

**BUSINESS AGILITY & SOFTWARE ENGINEERING EXCELLENCE** 

# The World's First Scrum Restaurant: Riccardo's "A Taste of Tuscany" in London

by Riccardo Mariti and Jeff Sutherland

Scrum is a framework for accomplishing twice the work in half the time in any domain. Hirotaka Takeuchi and Ikujiro Nonaka first defined Scrum project management after studying Lean hardware teams at Toyota, Honda, 3M, and many other companies. Jeff Sutherland and Ken Schwaber then adapted Scrum to software — and helped apply it in many other domains, including education, hardware, sales and marketing, and biotech, among others.

In this *Executive Update*, we describe the application of Scrum in the restaurant business. This environment is similar to that of Lean hardware Scrum, in that shifts are repeatedly creating and delivering products in short cycles with high quality. Process efficiency and cycle time become the key metrics for production.

# A Broken System

Riccardo Mariti has been running restaurants for decades and believes the current restaurant model is broken. Morale is at a serious low, salary costs and hourly wages are increasing, and margins are being squeezed. He has been searching for the reason and, ultimately, for a solution.

The end result of an outdated management paradigm is that the restaurant business has become an extremely abusive industry. It happens all the time: decent people promoted to management positions become megalomaniacs. They seem to think they are expected to rule with an iron fist and order team members around. Moreover, they stop personally dealing with customer service, spending most of their time working on administrative tasks rather than being on the floor with customers.

The Executive Update is a publication of Cutter Consortium's Business Agility & Software Engineering Excellence practice. ©2019 by Cutter Consortium. All rights reserved. Unauthorized reproduction in any form, including photocopying, downloading electronic copies, posting on the Internet, image scanning, and faxing, is against the law. Reprints make an excellent training tool. For information about reprints and/or back issues of Cutter Consortium publications, call +1 781 648 8700 or email service@cutter.com. ISSN: 2470-0835.

Riccardo's Restaurant was founded in 1995, and after 21 years, we had started to lose our competitive edge. Due to a number of factors, we were no longer very profitable. Back in 1995, we were running a 25% payroll expense. By 2016, we were averaging 39%, mainly due to increases in minimum wage and changes in Inland Revenue policy. The situation was not sustainable.

# The Constraint

Scrum teaches that prioritizing impediments and removing them is the key to improving operations, and Eliyahu Goldratt's "Theory of Constraints" (see Figure 1) offers a way to identify a path that turns failure into success. The Theory of Constraints states that everything must be subordinated to the constraint.

After studying the Theory of Constraints, Mariti realized that the biggest constraint at a restaurant is, "You only make money when customers are in the restaurant, so everything must be subordinated to serving customers.... Therefore, absolutely no admin when customers are in the restaurant." There has to be a simple set of rules, but only those that are absolutely necessary.

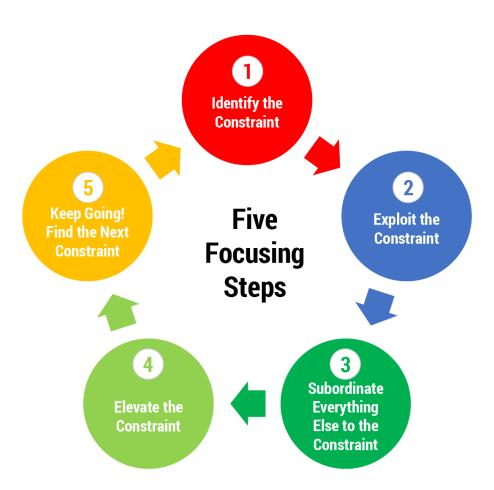


Figure 1 — Theory of Constraints: everything must be subordinated to the constraint.

