

set, the outlook, the point of view, required to achieve something extraordinary in highly competitive fields, whether it's the business of filling stadiums with music fans or the challenge of building organizations that will thrive, not just survive, in a turbulent world. As a company or as an individual, the goal is no longer to be the best at what lots of other people do. It's to be the only one who does what you do. That is, to approach your work, your company, your style of leadership, as a missionary rather than a mercenary.

## **“IF WE CHASE PERFECTION WE CAN CATCH EXCELLENCE” —EXTRAORDINARY PERFORMANCE IN ORDINARY SETTINGS**

In his three-plus decades as a venture capitalist, John Doerr has funded some of the best-known business missionaries in some of the world's most advanced and dynamic fields, from life sciences to ecommerce to mobile apps. But Doerr's critical distinction doesn't just apply to high-flying, world-shaking innovators based in San Francisco or Seattle. The virtues of missionaries over mercenaries, the impact of passion as opposed to drive, apply to fields with none of the star power of smartphone technology or the cultural cachet of social media. That is one of the messages at the heart of this book: You don't have to be in a cutting-edge business to develop some edgy ideas on how to compete and win.

Are you hungry for evidence that it is possible to do extraordinary things in some pretty ordinary settings? Then head to Kingsport, Tennessee, pull into Pal's Sudden Service, and order a Sauce

## SIMPLY BRILLIANT

large Frenchie Fries (yes, I got that right), and a sweet tea, the most popular item on the menu. You'll leave with a mouthwatering (if highly caloric) meal, plenty of time to eat it, and lots of food for thought about the big lessons this small company has to offer. Over the years I've come to appreciate that you often discover the most amazing ideas in the most unexpected places. Pal's is one of those places. What you learn here will stick to your ribs, and feed your appetite to learn more.

At first blush, there's nothing all that amazing about Pal's Sudden Service. It has twenty-eight locations in northeast Tennessee and southwest Virginia, all within an eighty-mile radius of its home base in Kingsport, in what's known as the Mountain Empire region, nestled between the Appalachians and the Great Smoky Mountains. It sells hamburgers, hot dogs, chicken sandwiches, fries, shakes—pretty much standard fast-food offerings, although the taste and quality have a well-deserved reputation for excellence. (Having sampled the fare, I still get the occasional craving for the Frenchie Fries, which are truly without peer.) Dig deeper, though, and you begin to appreciate that nothing about Pal's is standard for its business—or any business.

What makes the company so special? Most obvious is its fanatical devotion to speed and accuracy. Pal's does not offer sit-down service inside its restaurants. Instead, customers pull up to a window, place their orders face-to-face with an employee (no scratchy loudspeakers), pull around to the other side of the facility, take their bag, and drive off. All this happens at a lightning pace—an average of eighteen seconds at the drive-up window to place an order, an average of twelve seconds at the handout window to receive the order. That's *four times faster* than the second-fastest

## WHY MISSIONARIES BEAT MERCENARIES

quick-serve restaurant in the country, which requires more than a minute on average to take an order. (Hence the name, by the way. When Fred “Pal” Barger founded the company decades ago, he wanted to communicate that his outfit would dramatically outperform traditional fast food. What’s faster than fast? *Sudden* service. The company’s slogan: “Great food in a flash.”)

But Pal’s is not just absurdly fast—sorry, sudden. It is also staggeringly accurate. You can imagine the opportunities for error as cars filled with bickering families, rowdy teenagers, or frazzled businesspeople zip through the double-drive-through stations in fewer than twenty seconds. (“I said Sausage Biscuit, not Gravy Biscuit”; “I wanted a Double Big Pal, not a Double Big Pal with cheese.”) Yet Pal’s makes a mistake only once in every thirty-six hundred orders. That’s *ten times better* than the average fast-food joint, a level of near perfection that is without peer in the business. Indeed, one reason customers pull away from the handout window in twelve seconds or fewer is that almost none of them bother to check their orders before they drive off. It is the universal mantra of the Pal’s experience: “We don’t look in the bag because we know it’s right.” Says David Jones, an instructor at the Pal’s Business Excellence Institute (more on that later): “It is not acceptable to us that a customer gets his or her order wrong—*ever*. There is a huge difference between doing it right most of the time and all of the time. We expect all of the time.”<sup>6</sup>

