

... Cooking Up a Plate of Trouble at Plato's Diner

INTRODUCTION

"I'll show them," Martha thought to herself, as she picked up the telephone after she'd been fired that morning and dialed the number of the State Department of Labor. "They spend a lot of time at the diner, but the only thing they really work hard at is cheating people like me. Give them a law and they'll break it, tell you how proud they are of their success. Those boys are nothing but small-time criminals, and they're about to pay!" This is the same speech she gave her lawyer later that afternoon.

HISTORY

Dean and Chris Papas grew up believing if they worked hard and spent their money wisely, they could make a success of any business. Coming from a family of Greek immigrants, "business" was synonymous with "diner." They both barely made it through high school, craving the day they could be their own bosses. On Dean's graduation day, he traded in his cap and gown for two airplane tickets to fabled Alaska, where the brothers worked on cruise ships and in upscale hotels to earn enough money to purchase their dream. Once they earned enough money, 22-year-old Dean and 24-year-old Chris bought Plato's Diner in a small town in upstate New York where the word *diner* was tantamount to good eating.

Plato's Diner was a refurbished diner originally built in the 1950s and moved to a town that was poised to prosper. Rumor had it the main road through town, where Plato's Diner was located, was slated to be part of an interstate highway, so travelers and tourists would support the town. However, plans for the highway were changed at the last minute, and Plato's Diner never became more than a local hangout. By the time Dean and Chris purchased the diner, 50 years after it had been moved to its permanent home, it was in slight disrepair and had seen better days. The diner operated 24 hours a day, 7 days a week, serving breakfast, lunch, and dinner all day, every day. The original part of the diner seated 60, and a dining room added in the late 1970s brought the seating capacity up to 110 (see Figure B-1).

PHILOSOPHY AND OPERATIONS

The brothers employed a staff of 1 cook, 3 dishwashers, and 16 waitresses (see the organizational chart in Exhibit B-1 at the end of this case study.) The number working at any given time varied according to the time of day. In accordance with their philosophy of working hard and spending money wisely, Dean and Chris both worked as cooks, taking 14-hour shifts 7 days a week. Chris took days, and Dean took nights. To supplement a paid staff, their elderly mother, Athena, washed dishes and their father, Stavros, ran the cash register on weekday mornings and through the

¹Note: The names in this case have been changed to protect the business owners.

FIGURE B-1 PLATO'S DINER

Source: Retrieved from <http://www.panoramio.com/photo/86835717,3/13/14>

busy lunch rush. Dean's newlywed wife, Rose, worked with him during his 14-hour shift. The family worked for no money because everyone was helping the boys set themselves up and position themselves for success.

From their positions behind the grill, Dean and Chris believed they could run their business. Recruitment, hiring, training, evaluation, firing, bookkeeping, payroll, inventory, and managing their staff could all be done as they controlled the orders that left the kitchen and saved \$10 an hour on a cook's salary.

The menu consisted of Greek and American main dishes, desserts, coffees, and drinks. The brothers boasted of good food at good prices. They were meticulous in their preparation and presentation of each order that went out to a customer. The diner was kept so clean that the Health Department described their kitchen as the cleanest in the county. In 4 years of business, there had never been a complaint about the dining experience. Chris and Dean were gratified that

for decades, this neighborhood diner has served as a social gathering place and cornerstone of the town's main street. . . . Plato's serves up delicious traditional and modern American cuisine and authentic Greek specialties in a welcoming, community-centered atmosphere. We take pride in our full-service menu filled with delicious, homemade soups, sauces, and entrees. We use only the finest and freshest ingredients and take the greatest care to prepare a meal for you to enjoy. Our menu is complemented by breakfast anytime, daily lunch and dinner specials as a well as choices to suit vegetarians, children, and other specialized diets. (retrieved from <http://shopcollegepark.org/shops/platos-diner/>, March 13, 2014)

Plato's had a very steady customer base and was considered by many a local institution. One customer coined it best:

A real diner. Plato's filled my belly with the Hercules Omelet (Gyro meat and Feta) and a side of fries and gravy [see Figure B-2]. Delicious . . . a step up from a greasy spoon, and still offers a real "diner" experience. I can't say that about the very good, but sanitized, diner experience at the Stay-A-While Diner. (retrieved from <http://www.yelp.com/biz/platos-diner-college-park/>, March 13, 2014).

