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Panera-bred leaders have risen throughout the restaurant industry

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PANERA

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Ron Shaich steadily grew Panera Bread Co. into the biggest fast-casual chain in the country. But along the way, he built something else with his bakery-cafe empire: an impressive training ground for top restaurant executives.

Walk a few blocks through downtown Boston or drive into a suburban strip mall and you'll probably glimpse elements of this legacy: chains led by executives who once worked for Panera or its offshoot, Au Bon Pain. From Friendly's to Pizzeria Uno to Smashburger, the influence of Shaich and his lieutenants extends well beyond Panera's direct effect as a fast-casual pioneer.

If these former Panera and Au Bon Pain execs together form something of a Bread Mafia, then Shaich is this loosely knit family's godfather.

The Panera-bred expertise may be paying off. Europe's JAB Holding Co. approached Panera this month with an unsolicited buyout offer, an overture that materialized into a \$7.5 billion

buyout. One selling point: the leadership. JAB is keeping the team, which is based in offices in Needham and Missouri.

Industry insiders say JAB — which controls a number of consumer-oriented companies, including Peet's Coffee & Tea, Keurig Green Mountain, and Krispy Kreme Doughnuts — will benefit from the Panera management. But you don't need to acquire the company to get a piece of that magic. You can also recruit.

"Success breeds imitation," said R.J. Hottovy, an analyst with Morningstar who follows Panera. "When you get a very successful concept, those executives become targets for other firms."

John Maguire now leads Friendly's Ice Cream and Johnny Rockets. Rick Vanzura runs Wahlburgers. Paul Twohig just retired from his job as the US president at Dunkin' Donuts, and Mike Nolan just reunited with his former Panera colleague Clay Sanger at Pieology, as president and chief operating officer, respectively.

There's also a list of management stars from Au Bon Pain, which separated from Panera in 1999. They include Frank Guidara, who went on to lead Pizzeria Uno, and former Cosi chief executive RJ Dourney, now at Upper Crust.

Bob Luz, president of the Massachusetts Restaurant Association, likens Panera's leadership development to General Electric's, another company well known for preparing talented managers.

"There are really good people, but if there's no role for them to take over, they spin out into other companies," Luz said. "When you get someone with a pedigree of a company like Panera, which clearly has been a bellwether organization in terms of stock performance, clearly it would excite other employers to get someone [from there] to come in and help that company out."

The lessons they learned at Panera weren't exactly rocket science — good management techniques rarely are — but they weren't necessarily easy to master, either.

They've figured out how to replicate a shop's quality, something that can be tough across an entire country or through a wide range of independent franchisees. (Panera's 2,000-plus shops are a mix of corporate- and franchisee-owned.) They've shown a willingness to take calculated risks to stay on top of consumers' changing demands. And they were encouraged by Shaich to focus on philosophy as well as profitability.

"It just came down to a philosophy that was successful: the consumers were accepted, appreciated, and embraced," said Darren Tristano, chief insights officer at Chicago-based restaurant consultancy Technomic. "Those executives have been able to take that elsewhere, and they've found further success in their careers."

Ask Shaich, who is expected to remain as chief executive, what makes Panera management special, and he'll offer a quick rundown of the corporate history. Shaich, a Harvard Business School graduate, famously started with a cookie shop on Boston's Winter Street in 1980 and soon merged the business with a small group of cafes owned by Louis Kane, to create Au Bon Pain. The chain was "fast casual" long before the term was coined — quick, healthy breakfasts and lunches that cost just a little more than most of the meals at the big burger chains.

"Between Ron and Louis Kane, you had two phenomenally successful executives who were very open and sharing in their own unique management styles," said John Billingsley, vice president of development at Papa Gino's. He left Au Bon Pain before the corporate split but later returned to that chain for a decade.

Au Bon Pain thrived in urban environments, at the base of office towers or at college and hospital campuses, and became a publicly traded company in 1991. The company acquired the St. Louis Bread Co. in 1993, a concept that enabled Shaich to focus more on suburban locations. During that time, the chief executive saw the increasing appetite for food and dining experiences that were of a higher quality than what's offered at typical fast food joints.

But by 1999, Shaich also realized that the St. Louis Bread, which was renamed Panera Bread, had more potential to become a nationally dominant brand. So Shaich prompted the spinoff of Au Bon Pain into a separate company, a breakup that received some resistance from his board.

Hottovy, the Morningstar analyst, said Panera emerged as an industry leader through its focus on health and wellness (it was an early adopter of calorie counts, for example), its strong loyalty program, and its deployment of mobile ordering and payments.

"Most people [here], they've been pushed to think in ways they've never been pushed to think about before," Shaich said.

One of the most prominent Panera execs, John Maguire, was tapped to revive the Friendly's chain in 2012 as its chief executive. Last year, Friendly's owner Sun Capital Partners added its Johnny Rockets chain to his management responsibilities.

Maguire said Shaich kept the Panera team laser-focused on three goals: hiring great people, offering menu items that consumers crave, and creating an environment where people want to spend some time.

"Having worked for him for about 18 of the 20 years [at Panera], I couldn't have asked for a better mentor," Maguire said.

Wahlburgers chief executive Rick Vanzura, who was cochief operating officer alongside Maguire before leaving Panera in 2011, also pointed to the leadership lessons that rubbed off on Shaich's team.

Shaich was a relentless innovator but also someone who peppered his troops with “Ron-isms,” as Vanzura calls them, along with the company’s broader cultural values. No shortcuts. No jerks. Profits provide possibilities.

Shaich says he gets hundreds of notes from former employees in all rungs of Panera’s corporate ladder, now in all walks of life — teachers, real estate agents, lawyers. They thank him for what they learned at Au Bon Pain or Panera and its applicability to their new careers.

The most important lesson? Figure out how to create something of value, Shaich said, something that will prompt a consumer to take notice and walk across the street to visit.

“Are we doing the things that are going to matter three or five years from now? If we do, we’re going to win,” Shaich said. “It’s that kind of disciplined thinking that many people who have been through here have benefited from.”