Don’t get the wrong idea. Pal’s is not some sort of robotic assembly line churning out orders quickly, accurately, and colorlessly. There is a real sense of whimsy about the restaurants. Their vivid blue exteriors and stair-stepped designs feature giant statues of burgers, hot dogs, fries, and a drink cup. When I pulled up for the

## SIMPLY BRILLIANT

first time, I couldn't resist the urge to park the car, jump out, and persuade someone to snap a photo of me in front of the place. (Sadly, my selfie skills are not exactly world-class.) A huge sign outside each location displays a new **THOUGHT OF THE DAY** every day, and these gems of insight and inspiration ("Chase Your Dream," "Wave at a Policeman") get posted to the company's Web site and Facebook page. The menu is limited and pretty fixed, the better to deliver speed and accuracy. But Pal's also spices up its menu with goofy-sounding limited-time offers, like the Bar-B-Dog (pulled pork on a hot dog bun) and the self-explanatory Lil' Philly Steak Melt. Hard-core customers also know that there are a bunch of "secret" menu items that represent strange and offbeat variations on the formal offerings but never appear in public.

The result of this relentless efficiency and colorful personality—a true lighthouse identity, to use Adam Morgan's phrase—is a level of customer loyalty that is off the charts for the quick-serve field. One trade magazine claimed that Pal's is "loved with cult-like ardor" in the places it operates, and it's no exaggeration. Pal's customers visit its restaurants an average of three times per week. McDonald's customers, by comparison, visit its restaurants an average of three times per month. I make no claims about the health consequences of all this repeat business, but the financial consequences are clear. An individual Pal's location, which requires only 1,100 square feet of space, generates a staggering \$2 million of annual revenue, a sales-per-square-foot performance (\$1,800) that is the envy of just about any fast-food restaurant in America. (The typical McDonald's location generates less than \$650 of annual sales per square foot.)

These facts and figures speak only to bottom-line results.

## WHY MISSIONARIES BEAT MERCENARIES

What's truly intriguing about Pal's, though, is the level of intelligence and intensity with which it approaches everything it does—how it hires, how it trains, how it shares its ideas with other companies eager to learn from its success. Despite the rather humble field in which it operates, Pal's Sudden Service ranks among the most committed, the most reflective, and the most *intellectual* companies I have encountered. But don't take my word for it. Back in 2001, Pal's became the first restaurant company of any kind to win the prestigious Malcolm Baldrige National Quality Award—an award that's been won over the years by Cadillac, FedEx, and Ritz-Carlton. Since then, only one other restaurant company has won a Baldrige—and that company, it would be the first to admit, learned everything it knows by studying Pal's.

“If you watch professional athletes, everything they do looks so smooth and fluid,” says Thomas Crosby, who joined Pal's in 1981 and became CEO in 1999. “But eventually you realize how much work went into that performance, all the training, all the skill building, all the hours. It's the same for us. We are known for speed, but there are no timers in any of our restaurants. We are very particular about process design, quality, hiring, and training. We home in on the key elements of the customer experience, the things we can be great at, and work on them until everyone can be smooth and fluid. Speed is the outcome, but it's not the point of the exercise.”

So what *is* the point of the exercise, the big-picture mission that drives this quick-serve outfit and allows it to connect so personally with customers who never sit down inside its locations and have interactions with frontline employees that, by design, last for only a matter of seconds? “Customers don't come here to spend time

## SIMPLY BRILLIANT

with us,” Crosby replies. “They want us to make their lives a little easier. They’re in such a hurry, they have so much else to do, we help them get on with their lives. And we treat them like adults—there’s no ‘suggested selling,’ no ‘Would you like a drink with that?’ Our customers know what they want, they don’t need us to suggest extras. So we give you back your time. And we give you the confidence that when we hand you that bag, everything is just as you asked for it. You hit the accelerator and you’re on your way.”

