



**Asia-Pacific
Economic Cooperation**

**Pasadena International Group
Chinese Taipei**

**Strategic Human Resource
Management**

Written by

Jin Feng Uen

Professor

Institute of Human Resource Management
National Sun Yat-sen University, Kaohsiung

Pei Fan Chen

PhD Candidate

Institute of Human Resource Management
National Sun Yat-sen University, Kaohsiung

The case was developed with the cooperation of Pasadena International Group solely for educational purposes as a contribution to the project entitled "Strengthening Human Resource Management System of SMEs for Facilitating Successful Trade and Investment in APEC," conducted under the auspices of the Asia-Pacific Economic Cooperation (APEC). The case is neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. Reproduction of this case for personal and educational use is encouraged. No part of this case however can be reproduced, stored, or quoted for purposes other than the above without the written permission of the author(s) and APEC Secretariat.

Small Medium Enterprises (SMEs) were the foundation of Chinese Taipei's economic development. The food service industry was one of the rapidly growing industries with sales reaching US\$12.4 billion in 2011. This case study introduces one of the most successful SMEs in the food service industry and in the economy as a whole — the Pasadena International Group. Pasadena's experience, particularly its strategic human resource (HR) practices, illustrates how SMEs in the food service industry keep their competitive advantage to grow.

SMEs in Chinese Taipei

Chinese Taipei has developed as a highly mature economy in the past two decades. Many of the traditional manufacturing and high-technology original equipment manufacturer (OEM) companies moved to China and other developing economies due to cost reduction considerations. During the transformation of the economy, the service industries grew very fast, accounting for more than 72% of GDP in 2011.

The SMEs were also important to the economy. According to government statistics shown in Table 1, more than 98% of companies were SMEs, contributing about 36% of sales, 35% of imports and 16% of exports in Chinese Taipei. Some 87% of workers and 82% of employees worked in SMEs. From these statistics, we can see that the SMEs might not have contributed as much to sales, import and export as large companies did, but these SMEs, especially those in the service industry were very important to Chinese Taipei's employment growth.

Likewise, as shown in Table 1, SMEs did not contribute very much to foreign trading in the past (only 30% to import and 16% to export). We can expect that the service industry SMEs might generate even much less than SMEs did in the manufacturing industry. This means that the SMEs seemed to contribute little to multilateral trading because of their nature; most SMEs had limited resources (e.g., finance, human capital, organizational capabilities) and had some management issues.

Table 1: Selected Government Statistics Related to Small and Medium Enterprises (Year 2010)

Company size Indicators	Small and medium enterprises	Large enterprises
Number	1,247,998 (98%)	29,587 (2%)
Sales*	10,709,005 (30%)	25,530,632 (70%)
Import*	9,088,972 (35%)	17,127,166 (65%)
Export*	1,620,033 (16%)	8,403,466 (84%)
Workers**	8,191 (87%)	1,253 (13%)
Employees**	5,805 (82%)	1,250 (18%)

*Unit: Million NTD

**Unit: Thousand

Source: SME White Paper 2010, Published by Small and Medium Enterprise Administration, Ministry of Economic Affairs, Chinese Taipei.

In general, because of the nature of their business, SMEs in the service industry had limited opportunities to promote trade liberalization. From a resource perspective, these SMEs had difficulty operating overseas and as such lagged far behind those in the manufacturing industry in the globalization process. This was because service companies had to be located near their customers and deliver their value face to face. However, instead of operating overseas, the service SMEs played critical roles in attracting foreign visitors and promoting the international hospitality and tourism industries. Successful service SMEs usually enriched the local culture and enhanced the attractiveness of the economy.

Industry Background

Having been a member of the Asia-Pacific Economic Cooperation (APEC) since 1991 and of the World Trade Organization (WTO) since 2002, Chinese Taipei had been actively participating in international organizations and economic activities. According to *Doing Business 2012* reports, Chinese Taipei was ranked 25th among the 183 economies covered in the survey in five priority areas: starting a business, getting credit, enforcing contracts, trading across and dealing with construction permits. It moved up to 16th place from 24th place in 2011 in terms of ease in starting a business.¹

In the past years, the government improved the ability and competitive advantage of SMEs at the local and international levels. For example, to boost the food service industry, the government launched a four-year project from 2010 to 2013 with a budget of US\$36.6 million to promote local gourmet to the world. The project was expected to generate 50 international gourmet brands, 3,500 domestic and international food chain stores expansion, 10,000 job opportunities and 1,000 international talents. It was also

¹*Doing Business 2012*, <http://www.doingbusiness.org>.

expected to increase tourism and foreign investments in Chinese Taipei.

