

DIVERSITY REPORT and CASE STUDIES

RESEARCH REPORT AND CASE STUDIES

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IFA EDUCATIONAL FOUNDATION

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LIST OF PARTICIPATING COMPANIES

AFC Enterprises

Choice Hotels

Denny's

Domino's Pizza

The IFA Educational Foundation expresses its sincere thanks to these IFA member companies for participating in the study.



Diversity Report and Case Studies

Last summer the IFA Educational Foundation conducted a study of a broad cross-section of IFA member franchise systems to identify companies with formalized diversity programs. Specifically, the Foundation sought to identify companies with a strategic plan incorporating diversity issues in the workplace and marketplace, with specific minority outreach programs, advertising and marketing programs targeted to minority groups, and formal diversity training programs for their employees and franchisees. The Foundation then retained Richard Willard, president of Management Resources International, to develop case studies of companies with best practices in these specific areas. This report is the result of the research work and interviews conducted by Mr. Willard with the companies that volunteered to participate in the study.

On behalf of the Foundation's Board of Trustees, we would like to express our appreciation to Mr. Willard and to the companies and their executives who participated in the study. Four companies were selected for the study and we offer special thanks to Ellen Hartman, AFC Enterprises, Tom Mirgon and Maria D'Ambrosio, Choice Hotels International, Rachelle Hood-Phillips, Denny's Corporation, and Jim Betts, Domino's Pizza, LLC.

We would also like to recognize and thank the Coca-Cola Company for their continued support of the Foundation's Diversity program. Thanks to their generous financial support, the Foundation provides on-line training programs, regional seminar programs, manuals and training materials for franchise systems looking to develop a diversity program or to expand and improve their current programs. We strongly encourage IFA members to take advantage of the on-line courses, which are available from our website, www.IFA-University.com, or to sign up for the regional seminar programs conducted by Mauricio Velasquez, president of the Diversity Training Group – one of the country's leading experts on diversity issues.

As Mr. Willard points out in this study, diversity is all about opportunities – opportunities to capture more business, opportunities to bring more talented people with diverse backgrounds and different ideas into our workplaces, opportunities to expand and enrich our personal lives, our businesses and our communities.

This report demonstrates that those companies that have made it their business to embrace diversity have made their businesses more profitable and more successful. We encourage IFA members to study their examples and to learn from them — to take advantage of these opportunities.

Sincerely,

Sidney J. Feltenstein
Chairman
IFA Educational Foundation
Chairman and CEO
Long John Silver's/A&W Restaurants

INTRODUCTION

Over the past decade, the United States has witnessed major changes in the composition of its workforce, marketplace and customer base. The country as a whole has become more diverse in terms of population. According to the 2000 U.S. Census:

- The population growth of 32.7 million people between 1990 and 2000 represents the largest census-to-census increase in American history;
- The growth rates for the Hispanic, African-American and

Asian segments of the population continues to outstrip the growth of all other segments, with Hispanics and Asians recording the highest percentage increases;

- By the year 2005, 85% of those entering the workforce will be women, people of color, and immigrants;
- The number of people age 65 or older increased by 12% to 35 million, although their percentage of the total population declined slightly; and
- People with disabilities make up 20% of the population.

2000 U.S. Census Highlights

Race

In Census 2000, 281.4 million people were counted, a 13.2% increase from the 1990 Census. Major race breakdowns and changes since 1990 were as follows:

- 216.9 million were "White", an increase of 5.9-8.6%
- 35.3 million were "Hispanic", an increase of 57.9 %
- 34.7 million were "Black" or African American, an increase of 15.6-21.5%
- 10.2 million were "Asian," an increase of 48-72%

Gender

- Females outnumber males by 6 million.
- 1 in every 2 women was married and lived with a spouse; 1 in 4 was a college graduate; and 1 in 7 worked in an executive, administrative or managerial capacity.
- Between 1989-1995, women accounted for 85% of the total increase in the number of workers with more than one job.

Disabilities, Age & Sexual Orientation

- People with disabilities make up 20% of the population in 2000.
- Two-thirds of Americans who live to age 65 are alive today; and they outnumber those age 25 and younger.
- The average 55-year old is expected to live to age 83.
- The generation of people born after 1964 will spend more on caring for aging relatives than for their children.
- An estimated 15-20 million people are gays and lesbians.

Other Trends

- By the year 2005, 85% of those entering the workforce will be women, people of color, and immigrants.
- By 2013, the Hispanic population will surpass the African-American population
- The number of elderly will double in the space of one generation.

Source: U.S. Census. Percentage ranges under Race above are due to a change in the 2000 Census that recorded, for example, "Asian" and "Asian and other race".

In response to these and other changes, many IFA members have developed a variety of diversity strategies and programs that respond to a more diverse business environment and marketplace. With the assistance of the Coca-Cola Company, the IFA Educational Foundation undertook a study of IFA members to identify their various diversity programs,

and developed this series of case studies that profile selected companies. The case studies include the respective companies' approach to diversity, an outline of their programs, and any outside resources that management found helpful in crafting their diversity strategies.

SUMMARY FINDINGS

In the course of the interviews that led to the development of the case studies, a number of common themes emerged as companies sought to develop their diversity strategies.

Motivation

Diversity strategies and programs were developed in response to changes in the workforce and marketplace. The case studies demonstrate how companies modified their business models, strategies and practices to take advantage of these demographic changes. Diversity awareness is one of the most critical challenges faced by the business community, and impacts every aspect of the business from strategic planning to marketing and customer service. Companies that have successfully created a more inclusive workplace, and that understand the differences among different customer segments and tailor their marketing strategies accordingly, can expand their customer base and create greater brand identification and customer loyalty.

“When we first began our diversity initiatives”, reports Denny’s Chief Diversity Officer Rachelle (Ray) Hood-Phillips, “we conducted an attitude and usage study and found that the company was losing some \$100 million per year in potential sales by ignoring the African-American consumer. That was a real ‘wake up call’ to senior management.”

“It’s not just an issue of representation”, says AFC Enterprise Vice President Ellen Hartman, “Corporate America is missing the boat when it comes to diversity. It’s not just a one-time shot, but a continuous journey. Companies need to learn how to use diversity to their advantage by creating and seeking out opportunities, and continuously nurturing them through dialogue and professional development.”

“For Domino’s,” reports Senior Director of Diversity Jim Betts, “the issue we faced was understanding that we have this emerging majority, both as employees and as customers. How do you create an organization that is reflective of the community, but is also inclusive in nature and at the same time is working with the under-served and the under-developed? When it comes to ‘diversity’, it’s no longer business as usual — you’re either in it, or you’re out of the game!”

“One of the biggest challenges,” continues Betts, “was educating our own people on the breadth of diversity — it’s not just a race issue. People need to get beyond that and understand diversity and how it impacts our business and them as employees. A company should be representative of its customer base.”

Leadership

Diversity strategies tend to fail unless they are driven and supported by senior management. They should initiate with the CEO and senior management, and extend to every employee, policy and practice of the business. Diversity strategies need to be articulated with clear goals and objectives. The results need to be measured and reported back to senior management, and there must be accountability at all levels.

“We have a management committee of 14 persons, 33% of whom are minorities”, reports Denny’s Hood-Phillips. “In reforming the company, we made a conscious effort to ensure that there was diversity in the top ranks of the company. From there it just cascades down throughout the rest of the company. But it has to start at the top!”

“Senior management,” reports Choice Hotel’s Corporate Engagement Specialist Maria D’Ambrosio, “is very active in our diversity efforts. They receive regular reports on diversity considerations and progress in all five facets of our business. We have established a diversity committee of our board of directors.”

“It must start at the very top”, advises AFC Enterprises’ Hartman, “where it is a core issue with our chairman. At AFC it is everyone’s responsibility to put diversity initiatives into action.”