It’s hard to capture just how much careful thought Pal’s applies to the seemingly mundane task of making burgers and fries quickly and well, or just how personally Thom Crosby and his colleagues take their work. But here’s a little taste of how the company runs. Pal’s twenty-eight locations employ roughly 1,020 workers, 90 percent of whom are part time, 40 percent of whom are between the ages of sixteen and eighteen. The company has developed and fine-tuned a screening system to evaluate candidates from this notoriously hard-to-manage demographic—a sixty-point psychometric survey, based on the attitudes and attributes of Pal’s star performers, that does an uncanny job of predicting who is most likely to succeed at the company. Among the agree–disagree statements: “For the most part, I am happy with myself”; “I think it is best to trust people you have just met”; “Raising your voice may be one way to get someone to accept your point of view.”

Once Pal’s selects its candidates, it immerses them in massive amounts of training and retraining, certification and recertification. New employees get 120 hours of training before they are allowed to work on their own, and must be certified in each of the jobs they do: grilling burgers, making fries, mixing shakes, taking orders. (Most employees are certified in as many as eight different

## WHY MISSIONARIES BEAT MERCENARIES

jobs, although some specialize in just one or two.) Then, every day on every shift in every restaurant, a computer randomly generates the names of two to four employees to be recertified in one of their jobs—pop quizzes, if you will. They take a quick test, see whether they pass, and if they fail, they get retrained for that job before they can do it again. (The average employee gets two or three pop quizzes per month.) The goal is for everyone at the company to be so good at what he or she does, to stay at the top of their game throughout their tenure at Pal's, that the company operates at what it calls the Triple 100—100 percent execution 100 percent of the time, even when restaurants are operating at 100 percent of capacity.

It's like that maxim from legendary football coach Vince Lombardi: "Perfection is not attainable, but if we chase perfection we can catch excellence." CEO Thom Crosby puts it slightly differently: "We believe in certification over graduation," he explains. "We train you, we graduate you—that's when most companies stop. But people go out of calibration just like machines go out of calibration. So we are always training, always teaching, always coaching." Importantly, Crosby adds, most of that coaching is built around positive reinforcement for superior behavior, "catching people in the act of doing it right." At Pal's, "If people aren't doing something right, that's not a problem with them, it's a problem with the training. We are cheerleaders for success. But if you want people to succeed, you have to be willing to teach them. So we have formalized a teaching culture. We teach and coach every day."

To be honest, my going-in assumption was that Pal's rigorous screening of its applicants, the hours and hours of training it requires, and its never-ending commitment to certification and recertification would make for a workforce that is uptight, stressed-out,

## SIMPLY BRILLIANT

anxious about screwing up and suffering the consequences. In fact, just the opposite is true. When I spent time behind the counter, in the kitchen, and in the storage rooms, I was struck by how calm, methodical, and even-keeled the atmosphere was—the opposite of Lucy and Ethel on the chocolate-candy assembly line. The system is so carefully designed, and everyone in the restaurant so well trained, that the operation can be fast without being furious, relentless without being joyless.

The result of this culture is that employees at Pal's show the same sense of loyalty as its customers. Turnover numbers are absurdly low. In thirty-three years of operation, only seven general managers (the people who run individual locations) have left the company voluntarily. Seven! Annual turnover among assistant managers is 1.4 percent, vanishingly low for a field where people jump from company to company and often exit the industry altogether. Even among frontline employees, the part-timers and high schoolers who can be so tough for most organizations to rely on, turnover is one third the industry average. "People ask me, 'What if you spend all this time and money on training and someone leaves?'" Crosby says. "I ask them, 'What if we don't spend the time and money, and they stay?'"

Crosby takes his teaching responsibilities seriously—and personally. For example, Pal's has assembled a master reading list for all the leaders in the company, twenty-one books that range from timeless classics by Machiavelli (*The Prince*), Sun Tzu (*The Art of War*), Dale Carnegie (*How to Win Friends and Influence People*), and Max De Pree (*Leadership Is an Art*) to highly technical tomes on quality, lean management, and day-to-day execution. Crosby runs



## WHY MISSIONARIES BEAT MERCENARIES

a book club to delve into the material. Every other Monday, he invites five managers from different locations to discuss one of the books on the master list. “All five of them have to read the book and give a presentation,” he says. “Here’s what I learned, here’s how it applies to Pal’s, here’s what I am committing to change, here’s how I am helping people in my operation grasp the concepts and put them to work.”

