

## GUSTO 54: (A) CREATING A CULTURE OF OWNERSHIP AND ACCOUNTABILITY

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*Lindsay Birbrager wrote this case under the supervision of Professor Alison Konrad solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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Version: 2021-07-29

By January 2020, Janet Zuccarini, the owner and chief executive officer of Gusto 54 Restaurant Group (Gusto 54), had leveraged her industry experience to grow the business into a huge success story. As an industry native, she was aware of the most pressing issues facing business owners. She understood that Gusto 54's longevity would depend on her ability to create an engaged and motivated workforce with minimum-wage employees. Recognizing that her customers' experience would lie in the hands of the servers, wait staff, hosts, and back-of-house workers, Zuccarini prioritized these staff as an area of focus. While the front-of-house staff interacted with customers and had the opportunity to provide exceptional service and build brand loyalty, the back-of-house team also influenced the brand, coordinating with the servers, wait staff, and hosts to provide high-quality food consistently and efficiently. Equipped with this knowledge, Zuccarini focused on building the right culture, hiring employees who fit that culture, and investing in an employee experience that would retain them. While Zuccarini had been successful in adopting this strategy thus far, she was concerned: competition for strong talent was fierce, and Zuccarini knew that the restaurant group's continued success would depend on its ability to hire and retain top employees.

### HISTORY

Gusto 54's story began in 1954, when Zuccarini's father, Giacomo, founded Zuccarini Importing Company Ltd. and brought the first espresso machine into Canada. Giacomo Zuccarini was an innovator; that same year, he opened Sidewalk Cafe on Toronto's College Street, where he introduced the city's first wood-burning pizza oven and heated restaurant patio.<sup>1</sup> Decades later, in 1996, Janet Zuccarini opened Trattoria Nervosa in Toronto and in 2012, she opened a second restaurant, Gusto 101.

After entering a partnership with Pai Northern Thai Kitchen, Zuccarini had the confidence and capital to take the company to the next level, and Gusto 54 was born. The company grew quickly with the launch of Gusto 54 Catering in 2015 and the introduction of Chubby's Jamaican Kitchen in 2017. That was a big year for Gusto 54 because it also marked the company's global expansion into Los Angeles, California, with the opening of Felix Trattoria, which was later voted the number-one best new restaurant in America by *Esquire* magazine.<sup>2</sup>

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<sup>1</sup> Kostuch Media Ltd., "Taking the Lead: Meet Six Successful and Inspiring Women Making Their Marks on the Foodservice Industry," *Food Service and Hospitality*, May 30, 2018, [www.foodserviceandhospitality.com/taking-the-lead-meet-six-successful-and-inspiring-women-making-their-marks-on-the-foodservice-industry](http://www.foodserviceandhospitality.com/taking-the-lead-meet-six-successful-and-inspiring-women-making-their-marks-on-the-foodservice-industry).

<sup>2</sup> Jeff Gordinier, "The Best New Restaurants in America 2017," *Esquire*, October 18, 2017, [www.esquire.com/food-drink/restaurants/a12775917/best-new-restaurants-in-america-2017](http://www.esquire.com/food-drink/restaurants/a12775917/best-new-restaurants-in-america-2017).

## LEADERSHIP

### Janet Zuccarini

Janet Zuccarini was the sole owner and visionary behind Gusto 54 and a resident judge on the Food Network's *Top Chef Canada* series. Within the restaurant industry, she stood out as a powerhouse entrepreneur who curated innovative and delicious dining experiences on a global scale.<sup>3</sup> While Zuccarini had a master of business administration degree, she had not taken a typical corporate approach to her business; instead, she figured things out on her own, in her own way. Within the Gusto 54 family, Zuccarini was the visionary. She loved being creative and was able to invest her energy in what she was most passionate about: hiring the right people to take care of the day-to-day business.

