

# 2005

National Institute of Standards and Technology  
Technology Administration • Department of Commerce  
Baldrige National Quality Program



# Landmark Dining, Inc. Case Study

*Modified Version*

*With Criteria Questions*

The Landmark Dining, Inc., Case Study was prepared for use in the 2005 Malcolm Baldrige National Quality Award Examiner Preparation Course. The Landmark Dining, Inc. Case Study describes a fictitious small business organization in the restaurant industry. There is no connection between the fictitious Landmark Dining, Inc., and any other organization, either named Landmark Dining, Inc., or otherwise. Other organizations cited in the case study also are fictitious, with the exception of several national and government organizations. Because the case study is developed for educational use and appreciation of the possible content of an actual Baldrige application, there are areas in the case study where Criteria requirements are not addressed.

This NIST Training draft will be modified at the end of the Baldrige training classes to reflect important observations noted by Examiners during the course. The case study is the property of the Baldrige National Quality Program until it is officially released for use in the public domain in July 2005.

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Malcolm Baldrige National Quality Award

OMB Clearance #0693-0006
Expiration Date: January 31, 2007

I. Applicant

Official Name Landmark Dining, Inc.

Headquarters Address 1871 Harrisburg Station Drive

Other Name

Houston, Texas 77092

Prior Name

Has the applicant self-certified for eligibility in a prior year(s)?

Yes No Do Not Know

If "yes," the year(s) in which the applicant self-certified and the name of the applicant at that time, if different

Year(s)

Name(s) of Applicant

2. Highest-Ranking Official

Mr. Mrs. Ms. Dr.

Name Owen Dudley

Address 1871 Harrisburg Station Drive

Title President/CEO

Houston, Texas 77092

Telephone No. 713-555-1212

E-mail odudley@landmarkdine.com

Fax No. 713-555-1213

3. Eligibility Contact Point

Mr. Mrs. Ms. Dr.

Name Debby Dudley

Address 1871 Harrisburg Station Drive

Title Catering Director

Houston, Texas 77092

Telephone No. 713-555-1214

Overnight Mailing Address (Do not use a P.O. Box number.)

Fax No. 713-555-1215

1871 Harrisburg Station Drive

E-mail ddudley@landmarkdine.com

Houston, Texas 77092

4. Alternate Eligibility Contact Point

Mr. Mrs. Ms. Dr.

Name Sam Dudley

Telephone No. 713-555-1216

Fax No. 713-555-1217

If you are unable to respond to any item, please contact the Baldrige Program Office at (800) 898-4506 before submitting your form.

**Malcolm Baldrige National Quality Award**

**5. Applicant Status**

a. Has the applicant officially or legally existed for at least one year, or prior to April 12, 2004? *(Check one.)*

Yes  No

b. Has your organization ever been a Malcolm Baldrige National Quality Award recipient? *(Check one.)*

Yes  No

If you checked "No," proceed to item 6.

c. Was your organization an Award recipient in 1999 or earlier? *(Check one.)*

Yes  No

If you checked "No," your organization is not eligible to reapply this year for the Award or for feedback (please contact the Baldrige Program Office at 800-898-4506 if you have any questions). If you checked "Yes," please choose one of the following options:

Applying for feedback only  Applying for the Malcolm Baldrige National Quality Award

**6. Award Category and For-Profit/Nonprofit Designation** *(Check as appropriate.)*

- Manufacturing (For-Profit Only)       Education (For-Profit)       Health Care (For-Profit)
- Service (For-Profit Only)       Education (Nonprofit)       Health Care (Nonprofit)
- Small Business (For-Profit Only)

**Criteria being used:** *(Check one.)*

- Business       Education       Health Care

*(For-profit education and health care organizations may choose to use the Business Criteria and apply in the service or small business categories.)*

**7. Industrial Classification**

List up to three of the most descriptive three- or four-digit NAICS codes. *(See page 23 of the PDF version of the Baldrige Award Application Forms at [www.baldrige.nist.gov/Award\\_Application.htm](http://www.baldrige.nist.gov/Award_Application.htm).)*

a. 722      b. \_\_\_\_\_      c. \_\_\_\_\_

**8. Size and Location of Applicant**

a. Total number of

- employees (business) 212
- faculty/staff (education) \_\_\_\_\_
- staff (health care) \_\_\_\_\_

b. For the preceding fiscal year,

- check one financial descriptor:  Sales       Revenues       Budgets
- check amount:  0-\$1M     \$1M-\$10M     \$10M-\$100M     \$100M-\$500M     \$500M-\$1B     More than \$1B

**If you are unable to respond to any item, please contact the Baldrige Program Office at (800) 898-4506 before submitting your form.**

**Malcolm Baldrige National Quality Award**

**8. Size and Location of Applicant—continued**

- c. Number of sites: U.S./Territories   3   Outside U.S./Territories
- d. Percentage of employees: U.S./Territories  100%  Outside U.S./Territories
- e. Percentage of physical assets: U.S./Territories  100%  Outside U.S./Territories
- f. If some activities are performed outside the applicant's organization (e.g., by a component of the applicant that is outside the United States or its territories, the parent organization, or its other subunits), will the applicant, if selected for a site visit, make available in the United States sufficient personnel, documentation, and facilities to allow full examination of its operational practices for all major functions of its worldwide operations?  
 Yes  No  Not Applicable
- g. In the event the applicant receives an Award, can the applicant make available sufficient personnel and documentation to share its practices at The Quest for Excellence Conference and at its U.S. facilities?  
 Yes  No
- h. Attach a line and box organization chart for the applicant. In each box, include the name of the unit/division and its head.

**9. Subunits** (If the applicant is not a subunit as defined on pages 6–7, please proceed to question 10.)

- a. Is the applicant        a larger parent or system? (Check all that apply.)
  - a subsidiary of  a unit of  a school of
  - a division of  a like organization of  owned by
  - controlled by  administered by
- b. Parent Organization
 

|   |                          |
|---|--------------------------|
| Name  | Highest-Ranking Official |
| Address   | Name                     |
|   | Title                    |
| Number of worldwide employees of the parent <u>      </u> |                          |
- c. Is the applicant the only subunit of the parent organization intending to apply? (Check one.)  
 Yes  No (Briefly explain.)  Do Not Know
- d. Briefly describe the major functions provided to the applicant by the parent or by other subunits of the parent. Examples of such functions include but are not limited to strategic planning, business acquisition, research and development, data gathering and analysis, human resources, legal services, finance or accounting, sales/marketing, supply chain management, global expansion, information and knowledge management, education/training programs, information systems and technology services, curriculum and instruction, and academic program coordination/development.

**If you are unable to respond to any item,  
please contact the Baldrige Program Office at (800) 898-4506 before submitting your form.**

**Malcolm Baldrige National Quality Award****9. Subunits—continued**

e. Is the applicant self-sufficient enough to respond to all seven Baldrige Criteria Categories?

Yes     No (*Briefly explain.*)

f. Provide the name and date of the official document (e.g., annual report, organization literature, press release) supporting the subunit designation. Attach relevant portions of the document showing clear definition of the applicant as a discrete entity.  
*Note: applicants supplying a Web site as documentation must print the relevant pages and include these with the application.*

Name of the Document \_\_\_\_\_

Date \_\_\_\_\_

g. Briefly describe the organizational structure and relationship to the parent.

Attach a line and box organization chart(s) showing the relationship of the applicant to the highest management level of the parent, including all intervening levels. Each box within the chart should include the name of the head of the unit or division.

h. Is the applicant's product or service unique within the parent organization? (*Check one.*)

Yes     No

If "No," do other units within the parent provide the same products or services to a different customer base? (*Check one.*)

Yes     No

If neither of the "Yes" boxes in "h" is checked, complete 1, 2, and 3 below.

(1) Provide a brief description of how the market and product(s) or service(s) are similar.

(2) Indicate the organizational relationships of all units that provide similar or identical products or services, including the approximate sales, revenues, or budgets for each.

(3) Describe how the applicant is different from its parent and the other subunits of the organization (e.g., market, location, name).

**If you are unable to respond to any item,  
please contact the Baldrige Program Office at (800) 898-4506 before submitting your form.**

**Malcolm Baldrige National Quality Award****9. Subunits—continued****i. Manufacturing and service subunits of parents with >500 employees, only.**

- Are more than 50 percent of the applicant's products or services sold or provided directly to customers outside the applicant's organization, the parent organization, and organizations controlled by the applicant or the parent? (Check one.)

Yes       No

- Does the applicant have more than 500 employees? (Check one.)

Yes       No

- Do the applicant's employees make up more than 25 percent of the worldwide employees of the parent? (Check one.)

Yes       No

**j. All business subunits, regardless of parent size.**

- Was the applicant independent prior to being acquired, and does it continue to operate independently under its own identity? (Check one.)

Yes       No       Not Applicable

- Is the applicant separately incorporated and distinct from other subunits of the parent? (Check one.)

Yes       No

*Note: If self-certification is based on the subunit being independent prior to being acquired and continuing to operate independently under its own identity, provide a copy of an official document to support this response.*

*Note: If all answers to "i" and "j" are "No," contact the Baldrige Program Office at (800) 898-4506 before submitting your form.*

**10. Supplemental Sections (Check one.)**

- The applicant has (a) a single performance system that supports all of its product and/or service lines and (b) products or services that are essentially similar in terms of customers/users, technology, types of employees, and planning.
- The applicant has (a) multiple performance systems that support all of its product and/or service lines and/or (b) products or services that are not essentially similar in terms of customers/users, technology, types of employees, and planning.

*If you checked this box, please describe briefly the differences among the multiple performance systems of your organization in terms of customers, types of employees, technology, planning, and quality systems.*

*Note: The applicant's Eligibility Contact Point will be contacted if the second option is checked. Applicants may have two or more diverse product and/or service lines (i.e., in different NAICS codes) with customers, types of employees, technology, planning, and quality systems that are so different that the application report alone does not allow sufficient detail for a fair examination. Such applicants may submit one or more supplemental sections in addition to the application report. The use of supplemental sections must be approved during the eligibility certification process and is mandatory once approved.*

**If you are unable to respond to any item,  
please contact the Baldrige Program Office at (800) 898-4506 before submitting your form.**

## Malcolm Baldrige National Quality Award

### 11. Application Format

If your organization applies for the 2005 Award, in which format would you submit the Application Package? *(Check one.)*

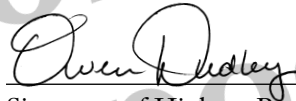
- 25 paper copies (due date May 26, 2005)       CD (due date May 12, 2005)

### 12. Self-Certification Statement, Signature of the Highest-Ranking Official

I state and attest that

- (1) I have reviewed the information provided by my organization in this Eligibility Certification Package.
- (2) To the best of my knowledge,
  - no untrue statement of a material fact is contained in this Eligibility Certification Package, and
  - no omission of a material fact has been made in this package.
- (3) Based on the information herein and the current eligibility requirements for the Malcolm Baldrige National Quality Award, my organization is eligible to apply.
- (4) I understand that at any time during the 2005 Award Process cycle, if the information is found not to support eligibility, my organization will no longer receive consideration for the Award and will receive only a feedback report.

January 19, 2005  
Date



Signature of Highest-Ranking Official

Owen Dudley  
Printed Name

### 13. Eligibility Certification Filing Fee

Enclose a \$150 nonrefundable fee to cover the cost of the eligibility certification filing process. Make the check or money order payable to

**Malcolm Baldrige National Quality Award.**

You also may pay by VISA, MasterCard, or American Express. Please indicate the method of payment below:

- Check or money order (enclosed)       VISA       MasterCard       American Express

Card Number \_\_\_\_\_

Authorized Signature \_\_\_\_\_

Expiration Date \_\_\_\_\_

Printed Name \_\_\_\_\_

Today's Date \_\_\_\_\_

**If you are unable to respond to any item,  
please contact the Baldrige Program Office at (800) 898-4506 before submitting your form.**



Malcolm Baldrige National Quality Award

14. Nomination to the Board of Examiners

One senior member from each organization whose Eligibility Certification Package is **postmarked on or before March 11, 2005**, may become a member of the 2005 Board of Examiners. The opportunity to learn and the required commitment of time are substantial. The time commitment is a minimum of 110 hours between April and December (including approximately 40 hours in April/May to complete prework for the Examiner preparation course, 4 days in May to attend the Examiner preparation course, and another 35–50 hours in June to complete a Stage 1: Independent Review). If requested by the Program, Examiners also are expected to participate in the Stage 2: Consensus Review (approximately 25 hours) and Stage 3: Site Visit Review (approximately 9 days).

Nominees must be citizens or permanent residents of the United States and be located in the United States or its territories.

Debby Dudley from our organization will serve on the 2005 Board of Examiners.  
Name of Senior Member Nominee\*

\*Please, no substitutions after April 12, 2005.

Nominee's contact information:

Mr.  Mrs.  Ms.  Dr.

Nominee's Title Catering Director

Name of Nominee's Organization Landmark Dining, Inc.

Nominee's Home Address 3224 Robin Drive

Nominee's Work Address 1871 Harrisburg Station Drive  
Houston, Texas 77092

Houston, Texas 77093

Home Phone 713-555-9845

Work Phone 713-555-1214

Home Fax 713-555-7630

Work Fax 713-555-1215

Home E-mail Address debbydudley@me.com

Work E-mail Address ddudley@landmarkdine.com

If you are unable to respond to any item,  
please contact the Baldrige Program Office at (800) 898-4506 before submitting your form.

**Malcolm Baldrige National Quality Award**

**The following information is needed by the Malcolm Baldrige National Quality Award Program Office to avoid conflicts of interest when assigning Examiners to evaluate your application and by Examiners in performing their evaluations.**

**I. Site Listing and Descriptors**

Please refer to the instructions on page 18 of this document to complete this Site Listing and Descriptors form. It is important that the totals for the number of employees, faculty, and/or staff; percentage of sales, revenues, or budgets; and sites on this form match the totals provided in response to questions 8a, 8b, and 8c on pages 2 and 3 of the 2005 Eligibility Certification Form. For example, if you report 600 employees in response to question 8a, the total number of employees provided in the Site Listing and Descriptors form should be 600. Duplicate the Site Listing and Descriptors page if all sites cannot be listed on a single page.

| Address of Site(s)  | Number<br>Employees,<br>Faculty,<br>and/or Staff | Percentage<br><input checked="" type="checkbox"/> Sales<br><input type="checkbox"/> Revenues<br><input type="checkbox"/> Budgets | For each site, describe the relevant<br>products, services, and/or technologies.   |
|---|--|--|--|
| Headquarters<br>1871 Harrisburg Station Drive<br>Houston, Texas 77092       | 12   | 0%   | Organizational Leadership, Accounting, Marketing, Procurement, Warehouse, Business Excellence, Human Resources, Safety, Compliance, Catering Reservations, Dinner Delivery Service |
| Harrisburg Station<br>1860 Harrisburg Station Drive<br>Houston, Texas 77092 | 108  | 56% (48%<br>Dining and<br>7% Catering)   | Dining services for customers and catering services<br>Technologies include restaurant kitchen equipment, restaurant software system   |
| Texas Lightkeeper<br>3020 Coastal Highway<br>Galveston, Texas 76632         | 92   | 44%  | Dining services for customers<br>Technologies include restaurant kitchen equipment, restaurant software system   |

Provide all the information for each site, except where multiple sites produce similar products or services. For multiple site cases, refer to “c” under item 8, which is titled Size and Location of Applicant, on page 3 of the Eligibility Certification Form. Also, see 2005 Eligibility Certification Form—Instructions on page 9 of this document.

**Use as many additional copies of this form as needed to include all sites.**

**If you are unable to respond to any item,  
please contact the Baldrige Program Office at (800) 898-4506 before submitting your form.**

**Malcolm Baldrige National Quality Award****2. Key Business/Organization Factors**

List, briefly describe, or identify the following key organization factors. Be as specific as possible to help us avoid real or perceived conflicts of interest when assigning Examiners to evaluate your application. "Key" means those organizations that constitute 5 percent or more of the applicant's competitors, customers/users, or suppliers.

**A. List of key competitors**

Black Pearl Steakhouse, Surf and Turf Seahouse, Blackberries, A Bite of Texas, Corrinas, Dukes and Duchesses, Formerly Known As..., Morgan's Lonestar Grill, Texas Property, Infront Bar and Grill, Pepperleaves

**B. List of key customers/users**

Hundreds of diners of steak and seafood in the Houston and Galveston area, distributors of Home Meal Replacements (HMR), including Kids Happen, Peanuts, Prisms Children Center, Matthew's Mahem, Camelot Children's Care, Pacers Health Center, Figurines Women's Fitness, and Multicenters Gym.

**C. List of key suppliers**

TexRest Purchase Group; Geekhead Information Systems; Texas Maintenance Systems; Promotional Experts; Staffing Solutions, Inc.; Security Systems, Inc.

**D. Description of the applicant's major markets (local, regional, national, and international)**

Houston, Texas and Galveston, Texas

**E. The name of the organization's financial auditor**

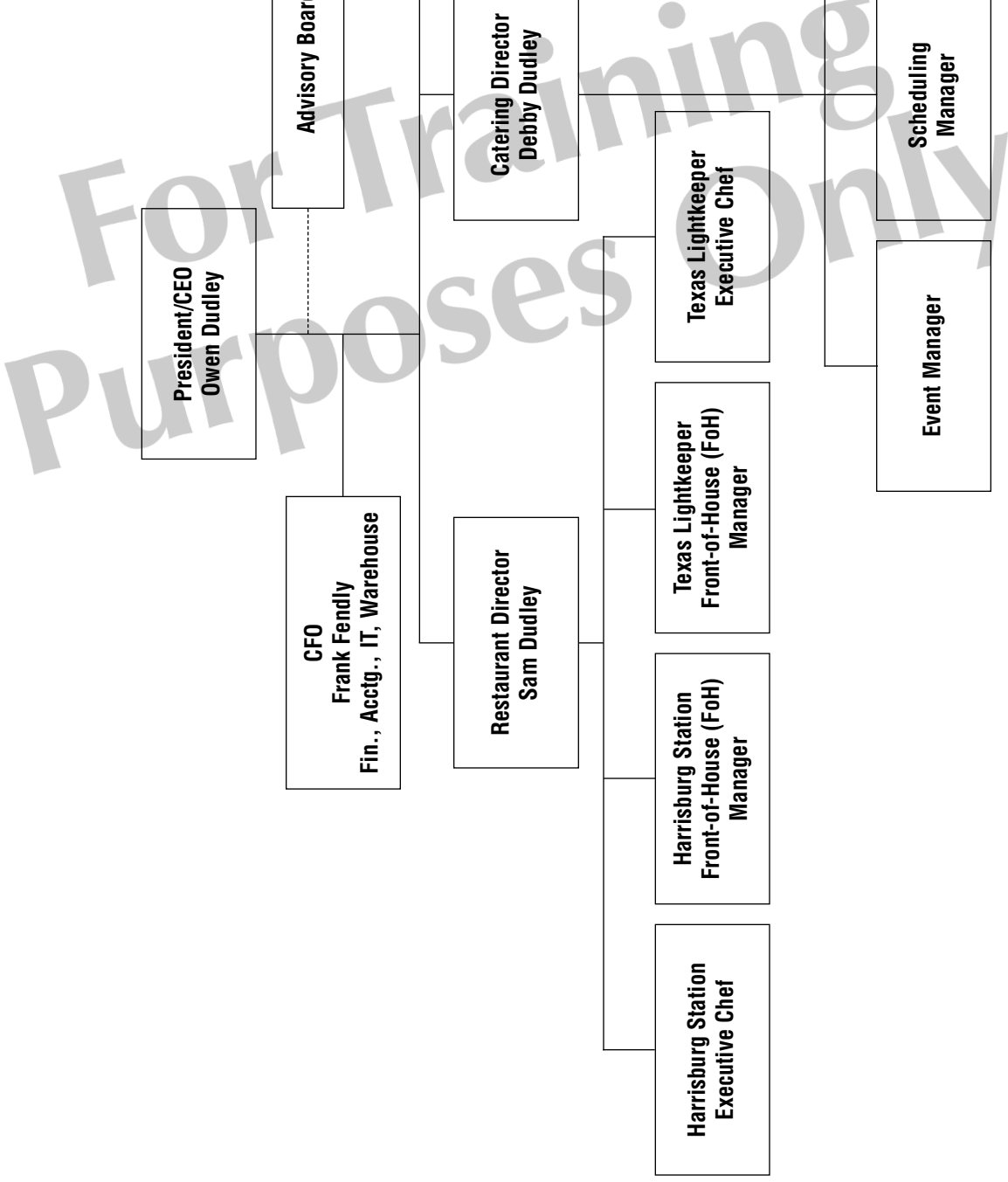
David & Bradley LLP

**F. The applicant's fiscal year (e.g., October 1–September 30)**

January 1–December 31

**If you are unable to respond to any item,  
please contact the Baldrige Program Office at (800) 898-4506 before submitting your form.**

# Landmark Dining, Inc., Organization Chart



## Malcolm Baldrige National Quality Award

Provide all information requested. A copy of page 1 of this 2005 Application Form must be included in each of the 25 paper copies of the application report (or, alternatively, in the PDF version on a CD).

### I. Applicant

Applicant Name Landmark Dining, Inc.

Mailing Address 1871 Harrisburg Station Drive  
Houston, Texas 77092

### 2. Award Category (Check one.)

Manufacturing  Service  Small Business  
 Education  Health Care

For small businesses, indicate whether the larger percentage of sales is in service or manufacturing. (Check one.)

Manufacturing  Service

Criteria being used (Check one.)

Business  Education  Health Care

### 3. Official Contact Point

Mr.  Mrs.  Ms.  Dr.

Name Debby Dudley

Title Catering Director

Mailing Address 1871 Harrisburg Station Drive  
Houston, Texas 77092

Overnight Mailing Address  
(Do not use P.O. Box number.)  
1871 Harrisburg Station Drive  
Houston, Texas 77092

Telephone No. 713-555-1214

Fax No. 713-555-1215

### 4. Alternate Official Contact Point

Mr.  Mrs.  Ms.  Dr.

Name Sam Dudley

Telephone No. 713-555-1216

Fax No. 713-555-1217

### 5. Release and Ethics Statements

#### a. Release Statement

We understand that this application will be reviewed by members of the Board of Examiners.

Should our organization be selected for a site visit, we agree to host the site visit and to facilitate an open and unbiased examination. We understand that our organization must pay reasonable costs associated with a site visit. The site visit fees range from \$1,500-\$35,000, depending on the type of applicant. (The fees are shown on page 4.)

If our organization is selected to receive an Award, we agree to share nonproprietary information on our successful performance excellence strategies with other U.S. organizations.

#### b. Ethics Statement and Signature of the Highest-Ranking Official

I state and attest that

(1) I have reviewed the information provided by my organization in this Application Package.

(2) To the best of my knowledge,

no untrue statement of a material fact is contained in this Application Package, and

no omission of a material fact that I am legally permitted to disclose and that affects my organization's ethical and legal practices has been made. This includes but is not limited to sanctions and ethical breaches.

Date May 3, 2005

Signature Owen Dudley

Mr.  Mrs.  Ms.  Dr.

Printed Name Owen Dudley

Title President/CEO

Mailing Address Landmark Dining, Inc.

1871 Harrisburg Station Drive

Houston, Texas 77092

Telephone No. 713-555-1212

Fax No. 713-555-1213

**Malcolm Baldrige National Quality Award**

**6. Confidential Information**

**Please note:** To help ensure the confidentiality of the information requested, submission requirements for this page (page 2) of your Application Form differ from those for page 1 of the form and for the application report. Whether you submit 25 paper copies or a CD of your application report, one completed **paper** copy of page 2 may be submitted with your Award Application Package, or the information may be telephoned to ASQ at (414) 298-8789, extension 7205. *Do not include this page in the 25 copies of your application report.*

**a. Social Security Number and Date of Birth of the Highest-Ranking Official**

If your application is selected for Stage 3 review, this information will be used in the process for determining role model organizations (see pages 3-4).

Name Owen Dudley

Social Security Number 000-00-0000

Date of Birth October 24, 1943

**b. Application Fees (see page 28 for instructions)**

Enclosed is \$ \$2000 to cover one application report and 0 supplemental sections.

*Note: An additional \$1,250 is required if you are submitting the application report on CD.*

Make check or money order payable to

**Malcolm Baldrige National Quality Award.**

**You also may pay by VISA, MasterCard, or American Express. Please indicate your method of payment below:**

- Check or money order (enclosed)
- VISA     MasterCard     American Express

Card Number \_\_\_\_\_

Expiration Date \_\_\_\_\_

Authorized Signature \_\_\_\_\_

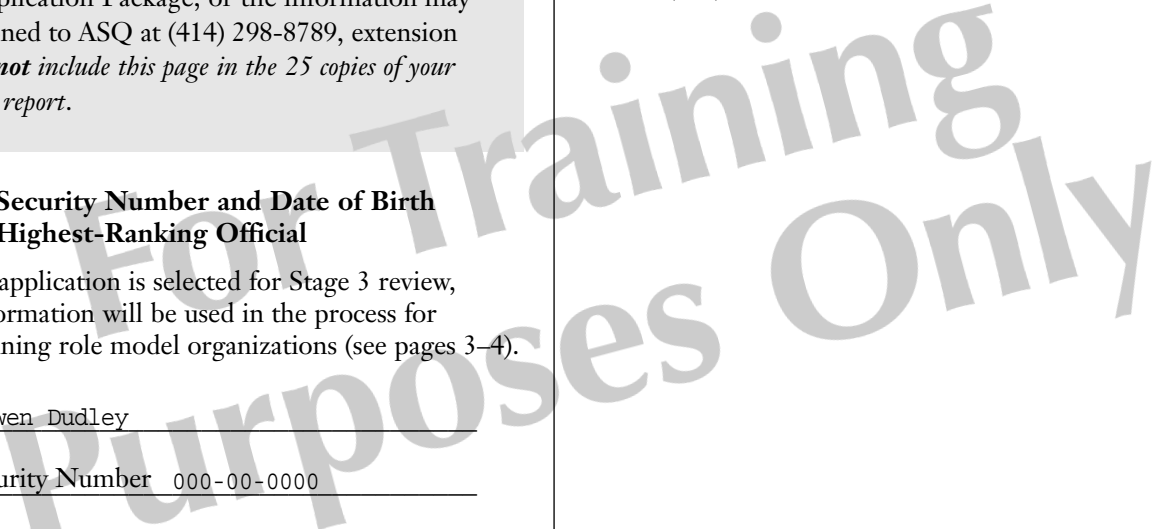
Printed Name \_\_\_\_\_

Today's Date \_\_\_\_\_

**7. Submission**

Complete Award Application Packages must be post-marked or consigned to an overnight delivery service no later than May 26, 2005 (May 12, 2005, if submitting on CD) for delivery to

**Malcolm Baldrige National Quality Award**  
 c/o ASQ—Baldrige Award Administration  
 600 North Plankinton Avenue  
 Milwaukee, WI 53203  
 (414) 298-8789, extension 7205



### A

**ACF:** American Culinary Federation. Refers to the organization that provides a certification program for employees who are chefs.

**ADA:** Americans with Disabilities Act

### B

**BATF:** Bureau of Alcohol, Tobacco, and Firearms. Refers to the organization that regulates licensing for serving alcohol.

**BE Director:** Business Excellence Director

### C

**CEO:** Chief Executive Officer—Owen Dudley

**CFO:** Chief Financial Officer— Frank Fendley

**COA:** Certificate of Analysis

### D

**DDSD:** Dinner Delivery Service Division

**DINERS:** Refers to the process for performance improvement used by Landmark Dining employees. A full description is provided in 6.1a(6).

### E

**EBIT:** Earnings before interest and tax

**EEOC:** Equal Employment Opportunity Commission

**EPA:** Environmental Protection Agency. Refers to the federal agency that regulates issues related to environmental safety.

**ERISA:** Employee Retirement Income Security Act

### F

**FLSA:** Fair Labor Standards Act

**FMLA:** Family Medical Leave Act

**FoH:** Front of House. Refers to employees who work in positions that interface directly with customers. (e.g., servers, host/hostess).

**FTE:** Full-Time Equivalent

**Foodtrak:** Software system used by Landmark Dining to provide Point of Sale and management software.

### G

**GDH:** Galveston Department of Health. Refers to a regulatory agency that oversees food safety compliance for the City of Galveston.

### H

**HACCP:** Hazard Analysis and Critical Control Point. Refers to a U.S. Food and Drug Administration-developed approach to ensuring the safety of food.

**HDH:** Houston Department of Health. Refers to a regulatory agency that oversees food safety compliance for the City of Houston.

**HHS:** Health and Human Services

**HIPAA:** The Health Insurance Portability and Accountability Act of 1996

**HMHPA:** Houston Metropolitan Historic Preservation Association. Refers to an association founded by Owen Dudley dedicated to service to the community and preservation of historical sites.

**HMR:** Home Meal Replacement. Refers to the dinner delivery service product distributed to customers through partner organizations.

**HR:** Human Resource or Human Resources

### I

**IRDP:** Individual Review and Development Plan. Refers to the approach used to provide employees feedback on their performance and guidance on their development.

**IRS:** Internal Revenue Service. Refers to the federal oversight agency for accounting and reporting practices.

**IT:** Information Technology.

### L

**LAN:** Local Area Network. Refers to a type of information technology access method to provide connectivity for employees within a single site.

**LSQA:** Lone Star Quality Award. Refers to the state quality award program that emulates the Malcolm Baldrige National Quality Award Program.

## **M**

**MIS:** Management Information System

## **N**

**NRA:** National Restaurant Association.

## **O**

**OJT:** On-the-Job Training. Refers to a type of training that provides skills and knowledge by learning while performing specific job functions.

**On-Call Employees:** Refers to Landmark employees who are not scheduled to work specific times. They are called on an as-needed basis in order to provide flexibility to address changing needs of the organization.

**OSHA:** Occupational Safety and Health Administration.

## **P**

**PDA:** Personal Digital Assistant. Refers to a type of technology used by servers to connect to the POS system to place orders and enter other appropriate information.

**PDCA:** Plan-Do-Check-Act. Refers to a specific improvement methodology for processes made famous by W. Edwards Deming. The DINERS Improvement Process is based on this model.

**POS:** Point of Sale. Refers to the software used by Landmark for management of operations and provided through the Foodtrak system.

## **R**

**RSI:** Repetitive strain injury

## **S**

**S Corporation:** Refers to the legal structure of the organization that provides a closely held organization the benefits of being a corporation.

**Sarbanes-Oxley:** Refers to the Sarbanes-Oxley Act of 2002, federal legislation that focuses on transparency of operations in large, publicly held organizations (governance).

**SWOTT:** Strengths, Weaknesses, Opportunities, Threats, and Trends. A type of analysis used within the Strategic Planning Process to identify the most important short- and longer-term issues to address.

## **T**

**TDH&HS:** Texas Department of Health and Human Services. Refers to a regulatory agency that oversees compliance to food safety issues.

**TTY:** TTY stands for teletypewriter but often is referred to as Text Telephone. It also is sometimes called a TDD, or Telecommunication Device for the Deaf. A TTY is a special device that lets people who are deaf, hard of hearing, or speech-impaired use the telephone to communicate by allowing them to type messages back and forth to one another instead of talking and listening. A TTY is required at both ends of the conversation in order to communicate.

## **W**

**WAN:** Wide Area Network. Refers to a type of information technology access method to provide connectivity for employees among various sites.



### P.1 Organizational Description

#### P.1a Organizational Environment

Landmark Dining, Inc., (Landmark) is a family-owned and -operated steak and seafood restaurant small business in south Texas. The first restaurant, Harrisburg Station, and its associated catering business, Harrisburg Station Catering, are located in one of the oldest standing landmarks in Houston—a train station built in 1857 in the small settlement then known as Harrisburg. The second restaurant, Texas Lightkeeper, is located in a restored lighthouse built in 1853 in Galveston. Landmark restaurants offer an exceptional dining experience at a good value to the Houston and Galveston metropolitan areas.

Mr. John Moodey established the first restaurant, Harrisburg Station, in 1945 after he returned from World War II. He and his wife, who was accustomed to cooking a wide variety of large meals for her father's ranch hands, purchased the recently vacated train station and renovated the structure to provide open space for dining areas and a large modern kitchen. The restaurant became renowned for its home-style cooking, hearty portions, and good value for the dollar.

Owen Dudley, a native of Houston, had fond memories of his family's experiences at Harrisburg Station and, as a boy, had always dreamed of someday owning the restaurant. With restaurant ownership in mind, Owen graduated from college in 1965. He returned to Houston and obtained the position of evening manager for the restaurant. Frank Fendly, Owen's college roommate, was hired as the bookkeeper for the restaurant that same year.

By 1968, John Moodey and his wife decided to retire, and in response, Owen and Frank purchased the Harrisburg Station in Houston. Over the next ten years, the restaurant continued in the tradition of providing customers with great food, in a great atmosphere, at a great value. Owen took exceptional pride in providing families with the same fond memories of Harrisburg Station that he had as a child.

In 1990, with expansion on their minds, the friends established a company structure called Landmark Dining, Inc., to provide sustainability to the existing restaurant and any future restaurants. Later that year, the company acquired and renovated another vacant landmark building—an old lighthouse in Galveston, Texas. After the renovation, Owen's son, Sam, opened the restaurant—Texas Lightkeeper. He also began assisting his father in general operations of the business, including strategic planning and business planning.

After Owen's daughter, Debby, received her Masters in Business Administration in 1998, she started a new catering service, Harrisburg Station Catering. She also used her expertise to develop approaches to marketing research and customer relationship management. Debby was an Examiner in the Lone Star Quality Award (LSQA) Program and later, the Baldrige National Quality Program, to help understand the Criteria for Performance Excellence and how to implement them.

Landmark applied for and received the LSQA award in 2002 and now continues its performance excellence journey through the Baldrige program.

#### P.1a(1) Products and services

##### Criteria Question

*What are your organization's main products and services? What are the delivery mechanisms used to provide your products and services to your customers?*



Landmark's key food services include lunch and dinner dining, take-out dining, dinner delivery, and event catering, such as corporate cookouts. Landmark restaurants provide a full-service, memorable lunch and dinner dining experience, seven days a week. The restaurants are well known for great steak and fresh seafood meals in an historic atmosphere, and they offer a variety of beer, wine, and spirits from around the world. The typical per-person lunch check ranges from \$13 to \$25. Dinner entrees range from \$16 to \$35, a price that continues to make Landmark a destination for families and business people alike. In addition, the catering service provides informal and formal lunches and dinners to groups up to 500.

In the fourth quarter of 2004, Landmark began a new service called Landmark Dinner Delivery Service. This service delivers pre-ordered dinners, or home meal replacements (HMRs), to a network of partners—daycare and gym facilities in the

#### Vision

To be recognized as one of the top ten dining experiences in our cities each year because of the outstanding food and unique experience provided.

#### Mission

Landmark Dining is the ultimate restaurant experience for our guests. Through our focus on great tasting food, historic atmosphere, superior service, and professional growth for our employees, we are the "restaurant of choice" for individuals, families, and businesses. We are part of our communities' histories through service and preservation of our landmark buildings.

#### Values

- Excellence in Service and Customer Focus
- Exceptional Food
- Promotion of a Healthy Lifestyle
- Ethics, Honesty, and Integrity
- Innovation and Energy
- Family Culture with Teamwork
- Employee Development
- Community Enrichment
- Historic Preservation
- Joy

Figure P.1-1 Landmark's Vision, Mission, and Values

area that distribute the meals as a service to their customers. Parents and other patrons may order the HMRs for any day of the week and pick them up when they pick up their children or finish their workouts.

**P.1a(2) Organizational context/culture**

*Criteria Question*



*What is your organizational culture? What are your stated purpose, vision, mission, and values?*

Landmark takes pride in the historic atmosphere provided to guests and the family culture provided to employees. Service to the community and preservation of history has always been a passion for Owen Dudley, who is a founding member of the Houston Metropolitan Historic Preservation Association (HMHPA). Service to the community is a hallmark of Landmark, with several programs designed to reach out to the community, as described in 1.2c. This includes supporting local food banks and “meals on wheels,” donating holiday meals, and hiring developmentally disabled persons and disabled veterans. Landmark also partners with the community college to teach children healthy eating habits and to provide training for the college’s students and Landmark’s future employees. These practices and many other activities establish Landmark as a proactive community citizen.

In 1990, with the opening of the second restaurant, Landmark formalized its Vision, Mission, and Values. These express the focus of the organization and its unique image of the future, and

|                               | Landmark | Industry Avg. |
|-------------------------------|----------|---------------|
| Management (salary)           | 7% (14)  | 3%            |
| Wait staff/host(ess) (hourly) | 43% (92) | 50%           |
| Chefs (hourly)                | 25% (52) | 23%           |
| Kitchen staff (hourly)        | 6% (12)  | 7%            |
| Bussers (hourly)              | 6% (13)  | 5%            |
| Bartenders (hourly)           | 8% (17)  | 4%            |
| Support staff (salary)        | 6% (12)  | 8%            |
| Full-time                     | 22%      | 20%           |
| Part-time/on-call             | 78%      | 80%           |
| Male                          | 42%      | 45%           |
| Female                        | 58%      | 55%           |
| White                         | 24%      | Texas = 53%   |
| Hispanic                      | 49%      | Texas = 32%   |
| African American              | 23%      | Texas = 12%   |
| Other                         | 4%       | Texas = 3%    |
| >40 years old                 | 7%       | 5%            |
| 31–40 years old               | 24%      | 20%           |
| 21–30 years old               | 40%      | 30%           |
| <21 years old                 | 29%      | 45%           |
| Bachelors or above            | 21%      | 18%           |
| Some college                  | 27%      | 20%           |
| High school                   | 34%      | 50%           |
| <High school                  | 18%      | 12%           |

**Figure P.1-2 Employee Demographics**

they provide all employees with the framework to make decisions and help set directions. They are shared with all new employees, reviewed during monthly meetings, posted in employee areas, and printed in restaurant menus and promotional literature.

**P.1a(3) Employee profile**

*Criteria Question*



*What is your employee profile? What are your categories and types of employees? What are their educational levels? What are your organization’s workforce and job diversity, organized bargaining units, use of contract employees, and special health and safety requirements?*

As a family-owned and -operated business, Landmark takes great pride in its restaurants and employees, many of whom have grown up in the business. Most salaried employees started as hourly employees, including Sam and Debby Dudley, who both have worked in the business since they were 16.

Currently, there are 212 employees, including 47 full-time, 102 part-time, and 63 on-call employees. Although the restaurant industry has a very high turnover rate, Landmark has retained more than 33% of its employees for over 10 years, another 19% have been retained for over 5 years, and 12% have stayed between 2 and 5 years. Most of the remaining 36% are employees who are students or have recently graduated.

Employees reflect the diversity of the communities surrounding our restaurants. *Figure P.1-2* identifies the categories and types of employees by position and status, gender, racial/ethnic diversity, age diversity, and education level.

To help our employees focus on core competencies, contract employees are used in the areas of kitchen sanitation and restaurant cleaning, information technology (IT), and maintenance of facilities and equipment. All on-site contract employees are provided an orientation training session covering the history, Vision, Mission, and Values of the company.

Health and safety requirements are identified in *Figure 5.3-1*. No employees or contract employees are covered by bargaining units.

**P.1a(4) Major technologies, equipment, and facilities**

*Criteria Question*

*What are your major technologies, equipment, and facilities?*



Facilities include a 38-table (192-seat) restaurant in Houston with a lounge seating 35 and a 43-table (218-seat) restaurant in Galveston, also with a lounge seating 35. The average capacity for restaurants in Houston and Galveston is between 175 and 200 seats. A separate headquarters building for functions of management, marketing, accounting, IT, vehicles, and warehousing is located in the historic railroad tower building a block from the Houston restaurant.