Analysis & Employee Buy In

Diversity strategies cannot be developed in a vacuum. They should be developed based on an initial internal analysis of the company and an external analysis of the marketplace. The internal analysis should include an assessment of how diversity considerations are reflected and interpreted among the existing employees — what are the values and purpose of your company and are they shared by your employees and suppliers —, and a review of company systems, policies, practices and processes to eliminate those that impede inclusion.

In the case of Domino’s, the company used the Dennison Culture Survey. “Based on the Survey,” reports Betts, “we focused our initial efforts on where we had scored the lowest. We also used the Survey results and feedback from the focus groups and interviews to design our diversity-training program. Once measures were put in place like focusing

on gender and pay, recruitment and turn over — and measuring these — there was a better appreciation. It's a more formal approach, and it's changing the company."

The external analysis includes an assessment of demographic changes to determine the size of the market and its potential growth rate, and understanding the unique characteristics of your customers and prospects. It also includes an analysis of what your competitors are doing to tap into market segments. This helps to make the business case on why diversity is important to your business and your employees' future, and it links that effort to the company's mission, vision, and core values.

To facilitate employee buy in, many companies have established a Diversity Steering Committee, representing all levels of the organization, to help guide the development, implementation and monitoring of the diversity plan.

"We have 27 people who represent all areas of the organization," continues Domino's Betts. "In implementing these objectives, we measure very specific areas such as representation, gender-pay equity, just to name a couple. We track the opportunities for employment and make sure we have a full slate of candidates to choose from. We've since added two more objectives that address our minority franchise group and our vendor/supplier program."

To successfully get the ball rolling, AFC Enterprises' Hartman offers the following advice: "First, gain absolute buy-in from the chairman and top management, then hire an experienced diversity consultant who can come in and do a cultural assessment of the company, then write up a business case study on how diversity can contribute to the company's bottom line. Next, bring in your core group —from finance, procurement, human resources, etc. — and get their buy-in and input. Next comes the training component that is specific to each company's identified needs, while management seeks to identify and change structural impediments within the company, and identify issues that impede an inclusive approach. For example, let's say a company, consisting of predominantly white males, has a referral program to attract new employees. This program impedes inclusion because people usually hire people that look similar to them."

Diversity Strategic Plan Development

The diversity plan describes how a company will deploy its resources to implement and execute its diversity activities. It includes those things that will be done to create and promote a more inclusive workplace, and what actions will be taken to execute a diversity strategy in the marketplace. The plan calls on each business unit to capitalize on the growth and profit opportunities inherent in population demographics and market trends.

"Choice Hotel's overall approach to diversity means reflecting the communities where we work and do business" reports Choice Hotel's D'Ambrosio. "Diversity considerations are intertwined in all five facets of our business. In

franchise ownership, we seek to reach out to minorities through our *Exploring the Potential of Franchising* education program and our Minority Developer Incentive. In the employment area, we work with minority-focused search firms and provide diversity training. For supplier diversity, we're focusing on widening and broadening the network of minority vendors. In marketing and advertising, we've increased spending on minority media and our approaches to niche markets. And our charitable giving seeks to give back to the communities where our associates live and work."

Sample areas that the Diversity Strategic Plan might address include the following:

Workforce Preparation & Development

- Job Training and Career Development
- Internships and Scholarships
- Recruitment, Hiring, Retention/Professional Development and Promotion
- Work/Life Programs
- Diversity and Sexual Harassment Prevention Training

Investor and Community Economic Development

- Increased Investments and Partnerships in Women- and Minority-Owned Financial Institutions
- Increased Involvement in Community Investment Programs
- Develop Financial Support Mechanisms for New Minority Franchisees

Procurement and Supplier Diversity

- Systematic Increase in Vendor Relationships for Goods and Services with Women- and Minority-Owned Businesses
- Encourage Major Suppliers to Develop Similar Minority Supplier Programs for their Major Subcontractors

Community Outreach

- Media and Public Relations
- Advertising and Employee Communications
- Minority-Owned Search Firms
- Sponsorships
- Philanthropic Programs

Diversity Marketing

There is a need for the business community to change its marketing strategies to more effectively appeal to this changing demographic landscape. A decade ago, the marketing trend was to adapt advertising and promotions along cultural or ethnic lines, and roll them out in targeted communities and market segments. Today, ethnic groups are now predominant in major cities throughout the United States, calling for a more broadly based strategy targeting all groups.

"One of our primary objectives," continues Domino's Betts, "is to grow our franchise and store market. We understand that there are areas under developed and markets under served, and we are focusing on growing those markets through our minority franchise group. From a marketing perspective, we're taking a multi-cultural approach with our general market marketing and a targeted approach with the Hispanic market."

Diversity Marketing – Do’s and Don’ts

DO	DON'T
Find a market niche or segment, study its unique characteristics, and then design your product or service to appeal to those characteristics.	Try to adapt the market to fit your product or service. (Build it and they will come.)
Be proactive; anticipate your customer’s needs, build-in ways to get customer feedback and use this information to better tailor your product and service to your customers.	Continue to offer your product or service using the same methods and strategies for all market segments. (Shotgun approach.)
Be entrepreneurial...explore new markets and be the first to enter new markets. Diversify your marketing campaigns, products and services, to meet new population segments as they are emerging. Establish brand loyalty early among these groups for a strong competitive position.	Continue to market to the same segments even while demographic reports show that these groups are declining in number.
Emphasize customer research and customer orientation in research and development.	Over-emphasize new product design and “frills” that have not been tested nor based on customer research.
Make sure all the facets of your marketing program – all facets of your business – are integrated around greater awareness of your customer. All aspects include advertising, public relations, direct mail, Internet, newsletters, sales force, customer service, benefit statements, image/brand management, and corporate policies.	Make diversity marketing a special function in one part of your business, with no connection or relationship to everything else that you are doing.
	<i>Source: IFA Foundation Diversity Training Course on Marketplace Fundamentals</i>

Diversity Training

Companies that have successfully developed and implemented diversity strategies have also developed diversity-training programs for their employees. All of the training programs surveyed in this report were developed with employee research and input, and are implemented using a combination of internal and external resources.

“People’s diverse backgrounds can sometimes be an obstacle to being ‘the best’ you can,” reports Domino’s Betts, “so our diversity training focuses on the so called ‘isms’. People are all different, but all bring value to the workplace. This needs to be both understood and appreciated.”

At AFC Enterprises”, reports Hartman, “training is provided through a combination of internal staff and an outside vendor, and is aimed at the director- level and above. Attendance at training sessions is mandatory, and uses a combination of lectures, written materials, audio-visual presentations and group discussion. AFC also conducts a series of post-training dialogue sessions at various levels of management to discuss diversity related issues and provide feedback.” “Our future plans,” continues Hartman, “include continued use of the ‘Perception Surveys’ with an improved version that is research-based; expansion of the dialogue sessions to all levels within the company; and support to AFC franchisees in the development of diversity training at the local franchise level.”

“We have two basic programs,” reports Choice Hotel’s D’Ambrosio. “The first is for all employees, and involves a ‘common ground understanding’ of diversity. This occurs once a year, and is outsourced to a local college or university. The second program is for management-level employees. A part of a management-training course is dedicated to managing a diverse group of employees. This course is given six times a year, and was specially designed by Choice’s Educational Services Department.”

For many years, Denny’s has offered its We CAN! diversity training program, and continues to refine the diversity training processes to ensure that its commitment to the message of diversity is maintained and communicated throughout the organization. “For example,” reports Hood-Phillips, “we have an in-house cadre of Trainer-of-Trainers who conduct much of our diversity training. As part of their training, all have gone to the National Civil Rights Museum to help them gain a broader perspective on diversity and what it means to this country as a whole.”

We invite you to explore these issues more in-depth in the accompanying individual case studies. A special thanks to Mauricio Velasquez, the President of the Diversity Training Group, who assisted the IFA Educational Foundation in the development of its four courses on diversity, elements of which are incorporated in this summary.



