THE LINK BETWEEN STRATEGIC POSITIONING AND OPERATIONAL CONTROL: A FIELD STUDY OF A RESTAURANT BUSINESS

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ABSTRACT

Hybrid organizations that pursue both social mission and profit aims have been prevalent in our society for many decades. However, the importance of for-profit corporations' positive social impact has been emphasized and scrutinized in recent few decades, attracting attention of both scholars and practitioners. This study builds on the existing strategy and control framework and proposes an extended conceptual framework for the link between strategic positioning and operational control for hybrid organizations that pursue both social mission and financial sustainability. By conducting a field study, I document three main findings. First, hybrid organizations differentiate themselves from each other by striking a unique balance between social mission and profit goals, and this unique balance determines unique strategic positioning of a hybrid organization. Second, hybrid organizations with different strategic positioning mobilize different dimensions of operational control to monitor their operating activities that support the unique balance between social mission and profit aims. Third, using the content analysis, I document that managerial attention placed on various dimensions of operational control on a daily basis vary across hybrid organizations with different strategic positioning as each organization configures different sets of operating activities to support its unique hybridity.

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CHAPTER 1

INTRODUCTION

Two imperatives for an organization's survival and success include configuring activities that implement the organization's strategy and designing control practices that ensure the implementation of strategy (Chandler, 1962; Galbraith & Nathanson, 1978; Lawrence & Lorsch, 1967; Miller, 1987; Rumelt, 1974). Previous studies show that the designs of control systems vary across different business strategies (for example, see Govindarajan & Gupta, 1985; Langfield-Smith, 2006; Otley, 2016; Simons, 1987, 1990). These studies examine the strategy-control relationship, building on the generic strategy archetypes identified by the strategy researchers who studied numerous large corporations in various industries several decades ago (Miles & Snow, 1978; Miller & Friesen, 1982; Mintzberg, 1973; Porter, 1980). Modern-day organizations, however, require more than just generic strategies to understand their long-term strategy. Organizations have constantly evolved with the changing environment that require adjustments in strategy to navigate through the complex, delicate environmental changes. The society expects organizations to be socially responsible and to be held accountable for their impact on not only the economic aspect, but also the social and environmental aspects of society. Acknowledging their changed role in our society, organizations have formally incorporated their social responsibilities into their strategies. For example, McDonald's gradually shifted its corporate practice and culture to implement corporate social responsibility as the core element of the company's long-term strategy in the 2000s (Singh, 2010). For these modern-day organizations, the traditional strategy-control framework provides limited practical insights, calling for more research studies to document the emerging variants in order to advance the existing theory (Bruns & Kaplan, 1987). The purpose of my dissertation is to study the link between strategy and control for modern organizations that strategically focus on both its social impact and financial sustainability.

In order to achieve long-term success and growth, an increasing number of companies embark on creating shared value between the society and the business, recognizing that the social values shape their markets and businesses can only thrive in a community that also thrives (Porter & Kramer, 2011). Traditionally, the notion of corporate social impact and sustainability was considered either as a peripheral matter by for-profit organizations or as a strategic focus that is only relevant to non-profit organizations (Porter & Kramer, 2006, 2011). However, as the societal needs and expectations for corporations change with the environment, a substantial proportion of modern-day for-profit organizations in various industries pursue strategic objectives that incorporate their social objectives into financial objectives – so-called hybrid organizations (Battilana & Dorado, 2010; Battilana & Lee, 2014; Santos et al., 2015). Hybrid organizations gain competitive advantages that create values for the society as well as for themselves by developing a unique, sustainable hybrid strategy that strikes a unique balance between social objectives and financial goals and sustaining the hybridity balance (Battilana & Dorado, 2010; Battilana & Lee, 2014; Fosfuri et al., 2016; Pache & Santos, 2012; Santos et al., 2015). Thus, it is crucial for a hybrid organization to design its day-to-day operations and control systems that implement the hybrid strategy and create value for the stakeholders, including the society in which it operates.

While hybrid organizations focusing on both social objectives and financial goals have been around for many years, a substantial growth of these organizations has emerged recently, attracting great interests of both scholars and practitioners (Battilana & Dorado, 2010; Fosfuri et al., 2016; Haigh et al., 2015; McWilliams & Siegel, 2001; Pache & Santos, 2012; Porter & Kramer, 2011). In my dissertation, I build on the existing strategy-control framework to propose an extended strategy-control framework for a hybrid organization that differentiates itself from others by pursing a hybrid strategy that integrates the social mission with profit aims. I conduct a field study of a hybrid organization to explore the role of operational control in reinforcing the balance between social objectives and financial aims for hybrid organizations.

Specifically, I study a restaurant business, that owns and operates multiple concepts of restaurant units, to identify operational controls that are configured to implement the integrated strategic objectives and explore whether managerial attention place on controls differ across different concepts (or strategic positioning) of restaurant units. Modern-day restaurant businesses are great examples of hybrid organizations in terms of pursuing both social mission and financial goals. The emphasis on the corporate social impact has increased over the past several decades for the restaurant businesses as they command direct influence on the society members who are their stakeholders, including its customers, employees, suppliers, and communities. As proven in the recent COVID-19 pandemic, the restaurant industry relies on the health of its communities (*Coronavirus Information and Resources | National Restaurant Association*, 2020). Restaurant businesses simply cannot survive without healthy, thriving communities in which they operate. Therefore, it is crucial for restaurant businesses to create shared values with the society by achieving both the social mission and their own financial objectives to sustain its business (Fosfuri et al., 2016). Restaurant businesses can survive by weaving the societal demands and needs into their daily operations. In order for restaurant businesses to achieve their profit goals and financial sustainability, they ought to design operations and control systems to ensure that the business's social values permeate through their daily operations and create economic values for both the society and the business itself. I conduct a field study of a restaurant business that pursues a hybrid strategy combining social mission and financial sustainability as strategic objectives and apply the proposed strategy-control framework to explore the operating complexities and activities that arise from pursuing a hybrid strategy as well as the control practices that monitor the implementation of hybrid strategy.

The research site is an independent multiconcept restaurant operator – the business owns and operates a portfolio of multiple restaurant concepts in the private-sector restaurant industry. This organizational form has been a growing trend in the independent restaurant industry (Froeb & McCann, 2007, p. 95). In general, restaurant concepts range from a chef-driven, fine dining, full-service restaurant to a fast-casual dining, limited-service restaurant. A restaurant configures a set of activities required to deliver its concept to its guests. For example, a restaurant with a full service, fine-dining concept, such as Eleven Madison Park in New York, would place much greater emphasis on the importance of the service process (front-of-house or FOH activities) than a restaurant with a limited-service, fast-casual dining concept, such as Chipotle, would. On a similar note, the fine-dining restaurant would place a greater weight on food quality and the craftmanship and creativity put into the production process (back-of-house or BOH activities) than a limited-service restaurant would. Therefore, when configuring an array of operating activities that create value, a restaurant incorporates not only the corporate-level strategy, but also the restaurant-level strategic positioning, which is determined by its concept (Boyle, 2019; Jennings, 2017; Wirth et al., 2017). In this sense, multiconcept restaurant operators are similar to the diversified firms that segment themselves into several strategic business units to pursue different strategic objectives that involve different control system designs for implementing strategies (Govindarajan & Fisher, 1990; Govindarajan & Gupta, 1985; Govindarajan, 1988; Porter, 1980). In my dissertation, I investigate the differences in operating activities and control practices across restaurant units with distinct strategic positioning and provide a full picture of how a hybrid organization and its subunits achieve multiple strategic objectives while maintaining its hybridity both at the organizational level and at the business unit level.

My dissertation contributes to the accounting literature, organizational literature, strategy literature, and the restaurant studies. To my knowledge, my study is the first in these academic fields to conduct a field study and content analysis to investigate the link between strategic positioning and operational control for a hybrid organization. As organizations constantly innovate to differentiate themselves from one another and gain competitive advantages in the industry, the landscape where these organizations compete evolves accordingly. Thus, it is important for academic researchers to produce relevant research that document emerging phenomena and address the emerging movements in practice (Ahrens & Chapman, 2006; Bruns & Kaplan, 1987; Porter & Kramer, 2011). This study explores and documents the strategy-control relationships of hybrid organizations that combine social objectives and financial objectives.

CHAPTER 2

REVIEW OF LITERATURE

Strategy determines structure (Chandler, 1962; Child, 1972; Galbraith & Nathanson, 1978; Porter, 1980, 1985; Porter, 1991). In order to achieve high performance, an organization analyzes the environment, chooses a strategy, configures operating activities that support the strategy, designs structural arrangements and control systems to implement the strategy, and monitors and evaluates its operations and performance. The organization continues to analyze both external and internal environment, adapt its strategy to the environmental changes, and update its operating activities, structure, and controls to achieve its strategic objectives. The focus of my study is the link between strategy and control for hybrid organizations, in particular, that have attracted greater attention from researchers and our society in recent years. Due to the societal issues that come up from the changing environment and the shift in the societal perception towards the expected role of corporations in our society, the notion of social impact plays a greater role in formulating and implementing strategy to achieve financial sustainability. In this chapter, I review existing literature on generic strategies, hybrid strategy, and control.

Strategy

Strategy shapes management control practices and the design of management control systems (Chenhall et al., 2011; Langfield-Smith, 1997, 2006; Otley, 2016; Simons, 1987, 1990). Earlier work in the management control systems literature rely on the generic strategy typologies that are widely accepted and applied in academic literatures. These studies identify systematic patterns in the characteristics of controls and control systems across different strategies (Langfield-Smith, 1997, 2006). However, the environment continues to change and organizations continue to evolve with the environmental changes, requiring the strategy to “maintain a dynamic, not a static balance” (Porter, 1991). In my study, I conduct an in-depth case study of an organizational form – namely a social business hybrid – that has become a growing trend in the restaurant industry and explore the characteristics of control that arise from and support different types of strategies devised at both the business unit level and the organization level.

Below, I review generic strategy typologies on which the management control systems literature builds on, including the Miles and Snow (1978) typology (Prospector, Defender, and Analyzer), the Porter (1980) typology (differentiation, cost leadership, and focus), the Miller and Friesen (1982) typology (entrepreneurial and conservative), and the Gupta and Govindarajan (1984, 1985) typology (a continuous spectrum ranging from a build strategy, hold, and harvest). Then, I discuss a hybrid strategy – a social business hybrid, in particular – which is rarely associated with control in the management control systems literature.

Miles & Snow Typology (1978)

Based on field research in four industries, college textbook publishing, electronics, food processing, and health care, Miles and Snow (1978) identifies three “pure” strategic types of successful organizations: Prospector, Defender, and Analyzer.

Each strategic type is related to a particular configuration of structure and processes. The Prospector exploits market opportunities and builds reputation by creating change in the market. The Prospector creates a competitive advantage by maintaining its reputation via new, innovative products or services developments and market explorations. Flexibility in its structure and technology is imperative for the Prospector to respond and adapt to the changes it faces externally and internally. However, this flexibility can limit the Prospector from operating efficiently, putting the organization at risk of low profitability and inefficient utilization of its resources.

Unlike the Prospector, stability is the key to the Defender's success. The Defender develops limited products for a narrow market segment and aims at creating and maintaining a niche through market penetration (Miles et al., 1978). In order to maintain its niche and stability within the industry, the Defender emphasizes simple, cost-efficient structure, technology and processes. Top management of the defender focuses on cost control and its narrow product-market domain and puts in little effort in exploring opportunities or changes in its environment. The Defender's major challenge is to swiftly respond to changes in its environment.

The Analyzer is an intermediate type between the Prospector and the Defender. The Analyzer blends the strengths of the Prospector and the Defender in terms of choosing its product-market domain as well as structure, technology, and processes. The Analyzer targets a stable customer base and adopts product developments and innovations that have been legitimated by Prospectors. The Analyzer strives to achieve operating efficiency and maintain flexibility in technology development and its operations.

Porter Typology (1980)

Porter (1980, 1985) identifies generic business-level strategies, each of which enables an organization to create a sustainable competitive advantage in the industry: differentiation, cost leadership, and focus. Organizations pursuing the differentiation strategy differentiate themselves by offering high-quality and innovative products or services that are perceived as unique, not-so-easily-substitutable by customers. A differentiator "selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price" (Porter, 1985, p. 14). Differentiation strategy aims at creating customer preference for the unique products or services offered and building brand loyalty, which allows firms to charge a premium on their products or services and increase entry barriers.

Organizations pursuing the cost leadership strategy aim to achieve production at the lowest possible cost in the industry. Firms can achieve low-cost production through "construction of efficient-scale facilities, rigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization areas like R&D, service, sales force, advertising, and so on" (Porter, 1980, p. 35). Cost leadership involves maximizing economies of scale by maintaining a large market share, offering the customers an aggressively low pricing on the standardized products or services, building relationships with suppliers and distributors who enable tight product cost control, and developing superior technology and processes that enable cost-effective, efficient production.

Organizations pursuing a focus strategy target a narrow, specialized market segment. The focus strategy enables the firm to "serve its narrow strategic market more effectively or efficiently than competitors who are competing more broadly. As a result, the firm achieves either differentiation from better meeting the needs of the particular target, lower costs in serving this target, or both" (Porter, 1980, p. 38). Focus strategy caters to a specific customer group, a narrow range of product lines, or a limited geographic market.

Miller & Friesen Typology (1982)

Miller and Friesen (1982) propose two types of strategies for innovation in product lines, product designs, and services offered: entrepreneurial firms and conservative firms. Using a sample of 52 Canadian firms, they categorize the firms as entrepreneurial and conservative based on two dimensions – product innovation and risk-taking. They illustrate that entrepreneurial firms experience more hostile environment, exhibit organizational differentiation, and operate in more heterogeneous markets. On the other hand, conservative firms exhibit attributes such as not-too-challenging environment, low differentiation, and market homogeneity. Miller and Friesen's strategic groups coincide with previously identified strategic archetypes. Conservative firms overlap with Miles and Snow's (1978) Defenders and Porter's (1980) cost leaders in terms of low differentiation; entrepreneurial firms overall with Miles and Snow's (1978) Prospectors and Porter's differentiators in terms of competing with others through product differentiation.

Miller and Friesen transforms multi-faced concept of controls into a variable by measuring an equal-weighted composite index of six items on seven-point Likert-type scales: a comprehensive management control and information system, use of cost centers for cost control, use of profit centers and profit targets, quality control of operations by suing sampling and other techniques, cost control by fixing standard costs and analyzing variations, and formal appraisal of personnel. Their results show that the association between the controls variable and innovation is positive for conservative firms and negatively for entrepreneurial firms, implying that the strategy of the firm shapes the use of control systems in facilitating innovation.

Gupta & Govindarajan Typology (1984, 1985)

Gupta and Govindarajan (Govindarajan & Gupta, 1985; Gupta & Govindarajan, 1984) take the view that strategy is formulated and implemented not only at the level of the whole organization, but also at the level of business units within the organization. They identify business unit strategies based on a continuous spectrum of each unit's strategic mission (or portfolio strategy) in terms of two dimensions: market share growth and short-term profit or cash-flow maximization. On one end of the strategic mission spectrum is a build strategy and on the other end is a harvest strategy. Strategic business units with a build strategy are characterized by having relatively low market share in high growth industries, whose goal is to increase market share focusing on long-term outcomes such as new product development, market development, and personal development. Strategic business units with a harvest strategy typically have relatively high market share in declining industries, whose goal is to maximize short-term performance results such as profit margins, cash flow, and operating profits. A hold strategy is an intermediate strategy of a strategic business unit whose goal is to maintain market share as well as a reasonable performance.

They examine the link between corporate strategy and a control attribute – bonus remuneration (Govindarajan & Gupta, 1985). They find that the effectiveness of bonus remuneration is consistent with the goal of different strategies. Firms pursuing the build strategy focusing on achieving long-term performance benefits from long-term evaluation criteria and subjective bonus decisions, while these long-term, non-formula-based bonus decisions can be costly for those pursuing the harvest strategy focusing on achieving short-term performance.

Hybrid Strategy for Hybrid Organizations

Miles and Snow (1978) noted that "any typology is unlikely to encompass every form of organizational behavior – the world of organizations is much too changeable and complex to permit such a claim" (p. 550). Although it is important to understand the generic strategies identified, it is crucial that researchers build on the existing literature and advance theory by documenting newly emerging phenomena, such as the movement towards pursuing a hybrid strategy that addresses both social mission and financial sustainability.

