

Joe's Hamburger Grill has been doing business in the same location for the past 20 years. The Grill is located in Phoenix, Arizona and caters to college students by providing some of the world's biggest hamburgers in a fun and casual dining atmosphere. Joe looks back with fondness on the twenty years that have passed since he first opened the grill. His primary motivation for starting the business was the opportunity to work for himself. When he graduated from college Joe took a job as an accountant and worked for a number of different companies. When he turned 40 Joe decided he was tired of working for a boss, so he began looking for an alternative opportunity. Knowing his love for cooking and his flair for providing great customer service, Joe's wife and friends encouraged him to open the hamburger stand. After taking some time to decide what he wanted to do, Joe followed their advice and founded the business. By all accounts his efforts can be seen as a success. He has made a good living doing something that he truly enjoys.

When Joe turned 60 a couple of years ago, he decided it was time to slow down and let someone else deal with the day-to-day hassles of running the business. He hired a manager to oversee operations at the Grill. After three months, the manager quit and started classes at the local university. Joe was then able to hire a manager who stayed for 18 months but left to work at a bigger store in Dallas, Texas. For the last three months, Joe has been trying to hire a new manager. He hasn't been able to find someone he thinks will be a successful manager. Joe wonders if part of the problem is his compensation package.

When Joe hired the first manager, he decided to pay a monthly salary that included full health benefits. He didn't know how much to pay as salary, so he asked the first manager how much she was making. He then offered her a \$500 per month increase to work for him. The second manager seemed fine with the amount, but a few recent candidates have told him that he needs to pay more.

One day one of Joe's customers told him that she was taking a human resource management class where they were discussing compensation issues. Joe described his dilemma about trying to decide how much to pay a store manager. The customer offered to do some research and learn more about pay levels for managers. A few days later she brought Joe a graph that had information about pay practices. She told Joe that she had been unable to locate specific information about pay for restaurant managers. However, she had found some information about food service supervisors. Just looking at the information she felt that the amount for the supervisor position was probably too low for someone who actually managed the entire restaurant. She thus found some additional information about the wages for general managers. She also looked at compensation figures for people who owned sales-related businesses. Knowing that Joe's had lost one manager to a job in Dallas, she included information about compensation in Dallas and another large city—Los Angeles.

Joe looks at the information in the graph and wonders what to do with it. He wonders how important it is to take into account pay in other cities. Will he need to pay wages similar to what is being paid to managers at larger companies? Joe's goal is to find a manager who will treat the Grill like an owner. He wants the manager to commit to several years of building and