

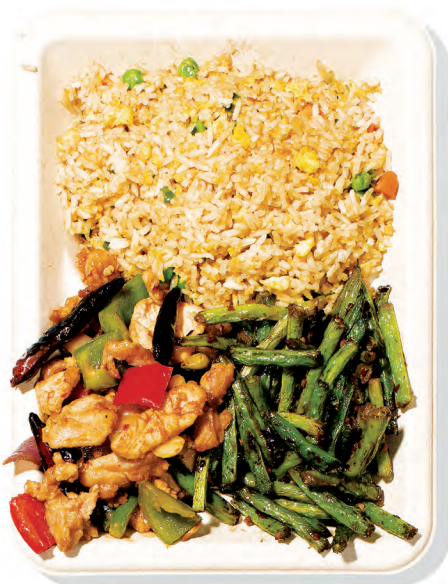
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> THE **PANDA EXPRESS** SUCCESS STORY—
HOW A SINGLE OUTLET IN THE
GLENDALE GALLERIA GREW TO 1,800
LOCATIONS WORLDWIDE—BEGINS WITH
ONE SECRET INGREDIENT:
OWNERS WHO CARE

PHOTOGRAPHS BY MISHA GRAVENOR



**NO MSG
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Peggy and Andrew Cherng, the co-CEOs of the Panda Restaurant Group, which also includes the Panda Inn in Pasadena. Panda Express dishes sell so quickly, they don't stay long in the warming trays (below)

HE LITTLE TIKES log cabin my son received for his third birthday was a little lacking in authenticity—121 pounds of fancifully molded plastic and not a toothpick's worth of wood. What I saw as kitsch, though, Isaac experienced as an unqualified success. From the moment he stepped inside, he reveled in a world suddenly shrunk down to his scale.

Flinging open the shutters for better light, he looked around. There were a few totems of a 19th-century childhood sculpted into the walls—a candlestick here, a rustic hearth there—but nothing could compete with the cabin's faux cordless phone. Isaac plucked the orange handset from its cradle, punched a few numbers, and placed his imaginary order: "Hello, Panda? Broccoli, chicken, tofu, beef."

A Panda Express location had opened in Eagle Rock soon after my wife and I moved into the neighborhood, though it was at least a decade before I gave it a try. Chinese food can be wonderful, but in my experience grab-and-go Chinese food has been about dimly lit storefronts where exhausted owner-operators serve chicken chow mein or sweet-and-sour pork turned into mush and shoe leather after idling for too many hours in the warming trays. Of course parenthood has a way of drawing you into places you've resolved never to go. Driving home one evening, with my son wide awake well past his bedtime and not yet fed, I found myself pulling into the minimal at the bottom of our hill, where the backlit Panda Express mascot offered us a solution.

"Welcome to Panda," the nearest server shouted, smiling and making eye contact as we walked through the door. While I joined a long but rapidly moving line, Isaac pressed ahead, squeezing as best he could between mostly tolerant patrons to survey his options: sautéed chicken with string beans, beef with broccoli, and eggplant tofu. There were too many customers for the entrées to linger in their steam trays for more than a couple of minutes. The food was in perpetual motion, from wok to serving pan to two- or three-item plate. Neatly stacked bins of raw onions and bell peppers advertised their freshness. The table we settled at was immaculate, just as it would be within five minutes of our departure, despite the cascades of fried rice, chow mein,

and stir-fried vegetables that fell from Isaac's fork onto the floor.

For Isaac, Panda Express became a destination on par with Disneyland. As we began eating more meals there, I got a sense of how the place functioned. The cooks, cashiers, and counter people always exuded energy and a sense of purpose. They appeared to be working toward something more than at something, and that something was our satisfaction. The clientele was heavy on teenagers, college students, and parents with a few kids in tow, but day laborers, elderly couples, and salespeople from the nearby cell phone outlet were also among the regulars. All took a certain delight in customizing their combo plates and having the world revolve around them, at least for a moment. Panda Express's ethos, as well as its food, invited visitors to take things lightly, to relax and enjoy themselves.

Friendliness, cleanliness, a can-do attitude so emphatic it stopped just short of hokey—together these qualities had created a no-frills oasis of belonging, and not just here in Eagle Rock but at hundreds of locations across Southern California and beyond.

Who, I found myself wondering, was the driving force behind this quick-serve success story? Who had made this decision to focus more on personal interaction than on the harsh efficiencies that so often prevail at a quick-serve chain? And who had somehow taken one of the most fast-food-resistant cuisines and made it sing for less than seven bucks a heaping plate? Polishing off my eggplant tofu one evening, I decided to find out.





