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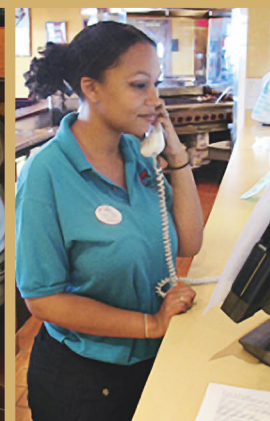
INSIGHT FOR RESTAURANT EXECUTIVES

Vol. 11, No. 5/\$12.50

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Chain Leader

INSIGHT FOR RESTAURANT EXECUTIVES

Vol. 11, No. 5
April 15, 2006

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Don't Give This to HR

Please don't flip through this issue, drop it on the desk of your human-resources chief and then walk away. I know you're good at delegating. But don't pass the task of improving your company's people practices to someone else. It's not strictly an HR challenge. It's a leadership challenge. It's an operations challenge. It concerns marketing, menu development, real estate, brand strategy and more. And change has to start from the top.



Employee satisfaction is your responsibility. Don't delegate it all.

MARY BOLTZ CHAPMAN,
EDITOR-IN-CHIEF

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If you're not in one of the top positions in your company, give this issue to whoever is. Just contact me and I'll make sure you get another one. Because if that person doesn't understand how employee satisfaction affects customer satisfaction, how general-manager tenure relates to unit volume and how demographic trends soon won't support our industry's labor needs, the rest

of the organization won't get it.

And if you can't convince that person of the importance of constantly improving your recruiting, retention, compensation and communication methods, consider leaving. Go directly to a company that values its people and understands their role in the success of the chain, from the CEO to the bussers, dishwashers and fry-droppers.

Wish You Were Here

This "Best Places To Work" issue is filled with examples of companies whose people practices yield results. It's a textbook of workable, real-life ideas and solutions.

Look at these case studies, and benchmark yourself against the "Industry at a Glance" data from People Report's 2005 Survey of Unit Level Employment Practices. Could your company be included? I challenge you to make it worthy. And next fall, fill out the survey when it arrives in your office or when you see it promoted here, on our Web site, www.chainleader.com, or on People Report's site, www.peoplereport.com.

Keep in mind that People Report's SULEP numbers mainly represent companies that care enough about human-resources metrics to keep them and improve them, so the actual industry figures are higher for turnaround, benefits offered, hours of training, etc.

As smart companies like these continue to try to improve, they are going to raise the bar. The bar *needs* to be raised, because we just don't have the luxury anymore of a huge labor pool.

One More Thing

One company already raising the bar is Motek, a small Beverly Hills, Calif.-based firm that creates warehouse-automation software. The company was featured in an *American Way* magazine article that caught my attention: "The Best Place to Work—Period." No fly-by-night dot-com, Motek has customers like General Electric, Heinz and ConAgra. Among its amazing list of benefits for employees are cash bonuses for taking a vacation at least three weeks long, a luxury car for those who have been there 10 years, doors that are locked on weekends and the ability to look at the company's balance sheet whenever they want.

The article quoted Motek founder and CEO Ann S. Price: "This isn't about being nice and pampering employees. It's about creating a business that produces maximum results and changes thinking." Result: In 2005, Motek's revenue per employee was more than \$217,000.

Can the restaurant industry give that much to employees? I don't know. I do know innovation will be key to being employers of choice in the future. And everyone in the company plays an important role. **CL**

We Value Your Comments!



When did you dine with us? _____
Have you eaten at our other locations, if so where? _____

Who was your server? _____

How would you rate the following: (circle one)

	EXCELLENT	GOOD	AVERAGE	FAIR	POOR
Food	5	4	3	2	1
Service	5	4	3	2	1
Cleanliness	5	4	3	2	1
Menu Variety	5	4	3	2	1

Overall Comments: _____

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Then and Now

The next 10 years will require everything we have learned about human capital...and a whole lot more.

**BY JONI THOMAS DOOLIN,
CEO AND FOUNDER,
PEOPLE REPORT**

(972) 364-0490
joni@peoplereport.com



Possibly the best business essay of 2005 was published in *Fast Company*. Titled “Change or Die,” it posed the question, if a doctor told you that you had to make tough changes in how you think and act, knowing that if you didn’t you would die, would you do it? The scientifically supported answer was probably not. In fact, the statistical odds were 9-1 that you would not make the changes necessary to save your own life.

Small wonder it’s difficult for leaders to facilitate change in our businesses. Most people don’t like change, and that reality is roadblock No. 1 to success in the new-economy workplace.

Yes, Virginia, There Is a Labor Shortage

There is not a demographer or an economist in the country who would dispute that we have an impending shortage of skilled workers. The early warning signs are quickly being replaced by real anxiety in the recruiting department.

While it may not have registered yet in the executive suite, the favorable labor market is definitely over. This is where the reluctance to change starts to trip up otherwise savvy business leaders. Continuing to use the past as a predictor of the future guarantees failure in 2006 and beyond.

Innovation is imperative. It is time to start thinking about our employees in the same way we do our guests, in terms of the value proposition we deliver to them. That means creating a total rewards environment including competitive wages and benefits, as well as a chance to contribute, learn something new and be a part of something worthwhile.

Our last tight labor market did not include factors like terrorism, globalization, rapid economic shifts, wartime politics, crazy corporate governance swings and a succession of major natural disasters. The age-wave freight train has

accelerated, taking baby boomers out of the labor market faster than they can be replaced. It is more difficult to forecast than ever before, and our leaders are required to be alert, flexible, courageous, informed and able to guide their organizations through the minefields of change.

Looking Ahead

The companies profiled in this special “Best Places To Work” issue are examples of leaders who are doing exactly that—facilitating targeted, customized and well-executed strategies that deliver on that all-important employment proposition.

Many of them were among the 260 leading chain-restaurant executives who gathered last November to celebrate the 10th anniversary of People Report. These companies have made significant progress in improving employee and management retention, increasing composite diversity, creating total reward packages of enhanced compensation and benefits offerings, involving their employees in their communities and investing in the development of the next generation of leaders. Although it was fun to walk down memory lane and remember a time when human-capital benchmarks did not even exist, the group chose to focus not on the past, but rather the strategies for staying ahead of the competition in the future.

That meeting and this issue bring to mind Norman Brinker, a leader known for innovation. He often says, “Winners like to be measured.” The winners in today’s workplace understand that those measurements are the foundation for the future. **cl**



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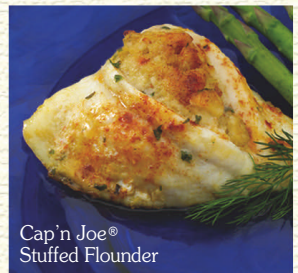
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People PRIMER

Follow the lessons learned from the leaders in recruiting, training, retention and compensation best practices.

BY MARY BOLTZ CHAPMAN

In our third annual “Best Places To Work” issue, *Chain Leader* offers practical advice from human-resources executives at companies who get the connection between people and profits. The articles offer real-life solutions to recruiting and retaining quality management and hourly staff.

People Report founder and CEO Joni Thomas Doolin and her team helped *Chain Leader* staff find great examples of successful people practices, tapping the organization’s 2005 Survey of Unit Level Employment Practices. The annual study measures and tracks recruiting, training, retention, diversity, compensation, benefits and other issues related to unit staff.

The survey respondents represent 34,110 managers, 454,239 hourly employees, 9,829 restaurants and an estimated \$20 billion in sales. The average turnover rate for unit-level management was 30 percent and 106 percent for all unit-level employees. More complete data from People Report’s survey are illustrated in graphs labeled “Industry at a Glance” in many of the following case studies.

The leaders willing to share their successful tactics in this issue are some of our industry’s employers of choice. Use this issue as a textbook to learn what they already know: the important link between employee-customer satisfaction and guest satisfaction, the link between people and profits. **CL**





SNAPSHOT

CONCEPT

Rib Crib BBQ & Grill

HEADQUARTERS

Tulsa, Okla.

UNITS

40

2005

SYSTEMWIDE SALES

\$45 million

2006

SYSTEMWIDE SALES

\$55 million

(company estimate)

AVERAGE CHECK

\$10

EMPLOYEES

1,000

EXPANSION PLANS

8 in 2006

Bring a FRIEND

Rib Crib pays for employee referrals and reaps the benefits of happy workers.

Seth Nimmo had a job washing dishes at the Tulsa, Okla., Rib Crib BBQ & Grill back in the early '90s. He liked the job, so he told his friends about how much fun it was to work there.

Soon several of his high-school classmates were working with him.

Today Nimmo is Rib Crib's director of restaurant development and two of his high school buddies are multiunit managers. A testament to the 40-unit casual-dining chain's retention, yes. But it's also an example how referrals have helped Rib Crib recruit quality employees.

