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| GM 105 Fall 2009 | Daniel Hammon, Emily Higginson, Erika Gomez, Misti Wang |

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[](http://images.google.com/imgres?imgurl=http://www.easyoc.com/files/listing/Mortons-logo.jpg&imgrefurl=http://www.easyoc.com/oc-dining&usg=__6cBjGa-JBH0NyLmhwl-lK8HFTpY=&h=168&w=250&sz=46&hl=en&start=18&tbnid=kJxXz-Ye0A_wQM:&tbnh=75&tbnw=111&prev=/images?q=morton's+steakhouse&ndsp=20&hl=en&sa=N)

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| CSUS | Morton’s strategic audit |

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# I. Current Situation

## A. Current Performance

Morton’s Restaurant, Inc has had a stable sales growth over the last five years. Sales over the year prior are favorable as $ 0.7 million. Net income is unfavorable at a total loss of $ 67.7 million. Net income compared to year prior is unfavorable at $ (80.7) million difference. Morton’s return on investment (ROI) over the last year is a ratio of (-1.3). This ratio is assumed by individual investor’s fourth quarter price for 2007 compared with fourth quarter price for 2008.

## B. Strategic Posture

**Mission Statement**

At Morton’s The Steakhouse we continuously strive to exceed our guest’s expectations. As we succeed, we expand our reputation as the world’s best steakhouse.

Morton’s is in the fine dining steakhouse restaurant business. Restaurants are found in the hospitality/service sector. Morton’s mission statement gives the company a fundamental approach to doing business. However, the statement does not detail the necessary technologies or targeted clientele needed in order to accomplish their goals.

**Objectives**

Morton’s main objective that compliments the mission statement is to provide their guest with high quality cuisine, wine and exceptional service in pleasurable environment. The company is seeking to reduce capital investments with new locations by obtaining landlord development allowances. The allowances include cash payments or reduced rent. These leases provide contingent rent determined as a percentage of the units gross revenues. By applying leases that are contingent to revenue the company has been able to reduce net investments.

Morton’s doesn’t define in detail any main objectives through the use of goals. According to Morton’s 2008 Annual Report, the company’s main focuses are on cost controls and continuing operations. The company plans on controlling costs by using sophisticated accounting systems and training of personnel.

**Strategies**

Many companies may communicate strategies in their annual statements or even on their web sites. Morton’s does not provide such information on their annual reports or web site. However, after reading Morton’s annual report for 2008 one could derive some basic strategies that top management has introduced.

The company’s main strategy is to cater to high-end and business oriented clientele through dining room service and boardroom services. Their dining room offers a unique dining experience that offers USDA prime grade steaks, seafood, salads, and great service. Part of Morton’s service offers a visual menu presentation of various steaks, vegetables, and seafood. Morton’s boardroom service offers private dining to business and large parties. This type of service is highly profitable and currently consists of 18% of revenue for the company.

Another strategy that the company is focused on is operations and cost control systems. These systems enable the company to control operating expenses by allowing better adjustments in the cost structure as revenues fluctuate. A sophisticated point-of-sale system (Aloha) and accounting system (Compeat) allows the company to monitor revenues, costs and inventory effectively. This gives the company a competitive edge in the steakhouse fine dining segment of the industry.

As the company grows the cost and distribution of beef is a challenge. Management believes that centralized sourcing from two primary beef suppliers gives a cost and availability advantage over other steakhouses. This strategy ensures the company’s supply of main input. By centralizing beef distributers the business’s units can effectively distribute products at a consistent cost.

Sales and marketing strategy consists of 13 corporate level employees and 80 direct customer oriented manages in each unit. The company uses various techniques such as marketing and public relation campaigns. The aim for these techniques is to build guest traffic and brand image. Through the use of databases the sale and marketing managers are able to send out electronic and paper mailers about promotional activities to drive revenues. The promotional activities include wine dinners, benefit parties, fund raisers, and other themed dinners.

**Policies**

Morton’s believes that it will achieve its objectives by linking strategy with implementation through its training programs. Each management level employee receives 6-12 week training. Management is instructed in food quality and preparation, guest service, alcoholic beverage service, liquor liability avoidance and employee relations. Management is also provided with operations manuals relating to the operations of the restaurants. All management is also subject to “Morton’s University” training program which consists of one week training at the corporate offices.

**Global Expansion**

The company has been expanding outside of the United States; most recently by 2009 the addition of a restaurant in Mexico City. The company faces many difficulties as it grows internationally. The difficulties the company faces deals in executing its, objectives, strategies, and policies.

Morton’s main objective of executing quality cuisine is a difficult task as they expand in Asian markets. The current restaurants in China are not permitted to receive beef from the United States. The need for consistent high quality products is necessary to be successful as the company grows internationally.

Strategic difficulties in the global market once again deal with the distribution of beef. Because China (and other countries like Canada) is unwilling to import American beef; Morton’s has to sacrifice not only quality but also economies of scale and buying power from their distributers.

Morton’s puts seasoned managers and employees in newly opened locations to ensure consistency in brand recognition. So far, it has proven difficult to supply this type of opening model to new locations outside of the continental United States. Constrictions in labor supply of seasoned management for foreign locations could slow the company’s growth or persuade the company to rethink its main policy.

# II. Corporate Governance

## A. Board of Directors

**Morton’s Restaurant Group, Inc.**

**Corporate Governance Guidelines**

**Director Responsibilities.**

**A**. Board’s Role. The business and affairs of the Corporation are managed under the direction of the Board, which represents and is accountable to the stockholders of the Corporation. The Board focuses its activities on the key requirements of the Corporation, such as corporate strategy, evaluation of the performance of the Chief Executive Officer, succession planning and business practices. The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interest of the Corporation and its stockholders. In discharging that obligation, directors, in exercising their business judgment, are entitled to rely on the Corporation’s management and outside advisors and auditors.

**B**. Board Meetings. The Board shall hold regularly scheduled meetings and special meetings as necessary. Any meeting of the Board may be held telephonically. Directors are expected to make every effort to attend, in person, all regularly scheduled Board meetings and meetings of committees of the Board on which they serve, other than special purpose meetings that are organized as telephonic meetings. They are also expected to devote the necessary time, including participation in special meetings, to properly discharge their duties. Directors are also expected to attend annual meetings of stockholders of the Corporation. It is understood that special circumstances may occasionally prevent a director from attending a meeting.

**C**. Agendas. The Board shall designate from time to time the member of the Board or other individual who shall be responsible for establishing the agenda for Board meetings. While the agenda is planned carefully, it shall be flexible enough so that unexpected developments can be discussed at Board meetings. Any director may request that an item be included on the agenda. Throughout each year, the Board reviews the Corporation’s short-term and long-term strategic and operating plans and related business plans of each principal business group. The Board also reviews the annual capital budget for the Corporation.

**D**. Advance Materials. Information and data that are important to the Board’s understanding of the business to be conducted at a Board or committee meeting shall, to the extent practical, be distributed to the directors sufficiently in advance of the meeting and directors should review these materials prior to the meetings. The Board acknowledges that certain materials are of an extremely sensitive nature and that distribution of materials on these matters prior to Board meetings may not be appropriate.

**E**. Executive Sessions. The non-employee directors will meet without employee directors at regularly scheduled sessions and at such other times as the directors deem appropriate.

**G**. Board Interaction with Institutional Investors, Press, Customers, etc. The Board believes that, under ordinary circumstances, the Corporation’s management speaks for the Corporation and the Chairperson of the Board, if any, or such other person who has been designated by the Board as its spokesperson, speaks for the Board. Individual Board members may, from time to time, meet with or communicate with various constituencies that are involved with the Corporation. It is expected that Board members would only engage in such activities with the knowledge of management and, in most instances, in coordination with management.