AFC Enterprises Diversity Program Profile

Summary Description

AFC Enterprises New Age of Opportunity® diversity management program is based on the commitment that the inclusion and equality of opportunity allows the best talent to surface and gives everyone the chance to set and pursue their own goals in an open, real world environment. The New Age of Opportunity® initiative provides the framework for turning goodwill into good business by focusing on four areas:

- 1) expanding franchise ownership opportunities for minorities and women
- 2) cultivating new supplier relationships for minorities and women
- 3) attracting and developing outstanding employees
- 4) enhancing the quality of life for people through meaningful community service

The program was initiated in 1993 by Frank Belatti, AFC Enterprises' Chairman and Chief Executive Officer, who founded AFC Enterprises based on two, co-equal core principles of 1) building financial equity and 2) building social equity.

"I believe we can shape a company that celebrates diversity and individual entrepreneurship — and shares its success generously. AFC isn't just accepting diversity; we're embracing and promoting it. More than that, we're learning how to apply our diversity in a real way through the New Age of Opportunity® initiative, to achieve real success."

— Frank Belatti AFC Enterprises' Chairman and Chief Executive Officer

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Company's Overall Approach to Diversity

In 1994, AFC launched the New Age of Opportunity®, a corporate program based on the conviction that inclusion and equal opportunity allow ambitious, talented people to emerge, prosper and pursue their dreams. The program includes initiatives to recruit minority and women franchisees and suppliers, increase employee career growth and development, and perform meaningful community service.

AFC's mission is to *Create Equity through Opportunity*, defining equity in two ways. First, there is financial equity achieved by increased earnings. The company creates financial equity as it grows, helping team members become managers and helping managers to become franchisees. Second is social equity. It starts with the recognition that each individual, each culture, and every personal history is different. AFC honors that diversity by investing time and attention in creating opportunities for its people to meet new challenges and make valuable contributions. The company espouses four simple values:

- **Be a Leader** - value people with the drive to find a better way, and the courage to be an example in everything they do.
- **Do the Right Thing** - value people you can trust to always make the best choice, not the easy one.
- **Make a Profit** - value success as a business and expect it to grow.
- **Have Fun** - value enthusiasm, creativity and the ability to enjoy work and the people you work with.

According to Ms. Hartman, "AFC had been successful because of diversity. It's much, much more for us than just 'doing the right thing'. Diversity is at the very core of our business model and strategic plan. The New Age of Opportunity® initiative was based on an analysis of who were are core customers, and where were they located. It was founded in the belief that our franchisees and management should look like our customers." Diversity considerations are reflected in all aspects of the company's philosophy, strategic focus and marketing. "It's not just an issue of representation", says Hartman, "Corporate America is missing the boat when it comes to diversity. It's not just a one-time shot, but a continuous journey. Companies need to learn how to use diversity to their advantage by creating and seeking out opportunities, and continuously nurturing them through dialogue and professional development."

"At first", continues Hartman, "no one understood it. There were no diversity programs or models back then (1993). This was not a case of acting out of fear over a possible lawsuit.



Our greatest challenge was having all our audiences understand it — teaching inclusion of all diversity, and creating an inclusive environment where everyone could celebrate diversity. It must start at the very top where it is a core issue with our chairman. At AFC it is everyone's responsibility to put diversity initiatives into action."

Beginning in 2002, AFC is focusing on a new effort to become *a world leader in social entrepreneurship*. It seeks to create an environment that fosters the growth of small businesses, particularly in areas and among populations historically under represented. It envisions an opportunity, through its business, to help bridge the gap between the world of entrepreneurs and the not-for-profit field of social action and public policy. This opportunity occurs amid two important global trends: the spread of free market economics and widened political self-determination. At a time when world peace will be intrinsically linked to advances in social justice, AFC believes that social entrepreneurship can help breakdown the volatile gap between the "haves" and the "have-nots".

Specific Diversity Activities

"We believe we have an obligation to create economic opportunity in the communities we serve. If we can stimulate genuine economic expansion and opportunity in a community, then in all likelihood we can enhance our own position in that market and make ourselves stronger in the process. To that end, we manage this company under a philosophy that requires us to ask ourselves constantly whether we are doing the most effective job possible of deploying our corporate resources not only to generate a fair return on current investments, but to create economic and human opportunity in the markets we are privileged to serve."

— Frank Belatti AFC Enterprises' Chairman and Chief Executive Officer

Expanding Ownership and Opportunities

While many companies pronounce that they seek diverse franchisees, AFC® gains focus from its franchise partners, including the ability to understand their business needs and objectives; and to develop products, training, marketing programs, technology, venues and concepts that generate value for them. The company actively recruits and nurtures women and minority candidates for its franchisees, and at all levels of employment within the company. Women and minorities make up 53 percent of its franchisees. Women and minorities make up 40 percent of its Board of Directors and 36 percent of its senior management.

As part of its strategy to attract more women and minorities, AFC actively attends minority trade shows, targets minority publications, and advertises in minority media. The company works with organizations such as the NAACP, the National Urban League, the Black and Hispanic Congressional caucuses, the U.S. Hispanic Chamber of Commerce, Minority IFA Affairs Committee and the IFA's Women's

Franchise Committee to identify more opportunities and those individuals with the talent to capitalize on those opportunities. Locally, the company is involved in business and civic organizations where it can meet a wide spectrum of today's and tomorrow's entrepreneurs.

Supplier Relationships

AFC and its brands have sought to develop strong relationships with diverse suppliers — from banking and construction to chicken and printing — and have increased expenditures with minority- and women-owned firms from \$250,000 in 1993 to over \$23 million today. Diversity considerations are a very important component of AFC's procurement process, both for primary and secondary vendors. The company also encourages its larger suppliers to partner with, and mentor, minority small business providers, and plans to expand this program in the future.

AFC's Supplier Development Program represents a commitment to increase purchasing from minority and women-owned businesses. Diversifying AFC's supplier network has two prominent and powerful results. First, it helps develop stronger lines of supply. Higher quality, lower costs, innovative services, and improved reliability all add value to AFC companies and restaurants. Moreover, as minority and women-owned business grow in strength and number, minority communities in general have more purchasing power, which translates into stronger sales potential for all AFC restaurants.

AFC is also in contact with minority business enterprises that serve aligned industries to see if they can effectively serve its industry as well. AFC encourages its current suppliers to track and report on their own purchases from minority and female-owned businesses, just as the company tracks its own such purchases.

Attracting and Developing Employees

While the New Age of Opportunity® program makes good business sense, at its heart it is about people, and ensuring that all the people involved in AFC's success have the opportunity to grow, develop personally and professionally and share the rewards of hard work and ambition. Women and minorities make up to 36% of its key senior management positions, and hold such titles as President, Chief Financial Officer and Vice Presidents. The company has also been the recipient of many awards recognizing its commitment to diversity in the work place.

Community Relations

The spirit of volunteerism runs deep at AFC. The company is committed to giving back to the communities in which it does business by playing an active role in the neighborhoods where its restaurants are located. AFC's community giving is focused on housing, youth and education. More than just providing scholarships and funding to community groups, AFC, its franchisees and employees are active participants in a broad range of programs and projects that promote diversity in the communities they serve.

The company and its employees have build more than 300

homes in 12 countries on four continents for Habitat for Humanity. The AFC Foundation has reinvested more than \$2 million in the communities it serves. It strongly supports the rights of all people, and cares about the children of the world and the environment we share.

Diversity Measurement

AFC annually maintains statistics on minority representation among its employees and franchisees, its primary and secondary vendors, the number of employees receiving diversity training, number of diversity-related awards won, and the number of lives impacted by its community outreach programs. The company also conducts "Perception Surveys" among its employees and franchisees to track its performance and measure progress. These surveys play an important role in planning future activities, and in modifying training curricula.

Diversity Training

AFC has had a formal diversity-training program in place for the past 5 years, with training occurring every other year over a 1-2 day period within the corporation. AFC does not presently provide diversity training at the franchisee level.

