Top Chipotle Exec. Reveals The Secret To Their Corporate Culture & Engaged Workforce

Jacob Morgan 00:00

Hey, it's Jacob. And I'm excited to announce that my brand new book leading with vulnerability is now officially available for preorder. Learn why inside of organizations I argue that you should not, I repeat should not be vulnerable. But instead, you should lead with vulnerability. There is a key distinction between those two things. Leading with vulnerability is about combining competence and connection. I interviewed over 100 CEOs of companies around the world to figure out exactly how to do that. I also surveyed 14,000 employees in partnership with leadership firm DDI. And the book explores a lot of fascinating topics. We got some early endorsements for the book, and I just wanted to share some of them with you. In case you're having doubts about this. So Seth Godin, one of the people who endorsed the book, he says, this is a well researched, compelling book about something we spend far too little time thinking about being human, it works. Patrick Lencioni, who I'm sure many of you are familiar with, he wrote many best selling books. He's been a guest on this show, he says, Jacob takes a wonderfully thorough look at one of the most important and lacking qualities in leaders. And he does so with a raw and honest approach that makes this point all the more powerful. I just want to read one more endorsement from you, that we got from Mel Robbins mega best selling author, I'm sure a lot of you are familiar with Mel as well. She says, this book is a serious game changer, because we've been thinking about leadership all wrong. Whether you're a CEO of a Fortune 500, or an entrepreneur with a team of two, leading with vulnerability is packed with strategies and practical tools to help you become a leader who knows how to make an impact. We've got a lot more endorsements far more than this. I'm very, very excited to share them all with you. I hope you decide to preorder a copy of the book, which you can do at lead with vulnerability.com. The book is coming out October 3. And if you preorder a hardcover copy, you're gonna get access to some really cool bonuses, including some exclusive CEO interviews with the CEOs of GE American Airlines, Edward Jones, and a couple others. I'm going to give you a sneak peek of the book. So a couple chapters before the book even comes out. You're also going to be invited to an exclusive and private webinar that I'm going to be hosting where I'll be sharing some of the concepts and ideas from the book. Again, all of this is going to be happening before the book comes out. Head over to lead with vulnerability.com

02:27

I have two people are accountable. No one's accountable. And accountability and responsibility are very different things. Welcome

02:34

to another episode of great leadership. My guest today Scott Boatwright, Chief restaurant officer at Chipotle responsible for over 110,000 employees in 3200 stores. So accountability is the person who's actually responsible, like the person that you go to when something goes wrong or when something

goes right. And responsibility is the people who implementing it. The one point of contact that you go to right, there's a big difference between accountability versus responsibility. So what is that difference?

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We all have a shared responsibility to the team. But there has to be one person accountable when things go well, what person can I go recognize? And when things don't go, Well, what person can I go talk to about redirecting or improving? And I think that's a critical component of leadership.

03:23

Hey, everyone, welcome to another episode of great leadership. My guest today Scott Boatwright, Chief restaurant officer at Chipotle responsible for over 110,000 employees in 3200. Stores. Scott, thank you for joining me.

03:38

Thank you, Jacob. We're happy to be here and looking forward to a great conversation.

03:42

Yeah, likewise. So a ton of questions for you. But before we jump into all those questions for the very few people out there who are not familiar with Chipotle, can you give us a little bit of background information about the company? How big is your footprint in terms of total employees, total stores countries that you're in?

04:03

Yeah, great questions, Jacob. So the brand was founded in Denver, Colorado back in 1993, by a gentleman by the name of Steve Ells, who was actively involved in the brand for gosh, its first, little over 25 years of growth. And through lots of transition. There was a period of time that McDonald's became an investor in Chipotle back in its early days, and really supported the brand through Well, you could one perceive as hyper growth for a period of a few years, and then eventually took Chipotle out to IPO. And that's when McDonald's exited the business. The brand has grown in fits and starts over it's Gosh now 30 year history. Most recently I joined the brain in 2017 at the behest of Steve Ailes and encouraging me and prodding me to join what I believe to be an American iconic American brand, that I had a lot of affinity for as a consumer of the brand long before I joined. And it has been an incredible six years. Today we're at 3200 restaurants across North America and Western Europe. And so we're obviously in almost every state in the US. We are of course, we're not in Alaska or Hawaii today, yet. We are. We are not yet. And we're moving to our third province in Canada. So we're already in British Columbia, Ontario, and now moving to Alberta, okay. In Western Europe, you can find us in Paris, London, as well as Frankfurt, Germany, with aggressive growth plans in both Europe and Canada.

