

# Shaking Up Steak n Shake: For a Purpose

Interaction Associates helps Steak n Shake engage employees, develop leaders, and reduce turnover.

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You may know Steak n Shake as a fast and friendly restaurant and a great place to get STEAKBURGERS™ and french fries, 24/7. What you may not know is that this organization has remarkable aspirations. In the words of Steak n Shake’s legacy document, the company invites its employees, or “associates”, to “. . . be a part of building Steak n Shake into a world-class institution that is a shining example of the power that is unleashed when we enable each other to achieve our full potential and when we serve others.” The power of this purpose is what drives the Steak n Shake engine.

Steak n Shake’s reinvigorated intention emanates from the top — with the leadership of President and CEO Peter Dunn, who came to the company from Borden Foods in 2002. When he arrived, Peter did not have time for a long, comfortable settling-in period. As he describes it, “The year before I arrived, manager turnover was 48%. Crew turnover was 220%. Said another way, 3.2 people occupied every position over the course of a year. This translated into a variety of issues around the quality of execution, as you can imagine.”

The company had grown from 100 stores to roughly 350 stores in the last decade, and it had good prospects for more growth and profitability. Peter remembers, “We had experienced a 5% decline in same-store sales the quarter before I arrived. Sales had been flat or down a little, but head counts per store had been steadily declining for 4-5 years, every year.

The organization needed revitalization, despite its strong brand.” This required Peter to engage everyone throughout the organization to rev up the enterprise.

According to Peter, “I brought two things – the Guest perspective, and a strong “process” perspective. I brought to the game a disciplined point of view around understanding Guest needs. I also came in with an appreciation of what I didn’t know. I searched for a best practice model in the service industry, and adopted the service/value profit chain as a core premise, based on what we now call “the virtuous cycle” (see Figure 1).

I knew I needed to rely on the restaurant industry expertise of

the people in the company, which translated to a high degree of employee empowerment. My job was to ask the right questions, in the right order, leveraging other peoples’ content expertise to get the right answer.”

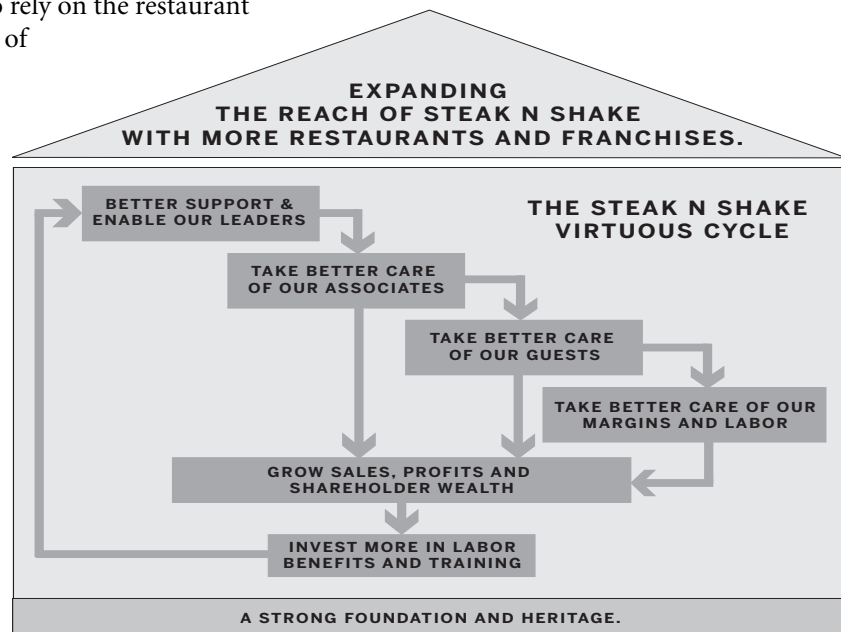


Figure 1

What about the process perspective? “As the former president of Borden Foods, with a strong package goods background, I realized you need to drive out variation. If you don’t have the process under control, you can’t improve the process. When I came onboard, major processes had dramatic variations in them, which, in turn, caused issues in the restaurants,” Peter told us.

### CHANGING THE CULTURE

In the “old” Steak n Shake culture, Peter noticed the executive team was managed on a one-one basis, with the President working individually with each of his team. There was less cross-functional sharing of ideas than Peter was used to. The company traditionally relied on top-down leadership, with clear direction from top management on important business issues. There were not a lot of mechanisms in place for vertical, upward communication.

### WHERE ARE WE GOING?

Peter had identified some definite gaps. But he also knew that to turn the ship, he would need to rally the employees around an inspiring vision. Peter started the conversation about his vision for Steak n Shake with the senior leadership team.

According to Peter, “First, I created a cross-functional leadership team, which was an evolution in how we do business. And we considered, ‘How do we rally the team? What kind of legacy do we want to leave?’ Believe me, while I had been part of visioning work before, sometimes that kind of work set off my ‘BS meter!’ I didn’t want to repeat that.”

“So we asked ourselves, what difference are we going to make with our lives? What do we want to look back and say we have done? The team did some reflective work around that question, sparking some creative thinking. We thought freshly about the business. It came back to the people – we want to be a shining example of what happens when you unleash the human spirit. That came out clearly. We crafted our legacy document, which has evolved into our Mission Statement. The line from our Mission Statement is: *‘Together we are building a world-class company that is a shining example of the power that is created when we help each other make our dreams come true.’*”

But there was even more to the vision. “Goal Number One was turning around the business trends – we needed to make significant progress on a number of important dimensions in the field, quickly.