FIGURE B-2 TYPICAL DISH AT PLATO'S RETREAT

Source: Retrieved from http://www.yelp.com/biz_photos/platos-diner-college-park?select=FAqQ_gzX1v_nbLLhEVKGow#6cdL4bTaB84E3Zr7ksli1w,3/13/14

LEADERSHIP AND EMPLOYEE INTERACTION

The innate personalities of each brother began to surface and were manifested in how they treated their employees as 14-hour-a-day shifts and the new responsibility of running a business began to wear on them. In Chris's case, he was the boss, and anyone who worked during his shift knew it. He told his employees what to do, how to do it, and when to do it. Anyone who went against his orders and rules, whether intentionally or unintentionally, had to listen to at least 10 minutes of chastisement. He was known to fire waitresses and dishwashers instantly for doing something as simple as giving him an awkward look.

Chris did have his favorites, though. Katie—who was young, pretty, and bubbly—could not understand why people were upset by the way Chris treated them. He allowed her to do whatever she wanted and actually told her what an asset she was to the business. This would have been understandable, but everyone knew that as a waitress, Katie was terrible. She never picked up her orders on time, her tables were dirty even after she'd cleaned them, and she was rude to some customers but overly sociable with others.

Martha, on the other hand, incurred the wrath of Chris on numerous occasions. She was well into her 60s and knew she would have a difficult time finding a waitress position anywhere else. For this reason, she did her best to cater to Chris's demands. He claimed she was too slow to pick up her orders, left her tables too wet after wiping them down, and socialized too long with customers. It was not uncommon for Chris to become frustrated and bark at the other waitresses, "Tell the old lady to hurry up and pick up her order!" On one occasion, Chris actually told Martha to leave when he saw her put too much whipped cream on a piece of pie, but she pleaded with him to give her another chance. With the exception of Katie, the rest of the employees sympathized with Martha and always tried to make her look good in front of him. Unfortunately, they all knew it was just a matter of time before Chris would take out his frustration on this older woman and send her home.

Dean, on the other hand, was loved by all who set foot in Plato's Diner. He showed his employees respect and treated them as professionals who knew how to do their jobs. He used his sense of humor to create a fun working environment, making work seem more like play. Knowing how long and hard he worked each day, employees would ask Dean if they could do anything for him when their shifts ended.

Whoever worked with Dean felt they were part of the Plato family. He praised good work and corrected bad with constructive criticism presented in a matter-of-fact, easy-to-accept manner.

Aside from their two bosses, the staff of Plato's Diner was also expected to obey orders from Dean and Chris's parents. Athena believed every employee should work hard for the money her sons paid them. If waitresses did not look busy, she would find odd jobs for them to complete. On many occasions, she would hand them dust cloths and cleaning products and order them to polish the furniture. If a waitress refused to comply, Athena would threaten to tell her sons to fire them. Athena always got her way.

EMPLOYEE PAY AND HOURS

No matter how difficult and exhausting running the business became, Dean and Chris never lost sight of their end goal: to make a success out of the business and earn a lot of money. Unfortunately, neither brother really had an understanding of book-keeping, taxes, and salaries. They knew the more workers they employed, the more the business would have to pay for workers' compensation insurance, and the more money the employees earned, the more the business would have to pay in payroll taxes. For these reasons, they kept employee numbers and salaries to a minimum. Dishwashers made minimum wage, but Joe was the only dishwasher paid legally "on the books." Mark was told to keep track of his hours and was paid in cash every Sunday with no record left behind. Mark was happy with this arrangement because he could continue to collect unemployment even though he was earning \$72.50 for his 10 hours of work every weekend at Plato's Diner. Paul was also paid in cash with no record of work or payment left behind. This arrangement was actually very beneficial for all parties involved because Paul was only 14 and it was not legal for him to be working 14 hours in 2 days. Dean and Chris were allowing Paul to work as a favor to his mother, Kathy, who was a waitress at the diner. Money was tight, and on some days she could not even afford to provide Paul with three meals. At Plato's Diner, he was given a free meal of his choice during his break and received \$101.50 in cash every Sunday. Without the generosity of Dean and Chris, life would have been more of a struggle for Kathy and Paul.