05:53

Okay, very cool. And then what is the chief restaurant officer do so I've interviewed close to 800 people on this show, now you are the first chief restaurant officer I've ever spoken with.

06:05

It's fantastic. So today, I have responsibility for all of operations across the organization. So I have responsibility for our 110,000 employees out in the field, and then also have responsibility for a few functions within our Support Center, primarily the HR function, which we call people experience across the company today, as well as OB services, which is really an arm that is in support of what we're trying to accomplish in our field.

06:36

Okay. So I wanted to start a conversation by it was actually an article that I read, I think it was in 2018. And I can't remember where I read it. But it basically said that the stock was near an all time high at the time, that the share price was around $750 a share. Then the article went on and said that it was obviously one of the most successful restaurant chains in history. And then there were some food safety issues at the time in 2018. And the stock was cut in half to around 300 Something a share. Those numbers look tiny today, because you are now I think at an all time high right over $2,000 a share. And I was going through your LinkedIn profile to see some of the things that you were responsible for. And I just want to read some of these things. So people can get a sense of some of the things that you put into place. So some of them more than doubled the share price solid economic model in Canada relaunched or realigned field leadership and GNA to limit above store leaders remit shifted from 15 stores to eight guest experience. You did a lot in there developed a winning strategy for operations. So you know what, as I was going through your LinkedIn profile, I couldn't help but wonder if you did so much when you were there was Chipotle, just a disaster when they brought you in, and they just, you know, flying by the seat of their pants, because it seems like you came in and just transformed the company and did things that, you know, you would think somebody would have already been thinking about?

08:11

Sure. And I could see how you, you would you would have that vantage point, Jacob, you know, what I found in 2017, was an organization full of extraordinary people and extraordinary talent, that were hyper focused on exceptional culinary and delivering what we believe to be the uniquely Chipotle experience. And so the bones of the organization were well intact, had a great structure and foundation, and just needed a little aim increased direction, on how to create systems standards and processes that were scalable, that allowed to brand the brand to achieve its extraordinary growth targets. And the year I showed up in 2017, we had just over 1900 restaurants. And that year, we were growing at about 10% new restaurant growth. And so what we lacked was a level of sophistication around leadership development resources, specific to developing leaders to take on larger spans of responsibility, which is a which is a recipe for disaster, if you will, Jacob in a high growth oriented organization. And so, you know, what I did very, very early on was establish again, system standards and processes set the hierarchy such that we could achieve our long term goals for both organic restaurant growth and new restaurant growth. So we devised an organization that had support from all angles of the organization to ensure that we were all geared to fundamentally geared towards one one like minded so The area. And that was if you were in a support function in this company, then your job was to support anyone who is serving a guest. And so just really reorient reorienting the organization towards that endeavor had a meaningful shift in how we supported our restaurants, and put us in such a favorable position to have achieved what we accomplished over the last five, six years.

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10:24

When you say system standards and process maybe you can give a couple examples, right, because I think a lot of people have been to Chipotle, I used to live within walking distance of a Chipotle and I was there all the time. And anybody who's ever been to one knows that you walk in, you know, you have a very limited menu. And it's kind of like an assembly line, right? You go down the list, people ask you what you want in your burrito, your talk or whatever. And then you pay at the end. And just visually, it seems like a very simple process, right? Visually, you walk in and you're like, Okay, it's basic. There's just somebody who's going to put guacamole and cheese and then a paid the end. But it seems like on the back end, it's actually a very complex process at scale across all these 3200 stores. So when you talk about systems standards and process, what were some of the things that you had to put into that weren't there before?

11:16

Yeah, great question, Jacob. And so on the surface, you're absolutely right. When you walk into a Chipotle, it seems very basic, very simple. The guest is building the order from start to finish down the line, which flows in a linear production flow from tortilla to the cash register, what you don't see is all the hours of work that go into the am shift, where we have team members in our restaurants, and it looks like a farmers market. And so you have, you know, five to anywhere from five to 10 team members in their preopening with pots, pans, knives, cutting boards, and preparing wholesome fresh ingredients from scratch, every morning and every single restaurant. And so my challenge was a unique challenge, Jacob, and that I needed to protect what made us special as an organization. And so what I mean by that is we have 53 Ingredients most that you can source and buy at your local Whole Foods, or otherwise. And most of that produce has grown within 500 miles of each restaurant. And so we're bringing in loads and loads of fresh green leaf lettuce, peppers, bell peppers, onions. And, you know, it would be very easy to commercialize a lot of those ingredient preparation techniques that we use today, whether that's choppers or taking that product out to commissary and receiving it in bags. And I'm often in challenged by people outside the organization saying Why don't you move in that direction to simplify the operating model. And at the end of the day, Jacob fresh just tastes better. And there's no substitute. You can make those decisions and it's death by 1000 cuts in my opinion, and you lose flavor, you lose quality, and it is not the same experience. So my unique challenge, Jacob, how do I keep this place special, keep it authentically Chipotle, but provide systems that allow us to scale this farmers market, if you will, and 3200 restaurants every single day with you know what is typically transient labor, as most often food service in our food service environment is where people go for their first job, learn basic job career skill skills, and then move on either off to college or off to other endeavors. So that's the challenge for me. And that's what we needed to solve for.

