
S. Truett Cathy: From Young Entrepreneur to a Foodservice Industry Leader

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Abstract

S. Truett Cathy is founder and chairman of Chick-Fil-A, Incorporated, which operates over 1,300 quick service restaurants in 37 states and Washington, D.C. Over the past 60 years Truett Cathy has established himself from a small town young entrepreneur to chairman of a multi-billion dollar quick service organization. This article reflects the life and entrepreneurial success of Truett Cathy from his early business enterprises to the present day Chick-fil-A Corporation.

Introduction

In 2006 the Chick-fil-A Corporation celebrated its 60th anniversary within the restaurant industry. This prominent achievement marks the evolution of a foodservice company which was started by S. Truett Cathy when he founded and developed the Dwarf House Restaurant in Hapeville, Georgia. Cathy's successful restaurant business career can be attributed to his strong family background, his faith, and his uncanny entrepreneurial spirit which drove him from being an 8 year-old selling Coca Cola beverages on the street corner to entering the restaurant business which has grown into a multi-billion dollar company.

This pioneer profile discusses how Truett Cathy's entrepreneurial spirit and enduring motivation guided him and his family in developing and managing the successful Chick-fil-A restaurant chain. The article begins with a history of Truett Cathy's life which includes his early forays into various business opportunities and the eventual entry into the foodservice industry. The article will then look at the evolution of the Chick-fil-A concept itself, from a small counter service restaurant in Atlanta, Georgia to a multi-billion dollar corporation. The profile will then conclude with an interview of Truett Cathy and his current views of the work and entrepreneurial spirit of today's hospitality individuals and his outlook for the future of the foodservice industry.

S. Truett Cathy: The Early Years

S. Truett Cathy was born in Eatonton, Georgia to a family of seven children. Truett Cathy's initial upbringing was very difficult due to his family's struggle to make it financially out of the Great Depression and to make ends meet as a large family growing

up in rural Georgia. Truett Cathy learned at an early age the value in being entrepreneurial in nature in order to survive. The Cathy family would rent out rooms within their house to transient guests, offering room and board for a modest price. Truett's mother would run the duties in the house and prepare all the rooms and meals for the daily guests (Cathy, 2002). By age 8, Truett was selling bottles of Coca Cola from a makeshift stand in front of his family's house. At age 12, Truett began a successful paper route and paper subscription service of the *Atlanta Journal Constitution* which he held for 7 years (Cathy, 2002). After High School Truett served in the Army in which he saved enough money to start his own business. After his tour of duty, Truett decided to go into partnership with his brother Ben and develop a small restaurant with some extra money that he financed through a local Atlanta bank. In 1946 the Cathys opened up a small restaurant that contained a service counter with 10 stools and four tables. The small location was appropriately named the Dwarf Grill (later named the Dwarf House) and was a popular destination within the small Atlanta suburb of Hapeville, Georgia (Cathy, 2002). After several years both Cathy brothers worked long hours and many days in order to make the operation a success. In 1951, tragedy struck when Truett's brother Ben died in a plane crash. Instead of abandoning the restaurant operation that both brothers created, Truett continued on with the operation and even opened a second Dwarf House Restaurant in Forest Park, Georgia (Cathy, 2002). Truett Cathy's entrepreneurial spirit continued to persevere even when the Forest Park location was destroyed by fire. Cathy decided to rebuild the location and turn the restaurant operations more into a fast food location which became the frontrunner to the eventual Chick-fil-A concept.

The Inception of the Chick-fil-A Concept

In 1961 while owning and operating the Dwarf House, Truett created a boneless chicken sandwich which he perfected over a four year period by using recipes from his mother's original boarding house (Cathy, 2002). Truett eventually named the sandwich the Chick-fil-A which became an instant success with customers from the Atlanta area and eventually became the cornerstone product for the Chick-fil-A fast food concept. In 1967 Truett opened his first Chick-fil-A fast food restaurant at the Greenbriar Mall in Atlanta,