The Board and Stakeholders

**Thomas J. Baldwin** Chairman, Chief Executive Officer and President Morton’s Restaurant Group, Inc. 2003

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| 53 Years Old  Thomas J. Baldwin has been Chairman, Chief Executive Officer and President since December 2005. He has been a director since February 2003 and previously was a director from November 1998 through July 2002. Previously, he served as Executive Vice President and Chief Financial Officer from January 1997 until December 2005. He served as Senior Vice President, Finance from June 1992 and Vice President, Finance from December 1988. In addition, Mr. Baldwin had served as Chief Financial Officer and Treasurer from December 1988 until December 2005. From October 2002 to December 2005, Mr. Baldwin also served as Secretary after serving as Assistant Secretary since 1988. His previous experience includes two years as Vice President for Strategic Planning at Citigroup and seven years at General Foods Corp., now part of Kraft Foods. Mr. Baldwin is a past member of the board of directors of the March of Dimes Connecticut Division.  Total shares in the company:  236,604.00 | **Compensation for 2008**   |  |  | | --- | --- | | Salary | **$376,460.00** | | Bonus | **$0.00** | | Other Annual Compensation | **$0.00** | | Long term incentive plan payouts | **$0.00** | | Restricted stock awards | **$217,596.00** | | Security underlying options | **$0.00** | | All other compensation | **$41,287.00** | | Option awards $ | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nonqualified deferred compensation earnings | **$0.00** | | **Total Compensation** | **$635,343.00** | |

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| **John K. Castle** Chairman and Chief Executive Officer Castle Harlan, Inc. 2006   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 68 Years Old  John K. Castle has been a director of the Company since February 2006 and from October 2002 to August 2007, had been a member of the board of advisors of Morton's Holdings, LLC ('MHLLC'), which was previously our parent company. Mr. Castle was also a director from December 1988 through July 2002. Mr. Castle is Chairman and Chief Executive Officer of Castle Harlan, Inc. Immediately prior to forming Castle Harlan, Inc. in 1986, Mr. Castle was President and Chief Executive Officer of Donaldson, Lufkin & Jenrette, Inc., one of the nation's leading investment banking firms. At that time, he also served as a director of the Equitable Life Assurance Society of the U.S. Mr. Castle is a board member of Ames True Temper, Inc., P&MC Holding LLC and various private equity companies. Mr. Castle has also been elected to serve as a Life Member of the Massachusetts Institute of Technology. He has served for twenty-two years as a trustee of New York Medical College, including eleven of those years as Chairman of the Board. He is also a member of The New York Presbyterian Hospital Board of Trustees. Mr. Castle received his bachelors degree from the Massachusetts Institute of Technology, his MBA as a Baker Scholar with High Distinction from Harvard, and has two Honorary Doctorate Degrees of Humane Letters.  Total shares in the company:  5,151,880.00 | **Director Compensation (Morton's Restaurant Group, Incorporated) for 2008**   |  |  | | --- | --- | | Fees earned or paid in cash | **$22,917.00** | | Stock awards | **$0.00** | | Option awards (in $) | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nondisqualified compensation earnings | **$0.00** | | All other compensation | **$0.00** | | Total Compensation | **$22,917.00** | | |
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| **William C. Anton** Chairman & Founder of Anton Enterprises, Inc. Managing Partner of Anton Venture Capital Fund |
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| **Dr. John J. Connolly** President and Chief Executive Officer Castle Connolly Medical Ltd. 2006   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 69 Years Old  Dr. John J. Connolly has been a director of the Company since February 2006 and from February 2003 to August 2007, had been a member of the board of advisors of MHLLC, which was previously our parent company. Dr. Connolly previously served as a director from October 1994 through July 2002. He has been the President and Chief Executive Officer of Castle Connolly Medical Ltd. since 1992. He previously served as President and Chief Executive Officer of New York Medical College for over ten years. He serves on the President's Advisory Council of the United Hospital Fund, as a member of the board of advisors of the Whitehead Institute and as a director of the New York Business Group on Health. He also has served as Chairman of the Board of Trustees of St. Francis Hospital in Poughkeepsie and was the first Chairman of the Dutchess County Industrial Development Agency. He is a fellow of the New York Academy of Medicine and is a founder and past Chairman of the American Lyme Disease Foundation. Dr. Connolly serves as a Trustee Emeritus and past Chairman of the Board of the Culinary Institute of America and is a former director and past Chairman of the Board of the Professional Exam Service, Inc. Dr. Connolly also presently serves as a director of Dearborn Risk Management, P&MC Holding LLC and Baker and Taylor, Inc.  Total shares in the company:  6,000.00 | **Director Compensation (Morton's Restaurant Group, Incorporated) for 2008**   |  |  | | --- | --- | | Fees earned or paid in cash | **$25,000.00** | | Stock awards | **$8,704.00** | | Option awards (in $) | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nondisqualified compensation earnings | **$0.00** | | All other compensation | **$0.00** | | Total Compensation | **$33,704.00** | | |
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| **Robert A. Goldschmidt** Executive Consultant 2006   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 71 Years Old  Robert A. Goldschmidt has been a director of the Company since February 2006. Mr. Goldschmidt is currently retired, and from time to time serves as an independent consultant. Mr. Goldschmidt previously served as the Chief Financial Officer for the Archdiocese of New York from November 1994 to February 2002. He is a director of the Denman & Davis Company and of Phelps Memorial Hospital where he is also Chairman of the Audit Committee. He received a B.A. in Liberal Arts and a B.S. in Mechanical Engineering from the University of Notre Dame and a M.S. in Industrial Management from Purdue University. Mr. Goldschmidt is a Certified Public Accountant and a Professional Industrial Engineer.  Total shares in the company:  11,500.00 | **Director Compensation (Morton's Restaurant Group, Incorporated) for 2008**   |  |  | | --- | --- | | Fees earned or paid in cash | **$40,000.00** | | Stock awards | **$8,704.00** | | Option awards (in $) | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nondisqualified compensation earnings | **$0.00** | | All other compensation | **$0.00** | | Total Compensation | **$48,704.00** | | |
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| **Stephen E. Paul** Managing Principal Laurel Crown Capital, LLC 2002   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 41 Years Old  Stephen E. Paul (age 41, Director since 2002). Mr. Paul has been a managing principal of Laurel Crown Partners, a private investment company, for more than five years. He is also a director of Morton's Restaurant Group, Inc.  Total shares in the company:  0 | **Director Compensation (Morton's Restaurant Group, Incorporated) for 2008**   |  |  | | --- | --- | | Fees earned or paid in cash | **$22,917.00** | | Stock awards | **$0.00** | | Option awards (in $) | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nondisqualified compensation earnings | **$0.00** | | All other compensation | **$0.00** | | Total Compensation | **$22,917.00** | | |
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| **David B. Pittaway** Senior Managing Director, Senior Vice President and Secretary Castle Harlan, Inc. 2006   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 57 Years Old  Mr. Pittaway, age 57, is Senior Managing Director, Senior Vice President and Secretary of Castle Harlan, Inc. a private equity firm. He has been with Castle Harlan since 1987. Mr. Pittaway also has been Vice President and Secretary of Branford Castle, Inc., an investment company, since October, 1986. From 1987 to 1998, Mr. Pittaway was Vice President, Chief Financial Officer and a director of Branford Chain, Inc., a marine wholesale company, where he is now a director and Vice Chairman. Previously, Mr. Pittaway was Vice President of Strategic Planning and Assistant to the President of Donaldson, Lufkin & Jenrette, Inc., an investment banking firm. Mr. Pittaway is also a member of the Boards of Directors of Morton's Restaurant Group, Inc., McCormick & Schmick's Seafood Restaurants, Perkins & Marie Callender's Inc., United Malt Holdings, Caribbean Restaurants, LLC, Bravo Development, Inc. and the Dystrophic Epidermolysis Bullosa Research Association of America. In addition, he is a director and co-founder of the Armed Forces Reserve Family Assistance Fund.  Total shares in the company:  4,000.00 | **Director Compensation (Morton's Restaurant Group, Incorporated) for 2008**   |  |  | | --- | --- | | Fees earned or paid in cash | **$25,000.00** | | Stock awards | **$8,704.00** | | Option awards (in $) | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nondisqualified compensation earnings | **$0.00** | | All other compensation | **$0.00** | | Total Compensation | **$33,704.00** | | |
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| **Dianne H. Russell** Senior Vice President, Manager Comerica Bank2006   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 65 Years Old  Dianne H. Russell has been a director of the Company since February 2006 and from February 2003 to August 2007, had been a member of the board of advisors of MHLLC, which was previously our parent company. She previously served as a director from May 1993 through July 2002. Ms. Russell is a Senior Vice President and Regional Managing Director of the Technology and Life Sciences Division of Comerica Bank (formerly Imperial Bank) in Boston, heading the Northeast Region. Formerly, Ms. Russell was President of Hyde Boston Capital, a financial consulting company, since January 1992, and before that, a Senior Vice President and Department Executive at BankBoston, N.A., a national bank, where she was employed from 1975 to 1991. Ms. Russell is the Chair of the Financial Advisory Board of the Commonwealth of Massachusetts.  Total shares in the company:  4,000.00 | **Director Compensation (Morton's Restaurant Group, Incorporated) for 2008**   |  |  | | --- | --- | | Fees earned or paid in cash | **$25,000.00** | | Stock awards | **$8,704.00** | | Option awards (in $) | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nondisqualified compensation earnings | **$0.00** | | All other compensation | **$0.00** | | Total Compensation | **$33,704.00** | | |
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| **Zane Tankel** Chairman Apple-Metro, Inc.2007   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 69 Years Old  Zane Tankel was appointed to our Board of Directors in February 2007. Mr. Tankel is currently Chief Executive Officer of Apple-Metro, Inc., the New York Metropolitan Area franchisee for Applebee's Neighborhood Grill & Bar, and has been the Chairman of the Board of Apple-Metro, Inc. and Chevys Fresh Mex Restaurants since 1994. Mr. Tankel also serves as a member of the Board of Directors of Morton's Restaurant Group, Inc. and Caribbean Restaurant LLC. Mr. Tankel has also served as Chairman of the Board of the Metro Chapter of the Young Presidents Organization and was a founder of the advisory board for the Boys and Girls Choir of Harlem. Mr. Tankel is a graduate of the University of Pennsylvania's Wharton School of Business.  Total shares in the company:  15,118.00 | **Director Compensation (Morton's Restaurant Group, Incorporated) for 2008**   |  |  | | --- | --- | | Fees earned or paid in cash | **$25,000.00** | | Stock awards | **$8,704.00** | | Option awards (in $) | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nondisqualified compensation earnings | **$0.00** | | All other compensation | **$0.00** | | Total Compensation | **$33,704.00** | | |
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| **Alan A. Teran** Private Investor1994.   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 63 Years Old  Alan A. Teran, age 63, has served as a Good Times director since 1994. He is a member of the Audit and Compensation Committees. Mr. Teran serves as president of Cork & Cleaver. He was one of the first franchisees of Le Peep Restaurants. Mr. Teran graduated from the University of Akron in 1968 with a degree in business.  Total shares in the company:  4,000.00 | **Director Compensation (Morton's Restaurant Group, Incorporated) for 2008**   |  |  | | --- | --- | | Fees earned or paid in cash | **$25,000.00** | | Stock awards | **$8,704.00** | | Option awards (in $) | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nondisqualified compensation earnings | **$0.00** | | All other compensation | **$0.00** | | Total Compensation | **$33,704.00** | | |
| http://media.corporate-ir.net/media_files/irol/global_images/spacer.gif |
| **Justin B. Wender** President Castle Harlan, Inc.2006   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 39 Years Old  Justin B. Wender has been a director of the Company since February 2006 and from April 2002 to August 2007, had been a member of the board of advisors of MHLLC, which was previously our parent company. Mr. Wender is President of Castle Harlan, Inc. Prior to joining Castle Harlan, Inc. in 1993; Mr. Wender worked in the Corporate Finance Group of Merrill Lynch & Co., where he assisted clients with a variety of corporate finance matters. He is a board member of BKH Acquisition Corp, CHATT Holdings LLC, Ames True Temper, Inc. and Baker & Taylor, Inc. In addition, he is a Trustee of Carleton College and Chair of the International Center for the Disabled. Mr. Wender is a Cum Laude graduate of Carleton College and earned an MBA from the Wharton School at the University of Pennsylvania.  Total shares in the company:  0 | **Director Compensation (Morton's Restaurant Group, Incorporated) for 2008**   |  |  | | --- | --- | | Fees earned or paid in cash | **$22,917.00** | | Stock awards | **$0.00** | | Option awards (in $) | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nondisqualified compensation earnings | **$0.00** | | All other compensation | **$0.00** | | Total Compensation | **$22,917.00** | | |
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Committees:

