



2010 Award Recipient

K&N Management

K&N Management is the licensed Austin, Texas-area developer for Rudy's "Country Store" & Bar-B-Q and the creator of Mighty Fine Burgers, Fries and Shakes, two fast-casual restaurant concepts. Both feature walk-up counter service and a limited menu. The company's culture is based on quality and excellence; strong relationships with its customers, referred to as "guests"; and a vision "to become world famous by delighting one guest at a time." The company has more than 450 employees, referred to as "team members," in its workforce. K&N's revenue is approximately \$50 million.

High-Performance Sales and Profits

- In sales, K&N Management's restaurants significantly outperform local competitors and national chains. The Rudy's "Country Store" & Bar-B-Q restaurants increased average unit sales from just over \$3 million in 2000 to slightly more than \$7.5 million in 2010 (for food sales only). From its inception in 2007 through 2010, Mighty Fine Burgers, Fries and Shakes increased annual unit sales from just over \$2 million to more than \$3.5 million in 2010, triple the unit sales of its best competitor.
- Gross profit for Rudy's "Country Store" & Bar-B-Q has exceeded the industry standard of 40 percent in every year from 2001 to 2010, reaching nearly 47 percent in 2010. Mighty Fine Burgers, Fries and Shakes has exceeded the industry standard since 2008, with a gross profit of 44 percent in 2010.

Focus on 'Guest Delight' Yields Superior Customer Satisfaction

- K&N Management builds and maintains a focus on "guest delight," relying on innovation and technology to create product offerings that meet or exceed guest requirements. Guests can access store information and events via Web sites and social media, as well as through innovative approaches such as EyeClick, an interactive system at each Mighty Fine location. Feedback is collected with an iPad that administers short surveys around the main meal periods and uploads the information to a third-party host for aggregation. Takeout guests are directed to a Web-based survey.
- All leaders carry a personal digital assistant (PDA) that alerts them of guest comments and complaints, and daily performance results. An example of action driven by guest input via this system is the Rudy's breakfast taco program created in 2001. Other examples include "group meal" service pick-up pavilions, which were introduced in 2007, and "Jacuzzi" hand-wash machines now featured in all stores, which are favorites with guests.



Highlights

- In sales, K&N Management's restaurants significantly outperform local competitors and national chains.
- For both K&N restaurant concepts, guests rate their satisfaction with food quality, hospitality, cleanliness, speed of service, and value at least 4.7 on a 5-point scale, outperforming the best competitor. Overall guest satisfaction ratings are over 4.7 for both, also beating the best competitor.
- Over 95 percent of K&N Management team members report they are proud to work for the company. In 2010, the *Austin American-Statesman* named the firm "the best place to work in Austin."
- Since 2005, approximately 94 percent of strategic actions have been accomplished. Since the yearly focus strategic objective was deployed in 2001, 100 percent of the goals have been met.



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- For both K&N restaurant concepts, guests rate their satisfaction with food quality, hospitality, cleanliness, speed of service, and value at least 4.7 on a 5-point scale, outperforming the best competitor. Overall guest satisfaction ratings are over 4.7 for both restaurant concepts, compared to the best competitor's rating just over 4. Based on a 2010 survey, more than 97 percent of guests of Rudy's "Country Store" & Bar-B-Q and Mighty Fine Burgers, Fries and Shakes indicate that they will return to the restaurants.
- Ongoing listening and learning approaches are used to maintain a list of key guest requirements (KGRs) that are aligned with key business drivers. The company's performance against its KGRs is systematically measured and communicated throughout the workforce. Performance gaps and opportunities are funneled into appropriate planning approaches, ranging from problem solving to strategic planning.

Empowered, Proud Workforce Strives for Excellence

- K&N Management strives to retain its workforce by offering a comprehensive set of above-market benefits to team members who average at least 30 hours per week. For all categories of workers, turnover rates are lower than industry averages. For example, K&N Management's turnover rate for production workers is less than 50 percent, in contrast to the industry average of 85 percent. K&N Management's absentee rate is slightly more than 1 percent, compared to 5 percent for the best competitor and 3.5 percent for benchmarked organizations.
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- K&N Management's workforce performance management system, the People Process Excellence Model, establishes hiring, training and development, and performance improvement processes. These, along with defined work processes, foster team member engagement, provide an environment for high-quality service, and enable team members to consistently meet guest requirements.
- K&N holds all team members accountable for performance excellence, integrity, and ethical behavior through a defined governance process and a detailed system of checks and balances. Managers are held accountable for their actions through monthly performance feedback, annual performance scorecard reviews, and 360-degree assessments, while the owners receive annual performance feedback, coaching, and development through an outside executive coach. Fellow senior leaders serve as "accountability partners" to support and ensure that their peers effectively carry out their identified development actions. As a result, K&N has achieved zero legal and ethical breaches for the last 15 years and 100 percent fiscal compliance on audits with zero fiscal violations.

Service Isn't Just about Food

- K&N Management believes in giving back to its local communities of Austin and Round Rock, Texas, in a sustainable way, by encouraging team member volunteerism and streamlining charitable contributions.
- In 2010, K&N Management contributed over \$365,000 to charitable organizations, and team members volunteered more than 1,600 hours.
- In 2009, K&N Management added approximately 100 jobs to the greater Austin-area market.

Strategic Planning Key to Success

- As depicted in K&N Management's 2010 strategic plan, each of the organization's strategic objectives aligns with a core competency that corresponds to key business drivers and addresses strategic challenges and advantages. Measures, one-year and three-year goals, and available comparative data also align with strategies and strategic objectives. The 2010 strategic plan was organized around four key elements: operational excellence, yearly focus, growth and expansion, and convergent marketing.
- Since 2005, approximately 94 percent of strategic actions have been accomplished. Since the yearly focus strategic objective was deployed in 2001, 100 percent of the goals have been met.
- Over the last five years, K&N Management has deployed more than 200 processes to its stores.

For more information:

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Baldrige Performance Excellence Program

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