Paid Players

The Tulsa-based company implemented a paid referral program in 2003. If an employee refers a part-time worker who stays for at least 90 days, he or she gets a

\$30 bonus. A referral for a full-time hire earns the employee \$50, and for a manager, \$1,000.

According to People Report's Survey of Unit Level Employment Practices, 77 percent of respondents said their company has a formal referral program, but only 15 percent of them said it is very effective, and 48 percent, somewhat effective.

Rib Crib Director of Human Resources Lori Stevens is in the "very effective" camp, calling referrals "the most powerful recruiting tool we have." She says that the cost per hire is relatively inexpensive when compared to other methods of recruiting such as ads or recruiters.

The method is more effective, as well. According to Stevens, over time employees develop bonds, often becoming dependent on one another for support. An employee won't refer someone who won't fit with the rest of the group or pull their weight.

And workers are happier, she says: "Having a best friend at work is the key to attracting and keeping employees."

Focus on Retention

According to Rib Crib executives, the referral program helps keep turnover levels low. Last year, hourly turnover was 106 percent, and unit-level-management turnover was 25 percent.

The company also insists it's good for business. Stevens says a referral program gives restaurant managers solutions in an increasingly tight labor market, allowing them more time to focus on running the business.





Rib Crib's referral program helps keep hourly turnover at 106 percent and unit-management turnover at 25 percent.

internal promotions to fill new management positions. About 30 percent of managers have been promoted from hourly positions.

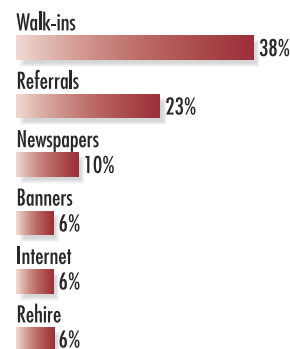
Stevens says that when President and CEO Bret Chandler founded Rib Crib in 1992, he knew then that he would have to find and keep the best people if he wanted to succeed. Fourteen years later, he still considers the company's employees a competitive advantage in the marketplace. **CL**

Rib Crib garnered systemwide sales of \$45 million in 2005 and anticipates \$55 million in 2006. It plans to open eight new restaurants this year.

As it continues to expand, Rib Crib will depend on the referral program as well as

INDUSTRY AT A GLANCE

What percentage of unit-level hourly employees are hired through the following sources?



Source: People Report 2005 Survey of Unit Level Employment Practices

MORTON'S HIRING INCENTIVES ARE MISSION CRITICAL

The mission at Morton's, The Steakhouse is "to always exceed our guests' expectations." For a high-end concept that has an average check between \$85 and \$90, excellent service and execution are key. So Morton's employees must be experienced and highly talented.

To recruit such pros, the Chicago-based chain of 70 restaurants and 3,800 workers touts its employee benefits, as well as other perks of working there, on its Web site, in ads and through employee referrals.

Morton's pays competitive salaries and offers benefits like medical, dental and life insurance, which are available from Day One. The package also includes dining discounts, an employee-assistance plan, a 401(k), and paid holidays and vacation.

Back-of-the-house employees receive free uniforms and dry cleaning. And front-of-the-house staff receives handsome tips, which only get better as they do.

Beyond compensation, Morton's entices employees by reminding them that they can work in a high-volume restaurant and still have a life. "As most of our restaurants are only open for dinner, this allows significant flexibility for those with other commitments such as daytime jobs or classes at a local university," explains Recruiting Director Maureen Pearman.

Morton's also tells potential employees about training and advancement opportunities. Pearman and her staff will be recruiting employees for four new restaurants by the beginning of next year, in Houston; Northbrook, Ill.; Anaheim,

Calif.; and Coral Gables, Fla. The managers of those units will likely be internal candidates: The company says about 57 percent of management positions are filled by the hourly ranks.

Many of the same assets that help recruit good candidates have helped the \$301 million company keep them. Its unit-management turnover is 17 percent, and hourly turn is only 39 percent.



LEFT TO RIGHT:
DANIEL BARASH—DIRECTOR OF NEW PRODUCT DEVELOPMENT
RAVING BRANDS
SETH SALZMAN—SR.VP OF OPERATIONS
MOE'S SOUTHWEST GRILL
COLLEEN LEX—DIRECTOR OF PARTNER DEVELOPMENT
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CARL GRIFFENKRANZ—VP OF OPERATIONS
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“When Raving Brands was looking for equipment to include in our eight franchise concepts, we looked at Alto-Shaam with the idea of using some of their holding warmers. Our goal included a small package of equipment that would be reliable, produce good food quality, and above all, was versatile enough to fit each individual concept. With assistance from their corporate chefs and results achieved in the Alto-Shaam test kitchen, we were able to assemble a complete package of cooking equipment



*RESTAURANT INDUSTRY’S “HOT CONCEPT OF THE YEAR” AWARD

that fit all of our needs. They were even able to assist with menu development. Alto-Shaam combi ovens have proven to provide total versatility, their cook and hold ovens are the perfect choice for many of our concept menu items, and their holding warmers give us the back-up production we need while maintaining full product quality. With the reliability, service, and support provided by Alto-Shaam, we know we picked the right partner.”

—Martin Sprock, Founder and C.E.O. RAVING BRANDS™



10•10ML Combi therm Oven



AR-7E Rotisserie



100-HSL Hot Carving Shelf



750-S Holding Cabinet



767-SK/III Cook/Hold Smoker



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Standard Practice

The Palm keeps training on the front burner.

BY DAVID FARKAS

It's not unusual for restaurant chains to replace all of their hourly workers once, twice or even three times a year. Attrition goes with the territory, many think, what with the low wages, monotony of the work and scant benefits.

Some chains, however, defy that stereotype, managing to lose many fewer employees. Meet The Palm, a collection of 30 high-end steakhouses. Hourly turnover rate: 35 percent. While the company offers competitive wages and benefits, The Palm also credits its intensive, ongoing training program for high retention.

Director of Training Debra Fox, who has worked for the Washington, D.C.-based chain for 13 years, eight of them as an

hourly employee, for example, spends a month at new sites, overseeing orientation and arranging a two-week hourly training agenda covering everything from benefits to bartending. Benefits are the first item on the agenda.

"Jim Longo, our CFO, shows up in a waiter's uniform with a pocket protector stuffed with pens," Fox chuckles. "He goes through all the benefits and walks people through the paperwork. That makes a big impression on them."

Cross-Examination

But a more important impression is made over six days of intense hourly training. After a first day that includes watching "Heart of the House," a video that intro-

The Palm credits its intensive, ongoing training program in part for its low hourly turnover rate of 35 percent.



TRAINING

SNAPSHOT

CONCEPT

The Palm

HEADQUARTERS

Washington, D.C.

UNITS

30

2006 REVENUE

\$159 million
(company estimate)

AVERAGE UNIT VOLUME

\$5 million

AVERAGE CHECK

\$62.50

EMPLOYEES

2,000

EXPANSION PLANS

1 or 2 in 2007

duces them to the Palm Management Group, new hires begin day two with a rundown of the POS system and meet with the new manager. Then they are quizzed on what they have learned.

Fox, born into a restaurant family, believes strongly in testing, particularly on food. "It's natural to forget things like the ingredients in a dish," she explains. "But because of allergies and the like, it's important to remember them."

Fox e-mails a 10-question test once a month to training managers (typically, an assistant general manager) in each unit, who administer the quizzes at pre-shift meetings as part of the ongoing training for front- and back-of-the house hourly employees. In March, training managers quizzed their staffs about a new coffee program. The Palm, which pours Starbucks, recently switched from House Blend to Verona. Fox wanted to make sure servers could explain the differences in taste and, importantly, discuss it in terms of desserts.

Quizzes are nonthreatening and cover topics that hourly trainees have been over many times. Says Fox: "I'm always trying to refresh their memories."

Personal Attention

Training at store openings last all day. In San Diego last December, for instance, day four began at 8 a.m. with a two-hour demonstration on point-of-sales tech-

niques, followed a few hours later by a lecture on lobster. Fox, who says people eventually tire of listening to her, invites vendor representatives to the restaurants to explain their products. In the case of lobster, a biologist from the chain's Nova Scotia-based supplier talked for two hours about the crustacean.

Two days later, the chain's beef vendor gave an hour-long slide show that illustrated beef processing. "We edited out the part about the slaughterhouse," Fox recalls, laughing.

Meanwhile, certified trainers drill the new service staff on side work, stations and position numbers. They review napkin folding, service points and glassware. After watching several wine videos that reveal how to serve the beverage, new hourlies attend wine seminars that include tastings. They are quizzed on wine on day five, and on day six servers and bartenders attend a four-hour ServSafe training class.