A hybrid strategy refers to a combination of strategies or logics. Earlier work in the strategy literature conceptualize and empirically show that organizations can create sustainable competitive advantages and achieve higher performance by pursuing pure generic strategies instead of hybrid strategies (Dess & Davis, 1984; Hambrick, 1983; Kim

& Lim, 1988; Porter, 1980, 1985). Porter notes that "becoming stuck in the middle is often a manifestation of a firm's unwillingness to make *choices* about how to compete. It tries for competitive advantage through every means and achieves none, because achieving different types of competitive advantage usually requires inconsistent actions" (Porter, 1985, p. 17; italics in original). While these scholars – at least in their earlier work – characterize organizations pursuing a combination of multiple strategies as 'stuck in the middle' and associate them with poor firm performance, others recognize situations that are specific to an industry or market environment that require pursuing multiple strategies simultaneously (Campbell-Hunt, 2000; Hill, 1988; Miles & Snow, 1978).

Miles and Snow (1978, p. 68) recognize that some organizations occasionally combine the strengths of other types into a single type – their Analyzer type is a combination of the Prospector and the Defender. However, achieving the 'delicate balance' between different strategies is difficult and 'requires management to be vigilant' in theory as tension between different strategies often leads to one strategy to dominate the other and destabilize the balance (Scott & Meyer, 1991). Nonetheless, organizations pursuing hybrid strategies have survived – even thrived, inconsistent with classical strategy theory – and have attracted interest from researchers and practitioners in recent years. Contradictions regarding the management and success of hybrid organizations raise important questions of how hybrid organizations survive through the unique challenges they face and maintain the hybrid nature while being financially sustainable (Battilana & Dorado, 2010; Haigh et al., 2015; Pache & Santos, 2012).

One of the most prevalent forms of hybrid organizations is social business hybrids that pursue both social values and financial objectives (Battilana & Dorado, 2010; Fosfuri et al., 2016; Haigh et al., 2015; McWilliams & Siegel, 2001; Porter & Kramer, 2011; Santos et al., 2015). Organization studies use the term “social enterprise” as a broad, umbrella construct with a wide range of definitions adopted by the academic researchers (Battilana, 2018; Battilana & Lee, 2014; Dacin et al., 2010). The wide scope of the social enterprise construct overlaps with the notion of corporate social responsibility as well as the definition of social ventures and social business hybrids (Battilana & Lee, 2014), which I discuss below briefly.

Several terms – including social enterprises, social ventures, social entrepreneurs, and social business hybrids – have been used to refer to these organizations that pursue both social mission and financial stability. Social business hybrids are slightly different from the more traditional social ventures that have attracted researchers’ attention viewed as an ‘ideal type’ or an ‘extreme case’ of hybrid organization (Battilana & Dorado, 2010; Battilana & Lee, 2014; Fosfuri et al., 2016). While social ventures engage in for-profit business activities to support its social mission as the core strategy, social business hybrids pursue a hybrid strategy pursuing both social values and financial goals jointly (Battilana & Lee, 2014; Fosfuri et al., 2016; Pache & Santos, 2012). Social business hybrids integrate social values into their business model to shape their organizational identity and gain competitive advantage by innovating their operations and control practices to strike the sustainable balance between its social aims and profit goals (Fosfuri et al., 2015, 2016; Santos et al., 2015). The strategic objectives of my research site in this study coincide more with those of social business hybrids as they pursue both social aims and profit goals to create shared value between its community and itself.

Nevertheless, the balance between the social aims and profit goals varies across the strategic positioning of a restaurant unit.

In neoclassical thinking, the prevailing notion of corporate social responsibility coincides with its contribution to society by creating wealth so that it can benefit the society by providing more jobs, higher wages, larger investments, and taxes (Porter & Kramer, 2011). With the shift in the competitive landscape towards greater myopic pressures for greater profits, many companies naturally engage in activities that prioritize their financial sustainability that sometimes put the sustainability of its community and environment at risk. In response to the negative social and environmental consequences of corporations' business activities, the public has placed a greater attention to corporate social responsibility in order to protect the communities and environment from being exploited by businesses pursuing their own financial benefits at others' expense. Our society demands companies to contribute to the health of its communities and economy in an ethical manner and to take responsibilities for the social, environmental, and economic problems that arise from their business activities (Garriga & Melé, 2004; McWilliams & Siegel, 2001; Porter & Kramer, 2006, 2011). Accordingly, companies have come to better understand these pressures and needs of the broader business environment within which they operate and create economic value.

Previous studies on corporate social responsibility or the social values of businesses have documented 1) the factors that determine the level of corporate social responsibility activity and disclosure; 2) the relationship between corporate social responsibility and financial performance; and 3) the impact of corporate social responsibility disclosures (see Huang & Watson, 2015 for review). An increasing number of for-profit organizations strategically integrate corporate social responsibility in their business model not only to meet the demands from government, activists, competitors, and outside stakeholders, but also to create value to its stakeholders as well as society (Contrafatto & Burns, 2013; Figge & Hahn, 2013; Parker, 2014; Pondeville et al., 2013; Porter & Kramer, 2006, 2011; Rodrigue et al., 2013). In this study, I explore the link between strategy and operational control at an organization that strategically focuses on both social responsibility and financial sustainability. The focus of my study is to explore management issues that my research site faces as a hybrid organization in configuring their operating activities and control systems to achieve not only the financial objectives but also the social aims.

Control

Strategy shapes not only structure, but also control practices. Control is often mistaken as structure or as an attribute of structure (Ouchi, 1977). Ouchi (1977) distinguishes structure from control. Structure refers to the arrangements within an organization in terms of vertical and horizontal differentiation, centralization, and formalization, whereas control is a process of monitoring, evaluating, and taking actions to make improvements (Ouchi, 1977; Ouchi & Maguire, 1975). For example, as the degree of vertical differentiation (or the number of levels of hierarchy) within an organization increases with the organization's size, control problems incur more frequently and an emphasis on output measures becomes useful if available. An organization with a higher degree of horizontal differentiation (more divisions and business units) configures a distinct set of control attributes for each division or business unit so that they can monitor and control individual behavior and performance that align with each division's objectives. A high degree of complexity in structure compounds control problems and requires a more comprehensive control system to properly monitor and evaluate operations and performances.

Organizations adopt the control systems to monitor and improve operating activities that are configured to implement strategy. In other words, the strategic positioning of an organization requires a unique configuration of operating activities and control systems that implement and support its strategy. In this study, I explore the link between strategic positioning and control. Strategy determines structure, and different characteristics of structure require different control mechanisms and systems in order to control, or monitor and improve, different value-creating activities that define structure to support different strategies. In this section, I review previous literature on strategy-control that provide an understanding of control as a system, its elements, the characteristics and uses of control systems.

The management control systems research in accounting evolves from Anthony's (1965) framework for control systems. In this framework, Anthony distinguishes control functions at three levels – strategic control, management control, and task control – and takes a hierarchical approach to managing control problems. Anthony's (1965) definition of strategy control reflects strategy formulation and policy setting at the corporate level. Then, he defines management control at the manager level as "the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives." Task control is defined at the individual level as the process of evaluating the effectiveness and efficiency of individual tasks. Anthony's (1965) hierarchical framework for control systems is directly influenced by the hierarchical characteristics of organizations that he studied, where the nature of control problems was hierarchical and nested, as the decisions were made at the strategic, corporate level and then passed on to the managerial level and individual level in a cybernetical manner (Birnberg, 1998).

Following Anthony's (1965) seminal work, the management control systems (MCS) literature has evolved taking a more inclusive, expansive view on the design of MCS as a collection of control functions integrated around business strategy (see for review: Langfield-Smith, 2006; Otley, 2016). For example, Otley and Berry (Otley & Berry, 1980) define organizational control as "the ways in which organizations manage and regulate their affairs so as to remain viable and to achieve their chosen ends or objectives." Simons (1987, p.358) defines MCS as "formalized procedures and systems that use information to maintain or alter patterns in organizational activity." Under this definition, MCS includes formal systems and procedures for planning, reporting, reporting, monitoring, performance evaluation, and other aspects of management, while excluding informal controls. The importance including informal controls in the framework is addressed by subsequent research. For example, Chenhall and Moers (2015, p.1) define MCS as "a set of many formal and informal input, process and output controls that are used by management to achieve organizational goals." A complex MCS involves many processes and controls – for example, controls for product planning, controls for capital investment systems, controls for performance evaluation, and operational controls – that are interrelated and used complementarily by managers.

Another important definition of control comes from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *Internal Control – Integrated Framework* – originally published in 1992 and updated in 2013. COSO defines internal control as "a process effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance". Since the Securities and Exchange Commission (SEC) initially used the COSO framework to comply with the Sarbanes-Oxley Act of 2002 (SOX), the public as well as researchers focused rather heavily on the effectiveness of internal control in achieving financial reporting objectives of an organization and overlook operational controls (Miles & Snow 1978; Porter 1980; Miller & Friesen 1982). Thus, the framework (COSO 2013) is updated to emphasize the importance of internal control in achieving an organization's operational objectives as well as compliance objectives.

This study adopts the definition of control systems as a set of formal and informal controls of various types applied at all levels as frequent as needed to monitor and improve operating activities that are configured to support the strategy. Researchers in both organization and accounting have used different terms to identify the types of controls. For example, Anthony, Dearden, and Bedford (1989) categorize controls as formal and informal controls; Ouchi (1977) categorize controls as output and behavior controls; Ouchi (1979) categorize controls as market, bureaucracy, and clan controls; Chenhall (2003) as bureaucratic and organic controls; and Simons (1995) as diagnostic and interactive controls. The basic idea behind these terms overlap with one another. Formal controls refer to rules and procedures that are more visible, measurable, and comparable – including measurable output controls, measurable behavior controls, market controls, bureaucratic controls, and diagnostic controls. Informal controls refer to those that are not specified or explicitly measured – including clan control.

Traditionally, control research in accounting focused on identifying processes and types of controls adopted at the organization level involving senior-level managers. Starting in the 1990s, the focus of control research in accounting has expanded into the processes and control practices adopted to implement strategy at the individual level (Langfield-Smith, 2006; D. Otley, 1994; Simons, 1995). In the organization research, the importance of control problems that arise at the individual level was emphasized, most notably, by Ouchi's work. Ouchi (Ouchi, 1979, 1980) notes that "the design of organizational control mechanisms must focus on the problems of achieving cooperation among individuals who hold partially divergent objectives" and suggests three mechanisms through which an organization can manage individuals to move towards its objectives: a market mechanism, a bureaucratic mechanism, and a clan mechanism. An organization's control practices combine these three control mechanisms and the balance among the three mechanisms depends on the organization's strategy and structure as control problems arise from a group of individuals, who share partially congruent goals, obtaining cooperation to achieve the organization's strategic objectives. A market mechanism is effective when performance objectives are relatively clear but individual objectives are more divergent from the organization's objectives, as markets approach control problems through measuring and rewarding individual contributions. A bureaucratic mechanism utilizes employment relation involving legitimate authority, rules set by superiors, and members whose individual objectives converge relatively more than those requiring the market control mechanism. A clan mechanism is efficient when applying a set of standardized rules is unequitable in evaluating performance, performance objectives are ambiguous due to ambiguity of tasks, and the employees' goals converge with the employer's goals. The clan mechanism creates goal congruence and produces a strong sense of community while reducing the need for explicit performance evaluation. Even in the presence of legitimate authority, similar to the bureaucratic mechanism, the clan mechanism uses subtle signals instead of measurable, verifiable measures, to evaluate performance.

In accounting, Merchant and Van der Stede (2007) suggest four types of controls based on the monitoring target – personnel, culture, actions, or results. Personnel control includes hiring and training employees; cultural control includes promoting shared values and norms to employees; action control focuses on activities that are configured to implement strategy; and results control focuses on the expected and actual outcomes that are measurable. The use of different types of controls is effective in motivating employees both intrinsically and extrinsically leading to high performance (van der Kolk et al., 2019).

The design and use of management control systems (MCS) has evolved from a relatively simple, hierarchical, separate, orderly notion into a complex, holistic, open, dynamic notion over time with the shift in the nature of environment and organizations (Anthony, 1965; Birnberg, 1998; Chenhall & Moers, 2015; Langfield-Smith, 2006; Otley, 2016; Simons, 1995). As the environment becomes increasingly complex and uncertain, organizations need to constantly adjust their strategies, their structural arrangements, and control practices accordingly. Organizations respond to the environmental complexities and challenges by adjusting strategic positioning and configuring structural arrangements, operating activities, and control practices that align with their strategic objectives. The strategy-control alignment, or the fit, is imperative for their survival and value creation (Abernethy & Brownell, 1997; Anthony, 1965; Berry et al., 2009; Bisbe & Otley, 2004; Burns & Stalker, 1961; Chenhall & Langfield-Smith, 1998; Chenhall, 2003; Chenhall & Moers, 2015; Curtis et al., 2017; Govindarajan & Fisher, 1990; Govindarajan & Gupta, 1985; Ittner & Larcker, 1997; Khandwalla, 1972; Otley, 2016; Porter, 1991; Simons, 1995).

In this study, I explore the link between strategic positioning and operational control particularly for the organizations that pursue both social objectives and financial objectives. While the need for generic strategy-control framework exists for theory development, organizations adopt a unique and dynamic set of control practices involving the employees at all levels who carry out day-to-day operating activities that are configured to implement organizations' strategies. Nevertheless, the strategy-control research lacks studies on how hybrid organizations that create value by achieving both social aims and financial objectives configure control systems that maintain their strategic positioning with the hybrid nature. I contribute to this literature by conducting research using a field study method in order to document the phenomena in real-world management practices.

CHAPTER 3

STRATEGY-CONTROL FRAMEWORK FOR HYBRID ORGANIZATIONS

In this chapter, I build on the existing strategy-structure and control framework (Chandler, 1962; Child, 1972; Galbraith & Nathanson, 1978; Porter, 1980, 1985; Porter, 1991; Rumelt, 1974) and propose a strategy-operational control framework for hybrid organizations that pursue both social responsibility and financial sustainability.

Two imperatives for a firm to achieve high firm performance are 1) adjusting its strategy with the constantly changing environment and 2) adapting its structure to the strategy (Porter 1991). The organization must understand its environment and industry structure to analyze and determine their relative strategic positioning in the industry (Porter 1991). Then, the organization configures an array of economic activities that create competitive advantages and determine its relative positioning in the industry. Earlier strategy scholars have identified strategic groups based on the patterns of choices made for a type of competitive advantage pursued. While these studies provide useful frameworks and provide important insights, it is important to advance the existing knowledge as businesses and systems evolve with the environment (Porter & Kramer, 2011). Building on the existing research, I propose a conceptual framework on the link between strategy and control that is more relevant to hybrid organizations in the modern-day society.

In order to survive and achieve sustainability while pursuing a hybrid strategy, organizations ought to strike a synergistic balance between multiple strategies so that one reinforces the other instead of one subjugating the other. The synthesizing process of different strategic objectives is essential not only at the strategy formulation and planning stages, but also at the strategy implementation and performance evaluation stages. A hybrid organization must configure an array of operating activities that support the balance between social values and financial objectives. Accordingly, the operational control systems need to be designed to monitor those activities achieving the balance between the social mission and profit aims. These unique configurations of operating activities and operational control systems that echo multi-faceted strategy of an organization differentiate it from others and enable it to gain sustainable competitive advantages.

An organization's strategy determines an array of business activities that are required to implement strategy (Porter, 1985). The organization gains competitive advantage by performing configured business activities in alignment with its strategy. Cost leaders, for example, execute the configured activities at a lower cost, whereas differentiators execute activities in unique ways to differentiate their products or services that enable them to command a premium price. For a hybrid organization pursuing both social values and profit aims, the organization creates competitive advantage by configuring an array of economic activities that achieve its financial objectives while serving the societal needs (Porter & Kramer, 2006, 2011). Hybrid organizations gain competitive advantages by taking into account the social and environmental consequences of their activities and configuring activities within the boundaries of its social mission to successfully achieve its financial goals. It is imperative, for these hybrid organizations' survival and success, to configure a unique way to integrate social values into economic activities that is most appropriate and specific to each organization's strategy (Porter & Kramer, 2006, 2011).

