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## **An Initial Anthropological Assessment of the Implementation of Policy Changes at Delivered Dish**

Businesses, like other communities and groups, possess a culture often predicated on the structures that govern the operation of that business, community or group. When the underlying structures that govern day-to-day operations are undermined due to outside intervention, generally imposed by a more powerful political or military group, the business, community or group and its culture must struggle to adapt to the structural change. In the case of US businesses, impositions necessarily come from government regulation. Although there are inherent reasons for government interference in business practices, such as the enforcement of minimum wage laws to reduce worker exploitation by businesses, there are also cases in which government interference is due to the interests of government, with little or no acknowledgement of the interests of the businesses, their customers or their workers.

The structural changes occurring at Delivered Dish, a restaurant delivery service in Portland Oregon, represent a case in which government interference threatened not only the corporate culture of Delivered Dish, but also its very existence. The following is an outline and analysis of these structural changes, how they threatened the corporate culture, the economic threats and/or benefits posed to those working at or for Delivered

Dish, and the steps ownership at Delivered Dish took to preserve its existence and culture in the face of outside interference.

### **Company History and Funding**

In July of 2002 Seana Lane prepared a business plan for a Portland restaurant delivery service as part of a \$60,000 loan application (See original “Business Plan and Loan Application for Delivered Dish Inc.” attached). This loan, along with personal savings, would allow the company to get started until it reached profitability or at least self-sustainability. The plan stated that the new company, Delivered Dish, would provide restaurant delivery services to business and residential customers in the Portland metro area. The business would provide these services to two groups of customers – restaurateurs and consumers. The consumers would receive delivered food in a timely manner from any restaurants that partnered with the service within a reasonable distance for a \$5 fee, while the restaurants themselves received a valuable marketing service and extra business in exchange for a 30% discount on their food prices when sold through Delivered Dish. Delivered Dish would generate revenue from this 30% discount and beverage sales while the \$5 delivery fee would be used to pay contracted drivers, whose wages would also include tips.

Seana and her now husband Alan Schaeffer, would act as inside staff with customer service and dispatching duties. Seana would also serve as the computer systems administrator, print and web designer and Alan as the salesperson and restaurateur liaison. Delivery drivers would be “hired” as independent contractors, citing an IRS example of the classification of taxi drivers as contractors who rent or provide their own equipment (See Appendix 6 from original “Business Plan and Loan

Application for Delivered Dish Inc." attached). Lane and Schaeffer opened Delivered Dish in September of that year with 2 contracted drivers.

By 2006, the business had expanded to include seven customer service representatives, a night and day manager, a full time dispatcher and an army of some 50 odd contracted drivers. Their business had grown rapidly in 3 years, with the number of restaurants and customers growing exponentially, as well as increased revenue and delivery areas. With the amount of growth, the vast majority of profits were reinvested in infrastructure including a larger office, more delivery equipment, more inside wage based staff and management, and newer more powerful computer systems to handle the increased volume of sales.

### **Corporate Culture**

The corporate culture at delivered dish was necessarily predicated on its organizational structure. With drivers categorized as independent contractors, the differences between drivers and customer service employees were numerous. As contractors, drivers were scheduling themselves. Management did not have any control over which shifts drivers chose to work or how they chose to go about their work, what routes to take on deliveries etc., and this meant that drivers had a great deal of autonomy. Drivers would merely sign up for shifts they wanted and would be given the shifts based on seniority. If there weren't enough drivers on a given shift, more contractors could easily be added. Employees and managers were on the other hand, subject to the traditional hierarchies in most businesses, though the environment remained quite casual and friendly by most corporate standards.

This essentially created two classes within the company; those who were employees and those were contractors. While employees were traditional full time salaried workers with restaurant style hours or part timers going to school or working an extra job on the weekends; the culture of contracted drivers was a hodgepodge of people who worked anywhere from once a month while doing another contracted gig to keep seniority for a time when they would need more work, to people who worked up to 80 hour weeks to save large amounts of money in short amounts of time for home purchases or extended vacations.

