Improving the way organizations run through participative planning and management.
Pearl River School District
2001 Malcolm Baldrige National Quality Award

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Organizational Profile and Leadership
Richard E. Maurer—The Pearl River School District (PRSD) is located twenty-five miles north of New York City. We have 363 employees, including 203 teachers and 2,500 students. The district is comprised of five schools: three elementary schools (kindergarten through grade four), one middle school (grades five through seven), and one high school (grades eight through twelve).

Who we are

Learning standards and related training
All students in New York State are required to pass the Regents exam if they wish to graduate from high school. This involves passing eight state exams—one in English, two in math, two in history, two in lab sciences, and one in foreign language. These learning standards necessitate extensive staff training and professional development for our faculty. We require each of our staff members to complete five core in-service courses and forty-two hours of professional development each year.

This additional training has produced qualitative improvements. For example, 96% of our graduating seniors in June 2001 went on to college. This high percentage might partially originate with the course work we offer. We offer courses that prepare our students to enter competitive post-secondary schools. They are challenging—they stretch student thinking and ability, which leads to great end results.

Cost containment
A full 90% of our school budget comes from local taxpayers, so we have to contain costs while maintaining quality. We want parents, citizens, and businesses alike to approve of and admire what we are doing. Part of that approval comes from our keen ability to keep costs thin and light.

Four key success factors
Four systemic processes have enabled us to achieve our present level of success. One is a rigorous application of the Plan-Do-Study-Act process throughout the
**Four key success factors, continued**

district. We apply this in the classrooms as well as in our business offices. Another is our data-based performance-review process. We review data continually and hold formal staff reviews quarterly. The third process consists of what we call formal and informal “checkpoints.” We establish checkpoints for all our annual goals and policies so we can study their progress. The fourth process, and certainly the most critical one, is the development and empowerment of our faculty and staff. We are blessed with a talented and energized work crew, and we insist that they have a major say in what goes on in our classrooms. We believe this so deeply that we have a flat administrative structure with no department heads, team leaders, or supervisors.

**Mission, goals, and values**

Our mission statement is “Every Pearl River student can and will learn.” In relation to this mission, we have developed three major goals that we have maintained for the past ten years: (1) improve student academic performance, (2) improve community perception of the district through the incorporation of quality principles in all system areas, and (3) improve cost-efficiency and maintain fiscal stability. We periodically review these goals through focus groups.

We work to make sure that everyone concerned is familiar with these goals. In fact, during a site visit, a Baldrige examiner asked a night custodian if he knew about the three district goals. The custodian did know them.

**PRSD’s core values**

We have a number of core values that relate to these three goals. One is that we believe our students are our customers, and the “product” we deliver to them is an education that enables them to achieve to their highest ability. Furthermore, we believe that educational opportunities should exist for all students; that learning is an active process, where students first discover and then create knowledge; and that the tracking of academic performance must be a consistent and constant practice.

Other core values we uphold include the belief that active involvement from all stakeholders is integral to district operations, and that our district employees are highly valued resources. In addition, the district recognizes the value it has in the community and the people that the district serves. Finally, we work to make our business operations cost-effective while maintaining quality practices and protecting progressive educational programs.

**A simple leadership system**

We have a very simple leadership system (see Figure 1 on the next page) that begins with the board of education, a five-member elected school board. As superintendent of schools, I serve as the CEO. The administrative council is comprised of fourteen principals, assistant principals, and directors. With this system, which is lean by design, middle management cannot get in the way, and teachers remain empowered. Because we recognize that the ultimate key to our success is our faculty and staff, we make every attempt to support and reward them.

We are a very lean organization. Because our administrative staff has only
A simple leadership system, continued

Figure 1. PRSD Leadership System.

Administrative council

The administrative council serves a central function in our improvement process. Its monthly meetings are partly devoted to professional development. Council members also spend time critiquing articles and books on management, structure, and curriculum. In addition, all council members must submit quarterly reports focusing on their annual projects and goals. We use summer meeting sessions to review the previous year’s results. We also hold summer and mid-year “advances,” at which time we determine our future direction and the policies that will best get us there. We use the term advance for these gatherings because it expresses a much more energetic approach to development than the word retreat does.

A performance-review process for improvement ideas

We utilize a performance-review process in key improvement areas. We always review data before coming to a decision about a strategy we have implemented. During such a review, we determine whether the strategy has met the goal it was designed to fulfill. If the improvement plan is working, we then deploy the procedure throughout the system. The outcome becomes a new standard, and we adjust the baseline to reflect the new course of action. We continue to scrutinize the process to make sure that our goals are being met.

If we detect later that a goal is not being achieved, we employ quality-assessment instruments to identify the causes. Once we find the factors contributing to the insufficiency, we rebuild the deployment strategy to reach our goal and then, after further field tests, conduct new evaluations.

An illustration of how well this process works is the way in which PRSD improved its purchasing process and, as a result, saved the community a good deal of money. One school alerted us that supply expenditures were over budget; the
A performance-review process for improvement ideas, continued

expenses exceeded our goal limit. We conducted a root-cause analysis and discovered that school secretaries were calling vendors to order supplies during the summer. However, during the academic year, the secretaries weren’t responsible for this task, so they had very little experience with this important aspect of school financial operations. We learned that the secretaries were never trained to negotiate for the lowest cost, so we were paying exorbitant prices for supplies at these times.

To straighten this out, we gave the secretaries training to enhance their negotiation skills. We taught them how to seek out the lowest bid, and we offered an incentive to whomever saved the most money. As a result, we were able to bring our supply expenditures back within the budget’s limits.

Leadership approach

Part of my job as superintendent is to make weekly visits to our district’s schools. I talk to principals about data and deployment strategies, visit classrooms, and, most important, view students’ work.

We assign our administrators to working teams, which helps with system-wide communication and knowledge sharing. Every year our administrators review my performance anonymously, which helps ensure genuine responses. This evaluation process keeps me on my toes and within the feedback loop.

We regard our staff as our most valuable asset, and we empower staff members throughout the district to make many decisions on their own. For instance, because we know there is nothing more important in education than the classroom itself, faculty members have a major say in the creation of their classroom policies. We also cultivate partnerships with our stakeholders, such as the PTA, the local business community, and local senior citizens.

Public responsibility and citizenship

We are also concerned with the environment. We are in full compliance with legal regulatory and ethical requirements. We do environmental scanning to ensure compliance with regard to mold, air and water quality, and security.

Because feedback can lead to system-wide improvements, we seek out good feedback and do our best to learn from it. Our district belongs to a Tri-State Standards Consortium. We also use peer-audit reviews and have organized a committee that reviews our curriculum based on the Baldrige Model.

Closing in on our goals

In conjunction with our goal of improving student academic performance, our vision is to see 100% of our high-school seniors graduating with a Regents diploma. We have made considerable progress toward this goal over the past decade. In 1991, 42% of the senior class graduated with a Regents diploma; by 2001, that number rose to 86%. Our percentage rate is the highest in New York State— but we are not at 100% yet. Our target for 2003 is 90%.

One measure we use to gauge our goal of improving community perception of
Closing in on our goals, continued

the district is to track the percentage of eligible students who attend our public schools. Local students and their families have a great deal of opportunity in this regard; they can choose from a pool of about eighty private and parochial schools located within fifteen miles of Pearl River. In 1991, 71% of the eligible students in the district chose to attend the Pearl River public school system. In 2001, that number rose to 90%.

One way in which we measure our success regarding our goal of improving cost-efficiency and maintaining fiscal stability is voter-approval rates. In 1991, 55% of the voters in our district approved the annual school budget that we proposed. In 2001, that number rose to 72%. We are delighted to have such a high voter-approval rate for our budget proposals.

Strategic Planning

Ellen Raffman and Sandra Cokely Pedersen—Our strategic-planning process takes place at three different levels—the district, the individual school, and the classroom. At the district level, administrators consider general student and stakeholder needs and determine long-range plans. At the school level, leadership teams made up of representatives from all building stakeholders set annual operating plans based on district codes. At the classroom level, teachers use what we call the A+ Approach to Classroom Success, a methodology for learning, teaching, and assessment. With this approach, teachers assess classroom productivity, catalog data, align the curriculum with it, and generate relevant practices through differentiated instruction. (More on the A+ Approach to Classroom Success later.)

PRSD’s planning cycle

A great deal of planning goes into making a school functional and ensuring that the students learn. We start planning for a new fall school year during the previous spring semester. To start this process, we combine student performance indicators with other benchmark data, such as fiscal assessment information. During the summer we revisit our mission statement and our three district goals to carefully evaluate their appropriateness. Over the past ten years, aside from some minor tweaking, these have remained remarkably consistent.

We then take all the data we have gathered and assemble it into a comprehensive report. During our summer advances, with the help of the board of education and the administrative council, we analyze this report to create strategic objectives for the coming school year. We place each strategic objective under one of our three district goals and categorize it as either a short-term supporting goal (a “lead goal”) or a long-term end-result goal (a “lag goal”). We craft the lead goals to support the lag goals. All these goals are concrete and are used to foster our ultimate mission statement, that every Pearl River student can and will learn. We then deploy all our human-resource plans and finalize any necessary budget revisions. We put all these strategies to work when the schools open in September.
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Budget planning starts early

In January we start thinking about the next school year’s budget. In New York all taxpayers vote annually on the budget and decide what financial support they want to give to education. By planning for the budget so early, we have extra time to look closely at new programs that we want to develop and existing programs that we want to maintain or expand. This extra time allows us to present a realistic and detailed financial agenda to our voters.

During our planning cycle, we pay a lot of attention to relevant data. Many departments tap multiple sources and use them all meaningfully. For instance, the administrative council uses data sources for several different purposes: for tracking goals and identifying classroom problems early to allow for preventive intervention, for the board of education’s year-end reviews, and for deciding the extent to which educators are bringing their students to grade-level proficiency.

Collecting data to track performance

Data collection starts with the classroom teacher analyzing his or her weekly and monthly tests and projects. This information is then analyzed by the school administrator when report cards come out. With progress reports, we review how the students are doing and see if there are any problem areas; if so, we address them with the appropriate teachers. After a state exam is given, the director of curriculum analyzes the results and immediately gives informal feedback about the data, so we can do any mid-course correction if necessary.

At the individual school level, school principals and leadership teams separate academic data by grade, teacher, and subject matter. They look at the progress made and design plans based on the data related to their specific disciplines. Besides collecting data about student performance on standardized tests, we have a writing portfolio in which we keep track of students’ work as they progress from grade to grade. We collect representative samples of their work in different subjects throughout the year and keep them on file. Then we look at how they do as they progress through the grades.

Our superintendent gathers data by conducting quarterly reviews with each school administrator. Over the course of the year, the administrators submit reports to him outlining the approaches they have taken, the deployment methods used, and the results obtained with each assigned project.

Throughout the school year, we make curriculum adjustments as soon as we realize they are needed. This kind of thinking is somewhat innovative for school systems, which typically operate on a traditional yearly cycle. Thus, new projects are often shelved until the close of a school year before they are considered. But we believe this approach causes a school district to lose too much valuable time, so we make adjustments as we go along.

We conduct a comprehensive, in-depth screening of our incoming kindergartners every year when they register in May. We then have three months to plan for their needs before they arrive in September. This screening serves two very useful
Collecting data to track performance, continued

purposes. It lets us know if a child might be gifted, which means we have to make sure that we service that child appropriately. It’s also a first sign of where we might need to do early intervention. Whenever we see academic problems surface in the classroom, no matter what grade the student in question is in, we always see that it showed up on that initial screening.

Many types of data are analyzed

We use a number of major data categories to carefully observe our performance. We track student accomplishment with test scores, quarterly grades, and homework and project grades.

Academics are not our only focus. We also look at our students’ participation in extracurricular activities. We require every high-school student to complete ten hours of community service a year, for a total of forty hours, before they graduate. Nearly all of our students exceed that amount—some of them complete well over 300 hours of community service during their high-school years. We survey our alumni every three years to determine how well-prepared they were to enter and complete college. The last time we distributed that survey, 90% of the respondents said they were either on track to complete college or had already done so within four years. To gain information about our future students, we maintain an open dialogue with parents; many of the parents of our current students are also the parents of our future students.

We also keep current on what’s going on in the local community. We use “environmental scanning data,” which refers to current political, economic, cultural, and technological information and trends in our area, to check our community’s well-being. For various other purposes, we also use demographic and enrollment statistics, along with data involving birth rates, private-school enrollments, real estate developments, and kindergarten registrations.

We try to stay ahead of things that might have an impact on our district in the future. For instance, a proposal for a housing development in the community would interest us. We would want to know what types of units are proposed and how many, and we would try to measure the kind of impact it would have on the location of new schools in the future.

We use a wide variety of methods to gain a deeper appreciation and understanding of our school system and obtain important school-related information. Every three years, for instance, student and stakeholder surveys are distributed district-wide to all parents, students, and staff. Smaller representative groups of students and stakeholders receive these surveys on an annual basis. We use the data from these surveys as we develop various community projects. This data also makes us better able to improve the community’s perception of our policies and programs.

To enhance our programs we use New York State standardized test-score data and audit-inspection results, which include fiscal, health, fire, and safety feedback from internal and external auditors. We also base our actions on the understanding
Many types of data are analyzed, continued

we gain from the Baldrige Quality Feedback Report, the Tri-State Standards Consortium, the Palisades Institute Award program, and other continuous-improvement programs. Technological data with which we work includes information from the New York State Education Department, technology learning standards, and technical trends. We consult higher-education requirements to increase our understanding of admissions criteria and acceptance rates.

Two years ago, we began using an electronic data warehouse that enables us to get data, categorize it, and put it in a comprehensive report for everyone to see. The data warehouse makes it easier to sort through a tremendous amount of data.

During our summer advances, no paper is distributed. We simply use a PC to look at data in many different ways: comparing one teacher with another, one test with another, results from one year’s Regents versus another year’s, and so forth. Our data warehouse will also be available for teachers to access within a few years, so a teacher will be able to look up any grade that any of his or her current students received during their school career since kindergarten.

Developing strategic objectives

For each of Pearl River’s three major district goals, we develop several strategic objectives. With our first goal, improve student academic performance, we set a long-term lag goal for our students: obtaining a Regents diploma. This long-term goal is supported by a short-term lead goal, students’ successful passing of eight New York State examinations in different content areas in the fourth and eighth grades.

Our second district goal, to improve the district’s perception of our work, has a strategic objective: parent satisfaction. Our long-term lag goal here is to increase the market share of student enrollment. We use the satisfaction rates indicated on a new-resident survey as a lead indicator of our success.

Our third district goal, to maintain fiscal stability and improve cost-effectiveness, also has a strategic objective: cost-efficiency. The lag goal here is to contain the per-pupil expenditure at or below the consumer price index. The short-term lead goal is to reduce non-instructional costs, such as printing expenses.

Obtaining taxpayer support

As a district, we are keenly aware of what the taxpayers will tolerate; 75% of the voters in our district have no children currently in school. But we have been successful in involving the district with the entire community. We spend a lot of time talking about our budget increases and why they are what they are. When we communicate to our taxpayers, we tell them what the money is going to do: what students are going to do, what we have done so far, the results thus far, where we are headed, and what we would like to accomplish.

In 1999 we had a 16% budget increase. We broke it down so people could easily understand what factors caused it. As it turned out, we were ahead of the curve. Other districts that didn’t face a tax issue then are behind the curve now, and we look a lot better now than they do.
Obtaining taxpayer support, continued

The Baldrige Model has helped us tremendously in this area. When we submit a spending plan to the board of education, the board tells us how much of an increase they believe the taxpayers will tolerate and what our limits are. They do this based on information that they obtain through community involvement, through their own understanding of the process, and through research. They also work with our state school-board associations, so they have a good sense of what the trends are across the state in terms of what taxpayers are supporting.

Another reason why we get so much support from taxpayers is that we have learned to communicate the value of our district. Although it wasn’t the case ten years ago, we are clearly the highest-performing school district in our county today. But we do not have the highest budget in our county; in fact, we have the lowest budget, even though we are not the smallest district. This year our budget will be the lowest annual budget of all of the districts in our county.

Successes toward achieving the three district goals

We have successfully improved student academic performance. We are moving closer toward our goal of enabling 100% of our students to secure a Regents diploma. In 2001, 86% of our senior students received one. Pearl River was significantly ahead of similar schools and right behind the benchmark school district.

Have we improved the community’s perception of the school district? In 1999, we asked voters to approve a needed 16% budget increase. In 2000, the voters became complacent. Nevertheless, in 2001, we again got our message out loud and clear about our budget recommendations and our hope for voter support. In return, the voters gave us a 3:1 budget-approval plurality. With this level of voter support, we were able to meet our goal.

With regard to improving cost-efficiency and maintaining fiscal stability, PRSD has contained the cost of per-pupil expenditure while the consumer price index has increased. We are working to achieve our goal of half the consumer price index. The Baldrige process of Approach-Deploy-Results-Evaluate has given us the framework to put effective steps in place toward realigning our objectives, achieving our three district goals, and continually improving as a school district. We want to be able to be ahead of what our students, our parents, and our taxpayers need so that we can provide support when the need is there and not after the fact.

Ensuring staff competency

We use a variety of methods to solidify professional development and effectiveness and ensure that our staff members have the professional skills they need to achieve their goals. Our new-staff-orientation plan is a two-year process that integrates new employees into our continuous-improvement system and the school district’s culture. Our performance-evaluation plan is a process by which employees and managers develop individual goals for employees based on annual projects, long- and short-term goals, and strategic objectives. Our professional development plan, which we constructed with input from faculty and staff, is a comprehensive approach...
Ensuring staff competency, continued

aligning employee goals

National Goals 2000 and the subject standards are the backbone of the New York State standards (see Figure 2 below). In turn, these standards support PRSD’s district goals, which bring about the development and implementation of our grade-level curriculum maps (described in more detail later). Curriculum mapping brings about the development of projects, and therefore employee goals. Teachers, in turn, develop individual performance goals and professional development plans with their administrators. Each goal is articulated through the Baldrige process of Approach-Deploy-Results-Evaluate.

understanding student needs

Student and Stakeholder Focus

Sandra Cokeley Pedersen and Ellen Raffman—Students and stakeholders alike have a very clear and broad involvement in the design and delivery of PRSD’s services. As stated earlier, we view our students as our customers. We have been challenged on this “business-like” approach to education. Some people contend that a customer has to be a person you sell a product to through a particular kind of market. But we firmly believe that while we sell nothing to our students, they are nevertheless the reason for our existence, and therefore they are primarily our customers, in a manner of speaking. We are here to serve them.