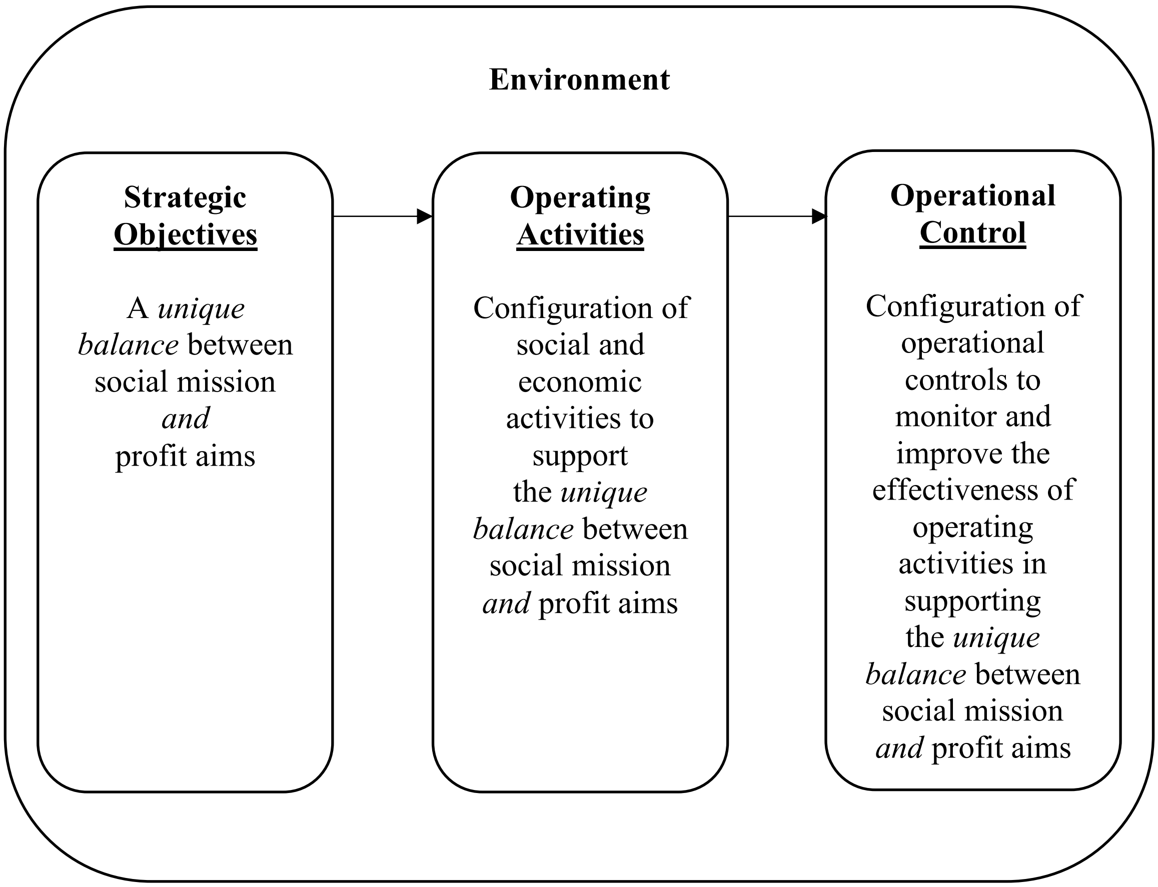

Figure 1. Link between Strategy and Operational Control for Hybrid Organizations Pursuing both Social Mission and Financial Sustainability

Figure 1 shows the conceptual framework I propose in this study for hybrid organizations that pursue both social and economic objectives. I draw on Porter and Kramer's (2011) criticism on the existing framework:

> Strategy theory holds that to be successful, a company must create a distinctive value proposition that meets the needs of a chosen set of customers. The firm gains competitive advantage from how it configures the value chain, or the set of activities involved in creating, producing, selling, delivering, and supporting its products or services. For decades businesspeople have studied positioning and the best ways to design activities and integrate them. However, companies have overlooked

> opportunities to meet fundamental societal needs and misunderstood societal harms and weaknesses affect value chains. Our field of vision has simply been too narrow (p. 7).

As suggested in the extant literature, strategy determines structure based on the operating activities configured to support and implement strategy. The configured operating activities determine the design of control systems and the relative weight placed on each control corresponds to the relative importance of each operating activity in supporting the strategy. A hybrid organization that integrates both social objectives and financial goals into its strategy configures a set of operating activities that achieve a unique balance among multiple strategic objectives to create value for the society it serves as well as its stakeholders. Then, the organization configures an array of controls to monitor and improve the effectiveness of operating activities in achieving the balance to maintain its hybrid identity.

Hybrid organizations face unique challenges – both externally and internally – as they create both social and economic value (Battilana & Lee, 2014). Hybrid organizations face external pressures to establish their legitimacy in the field in order to gain broad acceptance and awareness that can lead to more opportunities for the acquisition of financial capital. Although new legal forms – for example, benefit corporations in the U.S. – that better cater to the needs of hybrid organizations pursuing both social and financial objectives have been created, the process of blurring the boundaries between legal organizational forms is still in an early stage and requires more attention and acceptance from regulatory authorities that can confer legitimacy in the field (Defourny & Nyssens, 2008). Without established legitimacy, access to resources and capital tends to become limited as external evaluators discount the value created by hybrid organizations and assess these organizations to be more risky based on uncertainty surrounding the positioning of hybrid organizations in the field (Battilana & Lee, 2014; Hsu et al., 2009).

Having multiple strategic objectives that integrate two identities pursuing the social mission and profitability can lead to internal tensions and conflict that can threaten the viability of hybrid organizations (Battilana & Dorado, 2010; Fiol et al., 2009). Cultivating the hybrid identity among organizational members is especially a delicate process that weaves together different values and ideologies both at the individual level and at the organizational level and aligns them with the balance between two values required to maintain the unique hybridity identity. When one identity overpowers the other, the imbalance threatens the hybrid identity of the organization by heightening conflict among organizational members (Glynn, 2000). These interpersonal conflicts and interpersonal inconsistencies in shared values – especially in the absence of proper, effective control systems – complicate securing required resources at a sufficient level and efficiently allocating resources (Tracey et al., 2011). In cases where one identity or strategy subjugates the other, hybrid organizations suffer a mission drift or financial instability, that can eventually lead to the failure of the organization (Battilana & Dorado, 2010; Battilana & Lee, 2014; Fosfuri et al., 2016; Pache & Santos, 2012; Santos et al., 2015; Tracey et al., 2011).

Due to the unique external and internal challenges that these hybrid organizations face, they are more prone to the organizational failure (Battilana & Lee, 2014; Fosfuri et al., 2016). Battilana and Lee (2014) identify core organizational activities as one of the five key areas of organizational life that can alleviate these tensions and conflicts.

Organizations experience conflicts and tensions between social objectives and financial aims through the operating activities that are configured to achieve both objectives and support its strategic positioning as a hybrid organization. The organization's unique balance between social values and financial aims translates into an array of operating activities integrated to implement the hybrid strategy rather than two separate sets of operating activities implementing two separate strategies for social mission and profit aims. When implementing a hybrid strategy that pursue both social impact and financial impact, it is important to integrate activities with a balance that mirrors one solid hybrid identity instead of multiple identities that can result in conflicts and drift. Integrating activities enables the organization to sustain its hybrid nature and reduce the tensions and conflicts that arise between social objectives and financial objectives. This hybrid identity that permeates throughout the operations of an organization requires a control system that monitors and improves operations to implement the unique hybrid identity the organization pursues – as illustrated in Figure 1.

Control monitors how well strategy is implemented through operating activities and helps an organization to improve aligning operations with strategy. Hybrid organizations formulate a hybrid strategy that integrates social mission and profit aims with a unique balance that gives each organization a unique hybrid identity. The hybrid identity is cultivated through a set of operating activities configured to support the balance in hybridity and control systems that monitors the activities. Effective control practices for hybrid organizations comprise 1) monitoring not only the performance of operating activities but also the balance between social impact and financial impact achieved through the activities and 2) reinforcing the behaviors and outcomes desired to achieve the balance and sustain the organization’s unique hybrid identity.

CHAPTER 4

RESEARCH QUESTIONS

Based on the strategy-control framework proposed in previous chapter, in this chapter, I develop two research questions and explain the methods used to explore each question.

Prior studies on the link between strategy and control have identified control dimensions and types for various generic strategies (for review, see Langfield-Smith, 2006; Otley, 2016). Due to the dynamic nature of strategy that evolves with the changing environment, the demand for hybrid strategies has increased in recent decades attracting more attention from researchers, while limited research exists in exploring the link between hybrid organization's strategic positioning and controls (Battilana & Dorado, 2010; Battilana & Lee, 2014; Fosfuri et al., 2015; Porter, 1991). Organizational studies recently began to address the implications of hybridity as a source of competitive advantage while hindering growth of business (Fosfuri et al., 2016). Although the traditional strategy-control framework provides implications and understanding of the link between generic strategies and control, recently emerging strategies that go above and beyond the generic strategies require more advanced strategy-control framework to provide implications that can be actually applied to the real world. As proposed in Figure 1, hybrid organizations face unique organizational complexities and challenges that require a unique configuration of viable operating activities and operational controls.

The strategy-control literature suggests that strategy determines an array of controls emphasized by managers, in alignment with the relative importance of operating activities in supporting strategy. Hybrid organizations integrate both social objectives and financial objectives and striking and maintaining the balance between these two types of strategic objectives create competitive advantages. One critical way for hybrid organizations to maintain the hybridity identity is to integrate both aspects of strategic objectives in their day-to-day operations where social values permeate through operating activities to achieve not only the social mission, but also the profit aims. Consequently, hybrid organizations configure operating activities and adopt control systems to oversee the implementation of the hybrid strategy through day-to-day operations. I develop two research questions to explore 1) the dimensions of operational control adopted by a hybrid organization in monitoring day-to-day operating activities and 2) whether the managerial attention to specific controls varies across hybrid organization units with different strategic positioning.

The notion of social responsibility as well as the notion of financial sustainability have co-existed at the core of business operations for the restaurant industry. Based on the National Restaurant Association's survey of 500 restaurant owners and operators, restaurants have been integrating socially responsible business practices in their daily operations (*State of Restaurant Sustainability*, n.d.). Socially responsible business practices have been understood to shape customer perceptions of organizational identity and trust (Swimberghe & Wooldridge, 2014), customer satisfaction and willingness to pay (Gao & Mattila, 2014; Lee & Heo, 2009), employee morale and engagement (Gürlek & Tuna, 2019; Kim et al., 2018), and the health of the community within which the business operates (Gursoy et al., 2019). Although empirical evidence is mixed on the positive financial impact of socially responsible business practices – mainly due to the discrepancies in variables measuring corporate social responsibility, general consensus in practice is that socially responsible practices – either directly or indirectly – have positive impact on firm performance, especially when integrated with profit aims consisting of cost control and revenue management (Ewing-Chow, 2019; Levy & Park, 2011).

Led by the legitimate leaders in the industry – including executive management teams at public restaurant companies, world renowned and respected culinary chefs, and independent restaurateurs, setting strategic objectives to achieve sustainability both financially and socially has become an institutional norm, rooted in the notion that restaurant businesses can survive and succeed only with the healthy community, supply chain, and customers. Culinary chefs and restaurateurs pursue their social mission of reducing food waste, reducing carbon footprint, and supporting local suppliers and sustainable agricultural practices by using non-traditional ingredients to create innovative menus that influence customer perspectives and generate value to the stakeholders. For example, Chef Fergus Henderson of St. John, an iconic London restaurant St. John, is one of the most influential figures in the restaurant industry spreading the nose-to-tail philosophy (Moskin, 2020; Vettel, 2020). The nose-to-tail cooking or eating refers to the philosophy of using or eating every part of the animal to pay respect to the killed animals and to ensure that nothing goes to waste. He created innovative dishes in a fine-dining setting using ingredients such as bone marrow, offal, feet, and other animal parts that would have been otherwise disposed of. This philosophy revolutionized the customers' perception towards these ingredients, creating a trend towards nose-to-tail eating and operations that not only reduce food waste but also create value to farmers as well as the restaurant industry itself.

Publicly traded restaurant companies – for example, Shake Shack, McDonald's, Darden Restaurants, Inc., and Starbucks – have been visibly engaging in socially responsible business activities and voluntarily disclosing information on activities related to sustainability and social responsibility. These large, public corporations explicitly set sustainability targets under the leadership of designated Chief Sustainability Officers, acknowledging the synergy created from weaving sustainability goals and business goals together (Murray, 2018; Sturcken, 2018). For example, McDonald's announced its long-term sustainability targets to be achieved by 2030, including reducing greenhouse gas emissions from their restaurants, offices, and supply chain, integrating energy efficiency and recycling, and sustainable beef production. The company's approach to sustainability – in its chief communication officer's words – has shifted from treating the issue as a peripheral focus by figuring out "what would be nice to do" to incorporating sustainability into core business activities by answering "what should we actually be doing" (Sturcken, 2018). Starbucks shifted its focus to "giving more than we take from the planet" by reducing landfill waste, reducing carbon emissions, replenishing water used for its operations, investing in regenerative agricultural practices, and expanding plat-based options to replace animal-based products in a supply chain (Wenzel, 2020).

Despite the prevalence of modern-day organizations pursuing a hybrid strategy that combines social objectives and financial goals – especially in the restaurant business setting, the lack of academic research examining the link between strategy and control for hybrid organizations leads to the first research question:

Research Question 1 (RQ1): What are the dimensions of operational control that a hybrid organization adopts to monitor the daily operating activities that support the balance between social mission and profit aims?

To explore RQ1, I adopt an in-depth case study of a restaurant business that pursues both social mission and financial sustainability. Studies employing field research methods – although low on internal validity – is essential part of the research process for emerging issues or immature topics that are relatively poorly documented. The phenomena that arise from practice need to be documented using field research methods; then, studies high on internal validity using rigorous research methods can provide great insights and understanding when applied to well-documented phenomena, leading to theory development (Bruns & Kaplan, 1987, p. 4). Since research on the strategy-control link for hybrid organizations is limited, I conduct a field study of a business that pursues both social objectives and financial sustainability in the restaurant industry. I collect field data from The Good Restaurant Group (TGRG)[1] that owns and operates distinct restaurant concepts. Based on the field data including unstructured interviews, internal e-mail communications, meetings, and observations, I identify the dimensions of hybrid strategy, the dimensions of operating activities, and the dimensions of operational control.

Previous literature has documented evidence that managerial attention placed on dimensions of control varies across different generic strategies. For example, using interview data and survey data, Simons (1987) provides evidence that Prospectors with

[1] The identities of the company and its restaurants will be disguised to preserve the company's anonymity.

high performance emphasize forecasting, tight budget goals, and careful monitoring of outputs in control systems, whereas Defenders do not emphasize the role of control systems as intensely as Prospectors do and rarely update their control systems. In my study, I explore whether and how the managerial attention placed on different dimensions of control for different strategic positioning of organizations pursuing hybrid strategy, leading to the second research question:

> Research Question 2 (RQ2): Does managerial attention placed on the dimensions of operational control vary across different strategic positioning of hybrid organizations?

To explore RQ2, I conduct content analysis to analyze daily operations reports randomly collected over the period from March 2018 through March 2019 from three restaurants of The Good Restaurant Group (TGRG) with distinct concepts that determine the strategic positioning of each restaurant. This setting enables me to examine the links between different strategic positioning that depends on the restaurant concept and different operational control practiced in daily operations.

CHAPTER 5

RESEARCH SETTING AND METHODS

Background: The Restaurant Industry

Before presenting the findings from my field study in the next chapter, it is important to provide an understanding of the restaurant industry to the readers. The U.S. restaurant industry is a large contributor to the U.S. economy – contributing about 4% to the National Domestic Product – with more than 15 million restaurant industry employees and more than 1 million restaurant locations, where 48% of consumer food dollars are spent (*2020 State of the Industry Factbook [PDF File]*, 2020). The U.S. restaurant industry in recent years has exhibited a moderate growth. According to the National Restaurant Association's projection for 2020 in their industry report released on February 27, 2020[2], the restaurant industry sales are projected to reach $899 billion in 2020 at a moderate growth rate of 4%, consistent with the economic conditions (*Restaurant Performance Index*, 2020).

