Service Quality and Leadership in the Restaurant Industry Revisited: The COVID and Great Resignation Effect

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This manuscript examined the literature and posited recommendations for restaurant professionals to develop successful and sustainable training programs to improve service delivery in the post-COVID-19 era. This research adds to the literature on service quality, behavioral intentions, and servant leadership in the restaurant industry. The literature indicated that the constructs continue to play an integral role in attracting and retaining restaurant customers. The findings led to practical applications for restaurateurs with strategies to improve service delivery practices, generate more repeat customers and attract quality employees in the post-COVID-19 environment.

Keywords: service quality, behavioral intentions, leadership, small business, restaurant industry, hospitality industry

INTRODUCTION

The restaurant industry experienced the "perfect storm" of threats beginning in early 2020, which flipped the industry on its head in a historic capacity. The threats included a global pandemic, supply chain issues, historically high inflation, and the Great Resignation (Gitleman, 2022). In March 2020, the COVID-19 virus spread across the globe at a record pace (Chapman, 2021). According to the National Restaurant Association (2020), the COVID-19 Pandemic caused 110,000 restaurants in the US to close permanently and over 500,000 to close their doors for an extended period. It remained in great financial distress (Kostromitina, et al., 2021). The National Restaurant Association additionally predicted that US restaurants would lose $240 billion in revenue and a staggering three million plus jobs from 2020 -2021 (Yang et al., 2021). With nearly 50% of Americans having worked in the restaurant industry at some point in their lives, the tremendous loss of restaurant jobs due to establishment closures, coupled with the impact of the Great Resignation, caused tremendous turbulence in restaurant operations (Williams, 2021: National Restaurant Association, 2019). The COVID-19 global pandemic accelerated an unprecedented shift for hospitality employees to leave the industry altogether in pursuit of careers outside of the industry, including participating in the gig economy (Liu-Lastres et al., 2022).

There is a rich history of literature and empirical studies of service quality in the restaurant industry, coupled with the impact of employee behavior on customer behavioral intentions (Kukanja, 2022; Koutroumanis, Alexakis & Dastoor, 2015; Stevens, Knutson, & Patton, 1995; Bojanic & Rosen, 1994). The

global pandemic and the Great Resignation, created a paradigm shift in many of the constructs studied in the past. Restaurant operators at both the independent and national chain levels faced unprecedented challenges in acquiring and retaining committed employees and providing quality customer service. How will these challenges impact the customer experience, and will customer expectations of service change in the future? The current study revisited the academic literature on the impact of COVID-19 on the restaurant industry, the impact of the Great Resignation, service quality, and behavioral intentions in the restaurant industry, and then examined the literature of the post-pandemic era. The results of this study could be used as a platform for restaurateurs to build new training models to leverage the new service expectations of customers in the future.

COVID-19 PANDEMIC AND THE RESTAURANT INDUSTRY

The restaurant industry has seen its share of economic and sociocultural challenges. The last major challenge the restaurant industry faced was the Great Recession, which had a profound negative effect on the restaurant industry, causing a record number of closures. According to NPD (global research firm), over 4000 (based on US figures only) restaurants closed for business in one year, April 2008 to March 2009 (Koutroumanis, 2012; Lockyer, 2009). The COVID-19 Pandemic dwarfed the challenges of the Great Recession in both magnitude and scope.

The COVID-19 pandemic reached the United States in early 2020 and spread like wildfire throughout the country. The pandemic was responsible for just over 800,000 deaths through December 15, 2021 (Williams, 2022). The pandemic's impact on the restaurant industry caused the largest catastrophe ever experienced in recent history, shadowing the effects of the Great Recession with an estimated 110,000 restaurants in the US closed their doors permanently and over 500,000 closed their doors for extended periods (Kostromitina, et al., 2021). The National Restaurant Association additionally predicted that US restaurants lost $240 billion in revenue and a staggering three million plus jobs from 2020 -2021 (Yang et al., 2021).