Equipment includes traditional, microwave, and convection ovens, walk-in freezers and coolers, heated holding tables, and various small-wares used in commercial/restaurant food preparation. The catering and dinner delivery services use the kitchen equipment during off-peak times. These divisions also lease trucks to ensure safe transport of prepared food. The Dinner Delivery Service Division (DDSD) has specific food-safe storage containers that reside at partner locations to sustain food temperatures once delivered to the distributors.

The IT infrastructure is focused primarily on the use of the wireless industry Point of Sale (POS) system called Foodtrak. This system facilitates reservation and order processing, inventory management, customer information management, menu engineering, operational measurement and analysis, time/attendance tracking, scheduling, data management, and warehousing. Following a benchmarking visit to a Baldrige Award recipient, we expanded the system's capabilities to enable us to track customer information for tailoring the dining experience.

### P.1a(5) Legal/regulatory environment

#### Criteria Question

*What is the regulatory environment under which your organization operates? What are the applicable occupational health and safety regulations; accreditation, certification, or registration requirements; relevant industry standards; and environmental, financial, and product regulations?*

The restaurant industry in Texas operates under a number of regulations and requirements, as well as industry standards for food safety, as shown in *Figure P.1-3*.

### P.1b Organizational Relationships

#### P.1b(1) Organizational structure and governance

#### Criteria Question

*What are your organizational structure and governance system? What are the reporting relationships among your governance board, senior leaders, and parent organization, as appropriate?*

In 1990, Landmark incorporated as an S corporation and formed a Board of Directors composed of Owen Dudley and his wife (not active in the business), Sam Dudley, and Frank Fendly. Debby Dudley was added to the board in 2000. In addition, an external Advisory Board was established that consists of business leaders representing areas of much-needed expertise. The two boards were formed to provide long-term direction and oversight to the company. External financial oversight is provided through monthly updates to both boards and an annual financial audit directed by the Advisory Board.

For day-to-day business, the organizational reporting structure is defined as shown in the Organization Chart (in the Eligibility Certification Form). A system of internal controls ensures accountability of employees and family members at all levels of the organization.

#### P.1b(2) Key customer and stakeholder groups

#### Criteria Question

*What are your key customer and stakeholder groups and market segments, as appropriate? What are their key requirements and expectations for your products, services, and operations? What are the differences in these requirements and expectations among customer and stakeholder groups and market segments?*

Key customer groups include individual and family patrons, businesses, tourists, and the communities in which Landmark restaurants exist. Industry studies and customer input have been used to identify and prioritize the following key requirements of all customers, regardless of segment:

- #1—**Reliability:** the ability to deliver the promised service dependably and accurately
- #2—**Responsiveness:** willingness to help customers and to provide prompt service
- #3—**Assurance:** knowledgeable, courteous personnel and the ability to convey trust and confidence

| Requirement   | Authority            | Process  | Measure                | Goal |
|---|----------------------|--|------------------------|------|
| Food Safety Codes   | TDH, HDH, GDH, HACCP | Food handling procedures, inspections, training                          | Violations             | 0    |
| Waste Removal   | EPA                  | Waste handling procedures  | Violations             | 0    |
| Zoning, codes   | City                 | Building safety procedures, internal audits                              | Findings               | 0    |
| Licensing   | BATF, City           | Inventory procedures, reporting procedures, work instructions            | Approval               | Yes  |
| Financial   | IRS                  | Accounting procedures, audit and reporting procedures                    | Findings               | 0    |
| Employee related (FMLA, ERISA, ADA, OSHA, FLSA, EEOC, etc.) | Federal agencies     | Human resource procedures, periodic internal file audits, self reporting | Findings or violations | 0    |
| Safety  | OSHA                 | Safety, training, inspections, monitoring measures                       | Incidents              | 0    |

**Figure P.1-3 Regulatory Environment**

#4—**Empathy:** caring and individualized attention

#5—**Tangibles:** attractive facilities, cleanliness, high-quality equipment, and effective communications materials

#6—**Exceptional food at a good value:** flavorful meals, broad menu options, attractive presentation, and hearty portions at competitive prices


#7—**A memorable dining experience:** a combination of appealing atmosphere, attentive service, and outstanding food

Each distinct customer group has additional, specific requirements. *Figure P.1-4* shows customer groups and these additional requirements.

Other stakeholder groups include regulatory agencies (identified in *Figure P.1-3*), whose overall requirements and expectations include compliance, accessibility, and transparency. Owners are a key stakeholder group whose requirements are reflected in the company's Values. The community is a key stakeholder group with requirements for involvement, responsibility, and leadership. The supplier and partner stakeholder groups' requirements are shown in *Figure P.1-5*.

**P.1b(3) Role of suppliers and distributors**

*Criteria Question*



*What role do suppliers and distributors play in your value creation and key support processes? What role, if any, do they play in your organizational innovation processes? What are your most important types of suppliers and distributors? What are your most important supply chain requirements?*

Suppliers are an integral part of delivering a memorable dining experience to customers. Landmark's cost of sales (i.e., funds needed to purchase supplies) is approximately 30% of its total

| Customer Group                                       | Sales | Requirements  |
|--|-------|---|
| <b>BY ORGANIZATION</b>                               |       |   |
| Local families                                       | 25%   | Child friendly, value, rapid service, healthy menu options, short wait times, recognition as "regulars" |
| Local businesses                                     | 40%   | Business conducive, handle groups, short wait times, recognition as "regulars"                          |
| Tourists   | 35%   | Fun experience, souvenirs available   |
| <b>BY FAMILY STATUS—Excluding business customers</b> |       |   |
| Families with children                               | 15%   | Child friendly, value, healthy menu options, rapid service, short wait times                            |
| Couples  | 15%   | Short wait times, ambience, not noisy, fine wines   |
| Singles  | 30%   | Short wait times, broad wine and beer choices   |
| <b>BY SERVICE</b>                                    |       |   |
| Dine-in—routine                                      | 33%   | Recognition as "regulars"   |
| Dine-in—event  | 20%   | Special effort  |
| Dine-in—1 time                                       | 30%   | Special effort  |
| Take-out   | 10%   | On time, food temperature, ease of ordering   |
| Catering   | 7%    | Menu options, on time, food temperature, ease of ordering   |
| Delivered to distributor                             | 0%    | On time, food temperature, ease of ordering   |

**Figure P.1-4 Customer Segments and Requirements**

| Suppliers/Partners  | Landmark Requirements  | Supplier/Partner Requirements  |
|---|--|--|
| TexRest Purchase Group—Local food, beverages, and restaurant supplies         | Interaction; fresh food products; cost; availability; on-time, complete deliveries | Clear requirements, adherence to policies, on-time payment, frequent communication |
| Geekhead Information System—Web development, Foodtrak, and IT support         | Knowledge, flexibility, responsiveness, accuracy, timeliness, availability         | Clear requirements, frequent communication, on-time payment                        |
| Texas Maintenance Systems—Cleaning and sanitation                             | Completion of work, meeting regulatory requirements, value, on-time arrival        | Clear requirements, adherence to policies, frequent communication, on-time payment |
| Promotional Experts—Image development, advertising, and marketing promotions  | Flexibility, responsiveness, creativity, broad access                              | Clear requirements, frequent communication, timely turn of drafts                  |
| Staffing Solutions, Inc.—HR functions of recruitment and satisfaction surveys | Effective approaches, measurable results, accurate results, flexibility to needs   | Clear requirements, adherence to policies, frequent communication, on-time payment |
| Security Systems, Inc.—On-site security services                              | Flexibility, responsiveness, subtle presence                                       | Clear requirements, adherence to policies, on-time payment                         |
| The local community college—Student and staff training programs               | Sound educational programs, support of students                                    | Availability, reliability, clear requirements, frequent communication              |
| Day Care and Gym Delivery Partners—Distribution channels                      | Timely distribution, satisfied customers, sensitivity to culture                   | Good reputation, on-time delivery, satisfied clients                               |

**Figure P.1-5 Supplier/Partner Types and Requirements**

sales. A local restaurant purchasing consortium provides coordination with important suppliers of food, beverages, and restaurant supplies to ensure high quality and freshness of meat, seafood, vegetables, and other needed materials. Through the consortium, other services, such as health care insurance for employees, are contracted for lower pricing.

Other suppliers involved in value creation and support processes are the suppliers of IT services, custodial services, and advertising. The use of these suppliers allows Landmark employees to function more effectively in their jobs and/or focus resources on core competencies. Suppliers involved in key support processes include a security company and a human resource (HR) services organization that assists with some HR functions (other support processes are managed internally). These key suppliers and requirements are shown in *Figure P.1-5*.

Open relationships are established and managed with each supplier to provide rapid and frequent communication and build trusting partnerships. Whenever possible, suppliers are involved in process improvement efforts, including innovation and continuous improvement processes.

The most important types of distributors (*Figure P.1-5*) include certain day-care facilities and gyms within a 30-mile radius of the Houston restaurant that partner with Landmark to deliver HMRs to their clients.

#### **P.1b(4) Key supplier and customer partners**

##### *Criteria Question*

*What are your key supplier and customer partnering relationships and communication mechanisms?*

Key partnering relationships are shown in *Figure P.1-5* with two-way Landmark and supplier/partner requirements.

Key supplier communication mechanisms include daily Web-based ordering of food stocks and supplies, as well as monthly meetings with managers at all levels to discuss supplier performance and reinforce expectations. In addition, IT systems enable vendor access to inventory levels within the restaurants through special secure Web access points to manage inventory levels and freshness.

For the DDS, distributors have direct contact with end customers to help them select and order the meals to be delivered for their pick-up. Communications with these organizations occur in person and by phone, fax, and e-mail on a daily basis.

Key customer relationships are described in P.1b(2). Communication mechanisms include Voice of the Customer resources (*Figure 3.1-1*), such as direct mail, focus groups, surveys, phone discussions, and the Landmark Web site, as well as personal meetings for event planning and evaluation.

## **P.2 Organizational Challenges**

### **P.2a Competitive Environment**

#### **P.2a(1) Competitive Position**

##### *Criteria Question*

*What is your competitive position? What is your relative size and growth in your industry or markets served? What are the numbers and types of competitors for your organization?*



The restaurant industry has enjoyed 13 consecutive years of growth. The industry sales forecast is for 4.4% growth in 2004 and 2005. The Landmark dining area includes over 10,000 eating establishments in Houston and Galveston that could be considered competitors; however, Landmark has defined its specific market niche as family and business diners desiring fine food and an extraordinary dining experience. As such, Landmark competes most directly with 35 specialty restaurants in the Houston area and 20 in the Galveston area. Landmark does not have the largest restaurant in either city, but it maintains the third-highest occupancy of the restaurants in Houston and the highest in Galveston. Revenues for 2004 were in excess of \$5.9M. Of that, \$5.5M comes from restaurant and take-out dining and \$400K from catering. Projections for 2005 are in excess of \$6M.

Catering is offered only in Houston at this time. In Houston, there are 7,000 competitors, but only ten provide full meal selections (versus sandwiches and salads) to the same market served by Landmark, i.e., large special occasions. Information on catering competitors is difficult to obtain, but Landmark appears to cater more special events than any competitor.

Landmark is the only company in the Houston market providing HMR delivery service.

#### **P.2a(2) Competitive success factors**

##### *Criteria Question*

*What are the principal factors that determine your success relative to your competitors? What are any key changes taking place that affect your competitive situation?*




The principal factors that determine our success relative to competitors are

- name recognition
- value for the dollar
- fresh menu design and re-engineering
- healthy menu items
- effective use of facilities
- superior service
- operational excellence
- community involvement

## P.2a(3) Comparative data

### Criteria Question



*What are your key available sources of comparative and competitive data from within your industry? What are your key available sources of comparative data for analogous processes outside your industry? What limitations, if any, are there in your ability to obtain these data?*

Key sources of comparative data from within the industry include


- National Restaurant Association (NRA) for industry performance, human resource performance, and financials. The NRA local chapter provides informal settings for sharing data and information.
- customer satisfaction survey results from vendor
- People Report 2004 HR best practices
- Secret Diners Association third-party comparative service
- employee diner reports resulting from visits to other restaurants
- informal consortium of restaurants in Texas that share results and best practices (led by Owen Dudley)
- various Web sites specific to the industry

Key sources of comparative data from outside the industry include

- David & Bradley for financial comparisons
- Staffing Solutions, Inc., for employee satisfaction results
- published literature about and visits to Baldrige Award recipients
- general business and economic publications

## P.2b Strategic Challenges

### Criteria Question



*What are your key business, operational, and human resource strategic challenges? What are your key strategic challenges associated with organizational sustainability?*


The greatest operational, business, and human resource strategic challenges include

1. continued expansion of products and services
2. an increase in the number of competitors with a projected growth rate of 5.2%
3. the availability of skilled and motivated employees to match the expected growth of the organization
4. consumers with increased disposable income and a need for convenience and socialization
5. sophistication of the American palate, reflected in a desire for more frequent restaurant dining and more frequent menu changes
6. changing customer age demographics affecting preferences and buying behaviors
7. heightened interest in food safety, nutrition (e.g., low-carb and low-fat diets), and health issues, such as obesity
8. intensified government impact through regulatory mandates, thereby increasing costs

Challenges to the sustainability of Landmark enterprises include numbers 3, 5, 7, and 8 above.

## P.2c Performance Improvement System

### Criteria Question



*How do you maintain an overall organizational focus on performance improvement, including organizational learning? How do you achieve systematic evaluation and improvement of key processes?*

The overall approach to maintaining an organizational focus on performance improvement, including organizational learning, is through strategic planning and systematic evaluation and improvement methods. The annual strategic planning process described in 2.1a is designed to provide a regular evaluation of company operations and directions, with opportunities to make improvements to actions, activities, and strategies. A Balanced Scorecard (Scorecard) is used to deploy goals and monitor progress on a weekly, monthly, and annual basis.

Overall approaches to organizational learning and sharing are through systematic communication activities and training. Cross-training is used extensively for job growth and, in combination with rotational assignments, to train employees on succession paths. Training teams work with training providers to develop customized training that includes organizational knowledge.

Knowledge and best practices are shared throughout the company in a variety of methods, including communication at meetings, employee exchanges, posting information on bulletin boards, participation on cross-restaurant and cross-department teams, coaching and mentoring, and training. Also, an organizational knowledge database is maintained through Foodtrak to gather and communicate information about the company, functions performed throughout the company, key changes to systems, and key learnings from projects.


Regular evaluation of the effectiveness of processes and approaches occurs through the monitoring of measures (described in Category 4), evaluation and analysis during reviews and subsequent sharing of review findings with employees (Item 1.1b), and an annual Baldrige self-assessment activity. When opportunities for improvement are identified, they are addressed through benchmarking other organizations, improvement through action plans, and improvement through process improvement teams, using the DINERS process improvement approach (Figure 6.1-3).

## 1.1 Senior Leadership

### 1.1a Vision and Values

#### 1.1a(1) Set and deploy Vision and Values

##### *Criteria Question*



*How do senior leaders set organizational vision and values? How do senior leaders deploy your organization's vision and values through your leadership system, to all employees, to key suppliers and partners, and to customers, as appropriate? How do their personal actions reflect a commitment to the organization's values?*

The Senior Leadership Team of Landmark consists of the President/CEO, the CFO, the Restaurant Director, the Catering Director, the BE Director, the Executive Chefs, the Front-of-House (FoH) managers of both restaurants, and the Advisory Board. With the addition of the Advisory Board in 1990, Landmark formalized its Vision, Mission, and Values, as described in P.1a(2) in the Organizational Profile. This initiative was led by the President/CEO, using a consensus process, and agreed upon by other members of the Senior Leadership Team. As described in Item 2.1, the Vision, Mission, and Values are reviewed annually during the Strategic Planning Process and are incorporated into the Strategy Matrix (*Figure 2.2-3*). While the Vision, Mission, and Values remain consistent to guide and sustain the organization, two additions have been made to the Values. In 1995, in response to an emerging consumer trend toward healthier lifestyles, Promotion of a Healthy Lifestyle was added as a Value. In addition, while ethical conduct has always been a family value, Ethics, Honesty, and Integrity was added to the organization's Values in 1998.

Senior leaders deploy the Vision, Mission, and Values in a variety of ways, including the Landmark Communication Process shown in *Figure 5.1-1* and the Strategic Planning Process described in Item 2.1. Landmark's Leadership Team is composed of all members of the Senior Leadership Team with the exception of the Advisory Board. In 2001, the Leadership Team developed a Strategy Matrix (*Figures 2.2-3 and 2.2-4*) to provide alignment among employees, key suppliers, partners, and customers in the deployment of the organization's Vision, Mission, and Values. The Strategy Matrix links the Vision, Mission, Values, competitive success factors (P.2a[2]), strategic challenges (P.2.b), objectives, action plans, and key measures. It is reviewed with all employees, and their Individual Review and Development Plans (IRDPs) are linked to it. As a result, every employee understands the Vision and Values of the organization and knows how he or she contributes to ensuring they are sustained within the organization.

Specific portions of this Strategy Matrix also are shared with our key suppliers and partners, some of whom participate in its development. Recognizing the strategic challenge of an increasing number of competitors, Landmark has increasingly sought

to enhance its relationships with suppliers and partners to provide a competitive advantage. Meetings with all prospective partners and suppliers begin with a detailed one-on-one discussion of each organization's values, expectations, and strategic direction. It is made clear that mutual support of each other's directions and values is considered key to the success of the partnership, as well as a requirement for doing business with Landmark.

Landmark's Vision, Mission, and Values are printed on its menus and posted on its Web site for customers to read. While this originally was designed primarily as a mechanism for communicating with all customers and potential customers, it also has assisted the organization in its efforts with historic preservation. In 1996, a prominent Houston area business CEO noticed the efforts Landmark was making in the area of historic preservation and was impressed that this was part of the Mission of the organization. This CEO worked with the Landmark Leadership Team to establish additional funding for HMHPA, as described in 1.2c.

Senior leaders' personal actions reflect a commitment to organizational Values through communication, reinforcement, and role modeling of Values and expectations. Decisions that are made by senior leaders and employees on a day-to-day basis are guided by the organization's Vision and Values. For example, even with the rising cost of health care and the industry norm of not providing health care to part-time employees, Landmark has made a commitment to employees to continue to provide discounted health care options to all part-time employees to support the organization's Value of Family Culture with Teamwork.

To further reinforce Values and expectations and to promote communication, members of the Leadership Team each spend at least 10% to 20% of their time working in the restaurants or catering service every week. They work alongside employees in a variety of positions (e.g., wait-staff, busser, prep chef) in order to get to know the employees, to act as role models, and to learn from the employees' point of view. As noted in 5.1c(2), all potential employees are provided with a one-page outline called the "Prospective Employee Guide," which lists the Values and high-level expectations of the company. This enables appropriate prospective employees (to some extent) to self-select. Upon hiring, all employees, full-time, part-time, and on-call, receive a half-day orientation led by a member of the Senior Leadership Team. At this orientation, employees' responsibilities related to Landmark's Values and expectations are discussed in depth. Values are prominently posted in the reception area and work locations as well as printed on the restaurant menus. Additionally, at the monthly all-employee meetings, an employee leads a discussion of one or more Values and how to better deploy them throughout the organization.

### 1.1a(2) Foster and require legal and ethical behavior

#### Criteria Question



*How do senior leaders promote an environment that fosters and requires legal and ethical behavior?*

Landmark recently added Ethics, Honesty, and Integrity to its values and they are a non-negotiable requirement of employment. Senior leaders use the Communication Process shown in *Figure 5.1-1*, policies and procedures, and role modeling on an ongoing basis to promote an environment that fosters and requires legal and ethical behavior. During orientation and on an annual basis, employees receive ethics training, which includes role playing of sensitive issues, such as the safeguarding of customer credit card information. All employees are required to sign the Landmark ethics policy at the end of training. It is made clear to all employees that any violation of the ethics policy or any failure to report a violation of the policy by another employee is grounds for immediate termination. Also, all suppliers and partners are provided with a copy of the ethics policy and asked to report any perceived violations. The Senior Leadership Team investigates all reports of unethical behavior by suppliers and partners. Ethical violations are grounds for termination of the supplier relationship; in 1998, Landmark terminated a contract with a meat supplier who falsified Certificate of Analysis documents.

### 1.1a(3) Create a sustainable organization

#### Criteria Question



*How do senior leaders create a sustainable organization? How do senior leaders create an environment for performance improvement, accomplishment of strategic objectives, innovation, and organizational agility? How do they create an environment for organizational and employee learning? How do they personally participate in succession planning and the development of future organizational leaders?*

The Harrisburg Station has been in operation since 1945, and as operators of a family-owned small business, the organization's senior leaders have learned from past experience and have developed strategies to ensure the organization will continue to grow and prosper. Sustainability is addressed through a three-tiered approach. First, senior leaders focus the organization on a strong Vision and direction to provide all employees with a focus for decisions. Second, a strong process orientation is emphasized by the organization to reinforce standardized approaches and consistent results. Third, a sense of accountability for performance is built into the organization through the measurement system and review structure described in Item 4.1. This also reinforces the environment of performance improvement.

Senior leaders use the Strategic Planning Process (2.1a), the Strategy Matrix (*Figures 2.2-3 and 2.2-4*), and the Strategy

Deployment Process (2.2a) to ensure the organization's Vision, Mission, Values, competitive success factors (P.2a[2]), strategic challenges (P.2.b), action plans, key measures, and goals are aligned and enable the organization to accomplish its strategic objectives. In addition, real-time and formal executive reviews (*Figure 4.1-2*) of key performance indicators enable senior leaders to make timely decisions in response to unexpected or unanticipated business conditions.

Innovative approaches to improving the organization also are encouraged. Ideas are discussed at the monthly all-employee meetings, daily line-ups, and monthly team leader meetings. For example, one employee asked if she could demonstrate some small magic tricks at tableside to entertain children. The employees discussed the proposal and agreed that this and other ideas for surprising and delighting the customer should be approved, provided they were presented beforehand and deemed appropriate not only for a particular customer but also for surrounding customers. As a result, as a part of the hiring process, new employees are now asked about any unique or special talents they may bring.

Employees are encouraged to identify improvements in all areas. The Value of Family Culture with Teamwork creates an atmosphere where all improvement suggestions are welcomed. Recognition is given at daily line-ups and all-employee meetings to employees who made suggestions, and an update is provided on the status of the suggestions. The cross-training program and Landmark's policy of having employees work one day per month in other areas helps "out of the box" thinking.

Yet another vehicle to encourage innovation is the company's commitment to the Baldrige Criteria for Performance Excellence. A member of the Senior Leadership Team serves as an Examiner for the Baldrige National Quality Award Program, and two others are Examiners for LSQA. This serves to not only drive improvement within the organization but also brings new and innovative ideas from other industries.

Employee development and professional growth are key components of Landmark's Mission and Values. Individual and organizational learning are accomplished in a number of ways. By scheduling employees to work once a month in other areas, Landmark not only fosters their appreciation of the work in these areas but also enhances communication among work areas. As part of Landmark's commitment to employee development, all employees who are interested in a career in the restaurant/hospitality industry are encouraged and provided with assistance to continue their education in that field.


Each senior leader personally participates in succession planning and the development of future organizational leaders. This is accomplished by knowing and working with employees to identify talent, establishing IRDPs for formal development of leadership skills, coaching and mentoring high-potential future leaders, and discussing future leadership issues during monthly executive reviews.



## 1.1b Communication and Organizational Performance

### 1.1b(1) Senior Leaders communicate

#### *Criteria Question*



*How do senior leaders communicate with, empower, and motivate all employees throughout the organization? How do senior leaders encourage frank, two-way communication throughout the organization? How do senior leaders take an active role in employee reward and recognition to reinforce high performance and a customer and business focus?*

As described in 1.1a(2), senior leaders use the Communication Process (Figure 5.1-1), policies and procedures, and role modeling to ensure consistent and ongoing two-way communication. The organization has developed the Communication Process to provide a systematic approach to discussion of key information throughout the organization. This helps ensure the various communications within the organization are clearly understood by all employees. Also, during the time senior leaders work in the restaurants and catering service, they reinforce key messages and receive direct feedback from employees.

As shown in Figure 4.1-2, a number of regularly scheduled meetings provide a vehicle to communicate and further reinforce organizational Values, directions, and performance expectations as well as to provide recognition. A culture of open communications has developed a strong sense of trust, and meetings and cross-training opportunities are designed to encourage frank, two-way communication at all levels of the organization. The daily line-up meetings in particular are designed to be open and frank discussions about events and root causes of issues. When senior leaders are not working in the restaurants, the organization's open door policy provides an additional means for employees to voice opinions or concerns.

Employee empowerment and motivation are accomplished through open and honest communication and by rewarding and recognizing employee contributions to the organization. Work systems (5.1a) are designed to enable decision making at the lowest possible level in the organization. Behavior and performance expectations have been clearly established (3.1a[2] and 5.1b), and, through coaching and role modeling, senior leaders are able to take an active role in employee reward and recognition. The all-employee meetings are the primary forum for recognition; however, informal on-the-spot recognition also reinforces high performance and a customer and business focus.

To promote empowerment, Landmark utilizes a team leader approach to process management. Team leaders are selected with input from team members to manage processes and functions. Under the guidance of the team leader, teams develop their own daily and weekly work schedules. This helps ensure the schedule meets the needs of both the company and the employee. Teams adjust work schedules to accommodate workload changes, thus controlling costs while maintaining a high service level.

Additionally, to help ensure all customers have a pleasant dining experience, all employees understand that they "own" the responsibility for their customers' satisfaction. As part of the Customer First training, employees are trained to identify potential customer dissatisfiers through the Voices system described in Item 3.1 and to take action *before* the customer complains. Whenever a problem or complaint does arise, the employee who identifies it is responsible for logging it into the Service Recovery Process (Figure 3.2-2) system of Foodtrak to enable identification of systemic issues.

### 1.1b(2) Senior Leaders create a focus on action

#### *Criteria Question*

*How do senior leaders create a focus on action to accomplish the organization's objectives, improve performance, and attain your vision? How do senior leaders include a focus on creating and balancing value for customers and other stakeholders in their organizational performance expectations?*




Figure 4.1-2 shows the series of reviews regularly used to evaluate organizational performance. At these reviews, performance is evaluated against the Scorecard of key measures described in 4.1a(1). The Scorecard is linked to and derived from the strategic plan and Strategy Matrix (Figures 2.1-3 and 2.1-4). This creates a focus on action to accomplish the organization's objectives, improve performance, and attain its Vision. The Scorecard includes operating data, as well as action plan progress, and senior leaders review the information on a daily basis. The Scorecard is reviewed at weekly staff meetings and monthly executive reviews, and as external and internal positions change, the Matrix and Scorecard are changed to meet these directions. At the monthly reviews, action plans are developed for any areas that are not meeting performance expectations.

The DINERS Improvement Process provides another method for senior leaders to focus the organization on performance improvement. DINERS Teams review each key organizational process annually to identify opportunities to improve processes and the measurement system. DINERS Teams are sponsored and reviewed by senior leaders.

Because reviews focus on Scorecard performance, which is linked to and derived from the Strategy Matrix, senior leaders have created a balance of Value for customers and other stakeholders in the organizational performance expectations. Short- and longer-term action plans, related measures, and expected results are analyzed and correlated to ensure the alignment of priorities and resources. The Scorecard and Strategy Matrix also are used to link and align all employee IRDPs; therefore, all employees are aware of their roles in addressing organizational priorities. Key suppliers and partners participate in the annual strategic planning session and attend monthly executive reviews, thus reinforcing their alignment with and support of these priorities.

## 1.2 Governance and Social Responsibilities

### 1.2a Organizational Governance

#### 1.2a(1) Key factors in governance system

##### *Criteria Question*

*How does your organization address the following key factors in your governance system:*

- *accountability for management's actions*
- *fiscal accountability*
- *transparency in operations and selection and disclosure policies for governance board members, as appropriate*
- *independence in internal and external audits*
- *protection of stakeholder and stockholder interests, as appropriate*



Landmark is a closely held S corporation, with stock ownership held by the Dudley and Fendly family members. In order to obtain guidance and feedback regarding the organization's leadership and governance, Landmark established an external Advisory Board, which is made up of some of the most prominent business leaders in the community. Members of the Advisory Board serve for three-year overlapping terms, with a third of the board rotating off each year. This allows continuity to be maintained and encourages new, potentially innovative ideas. The board members are selected by using two criteria. First, they must be comfortable with and supportive of the organization's Value system. Prospective members are interviewed by the entire Senior Leadership Team, and the discussion of Landmark's Values is a major portion of that interview.

Second, members are chosen who possess skill sets that complement the existing Senior Leadership Team. For example, a recent addition to the board is the head of one of Houston's most prestigious law firms that specializes in corporate compliance and the Sarbanes-Oxley Act of 2002. This board actively participates in leadership meetings and strategic planning activities, and it provides objective feedback to the Senior Leadership Team regarding both style and actions. Upon selection, Advisory Board members are required to sign nondisclosure and noncompete agreements with the organization. This process ensures that Landmark's senior leaders are not putting the organization at risk by discussing proprietary information with the Advisory Board.

Transparency in operations is ensured through sharing the Strategic Planning Process, Strategy Matrix (Figures 2.2-3 and 2.2-4), and key performance indicators with Advisory Board members and employees. Financial audits also are shared with the board.

Despite the fact that the organization is family-owned, in order to promote long-term and ethical thinking, Landmark uses external independent auditors to conduct annual financial audits of the organization. Management accountability for organization actions is aligned to the fiscal health of the organization

and therefore addressed by the fiscal audit. Although not required, it was suggested by our recent addition to the Advisory Board that the organization implement the compliance elements of the Sarbanes-Oxley Act to further build into the company an accountability mind-set. Landmark is in the process of implementing that process.

Additionally, both as an organizational learning opportunity and a vehicle to promote fiscal and management accountability and transparency in operations, restaurant FoH managers perform reviews at each other's restaurants on a monthly basis. This includes a checklist-based walkthrough to validate safety, Occupational Safety and Health Administration (OSHA) compliance, cleanliness, and overall appearance. The managers then meet to review the profit and loss statements. This process promotes the sharing of ideas and best practices between the facilities. Monthly financial numbers are rolled up from the departments, reviewed by the CFO, and then discussed at the executive review meetings.

#### 1.2a(2) Senior leader performance evaluation

##### *Criteria Question*

*How do you evaluate the performance of your senior leaders, including the chief executive? How do you evaluate the performance of members of the governance board, as appropriate? How do senior leaders and the governance board use these performance reviews to improve both their personal leadership effectiveness and that of your board and leadership system, as appropriate?*



Employee Development is a Landmark Value that senior leaders strongly believe applies to them as well. They work to continually improve their performance, both as a group and as individuals. In addition to tracking progress on the organization's strategic objectives, senior leaders track the completion of employees' IRDPs as a measure of their effectiveness in developing employees. All managers and executives of Landmark receive 360-degree reviews (feedback from subordinates, peers, and superiors). This includes the President/CEO, who receives input from subordinates, the Board of Directors, and the Advisory Board. The Advisory Board is well suited to provide this feedback since they participate in the monthly executive review, and several members are leaders of their own businesses. Results of feedback to all senior leaders are discussed openly at a special meeting prior to the strategic planning session in order to identify common themes. For example, in response to results from last year's employee survey, a consultant was hired to improve the skills of the Senior Leadership Team as a whole in the area of giving constructive feedback.

Since 1999, Landmark has contracted with a professor from the business department of a local university to attend board meetings on a quarterly basis. She provides guidance and feedback to both Landmark's senior leaders and the Advisory Board on their performance.

| Key Support Areas                                   | Value  | Figure    |
|---|--|-----------|
| Support the less fortunate                          | Community Enrichment                           | 7.6-6 & 7 |
| Support those with disabilities                     | Community Enrichment,<br>Employee Development  | 7.6-8     |
| Support employee growth in the hospitality industry | Employee Development                           | 7.6-9     |
| Extend and promote healthy living                   | Promotion of a Healthy<br>Lifestyle            | 7.6-7     |
| Maintain and support the history of our communities | Community Enrichment,<br>Historic Preservation | 7.6-3     |

**Figure 1.2-1 Key Community Support Areas**

**1.2b Legal and Ethical Behavior**

**1.2b(1) Adverse Impacts on Society**

*Criteria Question*

*How do you address any adverse impacts on society of your products, services, and operations? How do you anticipate public concerns with current and future products, services, and operations? How do you prepare for these concerns in a proactive manner, including using resource-sustaining processes, as appropriate? What are your key compliance processes, measures, and goals for achieving and surpassing regulatory and legal requirements, as appropriate? What are your key processes, measures, and goals for addressing risks associated with your products, services, and operations?*



As noted in *Figure P.1-3*, Landmark is subject to several regulatory and legal requirements. Landmark receives its licenses from the Houston and Galveston Health and Human Services (HHS) departments. The goal in this area, which has been achieved for the past seven years, is to receive no permit violations—serious, substantial, or general. Promotion of a Healthy Lifestyle, another Landmark Value, is taken very seriously. Landmark worked with the Texas Department of Health on the development of the Indoor Air Quality Initiative. Although Houston is one of the last major cities not to have a smoking ordinance, the CFO is working closely with our local councilwoman to help develop and enact one. In order to provide a safe air environment for our customers and employees and prepare for the change in legislation, Landmark restaurants became nonsmoking facilities in 2003, with no adverse impact on the business.

To prevent the spread of infectious diseases, all new food service employees receive training on safe food handling techniques prior to starting work. This training is repeated annually during the month of September, which is National Food Safety Education Month. Managers at both facilities are certified food safety trainers. As noted in *Figure P.1-3*, Landmark’s goals for its key compliance measures are no incidents or violations. Additionally, all managers, including shift managers, have completed the Food Service Managers Certification program offered by HHS, and the Executive Chefs at both restaurants have successfully completed the requirements for Certified

Executive Chef from a national culinary association. A large part of these certifications addresses sanitation and regulatory requirements.

Landmark seeks to anticipate and prepare for public concerns at multiple levels. At the local level, senior leaders are members of the Metropolitan Houston Restaurant Association, the Galveston Coastal Restaurant Association, and the NRA. The CEO is a member of the local Chamber of Commerce, and the restaurant managers serve on the HHS advisory boards for the cities of Houston and Galveston. From these sources, Landmark obtains information on trends and future directions of the industry, as well as actual and anticipated public response to current and planned operations. This information, as well as potential concerns, are key inputs to the strategic plan and help the organization proactively address the issues. Other sources of information include the Advisory Board, customer surveys, and community surveys.

For example, as noted in P.2b, intensified government impact through regulatory mandates is one of the company’s strategic challenges. At the 1999 strategic planning session, Landmark identified the potential impact of Hazard Analysis and Critical Control Point (HACCP), an approach developed by the U.S. Food and Drug Administration to ensure the safety of food from its raw state through processing and consumption. At that planning session, it was decided to implement key elements of the approach in anticipation of future regulations and as a vehicle to further ensure the safety of customers.

Key processes, measures, and goals for addressing regulatory issues and risks associated with products, services, and operations are shown in *Figure P.1-3*. Processes for addressing specific risks are incorporated into key value creation and support processes to ensure compliance and a proactive stance.

**1.2b(2) Promote and ensure ethical behavior**

*Criteria Question*

*How does your organization promote and ensure ethical behavior in all your interactions? What are your key processes and measures or indicators for enabling and monitoring ethical behavior in your governance structure, throughout your organization, and in interactions with customers and partners? How do you monitor and respond to breaches of ethical behavior?*



As noted in 1.1a(2), ethical behavior is a Value and a condition of employment. Many concerns have surfaced in the public about identity theft and credit card misuse by restaurant employees. All employees know that if there is a question regarding ethical behavior, they are encouraged to raise it immediately. On a more structured basis, all employees receive annual ethics training, which includes role playing of sensitive issues. It is communicated clearly during training that not only is ethical behavior important, but so is the perception of ethical behavior.

Ethical behavior is measured through annual surveys of customers, employees, and partners/suppliers. Specific questions regarding ethical behavior are asked on each of these surveys. Informal surveys and walk-around questions provide informal information, and the Advisory Board provides real-time feedback to senior leadership regarding their ethical behavior. On a more formal basis, that feedback is a part of the annual 360-Degree Feedback Process. Additional measures of ethical behavior include the number of code of conduct violations, employment termination due to ethical issues, and the amount of shrinkage of inventory due to theft.

As with regulatory compliance issues, key processes for addressing specific ethical behavior are incorporated into key value creation and support processes as much as possible to ensure compliance and accuracy in reporting. Training provides a significant impact on ethical awareness, and the openness of key processes discourages unethical behavior.

Senior leaders and/or the Advisory Board address potential breaches of ethical behavior. Following all legal requirements, investigations are conducted, appropriate action is taken, and unethical behavior is not tolerated.

### 1.2c Support of Key Communities

#### *Criteria Question*



*How does your organization actively support and strengthen your key communities? How do you identify key communities and determine areas of emphasis for organizational involvement and support? What are your key communities? How do your senior leaders and your employees contribute to improving these communities?*

Recognizing that Landmark is a small business, two key communities have been selected to support: Galveston and Houston. Landmark also has selected five areas on which to focus (*Figure 1.2-1*) based on the capabilities of the organization, its Values, and the needs of the communities. These areas originally were developed as a part of strategic planning and are reviewed annually to ensure they remain appropriate.

Toward those ends, Landmark senior leaders and employees participate in

- the annual Houston Restaurant Week activities
- the annual Galveston Food Sharing Festival
- Thanksgiving and Christmas meals for the homeless
- the Houston Food Fund

- employment of developmentally disabled persons
- *Chef's Day* at a local community college
- providing nutritional information and heart-healthy information on menus
- Houston and Galveston historic preservation societies

In addition to volunteering side-by-side with employees, senior leaders also serve on the boards of several community agencies, including the Houston and Galveston Food Funds, historic preservation associations, and area Chambers of Commerce.

### 2.1 Strategy Development

#### 2.1a Strategy Development Process

##### 2.1a(1) Strategic Planning

#### Criteria Question

*How does your organization conduct its strategic planning? What are the key process steps? Who are the key participants? How does your process identify potential blind spots? What are your short- and longer-term planning time horizons? How are these time horizons set? How does your strategic planning process address these time horizons?*



Key participants involved in the Strategic Planning Process include the Board of Directors and the Senior Leadership Team (Figure 2.1-1). Key suppliers attend part of the first day's session to advise Landmark of major trends in their respective areas. Guests and/or speakers are invited to present specific information as needed.

The annual Strategic Planning Process was introduced by Sam Dudley in 1990. During earlier strategic planning sessions, a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis was conducted, and answers were generated for the following four questions:

- Where are we now?
- Where do we want to be?
- How do we get there?
- What do we do?

The Strategic Planning Process has evolved over the years to include the key steps shown in *Figure 2.1-1*, but it maintains a focus on the four general questions.

The Strategic Planning Process is evaluated and refined as part of the annual strategic planning retreat. For example, the Strategy Matrix (*Figures 2.2-3 and 2.2-4*) was introduced in 2001 to align the company's Vision, Mission, and Values with its strategic objectives and short- and longer-term action plans and goals. After Debby Dudley became an LSQA Examiner, key success factors and stakeholders were added. The Matrix now is structured so that anyone viewing it can easily align specific goals and action plans to the company's Vision, Mission, and Values. The latest improvement to the Strategy Matrix has been the inclusion of the Approach-Deployment-Learning-Integration (ADLI) concept and how it relates to the strategic plan.

