Cleaning Up at DiningIn.com

Suzyn Ornstein
Suffolk University

Colette Dumas
Suffolk University

This case presents the numerous challenges that are faced by an entrepreneurial founder who has remained with the business long enough to experience both tremendous success (years 1-15) and stalled growth (years 11-25). The slowing growth combined with the economic downturn of 2008-2011, rapid changes to technology platforms (smartphones, tablets), the appearance of significant and very well financed competition in the marketplace, and the need for the founder to revamp his leadership style contributed to the founder's dilemma—How could he lead his company to much greater growth in the next 5 years.

INTRODUCTION

In May, 2012, a business school professor serving as a faculty intern at the corporate offices of DiningIn.com asked CEO Michael Hackel a challenging question: "Ten years ago you said that you planned to grow the business from $25M to $100M in the next 3 years, yet today, the business is bringing in only $30M in revenue. What happened?" Hackel, the company's founder and sole owner, looked at the professor, removed his glasses, rubbed his eyes and sighed. "I guess that is an obvious question" he replied. "I don't know exactly why my business has stayed the same size for the past 10 years. I think it is because I took my eyes off the prize so to speak. I got married, started a family, became philanthropically involved in my community, suffered some health setbacks…" his voice trailed off. "Also," he stated, "the industry became vastly more competitive in the last 10 years—especially with the introduction of GrubHub and Seamless Web, which are nationally operating restaurant delivery services that are backed by significant private equity capital. Additionally, managing rapid and expensive changes in technology has required much of the time and effort that I used to spend speaking with customers and clients." Next, Hackel told the professor about a series of executive leadership retreats in which he had participated. "The retreat director suggested to me that perhaps the reason the business had not grown was because I was not "clean" with myself. I think what he meant is that I had not been open and honest about how I treated my employees, the competition, my customers, and even myself." There was silence in the room until Hackel mused, "Given all of this, I wonder, how to create a living and breathing template of a highly functioning organization."

BACKGROUND (1987-2002)

Michael Hackel began his business, a restaurant delivery service he named Dining In.com[1], in June of 1987 in Boston, Massachusetts soon after graduating from college with an undergraduate degree in business. His stated motivations for starting the business were threefold: 1) the limited availability of restaurant delivery for food other than pizza and some ethnic cuisines, 2) the poor delivery service he experienced in placing his own restaurant delivery orders, and 3) his desire to prove to his parents that he wasn't just a "dumb jock."

The business model he developed relied on his forming alliances with restaurants that did not provide their own food delivery services. Once a restaurateur agreed to this partnership, Hackel would include the restaurant menus in printed brochures which he called "menu books," that were distributed by mail to prospective residential customers. A customer would call DiningIn.com, place their order from whichever restaurant they wished and DiningIn.com would then call the order into the restaurant and subsequently send a driver to pick up the food from the restaurant and deliver it to the waiting customer. The company earned its revenue from the commission paid to DiningIn.com by the restaurant, a delivery fee, and a credit card fee.

Hackel was a pioneer in this business and while others tried to copy his success, few were as effective. The business grew steadily at first—primarily as a result of Hackel's work ethic, determination, and desire to provide a valuable service to his restaurant and

Residential customers. Hackel, who often worked over 80 hours per week, claimed his business helped "give back time to busy people." He loved making sales calls on restaurant owners and prided himself on the relationships he developed with them. He expressed great concern for the needs of both his restaurant clients and his residential customers.

In the first five years DiningIn.com went from representing 3 to 50 restaurants. In this time the customer base expanded from none to 2000. Revenue reached approximately $4M by 1992 although expenses also increased during this time as there was a need to hire new employees, move to rented office space, expand the number of phone lines, print and mail additional brochures, etc. During this time, Hackel bought out his initial financial partners becoming the sole owner of the business.

The next 10 years (1992-2002) provided DiningIn.com even greater growth fueled by a growing economy and Hackel's acquisition of multiple smaller local Restaurant Delivery Services (RDS). Hackel also sought to expand the footprint of DiningIn.com by establishing operations in six different metropolitan areas outside of Boston. Although three of these locations were closed within months of opening, due to lackluster sales, DiningIn.com successfully expanded to Dallas (December, 2001), Philadelphia (January 2002), and Chicago (September, 2002). In each city, restaurant partnerships were developed and the delivery service was marketed to residential consumers at dinner-time hours. Subsequently, service offerings were expanded to include lunch as well as dinner. Additionally, DiningIn.com started delivery service to companies such as accounting firms and legal offices that regularly ordered catered lunch and dinner for their employees. As new technology improved upon telephones as the primary means of communication, ordering by fax and e-mail was established followed by an on-line ordering website in 2000. As a result, by the end of 2002 DiningIn.com represented over 500 restaurants, increased its customer base to over 50,000, and brought in revenue of approximately $25M.