### **Issue**

In the fall of 2005, Delivered Dish received a letter that they were being audited, not by the IRS but by the Oregon Unemployment Board. By March of 2006, the Unemployment Board negated the status of drivers as independent contractors due to the fact that they had not marketed themselves as generic drivers to other companies and requested that the company reclassify them as employees effective April 1, 2006 (See “What’s Up With The Dish?” attached). The Unemployment Board also demanded that the company pay back unemployment insurance on these drivers from the previous three years of company operation. The company’s legal prospects did not look good according to state law and so they needed to find a way to implement the structural change – both financially and culturally.

This structural change presented the company with a myriad of financial problems. Drivers had previously been paid the delivery fee, now up to \$5.50 due to gas price increases, plus tips. As Oregon does not have a tipping wage, a wage that in other states is lower than a minimum due to a heavy reliance on tips for earnings, the

company needed to find a way to not only compensate drivers the Oregon minimum wage of \$7.50 an hour, but also to pay payroll taxes, unemployment insurance and most significantly, the workers compensation insurance which is extremely high for drivers. The loaded wage for each driver became \$12 an hour and Delivered Dish had to find a way to increase revenue streams to compensate for the change in labor costs (See "What's Up With The Dish?" attached).

Spreadsheets were utilized to find ways of keeping the business solvent. Delivery fees were increased to \$6 and there was a 10% markup on all delivered food. The owners decided to call a meeting with all the drivers to explain the internal changes. Changes included being paid hourly in addition to tips and a mileage stipend of \$1 per run (now \$1.25 due to gas price increases), scheduling based more on company need than driver preference, dress code changes and having drivers do other work when business was slow (See "Driver Meeting Outline" attached). Several of these changes were not implemented due to a desire to preserve the corporate culture and retain drivers who had become used to a certain degree of autonomy. Scheduling changes were necessary however, despite driver misgivings, and drivers were required to work 40 hours or less and to be sometimes scheduled on days they did not want to work.

### **Methods Utilized in Analysis**

The anthropological methods used in this initial assessment of the implementation of structural changes at Delivered Dish included unstructured and semi-structured interviews of both owners/presidents, one of two managers, one customer service representative, and four drivers who had worked at least one and a half calendar years as contractors prior to the change, as drivers who had worked as

contractors for a longer period would have had a better sense of the scope and magnitude of the change. As a former contractor now employee myself, I have also done extensive unstructured and semi-structured observations of day-to-day operations for several years and have been privy to casual conversations with employees and other drivers while waiting for deliveries, some of which will also be included in this assessment.

### **Perspectives**

There are a myriad of perspectives to explore here, and the perspectives of each interested group contain different desires, needs and issues that may or may not be compatible with one another and which may inform members of the other groups about potential problems or issues that might not be apparent from their own perspectives. The perspective of each group gives a unique insight into the whole picture of the company, its needs and its culture.

### *Ownership*

The owners of Delivered Dish needed to find a way to make their business solvent by applying the necessary policy changes that were initiated from government interference on their prior business model. They wanted to implement these changes with as little driver turnover as possible. They therefore elected to keep many policies that favored driver autonomy in place, such as not instituting a proposed dress code, doing extra work during slow periods or micro managing drivers.

Still, they also needed to increase driver efficiency to cut labor costs, as before the drivers themselves absorbed the costs of inefficiency. This meant tightening delivery areas so that drivers could take more runs and assisting the less efficient drivers.

Restaurants with chronic and excessive wait times for drivers needed to be eliminated for increased efficiency as well. Weekday afternoon and weekend lunch shifts were likewise cut for efficiency, as business was often slow during these periods. Efficiency also required decreasing the hours of drivers now on payroll. Staggering shifts and having specific times for drivers to clock in for work helped accomplish this and drivers were no longer able to call in for a shift early or stay late if business was slow. Excessive overtime such as 80-hour workweeks was also out of the question due to an inability to afford time and a half for labor.

