

PAL'S SUDDEN SERVICE
PREFACE: ORGANIZATIONAL PROFILE

Pal's Sudden Service is a regional quick-service restaurant (QSR) company that successfully competes directly with world-renowned, world-class global companies by having seamless deployment of market-driven business objectives and an engaged workforce and leadership sharply in tune with customer preferences and organizational needs.

P.1 ORGANIZATIONAL DESCRIPTION

P.1a ORGANIZATIONAL ENVIRONMENT

P.1a (1) Pal's product line consists of a focused group of food and beverage items with a unique flavor profile designed to meet our customers' taste requirements. Our core menu consists of

- **Big Pal** – a 1/3 lb. all-beef hamburger;
- **Hot Dog** – an all-meat wiener featuring our meaty chili;
- **Chipped Ham** – a heated deli-styled sandwich made with 96% fat-free ham;
- **Big Chicken** – a heated deli-styled sandwich made with 96% fat-free chicken breast;
- **Frenchie Fries** – extra-long fancy shoestring fries sprinkled with a spicy seasoned salt;
- **Beverages** – milkshakes, freshly brewed iced tea, (32-ounce portions) and soft drinks; and
- **Breakfast** – biscuits with country ham, sausage, and gravy.

Mission Statement
Delight customers in a way that creates loyalty.

Figure P.1-1 Pal's Mission Statement

Pal's, founded in 1956, is a privately owned company operating 20 quick-service restaurants. The company maintained two walk-up stores until 1985, when, based on listening to customer needs and benchmarking successful restaurants nationwide, Pal's first drive-thru-only location was opened. The new drive-thru facility design was developed to provide a low start-up cost, an ultra-efficient operating process capable of selling the highest-quality hamburgers and hot dogs at competitive prices, and even quicker (more sudden) service times than ever before. Additionally, Pal's stores feature a better-trained staff dressed in a crisp uniform and a leadership system based on the principles of Performance Excellence.

Vision Statement
To be the preferred quick-service restaurant in our market
by providing:

- The quickest, friendliest, most accurate service available;
- An experience that delights customers;
- Daily excellence in our products, services, and systems execution;
- Clean, organized and sanitary facilities;
- Exceptional value; and
- Training and motivation to engage all employees.

Figure P.1-2 Pal's Vision Statement

Pal's consists of the combination of manufacturing, service, and retail components all rolled into a single business operation. The manufacturing plant feeds raw materials into scheduled processing, assembly, and packaging steps to produce food items ready for consumption. The service component receives and fills customized orders in a responsive, friendly, timely, and accurate manner. The retail component provides a carefully designed, displayed, and priced menu of items for direct sale to buyers. Arriving unannounced and at random times, the customers expect immediate availability of food products for which they make customized requests.

Pal's has developed the ability to effectively integrate the combination of manufacturing, service, and retail into its operational systems and has learned to apply to it world-class management principles and best-in-class processes that other companies emulate.

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Values

POSITIVE ENERGY

We will nurture a positive atmosphere and mutual trust and respect among all employees, customers, suppliers, and other stakeholders.

HONESTY AND TRUTHFULNESS

We will be honest and truthful in all relationships respecting and relying on each other. Our decisions and behaviors will be legally, morally, and ethically correct at all times.

TEAMWORK

Engage all employees by providing the right training, seeking their creative input, and empowering them to be in a state of self-control.

CITIZENSHIP

Through our best effort and consideration, we will work to protect public health, safety, and the environment. We will actively look for ways to help our communities grow, prosper, and become better and stronger

GOLDEN RULE

We will always do unto others as we would have them do unto us.

Figure P.1-3 Pal's Values

P.1a (2) The culture at Pal's guides employee behaviors through a set of clear values, beliefs, and expectations defined by our Mission Statement, Vision Statement, and Values. These strategic components are communicated to all levels of the organization and to all stakeholders for review, understanding, interpretation, and feedback.

P.1a (3) Pal's has 650+ employees. Within Pal's organizational structure, our people are classified into four groups:

- General Staff (Process Management Teams)
- Assistant Managers
- Store Owners/Operators
- Senior Leaders (Chairman, President/CEO)

Ninety-six percent of our staff work in direct production and service roles with the remaining four percent performing management and indirect functions to support the main

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production staff. The diversity and education levels of our employees vary according to job function, with our staff closely following the minority demographics of our region.

The majority of our general staff and hourly managers range in age from 16 to 32 years. They typically view their jobs at Pal's as an entry into the job market providing a first step toward a long-term career in another industry.

The primary safety concerns in our business are injuries to employees from cuts, burns, falls, and improper lifting.

P.1a (4) In the quick-service restaurant business, the facilities and equipment must be capable, reliable, and sanitary. Our drive-thru facility at Pal's has been designed to be efficient and effective. The equipment, facilities, and technologies that Pal's uses to meet customer needs are components that have been determined to serve the manufacturing, service, and retail needs by our staff through ongoing use of our benchmarking, innovation, and product/service/process introduction processes.

P.1a (5) Cleanliness and sanitation, safety, waste disposal, and labor practices at Pal's are regulated by a variety of local, state, and federal agencies. We are regulated locally by fire, building, and waste disposal codes; at the state level by health, labor, and workers' compensation requirements; and federally by OSHA, EPA, and wage-and-hour laws. Of particular concern to our customers are the state health department requirements for sanitation and safe food handling practices. The stringent food-related regulations, inspections, and public scoring have been seized at Pal's as a positive opportunity to distinguish ourselves from the competition. Annual state health inspection scores, which are published in the local newspapers for all restaurants, have clearly established Pal's as the cleanest, safest, and most sanitary food provider in our markets.