Prior to the annual three-day strategic planning retreat, members of the Leadership Team gather and analyze the information for which they are responsible (see 2.1a[2] and *Figure 2.1-2*). This information comes from throughout the organization to ensure senior leaders have sufficient knowledge to make decisions. The data are analyzed as described in 4.1b(1) to provide an understanding of trends, correlations, and root causes as part of a SWOTT (Strengths, Weaknesses, Opportunities, Threats, Trends) analysis. In addition, each member of the

Leadership Team is a Baldrige Category Champion and uses the Baldrige Criteria for Performance Excellence as an assessment tool and to identify opportunities for improvement.

The first day of the retreat is devoted to determining the present status of the organization in relation to its external and internal environments by reviewing results of analyses by each of the data owners. As part of the review, each member of the Leadership Team answers the following questions:

- How did Landmark do last year compared to its goals and benchmarks?
- If targets were achieved, should they be set higher?
- If targets were not achieved, why not?
- What can Landmark do to improve?

A SWOTT analysis is performed to identify relevant business opportunities. In prior years, several opportunities related to the company's previous strategic objective of continued expansion were identified and have resulted in new services for the company. These include Harrisburg Station Catering and take-out meals, as well as the Dinner Delivery Service that provides HMRs, which was initiated in fourth quarter 2004.

On the second and third days of the retreat, the organization's Vision, Mission, and Values, as well as its strategic direction for the next five years, are reviewed and revised if necessary.

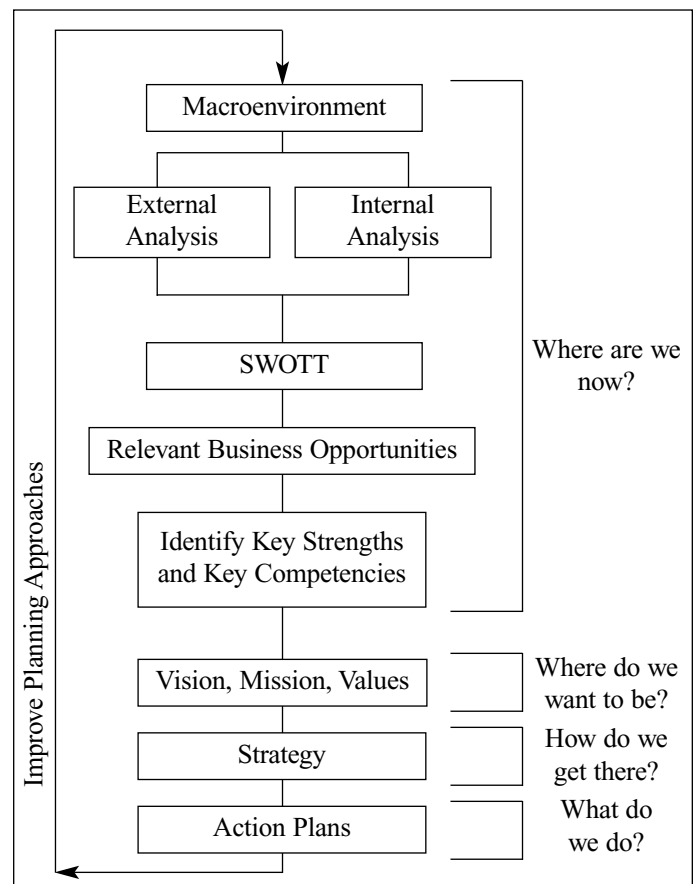


Figure 2.1-1 Strategic Planning Process

| Key Factor                                    | Who                       | Data Source   |
|---|---------------------------|---|
| Strengths, Weaknesses, Opportunities, Threats | BE Director, Debby Dudley | Baldrige self-assessment, Foodtrak reports, industry comparative information, informal consortium, general news and publications, monthly board meetings, information on Baldrige Award Recipients  |
| Customer and Market Needs                     | Sam Dudley                | Foodtrak reports, industry publications, customer satisfaction surveys, industry assoc. memberships, industry Web sites, employee dining reports, informal restaurant consortium, Secret Diners Association, Chambers of Commerce, Advisory Board |
| Competitive Environment                       | CEO, Board of Advisors    | Same as above, Metropolitan Houston Business Group  |
| Technology                                    | Sam Dudley                | Industry MIS Executive Study Group, public literature, vendor literature, business magazines, informal consortium   |
| HR Needs                                      | BE Director, Debby Dudley | Employee satisfaction report, industry comparative information, People Report 2004, Foodtrak reports  |
| Financial, Other Risks                        | CFO                       | Accounting system, David & Bradley reports, informal restaurant consortium, NRA comparative information   |
| Societal/Regulatory/Ethical Risks             | CEO                       | Metropolitan Houston & Galveston Coastal Restaurant Associations, industry reports, Chambers of Commerce, Department of Health inspection and audit reports, Health and Human Services Advisory Boards, industry Web sites                        |
| Sustainability and Business Continuity        | Debby Dudley              | Information on Baldrige Award recipients, industry and business reports, technology vendor publications, business continuity workshops  |
| Changes in Economy                            | CEO                       | Metropolitan Houston Business Group, business publications, Federal Reserve Beige Book  |
| Unique Factors                                | All                       | Partnerships for Dinner Delivery Service—Chambers of Commerce, phone directory Communication mechanisms—all previously listed sources (e.g., in P.1b[4] and 3.1a[3])  |

**Figure 2.1-2 Annual Strategic Planning Responsibilities**

Next year's action plans, key measures, and goals are set. By the end of day three, the Strategy Matrix (Figures 2.2-3 and 2.2-4) is completed.

The Strategic Planning Process is designed to help identify blind spots by including various participants in the process—suppliers, partners, Advisory Board members, and community members, when appropriate. This ensures senior leaders gain the perspective of different viewpoints and also gather information from areas of greatest significance to Landmark's success. Another method that is used to identify blind spots is the inclusion of input from multiple sources in various areas. This provides significant information from areas that are not normally reviewed by senior leaders.

Landmark's short-term planning horizon is one year, and its longer-term horizon is five years. While the industry standard for longer-term planning is three years, Landmark's work with historic preservation requires a minimum five-year planning window. These time horizons are included in the Strategy Matrix.

Landmark incorporates knowledge of its past performance and key factors into the assessment of its ability to execute the strategic plan. In addition, as presented in Figure 2.2-4, interim milestones have been established between the short- and longer-term goals to ensure the organization is on track to accomplish longer-term goals.

### 2.1a(2) Key factors addressed in planning

#### Criteria Question

*How do you ensure that strategic planning addresses the key factors listed below? How do you collect and analyze relevant data and information pertaining to these factors as part of your strategic planning process:*

- *your organization's strengths, weaknesses, opportunities, and threats*
- *early indications of major shifts in technology, markets, competition, or the regulatory environment*
- *long-term organizational sustainability and business continuity in emergencies*
- *your ability to execute the strategic plan*



Each member of the Leadership Team is responsible for one or more key factors, as shown in Figure 2.1-2. Each member of the Board of Directors and the Leadership Team is responsible for collecting and analyzing data throughout the year and presenting them at the annual strategic planning session and at monthly meetings. For example, in 1999, Sam Dudley read about a restaurant that was able to achieve an occupancy rate of more than 90 percent by analyzing the size of dining parties and reconfiguring its table setup to correspond. Analysis of data collected from Foodtrak showed that party sizes differed

for lunch and dinner at both restaurants: parties of four, six, and eight for both lunch and dinner were more prevalent at Harrisburg Station, while parties of four for lunch and parties of either two or four for dinner were more prevalent at Texas Lightkeeper. Originally, tables at each restaurant seated five people. In 2000, funds were allocated to purchase new tables that could be configured for parties of two, four, or six at both restaurants. As a result of the data collection and analysis, Landmark now enjoys an occupancy rate four percentage points above the national average.

To address the organization’s ability to execute the strategic plan, leaders assign ownership and allocate required resources for every approved action plan. Each action plan and strategy is assigned to one of the senior leaders as a champion to provide resources and review the progress of key factors in the strategic plan execution.

If there are changes in any of these key factors during the year and analysis indicates a negative trend, the person responsible for that factor will make a presentation to the Leadership Team and Board of Directors at scheduled executive review meetings. Any potential midyear changes in response to business climate, market conditions, customers’ requirements, or emergencies are analyzed in the same manner as in the annual Strategic Planning Process. This process ensures continuity in Landmark’s approach to sustaining the organization for the long term.

**2.1b Strategic Objectives**

**2.1b(1) Key Strategic Objectives**

*Criteria Question*



*What are your key strategic objectives and your timetable for accomplishing them? What are your most important goals for these strategic objectives?*

Key strategic objectives and the timetable for accomplishing them are presented in the Strategy Matrix (Figures 2.2-3 and 2.2-4). Goals have been established and are presented in Figure 2.2-4. The most important 2005 goals are (1) maintaining a 15% growth rate per year in new service results through the establishment of a local community college on-campus restaurant and an increase in catering, take-out, and Dinner Delivery Service income; (2) an increase in the customer satisfaction rate to 96.5% through a variety of actions, including the use of technology to provide better customer service; and (3) an increase in the occupancy rate to 85% through better use of facilities.

| Who                      | Results Category                  |
|--------------------------|-----------------------------------|
| Sam Dudley               | Customer-Focused                  |
| Executive Chefs/Managers | Product and Service Outcomes      |
| CFO                      | Financial and Market              |
| BE Director              | Human Resource                    |
| Sam Dudley               | Organizational Effectiveness      |
| CEO, D. Dudley           | Leadership, Social Responsibility |

**Figure 2.2-1 Results Ownership**

**2.1b(2) Strategic Objectives Address Challenges**

*Criteria Question*

*How do your strategic objectives address the challenges identified in response to p.2 in your Organizational Profile? How do you ensure that your strategic objectives balance short- and longer-term challenges and opportunities? How do you ensure that your strategic objectives balance the needs of all key stakeholders?*



The Strategy Matrix (Figures 2.2-3 and 2.2-4) illustrates how Landmark’s strategic objectives and short- and longer-term action plans are related to its Vision, Mission, Values, key success factors, stakeholders, and strategic challenges. Associated with each key success factor is one or more of Landmark’s Values, stakeholders, strategic challenges, strategic objectives, longer-term action plans, short-term (2005) action plans, key measures, and goals. This ensures alignment to the organization’s key challenges and balances short- and longer-term opportunities and stakeholder needs.

Landmark uses a Scorecard that is derived from the key measures in the Strategy Matrix. This Scorecard, which is updated in real time by Foodtrak, is reviewed at monthly executive review meetings, where the external environment and internal performance are discussed and the Strategy Matrix is updated as needed.

**2.2 Strategy Deployment**

**2.2a Action Plan Development and Deployment**

**2.2a(1) Develop and deploy action plans**

*Criteria Question*

*How do you develop and deploy action plans to achieve your key strategic objectives? How do you allocate resources to ensure accomplishment of your action plans? How do you ensure that the key changes resulting from your action plans can be sustained?*



The Leadership Team ensures that each key success factor is aligned with key stakeholders, related strategic challenges, and one or more organizational Values during the strategic planning annual retreat. One or more strategic objectives, with related performance measures, are provided for each key success factor. Action plans are then developed by identifying the specific actions/tasks that are required for the accomplishment of a specific strategy. These specific actions identify who, what, when, and how a specific action/task will be accomplished. Action plans are reviewed and approved during the Strategic Planning Process.

Action plans are deployed throughout the organization and to suppliers and partners through the Communication Process (Figure 5.1-1). In addition, Landmark uses a cascaded deployment approach for specific short-term action plans. In this approach, departments create action plans to support

organizational direction and then employees create individual action plans to support their departments. These individual action plans are incorporated into employees' IRDPs to ensure a consistent focus on the organization's overall strategies.

While the Leadership Team develops longer-term action plans, various members of the team are responsible for the development and deployment of short-term plans, as well as deployment to all employees throughout the organization. Short-term plans are aligned with given results. *Figure 2.2-1* shows the individual who owns or is responsible for each Item in the Results Category.

In many instances, action plans are developed and deployed by aligning the actions of several people. Sam Dudley previously had correlated Customer Satisfaction Results (*Figure 7.2-1*) with employees' knowledge and use of the Foodtrak system. He used the Communication Process (*Figure 5.1-1*) and worked closely with the Business Excellence (BE) Director to ensure all employees were able to use the Foodtrak system and to understand how better use of the system relates to customer satisfaction. Knowledge of the Foodtrak system is now included in all employee IRDPs.

Key changes that result from action plans are reviewed as described in 1.1b(2). In addition, Landmark uses the DINERS Improvement Process (6.1a[6]) to systematize processes and ensure that key changes are sustained. The results owner is responsible for entering the information into the Foodtrak knowledge base and uses the Communication Process to inform employees of changes. The BE Director makes appropriate modifications to training as needed.

An example of how Landmark has been able to sustain action plan results relates to its strategy for wage reserves. In 1999, the CFO read an article about a world-class company that had next year's salaries and wages in reserve. He presented this idea to the Leadership Team, which felt this strategy would align with the company's Values of Family Culture with Teamwork and Community Enrichment. However, since Landmark is a relatively small company, the Board of Directors decided that a reserve of three months' salaries and wages was more realistic to ensure meeting payroll obligations during an economic decline. As a result, a portion of net profits was added to this reserve fund over time. The value of this action was revealed after the disaster of September 11, 2001, and the corresponding economic slowdown. Landmark was able to keep employees at full wages until customer confidence was regained. The funding of this reserve account is at the forefront of the company's financial allocations.

### 2.2a(2) Establish and deploy modified action plans

#### Criteria Question



*How do you establish and deploy modified action plans if circumstances require a shift in plans and rapid execution of new plans?*

Modified action plans that are developed in response to changes in business climate, market conditions, customers'

| Action Plans                                     | HR Plans   |
|--|--|
| Use technology to increase customer satisfaction | <ul style="list-style-type: none"> <li>• Team leaders—receive training in performance measurement</li> <li>• All—receive Foodtrak training</li> <li>• Vendors—provide training on technology changes to managers and team leaders</li> </ul> |
| Develop HMR, catering, take-out                  | <ul style="list-style-type: none"> <li>• Catering, HMR, take-out process development and improvement</li> </ul>  |
| Develop innovative uses of facilities            | <ul style="list-style-type: none"> <li>• Parking valet training</li> </ul>   |
| Provide ethics mentoring                         | <ul style="list-style-type: none"> <li>• Training on mentoring</li> <li>• Ethics training</li> </ul>   |
| Improve customer service                         | <ul style="list-style-type: none"> <li>• Training/review of Service Recovery Process</li> </ul>  |
| Hire physically/ mentally challenged persons     | <ul style="list-style-type: none"> <li>• All—receive diversity training (working alongside the disabled)</li> </ul>  |
| Open gift shops                                  | <ul style="list-style-type: none"> <li>• Hire and train employees in retail/customer service</li> </ul>  |
| Provide leadership training                      | <ul style="list-style-type: none"> <li>• Selected employees will learn about and participate in Strategic Planning Process</li> <li>• Management Team—receive Baldrige training</li> </ul>   |

**Figure 2.2-2 Action Plans and Related HR Plans**

requirements, or emergencies are developed as described in 2.1a(2) and 2.2a(1). If circumstances dictate a need to modify, discontinue, or create new action plans, they are revised in the Strategy Matrix, and, as needed, appropriate measures are added to the Scorecard to track performance to the plan. Employees are notified of changes through line-up meetings or all-employee meetings, and supervisors assist employees in modifying IRDPs, if appropriate.

### 2.2a(3) Key short- and longer-term action plans

#### Criteria Question

*What are your key short- and longer-term action plans? What are the key changes, if any, in your products and services and your customers and markets, and how will you operate?*



Key short- and longer-term action plans are included in the Strategy Matrix (*Figure 2.2-3*).

Key changes in products, services, customers and markets for 2005 include

- the use of community college students to conduct pre-audits to help us prepare for state and federal audits
- the opening of an on-campus restaurant as part of our training program at the community college
- development of the Dinner Delivery Service HMR program
- expansion of catering, take-out, and semiprivate banquet room services
- better use of parking facilities at both locations
- creation of an open kitchen design at the Texas Lightkeeper
- the opening of gift shops at both restaurants



## 2.2a(4) Key human resource plans

### Criteria Question



*What are your key human resource plans that derive from your short- and longer-term strategic objectives and action plans?*

Strategic Objective #4, to be the employer of choice, relates specifically to Landmark's human resources, although a human resource component is incorporated into all strategic objectives. *Figure 2.2-2* illustrates most of our short-term action plans and related human resource plans. The relationship of short-term action plans to longer-term action plans and strategic objectives is illustrated in the Strategy Matrix (*Figure 2.2-3*).

## 2.2a(5) Key performance measures

### Criteria Question



*What are your key performance measures or indicators for tracking progress on your action plans? How do you ensure that your overall action plan measurement system reinforces organizational alignment? How do you ensure that the measurement system covers all key deployment areas and stakeholders?*

Landmark uses the Strategy Matrix (*Figures 2.2-3 and 2.2-4*) to align key performance measures with short- and longer-term action plans, strategic objectives, strategic challenges, stakeholders, key success factors, and its Vision, Mission and Values. Progress on action plans is evaluated at weekly and monthly executive review meetings through the review of related measures and activities under way. During these meetings, the Leadership Team measures progress, as well as budget variances where applicable, against the annual goals listed in the Strategy Matrix. If it appears there is little to no progress on an action plan, a root cause analysis is conducted, and goals and budgets are adjusted as needed.

The use of key stakeholders as alignment points ensures all stakeholder needs are addressed in action plans. The deployment of the Strategy Matrix to all divisions and restaurants in the organization ensures key deployment areas are included.

## 2.2b Performance Projection

### Criteria Question



*For the key performance measures or indicators identified in 2.2a(5), what are your performance projections for both your short- and longer-term planning time horizons? How does your projected performance compare with the projected performance of your competitors or comparable organizations? How does it compare with key benchmarks, goals, and past performance, as appropriate? If there are current or projected gaps in performance against your competitors, how will you address them?*

Landmark's key performance projections for both short- and longer-term planning time horizons, key competitors' performance projections for 2010, and goals for performance are shown in the Strategy Matrix (*Figure 2.2-4*). Past performance results are shown throughout Category 7.

Landmark is one of the few restaurants in the Houston and Galveston areas participating in performance excellence improvement; therefore, Landmark is projected to outperform its competitors significantly over the next three to five years. Where projected gaps exist between Landmark and competitors, DINERS Teams already are working on innovations and directions to close the gaps.

|   |   |  |  |  |  |  |
|---|---|--|--|--|--|--|
| <i>Vision: To be recognized as one of the top ten dining experiences in our cities each year because of the outstanding food and unique experience provided</i>   |   |  |  |  |  |  |
| <i>Mission: Landmark Dining is the ultimate restaurant experience for our guests. Through our focus on great-tasting food, historic atmosphere, superior service, and professional growth for our employees, we are the “restaurant of choice” for individuals, families, and businesses. We are part of our communities’ histories through service and preservation of our landmark buildings.</i> |   |  |  |  |  |  |
| <b>KSFs, Competitive Success Factors (P2a)</b>  | Fresh menu design<br>Healthy menu items                                   | Name recognition<br>Value for the dollar     | Effective use of facilities  | Superior service   | Operational excellence   | Community involvement  |
| <b>Values</b>   | Exceptional Food, Innovation and Energy, Promotion of a Healthy Lifestyle | Exceptional Food, Innovation and Energy, Joy | Innovation and Energy, Historic Preservation   | Excellence in Service and Customer Focus; Employee Development; Ethics, Honesty, and Integrity; Family Culture with Teamwork; Joy  | Excellence in Service and Customer Focus   | Community Enrichment, Historic Preservation, Promotion of a Healthy Lifestyle  |
| <b>Stakeholders</b>   | O, E, C, S, P, M  | O, E, C, S                                   | O, E, S, P   | O, E, C  | O, E, C  | O, E, M  |
| <b>Strategic Challenges</b>   | All   | All  | All  | 1, 2, 3  | 2, 3, 4, 8   | 1, 2, 3  |
| <b>Strategic Objectives</b>   | 2. Increase product/service performance                                   | 1. Retain “restaurant of choice” status      | 3. Sustain financial performance   | 4. Be the employer of choice   | 5. Enhance operational effectiveness through value creation and support processes  | 6. Continue community involvement programs   |
| <b>Longer-Term Action Plans</b>   | Continue to monitor   | Monitor customer satisfaction/retention      | Develop innovative uses of facilities  | Enhance employee loyalty, family culture, and teamwork   | Refine processes to continue value creation for customer   | <ul style="list-style-type: none"> <li>- Support homeless</li> <li>- Support physically/mentally challenged</li> <li>- Career promotion</li> <li>- Healthy lifestyles</li> </ul>   |
| <b>Short-Term (2005) Action Plans</b>   | Expand HMR, catering, and take-out services                               | Use technology to improve customer service   | <ul style="list-style-type: none"> <li>- Improve use of parking facilities</li> <li>- Develop open kitchen at Lightkeeper</li> </ul> | <ul style="list-style-type: none"> <li>- Increase employee satisfaction</li> <li>- Provide ethics mentoring</li> <li>- Conduct gift shop staff hiring/ training</li> <li>- Hold birthday celebrations</li> </ul> | <ul style="list-style-type: none"> <li>- Refine processes</li> <li>- Improve customer service/contact training</li> <li>- Conduct pre-audit by community college students</li> </ul> | <ul style="list-style-type: none"> <li>- Donate holiday dinners</li> <li>- Hire physically/mentally challenged</li> <li>- Promote future restaurateurs—open on-campus restaurant</li> <li>- Conduct financial audit</li> </ul> |
| The Learning component of the Strategy Matrix has been expanded in Figure 2.2-4 for space purposes  |   |  |  |  |  |  |
| <b>Business Results</b>   | Product and Service Outcomes  | Customer-Focused                             | Financial and Market   | Human Resource   | Organizational Effectiveness   | Leadership and Social Responsibility   |

**Stakeholder Key: O = Owners, E = Employees, C = Customers, S = Suppliers, P = Partners, M = Community**

**Related Strategic Challenges:** 1=Continued expansion, 2=Heightened competition, 3=Availability of skilled and motivated employees, 4=Consumers with increased disposable income and a need for convenience and socialization, 5=Consumer palate more sophisticated, 6=Changing age demographics of consumers, 7=Heightened interest in health and nutrition, 8=Intensified government impact

**Figure 2.2-3 ADI Strategy Matrix**

| KSF   | Key Measures                     | Competitors' Projections—2010  | Goals    |          |          |          |          |          |          | Figure |
|---|----------------------------------|--------------------------------|----------|----------|----------|----------|----------|----------|----------|--------|
|   |                                  |                                | 2005     | 2006     | 2007     | 2008     | 2009     | 2010     |          |        |
| New Menu Design/Items                       | Wait time with reservations      | 6 minutes                      | 5        | 4        | 4        | 4        | 4        | 4        | 3        | 7.1-1  |
|   | Order accuracy                   | 94%                            | 96%      | 97%      | 98%      | 98%      | 98%      | 98%      | 98%      | 7.1-3  |
|   | Send backs                       | 2.25%                          | 1.9%     | 1.8%     | 1.8%     | 1.8%     | 1.7%     | 1.7%     | 1.7%     | 7.1-4  |
|   | Timeliness of delivery           | 93% on time                    | 95%      | 96%      | 97%      | 98%      | 98%      | 98%      | 98%      | 7.1-5  |
|   | Overall Customer Satisfaction    | 96%                            | 96.5%    | 96.5%    | 97%      | 97%      | 97%      | 97%      | 98%      | 7.2-1  |
| Name Recognition/ Value                     | Complaints and comp'ed meals     | 300/\$10K                      | 290/\$9K | 290/\$9K | 280/\$8K | 280/\$8K | 280/\$8K | 280/\$8K | 270/\$7K | 7.2-5  |
|   | Customer retention rate          | 85%                            | 87%      | 90%      | 90%      | 90%      | 90%      | 90%      | 90%      | 7.2-6  |
| Effective Use of Facilities                 | Gross profit per seat            | \$13,000                       | \$13,250 | \$13,300 | \$13,350 | \$13,400 | \$13,400 | \$13,450 | \$13,500 | 7.3-1  |
|   | Return on owners' equity         | 5%-6% small restaurant average | 9%       | 9%       | 9.5%     | 9.5%     | 9.5%     | 10%      | 10%      | 7.3-2  |
|   | Current ratio                    | 2                              | 2        | 2        | 2        | 2        | 2        | 2        | 2        | 7.3-3  |
|   | Occupancy rate                   | 90%                            | 85%      | 86%      | 87%      | 88%      | 88%      | 89%      | 90%      | 7.3-7  |
|   | New service growth               | 15%                            | 15%      | 15%      | 15%      | 15%      | 15%      | 15%      | 15%      | 7.3-8  |
| Superior Service                            | % positions filled from within   | 50%                            | 50%      | 55%      | 55%      | 55%      | 55%      | 60%      | 60%      | 7.4-1  |
|   | Hiring cycle time                | 2 wks.—hourly, 4 wks.—salaried | 2/4      | 2/4      | 1.5/4    | 1.5/4    | 1.5/4    | 1.5/4    | 1.5/4    | 7.4-2  |
|   | Employee total turnover rate     | 70%                            | 70%      | 70%      | 65%      | 65%      | 65%      | 60%      | 60%      | 7.4-3  |
|   | IRDPs on target                  | 90%                            | 90%      | 92%      | 93%      | 94%      | 94%      | 95%      | 95%      | 7.4-5  |
|   | % hourly employees cross-trained | 100% in 2 positions            | 100%     | 100%     | 100%     | 100%     | 100%     | 100%     | 100%     | 7.4-7  |
| Operational Excellence                      | Employee satisfaction            | 80%                            | 78%      | 78%      | 79%      | 79%      | 79%      | 80%      | 80%      | 7.4-9  |
|   | Revenue per employee             | \$40K                          | \$40K    | \$42.5K  | \$43K    | \$43.5K  | \$43.5K  | \$44K    | \$44.5K  | 7.5-1  |
|   | Prime cost                       | 65%                            | 64.5%    | 65%      | 65.5%    | 66%      | 66%      | 66%      | 66.5%    | 7.5-3  |
|   | New menu item performance        | 600                            | 600      | 600      | 625      | 625      | 625      | 630      | 640      | 7.5-5  |
|   | Pre-audit scores                 | 95%                            | 96%      | 97%      | 98%      | 98%      | 98%      | 99%      | 100%     | 7.5-8  |
| Community Involvement                       | Supplier performance             | 100%                           | 100%     | 100%     | 100%     | 100%     | 100%     | 100%     | 100%     | 7.5-11 |
|   | Improvement Process Savings      | 2%                             | 1.6%     | 1.7%     | 1.8%     | 1.9%     | 1.9%     | 2.0%     | 2.0%     | 7.5-14 |
|   | Financial audit findings         | 0                              | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 7.6-4  |
|   | # donated dinners served         | 300                            | 300      | 300      | 300      | 300      | 300      | 300      | 300      | 7.6-6  |
|   | Disabled employed                | 20                             | 25       | 27       | 29       | 31       | 31       | 33       | 35       | 7.6-8  |
| # employees enrolled in hospitality courses | 9                                | 10                             | 10       | 10       | 12       | 12       | 12       | 15       | 7.6-9    |        |

Figure 2.2-4 L Strategy Matrix

**3.1 Customer and Market Knowledge**

**3.1a Customer and Market Knowledge**

**3.1a(1) Identify customers and markets**

*Criteria Question*

*How do you identify customers, customer groups, and market segments? How do you determine which customers, customer groups, and market segments to pursue for current and future products and services? How do you include customers of competitors and other potential customers and markets in this determination?*

*Figure P.1-4. Customers, including customers of competitors, are identified for current and future products and services, based on market research of the respective segments that are best served by the characteristics of the product/service (see Item 2.1).*

**3.1a(2) Listen and learn**

*Criteria Question*

*How do you listen and learn to determine key customer requirements and changing expectations (including product and service features) and their relative importance to customers' purchasing decisions? How do your determination methods vary for different customers or customer groups? How do you use relevant information and feedback from current and former customers, including marketing and sales information, customer loyalty and retention data, win/loss analysis, and complaint data for purposes of product and service planning, marketing, process improvements, and other business development? How do you use this information and feedback to become more customer focused and to better satisfy customer needs?*

Customers and market segments are identified by the restaurant industry by strategic choices of what to serve (product), where to serve it (markets), and how much to charge (price). Landmark competes in the market segment for semicasual dining steak and seafood restaurants in south Texas with \$35–\$50 dinner pricing. Within this market, specific customer segments and groups are identified based on the restaurant's ability to meet their requirements. Landmark customers are segmented as shown in

| Voice                        | Before the Dining Experience (Frequency)  | During the Dining Experience (Frequency)  | After the Dining Experience (Frequency)  |
|------------------------------|---|---|--|
| <b>Voice of Experience</b>   | <ul style="list-style-type: none"> <li>• Ind. publications/Web sites (O)</li> <li>• Contact with ind. experts (O)</li> <li>• Industry conferences (O)</li> <li>• Acad. experts, consults. (O)</li> <li>• Secret Diners Association (A)</li> <li>• Competitors' sat. ratings (A)</li> </ul>  | <ul style="list-style-type: none"> <li>• Advisory Board visits (Q)</li> <li>• Restaurant owner visits (O)</li> <li>• Industry and market experts' visits to our facilities (O)</li> </ul>   | <ul style="list-style-type: none"> <li>• Advisory Board (Q)</li> <li>• Local collaboration events (O)</li> <li>• Ind. and market experts (O)</li> <li>• Industry publications (M)</li> </ul>   |
| <b>Voice of the Customer</b> | <ul style="list-style-type: none"> <li>• Academic/ind. research (O)</li> <li>• Potential cust. inquiries (D)</li> <li>• Referral inquiries (D)</li> <li>• Our Family analysis (D)</li> <li>• Web site hits, e-mails (D)</li> <li>• Referral sources (D)</li> <li>• Local market focus group (Q)</li> <li>• Local market surveys by independent organizations (A)</li> </ul> | <ul style="list-style-type: none"> <li>• In-check server survey (T)</li> <li>• "Dear Dudley" forms (T)</li> <li>• Foodtrak entries (T)</li> <li>• On-the-spot follow-up with customers (T)</li> <li>• Service recovery issues (S)</li> </ul>  | <ul style="list-style-type: none"> <li>• Web site survey (D)</li> <li>• Web site complaint e-mails (D)</li> <li>• Personal call on all complaints within 24 hrs. (D)</li> <li>• "Dear Dudley" forms (D)</li> <li>• Follow-up from owner (W)</li> <li>• 30-day follow-up survey (M)</li> <li>• Focus groups (Q)</li> <li>• Customer satisf. survey (A)</li> </ul> |
| <b>Voice of the Server</b>   | <ul style="list-style-type: none"> <li>• Staff input on</li> <li>• Food quality (S)</li> <li>• Menu design, content, etc. (M)</li> <li>• Training needs, delivery (Q)</li> <li>• Recognition/compensation (Q)</li> <li>• Recruiting/hiring process (Q)</li> <li>• Service improvement (Q)</li> <li>• Job and process design (A)</li> </ul>                                  | <ul style="list-style-type: none"> <li>• Customer behavior (T)</li> <li>• Customer comments (T)</li> <li>• Answers to questions (T)</li> <li>• Cook staff visits to tables (S)</li> <li>• Shift mgr. visits to tables (S)</li> <li>• Owner visits to tables (S)</li> <li>• Server complaints (S)</li> </ul> | <ul style="list-style-type: none"> <li>• Server complaints (T)</li> <li>• Wait staff meetings (W)</li> <li>• Kitchen staff meetings (W)</li> <li>• Monthly shift and location manager meetings (M)</li> <li>• Internal customer satisfaction surveys (A)</li> </ul>  |
| <b>Voice of the Process</b>  | <ul style="list-style-type: none"> <li>• Customer requirements (O)</li> <li>• Process design standards (T)</li> <li>• Process Measurement Plan (T)</li> </ul>   | <ul style="list-style-type: none"> <li>• Wait times (S)</li> <li>• Food quality (S)</li> <li>• Service quality (S)</li> <li>• Service Recovery Process (S)</li> </ul>   | <ul style="list-style-type: none"> <li>• Process results (M)</li> <li>• Process improvements (Q)</li> <li>• Knowledge sharing (Q)</li> <li>• Rate of improvement (A)</li> </ul>  |

**Frequency Codes:** Ongoing, Transaction, Shift, Daily, Weekly, Monthly, Quarterly, and Annually.

**Figure 3.1-1 Voices: Listening and Learning Methods Deployed Across the Customer's Dining Experience**

Restaurant, catering, and dinner delivery customers share common requirements, as described in P.1b(2), including reliability (dependability and accuracy), responsiveness (timeliness and helpfulness), assurance (knowledge, trust, and confidence), empathy (individual care and attention), tangibles (cleanliness and appearance of the facility), value (competitive price for the product received), and a memorable dining experience. Other requirements are specific to various segments of the customer population (Figure P.1-4). These requirements are gathered through a systematic listening and learning approach for potential customers (including customers of competitors), current customers, and past customers.

The listening and learning approach used by Landmark is known as the Voices system. This system was designed in 1997 to provide a system of measurable devices to determine what customers expect and what delights them. The system is composed of knowledge gathered from four directions to provide a full 360-degree analysis of customer needs. Knowledge comes from industry and market sources (Voice of Experience), customers (Voice of the Customer), employees (Voice of the Server), and service delivery process data (Voice of the Process). This combination of knowledge provides an integrated, balanced view of what is important to customers. The Voices system also is designed to gather input from various dining experience stages (Figure 3.1-1).

The **Voice of Experience** includes industry, market, competitor, and best practice or benchmark information gathered throughout the year to track external conditions. Industry and market research is purchased from academic and commercial sources to broadly define customer requirements and to understand customer purchasing decisions. This research is used to design further listening and learning approaches to understand the specific requirements of Landmark’s customers. Senior leaders integrate and analyze these data through a SWOTT analysis and use the results to make strategic decisions.

The **Voice of the Customer** comprises data and information gathered from customers and distributors, using a variety of methods before, during, and after a dining experience. Most methods include two-way communication at key “moments of truth” during the experience. Because different customers prefer to give different types of input, a variety of methods are used to ensure information is gathered from each customer segment. For example, surveys delivered with a check most often are used by families. Business customers more often will complete on-line surveys. These data and information are used to design menus and processes, provide real-time inputs for process management, evaluate processes, and improve service delivery process performance (6.1a).

Data and information about the potential to serve noncustomers, including competitors’ customers, are gathered through market research and satisfaction surveys that ask customers to compare products and services with known best-in-class competitor restaurants. Findings are validated through results from market surveys, focus groups, and observation of competitors’ capabilities through the Secret Diners program and Advisory Board feedback.

The **Voice of the Server** refers to inputs gathered from employees based on observation techniques that are designed into their job descriptions and work processes. Staff members are trained in specific techniques to observe, listen, and proactively ask for customer feedback on product and service performance in addressing customer expectations in real time and through a series of follow-ups. Voice of the Server inputs are linked whenever possible to Voice of the Customer inputs to provide additional information on satisfaction and requirements. For example, table surveys, which are bar-coded by time, location, server name, and customer data, are issued to a random sample of customers. Staff comments also are scanned, coded, and linked to the event. This allows for correlation of Voice of the Server inputs to those responses from customers. The results are used to determine target customer segments and improve processes, products, and services.



Figure 3.1-2 Satisfaction and Importance Levels

**Voice of the Process** is a set of process measurement results used to ensure processes perform to the standards required to exceed customer expectations. The information is aligned to Voice of the Customer and Voice of the Server information. For example, if a customer is dissatisfied with the wait time to receive his/her order, the actual length of time is analyzed to understand the appropriateness of performance standards and to ensure processes are consistent and effective. Voice of the Process results also provide segment-specific and customer-specific information, such as which customer types are more or less satisfied with various portions, food temperatures, wait times, and contact frequency.

Satisfaction surveys ask customers to rate the satisfaction and the importance of each factor. The relationship between importance and satisfaction is analyzed by displaying data points on a scatter plot. Figure 3.1-2 shows the overall relationships between importance and satisfaction levels for sample requirements. Comments are coded by factor to identify specific opportunities to drive customer satisfaction and loyalty and to eliminate or prevent dissatisfaction.

Factors rated low in importance and satisfaction are simply “expected” by customers. Meeting these factors does not

“excite” customers or produce high satisfaction, but, if not met, they produce dissatisfaction. Factors with low importance and high satisfaction have lost their importance over time and are now viewed as “nice to have.” Factors rated high in importance but not high in satisfaction are the areas where improvement priorities are focused. High satisfaction and high importance are the vital few factors that delight customers, increase loyalty, and provide a sustainable competitive advantage. Results of these analyses are used to design value creation processes to ensure they are capable of meeting customer requirements, thus leading to increased customer loyalty and retention. Results also are used to design jobs and provide training to ensure staff members have the capability to deliver service that aligns with customer expectations. In addition, they are used to charter improvement teams using the DINERS Improvement Process or to create action plans for improvement of issues. Finally, results provide an understanding of the performance of satisfaction surveys to ensure they provide reliable and valid data.

Listening and learning methods are tailored to the various customer groups by virtue of the wide variety of methods and opportunities available to give input. Verbal responses to employees’ questions, multiple choice responses, phone and written surveys, fill-in-the-blank comment cards, and written responses via e-mail are all methods that customers can use to provide feedback, depending on their preferences. Listening and learning mechanisms also are varied based on the frequency of contact with customers. Current customers are surveyed during and immediately after their visits. Potential and competitors’ customers are included in quarterly and annual surveys and often in focus groups.

Input provided through the Voices system (*Figure 3.1-1*) include measures, such as the number of referrals, indicating the effectiveness of marketing and sales; Our Family program data on customer loyalty and retention; and information from the Service Recovery Process. Once gathered, these are used to validate results of surveys, make decisions, identify opportunities, make menu adjustments, provide employee recognition, and design communications. Information from each of the Voices is aggregated and used during strategic planning to ensure customer needs are addressed and changing perceptions (importance) are identified. Information about perceptions of food offerings are used to modify menu offerings or determine their placement on the menu. Performance indicators are aggregated from various sources and used to identify requirements for new processes and improve existing processes (6.1a[2] and 6.2a[2]). Knowledge gained from listening and learning also is used during the annual Strategic Planning Process (2.1a[1]) to influence senior leaders’ decisions.

### 3.1a(3) Listening and learning kept current

#### *Criteria Question*



*How do you keep your listening and learning methods current with business needs and directions, including changes in your marketplace?*

Originally, customer input came only from tabletop comment cards and handwritten notes that managers used to identify customer dissatisfiers. As information and data usage evolved, these approaches have gone through numerous cycles of refinement, and additional approaches have been added.

Each year, listening and learning approaches and customer relationship processes (3.2a) are included in the evaluation and improvement of processes, using the DINERS approach. Needs for improvement in the design of a specific listening and learning or customer relationship process are addressed through strategic planning with a DINERS Team. These annual improvement cycles, as well as Baldrige self-assessment feedback, have provided several refinements to listening and learning approaches.

For example, satisfaction surveys now are conducted throughout the year rather than once a year. This approach was identified by benchmarking a local state quality award recipient in health care in 2003. It has improved efficiency, turnarounds, response rates, currency of data, and employees’ perceptions of having adequate information about customers. Another example is a result of the most recent Strategic Planning Process, during which multiple Voices methods were used to seek data and information about various strategic challenges, including changing consumer needs for convenience and socialization, palate and dietary trends, and changing preferences due to the “graying of America.”