All the while, Fox weaves into training sessions what she describes as "personalized service in a relaxed atmosphere." The concept is introduced in the "Heart of the House," a self-produced video that hourlies watch on the first day of training. "We want [servers] to get to know the guests by name," she says.

After that, the hourly employees begin preparing for two trial runs with guests who are paying half price. Then comes the

For new-store openings, certified trainers drill the new service staff on side work, stations and position numbers as well as napkin folding, service points and glassware.

New training initiatives at The Palm will include servers working together to accommodate large parties.



The Palm quizzes bartenders and other hourly employees monthly on food and beverage programs to ensure consistent operations at the luxury steakhouse.

grand opening and a visit by The Palm's owners Bruce Bozzi and Walter Ganzi, grandsons of the founding partners. "They come to all the grand opening parties and make a point of pulling the entire staff together to thank them for their hard work and wish them a long tenure," says Palm President and COO Fred Thimm, who also makes an appearance at the event. The company, begun by Italian immigrants

Pio Bozzi and John Ganzi, has been in business since 1926.

Terri Safferas, a veteran server who The Palm hired at its Atlantic City restaurant opened early last year, recalls her initial training as intense but enjoyable. "It was a week of getting to know all the food. What made it fun was that Debbie [Fox] organized games around learning, like 'Jeopardy,'" she says.

Moving to the Next Level

Fox is trying to do more with less these days. The training budget, \$200,000 in '06, has been trimmed in recent years. Fox, for example, is a one-woman department who reports to human resources. "She carries the flag for training," declares Thimm, admitting "these are challenging times" for the luxury-steakhouse category.

To attract more business, some Palms are adding private dining rooms. That, in turn, has required Fox to train experienced hourly employees on the fine points of waiting on parties larger than 10 or 12 people. She recalls recently spending a week in Philadelphia.

"The service staff didn't have experience with parties of 50 to 70 people, where there was French-style service. The issue was that servers were working for themselves and not used to collaborating," explains Fox, who wrote a manual on the subject for the restaurant.

Train the Trainers

Fox is so keen on ongoing training for hourly employees that she launched a train-the-trainer program two years ago. This year, assistant general managers responsible for training hourly staff will gather in Dallas in May. The AGMs are required to pass several tests to earn a train-the-trainer certificate. "They also sign a commitment to training," Fox adds.

Hourlies also have the opportunity to train new hires by becoming certified trainers, a goal Safferas had from the beginning, Fox recalls. "Terri told me the first time I met her that she wanted to become a certified trainer," Fox says. "I told her she'd have to wait six months."

Safferas, whose parents operated a restaurant in upstate New York, earned her training certification in October. The designation did not come with an increase in her hourly wages; trainers earn \$200 per person trained. Later, at Fox's request, Safferas flew to San Diego in December to help open the chain's 30th restaurant.

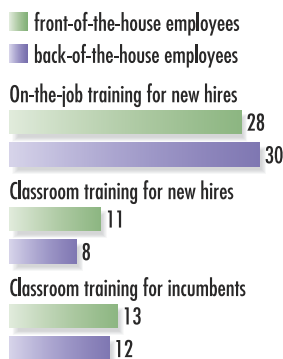
"I was inspired by the training team led by Debbie," says Safferas, whose starched white jacket bears the title "Certified Trainer" under her name.

"The Palm understands that the better you teach your team, the higher the leadership perception the hourly members have of their manager. It's not surprising [The Palm] is reporting low turnover among hourly team members," says training consultant Jim Sullivan of Sullivision.com, who spoke at The Palm's first train-the-trainers meeting.

Fox is also testing another training program to lower hourly turnover. Sed De Saber (or "Thirst for Knowledge") is a take-home language tool that lets Spanish-speaking workers learn English at their own pace. She hopes the voluntary lessons will eventually lead to promotions for bussers. "The only thing holding them up is language skills," Fox says. "We want to help them get to the next level." **CL**

INDUSTRY AT A GLANCE

Average hours of training provided to unit-level hourly staff



Source: People Report 2005 Survey of Unit Level Employment Practices



Inside Track

Ivar's says internal candidates are best qualified for management positions. **BY DAVID FARKAS**

Ivar's Seafood Bar hires roughly two-thirds of its store managers from the hourly ranks. How could it be otherwise? "They understand the business," says Director of Training Patrick Yearout, a seven-year veteran of the Seattle-based QSR, which operates 26 units.

What's to understand? Something called "boat-marking," for one thing, a tricky system that Ivar's cooks use to alert the staff about what they are cooking so the packaging can be properly prepared. "We start [new hires] off in the back where they learn boat-marking," Yearout explains. "Cooking is the hardest position."

Pressure Cooker

That's a good thing, Yearout believes, because it lets managers see if new employees work well under pressure. A typical Ivar's serves 150 people between 11 a.m. and 2 p.m. with a staff of four.

By that time, however, the manager has already pitched in whipping up the clam chowder that's made each day and cutting and hand-breading fish. During meal periods, managers greet guests and help out where needed.

Managers also devote 20 hours to one-on-one training with each new hire; the hours are charged to a separate training budget. "Managers get a good impression of whether this person can move up," explains Yearout, a former investment banker. Yearout entered the restaurant business 14 years ago after discovering he didn't like banking. He managed a unit in a Seattle sub-sandwich chain for seven

years before joining Ivar's as a training manager at a time the company was formalizing procedures. Competition was heating up among the area's fast-feeders, and officials determined that standardizing food preparation would give Ivar's an edge.

"For example, we didn't have specs written down and we didn't have a training person to create job aids," says Yearout, who took classes on becoming a training specialist after he was hired.

Formalizing training has indeed given Ivar's an edge: Management turnover is 33 percent, and hourly turnover is 93 percent.

The Write Stuff

About 18 months ago, Yearout introduced "individual development journals." The notebooks contain a written record of the tasks—cutting fish, cashiering, cooking, for example—employees have successfully mastered. Managers use these records to evaluate progress.

The journal also includes career-path information. Employees who aspire to shift managers can learn the ropes of becoming one before applying. "No one can leave Ivar's saying they didn't know what was expected of them," Yearout explains.

Not everyone gets it, namely those from outside Ivar's. Yearout says job candidates from national chains are usually surprised to find they'll be actively involved in operations instead of merely directing them. "It's important for them to be a director," he says. "But the skills are not the same. If you only have three people working for you, you don't need a director." **CL**

Ivar's Seafood Bar's labor-intensive operations require managers to pitch in and help hourlies with duties such as cutting fish and greeting guests.

SNAPSHOT

CONCEPT

Ivar's Seafood Bar

HEADQUARTERS

Seattle

UNITS

26

2006 REVENUES

\$20 million
(company estimate)

AVERAGE UNIT VOLUME

\$730,000

AVERAGE CHECK

\$8

EMPLOYEES

272

EXPANSION PLANS

1 in 2006, 2 in 2007

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Room to GROW

Runza keeps hourly turnover down with flexible opportunities for advancement in an open, fun environment. BY MAYA NORRIS

Patty Clark has no plans to leave her hourly position at Runza for management any time soon. But that doesn't mean she hasn't moved up the ladder since joining the Lincoln, Neb.-based QSR in August 2000. Clark became a certified store trainer about a year after she was hired. In 2004, Clark took on the role of a certified neighborhood marketing representative, coordinating local community events like fund-raisers. She is now training to become a certified shift supervisor. Unlike managerial positions, Runza's certified jobs don't have shift or hour requirements, allowing Clark to be with her family while still advancing her career.

"It's a way to have an employee feel like they've moved up in the company—be a little more valued, make a little more money," says

Runza's Key Employee Ability Program recognizes and promotes high-performing employees. They have the option of moving up into certified hourly jobs, which don't have shift or hour requirements, or more demanding managerial positions.

Clark, who is married and a mother of three teenage sons.

Creating such flexible opportunities for advancement as well as an open and fun work setting has helped Runza keep its hourly turnover rate at 99 percent for its 38 company restaurants, according to Director of Human Resources Jill Stutzman.

"Our employees are definitely Runza's No. 1 asset," she says. "They're the individuals that keep the business going day in and day out and just the heart and soul of our operations. We want our employees to work in an environment that's relaxed and appreciative and rewarding and challenging for them."

KEEPING Them Around

To cultivate a culture of appreciation and empowerment, Runza developed the Key Employee Ability Program, which Clark participates in, to ensure that it recognizes and promotes high-performing employees. Every spring general managers at its company stores send the corporate office a list of



about 200 employees they believe have potential to move up in the company. Corporate then sends them a letter telling them they will receive a phone call from their field representative to discuss their career goals; the letter includes a gift such as movie tickets, a flier outlining different positions in the company and a brochure explaining the benefits and opportunities available at Runza.

