

## **KWIKS: a family affair**

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### **Abstract**

A partnership is formed between two friends. The oldest nephew of one of the partners is hired as the company's general manager. Problems begin soon after the restaurant is opened. Family members are hired without discussion with the other partner. This leads to problems down the line when one of the nephews begins to experience suspected alcohol and drug related problems. The culture that evolves during the first year of operation sends mixed signals to employees creating further personnel problems. As the problems mount, the partner who is being left in the dark begins to wonder whether he has become embroiled in a family business instead of a fifty/fifty partnership.

Keywords: family business, partnerships, conflict, communication, ethics, HRM policies

## **Introduction**

Dave Davig, co-owner of KWIKS, received a surprise when he showed up at his latest restaurant. Instead of finding his regular manager, Tom Coffman, he found Tom's brother Bob, the company's general manager running the store. Bob explained to Dave that he had to remove Tom because of personal problems that were interfering with the performance of the store. Dave was aware that the store was not doing as well as the first two stores, but this move was completely unexpected.

Dave had gone into business with Terry Coffman, Tom and Bob's uncle. Dave and Terry were employed by the same university and had become best friends. Terry and Dave had earlier started and operated a franchise business only to have it close when their parent company filed for bankruptcy. Their latest venture was a small chain of drive-through fast-food restaurants. This concept was just beginning to take root in the southern region of the U. S. Dave, a Small Business Development Center director, had been approached by a client with the idea of opening a strictly drive through fast food restaurant with a low-priced limited menu. Dave was initially skeptical of the concept. Within months of this contact, three start-up chains had opened drive-through-only restaurants in the Atlanta area.

## **Site Selection Incident**

Terry's nephew, Bob, was working for one of the major suppliers of these types of restaurants so he had inside information on their start-up and operational costs. Terry approached Dave with the idea of opening a similar restaurant and expanding it into a chain of local stores or maybe even franchising if it did well. As part of the planning process, they began to look for possible sites and potential employees. Bob had been a manager at local Pizza Hut so he was assigned the task of lining up potential employees and designing the facilities. Dave and Terry began looking into possible sources of financing and potential locations.

In late February just after a major winter storm, Dave and Terry began driving around Athens looking at several sites that were available and seemed to fit their needs. Terry had been drinking, but seemed to be able to carry on a practical discussion about the merits of each site. After about three hours of observing traffic patterns and checking each site against a list of characteristics they thought the site should have, Terry remembered he was supposed to pick up his nephew, Tom, from work. Tom was not driving because he had wrecked his car earlier in the week, and Terry had temporarily revoked his driving privileges to teach him to be more responsible. Terry said Tom would not take responsibility for the accident and thought he was unjustly being punished.

When they arrived at the plant to pick up Tom, Dave learned that Tom had been waiting almost two hours. When Tom got in the car he was very hostile and angry, especially when he found out his uncle had been drinking. He was quiet all the way back to Dave's home where Terry had parked his car. Dave asked Tom to drive his uncle home because he did not think Terry needed to be driving, especially since the streets were covered with ice from the winter storm. However, Tom refused to drive because he

was still mad at his uncle. Dave insisted on driving them home, but Terry refused because he was mad at his nephew.

Later that evening, Dave received a call from Terry's wife asking if he had seen Terry within the past hour. Then she explained that she had received a phone call from a friend telling her that a car looking like theirs was sitting in the middle of one of Athens' busiest streets and appeared to have been in a wreck. She was not sure whether it was their car or not because no one was in it. She was very upset because she said Terry had left in the car as soon as he brought his nephew home even though he had no business driving. Dave called the police station and found out Terry was in a holding cell and had been arrested for driving while intoxicated.

The miscommunication and lack of communication among family members associated with the site selection incident did not bode well for effective communication in the business venture as Dave was soon to learn. The participants could probably have benefitted from advice given by Rosner, Halcrow, and Lavin (2004) in their workplace survival guide. They offer practical guidance and wisdom on many topics, including effective managerial communication.

### **Need for a Policy Manual**

Six months after this incident, KWIKS opened its first store. It was located in small shopping center across from a McDonalds, two blocks from the downtown courthouse at one of the main intersections in Athens. Bob was able to keep the construction costs to a minimum by designing a small, compact but efficient layout which could be constructed off site. He also hired two of his former employees at the Pizza Hut as his assistant managers and began on-the-job-training. Sales were disappointing at first, but word of mouth spread about the fast service, quality of food, and low cost. Within a month after opening, sales were so brisk the city police had to direct traffic during lunchtime.