13:57

Well, it's funny, you mentioned freshness, because my wife and I were talking the other day, and we love Mexican food and we eat a lot of Mexican restaurants. And every time we go to a Mexican restaurant we and sometimes you'll pay like you know 20 $25 For a burrito. And whenever we go to the Mexican restaurants we still say, you know, we still like Chipotle better. Like it's just the guacamole. I mean, you know the guacamole at Chipotle is legendary right? And just we were literally three days ago we're like remember one of those burritos used to get bought barbacoa and, and guacamole and sour cream and you go to some of these other restaurants and you can those burritos are okay. And I'm

talking not fast food restaurants but actual like sit down restaurants and still have a Chipotle burrito, I think in many cases is better than some of the like fancy burritos out there that you can get. So I like that you mentioned the the farmers market. And so can you give a few examples. So when you came in and you had these challenges, like what were some of the specific questions that You were faced with, you know, because how do you create a farmers market and 3200 stores simultaneously every morning? Was that literally one of the questions that you were being forced to answer, or was it more granular than that?

15:14
Yeah, I think it was probably more granular granular than that, Jacob. And that, you know, was, as you know, when I joined, the organization had a few scares, food safety scares that caused us to push pause on a lot of the in restaurant initiatives that were underway to try to solve for or mitigate against food safety risk. And so what I did very early on is a key priority for the organization was put in process and standards as well as policy specific to food safety, to protect what we do in our restaurants every day. And just as a reminder, Jacob, we don't use additives, preservatives, substitutes, conditioners, etc, which oftentimes become food safety, risk mitigation, tactics or strategies. So I say that to say we don't have a safety net at Chipotle today. And so we have to be hyper vigilant on how we deliver the experience everyday across 3200 restaurants, by the way, on our way to 7000 here in North America. And so if you don't have the right structure in place, and the process and policy in place, you can see very quickly how things could go awry. And so we quickly established a culture around food safety, and put in mechanisms that solve for and took a lot of the risk out of the human error factor in each restaurant to again mitigate that risk.

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So when you talk about a system, are we talking about a system of like, logistics, you know, the truck shows up every morning at this time, this amount of groceries gets unloaded this person unloads it you guys chop you'd like, is that what you mean, when you say system? And is that something that just didn't exist before?

17:07
You Yeah, so Well, you know, there were things that existed before Jacob that just weren't followed up on to the degree in which they needed to be right. And so that's how things get off off the rails, I think we talked about earlier, when I arrived, we had the field leader level, which is the first level above restaurants. So think this is a district manager, area supervisor, and a lot of other brands had too many responsibilities, right. And one of those were too many restaurants that they had responsibility for. And it's always been my understanding and believe, in my 30 year career, that any individual in the any organization at any level in hierarchy, can only manage, effectively about eight direct reports. And so we had few leaders running, you know, nor upwards of 15, some 20 restaurants, and they just at that point, all you're doing is firefighting, Jacob, you're not, you're not really moving the business forward in a meaningful way. You're not developing the people that you are challenged to, or you're supposed to be supporting every day. And so what happens is things get wobbly, things get messed, overlooked. And so really redesigning the, the organizational hierarchy was step one, and ensuring that no one in the organization had any more than eight direct reports. So they could spend quality time on the development of their general managers and restaurant and ensure that the policies and practices that

we had had in place, and were creating, were being followed adhere to and someone that would follow up on those mechanisms.

18:47

Okay. Yeah. Okay. So this is exactly what I was looking for, kind of like some of the specifics of what you had to implement. So besides that, in terms of reducing the number of stores that somebody was responsible for, what were some of the other either policies or practices or systems that you put in place that you think helped turn the company?