Training is provided through a combination of internal staff and an outside vendor, and is aimed at the director level and above. Attendance at training sessions is mandatory, and uses a combination of lectures, written materials, audio-visual presentations and group discussion. AFC also conducts a series of post-training dialogue sessions at various levels of management to discuss diversity related issues and provide feedback.

Future plans for diversity training include continued use of the "Perception Surveys" with an improved version that is research-based; expansion of the dialogue sessions to all levels within the company; and support to AFC franchisees in the development of diversity training at the local franchise level.

Additional Resources

For those IFA members seeking to follow AFC example of developing an inclusive approach to diversity, Ellen Hartman offers the following advice. "First, gain absolute buy-in from the chairman and top management, then hire an experienced diversity consultant who can come in and do a cultural assessment of the company, then write up a business case study on how diversity can contribute to the company's bottom line. Next, bring in your core group – from finance, procurement, human resources, etc. — and get their buy-in and input. Next comes the training component that is specific to each company's identified needs, while management seeks to identify and change structural impediments within the company, and identify issues that impede an inclusive approach. For example, let's say a company, consisting of predominantly white males, has a referral program to attract new employees. This program impedes inclusion because people usually hire people that look similar to them."

In guidance to its employees and franchisees, AFC offers the following advice to help promote its New Age of

Opportunity® program.

For those with hiring responsibilities:

- When interviewing, include at least three candidates that are women or minorities.
- Recruit through minority- and women-oriented media, trade shows and organizations
- Seek out and encourage diversity training for your employees.
- Organize dialogue sessions where employees can discuss this subject and gain greater understanding and appreciation about the unique characteristics diversity brings.
- Encourage management to nurture people with diverse backgrounds to reduce turn over, increase productivity and promote employee satisfaction.

For those with supplier relationship responsibilities:

- When responsible for purchasing, include minority- and women-owned suppliers in the selection process.
- When possible, split orders so diverse suppliers can have part of a larger job.
- Approach larger suppliers about hiring minority- and women-owned sub-suppliers for you job.
- Secure lists and network with the minority development groups.
- Become involved with organizations such as the Women's Foodservice Forum and the Multi-Cultural Foodservice Hospitality Alliance.

Other useful resources include:

American Institute for Managing Diversity (AIMD)

Melanie Harrington, Executive Director
50 Hurt Plaza, Suite 1150
Atlanta, GA 30303
Tel: (404) 302-9226
Mharrington@aimd.org

Women's Foodservice Forum (WFF)

Michelle Miller
401 North Michigan Avenue, Suite 2200
Chicago, IL 60611
Tel: (312) 673-5701
Mmiller@sba.com

MultiCultural Foodservice & Hospitality Alliance (MFHA)

Gerry Fernandez, President
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AFC Enterprises, Inc. is the franchisor and operator of 3,896 restaurants, bakeries and cafes in the United States, Puerto Rico and 30 foreign countries under the brand names Church's Chicken™, Popeyes® Chicken & Biscuits, Cinnabon®, Seattle's Best Coffee® and Torrefazione Italia® Coffee and is included in the Russell 3000. AFC's primary objective is to be the world's Franchisor of Choice® by offering investment opportunities in highly recognizable brands and exceptional franchisee support systems and services. AFC Enterprises had system-wide sales of approximately \$2.6 billion in 2001 and can be found on the World Wide Web at



Diversity Program Profile

Summary Description

Choice Hotels International has been focusing on diversifying its organization for the past five years. The company strives to create a more diverse organization in five facets of its business — franchise ownership, employment, supplier diversity, advertising and marketing, and charitable giving.

“Success in today’s global business world will come to those companies that recognize that embracing diversity will open new doors of opportunity for all involved. Diversity is the right course to pursue and it makes good business sense.”

– Charles A. Ledsinger, Jr., President and CEO of Choice Hotels International.

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Company’s Overall Approach to Diversity

According to Ms. D’Ambrosio, “Choice Hotel’s overall approach to diversity means reflecting the communities where we work and do business. Diversity considerations are intertwined in all five facets of our business. In franchise ownership, we seek to reach out to minorities through our *Exploring the Potential of Franchising* education program and our Minority Developer Incentive. In the employment area, we work with minority-focused search firms and provide diversity training. For supplier diversity, we’re focusing on widening and broadening the network of minority vendors. In marketing and advertising, we’ve increased spending on minority media and our approaches to niche markets. And our charitable giving seeks to give back to the communities where our

associates live and work.

“Senior management,” continues Ms. D’Ambrosio, “is very active in our diversity efforts. They receive regular reports on diversity considerations and progress in all five facets of our business. We have established a diversity committee of our board of directors.”

Expanding Ownership and Opportunities

Choice has a large percentage of minority ownership among its franchises. Approximately 40% of all Choice properties are owned by Asian-Americans. However, the company recognizes that other minorities are under represented in hotel ownership of its brands. To attract a more diverse population of potential developers, Choice began a program in 2000 that educates and attracts prospective minority franchisees. The program, “Exploring the Potential of Franchising”, is presented at minority conventions, Small Business Administration (SBA) functions, and at educational settings such as Minority Enterprise Development Week Conferences. The program is offered across the United States. Sales personnel attend these seminars along with instructors. The program is designed to familiarize prospective franchisees with franchising in general, and with hotel franchising and Choice Hotels in particular. Topics covered include demographic trends that favor hotel franchising, what to look at (and look out for) when evaluating hotel opportunities, capital and operating costs, sources of capital and financing, research tools, marketing strategies, cash flow, construction, and royalty fees.

In July 2002, Choice introduced a Minority Developer Incentive to encourage franchise sales to African-American, Hispanic and Native American developers. The program seeks



to attract minority entrepreneurs who wish to build a Choice-branded hotel, purchase an existing Choice-branded hotel or convert an existing hotel to a Choice brand. Under the program, Choice will provide \$1,500 per room, up to \$200,000 per hotel, for development of mid-scale brand hotels or \$750 per room, up to \$50,000, for development of economy brand hotels. To be eligible for the incentive, African-American, Hispanic and Native American owners must hold a 51% ownership stake and meet all other franchise criteria, with the allowance payable upon official opening of the hotel. The funds are provided as an interest-free loan, evidenced by a 10-year forgivable promissory note. Forgiveness of the note is amortized over 10 years, providing that the franchisee remains in good standing under its franchise agreement.

According to Paul Sterbini, Vice President, Franchise Development, "This plan specifically aims to increase the number of Choice franchisees among African-Americans, Hispanics and Native Americans, three traditionally under-represented groups in the hospitality industry. We want to encourage their participation in hotel ownership and to introduce them to the incredible opportunities that entrepreneurs in our industry enjoy. This is a powerful opportunity to build a business that can become a solid foundation for future growth and success."

Choice also advertises franchise opportunities in key African-American and Hispanic publications, such as *Black Enterprise* and *Hispanic Magazine*. Sales personnel also recruit potential franchisees at entrepreneur conferences sponsored by African-American organizations such as NABHOOD and Black Enterprise. Choice's Advertising and Marketing Department has consistently increased its budget for advertising with minority owned media. Choice Hotels advertises to attract more guests to its hotels and also advertises to attract franchisees.

Supplier Relationships

Choice Hotels International does not buy any goods or services for the Comfort Inn, Comfort Suites, Quality, Clarion, Sleep, MainStay Suites, Rodeway, or EconoLodge properties. All hotels are responsible for their own purchases. Choice does use its Strategic Partnerships Department to endorse suppliers to its hotels based on the best value for the franchisees. Suppliers are required to be able to distribute nationally since all purchasing is done over the Internet on Choicebuys.com.