As a public school district in New York State, our obligation is to serve all district students in kindergarten through grade twelve. We have no voucher system...
Understanding student needs, continued

in New York, nor do we have charter or magnet schools in our area. However, as stated earlier, we have about eighty private and parochial schools in our district to which parents can choose to send their children.

In a sense, therefore, we work in a competitive environment. We don't want to put the private schools out of business; we wish them well. But we don't want parents to choose the public school system for their children merely because they find fault with the private system. Parents should choose public education because of the excellence it develops in their children.

Public schools should thus offer positive features that attract families and fulfill student needs. To this end, we use student-assessment data, such as test results, homework completion, classroom participation, and the like, to gain an understanding of student academic need. This gives us the information we need to be able to provide our students with an excellent education.

In addition to the comprehensive district-wide survey we conduct every three years, we use other focused methods to bolster our understanding of student and community satisfaction levels. We examine usage rates, such as course enrollment, club selection, and team sign-ups, to determine the extracurricular interests of our students. We use alumni surveys to measure how effectively we prepare students to meet their post-graduation obligations.

It is also a customary practice for us to annually survey the colleges that typically accept our graduating students as well as those that accept fewer of our students. In the latter case, the deeper understanding we gain through these surveys can help us better prepare our students to meet the admissions criteria of competitive schools. We also look at state and federal frameworks because our students have to meet those requirements to graduate.

Responding to student needs

Our process for responding to student needs goes as follows: Once we are notified that a need exists, we begin by determining how real the need actually is. For instance, we might be told that many students are having an increasingly difficult time gaining acceptance to high-quality colleges and universities. To test the truth of this claim, we would do research on graduating students over several years to determine what percentage got into the schools of their choice.

If our research shows that a claim is invalid, we just look at it as a false alarm and don't respond. On the other hand, if it shows that a student need exists, we then formulate the best response we can. If we are able to respond adequately to certain concerns, then we study and work out a plan of action, or perhaps try out a model program or modify an existing one. Then we evaluate the success of the course of action we decide to pursue.

Of course, there are times when we can't realistically respond to certain needs. For example, we might not be able to provide a new swimming pool or a new gym at a certain time. We retain that vital data about these needs for future benefit and use. It could help us re-evaluate our mission, a project we conduct annually.
Anticipating future needs

Anticipating the future needs of our educational community is another critical component of school planning and management. It is something we have to work on steadily and progressively.

First and foremost, every year we have to fully prepare ourselves for the entire student population that enters our schools’ doors. To minimize guesswork with regard to student numbers, on a yearly basis we track local birthrate data and preschool program enrollments. We also project enrollment trends ten years into the future to anticipate for the amount of classroom space, the number of staff members, and the extracurricular programs we will need to make the system run in a smooth and functional manner.

We also rely on student and alumni surveys to gain insight into student experiences and needs. On one alumni survey we conducted, for instance, graduates said they didn’t feel prepared for their freshman college literature courses. In response to this, we increased the reading and course work required in our high-school English language classes; we also adopted a required summer reading program. On the surveys we conduct now, alumni tell us that they feel prepared and ready for the English classes they initially face in college.

We also track proposed legislation relative to the needs of our future students. For instance, New York State is adding Regents tests to its list of graduation requirements. These tests are now optional, but by 2005 they will become a prerequisite to graduation. So, we have to keep our eye on legislation because it helps us prepare for the future. Since we know what will be required of our students, we can work to prepare them to fulfill those requirements.

Knowledge of stakeholder needs

In addition to our students, we have five major stakeholder groups. One is the parents of our students, as well as those parents who opt to send their children to private schools. The second is our faculty and staff.

District residents make up the third group. Seventy-five percent of this group, because they are either too young or too old, have no children enrolled in the school system. Senior citizens are a very distinct subset. They have a substantial influence on the way our school system functions. They exert their influence as taxpayers, and they tend to have a lot of free time and interest in keeping track of school operations, so we pay very close attention to them as a group.

Local businesses make up our fourth major stakeholder group. Due to district regulations, they pay a school tax rate that is higher than that paid by homeowners. They also hire many of our students for part-time work. Some hire former students for full-time career work after they complete their college degrees. So, we clearly try to listen to the business community’s concerns as well.

The fifth key stakeholder group is higher education. In 2001, a full 96% of our graduating students went on to college, so the higher-education community is clearly an important stakeholder for us.
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Needs-determination methods

As with our students, we use a wide variety of assessments to determine the needs of our various stakeholders. For instance, the same overall satisfaction survey we give to students is likewise distributed to our faculty, staff, and parents. The responses we receive give us an impression of their general satisfaction levels in various broad areas. We can delve further into areas of interest or concern using other measures. We determine the needs of local businesses and colleges through the use of focus groups and telephone and written surveys.

We formulate all our policies only after getting feedback from the people who will be most affected by them. A group of parents meets monthly with our superintendent and the entire administrative cabinet. The agendas for those meetings are developed jointly so parents have a say about what direction the discussions are going to take. Parents also serve as members of our building-leadership teams and hiring committees. Staff members participate in our building teams, hiring teams, and advisory committees. District residents have a voice through committee involvement, public hearings, and our open-door policies.

We use data to ascertain divergent stakeholder needs, such as utilization rates of adult-education programs and community use of our educational facilities. In addition, all school buildings are open to community groups, so we acquire a sense of their needs based on the kinds of activities they organize. We record local families’ responses to national and educational surveys and track information such as student attendance at college fairs and college-acceptance data. By pooling and organizing all this information, we gain crucial input from our key stakeholders so that we can set our policies accordingly.

We aspire to actively involve all stakeholders in our district operations. Very few decisions are made that exclude the participation of those people who will be most affected by those decisions.

Responding to stakeholder need

At Pearl River, we recognize that wherever a need exists, there also exists a prudent way of handling it. The remedial steps we take on behalf of our stakeholders are similar to the ones we take on behalf of our students. Once a need is expressed, we evaluate the accuracy of the claim and then decide whether the described need is genuinely relevant to our mission. We also have to evaluate whether we have the resources necessary to fill a need.

For example, today’s schools are often viewed as a cure-all for everything negative that’s happening in the world. It’s appropriate for schools to address many problems, but they cannot address all of them. You can easily lose systemic focus by responding to issues that are not central to your cause. Our remediation process helps us remain centered and concentrated on our educational mission.

If we find that a stakeholder need has significant validity and is central to our mission, then we go into study-and-planning mode and work out a viable course of remedial action. On the other hand, if we determine that a need is not central to our
Responding to stakeholder need, continued

Checking informational accuracy

We have a procedure to evaluate the accuracy of the information we use to create responses to student and stakeholder need. Each administrator submits quarterly and year-end reports on the school system’s annual projects. These reports follow an Approach-Deploy-Results-Evaluate format, whereby we consider our success relative to the results achieved. Our administrative cabinet, board of education, building-leadership teams, labor management council, and various other advisory groups all collect and share information. We check informational accuracy through research and surveys and determine the usefulness and applicability of the information that we accumulate.

We also check for the relevance and timeliness of data. We have to decide what information is important to our mission and goals and make sure that our assessments identify the right information.

Maintaining quality relationships with parents

One of our key parental objectives is to encourage parents to show active support and involvement in their child’s education. We developed this objective because the findings of national research consistently show that parental involvement is a critical factor in a child’s educational achievement. We provide many opportunities for parental participation. We regularly hold “back to school” nights and parent/teacher conferences, and teachers maintain direct contact with parents through voice mail and e-mail. We also have a Parent University that, in connection with PTA agendas, supports parents and helps find solutions to their concerns and needs. We hold parental workshops and seminars on various topics.

We also maintain interaction with parents through our Parent Advisory Council (PAC), which is comprised of PTA presidents and parent representatives and meets on a monthly basis with the superintendent and the administrative cabinet. The agenda is developed ahead of time with one of the parent representatives and the superintendent. These meetings feature an open forum, and the dialogue is honest, so we are often able to address issues right there or right after the meeting so they don’t have to be presented to the board of education. Typical agenda items might be testing results, the budget, the school calendar for the next year, or discussing a request for a new hockey team.

We hold monthly PTA meetings at each of our school buildings. At those meetings there is always a teacher representative present, as well as the school administrator and parents. The agenda is reviewed prior to the meeting so that the administrator and the parents are informed.

Our elementary principals hold grade-level meetings each fall with the parents of the students in kindergarten through fourth grade. These meetings, during which academic interests and issues are shared, encourage open dialogue. So, from the time mission, we refer the stakeholder to another agency more able to handle his or her concern and store the information we have gained for future reference.
Maintaining quality relationships with parents, continued

Because the tax structure in our area requires local businesses to pay a higher education tax than homeowners, and because we rely on businesses' support to be able to deliver our educational programs, we maintain active representation in key business organizations. Our business officer is a member of the Chamber of Commerce. Pearl River's superintendent and a few other school representatives are members of the local Rotary Club, which is a real powerhouse in our community. Other education associates take part in programs connected to local corporations and county business associations.

We coordinate two programs to support our business relationships. One is our restaurant "place mat" program, which takes place each year during American Education Week in November. Prior to that week, we print 12,000 place mats and distribute them to fifteen local restaurants. The place mats are designed to convey to the public positive and informative impressions of Pearl River and its educational system. During American Education Week, the restaurants substitute those place mats for their own, thus promoting the scholastic core values of Pearl River. It's an effective way for us to stay in touch with the business community.

The second program, which operates in conjunction with our adult-education program, is a restaurant lecture series. We invite guest speakers to lecture on some topic of interest and charge a nominal fee for participants. We usually hold these lectures on a Monday or Tuesday night, when the restaurants aren't so busy. So, people can come to a restaurant, enjoy a nice evening out, get something good to eat, and learn something interesting as well.

In addition, we give local businesses the opportunity to use our school facilities for various meetings, programs, and events.

A "gatekeeper" model for complaint remediation

Because we spend so much time and energy dealing with our students and stakeholders, it's inevitable that we will occasionally receive complaints. We have learned from the Baldrige Criteria that it is important to manage those complaints with clarity, sincerity, and precision. We have adopted a "gatekeeper" model to govern our complaint-remediation process. The categories we use to represent complaints include academic, communication, decisions, facilities, personnel, policy, property, transportation, and student behavior.

When a complaint arises, the gatekeeper (i.e., the person who is responsible for the complaint category) has the first opportunity to respond to the criticism and attempt to solve the issue at hand. If it is so solved, we log and categorize the problem so we can understand complaint trends, identify corrective actions, and so forth. If the gatekeeper cannot respond, for whatever reason, the complaint is then transferred to the next-highest level.
A “gatekeeper” model for complaint remediation, continued

For instance, if a parent has a problem with something that is happening in a classroom, that classroom’s teacher is the first person to respond to the problem. If the parent feels dissatisfied with the result, she or he can take the complaint to the building principal. In turn, if the principal can’t solve the issue, the parent can then take the issue to the next-highest administrative level, and so forth, until the issue is solved to the parent’s satisfaction.

Student and parental satisfaction rates

As a result of our approaches to student and stakeholder need, our general student-satisfaction level climbed from 70% in 1998 to 92% in 2001. Incidentally, the benchmark stands at 86%; our satisfaction level is the highest that the benchmarking company has received, so we feel good about it. Still, our goal is to keep moving forward to make that percentage stick— or rise even higher.

A full 75% of the students in our district reported being satisfied with the district’s technology in 2000, while over 90% did in 2001. In 1998, 68% of our students reported satisfaction with their teachers, while 86% did in 2001. And 90% of our students reported being satisfied with their school atmosphere in 2001, as opposed to just 62% in 1998.

With regard to parental satisfaction, it’s often the case that student-satisfaction levels coincide with parental-satisfaction levels; as one increases, so does the other. And we’ve seen quite an increase in parental satisfaction: That level has climbed from 62% in 1996 to 96% in 2001.

Factors affecting the student satisfaction rate

How do we account for such dramatic increases in the student satisfaction rate? We don’t have any magic answer to all this success, but we believe part of the answer lies in the fact that we are willing to put our issue-resolution processes into consistent practice.

Another important factor is our focus on our staff and faculty. The Baldrige Model has taught us that they are our key resources and that we must invest in them. Our teachers are not the highest paid in our area, but we believe that they are the best supported. They have a great deal of input with regard to their training and what happens in their classrooms, and their input is valued. They also get a tremendous amount of support from their principals, our curriculum director, and our professional development plan. We believe our students rate our faculty so highly because of this support that they receive.

In addition, after listening to what our students say about their needs, we make corresponding changes in course loads and the types of courses that we offer. The students have a lot of choices when making their course selections. This has improved their attitude about the courses they take.

Students are also very active in the learning process, particularly at the high-school level, where the teacher is not the sole leader in the classroom. Students participate in shared decision making and in cooperative learning. They appreciate
Factors affecting the student satisfaction rate, continued

that they're valued in their educational process. The students that graduated in 2002 had been intimately involved in their education since they began high school. We believe they felt more empowered as major stakeholders within our school community and that this sense of empowerment contributed to their overall satisfaction.

PRSD influences new families to move to the area

People interested in relocating to our district often call us to find out about our educational program. We also keep in touch with new homeowners to learn their impressions of our school system. In our most recent survey, we specifically asked new homeowners whether Pearl River’s educational system was a factor in their decision to move to our area. A full 82% of the new families said this was the case. We also asked them to rate their educational experience with the district during their first year in the area; 96% rated Pearl River as either “excellent” or “above average.”

Family support has increased

We view market share as another key indicator of our educational efforts’ success. In 1990, before we launched our Baldrige process, only 71% of the families in the district chose to send their children to public school. But, through working with the Baldrige Model, seriously revamping our system, and accurately determining our students’ and families’ needs, we’ve been able to recapture their trust. Now 90% of our district’s families are choosing the public schools over private ones.

This nearly 20% increase in family support has enabled us to hire more teachers and provide a broader program spectrum. Even as a small district with just 2,500 students, we are empowered to provide a wider variety of courses, especially at the middle- and high-school levels, and to offer more extracurricular opportunities than other school districts do.

A data management system with three components

Information and Analysis

Frank V. Auriemma and Susan Grosz—Our data management system has three major components. First, our district and building administrators continually analyze student-performance data. Each administrator compiles quarterly data reports, which allow for immediate mid-course corrections if necessary. At the end of the school year, these reports culminate in finalized decisions for the coming year.

Second, our electronic data warehouse allows us to draw information from a multitude of databases and separate it by school, department, grade level, teacher, student gender, and individual student.

Third, the data generated by administrators and the data warehouse is listed annually in our data book, which is a very large and comprehensive data report for the entire school district. After the material in the data book undergoes an initial review by the administrative council, the board of education carefully goes over it at their annual data review. At this meeting, the board members (i.e., the superintendent, the assistant superintendent, and the director of operations) clarify our district’s priorities for the coming school year.
We collect data both formally and informally. Formal input includes the nationally recognized CSM pact survey, which we use to assess staff, parental, and student satisfaction. Informal input includes feedback from meetings, conferences, face-to-face conversations, and focus groups. We use both types of input when we make decisions about school improvements.

The balanced scorecard is an effective Harvard Business School tool that enables us to track and prioritize the data we collect and determine the impact of our methodology on the strategic objectives of our three district goals.

Figure 3 below shows an example of a balanced scorecard. The lag indicators represent long-term results. Lead indicators measure short-term performances that usually forecast longer-term accomplishments. In short, our strategic objectives are measured by the lag performance indicators but are predicted through performances registered on the lead indicators.

Figure 3. A PRSD Balanced Scorecard.

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Lag Indicators</th>
<th>Lead Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal 1: Improve student academic performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic Achievement</td>
<td>Regents Diploma Rate</td>
<td>Achievement on 4th- and 8th-grade NYS exams</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CTPIII Reading and Math Achievement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gender Equity</td>
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<td></td>
<td></td>
<td>Special Education Opportunity</td>
</tr>
<tr>
<td>College Admissions</td>
<td>Advanced Placement Rate</td>
<td>Passing Level on Regents Exams (Mastery)</td>
</tr>
<tr>
<td>AP Performance Rate</td>
<td></td>
<td>SAT I and II Participation Rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Scholar Athlete Teams</td>
</tr>
<tr>
<td>Goal 2: Improve community perception of the district</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parent/Community Satisfaction</td>
<td>Maintain 2:1 Plurality on Budget Votes</td>
<td>Stakeholder-Satisfaction Surveys</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Adult-Education Enrollment</td>
</tr>
<tr>
<td></td>
<td>Market Share</td>
<td>Student-Satisfaction Surveys</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prospective-Homeowner Requests</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New-Resident Survey</td>
</tr>
<tr>
<td>Goal 3: Maintain fiscal stability</td>
<td>Contain Per-Pupil Expenditure below CPI and at/below County Average</td>
<td>Reduce Costs in Non-Instructional Areas</td>
</tr>
<tr>
<td></td>
<td>Maintain Fund Balance</td>
<td>Reduce Costs in Non-Instructional Areas</td>
</tr>
</tbody>
</table>

For example, our fourth- and eighth-grade state exams, along with the nationalized, standardized CTPIII assessments in reading and math, serve as lead indicators that predict future student success rates with regard to receiving Regents diplomas. By using such short-term instruments, we can get a sense of where we appear to be
The balanced scorecard, continued

heading. This allows us to change directions if we see that the indications for the future do not appear to be leveling with our goals.

We also use lag and lead indicators in non-academic areas. For instance, tax rates are a lag indicator that we use to keep our fiscal stability and try not to overburden our local taxpayers, who support 90% of our budget. We try to reduce costs to help maintain an adequate fund balance in non-academic areas.

With regard to parent satisfaction, at one of our PTA meetings some parents said that they didn’t know when extra help was available for their children. In response, at the next faculty meeting we asked all teachers to fill out a form indicating the days and times they were available to give extra help, and we posted that information on the web. Thus, the concerned parents got an immediate result from their request. Now all they have to do is click on the district’s web page, go to the particular school’s site, and find the information they need.

Data analysis is a two-directional process

Our data-analysis process breaks down data relative to our needs. The analytical tools we use include correlation analysis, in which relationships between measures such as SAT results and grade-point averages are examined; cause-and-effect analysis, which establishes connections between variables such as Regents diploma attainment and college success; cost-efficiency analysis, including process mapping for district purchasing; and comparative analysis, which examines student performance among schools, grades, departments, and individual teachers.