Zuccarini defined her main talent as the ability to find awesome people and spot leadership potential. Learning from her experience of having started Trattoria Nervosa in a toxic partnership, she was aware of the implications of bringing on the wrong people and invested in hiring those who would be a strong cultural fit. Zuccarini focused on leading by example because she believed that “the fish rots from the head down”—that is, that faulty leaders are to blame for an organization’s demise. Zuccarini’s personal philosophy was that anyone could be trained to do anything. Instead of hiring for skill, she focused on attitude, hiring individuals she would enjoy working alongside. For example, she hired her good friend Juanita Dickson to join the leadership team. Logically, the decision was what she called a “no-brainer.” The two women had met on a sailboat in Bora Bora 15 years earlier, where Zuccarini had seen all sides of Dickson and was drawn to her constant good mood and incredible work ethic.

In a competitive, low-margin industry, Zuccarini had been able to stay grounded by realistically framing what Gusto 54 did: while her job could be stressful, she reminded herself that she wasn’t in the business of saving lives but rather of delivering pizza. What made Zuccarini a great leader was her people-first focus. While Zuccarini had been exposed to the French kitchen culture, she made an informed decision to operate her restaurants differently. The concept of breaking people down in order to build them back up did not appeal to her or fit with the type of culture she was trying to build.

### Juanita Dickson

Dickson was hired in November 2014 as the vice-president responsible for brand expansion. Her mandate was to transition Zuccarini’s company from a couple of restaurants in Toronto to a global restaurant group. Dickson oversaw the development and launch of new business opportunities and, over a five-year period, the company expanded to nine locations, with an additional four on the way in the coming year.

In 2020, Dickson was promoted to the role of president and chief financial officer. She arrived at Gusto 54 with almost two decades of brand and marketing agency experience as well as a master’s degree in marketing and communications from the Schulich School of Business.<sup>4</sup> In addition to having an impressive professional background, Dickson was a great cultural fit for Gusto 54. Her definition of success—happiness, loving life, and achieving the goals you have set for yourself—aligned well with the organization’s guiding principles.

<sup>3</sup> “Top Chef Canada: Janet Zuccarini,” Food Network, accessed February 20, 2020, [www.foodnetwork.ca/shows/top-chef-canada/bios/janet-zuccarini](http://www.foodnetwork.ca/shows/top-chef-canada/bios/janet-zuccarini).

<sup>4</sup> Ryerson University, Hospitality and Tourism Management, “Juanita Dickson,” Ted Rogers School of Management, accessed February 20, 2020, [www.ryerson.ca/tedrogersschool/hospitality-tourism-management/programs-and-admissions/advisory-council/juanita-dickson](http://www.ryerson.ca/tedrogersschool/hospitality-tourism-management/programs-and-admissions/advisory-council/juanita-dickson).

## Gusto 54 Leadership Team

Zuccarini was proud to have built a leadership team that reflected diversity (see Exhibit 1). Gusto 54's success could be largely attributed to her ability to hire and retain a strong leadership team that had remained intact. In an industry riddled with turnover, Zuccarini had made a conscious effort to keep the team lean. As the number of restaurant concepts expanded, the lean management team minimized the management costs charged to each restaurant. A lean headquarters also ensured that the leaders were not duplicating efforts and could work collaboratively to make decisions that would affect the company's future.

In addition to Zuccarini and Dickson, the leadership team included Demetrio Bianco, chief operating officer; Angela Lawrence, chief culture officer; Tyler Rutherford, restaurant expansion manager; Rochelle Singer, marketing and communications manager; Elio Zannoni, executive chef; and Evan Funke, executive chef and partner of Felix Trattoria.

To maintain a lean leadership team as the company continued to grow, Zuccarini emphasized the idea that each individual had been hired into their role to make their boss's job easier. This mindset encouraged individuals to take control and be leaders, which promoted increased fulfillment in their respective roles. For example, when Rutherford joined Gusto 54, his objective had been to learn the skills required to someday start his own restaurant. However, after working for the organization, he had a change of heart, believing that he could gain everything he might gain from starting his own restaurant in his current role—but without the added risks.

## THE RESTAURANT INDUSTRY

According to Zuccarini, restaurants were “such a tough business that if you do not have fantastic business acumen, you’re not going to make it.”<sup>5</sup> Zuccarini’s statement was supported by the reality that 60 per cent of new restaurants failed within their first three years, and the average Canadian foodservice business had a profit margin of only 4.2 per cent.<sup>6</sup> With such low margins, restaurateurs were faced with tough decisions when operating costs increased. They had few options to offset the rising costs—namely, cutting down on staff or hours or passing the cost on to customers in the form of higher prices.