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Georgia. At the time this was a first for the fast food industry in locating at shopping mall. Cathy is also credited for having the first mass-produced chicken sandwich within the fast food industry. In 1963 Truett registered the name Chick-fil-A as a trademark. The name Chick-fil-A was a play on words representing chicken filet with an "A" on the end of it to represent a top quality product. (Cathy, 2002) Quickly, the Chick-fil-A concept began to expand as a food option within malls and shopping centers throughout the south and western United States. In order to expand the concept and get more customers to buy the product Truett and his family would travel all throughout the country and set up an exhibition booth at local restaurant tradeshow and exhibitions in order to expose all to the chicken sandwich product. This became a successful way to begin franchising the concept and expand Chick-fil-A's reach throughout the entire United States. In 1986, the first free standing Chick-fil-A restaurant was opened in North Druid Hills Road in Atlanta, Georgia (Cathy, 2002). By adding freestanding units, Cathy was now able to expand the quick-service restaurant chain and begin to compete with the such franchises as Wendy's and Kentucky Fried Chicken. Over the next nine years, Chick-fil-A experienced slow, but steady growth in the number of units developed and in overall sales growth.

Then in 1995, the company embarked on an ambitious marketing campaign aimed at the increased consumption of the chicken sandwich within the quick-service restaurant segment. The "*Eat Mor Chikin*" campaign focused on dairy cows to persuade the general public to eat chicken sandwiches instead of hamburgers. Since its inception, the marketing campaign has been a large success and has spawned the merchandising of toys, calendars, and office supplies with the dairy cows promoting chicken sandwiches. To this day the "*Eat Mor Chikin*" campaign is as strong as ever and continues to promote the Chick-fil-A brand.

In 2001, Chick-fil-A opened its 1,000th location with company-wide sales reaching \$1.242 billion. This marked an overall sales increase of 14.35 percent from the previous year and also began the mark for double digit sales growth over the next several years (Chick-fil-A, 2006). The year 2006 marked the 60th anniversary of the Dwarf House Restaurant and the inception of the Chick-fil-A sandwich. The Chick-fil-A organization is grounded by a strong nucleus of Cathy family members that presently oversee the day-to-day operations of the organization. The Cathy family represented by Dan Cathy, president and chief operating officer, Donald "Bubba" Cathy, senior vice president, and several grandsons who operate several multi-unit Chick-fil-A Restaurants now oversee an organization that consists of more than 1,290 units in 37 states including the District of Columbia with sales in excess of \$2 billion dollars (Hayes, 2007 p.41). Truett Cathy has embodied the true entrepreneurial spirit by taking a simple sandwich and turning it into a multi-billion dollar organization.

Truett Cathy Gives Back

Learning from his humble beginnings in a large, moderately poor family, Truett Cathy learned the importance of helping others and giving when you can. In 1973 Truett began to give back through establishing the Team Member Scholarship program in his restaurants in order to encourage his employees to continue their pursuit of higher education. As of today, more than 20,000 Chick-fil-A employees have participated in the education program (Chick-fil-A, 2006). In 1984 Truett founded the Win-Shape Foundation that was designed to "shape winners" in today's young generations. The foundation awards 20 to 30 scholarships annually for individuals to attend Berry College in Georgia. In 1987 Truett founded the Win-Shape Foster Home at Woodbury Cottage in Mount Berry, Georgia (Chick-fil-A, 2006). With the founding of the foster home for children, Truett and his wife Jeannette Cathy developed the Win-Shape Homes program which has developed similar foster homes for children in Georgia, Tennessee, Alabama, and the country of Brazil. Truett also founded the Win-Shape Camps, a two-week summer camp program designed to provide disadvantaged children the ability to improve their self-esteem and build personal character through the camp's various activities. Each summer, more than 1,800 children participate in the summer camp program (Chick-fil-A, 2006).

