

Owners of Rudy's BBQ, Mighty Fine share recipe for success

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Ken Schiller started his restaurant business in 1993 with a Rudy's restaurant in North Austin. K&N now rakes in about \$51 million annually.

As it celebrates its sweet 16, K&N Management was told by the U.S. government in a very big way that it's doing a mighty fine job.

The creator of Mighty Fine Burgers and owner of the Rudy's Country Store & Bar-B-Q chain in Austin became the first Austin company to win the highly coveted **Malcolm Baldrige** Award bestowed annually by the president of the United States.

One of seven winners this year, K&N finds itself among much larger and internationally recognized companies such as Motorola Inc. (NYSE: MOT), Texas Instruments Inc. (NYSE: TXN), Boeing Co. (NYSE: BA) and The Ritz-Carlton Hotel Co. LLC. It's the second time in the award's 22-year history that a restaurant has won the award for a company's overall excellence.

Ken Schiller and **Brian Nolen** started K&N Management in Austin in 1993, opening a Rudy's in 1994 off Highway 183 in North Austin after buying the franchise rights from **Phil Romano**, founder of Romano's Macaroni Grill, Rudy's and Fuddruckers.

K&N employs 470 people in Austin and has its headquarters next door to its first Rudy's. The company has grown from \$2 million in revenue at one store to \$51 million from its four Rudy's and three Mighty Fine restaurants.

Business health audit

"Part of our agreement in receiving the award is to share our best practices with other companies, and we're happy to do that to make small businesses stronger here and across the country," Schiller said. "Our goal with going up for the award is with the mindset of someone training for a marathon to get in shape. You may not win, but you will come out of the process much better and closer to your goal of being the best."

The **Malcolm Baldrige** Award, named for the secretary of commerce from 1981 to 1987, is managed by the Commerce Department's National Institute of Standards and Technology in conjunction with the private sector. The program evaluates companies in seven areas: leadership; strategic planning; customer focus; measurement, analysis and knowledge management; workforce focus; process management; and results. The program received 83 applications this year, while the award's criteria were downloaded 2 million times, officials said.

K&N Management was reviewed by an independent board of examiners in a process that included nearly 1,000 hours of evaluation and an on-site visit.

"The application and review process for the award is the best, most cost-effective and comprehensive business health audit you can get," said **Arnold Weimerskirch**, a former Baldrige judge and vice president of quality at Honeywell Inc.

Profit follows quality people and products

Any observer at K&N headquarters or one of its Rudy's or Mighty Fine Burgers can see motivational messages stressing customer service and cleanliness. But Schiller said the major reasons K&N won are because the company strives to keep its employees happy and not become obsessed with huge profits.

"We aren't fixated on growth because we'd rather build our company off higher quality ingredients at the cheapest price point and being able to control the brand," Schiller said, adding that he's declined offers to franchise. "I believe that you can make a profit but still not compromise the high quality of your product, yet most restaurants think it's all about the growth and bottom line. But then I ask, 'Why are you doing all this?' I think they are too busy just asking, 'How can we make more money?'"

K&N is planning just one more restaurant for now, a Mighty Fine Burgers in Cedar Park for 2011, and remains cautious about announcing expansion plans.

The company has a staff chaplain who counsels employees with personal and professional problems, which Schiller said boosts morale and enables employees to be less distracted at work.

Employees are graded daily by supervisors, get regular feedback and are coached regularly with 40 hours of training a year. New managers get 10 weeks of training.

Allison Dreiband, a Michigan native, moved to Austin to find a job after finishing a post-college stint driving Oscar Meyer's Weinermobile around the country. She took a job as a cashier with Mighty Fine Burgers last October just to pay her bills, but through her training was tapped to be a manager, then a trainer of managers and now the company's first public relations manager — in just over a year.

“The company just allowed me to grow and encouraged me to contribute whatever ideas I had,” she said.

Structure doesn't preclude fun

While K&N refined its vision of the Rudy's franchise, it was the creation of Mighty Fine Burgers, a concept entirely theirs, that pushed the company to national prominence. Unique touches, besides the food, include automated hand washing machines that Schiller saw at a hospital and bought for his stores that are fan favorites, two-way mirrors in the restrooms, a viewable kitchen where customers can watch potatoes being cut into crinkle-shaped fries and all-natural meat ground and handcrafted into hamburger patties.

“Still, though, since we are so structured and streamlined, people think we're a chain from elsewhere and don't think we are an Austin business, since we don't seem weird enough,” Schiller said. “But we are just as ‘Austin’ as any other restaurant and are able to be successful because we have such good talent and so many creative people here.”

Schiller said businesses need to think outside the box and like a consumer, embracing a sense of humor in how they approach their business. For example, as a promotion this summer, Mighty Fine Burgers asked people to design their own burgers as part of its “remix” contest. Customers were encouraged to print out their burger designs and take them to a local Mighty Fine Burgers restaurant.

“My son was showing me a video of **Allen Iverson** that was remixed by a DJ that spliced up all this footage and sounds, and it was hilarious, so I called up the DJ [**Steve Porter**] and asked him to do that with our company videos on the website. And that led to the contest idea,” he said. “When you stop learning how to have fun or think you are completely satisfied is the day you start regressing or need to change something. We have a small menu and stick to what we do best, but you can't let your ego blind you.”

Courtesy of JB Goodwin