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### VITAL STATISTICS

Goal: to serve high-quality, reasonably-priced food in a friendly restaurant environment.

Founded 1934.

Operates more than 400 stores in 19 states.

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The second was an underlying belief the best way to do this was to bring more meaning to people at work. People were leaving in large numbers — not because of the money, but because of what work was like for them. Based on prior experience, I am a huge believer in the fact that people want work to be important to them. I learned this principle from Victor Frankl's work <sup>1</sup>.

Frankl found that in the Nazi concentration camps, people fought to live for three reasons: 1) they wanted to make a difference with their lives, 2) they wanted to experience and enjoy the journey with each other, and 3) they found meaning worth fighting for from standing on principle and doing the right thing. In other words, for some, standing on certain principles was worthy of their lives.”

Peter continued, “I have dedicated the rest of my working experience to bringing that concept to life for people. At Borden, I decided to bring together practices that allowed people to make a difference with their lives at work, enjoy the journey with each other, and know that we are dedicated to doing the right thing. Given those underlying principles, we set about finding out how to engage people in the work at Steak n Shake.”

A key element in building a world class, meaningful employee experience at Steak n Shake was to bring Steak n Shake's leadership model to life by equipping the leaders of the organization with new skills and tools to work productively together. As part of this initiative, Steak n Shake invited the Center for Organizational Fitness (COF) and Interaction Associates, Inc. (IA) to join Peter and his team in refining the leadership model and embedding it in the organization. This leadership model then became the underpinning of the work that followed.

Peter said, “We have 400 places throughout the company that we (the senior leaders) can't touch every day. The only way to create an intentional culture is to have a clear point of view about what leadership looks like. We developed the leadership model with COF. The values we incorporated were making a difference, doing the right thing, enjoying life together, and implementing the virtuous cycle. We designed the process to get there – a systematic problem-solving process with a high degree of involvement.”

Steak n Shake formed a number of teams around key issues, with the intent to transform the organization at the grassroots. Interaction Associates was involved with the ongoing support of these teams, transferring skills to team members and team leaders to enable them to collaborate effectively and accelerate results.

The intensive planning process included mapping out the progress they intended to achieve. Peter told us, “We shared the challenges with the general managers and district managers in the field. Then we provided Interaction Associates' **Facilitative Leadership**® training to all of our district managers, and this year, to all of our general managers.” Interaction Associates work with these managers helped build their leadership competence and confidence to more effectively convene and enroll associates to drive for greater guest satisfaction and increased financial results. The Seven Practices of a Facilitative Leader® (see Figure 2) directly mapped to the Leadership Model that had been developed, and in fact linked to it so completely that Steak n Shake made **Facilitative Leadership**® a cornerstone of the transformation process.

<sup>1</sup> Frankl, Victor. *Man's Search For Meaning*, New York, 1985.

Prior to the workshop, the leaders engaged in a 360-degree feedback process in order to get data about their perceived current leadership style, and to catalyze their engagement with the leadership practices presented in the workshop. They learned and practiced tools, models, and methods that, when applied, would help them reach the goals expressed in the Steak N Shake Leadership Model.

Concurrently, Steak n Shake worked with the Center for Organizational Fitness to implement the Strategic Fitness Process (SFP)

throughout the organization (see Figure 3), beginning with the executive team. The SFP began with the senior team creating a “Statement of Direction” that outlined their key business goals, and the kind of organization they must build to achieve them.

The senior team then partnered with a group of high-performing managers, who gathered feedback from the rest of the organization on the firm’s key strengths, and the barriers that stand in the way of their goals. These managers reported this “unvarnished feedback” to the executive team, and then collaborated to design an action plan to overcome the barriers and achieve agreed-upon goals. By engaging associates in the “conversations that matter,” the SFP allowed the executive team to improve performance by rapidly surfacing barriers to action, unleashing associate energy, and aligning the firm around the strategy. Inevitably, according to Peter, “The plans are better, ownership is higher, and great things happen.”

### The Strategic Fitness Process (SFP)

Figure 2



Figure 3



Interaction Associates was involved as a partner in the SFP, supporting and developing the leaders' capability to create an open environment that was conducive to hearing the associate's feedback about the firm's barriers to strategy—including their own leadership behaviors.

The results of the process have been inspiring. Pilot stores are achieving major improvements in guest satisfaction, associate turnover, and cost management. "Manager turnover dropped by half, from 48% to 24%," Peter said. "Crew turnover dropped from 220 down to 160. Stores that met our training standards went from 40-94%. Our mystery shop scores improved dramatically. It's been a dramatic improvement – our earnings have risen and we are meeting or exceeding our goals. It's the virtuous cycle at work."

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*IA is a 40-year firm specializing in the development of Facilitative Leaders. We equip these leaders to solve complex problems and achieve extraordinary results by leveraging the power of people working together. Since 1969, we have partnered with global leaders across all industries, and many of the Fortune 100, to transform the way people lead, and are led, at every level in an organization.*

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*The Center for Organizational Fitness helps companies rapidly build high performance, high commitment organizations. Within service sector companies the COF explicitly strives to forge the high commitment of associates to build higher guest commitment. In this "virtuous cycle" positive associate attitudes lead to positive guest attitudes, which in turn lead to higher profits that can be invested back into associate and organizational development. Interaction Associates provides clients with the necessary methods and skills to make the Strategic Fitness Process successful at every level.*