During this period of time, restaurant delivery services were being established in major metropolitan areas around the US. These were both small "mom and pop" operations as well as multiple locations of medium sized operators. There were so many competitors entering the space that in the early 1990's the Restaurant Marketing and Delivery Association was formed to help "RDS operators grow and manage their business." The increase in the number of delivery services corresponded to increasing economic vitality around the country as a whole, longer working hours, more mothers working full time jobs outside the home, a higher value placed on convenience, and extensive growth in the number and style of restaurant offerings.

Contrary to what the name implies, some RDSs had their orders delivered by taxi while others actually relied on the restaurants themselves for delivery. These companies saw themselves as restaurant marketers and they were paid a much smaller commission on food sales than was DiningIn.com.

Few competitors focused on what Hackel liked to call, "the last mile." It was this "last mile" distinction, that is pickup and delivery of the food, that Hackel believed provided the competitive advantage for DiningIn.com as his company was the sole point of contact with the customer—from managing order taking, order communication, timing of pick up with restaurants, delivery routing, quality control, billing, and customer service questions/complaints. By managing the entire customer experience DiningIn.com provided integrated service and convenience to the retail customer and to the restaurant itself. This allowed Hackel to successfully recruit higher end white tablecloth restaurants that prided themselves on their quality and that did not wish to provide their own delivery services. The inclusion of higher end restaurants gave DiningIn.com additional competitive advantages, providing access to restaurants not represented by competitors and by selling higher priced food items.

THE EXTERNAL ENVIRONMENT (2002-2012)

During the first decade of the new century, the restaurant delivery industry as a whole was dramatically impacted by two converging factors—massive shifts in market conditions (economics, social trends, competitors) and equally seismic changes in technology (internet, mobile, and apps). Each of these individually and both collectively brought many challenges to Hackel and DiningIn.com.

Changing Market Conditions

The general economy in the U.S. fluctuated greatly between 2002-2012. In the early years there was an economic downturn resulting from the burst of the Internet bubble on Wall Street and further reinforced by the attacks of 9/11. The proverbial “silver lining” in these circumstances is that after the attacks, people were less interested in leaving their homes to go to restaurants for meals. As a result, they increasingly turned to delivery services. This was particularly the case for corporate clients in big cities who ramped up their catering and delivery orders both to express concerns for safety and to increase the amount of billable time employees could work by not having to leave for meals. Mid-decade as the economy boomed, people spent considerably more on restaurant food both at the restaurants and via takeout and delivery. Not surprisingly though, when the stock market crashed in 2008 and the economy fell into the “greatest recession since the great depression,” restaurant purchases were among the first to be cut back.

Competition also increased in the largely “mom and pop” sized and operated RDS space during mid-decade. This was amplified by the establishment of a new model of national RDSs which served only as an Internet portal and marketing mechanism for their restaurant clients. These companies, chief among them GrubHub and Seamless Web provided “real estate” on their websites to their restaurant partners so that residential and business customers could log onto their internet portal to place orders. These portal companies drove sales to the restaurants by investing heavily in advertising to end-users and they took a much smaller commission from the restaurants inasmuch as they were not providing the “last mile” service provided by DiningIn.com[2]. These companies, most notably GrubHub, grew very quickly, fueled by acquisition of smaller RDSs and multi-million dollar advertising and technology budgets which were financed by large inflows of private equity. Not only did this make it increasingly difficult for DiningIn.com to acquire new restaurant partners in the cities where both DiningIn.com and GrubHub existed (i.e., Boston, Chicago), it also provided increased competition from lower priced restaurants not served by DiningIn.com, and made much more competitive the number of cities into which DiningIn.com might expand. There was also increased competition from newly launched Internet sites Groupon and Living Social. Both of these sold discount coupons for restaurants that proved very popular with residential customers. In order to compete with these coupons DininIn.com increasingly started offering discounts (usually dollars off the delivery fee) to their customers in order to retain their business.

Changing Technology

The rise in use of the Internet in the early part of the decade fueled on-line ordering. A customer who visited DiningIn.com’s website would have access to all the menus of restaurants from which they could order. With a click of a mouse customers could select the items they wished from the restaurant of their choice, add soda and utensils to the delivery order, and pay via credit card all in the on-line ordering system. Hackel regularly planned for and implemented upgrades to the technology platform. In the early 2000’s this involved using fax and email to communicate with the restaurants. As on-line ordering platforms became more widely used by mid-decade, DiningIn.com made slight modifications to its order system. Now a customer's on-line order automatically generated a fax that was sent to the restaurants. Additional software upgrades also made it possible for DiningIn.com to offer catering and group ordering services to their corporate clients.

