



The Future of Restaurant Leadership

Going Digital While Maintaining the Human Connection

The restaurant industry has taken a quantum leap forward in the last ten years. Once a cash business that regarded the takeout window as a cutting-edge innovation, the sector is being reshaped by developments such as mobile technology, facial recognition and driverless delivery.

What will these and other technological advancements mean for the future of the industry? We spoke with CEOs and other top leaders of prominent quick-service, fast-casual and full-service restaurants to explore what's ahead for this dynamic industry and the implications for leadership, talent and culture.

Participants

John D. Cappasola, President and CEO of Del Taco

Greg Creed, CEO of Yum! Brands

Charlie Morrison, CEO of Wingstop

Anton Nicholas, Partner, Consumer Team, at ICR

Todd Penegor, CEO of Wendy's

Salli Setta, President and Chief Concept Officer at Red Lobster

NEW TECHNOLOGY ACROSS ORDERING AND DELIVERY PLATFORMS

Industry leaders anticipate technological advancements in the following six areas will have the most impact on the business and how they operate:

- » Facial recognition for payment
- » AI and voice recognition to digitize phone conversations
- » Kiosks in the front of the restaurant that allow “frictionless” ordering
- » Increasingly automated kitchens
- » Tabletop devices that let people get their check and pay without flagging down the server
- » Driverless cars and drones for delivery

Underlying these developments is the increasing emphasis on immediate gratification. In a world where people can have a pair of perfectly fitted shoes delivered to their doorstep in a day, today’s customers don’t want to wait.

“When you think about technology, we are not only influenced by what other restaurants are doing — it’s the Amazons of the world influencing what the consumer expects for speed of service and response time,” said Salli Setta, president and chief concept officer at Red Lobster. “The expectation is, ‘I can get whatever I want delivered to me when I want it.’ In effect, our business and leaders have to be nimble and react quickly to respond to these changes in the environment.”

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JOHN D. CAPPASOLA
PRESIDENT AND CEO
OF DEL TACO

Given changing consumer expectations and fierce competition within the industry, it’s clear that leaders don’t have the luxury of patiently considering whether tech developments are worth exploring. In other words: sometimes, leaders must leap before they look.

“What we’ve seen in the technology space is you don’t have to be the first mover, but you have to be one of the first movers,” said Todd Penegor, CEO Wendy’s. “So you need a visionary technology leader to challenge marketing and operations to think about what the world could look like into the future, and really support the speed and convenience philosophy that restaurants need to deliver.”

As a result, leaders must have the vision to allow for innovation and the desire to pursue new developments that may seem implausible at first blush. Some initiatives may fail, but this approach can also position the business at the leading edge of new developments that come to fruition.

“You never want to stifle the early part of the innovation process, because you never know what you might miss out on,” said John D. Cappasola, president and CEO of Del Taco. “It’s the kiss of death when a program gets commercialized while you’re in the concept phase of development. It’s critical that you find the driving idea before you commercialize. I’ve seen it happen, a project gets killed and then a couple of years later, somebody else resurrects it and it turns out to be an unbelievable program and you look at it and ask, ‘What happened?’ And you hear, ‘What happened was we wound up killing it because we couldn’t see the possibilities.’”

RESTAURANTS OF THE FUTURE CAN’T JUST BE “A BUNCH OF ROBOTS”

At the end of the day, however, industry leaders agree that it’s not just about being the fastest and most technologically savvy. Restaurant executives must also remember that they’re in an inherently “human” business, and they must innovate while still providing a welcoming environment for customers, however they engage with the business.

“As much as we desire to digitize everything, there are still people involved, and taking care of people is critical,” said Charlie Morrison, CEO of Wingstop. “We can’t just take a bunch of robots and put them in charge — there’s still a strong desire for human interaction. The question is how do we make sure that we maximize the right human interactions, and minimize the wrong ones?”

Anton Nicholas, partner at ICR and an adviser to restaurant and technology brands, agrees. “Food preferences are inherently personal and the dangers of technology-first management lies in losing sight of the larger physical experience of eating and enjoying food. The food itself and the people that make/deliver it are not made up of zeroes and ones. Imagine the nightmare scenario, where ordering food devolves into an experience akin to dealing with the bots at the cable or phone companies. That’s not a future that will serve the industry or consumers well.”

Getting the balance right requires leaders to walk a fine line — digitization brings convenience and efficiency, and can reduce friction points that detract from the customer experience. At the same time, people don’t care about analytics and distribution networks when they visit a restaurant; rather, they want high-quality food, friendly interactions and comfort.

Red Lobster’s Setta remarks that restaurants have considerations that other industries don’t have to worry about. “Technology companies, for instance, don’t have a direct customer physical interaction,” she said. “That’s fine if I’m developing an online shopping program for a retail store.

Our work isn't through a call center, and it's not executed through an app, it's actually executed through a server in Des Moines, Iowa, or Brooklyn, New York. We need people who can translate what's happening in the technology into a restaurant environment."

Todd Penegor of Wendy's notes that his leadership team constantly evaluates the customer experience to ensure it's up to par, from the softness of the napkins to the thickness of the cups to the freshness of the food.

"The focal point of the Wendy's way is to delight every customer — we want to make sure we really accentuate our fresh, honest ingredients and craveable taste," Penegor said. "We also want to make sure that we provide a friendly, fast service experience. In the end, we want to create a place that the consumer loves to go that's up-to-date, upbeat and comfortable."

