

TEXAS ROADHOUSE: ESTABLISHING A LEGENDARY CULTURE

The benefits of creating a culture focused on appreciation and celebration

Claiming the status of legendary is a bold move for any organization. But being bold has never been a problem for Texas Roadhouse. For this \$1.2 billion*, 325-unit restaurant chain the words “Legendary Food. Legendary Service.” are less mission statement and more sincere commitment to employees, customers, and culture.

Texas Roadhouse founder Kent Taylor opened the doors on his first restaurant in 1993 with a people first philosophy. His focus on employee happiness was a departure from the conventional management wisdom at a time when competitors were focused solely on taking care of the guest.

“During my time at other restaurant chains I did a lot of contests and other fun things to get my employees excited about coming to work, but I always got in trouble for it,” says Taylor. “I always said that if I ever got the chance to open my own restaurant I was going to focus on fun. The biggest compliment I get when I talk to people coming out of our stores is not that they had great food or great service, but that they had fun. And it takes great employees to deliver an experience like that.”

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Today, Texas Roadhouse leaders rely on fun with purpose to promote the company's culture and set the restaurant apart in an industry crowded with competitors. Texas Roadhouse-style fun, however, has also developed into something more strategic.

COMMUNICATING CULTURE

Eight years ago the company took inventory of its many, varied incentive programs. Each focused on motivating and rewarding achievement throughout different parts of the business. Awards for meat cutters, bartenders, line dancers, national promotions and other contests combined for a line-up of recognition that was impressive, but disconnected.

"We began to realize we could create an exponentially better experience for our people by tying our programs together under one branded effort," says Dave Dodson, communications director and recognition program director for Texas Roadhouse. "With O.C. Tanner's help we created one brand for our recognition system. Now every program from early recognition to performance awards and national promotions fits under the "Legendary" theme in one easy to understand package. This move brought greater focus and simplified execution to our restaurants across the country."

Most recently, Texas Roadhouse added a program focused on appreciating years of service known as Living Legends to its family of recognition programs.

"Service recognition is the program that's really taking off because it triggers recognition for managers and employees," says Dodson. "The goal is to really reach out across our system and make sure we're digging in as deep as we can. Our success depends on our culture. And recognizing and celebrating our people promotes that culture. If we hire and retain the best talent, our guests will be drawn to that and we will continue to be successful."

If loyal guests are the true barometer of a thriving restaurant culture, Texas Roadhouse is an industry model. The company reports 70 percent of revenue is derived from guests who eat with Texas Roadhouse more than twice a month. And those guests that are not yet considered loyal intend to become so—the restaurant reports an 89 percent intent to return rate among first-time guests.

CONSCIOUS CULTURE

Investing in recognition doesn't stop with creating programs at Texas Roadhouse.

"We train both management and employees across the board," says Lisa Dwelly, director of employee development. "It's not just about the specs and the procedures—how to cut a legendary steak and how to make legendary green beans, but it's also training that focuses on the Texas Roadhouse culture and what this company is all about. We know our guests come visit Texas Roadhouse because it is such a fun exciting environment, so we train our management and our staff how to show that on a daily basis."

Taylor says training is critical for managers and employees to really understand the importance of culture to the business.

“You have to formalize the recognition when you get to this size because you can’t go into every store and try to get people to get it,” says founder Taylor. “Usually when we have people that come into our system, it takes about one to two years for them to get it, and that’s at all levels.”

Dodson and other key recognition strategists make regular trips to O.C. Tanner’s Carrot Culture workshops at company headquarters in Salt Lake City, Utah.

“We’ve been involved in developing recognition in our company for many years, but it doesn’t mean we’re experts,” says Dodson. “Carrot Culture training really helps us to take our internal training to the next level. The training always focuses on the best, most recent information including new studies and best practices. And it’s at that point you know the results organizations are generating through smart recognition programs are not just ideas. And that’s exciting.”

IN DEFENSE OF RECOGNITION

Paying attention to culture. Recognizing achievement. Celebrating like family. It’s an approach that recently earned Texas Roadhouse extra attention from the Wall Street press.

Texas Roadhouse CEO G.J. Hart was recently invited on air by CNBC to discuss the company’s decision to continue recognition practices in 2009 at its annual conference. While the media was looking to back Hart into a corner for using company resources to celebrate in a time of rampant economic cutbacks by most corporations, Hart used the opportunity to create a rallying cry for Texas Roadhouse employees.

“The whole interview was pretty incredible. Not only did G.J. not apologize for celebrating his people’s accomplishments, he said he wasn’t sure it was enough. It’s an honor to be a part of a company that’s so committed to taking care of its people – especially now,” says service manager Wendy Ennis, Clarksville, IN. “At a time when most companies are saying, ‘Don’t love your people very much, don’t do anything extra, just tighten the belt as much as you can,’ it’s almost as if our leadership does just the opposite. The message we get is, ‘Take care of your people especially right now. Love your guests especially right now. Take care of your community especially right now.’ And you know what? The guests tell us they can feel it too and they love it.”

Managing Partner Dave Palazzo, Clarksville, IN, agrees.

“I think so many people are so worried about doing the right thing anymore, and I believe everybody in our company knows if you always do the right thing in your heart, you’re going to end up on the upside in the end. Just like giving back to our employees day in and day out,” says Palazzo.

CONSISTENT GROWTH

By continually engaging employees through a focused platform of consistent appreciation, Texas Roadhouse has inspired employee performance, customer loyalty, and decreased employee turnover; all of which contribute to better business results.

“Turnover is now 30 percent lower than it was a year ago,” says Dodson. “Our goal is for each store to be under 90 percent. Today, we have 132 stores under 90 percent, that’s more than nine times as many as we had just two years ago.”

Although that number may seem high to leaders outside the restaurant industry Dodson says creating the right kind of turnover is a concept every leader can appreciate.

“Turnover is simply an aspect of doing business in our industry. We primarily hire part time employees and we know they are going to move on,” says Dodson. “The goal for us is to make sure they leave with a good taste in their mouth. That they return as customers. That they become our biggest fans. If they do that then that is the right kind of turnover.”

Other company metrics also speak to the success of the Texas Roadhouse’s approach to cultivating culture. In 2009:

- » Second quarter earnings rose 31.2 percent and beat analyst estimates by 4 cents a share
- » The company expects diluted earnings per share to rise between 5 percent and 10 percent from a year ago
- » YTD stock up 15.9%; up 47.1% since 12/30/08

“Why create a culture, when you can create a movement?” says Dodson. “We want to create a movement that our employees and our customers can really engage in. Being smart about showing our appreciation in as many ways, for as many results as we can think of, will help create that movement.”

For CEO G.J. Hart the secret to Texas Roadhouse’s success is no secret at all.

“For the life of me I don’t understand why if you claim your people are your biggest asset, and in our case it’s such a people intense business, then how can you not invest in them and expect a return?” says Hart. “It’s a pretty simple equation that so many people just don’t understand. And when you get tested on those challenges and those beliefs is when people really pay attention. Employees have very long memories. I’ll invest in our people til the day I die and that’s hopefully why we will continue to be successful.”

For more information on engaging your workforce and achieving key results by recognizing great work, visit octanner.com.

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It all began when Texas Roadhouse founder, Kent Taylor, had a vision of great steaks, killer ribs and ice-cold beer at a price that families across America could afford. Currently, Texas Roadhouse has nearly 40,000 employees operating 325 restaurants in 44 states and plans to open many new locations.

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