According to statistics from the Ministry of Finance, the food service industry, which was one of the top ten industries promoted by the government, registered consecutive and positive growth, with more than 95,000 locations, a workforce of more than 600,000 employees and annual sales of US\$12.4 billion in 2011.

The Pasadena International Group was one good example of an SME in the food service industry in Chinese Taipei. Its experience and growth as a key industry player and its innovative Human Resource Management (HRM) system may contribute to a better understanding of HRM's role among SMEs in the APEC economies.

Pasadena International Group

Overview

Kaohsiung, the second largest city in Chinese Taipei, with a population of around 2.8 million in 2011, was a harbor city for manufacturing, refining, shipbuilding, and various industries. Sadly, it was also perceived as a city with a low-end culinary culture. Fortunately, Mr Shiu Jeng-Ji, a manufacturing entrepreneur with a simple philosophy "Share" on his mind, has changed the restaurant and bakery landscape in the city of Kaohsiung through the Pasadena International Group.

Mr Shiu founded PushPower in the late 80s. PushPower was an original equipment manufacturer of consumer electronic products for some companies like IBM, Sony and Nokia. It operated some factories in China and Malaysia and generated more than US\$60 million in sales annually.

In 2000, Mr Shiu established the Pasadena International Group which included five of Kaohsiung's most notable restaurants and six bakeries: Pasadena French Restaurant, opened in 2000 serving French cuisine and catering; Pasadena Italian House was launched in 2007 serving lovingly prepared Italian cooking; Pasadena Bouchon opened in 2011 offering French homemade style dishes and wine; Pasadena Japanese cuisine opened in the same year offering refined Japanese cuisine; and Pasadena Warehouse 1928 opened in 2011 serving American style grill and pizza. Six Pasadena bakeries opened separately from 2002 to 2012 offering daily handmade breads and pastries, prepared food, and household and convenience items. Each restaurant and bakery had distinctive features and distinguished itself for its sophisticated hospitality and consistent excellence.

Engaging in both the manufacturing and service industry, Mr Shiu emphasized that "Pasadena wants to create a differential advantage more than a cost advantage." This meant that instead of producing a product or service at a lower cost than its competitors,

Pasadena created its advantage by offering added value to customers.

Pasadena Bakery has made an unprecedented record in Chinese Taipei bakery history. Wu Pao-chun, Pasadena's top baker, was declared world champion baker in 2010 and a silver medalist in the 2008 Bakery World Cup (the *Coupe du Monde de la Boulangerie*). He was also the winner of the Louis Lesaffre Cup in 2007. Likewise, Pasadena's Walnut and Dried Longan Bread, known as the Asian champion bread, twice earned the city government's top 10 local specialty rating and won the "good design product" award in 2008.

In addition, Pasadena invited the master chef from a Michelin star² restaurant in Paris, Christian Le Squer, to Kaohsiung where he demonstrated his extraordinary culinary talent to Pasadena customers. It was the first time that a Michelin 3-star chef served as a guest chef at a restaurant in southern Chinese Taipei.

Enterprise Culture: Truth, Goodness and Beauty

Every employee of Pasadena International Group was expected to follow the three principles and company core values, "Truth, Beauty, and Goodness." Adherence to these principles ensured that customers would receive the best quality food and drinks. The concept of "Truth" meant that the staff should never cheat on customers and should apply the highest standards of excellence to the purchasing, processing and fresh delivery of food and drinks to customers. "Goodness" referred to the need to incorporate sustainability into products, packaging and operations, while "Beauty" meant being professional all the time.

Being a Responsible Company

Being a leading food service company in Kaohsiung, Pasadena was always thinking ahead especially when it came to sustainability and social responsibility. Whether it advocated ecosystem friendly practices such as reducing carbon food print, or did something well to be good corporate citizens, Pasadena continually looked for ways to improve the quality of life of the people it served.

Sustainability

According to the Food and Agriculture Organization (FAO), "sustainable diets" mean those diets with low environmental impact and which contribute to food and nutrition security and to healthy life of present and future generations. Sustainable diets are protective and respectful of biodiversity and ecosystems, culturally acceptable,

²The Michelin star is a hallmark of fine dining quality. Michelin awards 0-3 stars on the basis of [anonymous inspections by reviewers](http://www.about.com/od/planningculinarytravel/qt/Michelin_Stars_Defined.htm). The reviewers are supposed to concentrate on the quality, mastery of technique, personality and consistency of the food, not on interior décor, table setting, or service quality. (About.com culinary travel, .about.com/od/planningculinarytravel/qt/Michelin_Stars_Defined.htm)

accessible, economically fair and affordable; and nutritionally adequate, safe and healthy, while optimizing natural and human resources.