The Pearl River data-analysis system is a two-directional process that begins and ends with the board of education’s annual data review. In the summer, the board assembles to peruse various district data and establish priorities for the coming year. At the district level, administrators attend goal-setting conferences to collect data and make adjustments to our improvement strategies. Within schools, administrators and teachers meet and interpret data at the building, department, grade, and student levels. Faculty members continually sort through classroom data to improve their own teaching practices, and they regularly examine student data to construct individual student accommodations.

With regard to data analysis, we take advantage of external resources and advisors. We never plan by our own perceptions alone; we rely on professional and informed opinions as well. For example, we seek out expert advice from college-admissions personnel and incorporate their understanding into our planning mechanisms. We rely on educated people who can back up what they say with rational evidence. We have a simple motto that expresses this nicely: “In God we trust. Everybody else can bring data.”

Classifying root causes of an issue

As we study issues, we look for their root causes. We use data to see if a cause falls into any of four general classifications: programmatic, cohort group, alignment to standards, and personnel. Through experience we recognize that many problems
Classifying root causes of an issue, continued

can be at least partially ascribed to one or more of these classifications. These categories often make identification of an issue's cause an easier process. This is important because the faster we understand a problem, the faster we can fix it.

When an issue arises, we try to see whether a cause can be found in the program itself. That is, we attempt to determine whether an issue has been engendered by a lack or insufficiency of teaching to a particular skill or knowledge area. For example, an item analysis once indicated that some of our math students were generally having difficulty with problems related to patterns and functions. With such understanding under our sway, we met with that math department and made a mid-course correction: Teachers began to focus their work more on problems concerning patterns and functions. In turn, the problem was resolved.

We also try to see whether the cause of an issue can be found in cohort groups. We ask, "Is there a history of inadequate test results with regard to a particular student group or grade level?" For example, during one year a disproportionate number of special-education students were moved from self-contained classrooms to mainstream classes. A number of these students struggled, and we noted a drop in performance in mainstream classes, especially in mathematics. To address the issue, we instituted three program initiatives: (1) An extra period of math support labs were scheduled into specific math courses, rather than acting solely as stand-alone labs. This ensured that comprehensive math support would regularly occur during this additional period of math. (2) We created a new math course that addressed the specific needs of these struggling students. (3) We intend to add more special-education staff to address those students, who will continue to need a self-contained setting as they move through high school.

A third possible root cause of an issue is the relationship between educational standards and curriculum course work. We determine whether an issue is the result of a curriculum that hasn't been aligned to a modified state standard. For example, one year we discovered that the state was reconstructing Regents questions in social studies. The old questions required traditional essay-like responses. The reconfigured questions were document-based and required students to analyze articles, synthesize information, and apply various conceptual paradigms. As a result, we sent our teachers for training to accommodate this reconfiguration. They were taught to incorporate document-based questions into their homework assignments and general assessments. So, in this case, we changed our curriculum to assimilate a transformed state framework.

The fourth possible root cause of an issue is personnel. We evaluate the extent to which certain teachers are involved in key issues. Perhaps a particular educator needs additional training in certain teaching strategies or in class management. Or perhaps a disturbance is caused by a philosophical difference between the values of a school and those of an educator. Whatever the case may be, when personnel is diagnosed as a root cause, we then offer the assistance needed to meet that challenge.

In general, we have to accurately locate the root causes of issues if we want to
Classifying root causes of an issue, continued

-effective remediate them. Of course, issues can stem from other sources as well. But because we have four general areas to look in, we can often quickly locate the source of an issue and then rapidly rectify it.

Staff-development guidelines

- At the most fundamental level, we strive to positively impact all students at Pearl River. That is why we require so much from our teachers and support them so much; it indirectly advances the quality of our students’ experiences.

- In general, our staff-development guidelines depend on the grade level of the educators involved. Elementary-level staff development is offered by grade level because these teachers are responsible for the same general curriculum. We are currently training them to use differentiated instruction, which addresses the specific needs of students with different learning styles. Our elementary teachers also attend new-teaching-technique seminars that help expand their teaching efficacy.

- At the middle- and high-school levels, we typically offer staff development at a departmental level. For example, all our science teachers were recently trained to incorporate Pascal software into their labs. When the state changed the biology standards framework, we hired a consultant to work with our biology teachers. Together they remade the curriculum and adapted it to the new standards.

- Individualized training is offered to teachers at the middle- and high-school levels as well. Before a faculty member is allowed to teach a new Advanced Placement (AP) course or a new course requiring additional study, he or she must complete a graduate course during the preceding summer. The district not only pays for the course but also pays the teacher for the time spent taking it, so it’s a good deal for the teachers. It’s also a great deal for the students, because they receive more informed and knowledgeable instruction as a result.

Teacher training and mentoring programs

- We have a special ongoing training program for all new faculty members. They attend two days of training at our New Teacher Symposium before the beginning of their first school year and continue to attend training seminars for two hours every ensuing month for the remainder of the year. At these workshops, our new teachers learn about the culture of our school district, classroom management, teaching techniques, and data analysis.

- We also have a mentoring program to support our first-year educators. Prior to a school year’s onset, a master teacher often works with a new faculty member on curriculum development and classroom management. As the school year gets under way, the union assigns a “buddy” teacher to provide additional year-long strength and guidance to a new educator. Furthermore, we encourage our new teachers to visit the classrooms of their colleagues. These visitations are experiential and often provide new teachers with great insight into best practices.

- In turn, all our tenured teachers are required to participate in at least one peer observation during the school year. They also enroll in workshops in which they
Teacher training and mentoring programs, continued

Teachers use data analysis in the classroom

We believe that PRSD’s overall success is partially the result of our use of data analysis and the district-wide responses that result from it. It is the responsibility of our teachers and administrators to collect data, make sense of it, and then use it to drive innovation. Teachers are expected to conduct small daily tests and obtain relevant data from them. This is why our students are frequently given small written assessments during class periods. This practice, which we call “dipsticking,” gives teachers a chance to check for student understanding and progress as well as monitor their own effectiveness as educators.

At our New Teacher Symposium, all faculty members are trained to use data analysis in their classrooms. Teachers learn to analyze student work to diagnose problems and learning gaps and make mid-course corrections. They also use item analysis to grasp the specific nature of problems. They can then determine whether a challenge is a generic class problem, one that is topic-related, or one stemming from specific students’ need for additional support or different strategies. By doing this, teachers increase student satisfaction and ability as well as strengthen the overall integrity of the school system.

Teachers use data on a day-to-day basis to improve their instruction. One of the sets of data that they use for this purpose is our students’ results from the New York State assessments. On the day that we score the assessments, we record on a spreadsheet every item that was missed by every student so that the teachers can look at it and do an item analysis based on what their students need. They can also look at the data to see if there are any program-wide issues across a specific grade or content area. Sometimes a teacher might not see any meaning in a random group of numbers, but when they get put into a spreadsheet or graph, trends become apparent.

A program that is still in its infancy at PRSD is our electronic grade book. Teachers will record their assessments on it, and it will then give the class average as of that moment. Parents will be able to access this information on the web. It will give teachers immediate feedback on exactly where their students are, and it will give parents immediate feedback about where their child is.

Maximizing student performance

As a school system, we strive to design programs that meet student need as well as stretch student ability. Honors courses are offered at every grade level, including the elementary and middle-school levels. At the high-school level, we offer nine college-level courses and sixteen AP courses. We encourage every high-school student to enroll in at least one college-level or AP course before graduation. More than 60% of our secondary students enroll in at least one such course, and a large number of them exceed that baseline.
Maximizing student performance, continued

Students are allowed to choose the AP and college-level courses they want to attend. They are urged to take the most challenging courses they are capable of taking. This is important in regard to college-admissions issues. Obviously, some of these courses are self-limiting; for example, a student experiencing difficulty in math might be unable to manage AP calculus. But this kind of limitation doesn’t hold for all our advanced classes. We have a college-level drama class that attracts honors and special-education students alike. Our AP environmental-science and political-science classes also attract students with a wide range of abilities.

Supplementary help is built into our academic program for students who are at risk to fail. We offer a variety of programs to give direct support and help to students who need temporary or long-term assistance. Every week an extra-help session called the PLUS Program is held in the library for three hours after school. Immediately before midterms and finals, the number of PLUS sessions increases to two every week. Students determine which sessions (English, social studies, science, or math) they need for extra guidance.

Many teachers go out of their way to help students master material and gain self-confidence. All teachers hold their own extra-help periods. Student assistance might be offered before or after school, or during a teacher’s preparation period. At times, this extra help exceeds normal office-hour visits. For instance, in early 2002, before we gave the math Regents exam, teachers actually came in during their holiday and voluntarily prepared students for the test.

How students do in high school often influences their ensuing college success. Good performance in AP courses positively affects college acceptance rates and students’ college ability. In 2001, 76% of our AP students achieved scores of 3 or better, up from 53% in 1996. In light of these increased performance scores, it’s significant to note that the AP participation rate for our high-school students has also risen, from 34% to 58% (with the best-in-class benchmark district at 60%). That climb transpired within a four-year span.

Our research shows that students who attain a Regents diploma are four times more successful as college freshmen than their counterparts. We collected data to determine the elements that were impeding student achievement on the Regents exams and then tailored our instruction to address those impediments. As a result, we saw our Regents diploma rates soar from 54% in 1996 to 86% in 2001. Statewide, public-school students remained at a 54% passing rate during the same five-year period. Thus, Pearl River continues to outperform the state average and is just slightly below the best-in-class benchmark district.

Effective Regents-exam instruction aids our students down the stretch. Because more Pearl River students are now passing all the diploma requirements, they are also being admitted into colleges in higher numbers, which is a great success for us. With continued systemic and curricular improvements, stemming partly from our data-analysis work, we hope to see further increases in student achievement. We
Help for students continues into their college years, continued

believe this kind of work will also result in more Pearl River students' gaining college acceptance. We continue to uphold college admission as a district-wide strategic objective. Our goal is for 96% of our graduating students to enroll in college.

Faculty and Staff Focus

Margo Furst and Elaine Geller—In our district, employees are considered essential in the design and delivery of educational and support services. Because district faculty and staff are a highly valued resource, we make their well-being and satisfaction a priority. When you look at quality-driven businesses in general, you see that they give their employees the same level of respect that they give their external customers. Pearl River does just that: We make it a priority to treat our employees with the greatest amount of respect possible.

Our work system is organized by school (elementary, middle, or high) and by grade level. Elementary teachers work in grade-level teams, middle-school teachers work in cross-discipline teams, and high-school teachers work in subject-area departments. Teachers collectively hold the responsibility for success across their grade level, team, or department. This unified team approach fosters cooperation and solidarity. Moreover, knowledge sharing and the exchange of ideas regularly occur at grade-level, team, and department meetings. Our work system is fine-tuned through monthly staff meetings as well as through monthly labor-management meetings attended by representatives from employee groups.

An in-depth recruitment process

During the beginning of our January planning phase, the administrative council begins to map out ways to organize and manage jobs for the upcoming year. Variables such as student enrollment, state and national standards, the current economic climate, student and parent surveys, civil-service requirements, and available workspace are all considered during this project.

Because we are always looking for a good fit between our teachers and our educational community, we have an in-depth recruitment and hiring process. It is rather lengthy because we want to make sure we hire high-quality educators who are well suited to our teaching system.

The process begins with an advertisement that provides a detailed description of the job opening. Jobs are posted internally as well as advertised externally. Afterward, a team of staff, parents, and administrators conducts a paper screening of potential candidates. A multi-disciplinary team subsequently interviews selected individuals. When this team approves of a candidate, the appropriate building principal makes reference calls. We then observe each candidate conducting a lesson of his or her own. Finalists are sent to the superintendent for an interview and to discuss terms of employment. Finally, the board of education is presented with a recommendation for approval.

When we hire people, the fact that they fit in with our culture is such an
An in-depth recruitment process, continued

important aspect of the hiring process that we like to say it has three components: attitude, attitude, and attitude. Our senior staff members already have a wonderful attitude, so as we bring people on board, the newer folks learn from our veteran staff members. That is probably one of the most important components in terms of keeping our culture going.

As difficult as recruitment is, fit is very important. No matter how difficult it might be to re-advertise and refill a position, if the fit is not right, we try to replace that person with someone who is a better fit. We also have many different people on the hiring committees; they are a combination of teachers, administrators, parents, and sometimes even high-school students. Thus, we get a truly global perspective regarding whether a particular candidate will be a good fit.

Our success is not because we offer very high salaries for our teachers; if anything, it’s quite the opposite. While our salaries might be slightly lower than those offered in other school districts, there are other reasons to come to Pearl River. Teachers can make more money in other places, but they come to Pearl River to be part of a particular culture.

Making connections

Because we are dealing with a shrinking pool of teachers in certain subject areas—particularly high-school-level science, math, and foreign languages—PRSD has established relationships with well-respected teacher colleges, including Columbia and Fordham University. These collaborations help us recruit talented teachers prior to their graduation from college.

We also encourage education majors from these schools to do their student teaching at schools in our district. In this way, we can learn more about possible candidates as well as familiarize potential teachers with the core values of our district.

The evaluation process for teachers

The evaluation process for teachers begins with individual goal setting. All short- and long-term goals are considered with reference to the district’s mission statement. Individual goals are developed collaboratively between each teacher and his or her supervisor. The goals that they set always support high performance, employee satisfaction, and professional development.

As part of the evaluation process, teachers are formally observed and evaluated by each building principal. Administrators often review student performance as well. In addition to this formal observation process, administrators provide teachers with individual feedback concerning their classroom visits. Administrators also check to determine whether teachers are able to develop positive relationships with students, parents, and colleagues.

For any staff members not meeting the criteria, principals develop improvement plans with them to bolster their work so they can reach mandated standards. These plans indicate specific target goals and include interim observations that are used to determine whether progress has been made.
Employees at the administrative level have quarterly reviews. The administrative council is accountable to the board of education for high-performance results based on positive faculty and staff performance.

Professional development is closely linked to our staff-evaluation system. The professional development committee, which consists of teachers, administrators, parents, and representatives from higher education, plans for and ensures that the district’s staff-development processes are operating in all buildings and departments. Data analysis enables the professional development committee to determine what kinds of additional staff development are needed. By identifying specific needs, the committee can make recommendations with regard to the design and delivery of our training programs.

Our support-staff members are evaluated just as all the professional staff are, although the evaluations are somewhat different. Our administration, buildings, teachers, secretaries, custodial maintenance workers, school nurses, and teacher assistants are all here because of the students, and we all share that philosophy. This is not something that we merely say; this is something that we live by. We are here for a purpose, and all of us are employed for one reason: to make sure that all our students can and will learn.

To align our faculty and staff training with our three district goals, we link this training to annual goal setting. Development opportunities for faculty and staff exist at all levels and are delivered in a wide variety of ways. We arrange opportunities through consultants, visitations, external conferences, in-service programs, teacher centers, mentors, and the like.

To meet the demands of local and state standards, we negotiated additional time for staff development into our teachers’ contracts. Previously, faculty development involved three superintendent conference days per school year. Those periods added up to twenty-one employee hours. Pearl River added an additional twenty-one hours to its staff-development requirements. The district simultaneously increased the staff-development line-item budget by 25%, thereby providing for extra resources. Thus, the current minimum training rate per faculty member is forty-two hours per year. This is above the training rate of the benchmark school district and above that of two recent Baldrige recipients in the business category.

We send all our teachers through a series of five core in-service courses. One is on best practices, another is on teaching data instruction, one is on technology, and one is on differentiated instruction. The fifth one is the orientation program for new teachers mentioned earlier.

Our non-faculty staff members receive twenty-one annual hours of training. They also receive support and acknowledgment. Pearl River provides this support through mentors, development programs, conferences, specialized workshops, district visitations, study circles, and flexible curriculums.

The educational community recognizes teachers who exceed district standards...
Professional development for teachers and staff, continued

and expectations. Such recognition is given during staff and board-of-education meetings, in newsletters, and on various conference days. Teachers who develop successful teaching strategies are also socially recognized at various times throughout the year. Their methods often become best practices.

In 2001, our faculty and staff satisfaction rate reached 96%. Staff development played an important part in this upward trend. Another chief reason is our recent settlement of a five-year labor contract with our teachers.

This satisfaction rate is reflected in our very high staff-attendance rate, which stands at 98%. Each sick and/or personal day is counted as an absence. Faculty members are given no vacation days, as they follow the school calendar. We set our policy this way because research indicates that regular staff attendance is linked directly to student achievement. With that knowledge, we make regular attendance a priority. Research also suggests that a strong correlation exists between job satisfaction and job attendance.

For teachers, teacher assistants, guidance counselors, and school nurses, certain fundamental factors seem to contribute to professional well-being and job satisfaction. These include adequate workspace, sufficient technology and supplies, open communication with the principal, professional development, and opportunities to collaborate with colleagues. We determined these key factors through CSM pact surveys, annual employee surveys, monthly labor management meetings, staff and faculty meetings, and individual conferences.

A positive philosophy

Some of our staff policies are rigorous, and all staff members have a sizeable workload, but we also have a lot of fun in school. What makes PRSD so successful is that we have not forgotten how to make work enjoyable. We try to encourage people to set great attitudes for themselves and to make each day happy and productive.

Our district has made this positive philosophy a part of its educational program.

We also find things to appreciate. We're always having some kind of celebration, whether it involves a new baby, a pending marriage, or a new home. If there is something to celebrate, we find a way to do it. In our district, we find ways to make things lively. We choose to have a positive attitude every day, to stay focused, and to keep ourselves concentrated on our customers (i.e., our students). We choose to make faculty members' and students' time in school more joyful and meaningful.

Needs assessments and the improvement cycle

Nancy T. Goldman and David Pritchett—At Pearl River we focus our needs assessments on three different and vitally important levels. First, we keep our focus on national and international trends, issues, and results. Second, we want to keep our assessment focus pinned to state requirements. We make sure we thoroughly understand our state's standards, assessments, and mandates. Then we can customize
Needs assessments and the improvement cycle, continued

our curriculums to the state objectives and bring out in our students the best intellectual skills they need to master those objectives. Third, we focus our needs assessments on our district. We know that we have to competently address the needs of the children, families, and stakeholders we serve.