Since 1991, mandatory minimum pay for waitresses had been set at \$2.13 per hour as long as the addition of their tips brought their hourly pay to minimum wage. Dean and Chris set their waitress's pay at \$2.13 per hour knowing their staff would meet and exceed the minimum wage requirement of \$5.15 an hour. As in any other job, the more a waitress made in tips, the more the government would take in taxes. Dean and Chris did not want their payroll tax to increase or see their waitresses' hard-earned tips be taken by the government, so they made a suggestion that became an unwritten policy for Plato's Diner waitresses: Each week, the waitresses would multiply the number of hours they worked by the amount of money needed to bring their pay to minimum wage. Then they would claim that deflated amount as their earnings. Martha once questioned the practice and said she felt safer declaring what she actually earned, but Chris called her "stupid" and said no waitress anywhere actually declared all that she earned. He said it would bring attention to the other waitresses' claims, so she needed to continue to follow the unwritten practice. Pay-Day, the company the brothers hired to do their payroll, never questioned the consistency of earnings among the waitstaff, so the practice continued.

Another issue involving waitresses' compensation was overtime pay. During one exceptional week, Georgia covered the shifts of vacationing coworkers and managed to work 60 hours. It was a difficult week, but she was thrilled by the thought of the extra money. When she received her paycheck, she stared at it in disbelief and began

to cry. “The more you make, the more they take,” rule was apparently true, because the government took most of her overtime earnings and left her with a minimal amount. Seeing this as an injustice, Dean made an unwritten rule that if waitresses worked more than 40 hours a week, they should keep track of the extra hours and report them to Dean, who would pay them in cash.

Stavros, Chris and Dean’s father, ran the cash register in the mornings and during lunch as a favor to his sons. At all other times, one waitress per shift was given the added responsibility of stopping whatever she was doing to “take cash” when a customer came up to pay. Waitresses were always given required breaks, but it was a policy that if the waitress responsible for the register was on break, she needed to keep watch and continue to cash out customers as they came up to pay. Patty and Tina resented this policy. They said they thought it was illegal for management to make them work on their break, but they were told it had to be that way in order to keep track of money in the register, so the policy continued.

One afternoon, a man and young boy came into the diner asking to see the manager. In a conversation with Dean, the man explained the boy was the man’s cousin who had recently arrived from Guatemala and needed a job. He did not speak English but could work very hard and was a fast learner. The man claimed the boy was 17, but he did not look a day over 14. Dean’s response was that they did not need any help at the moment, but he would pay minimum wage in cash to do odd jobs around the diner. The boy cleaned tables, helped the dishwasher, washed and scrubbed behind appliances, and organized shelves. It made Dean feel good to help this young boy who was unfamiliar with American culture but worked harder than any American he had ever seen.

NO BOOKS AND BAD RECORD KEEPING

Dean and Chris were hard workers but had little understanding of mathematics or bookkeeping. As soon as they took ownership of Plato’s Diner, they hired a local accountant, Mr. Santoni, to do their books. Mr. Santoni had his own “issues” (disagreements) with government policies, and he used his knowledge of tax law to help Chris and Dean take advantage of the system whenever the opportunity presented itself. When he took the brothers on as clients, he told them that for him to do his job, he needed them to do theirs. They had to keep track of the money they earned and spent, and Mr. Santoni would take care of the rest. Again, record keeping was not a strong suit of the brothers, so other than counting money in the cash register to make sure waitresses were not stealing, they counted and recorded nothing. At the end of each shift, the cash register would spit out a long tape with its readings, which Dean and Chris would ball up and throw in a box. Cash payouts to suppliers were kept in a pile. At the end of each week, the box and pile were taken to Mr. Santoni, who had to design elaborate bookwork around the minimal information. He told the brothers over and over they needed to keep better track of their income and spending and needed to start paying themselves a recorded salary. Taking his recommendation would require too much discipline, and the brothers continued to freely take money from the register when it was needed. There was no separation between personal money taken for rent, bills, and food and the money used to pay the company bills, including the bread company, dairy company, and other suppliers. Mr. Santoni liked Dean and Chris and their ethic of hard work, and he enjoyed the challenge of making sense of the diner’s books. Despite this, he always felt it was just a matter of time before someone at the IRS would question their returns. He would do what he could to help the brothers, but his fear was that at some point, their unintentional lawbreaking methods would be their downfall.