## 3.2 Customer Relationships and Satisfaction

### 3.2a Customer Relationship Building

#### 3.2a(1) Build relationships

#### *Criteria Question*

*How do you build relationships to acquire customers, to meet and exceed their expectations, to increase loyalty and repeat business, and to gain positive referrals?*



Relationship building occurs at every point of contact with customers. This includes identifying specific customer requirements for all aspects of our food and beverage preparation and service (*Figure 6.1-1*).

To acquire customers, Landmark uses various media to create public awareness of its reputation for outstanding food and service and the value Landmark provides to the community. Promotional mechanisms include television, radio, magazine, and Web-based advertising; displays; ongoing promotions; and active participation in the community. Media and promotional messages are directed to targeted customer segments, using importance data and information gathered from the Voices system.

The Voices system provides data and information to build customer relationships by focusing on areas of high importance to customer satisfaction and loyalty. For example, when customer return rates were first tracked in 1999, Landmark was retaining

| Position           | Standards for Contact, Quality, and Service  |
|--------------------|--|
| All Staff          | Pleasantly greet all customers you meet. Ask, "Is there anything else I can do?"   |
| Host(ess)          | Greet customers before they greet you.<br>Confirm reservation details without being asked.<br>Inquire about special needs before seating.<br>Before seating, ask about future reservations.    |
| Bar Service Staff  | Verify age before serving alcohol.<br>Check for refills before drink is empty.<br>Verify sobriety before each refill.  |
| Food Service Staff | Present menu within one minute of seating.<br>Take orders immediately upon request with 100% accuracy.<br>Confirm expected food delivery time.<br>Provide refills, attend to additional needs. |
| Chefs              | Inquire about food and service at one table per hour.  |
| Manager            | Inquire about food and service at three tables per hour.<br>Inquire about special needs, preferences, etc.   |

**Figure 3.2-1 Sample Personal Customer Contact Standards**


only 65%–70% of “Satisfied” customers (a 4 out of 5 rating) and over 90% of “Very Satisfied” customers (a 5 rating). This predictive model indicated that customers who were “Very Satisfied” were three times more likely to return than those who were merely “Satisfied.” Because the cost of acquiring each new customer is \$51 (based on local area industry norms), profits are realized only when customers become repeat customers (“regulars”).

Based on that analysis, in 1999, one of the first DINERS Teams tackled the issue of improving customer retention through redesigned products and services and the implementation of a frequent diner program called “Our Family.” Loyalty incentives include free desserts, two-for-one meals, and early notice of special events and new menu items. Our Family customers receive thank-you, birthday, and anniversary cards and “treat a friend” coupons in order to gain customer referrals. Our Family members receive additional incentives for each customer referral they provide. When an Our Family member makes a reservation, the on-line reservation system displays his/her preferences, including parking, meal times, seating, waiters, menu items, specials, beverages, payment methods, and promotions. It also displays past satisfaction ratings, complaints, ordering trends, and special needs, such as access for disabled persons, booster seats, high chairs, and large-print menus. One hour before the reservation time or immediately upon the guest’s arrival, the profile is displayed again for the host(ess) to use to plan the dining experience. Our family members can update their family portrait and profile on-site or through the Web site.

### 3.2a(2) Key access mechanisms

#### *Criteria Question*

*How do your key access mechanisms enable customers to seek information, conduct business, and make complaints? What are your key access mechanisms? How do you determine key customer contact requirements for each mode of customer access? How do you ensure that these contact requirements are deployed to all people and processes involved in the customer response chain?*



The Voices system provides a variety of access mechanisms to accommodate differing communication preferences of customers during the dining experience cycle (Figure 3.1-1). These include access through personal contact, phone, the Internet, fax, e-mail, surveys, and focus groups. Requirements for contact methods are determined by using the Voices system to track and analyze customer satisfaction data, comments, and complaints about the Voices methods. In addition, the customer contact staff provides input on the best contact methods, styles, and frequency to increase service ratings and tips. These inputs also are used to update customer contact standards, such as those shown in Figure 3.2-1 for access by personal contact.


One customer contact requirement is for staff members to ask customers about any issues that were not resolved in the previous dining service step and verify their continuing satisfaction. For example, wait staff ask customers about their reservations, reception, and bar service. Employees are trained to ask questions in a nonintrusive, conversational manner to avoid bothering the customer.

Contact standards are deployed to staff through inclusion in the “Prospective Employee Guide” and the *Employee Handbook*. They are communicated at training and daily line-up meetings and are incorporated into individual processes through automation or forms. For instance, chefs receive a prompt through Foodtrak on an hourly basis asking if they have visited at least one table and what the results were.

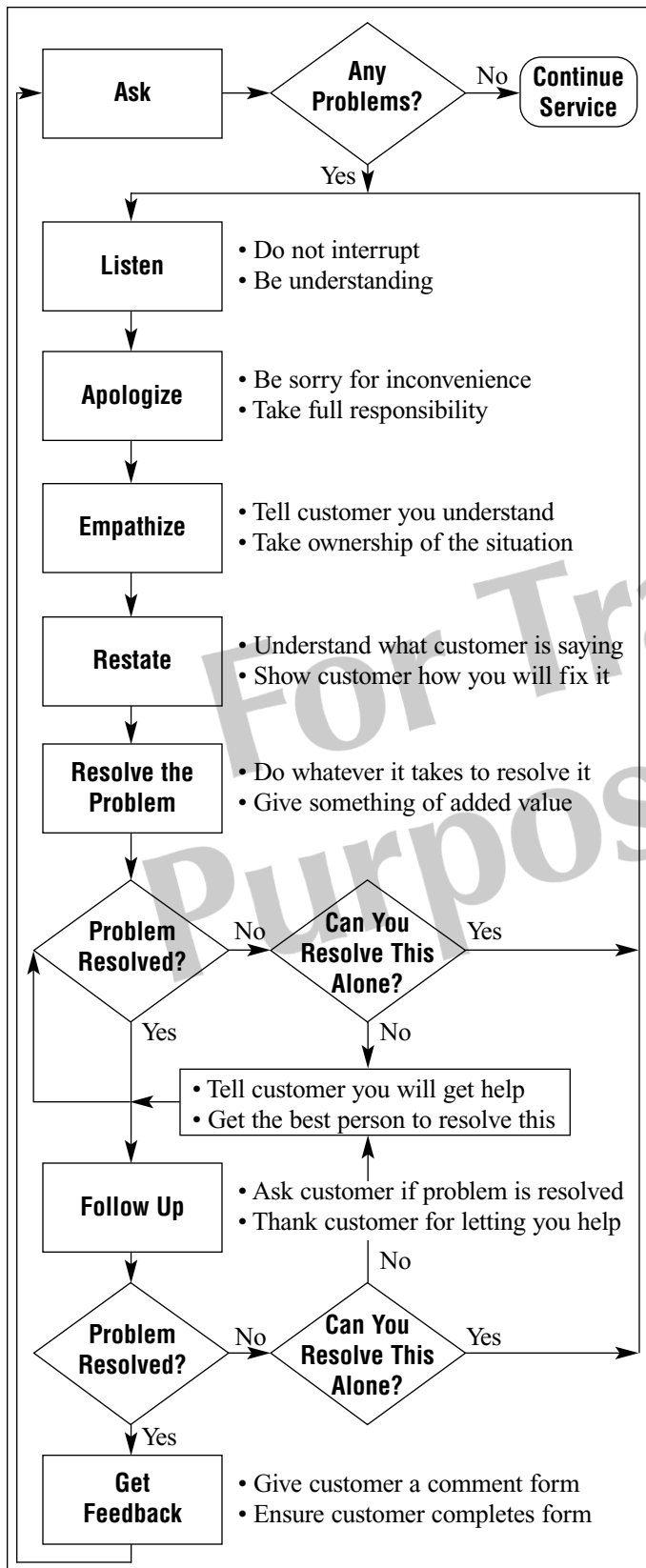
### 3.2a(3) Complaint management process

#### *Criteria Question*

*How do you manage customer complaints? How do you ensure that complaints are resolved effectively and promptly? How do you minimize customer dissatisfaction and loss of repeat business? How are complaints aggregated and analyzed for use in improvement throughout your organization and by your partners?*



The Service Recovery Process (Figure 3.2-2) developed in 1997 is used to address complaints. The process is deployed to all customer contact personnel in all locations. It was modeled after best practices observed at three best-in-class service companies known for superior service recovery results. The process is designed to leverage the most important benefit of the



**Figure 3.2-2 Service Recovery Process**

dining industry: the capability to surface customer complaints in real time and resolve them on the spot or before the customer leaves. This minimizes customer dissatisfaction and actually promotes repeat business, because the customer feels that he/ she has received special treatment in order to recover

the relationship. This process is used in all stages of the customer experience, either by phone, mail, e-mail, or personal contact. Each division uses this approach, including Catering and the DDS. Built into the process are review points that ensure complete resolution of all complaints. All formal complaints are followed up by the shift manager through a personal phone call or e-mail to ensure resolution.

Contact standards and service recovery are extensions of the Value of Excellence in Service and Customer Focus. These approaches are shared with employees from the day they apply to work at Landmark. The "Prospective Employee Guide" (5.1c) explains the importance of these Values and outlines customer contact requirements and service recovery expectations. Then, during orientation, employees review the *Employee Handbook* sections on contact requirements and service recovery, and they participate in role playing to reinforce the standards.

During the first week on the job, new employees receive Customer First training, which includes training on contact requirements and the Service Recovery Process. They are mentored and observed during their initial contact with customers to determine and improve proficiencies. Also, new employees are evaluated on customer contact and service recovery performance during their probationary employment period and on an annual basis thereafter. Positive performance is a prerequisite to promotion to team leader or manager. All contact staff, team leaders, and managers receive refresher training annually.

Successful service recovery is reinforced through recognition during shift and weekly staff meetings. Exceptional events in service recovery are rewarded and celebrated through storytelling at the meeting and published in internal communications to reinforce the service culture.

Data gathered through the Service Recovery Process are integrated with data gathered through other dissatisfaction indicators, such as negative comments, letters, or e-mails and low ratings on surveys. Common rating scales on all survey instruments facilitate the integration of ratings data. Comments and other qualitative data are sorted and coded by theme in order to analyze trends with Pareto charts. The set of themes is reviewed to determine the root cause through a fishbone analysis. Theme frequency data are correlated with results of survey ratings in associated areas through scatter diagrams and correlation analysis. Results are used to identify trends, cause and effect, and priorities in market and segmentation strategies and customer requirements (Figure P.1-4). They also help determine the effectiveness of listening and learning methods (Figure 3.1-1), methods to delight customers (Figure 3.1-2), customer contact standards (Figure 3.2-1), the Service Recovery Process (Figure 3.2-2), satisfaction measurements (3.2b[1]), and retention and loyalty programs (3.2a[1]). Suppliers and distributors are included in DINERS Teams when trends and analyses show impact by or to them.



### 3.2a(4) Relationship building kept current

#### Criteria Question



*How do you keep your approaches to building relationships and providing customer access current with business needs and directions?*

Approaches to building relationships and providing customer access are kept current through annual reviews of the Voices system, Our Family program, contact methods and standards, and the Service Recovery Process by using the DINERS Improvement Process, as described in 6.1a(6). Additional assessment of the alignment of these processes is provided each year through external review and feedback from the Baldrige self-assessment. The results of these review and improvement efforts from throughout the company are evaluated during strategic planning, when senior leaders ensure they align with the strategic directions of the company. Action plans are created to address changes to these processes in order to meet strategic goals.

### 3.2b Customer Satisfaction Determination

#### 3.2b(1) Determine customer satisfaction/dissatisfaction

#### Criteria Question



*How do you determine customer satisfaction and dissatisfaction? How do these determination methods differ among customer groups? How do you ensure that your measurements capture actionable information for use in exceeding your customers' expectations, securing their future business, and gaining positive referrals? How do you use customer satisfaction and dissatisfaction information for improvement?*

A variety of methods are used to determine customer satisfaction and dissatisfaction before, during, and after the dining experience, as described in 3.1a(2) and shown in *Figure 3.1-1*. A restaurant is a unique service business in that our customers consume the products and use the services "on premises"; therefore, satisfaction levels often can be determined as services are provided. It is easy for customers to express their satisfaction or dissatisfaction and provide feedback through the variety of communication modes tailored to customer preferences.

Landmark uses an external customer satisfaction survey conducted by a vendor, plus internal customer satisfaction surveys. These surveys are available in a variety of formats, including multiple choice, fill-in-the-blank, verbal, or on-line. All customer communications are available in Spanish, as well as English. Surveys also are offered in braille and through an amplified phone number for hearing-impaired customers, and blind patrons have access to TTY-enabled systems. Children are given surveys that use "happy faces" to show varying degrees of pleasure so they can express their satisfaction or dissatisfaction. Our Family customers are provided access to certain Web site pages and receive quarterly newsletters and other

communications that request ongoing input and feedback on a variety of issues.

Verbal inquiries and conversations, write-in responses on surveys, and the correlation analysis created from importance and satisfaction ratings (*Figure 3.1-2*) are all used to capture actionable information for use in exceeding customer expectations. Results of ongoing comment gathering and analysis are used to provide potential actions that best address customer expectations.

The goal of the Service Recovery Process (*Figure 3.2-2*) is to detect and implement an effective, immediate resolution of the symptoms of dissatisfaction before they become complaints. In the service industry, customer loyalty and positive referral actually increase when service gaps have to be recovered versus when they never occur. The process for service recovery is designed to capitalize on this phenomenon to improve the customer retention and referral that occur as a result of successful recovery. The likelihood of receiving positive referrals is monitored by asking "Would you recommend us?" on appropriate feedback mechanisms.

DINERS Teams use the correlation of importance and satisfaction, as well as complaint factor analysis trends, to tailor new process designs to customer needs (6.1-[3]), manage process performance in real time (6.1a[4]), and redesign/improve processes during evaluation cycles (6.1a[6]).

#### 3.2b(2) Follow up with customers

#### Criteria Question

*How do you follow up with customers on products, services, and transaction quality to receive prompt and actionable feedback?*



Most of the methods shown in the Voices system (*Figure 3.1-1*) are used to obtain immediate feedback. Providing feedback opportunities throughout the course of the dining experience provides all employees with the opportunity to identify potential areas of dissatisfaction and address them before they become complaints. This immediate follow-up with customers is designed to ensure they receive prompt resolution to their concerns, and it provides an opportunity for Landmark to ensure corrective action is appropriate for the specific customer concern. All actions are documented in the Foodtrak system to capture learnings. An additional follow-up mechanism is through shift manager calls to customers verifying the resolution of formal complaints.

#### 3.2b(3) Satisfaction relative to competitors

#### Criteria Question

*How do you obtain and use information on your customers' satisfaction relative to their satisfaction with your competitors and/or industry benchmarks?*



Several methods are used to obtain information about Landmark customers' satisfaction relative to their satisfaction with

competitors. The external customer satisfaction survey conducted by a third party is a primary source of comparative data. In addition, the Secret Diners Association provides a summary report of service performance for each restaurant that participates. Reports provide information about food and service quality, timeliness, price, value, and facilities.

On internally generated surveys, customers are asked to rate the food and service quality, timeliness, price, value, and facilities and if they intend to repurchase from the Landmark restaurant. They also are asked to specify the “best other restaurant eaten at during the last year,” which allows analysis of the competitive strengths and weaknesses of each major competitor identified by customers.

Additional satisfaction information is gathered from local publications in news and trade journals with reviews by food critics and journalists. These local market data are supplemented with data from industry associations, industry Web sites, industry analysts, other consultative reports, and benchmarks.

### 3.2b(4) Satisfaction determination kept current

#### *Criteria Question*



*How do you keep your approaches to determining satisfaction current with business needs and directions?*

The accuracy, reliability, and validity of survey instruments are recalibrated annually. For vendor surveys, an academic expert reviews instrument reliability statistics and its construct and predictive validity with a representative of the survey vendor. This information is used to improve survey questions, format, and data collection. Software used to generate internal surveys provides validity and reliability statistics that also are reviewed by the academic expert.

For customer feedback methods that are comment based, Location Management Teams aggregate and sort them into “key themes” quarterly and annually. The team creates a Pareto chart to analyze and prioritize satisfaction measurement improvement opportunities. Additionally, feedback from experts in the Baldrige assessment process provides information used to improve the satisfaction determination methods.

For all satisfaction input methods, direction for improvement to support their decision-making needs is given annually from senior leaders as a result of strategic planning. In some cases, survey information is updated because process or DINERS Teams need to have specific data to support their decision making.

**4.1 Measurement, Analysis, and Review of Organizational Performance**

**4.1a Performance Measurement**

**4.1a(1) Select, collect, align and integrate data**

*Criteria Question*



*How do you select, collect, align, and integrate data and information for tracking daily operations and for tracking overall organizational performance, including progress relative to strategic objectives and action plans? What are your key organizational performance measures? How do you use these data and information to support organizational decision making and innovation?*

Data for tracking overall organizational performance are selected and aligned through the Strategic Planning Process described in Item 2.1, which culminates in the Strategy Matrix. Through this Matrix, senior leaders create a Scorecard with all the key measures identified in Figure 2.2-4 that is used to track monthly updates of organizational performance. This approach ensures the measures in the Scorecard are tracking the areas of greatest importance to the company and are integrated through all areas of the organization.

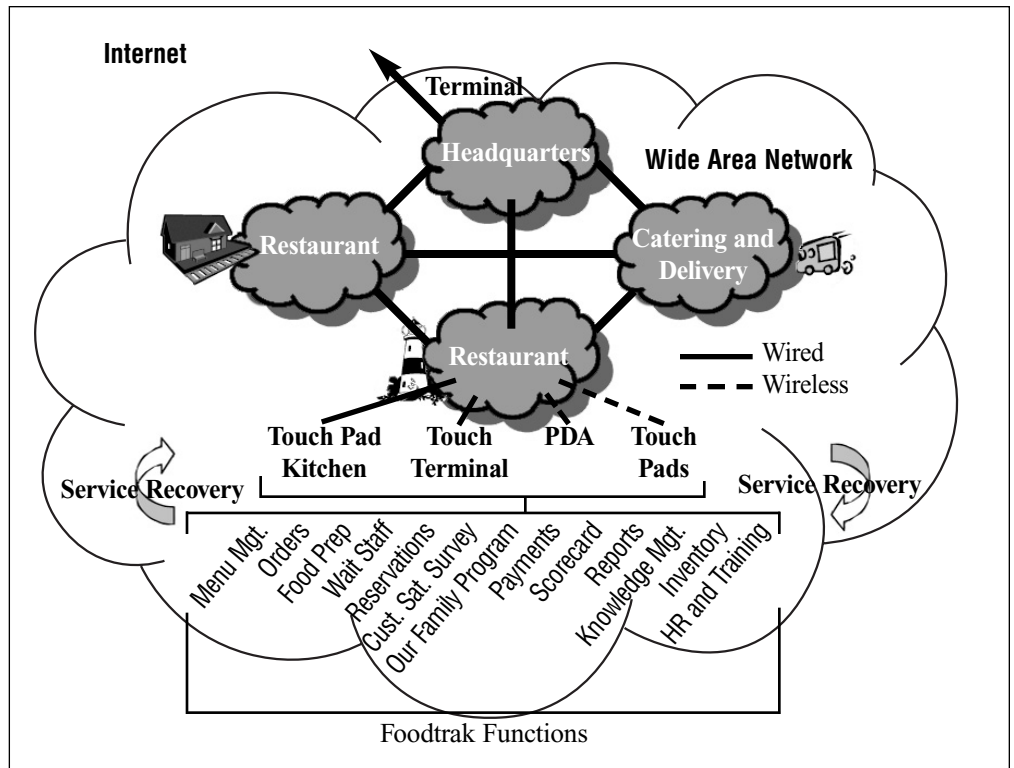
Measures on the Scorecard (available on site) are color coded (red, yellow, and green) to show progress to plan. Trend direction also is designated so senior leaders can quickly identify areas in need of attention. The Scorecard is available on-line and updates automatically from the real-time data in the Foodtrak system. Foodtrak is an integrated commercial solution system designed for the management of restaurant and food service operations and particularly suited for use with multiple locations. This type of POS system is prevalent in the restaurant industry and offers a mature system to even the smallest restaurants. Foodtrak uses advanced hardware, software, and networking technologies to integrate support and operational systems.

Clicking on any element of the Scorecard in Foodtrak brings up the underlying data for analysis. The Scorecard includes both operating data and action plan progress. Senior leaders can and do review the information on a daily basis. The Scorecard and the Strategy Matrix are the focus

of weekly staff meetings and monthly executive reviews, as shown in Figure 4.1-2. As part of these reviews, the external environment and internal performance are discussed and the Strategy Matrix and Scorecard are updated as required. Prioritized changes automatically cascade to the staff through the Foodtrak system. This flexibility enables the company to rapidly adapt to changing needs. For example, the Scorecard is being expanded to accommodate the implementation of the Dinner Delivery Service.

The data used to track daily operations are selected systematically and refined through annual formal evaluation and improvement activities by DINERS Teams (6.1a[6]). These reviews are used to improve processes and align new and existing metrics for key processes. As new DINERS Teams address issues, they may define new or revised measures for processes. The actual measures that have been selected and currently are in use are shown in Figures 6.1-1 and 6.2-1.

When needed, new or revised organizational and operational measures are selected based on a set of priorities and criteria. Measures are selected that (1) are (or can be) part of normal daily operations to minimize extra effort and increase utilization compliance, or they can be combined with one or more such measures; (2) are directly connected to the strategic plan or process involved; (3) can be easily and quickly recorded in real time; (4) can be compared to industry or other averages; and (5) can be used/reported (preferably in real time) by staff to improve performance.



**Figure 4.1-1 Foodtrak Linkages and Access Points**

All significant operational measures are collected and integrated using the Foodtrak system. Where Foodtrak does not support specific Landmark needs, supplemental databases are used to collect information and are linked to the system for reporting and analysis. *Figure 4.1-1* represents the design of the Foodtrak system, with linkages and access points. The system is based on a private Wide Area Network (WAN) that provides secure network communications among restaurant and headquarters locations. Each location is served by a Local Area Network (LAN) that includes secure high-speed wireless technology for communication with portable and handheld devices, also a standard technology in the restaurant industry. The central database is mirrored among all three sites, allowing for a remote site to operate fully independently for a period of time if necessary and for redundant backup.

The entire network is designed to be “location unspecific,” meaning that all features, functions, files, and data are available at all access points. This enables employees to perform their necessary job functions regardless of location. For example, if a member of the headquarters staff is needed to help at a restaurant location, he/she will have full access to his/her normal work files to serve customers or suppliers who may call for assistance. This also provides all employees with the profile and preferences of Our Family frequent diners.

Four types of access points to Foodtrak are provided at the restaurants (*Figure 4.1-1*). These include (a) wired touchpad tablets mounted in key kitchen areas; (b) wired POS touch terminals in each restaurant and at the hostess stand, with credit card swipes and printers; (c) wireless POS/PDA units issued to wait staff for each shift; and (d) wireless POS tablet units for use by customers and staff, including a credit card swipe and small thermal printer. In addition, wait staff offer customers the option of using these units to place their own food orders at the table. Traditional wired computers are used in office locations. These computers are linked to Foodtrak and other resident systems.

The following functions supported by Foodtrak are designed to closely support the company’s value creation processes (*Figure 6.1-1*):

- **Menu Management** formats and maintains menus, selects recipes, and determines special preparation and presentation instructions.
- **Order System** allows order entry by customers or wait staff from wherever they may be for the location the order should be presented, and orders automatically are routed to the appropriate kitchen.
- **Food Preparation System** manages pending and in-process orders with touch access to menus and special instructions for kitchen staff (including pictures of ideal presentations) to ensure consistent results.
- **Wait Staff System** customizes access to other Foodtrak functions for employees to manage their customers’ experiences.
- **Reservation/Table Management System** manages reservations and monitors table utilization, including current status.
- **Customer Satisfaction Survey** allows customers to complete a survey for their most recent visit. It may be completed

at any time after the wait staff logs their orders as “delivered” either in the restaurant or via the Web.

- **Our Family Program Manager** maintains customer profiles, order history, and satisfaction records and allocates special offers and “treat a friend” coupons.
- **Payment Manager processes** and records customer payments, including processing of credit card payments and management of the cash drawer for each location.
- **Scorecard Manager** maintains the Scorecard measures in a dashboard-style monitor with prompts for required updates prior to reviews of progress on goals and action plans.
- **Report Generator** allows standard and customized reports to be generated in real time with data from operations.
- **Knowledge Management System** is a database to track suggestions, problems, process documentation, process improvements, and best practices.
- **Inventory Management** tracks inventory and places electronic orders through the purchasing consortium or directly with other suppliers. Vendor access provides remote access to requirements and inventory levels.
- **HR and Training Support** is used to track nonsecure employee-related information and training records and to provide access to on-line training materials. Secure HR information is maintained in a private system.
- **Service Recovery Process** enters, tracks, and analyzes customer service issues. The system also automatically identifies unresolved issues and alerts managers.

All operational processes are integrated through Foodtrak, allowing the monitoring of key performance measures as the process is performed. Most measures used in tracking performance are entered through Foodtrak by employees or customers, or they are collected directly by Foodtrak (such as clock cycle time). As employees perform their jobs, they are prompted for information, such as freezer temperatures, results of pre-audits, or customer comments. This information is entered into the system and validated based on prior trend information.

Organizational-level information, including results and trends, is used in a variety of meetings, and particularly in the monthly executive review. This information is used to evaluate organizational performance status and progress to plan to assist in making decisions about directions and corrective actions. If comparative data show a performance gap, this information is used to identify areas for innovative approaches to improvement. During line-up meetings, operational performance measures are used to review prior shift, day, and week results and to identify any issues. Trends, especially satisfaction data, are reviewed during weekly all-employee meetings.

Other information is available through Foodtrak to all employees as needed to make decisions, and key operational measures for each of the key processes are displayed on system terminals. For example, each wait staff member carries a handheld wireless POS/PDA unit that is used to place orders. The order application running on the handheld units also displays the status of orders he/she has placed, as well as other wait staff members’ orders that have been ready for more than two minutes. At a glance, all wait staff can tell which customers’ orders need attention.

**4.1a(2) Comparative data**

*Criteria Question*



*How do you select and ensure the effective use of key comparative data and information to support operational and strategic decision making and innovation?*

Strategic planning and the DINERS Improvement Process both require that measures of organizational success be selected that have appropriate comparative data available. The restaurant industry has been very successful in promoting information sharing among organizations. Comparative data sources include NRA standard reports or sharing meetings, local industry surveys through the chambers of commerce, the informal consortium of restaurants, and Secret Diners studies. With 43 other area restaurants, Landmark established the Secret Diners Association, in which trained food critics eat at member restaurants and provide a monthly report to the association. Names of restaurants are protected in the comparative data on food quality, menu items, and service. Additionally, member restaurants provide data on financial and menu item performance. This information enables members to assess their relative performance and identify areas for improvement. A less formal but still very valuable data source is the Employee Dining Report. Employees are encouraged to eat at other restaurants once every six months as a training experience, and they are compensated up to \$50 when they submit a structured report.

Comparative data are used during reviews to understand competitive position and also are used in process design. These data are used during strategic planning to help determine action plans and goals; Landmark’s overall target is for each restaurant to be in the top 10% of its respective market. Comparative data also help identify opportunities for innovation in support of emerging customer requirements. Key process benchmarks and comparisons are obtained from best-in-class sources, such as Baldrige Award recipients.

**4.1a(3) Keep performance measurement system current**

*Criteria Question*



*How do you keep your performance measurement system current with business needs and directions? How do you ensure that your performance measurement system is sensitive to rapid or unexpected organizational or external changes?*

In addition to the regular operational review of performance measures, trends tracked daily and/or weekly by in-process measures are analyzed quarterly against overall organizational customer and performance measures. These analyses are used to verify that leading indicators used as in-process measures are predictive of organizational performance, and measures are improved as needed. Annual reviews of processes that are conducted by DINERS Teams include regular updates of the measures used to track them.

All key measures are reviewed during strategic planning by re-evaluating their linkage to the Strategy Matrix and Scorecard. In addition, employee suggestions for measurement system improvements are collected through the Foodtrak Knowledge Management system. Staff feedback also is gathered during regular meetings and from the external advisory board during strategic planning. Changes to measures are made through Foodtrak to quickly deploy them to all employees for rapid response to changing conditions. In addition, the linkage of the Strategy Matrix and Scorecard, as well as their incorporation into Foodtrak, facilitates response to rapid or unexpected organizational or external changes.


| Meeting                     | Frequency     | Attendees                                | Topics  |
|-----------------------------|---------------|--|---|
| Line-Up                     | Each shift    | Shift managers and scheduled employees   | Work assignments, menu items, key focus thrusts, training progress, service performance issues from team leaders  |
| Menu Design/ Re-engineering | Daily/ weekly | Restaurant Management Team               | Menu planning, menu profitability, menu item placement, availability of special items   |
| Staff                       | Weekly        | All management                           | Progress to plan, action item review, Scorecard review, customer complaints   |
| Team Leader                 | Monthly       | All team leaders                         | Performance measures, customer feedback, sharing of best practices  |
| All-Employee                | Monthly       | All leaders and employees                | Progress to plan, Values discussion, employee recognition, new employee introductions, lessons learned, open forums, performance to Scorecard, training progress, customer complaints |
| Executive Review            | Monthly       | Sr. leaders, Advisory Bd., key suppliers | Progress to plan, Scorecard review, course corrections required   |
| Strategic Planning Session  | Annually      | Sr. leaders, Advisory Bd., key suppliers | Development of strategic direction and high-level action plans and measures   |

**Figure 4.1-2 Regularly Scheduled Reviews**

## 4.1b Performance Analysis and Review

### 4.1b(1) Performance analysis and review

#### Criteria Question



*How do you review organizational performance and capabilities? How do your senior leaders participate in these reviews? What analyses do you perform to support these reviews and to ensure that conclusions are valid? How do you use these reviews to assess organizational success, competitive performance, and progress relative to strategic objectives and action plans? How do you use these reviews to assess your organization's ability to rapidly respond to changing organizational needs and challenges in your operating environment?*

Figure 4.1-2 shows the series of reviews regularly used to evaluate organizational performance. This cascading set of reviews at every level of the organization ensures employees have access to information to improve their performance and understand operations. For example, at the daily menu design and re-engineering meeting, Executive Chefs and FoH managers use performance data on specific menu items from Foodtrak to make decisions regarding the profitability of menu items, menu item placement, and availability of special items based on ingredient availability and probable demand. Since menus are printed daily, the restaurants have great flexibility to respond rapidly to changing tastes and the availability of key ingredients.

Various types of analyses are performed on the data reviewed to provide information for making appropriate decisions. Many of these analyses are used to aggregate and correlate Voices data, as described in 3.1a(2). Analysis techniques include correlation analysis, use of Pareto charts for qualitative data analysis, scatter plot diagrams for understanding the effects of importance and satisfaction on requirements, fishbone diagrams for discovering the root cause of dissatisfaction, and other techniques taught to and used by DINERS Teams in evaluating performance and identifying areas for improvement.

In preparation for strategic planning, correlation analysis and frequency distribution charts help Landmark understand environmental data, and issues undergo a SWOTT analysis, as described in 2.1a. Traditional trend and comparative analyses also are used to understand Landmark's current position in the marketplace. The Foodtrak system has facilitated the use of several analysis tools, including correlation analysis. Restaurants tend to use many mature analysis techniques in the management of overall and day-to-day business operations because of the sophistication of the computational tools in the POS systems in the industry.

The reviews shown in Figure 4.1-2 allow senior leaders to assess organizational success by providing a thorough evaluation of whether the company has achieved its goals, and if not, why. During these reviews, senior leaders assess their progress on strategic objectives and action plans, and they compare organizational performance to competitive or benchmark


performance. The benchmark performance level for each measure is included on the Scorecard to provide quick reference.

Reviews are designed to provide frequent assessment of the status of and changes in the operating environment. For example, at a recent review it was noted that the number of customer complaints remained consistently below the target of 125. However, the wait time to be seated, while still below the target of six minutes, was climbing. Since occupancy rates were 84% and gross profit per seat was \$13.1K, a decision was made to change table configurations to provide more availability to patrons.

In order to modify and deploy changing priorities and outputs from reviews, senior leaders make changes to the Strategy Matrix and Scorecard. These are then cascaded down through the organization to the various managers and employees through the daily and weekly meetings.

### 4.1b(2) Translate findings into priorities

#### Criteria Question



*How do you translate organizational performance review findings into priorities for continuous and breakthrough improvement and into opportunities for innovation? How are these priorities and opportunities deployed to work group- and functional-level operations throughout your organization to enable effective support for their decision making? When appropriate, how are the priorities and opportunities deployed to your suppliers and partners to ensure organizational alignment?*

During each of the reviews in Figure 4.1-2, gaps in performance or changing issues are addressed through either the development of action items, action plans, or DINERS Team issues. These activities are easily translated into prioritized findings because of the alignment of the measurement system to the directions of the organization. The Scorecard is linked to and derived from the Strategy Matrix (Figures 2.2-4 and 2.2-4) and thus aligned to organizational priorities. All IRDPs are derived from and linked to those same documents, therefore ensuring deployment throughout the organization. In addition, because Scorecard performance is reviewed during the monthly all-employee meeting, all employees are aware of priorities. Key suppliers and partners participate in the annual strategic planning session and attend monthly executive reviews, which helps them align with and support Landmark's priorities.

During reviews of progress to plan, senior leaders re-allocate resources as required. For example, during a recent review, it was noted that the redesign of the prep area at the Texas Lightkeeper in order to provide an "open kitchen" (a project initially proposed by a cross-training employee) was behind schedule. Because the new layout was projected to generate significant cost savings and increased business, over-time was authorized for the DINERS Team, and two employees were temporarily transferred from the Harrisburg Station.

Most data are reported in real time to all staff, including wait staff, kitchen staff, and managers, via their handheld wireless units and other terminals. Summary results, including recent trends, are discussed at the line-up, regular staff, and all employee meetings and posted as charts on bulletin boards. Results of analyses that are not considered during these meetings are deployed through the Communication Process (Figure 5.1-1).

## 4.2 Information and Knowledge Management

### 4.2a Data and Information Availability

#### 4.2a(1) Make data and information available

##### *Criteria Question*



*How do you make needed data and information available? How do you make them accessible to employees, suppliers and partners, and customers, as appropriate?*

All employees have access to one of several kinds of terminals, all of which have access to Foodtrak and its various measures. In addition to internal networks, Foodtrak is integrated with the company's Web site, allowing the general public to view menus and make comments regarding general service issues, menu choices, or any topic they believe to be relevant. Our Family program members are provided special access to make and review reservations, review the menu, place orders, and complete satisfaction surveys regarding their most recent visit. They also may change their personal preferences, review their status, and review special offers and rewards. These same modules allow customers to review and change catering or delivery orders; however "lockout points" prevent any changes after order preparation has begun or supply commitments are made, such as special ingredients or material acquisition for larger orders.

Vendors and suppliers, as appropriate, can gain access to inventory management functions by using a unique user identification and password on Landmark's Web site. Through this interface they observe inventory utilization and expected demand, as well as comments from customers, wait staff, or kitchen staff that may be linked specifically to their products. This interface also allows electronic commerce suppliers to review pending orders and performance. Some vendors are given Web access to reports of their performance-related data but not direct access to the database. For example, cleanliness satisfaction results are provided to the cleaning contractors.

#### 4.2a(2) Ensure reliability, security, and user friendliness

##### *Criteria Question*



*How do you ensure that hardware and software are reliable, secure, and user-friendly?*

The vendor for Foodtrak is a key partner. Under contract, a technical services representative remotely monitors system performance, including user feedback input in the Knowledge Management module. Through this contract, technical support is available on demand during the restaurants' operational

hours. Network security, backup systems, and the operation of the mirrored databases to ensure data security are all part of this monitoring activity.

The individual location LANs are connected by redundant direct wiring that is maintained under contract with the local telephone company. The entire WAN system is electronically located behind a firewall to control access from outside sources. Local wireless networks all are configured with secure encryption enabled.

#### 4.2a(3) Continued availability in an emergency

##### *Criteria Question*

*How do you ensure the continued availability of data and information, including the availability of hardware and software systems, in the event of an emergency?*



Landmark has created a disaster recovery program that is responsive to the needs of the business. Systems operate from battery-backed power supplies, and all data are backed up daily to on- and off-site locations. All locations have replacement units of interface hardware to handle breakdowns of devices. Emergency system response is contracted to replace malfunctioning hardware within 24 hours and, in the event of a disaster, to replace damaged systems hardware within 12 hours and all customer contact systems within 24 hours.

#### 4.2a(4) Data and information availability kept current

##### *Criteria Question*

*How do you keep your data and information availability mechanisms, including your software and hardware systems, current with business needs and directions and with technological changes in your operating environment?*




Constant user feedback is provided to the Foodtrak Knowledge Management system and is monitored by the technical staff to keep current with needs. Users can enter comments on-line or discuss their questions, concerns, and suggestions during shift meetings. An annual Improvement Day is held with the vendor and other Foodtrak customers to review system performance and update functionality. To ensure usability goals are met, new updates, applications, and system changes are previewed prior to acceptance by a sampling of the staff members who will use the system. Once accepted, changes and updates are beta tested using parallel data to test system operation before the changes are applied to the system.

For example, the original Foodtrak system tracked operations but did not provide real-time information to users. Wait staff requested that they somehow be notified of order readiness because they often were busy serving customers and could not monitor the progress of their orders. A DINERS Team addressed the issue with the vendor, which led to the improved integration of two functions within Foodtrak to provide real-time order status through the handheld wireless PDA units.

## 4.2b Organizational Knowledge Management

### *Criteria Question*



*How do you manage organizational knowledge to accomplish the following:*

- *the collection and transfer of employee knowledge*
- *the transfer of relevant knowledge from and to customers, suppliers, and partners*
- *the rapid identification, sharing, and implementation of best practices*

The Foodtrak Knowledge Management system helps collect and organize ideas, suggestions, and best practices. New entries are reviewed weekly with management and during staff meetings. Frequently used system features are reviewed at multiple staff meetings for staff awareness. Best practices are discussed at team leader meetings and then communicated at line-up meetings. When appropriate, vendors and suppliers are included in the discussions. As vendors and suppliers also have access to the system, they are encouraged to enter and share comments, suggestions, and ideas regarding their products. Best practices generally are incorporated into the work flow through the Foodtrak system.

## 4.2c Data, Information, and Knowledge Quality

### *Criteria Question*



*How do you ensure the following properties of your data, information, and organizational knowledge:*

- *accuracy*
- *integrity and reliability*
- *timeliness*
- *security and confidentiality*

The accuracy of data and information is validated through data entry processes and double-checks. Processes are designed to minimize errors in entry by providing selection options rather than requiring full text entry, by using a bar code scan when possible, and by incorporating a forced review of input by the person entering the data.

Integrity and reliability are addressed by ensuring that all electronic systems are backed up regularly for easy restoration. In case of a power outage, manual systems are provided, including a manual cash drawer, a credit-processing terminal, and supplies of duplicate order pads. The use of the PDA and other terminals at key locations ensures the timely entry of data.

Security and password systems are in place to protect sensitive data, including Our Family members' profile data and sensitive financial and operational data. Authorization by senior leaders is required to access protected information, such as credit card data, customer profiles, and critical organizational financial data.




### 5.1 Work Systems

#### 5.1a Organization and Management of Work

##### 5.1a(1) Organize and manage work and jobs

###### *Criteria Question*



*How do you organize and manage work and jobs, including skills, to promote cooperation, initiative, empowerment, innovation, and your organizational culture? How do you organize and manage work and jobs, including skills, to achieve the agility to keep current with business needs and to achieve your action plans?*

As a key strategic challenge, the availability of skilled, motivated employees is essential to Landmark's competitive success factor of superior service and essential to its Value of Employee Development. To address that challenge, a focus on team work and the development of employees improves service and reduces turnover.