In April, the field representatives call those employees to thank them for their service and talk about how they can move up in the company. Employees can choose between certified hourly and managerial positions. The certified hourly jobs such as certified store bookkeeper have no specific hour or shift requirements, but allow the employee to gain more responsibilities. On the other hand, managerial positions such as first assistant manager are more demanding, requiring a minimum of 30 to 45 hours per week.

If employees are interested in moving up to a certain position, they set goals with their field representatives, taking into consideration their career aspirations and personal life. The employees then work with their general managers to meet those goals. The general managers evaluate their performance every six months, while the field representative sends e-mails throughout the year and calls once a year to make sure the GMs are working with the employees to achieve their goals and set new ones.

Although the company promotes internal candidates throughout the year, about 90 percent of Runza's certified employees and managers were part of the KEAP program before they were promoted. "We really think it's helped us with retaining employees and keeping employees motivated and getting them interested in moving up and wanting to stay longer with Runza," Stutzman says. "And of course, when you have employees that are getting responsibilities, they're learning things and wanting to make that contribution to the company as well."

According to Teresa Siriani, president



of People Report, a Dallas-based human-resources benchmarking firm, the KEAP program is innovative because it customizes its advancement opportunities with a range of hourly and managerial positions. "They are taking the time to engage hourly employees one-on-one and not just saying, 'You are a high-performing individual and we want you to go into management,' and put that pressure on them," Siriani says. "Instead they're saying, 'Yes, we'd love to get you into management, but here are some other opportunities as well if it works better for your life right now.' It's brilliant."

She's also impressed with how Runza facilitates communication between high-level managers like the field representative and the hourly. "The fact that they are incorporating the [field representative] in it, too—that's a huge compliment to an hourly employee to have someone that high ranking, not just their general manager, saying, 'Hey, you do well in this store,'" she says. "It's now the general manager's boss saying, 'I hear you do really well in this store, and here's what I want to talk to you about.'"

Shop Talk

Runza takes advantage of the communication between hourlies and their managers by soliciting feedback about the company during their performance appraisals and the KEAP calls. Most hourlies provide suggestions on how to improve the unit-level work environment or operations.

RETENTION

Because Runza tries to create a fun work setting, it's not unusual for unit employees to sing along to the radio.

SNAPSHOT

CONCEPT

Runza

HEADQUARTERS

Lincoln, Neb.

UNITS

38 company,
32 franchise

2005

SYSTEMWIDE SALES

\$47 million

2006

SYSTEMWIDE SALES

\$50 million
(company estimate)

AVERAGE

UNIT VOLUME

\$720,000

AVERAGE CHECK

\$6.44

EMPLOYEES

750 company,
700 franchise

EXPANSION PLANS

3 to 5 per year

INDUSTRY AT A GLANCE

What was the annual turnover rate for unit-level hourly employees for the following years?



Source: People Report 2005 Survey of Unit Level Employment Practices

Hourlies can move up in Runza through a variety of management and higher-level hourly positions.



GMs recommend to corporate which employees they believe have the potential to move up in Runza.

For example, an employee at a store in Omaha suggested training all new employees on the front registers first and then training them in the kitchen. That way a kitchen employee could take orders if needed. "I do this now with all my employees even if I know they will eventually mainly be a kitchen worker," say Lori Placzek, managing partner at the Omaha store. "This way when a customer needs help and all front and drive-thru people are busy, the kitchen employees can swing back and forth. This is very important, especially for a medium-volume store, that all employees can do everything to help to get the order out."

Some ideas even make it to the corporate office. When some hourly employees gave suggestions for improving the uniforms of workers manning the drive-thru window, Runza's Board of Operations approved new T-shirts for those employees in the summer and fingerless gloves, earbands, stocking caps and winter coats for the colder months.

Fun and Games

Runza says another way it shows appreciation for its employees is with its hourly benefits. Hourlies who work 25 hours or more a week receive paid vacation days: two vacation days after six months of employment, five days within the next four years and seven days each year thereafter. They also earn time-and-a-half pay on New Year's Day, Independence Day and Christmas Eve. In addition, hourlies get half-priced meals on and off duty, flexible schedules and free uniforms.

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RETENTION

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General managers work with their employees who are part of the Key Employee Ability Program daily to ensure they meet their goals and set new ones.

To keep employees happy on a day-to-day basis, managers foster a fun work environment based on the renowned FISH! Philosophy created by John Christensen of ChartHouse Learning. It encourages an animated and engaging atmosphere centered on four concepts: play, make their day, be there and choose your attitude. So it's not unusual to see Runza employees reenacting a *Saturday Night Live* skit, doing the moon walk when they hear a certain song on the radio, or flipping ketchup and mustard bottles like a bartender.

Managers also keep a supply of gift certificates and small gifts on hand to reward employees for outstanding performance such as handling a customer complaint or covering someone else's shift. And twice a year, the general managers close the units early to host parties for the employees in the summer and in December.

Whether it's a party or a promotion, Runza believes its employee programs not only demonstrate how much it values its hourlies but are vital to addressing the tight labor market and creating a deep bench. "As far as sales go, we must have quality employees running the stores who are focused on quality product and service. And if a store is short-staffed, then quality falls short, which can impact sales," Stutzman says. "As far as expansion goes, we must have qualified management staff ready to move in to new stores, and we can't move along our management staff to other locations unless their stores are fully staffed and have employees that can be promoted and take their spot. So I think retention and the different programs we have are really important." **CL**

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Main Street uses daily, weekly and monthly contests to motivate hourly employees, rewarding them with prizes ranging from movie tickets to free hotel stays.

Healthy Competition

Main Street's recognition programs stir up hourly employees' competitive juices. **BY MAYA NORRIS**

Recognition and rewards are a big part of the culture at Phoenix-based Main Street Restaurant Group Inc., the largest franchisee of TGI Friday's with 56 units. Whether it's celebrating a long-time employee's tenure or rewarding a server for selling the most appetizers in one night, Main Street credits its various recognition programs for helping retain hourly employees at the casual-dining chain and keeping their performance up to par.

Play to Win

Main Street has daily contests to motivate and challenge hourly employees, rewarding them with prizes such as movie tickets, cash and gift certificates for retailers like Best Buy or Starbucks. The manager often kicks off the shift meeting with a contest, such as bringing three drinks to the meeting and the first employee to name each drink wins a prize.

The manager then informs the front- and back-of-the-house employees about the contests and rewards during their shifts. For example, prep and dishwashing workers win a prize if plateware remains stocked and stacked dry at all times. Another contest rewards the server who sells the most "Perfect Checks": an alcoholic beverage, an appetizer, a special entree and a dessert all on one check.

Ongoing weekly and monthly contests come with bigger prizes. For example, one sales contest gives a server one playing card each time a party purchases a dessert and appetizer. At the end of the week, the server with the best poker hand receives a prize

such as sports tickets or dinner for two at a local restaurant. If that server wins four weeks in a row, he or she is eligible for a monthly grand prize such as a two-night stay at a local hotel or resort, hot-air balloon rides or a \$200 gift certificate for a local grocery store.

Sticking Around

Main Street also honors Friday's employees for their tenure. When they reach their five-, 10-, 15-, 20- and 25-year anniversaries, employees choose a gift from a catalog. Workers celebrating 20- and 25-year milestones also receive a letter and phone call from CEO Bill Schrader thanking them for their service.

Jennifer Evertsen, director of employee relations, training and communication at Main Street, says these recognition programs have helped reduce hourly turnover at Friday's to 88 percent, down from more than 100 percent five years ago, and contribute to the company's strong balance sheet. With average unit sales of \$3.5 million, Friday's generated \$204 million in sales last year for Main Street, which also owns Redfish Seafood Grill and Bar, The Bamboo Club Asian Bistro and Alice Cooperstown.

"Our hourly employees are the reason for our success," Evertsen says. "They're the ones out there every day on the front lines selling the products and taking care of our guests. And without their buy-in and their loyalty and their support, we wouldn't have the success as a company that we do. And, yeah, we definitely acknowledge that from the ground up." **CL**

SNAPSHOT

CONCEPT

TGI Friday's

COMPANY

Main Street Restaurant Group Inc., Phoenix

UNITS

56

2005

SYSTEMWIDE SALES

\$204 million

AVERAGE

UNIT VOLUME

\$3.5 million

AVERAGE CHECK

\$28 to \$32

EMPLOYEES

4,913

EXPANSION PLANS

6 in 2006



As “touchpoints” to corporate executives, hourly employees and guests, general managers are crucial to a unit’s success.