In all cases, though, DiningIn.com was behind the curve in terms of technology adoption. GrubHub and other new competitors had ramped up their sales by investing millions of dollars in on-line and mobile ordering platforms as well as smartphone and tablet apps that allowed for easy ordering. Moreover, GrubHub invested in both hardware and software systems that allowed for instantaneous wireless communication between their computer servers and restaurant kitchens. Due to software decisions made years earlier, DiningIn.com had no means of taking direct advantage of these new technologies. At a time when most competitors' drivers were using smartphones to communicate with their dispatchers, DiningIn.com's drivers were still reliant on walkie-talkies through which their pickups and deliveries were communicated.

THE INTERNAL ENVIRONMENT (2002-2012)

As competition, technology, and consumer tastes and preferences changed dramatically between 2002-2012, the internal environment at DiningIn.com mirrored the French expression "Plus ca change, plus c'est la même chose" (the more things change, the more they stay the same.) Hackel remained the sole owner of the privately held company. He ran the company with no debt, which meant he had no fiduciary duty to any investors. He made all human resource, management, marketing, and strategy decisions himself. Similarly, he was actively involved in operational decisions such as the selection of uniforms for the drivers, organization of the office seating, and design of promotional collateral.

Human Resources

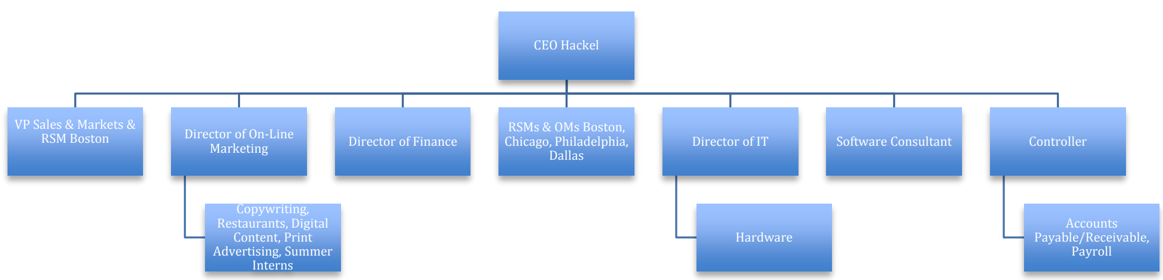
As CEO, owner, and founder, Hackel insisted on hiring all of the corporate staff himself. This group of approximately fifteen accounting, finance, operations, marketing, and information technology personnel reported to him directly (see Organizational Chart in Exhibit 1). Although there were brief job descriptions for each position (used in the recruitment of personnel) there was no organized performance appraisal system by which corporate employees received formal feedback about their contributions. To keep payroll from increasing, Hackel often outsourced "project work" (e.g., technology upgrades, website design, graphic design, HR training) to consultants rather than increase headcount. In choosing to hire these consultants Hackel relied exclusively on his "gut feel." He noted, "I tend to hire people who are most like me. Those who are talented, determined, and "get it done." Yet, Hackel indicated that he was often disappointed in the employees and consultants he hired. "They promise me the moon and stars but deliver much less. When I 'call them on this,' either they get defensive and quit or else when they cannot provide what I was promised I have to let them go." When asked about the rate of employee and consultant turnover Hackel indicated that there were some employees who had been with DiningIn.com "for many years." He indicated that these employees demonstrated the loyalty he valued.

Indeed most of the employees who had been with the company for more than 5 years were employed in the offices in Chicago, Dallas, and Philadelphia or worked in the operations office (which was separate from corporate) in Boston. The corporate office staff had a much higher turnover rate. In fact, in May 2012, the corporate office was comprised of eight full time staff who had worked for the firm for less than 1 month, three people who had been there for 5 months, four who had been there for over 1 year, 4 college students who were just beginning their summer internships, 3 new consultants, and a faculty intern. This state of affairs meant that there was little institutional memory at the company resulting in the need to frequently "reinvent the wheel." This was further exaggerated by Hackels' desire to try new approaches to business, organization, and management. Many employees summed this up as follows: "Here we go again. It's another new idea or project every few weeks. We rarely get time to complete anything before we start with yet another new initiative."