Until the early 1990s, work and jobs were organized according to accepted industry practices. Employees were hired for specific jobs, worked specific hours, and had very little input into how tasks were performed. With the initiation of a formal Strategic Planning Process and the articulation of its Vision, Mission, and Values, Landmark began to develop innovative processes to manage work and jobs in support of high performance.


In order to facilitate cooperation and empowerment, employees in all business divisions, including Catering, Dinner Delivery Service, and Administration, are organized in empowered process teams that align with the key processes outlined in *Figures 6.1-1* and *6.2-1*. Each team is responsible for its own scheduling and process improvement, and each has a member in the role of team leader. The team leader is not considered a part of management but is compensated for assuming required extra duties, including (1) ensuring the team schedule is developed, (2) training new employees and providing refresher training for all team members, (3) monitoring and coordinating improvement of the team's processes (including reporting metrics), and (4) providing input for team members' performance appraisals. Team leaders are selected by the FoH Manager and Executive Chef based on specific criteria. They receive special training when assigned their duties, with a focus on team development, leadership, the Baldrige Criteria, and the DINERS Improvement Process to promote innovation throughout the organization.

Cooperation, initiative, empowerment, and innovation are further promoted through a process improvement reward system (5.1b) and through an emphasis on lateral service. This means that servers "work the room," not just their sections; for example, when they refill their own customers' water glasses they also fill the glasses in other servers' areas. In addition, to facilitate cooperation, Landmark uses a "point system" at tables that assigns a number to each seat for purposes of taking and delivering orders so anyone can deliver an order.

To ensure agility and to stay abreast of changes, teams also work across locations with cross-process and cross-restaurant teams, as necessary. All team leaders meet monthly to assess performance against measures, review customer feedback, identify improvement opportunities, and share best practices. Agility also is facilitated through cross-training. All employees are exposed to each process during orientation and cross-trained to ensure adequacy or competence in at least two jobs: the position they are hired for, plus the next higher-level position. Employees choose their third cross-training opportunity as part of the IRDP Process. All hourly workers with a year or more on the job are cross-trained in at least three positions. Employees must work in a cross-trained position for one shift at least once per quarter.

##### 5.1a(2) Capitalize on diverse cultures, ideas, and thinking

###### *Criteria Question*



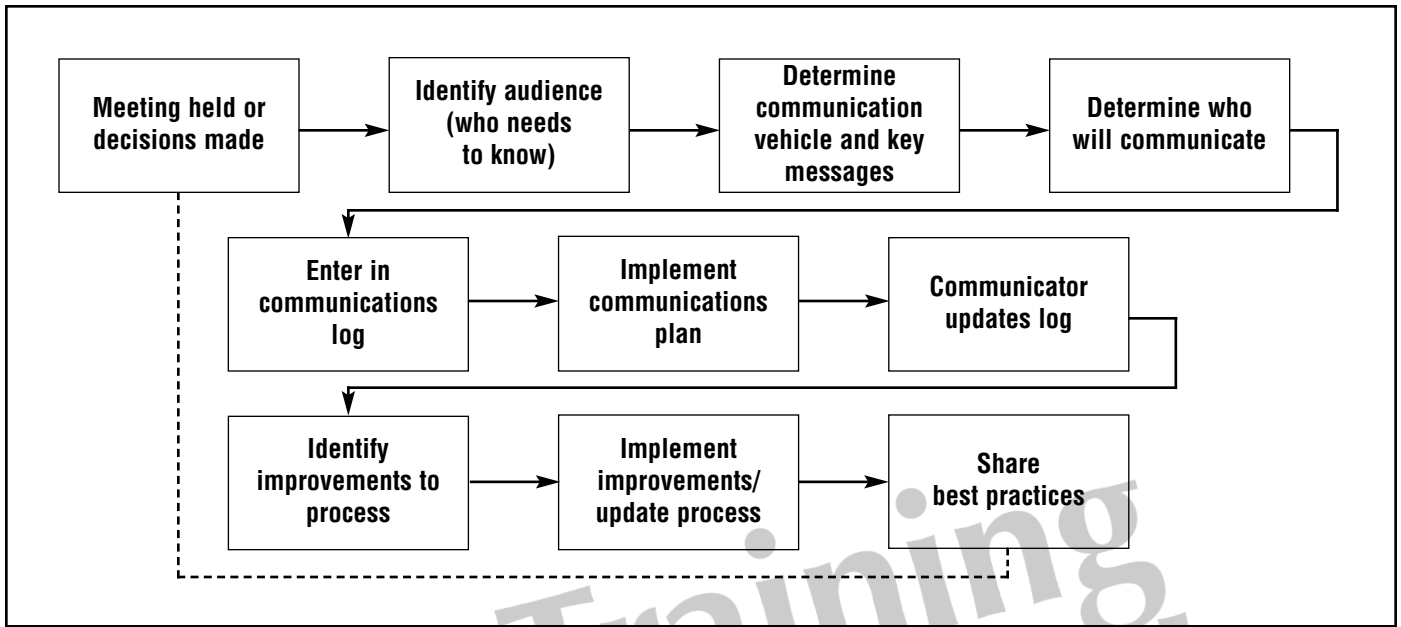
*How do your work systems capitalize on the diverse ideas, cultures, and thinking of your employees and the communities with which you interact (your employee hiring and your customer communities)?*

Landmark's empowered team approach, coupled with diversity training, sets the stage for capitalizing on diverse ideas, cultures, and thinking. Employees are expected to participate each year in at least one DINERS Team, which comprises cross-functional and cross-location members. The flexibility that Landmark has in the types and hours of its positions (e.g., part time, weekends, nights, on-call) makes it possible to hire an extremely diverse workforce (*Figure P.1-2*) according to their unique needs.

All managers and team leaders are trained in the basic concepts of team development and selection. Orientation includes an introduction to diversity training and a personality type identification exercise. This helps employees understand and appreciate the strengths each personality type brings to an organization and how the organization can benefit.

Employees also are encouraged to have fun and use any unique talents on the job, as appropriate. Based on benchmarking a famous seafood market where workers throw fish to one another, the bartenders have perfected tossing metal drink shakers to each other from one end of the bar to another. An amateur magician performs magic tricks while serving children, and an employee who is particularly good with children might be sent to a table with an unhappy child.

A variety of approaches address the need to have Spanish speakers on staff, due to the large Spanish-speaking population in the area. Spanish-speaking employees give informal lessons to non-Spanish speaking staff, and the community college provides employees with courses on English for Speakers of Other Languages.



**Figure 5.1-1 Communication Process**

**5.1a(3) Effective communication and skill sharing**

*Criteria Question*



*How do you achieve effective communication and skill sharing across work units, jobs, and locations?*

Effective communication and skill sharing are accomplished chiefly through a combination of the Communication Process (Figure 5.1-1), use of the Foodtrak Knowledge Management system, and meeting structures. As Landmark grew, effective and timely communication became increasingly challenging. To address this, in 2002 a DINERS Team, along with a public relations consultant, created the formal Communication Process shown in Figure 5.1-1. The Communication Process starts with asking the question, “Who needs to know?” after each meeting or decision. Once the audience is identified, the method of communication is determined. Among the methods for communication are training and education, regular meetings, bulletin board postings, Web site postings, and e-mail. A “communicator” is assigned responsibility for the communication task and enters it into the communication log on a shared drive. After the communication method is designed and deployed, the communicator updates the log. The process is reviewed annually for improvements by a DINERS Team led by the process owner. The log was an enhancement developed in 2003 after benchmarking a Baldrige Award recipient.

All results from process improvements are documented and included in the Foodtrak Knowledge Management system. Standardized processes and procedures are placed in the Foodtrak system to ensure the process is followed and managed. All teams using the DINERS Improvement Process (Figure 6.1-3) check Foodtrak before starting a new effort in order to identify previous lessons learned.

Team leaders meet monthly to share best practices that are taken back to each location. In addition, the monthly all-employee meetings include best practice sharing, process changes, and general updates. The communication log documents the recipients of each communication.

**5.1b Employee Performance Management System**

*Criteria Question*

*How does your employee performance management system, including feedback to employees, support high-performance work and contribute to the achievement of your action plans? How does your employee performance management system support a customer and business focus? How do your compensation, recognition, and related reward and incentive practices reinforce high-performance work and a customer and business focus?*



The formal performance review methodology is the IRDP Process. This process was designed to provide two-way communication between an employee and his/her manager. Organizational-level action plans are cascaded to departments’ and to individual employees’ action plans and goals. This ensures a focus on customers and business success. The IRDP includes both an appraisal of current performance against individual and/or department action plans and goals and a development plan for each employee. The development plan includes dates for achieving the next level, and each employee is asked for a career goal, in or outside the industry.

Reviews are conducted quarterly during the first year and annually thereafter. Annual reviews have a midyear check-in step to assess progress and identify any barriers to completing the plan. Managers are trained to provide continuous feedback so formal appraisals contain no surprises and focus on steps to get the employee to the next level.

In addition to having an IRDP themselves, managers participate in the 360-Degree Feedback Process conducted by an external consultant every other year. Development plans are constructed based on this feedback.

Compensation is designed to be very competitive in the restaurant industry and is supplemented by a wide variety of rewards and recognition events focused on performance in key areas of business success. On-the-spot awards in the form of gift cards to a local department store are given by managers based on the recommendation of peers, positive written or verbal customer comments, or an employee's willingness to "go the extra mile" for a customer or another employee. Rewards are timely, and the model behavior or best practice is shared. For example, awards are given immediately and announced during the daily line-up and at monthly all-employee meetings. Each on-the-spot award is documented, and, for every five awards, the employee receives a \$100 bonus and has a star embroidered on his/her apron. The latter was an enhancement in 2004 following a DINERS Team recommendation. In addition, employees who serve on DINERS Teams receive gift certificates and are treated to a team recognition event.

New employees who have been with the organization for three months are invited to dine at the restaurant in recognition of that milestone and as an enhancement to their training. Employees with at least six months on the job are recognized by being invited to eat at a competitor's restaurant at company expense. They also complete an Employee Dining Report on that establishment that is shared at monthly staff meetings. During the meeting, employees are asked to share what changes they might make based on that experience. To support the Value of Family Culture, all birthdays are celebrated with a cake presented during the employee's shift, recognition and a chorus at line-up, and a gift certificate for four to dine at either Landmark restaurant.

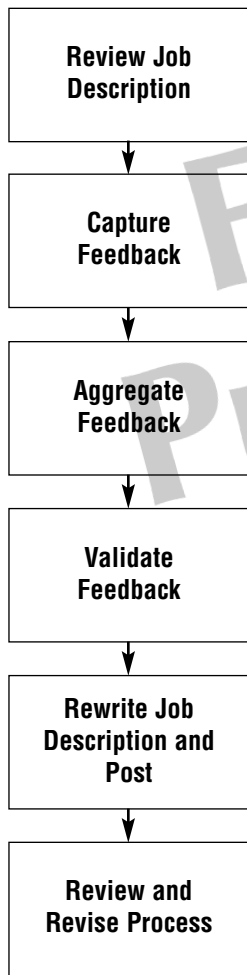


Figure 5.1-2 Job Review Process

### 5.1c Hiring and Career Progression

#### 5.1c(1) Identify characteristics and skills needed

##### Criteria Question

How do you identify characteristics and skills needed by potential employees?

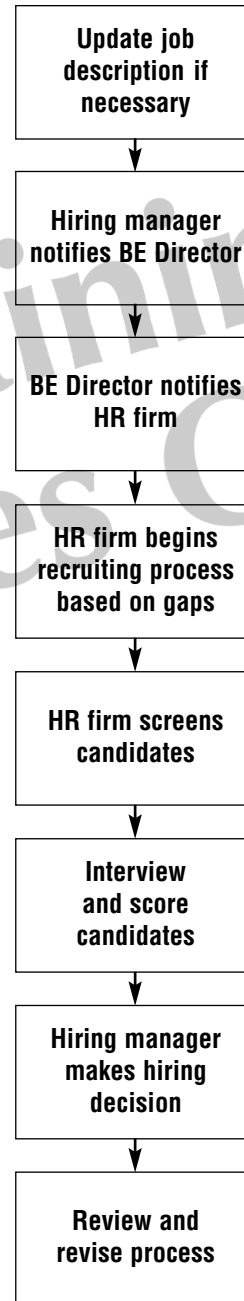


Figure 5.1-3 Recruiting and Hiring Process

Characteristics and skills needed by potential employees are documented in formal job descriptions and identified through the Job Review Process (Figure 5.1-2). All required characteristics begin with the company's common skills of "good attitude and service focus."

Each established job position has a set of defined skills and characteristics based on process requirements. These job descriptions initially were developed based on industry norms but have been refined based on Landmark's specific needs. They are regularly refined during annual process reviews following strategic planning or after a major process change. For example, the Catering Event Manager position was revised in 2004 following a DINERS Team recommendation that this position assume responsibility for obtaining customer event evaluations.

The BE Director starts the process by asking a sample of employees and team leaders at each location to review and provide feedback on the existing job description. The feedback is incorporated and validated through either a review of the document or observation of the job, depending on the significance of the change. The description is updated and shared through IRDPs.

Skills needed for newly created positions, an infrequent occurrence, are identified by the hiring manager based on goals for the position and functional flowcharts of the key processes. They are validated and updated through weekly reviews when the employee is hired.

## 5.1c(2) Recruit, hire, and retain

### Criteria Question



*How do you recruit, hire, and retain new employees? How do you ensure that the employees represent the diverse ideas, cultures, and thinking of your employee hiring community?*

Employee retention in the food service industry generally is very low. Target employees are in large part young people working in their first jobs while in school or in some other temporary status. With that reality in mind, it is Landmark's goal to assist these employees in their goals while establishing a strong core group of employees to provide stability and knowledge. For those "transient" employees, Landmark is an employer of choice with a strong reputation for providing excellent training.

Landmark's recruiting efforts are driven by both the need to maintain the proper level of staffing for current operations and also to grow according to the strategic plan. For example, Landmark is increasing recruitment efforts to support the newer HMR and catering business directions.

Landmark's systematic Recruiting and Hiring Process is shown in *Figure 5.1-3*. The recruiting process is outsourced to Staffing Solutions, Inc., an HR firm that provides services through the purchasing consortium. They use a process appropriate for restaurants, which includes recruiting at school culinary programs, following up on employee referrals, working with high school counselors, advertising in trade magazines, recruiting from competitors, placing newspaper ads, and advertising at local community centers to ensure a diverse pool of potential employees.

The process begins with the hiring manager notifying the BE Director that a position is vacant. The BE Director is the interface with the HR firm to coordinate recruitment and provide guidance about search resources and company needs. The HR firm then begins the recruiting process for the position. This includes a review of the diversity of current employees and the employee hiring community and targeting recruiting efforts to fill gaps.

Staffing Solutions, Inc. is responsible for recruiting employees, conducting reference and background checks, and screening applicants, using established criteria. Applicants are given a "Prospective Employee Guide" that outlines company Values and high-level expectations to help them determine if Landmark is a good fit for them. Once a potential employee is selected through the Landmark hiring process, Staffing Solutions, Inc. provides drug-screening services.

Staffing Solutions, Inc. sends candidates to interview with the hiring manager, team leader, and at least one team member. The interview is based on a formal set of questions designed to determine if the applicant has the appropriate work attitude, desired behaviors, and skills required for the job. After the hiring decision is made by the hiring manager, candidates are offered a position. This process is reviewed annually and improved with the use of DINERS Teams.

To support the Recruiting and Hiring Process, Landmark uses several approaches to maintain relationships with sources of potential employees. These include attending feast days at local culinary schools, employing college and technical school interns, and participating in high school career days with job shadowing opportunities.

Landmark has identified effective recruitment as being key to organizational success. To meet that need, recruitment efforts are designed to identify potential employees who will succeed within the organization's culture. Landmark differentiates itself as an employer of choice by creating systems and approaches that ensure employees (primarily students) have an opportunity to grow and develop their skills to make them desirable candidates for their ultimate careers. Landmark is considered to be a premier culinary training ground whose employees are highly regarded in any industry.

Retention efforts are focused on a core group of employees who provide the stability and knowledge base for the organization. These efforts include supporting employees through a focus on individual development and team work Values, reward and recognition programs, mentoring, coaching, and an environment that supports the organization's Value of Family Culture with Teamwork. Former employees return as customers for many years because of the sense of family they experienced while Landmark employees. Desired retention levels with upper and lower control limits are established during the Strategic Planning Process. When retention goes below those limits, additional actions are taken to retain key staff members.

## 5.1c(3) Succession planning and career progression

### Criteria Question

*How do you accomplish effective succession planning for leadership and management positions? How do you manage effective career progression for all employees throughout the organization?*



Based on feedback from the Advisory Board, a formal succession plan for leadership positions was established in 2000 that identifies specific individuals to be developed for each leadership position. The selection is based on tenure with the company, career goals, talent and skills for the position, and work performance. The succession plan includes the design of a career path, rotational assignments, training and development activities, and job shadowing of the future role. The plan is reviewed every six months by Owen Dudley and the BE Director. To support employee development at all levels, an improvement was made in 2002 with the addition of team leaders to the plan. Two potential names are identified for each team leader role, with a full succession plan for each individual, similar to the ones for senior leaders. This improvement has increased retention rates of these high-performing employees.


During performance reviews, all employees are asked to stipulate a career goal. Those that express interest in the hospitality industry are supported with special training and development opportunities. All employees' development goals are accompanied with an action plan and an estimated timeline for completion.

## 5.2 Employee Learning and Motivation

### 5.2a Employee Education, Training, and Development

#### 5.2a(1) Contribute to achievement of action plans

##### *Criteria Question*




*How do employee education and training contribute to the achievement of your action plans? How do your employee education, training, and development address your key needs associated with organizational performance measurement, performance improvement, and technological change? How does your education and training approach balance short- and longer-term organizational objectives with employee needs for development, ongoing learning, and career progression?*

As described in 2.2a(4), strategic objectives drive the development of human resource-related plans, which in turn drive employee training plans. This process ensures key needs associated with organizational performance are addressed and that training and education reflect short- and longer-term organizational goals. For example, in 2001, a key strategic objective was to go beyond gathering customer perceptions of service to understanding what events formed those perceptions. A DINERS Team was formed to expand the Voices system (Figure 3.1-1) to include predictive approaches and to train all employees on the approaches and the customer service philosophy behind them. A course was designed called “Customer First,” which is attended by every employee at least every two years.

Based on key changes in the strategic plan, training for 2005 (Figure 2.2-2) will be offered on ethics mentoring, catering service, delivery service, the Foodtrak system, and strategic planning. Also, training for all employees will continue on Customer First and the DINERS Improvement Process, and training will be offered on Foodtrak functionality and understanding performance measurement systems, as well as changes to technology used in the business. Organizational objectives are balanced with employees’ needs through inclusion of appropriate training activities into their IRDPs.

#### 5.2a(2) Address key organizational needs

##### *Criteria Question*



*How do employee education, training, and development address your key organizational needs associated with new employee orientation, diversity, ethical business practices, and management and leadership development? How do employee education, training, and development address your key organizational needs associated with employee, workplace, and environmental safety?*

Each new employee receives an *Employee Handbook* outlining expectations, policies, and general work requirements. A four-hour orientation program is provided by senior leaders that covers basic safety (including workplace violence); diversity;

ethics; customer contact standards; and Landmark’s Mission, Vision, Values, and strategic objectives. This is followed by a virtual tour of all the facilities and an introduction to the team leader, who begins training the employee on processes, using a checklist and Foodtrak functions. An experienced employee serves as a coach/mentor and is available for three months to answer questions and provide guidance. In addition, new employees job shadow the coach for three to five days. All critical written training materials, such as the *Employee Handbook*, are translated into Spanish.


Basic training on ethics and safety is provided during orientation, with further education and reinforcement provided regularly. For example, Landmark employees receive basic training and refresher courses on CPR techniques and procedures in the event of a potential choking emergency. Each employee reviews and signs an ethics agreement each year. Managers are required to review the key elements of the agreement with employees before they sign. Ethical behavior is further reinforced at all-employee meetings as a standard agenda item.

After orientation, further reinforcement and details of safety issues are provided by the new employee’s team leader and coach. Safety issues that are covered include OSHA requirements, workplace violence, safe handling of equipment, and building security. Refresher training is conducted during line-ups, on-line modules, and all-employee meetings, as appropriate. All-employee meetings also cover information related to food safety, customer satisfaction, diversity, contact standards, service and selling, and menu items. Landmark requires all employees to pass the NRA’s course for food handling and food safety within two months of employment—most restaurants require only managers and key staff members to complete this course. Managers also complete the Food Service Managers Certification offered by the Health and Human Services department and a certification program offered by a national culinary association. All procedures for preparing and storing food are documented and posted in the kitchen, and procedures are reviewed quarterly.

Most management and leadership training courses are updated each year, and all managers and leaders participate. Leadership training includes participation in the state and national quality award programs, business building seminars, accounting and financial courses, and other training identified as needed through strategic planning. In 2004 for example, all leaders participated in training on how to give constructive feedback.

#### 5.2a(3) Input from employees, supervisors, and managers

##### *Criteria Question*



*How do you seek and use input from employees and their supervisors and managers on education, training, and development needs? How do you incorporate your organizational learning and knowledge assets into your education and training?*


The company uses several methods to gather input on training needs from employees, supervisors, and managers. The key

tool is the IRDP. Each employee's IRDP addresses training that is suggested by the individual or the supervisor to support action plans and strategic directions. The BE Director reviews all IRDPs to uncover themes among the plans. The Employee Satisfaction Survey also is used to identify training needs. In 2003, as a result of the survey, the Catering Management Team took a refresher course in coaching skills when survey results showed employees were disappointed with their supervisors' ability to assist them effectively. Also, the company is small enough that in many cases senior leaders simply ask employees about their training needs during line-ups.

In order to incorporate organizational learning and knowledge assets into education and training, the BE Director ensures appropriate learnings from the Foodtrak Knowledge Management system are given to training providers (such as the community college) to incorporate into training activities. Another method of sharing learning is by pairing a new employee with a more experienced one who serves as a coach. Informal incorporation of knowledge assets into learning occurs through use of the Knowledge Management system during required research for DINERS Teams. In addition, best practices are shared at monthly all-employee meetings as a training approach.

**5.2a(4) Delivery of education and training**

*Criteria Question*


 *How do you deliver education and training? How do you seek and use input from employees and their supervisors and managers in determining your delivery approaches? How do you use both formal and informal delivery approaches, including mentoring and other approaches, as appropriate?*

Training typically is delivered by one of five methods: on the job, on-line, in meetings, in a classroom or seminar, or through research. Although on-the-job training (OJT) is most often used, some training is available through community and technical colleges, the NRA, line-ups, on-line refresher modules, and all-employee meetings. Coaching and the Knowledge Management system provide additional training methods.

Whenever a new training need is identified, the BE Director applies a set of criteria to determine appropriate delivery methods. For example, the criteria for training during line-ups are that it take 30 minutes or less and require no handouts. When the beverage service was changed to include "bottomless" sodas, for instance, training was delivered during line-up. Input from employees and managers concerning delivery methods is provided through evaluations of current training, which ask about delivery methods. In addition, methods generally are selected by employees at the same time as IRDP goals; both formal and informal delivery approaches (described above) are considered as training delivery options during IRDP discussions.

**5.2a(5) Reinforce the use of new knowledge and skills**

*Criteria Question*

*How do you reinforce the use of new knowledge and skills on the job and retain this knowledge for long-term organizational use? How do you systematically transfer knowledge from departing or retiring employees?* 


Since most training is OJT with a coach, instant reinforcement occurs. Training conducted through line-ups is held only when there is an immediate need. When updates to Foodtrak were developed, training was held "just in time," and employees were expected to immediately use the new skills, with coaching from team leaders.

For training conducted by external organizations, supervisors are required to develop a plan for their employees' use of the new skills, and employees are expected to share key learnings. For example, a team leader who attended a Baldrige overview course was placed on the Application Writing Team and asked to share key lessons learned at the next monthly meeting. Because training is included in employees' IRDPs, further reinforcement is provided as employees are evaluated for attainment of skills. Lessons learned also are entered into the Knowledge Management system for long-term learning opportunities.

Generally, knowledge is transferred from voluntarily departing employees through a "debrief period" after the employee has given notice. During this time, the employee trains his/her replacement, documents best practices, and ensures that accounts and activities are wrapped up. Employees who depart involuntarily, as well as some who depart voluntarily, do not have a debrief period; however, during an exit interview, Landmark asks about reasons for leaving, perceptions of the organization, and any other thoughts and practices the employee would like to share.

**5.2a(6) Evaluate the effectiveness of education and training**

*Criteria Question*

*How do you evaluate the effectiveness of education and training, taking into account individual and organizational performance?* 


Training is evaluated through several methods, including formal evaluations at the end of all classroom training. Also, the annual employee survey includes questions designed to evaluate employees' perceptions of the effectiveness of training and whether they were able to use the new skills on their jobs, thus providing another level of assessment.

Training also is correlated with operational improvements. If a solution to an improvement opportunity involves training, the BE Director correlates training with the process improvement. Training that is included as part of the strategic plan or included in action plans to accomplish a strategic objective is evaluated to some extent through the successful attainment of

strategic goals. Training also is linked to IRDPs to help employees carry out their action plans and meet their goals. The percentage of goals that employees attain is an indicator of the success of the training provided.

## 5.2b Motivation and Career Development

### Criteria Question



*How do you motivate employees to develop and utilize their full potential? How does your organization use formal and informal mechanisms to help employees attain job- and career-related development and learning objectives? How do managers and supervisors help employees attain job- and career-related development and learning objectives?*

Landmark's Values of Employee Development and Family Culture with Teamwork guide managers and employees alike. The company understands that what motivates one employee may not motivate another. As a result, it is the responsibility of managers and team leaders to identify the motivational factors for each employee. Because we are a small business, this is easily accomplished. The foundation for motivation and career progression is the IRDP, which outlines employees' career goals, assesses current performance, and documents plans to reach career goals and meet the organization's operational needs. Raises and promotions are tied to performance appraisal results but can be given at any time at the manager's discretion.


Informal methods used to motivate employees to achieve their full potential include informal techniques described previously, such as coaching, recognizing good performance, and the development of succession plans.

## 5.3 Employee Well-Being and Satisfaction

### 5.3a Work Environment

#### 5.3a(1) Improve the work environment

### Criteria Question



*How do you ensure and improve workplace health, safety, security, and ergonomics in a proactive manner? How do employees take part in these improvement efforts? What are your performance measures or improvement targets for each of these key workplace factors? What are the significant differences in these workplace factors and performance measures or targets if different employee groups and work units have different work environments?*

Landmark contracts with an outside firm to provide services related to improving the health, safety, security, and ergonomics of the workplace. These services include monitoring OSHA compliance, providing health and safety training to employees (including ergonomics), and conducting regular inspections. The BE Director is responsible for oversight of the contract and for reviewing and monitoring performance measures. Reports are made during the monthly executive review.

Employees are asked to provide suggestions for improvement of these workplace factors during discussions at line-ups and during IRDP sessions. Performance of measures related to health, safety, and security processes is monitored by team leaders to identify areas for improvement. Opportunities to improve safety also are identified through regular internal inspections conducted by the community college partnership and Landmark's safety contractor. Solutions to issues are developed through the use of DINERS Teams. Employees participate on these teams to improve safety if it meets their development plan goals or if they are considered subject matter experts.

Figure 5.3-1 shows the major health, safety, security, and ergonomics performance measures, along with targets, benchmarks, and the major employee groups impacted. Measures have been tracked for five years and have shown significant improvement. Additional information and further segmentation of the measures by employee group are available on site.

#### 5.3a(2) Ensure workplace preparedness

### Criteria Question

*How do you ensure workplace preparedness for disasters or emergencies?*




The BE Director maintains a Disaster Preparedness Plan that is updated annually and described in 6.2b(2). The plan emphasizes responses to the specific kinds of disasters likely in South Texas, including tornadoes, hurricanes, flash floods, and severe thunder storms, as well as general business disasters, such as fires and power disruptions. It details actions employees should take based on the scenario, such as stay inside, evacuate, or call rescue services. The plan is reviewed annually, and a hard copy is available in each location, as well as at the home of each member of the Senior Leadership Team. In addition, an electronic copy is available on the Foodtrak Knowledge Management system. The plan includes the designation of ongoing activities to support disaster recovery, such as the creation of daily backups of all data systems and weekly off-site storage. Other electronic system disaster recovery and system assurance procedures are described in Item 4.2.

Emergency exits and the evacuation process are discussed with new employees during orientation and reviewed on a regular basis with all employees. In addition, monthly fire, severe weather, and evacuation drills are held.

### 5.3b Employee Support and Satisfaction

#### 5.3b(1) Key factors of employee well-being, satisfaction, and motivation

##### *Criteria Question*

 *How do you determine the key factors that affect employee well-being, satisfaction, and motivation? How are these factors segmented for a diverse workforce and for different categories and types of employees?*


The primary tool for determining key factors that affect employee well-being, satisfaction, and motivation is the Employee Satisfaction Survey, which has been used since 1999. This online survey, developed by an external consultant, is conducted twice a year. Employees can access the survey at work or at home. The survey is modeled after a national survey by the NRA, enabling comparison to national results. The survey asks employees to specify their job and location, along with demographic data, such as gender, age, and ethnicity. Employees rank order the satisfaction factors by importance and then rate their agreement from 1 to 5 (5 being “strongly agree”) with statements related to their satisfaction with these factors. They also are provided space to add written comments.

Key factors for both hourly and salaried workers include competitive compensation, competitive benefits, work-home life balance, respect and recognition, and community involvement. An additional factor for hourly workers is competent managers. Segmented data demonstrating the level of importance of these factors are available on site.

Landmark also analyzes exit interview data and employee feedback from the IRDPs to determine key factors. For all employees, these include respect by coworkers and supervisors, benefits, and work-home life balance.

#### 5.3b(2) Services, benefits, and policies

##### *Criteria Question*

 *How do you support your employees via services, benefits, and policies? How are these tailored to the needs of a diverse workforce and different categories and types of employees?*


To tailor benefits to a diverse workforce, Landmark uses a cafeteria plan. Full-time (over 30 hours per week) and salaried employees are given a dollar limit that they can apply to benefits such as a 401K plan and medical, vision, dental, and life insurance. In addition, they are eligible for two weeks of paid vacation time that increases to three weeks after five years of employment.

After six months of employment, all employees are given an increase in the benefits cap and can choose additional benefits, including a child care subsidy and assistance in finding off-hour care, health club membership, subsidized transportation, subsidized medical insurance (through the restaurant purchasing consortium), and disability and accidental death insurance (only for salaried positions). On-call workers may purchase medical insurance at reduced rates through the consortium. The benefits cap for part-time employees is prorated based on the average number of hours they work per month.

Other benefits and services include seven paid holidays, including a personal holiday, time off for community involvement/volunteer activities every year, recognition for participating in improvement efforts, an in-restaurant dining discount, and a birthday dinner for four.

#### 5.3b(3) Employee well-being, satisfaction, and motivation

##### *Criteria Question*

*What formal and informal assessment methods and measures do you use to determine employee well-being, satisfaction, and motivation? How do these methods and measures differ across a diverse workforce and different categories and types of employees? How do you use other indicators, such as employee retention, absenteeism, grievances, safety, and productivity, to assess and improve employee well-being, satisfaction, and motivation?* 

The Employee Satisfaction Survey is the key tool for determining employee satisfaction. Conducted twice a year and accompanied by frequent reminders, the survey has a response rate of 90%. Because Landmark uses the NRA model, comparisons are available with other top companies in the hospitality industry and best-in-class benchmarks. In addition, all results are segmented according to job, location, gender, age, and ethnicity. *Figure 7.4-9* lists the major results and a sample of the segmentation.

| Factor             | Employee Group | Measure                       | Target      | Benchmark    |
|--------------------|----------------|-------------------------------|-------------|--------------|
| Cuts               | Hourly         | Number of cuts                | <2 per year | <3 per year  |
| Burns              | Hourly         | Number of burns               | <2 per year | <2 per year  |
| Back Injuries      | Hourly         | Number of back strains        | <2 per year | < 1 per year |
| Slips/Falls        | Hourly         | Number of slips/falls         | <3 per year | <2 per year  |
| Ergonomics         | Salaried       | Number of RSIs per year       | 0           | 0            |
| Indoor Air Quality | All            | Indoor air quality violations | 0           | 0            |
| Security           | All            | Number of security violations | <2 per year | 0            |

**Figure 5.3-1 Sample Work Environment Measures and Targets**



Landmark also closely monitors employee turnover, the rate of IRDP completion, absenteeism, sales per server, results from exit interviews, and the work environment measures outlined in *Figure 5.3-1*. When declining results occur in any of these areas, they are investigated and improved through the use of DINERS Teams. For example, in 2002, a DINERS Team investigated a decrease in the completion of exit interviews. The team found that the lower numbers reflected a large decline in interviews with servers and then linked this to a lack of time for the BE Director to manage the interview process. The methodology was streamlined and the process was delegated to Staffing Solutions, Inc. The current completion rate has improved to higher levels than in previous years.

#### 5.3b(4) Relate assessment findings to business results

##### *Criteria Question*



*How do you relate assessment findings to key business results to identify priorities for improving the work environment and employee support climate?*

Results from the employee survey and exit interviews, as well as other key HR results, are reviewed regularly by senior leadership to identify improvement opportunities. For example, in early 2003, employee survey results indicated that chefs' satisfaction with "tools to do the job" was declining. This was correlated with an increase in the time it was taking to prepare two new entrees. With the implementation of the DINERS Teams, the root cause was determined and a solution implemented. As a result, preparation time and the chefs' satisfaction have both improved.

For the last two years, the company has regularly correlated the relationship between employee satisfaction and elements of the Voices system: the Voice of the Customer and Voice of the Process. This correlation points us toward possible improvement areas in employee satisfaction. For example, a change in employee retention rates automatically is analyzed to identify any changes in customer comments or satisfaction levels. Changes in the number of part-time employees or changes in the satisfaction of employee types are analyzed for relationship to the performance of standard processes. In 2003, segmented satisfaction results showed a decline in the satisfaction of hosts/hostesses, and a corresponding decrease was seen in the area of customers' satisfaction with being greeted cordially and promptly. Investigation revealed that a recent change in the duties of hosts/hostesses made it difficult for them to respond promptly to customers.

6.1 Value Creation Processes


Criteria Question

6.1a Value Creation Processes

6.1a(1) Determine key value creation processes

Key value creation processes, their requirements, in-process metrics, and outcome metrics are shown in *Figure 6.1-1*. Landmark determines its key value creation processes by using information collected through the Voices system to evaluate how each process' outputs affect customers. Using the concepts of

*How does your organization determine its key value creation processes? What are your organization's key product, service, and business processes for creating or adding value? How do these processes contribute to profitability and business success?*



|               | Process                        | Requirements   | In-Process Metrics  | Outcome Metrics   | Reference                                |
|---------------|--------------------------------|--|---|---|--|
| Restaurants   | Reservations and Greeting      | Accurate reservations  | System availability   | Customer satisfaction<br>Customer retention   | 7.2-3, 7.5-12<br>7.2-6                   |
|               |                                | Seated promptly  | Accurate scheduling   | Wait time   | 7.1-1                                    |
|               |                                | Timely/courteous greeting  | Prompt, warm greeting   | Wait time   | 7.1-1                                    |
|               | Order Taking                   | Short wait time  | Ongoing table bussing   | Table set-up cycle time   | 7.5-9                                    |
|               |                                | Accurate order   | Send backs  | Customer complaints   | 7.1-4, 7.2-5                             |
|               |                                | Responsive/informed server   | Up-selling  | Revenue per employee  | 7.5-1                                    |
|               | Food Preparation               | Healthy meals  | Food safety/temperature   | Customer satisfaction   | 7.1-2, 7.6-5                             |
|               |                                | Attractive presentation  | Visual standards  | Positive food present.  | 7.1-2, 7.2-3                             |
|               |                                | Good taste   | Standardized recipes  | New item performance  | 7.5-5                                    |
|               |                                | As described in menu   | Standardized recipes  | Positive menu selections  | 7.2-3                                    |
| Table Service | Appropriate tempo/pace         | Visual observation   | Food cycle time   | 7.2-3   |  |
| Table Bussing | Dishes removed as finished     | Visual observation   | Table set-up cycle time   | 7.5-9   |  |
| Catering      | Event Planning                 | Timely event scheduling<br>Positive client relations                         | Approved by customer, to kitchen 10 days prior                              | Customer satisfaction<br>Customer retention   | 7.2-1<br>7.2-6                           |
|               | Food Prep.                     | (Same as for restaurants)  | (Same)  | (Same)  | (Same)                                   |
|               | Delivery and Event Cleanup     | Delivered/served as planned  | Staff/vehicles scheduled 1 week prior                                       | Customer satisfaction<br>Customer retention   | 7.2-1<br>7.2-6                           |
| HMR           | HMR Delivery Order Taking      | Accurate orders  | Verify orders to kitchen 24 hrs. prior to delivery                          | Customer satisfaction<br>Customer retention   | *N/A                                     |
|               | HMR Delivery Service           | Accurate, on-time delivery   | Standardized recipes  | Customer satisfaction<br>Repeat customers   | *N/A                                     |
| All Segments  | New Product Introduction       | New products and services valued by customers                                | Introduction follows standard process                                       | Revenue/employee, Menu item devel. cycle time<br>Customer satisfaction                            | 7.5-1<br>7.5-6<br>7.2-1, 7.2- 2          |
|               | Menu Design and Re-engineering | Favorable menu performance—semi-annual menu review<br>Menu changes quarterly | Menu item tracking<br>Development of menu items and review process followed | # New menu item orders<br>Send backs<br>Customer satisfaction<br>Menu item development cycle time | 7.5-5<br>7.1-4<br>7.2-1, 7.2- 2<br>7.5-6 |
|               | Purchasing Consortium          | Accurate delivery of product   | Availability of supplier inventory systems                                  | Menu item shortages<br>Supplier performance   | 7.5-7<br>7.5-11                          |
|               | Facility Cleaning              | Restaurants, restrooms, and kitchens clean and free of pests                 | Table/facil. cleanliness<br>Weekly inspection/<br>pre-HHS scores            | Customer satisfaction<br>Pre-audit scores<br>HHS inspection results                               | 7.2-1, 7.1-8<br>7.5-8<br>7.6-5           |

Figure 6.1-1 Key Value Creation Processes, Requirements, and Measures

Note: Space in Category 7 will permit results for only some outcome metrics and few in-process measures to be reported.  
\*Results are not yet available for the HMR service started in the fourth quarter of 2004.

Lean systems and quality tools such as value stream mapping, Landmark has identified value creation processes as those that add value to the dining experience according to the customer's perspective. Mapping ensures that these processes are aligned to contribute to profitability and business success. Those that do not necessarily add value from the customer's perspective but are required to support business are considered key support processes. Over time, we have identified several processes that did not add value to customers and were not essential to support business, and we have eliminated them from operations.

Voices information is reviewed annually during strategic planning to determine whether any key new processes are emerging. For example, in 2001, after customers indicated that the cleanliness of restrooms affects their overall dining experience, restroom cleaning emerged as a key process. Processes also are identified based on the determination of new service lines to be offered during strategic planning. For instance, the decisions to enter the catering business in 1998, add take-out service in 2001, and add the Dinner Delivery Service in 2004 required that new processes be designed.