Our priority focus is always in concert with our three district goals. Once our priorities are established, we promulgate them across all units and schools. This ensures that everyone involved understands the mission clearly.

Our improvement cycle is concise. In the planning phase, we determine the approaches we will take to meet our priorities. During the implementation phase, we take action, stabilize consistency across all units, and adjust procedures as required, even during mid-course if necessary. In the final phase, we carefully examine the results of our endeavors.

Our educational design and delivery are driven by our idea of “curriculum.” Curriculum, in its broadest sense, is the district’s overall educational program. At PRSD, our curriculum is aligned with national goals and subject standards, and it also reflects the state frameworks. Because those frameworks tell us what is expected of grade-level students, they clearly have to inform our curricular policy.

Curriculum drives educational design and delivery

Our educational design and delivery are driven by our idea of “curriculum.” Curriculum, in its broadest sense, is the district’s overall educational program. At PRSD, our curriculum is aligned with national goals and subject standards, and it also reflects the state frameworks. Because those frameworks tell us what is expected of grade-level students, they clearly have to inform our curricular policy.

The curriculum-mapping process

Curriculum mapping is actually process mapping. A curriculum map is the teaching and learning process for a school year outlined in a visual way.

Our curriculum maps are developed at the district level by teams of grade-level teachers. As a result, teachers know what they are accountable for, while students are ensured of a consistent and quality education. Teacher teams also work together at the building and grade levels to pull out the unit and lesson methodologies implied in curriculum maps. Each teacher is also empowered to use a standardized approach to classroom practice, one in which instructors use the Plan-Do-Study-Act process. They plan for curriculum, construct course practices, study practice results, and then act on the lessons learned.

Our curriculum-mapping process (see Figure 4 on the next page) also features a Plan-Do-Study-Act sequence. In the Plan phase, we analyze students’ educational requirements. The questions teachers must answer at this stage are “What do I do?” and “What do students need?” We use a template to address the specific knowledge content to be delivered, the delivery process itself, the basic intellectual skills students need for the tasks at hand, and the assessments used to measure learning.

In the Do phase, we bring instruction into agreement with state standards and district goals. The questions teachers must answer at this stage are “What are the standards?” and “How will they be assessed?” In this phase, teachers use the template to construct classroom programs that account for such factors as pacing and tempo, student learning styles, and so on. Teachers receive professional development during this phase to ensure they are functioning with flow and skill.
The curriculum-mapping process, continued

In the Study phase, we use assessment data and stakeholder feedback to conduct gap analysis and determine program effectiveness. We also make curriculum changes as they are needed. The question teachers must answer at this stage is “How will I deliver instruction so that all students learn?”

Finally, in the Act phase, we standardize our curriculum maps and adjust them based on our assessment. The questions teachers must answer at this stage are “How did the students do?” and “Do we need to standardize or make adjustments?” Curriculum maps are open-ended to allow for the incorporation of progressive and ongoing feedback. We change them as we learn and change.

The curriculum-mapping template that we use at the middle- and high-school levels is organized by quarter. At the elementary level, the template is organized by month. Our templates are centered around big issues—content, process, and product—that don’t have simple answers. The templates allow us to break down these issues into manageable components and address them in discrete sections.

Curriculum maps do not make learning boring

The fact that we have curriculum maps does not mean that learning is boring for students. The mapping template looks at content, thinking, and basic skills that students have to use. It’s an overview that allows for consistency across the classrooms. You can have students prepare for the standards exams and still have engaging learning taking place. We train our teachers to structure their lessons around
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essential questions that offer the “big idea” and to have interactive student learning going on in the classroom. Teachers are also trained to use a variety of techniques; there may be a time when a lecture is the right thing, but there may be other times when it’s a dreadful thing.

We are not textbook driven. Our curriculum maps give teachers a great deal of autonomy. That makes for a little friendly competition among teachers, but it also enables them to share best practices with one another.

Our A+ Approach to Classroom Success (see Figure 5 below) mirrors our curriculum-mapping process. In the Plan phase, each teacher begins with a student-needs assessment. He or she takes this secured information into account when planning his or her instruction. Every teacher also consults the curriculum maps, at the appropriate grade and content level, to make sure his or her instruction concurs with them. In the Do phase, the teacher delivers differentiated instruction that embraces various student-learning styles.

Differentiated course work is a major focus in our district. Because of this emphasis, teacher teams develop tiered program assignments. A tiered assignment is a way to help all students gain access to the major ideas presented in a class or achieve similar performance levels. Each tiered assignment starts with a pre-assessment to determine the level of support each student needs.

For example, consider a task that requires students to write a five-paragraph essay. Some students are able to complete the task from just a simple verbal or written prompt alone. But other students need a graphic organizer to guide them. Still others need even more assistance, such as help with developing a topic sentence and the transition statements linking one paragraph to the next. Thus, tiered assignments provide customized assistance to fit the unique needs of every student.

In the Study phase, the teacher measures the skill level of each student and determines what further instruction is required. During the Act phase, the teacher takes the lessons he or she has learned from experience and incorporates them into new methodological approaches. The methods thereby become more effective.

Figure 5. The A+ Approach to Success.

An overview of the A+ Approach

Analyze

Needs Assessment,
Formative Data

Align

Curriculum,
Instruction

Act

Differentiated Instruction

Assess

Dipsticking,
Summative Assessments

Curriculum maps do not make learning boring, continued
An overview of the A+ Approach, continued

With our A+ Approach, we look at a great deal of informative data on each of the students. We align what happens in the classroom with the state standards. And the actual teaching brings all the pieces together. That is where the curriculum-mapping process enables the teachers greatly.

Our organizational approach is called “the Golden Thread” because a highly valued theme, or thread, unites all the aspects of a given educational design. This approach is important because it allows us to devise projects that support strategic goals and transmit important mission statements throughout the district. All curriculums are structured to unify our efforts into channels that support our mission and goals. In other words, a Golden Thread exists through all of them.

For example, in preparation for the first state-administered fourth-grade English Language Arts (ELA) assessment in 1999, we decided to give our students a test to examine their writing skills. After this test, we realized that a number of them needed help in this area. We then used a mid-course correction: We hired a consultant from the Teacher’s College Writing Project, who provided staff development on ways to improve student writing.

This action supported one of our short-term goals: higher student achievement on the ELA assessment. But it also supported our long-term goal of improving student academic performance. We knew the instruction would eventually enable our younger students to better master the English Regents examination at grade eleven. Thus, we carefully selected a course of action to support both our short- and long-term goals. This “thread” carried through our entire thinking process as we decided on what course of action to take.

Since 1999, we have seen an upward shift in student scores resulting from teacher participation in professional development along with curriculum and instructional realignment with the new state standards. The ELA results for 2001 show that 95% of our fourth-graders achieved proficiency on this assessment. We anticipate that this rate will continue to climb.

In 1996, 60% of our students earned the Regents diploma; by 2001, 86% of our students had earned it—a 20% increase in five years. Since 1997, we have consistently outperformed similar schools in New York State. We believe that our process approach and results-oriented focus enabled us to improve and become successful within that time period. This method and design also helped many of our high-school students to elevate their academic scores.

PRSD provides five key student services: student safety, guidance and counseling, special education, transportation, and athletic programming. We made these areas priorities after considering input from students, parents, and faculty members. We also used this input, along with associated research, to establish essential requirements and measurements for each of these five areas.

Student and support services

PRSD provides five key student services: student safety, guidance and counseling, special education, transportation, and athletic programming. We made these areas priorities after considering input from students, parents, and faculty members. We also used this input, along with associated research, to establish essential requirements and measurements for each of these five areas.
With regard to transportation, for example, our key requirements are student safety, timeliness, compliance with regulations, and efficiency. Our transportation coordinator determined these requirements after analyzing input from parents and students received through PTA meetings, the PAC, telephone calls, and face-to-face encounters, as well as input from building principals and central office administrators. Deployment of transportation services is also centralized through the transportation coordinator in partnership with our bus contractor, who works closely with the district on key performance areas.

We track and evaluate all our student services. For example, transportation service and delivery is monitored in three different ways. First, we measure the number of accidents that are reported to the New York State Education Department. Second, we maintain a parent complaint log and identify significant occurrences so we can set and conduct trend comparisons. Third, we maintain a log of student discipline problems on bus routes.

In addition to the five key student services mentioned above, we have other key support services that follow the Plan-Do-Study-Act process. These services include purchasing, payroll and benefits, duplicating and copying, and supplementary technologies involving computers, voice mail, and e-mail.

Similarly to the way in which we determined key student services, we determined these key support services after considering input from staff, faculty, parents, and students. We also use communication from vendors and community members. For example, for purchasing, vendor input identified timely reimbursement for products delivered as a key requirement. Vendors want to be paid in a timely fashion. Now, as a minimal standard, the district makes sure we have no outstanding bills extending over a thirty-day period.

To more fully standardize the operation in a way that increasingly satisfies the needs of our vendors, we decided to use process mapping (which is similar to creating a flowchart) in this area. We have also used process mapping to improve and complete purchase orders, recruit and hire faculty and staff members, and track employee attendance.

We also coordinate the delivery of our support services. This occurs between the academic management team and the governing agency for support services. The coordination they use follows the same Plan-Do-Study-Act process followed in general-education classes and in our curriculum-mapping process.

For instance, we used process mapping to reduce to 1.7 the average number of days it takes PRSD to process purchase orders. When we compare this result to that of other organizational systems, we find that we’re doing well. Higher-education institutions, for instance, have an average processing rate of 4.4 days. The semiconductor industry has a rate of 4.9 days, the mining industry has a rate of 1.9 days, and state agencies have a rate of 20 days or more. We feel good about our ability to use the Plan-Do-Study-Act process to expedite certain transactions.
Process management has played a critical role in our district’s goal progress. We measure our first goal, improving student academic performance, by monitoring high-school Regents diploma rates. In 1991, our rate was 42%. By 2001, that rate had climbed to 86%.

We measure our second goal, improving community perception of the educational district, by looking at market share. In 1991, 71% of the eligible students living in our district attended Pearl River public schools. By 2001, a full 90% of those students were enrolled in the public system. We also measure positive community perception by looking at budget vote plurality. In 1991, 55% of our voters said yes to the district’s educational budget allocations. In 2001, 72% voted yes.

In terms of our third goal, improving cost-efficiency and maintaining fiscal stability, during the past ten years our per-pupil cost has gone down by 9%. In 1991, the cost was measured at $14,562 per pupil. By 2001, we had reduced that expenditure to $13,180. To put it another way, in 1991 we had the highest per-pupil cost in the county. Now we’re the third lowest, behind two other school districts that have four times the number of students that we do.

**PRSD’s Quality Journey**

Quinton C. Van Wyen, Jr.—Is winning the Baldrige Award worth the enormous effort it demands? For Pearl River, the answer is a resounding yes. The impact that the Baldrige application process has had on our educational community is so extraordinary that it alone would have been worth the price we paid. As strenuous as it was, that process provided us with a needed road map that guided us in formulating specific goals and measuring specific results. It also produced significant operational improvements and greater student accomplishments.

Pearl River took its first steps toward improvement in the late 1980s, when the board of education realized that something had to be done to improve the quality of the academic services the district provided. In 1990, a full 30% of the students in our district attended parochial schools, and only 40% qualified for Regents diplomas. The taxpayers wanted better results for the financial investments they were making. We knew that increasing quality through accountability was going to be difficult, but at least we had taken the first step toward that end: We recognized the issues that had to be addressed and were determined to face them head-on.

Two keys eventually opened up passageways for us in this effort: continuity and commitment. We had continuity in an administration that was willing to stay the course. And we had commitment in a community and a school district that were willing to work for a better future.

But in spite of this fundamental support, the keys were initially not easy to set in their locks. Over the past twelve years, we have had eleven different board
Continuity and commitment were key factors, continued

members, three superintendents, and a 200% administration turnover rate. It was difficult to sustain a single concerted, directed effort with so much administrative instability. This was compounded by a 100% faculty-turnover rate and a 50% student-body increase. So, even with a committed community and a willing leadership, we still had to search for ways to open the doors that we wanted to open.

Since the early 1990s we have used a variety of programs to help us unlock our potential and move forward. The New York State Governor's Excelsior Award program afforded us the opportunity to put our processes on paper and have them reviewed by outsiders. In recognition of the need to work with other school districts involved in best-practice approaches to education, we founded the Tri-State Standards Consortium, a group of thirty-six high-performing districts that agree to work together to share best practices with each another. This model was extracted from the Baldrige Criteria. The critical evaluations our district obtained from other Consortium members helped us in our efforts to become the best we could be.

In 1994 Pearl River won the Excelsior Award along with the Palisades Institute Award, a local quality award, for increasing the district's diploma rate. These early successes helped keep everyone focused as we moved forward, continually improving our education model. We also applied three times for the RIT/USA Today Quality Cup, and we used those opportunities to focus on several specific areas of our operations. We were able to gain site visits and plenty of helpful feedback as well.

On a side note, it is important to state explicitly that we made a deliberate decision to leave ourselves open to observation and evaluation from others. We decided not to hide any of our processes in the hope that an open forum would help us improve the education our students receive.

In 1995 PRSD applied for the Baldrige Educational Pilot and was one of three educational institutions, and the only K-12 system, to receive a site visit. The feedback report made us aware of many improvement opportunities about which we had previously been in the dark. We took up the challenges the Baldrige report offered and, during the next several years, worked out the committee's recommendations.

We waited for the Baldrige group to include education systems within its award range and in 1999 finally got our chance to apply. Although we did not get site visits in 1999 or 2000, the feedback reports provided enough information for the district to continue its quality-improvement cycle. After all, when you use a Plan-Do-Study-Act process, especially in education, you put yourself on a rigorous road of continued improvement.

What's next?

We cannot afford to sit on our laurels—not when each incoming class is unique and incomparable to the others. New tests and challenges are always arising. Every September brings the situation of new students and new teachers, and every June brings a brutally honest report card that signifies the quality of the work we have done during the school year that has just ended. With all the change that is
transpiring, we have to ask ourselves “What’s next?” constantly.

We know that we have ample opportunities for improvement, such as raising regional diploma rates, maintaining a first-class school district at an affordable cost, creating more effective staff development, developing more cost-effective special-education programs, and creating smarter uses for technology. These are all areas in which improvement never ends. In this increasingly changing world, the Baldrige process helps our administration to continually develop the effective and affordable education that all our students deserve.

The continuous-improvement model definitely works for education. The data acquired and used can absolutely help schools to improve themselves. At Pearl River, we continue to measure our improvements by keeping in mind the most difficult level possible so that the culmination of our successes will always be significant.

Author information

Frank V. Auriemma joined PRSD as a middle-school principal in 1987. As assistant superintendent, he oversees human resources, instruction and assessment, and the data management process, including the district’s data warehouse.

Margo Furst joined PRSD in 1987. She has been principal at Evans Park Elementary School since 1999.

Elaine Geller became district reading specialist in 1988. She serves as staff developer and consultant to the elementary and middle schools in establishing and maintaining quality reading programs.

Nancy T. Goldman joined the district in 1996. She coordinates the design and delivery of high-quality curriculum in all content areas, K–12, and ensures that state standards and assessments are addressed.

Susan Grosz joined PRSD as high-school principal in 1999. She restructured labs to give more effective support to at-risk students while simultaneously expanding the number of college-level courses.

Richard E. Maurer, superintendent of PRSD since 1998, oversees all instructional and business services.

Sandra Cokeley Pedersen assumed the PRSD community-relations function in 1989. As director of quality, she manages improvement processes in support of the district’s three goals.

David Pritchett joined PRSD in 1989. As director of operations, his areas of responsibility include purchasing, payroll, accounting, transportation, food service, and risk management.

Ellen Raffman has been principal of Lincoln Avenue Elementary School since 1999.

Quinton C. Van Wygen, Jr., has served on the PRSD board of education, a five-member policy-making body, since 1996. He has been the board’s president since 2000.

Editorial assistance for this article was provided by Cathy Kingery and Erik Lars Smith.
Organizational Profile and Leadership

Thomas A. Crosby—Pal’s Sudden Service, a privately owned company, was founded in 1956. Our seventeen locations are in northeast Tennessee and southwest Virginia.

Our product line consists of a focused group of food (hamburgers, ham or chicken sandwiches, hot dogs, French fries, and breakfast biscuits) and beverages (soft drinks, tea, coffee, and milk shakes). Customers pull up to one side of the building, speak face-to-face with the order taker to place their order, and then drive around to the other side of the building to pay and collect the order.

We have 465 employees, the large majority of whom are young, transitory workers—high-school and college students who are focused on their studies and preparing themselves for careers in other fields. Our leadership team consists of seventeen owner/operators who work at the restaurants and three senior leaders: Pal Barger, our founder and chairman; his personal assistant; and me.

Who we are

We compete head-to-head with major national fast-food chains that have a lot more marketing resources than we do. One approach we take to compete against this is to make the exterior of our buildings function as billboards (see photo below) by decorating them with our menu. We also place our buildings so they aren’t square to the property line. This allows cars to form a serpentine line while they wait, enabling more cars to wait than if they formed a straight line.

We do this for two reasons: Our sales are directionally proportional to the number of cars we can get in line, and this setup lets us build on irregular-size lots that our competitors can’t consider. This also has a key marketing value: Customers easily recognize our buildings because they are not perpendicular to the front property line.
Four founding principles

When our company was formed in 1956, Pal Barger developed four founding principles that still guide us today: (1) serve the highest-quality food, (2) provide the fastest service, (3) keep the menu very limited so we can focus on the quality of the products, and (4) keep operations simple. This last principle allows us to concentrate on the speed with which we can serve our customers and ensure that our work systems are easily teachable to our employees.

A leadership culture based on four tenets

Leadership at Pal’s is about setting direction and championing our culture, which is based on four tenets. The first is developing and nurturing customer relationships. During any given transaction, we do not focus on whether it is profitable. Instead, we focus on developing relationships with the customers. If we delight them and successfully develop long-term relationships with them, ultimately the profits will follow.

The second tenet on which our culture is based is continuous learning and improvement. We seek this for our entire organization, and we support, coach, and encourage all workers to continuously learn and improve themselves. We try to transfer to our young, transitory work force valuable skills that they can use to become successful in other businesses later in their lives.