Organizational Structure and Management

"Another thing that keeps me from growing the business," Hackel told the professor, "is the fact that I manage so many people." This was clearly reflected on the organizational chart (see Figure 1), which showed that 12 people reported directly to the CEO. Another 10 people who were new to the company and didn't technically report to Hackel were located in the Boston office and because they were in close physical proximity to him, they frequently asked him questions as well. Just as often, Hackel would notice something someone was working on and offer his perspective on how it could be completed differently. The fact that 6 managers operated far from Boson (i.e., Dallas, Chicago, Philadelphia) added another level of complication to the structure and management of DI.

FIGURE 1
ORGANIZATIONAL CHART FOR DININGIN.COM (MAY, 2012)



In each geographic location (called a "market") there was a restaurant services manager (RSM) who managed a sales staff (people who worked to develop relationships with restaurants) and an operations manager (OM) who oversaw other shift managers, dispatchers, drivers, and quality control. It was the responsibility of these RSMs and OMs to run their markets as they saw fit—as long as they met the sales quotas (i.e., number of new restaurant partnerships) and daily sales projections (i.e., the gross revenue collected by DiningIn.com on a daily basis by time of day and location of market) established by Hackel. He reviewed partnership agreements on a monthly basis and sales revenue figures daily. Hackel made hiring decisions for these positions based on his assessment of candidates "hunger and hustle." He often said that he wanted to hire people who were as entrepreneurially minded as he was so that they could help him grow the business.

Notwithstanding his stated desire that the markets be operated at the discretion of the RSMs and OMs, Hackel believed that there were certain functions which should be centralized at the corporate office in Boston—namely accounting, finance, human resources, marketing and information technology. He envisioned that these functions would support each of the markets freeing their managers to focus on restaurant acquisition, food delivery, and most importantly sales. In Boston, the RSM also served as the vice president of sales. His office was located in the same open office area as the rest of the corporate staff. As a result, if he had a question about financials or technology, he could simply walk around and ask specific questions of the finance and IT staff. Not surprisingly, communications between the corporate staff in Boston and the markets located elsewhere were much more challenging due to the difficulty of communicating via phone and e-mail with a corporate staff which kept changing.

Given the external competition to represent restaurants, reach customers, and drive orders, Hackel believed that the representation of his company—i.e., the marketing, was essential to the company's success. Not only that, but he had built the company based on his sales and marketing talents and enjoyed this aspect of business the most. As a result, he spent the majority of his time managing the marketing function. Hackel insisted on being shown all advertising copy and images prior to their being sent (either by mail or e-mail) to customers. All changes to the website also had to be approved by him. He held daily meetings with the marketing staff to share with them his ideas as well as listen to their proposals. As the company began social media marketing efforts, he asked to be appraised on a weekly basis of all communications (e.g., Facebook, Twitter) and the impact these had on sales. He expected that these media channels be able to demonstrate a return on his investment (in personnel, technology, design) so that he wasn't just "wasting money."

Despite the fact that the business was conducted via the internet and that nearly all new customers found the website as a result of on-line search engine optimization and advertising, Hackel still insisted on printing and mailing menu books to both residential and business customers. "This makes no sense to me," said the director of on-line marketing. "These menu books cost a fortune in terms of production time, graphic design consultants, printing and mailing costs. If I had that budget, I could include a dollars-off coupon in my monthly e-mails to current customers that would result in a big boost in ordering. Not only that," she said, "when the entire marketing staff gets involved in this project, all of our other initiatives get put on hold for weeks while we rush the books to the printer. And to make it even worse, we have to field complaints from customers who use the menu books for ordering items that the restaurants either no longer carry or for which prices have changed."

Hackel also believed that investment in new technology would be critical to the growth of DiningIn.com. Often he would remark that he wanted DiningIn.com to become "the FedEx of food" and in order to accomplish this goal, the complete supply chain from restaurants through delivery and follow up service must be automated and integrated. However, while Hackel recognized both the need and desire to upgrade his company's technology platforms (hardware and software) in order to compete more effectively, he spent little time with his technology staff either soliciting their advice or providing his rationale for making a change. Similarly, he rarely included the market managers—the people most impacted by technology changes—in these discussions.

Considering the Future

Before the professor could formulate a reply to Hackel's question about how to grow the business, he offered his own answers to the question he posed. He indicated that he wanted to grow the business to make money, earn respect, and try something new. "I want to improve my leadership—I believe it has held me back. I know we need to invest in upgrades to technology—but I don't really understand these and no one can explain to me exactly what financial return I will see and when. I want to expand into new geographic territories, possibly acquire a former competitor who has expanded in an area of the country where we are not represented, and develop new marketing campaigns. I realize, however, that before I implement any of these ideas I need to create a vision for the company. "Can you help me with that?" he asked the professor/faculty intern.