In a fine dining restaurant offering high-end European cuisine like Pasadena, most food materials were sourced abroad. How to reduce carbon footprint of food ingredients while retaining the cuisine's exotic qualities was a serious concern. Pasadena soon launched a new concept of using local, eco-friendly food materials to make their cuisine creative and exotic, thus gaining high praise from the Michelin Star top chef of Paris, Christian Le Squer.

Go Green: Reduce, Reuse, and Recycle

To meet the serious issue of environment protection, implementing sustainable practices had become an important concern for many companies. Pasadena introduced the "Go green: reduce, reuse, recycle" concept in food packaging to their customers in 2007. By offering well designed reuse handbag made of recycled paper or cotton and providing some special discounts to customers for reusing, Pasadena not only reduced its own cost of packaging, but successfully attracted and engaged the interest of customers and promoted what was good for the environment.

Community Involvement

Pasadena had consistently been working to be a good corporate citizen in its local communities since its establishment. Following the idea of "improving the quality of life for all," Pasadena had various community involvements, such as donating a percentage of sales of famous artist works to charities; sponsoring the venue as well as drinks and dessert for the monthly activities of non-profit organizations; providing fresh bread to poor aboriginal children in the countryside; and opening its gallery to the public for free to accommodate monthly art exhibits of a diverse range of collections of local, national and international artists.

Customer Service and Quality Emphasis

To provide the foundation for building outstanding customer service in different settings, Pasadena set forth eight basic principles that frontline employees must adopt in every interaction to ensure guest satisfaction and loyalty:

1. Smile and keep eye contact with the guest.
2. Remember the guest's name.
3. Make guests happy, above and beyond their expectations.
4. Anticipate guests' unexpressed needs and concerns.
5. Never easily say "no" to guests.
6. Fulfill guest's needs.
7. Offer comfortable surroundings.

8. Offer an additional retribution for guests' bad experience when complaints occur.

In Pasadena, there were many heart touching stories of service that went beyond so-called SOP (Standard Operating Procedures). For instance, an old gentleman, Mr Wong, always dined alone at the Pasadena French Restaurant. Upon finishing his meal, a server always accompanied Mr Wong across the road to his home. Because of such an intimate relationship (like dear friends) between guest and employees, many customers kept coming back to Pasadena not just for dining but for seeing old friends.

Due to its insistence on selecting only qualified suppliers with the highest standard, each of the food ingredients used in Pasadena's cuisine had safety certification. Pasadena further won the customers' trust because it was one of the few food and beverage companies that had not been involved in the dairy scandal (Melamine case³) in 2008 and the toxic industrial plasticizer (DEHP) case⁴ in 2011.

HR Strategies of Pasadena

Trust and Respect the Professionals

Mr Shiu emphasized that his philosophy on talents is "try to find the right person to do the right thing, and then they will find the way out themselves."

In Pasadena, all the strategic decisions were made by the top management team that included the following: the Director of the branding department who was responsible for all the branding functions for the Pasadena International Group (the group created and delivered products, packaging and concepts to build winning brand equities); the Director of the culinary department who was in charge of administrative duties related to kitchen operations; and the Director of business development department who was responsible for the generation and development of business opportunities. Strategic issues which affected the growth and development of multi-unit restaurant companies like Pasadena International Group, had to be totally discussed by these top managers to reach a consensus.

Strategic Recruiting: Internship Programs

As Jim Collins describes in his book, "*From Good to Great*," people are not the most

³The melamine-tainted milk scandal in China posed one of the most serious global food safety crises in recent years. Chinese official statistics shows that, 53,000 to 294,000 of children were suffering kidney ailments due to melamine-contaminated milk formula. Not only Chinese made food products but some leading global brands products were involved because of the global food supply chain.

⁴DEHP is a toxic plasticizer primarily for industrial uses, but had been illegally provided to food manufacturers as a cheap substitute for palm oil based emulsifiers to make food and beverage look clouded and pleasing to the eye.

important asset, while the “right” people are.⁵ To recruit the right people is always a big challenge for any company. Pasadena was growing fast, and looking for the right talent was really a big challenge. To find the right talent, Pasadena recruited internally and mostly, externally.