19:05

Yeah, one of the first steps. One of the first policies I put into place was a zero tolerance policy around what we call the wellness check. And so when a team member enters a restaurant to begin work, they are met at the register with the on duty manager who takes them through a wellness check just to ensure that they're healthy and safe to work. And so and I say zero tolerance, because I think it's an important note, Jacob. Oftentimes, in in our industry, unfortunately, people that are sick are forced to work either by being forced by the manager of the establishment are pushed to work because they don't want to run short staffed and or the team member feels like I can't miss a day of work. I have a family to provide for and so they feel compelled to work So on the heels of that, that policy that I established very early on, we began giving everyone three days of paid sick time, regardless of tenure in the organization. So at no point was a manager compelled to force a team member to work that was knowingly sick. And at no time did a team member feel compelled to have to work, because they knew they were gonna get paid for that sick time off. And that really changed the culture of allowing an employee to work in our back of house. Again, in most brands, not an issue, Jacob in our brand. It's so prep intensive, that an individual that works while sick, can affect you know, hundreds of people, because they're, again, they're cutting, chopping and dicing products in the back of the

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house now. Okay, so and that's an interesting policy as well, right? I mean, makes sense, especially in the food business, where there's some other changes that you made as well.

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Yeah, we did things like introduced digital house up, which is our hassle control step to ensure that every product is temperature checked once an hour to ensure it remains either, and it's cold state are a top state, which is very important in our industry. We also introduced incremental visits by our third party food safety organization called E kosher has been a long standing partner of ours. And we do four audits annually on every restaurant. So it's think of an independent firm that comes in and assesses food safety processes, and an organization. And we feel we're best in class today. And it's one we never take our eye off. Because again, it's so important for us from a risk mitigation standard, or practice to always be on top of our game. So there are a multitude of things that we did early on, I established row clarity for every person up and down the hierarchy, so that there was no confusion. I have an old adage that I've led by from lead with for many years that if if two people are accountable, no one's accountable. And accountability and responsibility are very different things. And so I identified for every individual in the organization, their top five accountabilities and how they will be measured,

rewarded, and promoted by, if you will, if they just follow these five things. And that that role clarity paid huge dividends in the years that unfolded, beyond 2017.

22:31

Can we dive into that a little bit in more detail. So you mentioned that there's a big difference between accountability versus responsibility. So what, what is that difference? And I'm wondering for leaders out there in different industries in different companies, if this is something that they can apply to their teams as well, as far as identifying, you know, the top priorities, how they're going to be rewarded, incentivized. I think a lot of employees inside of organizations don't even know how they're being rewarded. Like, what, if you go in to do an annual performance review or check in? I think a lot of employees out there are kind of like, I don't know what metrics you guys are looking at. I'm just coming with everything to defend myself. And I don't know what I'm supposed to be striving for in order to be able to get the best reviews. But in your case, it sounds like you were pretty transparent with all that.

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You absolutely have to be Jacob, I think I think in operations, specifically, any operator worth their salt, want to know two things, what's being measured, and how are we keeping score. And so and you give them those guardrails, and they can light the world on fire. And the difference between raw responsibility and accountability in a restaurant, I'll give you an example. Training has to happen, right? A lot of new people coming in and out of a restaurant. Typically, the industry average is about 150% turnover per restaurant. So you figure you're going to turn over this staff one and a half times this year. So training has to be paramount. From day one. Now, every manager in that building has a responsibility to ensure we're training everyone that comes in the door. Right? And so that's a shared responsibility. At the end of the day, if I don't have one person, one social security number accountable for training in that restaurant, then there's lack of clarity of follow up. And so when I have an issue with training in one restaurant, I have one individual I need to have a conversation with and that person will talk to the other folks on the team about shared responsibility, but there's one person accountable and that's a very important delineation.

24:41

Yeah, no, no, that that does make a lot of sense. So 150% turnover rate obviously, that's massive. I mean, it's probably normal for the restaurant industry, but I'm sure a lot of companies out there a lot of leaders are listening to this thinking oh my goodness in my software company, or in you know, my manufacturing company or my my banking institution, if we had 150% turnover, we'd be freaking out. So for you, what have you figured out? Like, what strategies are you trying to implement when it comes to attracting and retaining talent, because as we talked about earlier, my right people come in, they're chopping chicken, they're making guacamole and stuff like that. And, you know, for a lot of people, I'm assuming they when they start working at Chipotle, some people are like, I'm just gonna be here for a few months until I find something else. And some people are like, well, I can see a path forward where maybe I'm going to have my own Chipotle one day. So how do you? How do you attract and retain people in in an industry that has such high turnover?