The third tenet is open communication and information sharing. We have a truly open environment, where members of the leadership team are readily accessible around the clock. Management shares all information with all employees. By sharing company financial data with sixteen-year-olds, we help them understand what it all means. In return, we get their input about what this information means to them, their analysis of it, and their ideas for improving the company.

The fourth tenet on which our culture is based is having the will and dedication to sustain a “can do” spirit. At Pal’s, we believe that everything is doable; some things are just harder to do than others.

Leadership from the front

We have a system of “leadership from the front,” which means our leadership team is very visible. Every day our leaders work the floor at each of our restaurants and lead by example. Our intent is to have our employee superstars interacting with the customers. Other businesses in our industry reward their best employees by moving them farther away from their customers. Eventually, all their superstars are so removed from the customers that they no longer have any contact with them. At Pal’s, however, any employee desiring one of the most powerful and highest-paid jobs in the company must become an owner/operator working inside a restaurant.

Positive actions are reinforced

An important aspect of our leadership system is reinforcing positive actions. Instead of doing what management typically does—finding out who is out of line and spending all its effort trying to get those people back in line—we focus on the heroes who work to drive Pal’s forward and help make the company a success.

For instance, we have a program called “Caught Doing Something Good,” in
Positive actions are reinforced, continued

which we try to catch employees doing good things, reward them for it, and encourage them to continue doing well, thus reinforcing their positive actions. Other employees who want rewards start doing things to drive Pal’s forward so they, too, can gain some attention. The program focuses on making significant improvements related to one of our six key business drivers: quality, service, cleanliness, people development, service speed, and customer-value creation.

A visionary leadership

Because we are a small company, limited resources, another vital aspect of our leadership system is staying focused on what is important: building long-standing customer relationships and creating meaningful, measurable value. We need to create value for all our paying customers, our internal customers, our business partners, and our stakeholders. We have a visionary leadership.

Strategic Planning

Scott Davis—An important aspect of our company’s unique culture is the rich, continuous communication that exists through all layers of our organization, from top to bottom and vice versa. This communication is one of the key cornerstones of strategic planning at Pal’s. Because we are a small company, we can involve all our stakeholders in the strategic-planning process. This helps us to create simplified output that all employees can easily understand and deploy.

Worker turnover makes strategic planning difficult

Our small chain competes against global fast-food chains that have thousands of employees and huge financial resources. Pal’s and those global chains are all dependent on the same sector of the work force: a somewhat transient pool of sixteen- to twenty-four-year-olds seeking entry-level positions.

These workers are not primarily interested in making a career of Pal’s or the quick-service industry. The fast-food industry has an annual worker turnover rate of over 300% and a management turnover rate of 80% annually. Imagine trying to execute a strategic plan when there is a good chance that your management base will be gone before the year is out. That is the type of environment in which our competitors must work.

In contrast, for 2001, our turnover rate was about 110%. We believe that we will eventually be able to get our rate down to below 100%. The management turnover rate at Pal’s is under 1% annually. These relatively low turnover rates allow us to involve our key stakeholders in our strategic-planning process.

A flat management structure

At Pal’s we have a flat management structure comprised of four levels: staff, management, owner/operators, and senior leaders. This structure helps support continuous communication in our company. It also keeps our CEO and our founder/chairman close to our customers on a daily basis. Every day our CEO is involved with customers via the phone, faxes, e-mail, and face-to-face conversations.

In contrast, one of our competitors has eleven management levels between the...
A flat management structure, continued

CEO and the customer. Our CEO and founder won't allow that to happen at Pal's; they believe in face-to-face interactions with our customers. After all, who better knows how to help us with our business than our customers?

Three core concepts

At Pal's we always keep three core concepts in mind. First, we play to win. As a small chain, we understand that we can't compete with all our competitors in every arena. Second, we have to think differently from our customers, and we must do so in an agile and quick manner. Third, our unique culture helps us in this regard.

Adding menu items vs. eliminating them

A good illustration of our use of these core concepts occurred in the mid-1980s, when our competitors embarked on a strategy to add new menu items in an effort to bring new guests into their restaurants. They had big menus already, but they launched heavy advertising campaigns focusing on their new items. We knew that adding items would make it more difficult for them to execute their menus—they now had even more products to try to serve quickly.

Seeing that as a flawed strategy, we took a stance that was totally different from our competitors. As they added menu items, we contracted our menu, eliminating some items. We did this because our customers had told us they wanted truly fast food; that is why they come to a drive-through restaurant.

Our elimination of some menu items reduced hassles and potential execution flaws that could possibly slow us down, and it created a "more sudden" service. Having fewer items gave us a better possibility of attaining the 100% execution that we aim for every day. We were able to improve our service times while our competitors increased theirs, resulting in longer waits for their customers.

Cheaper food vs. more product for the money

Another good illustration of our use of our core concepts happened when our competitors started creating "value menus" that featured items costing less than a dollar. They did this by buying cheaper ingredients to start with. Using cheaper products, they could prepare cheaper food for their customers. At Pal's we couldn't try this low-price strategy. That was an arena in which we could not win. We have profit margins that we have to hit to be able to stay in business.

We knew our customers wanted better value and a better-quality product, so we chose to increase our quarter-pound hamburger to a third of a pound. We also increased the portion sizes of our fries and our drinks, giving our customers more product for their money. We raised the prices of our products just enough to cover the cost of the increased portion sizes.

How our strategic-planning process evolved

Pal's has always handled strategic planning in a quick and simple manner, followed by an easy execution. When the company first started, our founder/chairman would draft a strategic plan by himself, using input he got during his travels and his interactions with customers, and share it with the managers. The plan was then rapidly deployed.
How our strategic-planning process evolved, continued

By the 1980s, our founder/chairman and CEO collaborated and conducted strategic planning together. They would travel to other markets two or three hours away and visit other companies, looking for best practices and new ideas. They discussed what they saw and what they thought would be successful for Pal's in the future. Then they completed the strategic plan for the upcoming year. Depending on the nature of the plan, it would either be carried out by our founder and CEO or be shared with operational management and then executed.

After doing some self-assessments, we saw huge opportunities to involve some key stakeholders in our strategic-planning process. We decided to look for data that could assist us in developing even better plans. Our founder/chairman and CEO began to include input from key stakeholders—customers, suppliers, vendors, advertising agencies—in the strategic-planning process. Rich communication came in from all these sources. Year after year, we continued to open the door, and more information kept pouring in—an overwhelming amount at times.

As a result, at one point our once-rapid strategic-planning process had become cumbersome. The cycle time had increased to about ninety days. In gathering all that meaningful data, we had deviated from our rapid process. But through continuous improvement, we have reduced the cycle time to its current thirty days.

Strategic planning depends on strategic listening

Our strategic-planning process is dependent on communication. Our founder and CEO count on everyone—including our customers, assistant managers, and staff members—to give us useful input and feedback. We realize that useful ideas come from everyone, and our strategic planning depends on this input. We refer to this process as strategic listening.

Creating buy-in and team spirit

At Pal's we believe that if we merely tell employees about strategic planning, they will probably forget what we tell them, because it's hard to remember everything you hear. If we show them the strategic-planning process, they might understand it. But if we engage them in the strategic-planning process and engage them every day in communication about our business and about taking care of the customers, those employees will feel a degree of ownership in the process.

As an owner/operator, I solicit information from the people that work for me. I am always looking to engage the long-term employees when they tell me they have an idea that they would like to try. They have a sense of ownership, which means they care about the company and that they are concerned about its success. We believe that engaging our young workers creates buy-in and team spirit.

Critical learning

We call the process through which we capture all this stakeholder input "critical learning." Constant interaction occurs on a daily basis via phone calls, faxes, and e-mails among our leadership team, senior leaders, owner/operators, and all restaurant employees. We formally capture the results of these interactions in a communication log, which resembles a diary.
Critical learning, continued

For instance, in my communication log I list anything that is new or out of the ordinary, any happenings that might be beneficial for other owner/operators or our senior leaders to know, and performance data about my restaurant that I want to share with everybody. All owner/operators maintain a similar log every week.

At the end of each week, we all send our logs via the company intranet to our senior leaders. Every owner/operator can then view all seventeen communication logs. We maintain this weekly information on the network indefinitely. It’s archived so we can use it in the strategic-planning process when we begin the thirty-day cycle.

We also capture this input in the minutes from our monthly leadership-team meetings. Part of our meeting agenda is devoted to capturing and sharing new ideas and information. The meeting minutes are archived for future reference, so we have all this rich communication at our fingertips during the strategic-planning process.

Creating customer delight is the main focus

Our strategic-planning process is done on an annual basis. We primarily focus on our two-year plan. Maintaining strategic objectives and action plans is on a five-year plan. Throughout the strategic-planning process, our main focus is on creating customer delight. It is one of the critical success factors at Pal’s. We even put it before cash flow and profits. We believe that if we focus on creating customer alliance, the cash flow will naturally follow.

Customer delight-to-cash flow analysis

One tool we use in the strategic-planning process is our customer delight-to-cash flow analysis (see Figure 1 below). We use it when a new idea or objective is brought before the leadership team.

If an idea scores high in customer delight and low in cash flow, we view it as an opportunity and might have further discussion about it. But if an item scores high in cash flow and low in customer delight, it is tabled without any further discussion. If somebody still feels it has potential, that person might do some research and represent the idea in a different format where our customer wins. But we do not pursue ideas that don’t focus on the customer. This principle helps our leaders maintain our focus on creating customer delight.

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Figure 1. Customer Delight–to–Cash Flow Analysis.

<table>
<thead>
<tr>
<th>Customer Delight</th>
<th>Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
<td>Maybe</td>
</tr>
<tr>
<td>No</td>
<td>Maybe</td>
</tr>
</tbody>
</table>

Creating customer delight is the main focus
Step 1: Gather and analyze data

Our strategic-planning process (see Figure 2 below) has six steps. Step 1 involves gathering and analyzing data. First we gather all the data we need to prepare a strategic plan. This includes pro forma drafts—forecasts of our sales and costs, and capital expenditure requests based on current, future, and historical trends in our market—from each of our restaurants. They also include requests for projects or upgrades in our restaurants for the upcoming year.

![Figure 2. The Strategic-Planning Process.](image)

Owner/operators regard the three-mile radius around their restaurants as their market. They keep up with new construction going on in their market, as well as businesses that are moving in or out of their market. Thus, our company has seventeen individual markets to consider.

Our senior leaders build our corporate sales targets and corporate profit projections based on this individual, bottom-up approach. Our senior leaders send all seventeen owner/operators a spreadsheet for doing an assessment of our strengths, weaknesses, opportunities, and threats (SWOT). The owner/operators send the spreadsheet back to our senior leaders. A comprehensive SWOT analysis is then aggregated and sent back to all the owner/operators.

At this point, we narrow the focus by using what we call a $10 vote. Each owner/operator has $10 per SWOT category. For instance, in the strength category, I might place a $1 vote on each of ten items, place a $5 vote on two items that concern me, or place a $10 vote on one item that I believe is critical. Then I go through the weaknesses, opportunities, and threats in the same manner. This process is occurring in nineteen places: with each of the seventeen owner/operators, and with our founder/chairman and CEO, whose votes carry the same weight as ours.

Step 2: Review existing strategies

In step 2, we summarize the results of the $10 vote. All items on the list—from the lowest-rated items to the top-scoring ones—are sent back to all the owner/operators, so everyone sees how every item on the list scored. Of course, our main
Step 2: Review existing strategies, continued

Concern is the top-scoring ones. These are the items that our leaders have determined are critical for the upcoming year's strategic-planning process.

During this step we also review and analyze our existing strategic directions. This includes our mission, vision, values, code of ethics, and key business drivers. We look to see if the new information that comes in during our SWOT analysis aligns with our mission and vision or if we need to make some adjustments. This is also the time when we decide whether any changes or additions need to be made to our mission, vision, values, and code of ethics. Our mission and vision don't change a lot, but we might need to change the wording now and then for better clarity.

Thus, the owner/operators send their input to the senior leaders, and they send back their observations; it's a back-and-forth, bottom-up, and top-down communication process. Everything is shared with all leaders. In each step of the strategic-planning process, we make sure we are completely aligned before moving on to the next step. Our CEO and founder/chairman might see three or four drafts of changes that we need to make to a particular document. They send these drafts back to the owner/operators for review and for consensus. We must agree on our strategic directions because this information is for the people who execute, deploy, and make everything happen. All stakeholders are critical to our success.

Step 3: Develop strategic objectives

Step 3 is the development stage. During this step we concentrate on developing action plans and objectives. Again, this is a back-and-forth process; because we're not all located in one office, we use e-mail, faxes, and phone calls to send information back and forth. Through sharing and developing, we complete a strategic draft that is reviewed by nineteen different people. Everyone adds input about what they believe needs to be changed or corrected. It's important that we get a strategic plan that we can successfully execute in seventeen different locations.

As we nail down the strategic draft, our CEO finalizes our corporate pro forma draft. The pro forma drafts that the owner/operators submit contain capital expenditure requests. Our CEO and founder/chairman know how much capital is available for the upcoming year. After we post our requests, they decide where that money should be spent. In doing so, they finalize the corporate pro forma draft.

Step 4: Deployment

Once we determine our objectives and action plans, we move on to step 4, during which we decide the best way to deploy them. Throughout this process we have had participation from all levels, so this material is not new to anyone. This is why we are so successful in the deployment stage.

At this point we assign specific resources to particular objectives. We assign a cross-functional team, which at Pal's means one that is made up of people at different levels—a staff member, a manager, an owner/operator, and a senior leader—to address a particular objective or action plan for the year. Again, this is accomplished through back-and-forth interaction.

At this time, specific business-unit plans are finalized. Our CEO and founder/
Step 4: Deployment, continued

chairman have thirty-minute, one-on-one meetings with each of the owner/operators to discuss their individual pro forma drafts. We then learn exactly what capital expenditures will be allocated to each of our restaurants.

Our CEO and founder/chairman also coach and mentor each of the owner/operators individually during this time. Since he has been in the business since 1956, our founder/chairman has a clear understanding of markets, sales trends, and projections. He, the CEO, and the owner/operator spend thirty minutes discussing each business unit’s scenario and going over its pro forma draft month by month.

At the end of the thirty minutes, all three agree on the pro forma draft in question. Thus, we have 100% alignment throughout the company to meet the finalized corporate pro forma draft that was produced in step 3.

A simple message that is understandable

An important aspect of step 4 is that our strategic-planning process has to produce a simple message that is understandable to all the people working for us. It’s critical to our success that our young workers know our strategic plan and what we are trying to accomplish. We know we cannot do this if we produce a huge, cumbersome document. Thus, our final document is a one-page business plan outlining our action plans that is written in terms our young workers can understand.

Rapid transfer of information is important

We need to ensure rapid transfer of this information because we realize we might not be these young people’s top priority in their lives. We know they are not going to commit to trying to memorize many pages of information, so we produce simple data that they can execute on the front line. This has to be understandable quickly, because they are introduced to this material during their first day on the job, they are tested on it, and we expect them to know it and be engaged in making it happen. We expect all workers to catch on quickly, but we don’t quit if that doesn’t happen. The material is passed on to them over and over again.

Strategic plans and sales targets vary

Our strategic plans are customized for specific locations. For instance, a couple of our restaurants are in malls. As a result, they don’t serve breakfast, and they don’t have as large a staff as some of the other locations. These restaurants have the same mission, vision, values, and code of ethics as the rest of the company, but their strategic plan may vary. For example, if we have a company-wide initiative to increase the amount of breakfast served, this cannot be a priority for these locations.

There is also some customization to our sales targets. Our company might set a projection of a 14.5% increase in sales. Some of our locations might be capable of achieving a 25% increase, and we expect them to do that. Another location might be able to manage only a 7% increase. Our corporate office depends on the input from our individual restaurants to produce these customized sales projections.

Step 5: Review progress

We use our monthly leadership-team meeting to maintain control over our strategic plans and review how they are working. During this meeting we also have a
Step 5: Review progress, continued

performance review where we look at financial results. We might not measure the same results, numbers, or items every month, but part of our review is devoted to comparing at least one location’s performance with the corporate pro forma plan.

During this meeting we also look at input from our employees, vendors, and customers to determine how well our strategic plan is being deployed. We ask questions such as “How well is it aligned? How deeply in the system is it deployed? Does everyone understand it? Is it happening?” Because we own/operate interact closely with our workers every day, they give us great input for determining how well our strategic plans are being deployed.

Step 6: Continually evaluate and improve

In step 6, we continually evaluate and work to improve our strategic-planning process. Each year in October, our CEO and founder/chairman do an annual review for improvement. They look at our strategic-planning process and consider how it compares to what is presented in current industry journals, how it works compared to what is used in other industries, and whether we need to make changes to the process. They present any changes they propose making to the process to the leadership team, and the entire group decides whether the changes should be made.

In mid-November, our strategic-planning process for the next calendar year begins. Because we have a thirty-day cycle for this, by mid-December we are able to deploy the new plan. Although the current year has not yet come to a close, we have fifteen or sixteen days to share, deploy, and be prepared for the next year.

On January 1, we don’t yet have all the numbers or the corporate results from our prior year’s strategic plan. That critical mass of information comes to us by mid-January. Once we receive this information, we have a great opportunity to learn. How well did we execute the previous year’s strategic plans? Were our objectives met? Did our action plans work?

We can apply what we learn from these questions to make any needed adjustments for the year newly begun. Because it’s still early in the year, we can make whatever changes are necessary to give us the agile, quick response that we need.

We monitor the process throughout the year

We also monitor our strategic-planning process throughout the year to see how well we are hitting our objectives and meeting our deadlines and targets. This evaluation is done by our entire leadership team, not just our CEO or founder/chairman. The whole group works together throughout the entire process.

Strategic-planning assessment

During our strategic-planning assessment, we ask ourselves seven questions:

1) Is our strategy based on delighting the customer? After all, we are in business because of our customers, and we never forget that.

2) Are all stakeholders well represented in the data we use to create our strategic-planning process? We want to ensure that all stakeholders have multiple ways of contacting us. Our web site, for instance (described in detail later), serves as a tool for getting input from our customers and learning what they are thinking.
3) Is our strategic plan linked to operations?
4) Do we focus on the vital few projects? The projects on which we choose to focus have to give us the biggest bang for the buck, but they also have to focus on creating customer delight.
5) Is Pal's taking advantage of current and future technology? We are always looking for technologies that can help us better improve our strategic-planning process and its outcome.
6) Is our strategic-planning process timely?
7) Does the process drive positive results from the customers’ point of view? We always begin with the customer and end with the customer. Does the customer see the benefit?