Beyond profitability, another key issue plaguing the industry was the difficulty kitchens had in attracting and retaining talent. As an article from George Brown College pointed out, “90 per cent of today’s restaurant operators consider labour costs the number-one challenge affecting their business,”<sup>7</sup> making talent management essential to success in the industry. The article noted that turnover rates in restaurants were high overall: “The one-year turnover rate across all restaurant positions is 24 per cent, closer to 30 per cent in part-time, and the five-year average is an astounding 116 per cent.”<sup>8</sup> To further highlight this problem, in the third quarter of 2019, “there were 67,360 vacant jobs in food service and drinking establishments across the country.”<sup>9</sup> Not only was competition fierce, but prospective employees could be deterred by the long hours, low wages, tensions between front- and back-of-house teams, and other issues, including “harsh work conditions, rampant wage theft... plus poor attitudes and practices about abusive behaviour.”<sup>10</sup>

<sup>5</sup> Rosemary Counter, “Gusto 54 Restaurant Group: Canada’s Best Managed Companies 2019,” *Canadian Business*, March 7, 2019, [www.canadianbusiness.com/lists-and-rankings/best-managed-companies/gusto-54-restaurant-group-canadas-best-managed-companies-2019](http://www.canadianbusiness.com/lists-and-rankings/best-managed-companies/gusto-54-restaurant-group-canadas-best-managed-companies-2019).

<sup>6</sup> Marlee Wasser, “Foodservice Industry Forecast: Insights for Surviving and Thriving in the Years Ahead,” Restaurants Canada Blog, December 16, 2018, <https://blog.restaurantscanada.org/index.php/2018/12/16/foodservice-industry-forecast-2018-2022>.

<sup>7</sup> Laura Pratt, “Top 10 Food Trends for 2019,” George Brown College, February 20, 2020, [www.georgebrown.ca/top-10-food-trends-for-2019](http://www.georgebrown.ca/top-10-food-trends-for-2019).

<sup>8</sup> Pratt, “Top 10 Food Trends for 2019.”

<sup>9</sup> Brandie Weikle, “Restaurant Industry Faces Critical Worker Shortage as Holiday Demand Peaks,” CBC News, December 24, 2019, [www.cbc.ca/news/business/restaurant-industry-worker-shortage-1.5382346](http://www.cbc.ca/news/business/restaurant-industry-worker-shortage-1.5382346).

<sup>10</sup> Corey Mintz, “Fair Pay, Benefits and Safe Workplaces: How Some Toronto Restaurants Are Becoming Better Employers,” *Globe and Mail*, May 19, 2019, [www.theglobeandmail.com/canada/toronto/article-toronto-restaurants-try-to-be-better-employers](http://www.theglobeandmail.com/canada/toronto/article-toronto-restaurants-try-to-be-better-employers).

## GUSTO 54 RESTAURANT GROUP

As of January 2020, Gusto 54 owned and operated nine restaurant concepts, with very different expressions, in Toronto and Los Angeles, and rapid expansion was underway. Gusto 54 was anchored in Zuccarini's three passions: business, food, and travel. These passions dictated the mission: "to consistently deliver a transporting customer and employee experience complete with delicious relevant food, inspiring design and passionate, soulful hospitality." Gusto 54's mission went hand in hand with its vision: "to build the most culturally relevant and celebrated collection of restaurants and innovative culinary experiences in the world."<sup>11</sup>

To achieve this vision, Gusto 54's strategy was grounded in innovative growth and the use of technology. The company empowered all employees to take an entrepreneurial approach in their roles. Gusto 54's manifesto and its statement of "family values" were created by the leadership team, who spent almost a year determining what to incorporate. Since these values would be treated as the organization's guiding principles, the team thoughtfully reflected on what each restaurant was doing well that could be replicated, then narrowed these points down to seven key values (see Exhibit 2).