25:41

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Yeah, Jacob, a couple of things that work in our favor, A is we have a really strong economic model. And so with such a strong economic model, and by way of that we enjoy probably well above industry average restaurant level margin, that allows us to pay a little more to our workers. And so I think that's an important note. So our average wage as a company today is around just above $16 per employee per hour. And so that's an important No, because we have industry leading benefits, at least I believe them to be industry leading benefits. I say that to say if if we're having a conversation about pay with a team member, then our benefits can't work as hard for us as they need to right at the end of the day, that individual needs to put food on the table for their family at the end of the week. Right. And benefits at this point. It's Maslow's hierarchy, if you will, benefits at this point, don't matter to me, what I need is to earn a fair wage, such that I can pay my rent, make my car payment, and have groceries at the end of the week, right. And so we believe that you're leading with an industry leading wage, we can then layer on benefits to really enhance that overall experience for the team member. And today, our benefits include both mental, physical, as well as financial health benefits across a wide variety of activity. And which also includes, you know, we will pay for your college education. And we have over 100 debt free degrees across multiple universities, for an individual that wants to join the chipotle brand. The other benefit we have as an organization is we're a high growth company. And so through that lens, we're able to provide opportunity at a very, very fast pace to anyone who joins our company. And you can go from signing on as a team member today, to earning over $100,000 a year, and about three, three and a half years, Jacob and so that's meaningful, right? And that's without an advanced degree, gosh, Jacob, that's without a degree at all. And so, high growth coupled with great margins allows us to provide a wage that's affordable for for the individual and benefits that work really, really hard. And then you couple everything I just said to you with growth, opportunity and great culture. And that's how you solve the problem.

Jacob Morgan 28:13
Remember, my brand new book leading with vulnerability is coming out October third, here is what the former CEO of the Home Depot said about the book. This book is a game changer for current and aspiring leaders. Jacob provides readers with a treasure trove of insights on how to connect with team members unlock potential and drive business performance. I wish I had this book when I was entering the business world. Again, this is from the former CEO of the Home Depot, Frank Blake. So I hope you decide to order your copy, head over to lead with vulnerability.com preorder a hardcover copy, get access to all sorts of really amazing bonuses that we have over there. How would you describe yourself as just a day to day leader?

28:57
On a day to day in my role, especially in my role? Now it is about admitting that I don't have all the answers.

29:06
I'll talk about when we have company calls. I'll talk about what's going on. And I'll talk about what affects us. I think it's important as a leader to not make it all about you is really very much about the team.

29:17

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If you've set the framework up if you set the environment up. It's more of the fact that people know that you're approachable and know that they can engage with you.

29:26
We make mistakes, and we're not computer people and we're not computers with people and all day long stakes for me. Although

29:36
it's interesting to see how companies have evolved. I mean, I'm sure you can remember right. You've been in the space for 30 years. I mean, 30 years ago, were companies talking about giving employees mental health, financial health used to be just kind of like, hey, we'll take care of some health care stuff for you. You show up to work, you do a job. And now companies are just they're everything. They're your financial advisors. They're your or wellness, your wellness advisors, they're your almost parents in some way here, your life coaches in some capacity, do you see that the role of the organization is just completely transformed as far as what the purpose of it is in relation to employees?

30:20
Yeah, massively Jacob, you know, 30 years ago, the goal was to wring out as much Penny profit in the organization as you could possibly find, right. And, gosh, we probably rewarded people for paying less in certain markets to drive as much margin to the bottom line as possible. And, and back in those days, you had lots of unskilled labor available in the workforce, that if you had an individual that wasn't satisfied with pay, or wasn't satisfied with what we offered as an organization, you just rotated them out and hired someone different. And so, you know, turnover in this again, 30 years now, it's it's running around 150%, it's been that way for 30 years, but it come becomes increasingly difficult because of a few macro factors that are ever has, that is put pressure on our industry. And think it's a couple of things, Jacob, I think, number one, Americans are having fewer and fewer children today. So think fewer kids that are coming into the workforce. You couple that with the fact that most kids that are coming up in the US today have sights set on going to college, and then coming out of college earning well be of what well beyond what this industry will be able to pay to forget willing be able to afford. And then this is this is a lightning rod, you know, conversation, but absent immigration reform in this country, we're going to have a real serious problem on who's going to do the unskilled labor, whether that's retail, hospitality, food and leisure or otherwise, who's going to do the work. And, you know, immigrants have built this country from its very inception. And so we need a solution, a bipartisan solution to immigration reform, to help us solve the problem. And so all all that just creates this perfect storm of labor pressure in both retail and hospitality. And so that's the big challenge today. And so employers that want to be effective, that want to deliver have to get creative, and how they solve that unique challenge, whether that's pay benefits, culture, or all three of the above.