Choice attends the National Minority Supplier Development Council annual convention, US Hispanic Chamber of Commerce annual convention, as well as the Black Enterprise Entrepreneurs Conference to recruit new minority vendors. It developed a Minority Vendor Development Program as an initiative of its Strategic Partnerships group to service its franchisees. It established a Minority Firm Tracking Program as part of its preferred vendor program. The vendor submits a capability statement, a decision on suitability is determined and a contract written. Choice tracks negotiation through the contract life with minority vendor firms. The data items tracked in a computer database include: date of receipt of

interest, company/product or service contract, minority group code, disposition, and date of final disposition. For corporate purchases, Choice Hotels is a member of the Board of Directors for the MD/DC Minority Supplier Development Council. This association is used to expand the pool of qualified minority suppliers for purchasing needs at its local headquarters office. Other local chapters of the National Minority Supplier Development Council are used to find minority vendors for its satellite offices. In the fall of 2001, Choice's CEO mandated all associates to broaden their supplier base to include an increased number of minority-owned businesses.

"We focus on widening and broadening the base of minority vendors and suppliers," continues Ms. D'Ambrosio. "We don't have a centralized procurement system so it's a question of education and facilitation. Explaining how and why it is important, and making it easier for everyone to locate minority vendors."

Charitable Giving

The Choice Hotels International Foundation was created two years ago as a means for Choice Hotels to give back to the communities where its associates live and work. The Foundation grants funds to non-profit charitable organizations. It is a goal of the Foundation to support organizations that provide services to diverse populations. All grant requests are submitted as a formal proposal. The grant proposal guidelines determine what populations are served by the organization.

The Foundation also has several programs that support Choice associates' contributions. Its matching gifts program matches dollar-for-dollar contributions made by Choice associates to non-profits. The Foundation will also make a contribution of \$500 for every one hundred hours that an employee volunteers with a non-profit organization.

Choice Hotels has adopted a Title I elementary school in its headquarters area. The school serves a diverse population with many of the students immigrating from other countries. Choice not only contributes financially to the school's PTA, but also supports the school with volunteers for various events and programs.

The Choice Hotels Foundation recently created a summer youth job program to provide training in the hospitality industry. With the help of an organization located in Washington, DC, Choice identified at-risk students in the DC Metro area that were interested in summer jobs. Choice associates volunteered to provide three consecutive Saturdays of training to these students that focused on work force entry and customer service. Choice managers, as well as managers from local hotels, interviewed the students for summer jobs. Six of twelve students were employed for the summer as a result of this program.

The Foundation has also funded a scholarship through the Thurgood Marshall Scholarship Program. The program identifies academically talented and motivated African-American students and provides scholarship and support services to historically black public colleges and universities. Choice's contribution

makes it possible for these students to attend the hospitality management program at the colleges and universities.

Diversity Training

Diversification of its workforce is also a focus for Choice. The percentage of women and minorities employed at Choice Hotels continues to rise. This trend is due in part to initiatives supported by the Human Resources Department to expand its recruiting efforts. Choice works with search firms that specialize in identifying a diverse pool of candidates. Choice also includes a number of historically black colleges and universities in its recruiting efforts.

Choice has offered diversity awareness training for associates in past years. All associate training at Choice is developed based on a comprehensive needs assessment that is conducted each year and allows the company to provide the most needed and pertinent training courses for employees. Training offered in the area of diversity is developed in the same manner.

"We have two basic programs," reports Ms. D'Ambrosio. "The first is for all employees, and involves a 'common ground understanding' of diversity. This occurs once a year, and is outsourced to a local college or university. The second program is for management-level employees. A part of a management-training course is dedicated to managing a diverse group of employees. This course is given six times a year, and was specially designed by Choice's Educational Services Department. In all cases, the training is done on company time."

An initiative of the Training Department for 2002 and beyond has been to thread a theme of diversity in all "soft skill" courses offered, such as public speaking, conflict management, etc. Choice offers associate training on a regular basis at its facility in Silver Spring, MD. Training is also offered both on-site and off-site for its other offices. Choice contracts with local colleges to offer skills training for its associates.

Additional Resources

In developing Choice's various initiatives, Ms. D'Ambrosio has found the following outside resources to be helpful.

The Multicultural Foodservice & Hospitality Alliance (MFHA)

65 Weybosset Street, Suite 60
Providence, Rhode Island 02903-2830
Phone: (401) 751-8883
FAX: (401) 751-8333
E-Mail: gerry.fernandez@mfha.net
<http://www.mfha.net/>

The Alliance was created to enhance the industry's overall diversity efforts. MFHA can help organize and assemble the right combination of industry leaders, suppliers, associations, educators and diversity experts to leverage efforts around the following key issues;

- Human Resources
- Training
- Marketing
- Diverse Supplier Development
- Community Relations

National Association of Black Hotel Owners, Operators and Developers

3520 W. Broward Blvd.
Suite 218B
Ft. Lauderdale, FL 33312
Phone: 954-792-2519
Mr. Andy Ingraham

The National Minority Supplier Development Council (NMSDC)

1040 Avenue of the Americas, 2nd Floor
New York, New York 10018
Tel: (212) 944-2430
Fax: (201) 719-9611
<http://www.nmsdc.org/>

NMSDC is one of the country's leading business membership organizations, providing a direct link between corporate America and minority-owned businesses. The NMSDC Network includes a National Office in New York and 39 regional councils across the country. The regional councils certify and match more than 15,000 minority owned businesses (Asian, Black, Hispanic and Native American) with member corporations which want to purchase goods and services.

The IFA Foundation's report on *Minority Outreach Programs in Franchising*.

DiversityInc.com is an online trade publication for diversity offering a variety of news, information and resources on diversity in the workplace at <http://www.diversityinc.com/>.

Choice Hotels International is the world's second largest lodging franchisor, marketing more than 5,000 hotels open or under development in 46 countries under the Comfort Inn, Comfort Suites, Quality, Clarion, Sleep Inn, Econo Lodge, MainStay Suites and Rodeway Inn brand names. For more information on Choice, visit the company's web site at



Denny's Diversity Program Profile

Summary Description

Denny's diversity program is founded on the strong belief that America's diversity is one of its greatest assets in a global economy. The company views diversity as a rich source of ideas, creativity and innovation. Denny's has ranked among the top 10 leaders in corporate diversity by *Fortune* magazine in its annual ranking of "America's 50 Best Companies for Minorities" every year since 1998, including being ranked No. 1 for two years in a row (2000 and 2001). The company has diversity initiatives in many different areas of the company's operations, including the following:

Encouraging diversity in its management and workforce - 45 percent of Denny's more than 30,000 company employees are minorities; 44 percent of Denny's Board of Directors are minorities or women; and 46 percent of Denny's senior management team are minorities or women.

Reaching out to minorities as potential franchisees - Currently, 121 minority franchisees collectively own 467 Denny's restaurants, representing 44 percent of all Denny's franchise restaurants. African-Americans own 57 Denny's restaurants. In 1993, there was one African-American franchisee. Hispanic-Americans own 64, Asian-Americans own 82, and Asian-Indians own 263 restaurants.

Encouraging minority participation in Denny's Supplier Diversity Program - Denny's contracts with minority suppliers have grown significantly since 1992, when there were no minority supplier contracts. Denny's annualized minority purchasing contracts for 2001 reached \$100 million, which represents 17 percent of total annual food and non-food purchases. African-American businesses account for the majority of Denny's minority contracts.

Encouraging support for diversity and human rights through its philanthropic contributions - Denny's was the largest corporate sponsor of Save the Children (STC) from 1995 to 2001, contributing nearly \$7 million to support STC initiatives on behalf of disadvantaged U.S. children, over half of whom are minorities. Denny's has committed to raise at least \$1 million annually for the next three years — from 2002 to 2004 — to support the cause of civil and human rights.

Reinforcing its commitment to diversity through education and training - All 70,000 Denny's company and franchise employees, management and non-management, have completed diversity training. All Denny's



managers are required to participate in a full-day diversity training session.

Monitoring and measuring diversity competencies - Every year, every employee is evaluated against a set of key competencies. "Valuing and Managing Diversity" is within that set of competencies for both management and non-management employees. Annual merit increases are tied directly to these competency areas; and from 1996 through 1999, 25 percent of senior management's annual bonuses were tied to the company's diversity progress.