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| --- | --- | --- |
| ChairpersonChairperson | Committee MemberMember | Financial ExpertFinancial Expert |

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| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | [**Audit Committee**](http://media.corporate-ir.net/media_files/irol/19/196267/corpgov/charter_audit.pdf) | [**Compensation Committee**](http://media.corporate-ir.net/media_files/irol/19/196267/corpgov/charter_compensation.pdf) | **Executive Committee** | [**Nominating/Corporate Governance Committee**](http://media.corporate-ir.net/media_files/irol/19/196267/corpgov/charter_nominating.pdf) | | William C. Anton |  | Committee Member |  |  | | Thomas J. Baldwin |  |  | Committee Member |  | | John K. Castle |  |  | Chairperson |  | | Dr. John J. Connolly |  | Committee Member |  | Chairperson | | Robert A. Goldschmidt Financial Expert | Chairperson |  |  |  | | Stephen E. Paul |  |  | Committee Member |  | | David B. Pittaway |  |  | Committee Member |  | | Dianne H. Russell | Committee Member |  |  | Committee Member | | Zane Tankel |  | Chairperson |  | Committee Member | | Alan A. Teran | Committee Member |  |  |  | | Justin B. Wender |  |  | Committee Member |  | |

\*www.mortons.com

\*all compensation tables found on 'people.forbes.com/search?ticker=MRT'

\*all share information found at 'scottrade.com'

\*all bios found at 'people.forbes.com/search?ticker=MRT'

The board mainly consists of external investors from an assortment of businesses that have aligned themselves with Morton's. These include banks, investment companies, and other restaurant companies in the industry. The board also has one private external investor, Alan A. Teran. The only internal board member is CEO Tom Baldwin. The director with the most stake in the company is John K. Castle with Castle Harlan. The stock is publically traded on the NYSE with only normal stocks offered.

Tom Baldwin is an involved CEO who often frequents the restaurants with other top management. He is involved in many decisions even including the style of chair used in the dining room (Baldwin, 2008)! Many of the board members are involved, or have been involved, with many international restaurants. The board has concerns with the environmental sustainability in the beef markets. The board demonstrates this concern by advising top management to invest in the futures market for beef to ensure consistent prices in the short and long run (Baldwin, 2008).

John Castle is a serious investor who believes in buying a company and being involved in the management of it.

"We much prefer to partner with existing management, who know the business best and can benefit from our team's creativity and professional skills. Properly aligning the interests of investors and management improves the likelihood of success. In some cases, however, we may also consider bringing in a new experienced management team (castleharlan.com)."

Castle and Harlan firmly believe in the involvement of the board and top management in companies that they invest with.

## B. Top Management

Executive and Top Level managers

**President Edie Ames**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Officer since July 2005    42 Years Old  Edie A. Ames has been President of Morton's of Chicago, Inc., our indirect wholly-owned subsidiary, since July 2005. Previously, Ms. Ames had been Regional Vice President of Operations and Training for California Pizza Kitchen, Inc. since January 2004. Prior to that, Ms. Ames worked for California Pizza Kitchen, Inc. where she served in various Senior Management positions in Operations since January 1994. Ms. Ames' previous experience included eight years in Operations and Training with Malone's Grill & Bar.  Total shares in the company:  116,315.00 | **Compensation for 2008**   |  |  | | --- | --- | | Salary | **$291,511.00** | | Bonus | **$0.00** | | Other Annual Compensation | **$0.00** | | Long term incentive plan payouts | **$0.00** | | Restricted stock awards | **$139,262.00** | | Security underlying options | **$0.00** | | All other compensation | **$18,580.00** | | Option awards $ | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nonqualified deferred compensation earnings | **$0.00** | | **Total Compensation** | **$449,353.00** | |

**Sr Vice President CFO/Treasurer Ronald M. DiNella**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Officer since December 1992    48 Years Old  Ronald M. DiNella has been Senior Vice President, Chief Financial Officer and Treasurer since December 2005. Mr. DiNella previously served as Secretary from December 2005 to October 2007, Senior Vice President, Finance for Morton's of Chicago, Inc., our indirect wholly-owned subsidiary, from 1998 to 2005 and Vice President, Finance from 1992 to 1998. Mr. DiNella's previous experience includes nine years with Arnie Morton's Management Group, a local Chicago restaurant chain headed by Morton's co-founder, Arnie Morton, where he served as Controller. Mr. DiNella serves on the board of directors of the Illinois Restaurant Association and is its past Chairman. Mr. DiNella is a licensed certified public accountant in the State of Illinois.  Total shares in the company:  70,654.00 | **Compensation for 2008**   |  |  | | --- | --- | | Salary | **$247,436.00** | | Bonus | **$0.00** | | Other Annual Compensation | **$0.00** | | Long term incentive plan payouts | **$0.00** | | Restricted stock awards | **$139,262.00** | | Security underlying options | **$0.00** | | All other compensation | **$16,829.00** | | Option awards $ | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nonqualified deferred compensation earnings | **$0.00** | | **Total Compensation** | **$403,527.00** | |

**Vice Chairman Klaus W. Fritsch**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Officer since May 1992    66 Years Old  Klaus W. Fritsch has been Vice Chairman of Morton's of Chicago, Inc., our indirect wholly-owned subsidiary, since May 1992. Mr. Fritsch has been with Morton's of Chicago, Inc. since its inception in 1978, when he co-founded Morton's. After Mr. Arnold Morton ceased active involvement in 1987, Mr. Fritsch assumed all operating responsibilities as President, in which capacity he served until May 1992.  Total shares in the company:  86,268.00 | **Compensation for 2008**   |  |  | | --- | --- | | Salary | **$220,552.00** | | Bonus | **$0.00** | | Other Annual Compensation | **$0.00** | | Long term incentive plan payouts | **$0.00** | | Restricted stock awards | **$130,558.00** | | Security underlying options | **$0.00** | | All other compensation | **$12,587.00** | | Option awards $ | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nonqualified deferred compensation earnings | **$0.00** | | **Total Compensation** | **$363,697.00** | |