Meanwhile, every day, he identifies at least one subject he will teach to one person in the company. Actually, that’s a requirement for all leaders at Pal’s, who are expected to spend 10 percent of their time on teaching, and to identify a target subject and a target student every day. On the day I visited, Crosby had three teaching sessions on his schedule. The first was about personal productivity: “When is a job really done? You spend time on something, you ‘finish’ it, but the fringes are not wrapped up tight. So is it done?” The second was about the creative side of the business: “I talked with someone about what we call the ‘chef’s mentality.’ We spend lots of time on process. But we are in the food business, so we have to think like chefs.” The third was a classic management topic, working with a store leader on the sales-forecasting system. “You need to make these formal teaching commitments,” Crosby says. “If you teach valuable subjects to the right people, you move the needle as a brand and as a business.”

This teaching mentality is so ingrained in the Pal’s culture that it has become the primary regulator of the company’s growth strategy—which, for all its success and acclaim, is much more modest than it could be. Over the last ten years or so, quick-serve joints with a sense of style (think In-N-Out Burger on the West

## SIMPLY BRILLIANT

Coast or Danny Meyer's Shake Shack on the East Coast) have exploded into the public consciousness and become a mouthwatering destination for investors. (Shake Shack's IPO in January 2015 valued the sixty-three-restaurant company at more than \$1 billion.) Given that Pal's is so wildly popular among its customers, and such an icon in its region, it could be racing to add new locations, even new parts of the country, much faster than it has. So why, I asked CEO Thom Crosby, has the company been so restrained in its growth trajectory?

"We could grow faster, and there will be some acceleration as we get bigger," he replied. "But we are very conservative. The thing to us about size, where we see so many others get it wrong, is that they believe growth is about real estate and financial resources. Growth for us is about people and leadership development. Our concept is, let's develop a leader until they push us to a point where we say, 'We can't *not* build a store for you, because you're such a superstar.' Growth is not just about markets or demographics. It's people ahead of everything else."

Even as Crosby and his colleagues are fanatical about the teaching mentality inside Pal's, it informs their relationship with the outside world as well. Over time, as the company's management prowess became the stuff of legend in certain business circles, especially after the Baldrige Award, more and more executives asked to see for themselves what the fuss was about. So Pal's decided to create an institution to teach other companies to do what it has done—not how to make a Big Chicken or a Toasted Cheese, but how to strive for extraordinary in a world with far too much ordinary. Every month, sometimes twice a month, the Pal's Business Excellence Institute convenes a two-day master class in

## WHY MISSIONARIES BEAT MERCENARIES

Kingsport on the ideas, systems, metrics, and techniques behind the company's enormous success. These classes, which sell out weeks in advance, attract students from a diverse set of fields and professional backgrounds.

The session I attended included visitors from hospitality companies, manufacturers, the construction business, a ballet troupe, a public-school system, and, of course, several quick-serve outfits. For many of the organizations in the room, this was the second, third, even fourth time they'd sent staff members to study the Pal's business model. Like the company's restaurants, the Pal's Business Excellence Institute "is kind of a cult," one attendee joked to me. And if not a cult, at least a learning laboratory that inspires lots of enthusiasm and passion. K&N Management, based in Austin, Texas, and the second restaurant outfit ever to win the Baldrige, visited Pal's *fourteen times* over nine years to learn the secrets of its success.

Why do these companies bother to flock to Kingsport? What makes Pal's tick? How do the company's leaders and rank-and-file employees maintain the passion to keep pursuing perfection even in a field as imperfect as fast food? The more I listened to the instructors and watched my fellow students, the more I came to appreciate the missionary mind-set, the shared passions among teachers and students to feel like they were building something special, that they were thinking bigger and aiming higher than others in their field. David McClaskey, cofounder and president of the institute, began the two-day session with a message that was directly relevant to everyone in the class—and to everyone reading this book.

"I have a lot of respect for average," he told the group. "In most

## SIMPLY BRILLIANT

industries, it is not easy to be average. But we choose to be extraordinary. And it *is* a choice. The world will not demand it of you. You have to fight for it. Every day, people have to ask themselves, 'What am I willing to do that the ordinary leader is not willing to do?' The world will not force you to be extraordinary. You must demand it of yourselves."

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**"NOTHING CLARIFIES LIKE CLARITY"**

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