Figure 1 shows Restaurant Performance Index (RPI) measured every month since 2002 by the National Restaurant Association (*Restaurant Performance Index: January*

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[2] The report contains optimistic projections as it was released right before the outbreak of COVID-19 pandemic – World Health Organization (WHO) declared the outbreak of the coronavirus disease a pandemic on March 11, 2020, and a U.S. national emergency was declared over the outbreak on March 13, 2020. Although the restaurant businesses and their network suffer tremendously dealing with financial problems as well as social problems due to the COVID-19 pandemic, since the sample period for the collected field data runs from March 2018 thru March 2019, the outlook of the restaurant industry used in describing the industry for my study corresponds to the sample period of my field data.

2020 [PDF File], 2020). The RPI values greater than 100% indicates an increase in performance index signaling a period of expansion in the restaurant industry. The RPI values during the sample period are above 100% indicating a moderate growth in the restaurant industry.

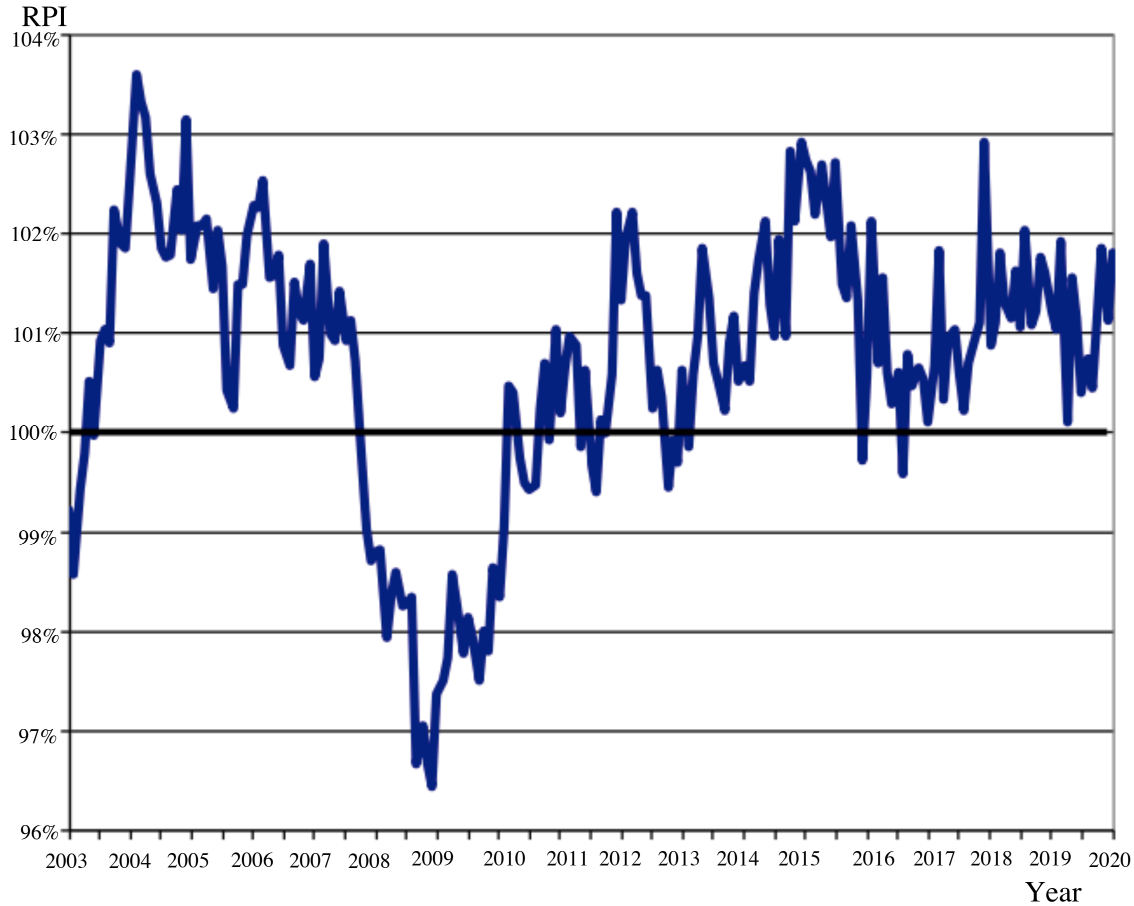


Figure 2. Monthly Restaurant Performance Index (in %)
(Source: National Restaurant Association)

The RPI is a monthly composite index consisting of two equally-weighted components: the Current Situation Index and the Expectations Index (*Restaurant Performance Index: August 2018 [PDF File]*, 2018; *Restaurant Performance Index: December 2018 [PDF File]*, 2019; *Restaurant Performance Index: May 2019 [PDF*

File], 2019). The National Restaurant Association administers its monthly Restaurant Industry Tracking Survey to the U.S. restaurant operators and collects information on sales volume, customer traffic, labor, and capital expenditures. The Current Situation Index is a composite index based on four equally-weighted industry indicators including:

- same-store sales: compare the reference month's same-store sales volume to that of the same month in the previous year
- customer traffic: compare customer traffic in the reference month to the same month in the previous year)
- labor: compare the number of employees and average employee hours in the reference month to the same month in the previous year
- capital expenditure: measure capital expenditure activity during the three most recent months with the reference month as the most recent month of the three.

The Expectations Index is a composite index based on four equally-weighted "forward-looking" industry indicators including:

- same-store sales: compare the reference-month prediction for the same-store sales in the next six months to the prediction made in the same month of the previous year
- business conditions: measure prediction for general conditions in the next six months
- staffing: compare the reference-month prediction for the number of employees in the next six months to the prediction made in the same month of the previous year
- capital expenditure: measure capital expenditure plans for the next six months.

Table 1

Restaurant Performance Index and Components
(Source: National Restaurant Association)

Panel A: April 2018 (04/18) thru September 2018 (09/18) (in %)

	04/18	05/18	06/18	07/18	08/18	09/18
Restaurant Performance Index	101.3	101.2	101.6	101.1	102.0	101.1
Current Situation Index	100.5	100.6	101.9	100.8	102.3	100.6
Current Situation Indicators:						
Same-Store Sales	100.2	101.0	102.0	101.0	103.7	100.9
Customer Traffic	98.3	98.3	99.9	99.0	101.3	98.6
Labor	99.9	100.3	100.9	99.7	101.1	99.8
Capital Expenditures	103.4	102.7	104.9	103.3	103.2	103.1
Expectations Index	102.1	101.7	101.3	101.4	101.7	101.6
Expectations Indicators:						
Same-Store Sales	104.0	102.9	103.2	103.5	102.8	102.3
Business Conditions	101.4	100.4	100.5	100.8	101.3	100.2
Staffing	101.3	100.7	99.9	99.3	100.3	101.0
Capital Expenditures	101.9	102.9	101.7	101.8	102.6	102.9

Panel B: October 2018 (10/18) thru March 2019 (03/19) (in %)

	10/18	11/18	12/18	01/19	02/19	03/19
Restaurant Performance Index	101.2	101.8	101.6	101.2	101.0	101.9
Current Situation Index	100.9	102.2	101.8	100.7	100.3	101.8
Current Situation Indicators:						
Same-Store Sales	102.6	104.2	103.9	102.1	102.0	103.8
Customer Traffic	100.4	101.7	101.3	100.0	99.3	101.8
Labor	99.8	100.4	100.9	99.7	99.1	100.9
Capital Expenditures	100.6	102.4	101.0	101.1	100.7	100.6
Expectations Index	101.6	101.4	101.4	101.7	101.8	102.1
Expectations Indicators:						
Same-Store Sales	103.6	102.9	102.9	103.6	104.2	104.4
Business Conditions	100.6	99.5	100.3	100.4	99.8	99.9
Staffing	101.6	101.2	100.6	101.5	101.8	101.9
Capital Expenditures	100.5	101.8	101.9	101.4	101.4	102.2

Table 1 shows the RPI as well as its components measured in percentages reported for the period from April 2018 thru March 2019. The National Restaurant Association interprets an index or indicator value equal to 100% as the status-quo – no change in the reference month or time period from the same month or time period in the previous year, an index or indicator greater than 100% as a signal for a period of expansion, and a value less than 100% as a period of contraction for the industry. During the sample period of April 2018 thru March 2019, the restaurant operators that responded to the National Restaurant Association's survey reported, on average, an increase in same-store sales growth and an increase in capital expenditures, indicating an optimistic outlook of the restaurant industry.

The optimistic outlook of the industry is echoed in the U.S. Bureau of Labor Statistics' Occupational Outlook Handbook, where the growth rate of employment of food preparation and serving related occupations is projected at 11% from 2018 to 2028 while the average growth rate for all occupations is 5%. This faster-than-average growth of the employment in the industry is due to a growth in general demand for food at a variety of dining places, which is driven by population and income growth (*Food Preparation and Serving Occupations*, 2019). Moreover, according to the U.S. Census Bureau data, the number of establishments for U.S. full-service restaurants and limited-service restaurants increased by more than 20 percent over the sixteen years, from 403,237 restaurants in 2000 to 484,810 restaurants in 2016, as shown in Table 2.

Table 2

Full-Service and Limited-Service Restaurant Establishments in 2000 and 2016
(Source: 2000 & 2016 County Business Patterns, U.S. Census Bureau)

NAICS Code†	NAICS Classification†	Number of Establishments in 2000	Number of Establishments in 2016
722110 in 2000 722511 in 2016	Full-Service Restaurants	192,342	246,888
722211 in 2000 722513 in 2016	Limited-Service Restaurants	210,895	237,922
Total		403,237	484,810

† See Section 5.2 Restaurant Segments and Concepts for full description.

Despite the growth and optimistic outlook of the industry, a number of restaurant operators – especially independent restaurant operators – face difficulties and challenges that arise from unpredictable, hyper-competitive landscape, uncontrollable changes in customer preferences, uncontrollable labor shortage, a swift shift in main customer demographics from one generation to the next, and advances in technology that could change consumers' food spending behaviors (Kelso, 2019; Thompson, 2017). The restaurant industry is characterized by low profit margin; lack of financial flexibility; high competition that arises from the oversaturated market with low entry barrier; and high environmental uncertainties such as high employee turnover rate, rising labor costs, unexpected natural disasters, and emerging innovations in the format of delivery (DeFranco & Lattin, 2006; H. Kim & Gu, 2006; Mun & Jang, 2018; Parsa et al., 2011). According to the National Restaurant Association in its Restaurant Industry 2030 Report, "the only constant will be the speed of change and the hyper-competition the restaurant and foodservice industry will face" (Kelso, 2019).

In order to survive in such an uncertain, fast-paced environment, it is imperative for restaurant businesses to develop and refine competitive advantages, relentlessly analyze and evaluate their operations through control, and continuously differentiate themselves from others in the dynamic, competitive industry. A restaurant can differentiate itself for success by making unique strategic choices in its product (food) quality, efficient production process, operating (service) quality, efficient operating process, and its social impact in the community (DiPietro et al., 2007). Achieving these strategic objectives is a long-term process that requires incorporating social mission into the restaurant's operating activities that are configured to create shared value between the society and the restaurant business itself (Sturcken, 2018). Modern-day restaurant businesses place a greater emphasis on establishing social responsibility and sustainability in the community, facilitating social impact through their day-to-day operating activities, and adopting control practices that inform the management to steer towards achieving both social and financial strategic objectives.

Despite the importance of understanding the intricate linkages among strategic positioning, daily operating activities, and operational control that create shared value between the society and hybrid organizations such as the restaurant businesses, surprisingly limited attention has been given to developing a strategy-control framework for the contexts of hybrid organizations. In this study, I explore control practices adopted at the day-to-day operations level that can create competitive advantages for the independent restaurant operators. I conduct a field study of an independent restaurant operator that owns multiple business units with distinct concepts and explore that distinct sets of operational controls are configured for different segments and concepts of restaurants. Restaurants can be grouped into various industry segments and concepts that emphasizes the importance of different operating activities and controls in monitoring their implementation of the hybrid strategy within their strategic positioning and boundaries. Next, I discuss various segments of the restaurant industry and types and concepts that diversity the strategic positioning of a restaurant.

Background: Restaurant Classification

Restaurants are classified based on the service modes and styles that determine the market, the average price of food items on the menu, average check per person, operating activities, cost structure and control practices (Berenguer et al., 2009; Harrington, 2001; Harrington et al., 2011; Jang et al., 2011; Johnson et al., 2005; Tse & Olsen, 2016; Tse & Olsen, 1990). Most commonly used classification systems adopted by researchers in the hospitality literature are the U.S. Census Bureau's North American Industry Classification System (NAICS) classification, mainly used by the U.S. government, and the National Restaurant Association's classification, mainly used by the industry (Canziani et al., 2016).

The National Restaurant Association, the trade organization that represents the U.S. restaurant industry, use classification typologies that are based on the average check size. Their classification used in its industry reports that are frequently cited in the hospitality literature include quick-service restaurants (QSR or fast food; with average per-person check of $3-$6 in 2010 U.S. dollars), fast-casual (or quick-casual; with $7-$9 average per-person check in 2010 U.S. dollars), midscale (or family dining; with $10 or less average check per person), moderate (or casual; with average per-person check between $10 and $25 in 2010 U.S. dollars), and fine dining (or upscale; with $25 or above average per-person check in 2010 U.S. dollars). The National Restaurant Association also distinguishes between the chain restaurants (operating multiunit restaurants) and independent operators (Canziani et al., 2016).

Under the NAICS code 7225 for Restaurants and Other Eating Places, there are four subcategories (as shown in Table 3 Panel A): Full-Service Restaurants; Limited-Service Restaurants; Cafeterias, Grill Buffets, and Buffets; Snack and Nonalcoholic Beverage Bars. NAICS defines full-service restaurants as “establishments that are primarily engaged in providing food services to patrons who order and are served while seated (i.e., waiter/waitress service) and pay after eating.” Limited-Service Restaurants refers to “establishments primarily engaged in providing food services (except snack and nonalcoholic beverage bars) where patrons generally order or select items and pay before eating” – including, for example, delicatessen restaurants, pizza delivery shops, takeout eating places, and fast-food restaurants. Cafeterias, Grill Buffets, and Buffets refer to establishments “primarily engaged in preparing and serving meals for immediate consumption using cafeteria-style or buffet serving equipment, such as steam tables, refrigerated areas, display grills, and self-service nonalcoholic beverage dispensing equipment. Patrons select from food and drink items on display in a continuous cafeteria line or from buffet stations.” Finally, Snack and Nonalcoholic Beverage Bars refer to places where the primary products are specialty snack and nonalcoholic beverages – including ice cream, frozen yogurt, cookies, juices, or coffee. Solely based on these

NAICS definitions, it is clear that the relative importance of various operating activities and management practices are different across these segments. The restaurants at my research site are either full-service restaurants that require both production activities and service activities or limited-service restaurants that require production activities only.

The general consensus for the restaurant segment typologies in academic research is that there is no consensus – the terms have been used inconsistently with insufficient descriptions (see for review, Canziani et al., 2016; Parsa et al., 2020). Recently, researchers in the field of hospitality and tourism have acknowledged the importance of converging a wide variety of typologies into a classification system that uses standardized descriptions for the U.S. restaurant industry (Canziani et al., 2016; Parsa et al., 2020). Consistent with this view, I review and use the most recent classification systems proposed for academic research by the Canziani et al. (2016) study based on the review of academic research and the Parsa et al. (2020) study based on the consumer survey.