**CCO Roger J. Drake**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Officer since May 1999    48 Years Old  Roger J. Drake has been Chief Communications Officer since January 2008. Previously, Mr. Drake served as Vice President of Communications and Public Relations from February 2006 to December 2007 and as Vice President of Communications since May 1999. In addition, he had served as Director of Communications since February 1994. Mr. Drake previously owned and operated Drake Productions, a video and marketing communications company, from April 1987 to December 1993. Prior to that, Mr. Drake served as senior producer, editor and copywriter at Major League Baseball Productions, from May 1981 to June 1986.  Total shares in the company:  28,000.00 | **Compensation for 2005**   |  |  | | --- | --- | | Salary | **$146,000.00** | | Bonus | **$85,000.00** | | Other Annual Compensation | **$0.00** | | Long term incentive plan payouts | **$0.00** | | Restricted stock awards | **$0.00** | | Security underlying options | **$0.00** | | All other compensation | **$5,468.00** | | **Total Compensation** | **$236,468.00** | |

**VP Sales and Marketing Patty Pleuss**

**Sr VP Operations Kevin E. Weinert**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Officer since January 1999    58 Years Old  Kevin E. Weinert has been Senior Vice President of Operations of Morton's of Chicago, Inc., our indirect wholly-owned subsidiary, since January 2004. Mr. Weinert previously served as its Vice President of Operations from January 1999 to January 2004. Prior to that, Mr. Weinert was a Regional Manager and General Manager for Morton's steakhouses in several cities and has been employed by us for 26 years.  Total shares in the company:  47,468.00 | **Compensation for 2008**   |  |  | | --- | --- | | Salary | **$211,873.00** | | Bonus | **$13,608.00** | | Other Annual Compensation | **$0.00** | | Long term incentive plan payouts | **$0.00** | | Restricted stock awards | **$104,446.00** | | Security underlying options | **$0.00** | | All other compensation | **$8,004.00** | | Option awards $ | **$0.00** | | Non-equity incentive plan compensation | **$0.00** | | Change in pension value and nonqualified deferred compensation earnings | **$0.00** | | **Total Compensation** | **$337,931.00** | |

**VP Operations Chris Artinian**

**VP Operations Mark Leach**

**Sr. VP Development James W. Kirkpatrick**

|  |  |
| --- | --- |
| Officer since February 2006    55 Years Old  James W. Kirkpatrick has been Senior Vice President of Development since February 2006. Previously, Mr. Kirkpatrick was the Vice President of Real Estate and Construction for Applebee's International, Inc., where he was employed since 1992. Before joining Applebee's, Mr. Kirkpatrick held Real Estate Director and Manager positions with three restaurant companies: Gilbert Robinson, Inc., TGI Friday's, Inc. and Pizza Hut, Inc. He also served as a Real Estate Director for Pier One Imports, Inc. Mr. Kirkpatrick has a master's degree in architectural management from the University of Kansas, a master's degree in business administration from Baylor University, and a bachelor of arts degree in economics from Rockhurst College.  Total shares in the company:  36,000.00 |  |

**VP Accounting Sue Kissel**

**VP Finance Nick Wagner**

**VP Wine and Spirts Tylor Field**

**VP Purchasing Peggy Reilly**

**VP HR Kate Shehan**

**SR VP Counsel Scott Levin**

|  |  |
| --- | --- |
| Officer since October 2007  46 Years Old  Scott D. Levin has been Senior Vice President, General Counsel and Secretary since October 2007. Previously, Mr. Levin had been Senior Vice President, General Counsel and Human Resources for Torex Retail Americas (a global technology solutions provider), where he was employed since 2001. Before joining Torex, Mr. Levin held General Counsel positions with OurHouse, Inc. (the home improvement e-commerce business for Ace Hardware Corporation) and Florists' Transworld Delivery, Inc. (FTD). Mr. Levin also worked at Schulte Roth & Zabel LLP in New York City where he practiced in the mergers and acquisitions, securities and finance areas from 1989 until 1996. Mr. Levin received his JD from The National Law Center at George Washington University and his undergraduate degree from Boston College.  Total shares in the company:  27,300.00 |  |

 \*all compensation tables found on 'people.forbes.com/search?ticker=MRT'

\*all share information found at 'scottrade.com'

\*all bios found at 'people.forbes.com/search?ticker=MRT'

Many of the officers that work for Morton's have been with the company an extended period of time. Some officers started with the company as Controllers and General Managers. A handful of the officers have worked with international companies. Only Scott Levin has been in the company and his position less than three years. All other officers have been promoted within or with the company for more than three years. Top management is held accountable to the performance of the company. Officers have regular meetings with the Board regarding company performance.

With Vice Chairman Klaus Fritsch (co-founder) still acting as an officer, top management is able to use him as a strategic planning resource for the future direction of the company. All officers frequent the restaurants every year and work directly with the VPs and Regional Managers.

All strategic decisions are ethical and socially responsible. Recently, the company has made many attempts to 'green' the restaurants and offices. These attempts include buying more efficient restaurant equipment and cutting paper usage through the use of the new accounting system 'Compeat.' The company often supports charities through the use of benefit parties. These charities include March of Dimes and Make a Wish Foundation.

Top Management is able to see future trends in the restaurant industry. As the economy took a sharp turn for the worse at the end of 2008, top management encouraged lower level managers and even hourly employees to come up with innovative cost saving ideas to help the company through the recession. Many of these ideas were considered and even put into place (Baldwin 2008).

# III. External Environment: Opportunities and Threats

## A. Natural Physical Environment: Sustainability Issues

Morton’s prides itself on the high quality of their food, and strives to be considered the world’s best steakhouse. Their emphasis is on steaks, but they also include other fresh premium items, including lamb, lobster, chicken, and a wide variety of seafood. Global warming would cause some sustainability issues for Morton's. Global warming would cause poor yields of seafood and the reduction of the availability of high grade meets.

Severe weather events can also be a potential threat to Morton’s. If severe weather caused road closures, the delivery of the meats, seafood, and produce would become an obstacle. Some of the restaurant locations are exposed to severe weather conditions. These conditions could cause damage to those restaurants in severe weather locations. These same restaurants would see a decrease in business levels. For example, the hurricane season tends to have a negative impact on business in New Orleans and Florida.

Seasonal shifts in climate conditions coupled with industry demands would make meet prices fluctuate.

## B. Societal Environment

Morton’s The Steakhouse is a fine dining restaurant chain with 80 locations. Seventy-five of the locations are in the United States, spread across 69 cities in 28 states, and five of the locations are international. They employ 4,743, of which 4,152 are hourly employees and 470 are salary. As a result of the recession, Morton’s sales revenues are down 20% from last year. The restaurant industry as a whole is down compared to the last few years. A decline in revenues in both the industry and for Morton's can be best explained by the restrictions of discretionary income in economic downturns. The hospitality industry as a whole is faced with challenges as a result of a bad economy. Business travel, hotel occupancy, convention business and air travel are all being impacted, which in turn directly impacts Morton’s revenue.

Currently, Morton’s caters primarily to a business-oriented, high-end clientele. The average check per-person at the end of January 2009 was $97.25 before tax and tip. The majority of revenue during the week is believed by top management to be derived from expense accounts of business people. They maintain a standard décor and interior design that can easily be adapted to different regions and types of locations.

Morton’s has responded to a sluggish economy by introducing promotions such as 'the power hour' at several of their locations. The promotion provides a variety of 'bar bites' and cocktails at a premium price than their dinner menu.

All Morton’s steakhouses report daily through a sophisticated point-of-sale and accounting system that allows the Company to monitor its revenues, costs and inventory. In September of 2009, The Morton's Group was awarded a hospitality technology breakthrough award for “Excellence in Business Efficiency.” Working with Compeat Restaurant Management Systems, they were able to streamline their accounting and inventory, making it possible for all 77 restaurant inventories simplified into one master inventory. This system provides Morton’s with the ability to monitor and control all of their food and beverage costs more effectively. The company collects revenue, cost, and other related information for every location on a daily basis.

All of the restaurants have to comply with state regulations, licensing requirements for the sale of food/alcoholic beverages, and health and safety regulations. When developing and constructing new restaurants, Morton’s must comply with zoning laws, land use, and environmental regulations. Morton’s must also comply with all federal, state and foreign labor laws including minimum wage requirements, overtime, worker compensation, and sales taxes.

One of the key’s to Morton’s success is their highly trained, experienced, and motivated staff. Morton's has a rigorous set of standards for their food and beverage preparation, employee conduct, and facility maintenance in order to maintain quality and consistency in all units. On a quarterly basis, the company holds a one week long classroom style seminar for entry level management that focuses on Morton’s expectations, accountability, communication, compliance, and development. Morton’s also keeps their employees motivated by implementing a “promote from within” philosophy, allowing restaurant personnel to work their way up to management positions.

Because of the restrictions placed on importing U.S. beef into Asia, they also include comparable high quality aged beef in addition to the USDA prime aged beef. Currently, they are not able to export some of their US beef to their Asian locations. Certain risks come from having restaurants abroad, including economic and political instability and trade restrictions.