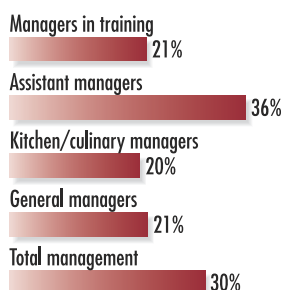
A Profitable Partnership

LongHorn’s “skin in the game” program for managers has cut turnover and boosted sales.

BY LISA BERTAGNOLI

INDUSTRY AT A GLANCE

What was the 2004 calendar year annual turnover rate for unit-level managers?



Source: People Report 2005 Survey of Unit Level Employment Practices

Eight years ago, LongHorn Steakhouse’s general managers received a benefits package of insurance, a 401(k) and other perks. Beyond that, however, they received no special rewards or incentives.

The result: An annual turnover rate of 35 percent among general managers. The rank and file experienced a trickle-down effect: hourly turnover hovered around 120 percent.

LongHorn executives decided that something had to change. “We knew that from our research, the No. 1 indicator of consistent performance is general-manager

tenure,” says Dave George, president of Atlanta-based LongHorn Steakhouse. “So the longer a GM is in place, the greater the chance of positive growth results.”

Incentives to Stay

To foster GM tenure, and thus growth, Eugene Lee, chief operating officer of LongHorn parent Rare Hospitality, and Doug Benn, Rare’s chief financial officer, crafted a managing-partner program. In exchange for a \$10,000 investment in the restaurant, the five-year, renewable agreement offers managers a percentage of annual sales growth dollars, a percentage of profit growth dollars, plus a base salary.

The package also includes health, dental, vision, long- and short-term disability, and life insurance; a 401(k); tuition reimbursement for relevant classes; and a monthly dining allowance, plus an annual restricted-stock award and a \$1,500 vacation allowance. "We want them to take their normal vacation and bump it up a notch," George says.

Such benefits comprise a "very, very competitive if not superior package for a general manager of a casual-dining steakhouse restaurant," George says. "This helps us attract and retain some of the highest quality operators in the industry."

The bundle of benefits, and most crucially, ownership in the restaurant, has had a profound effect on LongHorn's retention rates and financial performance. General-manager turnover is less than 20 percent, and the hourly turnover rate has dropped to 86 percent.

The company is enjoying high double-digit sales growth and brisk unit growth as well. Sales have grown steadily to \$666.1 million in 2005, up from \$416.9 million in 2002. Expansion plans call for 29 or 30 new restaurants to open this year and a comparable number in 2007, though George says 2007 expansion plans have not yet been finalized.

According to LongHorn, the managing-partner program is a critical component of expansion, so the company opens all new restaurants with a managing partner. "We believe our growth opportunities are only limited by not having superior-quality managers available to open new restaurants," George says. "The managing-partner program helps to alleviate this challenge.

"When a GM goes from being a normal GM to a partner, and they do invest \$10,000, they take a different viewpoint to how they operate their business," he adds. "The point is to have owner-operators that look at the business as if it were their own."

Managing partners are in place at 180 of LongHorn's 247 restau-

rants. The remaining general managers are, presumably, working toward an invitation into the managing-partner program. "We ask them to operate the business successfully; when we feel they have a good grip, we recognize them with a managing partnership," George says.

Not all general managers accept the invitation; some, for instance, cannot afford the \$10,000 investment. "But most know it's a great program," George says, "so they borrow it or save it themselves."

Survival of the Fittest

Programs that give general managers "skin in the game" are necessary to thrive in a competitive marketplace, says David Mansbach, managing director of HVS Executive Search, a recruiting firm based in Mineola, N.Y. "The GM is the touchpoint to the customer, to corporate, to all the unit-level employees," Mansbach says. "If you're not doing it, you will be behind the eight ball."

To work optimally, such programs must evolve over time, Mansbach says. They also must provide a way for talented managers to rise to the multiunit level. If they don't, retention programs could serve as so-called "velvet handcuffs" for participants.

"There's a point where these managing partners make a lot of money," Mansbach explains. "In fact, they make more money than 99 percent of the area directors of the concepts they're competing with." Salary surveys conducted by Mansbach's firm indicate that unit-level managing partners can earn \$200,000 or more a year, while the average high-performing area director makes \$150,000 to \$180,000 a year.

SNAPSHOT

CONCEPT

LongHorn
Steakhouse

PARENT COMPANY

Rare Hospitality,
Atlanta

UNITS

247

2005 SYSTEMWIDE SALES

\$666.1 million

AVERAGE UNIT VOLUME

\$2.96 million

AVERAGE CHECK

\$16.75

EMPLOYEES

15,000

EXPANSION PLANS

29 or 30 in 2006



After joining the managing-partner program, one LongHorn manager began posting double-digit sales increases.



As managing partners enjoy a high income, however, “they’re tied into a certain skill set,” Mansbach says, and often are overlooked when recruiters go hunting for multiunit managers.

Evolutionary Tale

According to George, LongHorn’s managing-partner program has indeed evolved over the years. “Every year we look at the agreement and make sure it’s relevant and helps us support our goals,” he says.

The agreement now allows managers to re-sign when their five-year contract is up; approximately 30 managers are now in their second five-year term. Two years ago, the company increased managing partners’ base salary by 20 percent. Five years ago, the company began guaranteeing a five-day work week (managers are paid extra when they work a sixth day).

It also offers opportunities for managers interested in moving to the multiunit level. All managing partners are eligible for promotion to regional manager; 30 of the company’s 45 regional managers were managing partners at one time, George says.

Citing Rare Hospitality’s status as a public company, George declined *Chain Leader’s* request to interview a managing partner. He did, however, share a story about a general manager who repeatedly turned down the company’s offer to become a managing partner.

At LongHorn, a unit’s sales rise after the GM joins the managing-partner program.



INDUSTRY AT A GLANCE

The average cost of replacing a unit-level manager:

Separation

Increase in unemployment payment	\$3,148
Overtime or temporary employees	2,879
Separation/severance pay	2,725
Administrative activities	544
Time and travel for exit interviews	162
Other	766

Replacement

Executive search or recruiter	\$3,942
Travel/moving	712
Attracting applicants (advertising, time)	658
Interviewing	252
Pre-employment administrative expenses	131
Pre-employment testing	126
Other	389

Training

New employee’s time	\$5,297
Trainer time	2,367
Travel	968
Training time by colleagues	790
Training material, computer time, etc.	342
Other	250

Opportunity

Lost business, customer service, knowledge loss, etc.	\$8,226
---	---------

Total **\$19,028**

Source: People Report 2005 Survey of Unit Level Employment Practices

“We considered him a successful general manager,” George says, adding that the GM posted 4 percent to 5 percent sales growth a year.

“He wasn’t sure he could grow the business...he thought maybe he was maxed out,” George says.

After George persuaded him to become a managing partner, sales at his Longhorn restaurant increased by double digits each year. “He becomes a partner and starts cranking out 8, 9, 10, 11 percent growth. I joked that he was holding out on us,” George says.

“[The partnership] changed his whole outlook on the business,” he says. **CL**

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All-Inclusive

Sea Island creates an environment that favors diversity and culture over rapid expansion. **BY MARGARET LITTMAN**

SNAPSHOT

CONCEPT

Sea Island Shrimp House

HEADQUARTERS

San Antonio

UNITS

7

2005 SYSTEMWIDE SALES

\$18 million

AVERAGE CHECK

\$9

EMPLOYEES

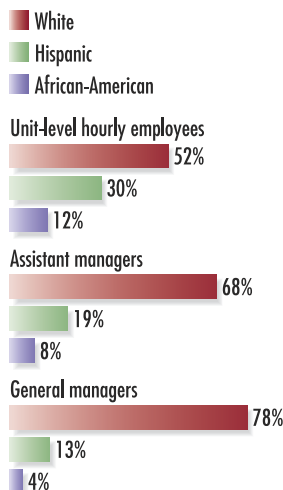
373

EXPANSION PLANS

1 in 2007

INDUSTRY AT A GLANCE

What percentage of employees belongs to the following ethnic categories?



Source: People Report 2005 Survey of Unit Level Employment Practices

When Barclay Anthony took the helm of the company his parents founded, it was 27-years-old and had just one unit.

"They wanted to maintain laser focus on execution of that one store. I wanted to expand, in part so employees who wanted to could advance and make a career with us," says Anthony, now president of San Antonio-based Sea Island Shrimp House.

He also wanted new stores to operate as efficiently as store No. 1 from the start. So he crafted a hiring strategy that both leveraged the veterans' experience and welcomed the right kind of new hires.

It included a written diversity statement that says, "decisions affecting employment, compensation, job assignments and promotions [will be made] without regard to race, color, religion, sex, national origin, age or disability."

