



S. Truett Cathy

Chick-Fil-A

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THE CHICK-FIL-A-STORY

by

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Truett Cathy's career story belongs in a collection of biographies labeled "Christian Business Leaders," or in the broader category of "Businesses Built on Religious Principles." In 1967 Cathy founded the Chick-fil-A chain of fast food restaurants. In building the 1,000 store chain, he explicitly relied on his religious principles. The influence of that Christian faith extended beyond the organization and operation of the business. It also included instructive examples of efforts to strike a work-life balance somewhat at odds with the surrounding commercial culture. The most notable example is the fact that Cathy insisted on closing his restaurants on Sundays.

Cathy has authored two autobiographies (1989, 2002) which are the sources of most of the following profile. The Forward to the more recent autobiography was written by Professor Frederick Reichheld, an authority on the effect of loyalty on business performance. Reichheld has studied Cathy's company and uses it as an example of how loyalty leads to superior performance. As he puts it in the preface (Cathy, 2002, p.vi):

"(The) loyalty effect, the full range of economic and human benefits that accrue to leaders who treat their customers, operators, and employees in a manner worthy of their loyalty, is at the core of most of the truly successful growth companies in the world today. And there is no clearer case study of the loyalty effect than Chick-fil-A"

YOUTH: TRIALS AND PREPARATION

Samuel Truett Cathy was born in his family home in Eatonton, Georgia in 1921. His parents named him Samuel after a pastor friend and Truett in honor of the famous Baptist evangelist George W. Truett.

Cathy's father was a farmer who had achieved some success prior to Truett's birth. But the farming business failed in the wake of a boll weevil attack on the cotton fields. The family then moved to Atlanta where the father took a job as an insurance salesman. Truett Cathy was three years old at the time.

During the 1930s the Cathy family struggled to survive. Truett's father was unable to make a decent living selling insurance so the family began to take in boarders. The renters slept two or three to a bedroom and were provided with two meals a day --- all for a rent payment of a dollar a day. The house typically had seven or eight boarders. Add to that number Truett, his two brothers, his four sisters and his two parents and you have a picture of slum-like crowding in the small home with a single bathroom.

The family's unfortunate financial circumstances turned out to be a long run blessing for Truett Cathy. As he explained (1989, p.37):

"Growing up in a boarding house introduced me to hard work and taught me the value of diligent labor. I learned to shuck corn, shell peas, wash dirty dishes, set the table, shop for my mother at the corner grocery store, and even flip eggs and pancakes on the grill."

That background made it psychologically easy for him to start a restaurant business later.

Truett engaged in several entrepreneurial ventures as a youth. At the age of eight he began buying six-packs of Coca Cola for 25 cents and then selling individual bottles door-to-door for 5 cents each. Then he opened a soft drink stand in the family's front yard. Next he sold magazines door-to-door. At the age of eleven he began helping a friend with a newspaper route. In the process he met Jeannette McNeil whom he would marry many years later.

At the age of twelve Truett was awarded a newspaper route of his own. From 1933 to the end of 1941 he was a newspaper delivery boy. Truett was energized by the challenges of, 1) signing up and keeping customers, and 2) earning a profit. Since he bought his

papers at wholesale rates and sold at retail prices, he saw the enterprise as an exercise in business management. Out of this experience came a vision of what he would do with his adult life. In his words (Cathy, 2002, p.31):

"My success with the paper route convinced me that I would one day open a business of my own, most likely a service station, grocery store, or restaurant."

Two other childhood experiences stand out in terms of their influence on Cathy. One was exposure to his Sunday school teacher, Theo Abby. Truett's father had some positive characteristics but was not able to give his son the attention and love that Truett desperately wanted. Into this void stepped Abby. As Truett put it (Cathy, 2002, pp.29-30):

"My Sunday school teacher recognized somehow that I had a father who never told me he loved me.... I think he sensed my isolation, because he reached out to me and became a model of the loving and caring father... "Through his teaching, Mr. Abby gave me a better understanding of the Bible, but more important, he displayed to me a loving and caring spirit. He visited Techwood Homes (a public housing facility where the Cathy's lived for a time) often to see me and others in our Sunday school class. He also invited us occasionally to go with him and (his son) Ted to his cabin on Lake Johnson. ...

"In time I came to understand that I could choose the type of model I would follow in life, and I chose the example of Theo Abby."

The second impressionable experience occurred in high school when Truett took an elective course called Everyday Living. In that course he was introduced to Napoleon Hill's book *Think and Grow Rich*. Here is what Truett has to say about that encounter (2000, p.32):

"I wasn't all that bright - I had difficulty keeping up in class - and I had always carried with me a bit of an inferiority complex regarding socializing at school and I never felt confident about dating girls. But I enjoyed my work and I enjoyed the rewards of working. As I read Mr. Hill's book, I realized I could do anything if I wanted it badly enough. His words motivated me and showed me that I live in a do-it-yourself world."