In the end, savvy use of technology can improve the customer experience. Red Lobster's Setta observes that customer data can be integrated with direct marketing to tailor specific offers to customers — for instance, those who would be interested in Red Lobster's shrimp offers will get targeted notices about the event. "We're now able to communicate to those who want the 'Endless Shrimp,' but also to people who are interested in other specials or menu items," she said. "By using technology to gather data about our guests, we can provide a much more customized guest experience."



MAINTAINING BRANDING ACROSS THIRD-PARTY DELIVERY PLATFORMS

One of the fastest-growing areas in the industry is delivery, as consumers increasingly want their food brought to them. Delivery growth could reach up to 40 percent of industry sales, according to a study by Morgan Stanley.

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GREG CREED
CEO OF YUM! BRANDS

“To my mind, the biggest opportunity isn’t a digital-centric strategy, it’s a digital delivery centric strategy,” points out Greg Creed, CEO of Yum! Brands. “Because customers want brands that are easy, and the easiest way to access a brand is to have it delivered right to you.”

As Wendy’s Penegor observes, adapting to this growing customer preference requires a great deal of logistical wrangling. Restaurants must not only control food quality, the delivery system and other elements of the process, but they must also make sure to manage the overall experience.

“Delivery is an area where technology can clearly disrupt the business,” he said. “The threat is who controls the branding on delivery — for instance, Door Dash is doing our delivery, but I don’t want folks thinking about Door Dash as their order experience, I want them thinking about Wendy’s. So I need to make sure all this technology is fully integrated into the Wendy’s app, and the app is fully integrated with a 360-degree landscape complete with offers and loyalty. And it should be seamless to the consumer, but still underneath the Wendy’s branding.”

FLUID ORGANIZATIONS THAT ENCOURAGE CROSS-FUNCTIONALITY

The pursuit of leading-edge technological adaptation requires an open, nimble culture that embraces innovation and doesn’t avoid the potential for failure. Culture can also encourage collaboration and help drive results. Culture starts at the top, so leaders must be willing to actively shape a culture that supports the business strategy and not leave culture to chance.

“When I look at my job as the CEO, I think my primary responsibilities start with people and culture and our brand, so I put a lot of time and effort into those things,” Del Taco’s Cappasola said. “Those aren’t responsibilities the CEO can assign to someone else. We own them.”

Culture also can be a differentiator when trying to attract the most in-demand digitally savvy talent. “There is going to be a knockout, drag-out brawl for the best digital delivery talent out there,” said Greg Creed, of Yum! Brands. “Having a great culture is going to be critical to attracting the

world-class players we're going to need in order to execute an unparalleled strategy. Of all the four growth drivers, probably the most important is unrivaled culture and talent. That's the one I personally invest the most time in, to ensure our culture differentiates us."

Lines between functions will become more fluid as organizations try to move faster, so leaders must be amenable to working across silos and breaking down rigid divisions. That means leaders must bridge several disciplines to be nimble and work between functions.

"Digital technologies — including access to information from consumers, the use of apps and web technology, the digitization of everything — is causing all of these lines to blur," Morrison said. "There will be a need for senior management to operate more cross-functionally than ever before."

ADAPTING TO A NEW GENERATION OF CUSTOMERS AND EMPLOYEES

Technology isn't the only element of restaurants that will be changing — a new generation is coming into the workforce, and they have different expectations than previous workers. Leaders, then, must be flexible and willing to work with the millennial and Gen Z mindsets.

"I read a recent study that said 50 percent of millennials want recognition and feedback on a weekly basis," Cappasola said. "I think leadership needs to be in tune with the needs of those employees as much as the needs of the consumer if they want to move their culture and really evolve."

The younger generation also cares about where their food is coming from, and they want to know that ingredients are sustainably sourced. They tend to have a stronger sense of purpose, which carries over to their dining habits — they have a greater interest in responsibly sourced ingredients, for instance. "People are much more interested in 'the story behind my food' rather than just accepting what's in front of them," Setta said. "Our commitment is that our seafood is traceable, sustainable, responsibly sourced — this is what our guests told us is important. They want to make sure that they can trust the food they are eating is sourced in a responsible way."

In addition, the way we eat could dramatically change. In fact, the traditional three-meal model might be upended by this generation, argues Nicholas at ICR. "Millennials don't subscribe to the formal breakfast-lunch-dinner hierarchy of the past. They eat when they're hungry! They want the brands

and companies that supply them to work on fluid times — so cliché to say but they want what they want, where and when they want it. That is a challenge, but also a huge opportunity for organizations to utilize technology to redefine the meaning of ‘meal time.’”

More than many industries that have been impacted by digital transformation, restaurants must keep a close eye on the human, relational element of their business. It’s one thing to incorporate technological advancements in manufacturing and supply chain — it’s another to be digitally advanced while satisfying a customer seated at a table in front of you.

The next generation of restaurant leadership will have to anticipate how this new digitally centric environment, and the ensuing change in consumer expectations, will impact their businesses. To thrive in this new realm and stay technologically up-to-speed while also satisfying increasingly demanding customers, leaders must have several key abilities including: the mettle to pursue innovation and invest in the right technologies, the willingness to open up their culture and organizational structure, and the foresight to modernize their businesses to meet the rising interest in delivery and adapt to a new generation of workers — all while keeping the human element at the forefront.

ABOUT THE AUTHOR

Sheila O'Grady is a member of Spencer Stuart's Hospitality & Leisure Practice, focusing on restaurant companies both public and private. Prior to Spencer Stuart, Sheila served for over five years as president of the Illinois Restaurant Association. She is also the founder of Chicago Gourmet, a top annual food and wine event. Sheila holds a Juris Doctorate from the University of Notre Dame, a Diploma from the London School of Economics and Political Science and a Bachelor of Arts from St. Mary's College. She is based in Chicago.

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