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ITH ITS BALMY weather and superabundance of cars, Southern California has been the perfect spawning ground for America's \$191 billion fast-food industry. Of all the quick-serve concepts that blanket the globe, a remarkable number—including Taco Bell, Del

Taco, Der Wienerschnitzel, and of course McDonald's—were hatched on a SoCal street corner. So it should come as no surprise that the Chinese American restaurant that would lead to the Panda Express empire, Panda Inn, opened its doors in Pasadena in 1973.

Historians of fast food will tell you that if a restaurant catches on, one of two scenarios will play out. In the first, the original idea proves bigger than the small-time entrepreneur who conceived it, and others with more ambition and managerial prowess turn it into a phenomenon. Such was the fate of the brothers who founded McDonald's in San Bernardino in 1940: They sold their company in its relative infancy, and in so doing they set the stage for massive growth but also for an overdependence on cheap labor and cheaper ingredients (remember pink slime in your burger?). The other fast-food success story adheres to the In-N-Out script: The originators stay in control of not only the enterprise but every store, none of which is franchised. The company may experience only modest growth (In-N-Out has 300 stores), but it has a reputation for maintaining food quality and treating its workers well.

Panda Express follows the latter course to a great degree (fresh ingredients, a tradition of honoring its employees with higher pay and better benefits, and no franchises in the United States), but here's where it strays from In-N-Out's script: It isn't tiny. With nearly 1,800 outlets in the United States, Mexico, and Canada, the company achieved more than \$2 billion in sales last year—three times In-N-Out's.

Headquartered in the San Gabriel Valley, the Panda Restaurant Group is solely owned by the family that launched it decades ago, and it is run by one of the most interesting power couples in the history of American restaurant chains. Andrew and Peggy Chergng came to the United States as Chinese immigrants in the mid-1960s. Together they pioneered what is now called "fast-casual" dining—still within the fast-food orbit but serving more wholesome fare than burger or taco giants do and charging a dollar or two more for a full meal. Today the Chergngs serve as co-CEOs of a company that essentially owns the Chinese-food sector of the quick-serve market. Their net worth is estimated at more than \$3 billion.

During my first conversation with Andrew at Panda headquarters in Rosemead, I notice that he never mentions the Firecracker Chicken Breast, say, or the Beijing Beef. He's too preoccupied with outlining his obligations as the company's motivational coach. Panda pays famously well. Entry-level positions start at \$9.50 an hour, higher than the industry average, and the wage for Panda assistant managers is much higher, about \$14 an hour. That, Andrew tells me, is by design. "Our job is to develop people," he says. Among the benefits employees receive: health care, paid sick leave and vacation, 401(k)s, and after six months on the job, company-subsidized college courses. "When you have a good set of people," he says, "and they're in a good place inside and out—in their

livelihood and in who they are—then chances are they will take care of the customer better."

Chergng has a confident chin, a white crew cut that achieves a halo effect in the right light, and dark, expressive eyes that can let you know in a glance what a great job you're doing or how much you still need to improve. His voice has a quiet intensity that demands you listen to him carefully. His office, with its expansive view of the San Gabriel Mountains, is larger than it is luxurious. A Magnavox CD player a few decades old serves as its sound system. The decor, if you can call it that, is a ragtag bunch of Buddhas and toy panda bears.

For a 67-year-old who prefers a pedometer to a personal trainer, Chergng—in a sky blue button-down oxford shirt embroidered with the company logo—looks to be in decent shape, but he doesn't think so. "I've been eating so much," he says, patting an invisible paunch. Maybe

it's all the business travel he has to do? "It's not the travel," he says. "It's the mouth." A beat, and he amends that thought. "The real issue is, I don't have integrity," he says. "That's the way I think about it. You say, 'I'm not going to do this,' but when you show up, you don't follow through. Isn't that how a system breaks down? Because you don't have integrity?"

If all this sounds a little heavy on the self-help jargon, there's good reason. Seemingly every corner of Panda headquarters has been designed to promote employee growth. Along the corridors are motivational posters that urge workers to never stop striving for more—both for themselves and the company. On nearly every desk or bookshelf are copies of such best-selling guides to betterment as Stephen Covey's *The 7 Habits of Highly Effective*

People and Tony Robbins's *Re-Awaken the Giant Within*. The company actively encourages its employees to join Toastmasters International and attend personal-improvement seminars as retro as Dale Carnegie Training and as New Agey as the Landmark Forum (which seems a

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POWER OF POSITIVITY

Daniel Pelagio (left) is one of many employees who say they benefit from the inspirational culture the Cherngs create with displays (like the one above) at company headquarters

likely source for Cherng's integrity lingo). On Saturday mornings the grand auditorium fills with hundreds of employees, ranging from servers to members of the Panda Group's PR and legal teams as well as many of their children. They gather together for inspiring speeches, team-building activities, and plenty of group hugs.