After graduating from high school Truett went to work for the United States Civil Service where he was part of a team that repaired equipment for the Army. He eventually had 200 mechanics working under him. Then he was drafted by the Army and was given a clerical assignment. In 1944 his unit was assigned to join the fighting in the South Pacific. But before the unit could ship out, Truett developed a skin allergy which led to his honorable discharge in 1945.

TRUETT AND HIS BROTHER OPEN A RESTAURANT

Truett's brother, Ben, was also discharged in 1945 and the two decided to go into some sort of business together. They seriously considered opening a restaurant or a grocery store. They chose the restaurant business when a local restaurant franchiser offered to set each of them up as a manager of one of her franchised restaurants. They accepted the offer and began on-the-job training in one of her restaurants.

After seven weeks of training the Cathy brothers were told that they could not each have a restaurant to manage but could share the management of a single restaurant. The boys felt this was a violation of the original agreement. So they quit with the intention of starting their own restaurant (Cathy, 1989, pp.42ff).

The impetus and vision for the new business came from Truett. He pictured a short order business open 24-hours a day. He and Ben would each work 12 hour shifts. The menu would consist of easy-to-make offerings such as hamburgers and fries and a simple breakfast selection. Once open, the new restaurant was reasonably close to the original vision.

The brothers' image of how easy it would be to get started turned out to be far different from what actually happened. One of the few aspects of the start-up that did follow the original plan was financing. The plan was to use personal savings plus a bank loan. Total startup capital was \$10,600 of which \$6,000 represented a loan from the First National Bank of Atlanta and the rest came from personal sources.

Selecting a location also followed the plan - in general. The Cathy brothers scoured Atlanta in search of a location that had a good flow of potential customers. They found and purchased a lot at 461 South Central Avenue in a suburb of Atlanta (Hapeville). The area was attracting new businesses, including a new factory which Ford

Motor Company was building near the restaurant site. Once the lot had been purchased the boys hired an architect to design the facility in accordance with ideas which Truett had developed.

There was one unforeseen aspect of the location decision that could have caused the boys to move elsewhere. The problem was zoning. The property was not zoned for business and the Cathy brothers had failed to check this detail before buying the property. Fortunately they were able to obtain a change in zoning for the lot.

The original plan for the restaurant deviated significantly from what actually happened in the process of building the facility and procuring supplies. In both cases immediate post war shortages caused problems that the Cathy brothers had failed to anticipate. But in both cases the boys overcame the difficulties through a combination of hard work and creative thinking.

Among the supply difficulties that threatened to derail construction plans were the following (Cathy, 1989, pp.47-48)

1. A shortage of nails. (The boys solved this problem by going to small towns where nails in small quantities could be found and by straightening bent nails.)
2. A shortage of lumber. (The boys solved this problem by finding scrap wood from torn down buildings.)
3. A lack of reasonably priced restaurant equipment. (The boys solved this by purchasing used equipment from restaurants that had gone out of business.)
4. A shortage of reasonably priced skilled labor. (The boys solved this problem by doing much of the construction themselves. This involved learning how to perform such tasks as hanging sheet rock and digging footings.)

The major supply difficulty which could have prevented the newly constructed restaurant from succeeding was a shortage of supply of some critical items, particularly meat. The boys solved this problem by asking for help from one of the large local restaurants. That restaurant had privileged access to meat suppliers and agreed to purchase meat for the Cathy brothers (Cathy, 1989, p.49)

In May of 1946 the Cathy brothers opened the Dwarf Grill. It had four tables and 10 counter stools. The major menu items were:

1. Hamburger ... 15 cents
2. Bacon and tomato sandwich ... 25 cents

3. Steak sandwich ... 30 cents
4. Bacon and eggs ... 30 cents
5. Fried ham ... 25 cents
6. Pie ... 10 cents per slice
7. Coca Cola ...5 cents

The restaurant was open 24 hours a day, six days a week. But it closed on Sundays to give the brothers (and later employees) a day of rest combined with participation in church activities.

Soon after launching his new restaurant Truett began courting Jeannette McNeil. They were married on September 19, 1948. They subsequently had three children: Dan, Don and Trudy (1953-1955). Jeannette immediately began working by Truett's side at the restaurant until their first child was born. When the children were old enough, they, too, became employees.

One of the values that attracted Truett to Jeannette was her strong Christian faith. In at least one way, hers was stronger than his. Jeannette had begun tithing in elementary school. Her example led Truett to also tithe (2002, p.53).

A LONG PERIOD OF SAME SITE GROWTH

The Dwarf Grill was hard work for Truett and his brother. But it was profitable from the beginning. And sales increased steadily year by year.

In July of 1949 Ben Cathy died in a tragic private airplane accident. His share of ownership was inherited by his wife who sold it to Truett a year later.

In 1951, Truett opened a second restaurant using the same format and located in nearby Forest Park, Georgia. That restaurant was called the Dwarf House, a name which was also given to the original Dwarf Grill. On February 24, 1960 the Forest Park restaurant was destroyed by a fire. The restaurant was not adequately insured, so Truett borrowed \$90,000 to build a new restaurant on the site. He decided to make the new restaurant a self-serve fast food restaurant in order to stay current with what he saw as the trend in the restaurant industry.