As sales grew, Dave and Terry began thinking about a second store. KWIKS had customers driving in from surrounding towns to buy their hamburgers. Because of the sales volume, things could get hectic at peak times. Bob increased the size of the work crews; however, the cramped space limited the number of employees that could work efficiently in a confined space. They began looking for a site for a second store. Six months later they opened a slightly larger store in a shopping center two miles from their original store.

This rapid growth, plus the natural turnover in the fast food industry, had the managers constantly recruiting, hiring and training new employees. It also meant that shift and crew chiefs were constantly changing. This instability caused Terry to start hiring more of his family members. Tom, his two sisters, and his mother were hired as crew chiefs. This was somewhat disturbing to Dave because it was done without his prior knowledge. He began to think maybe Terry's ultimate goal was to create a family business instead of expanding into a franchise. Terry assured him that he and Bob were just trying to create some stability in the operations. Simmonds (2007) offers three possible disadvantages with the policy of a family-member-only hiring policy: (1) no new leaders; (2) lack of qualification requirements; and (3) charging ahead with no

formal goals. Terry might have benefitted from understanding these possible drawbacks of his hiring policy.

In order to further reduce turnover at KWIKS, Bob attempted to create a fun working environment. As part of this, he set up teams, created competition between work crews, and started referring to the employees as KWIKS' extended family. This seemed to work to an extent. Most of the employees were in their early twenties or younger, and there was a lot of bantering, pranks, and kidding going on. However, the crews began taking advantage of the relaxed atmosphere, coming in late for work and having their crew cover for them, cutting corners to increase productivity, and reducing costs at the expense of quality. It got to the point where Bob caught some of the employees showing up intoxicated and trying to sneak beer into the stores. The horseplay between the men and the women caused the owners to express concern about possible sexual harassment charges. Bob soon created a manual of policies and rules to curtail some of these practices. Bob referred to the [How to Write a Policy Manual](#) (2009) advice given on the OfficeReady website.

### **Need for Cost and Inventory Control**

To further promote cost control, Bob's former company and a major vendor helped KWIKS set up a centralized commissary. Bob staffed the commissary with three people: his wife, a mentally challenged individual, and a parolee. Eventually, some of the women working at the two stores complained that the parolee was harassing them, and the handicapped individual practically cut his thumb off in a meat slicer; consequently, Bob had to let both of them go. Dave questioned the practicality of the commissary because they had to pay additional rent, pay for additional equipment such as a walk in cooler/freezer and delivery truck, plus the cost of additional employees. Terry and Bob thought the additional cost would be worth it in the long run because they could prepare in volume and get a better grip on inventory control if they continued to open up new stores.

In light of the friendly competition that Bob had created, a check of inventory led to discoveries of discrepancies between inventory that was being recorded for each of the two stores and each store's actual inventory. This resulted in inaccurate reported operating costs for the stores. An investigation into this led to the discovery that each store manager was making a game of sneaking extra inventory from the commissary to make their operations appear more efficient. Bob promptly put a stop to this. However, he also began to experience shortages in the cash drawers in both stores.

Upon threat of lie detector tests, Bob was able to discover that three of KWIKS most trusted and loyal employees had set up a team system to skim large bills from the cash register. He also discovered two of the high school employees were stealing money on regular basis when they were working the cash registers. When confronted and assigned to other duties, they expressed no remorse for their behavior. Dave was very upset about this. He wanted to press charges and prosecute them, but Terry and Bob did not want to do this because the employees were local residents, and they thought such a move would create hard feelings among their customers.

## **Management Meetings**

In addition to preparation and inventory control, Bob used the commissary for both formal and informal meetings. The commissary eventually became a place where the managers and crew chiefs hung out before and after work. Dave became a little concerned when he had to find out about these meetings from Terry. Dave would have attended these meeting as well, but he never was informed when they were being held. In one particular incidence, Terry approached Dave after a managers' meeting offering to sell him his share of KWIKS because he was sure he experienced the strong smell of marijuana at the meeting.

Terry was particularly sensitive to the use of drugs by the managers since his nephew Tom had gone to South Padre Island on spring break earlier in the year and injured himself while jumping into a pool from the second floor of the motel where he was staying as a result of being high on drugs. Not long after that, Tom had lost control of his car while on the way to work and hit a utility pole while under the influence. The wreck resulted in a serious head injury and a lengthy stay in the hospital. Tom's parents enrolled him in a rehabilitation program in Atlanta.

Tom contacted Bob before he had completed the program and pleaded with Bob to help him get out of the recovery program. Bob drove down to Atlanta, brought Tom back to Athens, and started him back to work without his parent's knowledge. Shortly after Tom's return, Dave observed Tom swearing at his mother in front of the other employees when she questioned his judgment. However, it was obvious to everyone present that Tom was wrong.