"It is not very elaborate, but it reflects our core beliefs," Director of Human Resources Steve Parma says.

Numbers Game

Today the 41-year-old concept reports that 61 percent of its hourly employees and 54 percent of assistant managers are Hispanic. All of the corporate, non-exempt employees for the 373-person company are female, and African-Americans make up nearly 10 percent of the work force.

According to the 2000 U.S. Census, San Antonio has a population that is 59 percent Hispanic, 32 percent Caucasian and 6 percent African-American. Working from that pool, Sea Island seems like it would have an easy time building a diverse work force. But, as Barbara Ankamah, vice president of business development for the San Antonio Hispanic Chamber of Commerce, says,

"You can hire a diverse work force, but it is how the company is structured to sustain that work force that matters." In 2005 the chamber gave Anthony its annual Business Achievement Award.

"Sea Island has been careful about how many restaurants they've opened and how they've grown so that they've created an environment that is diverse, values its employees and has low turnover," she says.

Sea Island's hourly turnover decreased from 195 percent in 2001 to 110 percent in 2005. Managerial turnover decreased from 24.1 percent to 14.1 percent in the same period.

Human Nature

Anthony attributes this success to both his parents' values and his own experience outside the foodservice industry. He says that even decades ago, when other employers paid illegal immigrants pennies on the dollar, his father always paid everyone at least minimum wage. "That [reputation] got out in the community," he says.

Before rejoining the family business in 1992, Anthony worked in investment banking. "When I came back, I felt strongly that I did not want to fill the corporate office with book-smart, degreed people. I thought if we brought in people from the restaurant level who made their decisions with the guests and their fellow employees in mind, then we could teach them the book smarts," he explains.

As seven-unit Sea Island expands slowly outside its San Antonio base, the seafood chain plans to search for "more than just numbers of females and minorities, but employees who work together in harmony," Anthony says. "I want to make sure we maintain this culture." **CI**



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SNAPSHOT

CONCEPT

Fleming's Prime Steakhouse & Wine Bar, Newport Beach, Calif.

PARENT COMPANY

Outback Steakhouse Inc., Tampa, Fla.

UNITS

40

2005

SYSTEMWIDE SALES

\$161 million

AVERAGE CHECK

\$55

EMPLOYEES

4,000

EXPANSION PLANS

8 to 10 annually

Survey Says

Fleming's Prime Steakhouse & Wine Bar takes what its employees say to heart. **BY MARGARET LITTMAN**

Of all the facts and figures a restaurant executive needs to know, there's one that quickly rolls off the tongue of Jennifer Capler, director of training and development at Fleming's Prime Steakhouse & Wine Bar: the cost of turnover. It costs the Newport Beach, Calif.-based concept \$4,000 to replace an hourly employee and as much as one-half year's salary to replace a manager. Everyone in the 4,000-person company knows these figures, too, she says, and as a result, works to increase retention and save money. Management turnover is 19 percent; turnover for hourly is 67 percent.

Retention is high, thanks in part to Fleming's 4-year-old survey process. Working with Colorado Springs, Colo.-based consulting firm CorVirtus, Fleming's annually surveys its employees—in multiple languages—to assess their satisfaction and the degree to which the company lives up to its stated mission.

Rapid Response

The spring survey of more than 70 questions asks workers whether the company helps them develop skills, shows them that they make a difference and offers assistance in times of crisis.

Fleming's reads, evaluates and acts upon the survey within 60 to 90 days of the results being tabulated. It analyzes the survey results in-house to identify patterns and ascertain whether a companywide initiative is required to address a particular issue or whether a problem exists only in one unit.

In 2004, for example, both hourly employees and managers reported that they wanted more company assistance in developing a career path with Fleming's. Among other things, Fleming's developed the Management Career Portfolio, where employees can log their accomplishments on the company intranet and take online courses to help them set and track career goals.

At the same time, the company started internship initiatives for employees who want to try the next step on the ladder. A year after the initial survey feedback, the chain had promoted 10 managers to partners and 20 hourly associates to managers.

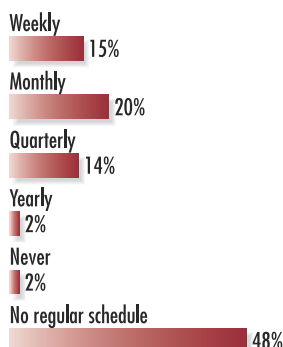
Proof Positive

David Hyatt, CorVirtus president, says that because Fleming's asks questions that are actionable, moves fast and schedules its survey-feedback discussion sessions in advance, it helps prove to employees that it is serious about acting on the feedback it will receive.

"It goes back to our culture," Capler says of Fleming's annual survey. "We want to make sure associates understand that one person can make a difference. [Management] does not have the most power. Those who have the most power are those who work with the guests." **CL**

INDUSTRY AT A GLANCE

How often does the corporate office communicate directly to unit-level hourly employees?



Source: People Report 2005 Survey of Unit Level Employment Practices





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Goodwill Is as

Bubba Gump's philanthropy aids not only sea turtles and disaster victims, but also hourly retention.

BY MARY BOLTZ
CHAPMAN



At Bubba Gump Shrimp Co., the decision to share time and money with charitable organizations is a no-brainer. Take the Lahaina, Hawaii, unit for example, which the San Clemente, Calif.-based company says is the busiest restaurant on Maui but is surrounded by many needy locals. “If we didn’t contribute, it would be ridiculous,” says President and CEO Scott Barnett. “We make a lot of money in that restaurant, and there’s a lot of need in that community.”

Bubba Gump will open this year in Hong Kong, Los Angeles, and Orlando and Fort Lauderdale, Fla. As did every restaurant so far, each will give half of its opening-day revenues to a local charity, which could amount to \$40,000 or \$50,000. Bubba Gump’s average unit volume is \$8 million.

After, the 15-unit, casual-dining chain encourages continuing that relationship and building others. It charges each unit’s marketing manager with keeping active in the community.

Local Heroes

But do such efforts affect unit employees? “If they’re inclined to be participative in community involvement personally, then I think they probably applaud what we do,” Barnett says. “If you’re not inclined, you just might look at it and say, ‘Yeah, that’s a good thing.’”

Director of Recruiting Holly Rocco is even more convinced. “We do think that our company’s community and charity involvement affect employee retention because our employees truly feel as if they are part of something bigger than them,” she says. “We are a company that really

To aid Hurricane Katrina victims, Bubba Gump President and CEO Scott Barnett (l.) cooked for a fund-raiser, while unit staff in Long Beach, Calif., hosted a radio broadcast and toy drive.



Goodwill Does

wants to do great things within the communities that we operate in, and to have such wonderful employees that also value the same thing is something really special. They feel that giving back is woven within our culture, and that is a huge reason why employees choose to stay with us."

Bubba Gump's hourly turnover is about 180 percent; executives point to the seasonality of many of its locations for the high figure. Management turnover is only 19 percent, and the company has lost only two general managers in the past six years.

How Can We Help?

Renee Bodenstab, marketing manager at the Long Beach, Calif., unit, says workers ask for ways to help out. "They're the ones that come up with the ideas. Last Christmas, the staff came to me and said, 'We want to do something for the community.'" Because the restaurant is located across from the Aquarium of the Pacific, the employees sponsored two classes of schoolchildren to go to the aquarium and take the educational tour before heading over to Bubba Gump for lunch. "The staff just had the best time hanging out with these kids," she adds.

Bodenstab says the aquarium offers a lot of opportunities for staff to participate, including an annual Sea Fair benefiting ocean conservation, which Bubba Gump sponsors, and fund-raising dinners for which the restaurant contributes food.

After Hurricane Katrina, the Long Beach unit hosted a KOST 103.5 radio broadcast to raise funds and support a toy drive. Unit employees served breakfast and helped prepare donations for My Stuff Bags, which distributes gym bags of toys and other goods for needy children, hurricane victims in this case. Bodenstab says the staff had a great time with the event.

She's not surprised because having fun and showing customers a good time is part of their job.

"The people that we hire are always willing," Bodenstab says. "They always want to volunteer. They don't have to, but they want to."

National Matters

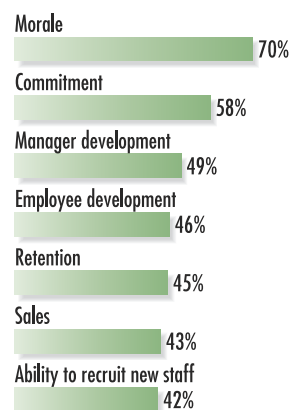
Giving doesn't only happen on the unit level. Companywide, Bubba Gump contributes to several charities. For example, in 1997 the company got involved with Sea Turtle Inc., a South Padre Island, Texas-based organization that protects Kemp's ridley sea turtles. Bubba Gump began by donating 2 cents per meal to the program. "It may not seem like a lot, but up to this point, we've probably given them close to half a million dollars," says Barnett, adding that the company expects to contribute about \$100,000 this year.