THE GREASE HITS THE FAN

Martha was finally fired by Chris, who just told her to pack up her things and go home and that she was no longer employed at Plato's Diner. No reason was given, but she knew it was because of her refusal to obey his order to follow the company's unwritten policy of claiming just enough hours worked in order to have earned on the books the minimum weekly wage. Martha had put up with a lot over her 2-year employment at Plato's Diner because she believed her age limited her options in the food service business, yet her conscience finally convinced her to stop lying to the state and the federal government about her hours worked. She therefore completed her time sheet to reflect her real hours. Chris ripped up the sheet in front of her and asked her to complete it properly.

Once she was fired, the memories of verbal abuse and cruel treatment came rushing back to her, and now with no job and nothing to lose, she called the New York State Department of Labor to report her former bosses' wrongdoings. She then called her lawyer to discuss filing an age discrimination suit against Plato's Diner.

QUESTIONS

1. What skills and training did the brothers have and need for running Plato's Diner? What would you have recommended they do to acquire these skills before they entered this business? (Chapter 1, skills; Chapter 7, training and development off and on the job)
2. Describe the brothers' strategy in their business and their general approach to the human resource management function of their business. What are some problems with this HRM approach given their strategy? (Chapter 1, past/present view of HRM; line managers' responsibilities; Chapter 2, strategy)
3. Examine the organization's current organization chart (Exhibit B-1). What are some of the problems with this structure, and how does it impact employee behavior? (Chapter 2, structure)
4. Examine the organization's culture. What are the beliefs, values, and assumptions that drive this culture, and how does this culture impact employee behavior? (Chapter 2, culture)
5. This is a family business where the brothers work 14-hour shifts, 7 days a week, and serve as cooks while the rest of the family pitches in to both operate and manage the restaurant. At the same time, waitresses clean and work the cash register. How might job analysis and job design help the family better understand the pros and cons of this approach? (Chapter 2, job analysis/job design)
6. Dean and Chris had very different leadership styles and discipline techniques. How effective was Chris's approach to discipline, and what recommendations would you have for both Chris and Dean when disciplining employees? (Chapter 9, discipline)
7. Describe the current compensation system used by Chris and Dean for the waitresses, bus boys, and dishwashers. How might you restructure the compensation system to better motivate employees given Chris and Dean's business strategy? (Chapter 11, compensation management; Chapter 12, incentive pay)

8. When the state department investigated Martha's claim of being illegally fired, Chris argued that she was fired under "employment-at-will." How does employment-at-will apply to this case, and what are the exceptions that might support Martha's claims? (Chapter 9, employment-at-will)
9. The State Department of Labor investigation found that Chris and Dean had violated several state and federal laws. Use the OUCH test to help you determine which laws were violated. What actions would you recommend the brothers take in order to make sure that they follow legal HRM practices? (Chapter 3, immigration law, minimum wage law, age discrimination, affirmative action)

Source: *Minimum wage tip receivers*. (2010). Retrieved from <http://www.paywizard.org/main/salary/minimum-wage/tipped-workers-regulation/>