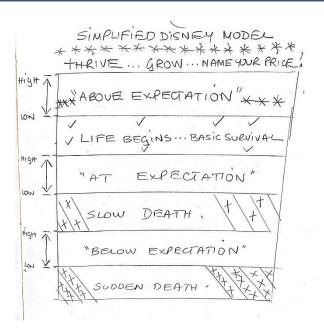


Figure 2 — Mariti's simplified Disney Model. (Inspired by Disney Institute and Theodore Kinni's <u>Be Our Guest: Perfecting the Art of Customer Service</u>.)

# Implementing Scrum at Riccardo's

Looking at the business through a simplified lens that Mariti calls the "Disney Model" (see Figure 2) allows the restaurant to target the weak points. The ultimate question to ask is, "Is what I am doing now (a) *below expectation*, (b) *at expectation*, or (c) *above expectation*?" If we're *below expectation*, we are dead — it's just a matter of time. *At expectation*, we are a commodity, and the only way customers can judge us is (1) convenience (i.e., how close we are to where they live or work) or (2) price. Again, it may take a while, but, ultimately, if we remain "at expectation," it's only a matter of time until we are dead. *Above expectation* is where we thrive and survive — we grow — and if we are at the top edge, we can "name our price." This is where customers say, "I would have to be mad to go anywhere else, regardless of price."

Scrum gives us the opportunity to move toward "above expectation" in the Disney Model. We have modified the Scrum framework to fit all the different contexts relating to a restaurant and we are "scrumming the Scrum" to constantly improve our business. We run the entire company with Scrum — from kitchen, front of house, outside catering, and home delivery, to marketing and accounts.

Sutherland told us that every great team he has ever seen had the habit of "swarming," so that became a major focus for us during our Scrum rollout. Scrum Inc. Certified Scrum Trainer Joe Justice suggested taping off an area of the restaurant that seemed to have the biggest bottleneck. Counting input and output, we worked on improving process efficiency. Then we watched to see where the next bottleneck appeared. This method provided a framework to allow us to break down the individual "parts" of the business to a level

where it is possible to alter a small component and then run the "machine" to see if the alteration enhances or diminishes performance of the whole system.

It is now easy for each team member to see how small changes at a local level can have a much larger impact further up or down the line (we find that the "bottleneck" often moves to *before* a process when we improve it). We now have a new way of communicating, and this has empowered and encouraged team members at all levels of the organization to understand that they can make a big difference by thinking about how they carry out their work. Team members are now coming up with ideas on how to improve processes that, in a linear sense, are not related to their area. There is a sense of shared responsibility for the "whole" that has emerged from this exercise, and it has changed the way departments collaborate.

We have put in a strict structure relating to the "changes" backlog to ensure that we are only changing one thing at a time. The speed of implementation is increasing, and we are now able to change several items each day, testing each one individually. The rate at which the business evolves is increasing quickly.

When Mariti returned from a Scrum training with Sutherland and Henrik Kniberg in Stockholm in May 2017, he decided to go all in and remove all managers throughout the organization. He informed everyone that they had "job security, but not role security" ("this seems to be a mantra at great companies like Bosch, so we copied it"), and he told the team, "From now on, we are all titled 'Team Member.' " The next day, we had a totally "flat" organization — we went straight to a "Team of Teams," as shown in Figure 3.

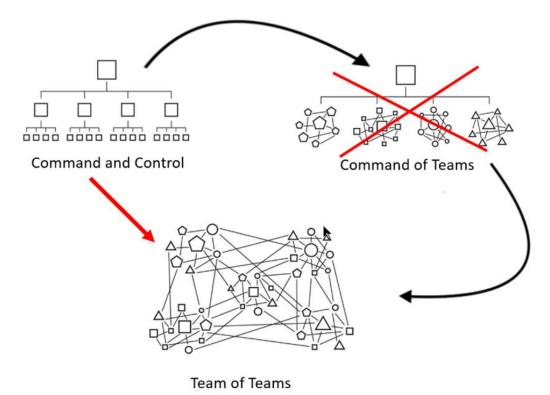


Figure 3 — Amended image from General Stanley McChrystal's Team of Teams: New Rules of Engagement for a Complex World.