Beyond financial matters, Seana notes that Alan will be starting his own restaurant soon and that she will be in sole charge of Delivered Dish operations. Alan's goal has always been to build and sell the business while Seana is concerned about enjoying her job, subscribing to the "rainbows and unicorns" theory of workplace environment. She "wants to feel good" about what she does and feels she has a very personal relationship with most of the people who work there. She therefore wanted to maintain an open independent corporate culture based on providing a "decent, honest and respectful working environment". Despite one manager's request to have more sweeping cultural change, Seana elected to go with a low impact model and implement as little change in corporate culture as possible.

### *Managers*

Managers needed to find a way to implement the policy changes and maintain day-to-day operations. The day manager felt that the change in policy and status of drivers would be a good opportunity to implement dress codes and other codes of conduct to have more control over driver behavior and, having experience with

Dominos, follow a more traditional corporate model. Seana believes that for this manager, the change from contractor to employee status created an opportunity for a larger corporate culture shift. Although Seana acknowledges that the “robots with uniforms model might be more profitable”, it’s not the model she wants to run.

The night manager stated that he was kept in the dark about a number of issues that came up during the day manager’s shifts and often felt left out of the decision making process. Seana and Alan are unable to spend as much time with the business as they used to due to the birth of their first child a year ago and may have had difficulty understanding the politics or lines of communication between the managers. However, after several complaints about the day manager treating drivers with less respect than before – severely reprimanding one for not tucking in a shirt, several issues between the night and day managers, and a subsequent fiasco involving nudity and improper use of a company computer by the day manager, she was fired.

The loss of the day manager in the midst of this policy change has created a heavy workload for the other manager. The dispatcher was promoted to a managerial level to offset the loss, but with dispatching duties in addition to managerial duties, the loss doesn’t seem to be offset entirely. The current manager is having difficulty with driver scheduling now done at the whentowork.com website, which has become “a giant jigsaw puzzle” of driver preferences, availability and seniority for shifts. Drivers have also had difficulty utilizing the website to reflect the times they are available to work and several shifts have been missed, apparently due to this difficulty. The manager has scheduled training sessions for drivers who need help utilizing the scheduling service but the manager states that no one showed up for the sessions.

The implementation of new policies on a regular basis, such as a two-day a week minimum of shifts for drivers and a loss of seniority if a driver misses a shift without 24 hour notice, also adds to his increased workload. Such policies have been necessary due to a loss of 6 or 8 drivers in the aftermath of the changeover as well as a workers comp fee based on the number of drivers employed as opposed to number of hours worked. While new drivers are being hired, it is more difficult to add employees than contractors.

#### *Customer Service Representatives*

The employees who answer the phones and take orders have noticed very little change from their perspective. The biggest change has been the number of irritated customers at the price increases necessary to maintain the solvency of the business, though this number has been relatively low all things considered. Their work duties, scheduling, paychecks and daily routines however, remain largely unchanged.

#### *Drivers*

The overall driver perspectives on the changes seem to be that it's mostly a mixed bag. All said that ownership and management had handled the change very well, all things considered. One appreciated that Seana stated at the meeting that she would consider any changes if drivers were having financial difficulties with the changes if they provided some documentation of the problem or loss of income. All were happy that the uniform and "busy work" idea were scrapped after only a few minor complaints. One driver said it felt "like an actual job now". All drivers said they felt less stressed when there was a holdup at any particular restaurant because they were on the clock and not losing so much money. All said they make slightly more money on most nights,

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estimates were between \$5 and \$20 per 5 hour shift, though one noted that on the rare occasion that he had 10 or more orders in an evening shift it was probably less than collecting the delivery fees.