Canziani et al. (2016) propose a systematic five-step restaurant classification tool incorporating the terms and definitions based on their literature review. First, determine whether the establishment belongs to the foodservice or restaurant sector – excluding bars and nightclubs, food service contractors, mobile food trucks, vending and catering-only services. Second, determine the service mode – whether the restaurant is full-service or limited-service. Full-service restaurants involve both production (back-of-house) and service (front-of-house) functions. Customers pay first before eating at the limited-service restaurants, not requiring the service (front-of-house) function. Third, determine the menu or dining style based on the approximated average check per person. Based on the U.S. dollar around 2013 – 2015, they identify four categories under each service

Table 3

Restaurant Classification

Panel A: North American Industry Classification System Classification[†]

NAICS Code	NAICS Classification	Examples
722511	Full-Service Restaurants	Darden Restaurants, Inc.; Applebee's International Inc.
722513	Limited-Service Restaurants	Starbucks Corporation; McDonalds Corporation
722514	Cafeterias, Grill Buffets, and Buffets	Luby's Fuddruckers Rest, LLC; Cosi, Inc.
722515	Snack and Nonalcoholic Beverage Bars	Juice Stop, Inc.; Dover Gourmet Corp

[†] as of 2020 codification

Panel B: Canziani et al. (2016) Classification

Service Mode[a]	Menu/dining Style	Examples
Full-Service	Moderate (ACPP[b]<$15)	Denny's; Steak 'n Shake
	Midscale ($15<ACPP<$25)	Applebee's; TGI Friday's
	Upscale ($25<ACPP<$40)	Ruth's Chris Steak House
	Fine dining ($40<ACPP)	French Laundry
Limited-Service	Café/snack bar ($3<ACPP<$5)	Starbucks
	Fast-food ($4<ACPP<$6)	McDonald's
	Fast-casual ($8<ACPP<$12)	Panera Bread
	Cafeteria ($8<ACPP<$12)	Old Country Buffet

[a] same definition as the NAICS classification
[b] ACPP = average check per person in 2013 – 2015 U.S. dollars

Panel C: Parsa et al. (2020) Classification

Dining Experience	Restaurant Classes	Examples
High Utilitarian	Quick-Service	McDonald's; Starbucks
Low Utilitarian	Casual	Applebee's; TGI Friday's
Low Hedonic	Fine-Dining	Smith & Wollensky
High Hedonic	Luxury	French Laundry; Eleven Madison Park

mode identified in Step 2 – see Table 3 Panel B. Moderate, full-service restaurants serve economical foods, prepared to order, in a family-friendly, utilitarian setting. Midscale, full-service restaurants focus on casual dining, often serving alcoholic beverages. Upscale, full-service restaurants serve high-quality foods and higher-end beverage menu. Fine dining, full-service restaurants serve finest quality foods and alcoholic beverages, often farm-to-table, based on an innovative, unique menu. Café and snack bars offering limited service sell snack foods and beverages to be consumed on the premises or for takeout. Fast-food, limited-service restaurants serve economical foods to be consumed on the premises or for takeout in a utilitarian setting. Fast-casual, limited-service restaurants serve foods prepared to order with ingredients marketed as fresh. Step four is to identify additional specialty descriptors such as casual, themed, ethnic, seafood, farm-to-table, luxury, pub, etc. Finally, identify the ownership – whether the restaurant is a multi-unit chain or independent operator.

Parsa et al. (2020) surveys consumers, restaurateurs, and food journalists to propose restaurant classification system, which builds on prior literature examining the associations between consumers' restaurant dining experience and hedonic and utilitarian values (Hwang & Ok, 2013). They propose to position a restaurant on a continuum of the nature of the dining experience the restaurant offers – a continuum with utilitarian dining experience and hedonic dining experience at the opposite ends (ranging from high utilitarian to high hedonic). They break down the continuum into four categories – High Utilitarian, Low Utilitarian, Low Hedonic, and High Hedonic – and identify four categories of restaurants that align with the level of utilitarianism and hedonism associated with the dining experience offered by the restaurant. As shown in Table 3, Panel C, High-utilitarian, quick-service restaurants are characterized by standardized menu; low priced menu items; low cost; highest guest turnover rate; and lowest guest check average. The characteristics of low-utilitarian, casual restaurants include moderately price menu items; semi-standardized menu; and casual table service with informal ambiance. Low-hedonic, fine-dining restaurants are predominantly independent operators offering highly customized menus and professional table service with emotionally appealing ambiance. High-hedonic, luxury restaurants offer high-quality, exclusive service and high-quality, chef-driven signature food, and high-end beverage programs in a memorable ambiance with limited seating.

Along with the corporate-level strategy, restaurant classification defines the strategic positioning of a restaurant and determines the operating activities. Strategic objectives incorporate not only the social mission and financial objectives at the corporate level, but also operating profit aims to support the strategic positioning of the restaurant in the market. In this study, I explore 1) different dimensions of operating activities configured to support distinct strategic positioning of restaurants and 2) operational controls configured to monitor different sets of operating activities achieving strategic objectives.

Research Site: The Good Restaurant Group (TGRG)

The Good Restaurant Group (TGRG) owns and operates multiple restaurants with distinct concepts and market positioning, all located in and around one of the ten most populous U.S. cities (U.S. Census Bureau 2018). For my research, I was granted access to three restaurants of distinct restaurant-level strategic positioning, concept, and operations.

Research Methods

I conducted a field study by visiting The Good Restaurant Group (TGRG), conducting interviews, taking field notes, making observations, and collecting and analyzing proprietary documents. A qualitative field study is one of methodology and a general approach to understand and study the research topics as it is a "profoundly theoretical activity" (Ahrens & Chapman, 2006; Bruns & Kaplan, 1987; Silverman, 2015). Initially, I approached The Good Restaurant Group (TGRG) with a broad interest in their management control practices in the restaurant industry. TGRG granted me access to 1) interview managers and observe their operations on site and via their operations-related email communications from March 2018 thru December 2019, 2) collect daily financial reports from March 2018 thru May 2019, and 3) collect daily operating logs from March 2018 thru March 2019.

During the period of December 2018 thru December 2019, I shadowed Culinary Director and his conversations with the business owner, Director of Operations, restaurant-level managers, and restaurant employees – via emails and phone calls. After access to proprietary data was granted, I conducted three formal semi-structured interviews with the owner and Culinary Director in December 2018. However, due to the sensitive nature of the information I sought from the organizational members, instead of conducting formal interviews, I took field notes on 23 occasions while shadowing Culinary Director in his meetings, conference calls, and mobile conversations with the organizational members including the owner, Director of Operations, Controller, Executive Chefs, General Managers, Sous Chefs, and other restaurant employees. While observing the operations on site, I focused on the operating activities – especially the functions of back-of-house vs. front-of house.

In addition, I was granted access to two sources of data: 1) the daily financial reports (Figure 3) that track daily sales, daily purchases, daily labor, and daily comps[3] from March 2018 thru May 2019 and 2) the daily operational logs (Figure 4) that inform the management team of day-to-day operations, incidents, and performance evaluation at each restaurant from March 2018 thru March 2019. Collecting data from multiple sources enhances credibility in organizing and cross-checking explanations and observations noted by the researcher (Ahrens, 2018; Ahrens & Chapman, 2006). The field data collected from my research site is highly relevant to the strategy-control literature in addressing the managerial issues that arise from a contemporary organization pursuing a hybrid strategy with social and financial objectives at the corporate level and in exploring control practices taking place at its subunit level where strategic positioning is differentiated across the subunits.

Month:	Year:
January	2018

Date	Day	Actual Food Purchases	Catering Sales	Food Sales	Food Comps $	Net Food	Total Comps $	FOH Labor $	BOH Labor Dollars	Total Labor $
	Monday	$0.00				$0.00	#REF!			$0.00
	Tuesday	$0.00				$0.00	#REF!			$0.00
	Wednesday	$0.00				$0.00	#REF!			$0.00
	Thursday	$0.00				$0.00	#REF!			$0.00
	Friday	$0.00				$0.00	#REF!			$0.00
	Saturday	$0.00				$0.00	#REF!			$0.00
	Sunday	$0.00		$0.00		$0.00	#REF!			$0.00

Figure 3. A Sample of Daily Financials at The Good Restaurant Group (TGRG)

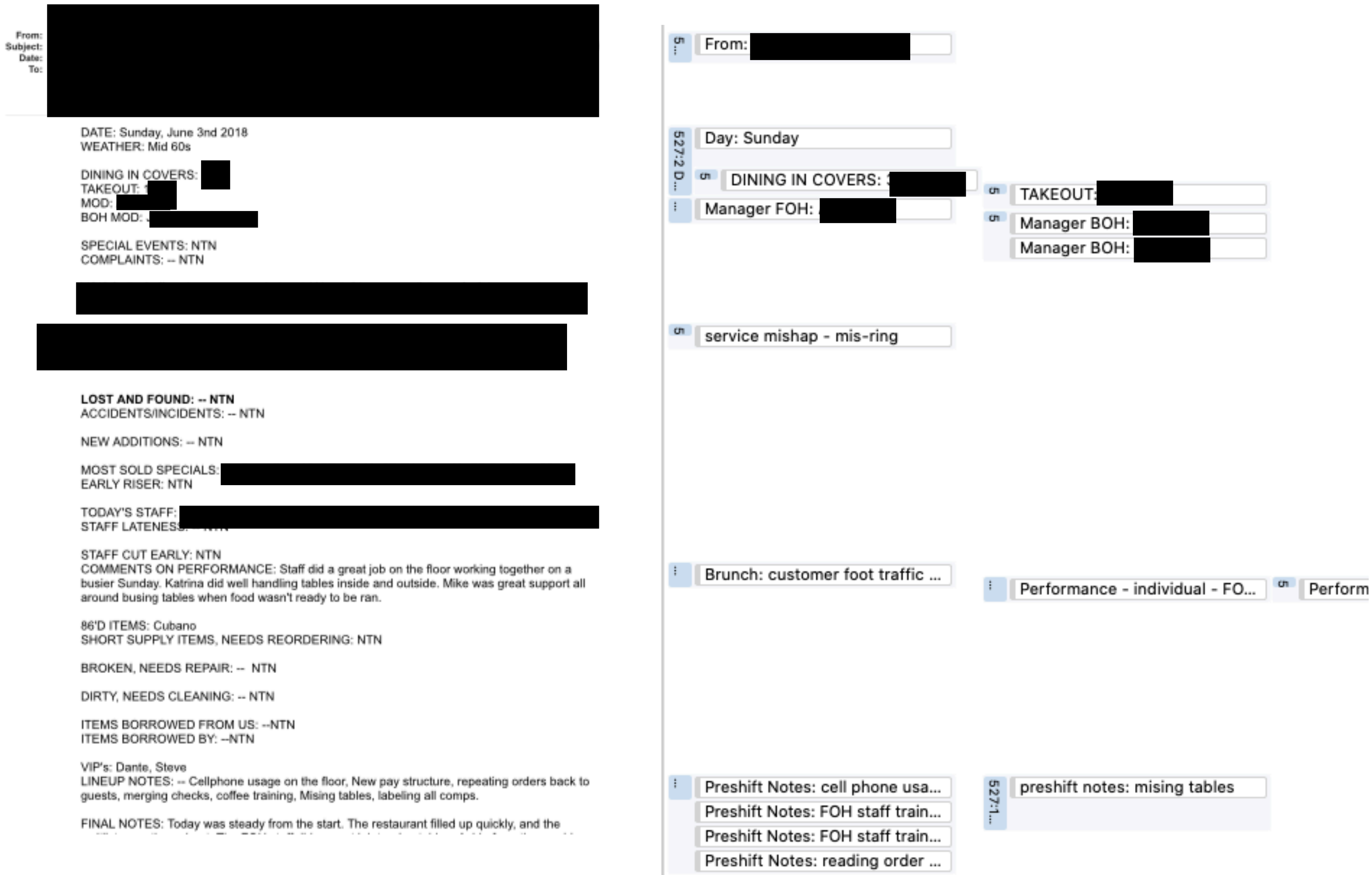
3 Comps in the U.S. restaurant industry refer to menu items or beverages served free of charge or sold at discount prices.

Data Analysis

For Research Question 1, I started the data analysis while shadowing in the field in order to acquire an understanding of the organization, which was the basis for developing my research questions. Based on the existing strategy-control framework and existing literature, I identified strategy – both at the corporate level and at the individual operating unit level – and identified operating activities at the operating unit level. Then, to explore Research Question 2, I conducted content analysis to identify the dimensions of operational control and explore whether managerial attention given to various dimensions of controls varies across different operating units with distinct strategic positioning.

Content analysis is a research method of systematically analyzing the content of texts by codifying content into various categories based on a set of rules (Berelson, 1952; Hsieh & Shannon, 2005; Krippendorff, 2004; Moretti et al., 2011; Weber, 1990). Content analysis is a research method to organize written or oral materials of similar meanings into categories – including narrative responses, open-ended survey questions, interviews, observations, and printed texts including books and articles. Krippendorff (2004, p.18) defines content analysis as "a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use." Content analysis has been widely employed in social sciences research as well as in organizational management research published in renowned academic journals including *Strategic Management Journal, Academy of Management Review, and Academy of Management Journal* (for example, Gephart, 1993; Mishina et al., 2004; Ullmann, 1985) because it allows researchers to extract both the manifest content and latent content underlying the texts. The manifest content refers to constructs identified by coding the visible, surface content of text, whereas the latent content refers to constructs captured by exploring the underlying meaning of the text (Graneheim & Lundman, 2004).

For this study, I used ATLAS.ti to conduct content analysis of a total 300 daily operations logs collected from three restaurants – 100 daily operational logs randomly selected for each restaurant – over the period of March 2018 thru March 2019 (see Figure 4 for a sample of coding on ATLAS.ti). These daily operations reports are structured in a format that was pre-specified by the top executive management team – including the owner, Director of Operations and Culinary Director. Managers at the restaurants are required to email the daily report at the end of the day, reflecting on all the aspects and happenings from the day's operating activities, ranging from the guest-related issues to the neighborhood-related issues, that affect their daily operations. These reports are shared with the top executive management team, accounting team, and manager-level employees at each restaurant – employees in the role of Executive Chef, Sous Chef, General Manager, and Assistant Manager at Restaurant A; employees in the role of Head Cook, General Manager, and Assistant Manager at Restaurant B; and Head Cook at Restaurant C (see Figures 5 - 7 for organizational charts). Managers manually fill in information for the categories including special events the restaurant hosts, number of reservations, total number of guests, sales, staffing (number of bartenders, servers, runners, hosts/hostesses, bussers, etc.), guests-related issues (food complaints or service complaints), employee-related issues (accidents or performance evaluation), and open-ended notes where managers freely describe or justify issues that they deem relevant to the restaurant operations and their discretionary short-term outlook of sales.



From:
Subject:
Date:
To:
[redacted]

DATE: Sunday, June 3nd 2018
WEATHER: Mid 60s

DINING IN COVERS: [redacted]
TAKEOUT: [redacted]
MOD: [redacted]
BOH MOD: [redacted]

SPECIAL EVENTS: NTN
COMPLAINTS: -- NTN

[redacted]

LOST AND FOUND: -- NTN
ACCIDENTS/INCIDENTS: -- NTN

NEW ADDITIONS: -- NTN

MOST SOLD SPECIALS: [redacted]
EARLY RISER: NTN

TODAY'S STAFF: [redacted]
STAFF LATENESS: [redacted]

STAFF CUT EARLY: NTN
COMMENTS ON PERFORMANCE: Staff did a great job on the floor working together on a busier Sunday. Katrina did well handling tables inside and outside. Mike was great support all around busing tables when food wasn't ready to be ran.

86'D ITEMS: Cubano
SHORT SUPPLY ITEMS, NEEDS REORDERING: NTN

BROKEN, NEEDS REPAIR: -- NTN

DIRTY, NEEDS CLEANING: -- NTN

ITEMS BORROWED FROM US: --NTN
ITEMS BORROWED BY: --NTN

VIP's: Dante, Steve
LINEUP NOTES: -- Cellphone usage on the floor, New pay structure, repeating orders back to guests, merging checks, coffee training, Mising tables, labeling all comps.

FINAL NOTES: Today was steady from the start. The restaurant filled up quickly, and the

Figure 4. A Sample of Daily Operational Log and Coding on ATLAS.ti

Due to the exploratory nature of my study while building on the existing strategy-control framework, I take both the deductive approach and the inductive approach. The deductive approach is coding based on the preconceived categories or codes in the existing literature, whereas the inductive approach is directly drawing codes, categories, or themes from the data (Cavanagh, 1997; Dey, 2003; Elo & Kyngäs, 2008; Kondracki et al., 2002; Mayring, 2015). Both approaches involve three steps:

1) data preparation,
2) organizing – using either deductive approach or inductive approach, and
3) reporting.