To attract early career talents, Pasadena launched an internship program to recruit undergraduate students of universities and vocational schools who had background in food and beverage management or hospitality. It offered an opportunity to experience working for the company through paid internships for one or two semesters. This was highly attractive to students who were willing to engage in the foodservice industry as a career after their graduation.

In contrast to fastfood service, both culinary arts and culinary services in fine dining restaurant needed more detailed and sophisticated skills and processes. An intern at the frontline needed at least four weeks on-the-job training before getting into contact with customers, while an intern deployed in the kitchen needed much more time to train and be familiar with the basic skills needed for a specific cuisine type such as French or Japanese cuisine.

Usually, the direct trainer (often the senior member of that department or team) not only assisted the interns in familiarizing themselves with the job and Pasadena’s culture but also help them carry out their work when they needed more time to learn and practice. Sometimes, attending to interns who kept coming and going was a heavy load for a senior member.

Unlike most employers in the food and beverage industry who filled in labor shortages cheaply by hiring interns as part time workers, Pasadena offered interns the same wage and benefits package enjoyed by employees. This practice definitely increased Pasadena’s operating cost but it also developed the interns’ attachment to this renowned company from the very first day they walked in. This, by itself, had been an effective way to retain potential talents.

As a whole, Pasadena’s entry into campus recruiting produced some benefits. The internship program built up Pasadena’s reputation as a sincere organization, both within the academe and the restaurant industry, so interns would like to work there after graduation. It also saved a big amount of recruitment and training cost and reduced turnover rate when qualified interns became formal employees.

Orientation, Training and Development

Pasadena invested significant time and resources in orientation, training, and development. The company believed that the comprehensive trainings were necessary

⁵ James C. Collins, *Good to Great: Why Some Companies Make the Leap... and Others Don't* (Harper Business, 2001).

to embed its values among employees and educate them on Pasadena's service or culinary standards.

Orientation

Pasadena regarded employees as the most important asset of the company. It did not only recruit the right employees with good personalities such as those who were passionate and adaptable, but also provided them the necessary training to attain excellence in their performance.

The company invested much time and resources in orientation and training. All newcomers had to attend a two-day orientation conducted by management. On the first day, the newcomers had to familiarize themselves with the company's history, philosophy, vision, values, standard and most importantly, their employee benefits and career development path.

On the second day of orientation, all head chefs of restaurants and bakeries in the Pasadena group were introduced to the newcomers. Each chef made a brief introduction of the culture and the particular cuisine or bakery department he or she represented, after which the newcomers were treated to delicious samples of the most popular products of Pasadena, such as dessert, chocolate and French bread.

The orientation facilitated the newcomers' integration into the company's family-like environment and an appreciation of its products. It was the first and important moment that assimilated newcomers into the team, making them friends and not just coworkers, even with those coming from other departments. It was this relationship which helped newcomers to adapt to the new workplace smoothly and quickly.

Ongoing Training

Employees received subject-based training monthly or quarterly and all employees were expected to complete certain training requirements. The company conducted workshops and classes on Fundamental Food Composition and Properties, Food Products and Preparation, Specialty Food and Beverage Operations, Introduction to Wines, Art Appreciation and others. Some of the courses were department specific. For instance, employees who came into regular contact with guests had to take a soft skills class which focused on developing service skills and problem-solving capabilities. Employees who dealt with food and beverages had to attend food handling classes to be knowledgeable about safe food storage, regulations and health requirements for food handling and preparation. For management level employees, the company also offered classes on such topics as Leadership Development, Power and Influence, Motivation, and Coaching and Counseling.

Weekly scheduled meeting was a time for sharing knowledge and techniques on various

topics as well as getting other members' feedback on matters contributing to service and culinary excellence. All supervisors at various levels were required to present their ideas or suggestions through case studies or discussions.

From Culinary Arts to Culinary Artist Team

Just like extraordinary service, culinary excellence was a critical element in order that a restaurant or bakery could retain its customers. In an environment where competition was growing dramatically fast, building a solid and competitive culinary team known for its high caliber performance in composition, creativity, correct preparations, service practicality, taste, proper utilization of ingredients, presentation and consistency, was a tough challenge for any restaurateur. Performance excellence needed team members to collaborate closely and seamlessly, and openly share all skills and knowledge with each member of the culinary team.