One driver stated that the price increases had reduced tips but another said that the increased price had increased tips. One driver was also disappointed because he had previously used the money now being withheld from each paycheck for investment purposes, which provided him a profit on those tax dollars he paid in April – though he also said the withholding was a “reality check” which “keeps [them] honest” about how much they are making. Several were also concerned about the ability to itemize and deduct mileage on tax forms though one stated that the \$1.25 delivery fee would cover any mileage deduction on taxes. All drivers interviewed also preferred being paid at the end of the night in cash as opposed to the bi-monthly check for hourly wages, although this appeared to be a minor concern. One driver also noted at the meeting he did not appreciate the government telling him what was good for him.

Most drivers were disappointed at the decreased number of hours that were available for them to work. With drivers now on the clock, several were disappointed if they had to be sent home early if not busy rather than wait for another order. One driver who had previously enjoyed 80 hour work weeks found another job where he could work those hours, while another had his wife hired so they could continue driving around with their son and working together at their preferred 80 hours. Several who have enjoyed the flexibility of long hours followed by extended vacations were also concerned about possible policy changes preventing them from taking several months

off without losing their seniority or job, while several others disliked the lessened flexibility in scheduling.

As driving represents their means of subsistence, many were also concerned that the increase in prices would cause customers to order less or not at all, though none had noted a huge change in ordering habits as yet. Several drivers were also disturbed by the fact that price increases and changes in delivery zones had not coincided with the distribution of new menus. Menus were not out to customers until several weeks after the price change went into effect and one driver felt that it caused his tips to go down for those weeks, while another stated it would have made more sense to do it all at the same time but that it didn't really affect him at all.

### *Restaurants*

The structural changes likely had a minimal effect on restaurants. They are still selling their food through Delivered Dish at a 30% discount, but the amount of sales may have been impacted if the restaurant was doing significant business to customers who are now outside the new smaller delivery zones. Restaurants at the edge of the total delivery area may have suffered more due to a decreased number of potential customers. Also, restaurants that were deemed inefficient and had drivers waiting for long periods were cut from the service entirely.

### *Customers*

Customers bore the brunt of the financial change. Seana and Alan consider the service a "luxury service" and never liked delivering to people who would be horribly concerned about a 10% increase. Alan states that they are "in business for lazy rich folk" noting that eating out is a luxury and delivery is a "super luxury" so "if you are

freaking out about 10%, you should be cooking at home". With Seana's priorities being slightly different, she decided to fully disclose the reasons for the price increases after several complaints. She added a link at the head of their website entitled "What's Up With the Dish" (attached) documenting the structural changes at the company.

Customers may also be more limited in restaurant choices due to smaller delivery zones in the name of increased efficiency. If someone who could previously get food delivered from a particular restaurant is now outside the smaller zone, they might order less overall. All of the changes implemented may change the ordering habits of customers and it remains to be seen how important it is to customers to have their food delivered to them.

### **Analysis of Implementation & Suggestions for More Anthropological Research**

All internal parties at Delivered Dish felt that the changes were implemented quite well. Seana felt like she should have been more positive at the meeting and that she should have pretended to know all the answers. No one interviewed made any such complaints. All Delivered Dish staff felt like things went well, although all wonder how customers feel. The drivers who mentioned the price increase prior to the distribution of new menus reflecting such increases seem to have a valid concern. Changing prices without any physical or formal notification to customers, prior to calling in to order, might have alienated some long time customers. It would be necessary to interview a random sampling of customers or at least provide a customer satisfaction survey to find out how customers feel about the price increases and if they were upset that the increases were

not distributed physically in advance, other than by customer service reps after they had already decided to call and order.

