

# Two Legends Talk Shop

Panera Bread's Ron Shaich and Kind's Daniel Lubetzky discuss creativity, control, and the future of entrepreneurialism.

**T**he setting was spare: a small table and two chairs in an otherwise empty conference room in Kind's New York City headquarters. The discussion was anything but.

In the first installment of a new series called Icons and Innovators, Inc. has paired well-known but not necessarily like-minded entrepreneurs to talk about their work.

Ron Shaich, the force behind Au Bon Pain and Panera Bread, also started Act III, an investment firm that provides what he calls “venture

management” and eschews the traditional VC model in favor of long-term investment. Over a 36-year career, Shaich has made high-stakes decisions as his businesses have evolved, including dumping Au Bon Pain. He sees his job as studying consumers to find out how to solve their problems. It's allowed him to anticipate trends such as fast-casual dining, which led him to Panera.

Daniel Lubetzky is the classic, from-the-ground-up entrepreneur. An immigrant from Mexico, he veered away from a law career to pursue and create an all-natural, minimally processed snack bar that would change the market for healthy treats. He turned Kind into a multibillion-dollar, purpose-driven company. Along the way, he learned how to do every job needed to make Kind a success, like showing up at stores at 5 a.m. to meet buyers, and handing out samples on planes. He is the customer, but now must operate within a much larger corporate environment.

Despite different approaches to their businesses—Shaich is more analytical, Lubetzky more intuitive—the two found a lot to share about the state of innovation and entrepreneurship in their hourlong conversation. You can read the highlights in the following pages or view the entire conversation at Inc.com. —BILL SAPORITO

**RON SHAICH** One of the things we share is this experience of building innovative companies that need to do innovation to keep driving forward. How do you think about innovation now that Kind has become a large and serious company?

**DANIEL LUBETZKY** For me, it's a very intuitive, gut process. For me, it's much more *How do I feel? What do I think is missing? Where does my gut tell me there's an opportunity?* It's much more instinctive than the more formalized process that exists in an organization. Now that Kind has grown up, we have smarter people who need to do a lot of data analyses and go through a very thoughtful process.

**RS** When I think about innovation, I want to start by understanding whom I'm innovating for. Who's the target? If I don't understand who it is, I have a problem. And then I want to spend as much time as necessary to listen, to do it with empathy, to understand, to brainstorm with others, but to understand what matters to that target market or that target consumer. What's going to make a difference in these people's lives? And once I've resolved what matters—and I can put that on a single piece of paper—then what I like to try to do is what I call a rendering: Can I paint a vision of what this innovation will look like?

**DL** Entrepreneurs tend to have a slightly different language but





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**Ron Shaich**

Appalled by the hyperpartisanship in Washington, he's the co-founder of No Labels, which seeks to cooperatively address national issues.

People often refer to entrepreneurs as risk-seeking. I'm the most risk-avoiding human being you've ever met.

similar process. For me, I divide the process of launching things into a skeptic space and a creative space. And you start with absolute creativity. You cannot allow the skeptic to enter at that point, because then you're going to shut down all ideas before they're allowed to breathe. But then, after you come up with your idea and you really, really like it, then you need to introduce that absolute skeptic who really, really does a lot of research, who really challenges the idea and makes sure it makes sense. And, only at that point, you enter a third phase, which is the execution phase, where you press a button. You say, "All right. Now I'm gonna make it happen."

**RS** In the early '90s, I think Howard Schultz at Starbucks, Steve Ells at Chipotle, and I came along, and we said, "There's like a whole bunch of people, one out of three, who go into fast-food places and hold their noses. They want real food, environments that engage people, customers served by people who care." And I came along and said, "You know what? We're going to create Panera

from a different paradigm," which was food that you felt respected you.

**DL** And there's a big parallel between what Panera has done to revolutionize the food-service space and what Kind has done in the consumer-goods space. Both of them trying to challenge this conventional wisdom that you need to sacrifice quality, that you need to use refined or artificial or overly processed ingredients, and trying to bring it to a more rebellious challenge about "No, let's put in our body stuff that we can feel good about."

**RS** So, another way to think about innovation, the way I'd like to think of it, is just starting by understanding what jobs those consumers are hiring you to do. It's not that we're offering a product; we're actually solving a problem. And customers are, frankly, hiring Kind, they're hiring Panera,

they're hiring some of the brands and businesses that we're investing in, to solve distinct problems.

**DL** What's one example of where you channeled the consumers and came up with one of your recent investments?

**RS** We're very active right now with Mediterranean food. I led a take-private of Zoë's Kitchen, a Mediterranean-diet-focused restaurant chain, which was a public company, and we bought Cava. Cava needs growth. Cava has 70-odd stores, and Zoë's is at 250. We put them together. Cava now has a much bigger platform in which to play out its capabilities.

**DL** So you've done Au Bon Pain. You've done Panera. And now you're doing Act III. Fast-forward 10 years. What do you want to be remembered for in that third act?

**RS** What I really want to do is help a whole new generation of business builders, particularly in areas where they have the potential of creating dominant businesses in what we would call specialty fast casual. We want to help them with two concepts. We want to help them with what Act III calls venture management: venture support, not venture capital. The second aspect of Act III is what we call "founder-friendly capital." One of the things I see over and over and over is that entrepreneurs and business builders get sucked onto the treadmill of continually financing. So when Act III makes an investment, we commit to all the capital that a company needs for all the future rounds.

**DL** For me, an entrepreneur is someone who can combine the opportunity and the execution. There are a ton of people who are incredible dreamers but they can't execute. There are amazing people who can execute but they can't see the opportunity. You were able to combine seeing an opportunity and then acting on it. That's what defines an entrepreneur.

**RS** I call myself a cynical optimist. By that I mean I powerfully believe in the opportunity. I can see it and taste it. And because I see that opportunity and love it and respect it, I am cynical. I'm cynical about the number of ways in which you could get upset. And my job is to execute on that opportunity well and protect that vision that I had.

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**Daniel Lubetzky**

A Jewish Mexican American and son of a Holocaust survivor, his entrepreneurial activism includes PeaceWorks, which brings warring factions together in shared enterprise.

I got lucky that nobody wanted to invest in me in the first few years. We almost didn't raise any money.