"My predecessor, Jim Adamson, was the architect behind Denny's cultural turnaround. He hired Ray Hood-Phillips to lead the way as the company's Chief Diversity Officer. Today, we have a diversity record in the retail food industry that is second to none. We're proud of that record. I am committed to building on this strong foundation — not only because it's good for business — but it is also the right thing to do. Diversity and inclusion make us a better, stronger company. We sell over a million meals a day at Denny's to customers from every color, race and creed. If Denny's is to prosper and thrive in the American marketplace, then we need that same diversity reflected in our workforce, at every level, as well as among other key stakeholder groups — from our board of directors, to our franchise community, to our supplier base. It's my job to ensure that this happens." — Nelson Marchioli, Denny's Chief Executive Officer and President

Primary Contact Person

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Company's Overall Approach to Diversity

Denny's seeks to create and maintain an inclusive, high-performance organization, believing that our differences can be a source of richness, creativity and innovation. The company has a four-fold approach to achieving this goal: educate and train the workforce, at all levels, to value and manage diversity; systematically eliminate all "structures" (i.e., systems, practices, policies and processes) that impede inclusion and create "structures" that foster diversity; monitor, measure and report results on a regular basis to the highest levels of the organization; and tie reward and recognition systems to diversity progress.

"Over the years", reports Ms. Hood-Phillips, " we have developed or acquired more than enough research that demonstrates that diverse groups out perform non-diverse groups both qualitatively and quantitatively. Diverse groups are stronger, and more relevant to our customers. Denny's is located in many communities across the country, and someone who comes from a particular community can always relate better to customers in that community. In terms of employees, we have found that diverse teams are stronger and produce higher and deeper levels of thinking. They are more relevant to our customers."

"Prior to 1995", continues Ms. Hood-Phillips, "there were no diversity considerations in our strategic marketing. There were no targeted efforts. When we first began our diversity initiatives we conducted an attitude and usage study and found that the company was losing some \$100 million per year in potential sales by ignoring the African-American consumer. That was a real 'wake up call' to senior management. Last year, some 18% of our marketing budget is targeted toward African-Americans and Hispanic-Americans. Some funding is also targeted toward Asian-Americans, but we are already well represented among that population."

In working to achieve its diversity goals and objectives, Denny's has isolated 10 "Keys to Diversity Change":

1. **A Committed Leader** - The CEO of an organization must set the tone, values, expectations and operating philosophy for the company. He or she should be one of the company's greatest champions of diversity.
2. **Diverse Board of Directors** - A diverse board - as opposed to one lacking racial and gender diversity - is more likely to examine the larger issues confronting the company, both short and long term, with diversity issues in mind.
3. **Accountability for Change** - Someone of title and rank must be accountable and responsible for driving change throughout the organization.
4. **Company-wide Ownership** - Every worker must "own" his or her portion of the goal. Company-wide ownership forces diversity considerations into all aspects of business operations.
5. **Education & Training** - There is no way to inculcate a vision and an understanding of a new corporate culture among many employees without education. The training should begin at the very top of the organization, and cascade through the rest of the organization, tailored to

address the issues facing each key level of the organization — and it should be on-going.

6. **Clear, Enforceable Non-Discrimination Policies** - The absence of clear rules of conduct that outline what is acceptable and unacceptable in terms of how people will treat one another and the customer, regardless of who they are, will result in people making up their own rules as they go along.
7. **Eliminate All Structures Impeding Inclusion** - The company must take care to eliminate all management and human resources structures (i.e., how it hires, fires, develops and promotes people) that impede inclusion, and build back structures that foster diversity.
8. **Monitor, Measure and Report Results** - "What gets measured is what gets done."
9. **Tie Diversity Progress to Rewards and Recognition Systems** - Make diversity a pocketbook issue for your workers by including the valuing and managing of diversity as an annual review salary issue.
10. **Celebrate Your Success** - Salute and honor the company's top diversity champions. This sends a powerful message to the entire organization that embracing diversity is an important priority, and that everyone is

Expanding Ownership and Opportunities

"In 1993", notes Ms. Hood-Phillips, "there was only one African-American owned Denny's restaurant. Today, 44% of our franchises are minority owned. We used to have an initiative called the 'Fast Track Program' where qualified minority franchisee candidates could spend 1-3 years learning the business, and then be sold a restaurant with a proven revenue flow. We also arranged for outside financing. But we decided that was not the way to go - one or two restaurants at a time. So we looked for ways to broaden our approach, and reach out to larger minority constituencies and sources of capital." Today Denny's uses a variety of methods to reach out to new minority franchisees, ranging from presentations to minority groups to targeted community outreach efforts. "As a result of these efforts, African-Americans now own 57 Denny's restaurants, Hispanic-Americans own 60, Asian-Americans own 82, and Asian-Indians own 263 restaurants. We also have one Native-American owned Denny's restaurant."

Supplier Diversity Program

Denny's is committed to the pursuit of business opportunities for minority business enterprises in all aspects of the company. It is the company's policy to give full consideration to minority businesses having the actual or potential capabilities to meet the company's needs. As such, the company will:

- Seek out such businesses and provide the opportunity for potentially qualified suppliers to demonstrate their ability to meet company needs and standards.
- Ensure that Minority Business Entrepreneurs (MBEs) fully comprehend the company's requirements and are able to bid appropriately.
- Make every reasonable effort to help certified MBEs

meet the company's standards.

"17 percent of all Denny's vendor business is targeted toward minority vendors/suppliers", reports Ms. Hood-Phillips. "We annually spend \$600 million with our vendors and suppliers. All of our purchasing has goals for minority participation. Our focus is to not only maintain and nurture existing minority suppliers, but to bring on new ones."

One of the primary channels Denny's has used to significantly grow the company's diversity base is its Supplier Diversity Program. As a central referral service, it provides the essential link between diverse suppliers and corporate units to ensure that qualified minority suppliers have an equal opportunity to compete and participate in the procurement process. Through this program, the company has been able to support minority suppliers in other key areas, such as mentoring, community outreach, and second-tier development.

The company web site (<http://www.dennys.com/aboutus/>) includes a whole section on the Diversity Supplier Program, including a Supplier Profile Questionnaire where minority businesses can preview their capabilities, ownership, financial stability, etc.; a statement of Denny's requirements; and a listing of food and non-food products the company buys.

Philanthropy and Community Relations

Denny's takes its diversity leadership position seriously, and, in addition to providing outstanding opportunities in the workplace, Denny's is also committed to providing opportunities for minorities in communities across the country.

To help re-ignite Dr. Martin Luther King, Jr.'s dream of equality and justice for everyone, Denny's will raise \$1 million to benefit the National Civil Rights Museum throughout 2002. Rated by *USA Weekend* magazine as "One of the Top 10 National American Treasures," the National Civil Rights Museum, located in Memphis, Tennessee, is dedicated to keeping Dr. Martin Luther King, Jr.'s dream alive.

Denny's has pledged \$250,000 to the Hispanic College Fund (HCF) for the three-year period, 2002-2004. Recognizing that Hispanics are the fastest growing minority group in the U.S., yet have a tremendous economic need for educational assistance, Denny's is proud to be a supporter of this effort. HCF is a private, nonprofit organization, founded in 1993. To date, the HCF has provided over \$1.3 million to more than 800 Latino students.

Since October 1994, Denny's has been a significant corporate sponsor of Save the Children. Through the support of its employees, franchisees and customers, Denny's has contributed nearly \$7 million and has positively impacted the lives of over 100,000 disadvantaged children in more than 100 U.S. communities. Over 50% of the recipients benefiting from these funds are minority families.

NAAAP is the largest Asian-American Professional organization in the U.S. Currently, it has 24 chapters, ventures, and affiliates across the country and a growing national member-

ship. Denny's is a sponsor of the annual NAAAP National Convention where over 5,000 Asian-American professionals throughout North America come together to celebrate and realize their common history, culture, and professional goals.