TEACHING NOTE TO ACCOMPANY "CLEANING UP AT DININGIN.COM"

Case Description

This is a field-based case developed as the result of 6 weeks of full-time observation, interviews, interaction with the company and all of its top management team plus most of the sales team, and archival research. The case details the business, organizational and leadership challenges facing DiningIn.com, a $30 million restaurant delivery service (RDS) that has been in business for 25 years but whose growth has stalled over the past decade. The focus of the case is on the relationship between the founding entrepreneurs' management and leadership style as these are reflected in both business and organizational decisions at a time when the competitive landscape in the RDS industry is rapidly changing.

Case Synopsis

This case presents the numerous challenges that are faced by an entrepreneurial founder who has remained with the business long enough to experience both tremendous success (years 1-15) and stalled growth (years 11-25). The slowing growth combined with the economic downturn of 2008-2011, rapid changes to technology platforms (smartphones, tablets), the appearance of significant and very well financed competition in the marketplace, and the need for the founder that he revamp his leadership style contributed to the founder's dilemma—How could he lead his company to much greater growth in the next 5 years?

Intended Audience and Course Placement

This case is appropriate for undergraduates and MBA students. It could be used in courses in entrepreneurship (e.g., founder transition to professional management, exit strategy), organizational behavior (e.g., motivation, decision making), leadership (e.g., creation of vision and establishment of trust), strategy (e.g., Porter's 5 forces, McKinsey's 7S model), or even social media marketing (e.g., selection of appropriate social media mix, demonstration of social media return on investment) depending on the goals of the course and instructor. This case was, however, written specifically for use in an introductory business course so that students can see how management decisions about strategy, operations, marketing, and finance as well as leadership actions of a business founder/owner impact a company's success. For use to accomplish this general purpose, this case maps easily onto Nichols, McHugh, & McHugh's (2013) Understanding Business (10^{th} ed.) chapters 7 (management & leadership), 8 (organizational structure), and 9 (operations).

Purpose and Learning Objectives

The purpose of the case is to demonstrate the complex interplay between leadership, management, organizational structure, and business operations.

Learning Objectives:

1. Students will be able to identify the four functions of management and the three styles of leadership. Students will be able to complete a SWOT analysis.
2. Students will be able to analyze the leadership vision and values of the CEO.
3. Students will be able to describe the organizational structure.

Discussion Questions

Discussion questions are provided for the instructor to assign to students either in advance of the in-class discussion or as part of the in-class discussion.

1. In what ways does Hackel demonstrate planning, organizing, leading, and controlling in the management of DiningIn.com? Which function(s) are his strongest/weakest?
2. Is Hackel an authoritarian, participative (democratic), or free rein leader? How does his leadership style contribute to both the successes and challenges facing DiningIn.com?
3. Complete a SWOT analysis (internal and external) of DiningIn.com in May 2012.
4. How does Hackel's leadership (i.e., vision, values, ethics, embracing of change, and stressing of accountability/responsibility) contribute to the organizations' strengths and weaknesses?
5. Describe the organizational structure of DiningIn.com.
6. What suggestions would you provide to Hackel about how to lead DiningIn.com to much greater growth over the next five years? Refer to the SWOT analysis.

Teaching Strategies

This case can be taught in one 75-minute class session. To accomplish this the instructor should first assign the reading of chapters 7, 8, & 9 in Nichols, McHugh and McHugh (2013) in addition to the case material. If instructors choose to provide the discussion questions to the students for their preparation prior to the in class discussion, then the full 75 minutes can be devoted to the discussion of the case. Alternately, if the students have done the reading prior to class, the first 30 minutes of the class session could be used for small (4-6 person) student groups to develop their responses to the discussion questions. This would then be followed by 45 minutes of full class discussion.

As part of the pre-class case reading assignment, the instructor could have students do a Google search about DiningIn.com's competitors (e.g., Grub Hub, Seamless, Foodler, TakeOutTaxi.com) to get a view of what competitors did differently. The instructor may even suggest an experiential approach by suggesting students try out DiningIn.com and their competitors to have firsthand experience as customers of DiningIn.com and its competitors. Another option could be to ask students to design the company's operations from scratch using only today's available technology. If the teaching plan warranted it, the students could also be asked to try re-designing the organizational structure based on the challenges described at the corporate office. (The actual re-design is included in Appendix 1.)

Following are suggested case discussion questions with their possible associated answers and additional instructor guidance.