## C. Task Environment

The restaurant industry is driven by macro and micro economic factors which include changes in international, national, regional, and local economic conditions. Consumer spending patterns and unemployment rates affect the industry. The fine dining segment the hospitality industry relies heavily on business customers renting boardrooms and charging on expense accounts.

**A)** Morton’s key competitors include Palm Restaurants, Ruth’s hospitality, and Smith and Wollensky. The presence of upscale steakhouses continues to expand, potentially threatening their market share. Their current strategy includes opening new steakhouses in both existing and emerging markets, while their competitors expand into similar markets. The ability of easy entrance into the marketplace by other steakhouses creates a lot of competition for Morton's which adversely affects their revenues/profits.

The fine dining segment of the restaurant is highly competitive in price, service quality, location, ambience, and quality. Morton’s must compete with both local and national restaurants and eateries. Larger chains may have more financial resources and greater name recognition, making Morton’s unable to obtain market share successfully in certain locations.

**B)** Morton’s success depends on the loyalty of customers. Most of their key customers are professionals and affluent persons. As companies across the nation are feeling the hit of the recession, many of their frequent clientele are no longer booking boardrooms at Morton’s. To try and attract customers, Morton’s has equipped their boardrooms with state of the art equipment that enables successful business meetings.

Morton’s uses the third-party reservation and data management system (Open Table) to make reservations more convenient for the buyers. The system tracks guests and their preferences through the database. Open Table allows restaurant guests to make online reservations 24 hours a day, 7 days a week, for any of the Morton’s worldwide. Morton’s has added new products to their menu in response to consumer’s disposable income levels dropping.

**C)** Steakhouses offering similar menu items as Morton’s pose threats to Morton's stability. For Morton’s to remain competitive, they must remain flexible in changing consumer preferences, and be able to differentiate themselves from substitute products/ services. In 2009, Morton’s had a decrease in revenue for the second quarter, which they primarily attribute to a decrease in the fine dining industry. With the economy in a recession, many people choose to go to more affordable restaurants for a steak dinner. Others don't go out for dinner at all and instead buy steaks and cook them at home.

**D)** Morton's week bargaining powers for USDA prime aged beef as well as its availability could have a negative effect on revenues and operations. The company’s beef costs represent nearly half of the total food and beverage costs annually, and the market for this USDA beef is very unpredictable. An increase in demand for the prime grade beef can lead to shortages, thus forcing Morton’s to pay increased prices during affected periods.

Morton’s is susceptible to risks of shortages, price fluctuations and other interruptions because of the utilizations of a limited number of suppliers with short term contracts.

**E)** Rivalry among competing firms in the fine dining restaurant is highly competitive, especially now that demand for the industry is down as a whole. Morton’s believes that because they have been around for so long and have previously sustained difficult economic conditions in the past, they will have the necessary experience to be able to face the challenges of a tough economy. Morton's tries to differentiate their products from threats of substitutes by offering the best steak anywhere.

**F)** Morton’s, along with other restaurant companies, have been hit with class action law suits involving the violation federal and state employment laws. In July of 2009, they settled a class-action lawsuit, filed in Boston, alleging that the waiters were receiving less than minimum wage and were forced to tip out their managers. They recorded a 13.4 million dollar charge as a result of their practices violating the federal Fair Labor and Standards Act.

## D. Summary of External Factors

Competition and Morton's week bargaining power are important external factors to be considered at the present time. Competition is always fierce and abundant in new markets as Morton's expands. Having a strategy that identifies competition will help Morton's during their growth. Leverage in bargaining power with Morton's two main beef suppliers is a necessary tool when considering short-term strategic options.

Global changing temperatures will be most apparent in the future. Problems with distribution from suppliers will occur as events happen from climate change.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| External Factors EFAS Table | | |  |  |  |  |
|  |  | Weights | Rating | Weighted Score | Comments | |
|  | 1 | 2 | 3 | 4 |  | 5 |
| **Opportunities** |  |  |  |  |  |  |
| Loyalty of customers | | 0.4 | 5 | 2 | brand recognition | |
| Week bargaining powers | | 0.2 | 3 | 0.6 | with suppliers | |
|  |  |  |  |  |  |  |
| **Threats** |  |  |  |  |  |  |
| Competition |  | 0.3 | 2 | 0.6 | similar menus | |
| Law suits |  | 0.1 | 1 | 0.1 | existing and future | |
|  |  |  |  |  |  |  |
| **Total Scores** |  | 1 |  | 3.3 |  |  |

# IV. Internal Environment: Strengths and Weaknesses

## A. Corporate Structure

Morton’s the Steakhouse is owned and operated by Morton’s restaurant group. The CEO of the company (Tom Baldwin) also duels as the Chairman of the board. Many issues can arise from duel responsibilities of CEO and Chairman. A CEO is primarily concerned with the management of the company. They hire/fire top management and give the company its structure. The chairman provides the company with strategy on how the company will remain competitive in the future. A conflict of interests occurs when these two positions are held by the same person. The Chairman/CEO has the power to ensure his own stability instead of the company’s by controlling the board and top management. While the potential of this conflict of interest exists, no apparent conflicts have actually occurred. This company appears unique because it has a second Chairman/CEO named John Castle. Mr. Castle is a savvy investor for Castle Harlan, Inc. Castle Harlan invests in companies by taking huge stakes and becoming deeply involved in the company’s management. 3 of 11 board members on Morton’s board are from Castle Harlan. The board takes and active participation role in the company. Having two CEOs whom also act as chairman is evidence of the participation of the board. The company has four active board committees (Audit, Compensation, Executive, and Nominating/Corporate Governance).

A staff for an average Morton’s has one general manager, up to four additional managers, and 30 to 90 additional hourly employees. Each location has a full time food and beverage controller on staff. The corporation is organized geographically, with regional managers being responsible for several restaurants, and reporting to regional vice presidents.

From a single restaurant in downtown Chicago to 80 locations globally, Morton’s corporate structure has changed and adapted through the years. Morton’s has responded to the recession by adding more reasonably priced menu items, such as French fries and a wedge salad, to try and attract more customers.

Restaurant Support Center Team Restaurant Management Team

**Accounting/Finance Assistant Manager**

**Administrative Support Day Manager**

**Guest Service Chef**

**Human Resources Day Chef**

**Information Technology Food & Beverage Controller**

**Management Sales & Marketing Manager**

**Payroll Assistant General Manager**

**Sales General Manager**

**Marketing & Public Relations Regional Director if Operations**

## B. Corporate Culture

Corporate Culture is defined by Thomas Wheelen as a collection of beliefs, expectations, and values learned and shared by a corporation’s members and transmitted from one generation of employees to another. The Morton’s culture is driven by the desire to provide genuine hospitality for both their guests and their employees. Morton’s believes that their employee morale and culture is strong. They look for people who want to make a difference, have drive, and have passion.

Morton’s culture is very consistent with current objectives, strategies, policies, and programs. The general culture of Morton’s is all about the best. They provide the best steaks, offer the best service, and hire the people they believe will provide their guests the best experience possible. Morton’s really tries to take care of their employees, and believes that keeping the employees happy improves the business. Morton’s has a culture of strong tradition that is passed on from their founding. The first Morton’s opened in downtown Chicago in 1978. Chicago is home to five of the Morton's restaurants and the corporate office.

Part of what makes Morton’s culture is their core values. They have been recognized by *People* for the best people practices, and believe it is due to their four core values:

1. We Value Each Other
2. We will offer only the finest products—anywhere, anytime, at any cost
3. We strive to consistently improve every day, by everyone, in everything we do
4. We expect to be profitable

\*(<http://www.mortonscareers.com/core_values.php>)

The Morton's culture goes beyond their restaurant locations, and out into the communities they serve. They are very committed to community service. For their 30th anniversary, they launched a yearlong campaign that raised $374,000 for the Make-a-Wish Foundation. Employees of Morton’s also volunteered over 10,400 hours of time to support local charities and organizations. Over the last 4 years, they have raised more than 2 million dollars for charitable organizations.

\*(http://www.mortons.com/news.php? id=39)

## C. Corporate Resources

**Marketing**

Morton’s current marketing objective is “the Best Steak Anywhere!” Morton’s strives to maintain quality and consistency in its restaurants. Customers know exactly what to expect in any Morton’s Steakhouse. Morton’s objective is consistent with Morton’s mission, strategies, and policies. Morton’s mission is to exceed the customer’s expectation. “As we succeed, we expand our reputation as the World’s Best Steakhouse.” Morton’s does so by providing generous portions of high quality food with exceptional service in an enjoyable dining environment. Morton’s steakhouse remains true to the founders’ original vision. Morton’s corporation marketing objectives are clearly stated and are implemented through performance. All management and hourly employees go through six to twelve weeks of training in which specific knowledge, skills, commitment requirements are identified in each position in order to set them up for success.

The following graph illustrates that the majority of Morton’s guest go to the restaurant during dinner. According to these results, the company is losing out on guest during lunch which shows they have room to improve and grow.