Diversity Training

The We CAN! Training programs are designed to encourage tolerance and understanding on an individual level while laying out for each employee their responsibility as an employee of Denny's to provide consistent treatment to each and every guest. The programs are broken down into separate training sessions based on position and the level of responsibility assigned to the individual. The two main avenues through which the company communicates its commitment to diversity is the *We CAN! Video Training* and the *We CAN! Developing Awareness Workshop*.

All employees are required to view the *We CAN! Video Training* and participate in a follow-up discussion which is designed to check for understanding of the concepts presented in the video. The video training focuses on the challenges and perceptions that employees face on a daily basis in the restaurant industry. It provides tools to help them consistently treat each customer with dignity and respect, and gives instructions on the action steps to take when Denny's brand standards are not maintained. The video training is the avenue through which the company is able to pass along to each individual within the organization, its commitment to diversity and the expectation of an equal commitment from each employee.

All management and key personnel in the restaurant are required to attend the full-day *We CAN! Developing Awareness Workshop*. The objective of the Developing Awareness program is to teach managers how to create and maintain an environment in their restaurant that is free of harassment and discrimination for guests and employees. This message is communicated in a three-part outline:

- 1) People: Building Positive Interactions with Guests and Employees** - The focus of this section is on diversity: recognizing the advantages our differences provide and how individual beliefs and stereotypes impact the way someone is treated. This section communicates to the managers their job of identifying self-fulfilling prophecies within their restaurant, and how to break the cycle by helping employees see their behaviors as wrong and correcting them.
- 2) Operations: Managing Guests' Expectations and Experiences** - This section helps the managers understand guests' expectations and the importance of realizing perception is reality. Once they understand what the guests' expectations are, they can become more effective at managing the guests' experiences by using the tools and resources Denny's has implemented to ensure its brand standards are being consistently applied.
- 3) Accountability: Laws, Policies and the Restaurant Environment** - This section teaches managers the Public

Accommodations Laws as well as the Denny's Policies they are responsible for enforcing. It allows them to recognize the negative impact on the environment of the restaurant when these policies are violated, and lays out for them the action steps to take when that occurs.

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Tel: (773) 463-6374
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E-mail: info@betances.com
<http://www.betances.com/>

Denny's continues to refine the diversity training processes to ensure its commitment to the message of diversity is maintained and communicated throughout the organization. "For example," reports Ms. Hood-Phillips, "we have an in-house cadre of Trainer-of-Trainers who conduct much of our diversity training. As part of their training, all have gone to the National Civil Rights Museum to help them gain a broader perspective on diversity and what it means to this country as a whole."

More information on Denny's Diversity Programs can be found at <http://www.dennys.com>. Denny's has shared its story of building an inclusive culture through a book written by chairman, James B. Adamson, entitled, "*The Denny's Story: How a Company in Crisis Resurrected its Good Name.*" Adamson's royalties from the book, published by John Wiley & Sons, Inc., are designated to benefit Save the Children, Denny's national charity.

Additional Information/Resources

For those IFA members seeking to expand their diversity initiatives, Ms. Hood-Phillips offers the following advice. "When I joined the company in 1995, we had no friends - there were no partnerships, no community outreach. etc. So when we experienced problems, there was no one out there to support us. Back then we were considered the poster child for discrimination. But today, *Fortune* magazine ranks Denny's as one of the most inclusive companies in the country. We like to say we've gone 'from worst to first', and the changes have been both cultural and structural."

Denny's is the nation's largest full-service family restaurant chain with more than 1,700 locations in the United States, Canada, Costa Rica, Guam, Mexico, New Zealand and Puerto Rico. The company's stock is traded under the ticker "DNY," and information is available on Denny's web site at www.dennys.com.

"So often, companies think only internally and not externally. Today, we greatly benefit from our community outreach efforts. We make a conscious effort to identify appropriate groups in communities and become part of their agendas. We meet with many ethnic groups to explain what we are doing and receive advice and feedback. These are great resources. They give us advice and counsel, and also help us identify people within their respective communities that have the resources to become Denny's employees, franchisees and suppliers. We don't just do community outreach for its own sake. It is always a targeted effort designed to better position the company within a specific community."

"A final point. We have a management committee of 14 persons, 33% of whom are minorities. In reforming the company, we made a conscious effort to ensure that there was diversity in the top ranks of the company. From there it just cascades down throughout the rest of the company. But it has to start at the top!"

In the earlier stages of its diversity initiative, Denny's called upon **Souder, Betances and Associates, Inc.**, a diversity training and consulting firm, to provide training to Denny's top leadership by painting a vision of how the company could be transformed through diversity. Denny's has since used the firm as a keynote speaker at management workshops and meetings.

Dr. Samuel Betances
Souder, Betances and Associates, Inc.
Pacific Suite
5448 N. Kimball Avenue

Domino's Pizza Diversity Program Profile



Summary Description

Domino's Pizza's diversity philosophy is based on the organization's Vision and Guiding Principles. Domino's views diversity as a competitive advantage and, as our culture becomes more inclusive, the company can create opportunities throughout the organization so that the talents of all employees will be fully realized.

According to the company's Diversity Statement, "we are committed to creating a unified and inclusive environment that respects and celebrates the uniqueness of our exceptional people who invest their time, talents, and energies while striving to make our company the best pizza delivery company in the world."

Dave Brandon, Chairman and CEO, based on the following Guiding Principles, initiated a more comprehensive approach to diversity in 2000:

- We demand integrity
- Our people come first
- We take great care of our customers
- We make "perfect ten" pizzas everyday
- We operate with smart hustle and positive energy

"There are a number of important things we need to accomplish at Domino's Pizza. None are more important than our commitment to creating a diverse, high-performance culture that will establish us as an employer of choice and a great place to work. We aspire to be "Exceptional People on a Mission to be the Best Pizza Delivery Company in the World." We cannot fully achieve our vision without embracing and celebrating the diversity of our workforce and the critical role it will play in shaping our future success."

— Dave Brandon, Chairman and CEO

Primary Contact Person

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Company's Overall Approach to Diversity

According to Mr. Betts, "Domino's approached diversity from a broad perspective and took a lot of time to make sure our people understood that diversity was not affirmative action, nor was it just about race and gender. We focus on our

people and want to make sure that everyone here is valued. The company's philosophy and goals have always been focused on having exceptional people, and we understand that those people come in all shapes, sizes, colors, etc."

"For Domino's," continues Mr. Betts, "the issue we faced was understanding that we have this emerging majority, both as employees and as customers. How do you create an organization that is reflective of the community, but is also inclusive in nature and at the same time is working with the under-served and the under-developed? When it comes to 'diversity', it's no longer business as usual — you're either in it, or you're out of the game!"

"One of the biggest challenges," reports Mr. Betts, "was educating our own people on the breadth of diversity — it's not just a race issue. People need to get beyond that and understand diversity and how it impacts our business and them as employees. A company should be representative of its customer base."

"One of our primary objectives," continues Mr. Betts, "is to grow our franchise and store market. We understand that there are areas under developed and markets under served, and we are focusing on growing those markets through our minority franchise group. From a marketing perspective, we're taking a multi-cultural approach with our general market marketing and a targeted approach with the Hispanic market."

To meet these challenges, the company initially created a "Diversity Team" comprised of 27 individuals ranging in title from CEO to Administrative Assistant. This cross-organization group then set out to define the role of the Team, and identify areas for action. The Team developed the following objectives, assigning a subcommittee to each area:

Formalized Measures - the development of diversity measurements and methods within the company, with quarterly reporting to top management;

Formalized Mentoring - which began with a pilot program in October 2002 involving one-on-one and team mentoring by 5 executive staff leaders;

Formalized Policies and Procedures - benchmarking the company to make certain that all policies and procedures were inclusive; and

Formalized Culture - which led to the development of a "Multi-Cultural Series" that highlights various cultures in an effort to remove stereotypes and lead to better cultural understanding and learning.

"Another challenge for us was getting our Diversity Team aligned with our specific objectives and understanding our



role,” reports Mr. Betts. “We have 27 people who represent all areas of the organization. In implementing these objectives, we measure very specific areas such as representation, gender-pay equity, just to name a couple. We track the opportunities for employment and make sure we have a full slate of candidates to choose from. We’ve since added two more objectives that address our minority franchise group and our vendor/supplier program.”