Our number-one problem was with "scheduling" the teams. Historically, managers had taken about eight hours a week to schedule each department. As a solution, Mariti invited the team to have a go at self-organizing.

We did this with all employees together in front of the <u>shift rota board</u> (see Figure 4). Our shift rota board is a list of who is doing a specific job on a given day; these are the people with the skill set to cover a particular role. This has since evolved to a magnetic board (see Figure 5). Mariti observed, "In one hour, by swarming, we created four weeks of shift rotas. In one hour, we managed to do work that had previously taken a manager 24 hours."

We also uncovered a pattern of "hidden shifts" (shifts *not* needed by the company but needed by individual team members to make up their hours). For a number of reasons, managers historically had allowed team members to work extra hours even when the company did not need them, and these "hidden shifts" amounted to approximately 15% of the total payroll for front of house. This became the number-one backlog item for the teams, and the rota normalized within one month.

Scrum enables teamwork by self-organization and autonomy and works best with cross-functional teams. To enable this environment, we next agreed that team members could have as many holidays and days off as they liked. The only proviso was that a team member had to find a replacement who had the same skill level to cover his or her shift while they were away. A side effect was that each team member now had a



Figure 4 — Team shift rota.

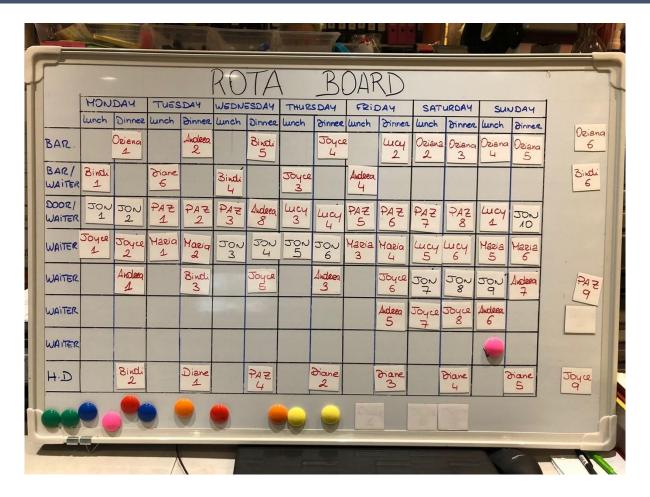


Figure 5 — New magnetic shift rota board.

vested interest in teaching others his or her job. We discovered that, with more multiskilled personnel on the team, the shifts were easier to manage; as a result, we needed fewer people and were able to reduce the number of shifts worked by more than 10%. We gave a pay raise to everyone; payroll costs have come down to average 31% of turnover, and we are now profitable. Nobody has to ask for a day off anymore; they just find someone to cover them. It makes the team much happier. Happier people are much more productive and help make happy customers.

The next challenge was scaling Scrum throughout the whole organization. Mariti created training, based on short-term mini projects, that would allow the team to cover all the elements of scaled Scrum (see Figure 6). These mini projects were designed to get teams of personnel from across all departments to work together on tasks around the restaurant that needed to be done. These task forces, comprised of a selection of members from all teams, then self-organize into two or three new teams. We get them to allocate a Scrum Master and product owner (preferably somebody who has not done this job previously), run a meta-scrum (see <a href="Scrum@Scale Guide">Scrum@Scale Guide</a>), and size and prioritize backlog. Covering all the Scrum meetings, we then simulate a week-long sprint in five hours, with each hour representing a day. We put



Figure 6 — Team training mini Scrum projects (note portable Scrum board in background).

a work-in-progress limit of two jobs per team, which forces them to "<u>swarm</u>." At the end of the training, the teams then figure out how to implement the same structure and learnings into day-to-day jobs. These mini projects have massively accelerated our ability to scale Scrum. Each time we run the training, we boot up new task forces and every team member gets to experience the different roles.