Landmark's processes create value by their effective and efficient design, systematic and consistent execution, and routine evaluation and improvement. All processes are designed first to be effective, and then to be efficient, using the fewest possible steps. All processes are monitored using Foodtrak system tools and a systematic process to evaluate effectiveness and efficiency. Most key processes are monitored on a daily or even hourly basis, with a few monitored weekly, and all have metrics of effectiveness and efficiency. Foodtrak provides daily information on most key metrics. Input from customers and other stakeholders is gathered routinely, as described in Category 3, and fed into the processes. Landmark continues to be profitable due to its close monitoring of metrics and keen focus on cost containment and productivity, important contributors to the company's business success.

### 6.1a(2) Determine value creation process requirements

#### Criteria Question



*How do you determine key value creation process requirements, incorporating input from customers, suppliers, and partners, as appropriate? What are the key requirements for these processes?*

Requirements of key processes are shown in *Figure 6.1-1*. These requirements are determined through the Voices system, which incorporates input from customers, employees, owners, and other stakeholders. Information gathered during the Voices stages of before, during, and after the dining experience is used in designing value creation processes and monitoring process performance. As a result of customer survey response analyses, customer comments are translated into detailed service standards. For example, to address the key customer requirement of reliability, a requirement was incorporated into the hosting process that the actual wait time to be seated not exceed the time quoted to customers. Daily line-ups include an in-depth menu and food preparation review so servers can

describe food accurately—reflecting Landmark's focus on exceptional service, another key customer requirement.

Landmark's suppliers provide significant input to requirements through their participation in reviews (4.1b) and through input to the Knowledge Management component of the Foodtrak system. On an almost weekly basis, brief meetings with representatives from local suppliers are scheduled by the Executive and Sous Chefs to discuss both parties' requirements and the quality and status of deliveries. They also frequently arrange training of other Landmark employees on such issues as the proper use and maintenance of dishwashers or the correct way to describe fresh produce, seafood, and beef to customers. The monthly executive review meeting is held with the purchasing consortium manager, senior leaders, the Advisory Board, and representatives of key suppliers. At this meeting, key metrics are reviewed, new or revised specifications are discussed, and additional products and services are identified.

Regulatory requirements for safe food handling are provided by the U.S. Food and Drug Administration and local HHS departments. The organization has implemented an HACCP plan (described in 1.2a[2]), which includes a specific documented process to ensure food safety with regard to chemical, physical, and microbiological hazards. The relevant HACCPs are incorporated into Landmark's process design and management and include basic and routine controls, such as safe handling and temperature monitoring.

Landmark's owners' process requirements are incorporated through strategic planning. At the highest level, their requirements are to maintain and enhance profitability in accordance with the Vision, Mission, and Values. Profitability benefits the owners, employees, and the community where the business, owners, and employees pay taxes.

### 6.1a(3) Design processes to meet all requirements

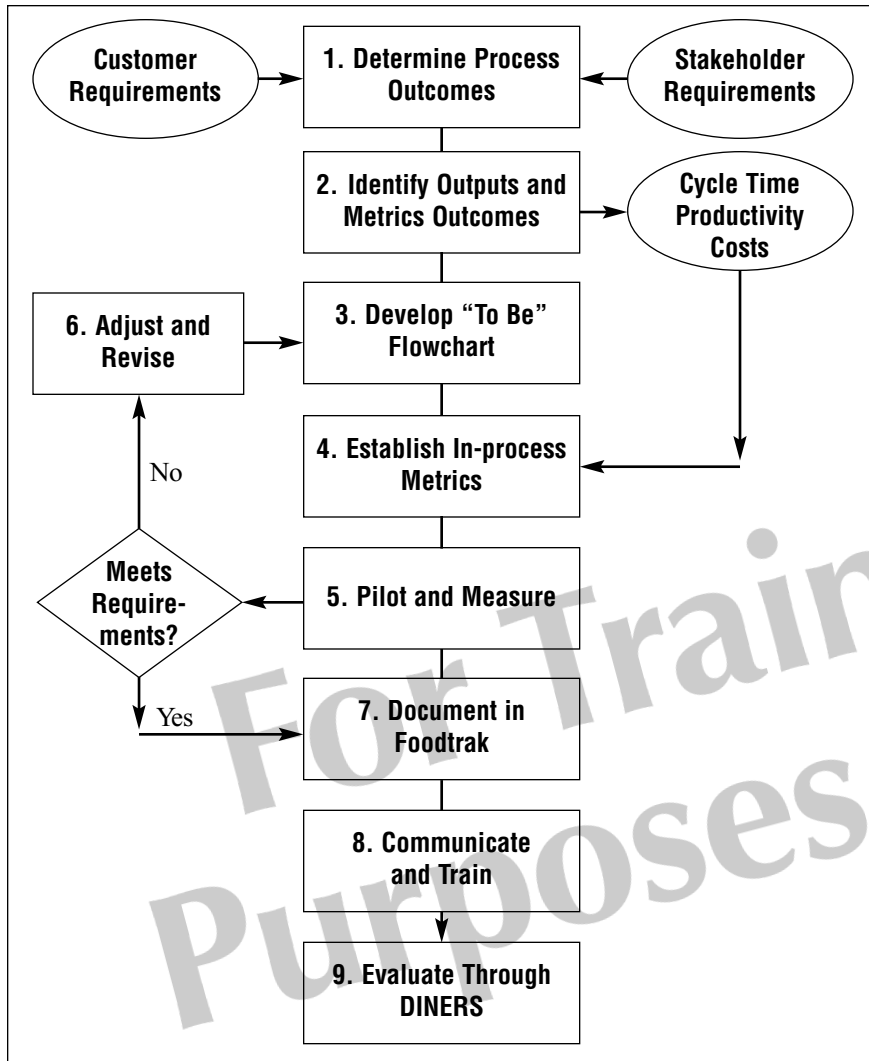
#### Criteria Question

*How do you design these processes to meet all the key requirements? How do you incorporate new technology, organizational knowledge, and the potential need for agility into the design of these processes? How do you incorporate cycle time, productivity, cost control, and other efficiency and effectiveness factors into the design of these processes? How do you implement these processes to ensure they meet design requirements?*



All processes (value creation and support processes) are designed by DINERS Teams and team leaders using a common nine-step approach shown in *Figure 6.1-2*. Processes are designed by starting with the final desired process outcomes based on customer and stakeholder requirements and then working back through the steps required to reach those outcomes. Existing processes may be periodically redesigned using these same steps.

1. Determine the desired outcomes based on customer and stakeholder requirements.



**Figure 6.1-2 Process Design Process**

2. Identify process outputs and establish end-of-process metrics and targets with comparative data—for example, cycle time, productivity, and cost containment. Information from the Foodtrak Knowledge Management system is evaluated to determine recent changes that affect the process, recent modifications to the specific process, and the best design.
3. Develop the “To Be” flowchart to produce the desired outputs, using the fewest possible steps and incorporating visual management and value stream mapping.
4. Establish in-process metrics and targets, and identify related support processes required for effective performance, including information management and other technology.
5. Pilot the process, and measure the results.
6. Adjust and revise the process steps and metrics based on the pilot.
7. Finalize and document the process in Foodtrak with flowcharts, procedures, and updates to training, and add to the DINERS calendar for formal annual evaluation.
8. Communicate the process to all employees, and train those who will be executing the process (including employees who will be cross-trained in the process).
9. Monitor and evaluate ongoing process effectiveness through indicators and the DINERS Improvement Process described in 6.1a(6).

Landmark stays abreast of trends and best practices in the restaurant industry, including innovations in technology, through participation in the NRA, the informal restaurant consortium, and other professional organizations. Benchmarking a leading national restaurant chain led Landmark to implement the Knowledge Management component of the Foodtrak system, for instance.

Technology changes are evaluated and included during Step 4 of the design process. Technological features that have been incorporated into Landmark’s processes include the Foodtrak Wait Staff System (4.1a[1]). Landmark was one of the first independent companies in the industry to adopt several innovations that are now becoming standard industry practice, such as the use of wireless POS/PDA units, the on-line reservation system, the wireless communication system between servers and the kitchen, suppliers’ access to the on-line inventory system, and the recipe and food preparation system.

Organizational knowledge is incorporated into process design using a variety of methods. First, to design processes, Landmark uses cross-functional and cross-restaurant teams (including at least one chef and one supplier for food preparation processes), facilitated by a process team leader. The monthly team leader meeting is an important mechanism to share the status and results of processes. In addition, Step 2 of the design process requires a formal search of the

Knowledge Management system for relevant information.

Once processes are finalized, they are documented on hard copy and in Foodtrak, which is used to monitor the day-to-day performance of processes. The use of Foodtrak to document and manage processes provides rapid response to changing needs. Regular review of performance measures (4.1b) provides visibility into the need for agility in these processes.

Documenting all processes in Foodtrak helps ensure procedures are followed and key metrics are monitored. Process changes are communicated in line-ups, team leader and management meetings, and in training. Employees are trained to execute the process steps as designed to minimize defects and variation in service.

### 6.1a(4) Key performance measures or indicators

#### Criteria Question

*What are your key performance measures or indicators used for the control and improvement of your value creation processes? How does your day-to-day operation of these processes ensure meeting key process requirements? How are in-process measures used in managing these processes? How is customer, supplier, and partner input used in managing these processes, as appropriate?*

Metrics for each of the key value creation processes are shown in *Figure 6.1-1*. Hard copy and on-line process documentation is thorough and easy to understand. In addition to documentation, Landmark uses a variety of other mechanisms in its day-to-day operation of processes to ensure they meet process requirements. These include training and on-the-job reinforcement for employees, visual management and job aids, walk-throughs for restaurant and catering events, and twice daily line-ups (one for lunch and one for dinner at each restaurant) to manage daily operations and process performance. The line-up is a best practice adopted from a Baldrige Award recipient and is responsible in part for the high level of employee empowerment and service vital to the continued success of the business.

These practices and the ongoing review of process metrics on a daily, weekly, and monthly basis ensure that processes are executed as planned. In-process measures provide leading indicators of process performance. The use of these measures is incorporated into process steps to ensure processes meet requirements and standards. The Menu Design and Re-engineering Process provides an example of how key value creation processes are managed with data. The Landmark menu remains fairly constant, with only 20% of the items changing to reflect seasonal or daily specials. The performance of specific menu items is tracked daily through the Foodtrak system, with performance levels plotted on a quadrant chart to determine the profitability and popularity of items. When new menu items are created, the dish is prepared and tested at least three times to ensure that it meets standards for flavor, odor, texture, color, uniformity, and general character. Testers, who include chefs, other employees, the owners, and some customers, record their evaluations on tasting checklists. If the feedback is positive, a standardized recipe must be prepared according to established formulas. Recipes contain information on ingredients, nutritional value, and preparation methods for quantities of 10 and 25. The recipe also is costed-out using a standard Recipe Costing Worksheet to ensure that adding the dish will result in positive contribution margins. Both the recipe and the Recipe Costing Worksheet are approved by the Executive Chef and entered into the Foodtrak system (accessible to both kitchens) before the dish is added to the menu.

Daily Foodtrak reports on the Scorecard, including daily results and trend data, are posted for review by all employees. Any issues are discussed in the daily line-ups, which take

between 10 and 25 minutes and include daily announcements, customer feedback, menu item descriptions and methods to present them, and samples of menu specials. In addition, to ensure communication across shifts and restaurants, managers at the restaurants and headquarters hold a brief conference call between shifts. This ensures carryover matters are reviewed in line-ups at both restaurants and provides an opportunity for senior leaders to emphasize a particular concept for that day.

Numerous in-process customer and employee inputs are provided during the execution of these processes through the Voices system (*Figure 3.1-1*). Inputs are strategically designed to evaluate the performance of processes quickly so that service issues can be corrected before they become complaints. Inputs from suppliers and partners (e.g., Dinner Delivery Services distribution locations) are gathered through frequent contact and periodic performance evaluations to ensure the successful accomplishment of key processes.

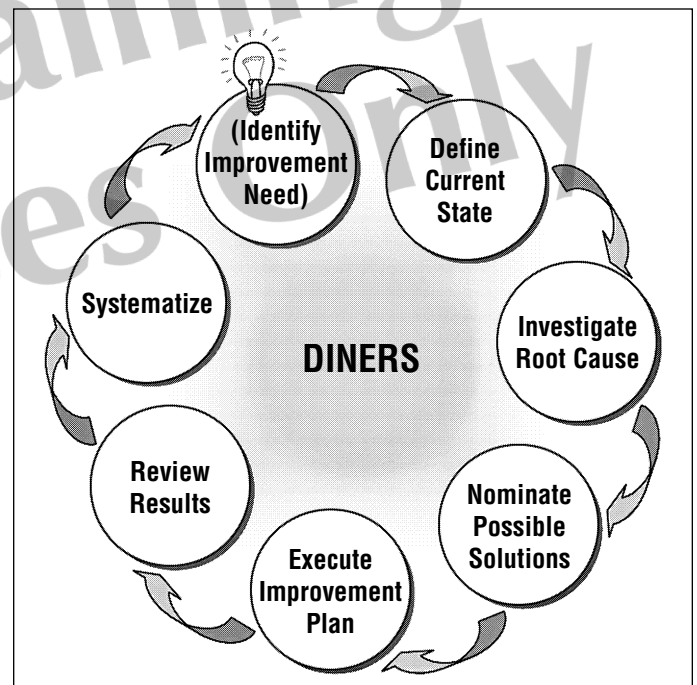


Figure 6.1-3 DINERS Improvement Process

### 6.1a(5) Minimize costs of inspections, tests, and audits

#### Criteria Question


*How do you minimize overall costs associated with inspections, tests, and process or performance audits, as appropriate? How do you prevent defects and rework, and minimize warranty costs, as appropriate?*

Landmark minimizes costs associated with inspections, tests, and audits by focusing on early detection of errors and defects. Numerous early checkpoints are provided in processes, such as preshift walkthroughs and line-ups. Verification that processes are being performed as designed takes place multiple times a day through observation and at least daily through the review of process performance metrics. While actual audits by the

various health departments (city and state) are conducted infrequently (usually only once or twice a year) and on a surprise basis, the philosophy of Landmark is to always operate the kitchens at the highest level of cleanliness and exceed regulations. Weekly “pre-audits” are conducted by trained students from the culinary arts program of the community college to evaluate compliance to state and local health department codes. These quick and economical reviews keep the restaurants “audit-ready” and serve as additional forms of training and on-the-job reinforcement. They also help prevent expensive fines or citations by a health department. Landmark has never received a citation and always earns high scores on actual health department audits.

**6.1a(6) Improve value creation processes**

*Criteria Question*



*How do you improve your value creation processes to achieve better performance, to reduce variability, to improve products and services, and to keep the processes current with business needs and directions? How are improvements and lessons learned shared with other organizational units and processes to drive organizational learning and innovation?*

Landmark has adopted a version of the PDCA cycle and adapted it over time into a six-step improvement process referred to as DINERS (Figure 6.1-3).

- Define the current state and potential opportunity (must link to strategic direction and incorporate Voice of the Process or Voice of the Customer data).
- Investigate likely root cause and validate root cause.
- Nominate possible solutions and metrics of success.
- Execute the improvement plan.
- Review results of the improvement and associated performance metrics; repeat and make adjustments as necessary.
- Systematize by documenting the revised process, entering changes and learnings into the Foodtrak Knowledge Management system, communicating with all employees, and incorporating changes into training.

Each key process is evaluated and improved annually through the formal DINERS Improvement Process according to an established schedule. Employees are trained to identify problems and seek out improvements for which a DINERS Team can be initiated if outside of the annual cycle. The process team leader is responsible for facilitating a cross-restaurant and cross-functional DINERS Team. All employees are trained in simple quality tools, and these are used during the various DINERS Improvement Process steps. For example, check sheets, histograms, and Pareto charts are used to record defects, and fishbone charts are created to brainstorm potential root causes. Many of these quality tools are generated automatically by Foodtrak.

During the DINERS review, process performance for the previous period and longer-term trends is analyzed. Updated technology, information about best practices, and organizational knowledge are brought into the process through the Define step

by reviewing the Knowledge Management system. The DINERS Team makes a presentation to the owners and managers upon completion of the DINERS Improvement Process, summarizing the key steps in the process and the resulting changes. Improvements are shared locally and just in time during daily line-ups. Process changes also are shared monthly in the team leader process meeting. Changes must be documented by the appropriate team leader in Foodtrak and included in employee training guidelines within ten days. In this way, training for employees always is current with the most recent process changes.

An example of a significant process improvement activity is the inclusion in the Menu Design and Re-engineering Process of the mandatory standardized Recipe Costing Worksheets and a disciplined process to ensure that only healthy, good tasting, and profitable food is presented to customers. While a simple process existed when there was only one restaurant, as the company expanded into two restaurants and then more recently into catering and the Dinner Delivery Service, the need for a more rigorous process to maintain profitability targets was clear. The process continues to be refined as it cycles through its annual DINERS reviews.

**6.2 Support Processes and Operational Planning**

**6.2a Support Processes**

**6.2a(1) Determine key support processes**

*Criteria Question*

*How does your organization determine its key support processes? What are your key processes for supporting your value creation processes?*





Figure 6.2-1 identifies the key support processes, along with key requirements, in-process measures, and outcome measures. As described in 6.1a(1), key support processes are determined at the same time and in a similar fashion as key value creation processes. As a strategic decision, many support processes are outsourced so Landmark is able to focus on its core competencies. Key support processes are identified either through Step 4 in the Design Process (Figure 6.1-2), which asks what support processes are required for effective operation of key processes, or through identification during strategic planning. For example, a more comprehensive Disaster Preparedness Process is an outgrowth of the business disruptions as a result of September 11, 2001. The process was improved following the massive blackout in the eastern and parts of the midwestern United States in August 2003, and again following the hurricanes in the southeast in September 2004. This Disaster Preparedness Process now is tested monthly.

**6.2a(2) Determine support process requirements**

*Criteria Question*

*How do you determine key support process requirements, incorporating input from internal and external customers, and suppliers and partners, as appropriate? What are the key requirements for these processes?*



Requirements of key support processes are determined by process owners and suppliers (*Figure 6.2-1*). These requirements are determined similarly to value creation processes, with input from the Voices system (*Figure 3.1-1*). Information gathered routinely from the Voices system, including Voice of the Process, is used to determine the requirements for and design support processes.

To the extent possible, the company also links support processes to value creation processes. Employees working in value creation processes are considered internal customers of support processes. Employees in support processes are trained to understand how their work contributes to the services expected and received by external customers. Key value creation process results are shared with support employees. Customer feedback also is translated back into support process requirements.

### 6.2a(3) Design support processes

#### Criteria Question

*How do you design these processes to meet all the key requirements? How do you incorporate new technology, organizational knowledge, and the potential need for agility into the design of these processes? How do you incorporate cycle time, productivity, cost control, and other efficiency and effectiveness factors into the design of these processes? How do you implement these processes to ensure they meet design requirements?*

Support processes are designed using the same design process shown in *Figure 6.1-2*. Changes in technology and organizational knowledge are incorporated into the design of these processes during Step 4 of the design process. Cycle time, productivity, cost control, and other efficiency factors are considered throughout the design process.

An example of how Landmark incorporates the potential need for agility into support processes is seen in the hiring process. The ability to quickly screen potential entry-level employees, select appropriate candidates, and communicate hiring decisions to them is critical in the restaurant industry. A DINERS Team implemented a process improvement that enables the HR firm to rapidly screen applicants and for Landmark to communicate hiring decisions to applicants within 24 hours of being interviewed. This led to a reduction in the overall hiring cycle for hourly employees (from employment opening to position offering) to two weeks and allows Landmark to hire needed employees as soon as they become available and before they are hired by competitors.


| Process                   | Requirements   | In-Process Metrics   | Outcome Metrics  | Reference                             |
|---------------------------|--|--|--|---------------------------------------|
| Info. Management          | System available   | Routine system maintenance   | System availability  | 7.5-12                                |
| Human Resource Management | Employees trained<br>Employees with IRDPs<br>Suitable employees hired<br>Quick hiring process<br>Accurate/timely payroll<br>Cost-efficient payroll | # Employees trained<br># Employee IRDPs<br># Applicants prescreened<br>Interviewed within 24 hrs<br>Timely new hire info.<br>Timely payroll info. entry  | # Empl. cross-trained to stand.<br># Employee IRDPs on target<br>Employee turnover rate<br>Hiring cycle time<br><br>Cost per payroll | 7.4-7<br>7.4-5<br>7.4-3<br>7.4-2      |
| Supplier Management       | Suppliers provide service to contract specs. for quality and timeliness<br>Meet supplier requirements (see <i>Figure P.1-5</i> )                   | Service performance:<br>• Equipment maintenance<br>• Trash removal<br>• Grease removal<br>• Health pre-inspections<br>• Temporary staffing<br>• HR recruiting<br>• Payroll processing<br>• Financial & tax reporting | Supplier performance<br>HHS audit results<br><br>Hiring cycle time<br>Supplier satisfaction<br>Financial audit findings              | 7.5-11<br>7.6-5<br><br>7.4-2<br>7.6-4 |
| Disaster Preparedness     | Company and processes able to resume after short- and long-term disruptions  | Location and process plans in place, reviewed with employees<br>Monthly kitchen fire drills<br>Annual disaster drills  | Time to resumption of operations   |                                       |
| Advertising and Marketing | Effective ads and promotions   | Increase in meals served due to promotions   | Market share<br>Positive referrals   | 7.3-6<br>7.2-7                        |

**Figure 6.2-1 Key Support Processes**

*Note: Space in Category 7 will permit results for only some outcome metrics and few in-process measures to be reported.*

## 6.2a(4) Key performance measures or indicators

### Criteria Question




*What are your key performance measures or indicators used for the control and improvement of your support processes? How does your day-to-day operation of key support processes ensure meeting key performance requirements? How are in-process measures used in managing these processes? How is customer, supplier, and partner input used in managing these processes, as appropriate?*

Figure 6.2-1 shows the in-process and end-of-process measures used for key support processes. Support processes are managed similarly to value creation processes, with team leaders designated for monitoring and improving performance. Day-to-day operations help ensure that key performance requirements are met by the incorporation of employee training and standardized work processes, including elements of Lean systems for administrative areas. Also, support processes are guided by electronic promptings of the Foodtrak system, which support standardization in performing these activities. In addition, the use of Foodtrak ensures that when improvements are made in processes, the changes are cascaded to all employees by updating process procedures in the system. Line-ups for support process employees occur daily and link activities to related value creation processes that serve customers.

The Voices system ensures that team leaders and teams receive customer input in managing and improving support processes. This input is part of the standard review of support processes in the monthly meeting.

## 6.2a(5) Minimize cost of inspections, tests, and audits

### Criteria Question




*How do you minimize overall costs associated with inspections, tests, and process or performance audits, as appropriate? How do you prevent defects and rework?*

In order to minimize the cost of inspections, tests, and audits of support processes, these processes undergo regular reviews by managers and team leaders to ensure process compliance and performance to standards. Performance measures for support processes are reviewed and reported monthly by managers during the executive review. The Supplier Management Process is managed by having suppliers participate in the monthly meetings, as well as frequently in daily operations of the restaurants. Costs of inspections and audits for outsourced services are addressed by including responsibility for process observations and reports in the contracts of outsourced services. For instance, there are very high requirements for outsourced payroll processing, and Landmark uses a national firm that is the industry leader in this area.

## 6.2a(6) Improve support processes

### Criteria Question



*How do you improve your support processes to achieve better performance, to reduce variability, and to keep them current with business needs and directions? How are improvements and lessons learned shared with other organizational units and processes to drive organizational learning and innovation?*


Support processes are improved using the DINERS Improvement Process (Figure 6.1-3). Support processes are reviewed annually by DINERS Teams for needed improvements of approaches or measures. An improvement made as a result of the DINERS review is the real-time turnaround for key process metrics (always within 24 hours, and hourly for some metrics), including cost, cycle time, and productivity. This is the result of making improvements to both the Foodtrak system and support processes. The improved, 24-hour cycle time for communicating hiring decisions mentioned above is another example.

Improvements to support processes are shared first departmentally and then with internal customers. Improvements are incorporated into training modules, and employees receive updated training once improvements are documented. Improvements and learnings are documented in Foodtrak to ensure they are used for organizational learning and innovation approaches for other processes.

## 6.2b Operational Planning

### 6.2b(1) Financial Resource Availability

### Criteria Question



*How does your organization ensure adequate financial resources are available to support your operations? How do you determine the resources needed to meet current financial obligations? How do you ensure adequate resources are available to support major new business investments? How do you assess the financial risks associated with your current business operations and major new business investments?*

Financial resources to support Landmark operations and plans are determined and allocated through the annual Budget Process that follows strategic planning. During this activity, each department submits budget requests to support its needs to continue operations “as is.” The department also presents budget allocations (and a cost-benefit analysis) to accomplish action plans outlined during strategic planning—particularly those that require large investments, such as new business investments. Once all budget requests are made, the Leadership Team reviews the requests, prioritizes them based on operational and investment priorities, and allocates funds appropriately. For budget items that are not funded, discussions are initiated with the requestor to investigate alternatives and/or a potential delay of activities. This process ensures that financial



risks associated with each area of the operation, as well as the financial risks of new investments, are reviewed each year to ensure the optimum use of the company's limited financial resources.

### 6.2b(2) Continuity of Operations

#### *Criteria Question*



*How do you ensure continuity of operations in the event of an emergency?*


Landmark's disaster recovery program described in 4.2a(3) and in 5.3a(2) is designed to ensure that operations can resume within a reasonable amount of time following a disaster or emergency. This plan, managed by the BE Director, ensures IT systems are backed up and available. It also ensures that employees are safe during and after an emergency and that they know the procedures for returning to work and helping to get operations back in order. This plan covers procedures for general business emergencies, as well as various scenarios that are specific to disasters likely in South Texas, such as tornadoes, hurricanes, flash floods, and thunder storms.

FOR TRAINING  
Purposes Only

7.1 Product and Service Outcomes

7.1a Product and Service Results

Criteria Question

 *What are your current levels and trends in key measures or indicators of product and service performance that are important to your customers? How do these results compare with your competitors' performance?*

First impressions tend to be the ones that have a lasting impact. Some of the most important measures of service results are those related to the first contact with customers. The time to wait to be seated (with or without a reservation) and the time to be served are key measures (Figure 7.1-1). Wait time with or without a reservation measures the average time it takes to seat a customer during the busy periods of the day (lunch and dinner rushes) at both restaurants. The wait time for first service measures the average time between the customer's arrival at the restaurant and when he/she is served any food or beverage (e.g., rolls, water, wine). These results demonstrate steady improvement, reflecting the success of the DINERS Improvement Process. Data on competitors' average wait time with reservations come from Employee Dining Reports and Secret Diners Association Reports.

Landmark samples the food during various shifts at both restaurants to ensure it meets established standards of acceptability for several measures of importance to customers. These measures include the correct presentation, appropriate temperature, and timely delivery of food (Figure 7.1-2). Information to validate the standards for these measures is gathered through verbal, on-the-spot customer satisfaction feedback as part of the Voices approach described in Item 3.1. Comparative data shown in the graph are from the external customer satisfaction survey, which identifies a "best competitor" for each market. For results in this Item (Item 7.1), Competitor 1 is in Houston, and Competitor 2 is in Galveston.

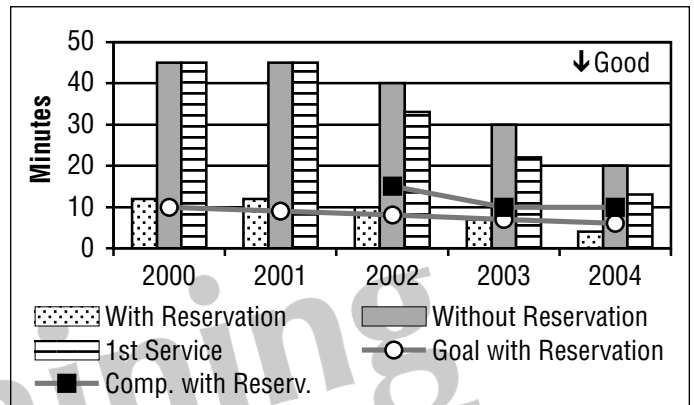


Figure 7.1-1 Wait Time for Seating and Service

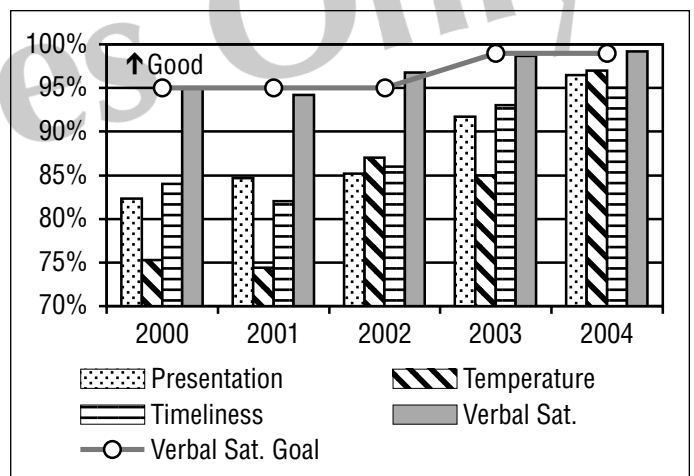


Figure 7.1-2 Standards of Acceptability for Food

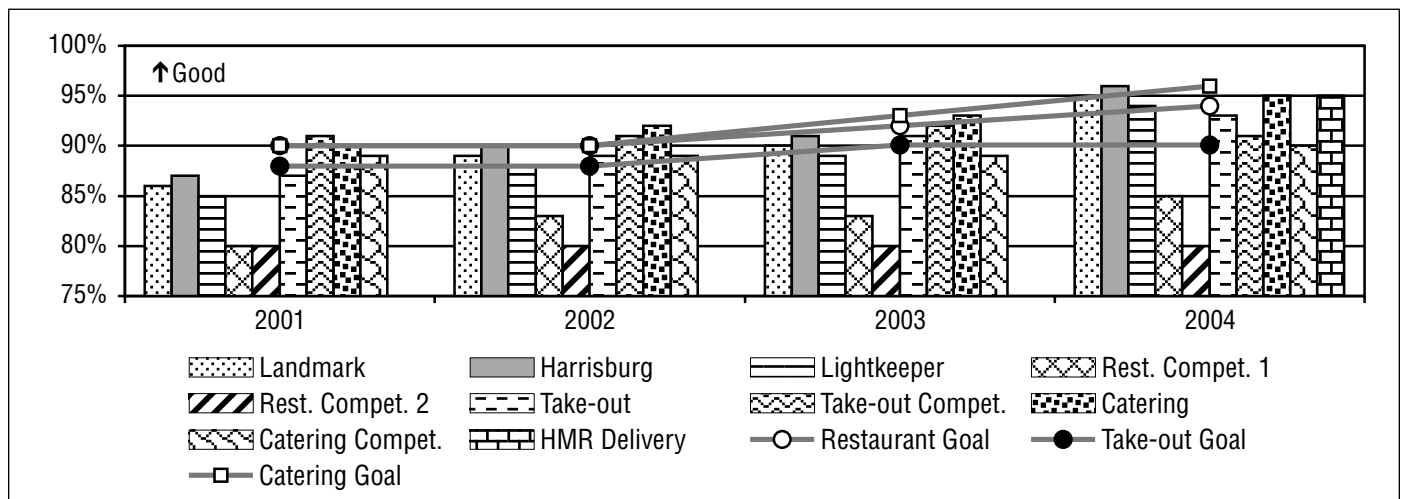


Figure 7.1-3 Order Accuracy

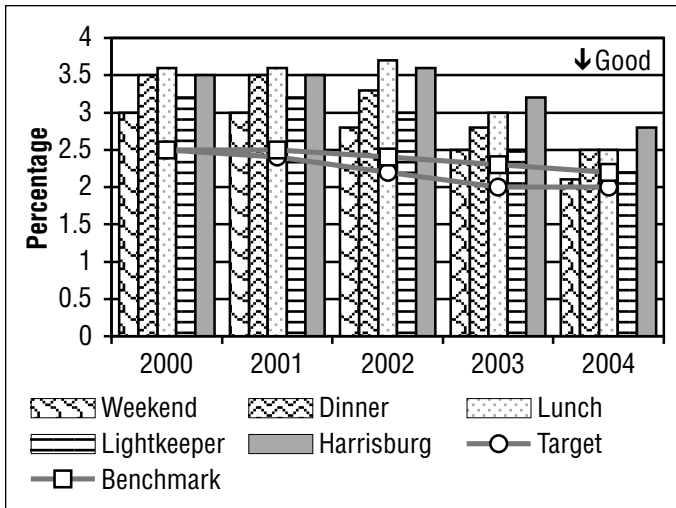


Figure 7.1-4 Send Backs

returned due to incorrect cooking (e.g., a steak that is too rare or too well done) or presentation (e.g., missing vegetables or a substituted menu item). Landmark's performance exceeds both its target and its benchmark, a world-class restaurant. In addition, correlation of the results for both restaurants in Figures 7.1-3 and 7.1-4 indicate that the increase in Order Accuracy also increases customer satisfaction as measured by Send Backs.

Timely delivery of an order is considered an important component of service not only for Landmark's restaurant customers but also for customers of its other services (Figure 7.1-5). In fact, timeliness of delivery is of greater importance to catering and take-out customers. During analysis of results for this measure, data are disaggregated into appropriate segments. Results for the timeliness of Landmark's catering service have consistently demonstrated best-in-class performance, while those for the timeliness of the take-out service have shown significant improvement over time and now exceed the best competitor's level.

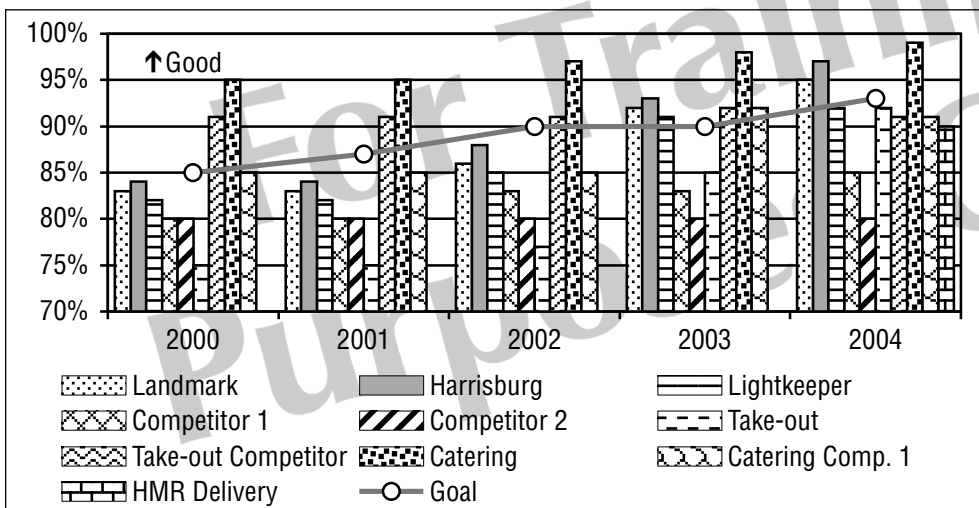


Figure 7.1-5 Timeliness of Delivery

Cooking Time (Figure 7.1-6) measures the time it takes the kitchen staff to prepare orders. Benchmarks are not necessarily a comparison of the same approach, given the wide variation in menu items and food preparation methods, but Landmark strives to improve cycle time while complying with safe cooking methods and standard recipes. Decreased cooking time is desirable for customer service; however, average cooking time should not drop below ten minutes, as this would impact the quality of food.

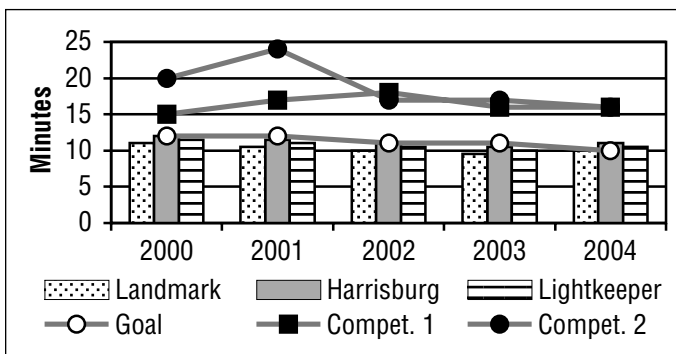


Figure 7.1-6 Cooking Time

Order accuracy is another factor of importance to customers. Landmark monitors its ability to capture the customer's desires the first time (e.g., if a customer asks for mashed instead of baked potatoes, the order placed must reflect the substitution). Results for Landmark's restaurants and its catering, take-out, and HMR Dinner Delivery Services are shown in Figure 7.1-3.

The quality of both services and products also is measured by their acceptance by the customer. Send Backs (Figure 7.1-4) are measured at both restaurants as a percentage of all orders

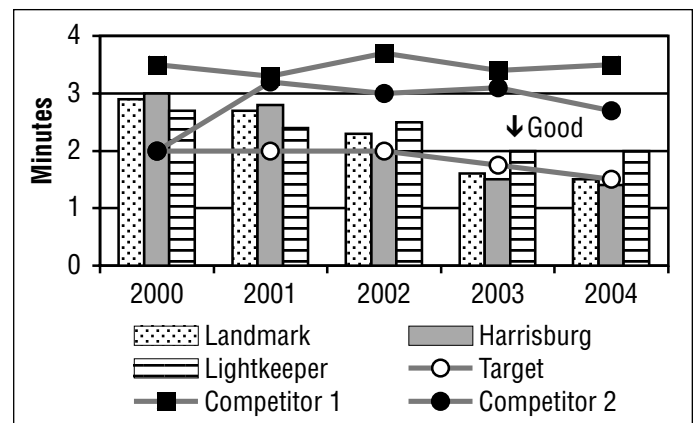


Figure 7.1-7 Server Pick-up Time

Server Pick-up Time (Figure 7.1-7) measures the number of minutes it takes the server to pick up orders once they are prepared. Landmark facilitates keen timing and communication between the kitchen staff and servers through the Foodtrak system and has established a target of 1.5 minutes for server pick-up. Comparative data are collected through reports by members of the informal restaurant consortium and are validated through Employee Dining Reports and Secret Diners Association Reports.

Along with the initial greeting and the seating process, Table Cleanliness (Figure 7.1-8) is part of the first impression that is critical to customers' satisfaction. Average scores are monitored throughout the year as an indicator of compliance with process requirements. The maximum score on the checklist for table cleanliness is 6.0.

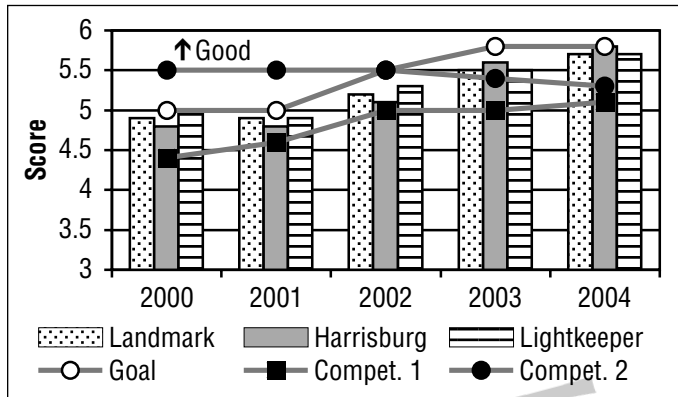


Figure 7.1-8 Table Cleanliness

## 7.2 Customer-Focused Results

### 7.2a Customer-Focused Results

#### 7.2a(1) Customer Satisfaction

#### Criteria Question

★ *What are your current levels and trends in key measures or indicators of customer satisfaction and dissatisfaction? How do these compare with competitors' levels of customer satisfaction?*

Figure 7.2-1 shows the segmented results for two types of customer satisfaction surveys. The external survey is conducted by an external third party throughout the year, with results aggregated and segmented at the end of the year. Internal survey results are compiled from surveys delivered with the check or entered on-line. Both the external and internal surveys use a

Likert scale of one to five, with four being "satisfied" and five "extremely satisfied." Unless noted otherwise, results for this Item (Item 7.2) show the combined percentage of four and five ratings. Results of these surveys show the effects of the September 11 attacks in 2001, as well as three major improvement actions in 2001 and 2002: implementation of Customer First training, changes in Foodtrak, and changes to our processes to improve cycle time and service. Also, although overall customer satisfaction results are not yet available for the new Dinner Delivery Services, we set a 2004 goal of 92.4%.