Deductive approach involves developing categories based on theories (Elo & Kyngäs, 2008). Inductive approach involves open coding, which is to tag or write notes and headings while reading the text. Then, the notes and headings are grouped under higher order of headings, eventually reducing the number of categories by collapsing similar categories (Dey, 2003; Elo & Kyngäs, 2008). For my dissertation, I take the deductive approach to define major categories of operational control by relying on the existing literature and the structure of operational logs pre-defined by the executive management at my research site. Then, I take the inductive approach to identify the dimensions of each operational control category.

In order to prepare for content analysis, I conducted a pilot open coding of 20 daily operating logs from each restaurant – total of 60 logs for all three restaurants – randomly selected from March 2018 thru March 2019. During this preparation phase, I gained an understanding the basic operations at each restaurant and identified the recurring themes and patterns in data relying on the existing literature. Then, excluding the operating logs used for the pilot open-coding, I randomly selected 100 daily logs from each restaurant – total of 300 logs for all three restaurants – over the same period of March 2018 thru March 2019. While following the structured categories already specified by the top executive management team and relying on the operational control categories identified in the existing literature, I open-coded the texts to identify the dimensions of each operational control category. I iterated the process of reading the daily reports, comparing them with the collected field documents, and revising the dimensions.

CHAPTER 6

FINDINGS: THE GOOD RESTAURANT GROUP (TGRG)

Hybrid Strategy at The Good Restaurant Group (TGRG)

The Good Restaurant Group (TGRG) built its business model on its own conception of hospitality that drives its social impact and financial sustainability. TGRG strives to provide genuine hospitality to its guests so that its restaurants can build special relationships with the guests in a way that it creates value to its stakeholders – including the guests, employees, farmers and suppliers, and the communities it serves. Hospitality enables TGRG to achieve both financial sustainability and social mission.

TGRG's goal is to build business by satisfying the needs and expectations of their guests to a point where they would make repeat visits and referrals, contributing to TGRG's sales growth. In order to do so, TGRG provides their guests with dining experiences that build "special" connections with their guests in the dimensions of food, service, ambience, philosophy, and values.

> The focus of our staff is to provide dining experiences – through food and personal touches in service – that make our guests feel special. When we bring new hires on, we make sure to spend time talking about how important teamwork is and guest retention is. … it is their job to work together to turn every dining experience into one that will bring twenty good referrals and repeat visits. We strive to have the guests ask for our staff by name. (Executive management team[4], field notes[5])

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[4] Executive management team – including The Good Restaurant Group's owner, Director of Operations, and Culinary Director – oversees operations at all restaurants. Due to the sensitivity of the topics discussed, I refer to the whole team instead of each individual to quote interviews, conversations, or field notes that were usually collected in a group setting involving all three or at least two of the three members.

[5] According to the APA Publication Manual, *personal communication* includes sources such as private letters and e-mail, personal conversations, phone calls, etc.

TGRG's executive management team – consisting of the owner, Culinary Director, and Director of Operations – emphasizes the complementarity of food, service, and hospitality at all of their restaurants. The food has to consistently taste great and the service must be designed for staff to preemptively attend to all of the possible needs of the guests. Then, it is the genuine hospitality that takes the great food and service at TGRG's restaurants to the level of amazing food and exceptional service that create competitive advantage. TGRG's conception of genuine hospitality is to connect with their guests by going beyond the superficial elements of the dining experience and inviting them to learn about the TGRG's identity and values in terms of its philosophy behind sourcing, cooking, hiring, and operating. Revealing their social mission behind their operations allows the guests to relate to the TGRG's social identity and develop a special bond, which contributes to the TGRG's revenues and profits by bringing the guests back as well as their referrals. In this sense, TGRG's commitment to providing high-quality food and high-quality service with genuine hospitality achieves the company's strategic pursuits for both social mission and financial sustainability.

At TGRG, maintaining the revenue stream is critical in achieving its financial sustainability, which, in turn, allows TGRG to accomplish its social aims including hiring and retaining skilled employees, providing benefits and appropriate pay to its employees, facilitating a learning environment for employees' growth and development, supporting the local farmers and suppliers, supporting the local community each restaurant serves, and supporting the restaurant industry. Without achieving financial sustainability, TGRG cannot create social value. Without creating social value, TGRG cannot achieve financial sustainability in the long term. Therefore, it is crucial for each of the TGRG restaurants to find a unique balance between social mission and profit aims and configure activities that achieve a unique set of strategic objectives.

TGRG sets a set of social mission objectives at the company level and achieves these objectives by mobilizing their diversified restaurants to reach out to various markets and communities. Therefore, TGRG configures a unique balance between social mission and profit aims for each restaurant based on the strategic positioning of the restaurant that determines its market, workforce, and community. Below, I describe the strategic positioning of each restaurant in the dimensions of service mode, menu or dining style, and average check per person. Based on the strategic positioning of each restaurant,

In order to fulfill a wide spectrum of guests' needs and achieve its mission of widening its social impact while maintaining financial sustainability, TGRG diversifies the strategic positioning of its restaurants in terms of their dining styles, service modes, and menu style, while achieving TGRG's social and financial objectives. TGRG owns multiple restaurants with multiple concepts. In this study, I focus on three of TGRG's restaurants – Restaurant A, Restaurant B, and Restaurant C – that have distinct strategic positioning requiring different sets of organizational structure, operating activities, and operational control practices. Table 4 summarizes the strategic positioning of the three restaurants in terms of the service mode, dining style, other features that distinguish one restaurant from another. Restaurant A and Restaurant B are full-service restaurants with a dining space where the guests are seated at tables, order with a server, dine, and then pay for their meals. Restaurant C is a limited-service restaurant where the guests order, pay, and then get their food.

Restaurant A is a full-service restaurant that falls between upscale and fine dining, where an average check per person is $45. Restaurant A's food menu offers chef-driven, high-quality dishes prepared with a creative culinary approach to the American cuisine. Some sample dishes at Restaurant A include a salad at the price of $13, a pasta dish at $20, a steak dish ranging from $28 to $58 depending on the cut (in 2019 U.S. dollars). The menu at Restaurant A changes seasonally, featuring daily specials. Restaurant A offers higher-end alcoholic beverage menu that includes wine, spirits, and beer. Restaurant A is open for dinner services daily and brunch service on Saturdays and Sundays only. Restaurant A takes both reservations and walk-ins. Restaurant A's goal is to provide high-quality food and high-quality hospitality that will maximize guests' satisfaction with food and dining experience.

Restaurant B is a full-service restaurant offering American breakfast and lunch items. Some sample dishes at Restaurant B are pancakes at the price of $13, a sandwich at $13, and a salad at $12. The restaurant features a bar area for coffee drinks and other non-alcoholic beverages. Guests dine in a casual atmosphere where an average check per person is $18. Their menu changes seasonally, featuring daily specials. Restaurant B does not take reservations. Restaurant B's focus is to provide consistently good-quality food through customized hospitality. Compared to Restaurant A where guests come in to enjoy high-quality unique dining experience, guests who come to Restaurant B expect consistency in food and promptness in service. Thus, table turnaround and sales volume are two crucial sales drivers at Restaurant B.

Table 4

Strategy of The Good Restaurant Group (TGRG)

Panel A: Hybrid Strategy of The Good Restaurant Group (TGRG)

TGRG's hybrid strategy	▪ Provide high-quality food and high-quality service with genuine hospitality ▪ Support sustainable environment by adopting farm-to-table and nose-to-tail practices ▪ Create social values by supporting its stakeholders and the communities it belongs

Panel B: Strategic Positioning of Three Restaurants

		Restaurant A	*Restaurant B*	*Restaurant C*
Service mode		Full-service	Full-service	Limited-service
Menu/dining style in (C) and (P) †		(C): between Upscale and Fine dining (P): Fine dining	(C): Midscale (P): Casual	(C): Fast-casual (P): Quick service
Specialty		American	American	American
ACPP††		$45	$18	$12
Average entrée $		$27	$11	$9
Service	Breakfast/ Lunch	Saturday and Sunday only	Daily	Daily
	Dinner	Daily	n/a	Daily

†(C) classification from the Canziani et al. (2016) study; (P) classification from the Parsa et al. (2020) study

†† ACPP = average check per person in 2019 U.S. dollars

Restaurant C is a limited-service restaurant offering American fast food such as burgers and fries prepared to order, using fresh, high-quality ingredients. The menu at Restaurant C remains the same year-round and does not feature daily specials. Restaurant C sells non-alcoholic beverages for to-go and is open for lunch and dinner. At Restaurant C, consistency and promptness in food quality and delivery is crucial for guest satisfaction. Guests come back to Restaurant C for the consistency in food quality and taste as well as for convenience in ordering and taking food to go.

TGRG strives to achieve their social mission as much as possible at all of their restaurants. For example, at all of their restaurants, employees' career development, financial security, health, wellness, and safety are valued and prioritized. All of the restaurants source from local suppliers and farmers to bring fresh, high-quality ingredients to the guests while minimizing carbon emission. All of the restaurants emphasize waste reduction. All of the restaurants emphasize civic engagement and support. However, because of different strategic positioning and different sets of operating activities required at restaurants, it is impossible for all of TGRG to achieve all of the social objectives equally at all restaurants. Among the three restaurants in my study, Restaurant A engages in social activities more frequently than Restaurant B and Restaurant C. For example, because Restaurant A requires various levels of employees for their operations, they have more opportunities to provide career development to their employees and contribute to developing the restaurant industry workforce. Restaurant A focuses on providing a unique dining experience to the guests, they can spend relatively more time on informing their guests about their company-wide social mission and promote their policies on environment protection such as getting rid of straws at TGRG restaurants, buying whole animals and using all the parts in cooking without wasting, contributing to carbon emission reduction by purchasing directly from local farmers. Engaging their guests in the company-wide social mission and interacting with the community members often lead to opportunities to hold fundraising events for charities at Restaurant A.

Operating Activities at The Good Restaurant Group (TGRG)

In order to bring high-quality food and high-quality service with genuine hospitality to their guests, TGRG incorporates its social values into operating activities that are configured at the operating unit (restaurant) level to support the corporate-level, hybrid strategic pursuits. TGRG's operating activities involve its stakeholders including farmers and suppliers who grow fresh, seasonal produce and produce artisanal products to be used at the restaurants to make high-quality food, the restaurant industry and the local community in which its restaurants operate, and their frontline employees who actually produce high-quality food and provide high-quality service with genuine hospitality to the guests. It is crucial for TGRG to find, develop, and maintain a sustainable network of stakeholders behind their products and services to support their strategic focus. TGRG's operating activities fall under two categories:

1) operating activities related to food preparation and production (or back-of-house (BOH) activities) and

2) operating activities related to service (or front-of-house (FOH) activities).

TGRG configures operating activities in line with not only the corporate-level strategic focus on creating both social values and financial sustainability, but also the strategic positioning of each operating unit. I discuss operating activities next, followed by the strategic positioning of each restaurant, or operating unit, analyzed in my dissertation.

Operating Activities Related to Production (Back-of-House)

Production of high-quality food requires sourcing high-quality ingredients and hiring skilled back-of-house (BOH) employees. At all of its restaurants, TGRG is committed to farm-to-table and nose-to-tail operations. Farm-to-table practice refers to sourcing fresh produce and ingredients from local farmers and suppliers of high integrity. The manager-level back-of-house staff – including Executive Chefs and Sous Chefs – make regular visits to the local farms where they source their produce from to ensure that they work with ethical, sustainable farmers and suppliers who handle the produce with care and integrity and in compliance with regulations. Sourcing locally not only provides an outlet for small local farmers and suppliers to build their business, but also establishes transparency and trust for the guests in terms of where the ingredients are coming from and how the ingredients are grown and prepared.

TGRG adopts whole-animal (or nose-to-tail) butchery and cooking. They purchase whole animals and break down and distribute the cuts to the restaurants[6]. This nose-to-tail practice serves several purposes at TGRG including waste reduction and motivating BOH staff to execute cookery with high-level of care, finesse, and creativity out of the respect for the whole animal. The nose-to-tail practice inspires and motivates the BOH staff to be creative with less sought-after parts to make dishes that can benefit

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[6] Depending on the demand, BOH manager (Executive Chef or Head Cook) at each restaurant makes decisions to purchase additional cuts from their suppliers.

not only the restaurant's operating margin but also the sustainability of local agriculture. Butchering the whole animal takes place at a designated station that is visible to the employees and restaurant guests. This visibility allows employees – both back-of-house (BOH) and front-of-house (FOH) – to develop respect for the animals served to their guests and communicate with each other about the nose-to-tail practice, their suppliers' farming practice and philosophy, and the advantages of their nose-to-tail practice. This communication allows employees to develop shared values and beliefs and identify with TGRG's vision for its social impact. As TGRG's employees, it becomes their self-induced responsibilities to understand how the animals were fed and raised and ensure ethical, sustainable farming practices of their suppliers. TGRG's sustainable BOH operating practices inspire not only their employees but also their guests to be proud of where they work and where they eat., allowing the guests to identify with TGRG's social values and develop special bond with the company.

In order to create synergy between TGRG's strategic focus for social impact and its profit goals, it is an imperative for TGRG to attract and retain skilled BOH staff who can not only learn and absorb the values of TGRG but also bring creativity to the table. At all of its restaurants, in addition to the required skills in the kitchen such as basic cookery, time management, stress management, and multitasking, TGRG strives to build the BOH teams with those who have love and passion for cooking healthy, high-quality food for the guests. In order to attract and retain the best staff, TGRG offers competitive compensation, training, flexible schedule, career development opportunities, and mentoring. Offering mentoring and career development opportunities play a major role in finding and retaining the right people with the right skills at TGRG. Those who value opportunities for moving up in their career and having mentors to guide them as they build their career are more likely to adopt and absorb skills and values at TGRG than others because they share long-term vision for their success in the restaurant industry. TGRG believes that genuine hospitality stems from the employees who truly believe the values and goals of TGRG to make social impact and actually implement their strategy in day-to-day operations to achieve their goals both socially and financially.

Operating Activities Related to Service (Front-of-House)

TGRG's service (FOH) activities are configured to acquire competitive advantage through their social impact and achieve financial sustainability. FOH activities that are configured at TGRG, just like other restaurants, to ensure satisfactory service to the guests include managing reservations, processing orders correctly, running food to tables in a timely manner, and maintaining the restaurant ambience. However, TGRG strives to provide high-quality service to their guests with genuine hospitality and differentiate the guest's dining experiences at TGRG restaurants from others. TGRG employees are responsible for managing the guests' perceptions towards their experiences at TGRG through genuine hospitality.

> Hospitality is everything – from how we greet our guests to how we make them want to come back. We can train our servers and food runners to greet the guests warmly, to attend to the guests throughout their entire visit, to keep water glasses full at all times, and to keep the tables clean. We can train our managers to touch tables[7] at least once so that our guests feel special when they dine at our restaurants. But genuine hospitality is more than just checking off these boxes. (While completing these tasks)

[7] Table touching refers to FOH managers – either General Manager or Assistant Manager at TGRG restaurants – checking on the guests to ensure smooth and satisfactory dining experiences.

> you need to be sincerely determined to give our guests the best dining experience possible by reading them, their needs, and their expectations. There is a limit to training someone on how to be genuinely hospitable – for some, it just comes natural to them and they are the ones we want to build our team with. (Executive management team, field notes)

> Every guest that enters the door comes with different expectations and preferences. For example, a medium-well steak in our eyes can be perceived as a medium-rare steak to a guest. It is not our job to find out who is right, but it is our job to find out exactly how that guest wanted the steak cooked and provide exactly that. [Genuine hospitality] is what turns our guests' dining experiences from average to exceptional. We want to make our guests feel special so that they come back to us with more referrals. (Executive management team, field notes)

> An exceptional dish becomes average if there is no genuine hospitality provided with the dish. However, an average dish can become an exceptional one when served with genuine hospitality. It is about managing the guests' perceptions and perspectives by connecting with our guests through our stories and values behind our food and service. (Executive management team, field notes)

FOH employees build relationships with the guests as the face of the restaurant. Therefore, it is crucial for TGRG to hire people who share similar values, thus have potential to be trained as the representatives of TGRG. FOH activities related to service are crucial for TGRG to acquire competitive advantage as a hybrid organization pursuing both social impact and financial sustainability. Building relationships with the guests not only allows the FOH employees to learn more about the guests and better serve them, but also facilitates platform where the employees can educate their guests about TGRG's identity in terms of TGRG's social values and philosophy behind the restaurant's operations. Mutually learning about each other, especially connecting with the guests on the dimensions of social values, allows the guests to identify with TGRG at a deeper level and creates a unique, special bond between the guest and TGRG. Building special bonds with the guests creates competitive advantages for TGRG restaurants. This competitive advantage eventually drives their sales and operating margin which, in turn, benefits TGRG's stakeholders including the employees, the farmers and suppliers, and the communities it serves including the restaurant industry – allowing TGRG to achieve both its social mission and financial sustainability.