If Andrew Cherng is Panda's master motivator and maître d', Peggy Cherng, 67, is its chief technician. A computer scientist who earned her Ph.D. in the early years of mainframes, she customized the operations system, financial tracking system, and supply-chain management system that have helped turned Panda Express into a transnational enterprise. She briefs me on the company's "2020 Vision," its blueprint for future growth.

Peggy wears her hair in a tidy bob. Her soft eyes beneath faint brows take you in gently, not piercingly. She's short and slender, which makes the diamond engagement ring she's wearing look even larger than it is. Her two-piece suit is elegant but in a way that doesn't scream its designer bona fides. Sitting in her office, ten doors down from her husband's, she tells me their plan is built on reaching a single goal in the next five years: "To be recognized as a world leader in people development."

To demonstrate, she refers to a set of charts she has neatly organized in anticipation of our meeting. She relies particularly on a page titled "Elevating Guest Love," which features a color-coded pyramid showing elements crucial to maximizing customer loyalty. At its base is Panda's "Culture/Environment." The next level is Panda's "People"—i.e. its employees—who support the "Guest" nearest to the pyramid's pinnacle. In case anyone is confused about the importance of the guest's happiness, he appears just below a big green dollar sign.

As I sit across from Peggy, I'm struck by what she doesn't talk about: profits, consumer trends, the stringent performance goals she sets each year. Instead, much like Andrew, she emphasizes nourishing the workforce as the surest way to gratify customers. "The restaurant business is the people business, and people are our investment," she says. "If we want to be loved by guests, we have to focus on food with passion and service with heart, ambience, and pride. If that value equation is really good, then guests will come."

It's natural to wonder, as I did initially, whether the Cherngs are too good to be true. After all, it's not uncommon for corporate leaders to tout their enterprises in the most noble terms, following talking points generated by their PR departments. At first glance, Panda's story looks too much like a throwback, so steeped in the benign capitalist verities of a bygone America that it's hard to believe. Even the Cherngs' daughter Andrea, who happens to be Panda's chief marketing officer, acknowledges, "Sometimes you can look at what they're doing and ask, 'Is this a little bit too Mayberry? Is it real?'"

Over the next few months, though, my cynicism will wither. Exploring the empire the Cherngs have built will be like sliding down the quick-serve equivalent of Alice's rabbit hole to Wonderland. In Panda's alternate reality corners are never cut, quality is never skimped, and the mutuality between a company and its workers remains as strong as it was during the Eisenhower era.

THE MORE I get to know the Cherngs, the more I believe that their emphasis on employee empowerment is more than just talk. To spend time in their restaurants is to see a workforce energized by the promise of upward mobility. "This idea of a purposeful or meaningful life is something that Andrew and Peggy are very dedicated to," Andrea tells me. It seems likely that their devotion to the recent immigrants who work for them is based on the fact that they were once immigrants themselves.

The story of Panda Express begins in a hardscrabble town outside Yangzhou, China. In those days work meant decades of stooping over rice-paddy fields battered by dry winds gusting off the Yang-Tse River. By 1947, when Andrew was born (his given name is Jin Chan Cherng), the country had endured a decade of Japanese occupation and was then being ravaged by civil war between the Communists and the Kuomintang. His parents decided it was time to get out.

Andrew's father, Ming-Tsai, headed for Taiwan, got a job in a restaurant, then sent for his family. But after the Communist takeover, leaving the country became even more difficult. Cherng's mother hid in the bottom of a boat with other escapees but didn't bring Andrew for fear that his crying would give them away. Instead she paid a smuggler to get him out. After three attempts, Andrew was reunited with his mother in Hong Kong.