A recent effort helped Bubba Gump's own employees. After Hurricane Katrina, the company established a foundation to help the employees of the New Orleans unit, which finally reopened in December. Five days after the hurricane, employees found each of the 130 workers affected and gave them \$500. The rest of the almost \$250,000 raised was distributed over the next few weeks according to need.

"If you have a group of people who care about others, and they believe that being part of the community is important, whether you're a company or a person, that communicates itself among people," Barnett explains. "Hopefully that's what people believe here, that we're doing the right thing. That if we're involved in a community like New Orleans, that we aren't just there to operate a business and make profits, but we're involved in other ways, too." **CL**

INDUSTRY AT A GLANCE

Does participation in community service/philanthropy that involves unit-level hourly employees have a positive impact in your organization in the following ways?



Source: People Report 2005 Survey of Unit Level Employment Practices

SNAPSHOT

CONCEPT

Bubba Gump Shrimp Co.

HEADQUARTERS

San Clemente, Calif.

UNITS

15

2005

SYSTEMWIDE SALES

\$127 million

2006

SYSTEMWIDE SALES

\$150 million (company estimate)

AVERAGE

UNIT VOLUME

\$8 million

AVERAGE CHECK

\$12 lunch, \$18 dinner

EMPLOYEES

2,343

EXPANSION PLANS

4 in 2006



HUMAN CAPITAL

The Capital Grille invests a lot in its managers; the returns are high sales and happy hourlies. **BY MARY BOLTZ CHAPMAN**

SNAPSHOT

CONCEPT

The Capital Grille

PARENT COMPANY

Rare Hospitality,
Atlanta

UNITS

23

2005 SYSTEMWIDE SALES

\$165 million

AVERAGE UNIT VOLUME

\$7.5 million
to \$8 million

AVERAGE CHECK

\$30 lunch;
\$80 dinner

EMPLOYEES

About 1,900

EXPANSION PLANS

3 in 2006

Just your association with a restaurant of the caliber of The Capital Grille is highly beneficial to your career," it reads in the management-careers section of The Capital Grille's Web site. "But we ensure that your compensation and benefits package is handsomely rewarding, too."

John Martin, president of the 23-unit high-end steakhouse chain, says there are a lot of reasons that managers want to join the concept and why they stick around, including the company's culture and values, and the opportunities for training and advancement it offers. But he adds that compensation is a component. "We have high expectations of our people," Martin says. "We expect a lot, and we pay a lot."

Spread the Wealth

"A lot" could mean up to \$200,000 in

salary and bonus for managing partners, who have an equity stake in the business. "All of our managing partners and general managers make in excess of \$100,000," Martin says, and that's just base salary. Generally bonuses comprise between 10 percent and 40 percent of their pay.

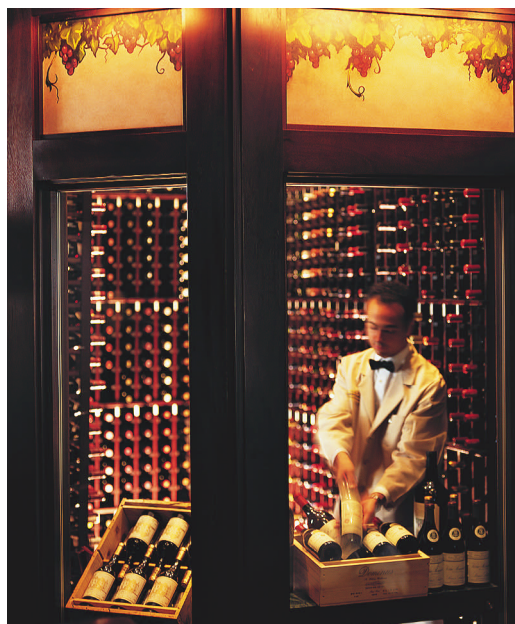
Managers' compensation is in the \$50,000 to \$100,000 range; 15 percent to 20 percent of that is their bonus. In the back of the house, sous chefs are paid under a similar structure. Executive chefs earn between \$75,000 and \$100,000. The Capital Grille plans to implement an equity-stake program for executive chefs this year.

The broad salary scale is partially due to the variations of cost of living in different locations, for example New York vs. Charlotte, N.C. But it also has to do with Capital Grille's bonus structure, which consists of just two components: sales and profitability. "We don't have moving targets," Martin says. "It's really straightforward, and it's really a function of those two things that they control. I've had people try to explain their bonus program to me, and I think, I should have studied calculus."

According to Martin, because the program is measurable, there aren't any surprises for the manager. "Our people have been very happy with the program, based on the low turnover that we have," he says.

Beyond the Paycheck

For the last few years, Capital Grille's management turnover has averaged less than 15 percent and close to 10 percent. Unit-level hourly turnover is in the low 40s. "The





Management at The Capital Grille can earn as much as \$200,000 with base salary and bonuses.

INDUSTRY AT A GLANCE

Salaries and bonuses paid during 2004:

	Average Base Salary	Average Total Compensation
Assistant manager	\$36,299	\$40,610
Assistant general manager	\$43,719	\$49,868
Kitchen manager	\$40,357	\$45,897
Executive chef	\$60,396	\$71,354
Sous chef	\$42,755	\$48,195
General manager	\$53,492	\$65,781

Source: People Report 2005 Survey of Unit Level Employment Practices

turnover rate of hourly speaks volumes to GM turnover," Martin says. "If you have high manager turnover, you tend to have high staff turnover. It's important to staff to have consistent management."

He adds that the low hourly turnover allows managers to concentrate on the customer and running a great business.

Capital Grille managers also appreciate a benefits plan that includes major medical, dental, life and disability insurance; paid vacation, holidays and personal days; a 401(k) plan; employee-assistance program; and tuition reimbursement. Benefits grow as tenure increases; for example, managers with 10 years of service or more receive money to use toward their vacation.

They also take advantage of the chain's training opportunities, and many benefit from the advancement opportunities that come with a growing concept, according to Martin, who himself began working as a server for Capital Grille founder Ned Grace at Hemenway's, which is also owned by Atlanta-based Rare Hospitality. Martin was one of the original managers when Capital Grille opened in 1990.

Capital Grille opened three units in 2005, and plans another three for this year. The chain's 2005 systemwide sales topped \$165 million. **CL**

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STAR Treatment

Brinker develops a new benefits package that rewards high-performing managers.

By MONICA ROGERS



SNAPSHOT

COMPANY

Brinker International

HEADQUARTERS

Dallas

UNITS

877 Chili's,
224 Romano's
Macaroni Grill,
121 On the Border,
37 Maggiano's
Little Italy

2005

SYSTEMWIDE SALES

\$3.9 billion

AVERAGE CHECK

Chili's \$12.59,
Romano's \$15.18,
On the Border
\$13.49,
Maggiano's \$26.60

EMPLOYEES

102,084

EXPANSION PLANS

672 new stores
by fiscal 2008

scars, schmoscars. For the 100,000-plus employees of Brinker International, the media event of 2006 is in December.

That's when the Dallas-based company will announce its first 5-Star Challenge top winner—the Brinker GM of the Year—in a ceremony broadcast live to 1,259 Brinker restaurants nationwide. The company chooses the winner from top performers across its four casual-dining concepts.

In that shining moment, all eyes will be on the general manager who produced the highest unit profit and sales. He or she will win \$25,000 in cash, tickets for a weeklong family vacation and the keys to a brand new car. And sharing in more than the excitement, hourly employees at the winning manager's restaurant will win a party and get to take home cash.

For Kelli Valade, vice president of people and performance at Brinker, the award ceremony will have special significance. It caps two years she and other members of the human-resources team spent analyzing and reorganizing compensation and benefits at Brinker. Unveiled this year, the new package rewards high-performing managers and offers benefits that managers said were most useful to them.

A new retirement plan tops the list. "Our managers told us that retirement benefits were important—a real and critical sign of stability for them and of their commitment to the long term at Brinker," Valade says.

The company poured \$5 million-plus

into taking its 401(k) to a new level. It has increased its match on employee contributions to 4 percent of total salary, up from 1.25 percent. General-manager conferences this year will include a "Planning for Your Future" component with financial experts educating managers about how to take advantage of participating in a company-sponsored 401(k) plan.

Cash and Prizes

Performance-based compensation is another big focus. In addition to the general-manager-of-the-year award, Brinker's 5-Star Challenge program rewards the top 5 percent of general managers across all Brinker concepts for performance against profits and sales goals. Prizes include a trip with spouses to Hawaii and a comp card good for free dining at all Brinker concepts for a year. Reaching that upper echelon also puts managers in the running for the GM-of-the-year award.