### Business Model

Zuccarini was purposeful and patient, building Gusto 54 slowly to ensure that the foundation was strong and the timing was right to expand. In the initial business model, Zuccarini owned the real estate and the operating business, which allowed her to successfully quadruple the size of her business within five years without diluting ownership through traditional methods of raising capital.<sup>12</sup> The acquisition of real estate was a true enabler for Gusto 54 because it offered the freedom to deliver the brand experience without limitation, allowing each space to be truly unique. Over time, Gusto 54 developed the expert capability to roll out new restaurant concepts efficiently and effectively, create excitement, and provide an excellent dining experience to each new customer base. In January 2020, Gusto 54 owned four properties in Toronto valued at over \$14 million,<sup>13</sup> which allowed Zuccarini to reinvest the profits into each subsequent venture.

Another key element of Gusto 54's business model was innovative experimentation and growth through alternative channels. To fuel its growth, Gusto 54 launched a catering business and created its own commissary kitchen to supply the restaurants and control the cost and quality of product. Gusto 54 was also quick to embrace the growing trend of takeout and in-home dining, taking the industry lead in partnering with takeout and delivery services such as Uber Eats and Ritual. The company's proactive approach paid off and created an additional 10–15 per cent in sales. To further capitalize on this trend, Gusto 54 expanded the Pai brand by investing in remote kitchen hubs to create virtual restaurants in suburban markets, where revenue would be driven exclusively from takeout and delivery.

### Performance

Gusto 54's effectiveness was measured against a balanced scorecard, which encompassed the financial, operational, and industry components of the organization's strategy.

#### Financial Performance

Gusto 54's financial scorecard metrics included year-over-year growth of over 10 per cent, a profit margin—expressed as earnings before interest, taxes, depreciation, and amortization (EBITDA)—of more than 18 per cent, and prime costs (for labour and food) of less than 60 per cent.

<sup>11</sup> "Our Company," Gusto 54, accessed February 24, 2020, <http://gusto54.com/our-company>.

<sup>12</sup> Counter, "Gusto 54 Restaurant Group."

<sup>13</sup> All currency amounts are in CA\$.

Gusto 54 consistently took strategic steps to achieve its desired profit margins every year. Recognizing the importance of keeping food and labour costs each below 30 per cent, the organization had created its own commissary kitchen in order to become the supplier and maintain control of the costs and quality of its product. Gusto 54 had also opted to invest in technology and training to enable the leadership team to track numbers daily and hold each restaurant team accountable for quickly identifying and fixing problems.

### Operational Performance

Gusto 54's restaurants were organized with a proactive approach to service in mind. At each restaurant, servers were assigned sections of no more than five to seven tables so that they could optimize the brand experience for every customer. Similarly, each floor had a dedicated business manager to ensure that guests always had access to management resources.

The company's operational scorecard metrics included positive media coverage and accolades with prominent publications and positive customer feedback, including a rating of at least four out of five on Yelp.

In March 2019, Gusto 54 was recognized by Deloitte as one of Canada's best-managed companies, further contributing to the positive media coverage for its brands. The company also received a number of other key recognitions, including being recognized at the top of *Esquire* magazine's list of "Best New Restaurants in America,"<sup>14</sup> being singled out by the *Wall Street Journal* as a source of "The Pastas You've Been Missing Out On,"<sup>15</sup> and being named the "#1 Best Thai Restaurant" on *BlogTO*.<sup>16</sup>

With Gusto 54 serving over one million customers a year, the team placed a great deal of importance on online reviews. Across all restaurant concepts, Gusto 54 received thousands of reviews, with a company-wide average of 4.4 out of 5 stars. The organization measured its success not only by the quantity of positive reviews it received but also by its ability to extract trends and apply learnings to improve the overall customer experience. Gusto 54's commitment to enhancing the customer experience was evidenced by the customer service team, who personally addressed each review.

### Industry Performance

Gusto 54 consistently outperformed peer restaurants on several key performance indicators: its average profit margin was 20 per cent, compared with 6 per cent for its competitors; its average sales per square foot was \$1,800–\$2,500, compared with \$1,000 for its competitors; and its average churn rate<sup>17</sup> per day was three to six, compared with two for its competitors.<sup>18</sup>

## **GUSTO 54'S CULTURE**

Gusto 54 was committed to the core belief that "happy people make people happy," and its culture was shaped by Zuccarini, who founded the company on the basis of love. This feeling was evident among the leadership team, who ended their meetings saying, "Love you." Lawrence, the chief culture officer, believed that Gusto

<sup>14</sup> Gordinier, "The Best New Restaurants."