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It's interesting, because there are a lot of these macro factors that I don't even know how many businesses out there pay attention to right. I mean, one of them that you mentioned, for example, besides immigration is the fertility rate. And I think in the United States, we're not, if memory serves correct, we are actually, our birth rate is not high enough to replace the death rates, our replacement rate is actually low. So we're not having enough kids in the United States to support the number of

people who are dying in the United States every year. So we're getting a, you know, an older and older population. And, you know, I know their parts of the world are far worse off than we are. But that's interesting that that's one of the elements in the things that you would be paying attention to, because a lot of people are probably you might be surprised to hear that that's something that you're looking at. So I think that's very interesting. How much of your role is paying attention to these macro economic factors? For what's going on out there?

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Yeah, Jacob, it's critical to our three to five year strategy. So we're at 3200 Restaurants today, and 110,000 employees, and we're on our way to 7000 restaurants and, you know, without talent available and ready, those growth, that growth story doesn't play out. And so it's incredibly important for our organization is the one thing that keeps me keeps me up at night. We are fortunate, as I said here today to have robust staffing across the enterprise, and robust succession planning, meeting people ready to take on larger roles. But that doesn't happen by chance. Right. That's a that's a strategic decision that we made many years ago, to ensure we had the right leadership development resources in place that we keep people green and growing and prepared to take on larger roles in their career.

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I wanted to talk a little bit about the role that technology plays because I was reading some articles about your use of AI and machine learning. I think there was even something I read about the RFID to track certain food items. Can you share a little bit about what you're doing with technology and what kind of a role it's playing in the in the evolution or transformation of Chipotle?

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Absolutely, Jacob so we have made strategic investments through our choc chip cultivate. Next one In a couple of different co robotic scenarios in an effort, Jake, and I want to be clear, in an effort to really remove a lot of the mundane, menial tasks in our restaurants today, call it the work that nobody just enjoys doing. So that we can redeploy that labor towards customer facing initiatives, whether that's creating bowls, burritos, and tacos in our digital ecosystem, or support supporting our guests down the make line. And so think one investment we made is in an autonomous robot, we call chippy. And so what chippy does is to be mixed chips as just as it sounds. And so today, we fry fresh chips every single restaurant every single day, for about two hours to four hours, depending on volume. And then we add salt and lime juice to those chips, all done by hand and restaurant every single morning. And it's a long, tedious process to stand over a fryer for four hours. I'm sure that doesn't sound like fun to you, Jacob. But someone has to do it. And, you know, again, this is one of those moments where I needed to keep what was uniquely special about Chipotle special, right? I could have taken that off to commissary, but they're just not as good. And so what isn't a viable solution? Chippy. And so Chippie can do all that work, fry the chips, put the salt on, add the citrus, and shake them up, and then load them ready for bagging. Without a team member ever standing near the machine. They literally plug in the volume of chips they need, hit a button and chip it goes to work. Wow. And so that's how we're leveraging technology which we like to dub as again, co robotics, right? So robots working alongside human, not the human experience, not replacing humans

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is Chippie. Chippie already rolled out in a bunch of stores?

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Well, we have one, one model beta model that's in our Fountain Valley store here in California. Okay, that is going through some rigorous testing. We hope to expand into more restaurants in the near future.

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Do you also see, you know, I don't know, a choppy, like, you know, chopping up. And by the way, if you name it choppy, I get I get $1 for every every robot. Yeah, but so you can extend this into things like chopping vegetables and things of that nature, and removing humans from that kind of menial, mundane work and get them to focus more on the, like you said the the customer service and actually creating the products. Right? Okay. Absolutely. And there's a lot of concern, as you know, of AI and automation and the role that that's going to play inside of organizations. And I remember this was years ago, this must have been an eight years ago, I was talking to the Chief People Officer of McDonald's at the time, and you know, McDonald's, they've been implementing technology and kiosks in all of their stores. And I remember at the time again, 810 years ago, and I asked the chief people officer said, you know, a lot of people are concerned as one of the world's largest employers that you're going to have kiosks everywhere, and you're going to get rid of the people. And it's going to have a negative impact. And he told me that pretty much what you said that they were using these kiosks as a way to remove the mundane labor. They weren't actually decreasing their headcount in stores, they were keeping it the same, and in some cases, increasing it, but focusing on that customer experience having more people who would come to your table and say, Hey, can I get you anything else? Is there anything else you need? How was your food? So it sounds like in your case, it's similar, where technology is a way to create more of that humanity in your restaurants by getting the people to focus more on the people things.