	General Staff	Assistant Managers	Operators and Sr. Executives
Gender:			
Male	34%	33%	87%
Female	66%	67%	13%
Education:			
Attending H.S.	43%		
H.S. Diploma	32%	49%	
Some College	21%	35%	35%
College Degree	4%	16%	65%

Figure P.1-4 Pal's Employee Base Profile

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P.1b ORGANIZATIONAL RELATIONSHIPS

P.1b (1) Pal's is a privately held company with four levels of organizational structure: senior leadership, store leadership, assistant manager, and staff. We actively teach and encourage behaviors and decision making that are legally, morally, and ethically correct. Pal's also actively encourages the reporting of wrong or possible wrong actions through our open communications and our electronic governance reporting system, HERO (Help Excellence Report Out-of-bounds behaviors).

Key Business Drivers

- Quality
- Hospitality
- Speed
- Accuracy
- Cleanliness
- Value
- People

Figure P.1-5 Pal's Key Business Drivers (KBDs)

P.1b (2) Pal's overall target market consists primarily of eleven small to midsize cities in the geographical area of Northeast Tennessee and Southwest Virginia. The customer base consists of people from the market area who work and live in our target market.

At Pal's we have performed extensive market research to pinpoint customer requirements: convenience, ease of ingress and egress, easy-to-read menu, simple accurate order system, fast service, wholesome food, and reasonable price.

Each requirement is linked to clearly defined operational processes, procedures, and systems that are continually monitored to ensure that we are meeting customer requirements. We maintain ongoing communications links to our customers so that we can listen to how well they think we are meeting their needs, and we also listen to learn if customer needs are changing or if new needs have arisen.

P.1b (3) Pal's has five key suppliers that provide the majority of our raw materials. Focusing our supplier base on just five key vendors has reduced product variability and allowed us to develop a more positive relationship with each supplier with whom we have established long-term, mutually beneficial partnerships.

P.1b (4) Pal's establishes long-term relations with our key suppliers and business partners. Communication is designed around the principle of open, honest dialogue and data sharing. The key mechanisms are regular e-mail contact, phone calls, and scheduled meetings and reviews.

P.2 ORGANIZATIONAL CHALLENGES

P.2a COMPETITIVE ENVIRONMENT

P.2a (1) Pal's competes in a regional market with company- and franchise-run locations of major national fast-food chains plus other regional chains. We compete directly with six major QSR chains.

P.2a (2) The principal competitive factors that determine Pal's success in our market are:

- Food quality
- Service speed
- Total customer experience
- Food and labor cost
- Pricing
- Staff turnover

These factors have been identified by the Leadership Team; linked to Key Business Drivers; and supported by aligning strategies, action plans, development and training, processes and measures. We use the Malcolm Baldrige Criteria for Performance Excellence to assess our Business Excellence Process and determine gaps in our alignment and performance. We reliably achieve our planned results.

Currently at Pal's, we are concerned with a tight labor market in our service area, escalating real estate cost, new market competition, and higher prices in core food cost. In addition, changes in competitor offerings and customer demands affect our competitiveness.

P.2a (3) Pal's has access to a wide range of sources for comparative and competitive data. Data representing the QSR sector on a national basis is published in several trade magazines. The same magazines also publish individual company data. There are opportunities to participate in national surveys and have access to the results. Aggregated company data is assimilated from annual reports from public companies.

The most accurate competitive data comes from a data benchmark exchange. This exchange was established in Kingsport and now includes participants from as far away as Ohio and Florida.

P.2b STRATEGIC CHALLENGES

The four key strategic challenges faced by Pal's are shown below, along with our main objectives:

- Compete directly with much larger national chains that have national reputations and much larger marketing budgets (Operational).
- Operate with a tight labor market (People Resource Management).
- Maintain and grow market share even as new competition comes into the market (Sustainability).
- Increase net profit margins as core raw costs are increasing.

Pal's Sudden Service enjoys such a high level of market acceptance that we receive hundreds of franchise requests each year. We are careful not to grow larger and faster than the ability of our leadership system to adequately implement, monitor, and control the Pal's Business Excellence Process. Managed growth to ensure that each new Pal's location has strong, healthy performance and results and is tightly aligned with our culture, Values, Mission, and Vision is crucial to our long-term sustainability.

P.2c PERFORMANCE IMPROVEMENT SYSTEM

Pal's has created an environment that promotes continual improvement. Pal's leadership supports this environment by being a role model for its systematic evaluation and improvement processes. Because of the management-led and organization-wide focus on continual improvement, major results are improving. Some key processes that support systematic evaluation and improvement are

- Business Excellence Process;
- Communication/Feedback Process;
- Systematic Evaluation and Improvement Step (within all major processes);
- Strategic Planning Process;
- Product/Service/Process Introduction Process;
- Benchmarking Process;
- SimpleExcellence® Improvement Process;
- Business Excellence Institute; and
- Employee engagement in helping to drive plans, improvements, and success at Pal's.

Best practices are routinely identified, verified, standardized, and appropriately replicated throughout all the Pal's stores in a rapid and effective manner. Pal's Balanced Scorecard measures all the Key Business Drivers. It is a focused guide for improvement efforts ensuring improvements to KBDs are effective and sustainable. In addition, facts and data are the basis for

Pal's systematic evaluation and improvement processes. Organizational learning, employee development, and continually improving results are basic characteristics of the Pal's culture.