Making the process work

How do we make our strategic-planning process work? There are four major aspects to this. One, which I mentioned earlier, is that we use a bottom-up/top-down approach. Our leaders believe that important information comes from our seventeen restaurant locations. We are dependent on the people working at these locations to make our company strong. In turn, our senior leaders listen to these people and help and work with them.

The second major aspect of making the process work is communication. Open communication throughout the process is vital and critical. We share everything with all members of our organization. There are no secrets.

The third aspect is simplified output. We know who our internal and external customers are. To ensure simplified output, we have an owner/operator working on every restaurant floor serving as a mentor and coach for the other employees. This person is also an author of part of our strategic-planning process. This ensures great deployment, which is the fourth aspect of making the process work.

Customer and Market Focus

Rick Martindale—We believe the most important aspect of customer and market focus is relationship building. We need to build and keep lasting relationships with every one of our customers. We know that this is crucial for us to achieve our three main goals: increase customer counts, increase sales, and lower customer complaints.

The key to completely satisfying our customers is to exceed their expectations. We don't want to merely satisfy our customers; we intend to delight every one of them during every experience they have at Pal's. They come to Pal's expecting quick service, a friendly face, and good-quality food. When they leave one of our restaurants, they have seen a friendly face, received outstanding service, and gotten a level of quality that no other fast-food restaurant can match. So they leave delighted.

Customer focus has been an important aspect of our restaurant and menu design from the beginning. We designed our drive-through restaurants with a
A customer-focus overview, continued
customer-service objective in mind. We have a simple, focused menu featuring items that we can produce quickly and with the quality we want. Our “sudden-service” objectives, which include twenty-second service at the handout window, are designed into our work processes so that our employees can easily achieve them. We also have very high sanitation standards.

Our buildings and equipment are designed so that these objectives and standards are easy to achieve. In addition, our complaint-resolution policies ensure that every customer wins during every experience he/she has with us.

A culture of listening
At Pal’s we are truly a customer-driven company. The CEO, founder/chairman, and owner/operators are not the ones who define the quality of our products. We let our customers do that. We hold customer listening sessions (explained below) because we are willing to change the way we do things to meet our customers’ needs.

For example, when Pal’s was founded, none of our hamburgers or sandwiches had tomatoes because our founder/chairman does not like them. But later we learned that our customers wanted tomatoes, so we changed to meet their demands.

Relationships are more important than profits
Another part of our culture is that we believe relationships are more important than profits. We might lose money on any one transaction where we take an extra step to build a relationship with a customer. However, we think it’s better to have another customer who wants to keep coming back to Pal’s.

Listening and learning methods
Even though we are a contact service (i.e., we deal with our customers face to face), we realize we have to listen and learn from them via other methods as well, including the telephone, mail, on-site inquiries, and benchmarking. We also use web-based surveys to get information from our customers. Even though we are a small company, we receive over 1,400 pages of market research per year so we can better understand our customer needs and changing trends.

Radio ads and billboards instead of TV commercials
We compete against fast-food giants that have enormous budgets and advertise via prime-time TV commercials every day. We can’t afford that. That is an arena in which we can’t win, so we don’t even attempt to do so. Instead, we have a building with a design that is eye catching and easy to recognize and that displays what we serve (see the photo on page 43). Once a restaurant is built, it provides us with continuous advertising that incurs no additional costs.

Instead of TV commercials, we use radio ads and billboards. We erect several billboards within a one-mile radius of each of our restaurants. We also spend our advertising dollars on radio ads during key driving times. We know that this is an arena in which we can win, so that is where we put our money.

The perfect scenario for us is when a person driving to or from work hears the Pal’s commercial on the radio. Within a mile or two, that person sees one of our billboards, and then in another mile or two he/she sees one of our buildings.
Radio ads and billboards instead of TV commercials, continued

we are hopefully on their “mental shopping list,” and at that time they will drive in.

We know that once we get people to come to our restaurants, we can take advantage of the best kind of advertisement there is: word of mouth. We have the cleanest restaurants and the best-quality fast food, and our level of service beats our competition’s on a daily basis. We feel it’s more important to win the word-of-mouth advertisement than it would be to compete via TV ads if we had the money to do so.

Customers judge the cleanliness standards of most restaurants by looking at their dining rooms and visiting the restrooms. Since we have drive-up restaurants, we don’t have dining rooms or restrooms. Instead, we put a great deal of effort into the appearance of our Dumpster pads and our outside lots. We have the cleanest Dumpster pads of any restaurant our customers have visited. In fact, our Dumpster pads are cleaner than most restaurants’ dining rooms and restrooms. They are so clean that you wouldn’t mind pulling up your car next to one and eating right there.

This “curb appeal” helps to draw in customers. Because we keep our Dumpsters so clean, you can imagine how clean the areas where we prepare the food are.

Most everyone has looked at a drive-through menu board and spent ten minutes trying to find the items they want on it. We keep our menu board very simple. It has prominent 3-D pictures, related items are grouped together, and all prices are clearly listed. Then we go one step further: We put two menu boards on each side of the order window when the customer first drives up (see the photo). This helps to speed up our service. It also lets customers formulate their orders prior to arriving at the window, so they have their orders ready when they get there.

At the cashier/handout window, we have another menu board for them to refer back to if they want to change or add to their order while they are speaking to an employee. That also helps to speed up service times.

We have two major customer-contact positions, which we call the order taker and the cashier/handout person. Before an employee can work in one of these two positions at a Pal’s, he/she has to be completely trained in all company policies, standards, and procedures because he/she has to be able to answer any question that a customer might ask during the order process.

We want to ensure that the first person to hear a customer complaint or request is able to take care of it. We don’t require employees to ask for a manager’s...
Two major customer-contact positions, continued

permission to do so. They are empowered to take care of any complaint, including giving a refund or a replacement, or doing both if necessary. They know it’s their job to delight all customers before they leave.

Face-to-face service

The concept of face-to-face service was designed into our process from the beginning. When Pal’s started in 1956, there were no speaker systems in the industry. We used face-to-face ordering. As we began to develop drive-through windows for our buildings, we had the opportunity to start using the speaker systems to which the other chains in the quick-service restaurant industry were converting. But we felt that using these systems would make us lose one of our valuable tools—relationship building and getting to know our customers. So that wasn’t even a choice for us. We knew when we were designing our new buildings that we would forgo speaker systems so we could stay face-to-face with our customers.

Accuracy and speed of service

An important aspect of our face-to-face service is accuracy and speed. Say one of our order takers receives an order from a car containing four people, who order four sandwiches, four fries, and only three drinks. If these customers were ordering at a speaker in the back of a building owned by one of our competitors, their order would simply be cashed out, and they would go to the window and pick it up.

But when a Pal’s order taker notices a situation like this, it will prompt him/her to ask whether the customer would like a fourth drink. Many times in these situations, the customer actually forgot part of the desired order. We can add the forgotten item to the order at that time so that when the customer gets to the pickup window there is no confusion, and we speed up service for that order and for the other customers in line. They are usually appreciative of that.

Building relationships seconds at a time

Another important aspect of our face-to-face service is that we build relationships seconds at a time. When customers come by the window, our employees have a quick conversation with them as they pass through. Most of our restaurants have repeat customers, and it gets to the point where our cashiers know what they want before they even arrive at the window. We have ongoing short conversations with our customers. I might start talking to a customer on Monday, and we finish the conversation on Friday because each part of the conversation occurs within ten seconds of time. This kind of situation goes on with all our cashiers.

What sets us apart

Three aspects of our service set us apart from our competitors: (1) our owner/operator system, (2) Marketing By Wandering Around, and (3) our complaint-resolution policy.

The owner/operator system

As mentioned earlier, in most quick-service restaurants, if you are a good manager or a good operator, the first thing they do is promote you and make you a multi-unit supervisor, where you have less contact with your staff and your custom-

Journal of Innovative Management
The owner/operator system, continued

ers. In such a situation, you can easily make decisions affecting a restaurant that might not even be located in the same state as you. So you do not really see what is going on there, and your decisions might actually hurt the company.

But at each Pal's location, the owner/operator works on the restaurant floor daily. As an owner/operator, I know what my staff and customers want and what my market demands. I can take that information to our monthly leadership-team meetings and help to develop change that is effective for my particular restaurant. Owner/operators are empowered to do whatever it takes to make their restaurant run well. If I need to add payroll for a weekend because of a special event, that is what I do. If I need to have the building painted to keep it looking better than my competitors' buildings, I can do so.

A lot of our competitors will train new hires for only two or three hours, put them up front in the restaurant, and forget about them. Our owner/operators work side-by-side with trainees daily, reinforcing the company standards every minute of the shift. As a result, our employees get stronger and more efficient every day.

In addition, because I'm constantly working with the staff and talking to my customers daily, at our leadership-team meetings I'm not just voicing my concerns; I'm voicing the concerns of my staff and my customers as well. As a result, we meet our customers' demands the first time; we don't have to go back and try again.

The phrase “Marketing By Wandering Around” (MkBWA) refers to our practice of putting our owner/operators in direct contact with our customer base. Through our market research we learned that the majority of our customers come from within a three-mile radius of our restaurants. They either work or live within that area. That is the area on which we focus.

After we map out a three-mile radius around each restaurant, the respective owner/operator goes out to meet the people in that area. As an owner/operator, I go out and shake hands in both residential and business settings and talk to potential customers. We ask open-ended questions when we are out there: Do you eat at fast-food restaurants? Have you eaten at Pal's? If not, why? If you eat at a competitor's restaurant, why do you eat there?

We need to know these things so we can make any necessary changes to be stronger within the community and get the market share that we need. The key is for us to start the dialogue and then sit back and listen. When we get people in their own environment where they are comfortable, they tell us anything. Most important, they tell us what we need to do to be successful.

The first important benefit that we gain from using this process is that we learn our customers' needs firsthand. We are able to change in response to these needs quicker than our competitors can. If some customers told me during a MkBWA visit that they noticed my restaurant's service between 9:00 p.m. and 10:00 p.m. was not up to the level they found between noon and 1:00 p.m., I would focus
Benefits of using the MkBWA process, continued

on that area of concern to make sure it got corrected quickly. The next time I was out making visits, I wouldn't hear that same comment again.

The second key benefit of the MkBWA process is that it helps us to stay aware of changes in buying trends as they are happening instead of waiting for year-end marketing results to tell us what they are. We know what our customers want a little bit ahead of time, and as a result we can prepare for it before our competitors can.

Third, we always use the MkBWA process to validate the information that we obtain from our market research.

An outline of the MkBWA process

The first step of the MkBWA process is to record our customers’ answers, but we never have paper and pencil in hand when we talk to them. This is because if it feels like we are doing a survey, this blocks the good flow of communication that we need. Instead, we have a standardized form that we fill out after our conversation is over. Simple to fill out, the form contains a lot of yes/no questions and checkboxes. After I get all the information I need, I thank the customer for his/her time and go and check it off quickly in my vehicle before I visit the next business or residence.

Next we compile the data at the restaurant level. During this step, owner/operators look for any triggers or trends that indicate changes are needed. Owner/operators submit this information to the company three times a year. Then this data is aggregated at the company level and sent out to every owner/operator. Thus, all seventeen restaurants share every bit of data they collect with each other. Once it is gathered and shared, we can observe different trends for individual restaurants.

The trigger point for the anecdotal information we get from the MkBWA process is five restaurants. That is, if we get the same data back from five different locations, we then do a root-cause analysis to find out how to correct the situation. If just one restaurant gets such a comment, an analysis is done at that location to find out what triggered the customer response.

We review all the details about the MkBWA process at our leadership-team meetings. This way, even though one owner/operator might miss something at the restaurant level, when all seventeen owner/operators get together, it’s easier to pick up on a trend or something that we might be missing.

Complaint handling

As mentioned earlier, the complaint-handling process at Pal’s is simple: The first person to hear a customer complaint handles it. That person does whatever is necessary to completely delight that customer, whether it means replacing an incorrectly filled order, refunding the customer’s money, or both. Whatever action is necessary to make that customer happy is what we do.

For example, at a recent restaurant opening we had a customer call to inform us we had left something out of an order. The customer lived just a mile or two away from the restaurant. The employee who handled the phone call told the customer we would redo the complete order and deliver it soon. However, all the restaurant employees were busy at that time, and nobody could be spared.
Complaint handling, continued

The employee then noticed our CEO and founder/chairman were both in the restaurant. When the food was ready, it was handed to them, and they delivered it to the customer. That is how committed we are to make sure customers are satisfied.

Thirty-day follow-up

We have a thirty-day follow-up system that we use when customer complaints or mistakes in orders occur. When this happens we try to find out the customer’s name and phone number and details about the problem. We then document this information in our computer database. In thirty days, we follow up by calling the customer and saying something like, “Last month we made your burger incorrectly. It had mayonnaise on it instead of mustard. Was everything taken care of?” Most of the time they say that the cashier took care of it and that they were completely satisfied. But this is an opportunity to follow up just in case they weren’t.

A lot of these customers are wowed that we even remember their name after thirty days, let alone care if their order was taken care of properly. You can spend $50,000 on an automobile, and two weeks later go back to the dealership and they don’t even remember your name. Yet here we are with a French fry or hamburger order made wrong, and we call the customer back in thirty days. It is this type of relationship building that keeps us ahead of our competitors.

Use of the Opportunity Log

An Opportunity Log, which keeps employees informed on a daily basis about how they are doing, is posted in each restaurant so everyone has access to it. Employees can review it to check whatever station they were working on that day to see if there were any complaints or comments made about it.

Opportunity Logs are compiled at the restaurant level so that we can look for trends and triggers. Everything noted on the logs falls into four categories: service quality, food quality, missing items, and wrong items. Using these categories enables us to concentrate on any areas that need work. If we have a recurring problem, such as not getting orders right, we look for root causes. Perhaps it’s a training issue, or maybe a communication issue. Finding the root cause enables us to take care of it and try to keep it from recurring.

Information from all seventeen restaurants’ Opportunity Logs is then aggregated at the company level and reviewed monthly at our leadership-team meetings. All seventeen owner/operators use the data to find out if there is an area in which we are particularly strong or weak. Then we can make informed decisions about how best to move the company forward.

Building customer relationships with our web site

When the internet became popular in the late 1990s, we found that a lot of other quick-service restaurants had web pages that had nothing to bring you back after you visited them once. Thus, we knew when we developed ours that we wanted to include features that would bring customers back daily.

Our web site has a “Spin & Win” game, where customers can try to win food prizes. Many customers go to our web site daily just to play that game. When they
win a prize, they type in their e-mail address, print out a coupon, and bring it to the restaurant. This game has done such a good job of building traffic on our web site that we went from 292,000 hits per month when we started the site in 1999 to over three million hits per month by early 2002.

We keep a database of customers that have won a prize in our Spin & Win game. It contains over 75,000 names and e-mail addresses. This acts as an inexpensive marketing tool for us. We can go into this database and send those customers a coupon or something else to draw them back into our restaurants and drive up sales.

We also have a place on the web site for customers to click on to contact us and tell us their comments. After they send us their comment, they receive a response from our CEO within twenty-four hours.

We are always using the Baldrige Criteria to assess our web site and improve it. We have added several things to it, including a guide that shows nutritional values for our menu items. We are also in the process of adding our menu to the web site so customers can view the menu and the pricing for each of our restaurants. In response to customer requests, we have also added a movie page. For every market in which there is a Pal's restaurant, our web site lists local movie listings.

In 1996, the quick-service industry giants against which we compete had a much higher market share than Pal's. Being a small business, we were not even in the same ballpark. But through continuous improvement we have been able to close that gap, and we expect to eventually surpass our leading competitor in market share (see Figure 3 below).

Figure 3. Customer Counts.

Key concept #1: Meaningful data

Randy Gibson—Information and analysis at Pal's can be summed up with three key concepts. The most important of these is meaningful data. We look for data that
Key concept #1:
Meaningful data, continued

satisfies three criteria: (1) it drives understanding in our company; (2) we can use it to drive action and decision making; and (3) it adds meaning to the company.

We want to collect the data that we need, but no more than that. We focus on those vital few measures that satisfy the above three criteria. There is a lot of information that our company could choose to collect. But if it doesn’t satisfy the above three criteria, then it’s of no use to us.

Linkage is essential

Everything that we do—all the processes we run, all our improvement projects, and all our resource allocations—is linked to our vision, our mission, and our six key business drivers. By making sure this linkage exists, we ensure we are on the journey toward achieving our mission and vision. Everything we do is focused on taking care of our customers and becoming successful as a company.

Key concept #2: The balanced scorecard

The second key concept is the balanced scorecard. At Pal’s we give the same weight to each of four categories: (1) customer focus, (2) financial and market focus, (3) human resources, and (4) organizational effectiveness. We could concentrate solely on profits and make whatever we wanted for a short period of time, but we would run off our customers that way. Using a balanced-scorecard approach ensures the overall health of the company.

Measures we use for customer focus include our annual customer-satisfaction surveys and our success in attaining our “twenty-second service” time goal. Measures we use for financial and market focus include profits and return on assets. For human resources, we conduct an annual staff-satisfaction survey and regularly review our average wages. Measures we use for organizational effectiveness include food-cost percentages and sanitation inspection scores.

At the corporate level, we look at the measurements in these four categories constantly. They act as an instrument panel for each of these areas and give us an idea of where we are headed. At the restaurant level, we are more concerned with organizational-effectiveness measures because they are required at that level to drive understanding, action, and decision making.

Key concept #3:
Information is shared company-wide

The third key concept is that we share our information company-wide. As mentioned earlier, all seventeen of our restaurants share their data with each other. This allows us to do internal benchmarking, look at the vital few measures, and decide where our individual locations need to improve or where we need to improve as an entire company.

People are trusted with data

It’s important that we show people we trust them with this data. Information is out in the open for anybody to see in several locations in every Pal’s restaurant. Our front-line staff, our first-day employees, and our suppliers who come into our buildings can all view our actual and projected sales, actual and projected customer counts, and control charts showing sixteen process measures that we run twice every
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People are trusted with data, continued

day. These measures illustrate how our processes are currently running on the restaurant’s front line.