The new Forest Park restaurant opened with great fanfare but it was not popular with Cathy's old customer base. Truett consulted an experienced restaurant owner, Ted Davis. Davis assured him that the

concept would work for a different segment of the population. Davis went on to suggest that Cathy put a Kentucky Fried Chicken franchise in the new restaurant and do so in partnership with Davis. Truett had great respect for Davis and was sure that the Kentucky Fried Chicken approach would be successful. But the business would have to be open on Sundays and Cathy was determined not to work on Sundays. So the Forest Park restaurant was leased to Davis, and Truett Cathy was left with one restaurant - his original Dwarf House restaurant in Hapeville.

CHICK-FIL-A IS BORN AS A

PRODUCT SOLD TO RESTAURANTS

Fourteen years after opening his first Dwarf House restaurant, S. Truett Cathy was still managing that one restaurant. But his mind was not on automatic pilot. No, he was engaged in developing a new breakthrough menu item - a very special chicken sandwich. The original idea for the product seems to have originated from a boyhood experience with chicken dinners and an unexpected opportunity brought to his attention by a local poultry company.

The boyhood experience was his mother's cooking. He recalled how popular white breast meat was in his home and he recalled how his mother had perfected a method of cooking that kept the chicken meat unusually juicy.

The opportunity presented itself when Goode Brothers Poultry company contacted him to ask if he would be interested in purchasing scraps of boneless, skinless chicken. The Goodes were producing chicken for an airline and the process always produced pieces too small for use by the airline. Truett immediately realized that those scraps would make it easy to prepare quality chicken using his mother's approach. So he experimented with methods of cooking and seasoning a boneless chicken breast and then serving it as a sandwich. The fascinating details of this process are told by Cathy in both of his autobiographies (1989, 2002).

Cathy's lengthy experiments finally resulted in a product he felt comfortable introducing at the Dwarf House. So, the sandwich was added to the menu with a great deal of promotion. One promotional gimmick led to an appearance by Truett on Robert Schuller's nationally televised Sunday church service in 1983 (Cathy, 1989, p.121). Customer response was excellent, so excellent that sales of the chicken sandwich soon surpassed hamburger sales.

An interesting twist to the story occurred at this time when Colonel Sanders visited the Dwarf House and tasted Cathy's chicken sandwich. Asked by Truett's grill man if that wasn't the best chicken he had ever tasted, the Colonel replied, "Second best." (Cathy, 2002, p.82).

Success of the new sandwich caused Truett to think about ways of expanding the business. He did not want to create a chain of restaurants. He decided to license sales of the product by giving it a name, trademarking the name, and providing licensees with the breaded product ready for cooking. For a name he chose Chick-fil-A. Truett thought the name, particularly the last letter, created an image of excellent product quality, cleanliness and service (Cathy, 1989, p.122).

In 1964 Truett began promoting Chick-fil-A to other restaurant operators as an item to be added to their menus. He rented an office near the Dwarf House and hired a secretary, Brooksie Kirk. He took a booth at the 1964 Southeastern Restaurant Trade Show and obtained numerous indications of serious interest. He traveled extensively promoting the product and helping new licensees learn how to make and serve the chicken sandwich. A significant number of restaurants signed a licensing agreement and began selling Chick-fil-A. Fifty had signed an agreement within the first four months (Cathy, 2002, p. 122). The McDonalds hamburger chain became interested for a time and then lost interest. But the Houston Astrodome signed a licensing agreement in 1965 and as far as Truett Cathy was concerned, that put the Chick-fil-A sandwich on the national restaurant industry map (Cathy, 2002, p.70).

Despite the initial success of the licensing strategy, Truett began to recognize a long run problem. Licensing put quality control in the hands of the licensees and some failed to meet Truett's standards. He realized that inconsistent quality would damage the Chick-fil-A image and endanger long run success. And so Truett turned to an alternative plan --- the opening of company owned restaurants. Years later, he would say, "Looking back I can see that I had been preparing for twenty-one years to open the first Chick-fil-A restaurant." (Cathy, 2002, p.86).

CHICK-FIL-A BECOMES A RESTAURANT CHAIN

The new restaurant strategy began to take shape in 1967 when a small store was opened in a Georgia mall (Greenbriar Mall in Atlanta). Truett's sister, Gladys, already operated a gift shop in the

mall and suggested that he sell Chick-fil-A sandwiches there. Truett liked the idea and was able to obtain a 384 square foot space. He experimented with various layouts for the small space and finally settled on an approach which put the actual cooking in full view of the customers. When the facility was finally ready to open for business Truett was thrilled to find that his total investment was only \$17,000. That number was far below what he estimated it would cost to build a free standing restaurant. Opening stores in malls, he concluded, was a way to get more selling capacity per dollar of investment. That was particularly appealing to an entrepreneur who faced a significant capital constraint.