Government-forced business shutdowns exacerbated the impact on the restaurant industry. Depending on which state the restaurants were located had an impact on the amount of time restaurants closed. Politically charged policies played an integral role in the length of closures, which had implications for temporary shutdowns and possible recovery or caused detrimental outcomes for the restaurants (Williams, 2022). Restaurants that survived the pandemic struggled to get staffing levels back to normal pre-COVID-19 levels, creating service deficiencies. Additionally, restaurateurs transformed operational strategies to conform to the "new normal" in the post-COVID-19 environments (Xu, 2022).

THE GREAT RESIGNATION

The Great Resignation was one of the largest employee defections American businesses had ever seen. From April to September 2021, over 24 million Americans left their respective jobs (Sull, Sull & Zweig, 2022). According to Tessema et al. (2022), three broad forces drove employee resignation throughout various industries, including the COVID-19 global pandemic, the state of the employee-driven labor market, and the lack of organizational support for employees. Sull et al. (2022) additionally found that toxic corporate cultures drove employees to defect from their positions.

The impact of the Great Resignation on the restaurant and greater hospitality industries intensified due to complete shutdowns during the pandemic. Liu-Lastres, Wen, & Huang (2022) stated that the pandemic catalyzed fueling employee defection from restaurants. The service and hospitality industries experienced the largest drops in employment as compared to other industries, with nearly double the attrition (Williams, 2022, Morero et al., 2022). Typically, restaurant jobs are lower-paid positions that do not offer paid time off, insurance coverage or other benefits, which fueled employees leaving the industry in the time of crisis (Morereo et al., 2022). At the peak of the pandemic and restaurant closures, unemployment rates in the restaurant industry hit an all-time high of 35.4% in April of 2020 (Williams, 2022; U.S. Bureau of Labor Statistics, 2021).

As restaurants began to reopen, unemployment rates decreased as restaurant employees became more comfortable in the post-pandemic environment. By September of 2021, the restaurant unemployment rate was down to 7.5% (Williams, 2022; U.S. Bureau of Labor Statistics, 2021). Regardless, eight million restaurant positions went unfilled post-pandemic and restaurateurs continued to struggle to hire new employees. Over 90% of restaurant operators stated hiring employees had become extremely challenging, and over 75% stated that their restaurants were understaffed from pre-COVID-19 conditions (Williams, 2022). With the lack of sufficient staffing, restaurateurs struggled to deliver quality service as they had in the past. The lack of customer service directly impacts customer loyalty, which could have a long-term impact on the potential recovery and success of restaurants (Xu, 2022).

SERVICE QUALITY / INTENTIONS TO RETURN

Restaurateurs have always had to juggle many variables to deliver optimal guest experiences. The dynamic nature of the business leverages resources, both physical and human, to create a balance between product quality and service quality. The task is compounded in difficulty because the restaurant industry must be concerned with producing raw, highly perishable foods into finished products and then selling those items, all under one roof (Koutroumanis et al., 2015; Sasser, Olsen & Wyckoff, 1978). Various studies related to the impact of COVID-19 showcased that there were significant changes in customer expectations when it came to service delivery pre and post-pandemic (Planic & Kukanja, 2022; Al-Marzouqi & Ben Yahia, 2022). Labor shortages due to employees leaving the restaurant industry during the pandemic forced operators to run operations with less-than-optimal staffing creating deficiencies in service delivery (Williams, 2021). In addition to having less staff to serve the customers' needs, restaurateurs had to navigate health and safety concerns in addition to the standard operation protocols. The combination of health, labor, and service quality distresses challenged operators more than they had seen in any prior economic or socio-cultural crisis (Al-Marzouqi & Ben Yahia, 2022).

Service Quality

Service quality has been one of the primary concerns for all service delivery firms and one of the most studied constructs in academia (Xu, 2022). Customer's perceptions of service quality play a vital role in the long-term success of organizations, thereby prompting management to develop sustainable programs that will build higher levels of perceived service increasing levels of loyalty (Koutroumanis et al., 2015; Hyun, 2010; Meng & Elliot, 2009). The intangible nature of service quality created challenges in the development of measurement. In 1985, Parasuraman et al. identified ten measurable service quality dimensions. Later studies refined the dimensionality criteria and consolidated the dimensions into five categories. Table 1 describes the five dimensions of quality.