Warm-Up Question (15 minutes)

Ask students if they have heard of DiningIn.com. If so, what do they know about it? Have they personally ordered from DiningIn.com? What was their customer experience? If not, which companies like DiningIn.com (i.e., restaurant delivery service such as Grub Hub, Take Out Taxi, Foodler, Dashed, Seamless Web) have they heard about and/or experienced? (Instructors can Google "restaurant delivery service" to get a list of companies available locally.) Which is their favorite and why? If students have no access to restaurant delivery services in their locales, the instructor can instead ask students to describe what they would like to see in such a service.

If the students were asked to gather information to compare and contrast DiningIn.com with other RDS's this can also or alternatively be used to get the class discussion started.

Answers to Case Discussion Questions

1. The four functions of management are planning, organizing, leading, and controlling people and other organizational resources.
    - Planning involves setting organizational goals, developing strategies to reach the goals, determining resources needed to reach those goals and setting precise standards. Hackel demonstrates planning via 1) setting goals to expand the geographic reach of the company and the companies product offerings, 2) developing strategies to acquire as well as form delivery alliances with competitors, 3) financial investment in technology upgrades, and 4) the setting of sales quotas.
    - Organizing involves 1) allocating resources, assigning tasks, and establishing procedures for accomplishing goals, 2) preparing an organizational structure showing lines of authority and responsibility, 3) recruiting, selecting, training, and developing employees, and 4) placing employees where they will be most effective. Hackel demonstrates organizing by 1) his hiring consultants to work on special projects, 2) his investments in technology upgrades, 3) his recruitment, hiring and placement of new employees both in the corporate office and in the markets, and 4) his development of an organizational chart.
    - Leading involves 1) guiding and motivating employees to work effectively to accomplish goals and objectives, 2) giving assignments, 3) explaining routines, 4) clarifying policies, and 5) providing feedback on performance. Hackel demonstrate effective leadership in his giving of assignments (e.g., sales quotas, social media updates.) He is much less effective at providing feedback (there is no formal performance appraisal policy) and explaining routines (he often interrupts progress on one project to begin a new one.)
    - Controlling involves 1) measuring results against corporate objectives, 2) monitoring results relative to standards, 3) rewarding outstanding performance, and 4) taking corrective action when necessary. Hackel measured results against his sales quotas and revenue projections and reviewed this material daily/monthly. When he noted problems in performance he would generally fire employees rather than give them effective corrective actions to take.
2. The three leadership styles are autocratic, participative (democratic), and free rein leadership.
    - Hackel displays all three styles. He is autocratic (i.e., making managerial decisions without consulting others) when he unilaterally makes hiring and firing decisions; when he micro-manages people; when he makes technology upgrades without consulting his managers or tech staff; and when, through his words and his actions, he signals an unwillingness to listen to

others or to be challenged by others. He is participative (democratic; i.e., involving employees to make decisions) when he invites his managers to provide solutions to various organizational challenges such as increasing the social media presence, and free-rein (i.e., managers set own goals and objectives) when he provides his managers with goals and encourages them to create their own solutions.

3. SWOT Analysis. The SWOT analysis is a planning tool to analyze an organization's strengths, weaknesses, opportunities, and threats. The strengths and weaknesses reflect internal issues while the opportunities and threats represent external considerations (See Appendix 2 for summary SWOT.)
   - Strengths include core competencies, market leadership, well conceived functional area strategies, proven management, cost advantages and better advertising campaigns. DiningIn.com has two core competencies. One is its' "last mile" delivery service. By coordinating restaurant orders, billing, payment, communication with restaurants, managing customer needs, delivery and quality control, DiningIn.com provides a more comprehensive service than any of its' competitors. Secondly, representing more exclusive higher-end white tablecloth restaurants distinguishes it from its competitors. Proven management is demonstrated by Hackel's being a first-mover into the restaurant delivery space, his company's longevity in the market, and his reputation. DiningIn.com's cost advantages result from Hackel's sole ownership of the company (as a result he can reinvest a larger portion of profits into the business) and the company's lack of debt (cost of capital is negligible.)
   - Weaknesses include lack of clear strategic direction, obsolete facilities, subpar profitability, lack of managerial depth and talent, weak market image and too narrow a product line. Hackel's lack of vision was a limit to clear strategic direction. The lagging, (but not yet obsolete), information technology infrastructure further contributed to the weakness of the company as it fell victim to competitors with much more advanced technology (e.g., smart phone use by drivers, tablet use in restaurants to communicate orders.) Further, the lagging technology adoption made it difficult for Hackel to realize his desire to be "the FedEx of food." The frequent turnover of corporate staff resulted in less managerial depth and talent than might have resulted if staff stayed in their positions longer and grew their capabilities within the company. Staff development was not managed well as there was no performance appraisal system.
   - Opportunities include ability to serve additional customers, expansion of product lines, ability to transfer skills and technology to new products, complacency among rival firms, and the ability to grow due to increases in market demand. As the market for home delivery of restaurant food continued to grow, DiningIn.com had a good opportunity to expand its market reach. The company could look for new growth in cities with a high concentration of restaurants, high density of residence, consumers with disposable income, and more limited RDS competition. Additionally, as DiningIn.com had expertise in order taking, tracking, and delivery to both homes and offices, they could expand into same-day delivery service of other goods such as groceries, dry cleaning, home care medical equipment, office equipment and other goods that residential and business customers might desire. Another expansion opportunity would be to partner with hotels, hospitals, and universities to become their sole or preferred restaurant delivery vendor.
   - Threats include entry of lower cost competition, rising sales of substitute products, slower market growth, costly regulatory requirements, vulnerability to recession and business cycles, and changing consumer needs and tastes. The expansive growth of Internet portal marketers such as GrubHub, which charged a lower delivery fee and received a lower commission from the restaurants, presented a big threat to DiningIn.com. Customers often opted to order from GrubHub rather than DiningIn.com due to the lower delivery charges. Similarly, restaurant owners preferred partnership with a company that charged them a lower rate and owners pressed Hackel and his sales team to reduce the commission they paid. In the case of GrubHub, which had a multi-million dollar advertising budget, DiningIn.com couldn't begin to compete in on-line advertisement, search engine optimization, or other media buys. Moreover, the