The most important goal of swarming is to deal with our biggest constraint — "We make money only when customers are in the restaurant" — so when customers are in the restaurant, everything must be subordinated to guest service. To cover the busiest times, every team member, no matter what team they are on, is on call from 12:30 pm to 2 pm and from 6:30 pm to 9 pm to eliminate any impediment that could prevent a server's being available to serve a customer.

We have created a new culture. It is everyone's job to make sure that we exceed customer expectations, no matter which team they are on. So, during a busy lunch or dinner service, an accountant or someone from the marketing team may be answering calls and clearing tables. The result is that customer satisfaction scores have risen from 74% to 91% in the last two quarters.

Achieving optimal financial results requires giving everyone a piece of the business and developing employees who can eventually run the whole organization. To that end, we share 25% of the profits each month with the employees and have a training tracking board (see Figure 7) that shows everyone what they need to learn to become a business owner. Employee development is built into restaurant operations.

Depart	No	Name	Number of Tables	Position	Menu	How to Take Order	Epos System	How to Serve	Mis en place	Bar / Coffee Training	Open the Rest.	How to Answer the Telephone	How to Take the Deposit
Adm	2074	Caroline de Padua	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Runner	2086	Savino Castagnozzi	Yes	Retrain	No	Retrain	Retrain	No	▼ No	No	No	Retrain	No
FOH	918	Almerinda Nascimento	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
FOH	2063	Bianca Ioana Irimus	Yes	Yes	Yes	Retrain	No	No	No	No	Retrain	No	No
FOH	2069	Renata Balciunaityte	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
FOH	2084	Mihaela Tudorita Moisa	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
FOH	2066	Andrea Montis	Yes	Yes	No	No	No	No	No	No	No	No	No
	1080	Diane Lecolier	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Figure 7 — Team member training electronic tracking board.

# **Process Improvement**

Sutherland and Mariti discuss process improvement results at the restaurant:

Sutherland: I think that the most interesting thing is that your restaurant is very similar to the Toyota production line.... You're not measuring velocity so much as you are measuring process efficiency. I think that this will be a valuable addition to Scrum; everyone really needs to start thinking about process efficiency, it's fundamental.

Mariti: Yes, a customer walks in, and how long does it take them to get the menu and get a drink? It's so easy to measure. The process efficiency is probably 25%.

Sutherland: 25% is lean, that's good. If you get your process efficiency to 50%, your production is probably going to double!

In his IEEE white paper, "Scrum and CMMI: Going from Good to Great," Sutherland writes, "From a Lean perspective, we want to eliminate the waste associated with context shift or waiting."

In the publisher's foreword to the book, <u>Toyota Production System</u> by Taiichi Ohno, Norman Bodek describes his last meeting with Ohno:

"What is Toyota doing now?" I asked.

His answer was very simple. "All we are doing is looking at the timeline," he said, "from the moment the customer gives us an order to the point when we collect the cash. And we are reducing that timeline by removing the non-value-added wastes."

RICCARDO'S							
PLEASEPLEASE HELP US TO SERVE YOU BETTER							
WE NEED YOUR FEEDBACK							
AND YOUR VIEWS OF YOUR MEAL AND SERVICE							
☐ If this is your first time here please tick this box							
*How was your meal? 1 2 3 4 5 6 7 8 9 10 (10=excellent) *Please circle relevant number							
Any Comments?							
*How was the service?							
110 11 11 110 110 110 110 110 110 110 1							
1 2 3 4 5 6 7 8 9 10 (10=excellent) *Please circle relevant number							
Any Comments?							
*Your overall impression of the whole experience?							
1 2 3 4 5 6 7 8 9 10 (10=excellent) *Please circle relevant number							
Any Comments?							
Ť							
What is it that you most enjoy about Tuscan food?							
What is it that you most enjoy about the Tuscan Experience?							
Further Comments:							
Please turn over to fill in your details							

Figure 8 — Customer questionnaire.

