefits. And that's a trend that some say could put many independent restaurants at a permanent disadvantage.

Ask Nancy Longo, who owns Baltimore's Pierpoint

Restaurant. Just to compete with the well-publicized packages of nearby ESNZone, she had to soften her managers' schedules to 40 hours a week while simultaneously upping their base pay. To compete with the Bonefish Grills of the world, Beach Walk's Creehan had to cough up higher wages, guaranteed days off, a 401k program, and health insurance. "My competitors are offering extremely inflated wages and benefits packages," he says. "As a result, my costs are way up."

Poaching's shockwaves are being felt in the upper ranks, too. "If you want to hold onto someone at that level, you've got to put together a comprehensive package," says recruiter John Chitvanni. "There are too many out there looking to lure him away."

But the biggest fallout from poaching may be how it leaves targeted restaurants not just with fewer employees, but with a huge image problem. Because victims of poaching are increasingly seen not so much as victims, but as culprits for not taking better care of their employees.

"If a competitor comes in and poaches, I think you need to look at how great the workplace is that you're providing," says Outback president Ben Novello. "If you're losing large numbers of employees, it's incumbent on the management team to solve the problem." Adds consultant Karen Karp, "If a place of employment creates a culture where the employees feel valued, they will be much less likely to run off to accept candy from a stranger."

Of course, there are some operators who say they've managed to stay above the fray. Peter Glazier, owner of New York-based Glazier

Group (comprising upscale steak restaurants Michael Jordan's and the Strip House, among others) says the gentleman's agreement he shares with a dozen other restaurateurs remains intact. "Occasionally someone [outside the group] will lure one of my workers away," he says, but maintains that it doesn't happen often.

Despite ambitious growth plans (and competitors openly targeting their managers), Cheesecake Factory nonetheless frowns on poaching, says Ed Eynon, senior VP of HR: "We think it's bad practice to target another company's employees." But, bad practice or no, operators like Ocean's Reiss continue to feel the sting. "I'm flattered that a multi-million dollar company would poach from little ol' me," he says, recalling Kam's flirtatious forays. "But it freaks me out to know she was right here in my restaurant."

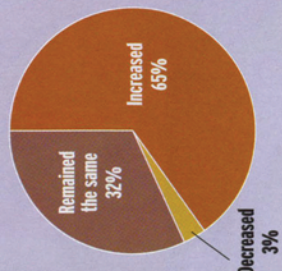
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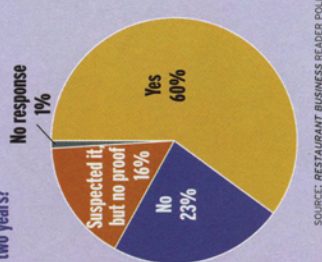
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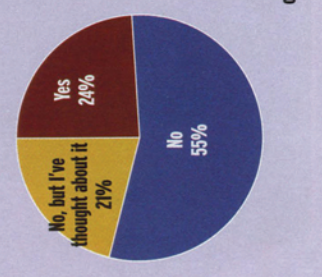
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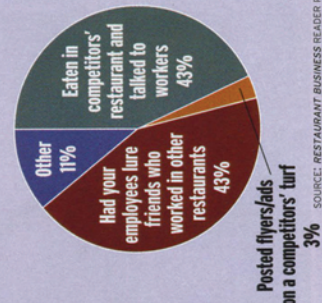
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