The commissary was also used to host a Christmas party for the KWIKS employees. Dave and Terry agreed to this against their better judgment with the condition there would be no alcohol or drugs present. It soon became quite obvious that drinking was taking place when some of the employees (including Tom and Bob's wife) were engaging in inappropriate behaviors, talking loudly, and falling over. Bob became furious and proceeded to fire some of the people at the party. Dave and Terry vowed to never host another employee party.

The next year Bob took it upon himself to host a Christmas party at his home without the knowledge of the two owners. Bob asked two of his underage employees to spend the night because they had been drinking heavily. When Bob woke up in the morning, he found the under aged employees gone and his car missing. It was found later, discovered by the police, at the home of one of the boys.

## **A Third Store**

Later in the year, KWIKS opened a third store in Milledgeville, Georgia. This store was in a shopping center at the crossroads of two main streets four blocks from the town square. It was also near several other fast food restaurants like the two stores in Athens. Just before they got ready to open the store, both assistant managers quit, and Tom was sent to open the new store. He moved to Milledgeville and started recruiting personnel. After several delays, the store was finally opened; however, in the opening months the sales at this store did not steadily increase like the others did when they first opened. The operating costs were also significantly higher than the other two stores.

Dave kept going by the Milledgeville store trying to see if he could find out why its performance was so different.

On one of his trips to observe the Milledgeville store, Dave found Tom had been removed as store manager. Bob told Dave he had to take Tom out of the store because his aunt and uncle were thinking about putting Tom back in rehab because they suspected he was doing drugs again. Bob found out Tom had moved one of the female employees into his apartment and had been giving store supplies to the girl's family. This created a great deal of dissention among the other employees. Some of the employees claimed that Tom showed favoritism and provided little supervision or guidance.

Bob told Dave he was glad they had moved Tom to Milledgeville because he was creating problems in the Athens stores. Dave explained that he was half owner in KWIKS and should have been informed of Tom's behavior. Bob acknowledged that Dave should have been informed, but Bob didn't want to make anyone mad at him. After being told this, Dave began thinking about how to get out of the partnership. A recent article in *SourceMedia* discusses how familial issues and resulting conflict can prevent a family-owned business from making appropriate decisions at the appropriate stage of growth ("Cultivating the," 2009).

### **Teaching Notes:**

This is an actual company. The company name, locations, and characters have been changed upon request. It is a partnership that has morphed into a family business. The family personalities and issues create a great deal of dysfunction and conflict within the company. The conflict among the family members is reflected in the need for better control of daily operations. Due to poor communication and being kept in the dark about these matters, the non-family partner is seriously considering getting out of the partnership.

The primary subject matter of this case concerns personnel issues in a start-up company. Secondary subject matter includes partnership issues, family business issues, drug and alcohol issues, employee theft, and discipline. The case has difficulty level of three (junior level). The case is designed to be taught in one class hour and is expected to require three hours of preparation.

### **Questions for Discussion:**

1. Discuss the wisdom of creating a "Manual of Policies and Rules" in a mostly family-operated organization. What might be some problems with writing and enforcing these policies and rules?

Students should first address the question of when such a policy manual should be written. It seems that Bob only thought to write the manual *after* problems developed. There are advantages to having some policies, rules, procedures in place from the very beginning of an organization's start-up.

Also, students might want to explore the question of who should write the manual. Is Bob, a former manager at Pizza Hut, uniquely qualified to write such a

manual? It would seem that the original partners should be involved extensively in deciding what to include. One might assume that Bob wrote the manual to primarily address problems that have already arisen and that the manual may not be a complete, comprehensive, logical document. Also, the Policy Manual becomes a part of the employees' "contract" with the organization and should be written in a way to assure legal compliance.

What should be included in an organization's Policy Manual is also an important issue. As stated earlier, the concept of a policy manual was only conceived *after* "problems" arose. *Correcting* problems (especially those involving family members) is much more difficult than having sound guidelines aimed at *preventing* potential problems. Considerable thought should be given to examining the routine, recurring decisions and issues that warrant/demand standardization in response as opposed to the handling of unique, nonrecurring issues. (Students might also want to discuss the advantages/disadvantages of a nepotism policy!)

Students should also discuss the question of why should an organization even have a policy manual. Students should be led to discuss the advantages and disadvantages of having rules, procedures, policies, guidelines and how there might be differences in a friends and family organization as compared to other types of organizations.

Finally, have students come up with a rough draft of some of the issues they believe should be included in a Policy Manual for KWIKS, given their knowledge of the organization from the case. Ask them to think about policies concerning alcohol/drug abuse, unethical/illegal behaviors and other expectations employers might want to address. Also, using KWIKS as an example, what employee rights need to be spelled out?