Sharing one piece of data had a big impact

The following incident convinced us of the benefits of sharing this information company-wide. During a leadership-team meeting when a group of our staff members were present, the owner/operators said to the staff, “We’re going to ask you a question. Just write down your answer on a piece of paper.” We then asked, “For every dollar that Pal’s makes in sales, how much of that is pure profit?” The highest guess was ninety-five cents; the lowest was fifty cents.

When we told them the correct answer—about seven or eight cents—you could see looks of recognition on the faces around the room. Now they understood why portion control is so important, why we want them to put one ounce of chili on a hot dog and not three, and why they need to write it down if they waste something. Giving our people that one piece of data did so much to drive understanding in our company that it convinced us to share all information company-wide.

An incentive to do better

As an owner/operator, I might become complacent if I saw the data for my restaurant and nobody else’s. But we have a restaurant in another town that serves fewer customers than mine, and every month that restaurant used to make $10,000 more in sales than mine did.

The main reason for this is that the three-mile area around my restaurant contains mostly businesses, so I have people coming through getting a sandwich and a drink just for themselves. The three-mile area around the other restaurant is mostly residential, so people come through to get food for the entire family there.

Still, I thought there was something I could do to try to compete with that restaurant on sales. We offer a breakfast product called cheddar rounds, which are like hash browns with cheese in them. For every customer that came through during breakfast time and bought just a drink, we gave them two free cheddar rounds to see what happened. We did that for a month and kept track of how many cheddar rounds we gave out so we could determine our return on investment.

During the sixty-day period after that experiment, we got over a 600% return on investment. The average check for breakfast at my restaurant went up by fifteen cents for the first thirty days and remained at ten cents thereafter.

Now that other restaurant still beats me on sales, but by only $3,000 a month instead of $10,000 a month. Our sharing of information company-wide is what gave me the incentive to try to push my restaurant forward.

Independent analysis precedes each leadership meeting

Pal’s has a thorough information-review process. During our monthly leadership-team meetings, data from each of the seventeen restaurants is shared. Before these meetings, staff members from each restaurant review their data independently. As an owner/operator, I meet with my management team and my selected long-term staff members to look at the data and determine what it means to us.
Thus, when I go into the leadership-team meeting, I have already seen the data, and I bring ideas from my staff members to be considered by the leadership team during strategic planning. As a result, we bring together a great deal of creativity and ideas originating at the seventeen restaurant locations. This is more productive than having just a few leadership personnel meeting and looking at the data.

At least once a year—more often if necessary—we assess our measurement system. When a new measure is proposed, questions we ask include the following: Is the measure meaningful to our company? Does it drive action planning? Does it foster understanding in our company? Is it linked to our key business drivers? If so, to which one(s) is it linked, and how? Is it linked to the balanced scorecard? Where does it link in? If we add it, would it destroy the balance of the scorecard?

Another aspect we consider is whether corporate and the individual restaurants would utilize the numbers in the same way. We use a lot of numbers at the restaurant level that the corporate level does not use. In a perfect world, a measure would have an ideal one-to-one unit agreement with corporate.

We also consider target verification. If we use a proposed measure, where do we want to go with it? We have to establish a verifiable stretch goal that we can hit. If such a goal is impossible to attain, there is no need in setting it in the first place.

Finally, we consider whether we would use this measure to benchmark against other companies or internally. If a proposed new measure doesn’t meet this acid test, we won’t even consider adding it to the mix.

Another thing that we scrutinize annually is the monthly reports that each restaurant submits to corporate. The information in the reports is aggregated and reported back to all seventeen restaurants. Every year the owner/operators mull over the following questions regarding these reports: Are they worth my time? Am I reading these reports? Are they giving me the information that I need? If not, can we modify them so they do give me data I can work with?

We also ask three all-important questions: Are they useful? Do they drive action? Do they add value?

Owner/operators submit their reports to corporate through SysDine, our proprietary software system. Daily information is entered into the SysDine system at the restaurants by the owner/operator or by key assistants. We link with the main office once a week and once a month. All that information is sent up to the corporate level, where it is aggregated. As soon as that happens, we get our information back, and we have the reports that we need.

The owner/operators have deadlines each month for submitting their reports. But they do it at their convenience, not at corporate’s convenience. The leadership team’s main purpose is to serve operations. We are here to take care of customers; it’s not the other way around. Corporate is not set up to tell the owner/operators “we
want this and we want it now; we don’t care what happens to the customers.” That is an important aspect of operations at Pal’s.

SysDine is similar to a toolbox. It contains many different reports for owner/operators to use. We don’t have to look at all of them, but if there is a problem in a particular restaurant, they are available. For instance, my restaurant might have a food-cost problem. We can run a variance report for the month and see something like “we are off by 300 pounds of fries, and that is where we are losing money.”

Human Resource Focus

Michael Smith—As a company in the quick-service restaurant industry, Pal’s faces many challenges regarding human resources. One of the biggest is our high employee-turnover rate. We employ a lot of high-school and college students, whose employment time—both in hours worked and in duration of employment—are limited. We also employ many other part-time people. Because of this transient workforce, we spend a tremendous amount of time recruiting, hiring, and training people whose likelihood of staying long-term is rather slim.

Within our market in northeast Tennessee, the annual employee-turnover rate in our industry is over 300%. In 1994, the employee-turnover rate at Pal’s was 190%—well below the industry average. But to achieve our vision of being the fastest, cleanest, highest-quality quick-service restaurant in the world, we realized then that we needed to improve the way we recruit, hire, and train employees.

A self-assessment produces key learnings

In 1994 we began a critical and comprehensive self-assessment of our recruiting, hiring, and training process. We derived three key learnings from this self-assessment. First, we realized it was difficult to identify promising recruits. We weren’t doing a good job of hiring the right people, and once people were hired, we weren’t selecting the job that was the best fit for them within the company. Second, the contents of our training program needed to be more comprehensive. Third, we needed to increase the effectiveness of our training-delivery methods.

Measures and principles had to be established

To address these three problems, we first established what we needed to measure. Then if we made any changes to our human-resource program we would be able to tell whether they were successful. These measures (described below) also had to be clearly linked to our six key business drivers.

Six basic human-resources principles

Second, we established a human-resource mission statement consisting of six basic principles. The first is to develop people for future success. We feel an obligation to expose all our employees—even the sixteen-year-olds—to sound business principles to help them develop a good work ethic, self-motivation, and self-discipline. These traits will serve them well in the careers they eventually pursue.

The second principle is to maintain the safety of people, food, and the environment. Because of the cooking and preparation procedures that take place in a
Six basic human-resources principles, continued

restaurant, it can be a somewhat hazardous place to work. Our training needs to address those issues.

Third, we maintain open and honest communication among all levels of employees within the company. Especially important is the sharing of information regarding our training procedures and our delivery methods.

Fourth, we have policies and procedures in place that enable us to capture and use creativity and ideas from employees at all levels within the company. We also use an annual staff-satisfaction survey that we track from year to year to make sure we are moving in the right direction. We have improved some aspects of our training process as a result of that survey.

Fifth, we cross-train our employees. This way, if we have to operate with fewer people than usual because of absences, employees can work their own workstations as well as help the person next to them. The fact that we are short-staffed does not have a negative impact on the customers’ experience.

Finally, we empower our employees to fix process deviations on the spot. In a restaurant, these deviations are usually quality or temperature issues. Our employees need to be well trained enough to recognize the root cause of a problem and to know what the solution is. We have just seconds to fix anything that goes wrong; if we take any longer than that, it has a negative impact on a customer’s experience.

For instance, we train our workers to be “sensors.” No timer can tell whether a piece of meat is thoroughly cooked, so we teach employees what the standard is. They consistently compare the product they produce to that standard. If the standard is not being met and they can’t adjust the process to meet the standard, we will shut it down. If the only way we can give a customer a French fry order is for it to be a bad one, we will shut it down and not sell it to him/her until we fix it.

Recruitment sources

The recruitment sources that we use today have not changed significantly since we began our self-assessment in 1994. We continue to use employee referrals and newspaper ads. We post job openings on community bulletin boards, and we have direct access to labor pools of employees through educational cooperative classes. We are also involved in developing hospitality curriculums for area colleges, which gives us a pool of prospective employees from which to draw.

Useful feedback from exit interviews

Before 1994, feedback from exit interviews with employees who didn’t stay with us for very long indicated that they were surprised at the stressful, fast-paced nature of the environment within our restaurants. That told us a couple of things: We were not telling them exactly what to expect when they came on board with us, and we were not selecting the right people to work for us. Instead, we were hiring people who tended not to thrive in our culture.

Designing an attitude survey

We wanted a way to predict the likelihood of a person’s becoming a long-term success within our company. We decided to do this by using an attitude survey.
Designing an attitude survey, continued

similar to those used by world-renowned companies such as Disney and Ritz-Carlton, where they hire employees for attitude and then train them in the skills they need to succeed.

We partnered with East Tennessee State University’s psychology department to develop our own attitude survey. Their consultants spent time with our senior executives and owner/operators to get an idea of the way we think at Pal’s, the way we handle stress and problems, and our overall culture. They then developed a sixty-question survey that centers around the unique characteristics of the quick-service restaurant industry and our culture at Pal’s. This survey has helped us identify people who have a propensity to thrive in our environment.

The hiring process

After an applicant submits an application, he/she spends thirty to forty minutes filling out our attitude survey. After the applicant leaves, the restaurant owner/operator enters his/her responses into a program on our SysDine system. The program plots the person’s responses, which are grouped into ten categories, on a graph that has upper and lower control limits.

When we first developed the survey, we gave it to our very best, highly trained, long-term employees. We used their range of responses in each of the ten categories to establish the upper and lower control limits. What we look for during the hiring process is an applicant whose responses fall mainly within those limits.

We call back these applicants for two or more interviews and check their references. Once they are hired, orientation and training can begin. We begin by giving new hires an orientation checklist, which consists of two pages of information about such things as our uniform policy, where employees should park when they come to work, and rules and regulations.

PowerPoint presentations are a key part of orientation

The orientation process is always done by the restaurant owner/operator, who sits down with the new hire and talks him/her through the orientation information. This process takes two to three hours.

After that, the new hire watches a PowerPoint slide presentation titled “Welcome to Pal’s.” About thirty to forty minutes long, it reiterates the orientation information just presented by the owner/operator. The presentation is a computer-based program that the new employee goes through alone at his/her own pace.

The new hire then watches another PowerPoint slide presentation about the workstation he/she will be trained on that day. This presentation is also about thirty to forty minutes long. It gives the new hire all the information he/she needs to know about working at that particular workstation.

Flashcard training

When that presentation is done, we give the new employee two sets of flashcards: one for the orientation and one for the workstation on which he/she will be trained that first day. The idea of using flashcards came about when executives from Pal’s attended a seminar at Eastman Chemical Company, a past Baldrige Award

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Flashcard training, continued

winner. At that seminar, a presenter showed the effectiveness of using flashcards for conveying a large amount of information to a person in a short amount of time.

Our executives realized that this method was one that we could adapt for our own use. We then learned tips about flashcard design and use. These include keeping the questions and answers short and to the point; putting no visual clues, such as numbers or pictures, on the cards; and using the cards in teams of two, where the owner/operator reads the questions and the person being trained verbalizes the answers. We now have sets of flashcards for every production and support workstation in our restaurants. The flashcards are a comprehensive, quick, and simple method of training.

Exams have score and time goals

After the new hire finishes working with the flashcards, he/she takes an exam on the material that he/she has just learned. The questions on the exam coincide with the questions on the flashcards. The new hire has to meet two goals regarding the score and the time: The only acceptable score is 100, and the person has to complete the exam within an allotted time period.

We determined how much time to allow by first giving the test to our best-trained employees and timing how long it took them to answer the questions. We then determined the average of their times to come up with the time period that new hires have to meet.

To think that a new hire will be able to get a score of 100 and also complete the test within the allotted time period on his/her first day of work is pretty ambitious. In fact, it almost never happens. But that's fine; it gives us an opportunity to sit down with new employees after grading their tests and go over any questions they might have struggled with or missed.

A four-step training method

At this point we take the new hire to the production floor for training. Our training method has four steps: tell, show, practice, and evaluate. First, we tell new employees exactly what they are going to be doing that day at their assigned workstation. Then we show them what they will be doing. Third, we let them practice doing it themselves. This occurs when the restaurant is open and we are serving customers. Finally, we evaluate their performance after allowing them to practice.

This process is repeated until the new hire is completely trained. A restaurant owner/operator or an assistant manager always teaches him/her. That person stays with the new employee for the entire shift and never leaves him/her alone.

New hires are never put into a customer-contact position. We don't even let those people take trash out to the Dumpster because it creates an opportunity for a customer to stop them and ask them a question they can't answer. Only higher-paid people take out the trash.

A score of 100 on the exam is a requirement

During a new hire's second day on the job, he/she is allowed to study the flashcards again and retake the exam. Then he/she works at the same station again.
**A score of 100 on the exam is a requirement, continued**

The owner/operator or assistant manager helps the person 100% of the time he/she is on the production floor until he/she is completely trained.

This process is repeated until the new hire scores a 100 on the exam and completes it within the allotted time period. Once new employees can do that, we feel that they are fairly well trained. New hires eventually go through this training process for every workstation in the restaurant.

**Longtime employees get continual testing**

Even after an employee is trained on all the workstations and has been at Pal’s for a year or more, he/she must take a random exam once a month. So employees have to keep up with the training, get a score of 100 on the exam, and complete it within the allotted time period, or they go through some additional training.

**Position observation checklists**

Once new employees complete the exam satisfactorily, they use a position observation checklist, or POC, for reference. The POC is a sheet of paper that lists all the standards for a specific workstation. It also contains a list of all the equipment and tools the employees working there will need. At this point the owner/operator or assistant manager is able to slowly start backing away and letting the new employee work that workstation alone until his/her speed improves. All the while, the owner/operator or assistant manager watches and makes sure the new employee correctly does everything that he/she has been trained to do.

**Advantages of using POCs**

The POCs have resulted in improved product consistency and accuracy. Using them is also a remarkable way of verifying the training that an employee has received up to that point. Once this person is fully trained on one workstation, we can schedule him/her to begin training on another one. Our goal is to have each employee cross-trained on most, if not all, of the workstations in the restaurant.

**Minimal internal verbal communication**

Our thorough employee training process allows us to keep internal verbal communication to a minimum. That is critical at Pal’s because of the speaker system we use. Employees must be able to hear what is coming through the speakers to correctly process customer orders. If people are talking, listening to the speakers becomes very difficult. Keeping internal verbal communication to a minimum also allows us to focus on our customers, both external and internal.

**Employees instinctively respond where they are needed**

Our emphasis on training enables us to develop a level of teamwork that our competition cannot match. Our employees are so well trained that if they observe one of their coworkers struggling, getting behind, or feeling overwhelmed by a large order, they instinctively offer support to that person.

We also teach them the concepts of self-control and empowerment on the front line. Anyone who feels overwhelmed is empowered to turn to a coworker and ask to switch workstations without needing to first get input from management. When things slow down, they switch back to their normal workstations. Whatever is best for the customer is our main concern; we are not focused on egos.
The “Caught Doing Something Good” program

Our employee-recognition program is called Caught Doing Something Good. When we conducted our self-assessment in 1994, we felt we needed an improved public-recognition system for our employees. With this program, when any employee does something that makes a big improvement or makes a helpful contribution that wows a customer, that deed is written up on a specially designed form and posted publicly in the restaurant for everyone to see. We also have a little celebration. The only rule is that all the deeds that are written up on this form have to be linked to one of our six key business drivers (quality, service, cleanliness, people development, service speed, and customer value creation).

We post the forms for thirty days. At the end of this time period, a lot of employees remind the owner/operator that it's time to take them down because they want to take them home and show them to their family and friends. The effect of this program has been an overall positive change in the culture within our restaurants. It has made everyone even more focused on positive behavior.

We find that focusing on positive behavior encourages additional positive behavior. A restaurant owner/operator can fill out a form for the assistant manager or a general staff member, and general staff members can fill one out for the senior executives when they come into the restaurant, the owner/operator, or the delivery people. It goes in all directions. Our employees love this program.

The peer-review system

We also have a peer-review system that serves as an additional method for determining staff performance levels. Because owner/operators work on the production floor a lot, they have a good idea of everybody's performance levels. But they can't physically be on the floor all the time. Who better to tell them whether employees are staying focused than the people they work with all day?

When we decided to use a peer-review system, we wanted to ensure that it was individualized and that it encouraged each employee's personal development. So we assembled a cross-functional team made up of employees from all levels to develop it. In this semiannual review, staff members rate each other in ten key performance categories. All staff members within each restaurant participate in this program.

The SysDine system handles peer reviews

This peer review is done on our SysDine system. Staff members take turns sitting down at the computer and rating each other on a scale of one to five. The computer screen lists employees' names down the left side and shows the performance categories across the top. Staff members type in whatever numbers they want to rate their fellow workers. Only one person is allowed in the room while this is going on. We do not want anybody looking over anybody's shoulder; we want this to be as honest an assessment as possible.

When employees get to the end of the peer review, the program automatically closes and their numbers are mixed in with everybody else's. There is no way to call one person's numbers back up to see how he/she rated a certain individual. It's important that staff members don't have to worry about hearing complaints about how they rated a certain person.
Peer ratings are compared to self-ratings

After everyone finishes with this process, the owner/operator sits down with each employee individually and asks them to use the same criteria to rate themselves. Then they learn how their peers rated them, which is given as a single average score. We compare the way their peers rated them to the way they rated themselves.

If there is a discrepancy between these two numbers, the owner/operator talks to the employee about why that discrepancy exists and helps him/her develop an action plan to bring up the peer score. The owner/operator keeps a hard copy of the results to monitor over the next six months until the next peer review.

Results of peer ratings are posted

We then post a list of everyone’s peer reviews (their average scores) in the restaurant. No names appear on it—just coded employee numbers—but the peer review acts as a positive form of recognition. The people who score the highest always tell the other employees which ones they are. It’s a point of pride with them.

We have reduced our employee-turnover rate dramatically

As mentioned earlier, the average industry employee-turnover rate in our market is over 300% annually. When we began our self-assessment in 1994, ours was 190%. By using the human-resource systems described above, we have been able to reduce our annual employee-turnover rate to slightly above 100% today. Because of the large number of part-time people we employ, we believe that 80% is the best we will ever be able to do, and this is our ultimate goal.

Although we have an overall turnover rate of 100% to 110%, each location has a core group of workers that do not change over. For instance, one of our restaurants employs twenty-four people, fifteen of whom have worked there for six years.