Morton’s steakhouse only has 13 locations that provide lunch starting at 11:00am. All other Morton’s steakhouses are only open for dinner from 5:00pm to 10:00pm or 11:00pm. However, Morton’s has implemented a new slogan, “You know us for classic cocktails, memorable evenings and the Best Steak Anywhere! Now, discover us by day.” In order to gain revenue during the day, Morton’s strategy was implemented by providing private dining for breakfast and lunch. All but one Morton's steakhouse have private dining and meeting facilities (boardrooms). Morton’s steakhouse is providing business and social morning and day time meeting needs, serving breakfast and lunch selections in a refined and elegant private dining space. The variety of menu options offer items for any occasion.

The Company’s trade name “Morton’s” which has an indefinite life is used in the advertising and marketing of the restaurants. Management believes that it is recognized and accepted by consumers in its market as an indication of and recognition of services, value and quality. When people hear the name Morton’s they think steakhouse fine dining. The Company is known for providing exceptional food quality and service.

Morton’s Corporation expenditures for advertising, marketing and promotional expense are approximately $7.7 million for 2008, $7.7 million (2007), and $6.1 million (2006). Marketing and promotional expense increased 27.4% from fiscal 2006 to fiscal 2007. The increase in public relations and cost relating to the mail campaign increased expenses. For the past two years advertising expenses have remained consistent. These figures simply imply that the past two years they have been steady and have no need at the time to increase marketing expenditures to outperform competitors.

Marketing Mix:

* Product - the finest quality foods, featuring USDA prime-aged beef, fresh fish and seafood, hand-picked produce, delicious appetizers and elegant desserts
* Place – 75 locations in the U.S. and 5 international locations which include Toronto, Hong Kong, Macau, Mexico City, and Singapore
* Price – High end pricing, entrees starting at $25
* Promotion – selected advertisements in periodicals such as Boston Magazine, Chicago Magazine, Los Angeles Magazine, and New York Magazine

By providing high quality food, hospitality, and services its gives the company a higher level of value with its expensive price point is an effective way to continue attracting and maintaining its guest. In order for this approach to work and be executed, there are 13 sales and marketing employees at the corporate level and 80 sales and marketing employees at the Company’s Morton’s steakhouses. Management uses a variety of ways to marketing techniques to increase and maintain its guest. Consumers who look for sophistication and quality know that is what they will get when they go to any Morton’s Steakhouse. The Company also offers promotions for a limited of time. A recent promotion that they have right now is the steak and seafood promotion. The promotion offers two three course meal for at $99. The promotion also offers a bottle of wine for $33.

Morton’s foreign revenues from operations have been increasing each year. Revenues generated from foreign countries of $25.6 million in 2008, $22.9 million in 2007, and $18.6 million in 2006. Morton’s domestic revenues from operations have increased as well, $354.5 million in 2008, $353.8 million in 2007 and $322.0 million in 2006. In order to increase revenues Morton’s has quarterly events that are new and innovated to attract new consumers to the restaurants. Some events that they had include Vodka and caviar tasting, and educating and entertaining people about wine and spirits.

Morton's is a leader in the industry for numerous reasons. They continuously market to their clientele, they promote their catering and event division and their price points appeal to a wide range of customers whether they are seeking a romantic dinner, a business gathering, or simply a bite at the bar.

**Finance**

Morton’s management and employees all focus on the same goals and success factors. The success factors focus on the Company’s mission to provide great guest experience. Providing great guest experience leads to overall increase performance financially. The Company's restaurants compete with a number of restaurants within their markets, both locally-owned restaurants and restaurants that are regional or national chains. The following table represents key financial ratios for Morton’s \compared to its competitor Ruth Chris for 2009.

|  |  |  |
| --- | --- | --- |
|  | **Morton’s** | **Ruth Chris** |
| ***Profitability*** |  |  |
| Market Capitalization | $60.46M | $87.24M |
| Gross Margin: | 14.40% | 19.20% |
| Operating Margin: | 2.60% | 9.30% |
| Profit Margin: | -19.10% | -13.30% |
| ***Per Share Data*** |  |  |
| Earnings: | -5.07 | -2.36 |
| Cash Flow: | -$3.83 | -$1.55 |
| Annual Dividend: | $0.00 | $0.00 |
| Book Value: | $4.58 | $1.84 |
| EBITDA: | $20.22M | $36.82M |
| ***Management Effectiveness*** |  |  |
| Return on assets | -32.40% | -19.90% |
| Return on investment | -52.30% | -28.40% |

From the table above we can see that Morton’s is at a disadvantage in the market compared to Ruth’s. We can see that the return of assets percentage is very low on both, Morton’s and Ruth’s corporation. This is an indication that Morton’s is not utilizing its assets available in order for it to grow aggressively within the market. Morton’s and Ruth’s corporation also have a very low percentage. Morton’s return of investment implies that they are not able to convert its capital investments into profitable growth. Morton’s must become more aggressive in order to grow and compete with other fine dining steak restaurants and obtain a market leadership position.

Morton’s is unable to compete successfully with other restaurants in new and existing markets, if they are not achieving its projected revenues and profitability targets. The market is extremely competitive in quality of service, restaurant location, type and quality of food. Compared to Morton’s business, its competitors such as Ruth’s have greater financial and other resources. If Morton’s is unable to compete successful with its competitors, it will most likely lead to closing some of its restaurants.

Morton’s revenues have increase from $353.8 million in 2007 to 354.5 million in 2008. However, its net income is at a loss of $67.7 million for 2008. Operational expenses had increase significantly from $182.3 million in 2008 to 162.8 million in 2007. Other factors have also affected net income (loss). Some reasons for the loss include:

* Ability to execute business strategy effectively
* Competition
* Consumer trends
* Economic conditions

In the United States we are in a recession that has weakened the economy and has definitely slowdown business. The table below are yearly sales estimates for Morton’s which indicate that sales will continue to decrease in 2009 and remain low during 2010 compared to its sales in previous years.

| **Estimate Year** | **High Estimate** | **Low Estimate** | **Mean Estimate** | **Latest Estimate** |
| --- | --- | --- | --- | --- |
| 2007 | 354 | 352.47 | 353.235 | 1/10/2008 |
| 2008 | 362 | 355.3 | 359.728 | 1/28/2009 |
| 2009 | 300.3 | 291 | 295.443 | 10/20/2009 |
| 2010 | 311.8 | 280.247 | 296.849 | 10/20/2009 |

Morton’s must generate sufficient cash flow from operation activities to pay its lease obligations, and to fulfill out other cash needs. The business needs cash flow for the business to grow, to be competitive and fund the business needs. Morton’s believes that its cash flow from operations will be sufficient to meet its working capital and investments requirements through fiscal 2009.

**Research and Development**

The Company is seeking to reduce capital investments in new Morton’s steakhouse by obtaining landlord development allowances. The landlord's development allowances are taken in the form of cash payments to Morton’s or by reducing rent. The Company’s restaurants provide a minimum annual rent and other leases may get a percentage of the restaurant’s gross revenue. This lease strategy allows the Company to reduce its net investment in new developed restaurants. The Vice President of Development is responsible for the negotiations of the leases as well as new restaurant locations, restaurant design, and construction and facility management.

The cost for opening a new Morton’s steakhouse may vary by restaurant. There are many factors that contribute the cost for a new development such as location. When researching for a location to open a new Morton’s steakhouse, the typical areas are usually an upscale retail, hotel, commercial and office complexes in major metropolitan and urban centers areas. The Company looks only for quality areas where they believe they will be successful. The restaurants have a standard décor and interior design, however will adapt to the location and make any changes necessary. The location of a restaurant is significant; it will determine its long term success. Management devotes much of its time in analyzing each potential locations. Management considers factors such as demographic information, average household size, income, traffic patterns, proximity to shopping areas and office buildings, hotels and convention centers, area restaurant competition, accessibility and visibility.

Many factors contribute to the development of a new restaurant. The Company must have researched an agreement on the lease or the purchase of the new location, have sufficient amount of money for construction, opening cost, hiring, training, required permit approvals and managing time and money for a new restaurant. Once the development of the new restaurant is completed, the Company’s training department takes over. The training team consists of managers and chefs from established Morton’s steakhouses. The training team spends about five to six weeks to ensure that the new staff is properly trained and is able to maintain the Company’s high standards of service and quality of food. Much goes into the development of a new restaurant in order it to operate successfully.

**Operations and Logistics**

There are eleven regional managers that supervise the operations of Morton’s restaurants. Each regional manager is responsible for several restaurants and is to report to the regional vice president. Regional vice presidents and regional managers meet monthly with the senior corporate management to review operations and discuss any issues. All levels of management are responsible in setting operations and performance objectives for each restaurant. Morton’s restaurant management staff if highly trained, experience and motivated based due to reward programs and benefit plans which reduces employee turnover and increase operating efficiencies.