38:51

That's right. More time spent on guest facing initiatives, whether that's caring for a guest on the line, table touches in the dining room, ensuring that the beverage station is properly stocked and ready to go. And just engaging with our guests in different areas of the restaurant and different touchpoints is really the primary goal there. And, you know, again, just removing those jobs that really no one wants to do, I can envision down the road, we have something because we believe it or not go through a large volume of wears in every restaurant every single day. Right? And so having a machine that takes care of all that dishwashing, at the end of a shift, you know that we don't have a team member standing back there for a couple of hours, you know, at a dish thing. That's not not enjoyable work, right. And so another important initiative, an investment we made this last year was in a company called hyphen. And so what hyphen is building for us and we're working with our teams here, our innovation teams here at Chipotle is a table that will build bowls that come in through our digital ecosystem and so on. On top of the table, you'll see a team member still serving guests face to face, under the bottom of the table bowls will be fired and built underneath the table and then Captain packaged by a team member at the end of the table interests. So we think, you know, obviously think more, you know, linear production, automated production flow from tortilla to cash. And so it's different things like that we're investing in to really enhance the the team member experience,

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40:27

Chippie choppy, washy. Um, I think I'm going to retire soon, Scott.

40:35

So I love it.

40:35

It's interesting that you mentioned some of those things, right? Because, you know, I know for example, when I go to Chipotle, one of the things that I like, and I'm sure a lot of people like, is, you know, you can you can talk to the person who's making your food and you can say, Oh, can you put like a tiny bit more guacamole on there, or he's put like a little bit more meat. And I know that when you have technology that's doing that, you kind of you eliminate that, right, because I'm assuming the technology is going to have everything exactly measured four ounces, or five ounces of chicken, like half a cup of guacamole. And that's it. And a lot of people really love talking to the person to get that personalized, customized burrito that they feel is just for them. A little bit of extra guacamole or cheese or sour cream, how are you going to offset and balance that like customized human component with the automation component? And one of the reasons why I bring this up is because Starbucks. You know, I think there was a time when a lot of people were very concerned. And actually in San Francisco, they have this, I forgot what the name of the machine is, I think it's called Cafe X. And it's basically this robotic arm that will make coffee for you. And so you go to a cafe, and there's no humans in there, and you push the button that you want. And this robot will make you a cappuccino or a latte or whatever. And when a lot of people saw that, they said, oh my goodness, Starbucks is gonna go out of business. That's the end of Starbucks

41:59

vending machines for a long time. Exactly, exactly.

42:02

But I think what a lot of people forgot is that the problem with Cafe X is that it makes everything exactly the same. Always. And what a lot of people like about Starbucks, is that customization, the personal is the the personalization, the smell of coffee, when you walk in your name on the cup. Exactly. So for you, how are you going to invest in technology while keeping the human elements still there that a lot of people really like?

42:30

Yeah, so it doesn't go away, Jared, Jacob, so any in restaurant customer that comes into the building, will still be served by a team member. And that whole interaction of little more little lasts will still happen. So the digital make line will only make orders that are coming through the digital ecosystem, which isn't consumer facing. So think delivery, order ahead, pick up. And so we feel confident that we don't detract from the overall customer experience by leveraging this piece of technology in the digital channel specifically.

43:02

Got it. Okay. And what about in terms of like data and AI? So we talked about the actual robots, right? The the hardware, how much of what you're trying to build and create for the future of Chipotle is software. So for example, what sort of stuff? Are you tracking? Are you tracking? You know, how many avocados you know how much chicken like is everything in some sort of a crazy analytics database where you as the chief restaurant officer have a dashboard, and you can look at that and just get a picture of what's going on with the business?

43:33
It is Jacob, we have data coming out of our ears, as you can imagine, you know, I think the challenge for an organization like ours, and for many of the folks listening to this podcast, is how do I synthesize large volumes of data and pull out actionable insights that have a meaningful impact on the business? Right. And so that's the that's the leadership challenge. We are we are leveraging machine learning in restaurants today, whether that's algorithms around production and how we prep in the morning to support our volumes, and or sales forecasting. And labor forecasting is all done through machine learning today,

44:16
everything so it just looks at trends and helps. You should have this many people in this store, or you should order this much chicken today.