information technology budget at a nationwide firm such as GrubHub dwarfed DiningIn.com's potential financial investment in technology hardware and software upgrades.

4. Leaders must communicate a vision and rally others to that vision, establish corporate values, promote corporate ethics, embrace change and stress accountability and responsibility.
   - Hackel did not have a corporate vision and as a result he communicated different, and oft-times conflicting messages to his management team. Hackel prided himself on providing customer service—a value that he communicated to his employees on a daily basis. Hackel embraced change for the business. He opened his company in different geographic markets, adapted new technology (phone service became e-mail which became web based, faxes replaced phone calls), often hired new people (consultants and staff) who he believed could advance the goals of DiningIn.com, and adapted changes in advertising as his company became much more web-based (i.e., social media marketing, search engine optimization.) On occasion, Hackel pursued change to the detriment of organizational effectiveness such as when he decided to stop all on-line promotions to produce a menu book. Hackel stressed accountability and responsibility by checking the sales figures daily and monthly and letting his managers know when they failed to meet their quotas. Further, through employee termination he let it be known when people were not meeting his expectations for performance.
5. Organizational structure refers to the organizing principles by which a company operates. It includes the division of labor (who does what tasks), job specialization (expertise applied to task completion), and departmentalization (setting up departments to do specialized tasks.) As reflected in an organizational chart, a company's structure can result in a tall (narrow span of control) or flat (wide span of control) chain of command.
   - DiningIn.com's corporate offices were departmentalized by job function—finance, accounting, marketing, and information technology. Within the marketing department jobs were specialized into copywriters, digital specialists (social media), print advertising, and a fourth category of employees whose job it was to interface with the restaurant partners. There were only 2 levels of employees at the corporate office resulting in a flat organizational structure. This flat structure yielded a wide span of control. The span of control was further widened inasmuch as Hackel interacted with all corporate employees and had all market RSM's and OM's report to him as well.
6. Hackel needs to address the following:
   - Management: Hire and train managers and let them manage. Stop micro managing. Hire a human resources professional to develop accurate job descriptions and a performance appraisal system. Provide rewards to employees who demonstrate effective job accomplishment. Restructure the organization to reduce the number of people reporting to him and to increase communication between departments.
   - Leadership: Develop a vision for DiningIn.com to drive strategy—one that incorporates his values of hard work, determination and loyalty. Once a vision is decided upon, he must stick to it and make sure that all organizational goals, policies, and procedures support this vision.
   - Technology Platforms: Invest in hardware and software systems, on-line and mobile ordering platforms, and smartphone and tablet apps.
   - Strategy: Expand markets geographically; expand vertically into hospitals, hotels, universities; hire a specialist to anticipate new business models and changing market conditions; expand delivery service for on-line ordering portal companies that do not provide their own delivery, create a meaningful brand image.

Student Response

Students exposed to this case are struck by the contradiction between the business's strengths (a business that has been in operation for 25 years, no debt, private ownership, $30M in revenue) and weaknesses (10 years of slow growth, centralized decision making, high turnover.) Their view of management is broadened (e.g., it is not just about the management of people, but also technology, marketing, financing) and their appreciation for the impact of a leader on a company becomes more nuanced as they examine both Hackel's successes and failures.