Sales per labor hour have increased

Our primary measure of restaurant productivity is sales per labor hour. As employees become better trained, they become more productive, which results in more customers being able to get through the line. Thus, as our employees become better trained, our business increases. Our sales per labor hour figures have increased at a steady rate since we introduced our human-resources programs in 1994: We went from $29.51 in 1994 to $45.02 in 2001.

Training costs have decreased

Not only are our employees now staying with us longer and becoming more productive since 1994, but we have also seen a reduction in the cost of training them. Even though we present new employees more information during orientation than we did before, we can complete their training more quickly. Thus, the cost of training new hires has been greatly reduced. Our training costs per employee decreased from $948 in 1995 to $507 in 2001.

Process Management

Jerry King—At Pal’s we have successfully used the Baldrige Criteria to assess and improve the way we design and manage our processes. The Criteria gave us the road map we needed to follow on our journey to performance excellence.
A change in the way we view our company, continued

The most important learning that has resulted from our using the Criteria is the change in the way we view our company. In 1993, if someone had asked us what business we were in, we would have responded that we were in the service business. But using the Criteria to assess our business has made us realize that we are actually more closely aligned with manufacturing and education than we are with service.

Pal’s as an education institution

From an education standpoint, our company graduates over 400 well-trained people every year. As an owner/operator, a large part of my day is spent training our staff members in skills that will not only benefit Pal’s but will also benefit our employees later in life. We take this job very seriously.

Pal’s as a manufacturing institution

We are no different from any manufacturing company in America. We receive and store raw materials in our facility. When an order is placed, we convey those raw materials to the front production line, where they are processed, and the finished product is delivered to the customer using an assembly-line concept. The only difference between Pal’s and any other manufacturer, other than product, is time. We do what we do in less than one minute per transaction.

Relationships with customers help ensure order accuracy

We go through our order process over 1,000 times every day at every one of our restaurants. When customers first pull up to a Pal’s, they are greeted by a smiling, friendly face focused on delighting them as customers. We designed our order window with the intent to develop relationships with our customers and to improve order accuracy.

From a relationship standpoint, this method has been very effective. In all our restaurants, our employees know our customers well. When you develop a relationship like that with your customers, they in turn develop a level of trust in you: They feel comfortable telling you their likes, dislikes, and suggestions. We use that data to our benefit. In addition, if you make a mistake, since the customers have that trust in you, they pass the mistake off as no big deal and will give you a second chance.

Our relationships with our customers also help us to ensure order accuracy. For example, if a customer comes to my restaurant and places an order for a hot dog for a five-year-old child, I know that most kids that age don’t like onions on a hot dog. Because I’m talking with the customer face to face, I can remind him/her that our hot dogs come with mustard, onion, and chili, and I can check to see if that is the way he/she would like it. In a situation like this, the customer will usually request plain ketchup or plain mustard. Thus, we solve a problem before it ever actually becomes a problem. That level of service is the first thing that a customer notices and sets Pal’s apart from our competition.

The latest technology is not necessarily the best

As we take an order from a customer, we call out the order over a microphone system. This system has speakers in the restaurant’s ceiling so that employees can easily hear it. When the order taker enters the order information on our point-of-
The latest technology is not necessarily the best, continued

sale system, he/she takes the receipt tape and places it on a ticket holder, which begins our order-delivery system.

The order taker slides the ticket holder down to the person bagging the food. This system isn’t exactly state of the art, but we find it is very effective. Our competition uses monitors on their production lines to improve their order accuracy; however, we find that they slow down service speed fairly dramatically.

At Pal’s we have proven that we can attain both speed and accuracy. We are not opposed to technology; we just do not favor a “flavor of the month” approach to technology. If it doesn’t make sense, then we won’t implement it. Everything in our process is designed to improve speed and accuracy for our customers.

Orders are processed rapidly

Once an order is called out over the microphone system, our process team rapidly completes the order. These people have to be highly trained and must work well with each other because they are working in a space measuring forty-two inches wide by twenty-one feet long. We may have up to fourteen people working in that space at a time, which is fairly tight quarters. Each person knows the responsibility of everyone else on the team, which helps to promote teamwork.

Once an order is completed, it is handed to the person responsible for bagging the order and verifying its accuracy. Then the order goes to the cashier. The cashier’s job is similar to that of the person at the order window. The cashier greets the customer, smiles and makes eye contact with him/her, states the total, collects the money, gives the customer the order and the change, thanks the customer, verifies the customer has everything that he/she needs, and asks the customer to return.

The phrase “twenty-second service” refers to our handout window. When a customer arrives at the handout window to pick up his/her order, our goal is to make the cash transaction and give the customer the order within twenty seconds. We accomplish this even during our peak business periods.

That’s why it’s not uncommon to see cars blocking four-lane highways to get into one of our restaurants. The customers know that they are going to be through that long line quicker than if they went to one of our competitors, even if only four or five cars are in line there.

The product/process introduction procedure

Efficiencies at this level don’t just happen; they result from a very structured product/process introduction procedure. We have a systematic approach to designing and/or modifying new products and processes at Pal’s. We begin this approach by using many communication tools, including using customer focus groups, to clearly identify what our customers want. We constantly obtain stakeholder feedback throughout the process so that we can identify any potential pitfalls. Then we take steps to avoid them prior to implementation of the new product or process. We have a comprehensive design period that involves an initial design phase and a detailed design phase. Throughout this design period we have constant leadership reviews to make sure we are staying on target and meeting our original objectives.
Once we complete the design period and are satisfied with the product or process thus far, we begin a pilot-testing phase. This is another area in which we set ourselves apart from our competitors. This testing phase begins with a one-restaurant pilot test of the new product or process. During this test, we work out any kinks in the process by applying the Plan-Do-Study-Act cycle to make sure everything is right and that the procedures that the restaurant has established are solid. During this time we get input from customers who try the product, employees, and other stakeholders, including focus groups. We check to see if we are using the most efficient technology available.

Then we move to a three-restaurant pilot test. At this stage, we have a product or process that we believe is good enough to be rolled out by the entire company, and we want to verify that we haven’t missed anything. During this test, the role of the three restaurants is to verify the product and/or process using the Do-Study-Act cycle. They then make a recommendation—either yes or no—to the leadership team regarding a company-wide rollout.

The first of the three restaurants is the “hero” restaurant, which is the one that has prototyped the introduction of a product or process that it believes will benefit the company. The second, the “antagonist” restaurant, is one that is not crazy about the idea or has concerns about it. The third is a neutral restaurant that wants to do whatever is best for the company and doesn’t have any strong feelings either way.

If the antagonist restaurant can be convinced that this is a worthwhile product or process, that goes a long way toward eliminating any concerns we might have about implementing it company-wide. If all three restaurants agree that it’s great, we roll out that new product or process in all our restaurants as soon as possible.

During the pilot test, the hero, antagonist, and neutral restaurants all produce data on the proposed product or process. At the next leadership-team meeting we look at the data from all three restaurants. Although one restaurant is against the process, it does not falsify its data. The leadership team goes strictly by that data when deciding whether to go company-wide with the new product or process.

Since we began using this procedure, we have had zero failures with our new product/process introductions. The way we view product introductions is that we get only one chance to make a good first impression on our customers, so we have to do it right. The practice of ensuring quality up front has been very successful.

We introduced our breakfast program in 1998 after customers who came to our restaurants to buy tea in the morning asked us to sell biscuits as well so they wouldn’t have to get their tea at Pal’s and go elsewhere for biscuits. After hearing this many times, we finally decided the suggestion had some merit. So we decided to test the concept of serving breakfast.

We followed the product/process introduction procedure and successfully rolled out a breakfast program at Pal’s. At the beginning we established breakfast sales goals that we believed we could achieve within the first three years. We ended
Our introduction process ensures zero failures, continued

On-line quality-control process

up meeting those goals during the first thirteen months. Our breakfast program has been so successful because of the thorough introduction process that we used.

Our on-line quality-control process (see Figure 4 below) is the most important model we use at Pal’s. We believe in it completely and teach everybody to understand it and use it.

The process begins with clearly identifying a goal, standard, or target that we want to meet. Once we establish that, we then develop a standardized process or method to produce a product or deploy a process rapidly on a regular basis.

Once we establish a process and we train our employees how to perform it, they are always checking it against the goals or the standards. This is why flashcards are so important during the training process. The flashcards and our testing ingrain in our employees the instinctive, rapid knowledge that they need to be able to perform our processes quickly.

If they cannot meet the goals or the standards that are required of them, they are empowered to take a compensating action, including shutting down the process if the problem can’t be solved any other way. As mentioned earlier, we would rather not serve the customer at all than serve the customer a poor-quality product. As an owner/operator, I can’t see everything that goes on in my restaurant. But our on-line quality-control process enables me to train my people to be my eyes and ears. They serve as my on-line quality-control managers.

Deviations sometimes result in improvements

We believe in strict adherence to standardized processes, with no deviations or exceptions. This actually enables us to capture creativity. How? As an owner/operator, I observe my staff running their work processes. If the end result is being met, then everything is fine. But if employees are not meeting their goals, I can find where the failure is occurring in that process and coach the corresponding staff member to correct the problem.

Occasionally a deviation takes place that actually results in a better process. When that happens, I can find where in the process the deviation has occurred.
Deviations sometimes result in improvements, continued

Then we can capture that improvement and share it with everyone, and all seventeen restaurants can step forward together. This is important so our customers can feel comfortable that they are going to get the same product, the same speed of service, the same quality, and the same degree of friendliness at every Pal’s location.

Pal’s uses four core suppliers, whom we regard as extensions of our company. We want our suppliers, as well as their suppliers, to be successful and for our relationship to be a win/win/win situation for everyone involved.

For example, in the 1990s an independent milk company provided our milkshake mix to us. We began noticing that our prices for this mix were going up higher than what our competition was paying for the same product. We investigated and found the supplier was paying a higher delivery cost for us than for our competition. We then worked with the supplier to adjust their delivery schedules and helped them solve this problem.

The reworked delivery schedule was such a success that the supplier adopted it for the entire company and saved over $1 million the next year. This proves that a small company can have a major impact on large suppliers if it approaches the situation from the right standpoint and develops a good relationship with them.

One thing we do to develop relationships with our suppliers is to include them in our strategic-planning process. We ask them what we can do to be a better customer to them and how we can reduce or eliminate hassles from their world.

Using performance reviews to obtain supplier input

We do three performance reviews every year with our suppliers. Our suppliers conduct one of these reviews regarding how we are doing as customers. We have gained a lot of knowledge from working with our suppliers this way.

When we sit down with suppliers during performance reviews, we ask how we are doing, whether we are relieving their hassles, and whether we are getting our orders in on time. We also discuss their performance regarding on-time deliveries. We talk about product temperatures and how often we have had issues with temperatures being out of range. We also talk to them about any shortages that might have occurred. Then we use the information we get from these reviews to make plans to drive our company and theirs forward from that point on.

Changes we have made due to supplier input

One adjustment we have made as a direct result of these communications is increasing the paved lot size around our restaurants. Our suppliers told us that as we and they both grew, they needed to use larger trucks to make their deliveries. As a result, all our new restaurants that have been built since then have a larger lot size to accommodate these trucks.

Input from our suppliers has also resulted in an adjustment in our building design. The first several restaurants that Pal’s built had two floors, with the storage facilities located upstairs. Our suppliers said that their drivers were concerned with this setup. It was inconvenient, and possibly unsafe, for them to carry products up
Changes we have made due to supplier input, continued

and down the stairs. We then realized that our own employees probably felt the same
way about going up and down stairs carrying things. Now all our restaurants have
just one floor because of that supplier input.

The benchmarking process

Our benchmarking process can be formal, informal, cooperative, or not
cooperative. We can benchmark using trade publications or by using state docu-
ments, such as health scores that are published by the state. During our market
research we have hired companies to do surveys and give us information on other
companies and how they are performing. With today's technology it's easy to get
information about your competitors. We look for the best practices we can find,
regardless of whether the companies we benchmark are in the food business.

Due to our limited resources, we determine what we are going to benchmark
by identifying the areas where we have the largest improvement gaps. We determine
what company is best in class in that particular area. Then we decide how we can
benchmark against that company. We collect relevant data and see what processes of
theirs we can adapt to our company, what we need to change to do that, make an
action plan, and then implement that plan. Then we monitor things over time to
make sure we are closing the improvement gap.

We also have “mystery shoppers” who come around on a quarterly basis. They
are hired by a third party and don't know for whom they are working. They go to
our competitors as well and grade us all on the same criteria.

Why change when you are already growing and improving?

Journey to Performance Excellence

Thomas A. Crosby—We at Pal's were first introduced to the Baldrige Criteria in
1989. At that time a man who was working with Eastman Chemical Company,
which went on to become a Baldrige Award winner in 1993, scheduled a meeting
with me. Many of the things he talked about, such as customer-driven quality and
improving cycle time, sounded interesting and useful.

But as soon as he left I put away the booklet he had given me and temporarily
forgot about the Criteria because all our company's key indicators were growing. We
were already doing a good job. It was hard to get motivated to look at it and try to
use it to change when things were already going so well.

By 1994 things were going well enough that we had time to consider doing
some special projects. I remembered the Baldrige Criteria, so I looked at the booklet
again. We decided to select one section and give it a test. If it didn't work, we would
throw the booklet away and forget about Baldrige. If it did work, then we would see
what we learned from that and perhaps work on another section.

The section we decided to work on first was supplier relationships. At the time
we had twenty-one suppliers. We kept a redundancy factor, so if one of our suppliers
had problems, we had a backup to go to. There was competitive bidding going on,
so we thought our system was pretty good. But when we worked on the supplier-

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We used the Criteria selectively at first, continued

relationship category from the Baldrige Criteria, the project resulted in a 10% improvement in our profitability.

Cherry-picking was not the best method

We then thought we could simply select parts of the Baldrige Criteria to work on, and more money would show up. We then had to decide which section would be likely to result in another big profitability improvement.

At that point we read the Criteria from front to back for the very first time. We realized that this is a holistic system and that it is meant to improve an entire business. We were just lucky enough to first pick an area that had a major impact on our business and sustained our interest.

Our approach to integrate and deploy

Our founder/chairman and I then decided that we would use the entire set of Baldrige Criteria to improve Pal’s. The effort would be led and directed by top management. The Baldrige categories would serve as a blueprint for the way we structured our company. We would develop internal experts who would become the equivalent of world-class performance-excellence business consultants. And we would allocate the needed resources to get this job done.

Even change for the better is difficult

After we brought our entire leadership team together to learn about the Baldrige process, we quickly found out that all change is hard, even change for the better. We knew this was a good system. But when we had leadership-team meetings to discuss the principles, concepts, and management tools our company could use to improve itself, there was dead silence in the room.

During this period of time we managed to move forward, but to do so we had to carry the individuals who wouldn’t buy in until they saw enough results. The period during which we worked to get 100% of the leadership team to buy in was an uphill battle. But then we suddenly reached a critical mass, and things started to improve and get easier.

Applying for awards to focus company attention

As a method of focusing company attention, we decided to get into the award-application process. We started by concentrating on the Tennessee Quality Award. We began there because this award is based on four levels. Companies submit an application at the level for which they expect to win. After the judges complete their assessment, they award prizes according to the level at which they determine a company to be.

In 1995 we wrote a Level 2 application and won for Level 2. In 1996 we wrote a Level 4 application (which is the highest level). We won for Level 3.

In 1997 we elected to concentrate on internal assessments and improvements. Then in 1998, we decided to move into the Baldrige Award process. That year we wrote a Baldrige application but did not receive a site visit. In 1999 we took the feedback from that report and used the whole year to continue to do our own internal assessments and improve our organization.
In 2000 we wrote a Baldrige Award application and received a site visit. In 2001 we wrote applications for both the Baldrige Award and the Tennessee Quality Award. We received site visits from both organizations and won the highest-level Tennessee Quality Award (Level 4) and the Baldrige Award.

All this effort and expenditure of energy hasn’t done anything for Pal’s. It hasn’t helped us, nor has it improved us. Instead, we believe that it has created meaningful and measurable value. For instance, we have gone from having the seventh-highest local market share to having the second-highest market share. There is only one major national chain ahead of us in our market, and the difference between our companies is just one percentage point.

We have seen some key results from using the Baldrige process regarding our three main goals: increasing customer counts, increasing sales, and lowering customer complaints.

Regarding customer counts, we continue to grow. We are currently tied with the market leader in number of customers served.

Regarding continuous sales growth, Figure 5 below shows a trend line for which we figured out a formula to calculate where we believe we would be without the Baldrige process. We created it because we believed it was important to determine how much value the Baldrige process creates. In this case, each grid line in the figure represents millions of dollars.

Most companies in our industry experienced sales decreases in 2001. One of our competitors, an international company, had a 2.5% sales increase in 2001. Meanwhile, Pal’s had a 20% increase in sales as a company.

With regard to customer complaints, we have made some drastic improvements. We receive four-tenths of a complaint per thousand customer transactions, which works out to less than one complaint per 2,000 transactions. That is with seventeen different locations and over 500,000 customers, so we are doing a good job on lowering those.
There are no plans to expand

We have no plans to go outside our present market or to become a worldwide chain. We have always thought of Pal’s as a well-operated small company. We have to stay within our current market to be able to do what we want to do and to keep our culture the way it is. Our philosophy is that we don’t want to be the biggest company on the planet, but we do want to be the best-managed one. That becomes very hard to do if you are spread all over the planet.

Author information

Thomas A. Crosby joined Pal’s in 1981. Positions he has held include owner/operator, vice president/COO, president/COO, and currently president/CEO.

Scott Davis joined Pal’s as an assistant manager in 1998. In addition to being an owner/operator, he leads the Pal’s Customer and Market Focus team.

Randy Gibson has been an owner/operator since he joined the company in 1992. He also leads the Pal’s Information and Analysis team.

Jerry King joined Pal’s as an owner/operator in 1997. He also leads the Pal’s Process Management Team.

Rick Martindale began his career with Pal’s in 1997. He is the owner/operator of the first Pal’s restaurant to be located outside of the core tri-cities market.

Michael Smith joined Pal’s in 1991. In addition to being an owner/operator, he has been involved in the design and implementation of numerous improvement projects for the company’s human resource programs.

Editorial assistance for this article was provided by Cathy Kingery.