44:24
Correct? Absolutely. So we've had an process now we just launched system enterprise wide a couple of months ago. But Cronos is the technology and it's their dimensions platform. And so just think of it as a spool program where every restaurant funnels up to the cloud, their actual performance over a set period of time. And then the cloud builds a model and then applies that model to each location individually based on that locations needs, and then will spit out a forecast for the upcoming week that is far greater than any human can can pull together that data based on various touch points on how they're analyzing the sales forecast. And it does the exact same thing with labor today. And I think the evolution of machine learning slash AI, we're only on the tip of the iceberg. And I think there's much more to come whether whether it's traditional AI, or generative AI, which I think is making a huge splash today. And it's spinning up very, very quickly,

45:28
for sure. So one more question for you before we get to the last part of the show, which I like to call the leaders toolkit. But before we get into that, one of the things that you mentioned is changes as far as leadership development goes. And so again, a lot of people who are listening and watching this are either in leadership development programs, or they're responsible for creating leadership development programs. When you took over and you started doing all these things for Chipotle, what what did you implement as far as leadership development that you think made a big change that maybe other people out there can implement in their companies?

46:03
Yeah, and, and so just just for point of clarification, the development tools and resources have to be tailored to the level in the organization that you're designing for. And I think that's an important note.

One of the things we did very quickly and very early on was we did a lot of personality testing, whether that was through Myers Brigg, or disc, disc profiling, because I think you have to teach someone about themselves before they can begin to learn and grow. And so we spend a good bit of time helping people understand what makes them tick, how they operate, how they like to learn, what environment they learn best in. And then we apply the right leadership development resources based on the level they're in in the organization. And so we have specific tools that teach team members how to become a successful General Manager. And those can be in built curriculum in house built curriculum around buddy to boss right, how do I go from being your peer today to your boss tomorrow? And and keep in mind, our average General Manager age is around 20 to 23 years old. Wow. And so it's a pretty young cohort. And right and so it's really important for us to teach them leadership fundamentals at a very career career young age, right? Not actual age, age is not a factor in the equation, but in their in their career lifecycle, so that they can learn how to lead teams where that small teams in the very beginning to leading larger teams as they continue to grow and progress in their career.

47:40

Interesting. Yeah. So you see, you do these personality tests, as you find value, I guess in in understanding, like you said, knowing or the people need to know about themselves before they can kind of lead others, which I think is a fascinating approach. What other changes? Did you make it? I mean, did you change the the leadership program, I know you mentioned changing how many people or how many stores a person is responsible for did you make dramatic changes to the program itself as far as what you teach the skills, the mindsets that you found important?

48:10

I did. So when I first arrived at Chipotle, I launched what we called cultivate University, okay. And so we built out a week long curriculum made up of the things I've already discussed, Jacob, whether that's teaching someone about how to learn about themselves and how they operate, to advance leadership development skills on whether it's situational leadership, or how to lead large teams, how to grow others in the organization, how to lead from the middle of the organization. And so I brought every above restaurant leader to Denver, Colorado, that's where our office was based early on, and took them through a week long curriculum just to build a baseline for the organization. And now cultivate University still lives on, where we bring people to Orange County in our office, new offices located and teach them our high potential general managers, how to prepare for the next level, as well as field leaders how to prepare for their current role, and how to think about, you know, potentially being a director down the road.

49:13

Interesting. Well, let's shift gears a little bit and talk for the last few minutes. Again, a segment I call the leaders toolkit specifically, and I wanted to dive a little bit deeper into this realm of accountability versus responsibility, something that you mentioned earlier, but I thought we could unpack it a little bit and try to put some practical steps that we can put into place. So for leaders out there, or even I guess, for employees out there for them to think about the difference between accountability and responsibility. It seems like so accountability is the person who's actually responsible, like the person that you go to when something goes wrong or when something goes right. And responsibility is kind of like the people who are maybe implementing it, but it's the one point of contact that you Go to right.

Jacob Morgan 50:02

Okay, my conversation with Scott Boatwright continues and you are not going to want to miss it. Since I interviewed Scott, he actually became the chief operating officer. So he got promoted. And if you head over to great leadership.substack.com and get access to the leaders Toolkit, which is this bonus episode, only available for paid subscribers, you are going to learn about the difference between accountability and responsibility. We're going to talk about how to have honest conversations about performance with your people. And Scott shares an interesting approach that he uses inside of his company called the four by four and that is four questions that he asks four times a year. So if you want to learn more about what that is and how it works, become a paid subscriber. Join the community. Great leadership.substack.com. I'll see you there.