At Riccardo's, we have really taken on the pursuit of process efficiency. We have found that, as happened at Sutherland's company, Scrum Inc., simply *discussing* how to implement process efficiency as a metric in each department has sparked invaluable discussions and caused our teams to question the way they work.

For example, at the end of a meal, customers are given a questionnaire (see Figure 8), and we follow up based on their answers to the questions. The team discussed the efficiency of batch-processing these forms and realized that, although it was efficient to batch them from the team member's viewpoint, that created a big delay for the customer. We decided to start counting from the moment the customer fills out the form to the moment that a response is sent to the customer. Our goal is to email or call the customer within a maximum of 24 hours, although Monday to Friday, it can be within as little as one hour.

There are many ways to calculate time span when calculating process efficiency. You can start counting when you put an item into the product backlog; or, you can count from when the item enters the sprint backlog; or, as with the above example, you can start counting from the moment a customer fills out a form. You can also count to the point where the work is complete; this number becomes the numerator (and is

divided by the calendar time taken to complete the work), and the calendar time becomes the denominator. The point is to look at a possible benchmark and see empirically whether tracking this metric improves the process. Everything needs to be looked at in its own right. There are no hard-and-fast rules. Let's take a look at how we began calculating *process efficiency* (PE).

# **Calculating PE Benchmarks**

At Riccardo's Restaurant, we simulate the process and then measure how long it takes to carry out the process without any impediments or interruptions. This becomes the benchmark PE, and we are constantly attempting to find ways to improve this benchmark.

One such exercise involves the time required to accomplish the following five items: customers (1) arrive at the restaurant and are greeted, (2) are seated, (3) receive menus and a copy of the specials, and (4) are served their first drink, with (5) bread and olives. We then determine, based on a variety of factors, the desired minimum standard (DMS). In this five-point scenario, we have determined the DMS to be three-and-a-half minutes, or 210 seconds. Based on experience, we then decide on a maximum allowable time for these five actions to occur and for the customer to still perceive the service as "good." In this case, we arrived at seven minutes, or 420 seconds. We then calculated the PE by dividing 210 by 420 and multiplying by 100 (210/420\*100 = 50%); anywhere between 210 seconds and 420 seconds is "acceptable."

Then we measure how long it *actually* takes. This involves someone sitting in the restaurant with a stopwatch and randomly selecting, say, 10 tables and noting the timings and who was handling the individual tables. We then put the results into a spreadsheet and work out the averages.

If the averages are within the selected acceptable range of 210-420 seconds, then we may decide to do nothing. Often, we find that some team members are considerably faster while others are slower; we allocate the fast ones to coaching duty. We reward fast teams, not fast individuals, and we look at bonuses from the weighted lens of who has developed others on the team. When an item goes outside an acceptable range, we categorize the extreme ranges as "bad," and these are noted as impediments and prioritized accordingly.

The PE numbers are also very useful when onboarding new team members. We are able to break down the whole service experience and put actual numbers to most stages, letting new team members know what to aim for. Here are a few examples of our PE and DMS calculations, including the percentages:

#### #1 — Welcome

PE benchmark: 5 seconds

Actual average: 25 seconds (PE=20%)

DMS: <20 seconds (PE=25%)

Bad: 60 seconds (PE=8.3%)

# #2 — Time to seat customer (who has reserved a table and turned up at the right time) and provide menus

PE benchmark: 51 seconds

Actual average: 2 minutes (120 seconds) (PE=42.5%)

DMS: <100 seconds (PE=50%)

Bad: 8 minutes (480 seconds) (PE=10%)

#### #3 — Time to first drink, glass/bottle wine and water, bread and olives

PE benchmark: 154 seconds (This is too long; we are working on improving this benchmark.)

Actual average: 6 minutes (360 seconds) (PE=42%)

DMS: 300 seconds (PE=51%) (We want to maintain it at 50% after benchmark improvement.)