The basic menu in the Chick-fil-A mall store consisted of:

1. Boneless chicken breast sandwich
2. potato fries
3. coleslaw
4. lemon pie
5. lemonade

Over the following years other items would be added. But the star of the show would always be the Chick-fil-A chicken sandwich.

The Atlanta mall store was an immediate success. A second store was opened in Savannah, Georgia and a third in Burlington, North Carolina. By 1971 seven stores were in operation and Chick-fil-A held its first annual seminar meeting for store operators. By then, Truett Cathy was committed to a policy of continuous expansion. But this was still a small company. It did not even generate enough revenue to allow Truett to take any money out until the seventeenth unit opened. Dwarf House subsidized the chain until then (Cathy, 2002, p.86).

As plans were being made to open the second mall store, Jimmy Collins entered the picture as Truett's first management employee. Collins was a skilled food service equipment and facilities designer who operated a consulting business. He had helped Truett with the design of the second Dwarf House restaurant and also with the first Chick-fil-A restaurant. Truett was attracted to Collins because of their common commitment to Christian living, in addition to Collins' talents. Truett felt he needed someone to take over the task of opening new restaurants and Collins was his choice. So the two men discussed going into business together.

Collins did not immediately accept the offer. At the time he was considering going into the ministry. In addition, he was not sure that he would have enough independence as Truett's employee. He

wanted to be sure that he would be trusted to handle the design work without direction from Cathy. Truett overcame his objections and Jimmy Collins joined the company as executive vice president in 1968. Twenty years later Collins became president of Chick-fil-A while Truett took the post of chairman of the board and continued as chief executive officer (Cathy, 1988, p.152). Collins served as president and chief operating officer until his retirement in 2001 (Cathy, 2002, p.166).

Truett's expansion plan was deliberately conservative because of his determination to retain ownership. And, in general, stores opened at the planned pace without putting undue financial strains on the owner. But there were a few stressful occasions. One occurred in 1974 when an unanticipated increase in the inflation rate caused the cost of opening each new mall restaurant to rise from \$75,000 to \$100,000. Fourteen new units were scheduled for opening in that year. Truett had to borrow \$600,000 to stay on schedule and to do so he had to put up virtually all of his property assets as collateral.

A second stressful occasion was during the double-dip recession of 1980-82. The high rates of inflation and unemployment impacted profitability. The difficulties came to a head in 1982, the year of the second and more severe recession dip. Chick-fil-A experienced an actual decline in sales. Truett concluded that the cause was new competition from other fast food chains that were beginning to introduce chicken sandwiches. Here is a short version of the rest of that story as recalled by Cathy (1989, p.151):

"As a businessman, I knew of only one way to combat the competition, and that involved putting on a strong promotional campaign. ... We notified the Operators of our campaign and put coupons in papers all over the country; we allocated 3.25 percent of our total sales for redemption of the coupons.

"....Our campaign was so successful that the coupon redemption cost ran to nearly 7 percent of sales. We were glad for the success, but while it showed that people were eating Chick-fil-A, it also hit us hard in the pocketbook. I didn't want the Operators to have to pay for the unexpected rise in advertising cost, even though they benefitted in the long run."

So Truett Cathy decreed that the parent company would cover the difference between 3.25 percent of sales and 7 percent. In addition, he decided to forego paying himself for that year. In his words, "I

didn't take a salary that year because I didn't want our employees to take pay cuts. I struggled with this but I was determined not to lose sleep over it" (Cathy, 1989, p.153).

Truett's decision to bear his share of the pain in tough times contrasts sharply with the attitudes and practices of some famous business heads in 2001-2002. Truett himself made the point this way in an interview with Billy Graham's publication *Decision*. (*Decision*, p.13):

"Too many CEOs are leaving sinking ships. They should be the last ones to leave the company. If some people are losing money, everyone should lose money, not just the stockholders."

Truett's behavior in 1982 is a clear-cut example of his ability to practice what he preaches.

The 1982 challenge was met and expansion continued through the rest of the 1980s and 1990s. By 2001, Chick-fil-A had reached the 1,000 store level. There were still many market areas not served by the company. But it had become a major player in the fast food industry.

By 1988 the company had grown into a sizeable corporation with well established procedures. Here, for example, is how Cathy described the procedure for opening a new unit in a mall (1988, p.130):

" New units are built from the profits of Chick-fil-A. We try not to go into debt to expand, although we have occasionally done so in the past. A typical expansion finds Chick-fil-A negotiating a lease while a mall is being built. We then design and build a restaurant (about 1,800 square feet) and furnish it for about \$250,000. An Operator is selected who then subleases the restaurant and puts up a refundable deposit of \$5,000. Once the restaurant opens the Operator pays himself a draw of \$20,000 per year, returns 15 percent of sales to Chick-fil-A, Inc., as a service charge, then splits the restaurant's net figure fifty-fifty with Chick-fil-A."