<sup>15</sup> Elizabeth G. Dunn, "The Pastas You've Been Missing Out On," *Wall Street Journal*, April 4, 2019, [www.wsj.com/articles/the-pastas-youve-been-missing-out-on-and-where-to-find-them-11554402342](http://www.wsj.com/articles/the-pastas-youve-been-missing-out-on-and-where-to-find-them-11554402342).

<sup>16</sup> "The Best Thai Restaurants in Toronto," *blogTO*, September 12, 2018, [www.blogto.com/toronto/the\\_best\\_thai\\_restaurants\\_in\\_toronto](http://www.blogto.com/toronto/the_best_thai_restaurants_in_toronto).

<sup>17</sup> In the restaurant industry, churn rate referred to the amount of times a restaurant used a table within one day (for example; the tables at Gusto 54 restaurants were used 3–6 times per day, compared to other restaurants, which used their tables twice).

<sup>18</sup> Juanita Dickson (vice-president, responsible for brand expansion), email sent to case author on March 20, 2020.

54's success could be attributed to the fact that the organization operated from a place of love and worked to enhance the team member experience by providing a healthy, happy, respectful, and fun workplace.

To scale the culture effectively, Gusto 54 had invested in developing an on-boarding program and other talent-management processes. As a result of these efforts, whenever Zuccarini walked into one of the restaurants, she was greeted warmly by handfuls of employees in a direct expression of mutual love and respect.

## **INVESTING IN PEOPLE**

Gusto 54's ability to achieve its vision was dependent on attracting and retaining top talent within the hospitality space. The leadership team understood that talent was crucial to building consistency, brand loyalty, and customer service, since every customer experience depended on someone who was making minimum wage. Driven by Zuccarini's desire to make Gusto 54 the number-one restaurant group in the world to work for, the company had made a strong commitment to enhancing its employee journey through additional programming, benefits, and perks.

Zuccarini firmly believed that the right people were the most valuable resource in the industry and that business decisions should be made through that lens. When it came to programming, decisions were heavily influenced by the responses to Gusto 54's employee surveys and internal focus groups. Gusto 54 encouraged all employees to provide candid feedback, which was leveraged to further improve the employee experience.

### **Hiring**

Gusto 54 initiated a "Hiring Awesome" program: hiring for attitude and personality and training for skill. The program guided everything from the way the organization conducted interviews to the types of candidates it hired: those who aligned with the company's mission, vision, and values. The Hiring Awesome program helped the team focus on identifying candidates who were passionate and self-aware and who expressed a clear interest in growing within the organization. To determine fit during interviews, candidates were asked behavioural questions connected to the company's statement of family values (see Exhibit 2) to gauge, for example, whether the candidates had an entrepreneurial spirit and liked taking ownership over their work.

### **Training**

To combat poor industry benchmarks on employee retention, Gusto 54 designed a six-phase learning journey to support its employees through their on-boarding period, first year, and career development (see Exhibit 3).

Each employee's journey began with an on-boarding process that introduced them to Gusto 54's strategy, vision, mission, and values, with the goal of ensuring that new employees were exposed to the company's culture before starting their first shift. Gusto University, the company's integrated training system, was established to assist new employees in the transition to their roles. Each new employee received one-on-one training over four to ten shifts from a certified Gusto 54 coach as well as ongoing training through Gusto 54's innovative online training platform.

The online training system was novel in the restaurant industry and provided the organization with a massive competitive advantage. Gusto University's online platform was regularly leveraged to test employees' memories and their understanding of the organization's strategy, mission, vision, values, and processes. The tool allowed training to be integrated into employees' daily work, and the expectation was that each employee would sign on before each shift to complete five minutes of training. Each question in the program was intended to reinforce health and safety regulations, menu knowledge, restaurant policies, or company values, and to ensure that each employee was aligned with the brand strategy and equipped to do their job.