Due to Truett Cathy's philanthropic and humanitarian efforts, he has received many notable humanitarian awards over the years such as: the Tom Landry Excellence of Character Award (2007); Greater Dallas FCA Lifetime Achievement Award from the National Poultry & Food Distributors Association (2005); Norman Vincent & Ruth Stafford Peale Humanitarian Award (2003); Catalyst Lifetime Achievement Award from Injoy/John Maxwell (2003); Georgia Sports Hall of Fame - Chairman's Award (2003); the Ernst & Young- Entrepreneur of the Year - Lifetime Achievement Award (2000); and Horatio Alger Award - Horatio Alger Association, Washington, D.C. (1989) (Cathy, 2006).

Truett Cathy's Philosophy on Good Business

Through the years Truett Cathy has built a strong moral and ethical business foundation in leading the Chick-fil-A Corporation. The following are some of his philosophies, in his own words, on good business practices. The following quotes are excerpts adapted from Truett Cathy's Second Book: *Eat Mor Chikin: Inspire More People* (2002 Chick-fil-A, Inc.).

Truett Cathy's Five-Step recipe for Business Success

1. Climb With Care and Confidence

"Every day, a framed poster of a mountain climber given to me by my daughter Trudy reminds me to 'climb with care and confidence.' I wholeheartedly believe in this philosophy,

which is why in all my years in the restaurant business, I have never tried to overextend. I'm satisfied stepping from one plateau to the next, making sure we're doing everything right before moving on. That way of thinking has allowed us to grow steadily into a 1.5 billion-dollar business with more than 1,200 restaurants, while responding to the needs of people around us. I know the best way to grow our business is to climb with care and confidence."

2. Create a "Loyalty Effect"

"Our people are the cornerstone of all that we do at Chick-fil-A. As a chain, we believe that attracting great people helps create an unforgettable experience for our customers. It requires a lot of time and effort to make sure you have the right people working the right jobs, but we believe this is time well spent. The bottom line is that our people, from our restaurant Operators to the team members they hire, enjoy their work. **Fewer than five percent of our franchise operators leave the chain in any given year.** The more we can foster the feeling that we are a group of people working together, depending on each other, the more likely we are to be loyal to each other."

"Customer satisfaction is the payoff for spending the time to search for the best employees. Our restaurant team members have proven time and time again that going out of your way to make sure our customer has a pleasurable dining experience will build customer loyalty."

3. Never Lose a Customer

"Ever since I was a teenager delivering newspapers (for seven straight years), I have tried not to lose a single customer. I treated each one like the most important person in the world and delivered each paper as if I were delivering it to the front door of the Governor's mansion. The key to succeeding with a paper route and the restaurant business, I would later learn, is to take care of the customer. Whether on the paper route or in my restaurants, I have found that the most effective way of promoting my business didn't cost me anything but a little kindness to my customers."

4. Put Principles and People Ahead of Profits

"I'd like to be remembered as one who kept my priorities in the right order. We live in a changing world, but we need to be reminded that the important things have not changed. I have always encouraged my restaurant Operators and team members to give back to the local community. We should be about more than just selling chicken; we should be a part of our customer's lives and the communities in which we serve."

5. Closed on Sunday

"I was not so committed to financial success that I was willing

to abandon my principles and priorities. One of the most visible examples of this is our decision to close on Sunday. Our decision to close on Sunday was our way of honoring God and of directing our attention to things that mattered more than our business."

What makes number five in the Truett Cathy's recipe for success so interesting is that despite the fact that Sundays are a prime sales revenue day for the quick-service industry, Chick-fil-A has always maintained its policy on being closed on Sundays; yet, the company still continues to produce a double digit sales growth each year. This is a testament to Truett Cathy's beliefs and keeping his business philosophy grounded with all Chick-fil-A employees, management, franchisees, and ultimately the company's customer base.

One-on-One with S. Truett Cathy

On April 18, 2007 Truett Cathy visited the University of South Carolina and spoke to approximately 500 students within the School of Hotel, Restaurant, and Tourism Management about the history of the Chick-fil-A concept and his philosophy on business ethics. During this visit, the authors were given the opportunity to interview Truett Cathy and gain greater insight into his views on entrepreneurship and current business practices within the hospitality industry. The following is excerpt from our interview:

What advice would you give individuals interested in starting a small business within the hospitality industry?