On surveys, customers rate their satisfaction with the quality of the dining experience. Figure 7.2-2 shows results for this measure from our internal surveys. Landmark has seen a consistent increase in satisfaction with quality. Although satisfaction ratings are highest for business customers, the family and tourist customer segments have shown significant increases in satisfaction.

Processes include frequent verbal checkpoints (specified times when staff members ask customers for their feedback) to monitor process flow and evaluate satisfaction levels, as described in 3.1a(2). The number of positive or negative comments for various areas are input into Foodtrak and then aggregated for review. Results for the nine main areas of evaluation are shown in Figure 7.2-3. Significant increases in the percentage of positive comments can be seen in many areas.

Additional information on overall customer satisfaction is collected through Secret Diners Association and Employee Dining Reports (Figure 7.2-4). Secret Diners Association Reports are provided to participating restaurants on a quarterly basis, with an aggregated report provided annually. Employee Dining Reports, described in 5.1b, are compared to the Secret Diners data for consistency and trends. These also are analyzed with other Voices results, such as verbal comments (Figure 7.2-3) and the input from the customer surveys (Figures 7.2-1 and 7.2-2).

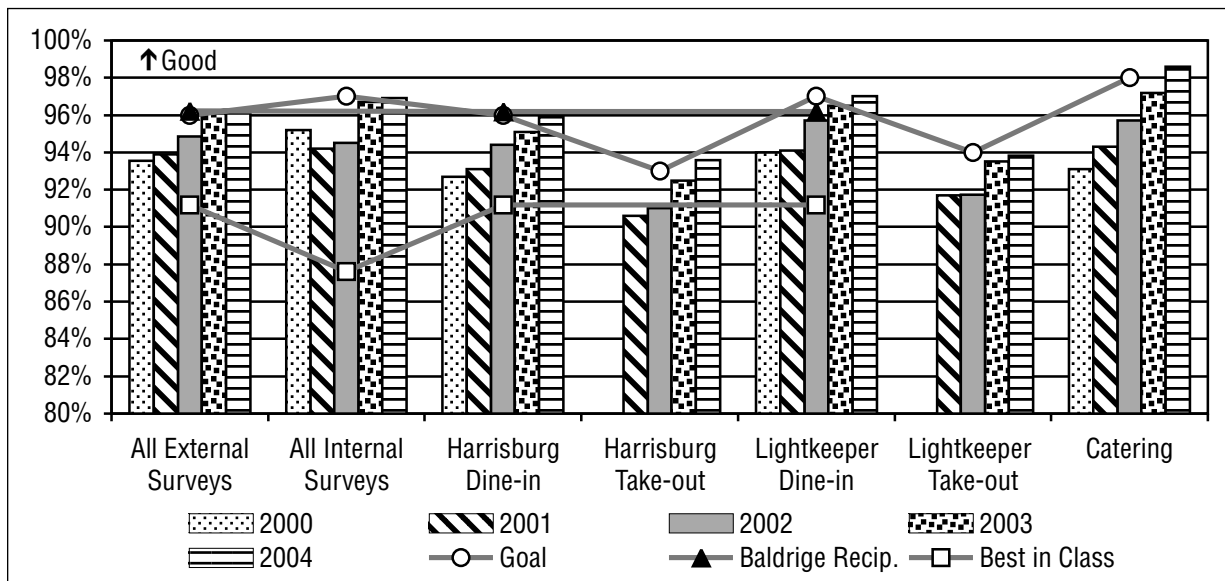
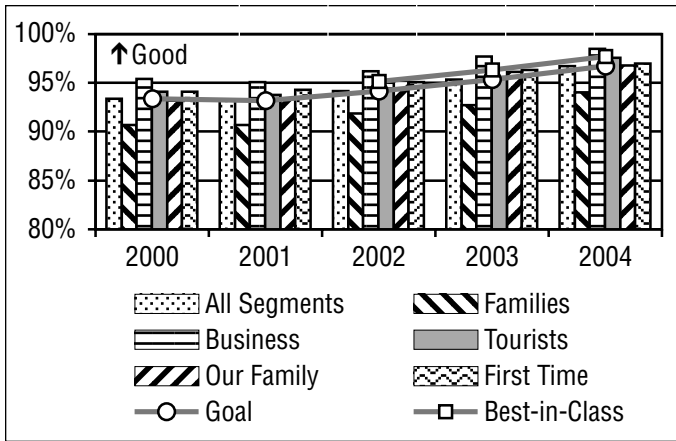


Figure 7.2-1 Overall Customer Satisfaction

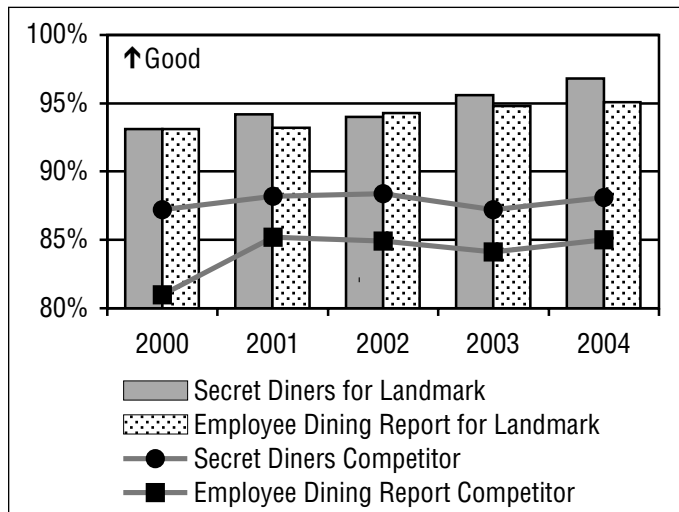


**Figure 7.2-2 Customer Satisfaction with Quality (Internal Surveys)**

| Positive Eval. Areas | 2001  | 2001   | 2002   | 2003   | 2004   |
|----------------------|-------|--------|--------|--------|--------|
| Food Quality         | 97.4% | 97.9%  | 98.2%  | 99.1%  | 99.7%  |
| Food Presentation    | 91.8% | 91.2%  | 93.1%  | 95.2%  | 95.7%  |
| Food Delivery        | 88.5% | 88.3%  | 88.5%  | 89.1%  | 89.4%  |
| Food Cycle Time      | 88.0% | 88.1%  | 88.4%  | 88.6%  | 92.3%  |
| Server Courtesy      | 93.5% | 94.1%  | 95.5%  | 95.3%  | 96.1%  |
| Greeting by Hostess  | 98.5% | 99.1%  | 99.5%  | 99.2%  | 99.4%  |
| Reservation Event    | 99.5% | 100.0% | 100.0% | 100.0% | 100.0% |
| Wait Time            | 77.5% | 76.5%  | 81.5%  | 88.3%  | 93.1%  |
| Menu Selections      | 98.0% | 98.3%  | 98.6%  | 99.1%  | 99.4%  |

**Figure 7.2-3 Sample Aggregated Verbal Comments**

Landmark conducts a combined analysis of two related results: complaints and meals that are complimentary (“comp’ed”) because of customer dissatisfaction. Both are important indicators of process performance and customer dissatisfaction, as described in 3.1a(2). *Figure 7.2-5* shows the results for the number of complaints before, during, and after the dining experience and for the value of the comped items. Customer feedback—including complaints—before and during the dining experience is encouraged and viewed as positive, because resolution of problems at this time may actually increase customer



**Figure 7.2-4 Secret Diner and Employee Diner**

satisfaction. However, complaints after the dining experience are more difficult to address; therefore, they are considered more problematic and are closely monitored for process performance. Comparative information for comped meals is gained through the informal restaurant consortium. In 1998, Landmark expanded its definition of a complaint to include any comment or behavior that is considered negative. Because competitors do not use this higher standard, Landmark’s actual comparative performance is better than the numbers imply.

**7.2a(2) Customer-perceived value**

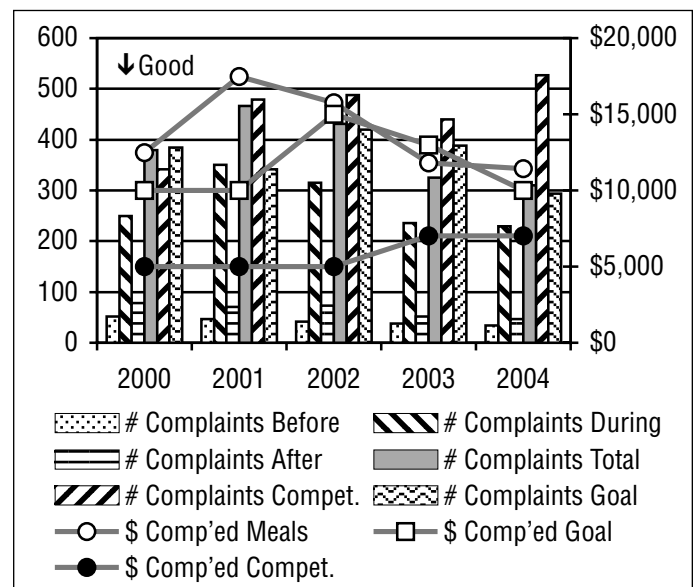
*Criteria Question*

*What are your current levels and trends in key measures or indicators of customer-perceived value, including customer loyalty and retention, positive referral, and other aspects of building relationships with customers, as appropriate?*



Customer retention, including repeat customers, is an indicator of customer satisfaction. *Figure 7.2-6* shows these results for restaurant and catering customers. Customer retention is measured by the number of catering customers and members of the Our Family frequent diners program, as well as the percentage of those customers who dine at the restaurants or use the catering services more than once over a 12-month period. Retention is high in both groups of customers, indicating the success of targeted activities to build relationships, as described in 3.2a(1).

*Figure 7.2-7* shows the number of positive referrals received from various sources, as well as the percentage of customers who, through referrals, have converted to, or joined, the Our Family frequent diner program. The largest number of regular customer referrals consistently comes from advertising, while existing members of the Our Family Program are the most effective source of referrals for new program members. This analysis led to the addition of incentives for Our Family members who refer customers to the program.



**Figure 7.2-5 Complaints and Comp'ed Meals**

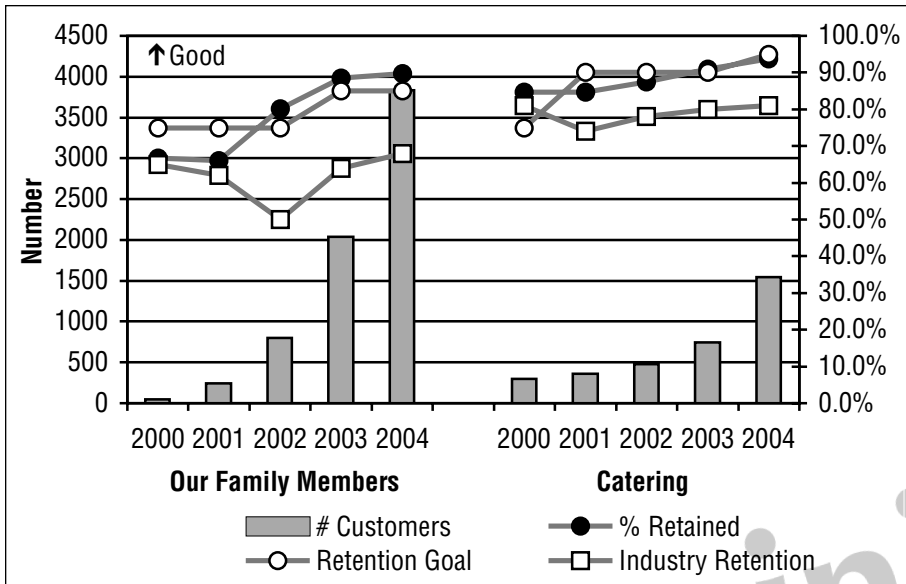


Figure 7.2-6 Customer Retention

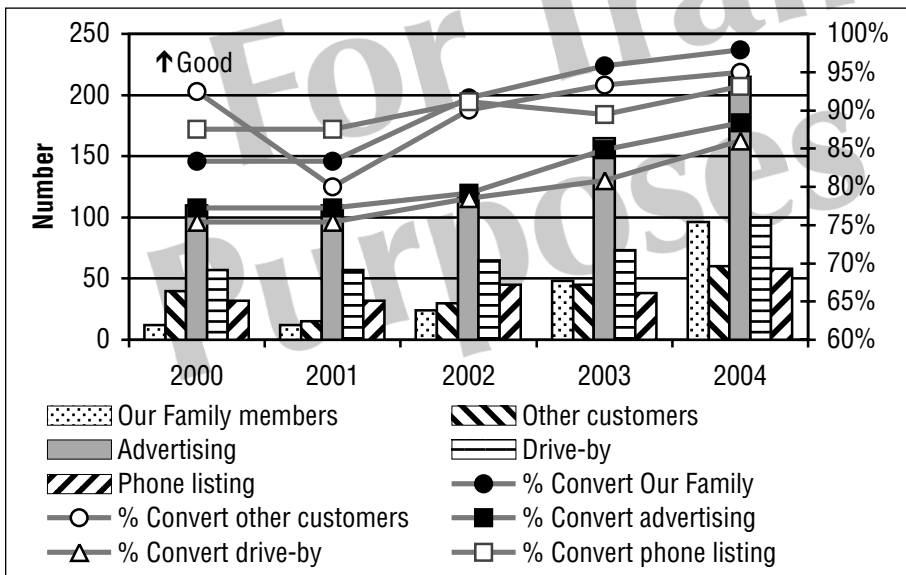


Figure 7.2-7 Positive Referrals

| Topic Discussed   | 2004 General Focus Group | 2004 Advisory Board Focus Group | 2004 Our Family Focus Group |
|---|--------------------------|---------------------------------|-----------------------------|
| Increasing services to Our Family members                               | ✓                        |                                 | ✓                           |
| Menu and visual presentation of delivery                                | ✓                        |                                 |                             |
| Increasing the use of technology in the service process                 | ✓                        | ✓                               | ✓                           |
| Redesign of parking lots  | ✓                        | ✓                               | ✓                           |
| Menu change suggestions (e.g., adding apple sauce to healthy kids menu) | ✓                        |                                 | ✓                           |
| New opportunities for community involvement                             | ✓                        | ✓                               | ✓                           |
| Advertising suggestions   |                          | ✓                               |                             |
| Strengthening ethics and governance                                     |                          | ✓                               |                             |
| Server process improvement  |                          | ✓                               |                             |

Figure 7.2-8 Focus Group Results

Focus groups are an important mechanism for determining requirements and potential improvements. Figure 7.2-8 shows information acquired recently from various focus groups.

**7.3 Financial and Market Results**  
**7.3a Financial and Market Results**  
**7.3a(1) Financial Performance**

*Criteria Question*

*What are your current levels and trends in key measures or indicators of financial performance, including aggregate measures of financial return and economic value, as appropriate?*



Landmark measures gross profit per dining seat (Figure 7.3-1) as a general indicator of its effectiveness in controlling costs through the restaurant purchasing consortium, while increasing sales through up-selling (using Foodtrak prompting and on-going customer service training). In Figures 7.3-1 and 7.3-2, Landmark compares itself to the upper quartile of two groups of steak and seafood restaurants as defined by the National Restaurant Association; the industry comparison includes steak and seafood restaurants of all sizes, including large chain restaurants, while the small restaurant comparison is limited to steak and seafood restaurants comparable in size to Landmark. The upper quartile represents the median of the upper 25% of respondents—data on the industry best performance are not available.

Results for Landmark's Return on Owner Equity (Figure 7.3-2) (return to the owners on the capital provided) demonstrate improvement over time. In addition, Landmark has consistently surpassed the small restaurant group upper quartile and has equaled the industry upper quartile for the past two years.

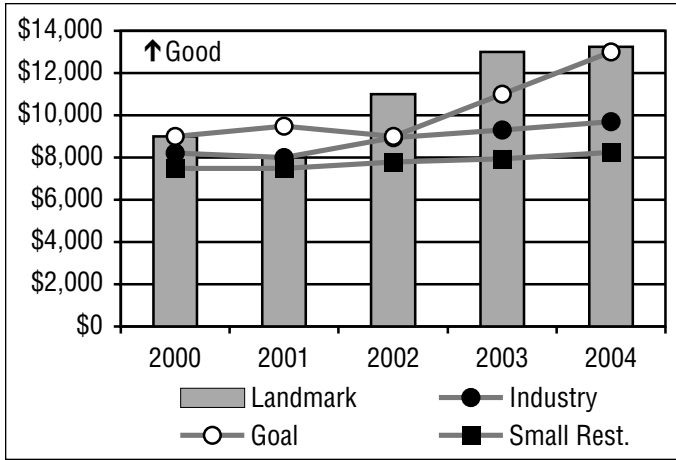


Figure 7.3-1 Gross Profit per Seat

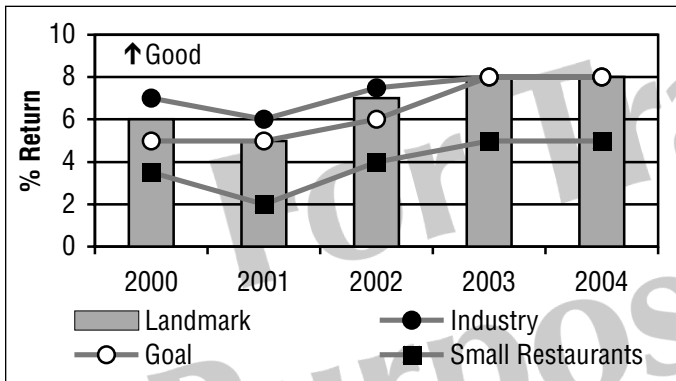


Figure 7.3-2 Return on Owners' Equity

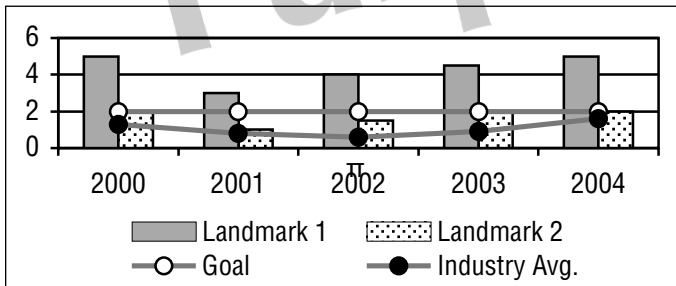


Figure 7.3-3 Current Ratio

|                         | Industry | Landmark |
|-------------------------|----------|----------|
| Sales                   | 100.0%   | 100.0%   |
| Cost of sales*          | 35.2%    | 30.3%    |
| Gross profit            | 64.8%    | 69.7%    |
| Controllable expenses * | 50.0%    | 49.6%    |
| Controllable profit     | 14.8%    | 20.1%    |
| Occupancy costs *       | 8.1%     | 8.1%     |
| EBIT                    | 6.7%     | 12.0%    |

Figure 7.3-4 2004 Profit and Loss Summary

The Current Ratio (*Figure 7.3-3*) measures Landmark's ability to meet current liabilities with current assets. *Figure 7.3-3* shows two levels for Landmark's current ratio: Landmark 1, which includes Landmark's reserve fund of three months' salaries and wages (2.2a[1]) and Landmark 2, which excludes this reserve

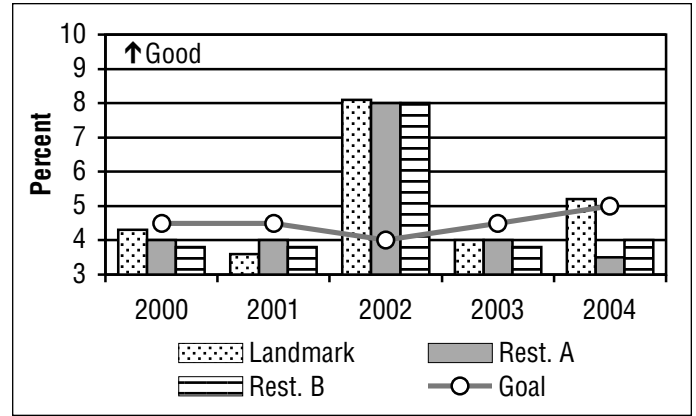


Figure 7.3-5 – Restaurant Revenue Growth

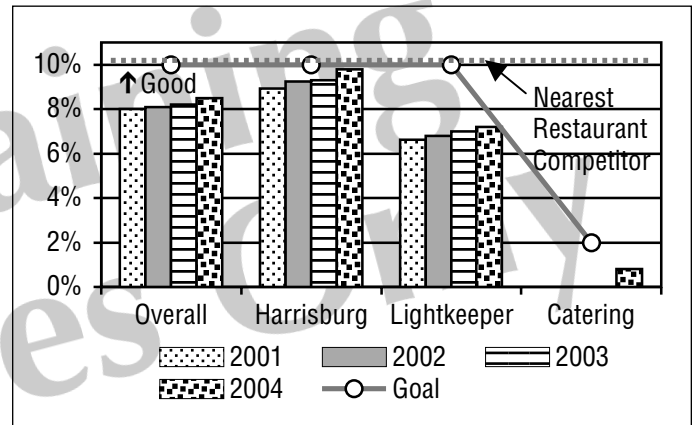


Figure 7.3-6 Market Share by Division

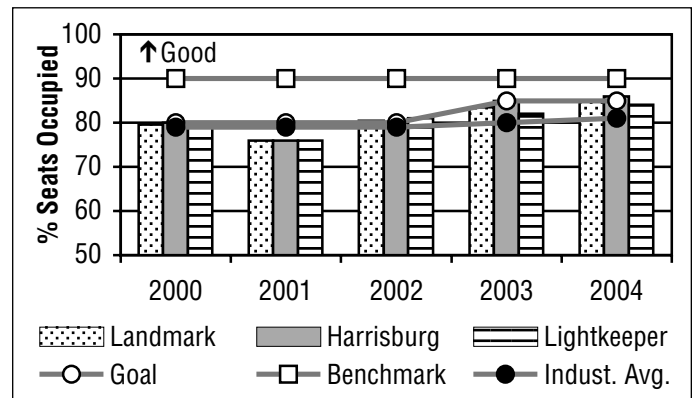
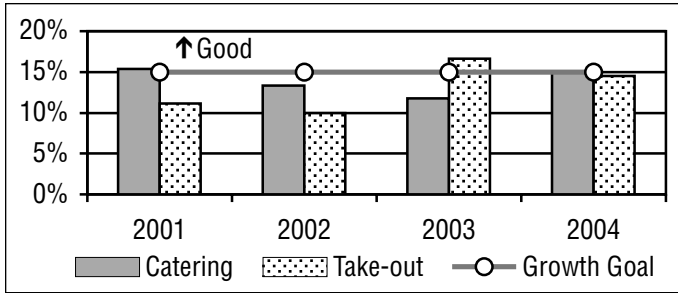


Figure 7.3-7 Occupancy Rate

fund. Landmark's goal is to maintain an average ratio (excluding the reserve fund) of 2:1, which represents a safety net, yet indicates a good fiduciary policy of investing profits in growth.

Landmark tracks its profit and loss statement as a ratio to total sales. Information can be generated on an almost real-time basis with the Foodtrak system. Landmark compares favorably with the industry standard for steak and seafood restaurants due to its lower costs and higher sales per seat. Landmark strives to maximize certain elements (those shown with an \*) to get earnings before interest and tax (EBIT) rates higher than the industry standard. *Figure 7.3-4* shows a summary of Landmark's 2004 profit and loss statement. Additional years' comparisons can be reviewed on site.



**Figure 7.3-8 New Service Growth**

Landmark’s membership in the Secret Diners Association (4.1a[2]) enables it to compare itself to 43 other area restaurants. The association aggregates and provides financial information to its members (names of the restaurants are protected in the reports). Although Landmark is a relatively small restaurant compared to other restaurants in the association, its revenue growth compares favorably with that of the top Secret Diners restaurants (Figure 7.3-5). All restaurants showed a tremendous growth rate in 2002 after sustaining substantial losses in the fourth quarter of 2001.

**7.3a(2) Market Performance**

*Criteria Question*

★ *What are your current levels and trends in key measures or indicators of marketplace performance, including market share or position, business growth, and new markets entered, as appropriate?*

Landmark uses nationwide data from the NRA, plus information from the Secret Diners Association, to help determine its percentage of the market. Landmark’s goal is to hold a 10% share in the local small steak and seafood restaurant market (Figure 7.3-6). Its performance has improved over the past four years and is closing the gap to this goal and to the nearest restaurant competitor. The Secret Diners Association just started tracking catering market share in 2004. Harrisburg catering’s nearest competitor has a 1.9% market share. There is no market share information for the Dinner Delivery Service, because there are no other competitors in the Houston area at this time (as far as Landmark is aware).

Landmark is not the largest restaurant in either Houston or Galveston, but it maintains the third-highest occupancy rate of the restaurants in Houston and the highest in Galveston (Figure 7.3-7). Reconfigured seating resulting from analysis of data on dining party size (2.1a[2]) has improved the occupancy rates at both restaurants. In addition, the current rate is approaching the 90% level of the benchmarked restaurant that was a catalyst for this improvement effort.

While the take-out and catering revenue streams have been in place for a few years, they still are considered “new” from a business perspective. Figure 7.3-8 shows growth rates for these two business lines, which are intentionally kept below 15% in order to manage the pressures on the company and its employees. The Board of Directors recently added the Dinner

Delivery Services program, which has a similar approach to manage growth without restricting market demand. There are no benchmarks for this performance measure other than targets set by the company (Figure 2.2-4).

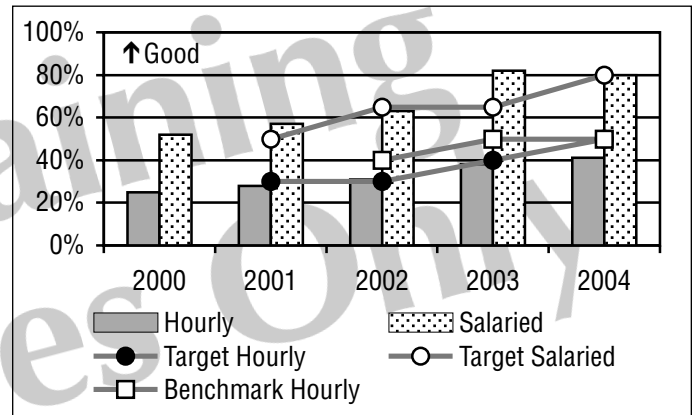
**7.4 Human Resource Results**

**7.4a Human Resource Results**

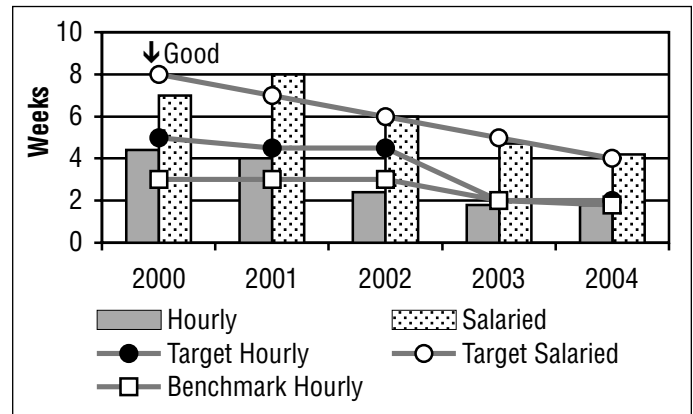
**7.4a(1) Work System Performance**

*Criteria Question*

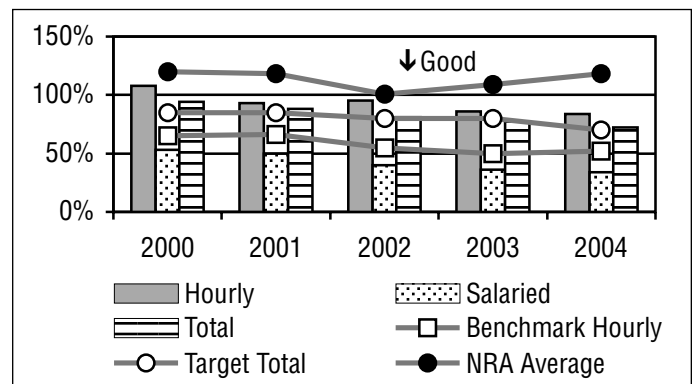
*What are your current levels and trends in key measures or indicators of work system performance and effectiveness?* ★



**Figure 7.4-1 Percentage of Positions Filled From Within**

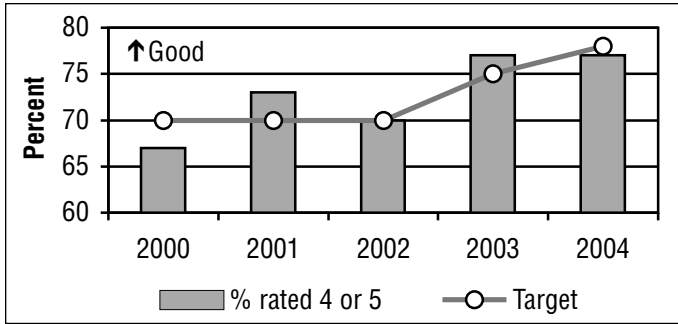


**Figure 7.4-2 Hiring Cycle Time**



**Figure 7.4-3 Employee Turnover Rate**

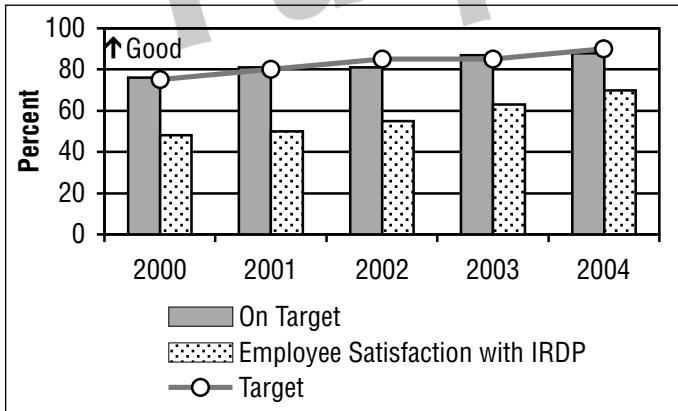




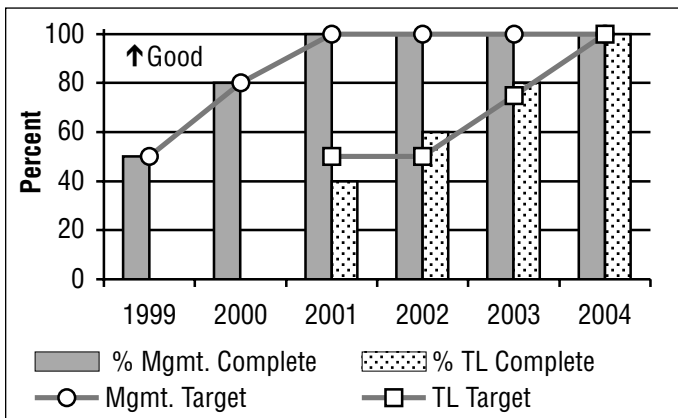
**Figure 7.4-4 Employee Performance Ratings**

Landmark's work system measures reflect its focus on teamwork and its Value of Employee Development. One key measure is the percentage of both hourly and salaried positions filled from within the company (Figure 7.4-1). Landmark has made steady progress in this area following a decision during the 2000 Strategic Planning Process to focus on internal promotions to increase employee retention. At this time, Landmark also began to establish targets for the next year's internal promotions. The benchmark in Figures 7.4-1-7.4-3 is based on data for hourly positions from a Baldrige Award recipient.

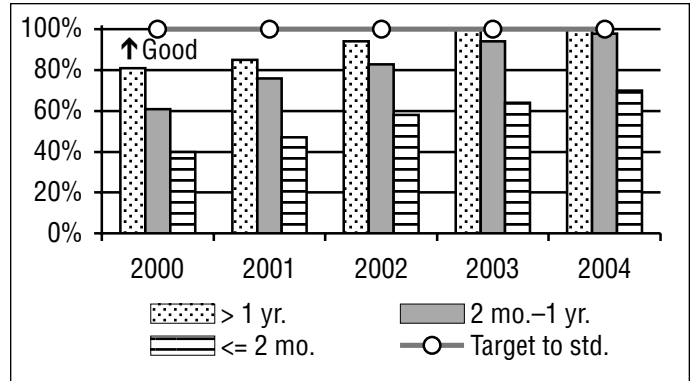
Landmark has shown steady progress in another work system measure, the cycle time for hiring (Figure 7.4-2). We track the time from the position opening to the time of an employment offer. The decrease in the hiring cycle time, particularly for hourly employees, reflects the success of a DINERS Team process improvement that facilitates rapid screening and communication of hiring decisions.



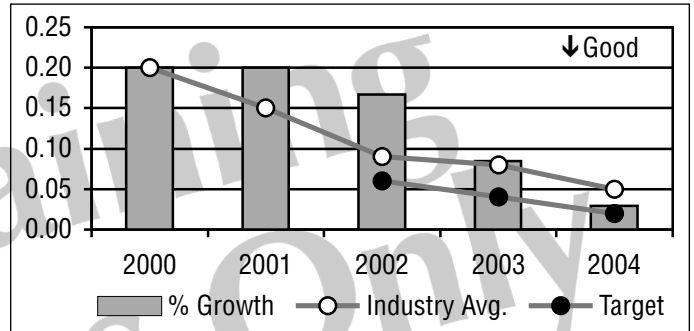
**Figure 7.4-5 IRDPs on Target**



**Figure 7.4-6 Succession Plans**



**Figure 7.4-7 Cross-Training Hourly Employees to Standards**



**Figure 7.4-8 % Growth in FTE Employees**

We also track employee turnover rates, as shown in Figure 7.4-3. Employee turnover, particularly for hourly positions, is a challenge for restaurants; some positions may experience multiple turnovers within a year (resulting in a turnover rate exceeding 100%). We are below the industry average and making progress toward the performance level of our benchmark. The industry average for this measure is provided through NRA data.

Results for other work system measures include those related to our key work processes presented in 7.1 and 7.2, along with organizational performance results in 7.5.

#### 7.4a(2) Employee Learning and development

##### Criteria Question

What are your current levels and trends in key measures of employee learning and development?



One measure of employee learning and development is the aggregate employee performance rating. Landmark rates each employee on a one to five Likert scale, with five being "outstanding," and each level is accompanied by a description of related skills and attributes. The current target is to have 78% of employees at a four or five level. Figure 7.4-4 shows the aggregate rating percentages for levels four and five since 2000. Segmented data by position are available on site.

Landmark also tracks the percentage of IRDPs that are on target, as shown in Figure 7.4-5. Results show steady progress in this area since tracking began. This measure is correlated with the combined percentage of employees who agree or strongly

|                          | 2000 | 2001 | 2002 | 2003 | 2004 | Benchmark (NRA Best) |
|--------------------------|------|------|------|------|------|----------------------|
| <b>Hourly</b>            |      |      |      |      |      |                      |
| Competent Management     | 43%  | 48%  | 55%  | 54%  | 56%  | 65%                  |
| Competitive Compensation | 55%  | 61%  | 65%  | 68%  | 77%  | 85%                  |
| Competitive Benefits     | 55%  | 64%  | 63%  | 65%  | 69%  | 80%                  |
| Work-Home Life Balance   | 63%  | 65%  | 71%  | 74%  | 76%  | 75%                  |
| Respect and Recognition  | 70%  | 74%  | 78%  | 78%  | 82%  | 75%                  |
| Community Involvement    | 64%  | 66%  | 64%  | 67%  | 71%  | 65%                  |
| <b>Overall</b>           | 61%  | 64%  | 63%  | 75%  | 78%  | 80%                  |
| <b>Salaried</b>          |      |      |      |      |      |                      |
| Competitive Compensation | 54%  | 62%  | 65%  | 70%  | 74%  | 85%                  |
| Competitive Benefits     | 59%  | 66%  | 68%  | 71%  | 76%  | 70%                  |
| Work-Home Life Balance   | 55%  | 61%  | 68%  | 73%  | 78%  | 70%                  |
| Respect and Recognition  | 71%  | 74%  | 77%  | 78%  | 83%  | 75%                  |
| Community Involvement    | 65%  | 68%  | 69%  | 70%  | 73%  | 65%                  |
| <b>Overall</b>           | 65%  | 68%  | 67%  | 77%  | 79%  | 80%                  |

Figure 7.4-9 Employee Satisfaction Results

|                                  | 2000 | 2001 | 2002 | 2003 | 2004 | Competitor |
|----------------------------------|------|------|------|------|------|------------|
| <b>Hourly</b>                    |      |      |      |      |      |            |
| Higher pay                       | 49%  | 44%  | 40%  | 34%  | 31%  | 31%        |
| Better hours                     | 18%  | 20%  | 17%  | 16%  | 15%  | 16%        |
| Found job in chosen career field | 20%  | 25%  | 22%  | 28%  | 31%  | 29%        |
| Moved out of the area            | 8%   | 10%  | 14%  | 18%  | 20%  | 17%        |
| <b>Salaried</b>                  |      |      |      |      |      |            |
| Higher pay                       | 26%  | 27%  | 21%  | 22%  | 25%  | 24%        |
| Better benefits                  | 10%  | 11%  | 13%  | 14%  | 13%  | 16%        |
| Found job with better hours      | 55%  | 51%  | 48%  | 46%  | 42%  | 35%        |
| Moved out of the area            | 6%   | 5%   | 11%  | 14%  | 16%  | 20%        |

Figure 7.4-10 Top Reasons for Leaving

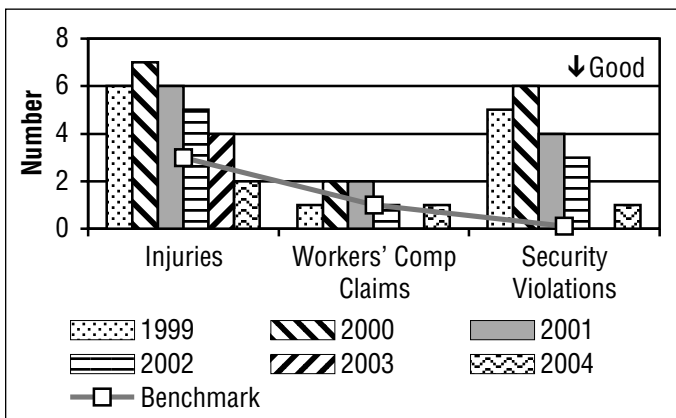


Figure 7.4-11 Safety Measures

agree they are satisfied with their IRDPs. This correlation indicates that meeting the target has a positive effect on the satisfaction of employees with their IRDPs.

Succession planning is tracked by the percentage of management and team leader positions that have succession plans in place (Figure 7.4-6). The team leader position was created in 2001, and 100% of succession plans for this position were completed in 2004. Since 2001, 100% of management-level plans have been completed.