Bad: 15 minutes (900 seconds) (PE=3.3%)

#### #4 — Time from order to first course arriving and served

PE benchmark: 8 minutes (480 seconds)

Actual average: 12 minutes (720 seconds) (PE=66%)

DMS: <12 minutes (720 seconds) (PE=66%)

Bad: 15 minutes (900 seconds) (PE=53%)

#### #5 — Time from last course cleared to receiving dessert menus

PE benchmark: 20 seconds

Actual average: 30 seconds (PE=66%)

DMS: <40 seconds (PE=50%)

Bad: 300 seconds (PE=6.5%) — NEVER!! (Sometimes a customer does not receive a dessert menu!)

#### #6 — Time from dessert menus to ordering dessert

PE benchmark: 1 minute (60 seconds)

Actual average: 4 minutes (240 seconds) (PE=25%)

DMS: <3 minutes (180 seconds) (PE=33%)

Bad: 20 minutes (1,200 seconds) (PE=5%)

#### #7 — Time to receive bill

PE benchmark: 15 seconds

Actual average: 120 seconds (PE=12.5%)

DMS: <60 seconds (PE=25%)

Bad: 7 minutes (420 seconds) (PE=3.5%)

#### #8 — Time to pay bill

PE benchmark: 30 seconds

Actual average: 4 minutes (240 seconds) (PE=12.5%)

DMS: <120 seconds (PE=25%)

Bad: 10 minutes (600 seconds) (PE=5%)

We have noticed that when we get a PE of 50% or more of benchmark, we have very happy customers. We carry out random PE audits "by hand" and publish these on the group WhatsApp and on our Scrum boards; these numbers are a major source of team member development backlogs and group discussions. We have found that just by making the numbers visible to the team, the numbers improve.

The danger in looking only at the numbers is that we lose sight of considering the customer experience. Not all guests want super-fast service. There is an art to pacing the service to take into consideration the guests' needs. Mastery for us is having the ability to accurately "read" our guests to give them an experience that exceeds expectations; this is the foundation of our training and daily discussions. Mastery is about having the ability to meet our PE benchmarks, and, if guests are in a hurry, being able to deliver. It's easy to slow down once you have the skill to go fast!

The bottom line is consistently increased customer satisfaction and better financial results with Scrum. In months of the year when we used to operate at a loss we are now making as much profit as we previously did only in the better months. More proof of our success is that investors are funding two new Scrum restaurants in London, and we have started up a new restaurant service. The new service provides first-class meals to another company near our restaurant in record time with Scrum. In our "corner" of the restaurant industry, morale is high, wages and salary costs are stable, and margins are improving.

# **About the Authors**

Riccardo Mariti is founder and CEO of Riccardo's Restaurant in London. He opened Riccardo's in 1995 and, beginning in 2016, transitioned it to the "world's first Scrum restaurant." Using Scrum and Agile methodologies, Mr. Mariti has measurably decreased staff overhead and team member turnover while boosting team morale, customer satisfaction, and profits. He is in the process of opening his second Scrum restaurant and is pursuing several other related joint ventures. Mr. Mariti also has a background in real estate investment, development, and management. He can be reached at riccardo@riccardos.it.

Jeff Sutherland, inventor and cocreator of Scrum, started his career as a fighter pilot in the US Air Force, where he achieved Top Gun status in 1967 and flew 100 combat missions over North Vietnam. After 11 years as a pilot, Dr. Sutherland joined the faculty of the University of Colorado Medical School, where he received his doctoral degree. As Asstistant Professor of Radiology, Biometrics, and Preventive Medicine, he cofounded the Center for Vitamins and Cancer Research under the sponsorship of Nobel Laureate Linus Pauling and for eight years was the Principle Investigator of a National Cancer Center research grant that ran all IT programs and research for the Colorado Regional Cancer Center. In 1983, Dr. Sutherland joined a banking company that operated 150 banks throughout North America, where he was VP of Advanced Systems and General Manager of its ATM Business Unit. Noticing that waterfall processes at the bank were not working, Dr. Sutherland implemented the first prototype of Scrum for organizational transformation of a business unit. He has been VP of Engineering and CTO or CEO of 11 software companies. In the first four companies, Dr. Sutherland prototyped Scrum and in the fifth company created Scrum as we now see it used in 74% of Agile software companies in over 100 countries. In 2006, he established Scrum, Inc., now recognized as the premiere source of Scrum training in the world. Dr. Sutherland is also chair of the Scrum Foundation and Senior Advisor and Agile Coach to Openview Venture Partners. His latest book, Scrum: The Art of Doing Twice the Work in Half the Time, describes how he used his background and experience to create the most widely used Agile practice in industry today. He can be reached at jeff.sutherland@scruminc.com.