## Growth and Development

To enhance employee development, Gusto 54 introduced its “Level Up” mentorship program, an application-based program that aimed to help employees build their personal and professional skills outside their day-to-day roles. Gusto 54 also incentivized the top talent at existing restaurants by offering them first access to positions at new restaurants—a practice they called the “kombucha model.” The analogy referred to the requirement, when making a new batch of kombucha, to start with an existing symbiotic culture of bacteria and yeast, or *scoby*, which was the living heart and soul of an established kombucha. This approach ensured that the new beverage was of equal or greater quality; once the perfect formula was established, it was easy to replicate and tended to improve over time.

In scaling culture, Gusto 54’s best practice was to infuse any new restaurant concept with 20 per cent of its top talent, which created vacant leadership opportunities in the existing restaurants and simultaneously set a consistent cultural tone across every expansion. One such example was Stephanie Bell, who had started as a server at Gusto 101 and had worked her way up to the role of general manager at Chubby’s Jamaican Kitchen. The magic number for shaping that soulful hospitality culture that Gusto 54 strove for seemed to be 20 per cent. Based on its success, Gusto 54 determined that at least 20 per cent of the employees at any newly opened restaurant concept needed to be those who had lived, breathed, and excelled in one of the group’s proven restaurant concepts.

To attract and retain the best talent, Gusto 54 was committed to promoting from within, and to support this commitment, the organization established a certified coaching program for those looking to move into leadership positions (see Exhibit 4). This program motivated employees to become experts in their roles so that they could coach new team members, earn higher wages, and receive scheduling preferences. Gusto 54 encouraged a culture of leadership and entrepreneurship through its three-tiered coach certification program. Each tier involved a one-day intensive training session that was carefully crafted to create best-in-class employees and customer experience. In tier one, ground-level employees were trained on leadership techniques and were given the additional responsibility of training new hires. Tier two focused on developing junior managers in operations and people management, and tier three supported and trained senior managers to operate successful businesses. While this program was a significant investment, Gusto 54 considered it worthwhile because many employees who had mastered tier one went on to take supervisory and management roles within the restaurants and eventually transition to tiers two and three, all while remaining part of the Gusto 54 family.

In the spirit of transparency, and to provide all employees with growth and development opportunities, Gusto 54 divided its performance reviews into two key portions, which were discussed at the three-month and annual reviews. The first portion was benchmarked against an overall skills matrix that included the soft and hard skills required to hold the most senior positions in the restaurant. The purpose of the benchmark was to help employees recognize where they stood and where they needed to focus their attention to get to the next role. It created clarity around the skills employees needed to develop to progress, and it allowed the organization to be more tactical when deciding who to promote to the next level. The second portion, where employees created development plans that documented their goals for the upcoming year, built on the first. Goals included accomplishments that would be measurable in the coming year as well as skills employees wanted to acquire.

## Gusto 54 Benefits, Perks, and Recognition

In an industry where very few boutique restaurant groups offered health benefits, Gusto 54 took the lead, investing \$75,000 in a program for managers and head office employees. It then invested over \$250,000 to roll out health benefits for all full-time staff, based on the results of an employee survey that indicated that

health benefits would be a key driver of engagement and retention. Gusto 54 partnered with League Inc. to provide an innovative benefits program that was based on health spending. League Inc.'s platform emphasized personal well-being, which aligned with Gusto 54's family values.

Driven by the belief that happy people made people happy, Gusto 54 offered its employees a variety of perks. It made efforts to plan diverse social opportunities that appealed to all employees. In addition to these larger events, Gusto 54 invested \$5,000 per restaurant in rolling out its "Eating the Town" program, which encouraged high performers to dine at competitor restaurants with senior leadership. Similarly, Gusto 54 encouraged its back-of-house employees to explore the restaurant scene by paying for them to go on team dinners to celebrated restaurants in the city. Gusto 54 also established its "Black Card" program, which promoted a cross-company family culture by providing employees with cards that allowed them to receive discounts and special dining privileges at all of the Gusto 54 restaurants.