Epilogue

During the six weeks that the professor was completing the internship, she worked with Hackel and his management team to accomplish 4 projects. The first of these was to craft a vision statement that would communicate to all stakeholders the benefits that DiningIn.com could provide. Hackel and his team enthusiastically adopted a vision that stated, "We Exist to Simplify Your Life." Secondly, the professor worked with Hackel and the team to develop a new organizational structure that could streamline the reporting relationships, improve communication, and provide greater autonomy and authority to the management team (The new structure is included in Exhibit 3). Thirdly, the professor worked with the entire corporate office to develop and implement a new office design (furniture, color, organization of desks, creation of more conference space.) This design was consistent with the new organizational structure (e.g., all marketing and information technology personnel were seated next to one another and this group was adjacent to the finance director) and was meant to further reinforce the new arrangement. Finally, the professor worked extensively with Hackel to plan and implement the company's first corporate management retreat, an event widely hailed by all as a smashing success.

In the subsequent two and a half years, DiningIn.com expanded service to Minneapolis, revamped the website and upgraded the company's hardware, re-structured the organization again, engaged in both traditional and social media marketing, and continued to experience turnover among the corporate staff. In January of 2015, the company was sold to GrubHub for an undisclosed sum.

ENDNOTES

1. The company was originally named Dining In. Over the course of time the name and legal structure changed several times.
2. Indeed, for many restaurants serviced by GrubHub in Chicago and Boston, DiningIn.com did provide delivery services for which they were paid a portion of Grub Hub's commission.
3. Bloom: Knowledge and comprehension. Maps to text pages 181-183 & 192-193 in Nichols et al., 2013.
4. Bloom: Application. Maps to text pages 183-185 in Nichols et al., 2013
5. Bloom: Analysis. Maps to text pages 191-193 in Nichols et al., 2013
6. Bloom: Knowledge/Comprehension. Maps to text pages 204-214 in Nichols et al., 2013

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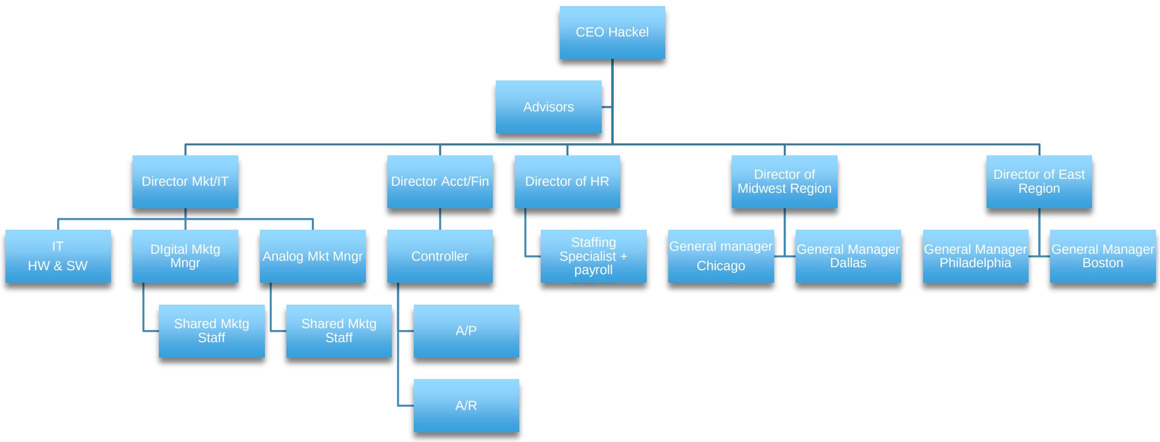
APPENDIX 1
NEWLY ADOPTED ORGANIZATIONAL STRUCTURE OF DININGIN.COM (JULY, 2012)



APPENDIX 2
SUMMARY SWOT ANALYSIS FOR DININGIN.COM

Strengths	**Weaknesses**
No debt Single Owner Flexibility in decision making Founder reputation High quality restaurants "Last mile" service Longevity in marketplace	Employee turnover Lack of vision Changing priorities Communication between HQ and markets Lack of performance appraisal Lack of investment in hardware & software systems, on-line and model ordering platforms, and smartphone and tablet apps Hackel's need to micro-manage
Opportunities	**Threats**
Adopt new mobile/tablet technology Geographic market expansion Vertical market expansion (hospitals, hotels, universities)	Competition from new business models (e.g., GrubHub) Discount coupons Changing market conditions Changing technology