2. Using KWIKS as an example, discuss the advantages and disadvantages of hiring family members to perform jobs. Look at the situation from Dave's point of view and from Terry's point of view, the two original partners.

There could be advantages to both partners associated with using family members to perform jobs at KWIKS. Both partners could conceivably benefit from the synergy and camaraderie that comes from family relationships. Loyalty and support that family members often afford one another could be potentially advantageous and lend a competitive advantage that others may not be able to copy with the traditional employee/employer relationship. The adage that "blood is thicker than water" may cause some to work extra harder to help the family. The relationship that family members forge is not easily immolated even in companies that claim "we're *like* family here."

Students might want to first discuss the disadvantages of hiring family members in general—the potential downside of managing relatives at work. Additionally, students should look at the situation at KWIKS from Dave's perspective, whose family is not a part of the situation and from Terry's perspective who has several family members involved, including two rather dysfunctional nephews.

Students should examine the impact of "personal" issues of family members spilling over into the workplace. Family dynamics in the KWIKS case have resulted in some poor decisions and potential legal issues with drugs and alcohol. "Friends" of the

family have also created situations affecting quality of the product and service and even resulted in theft from the company.

Dave seems to have to deal with the anomalies of a dysfunctional family and Terry, his partner, seems to be so embroiled with his family's problems that his decision-making ability as a partner is impaired.

Ask students if this partnership can survive and what steps they would recommend to get KWIKS back on track.

3. KWIKS provides several examples of poor communication skills and communication breakdown. Discuss the implications of poor communication for KWIKS and suggest some methods of addressing their communication problems.

Effective communication is one the most essential and yet least understood of managerial skills (Zey, 1990). It is particularly difficult to recognize one's own communication problems and blame these on other people's deficiencies and lack of skills. Interpersonal and organizational problems are often the result of poor communication. Conflict, resistance to change, low morale, and low productivity are then the logical consequences.

Students might first want to discuss how the communication process is used to inform, coordinate, and motivate people. To communicate effectively people should not only be able to express themselves well but they also need to be good listeners (Samovar and Mills, 1998). Reflective listening based on empathy rather than directing or controlling the thoughts of the other person is essential.

Typical barriers to effective interpersonal communication that students should address include: inarticulateness, hidden agendas, status differences, hostility, difference in communication styles, insecurity, and lack of trust (Quinn et al., 2003). These should then be related to the specifics of the case.

Students should also discuss the rules for effective communication. These include: knowing your objective, being aware of and sensitive to the receiver, analyzing the climate, reviewing the message in your mind before conveying it, using words that are familiar to and understandable by the receiver, clarifying the message as needed, and not reacting defensively if the response is seemingly negative or critical (Quinn et al., 2003).

4. Conflict results when interpersonal problems arise as a consequence of poor communication. Using KWIKS as an example discuss the topics of conflict and conflict management/resolution. Recommend conflict management strategies that can be employed by Dave and Terry at KWIKS, and discuss the advantages and disadvantages of each suggested approach.

Research shows that managers use an increasing proportion, typically between twenty to fifty percent, of their time dealing with conflict (Lippitt, 1982). When managed constructively conflict can lead to better performance (Simons and Peterson, 2000). Students should understand that to seek and value challenges to our ideas and thoughts is often very productive (Tjosvold, 1993).

Students should first address the sources and the reasons for conflict and then discuss the five conflict management strategies/approaches based on the two dimensions of assertiveness and cooperativeness (Thomas 1976). The five approaches to conflict management are: avoidance, accommodation, competition, compromise, and collaboration. As expected each approach has its advantages and disadvantages.

Avoidance buys time and enables the parties to reduce the intensity level of the conflict. But when a problem is not dealt with in a timely manner it will inevitably surface again. Accommodation avoids disruption and creates harmony but it also limits creative solutions and may cause resentment. Competition often results in quick, decisive action but it also reduces creativity and can frequently lead to dysfunctional outcomes. Compromise involves negotiation but neither party ends up the winner and has to give something up to gain something in return. Collaboration should result in a win-win situation for both parties but it also has the disadvantage of being potentially time consuming.

Students should note that compromise and collaboration are the two solution-oriented strategies. And that it is collaborative approaches that are considered to be the most effective of the five strategies, and often result in the emergence of new and creative ideas and solutions (Thomas, 1976).

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**Epilogue:**

The company continued to expand and added two more stores. Family issues continued to plague and affect the firms operations. Terry Coffman realized his family issues were a critical factor in the poor performance of the company and offered to buy Dave out. Dave readily accepted. Within a year after dissolving the partnership KWIKS closed.