To appreciate and recognize its employees, Gusto 54 also ran a twice-yearly "Power Hour"—a half-day closure of each of its restaurants that enabled the group to conduct town hall-style meetings with all employees. The Power Hour provided employees with transparency and visibility as leadership reviewed the company's overall strategy and progress. The meetings were a key element in the organization's employee engagement strategy since employees were encouraged to interact with, give feedback to, and ask questions of the leadership team. Because Zuccarini believed that acknowledgement was important, these Power Hours were also used to recognize nominations for Gusto 54's "Awesome Awards"—peer-nominated awards that recognized specific behaviours that aligned with Gusto 54's family values and contributed to the organization's overall strategy. Winners from across the company were chosen and recognized during Power Hour. The leadership team found these awards to be effective in providing everyone with clear role models for living and breathing Gusto 54's values.

### **Focus on Continuous Improvement in the Employee Experience**

Since first implementing these programs, Gusto 54 had conducted an updated employee engagement survey, which confirmed the success of the new programming. Recent survey results revealed that 80 per cent of employees were interested in growing with Gusto 54; 84 per cent believed the work they did had an impact on the business's success; and 89 per cent of employees would recommend Gusto 54 as a place to work. The company also measured employee engagement according to retention and succession planning metrics. It aimed to retain more than 75 per cent of full-time employees, and its succession planning goal was for each leader to be actively mentoring three to five employees.

While much of the new programming had been successful, the survey also highlighted areas for improvement, such as the importance of transparent communication across the restaurant group. While Gusto 54 had invested in many systems to enhance transparency, the need for transparent communication continued to be noted as a priority. The organization was challenged to explore creative ways to ensure that all employees felt they were receiving the right information in a timely fashion.

### **CREATING A CULTURE OF OWNERSHIP AND ACCOUNTABILITY**

When Gusto 54 was founded, Zuccarini had focused on how the restaurant group could provide operational benefits so that each restaurant would be empowered to run self-sufficiently. The group landed on a model in which Gusto 54 charged restaurants a management fee but let them operate in an entrepreneurial fashion. Each restaurant was set up as a self-sufficient operating entity, and nearly full autonomy was given to each in-house management team. The goal was to shift support of the individual restaurants away from a culture where "Big Brother" was watching, toward a culture where Gusto 54 acted as a valued service provider. Under this model,

head office would be more clearly held accountable for providing service value and support, and managers would be held accountable for using the services they were paying for in ways that increased business success. This model encouraged an entrepreneurial spirit at the restaurant level, while still allowing each restaurant concept to benefit from head office support on strategy, policy, and overall brand consistency. As the restaurant group continued to grow, Zuccarini deliberately avoided becoming top-heavy, both to minimize the cost burden on the restaurants and to allow each unit to continue to operate in an agile fashion.

Technology enabled a culture of ownership and accountability by providing Gusto 54's restaurant-level leaders with the necessary tools to make real-time decisions. Gusto 54 leveraged a variety of mobile applications (apps), including PUSH, which provided a live dashboard of labour, sales mix, and revenue data. The biggest driver of productivity was the Pulse mobile app, which integrated with Gusto 54's point-of-sale system in all restaurants. This app provided every leader and manager in the business with real-time updates on sales, labour, sales mix, average guest cheque, and guest flow.

From an organizational design standpoint, each restaurant was led by a chef de cuisine, who oversaw the management of the kitchen team, and a general manager, who oversaw all front-of-house staff. Each leader was supported by mid-level management, who ensured smooth daily operations and were trained to manage the restaurant without supervision. Mid-level managers, who were crucial to each restaurant's success, were given additional responsibility and primed for promotions and leadership roles, and this contributed to Gusto 54's succession planning.

### Aligning Financial Incentives

At the restaurant level, Gusto 54's financial incentives were structured to reduce friction and bring the back-of-house and front-of-house staff teams together. Gusto 54's leadership recognized that while the front-of-house jobs were easier than the back-of-house jobs, tipping meant the front-of-house staff generally earned much more money. Realizing this inequity, Gusto 54 implemented a new tipping structure that better addressed the critical hard work of the back-of-house staff. Servers began with a base salary and had the opportunity to earn gratuities, which were shared across support and kitchen staff. Gratuities could represent up to 60 per cent of the front-of-house compensation and would augment the back-of-house compensation by over 30 per cent. Gusto 54 adopted this structure to ensure alignment both between performance and compensation and between the front- and back-of-house staff. Gusto 54's unique tipping allocation provided a strong motivation for team members to work together to surprise and delight their customers.