While standardized procedures had become the norm, that did not mean that Chick-fil-A had turned into a change-resistant bureaucracy. Continuous improvement was preached and practiced at the store level. Furthermore, the company continued to

experiment with new formats. In 1984 planning began for the introduction of free standing Chick-fil-A restaurants. The first one opened in 1986. In 1993 the company opened its first "drive through only" facility. And during the 1990s Chick-fil-A introduced catering services for schools and businesses, created a mobile service for public events, and began opening food service operations on university campuses (2002, pp.144-145).

With the opening of free standing restaurants Truett once more demonstrated the philosophy behind, and the implications of, his conservative growth strategy. As he put it (2002, p.143):

"Since the early 1960s, fast food chains had developed many of the best locations. We were a latecomer to the scene. That situation may have worked to our advantage, however, ensuring that we investigated every opportunity thoroughly before moving ahead.

"Our capital requirements also ensured deliberate growth. I am conservative in the amount of money I will borrow to build new restaurants. I also prefer to own the real estate under our restaurants rather than lease. The initial investment is greater, but when the loan is repaid the advantage is clear. I've owned Dwarf House since 1946 and haven't made a note payment in decades. For nearly twenty years as we located in malls, owning real estate had not been an option."

One interesting change in marketing occurred when Chick-fil-A began opening free standing stores. It became necessary to introduce advertising and the company decided to make billboard advertising the primary medium. The advertising agency hired to develop a theme came up with the idea of billboards showing cows which urged the viewer to "Eat mor Chikin". This humorous approach was both entertaining and effective (Cathy, 2002, pp.150 ff).

S. TRUETT CATHY'S FOUR TENETS

Chick-fil-A's expansion was governed by a small number of basic principles. In 1971 Truett articulated those principles in the form of what he referred to as the, " four tenets by which our company would be run (Cathy, 1989, p.125.). The tenets and Truett's explanation for each were:

1. Instead of selling franchises Chick-fil-A will form joint ventures with independent Operators. (This, "guarantees quality, supervision, and the motivation of partnership.")
2. Stores will only be opened in major shopping malls. (This was a timely niche to enter because malls were becoming popular. This was also a way to minimize capital costs per store.)
3. Growth will be financed primarily internally. (This allowed Cathy to keep ownership control and thereby run the business according to his Christian principles. It also reduced the likelihood of losing operating and quality controls because of too fast a pace of growth.)
4. "The chief emphasis will be on people" (This, "is the essence of the philosophy of life that God has entrusted to us.")

Cathy's opinion regarding ownership control is worth further comment. Here is what he had to say about this issue in 2002 (Cathy, 2002, p.88):

"In the early days we did not offer stock for sale because I could not predict how fast the company might grow or what dividends we might pay to anyone who might invest. Additionally, I'm afraid the directors, if we had a bad year, might tell me I'm old fashioned and fire me"

"If I had a widow invest her savings in Chick-fil-A and the company didn't pay the return she expected, I would feel obligated to make up the difference to her. Even if we paid less than she could earn in a savings certificate, I would feel compelled to bail her out. Feeling that way, I might as well sign the bank note and be personally responsible rather than take other people's money."

The decision to remain independent did face a moment of truth shortly after the first mall store was opened. At that time Truett was approached by the cafeteria chain Morrison's with an offer that seemed irresistible. They would pay Truett what seemed like a high price for ownership of the Chick-fil-A rights and would then hire him to direct the growth of Chick-fil-A outlets. Truett would become an officer of Morrison's and would stay for at least 5 years or until 50 Chick-fil-A stores had been opened. It was a tempting offer. Morrison's had the resources to make faster growth possible, Truett admired them. And the offer would provide financial security for the Cathy family. But after much praying and discussion within the family, Truett turned down the offer (Cathy, 2002, pp.90-92)

Cathy's approach to relationships with store operators is also worth additional comment. He devotes a lengthy chapter of his 2002 autobiography to this topic. Among the highlights of that chapter are the following comments.

1. *"In my first meeting with a potential Operator, I explain that our commitment is going to be like a marriage, with no consideration given to divorce. We're much more careful about selecting Operators when we know we can't easily get rid of them." (2002, p.97)*
2. *"We expect our Operators to abide by several tenets that we adhere to:
 - * People want to work with a person, not for a company.
 - * Each new operator is committed to a single restaurant.
 - * Operators will hold no outside employment or business interest.
 - * We choose operators for their ability and their influence, so we want them in their restaurants.
 - * We expect quality interaction between Operators and team members.
 - * We expect quality interaction between Operators and customers, both in the restaurant and in the community." (2002, pp.97-98)*
3. *"Our Operators work closely with us, but they are owners of their own business. In 2002 more than half of our Operators earned more than \$100,000, many earned \$200,000, and a few topped \$300,000 (2002, p.99). "After we make the necessary investment - buying the real estate and building the restaurant - we turn over the responsibility of running a \$2 million-plus business (for a free-standing location) to these independent franchisees - many of whom have not yet turned thirty years old. We support them with training, technology, and anything else they need. But the bottom line depends on the Operator's honesty, integrity, commitment and loyalty to customers and to us. We trust our Operators to make good decisions - and they do. I don't know of another restaurant company that places so much responsibility in the hands of its franchisees." (2002, pp.98-99)*