To meet the challenge of building an effective and efficient culinary team and to meet the potential manpower needs for operating a new restaurant, Pasadena launched a series of training activities for the chefs. To stimulate the chef's creativity, aside from the basic chef related skills training conducted by the executive chef, each chef had to clearly demonstrate every two weeks, one of his or her own designed dish from concept to execution, and get feedback from other members. This presentation was available for all members of the department or section such as the Branding and Marketing sections. As previously mentioned, Pasadena was the only restaurant in southern Chinese Taipei that twice invited a Michelin star chef from Paris to demonstrate his own brand of culinary arts. Hence, all the chefs had the great opportunity to work with one of the top chefs of the world and learn much from him.

The chefs were encouraged to attend well-known chef competitions at the national and international levels. Generous rewards were given to winners based on the region where the contest was held and the contest level category. Pasadena produced many first place and second place winners whose winning entries were featured in a collection of award-winning recipes. This was a big selling point for Pasadena and enhanced the company's reputation and sales.

To develop the team's spirit of cooperation and collaboration, the chefs learned communication and interpersonal skills. Each chef could recommend the dining menu reflecting his or her culinary background and work with the team in producing the meal. Chefs who came up with successful suggestions were rewarded with cash bonuses and other prizes such as recognition given to the members by the top management team.

Pasadena also put in considerable investment to send talented chefs to study abroad (such as in France and Italy) and acquire more advanced skills and new culinary arts concepts. For example, Pasadena sent the head chef in charge of Pasadena French Bouchon to the famous French culinary school, Paul Bocuse, for four months. The

company shouldered all tuition and necessary fees for the chef's training.

Talent Management

Survey results suggest that opportunities for career growth, learning, and development and performing exciting and challenging work are some of the most important factors in determining employees' engagement and commitment to their current employer.⁶ Due to their human resource management activities such as training and development, giving of rewards for contributions made by employees and creating an environment to encourage creativity, Pasadena enjoyed a competitive advantage in attracting, retaining, developing and motivating highly skilled employees and managers and generating increased sales almost every year. It was no surprise that the company's average employee turnover rate was lower than that of its competitor.

Other Winning Strategies

Widely reported in media and highly evaluated by customers for the past 12 years, Pasadena was the most recognized and leading brand name in the fine dining restaurant and bakery industry in Kaohsiung. Aside from the critical elements discussed previously, there were other factors that contributed to Pasadena's stature as the top brand and a company that consistently outperformed its competitors.

Employer Branding

Champion Bread, various exotic restaurants, community involvement, environment protection, trustworthy food, all of these positive images of corporate product, corporate service, corporate citizenship, and corporate credibility made Pasadena a more attractive workplace to current and future talents who would have the requisite passion and enthusiasm for the food service industry, thereby making possible more successful recruitment and retention of top talents.

It Is Beyond Salary

Pasadena provided all employees an average salary and a package of employee benefits based on the Labor Law, including labor insurance and employment insurance, national health insurance, and retirement program. It also provided corporate discount programs and an employee dining program. Given this, what Pasadena offered its employees was not superior to what its competitors offered. Thus, Pasadena's competitive advantage in recruitment or retention was not due to the benefits it provided. Instead, by offering a series of training activities to improve employees' abilities, expand their skills and reward their contributions in an atmosphere that encouraged growth,

⁶ Peter Cappelli, "Talent management for the Twenty-First Century," *Harvard Business Review*, 2008:74-81.

Pasadena met the employees' need for self-esteem and self-actualization.

When interviewed by a famous magazine, Mr Shiu said he wanted always to "lead by sensibility while managing by sense." Pasadena treated its employees like family members, offering them a friendly and hopeful workplace where employees would be able to develop close attachment to their teams and groups.

What's Next?

"It's not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change."

Charles Darwin

There are many SMEs like Pasadena that have successfully overcome the initial survival challenge. They provide service and product which meet closely the customer needs. They not only have a good reputation but have also gained customer loyalty. However, how do they keep their ability to maintain and gain market share in their industries? Are they able to fully exploit their growth opportunities under a dramatically changing environment?

For most of the SMEs, there are more critical issues like leadership and development strategy to be dealt with after experiencing fast growth brought about by good performance. What will be the company's next-stage goals and strategies? Would it be better to maintain the status quo or grow bigger to attain the biggest market share? Would it be better to pursue diversification or scale expansion? How should the company's culture and HR systems and practices change according to the strategy change?

As the CEO of Pasadena, Mr Shiu was thinking of the right time for the group to expand; how the company could maintain the competitive advantage it enjoyed for the past years under the rapidly increasing competition in the dining industry in Kaoshiung; and how they could maintain an effective and efficient, though different, workforce and culture to suit future development. These were really complicated and important issues of organizational change for Pasadena.