Restaurant management compensation was structured to recognize and reward alignment with Gusto 54's corporate strategy. If a restaurant achieved food and labour costs below 60 per cent and EBITDA at or above 18 per cent, the chef de cuisine and general manager were each entitled to 1 per cent of the after-tax profit share of the business. This 1 per cent after-tax profit covered 10–20 per cent of their overall compensation. Restaurant management also received performance bonuses, which represented 5 per cent of their overall compensation. These bonuses were based on achieving pre-set objectives linked to the organization's priorities, such as employee engagement or succession planning.

For senior management, salaries represented less than half of their total compensation potential, which differed from the industry norm. To increase accountability, each leader's compensation was linked to their ability to deliver according to Gusto 54's strategy. Gusto 54 adopted this structure to create an entrepreneurial culture in which each leader treated the business as if it were their own. While the leadership team believed that accountability was at the heart of creating a proactive work environment, it was not yet part of the organization's day-to-day culture at all levels, and it had been challenging to reinforce during rapid expansion. Zuccarini hoped that this compensation plan would create a stronger culture of accountability at the management level and improve alignment with the family values across the company.

## CONCLUSION

Gusto 54 had remained successful through stages of rapid growth and expansion by never losing sight of its mission, vision, and family values and by appreciating the efforts of the employees who had allowed the organization to grow to this point. The organization's impressive growth was fuelled by its ability to maintain a cohesive culture.

As Gusto 54 continued on its growth trajectory, it would become increasingly challenging to sustain the family feeling. Zuccarini treated Gusto 54 like a family-owned business and did not want that to change as the company continued to expand. She had already started to receive pushback against the increasingly corporate nature of the culture, and she wondered what the leadership team could do to continue to operate as a family-run business while also pursuing its aggressive expansion plans. In January 2020, as Zuccarini thought about these plans, she was concerned about finding and training the right people and continuing to ensure that all decisions aligned with Gusto 54's core values.

The Ivey Business School gratefully acknowledges the generous support of CIBC in the development of this case.

## EXHIBIT 1: GUSTO 54'S LEADERSHIP TEAM

## GUSTO 54 TEAM



JANET ZUCCARINI  
OWNER & CEO



JUANITA DICKSON  
PRESIDENT



DEMETRIO BIANCO  
CHIEF OPERATING OFFICER



ELIO ZANNONI  
EXECUTIVE CHEF



EVAN FUNKE  
EXECUTIVE CHEF & PARTNER  
OF FELIX TRATTORIA



TYLER RUTHERFORD  
RESTAURANT EXPANSION  
MANAGER



ANGELA LAWRENCE  
CHIEF CULTURE OFFICER



ROCHELLE SINGER  
MARKETING & COMMUNICATIONS  
MANAGER

Source: "Leadership Team," Gusto 54, accessed March 2, 2020 <http://gusto54.com/our-company/leadershipteam>.

## EXHIBIT 2: GUSTO 54'S FAMILY VALUES

I powerfully choose to be positive and have fun

I bring contagious passion, generosity and fun to everything I do, always

I believe in exceptional service

I anticipate needs, operate from "yes" and can be counted on to go above and beyond

I am entrepreneurial

I continually look for innovative ways to improve the business and customer experience

I treat everyone like family

I am a team player and treat everyone with genuine respect and kindness

I believe excellence is in the details

I appreciate beauty in my surroundings and see opportunities for impeccability everywhere

I am a leader

By example I inspire those around me to be their personal best

I contribute to my community

I believe it's important to give back and make a difference

Source: "Gusto Family Values," Gusto 54, accessed March 2, 2020, <http://gusto54.com/our-company/leadershipteam>.

### EXHIBIT 3: THE LEARNING JOURNEY AT GUSTO 54

Each team member moves through the six phases of the learning journey at Gusto 54. This journey is strategically designed to support our employees through their onboarding and career development at the company.



Source: Company files (Gusto 54U Internal Presentation, Slide 4).

### EXHIBIT 4: DEVELOPING A CAREER AT GUSTO 54

Hiring, retaining, and developing top industry talent is a priority as Gusto 54. High performing employees are encouraged to work their way through our leadership development programming.



Source: Company files (Gusto 54U Internal Presentation, Slide 3).