Communication at the company also needs to be increased. Few drivers were aware of the price increase prior to its implementation and several wondered if they had missed an item or soda when they saw the higher price on a particular order. One driver didn't know about the meeting or change at the company at all after a leave of absence. There was also a lack of communication between managers, at least prior to the dismissal of the day manager. The current manager puts up signs at the driver area and tries to get the word out about changes but it seems to get lost in translation somewhere. One driver stated that he probably doesn't have time to communicate effectively to everyone on staff. Further utilization of email, more company meetings or perhaps the addition of another middle manager when funds become available might help this communication problem. It would be necessary to interview, or have a meeting/focus group with, all of the Delivered Dish staff to discover what the most effective way to increase company communication might be.

### **Conclusions**

The policy and structural changes at Delivered Dish appear to have been implemented quite well on very short notice. Drivers have had to give away some autonomy and an ability to work more hours should they wish to in favor of a slight pay increase per hour and an ability to collect unemployment should they need to. Managers have had to cope with an increased workload at a time when there is more work for them. Ownership has taken a larger financial burden in the form of labor costs and passed it on to customers in the form of price increases. The effects on customers

remain to be seen. More research on customers and the degree of value they place on the service needs to be done to discover the long-term effects of these policy changes on customers, which ultimately affect all of the staff and ownership at Delivered Dish. Communication between the groups of staff members also needs to be increased to facilitate better policies and dialog between the groups of employees.

The Oregon Unemployment Board may feign interest in the welfare of employees in this situation, but in reality they never asked the drivers if they would rather be employees and although many are enjoying or simply adjusting to the status change, many also enjoyed the autonomy and flexibility contracting provided as evidenced by the departure of several long time drivers. Only once have I heard a contracted driver say he felt taken advantage of stating that they had made plenty of money from our labor. This particular driver may be unaware of the fact that the company has not yet turned a significant profit due to growth and that Seana and Alan's stated salary from Delivered Dish is about \$30,000 a year each, which is less than the salary of the managers and far less than management at a larger corporation. Seana and Alan may wish to divulge such information publicly to quell such criticisms from drivers, restaurateurs or customers.

State and federal law concerning businesses is often the same for both large and small companies and this often leads to inequitable application of identical laws. Large businesses and international corporations have massive revenue streams and often many shareholders. They also employ CEO's who often take home millions of dollars, while many of their workers take home the federally mandated minimum wage. Smaller businesses, such as Delivered Dish, pay the same minimum wages yet owners take

home considerably reduced salaries for themselves when compared with these CEO's. Contracted drivers at Delivered Dish, who often put in less hours with lower responsibilities than ownership often took home more money than owners, and this was often especially true for drivers who once chose to work 40 or more hours a week.

Debates about the social and political ramifications of classifying workers as independent contractors abound. Contractors do not enjoy unemployment benefits and often lack health insurance and can be paid below minimum wage, although many part time employees also lack health coverage and significant unemployment benefits. However, contractors also enjoy increased autonomy and flexibility to work the hours they want and to choose the pay rates they wish to accept. It is somewhat unfortunate that drivers at Delivered Dish were not given an option to choose how they wished to be classified, though having a mixed classification system would have been a further headache for management. An argument could be made for qualitative methods in the assessment of how to classify workers at a given company by government, though this would add an extra layer of bureaucracy and open assessment officials to corruption schemes.

Although this policy and structural change at Delivered Dish creates many problems for many people, it may turn out to be better for everyone in the long-term. If ownership and management are able to successfully implement this new business model and customers accept the price increases, the business will likely increase in value to potential buyers should they later choose to sell it, as is Alan's stated intention. Potential buyers would likely be hesitant to purchase a business whose model is so heavily reliant on the precarious legal status of contracted labor. Likewise, if the

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business is sold, it is doubtful the buyer would have the same personal investment in the workers or company as current owner Seana Lane and her husband do. If drivers had maintained contractor status, this theoretical owner may have exploited them. By turning it into “an actual job”, this theoretical owner would be less able to abandon or fire drivers whose subsistence depends on the job. Accordingly, this structural change may become a benefit to all parties involved...assuming that customers will pay for the “super luxury” of food delivery.

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