4. *"Another key to Operator loyalty lies in our decision to allow each Operator to have only one restaurant. At first this policy might seem counterintuitive. Many companies reward success by enlarging territories or bringing them into the company to oversee operations of other franchisees. I want our best people right there full time in the restaurant they've built, serving the customers and team members who have become loyal to them."* (2002, p.100)
5. *"A restaurant company needs two things to succeed, capital and talent. Franchise restaurant corporations raise capital by selling the rights - usually for hundreds of thousands of dollars - to open a restaurant to people who have already succeeded in business and are looking for a good investment. Sometimes the franchise owner will work directly in the restaurant, but most of the ones I have met are looking to own several units from which they draw income. They aren't actually wearing a uniform and serving customers. We supply the initial capital for the restaurant, so we don't have to limit our search for Operators to people with high personal net worth. The only money required from an Operator is a \$5,000 refundable capital commitment."* (2002, p.106). Cathy says the company was receiving 1,000 requests per month from persons desiring to become Operators; the majority of those chosen had been Chick-fil-A employees; and their average age was 30. (2002, p.107)
6. *"Most (Operators)...feel that this is more than just a job. They feel either a divine call or the satisfaction of a desire to make a difference in the world. They contribute greatly to the development of teenagers who work in our restaurants, creating a wholesome atmosphere in which to work and modeling positive leadership traits that teenagers will take into their adult lives. Our Operators consider themselves to be mentors to the next generation".* (2002, pp.111-112)

S. TRUETT CATHY EXPLAINS HIS

CHRISTIAN BUSINESS PRINCIPLES

Christianity is a signature characteristic of Truett Cathy's business and private lives. In business his Christian commitment shows up both in his daily dealings with people and in the "corporate purpose" which was adopted in 1982. That statement is reminiscent of ServiceMaster's mission statement.¹ Adopted by the executive

committee under Truett's chairmanship, the Chick-fil-A business purpose statement is:

"To glorify God by being a faithful steward of all that is entrusted to us. To have a positive influence on all who come in contact with Chick-fil-A."

That statement was placed on a large plaque at the entrance to company headquarters where Truett hoped it would serve as a reminder to all of how to conduct themselves day in and day out. Copies were also prominently placed at each operator's location as a means of keeping the company's ideals uppermost in the operators' minds.

The Christian emphasis raises the question of whether or not employees must be Christians. Truett Cathy's answer is (Dailey, 2002, p. 13)

"Not at all, but we ask that you make your business decisions based on biblical principles. There seems to be no conflicts when we tell people of various faiths how important it is to stick to the Scriptures in business decisions. In the Scriptures we learn how to handle our businesses, how to give customers good service and how to treat employees."

Running a company on Christian principles has paid off for Cathy, but the policy has had its critics. There has even been a discrimination suit. In 2002 an ex-employee in Houston filed a lawsuit claiming that Chick-fil-A had fired him for refusing to pray to Jesus Christ during a training session ("Suit Accuses Atlanta-Based Fast Food Chain Chick-fil-A of Religious Bias," 2002).

Two of Cathy's Christian business principles deserve a closer look

1. Closing on Sundays

One of the most striking features of Truett's Christian management approach is his refusal to do business on Sundays. In 1982 a major mall developer attempted to get Truett to change the policy by offering to donate \$5,000 to a church of Cathy's choice for each Chick-fil-A mall restaurant that was open for business on Sundays. Truett's response, presented in his 1989 autobiography, reveals the

reasons why the stores are closed on Sundays. In rejecting the developer's offer, Truett said, in part (Cathy, 1989, pp.74-76):

"Thank you for permitting us to close on Sundays. We're doing business on your premises and you did not have to make an exception. Because of this, we'll pledge to you exceptional performance during the six days we are open."

"Why do we close on Sunday? Well, it all started back in 1946, when I opened my first restaurant, a 24-hour coffee shop called "The Dwarf House." After the first week, I determined that if it took seven days a week to make a living, I should be in some other business. Too, it was my conscience that I had to live with; I just never could come to the idea of dealing with money on the Lord's Day. I became a Christian at age 12; that's not to say that everything I've done since that time is becoming to a Christian, but I believe the Lord has blessed us because we recognize Him on this special day we call Sunday..."

"I do not condemn a person for opening on Sunday: it is just a principle I stand very firmly on for my business..."

"We find closing on Sunday attracts those people who give attention to spiritual growth and are family oriented. The fact that we have Sunday closing helps attract quality housewives and young people as employees..."

"You are just the kind of person we would like to honor with any reasonable request, but please understand, we cannot compromise on certain principles."