The Cherng family eventually immigrated to Yokohama, Japan, where Ming-Tsai secured work as a chef. Andrew was an obedient child who worked hard in school, and he won a scholarship to Baker University in Kansas. It was there that he met Peggy Tsiang. Like Andrew, she was Chinese but had been raised off the mainland, in Burma. A year later she transferred to the University of Missouri to study computer science, working toward her doctorate by developing a pattern-recognition program that digitized X-rays and applied algorithms to diagnose congenital heart disease. Soon Andrew would join Peggy in Missouri, where he earned his master's in applied mathematics. They married after moving to Los Angeles, where Andrew briefly managed a restaurant in Hollywood owned by his cousin. Having spent his college summers working in New York City as a maître d', though, he wanted to run his own place. He persuaded his parents to come to L.A. to help him realize that dream.

Panda Inn opened on Foothill Boulevard, and from the start it was a family effort. Ming-Tsai was head chef; "Mama" cooked the rice and washed the dishes; Andrew provided the hospitality, leadership, and charisma. Business was slow at first. Andrew would try to lure pass-

ersby by offering them three entrées for the price of two or plying them with a free cocktail. Though the place struggled, he told his mother he planned to someday open 99 more restaurants. Mama Cherng, now 89, remembers being flabbergasted. “You only eat three meals a day. What do you need 100 restaurants for?” she said to him. But that didn’t dissuade him. “He was a good child who usually did listen,” she told me, “but in that instance he didn’t.”

Among Panda Inn’s growing list of loyal customers was Pat Donahue, whose family owned the Glendale Galleria. Andrew was in the process of launching a second Panda Inn, in Glendale, but he was intrigued when Donahue told him that the Galleria would be opening a new food court. Would Andrew consider a quick-serve version of Panda Inn there? In 1983, Andrew made that happen with the first Panda Express.

By that point Peggy—who’d been working as a computer programmer at McDonnell Douglas before joining 3M’s aerospace division—had decided to put aside her engineering career to help her husband with accounting and payroll. As the quick-serve concept exploded, she became a one-woman IT department, developing point-of-sale terminals and pattern-recognition software to track inventory, purchasing, and shifts in customer behavior. Peggy’s technical prowess gave Panda Express an edge, as it provided the upstart company with perhaps better qualitative feedback than even the fast-food giants had at their disposal. “The kitchen area is low tech,” Peggy says, “but the management system can be high tech—how to catch the data, how to analyze data to see what’s most salable, what’s not selling, and to determine what to offer and what not to offer.”

Within a decade the potent combination of Andrew’s ambition and Peggy’s data-crunching skills was responsible for more than 100 restaurants. Peggy’s programs also enabled the company to procure with as little spoilage as possible the fresh ingredients it needed to offer a menu vastly more complex than other quick-serve places offered. “Andrew’s vision is that he doesn’t see anything that’s not possible,” Peggy says. “But visionaries need a system and structure to provide the growth.”

They also need success stories, and Panda Express didn’t lack for those, either. Restaurants in Southern California rely heavily on Latino immigrants, and Panda is no exception. Take Daniel Pelagio. He was born to farming parents in a small village in Guerrero, Mexico. The poverty was stark. There was no electricity or cars, and the closest drinkable water was a quarter mile away. When he turned 18, Pelagio crossed the border illegally and settled in Santa Ana. His cousin Jose was already working at a

Panda Express in the Westminster Mall, and Daniel was hired on the spot, despite speaking no English. By the end of his first year at Panda, he was promoted to cook, then assistant manager and general manager. Peggy and Andrew took an interest in his enthusiastic spirit. As Panda continued to expand beyond California, they tapped Pelagio to help train staff in Arizona and Las Vegas. He embraced the Panda credo of constant self-improvement—Toastmasters, the books, the seminars. Today at 42, Pelagio is the regional director for Panda’s northwest-south region, which means he presides over 69 stores in three states, supervising their financials, training, and recruiting as well as directing community outreach and charitable giving through the Panda Cares foundation. He is also pursuing an online bachelor’s degree in business administration.

“When I first worked at Panda, I just looked at it as a job and wasn’t really thinking to grow with the company,” Pelagio says. “But Panda is about how people can have a better life, and I can feel now that I am a living product of that.”

The fast-food business has never been known for this kind of investment in entry-level employees; recently, in fact, it’s been known mostly for the opposite. Since the 2008 recession, the response to declining sales, higher health care costs, and agitation for better pay has been to thin out the workforce and invest in automation technology to make even more reductions in the near future. Wall Street typically applauds belt tightening, but Bonnie Riggs—who, as senior restaurant analyst for the NPD Group, conducts market research on behalf of McDonald’s and other major corporate players—believes there may be a long-term cost. “With the recession the industry cut back on hiring staff, and service has suffered,” Riggs says. “Some concepts have suffered for it because service is part of what consumers consider value. If there are happy employees, and the customer knows they’re happy and treated well, then they’re going to come back. The only way to grow a business in this marketplace today is to build loyalty and to have repeat business. And I would suggest that Panda Express probably has some very loyal customers.”