Due to the difference in strategic positioning, operating activities configured at each restaurant differ across three restaurants as summarized in Table 5. The BOH Manager at Restaurant A (Executive Chef) is responsible food preparation, food production, purchasing, menu development, inventory management, BOH hygiene, and BOH employee training. However, at Restaurant B and Restaurant C, the BOH managers (Head Cook) are exempt from menu development and employee training as these activities are executed at the executive management level. The executive management team determines menu at Restaurant B and Restaurant C so that they can provide consistency in menu that the guests at these two restaurants expect, while guests at Restaurant A expect unique, new menu items on a seasonal basis. Employee training is not a priority at Restaurant B and Restaurant C as the menu items require basic cooking skills. However, at Restaurant A, high-level cooking skills are required, and Executive Chef engages in teaching and training the BOH employees in order to execute the dishes accurately. These differences across restaurants explain the variance in each restaurant's configuration of social activities. Because menu items are determined for Restaurant B and Restaurant C, ingredients used for food production are limited whereas Restaurant A has more flexibility in using all parts of the whole animal and supporting employees' career development which contributes to developing the industry workforce.

Table 5

Operating Activities of Restaurants at The Good Restaurant Group

	Restaurant A	Restaurant B	Restaurant C
Production: Back-of-House (BOH)			
Product-related activities:			
Preparation and production	Yes	Yes	Yes
Inventory management	Yes	Yes	Yes
Purchasing	Yes	Yes	Yes
Menu development	Yes	-	-
Hygiene	Yes	Yes	Yes
Labor-related activities:			
Scheduling	Yes	Yes	Yes
Training	Yes	-	-
Service: Front-of-House (FOH)			n/a[8]
Service-related activities:			
Providing genuine hospitality	Yes	Yes	
Processing reservations	Yes	n/a	
Managing Dining Time	Yes	Yes	
Maintaining ambience	Yes	Yes	
Hygiene	Yes	Yes	
Labor-related:			
Scheduling	Yes	Yes	
Training	Yes	Yes	
Production and Service: BOH & FOH			
Teamwork - communication	Yes	Yes	n/a
Community engagement	Yes	Yes	Yes

General Managers at both Restaurant A and Restaurant B are responsible for service-related activities such as delivering food to tables in a timely manner, managing reservations, providing genuine hospitality to guests, purchasing any items needed in the dining area, maintaining the ambience, maintaining the dining area hygiene, and training

[8] Restaurant C offers limited service, thus there is no front-of-house activities. Head Cook makes sure that the guests get the food they ordered in a timely manner.

FOH staff on the food and service. Both BOH Managers and FOH Managers are expected to communicate with each other and work as a team. Also, as a team, they are responsible for proactively engaging in the community that they serve.

Table 6 shows the descriptive statistics of total sales (including both food and beverages), food sales, food comps (or complimentary food offered to guests[9]), total front-of-house (FOH) labor cost, and total back-of-house (BOH) labor cost for three restaurants during the sample period of March 2018 thru May 2019[10]. Due to the non-disclosure agreement with TGRG, all the numbers are disguised using the same multiplier for all three restaurants. Restaurant A has the highest total sales and Restaurant C has the lowest total sales. When the food sales are separated from the total sales, beverage sales take up a relatively large portion of total sales at Restaurant A, compared to Restaurant B and Restaurant C. Due to the nature of Restaurant B, where the speed of food delivery to the table is critical in keeping customers satisfied, staff are more likely to make mistakes taking the order, processing the order, and delivering the ordered items, leading to relatively higher food comps compared to Restaurant A and Restaurant C. Because both Restaurant A and Restaurant B are full-service restaurants, they incur FOH labor costs while there is no service at Restaurant C. At Restaurant A, the strategic positioning of its fine-dining concept is implemented through unique menu, which contributes to a relatively high BOH labor cost, compared to Restaurants B and C.

[9] TGRG restaurants track food comps that were offered to guests who were not satisfied with the food and food comps that were offered to their high-priority guests.
[10] During the sample period of March 1, 2018 thru May 31, 2019, only the dates, for which all three restaurants recorded their daily financial data, were included in the analysis.

Table 6

Descriptive Statistics for Restaurants A, B, and C at The Good Restaurant Group
(Sample period: March 2018 thru May 2019)

variables		*Restaurant A* (N=346)	*Restaurant B* (N=346)	*Restaurant C* (N=346)
total sales	mean (std. dev.)	8,865.47 (6,576.45)	5,403.80 (2,962.33)	2,466.64 (1,230.04)
	min	820.76	1,603.97	181.67
	max	40,070.75	15,503.65	8,431.52
food sales	mean (std. dev.)	5,327.29 (3,965.03)	4,341.00 (2,415.14)	2,299.09 (1,161.59)
	min	353.85	1,358.43	173.04
	max	17,552.61	10,532.84	8,079.40
food comps	mean (std. dev.)	88.00 (103.38)	164.90 (82.11)	0 (0)
	min	0	7.54	0
	max	825.07	440.50	0
FOH labor	mean (std. dev.)	460.33 (299.71)	373.78 (144.47)	
	min	79.59	122.81	n/a
	max	1,496.42	934.51	
BOH labor	mean (std. dev.)	801.36 (295.46)	560.85 (758.75)	370.53 (195.40)
	min	193.48	74.24	57.36
	max	1,997.29	4,269.76	1,118.42

As can be seen in the list of operating activities in Table 5 and the descriptive statistics in Table 6, Restaurants A, B, and C at TGRG run distinct operations on a daily basis to achieve their financial sustainability as well as the social mission. Each restaurant configures a unique set of operating activities to achieve social objectives and financial objectives in their own way. Next, to answer my research questions, I first document the operational control dimensions identified at each restaurant that monitor operating activities in supporting the social mission and financial objectives. Then, I delve into variations in managerial attention placed on different dimensions of operational control on a daily basis.

Operational Control at The Good Restaurant Group (TGRG)

At TGRG, operations are structured and controlled at two levels – one at the corporate management level and the other at the operating-unit level. TGRG's organizational structure and operating activities are configured to pursue bot social mission and financial sustainability. In order to achieve its hybrid goals, TGRG's leadership – or executive management team consisting of the owner, Culinary Director, and Director of Operations – has created an organizational identity and culture that align workplace standards, norms, and values with TGRG's goals for social impact and financial sustainability. Based on these corporate-level standards, norms, and values, the executive management team not only steers the restaurant managers to implement TGRG's objectives at the operating unit level, but also monitors and improves the restaurant operations so that TGRG restaurants can collectively achieve financial sustainability that enables the company to achieve social impact. TGRG's control practices begin with hiring and training the right manager-level staff at each restaurant so that the staff can monitor and oversee daily operations in implementing TGRG's strategic objectives as well as each restaurant's distinct strategic positioning.

The positions and roles in each restaurant vary across different strategic positioning of the restaurant. TGRG's executive management team configures the organizational structure that supports the strategic positioning of each restaurant. TGRG's executive management team is in charge of hiring and training the manager-level staff at each restaurant. They strive to attract the restaurant industry professionals who are not only skilled but also passionate about TGRG's values and goals. While the executive management team closely oversees the restaurant operations through weekly meetings, emails, and mobile communication, each restaurant operates as an independent entity and requires the manager-level staff to make decisions every day, if not every hour. The manager-level staff at each restaurant train their team to implement sustainable practices and provide genuine hospitality to not just the guests, but anyone who walks into or calls the restaurant, including peers in the workplace or in the industry. Being environmentally sustainable or being genuinely hospitable is a subjective matter that requires the tone at the top to define what it means for the company and at the restaurant. Therefore, it is imperative for TGRG to retain the manager-level staff who have internalized their values, thus can train their team members at the restaurant level and manage accordingly.

The industry has long been known for its toxic work environment and hostile culture characterized by, for example, high stress and long shift hours that negatively affect both mental and physical health of the workers, sexual harassment, and use of vulgar language. However, in recent years, there have been significant changes in the restaurant industry in terms of its members exerting explicit effort and taking visible actions to understand and correct the wrongs in the industry culture. TGRG's executive management team spends time and resources to find the right people who resonate with

TGRG's values for genuine hospitality and social influence and attract the right people by offering employee benefits program, competitive pay, and mentorship. TGRG's executive management team chooses to invest in the manager-level staff who can foster TGRG's values and standards for genuine hospitality and implement their strategic objectives successfully in the daily restaurant operations.

Based on the distinct strategic positioning of each restaurant unit, TGRG executive management team configured an organization structure at each restaurant that best supports the daily operating activities at each restaurant. As shown in the organizational structure charts for Restaurant A, Restaurant B, and Restaurant C (Figures 5 – 7), TGRG executive management team oversees the operations at all of TGRG restaurants. Culinary Director is in charge of overseeing the back-of-house (BOH) operations and Director of Operations is in charge of overseeing the front-of-house (FOH) operations. And both Culinary Director and Director of Operations report to the owner and the three executive team members make managerial decisions as a team. The executive management team goes around all of TGRG restaurants for weekly meetings.

At Restaurant A (Figure 5), operating activities related to food production, or back-of-house (BOH), are managed by one Executive Chef. Executive Chef is in charge of developing seasonal menu items as well as daily special items based on the inventory, producing high-quality food, keeping guests satisfied with food, purchasing food inventory, building relationships with local farmers and suppliers, scheduling shifts for BOH staff, coordinating and communicating with both BOH staff and FOH staff, managing both food costs and BOH labor costs, and overseeing the performance of BOH staff including two sous chefs, line cooks, and dishwashers. Operating activities related to service, or front-of-house (FOH), are managed by one General Manager. General Manager is in charge of managing reservations and special events, purchasing beverage inventory, maintaining the restaurant ambience, dealing with any guest-related issues

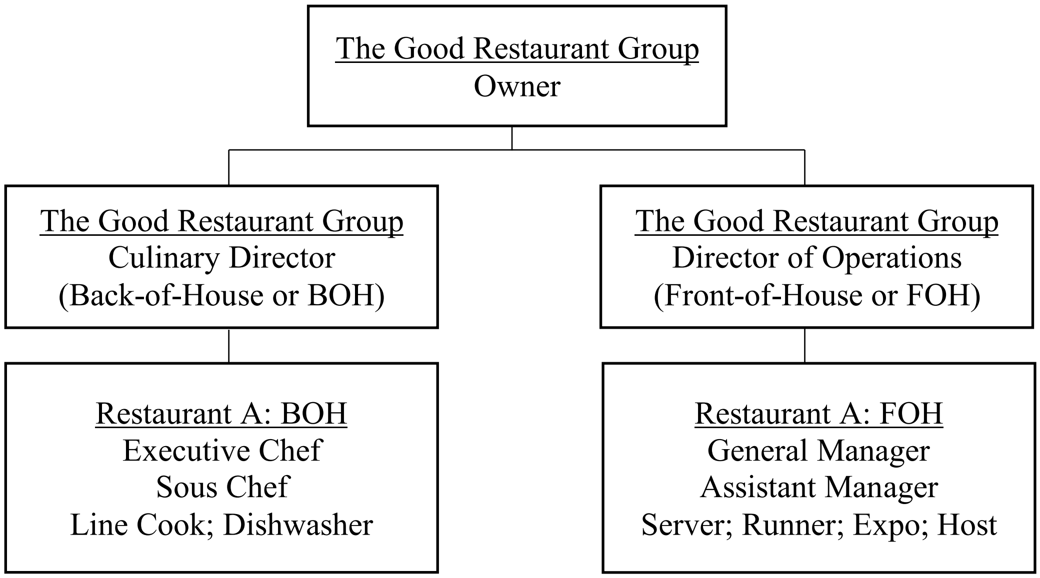

Figure 5. Organizational Chart for Restaurant A at The Good Restaurant Group

during service, coordinating and communicating with both BOH staff and FOH staff, managing FOH labor costs, and overseeing the performance of FOH staff including assistant manager, hosts, servers, food expos who are in charge of giving each item that comes out of the kitchen a finishing touch, and food runners who are in charge of bringing food to the table as soon as ready. Executive Chef directly reports to Culinary Director and General Manager directly reports to Director of Operations.

At Restaurant B (Figure 6), operating activities related to food production, or back-of-house (BOH), are managed by one Head Cook. Head Cook is in charge of preparing food items per recipes handed down by Culinary Director, developing daily

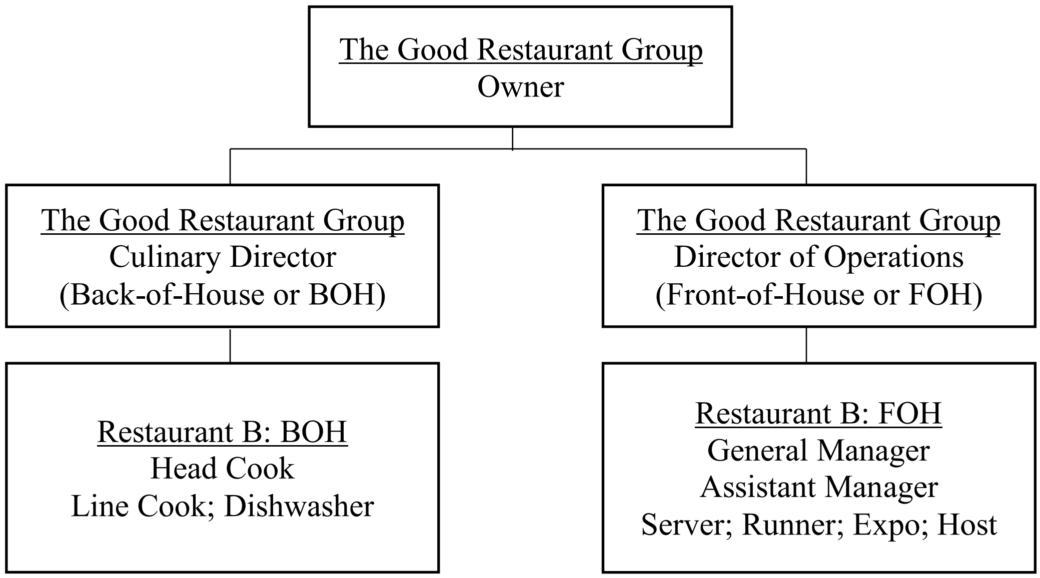

Figure 6. Organizational Chart for Restaurant B at The Good Restaurant Group

special items based on inventory, purchasing inventory, coordinating with both BOH and FOH staff, and overseeing the BOH staff performance including line cooks and dishwashers. The role of Head Cook at Restaurant B is different from the role of Executive Chef at Restaurant A as the menu development, scheduling shifts for BOH staff, and management of BOH labor costs are handled at the executive management team level for Restaurant B. Head Cook is not as skilled as Executive Chef at Restaurant A. Operating activities related to service, or front-of-house (FOH), are managed by one General Manager. General Manager at Restaurant B is in charge of purchasing beverage inventory, maintaining the restaurant ambience, dealing with any guest-related issues during service, coordinating and communicating with both BOH staff and FOH staff, managing FOH labor costs, and overseeing the performance of FOH staff including assistant manager, hosts, servers, food expos, and food runners. Head Cook directly reports to Culinary Director and General Manager directly reports to Director of Operations.