TABLE 1
FIVE DIMENSIONS OF SERVICE QUALITY

Dimension	Description
Tangibles	Facilities, equipment, and appearance of personnel
Reliability	Ability to perform the promised service
Responsiveness	Willingness to provide the service promptly
Assurance	Knowledge and courtesy of employees and their ability to inspire trust and confidence
Empathy	Caring, individualized attention the firm provides its customers

(Parasuraman et al., 1988)

The SERVQUAL instrument has been validated and tested in various industries, including banks, credit card companies, repairs and maintenance firms, and long-distance telephone companies (Parasuraman et al., 1988, 1991).

Before 1995, no instrument measured service quality in restaurants. Stevens, Knutson, and Patton 1995) developed DINESERV, a 29-item scale to measure service quality in restaurants. The new instrument leveraged the same dimensions of SERVQUAL and was tested in many different types of restaurants, ranging from quick service to full-service restaurants (Koutroumanis et al., 2012). The new instrument proved valid, and the results concurred with the dimensionality findings of SERVQUAL. The hierarchy of the dimensions as relevant to the customer experience were as follows in order of significance: (1)Reliability; (2)Tangibles; (3)Assurance; (4)Responsiveness; (5)Empathy (Koutroumanis et al., 2012; Stevens et al., 1995).

The COVID-19 pandemic added another layer of complexity to an already challenged industry. Practitioners developed new protocols to safeguard staff and customers. Seyitoglu and Ivanov (2020) suggested that new service quality measures need to be developed, including new dimensions to service quality, including safety, security, and physical distance (Xu, 2022). Customer expectations of service quality, including new safety protocols, saw significant shifts in the pre and post-pandemic era. Customer intentions to return to the restaurants now have additional implications with the new safety protocols. Implementation challenges are compounded by the lack of employees willing to work in restaurants post-pandemic. These issues could hold a diminishing effect on customers' intentions to return (Williams, 2021).

Behavioral Intentions

Zeithaml et al. (1996) posited that intentions to return to a business, or behavioral intentions, are intervening variables between service quality and financial gain or loss of an organization. Their research suggested that a positive level of service quality creates favorable intentions to return. Positive intentions increase the probability that customers' relationship with the organization will be strengthened and that they will be repeat customers. Conversely, low levels of service quality will create unfavorable behavioral intentions, which could cause patrons to defect from the business (Koutroumanis, et al. 2012; Alexandris et al., 2002; Zeithaml et al., 1996). Based on these implications, industry leaders that fail to focus on new Post COVID-19 levels of service quality dimensions and standards could lose customers to competitors that execute the new expectations at higher levels, so leadership is another area in restaurants can have a differentiator.

LEADERSHIP AND SERVICE QUALITY

If service quality degradation will lose customers, how do the leaders in the competitive landscape of the hospitality industry react to change the downward spiral in customer service that some have blamed on COVID-19 and the Great Resignation? Service quality can play a critical role in not only retaining customers but also in attracting them. Excellent service can transform clients into repeat customers and increase profitability in the long run; leadership can influence and enhance restaurant service quality (Wu et al., 2020).

Restaurants traditionally have had bureaucratic and hierarchical leadership styles. With a very competitive environment and a severe lack of labor, employers have had to examine leadership styles other than the strict rules and regulations which date back to the Max Webber days of management philosophy (Koutroumanis et al., 2018). Restaurant service encompasses the entire customer experience, from the minute guests walk through the establishment door to when they depart. Service includes how fast individuals are seated, how friendly and attentive the staff is, how knowledgeable the staff is, the ordering, timely food delivery, and overall satisfaction. The management team must establish service standards and monitor performance (Shahzadi, 2018). Leaders can create a positive work environment by motivating employees, fostering teamwork, and sharing a commitment to customer satisfaction.