Restaurant managers must complete a training program in which they learn the areas of management, such as food quality and preparation, guest service, alcoholic beverage service, liquor liability avoidance and employee relations. The managers are provided with operational manuals relating to food and beverage preparation and the operations of restaurants. The manuals ensure uniform operation, consistency in quality and service and appropriate accounting for restaurant operations. Morton’s management meets regularly with its employees to seek any suggestions about the restaurants operations and tries to respond in an effective manner to their suggestions that are best for the restaurant and the employees.

Morton’s dedicates considerable amount of time managing food, beverage and operating costs. Morton’s uses its information technology to provide them with important information, such as daily revenues and inventory requirements. With such information, Morton’s would be able to regulate inventory effectively to keep food inventory from becoming excessive. Morton’s also have a full time food and beverage controllers that is responsible for minimizing losses and that all products receive meet the company’s high quality standards.

All Morton’s steakhouses use OpenTable.com, a third-party reservation and data management system. It allows the Company to record the guest preferences on a shared database. It enables the Company’s managers to record guest reservations, special request and other information. The database is an effective way of keeping up with its guest and a way in which the Company to improve to make the guest experience even more enjoyable. On OpenTable.com one is also able to make reservations online 24/7 worldwide.

**Human Resource Management (HRM)**

Morton’s Human Resource Management (HRM) is quite different than most restaurants. Morton’s is a fine dining company that believes everyone should be motivated about what they do for a living. Morton’s provides an environment where everyone is encouraged to learn, grow and advance. They prepare people to succeed by providing them with everything they need. Morton’s “success stems from a very simple yet effective philosophy: attract value, retain and develop the best talent in the industry.” Morton’s has a very strong and structure career development program and Morton’s University. With Morton’s you can be reassured that you are learning from the best in the business. On Morton’s website it states, “By empowering our people to make everything right for every guest, we also empower them to succeed.”

Morton’s provides a variety of rewards for its employees to encourage them grow and be successful. Morton’s benefits include:

* Excellent compensation packages
* Bonus plan
* 401(k) retirement savings
* Medical PPO, dental PPO and vision benefits
* Long-term and short-term disability insurance
* Life insurance
* Prescription drug plan
* Flexible spending plans for health care and dependent care
* Employee meal discount
* Paid vacation
* Service recognition program
* Credit union
* Banking program
* Employee assistance program

Morton’s trains its employees to do their best and when they meet those high standards, they are reward. A few ways in which they provide recognition of their employees’ hard work include:

* Anniversary program for hourly and management associates
* General Manager of the Year Award: company-leased car for one year
* Sales & Marketing Manager of the Year Awards
* Restaurant Support Center Employee of the Quarter Awards
* Four-week sabbaticals for regional managers every five years
* Annual Trip to Italy Contest for assistant managers
* Annual Trip to Napa Contest for servers

Morton’s offers many opportunities to advance within the Company by proper training and hard work. Some of the career advantages include:

* Distinguished Service Guides and well-defined career paths for all positions, including the encouragement of learning and certification
* Emphasis on growing talent and promoting from within
* Sommelier certification program for Assistant Managers
* Training Specialist opportunities: become an expert in your discipline and share your expertise at one of our new restaurant openings
* Mentoring program for General and Regional Managers
* Restaurant Support Center operations training
* General Manager and Sales & Marketing Manager annual conferences
* English as a Second Language Program
* [Morton's University](http://www.mortonscareers.com/mu.php): all managers attend six days of classroom-style training on leadership, culture and policies

Morton’s HRM provides equal opportunity and diversity. It treats all employees with dignity and respect. HRM strives to create a positive working environment. It also provides direction for the people within the company which is consistent with the company’s mission, objectives, strategies, policies, and programs. Morton’s was recognized by People Report TM for “Best People Practices” which is due to its core values.

Morton’s HR department provides the company with a competitive advantage through its internal and external environments. They apply appropriate concepts and techniques to evaluate and improve corporation performance. It provides exceptional training for entry level positions. All employees serve with professionalism and show enthusiasm in their job.

**Information Technology**

As stated in the *Strategic Management and Business Policy* textbook, “the primary task of information in an organization in ways that will improve productivity and decision making. Information must be collected, stored, and synthesized in such a manner that will answer important operating and strategic questions.” Morton’s maintains financial and accounting controls for each of its restaurants through the use of a centralized accounting and management information system.

On a daily basis Morton’s collects revenues, cost and other related information from each restaurant. All of the Company’s restaurants utilize the same computerized point of sale system. It provides consistent centralized reporting to both the restaurant and the corporation. Information captured by the point of sale system flows to the restaurant accounting system, which allows management to review product sales mix, profit margins, cost of sales data, inventory levels and cash and credit card receipts on a daily basis.

Morton’s information system is with Compeat Restaurant Management Systems. Compeat Advantage is a complete solution for all restaurant management, accounting, business intelligence, and payment requirements. Compeat Advantage software provides the ability for Morton’s to manage their accounting more efficiently. It allows Morton’s to more effectively monitor and control food and beverage costs. Through Compeat Advantage, both the restaurant and the corporate office are able to gain labor efficiency and significant cost savings which gives them a competitive advantage.

## D. Summary of Internal Factors

Competencies that cross divisional borders that the company does extremely well are information technology and human resource management. These competencies are award winning in the industry. Distinctive competencies include information technology. The company's IT department has been described as a leader in the industry because of its real time accounting system. IT is most important to the company's future because of the implications that technology has on any industry. Those that are the most technologically advanced tend to be the most efficient and make the most money.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Internal Factors IFAS Table | |  |  |  |  |  |
|  |  | Weights | Rating | Weighted Score | Comments | |
|  | 1 | 2 | 3 | 4 |  | 5 |
| **Strengths** |  |  |  |  |  |  |
| Operations and Logistics | | 0.2 | 5 | 1 | Store openings | |
| Human Resource Management | | 0.1 | 4 | 0.4 | Training |  |
| Information Technology | | 0.2 | 5 | 1 | Compeat | |
|  |  |  |  |  |  |  |
| **Weaknesses** |  |  |  |  |  |  |
| Financial position |  | 0.4 | 2 | 0.8 | competition | |
| R and D |  | 0.1 | 1 | 0.1 | little to none | |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Total Scores** |  | 1 |  | 3.3 |  |  |

# V. Analysis of Strategic Factors

## A. Situational Analysis

Morton's strengths are its good reputation to be the best steakhouse, striving to exceed the guest’s expectation, and the high quality cuisine and service. But as a company with high quality cuisine and service, Morton’s is one of the most expensive restaurants. The high price becomes Morton’s weakness during this economic downturn. Morton’s caters to high-end and business oriented clientele through dining room and boardroom services. Morton's had a total loss of $ 67.7 million in the year of 2008 as a result of the recession. The external threats come from numerous middle level restaurants and fast food restaurants which were not Morton’s main competitors. In order to survive the crisis, Morton’s has to compete with all levels of restaurants to expend its market share to the mass customers. In the domestic market, Morton’s opportunity is in balancing its high quality cuisine with a reasonable price. With Morton’s good reputation among customers, Morton’s will outshine other restaurants in the similar price range. Morton’s opportunity does exist in the international market, where the economic crisis is not as severe and the customer’s buying power remains strong. Morton’s has a good opportunity to expand its business overseas through franchising.

## B. Review of Mission and Objective

Morton’s Mission Statement is “At Morton’s, The Steakhouse we continuously strive to exceed our guest’s expectations. As we succeed, we expand our reputation as the world’s best steakhouse.” A mission statement is the purpose for the organization’s existence. No matter if it is the boom-time or if it is an economy downturn, no matter what customers Morton’s will aim to serve, Morton’s purpose will still be “strive to exceed our guest’s expectations” and to become “the world’s best steakhouse”.

Morton’s main objective that compliments the mission statement is to provide their guest with high quality cuisine, wine and exceptional service in a pleasurable environment. For the long run, this objective is appropriate, but it needs to be adjusted for the short run in the specific time of this economic slowdown. Morton’s should provide their guests with a wide range of products to meet the need of the customers from different pricing points rather than aiming at expensive products and services for high-end and business oriented clientele. The effect of this change will be meaningful to Morton’s. By doing so, Morton’s could go through this economic slowdown and be able to continue to pursue its long term objectives.

# VI. Strategic Alternatives and Recommended Strategy

## A. Strategic Alternatives

The economic recession impresses a negative impact on the restaurant industry overall. Customers have less disposable income in hand and reduced their expense for dinning out as a result. The recession caused many companies to cut their budget which significantly affected the frequency of company meals for personal and celebratory reasons. Morton's main objective is to provide their guest with high quality cuisine, wine, and exceptional service in pleasurable environment and expand their reputation as the world's best steakhouse. Because of the economic state, sales from exceptional service have significantly decreased. Morton's current objective needs to be revised along with the changing economy, the worst recession in the 75 years.

There are feasible alternative strategies available for Morton’s during the current recession.