2. Using One's Vocation as an Opportunity for Service to Others - Mentoring Young People

Like J.C. Penney before him, Truett Cathy was a member of Rotary, an international service organization. And like J.C. Penney, Cathy's approach to business made him a role model for fellow Rotarians. In Cathy's case what is striking is the manner in which he exemplifies the Rotary ideal of, "dignifying...(one's).. occupation as an opportunity to serve society."

Of particular note is Truett Cathy's recognition that the business put him and his Operators in a position to mentor thousands of young people. As was the case with virtually all fast food restaurants,

Chick-fil-A hired teenagers for the vast majority of the entry level positions. Many, if not most, of those teenagers were in need of career advice and character development mentoring. The Chick-fil-A workplace could be the place where some of that could occur. Truett saw the need, felt the call to serve and made Chick-fil-A a place where young people would find adult mentors. As he once put it (Cathy, 2002, p.48):

"The restaurant business gives us a wonderful opportunity to mentor young people and help guide them toward adulthood. Hundreds of thousands of teenagers have worked at a Chick-fil-A restaurant and I like to think we have been a positive influence for each of them ... Many of our young employees have been encouraged to work for Chick-fil-A because of the positive influence of our Operators."

In 1997 Rotary International discovered Truett's good work and profiled him in the July issue of its magazine (West, p.50). In that article Truett was quoted as saying, "The restaurant business provides my livelihood and its success enables me to fulfill the obligations of Vocational Service as well as Community Service. By contributing to the continuing education of my employees and helping youngsters without families, I also make a contribution to a better society. As a Rotarian, I can do no less."

COMMUNITY SERVICE

Community service has been a core source of meaning for Truett Cathy. Arguably the three most notable examples are his service as a Sunday school teacher; his sponsorship of college scholarships; and his outreach to young persons in need of adult friends and role models.

1. Sunday School Teacher

Theo Abby, Truett's Sunday school teacher inspired Truett to make a commitment to Sunday school teaching, a task Truett took on with relish. He started teaching Sunday school for teenage boys in the 1950s and was still teaching in 2002. He saw his job not only as introducing the young persons to the Bible but also providing a wholesome adult role model. And so he would get to know the youngsters better by doing such things as treating them to a meal at his restaurant during the week and bringing them home for a meal and some fun on the weekends.

But there was more. In every class he looked for youth who were obviously in need of personal attention. When he found someone in need he would go the extra mile. As he once put it (Cathy, 2002, p.30):

"(W)hen I encounter children whose fathers do not participate in their lives, I try to establish a relationship with them. I have taught thirteen-year-old boys in Sunday school for nearly half a century, and through that contact I have tried to identify those boys who didn't have fathers or who lived in divided homes. I often give those children more attention than I do those with a stable home life. Over the years I have become a substitute father or grandfather to dozens of children, as Mr. Abby did for me sixty-five years ago."

2. Berry College and scholarships

In 1973 Truett initiated a practice that evolved into one of his most impressive public services. That was the year he awarded the first college scholarship to a Chick-fil-A employee. That first scholarship was for \$1,000. Over the next 27 years the program expanded and, by 2000, over 16,000 Chick-fil-A employees had gone to college on a company scholarship. There was even a large statue in downtown Atlanta which celebrated the accomplishments of these scholarship recipients. (Cathy, 2002, p.50)

In 1983 Berry College president, Dr. Gloria Shatto, spoke to Truett's Rotary club. Truett was program chair and therefore spent time with her before and after the talk. The result of their time together was that Truett became aware of an opportunity to change the nature of the scholarship program. Berry College had operated an academy for young people ages 5 through 12. The academy had recently been closed and Dr. Shatto was looking for a proper way to use the empty facilities. After further investigation Truett decided to make the academy facilities a part of the Chick-fil-A scholarship program. Scholarships would be awarded to students who would live in the academy dormitories and attend Berry College. The award would be substantial (\$4,000 the first year, \$3,000 the second, \$2,000 the third and \$1,000 the fourth year). Berry College would cover one-half of the cost of each scholarship. The old academy facility and the new program would be called WinShape Center. The name was meant to refer to the fact that this program would be "shaping individuals to be winners" (Cathy, 1988, pp.167-182). The new program was initiated in 1984 with the establishment of the WinShape Center Foundation. Twenty-five or more scholarships were to be awarded

annually (West, p.50).

3. Homes for Boys

Sprinkled throughout Truett Cathy's life story are incidents of reaching out to individual boys in need of adult kindness, caring and guidance. Some, as noted earlier, were connected with his Sunday school teaching. Others were not. Both of his biographies are filled with examples. An insight into the nature of his one-on-one work with youth is suggested by the following excerpt from an interview with evangelist Billy Graham's magazine *Decision* (Dailey, p.15):

"Once a caseworker called me about three boys who needed a mom and a dad, but at the time we didn't have a place in our foster homes for three boys. They spent the weekend with us. Their ages were 12, 14 and 15. The first thing we did was to eat. Then we went shopping. Then we ate some more. Back at our home we read the third chapter of John, and I explained briefly what it meant to be born again.