As part of the initial effort to develop a comprehensive approach to diversity, Domino’s undertook an assessment of the organization’s culture using the Dennison Culture Survey, and a series of focus groups and interviews by an outside consultant that spanned the organization and sought to determine how employees felt about the company.

The Dennison Culture Survey is designed to provide 360-degree feedback from the organization in four quadrant areas:

- I. **Adaptability** - Translating the demands of the business environment into action.
 - **Creating Change** - The organization is able to create adaptive change. It is able to read the business environment, quickly react to current changes, and anticipate future changes.
 - **Customer Focus** - The organization understands and reacts to the customer. It reflects the degree to which the organization is driven by a concern to satisfy the customer.
 - **Organizational Learning** - The organization receives, translates, and interprets signals from the environment into opportunities for encouraging innovation, gaining knowledge, and developing capabilities.
- II. **Involvement** - Building human capability, ownership and responsibility.
 - **Empowerment** - Individuals have the authority, initiative, and ability to manage their own work, thus creating a sense of ownership and responsibility toward the organization.
 - **Team Orientation** - Value is placed on working cooperatively toward common goals to which all employees feel mutually accountable. The organization relies on the team effort to get work done.

- **Capability Development** - The organization continually invests in the development of employees’ skills in order to stay competitive and meet on-going business needs.

III. **Mission** - Defining a meaningful long-term direction for the organization.

- **Vision** - The organization has a shared view of a desired future state. It embodies core values and captures the hearts and minds of the organization, while providing guidance and direction.
- **Strategic Direction & Intent** - The organization’s plan to “make their mark” in their industry. Clear strategic intentions convey the organization’s purpose and make it clear how everyone can contribute.
- **Goals & Objectives** - A clear set of goals and objectives can be linked to the mission, vision, and strategy, and provide everyone a clear direction in their work.

IV. **Consistency** - defining the values and systems that are the basis of a strong culture.

- **Core Values** - Members of the organization share a set of values, which create a strong sense of identity and a clear set of expectations.
- **Agreement** - The organization is able to reach agreement on critical issues. This includes the underlying level of agreement and the ability to reconcile differences when they occur.
- **Coordination & Integration** - Different functions and units of the organization are able to work together well to achieve common goals. Organizational boundaries do not interfere with getting the work done.

“Based on the Survey,” reports Mr. Betts, “we focused our initial efforts on where we had scored the lowest. We also used the Survey results and feedback from the focus groups and interviews to design our diversity-training program. Once measures were put in place like focusing on gender and pay, recruitment and turn over — and measuring these — there was a better appreciation. It’s a more formal approach, and it’s changing the company.”

Specific Diversity Activities

Expanding Ownership and Opportunities

Domino’s has traditionally relied on its own internal market as a source for new franchisees. Starting in 2000, Domino’s introduced a pilot Franchise Development Program in the Houston, Texas area designed to encourage more minority-owned franchisees among the Domino’s community. The program seeks to identify qualified minority candidates with the necessary business skills and financial capability, and then to “fast track” them into franchise ownership. “The Houston project is moving along quite well,” reports Mr. Betts. “We have two franchisees in stores right now. We have two potential franchise candidates waiting to get into stores, hopefully, in the next 60 days. And we have two more candidates who have completed their initial training here in Ann

Arbor and are back in Houston completing their in-store training. Hopefully, they will complete the Franchise Development Program before year-end and be ready to franchise either by year-end or the first of next year."

"Under our traditional system, you had to manage a Domino's store for at least a year before you could apply to own a franchise. Under the pilot project, qualified minority candidates can become a Domino's franchisee in 10-12 months instead of the traditional 1-2 years. Our goal is to have 10 of these pilot franchises up and running by the year 2005."

Supplier Relationships

Domino's is currently in the process of developing a minority vendor/supplier program, and expects to have all of the components in place by the end of the year. "With 7,000 plus stores," reports Mr. Betts, "we have previously focused on the distribution side. Now we are looking at all of our purchasing agents, and at what they buy. We've had two meetings thus far on this. We're no longer just looking at the traditional suppliers, but are considering different options."

Diversity Multi Cultural Series

In addition to addressing and measuring diversity issues from the human resources and personnel perspective, Domino's has developed other creative initiatives to address diversity in the workplace. The company has created a Multi Cultural Series designed to create better understanding, appreciation, and a dialogue among employees about various cultures. "For example," notes Mr. Betts, "Domino's has a very large Middle Eastern contingent, including 104 franchises owned by people of Middle Eastern descent. After September 11, 2001, we wanted to make sure that the terrorist incident did not jeopardize those relationships. So we developed a pamphlet on *Frequently Asked Questions About Arab Americans*, and then brought in outside experts from the Islamic Center and Muslim business leaders to talk about the effects of 9/11, discuss the Islamic religion, and various misunderstandings and misperceptions such as the often-misused term 'holy war'. We have also done a similar Multi Cultural Series on Asia and the Pacific Rim, trying to take the stereotypes out of the dialogue. Holiday seasons at Domino's are also multi-ethnic now, and these sorts of efforts run 360 days a year."

Diversity Training

Domino's has been providing diversity training to its corporate employees for over five years, and provides diversity-training support to its franchisees on a case-by-case basis. The company now has twelve internal staff qualified to provide ongoing diversity training throughout the year. The training follows a formal, written curriculum designed with input from the earlier Dennison Culture Survey and employee interviews/focus groups, and makes use of videos, lectures, written materials with case studies, and role-playing.

"People's diverse backgrounds can sometimes be an obstacle to being 'the best you can,'" reports Mr. Betts, "so our diver-

sity training focuses on the so called 'isms'. People are all different, but all bring value to the workplace. This needs to be both understood and appreciated."

Domino's diversity training addresses the following areas:

- Exploring the impact of prejudice and stereotypes;
- Understanding how biases, stereotypes and prejudice impede productivity;
- Understanding why diversity leadership is critical to Domino's overall success;
- Knowing how to give feedback respectfully;
- Offering ideas for support and next steps; and
- Uncovering specific keys to personal learning.

Additional Resources

For those IFA members seeking to develop their diversity initiatives, Jim Betts offers the following advice. "First, there must be engagement from top management, starting with the CEO. Otherwise, it just won't work. Second, the company must do a wide cultural assessment of where the organization and where its people are in terms of diversity. From that you then begin to design your programs. Third, if you have a short-term mentality about it, it won't work. This is a process - a journey - and there will be difficulties along the way. Next, you must be prepared to market the program, both internally and externally. Its not just about race and gender. And finally, people must come to understand 'what's in it for them' - both for the company, and for them as individuals."

The **Dennison Cultural Survey** was first introduced to Domino's by

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Hubbard & Hubbard Inc., an international organization and human performance consulting corporation, sponsors the Hubbard Diversity Measurement & Productivity Institute that offers a series of workshops around the country that provide on-going skill building with a focus on measuring organizational productivity and results. Their workshops include "How to Measure Diversity Results", "How to Build a Measurable Diversity Strategic Plan", "How to Calculate Diversity Return on Investment", among others.

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DiversityInc.com is an online trade publication for diversity offering a variety of news, information and resources on diversity in the workplace. You can visit them at <http://www.diversityinc.com/>.

The Conference Board, founded to improve the business enterprise system and to enhance the contribution of business to society, publishes a number of publications and reports on diversity including

- "Corporate Practices in Diversity Measurement"
- "Diversity: Business Rationale and Strategies"
- "Diversity Training"
- "Workforce Diversity: Corporate Challenges"
- "In Diversity is Strength: Capitalizing on the New Workforce"

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Founded in 1960, Domino's Pizza operates a network of 7,096 company-owned and franchised stores in the United States and more than 50 International markets. Domino's Pizza can be found on the World Wide Web at www.dominos.com.

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