

Facilitator — December 2014/January 2015



What Legends Are Made Of

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TEXAS ROADHOUSE'S WINNING STRATEGY PUTS PEOPLE FIRST

Kent Taylor had a simple goal when he opened the first Texas Roadhouse in Clarksville, Ind., in 1993: He wanted to make enough money to buy a house.

Today, he is the CEO and Chairman of the Board of 440 restaurants in 49 states and a handful of international locations. Yet, he does not consider himself a CEO. Instead, he operates more like a restaurant operator and makes decisions as if he reports to all 440 managing partners, who are tasked with driving growth and sales.

Each managing partner invests \$25,000 for a five-year contract with a restaurant, which entitles him or her to 10 percent of the operating profits. Their success is aligned with their restaurants' success.

The managing partners use grassroots efforts to promote the brand. They get to know their neighbors and become involved with various organizations in the community, such as sports teams, churches and non-profits, within a 5-mile radius of their restaurants. They often host fundraisers or donate food for fundraising events. The goal is to be very visible in the community and be great community partners, especially when disaster strikes.

"We are usually one of the first companies to come to the aid of a family or community in crisis, such as when a tornado, fire or hurricane hits," said Diania Ciresi, Community Relations Manager at Texas Roadhouse.

It is a community-minded strategy that works so well for Texas Roadhouse that in the history of the company, Taylor has never had to rely on national advertising of any kind.

In addition to community outreach, the buildings, with the flags and eye-catching neon lights, serve as billboards. And the company has a database of more than 6 million loyal guests who have opted into the email marketing program. They regularly receive emails about special events and offerings.

Taylor has always believed that ownership makes all the difference. Because the managing partners have "skin in the game," as Taylor likes to say, they will watch the bottom line, take care of the equipment and do their best to make their restaurants successful.

"It's the difference between the car you own versus the car you rent," said Travis Doster, Senior Director of Public Relations at Texas Roadhouse. "Others teach you how to run a restaurant, while Texas Roadhouse teaches you how to own one."

Taylor's approach has earned him MUFSO's 2014 Operator of the Year award. Restaurant peers selected him as the winner over leaders from Cracker Barrel Old Country Store Inc., Taco Bell, 7-Eleven Inc. and Potbelly Corp.

"My goal was never to be chairman of a board or run an international company," he said in a press release. "From day one, I have always considered myself an operator above everything else, which is why this award has special meaning to me. At Texas Roadhouse, our operators are the heart and soul of our company."

THE HAND-CUT DIFFERENCE

Taylor is equally as committed to the food as he is to people. He always wants to serve food he is proud of. He remembers working for other brands that rely on processed foods and feeling embarrassed about doing table visits with guests. He did not want that to happen in his restaurants. That's why almost everything on the menu is made from scratch.

Texas Roadhouse is the only casual dining chain restaurant that offers hand-cut steaks. Every restaurant employs an experienced butcher who works eight hours a day, six days a week in a 32-degree walk-in cooler. It's a differentiator that puts Texas Roadhouse above its competitors. It also benefits the guests. A hand-cut steak means guests get a bigger and better cut of steak with more meat and less fat and a consistency in quality, shape and size.

When making new menu and ingredient decisions, Taylor keeps these table visits in mind. He will not make any decisions if he thinks it will take away from the guest experience.

It Takes a Team

To maintain the legendary brand, Texas Roadhouse employs eight regional facility managers who report to the Director of Facilities. Each facility manager is in charge of up to 70 restaurants. They rely on vendor partners and operate as a communicative team that is always sharing best practices.

"It's not just keeping the stores running and open," said Mike Laur, Senior Director of Construction and Facilities. "The facilities department is charged with making sure restaurants are doing what they're supposed to be doing. They are protectors of the brand."

"The facility managers help each other out; we take care of each other," said Bob Egbert, a Senior Facility Manager for Texas Roadhouse. "If there's something I need, I can talk with one of the seven other facility managers."

It's a big responsibility to manage so many restaurants, but Egbert says fortunately, the restaurants are quite self-sufficient.

"The managing partners have their own local vendors, but they'll call us for the bigger projects, such as replacing a rooftop unit, if a water heating system needs to be fixed or upgraded, remodels and renovations, and if they have a stubborn issue, they'll call for another determination or perspective," he said.