General managers also have a new long-term component to their compensation programs: granted restricted shares annually with a three-year vesting cycle attached. "If they are in position when the shares vest, there is big money for them at stake," Valade says. "We did it this way because we wanted to make sure the most important position in our operations—our front-line general managers—benefited."

Brinker has also enhanced wellness initiatives. "Today it's about emphasizing the whole person by offering both preventive

and maintenance programs,” Valade says. The company will soon offer employees access to WebMD, for example, an internet portal that includes everything from health-risk assessments to care history, resources and medical advice. Brinker is also expanding health-club reimbursements, once attached to fitness centers only, to cover pilates, yoga, support groups and other wellness options. And it added a work-life manager to its corporate ranks, “a newly created position to help us to continue to understand the value of flexibility at home and at work,” Valade says.

Questions and Answers

Communication has been key in shaping the new compensation and benefits program. “We followed the macro trend that says employees want and need to be able to evaluate the benefits offered to them, just like they do with any other purchase they make in life,” Valade says. To do that, she says benefits need to be easily explained and employees need to have multiple resources to help with making those decisions.

The benefits team totally overhauled the benefit-communication strategy. All printed matter explaining benefits is now branded with a fun “All About U” theme, written in short, easy-to-understand language, and enhanced with bright contemporary graphics and packaging. Smoothing the decision process, Brinker has toll-free third-party numbers employees can call, plus an in-house toll-free call center, and a company intranet site where all benefits are outlined.

And instead of having managers distribute benefits information to employees at the store, the company now mails materials to employees’ homes.

Throughout 2006, Valade will continue to collect feedback. “Since we changed so much this last year, our hope is to continue with education and keep things consistent so we can read the results now that the dust has settled,” she says.



DONATOS' NONTRADITIONAL BENEFITS FOCUS ON QUALITY OF LIFE

Like many in the restaurant industry, Todd Young used to burn the candle at both ends, didn't eat healthy, and got through the day on caffeine and nicotine.

Then Young, director of operations for the Indianapolis market of Donatos Pizza, participated in Full Engagement, a pilot wellness program the chain is testing to help managers perform better by addressing health from a whole-person perspective: physical, emotional, mental and spiritual. Coming through the program, Young says he has “more energy, better focus, sharper thinking and more emotional stability.”



And there's been a business boon as well. Young's district was one of two companywide that achieved Donatos' Gold Standard level of performance for sales increases, profitability, internal operations, guest feedback and, most notably, management turnover. “That decreased over 40 percent from 2004 to 2005,” says Young, a phenomenon he partially attributes to the “healthy relationships developed going through this program together.”

Chief People Officer Sandee Pritchard is not surprised. She says the program—one of Donatos' many nontraditional manager benefits—is its best effort yet in shaping a people-focused culture that creates results.

Now that the control group has completed the program, Donatos is trying to streamline the training so it can roll it out.

Other nontraditional benefits include employee-assistance plans, legal assistance, tuition reimbursements, car allowances, dining discounts, health-club memberships, domestic-partner benefits, adoption assistance and daycare flexible-spending accounts, some of which are available to hourly employees, too.

To remain cutting edge, Pritchard and team have created an advisory council to help them analyze all benefits. “We're looking at what we have, asking if it's what we should have, whether we're marketing things well enough and evaluating possibilities for new initiatives,” she says.

The company plans to market its employee-assistance program better and is looking into offering English-as-a-second-language classes and pet insurance. “But the key thing is trying to figure out how to reach out and touch individual needs, rather than just offer blanket benefits for the median group,” Pritchard says. “That's important to people.”

Early indications? “Our management turnover rates are at 24 percent and continuing to trend downward,” says Valade. “Measuring results of management reception to our enhanced 401(k), for the few groups that have seen this presentation thus far, the feedback has been extremely positive.”

And on the 5-Star Challenge incentive? “We are hearing great things about that, but until we actually give the award in front of thousands, we won't have fully realized that benefit,” she says. **cl**

Brinker hopes to improve management turnover with a new benefits package that includes an improved 401(k) program and restricted shares.



INDUSTRY AT A GLANCE

Does your company offer unit-level hourly employees health, dental and vision benefits? (Hourly turnover)



Source: People Report 2005 Survey of Unit Level Employment Practices

A menu of benefits for hourly workers helps Diedrich keep turnover down.

BY MONICA ROGERS

SNAPSHOT

CONCEPT

Diedrich Coffee

HEADQUARTERS

Irvine, Calif.

UNITS

65

2005

SYSTEMWIDE SALES

\$52 million

EMPLOYEES

107 managers,
740 hourly

EXPANSION PLANS

10 percent annual growth*

*Chain Leader estimate

Coffee Perks by the Hour

Having lots of benefits doesn't guarantee lower turnover, but as Irvine, Calif.-based Diedrich Coffee can attest, it sure helps. With an hourly turnover rate of 90 percent, the 65-unit coffee chain is well below industry average and believes good benefits are part of the reason.

"Hourly turnover has continued to fall over the last five years as we refined our work incentives to help us compete in a very aggressive labor pool," Vice President of Human Resources Matt Kimble says.

"Benefits are just one in a menu of reasons hourly workers choose to work with us," he says. "But the fact that we offer hourly team members full benefits and a paid vacation plan does set us apart from the competition."

Count the Ways

Diedrich just added paid vacation days for both part-time and full-time hourly positions this year.

The company also recently introduced a generous employee-referral bonus plan. After referring new hires, employees receive \$50 at the time of hire and another \$50 after 90 days. Anyone referring candidates viable for management positions gets even bigger perks: \$300 to \$600 at the time of hire and \$300 more 90 days later.

Keyed into employee desires, Diedrich's corporate discount programs allow employees to purchase products and services such as cell-phone plans, health clubs, pet insur-

ance and entertainment venue tickets at special prices. "The discounted entertainment tickets are especially popular," says Kimble. "We sell upwards of \$700 of those every month."

Keep in Touch

To stay current on benefits that employees want, Kimble says, "Our operations team is in stores every day talking to hourly team members. And our store managers are very helpful in conveying ideas and needs."

For example, stores wanted a way to celebrate employees' anniversaries. So the company created the Anniversary Mug plan, where workers are recognized in front of their team and customers and receive coffee mugs in honor of their anniversaries. "We have received many positive comments on that," Kimble says.

According to Kimble, hourly workers take advantage of the following benefits most: paid vacation days, holiday pay, discount programs, health insurance and the 401(k) program.

To get the word out about benefits, Diedrich communicates through the hiring process, district meetings and store managers as well as monthly fliers, e-mails and in-store posters. A detailed benefits manual explains all offerings, from health benefits to movie tickets.

"For many of our team members, this is their first job," Kimble says. "We set the bar high so that they will remember us as the best job they ever had." **CL**

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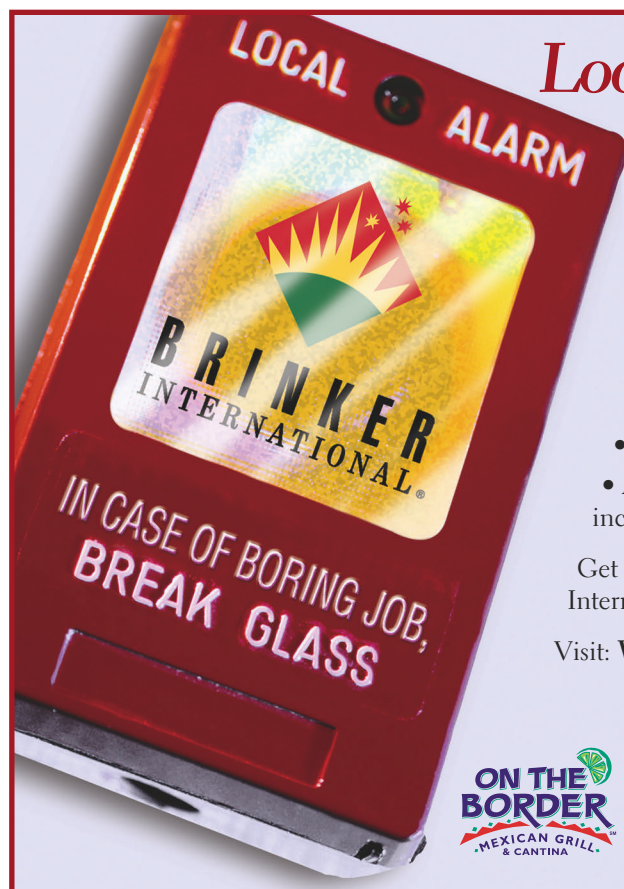
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