Effective leadership practices in the restaurant industry foster a culture of service professionalism and set the basics for delivering top-notch customer service. Leadership practices, which include setting a clear vision and creating a customer-focused environment, positively impact service quality (Choi et al., 2001). Prior research (Kim, 2021; Koutroumanis et al., 2018; Gill, 2011) has indicated that transformational leadership can positively affect service quality. Transformational leaders in restaurants have vision, provide

guidance, offer training and development, and encourage employee autonomy and decision-making. This empowering of employees can promote a motivated workforce that can deliver exceptional service to customers - until it doesn't. The pandemic and Great Resignation have changed employee behaviors and forced hospitality leaders to relook at prior leadership solutions. Leaders must face complexity and adapt to the current environment (Uhl-Bien, 2021). Servant leadership could be a way for restaurant leaders to bring employees service quality back to the pre-pandemic levels and even higher.

SERVANT LEADERSHIP

Servant leadership can seem contradictory, where a leader puts the followers first (Greenleaf, 1970). Leaders commit to servicing the needs of followers before their own. According to Robert Greenleaf, who authored this theory in the 1970s, leaders lead by example and see themselves as part of a team, which radically differs from traditional approaches.

Servant leaders prioritize the organization's and their team members' growth, development, and well-being, enabling them to reach their full potential (Reinke, 2004). By fostering a culture of trust, collaboration, and empowerment, servant leaders create an environment that encourages creativity, innovation, and high team identification (Yoshida et al., 2014). By focusing on needs of employees, servant leaders build strong relationships and foster a sense of loyalty and commitment, which in turn can lead to increased employee engagement and motivation, leading to higher productivity and performance. Servant leaders in restaurants also cultivate a high level of engagement and loyalty, which can reduce high turnover rates and a commitment to exceptional service (Carter & Baghurst, 2014).

The hospitality industry is a particularly good fit for servant leadership because service quality improves with this type of leadership (Brownell, 2010). Qui et al.'s (2020) research shows that servant leadership can significantly affect service quality in the hospitality industry.

PRACTITIONER IMPLICATIONS

The restaurant industry saw challenges beyond the traditional scope in 2020 through 2023. From mandated closures to historical employee shortages, challenges that restaurateurs faced were monumental from every perspective (Kostromitina, et al., 202; Williams, 2021). Restaurants continually operated short staffed, closed entire sections of their facilities. They even shut down the entire business for one or more days per week because there weren't enough staff to properly operate the business. They chose to close operations because they did not want to burn out the employees who were working. These were various strategies that were used that allowed restaurants to survive in the short term. However, these strategies were not sustainable for the industry in the long term.

Shutting down the businesses for one or multiple days or closing entire sections of the restaurants would have severe financial implications, as restaurants are not maximizing the productivity of their respective space. Customers' patience ran thin for establishments that could not navigate these challenges and offer the level of service they expected. As the literature suggested, this can cause defective behavior, causing customers to search for alternative options when it comes to dining out (Koutroumanis et. al, 2015; Zeithaml et al., 1996). The literature recommended that restaurateurs must focus on leadership as the foundation in rebuilding all service delivery and restaurant operation programs (Qui et al., 2020). Operators needed to convey a level of empathy and rebuild the level of trust with their employees. Koutroumanis et al. (2015) posited that developing a positive organizational culture can lead to higher levels of organizational commitment, reducing employee defection. These constructs should be used to develop programs that will eventually get restaurants on the right path to increasing service delivery.

CONCLUSION

The restaurant industry used to thrive on exceptional service; COVID-19 and the Great Resignation have led to less staff and a drop in overall service quality across the hospitality industry. Leadership can

be the catalyst that drives service levels. Examining and updating leadership styles may be helpful for restaurants to buck the trend and give employers an area to have an immediate and profound impact on service quality. Understanding leadership's critical role in enhancing service quality can lead employers to make changes necessary for success. Restaurant leaders focusing on servant leadership can elevate service levels and create a competitive advantage in a saturated market.

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