

CASE 1

Harland Sanders—Kentucky Fried Chicken/KFC

In this chapter we stated that it was the entrepreneurial spirit and individual drive that were behind many business successes. We often think of entrepreneurs as young, aggressive individuals. This case example is about an entrepreneur who blossomed into one of the world's most successful franchisees at the time most people retire.

Colonel Harland Sanders, born September 9, 1890, began actively franchising his chicken business at the age of 65. Now, the Kentucky Fried Chicken business he started has grown to be one of the largest retail foodservice systems in the world. And Colonel Sanders, a quick-service restaurant pioneer, has become a symbol of entrepreneurial spirit. In fact, today KFC serves over two billion chicken dinners and operates in more than 82 countries.

When the Colonel was 6, his father died. His mother was forced to go to work, and young Harland had to take care of his 3-year-old brother and baby sister. This meant doing much of the family cooking. By the age of 7, he was master of a score of regional dishes.

At age 10, he got his first job working on a nearby farm for \$2 a month. When he was 12, his mother remarried and he left his home near Henryville, Indiana, for a job on a more distant farm. He held a series of jobs over the next few years, first as a 15-year-old streetcar conductor, and then as a 16-year-old private, soldiering for 6 months in Cuba.

After that he was a railroad fireman, studied law by correspondence, practiced in justice-of-the-peace courts, sold insurance, operated an Ohio River steamboat ferry, sold tires, and operated service stations. When he was 40, the Colonel began cooking for hungry travelers who stopped at his service station in Corbin, Kentucky. He didn't have a restaurant then, but served folks on his own dining table in the living quarters of his service station.

As more people started coming just for food, he moved across the street to a motel and restaurant that seated 142 people. Over the next 9 years, he perfected his secret blend of 11 herbs and spices and the basic cooking technique that is still used today.

Sanders' fame grew. Governor Ruby Laffoon made him a Kentucky Colonel in 1935 in recognition of his contributions to the state's cuisine. And in 1939, his establishment was first listed in Duncan Hines' "Adventures in Good Eating."

In the early 1950s a new interstate highway was planned to bypass the town of Corbin. Seeing an end to his business, the Colonel auctioned off his operations. After paying his bills, he was reduced to living on his \$105 Social Security checks.

Confident of the quality of his fried chicken, the Colonel devoted himself to the chicken franchising business that he started in 1952. He traveled across

the country by car from restaurant to restaurant, cooking batches of chicken for restaurant owners and their employees. If the reaction was favorable, he entered into a handshake agreement on a deal that stipulated a payment to him of a nickel for each chicken the restaurant sold. By 1964, Colonel Sanders had more than 600 franchised outlets for his chicken in the United States and Canada. That year, he sold his interest in the U.S. company for \$2 million to a group of investors including John Y. Brown, Jr., who later was governor of Kentucky from 1980 to 1984. The Colonel remained a public spokesman for the company. In 1976, an independent survey ranked the Colonel as the world's second most recognized celebrity.

Until he was fatally stricken with leukemia in 1980 at the age of 90, the Colonel traveled 250,000 miles a year visiting the KFC empire he founded.

Kentucky Fried Chicken became a subsidiary of R.J. Reynolds Industries, Inc. (now RJR Nabisco, Inc.), when Heublein, Inc., was acquired by Reynolds in 1982. KFC was acquired in October 1986 from RJR Nabisco by PepsiCo, Inc., for approximately \$840 million.

In January 1997, PepsiCo announced the spin-off of its quick-service restaurants—KFC, Taco Bell, and Pizza Hut—into an independent restaurant company. TRICON Global Restaurants, Inc., is the world's largest restaurant system, with nearly 30,000 KFC, Pizza Hut, and Taco Bell restaurants in more than 100 countries and territories.* In 2002, TRICON changed its stock symbol to YUM and began referring to its holdings as Yum! Brands.

Today, KFC and the Colonel's image are found across the landscape of America and many parts of the world. Colonel Sanders' accomplishments provide examples of entrepreneurship, concept development franchising, and brand development.

Case Discussion Questions

1. What impact did the interstate highway system have on KFCs as well as the growth of other chains?
2. Why do most successful hospitality industry executives travel extensively?

*Courtesy of the Public Affairs Department, KFC Corporation, Louisville, KY.