EXHIBIT B-1 PAPAS FAMILY TREE/ORGANIZATIONAL CHART

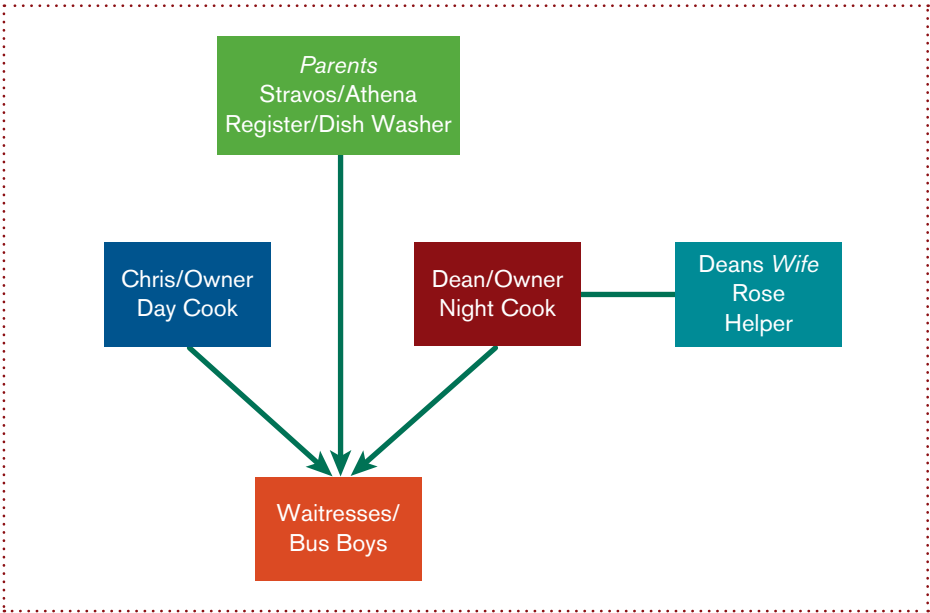


EXHIBIT B-2 PLATO'S DINER—WAITRESS SCHEDULE

Waitress	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 Carol		7am–2pm	7am–2pm	7am–2pm	7am–2pm	7am–2pm	
2 Katie		7am–2pm	7am–2pm	7am–2pm	7am–2pm	7am–2pm	
3 Kathy		8am–3pm	8am–3pm	8am–3pm	8am–3pm	8am–3pm	
4 Martha		11am–5pm	11am–5pm	11am–5pm	11am–5pm	11am–5pm	
5 Patty		5pm–11pm	5pm–11pm	5pm–11pm	5pm–11pm	5pm–11pm	
6 Tina		5pm–11pm	5pm–11pm	5pm–11pm	5pm–11pm	5pm–11pm	
7 Georgia		11pm–7am	11pm–7am	11pm–7am	11pm–7am	11pm–7am	
8 Voula		11pm–7am	11pm–7am	11pm–7am	11pm–7am	11pm–7am	
9 Vicki	7am–2pm						7am–2pm
10 Maria	7am–2pm						7am–2pm
11 Betty	8am–3pm						8am–3pm
12 Juliet	11am–5pm						11am–5pm
13 Bianca	5pm–1pm						5pm–11pm
14 Jane	5pm–11pm						5pm–11pm
15 Margaret	11pm–7am						11pm–7am
16 Annie	11pm–7am						11pm–7am

EXHIBIT B-3 PLATO'S DINER—DISHWASHER SCHEDULE

	Dishwasher	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	Mom (Athena)		8am–3pm	8am–3pm	8am–3pm	8am–3pm	8am–3pm	
2	Joe		5pm–10pm	5pm–10pm	5pm–10pm	5pm–10pm	5pm–10pm	
3	Paul	8am–3pm						8am–3pm
4	Mark	5pm–10pm						5pm–10pm

EXHIBIT B-4 PLATO'S DINER—COOK SCHEDULE

	Cooks	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	Dean	12am–2pm	12am–2pm	12am–2pm	12am–2pm	12am–2pm	12am–2pm	12am–2pm
2	Chris	10am–12am	10am–12am	10am–12am	10am–12am	10am–12am	10am–12am	10am–12am
3	Dean's Wife (Rose)	12am–2pm	12am–2pm	12am–2pm	12am–2pm	12am–2pm	12am–2pm	12am–2pm
4	Jack		5am–10pm	5am–10pm	5am–10pm	5am–10pm	5am–10pm	
5	Don	5am–10pm						5am–10pm

EXHIBIT B-5 PLATO'S DINER—EXAMPLE OF WAITRESS TIME SHEETTIME SHEET: WAITRESSES - PLEASE WRITE DOWN YOUR HOURS and TIPS!

NOTE: Current Minimum Wage is \$5.15 per hour

DATE: WEEK of

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Hours	Total Tips: Multiply # of Hours by \$3.02
Carol									
Katie									
Kathy									
Martha									
Patty									
Tina									
Georgia									
Voula									
Vicki									
Maria									
Betty									
Juliet									
Bianca									
Jane									
Margaret									
Annie									

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Minimum wage tip receivers. (2010). Retrieved from<http://www.paywizard.org/main/Minimumwageandvertime/MinimumWageTIPReceivers>