"It is important that when you go into business for yourself that you enjoy what you do and be fully committed to the endeavor." If you are fully committed to the task, you can achieve anything. Anything that you can see, conceive, and achieve you can believe." "It is also important to fall in love with what you do and then you can work longer in the field." "Companies that prosper are ones that take care of their people (employees) and give them encouragement each day."

What made you decide that you wanted to get into the restaurant business?

"I was looking for something where I could make money and serve the public. The restaurant business is something you have to enjoy in order to be in it. You must look forward to serving the public and delivering a quality product. When you receive compliments about the quality of service and food you deliver, it makes it all worthwhile."

What challenges did you face as a young entrepreneur in building the Chick-fil-A concept? How did you overcome these challenges?

"I opened my first unit on a 5,550 square foot lot right outside of the Atlanta airport and built the building and furnished it with \$10,600. The first unit was open during World War II. This caused a lot of problems because you couldn't buy food,

gas, and other staples. Labor was very hard to find during this time. The problems I had to overcome in the beginning were the competition being too stiff, interest on money I loaned, and not having the right resources. You have to overcome these problems and how a person handles these problems is what makes them unique. I was very determined in making sure that the concept would succeed. I originally had problems opening Chick-fil-A's at shopping centers, but I eventually convinced people that were shopping to buy a better sandwich product as a fast food alternative to hamburgers."

What is Chick-fil-A's corporate mission in relationship to leading the organization?

Our mission is to:

"Glorify God by being a faithful steward in all that is entrusted to our care and that we might have a positive influence on people that we have contact with. I live by this everyday as I handle sales people and disgruntled guests. After we developed this corporate mission, our sales increased nationwide by 36%. I live by these words every day and encourage others to do so, too."

"Instruction is what we say."

"Influence is what we do."

"Image is what we are."

What standards have you placed on your family members entering the family business?

"It is very important to have family support but I also believe that it must be a good fit to make them join Chick-fil-A. My son Dan is the president of Chick-fil-A now and my other son Bubba has responsibilities too. I want to make sure that this is what they want to do and that they are happy being part of the business. Three of my sons and two of my grandchildren are in the business. I require my grandchildren to work somewhere else for two years before they work for Chick-fil-A. I believe that team effort is important for the continued success of our family business and hope that it will spill over into the third generation of Cathys."

Why did you decide to close the business on Sundays?

"It was the best decision I ever made. In my faith I believe to serve the Lord on Sundays and not focus on the business. With that in mind, I want the employees of Chick-fil-A to take a day to reflect on their personal lives and spend time with their families. The people (employees) cause the business to succeed or fail. I believe that there is no conflict between biblical principles and good business principles. By living this way my employees go by the golden rule: Treat the customers the way you want to be treated when you go out to eat. That is with smiling faces and saying "my pleasure" to the customers. It doesn't cost anything to be kind to people, but it pays great dividends."

"By maintaining this business philosophy I have been able to speak on the subject of strong business ethics to a number of organizations including a special government panel in Washington, D.C. in 2003."

What have you learned most about being an entrepreneur and now an executive of a large foodservice organization?

"I believe that you must have a tremendous amount of faith in what you want to do. You must be determined to make it no matter what the circumstances. In the past 60 years no matter the ups or downs, I have learned that the number one thing to do is to please the customer and they will come back."

Where is Chick-fil-A heading in the next few years?

"We foresee 75 new units this coming year. I hope to go to other places soon such as New York and the New England region. I would also hope to go international -maybe to China some day."

"Overall, my goal is not how big we are but how good we will be."

Final Reflections

In his life and in his business practices, S. Truett Cathy holds a strong belief system and a strong sense of determination in turning a small, 10-stool Dwarf House Restaurant into a \$2 billion dollar restaurant organization. Cathy's philosophies on having an entrepreneurial spirit and supporting your family above all have carried him and his organization over the past 60 years. What is most remarkable about Cathy's success is how he continuously gives back to the community with his Win-Shape Foundation and his mentoring of young people both as citizens and employees of his company. Cathy's character and perseverance is a rare commodity in today's somewhat tumultuous business atmosphere.

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