# Cutter Consortium Membership The Ultimate Access to the Experts

Cutter Consortium Membership opens up multiple avenues to interact with Cutter's experts to brainstorm and gain guidance to transform your organization and boost success.

# Like everything business technology, one size does not fit all.

That's why we encourage you to choose the Membership that's right for your organization. Whether you choose Digital Transformation & Innovation, Enterprise-wide, Practice-specific, or CIO Membership you'll see a strong return.

Contact us at +1 781 648 8700 or sales@cutter.com to arrange a sample inquiry call with a Cutter expert and see for yourself how quickly your return on Membership can be realized.

### **What Do You Get from Cutter Membership?**

- Get guidance in leveraging new strategies, emerging technologies, and business management practices to enable digital transformation and boost competitive advantage
- Learn how to mine data to create new products and services and improve customer experience
- Get input on how to reduce expenses through more cost-effective strategies
- Gain insights and get ideas on achieving sustainable innovation, successful change management, and prudent risk management
- Get coaching and insights on leadership and team-building practices that boost productivity
- Discover vendor-agnostic advice to ensure unbiased purchasing decisions



## **Test Drive Cutter Consortium Today**

Have a question? A challenge you're trying to overcome?

Have you reached a bottleneck and need some expert advice?

Find out for yourself how valuable Cutter Membership can be —
request a sample inquiry with a Cutter expert now.

Call +1 781 648 8700 or email sales@cutter.com.

## CUTTER CONSORTIUM

37 Broadway, Suite 1 Arlington, MA 02474 USA Tel: +1 781 648 8700 Fax: +1 781 648 8707 Web: www.cutter.com Email: sales@cutter.com

"I have personally been able to leverage Cutter's services since 1999. Among the attributes that differentiate Cutter from other firms, two remain at the top of my list: Thought Leadership and Real Value. Thought Leadership is driven by Cutter's experts. Real Value, driven by 'Access to the experts,' pushes us beyond just understanding the options. We can develop relationships with the experts, and tailor the options they present so that they can be quickly and practically executed within our organization, enabling our Business Technology team to continually improve, engage, and contribute to business growth."

— Doug Mikaelian VP Business Technology, Dairy Farmers of America "The information technology revolution continues to change how businesses work and how people work in and with them. Today's demands on software to provide useful, usable, secure, and scalable services stress all aspects of systems development. These include architecture, technology selection, product development, and lifecycle management. Cutter provides comprehensive coverage for these crucial topics — through research reports and customized virtual training delivered globally — helping us to understand needs and solutions that span traditional silos."

— Eric Schoen Director of Engineering, i2k Connect LLC Former Chief Software Architect, Schlumberger "Thanks to Cutter's experts, in a short time we have been able to:

- Improve our capabilities, using the contract scorecard for outsourcing
- Gain key insights and practical strategies for responding to challenges we face in building trust and partnerships within the organization and outside our institutional borders.
- Improve our methods for working with people and anticipating the challenges of cultural transformation within our organization.
- Have immediate access to key 'experts' at critical times, who spend quality time with our teams, provide state-of-theart orientation, and help us implement projects.
- Implement agile, effective, and articulated innovation around a common vision for achieving quality education in Mexico."

#### Arturo Cervantes

Director General of Information Systems for Evaluation Results, National Institute for Educational Evaluation, Mexico