It can also be challenging to balance everyone's needs when disasters strike, such as when a fire broke out in a Brooklyn, Ohio, restaurant in October. Firefighters were called to the scene at 4:49 a.m., and the fire was extinguished within 40 minutes.

The managing partner contacted Egbert at 8:30 a.m. He was driving home to get some sleep after working overnight on another project when the call came in. Based in Michigan, he started driving toward Ohio, which was four hours away. He arrived on the scene by noon and immediately began assessing the damage.

The fire occurred in the broiler's hood system but was confined to the kitchen. There was a 15x15-foot hole in the roof, and four trusses and the ductwork for the hood were damaged. Walls and equipment suffered from water damage as well.

A structural engineer determined that the area could be repaired, and an architect began drawing plans. Simultaneously, Egbert called the local municipalities, including the building inspector, the fire inspector, the fire chief and others, to introduce himself and to gather specifications about what the city needed to ensure a smooth and efficient project.

"When you explain to the inspectors what you're trying to do and partner with them, they are more helpful and more cordial," Egbert said. "When people go behind their backs and do things they shouldn't be doing, it hinders the progress."

Egbert also met with the insurance adjuster and fire investigator. After such an extensive fire, he knew they would need to remove parts and equipment for inspection, but he pushed back when they wanted to take the main part of the hood; it is a custom hood that the manufacturer doesn't make anymore.

"I explained to them that if they take this piece, it's going to take me six weeks instead of two weeks to re-open the restaurant," Egbert said. "If I hadn't pushed the issue, they would have taken it, and the restaurant would have been closed for longer. That would mean the hourly employees would be out of work for a longer time and they may even find new jobs. We want to keep our employees, as well as prevent our guests from finding another place to eat."

Due to Egbert's transparency with the municipalities, firmness with the insurance company and facilities experience, he was able to re-open the restaurant in 16 days. He also credits his vendor partners and facilities team.

"For those couple of weeks, so much of my focus was getting the restaurant re-opened, but I still need to be available to help the other restaurants as well," Egbert said. "That's when I had to rely on the other facility managers."

STAYING TRUE TO THE VISION

Taylor always had a very clear vision of what he wanted Texas Roadhouse to be. His passion for protecting his vision means he is still very involved in the business. For example, he is still the one who makes the final decision on new sites, even international locations; he still chooses the songs in the jukebox; he makes menu and pricing decisions; and he even dictates lighting levels, neon colors and landscaping.

To ensure that the restaurants are meeting his expectations, he often visits them incognito. He'll make note of things restaurants are doing well and items that need improvement. He writes about his experiences—good and bad—in an internal newsletter. Past issues have discussed whether restaurants are meeting décor, food, service and landscaping standards.

"The details don't get by him," Doster said. "And because the details are important to him, they are important to us. One of the keys to our success is that our visionary is still around. We don't have to guess, and possibly misinterpret, what the visionary would have wanted; he tells us what he wants."

Though Taylor expects a lot from his employees, he wants them to have fun while they work and love their jobs.

At the corporate headquarters, there is a casual dress code. Employees are allowed to wear jeans, cowboy boots and shorts. There are no assigned parking spaces and there's even a gym with trainers. The accounting department has an arsenal of NERF foam guns. There's no time clock because employees are trusted to perform their job.

"You'll find people here late at night and on weekends—not because they have to but because they want to," Doster said.

At most of the restaurants, the wait staff line dances to popular country songs throughout the evening.

For their hard work, Taylor rewards his employees with a vacation and recognition. He hosts an annual conference for the managing partners and their spouses. For four days, the attendees are treated to a luxury location, posh accommodations and unforgettable events, such as concerts by Earth, Wind and Fire and the Doobie Brothers.

"We celebrate the men and women running the restaurants," Doster said. "We want to give employees an experience they can't get on their own."

There is also an award ceremony during the conference, where the Managing Partner of the Year, Spouse of the Year, Road Warrior of the Year, Roadie of the Year and Vendor of the Year are named. Awards are also given to those with Legendary Attitude, Legendary Character, Legendary Partner, Hero of the Heart and Leadership.