**Alternative 1**

Morton’s should choose stability over growth as a corporate strategy for the overall direction. The Pause/Proceed with Caution Strategy would be a feasible alternative for Morton’s. The advantage of this strategy is that it gives the company a rest before continuing a growth strategy. Morton’s had good growth during the boom time. It is a wise strategy to pause during the recession until the environmental situation changes. This strategy can be very useful in the short run. It can keep Morton’s operating during the financial crisis awaiting a positive environmental situation changes. The downside of this strategy is that it could be dangerous to the longevity of the company if it is used too long.

**Alternative 2**

Turnaround strategy could also be a feasible alternative for Morton’s to improve the efficiency. Morton could cut down the product lines, like exceptional service that have a weak competitive position and at the same time implement programs to stabilize the company.

The advantage of the turnaround strategy is that it could quickly “stop the bleeding” by reducing size/overhead and cutting costs which would enable the company to survive. It reduces the unnecessary overhead from the product line that lost competitive advantage and makes functional activities cost-justified. The downside of this strategy is that it runs a risk during the consolidation phase by not conducted itself in a positive manner, in other words, the consolidation phase could hurt the company’s reputation and cause the talented employees to leaving the company. Morton’s could gain its competitive position by implementing new programs that fit the current environment and is able to once again to expand the business.

**Alternative 3**

Morton's should emphasis on low cost strategy aiming at the broad middle mass market rather than differentiation strategy aiming at high-end consumers. Morton’s could gain low cost competitive advantage by cost reductions from eliminating service, cost overhead control, and cost minimization in area like R & D, sales force, advertising, and so on. The lower costs allow Morton's to continue to exist and earn profits during the recession. The lower price plus Morton’s reputation of good quality would obtain higher market share compared to the other middle level restaurants, because few new entrants will be able to match them. The risk of pursuing the low cost strategy is that it would temporary loose Morton’s differentiation advantage as the luxury restaurant to provide unique and superior value and service to the customers.

**Alternative 4**

A global franchising strategy could benefit Morton’s growth. Because of Morton's leadership in the industry the company could expand its market share in other countries through franchising. A franchise is a form of business in which the franchisor sells to a franchisee the right to do business under a particular trade name or brand, the right to a proprietary product, process, or service in a proven market. In the recession Morton’s can enter markets in other countries where the crisis is not as severe and the customer’s expenditure level remains strong, for example China, who becomes the biggest creditor of the United States in this economic crisis. China is not a country of credit and thus was hit the least by the crisis which was caused directly by the collapse of credit. The cover article of FORTURNE “CHINA Buys the World” (Oct. 26, 2009) indicates how strong the purchasing power of China is. “The Chinese have $2 trillion and are going shopping. Is your company, and your country, on their list?” (FORTUNE Oct. 26, 2009). This provides an opportunity to Morton’s.

The advantage of franchising is that it is a relatively easily accessible source of capital for retail expansion during the crisis. Morton as the franchisor earns profit and is relieved of the responsibility of continually monitoring each unit. This brings in profit for Morton to cover the loss in its domestic market during the recession and expands Morton’s market share in the global market.

The caution for franchising is that Morton’s needs to carefully investigate potential franchisees to ensure that they are qualified to manage and grow a business and will represent Morton’s brand well.

The disadvantage is that the franchisee might develop its competence to the point that it becomes a competitor to the licensing firm. Therefore, Morton should avoid licensing its distinctive competence.

## B. Recommended Strategy

We recommend Morton’s to adopt the Pause/Proceed with Caution Strategy as a corporate strategy in the domestic market and horizontal growth franchising for the international market. These strategies are listed as Alternative 1 and Alternative 4.

We recommend different strategies for different markets because the environment in the domestic and international market is not quite the same which impose a different impact on the restaurant industry overall.

Choosing stability strategy rather than growth strategy as an overall corporate strategy could give Morton’s a rest during the recession. It can keep Morton’s operating during the financial crisis awaiting positive environmental situational changes.

By adopting these strategies, Morton’s could survive the economic downturn and be able to start to make a profit to cover the loss from the previous year. But for the long run, Morton’s would benefit from the strategy adjustment, surviving the downturn and be able to continue to pursue its growth strategy of maintaining its core and distinctive competency as the best steakhouse in the world.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| SFAS Table | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | 1 | 2 | 3 | 4 | Duration 5 | | |  | 6 |
| **Strategic Factors** | | Weight | Rating | Weighted Score | Short | Intermediate | Long | Comments | |
| Operations and Logistics | | 0.1 | 5 | 0.5 | X | X |  | Solid |  |
| Information Technology | | 0.05 | 5 | 0.25 |  | X | X | Solid |  |
| Financial position | | 0.1 | 2 | 0.2 |  | X | X | Cash Flows | |
| R and D |  | 0.05 | 1 | 0.05 |  |  | X | need improvement | |
| Loyalty of customers | | 0.15 | 5 | 0.75 |  |  | X | constant opportunity | |
| Week bargaining powers | | 0.2 | 3 | 0.6 | X |  |  | area of opportunity | |
| Competition | | 0.3 | 2 | 0.6 |  | X |  | Global expansion | |
| Law suits | | 0.05 | 1 | 0.05 | X |  |  | minor |  |
| Total Scores | | 1 |  | 3 |  |  |  |  |  |

# VII. Implementation

Morton’s could develop the following programs to implement the recommended strategy.

\*Adjust the price to appeal to a wide range of customers (opposed to high income customers only).

\*Cut cost

\*Franchising.

\*Total Quality Management (TQM) aims to reduce costs.

If Morton’s adopts a stability and retrenchment strategy, the staffing issues would not involve hiring new people with new skills or training existing employees to learn new skills, rather a possibility of laid-offs from the divisions that will be cut. To implement the programs, Vice Presidents of each functional division should be in charge of the corresponding programs. Each Vice President works with his Director of Divisions who works with their subordinates to implement the specific plan in a day-to day basis. Therefore, every Vice President can reach down to the first line supervisor and every employee is involved in some way in the implementation of corporate, business, and functional strategies. The Total Quality Management requires strong leadership from the top management; President Adie Ames will lead this program directly.

The programs are financially feasible. Adjusting price can expand market share attracting more customers. These programs would bring in revenue and reduce cost. Cost cutting measures would include examination of beef purveyors, national accounts for staple food purveyors, and menu analysis. The franchising program is an exception. The franchising needs to invest significant time and capital into the preparing; expenses include legal, accounting, consulting, and training. The profit and the benefit to Morton’s would not show up until after a few years. The franchising is expected to have a major impact on the company for the long run.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| TWOS Matrix |  |  |  |  |  |  |  |
|  |  | Strengths | | | Weaknesses | | |
|  | Internal Factors | Operations and Logistics Human Resource Management Information Technology | | | Financial position | |  |
| External Factors |  | R/D |  |  |
| Opportunities | |  |  |  |  |  |  |
| Loyalty of customers | | -Maintain operations, HRM, IT | | | Pause/Proceed | |  |
| Week bargaining powers | | -Address supply purchasing power | | |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Threats | |  |  |  |  |  |  |
| Competition |  | Horizontal Growth Franchising | | | Expansion difficult because of competition and current financial position | | |
| Law suits |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |  |  |  |

**Action Plan:**

|  |  |  |  |
| --- | --- | --- | --- |
| **program** | **priority** | **responsibility** | **timetable(start-end)** |
| Price Adjustments | 1 | Klaus Fritsch | 11/1/09-11/1/12 |
| Cost cutting | 2 | Sue Kissel | 11/1/09-11/1/19 |
| Franchising | 3 | Nick Wagner | 11/1/09-11/1/19 |
| TQM | 4 | Edie Ames | 11/1/09-11/1/12 |

After the changes, Morton’s standard operating procedures need to be changed correspondingly however; most SOPs will not require any change at all. Franchising, on the other hand, will require the creation of standards. The company is currently not franchising any locations and therefore will need to create the necessary guidelines and procedures to execute franchising effectively.

# VIII. Evaluation and Control

Each program in the recommended strategies is measurable on many indexes. A period by period comparison for price adjustments would show revenue trends. It is anticipated that the revenue and guest count numbers would climb because of a lower price point. Cost cutting in the areas of food purveyors and menu analysis would help pay for any loss in operating income that would be incurred by lowering the price point. Models can be constructed to show the cost cutting measure savings compared to ‘pre-strategic change.’ Franchising would increase international revenues which are easily measurable on the explanation income statement.

All data is shared horizontally within the organization. All data from the units are pulled over to the corporation’s database on a nightly basis. All information regarding revenues and COGS are generated on daily and period basis.

The most useful benchmarks that can be used for price adjustments and cost cutting measures are by the income statement. Performance measures would be implemented to encourage results to be met. Franchising on the other hand would be benchmarked by the first opening under the franchisee as a huge accomplishment. The company will be well on its way to efficiency by its 10th franchise opening.

Morton’s rewards all levels of management via bonuses based off of actual performance compared to individual budgets. These bonuses will continue under the new strategic plan.

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