"The next day I asked if they had thought about becoming a Christian. The two older boys said that they were Christians, but 12-year-old Nicholas said, ' Well, I'm not.'" I asked him when would be a good time to accept Christ, and he said, 'Right now!' So there in the car we bowed our heads and prayed."

This personal mission was raised to a new level when Truett established WinShape Homes, a program of long term care for foster children. The name represented the program's goal of homes that shaped winners. By 2003 WinShape Homes operated eleven long term homes in Georgia, Alabama, Tennessee and Brazil. Each home provided a family atmosphere for up to 12 children with two full-time foster parents (www.chickfila.com, accessed 1-6-03). The Brazilian program came into being after Truett visited his daughter and son-in-law while they were serving as missionaries in Brazil.

SUCCESSOR MANAGEMENT

Truett's plans for successor management focused on his family. All three of his children worked in the business while they were growing up. Dan, the oldest son, graduated from Georgia Southern University and then went to work full time in operations on the headquarters staff.

Bubba, the younger son, graduated from Samford University in Birmingham, Alabama and went to work as a carpenter's helper in the design and construction department. He then became a Chick-fil-A Operator for a time before returning to headquarters to work in development.

Trudy, the daughter, became a Chick-fil-A Operator after her first year of college. She later married John White, a star Chick-fil-A associate and, like her, a devout Christian. The newlyweds soon felt a calling to become missionaries and ended up serving in that capacity in Brazil. While there they enlisted Truett's help in setting up a foster home for Brazilian children.

All three children demonstrated strong management skills. The two who remained with the company became the obvious choices for successor management. They both established their strong credentials by being active participants in company planning as well as in operations. In fact, by the late 1980s they were pushing their father to raise his sights. In 1989, for example, Dan Cathy talked his father into setting an eleven year goal of an annual 12 to 15 percent sales increase (Cathy, 2002, p.164).

In 2001 Jimmy Collins retired as President and Chief Operating Officer and Dan Cathy was appointed to replace him. Bubba Cathy was already serving as Senior Vice President. Truett Cathy continued to serve as Chairman and Chief Executive Officer.

CONCLUSION AND APPRAISAL

By 1988, Truett Cathy and Chick-fil-A had become business celebrities. Favorable articles on the business appeared in *Success*, *Entrepreneur*, *Venture*, *Forbes*, *Fortune*, *Nation's Restaurant News*, and *Restaurants and Institutions* among other publications. In 1986, *Business Atlanta* called Chick-fil-A "one of Atlanta's most famous home-grown companies" in 1986 and named Truett "Entrepreneur of the Year" in 1987. *Restaurants and Institutions* reported that Chick-fil-A was the nation's top rated chicken restaurant in the magazine's eighth annual survey of customer satisfaction (Cathy, 1988, pp.148-149).

The following years brought even more recognition as the company grew larger and became even more visible and as Truett's charitable work expanded in scope. In 1989 Truett received the prestigious Horatio Alger Award. In 1990 he was named Atlanta's "Most Respected CEO" by *Business Atlanta*. In 1994 he became the first

recipient of the National Foster Parent Association's new Commitment to Foster Care Award (Diana West, 1997). He was publicly presented as a Christian role model on national television by Robert Schuller and in print by evangelist Billy Graham and Focus on the Family.

Those close to him were probably less impressed by his public recognition than by the way he conducted his daily life. They saw him taking the time necessary to maintain a close-knit and loving family; they saw him finding time for a few valuable leisure pursuits including his love of motorcycles and hikes on his farm. They saw him establishing healthy long-lasting relationships with people who shared his values and with people for whom he served as a role model (Cathy, 2002, pp.60-69 as well as various other portions of both autobiographies). In short, they saw him as a business executive who did an exceptionally good job of leading a balanced life.

Those close to him for many years also had to marvel at how he was able to continuously renew his management abilities as the requirements of the job changed. As he put it (Cathy, 2002, p.89):

"When we opened the first Chick-fil-A restaurant in 1967, I never expected a chain of 1,000 restaurants, and at that time I was not capable of running such an operation. But I grew into it one day at a time with the help of talented people around me."

Given that perspective, how does S. Truett Cathy wish to be remembered? He answers that question in his 2002 autobiography with these words (p.35):

"I think 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 will not change if we keep our priorities in proper order."

Truett's two autobiographies lend strong support to the argument that this statement truly reflects his world view. For example, he tells of a defining moment early in his adult life when he appears to have thought through the issue of priorities. That moment occurred when, at the age of 38, he was found to have colon polyps and he became convinced that he was about to die. That caused him to think through what really mattered to him and he then and there made a commitment to change his priorities (Cathy, 1988, pp.64-65). The

selection of material presented in both autobiographies seems to indicate that he followed through on his new commitment to Christian living.

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ⁱ ServiceMaster's mission statement was: (1) To honor God in all we do, (2) To help people develop, (3) To pursue excellence, and (4) to grow profitably. See Richard E. Hattwick, "ServiceMaster: 1947-1983, *The Journal of Business Leadership*", Volume 3, No. 4 (1990), pp.1-40.