This year's Managing Partner of the Year winner is Scott Schraeger. He operates a Toledo, Ohio, restaurant and was a finalist eight times before he won. The honor comes with a \$25,000 check, a car, a crystal replica of a Texas Roadhouse restaurant, and an engraved belt buckle and a diamond ring.

"The last 20 finalists all deserve to win; the difference between winning and losing is very thin, so it was a great surprise," Schraeger said.

Unbeknownst to him, his children were flown in and were waiting backstage to surprise him when he accepted the award.

"It's the highest honor the company can give," he said. "You become an ambassador to the brand, a mentor to other managing partners and get to spread the word about the culture. It's a great honor to win and be entrusted with

those responsibilities.”

He believes he won because he lives the family-oriented culture of Texas Roadhouse.

“If you love your people, they’ll love your guests,” he said. “I take care of my people and try to get them where they want to go in life and be there for them. By doing that, they return the favor by taking care of our guests.”

To spotlight the hardworking butchers, there’s also a Meat Cutter of the Year Challenge. This year celebrated the 10th anniversary of the competition and took place in Kissimmee, Fla.

The contestants received 30 to 40 pounds of beef, consisting of two sirloins, one filet and one ribeye to cut. They have 80 minutes and are judged on quality, yield and speed. The winner yields the most steaks, with the highest-quality cut in the least amount of time. This year’s winner is Reynaldo Delgado, a San Antonio butcher with Texas Roadhouse for 12 years. His prize was \$20,000.

In an interview with San Antonio Express News, Delgado said he’ll put the money in the bank.

“I don’t want to go crazy and spend it all,” he said.

After the competition, 200 pounds of beef was donated to the St. Cloud Food Pantry, and the remaining beef was grilled for a lunch benefiting Give Kids the World, a 70-acre, non-profit storybook resort, where children with life-threatening illnesses and their families are provided accommodations and donated theme park tickets.

FAMILY SUPPORTS EACH OTHER

To further promote a family-oriented culture, Texas Roadhouse has an internal employee assistance program called Andy’s Outreach Fund, named after the brand’s armadillo mascot. It is a 501c3 that provides financial assistance to employees experiencing hard times due to natural disasters, death, fire, illnesses, injuries and other hardships. Employees can donate a minimum of 50 cents per paycheck, and recipients do not have to donate money to receive assistance, nor is there a grace period; it is open to everyone.

The idea was inspired by Dee Shaughnessy’s kind and generous spirit. Before she retired as the Director of Care and Concern, she would share stories of employees who needed financial assistance and asked for donations. In 2002, she talked with Taylor about starting a fund for employees. Taylor responded immediately with the first donation of \$10,000.

Andy even has a restaurant in Logan, Utah, that was built using employee contributions and where 95 percent of the proceeds go to Andy’s Outreach. It was opened in 2009 and looks and operates just like any other Texas Roadhouse.

In addition, the restaurants host employee fundraising events, such as cookouts, bake sales and car washes, and at the annual conference, attendees can purchase T-shirts and participate in silent auctions, with all proceeds going to the fund.

Approximately 69 percent of employees contribute to the fund, and to date, Andy’s has helped more than 3,400 employees, granting more than \$5.3 million to help them through difficult times.

For everything the company does for its employees, Texas Roadhouse landed on Forbes 100 Most Trustworthy Companies list, and last year, employees voted the company one of Glassdoor’s Top 50 Best Places to Work.

“Any company can claim they have a great culture, or buy their way onto some bogus list, but where the rubber meets the road is whether employees feel it and enjoy their jobs,” Taylor said in a press release. “This ranking is a testament to the folks in our restaurants who make Texas Roadhouse the best place to work.”

LIVING THE DREAM

Though Taylor’s path toward legendary success included early mistakes—three of the first five restaurants failed—and heaps of rejection letters from investors, he never felt discouraged or dissuaded from following his dream. He said he even made a game out of how many rejection letters he could receive in a month. Today, his

office proudly displays those rejection letters. He keeps them as a reminder to never give up.

Taylor says he has no plans to retire because he's living his dream. With him at the helm, Texas Roadhouse has a neon-bright future ahead.