ANDREA CHERNG WAS four years old when Panda Express debuted at the Glendale Galleria. By the time she was a teenager, the company was opening dozens of new locations a year. Andrew and Peggy made it clear to their daughter and her two younger sisters that such precipitous growth meant an ever-growing list of dependents the whole family was responsi-

ble for. “At dinner or the breakfast table,” Andrea recalls, “my parents would ask me, ‘What are you going to do for our people?’ far before I *could* do anything for our people.”

Andrea took that to heart, though she didn’t come to Panda right away. With her law degree from Duke and her M.B.A. from Wharton, she worked elsewhere in the private sector before joining her parents’ company in her midthirties. Of the Cherngs’ kids, only Andrea has embraced Panda as a career (Nicole is a real estate investor, and Michelle is a teacher). As part of her brief, Andrea oversees the Panda Express Innovation Kitchen, a restaurant in Pasadena where Panda tries out new recipes and ideas for improving its decor and ambience. At its grand opening last year, the emphasis was on build-your-own Asian-style wraps, a Chinese-food iteration of the kind of customized burrito that has proved popular at Chipotle Mexican Grill. A plush tea and boba bar/lounge is being piloted there.

“The Innovation Kitchen is like a concept car,” Andrea says. “The products there can be replicated throughout the entire system three to five years out.” Ever since Panda Express expanded to Hawaii in 1987, for example, the Cherng family’s annual vacation to the Islands has been a working one. Two new tea bars have recently opened at Panda locations in Honolulu. “To introduce Asian-inspired teas to a much wider population is incredibly exciting,” Andrea says, noting that while in Hawaii recently she studied the varying configurations of the two bars and discussed “how to provide better support in terms of point-of-purchase and evolve the experience.” Given how busy she was at work, she never made it to the shoreline. “I saw the ocean,” she says, grinning. “It was beautiful.”

Despite the sense of obligation she was raised with, Andrea says she does not assume she will one day follow in her mother and father’s footsteps. “Ownership might be inherited,” she says, “but leadership is not. I wouldn’t have taken the role I have now, and Andrew and Peggy quite frankly wouldn’t have me take that role unless I was the best person for the job at this time. And when I’m not the best person for this job, I hope I will have the wisdom to exit and find my next opportunity.”

Recently Andrea and her father had nearly finished a visit to a Panda Express in La Cañada Flintridge when they noticed an exhausted-looking day laborer who had just pushed his debilitated truck (it appeared to have a broken axle) into a nearby parking space. “So Andrew asks, ‘Where’s Triple A?’” Andrea remembers. “‘We need to get Triple A to help that man.’” One of the assistant managers spoke to the man in Spanish and reassured him that a tow truck was on the way. With the others out of earshot, Andrew acknowledged that there was only so

much he could do. “Sort of quietly and on the side, he said, ‘I wish that everybody worked at Panda,’” his daughter recalls, “‘because if everybody worked for Panda, than everybody could afford a nice car.’”

It’s clear that “our Panda family”—even when invoked by Panda’s chief marketing officer—is far from just another marketing slogan. Given that, the question of succession seems crucial to the company’s future. What would happen if a business so predicated on filial ties suddenly had at its head a professional manager for whom “family” was more of a talking point than a belief system? Would the floors still be kept as

immaculate? Would the vegetables always be fresh; the meat, always tender? Would the servers smile as broadly when a hungry father and son walk through the doors?

A couple of years ago we gave Isaac’s log cabin to a neighbor, but it was missing the cordless phone on which Isaac had “ordered” his first to-go meal. I found it a few weeks later and kept it. Today my son is ten and much more interested in iPhones than toy phones. Still, his excitement when he enters a Panda Express and elbows his way toward the warming trays is undiminished. There the Cherngs have created a working environment so much

kinder than most. In a world too often marked by a paucity of middle-class jobs, a dearth of opportunity, and a lingering threat of being replaced by someone somewhere in the world who can do your job for less, the Cherngs have kept their alternative reality alive. I like the idea that the grown-up Isaac might someday be able to dial up one of their restaurants, exclaim, “Hello, Panda?” and hear an unfailingly cheerful voice on the other end. ■

Ed Leibowitz is a writer-at-large for Los Angeles. He profiled transgender helicopter pilot Zoey Tur in the January issue.