We cross-train hourly employees in at least two positions within two months of their starting work. Employees who have been with us at least a year are cross-trained in at least three positions. In addition, we have some senior employees cross-trained in four positions. Figure 7.4-7 shows the results for cross-training employees in hourly positions to these standards.

Cross-training also has allowed the company to control costs related to hiring, including keeping the number of FTE (full-time equivalent) under control. Another factor that helps limit the number of FTE employees is Landmark's use of on-call workers. Figure 7.4-8 shows that Landmark has successfully controlled its percentage of growth in FTE employees since it started the cross-training program. The data on industry average are provided by the NRA.

Landmark also correlates training with improved processes and performance, whenever appropriate. One recent example was training provided to servers on up-selling appetizers (e.g., from chips and salsa to gulf shrimp). After training was completed, a 5% per server increase in appetizer sales was realized.

### 7.4a(3) Employee well-being and satisfaction

#### Criteria Question

What are your current levels and trends in key measures or indicators of employee well-being, satisfaction, and dissatisfaction?



Due to frequent employee turnover and rapid changes in the hospitality industry, Landmark conducts employee satisfaction surveys twice a year and averages the scores at year end. Figure 7.4-9 shows the results of the top employee satisfaction factors, segmented by hourly and salaried positions. Results with further segmentation (e.g., by location and job type) are available on site. The results reflect the combined percentage of employees who agree and strongly agree with statements about their satisfaction with various areas. Overall employee satisfaction for both hourly and salaried employees has steadily improved, and by 2004 the combined results for these employee segments exceeded the 2005 target of 78% (Figure 2.2-4). The benchmark is the best performer identified in a similar national survey conducted by the NRA.

Through information gathered in exit interviews, Landmark tracks the top reasons for leaving the company (Figure 7.4-10) in order to understand key dissatisfiers. Landmark segments its results by hourly and salaried staff and compares its data with that of the best area competitor (identified by information from the Secret Diners Association). Landmark has set a goal to conduct exit interviews for 95% of employees who leave voluntarily. In 2004, Landmark surpassed this goal by conducting exit interviews with 100% of employees who left voluntarily. Ongoing improvements for salary, hours, and benefits are continuously addressed. Because research shows that managers are most dissatisfied with their long working hours and work-home life balance, a variety of actions have been put in place to help managers improve this balance.

Figure 7.4-11 shows results for its work environment measures (Figure 5.3-1), including security violations and aggregated results of ergonomic and other injuries. In addition, it shows results for workers' compensation claims. The benchmark is a previous Baldrige Award recipient. Results for OSHA and indoor air quality violations are not shown in Figure 7.4-11, as there have been none in the last seven years.

## 7.5 Organizational Effectiveness Results

### 7.5a Organizational Effectiveness Results

#### 7.5a(1) Value Creation Processes

#### Criteria Question

What are your current levels and trends in key measures or indicators of the operational performance of your key value creation processes? Include productivity, cycle time, supplier and partner performance, and other appropriate measures of effectiveness and efficiency.

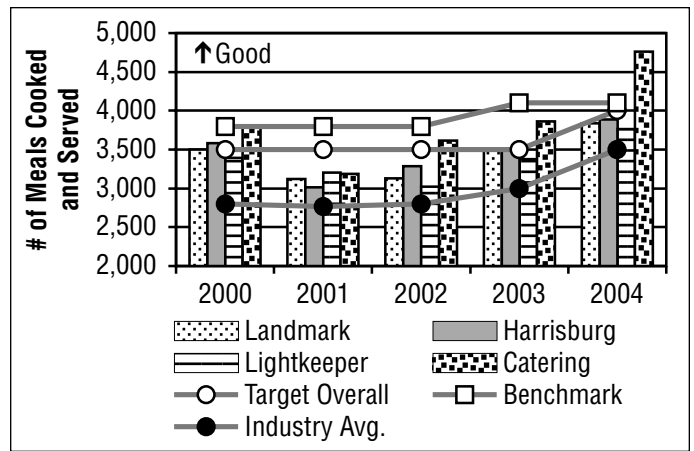


Figure 7.5-2 Chef Volume

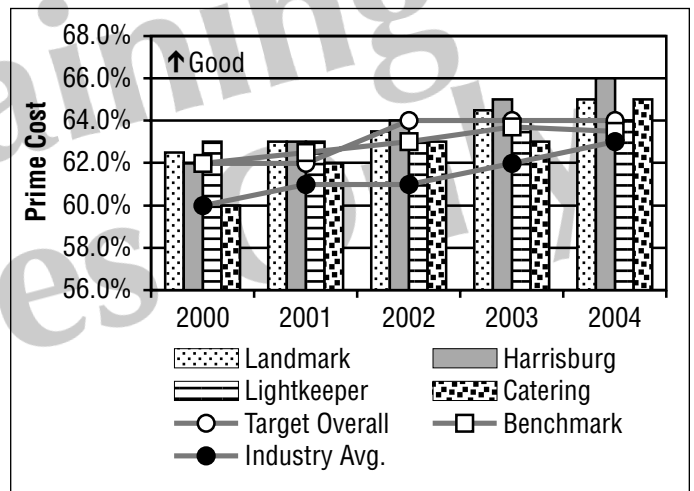


Figure 7.5-3 Prime Cost

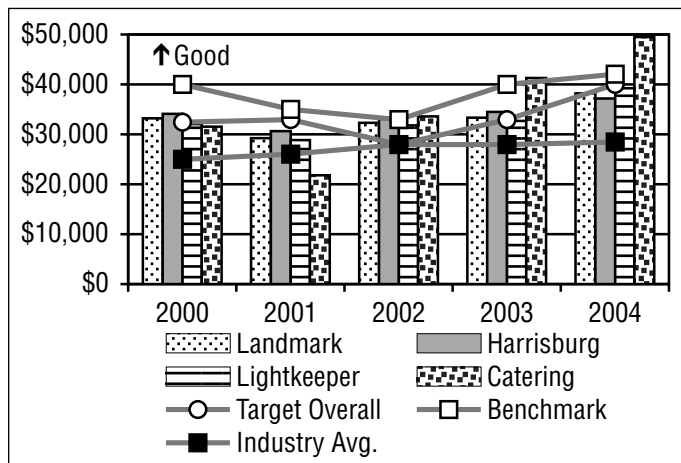


Figure 7.5-1 Revenue per Employee

Revenue per Employee (Figure 7.5-1) is a primary measure of employee productivity. The catering service experiences greater fluctuations in revenue than other services, because bookings are very sensitive to changes in the economy. For example, when business customers experience economic declines, they usually will hold scheduled events but choose less expensive catering options. The industry average used for comparison of results in

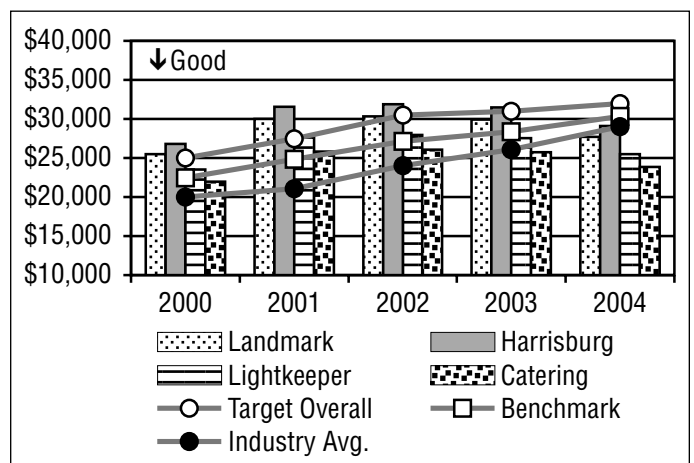


Figure 7.5-4 Cost per Employee

this item is provided by the NRA, and, unless otherwise noted, the benchmark refers to a best-in-class area restaurant. In addition, results for Landmark's take-out services are included in the data for the two restaurants. No results are available yet for the new HMR Dinner Delivery Services. Also, data on administrative and accounting staff members are included in the overall Landmark results in Figures 7.5-1 and 7.5-4.

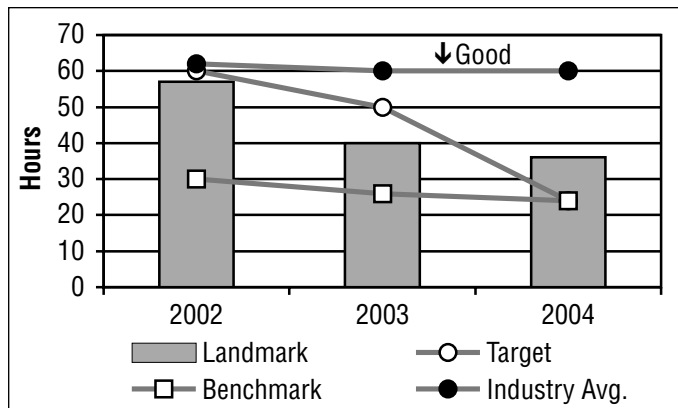
Chef Volume (*Figure 7.5-2*), another measure of productivity, is the average number of meals cooked and served per chef. Because of efficient operations, performance improvements due to Foodtrak, and productive employees, Landmark has been able to prepare significantly more meals without adding more chefs. Decreased volume in 2001 and 2002 reflects the decline in overall volume experienced by the restaurant, during which time we maintained staffing for future growth.

Prime Cost (*Figure 7.5-3*) is the percentage of total costs that consists of food and labor costs. As these costs are the ones most directly related to producing value for the customer, they should constitute the largest percentage of the total costs. Landmark's performance has consistently improved for this measure and currently exceeds that of its benchmark.

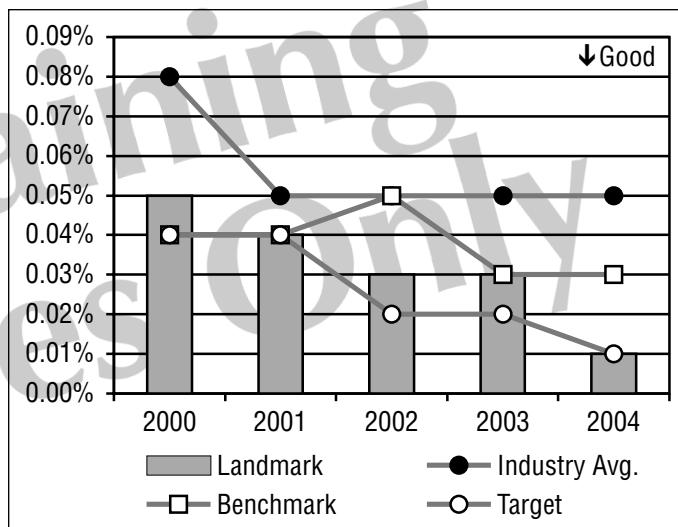
The Cost per Employee (*Figure 7.5-4*) is an indicator of cost control. It is computed as the cost of sales and controllable expenses divided by the number of total employees. This cost increased during the economic downturn in 2001 and 2002, but it decreased to the target level by 2004. Landmark's costs are higher than the industry average due to the costs related to owning and maintaining its historic properties.

New Menu Item Performance (*Figure 7.5-5*) is the average number of new menu item orders and is a measure of the effectiveness of the Menu Design and Re-engineering Process. Landmark considers 50 orders a week in the first 90 days (approximately 600 orders) to be an outstanding success. Based on industry data from the NRA, the average is around 490 to 500. Since the refinement and expanded use of the Menu Design and Re-engineering Process, the number of new menu item orders has increased significantly, indicating the effectiveness of the process. *Figure 7.5-5* represents a sampling of new entrées introduced throughout each year.

Menu Item Development Cycle Time (*Figure 7.5-6*) is the average time to introduce new menu items and/or revise the menu. Again, the refinement and expanded use of the Menu Design and Re-engineering Process has significantly improved the time it takes to introduce new items. Some new menu items are actually introduced the same day. Data are unavailable



**Figure 7.5-6 Menu Item Development Cycle Time**



**Figure 7.5-7 Menu Item Shortages**

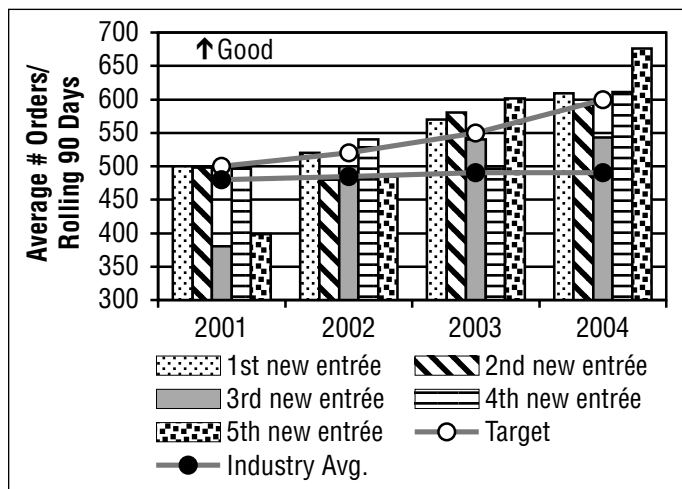
prior to 2002, as this measure of performance was introduced following an analysis of the 2001 LSQA feedback report.

Menu Item Shortages (*Figure 7.5-7*) are measured as the percentage of times that items are not available when ordered by customers. Landmark tracks this measure as part of its electronic ordering program on its Foodtrak system. There are so few shortages at Landmark that this measure is being considered for removal in the 2005 DINERS Improvement Process review cycle.

**7.5a(2) Support Process Performance**

*Criteria Question*

*What are your current levels and trends in key measures or indicators of the operational performance of your other key processes? Include productivity, cycle time, supplier and partner performance, and other appropriate measures of effectiveness and efficiency.*



**Figure 7.5-5 New Menu Item Performance**

Pre-Audit Scores (*Figure 7.5-8*) are the unofficial results from Landmark's internal pre-audit walk-throughs with students from the culinary program of the community college. As indicated by comparing pre-audit scores to actual health department audit results (*Figure 7.6-5*), the internal pre-audits are

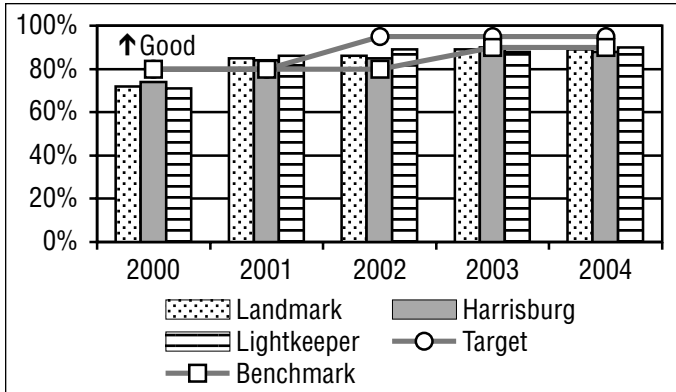


Figure 7.5-8 Pre-Audit Scores

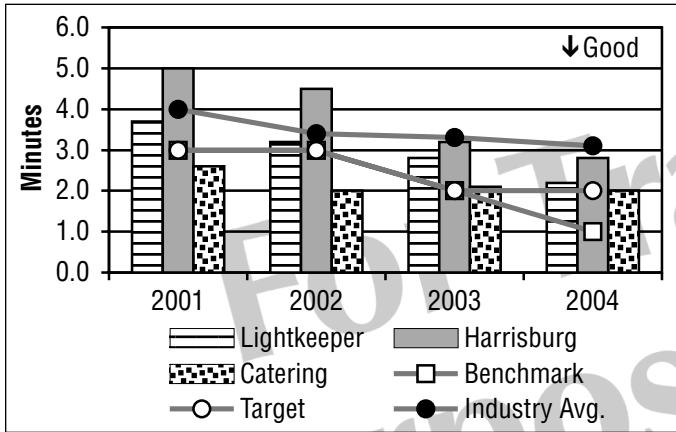


Figure 7.5-9 Set-up Cycle Time

scored more severely than the actual health department audits. This careful examination helps prepare the organization to exceed health department requirements.

Table Set-up Cycle Time (Figure 7.5-9) is the number of minutes it takes to set up a table for restaurant dining or a catering event. Landmark's adoption of industry-wide improvements, changes in the work process flow, and process standardization have significantly improved Landmark's performance on this metric over time.

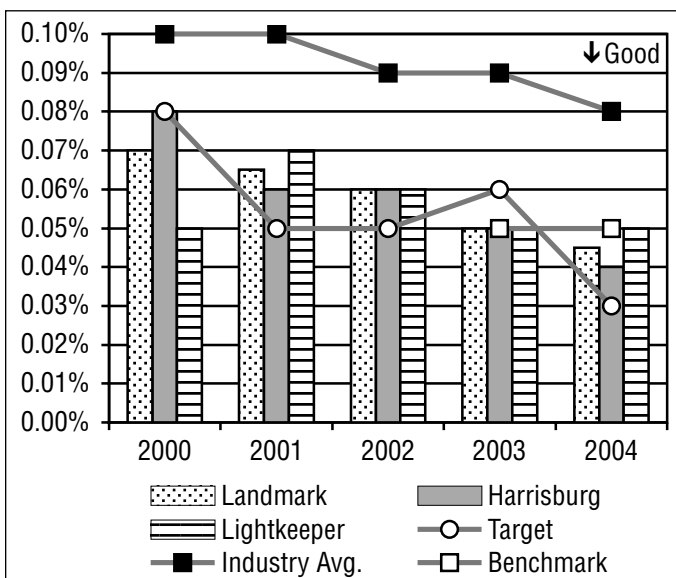


Figure 7.5-10 Spoilage

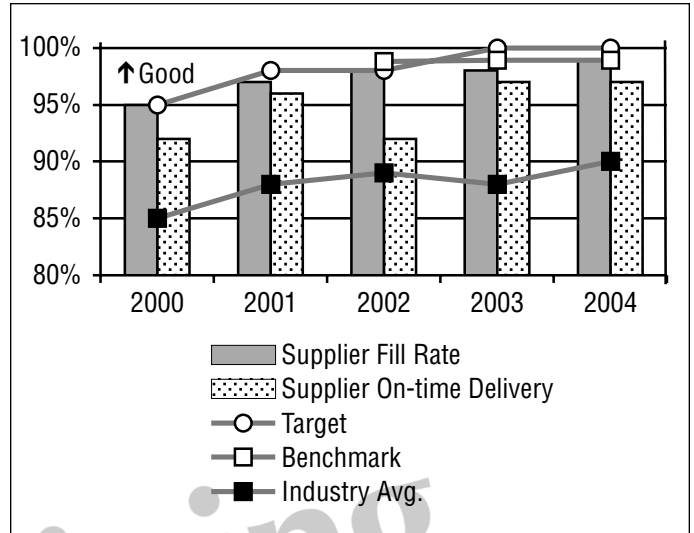


Figure 7.5-11 Supplier Performance

Spoilage (Figure 7.5-10) is the percentage of total food costs that is attributed to food supplies that are discarded because they are spoiled and/or expired. Frequent communication and close collaboration with the restaurant purchasing consortium, as well as better use of the Foodtrak system for supplier inventory management, have improved performance on this measure significantly.

Because products and services acquired from our restaurant purchasing consortium constitute 90% of our supplier costs, our main focus for supplier performance is on this organization. Supplier performance for the consortium (Figure 7.5-11) is measured by fill rate and on-time delivery. Fill rate is the percentage of items delivered as ordered. Suppliers are expected to deliver 100% of the orders placed. Supplier on-time delivery is the percentage of orders delivered on time. The supplier is expected to deliver orders within 24 hours (or within an agreed-upon time frame). Significant improvement is shown for both of these key measures. Our target and comparisons for supplier performance reflect the combined percentage for both fill rate and on-time delivery.

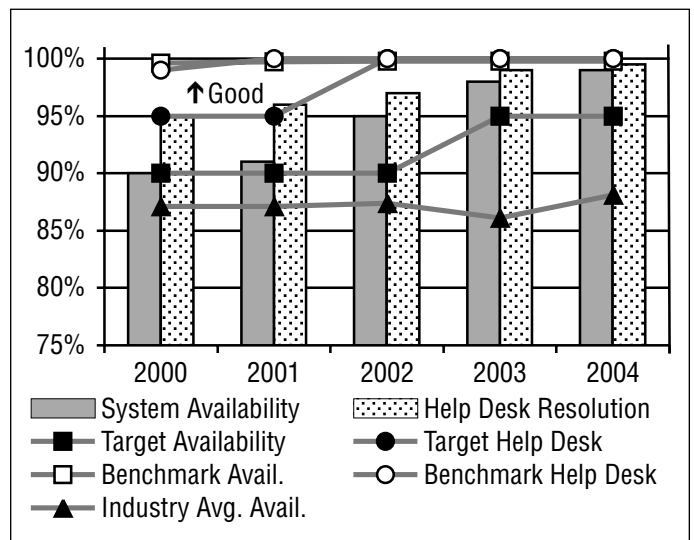
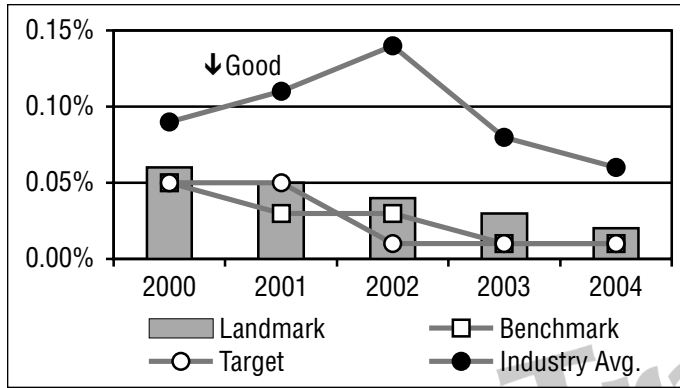


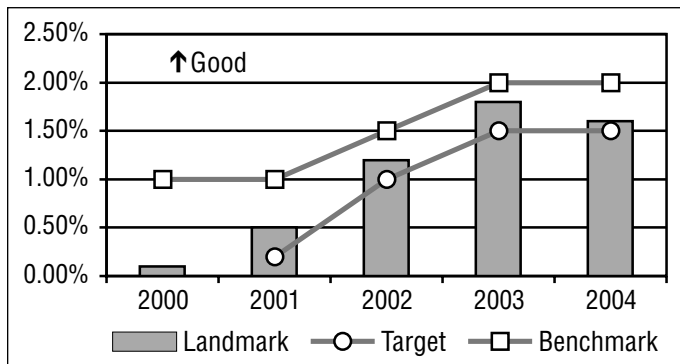
Figure 7.5-12 System Availability and Help Desk Issue Resolution

System Availability (*Figure 7.5-12*) is the percentage of time that systems are up and running with no unscheduled down time. Help Desk Issue Resolution (*Figure 7.5-12*) is the percentage of issues that are resolved by the IT vendor on the first call from Landmark employees. Results show the impact of various relationship building activities, better communications, and improvements in the POS technology over this time period.



**Figure 7.5-13 Shrinkage**

Shrinkage (*Figure 7.5-13*) is the percentage of supplies not otherwise accounted for by sales or spoilage. Landmark considers it a metric of internal control over food supplies and employee behavior. Over the past few years, Landmark has increased its focus on reducing shrinkage and spoilage and has provided training to employees on methods to reduce waste, as well as the impact of shrinkage on company profits and therefore on their employment opportunities. Landmark's 2004 results for shrinkage are approaching the benchmark of .01% of a former Baldrige Award recipient.



**Figure 7.5-14 Improvement Process Savings**

Improvement Process Savings (*Figure 7.5-14*) is the percentage of cost savings that can be attributed to teams using the DIN-ERS Improvement Process each year. Landmark's benchmark is a recent Baldrige Award recipient from the service sector.

## 7.6 Leadership and Social Responsibility Results

### 7.6a Leadership and Social Responsibility

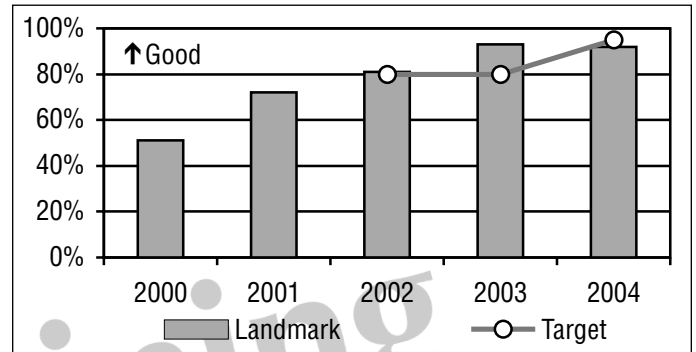
#### 7.6a(1) Organizational strategy and action plans

##### Criteria Question

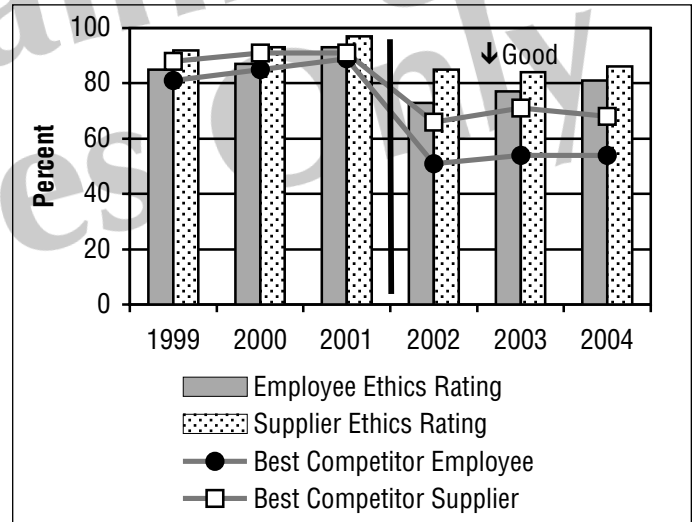


*What are your results for key measures or indicators of accomplishment of your organizational strategy and action plans?*

Action plan achievement can be shown by the results throughout Category 7, as those measures identified in the Strategy Map (*Figure 2.2-4*) are considered key to the success of the strategic plan. In addition, *Figure 7.6-1* shows the percentage of strategic action plans on target for achieving key milestones and deadlines.



**Figure 7.6-1 Action Plan Achievement**



**Figure 7.6-2 Perceptions of Ethical Behavior**

#### 7.6a(2) Ethical behavior and stakeholder trust

##### Criteria Question

*What are your results for key measures or indicators of ethical behavior and of stakeholder trust in the senior leaders and governance of your organization? What are your results for key measures or indicators of breaches of ethical behavior?*



*Figure 7.6-2* shows results from the employee annual survey for the statement, "I feel confident that all employees behave in an ethical manner," and from the supplier annual survey for the statement, "Landmark employees behave in an ethical manner at all times." Results for 1999 through 2001 show the combined percentage of four- and five-level responses (agree and strongly agree) on a five-point Likert scale; however, in 2002, the measure was changed to include only "top box" (strongly agree) responses in order to provide more actionable data and a better comparison to our best competitor. Because these surveys are used by all members of the Secret

Diners Association, Landmark obtains comparative data through the association. On both surveys, Landmark exceeds the performance of its best competitor. Results for additional measures of ethical behavior (e.g., code of conduct violations, ethics-related employment termination) are available on-site.

As noted previously, the organization has chosen to focus its community support in key areas that are aligned with its Values. Figure 7.6-3 shows a partial listing of awards and recognitions that Landmark has received over the past five years in those areas.

### 7.6a(3) Fiscal Accountability

#### Criteria Question



What are your key current findings and trends in key measures or indicators of fiscal accountability, both internal and external, as appropriate?

Figure 7.6-4 depicts findings from internal and external financial audits. For the past three years, external audits have not identified any findings. Landmark's internal audits tend to be more comprehensive and include a thorough review of processes. While findings from these audits have not included any violations on the financial statements, Landmark has identified several process deficiencies, such as missed deadlines and incorrectly formatted reports.

### 7.6a(4) Regulatory and legal compliance

#### Criteria Question

What are your results for key measures or indicators of regulatory and legal compliance?



Landmark consistently scores high on audits by the Houston and Galveston HHS departments. As shown in Figure 7.6-5, Landmark's overall score on the 2004 health department audits (including the food preparation for the catering service) are higher than the top 10% of reported audits in the two cities. In the past seven years, Landmark has not been cited for any violations of health or food safety codes at either location.

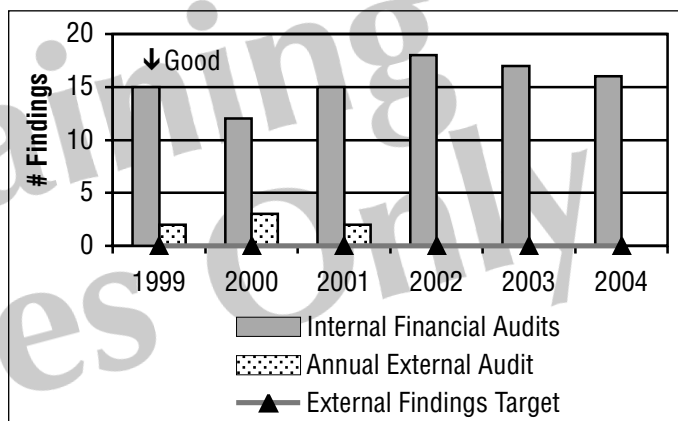


Figure 7.6-4 Financial Audit Results

The other areas of regulatory compliance identified in Figure P.1-3 have outstanding results that exceed regulatory requirements. For the past five years, Landmark not had any violations for waste removal or any violations for employee-related regulations (e.g., regulations associated with the Family and Medical Leave Act, Employee Retirement Income Security Act, Americans with Disabilities Act, OSHA, Fair Labor Standards Act, or Equal Employment Opportunity Commission). Landmark continues to abide by all zoning codes and licensing regulations and in fact exceeds requirements through meticulous maintenance of its two sites as part of its historic preservation efforts.

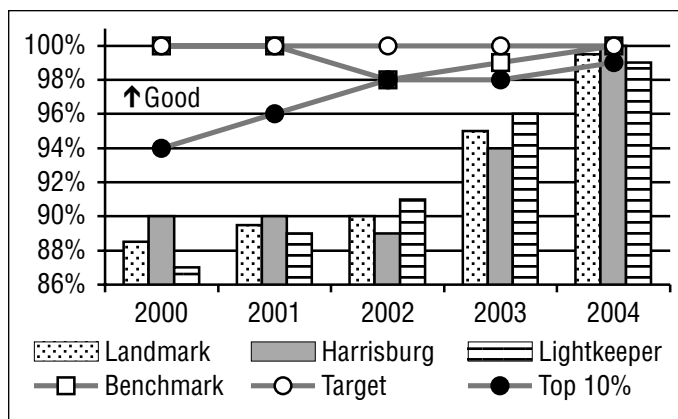


Figure 7.6-5 Results of HHS audits

| Community Service Awards  |
|---|
| Houston Food Fund: Thanks a Ton Award (2000, 2001, 2002, 2003, 2004)                      |
| Galveston Food Sharing Festival: Key Sponsor (2002–2004)                                  |
| Veterans of Texas Association: Certificate of Appreciation (2000, 2001, 2002, 2003, 2004) |
| City of Houston: Compassionate Caring Award (2002, 03)                                    |
| Carol J. Angelard College of Hotel and Restaurant Management: Hall of Honor (2002)        |
| American Red Cross Disaster Assistance Award (1998)                                       |
| Historical Preservation Awards  |
| Founding member of the Houston Metropolitan Historic Preservation Association (2003)      |
| Houston Historical Protection Alliance: Good Block Award (2003, 2004)                     |
| City of Galveston History Group: Award of Merit (2002, 2004)                              |
| Texas Historical Preservation Society: Visionaries Award (1999, 2003)                     |
| Business Excellence Awards  |
| Lone Star Quality Award (2002)  |
| Charles S. Roulette Entrepreneur of the Year (2001)                                       |
| State of Texas Chamber of Commerce Employer of the Year (2002, 2003)                      |
| Houston Times Best Place to Work—Small Business (2000, 2002, 2003, 2004)                  |

Figure 7.6-3 Partial Listing of Awards and Recognition

## 7.6a(5) Organizational citizenship

### Criteria Question



What are your results for key measures or indicators of organizational citizenship in support of your key communities?

Support of its local communities is a year-round activity for Landmark. Figure 7.6-6 shows the results for two of our key community contribution activities: Restaurant Week and dinner donations. Each year, Landmark is a strong participant in Restaurant Week. During this week, proceeds from specific menu items that customers order are donated to a charity organization. The benchmark shown in this figure is the average of the top 10% of the restaurants participating in this program, all of whom are much larger than Landmark.

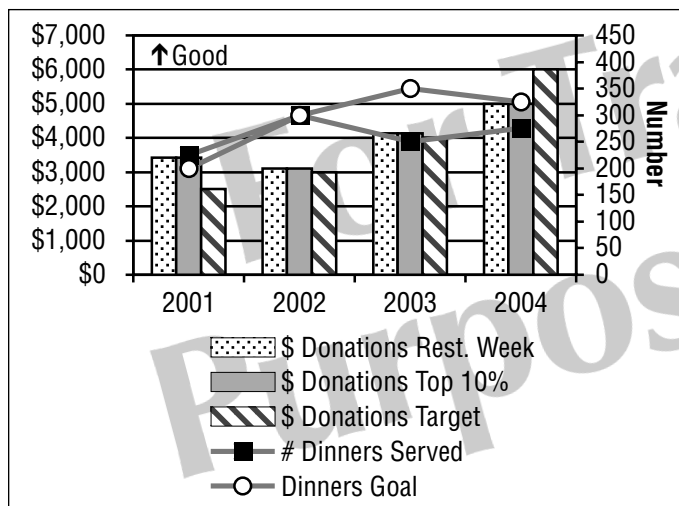


Figure 7.6-6 Contributions to the Community

To support its local communities, Landmark offers free meals to the homeless each Thanksgiving and Christmas. In addition, in 2002, to help numerous employees who lost their jobs in the oil industry due to the collapse of the Niorne Corporation, Landmark sponsored numerous networking dinners for these employees and potential new employers. Despite the fact that 2002 also was a financially challenging year for the company, Landmark continued to meet the needs of the community, demonstrating its commitment to its Value of Enriching the Community.

In addition to the company's financial and product contributions, Landmark's employees contribute numerous hours to volunteer activities in the community. Employees can take off up to four days per year to volunteer at soup kitchens, the local veteran's hospital, or other charitable organizations that are consistent with the core Values of Landmark. As Figure 7.6-7 indicates, most employees choose to do so, which reflects positively on Landmark's ability to identify and hire employees who support the organization's Values and its ability to communicate and reinforce those Values. In response to the events of September 11, 2001, and the difficult economy of 2002, employee participation was even higher than usual.

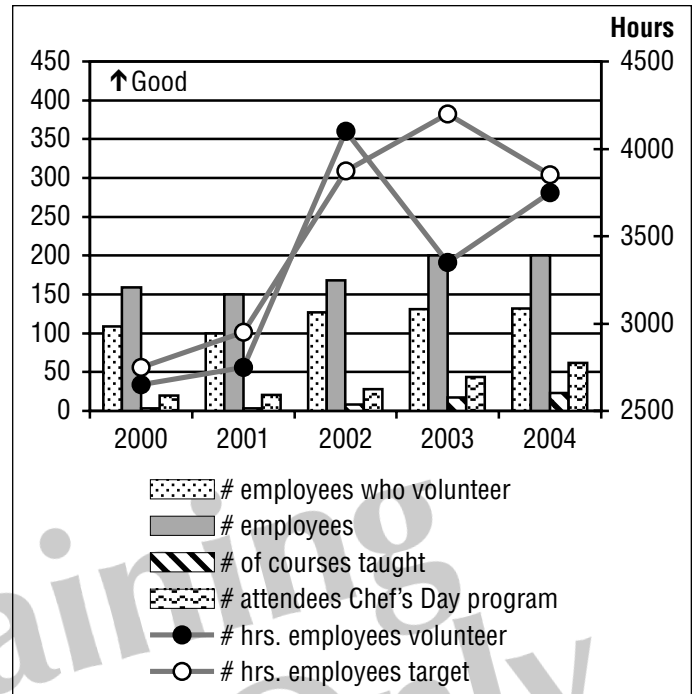


Figure 7.6-7 Services Donated

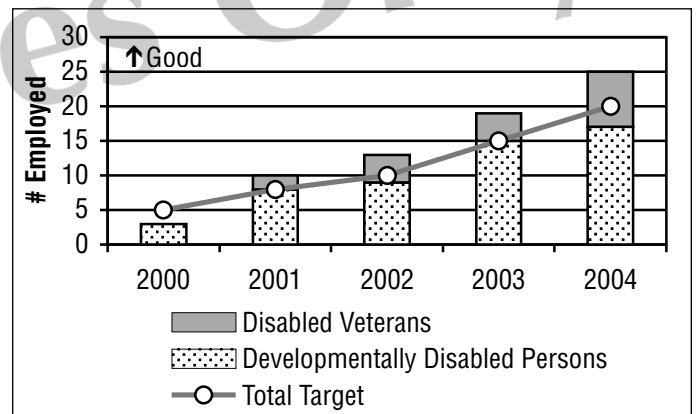
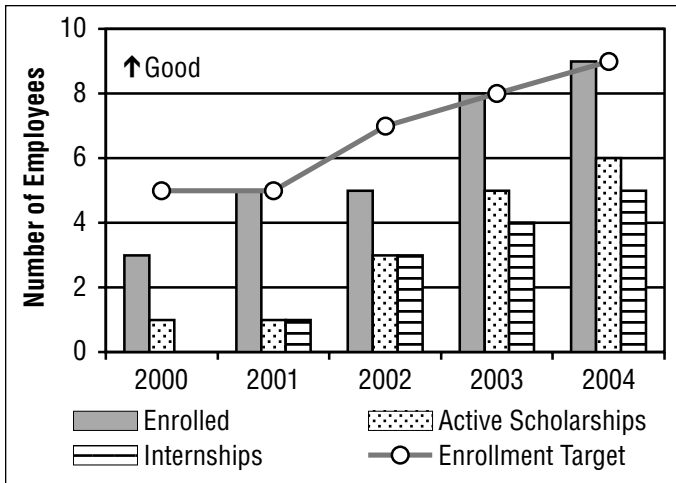


Figure 7.6-8 Developmentally Disabled and Disabled Veterans Employed

Additionally, as this figure shows, Landmark is committed to promoting a healthy lifestyle in the community. Working with the local community college, the company offers a Chef's Day program for children aged 8–14 to teach them healthy eating habits. Chefs also volunteer at the Houston Food Fund, teaching courses on nutrition and food budgeting skills for low-income families. The number of courses taught has grown from three in 2001 to 23 in 2004, supporting the growing interest in the community.

Another measure related to our Value of Enriching the Community is our support of those with challenges (Figure 7.6-8). Working with local agencies, Landmark actively recruits those with developmental disabilities. Providing them with meaningful employment enables them to live independently and with dignity. The number of developmentally disabled employees at Landmark has increased consistently since 2001. In support of our troops returning from war, Landmark also is committed to





**Figure 7.6-9 Employees Advancing Careers in Hospitality**

recruiting and employing disabled veterans. Active recruitment in this area has increased these numbers significantly, and projections are to reach the goal of 25 in 2005 and 35 in 2008.

While running Landmark is a business, it also is a labor of love. The senior leaders of the company are very committed to the hospitality industry and encourage interested employees to pursue a career in the industry in a number of ways, including flexible work schedules, internships, and scholarships. *Figure 7.6-9* indicates the growth in the number of active employees who have elected to continue their education in hospitality, the number of interns from the Carol J. Angelard College of Hotel and Restaurant Management, and the number of scholarships the company is able to offer.

**For Training  
Purposes Only**