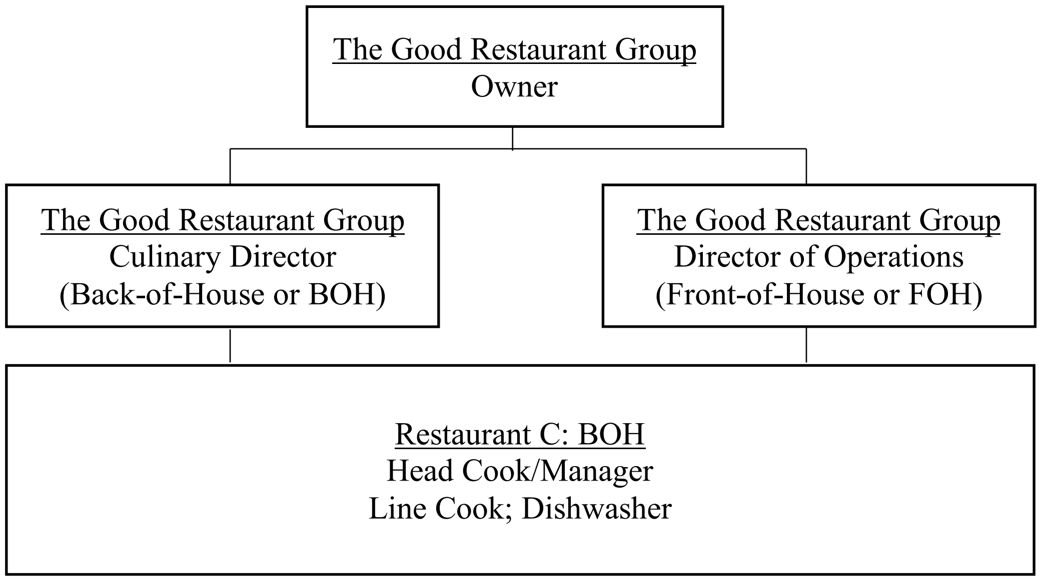

Figure 7. Organizational Chart for Restaurant C at The Good Restaurant Group

At Restaurant C (Figure 7), operating activities related to food production, or back-of-house (BOH), are managed by one Head Cook. Head Cook is in charge of preparing food items per recipes handed down by Culinary Director, purchasing inventory, and overseeing the BOH staff performance including line cooks and dishwashers. The executive management team handles menu development, scheduling shifts for BOH staff, and management of BOH labor costs. The role of Head Cook at Restaurant C is slightly different from the role of Head Cook at Restaurant B as Restaurant C does not have floor service. Guests order at the kiosks, pay, and then take food to go. Therefore, Head Cook at Restaurant C is also in charge of dealing and reporting any guest-related issues. Head Cook at Restaurant C directly reports to both Culinary Director and Director of Operations.

As operating activities that implement different strategic positioning at three restaurants vary, so do the operational control dimensions configured to monitor operating activities vary across restaurants. In Table 7, I identify a list of operational control dimensions associated with the operating activities identified in Table 5. Table 8 identifies the means used to execute operational control.

Starting with the BOH activities, in order to monitor food preparation and production, managers monitor food quality and ticket time. Managers evaluate food quality through two channels: performance evaluation and guest satisfaction. Managers evaluate BOH performance through meetings, tasting, and surprise visits on a monthly basis. Guest satisfaction as well as guest complaints are recorded in the daily operational log and monitored on a daily basis. Because guests' expectations for food quality varies across restaurants, Restaurant A monitors guest reactions to food quality more intensively than other two restaurants. Ticket time – the time it takes from ordering to getting the food – is monitored on-site and reported on a daily basis at all restaurants as it sets the tone for the guest's dining experience and hospitality. Food cost is monitored on a daily basis using the daily financial reports and evaluation and planning for food cost management occurs at weekly meetings. Since Restaurant A has more flexibility in developing menu independently, monitoring supply quality is more intensive at Restaurant A compared to Restaurants B and C. The kitchen hygiene is one of the main priorities at all restaurants and is monitored through surprise visits and health inspections. BOH labor-related controls include monitoring BOH staffing, labor cost, training and teamwork. Three restaurants require different amount of labor for food production and preparation. Restaurant A requires more skilled labor than Restaurants B and C,

Table 7

RQ1: Operational Control Dimensions at Restaurants A, B, and C

Operating Activities	RQ1: Operational Control	Restaurants A	B	C
Product-related:				
Preparation and production	1. Food: performance evaluation	High	Low	Low
	2. Food: guest satisfaction	High	Moderate	Low
	3. Ticket time	High	High	High
Inventory Management	4. Food cost	High	High	High
Purchasing	5. Supplies quality	High	Low	Low
Menu development	6. Menu development	High	Low	Low
Hygiene	7. BOH Hygiene	High	High	High
BOH labor:				
Scheduling	8. BOH Staffing	High	Low	Low
	9. BOH Labor cost	High	Low	Low
Training	10. BOH Training	High	Low	Low
	11. BOH Teamwork	High	High	High
Service-related:				
Providing genuine hospitality	12. Service: performance evaluation	High	Low	n/a
	13. Service: guest satisfaction	High	Low	n/a
Reservations	14. Reservation management	High	n/a	n/a
Dining time	15. Table turnaround	Low	High	n/a
Maintaining ambience	16. Ambience maintenance	High	High	n/a
Hygiene	17. FOH Hygiene	High	High	n/a
FOH labor:				
Scheduling	18. FOH Staffing	High	High	n/a
	19. FOH Labor cost	High	High	n/a
Training	20. FOH Training	High	High	n/a
	21. FOH Teamwork	High	High	n/a
BOH & FOH:				
Teamwork	22. BOH & FOH Teamwork	High	High	n/a
Community	23. Community Engagement	High	High	High

contributing to the high labor cost at Restaurant A. Therefore, BOH staffing, labor cost, and training are monitored more intensely at Restaurant A than at Restaurants B and C. BOH teamwork is a high priority at all restaurants for smooth daily operations.

In terms of FOH-related activities, managers monitor providing genuine hospitality to guests by evaluating service performance and by reporting guest satisfaction and complaints on a daily basis. Because of higher emphasis on providing unique dining experience to guests at Restaurant A compared to Restaurant B, Restaurant A FOH staff are evaluated and trained more intensely on a daily basis through daily meetings. Restaurant A takes reservations unlike other two restaurants, thus managing reservations is a priority at Restaurant A. Table turnaround is measured and reported on a daily basis at Restaurant B where sales volume is crucial in revenue management. Ambience maintenance as well as hygiene maintenance in the dining area are high priorities at Restaurants A and B.

At both Restaurants A and B, communication and teamwork between FOH staff and BOH staff is essential for smooth daily operations. Genuine hospitality stems from the solid teamwork among the restaurant employees. Managers at all restaurants are encouraged to support the community that each restaurant serves and engage in community activities that promote social impact for good.

Next, in order to answer RQ2, I conduct content analysis of the operational control dimensions that are monitored through daily operational controls. In Table 8, I identified the means used by the managers to monitor each dimension of operational control. After open-coding 300 daily operational logs using ATLAS.ti, I grouped the

Table 8

Restaurant Managers' Means to Operational Control at The Good Restaurant Group

Production: Back-of-House (BOH)	(at Restaurants A, B, and C)
Product-related controls:	
1. Food: performance evaluation	Meetings; Tasting
2. Food: guest satisfaction	Daily operational log; Guest reviews on social media
3. Ticket time	Daily operational log; on-site monitoring
4. Food cost	Daily financial report; Meetings
5. Supplies quality	Meetings with suppliers
6. Menu development	Meetings; Tasting
7. BOH Hygiene	Health inspection; Surprise visits
BOH Labor-related controls:	
8. BOH Staffing	Weekly schedule
9. BOH Labor cost	Daily financial report; Meetings
10. BOH Training	In-person training sessions
11. BOH Teamwork	Meetings; Daily operational log
Service: Front-of-House (FOH)	(at Restaurants A and B)
Service-related controls:	
12. Service quality: performance evaluation	Meetings; Daily operational log
13. Service quality: guest satisfaction	Daily operational log; Guest reviews on social media
14. Reservation management	Meetings
15. Table turnaround	Daily operational log; on-site monitoring
16. Ambience maintenance	Daily operational log; on-site monitoring
17. FOH Hygiene	Health inspection; Surprise visits
FOH Labor-related controls:	
18. FOH Staffing	Weekly schedule; Daily operational log
19. FOH Labor cost	Daily financial report; meetings
20. FOH Training	In-person training sessions
21. FOH Teamwork	Meetings; Daily operational log
Production and Service: BOH & FOH	
22. BOH & FOH Teamwork (at Restaurants A and B)	Team-building meetings; Daily operational log
23. Community engagement (at Restaurants A, B, and C)	Participating in community events; Holding fundraising events; Collaborating with local businesses, local farmers, and local suppliers

coding schemes according to the control dimensions for which restaurant managers use daily operational logs to monitor the corresponding operating activities on a daily basis. These dimensions include:

2. Food quality: guest satisfaction

3. Ticket time

11. BOH Teamwork

12. Service quality: performance evaluation

13. Service quality: guest satisfaction

15. Table turnaround

16. Ambience maintenance

18. FOH Staffing

21. FOH Teamwork

22. BOH & FOH Teamwork

After grouping the coding schemes under these ten dimensions, I measured frequency of each dimension appearing in the daily operational logs (out of 100 logs). In Table 9, I summarize the frequencies measured for ten dimensions that utilize daily operational logs to monitor the corresponding activities at three restaurants.

The content analysis results show that daily operational logs are utilized as a primary mean for effectively monitoring dimensions including guest satisfaction with food quality as well as service quality, table turnaround, and ambience maintenance. On the other hand, for other dimensions, managers utilize means other than daily operational logs as primaries to monitor the corresponding activities. The reason why is that while some activities require monitoring on a daily basis, other activities – especially social

Table 9

RQ2: Content Analysis Results: Restaurant Managers' Attention to Operational Control at The Good Restaurant Group Measured by Frequency (f)

	Restaurant A	Restaurant B	Restaurant C
Production: Back-of-House (BOH)			
Product-related controls:			
2. Food quality: guest satisfaction	f = 63 High	f = 38 Moderate	f = 16 Low
3. Ticket time	f = 9 High	f = 28 High	f = 15 High
BOH Labor-related controls:			
11. BOH Teamwork	f = 18 High	f = 11 High	f = 4 High
Service: Front-of-House (FOH)			
Service-related controls:			
12. Service quality: performance evaluation	f = 21 High	f = 54 High	n/a
13. Service quality: guest satisfaction	f = 69 High	f = 32 Low	
15. Table turnaround	f = 1 Low	f = 46 High	
16. Ambience maintenance	f = 17 High	f = 17 High	
FOH Labor-related controls:			
18. FOH Staffing	f = 22 High	f = 84 High	
21. FOH Teamwork	f = 79 High	f = 49 High	
Production and Service: BOH & FOH			
22. BOH & FOH Teamwork	f = 26 High	f = 52 High	n/a

activities that support social mission – may not require monitoring on a daily basis. For example, decision on which local farmers and suppliers to purchase ingredients from is discussed on a seasonal basis. BOH managers evaluate the quality of produce, meat, and other ingredients on a weekly basis as they get delivered, make a note directly to Culinary Director if there is any quality issues. If there is any quality issue, the problem is solved immediately. If there is no issue reported, then Culinary Director and BOH managers discuss the quality of the current farmers and suppliers and makes a decision whether to continue with them or to seek others with better quality supplies or smaller farmers and suppliers who need promotion as well as business. Therefore, although this operating activity is carried out to achieve social mission of TGRG, the activity does not require daily monitoring using daily operational logs. Therefore, restaurant managers use daily operational logs to monitor activities that require daily monitoring and complement the daily logs with other means including meetings, inspections, and surprise visits to monitor both social and economic activities that are configured to support the social mission as well as financial sustainability at restaurants.

CHAPTER 7

CONCLUSION

Operational control enables managers to monitor operating activities, reinforces organizational values and norms, and guides individuals and teams to align their goals and workplace behavior with the organization's mission. Operational control is particularly important for hybrid organizations that pursue both social mission and financial sustainability. Striking the unique balance between the social value and economic value becomes crucial for the organization's viability in the long term and designing and implementing operational control practices that weave the organization's hybridity into operating activities is critical.

In the first part of my dissertation, I propose an extended strategy-control framework that can be adopted by hybrid organizations when configuring the design of effective operational control to monitor operating activities in implementing the hybrid strategy. Starting from a clear set of social objectives and profit aims of individual organization, managers configure operating activities to achieve both the social mission and financial sustainability of the organization. Then, managers design operational control systems to effectively monitor their operating activities in achieving the unique balance between social mission and financial sustainability. Depending on the nature of the activity, managers employ various means to monitor the activities effectively.

In the second part, I conduct a field study of a restaurant business, The Good Restaurant Group (TGRG), that pursues a hybrid strategy combining both social aims and financial sustainability, to explore the link between its strategic positioning and the dimensions of operational control . TGRG is a type of social hybrid business that must maintain financial sustainability in order to achieve its social aims, including creating jobs, supporting local farmers, suppliers and businesses, supporting the restaurant industry, shifting the employment paradigm in the restaurant industry (that is typically characterized as long hours, intense labor, and low pay), and contributing to the local communities. In order to maintain financial sustainability of its hybridity, TGRG diversifies its business into unique restaurant concepts to reach out to broader markets. In this dissertation, I study TGRG's three restaurants, Restaurant A, Restaurant B, and Restaurant C. Each restaurant has distinct strategic positioning in terms of food production and service each restaurant offers to achieve financial sustainability in its own way. For example, Restaurant A offers fine-casual dining service with an emphasis on providing special dining experience through high-quality food and high-quality service. Restaurant B offers breakfast and lunch menu offering hospitality customized to the guests' different needs. Restaurant C is a limited-service restaurant that ensures guests consistency and quick-delivery of food. As the strategic positioning of these three restaurants vary, each restaurant achieves the company-level social mission in its own way. While all three restaurants focus on sourcing produce and ingredients directly from local farmers and suppliers, securing employee well-being, developing restaurant industry workforce, and reducing waste, Restaurant A has more opportunities – compared to Restaurants B and C – to hold fundraising events for the community, collaborate with local farmers and suppliers to promote their products, and engage in nose-to-tail practice in the kitchen. As each restaurant has a unique way of achieving the balance between social objectives and financial objectives, I document that each restaurant configures a unique set of operating activities to support the balance and utilizes different operational control dimensions to monitor the corresponding activities.

Furthermore, I document that the managerial attention placed on various dimensions of operational control on a daily basis is different due to the nature of activity. For those activities that require daily monitoring, especially operating activities configured to achieve profitability, managers employ daily operational logs to report issues related to those activities on a daily basis. However, for other activities, especially operating activities that support the social mission of the organization, managers use other means to complement the daily monitoring of activities that achieve financial sustainability. Due to the long-term nature of operating activities required to achieve social mission – such as sourcing local farmers, employee training, restaurant industry workforce development, engaging in charity events, engaging in community service, reducing waste, social activities configured to achieve TGRG's social mission are not executed nor monitored on a daily basis.

In the restaurant industry, adopting management practices and operations that promote environment sustainability and social responsibility has become increasingly important with the changes in the environment and customers' preferences and values (Hu et al., 2010; Jang et al., 2015, 2017). My dissertation is the first to propose an extended strategy-control framework for a hybrid organization and explore the link between strategic focus and operational control dimension by conducting a field study. Moreover, I introduce the use of content analysis to measure managerial attention placed on various dimensions of operational control that are configured to monitor operating activities that support the hybrid strategy.

Building on this study, I can further investigate the following topics. First, I can examine whether and how operational controls differ between organizations that pursue social mission as a differentiation strategy and organizations that pursue social mission simply for social good. While my research site coincides more with those who pursue social mission for social good, other organizations that pursue social mission as a differentiation strategy in order to command higher profit margin on their products configure activities that require daily monitoring to measure the direct financial impact of the activities that support social mission. Second, as the restaurant industry is one of the industries that were hit hard by COVID-19, it would be interesting to conduct a longitudinal study of the restaurant industry on how the whole industry, as well as TGRG, has changed after COVID-19 in terms of their pursuits for hybrid strategy. Third, I can examine the operational control for hybrid organizations before and after incorporating social mission in their hybrid strategies. Fourth, I can construct a scale to measure the emphasis placed on the organization's social mission through the organization's social media and suggest a more systematic way to study hybrid organizations. Lastly, I can also study public restaurant companies' disclosures about sustainability and ESG (environmental, social, and governance) matters based on the first set of codified 77 industry-specific reporting standards launched by Sustainability Accounting Standards Board in November 2018.

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