

## Dean's Executive Leadership Series - 2008-2009

### Transcript of Presentation (Part 2) with Julia Stewart, Chairman and CEO of DineEquity

**About DELS:** The Dean's Executive Leadership Series at the [Graziadio School of Business and Management](#) features in-depth audio or video interviews with today's top business practitioners and thought leaders. [Listen](#) or [subscribe](#) to the podcast to hear their views and insight on the current challenges and opportunities facing the business community.

#### Start ####

**Narrator:** The Graziadio School of Business and Management at Pepperdine University proudly presents the Dean's Executive Leadership Series. This podcast invites top business practitioners and thought leaders to share their view on the real world of business.

**Dean Linda Livingstone:** Well Julia, thank you so much for sharing kind of your leadership perspective with us. I think it's very insightful and certainly in keeping with what we're trying to do here in the business school of developing values in our leaders. And you talked a lot about values. You talked about the leadership shadow. So my question in regard to that is how did you develop your leadership shadow? So what were the experiences you had, the mentors you had, that have formed you into the leader that you are, that allows you to accomplish the things that you do?

**Julia Stewart:** You'll probably find this answer sort of bizarre. I've never really heard anyone ever say this, but I truly believed that a lot of what I am to today, I watched people fail around me. I learned far more from people who I worked for, in the most senior positions, make mistakes. So, and I don't say that lightly. I'm fortunate to have worked for seven-- hopefully this is my last restaurant company-- and I watched people make mistakes at the most senior levels of the organization all the way down. So when I was a director of marketing at Burger King I watched senior management make some of the most God-awful mistakes I've ever seen in my whole life, and sitting from afar thinking who in their right mind would make that decision? And then I remember thinking, well someday it could be me.

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So, and I quietly went back to doing whatever I was doing. But I would tell you, whether it was people's values, whether it was how they treated others, their inability or their lack of desire to mentor and coach, to bring others into the organization, to value diversity; which in my career, being a woman, in the early days was just there were few women, if any, or any people of color. And so it was interesting to watch how people didn't understand what we really could be. And so when I think about some of those companies, I would tell you the most I learned wasn't from the mentors-- and there were a few in those days-- but it was really watching people make incredible mistakes, either at the most senior level or at the junior level, and the lack of communication; the command and control mentality, you do what I tell you to do and you'll go far in this world son, as opposed to what would be your idea, or let's think about this collectively. And maybe it's my generation that I grew up in, but there was a lot of as I was growing up.

And I used to think it was the restaurant business. So as I grew and I was fortunate enough to come to different events such as this, I would ask people, and I found out it had nothing to do with the restaurant business, it's just-- it was an era that people did what you told them to do and there was no sense of challenging the status quo. So I would say a lot of my leadership today came from watching people and thinking I don't want to be like you when I grow up-- so it really is simple as that-- and thinking there is a better way. Now from time to time-- I don't want you to think I worked for numskas for 30 years. I worked for some really terrific people, and I watched and there were things I saw about people and said, "God, I really want to be like that," or "I see that as a leadership style that I want to embrace." And so as time marched on I think you sort of-- I think that's part of who I am. Always learning and always trying to get better. And I'm learning to this day. I'm learning from the people that work for me, how might they do it differently, or watching something and thinking, "God, that's really great how you do that, I want to learn how to do that." So I don't think you ever sort of get to that pinnacle, you're always learning.

But I'm really thankful that I worked for some wonderful companies that made some incredible mistakes, and I learned from them. I'm not trying to be funny. I really do believe-- I always talk about the Taco Bell era, launching- spending 200 million dollars and launching Border Lights; which was one of the biggest single failures in U.S. history. And I happened to be-- it's a long story how I got there-- but I happened to be in a meeting the night before they were going to make the decision. One of the senior advisors said, "Boy, I think we're going down the wrong path. All the research indicates that people aren't going to buy it. They actually don't like light food. It's going to fail. No one wants to buy a taco that's only got 10 calories, or very little salt." God, I hope there's no one from Taco Bell in the room. And it was funny because I said, "Well why wouldn't you go to the CEO and tell him that?" And I'll never forget his answer. He said, "I couldn't possibly do that; cost me my job." And I thought, "You know, I hope someday I'm put in that same situation and I hope."

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I'm fortunate that I work with very outspoken people who are constantly telling me, "You're doing it wrong." So it's great that they're-- I'm humbled every day. But I'll never forget that. So I would honestly tell you it's learning as much from people's mistakes as anything else.

**Dean Linda Livingstone:** You mentioned several times the people that work with you and for you. And you talked about that on the podcast. You can actually hear more of Julia's conversation in a podcast that will be on iTunes shortly. But talk a bit about how you make choices about who to hire to work for you; because you view that as such a critical part of your success and your leadership experience.

**Julia Stewart:** Well I'm not sure I could've said this to you 20 years ago. I think at some point-- I don't know. Has anybody ever read *The Velveteen Rabbit*? You grow old. First your eyes get lobbed off and then your ears. "It doesn't happen all at once," said the rabbit. I don't know what happens. I think you get mature and I think you've had so many experiences, one day you realize it's quite all right to hire people that are far brighter than you. And I think when you figure that out it's amazing, it'll set you free. So I think about the people I have surrounded myself who are far better and brighter in certain areas than I could ever hope to be. And so I'm privileged that they let me lead them, and at the end of the day there's a real art to managing 20-some Type A personalities who all think they know it better than anybody else. But somehow we manage to get it all right. But I think it's at the end of the-- most of the time get it right. But it's really at the end of the day I think surrounding yourself with really, really bright, smart people, and being very comfortable that you know more than I, and it's okay that you're better at that than I am or could ever hope to be.

But that comment I made to you earlier about the valuing diversity, I really believe that people come from all different walks of life and different experiences, and I really do not want to surround myself with people who are just like me, because I'm not sure what the real value would be, because then you have people play back to you what you already know. I also will make one other comment about that. I'm really big on hiring third-party consultants and getting the best of them. So I'm a big believer in from time to time using a consultant who brings a totally different perspective-- I'm very comfortable with that-- and them challenging our thinking. And as recently as a couple of months ago we went back and literally re-challenged all the assumptions we had made in the acquisition, which has now been-- 14 months ago we made the acquisition. We said, "The smart thing to do is go back and look at what were all the assumptions and are they all still valid?" And guess what? Some of them were no longer valid. So it's being smart enough to ask yourself those questions. But at the end of the day I'm blessed to work with people who are far better and brighter in so many areas than myself. But somewhere there's this thing I think that goes off. Some people struggle with this their whole life. I don't have that problem. Just find people who are really bright and smart. But they have to be willing to work on a team.

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So you can find really bright, smart people, but if they don't want to work on a team, then I think you have a problem. And we all know who those are, those people who work on an island and struggle. We call them single contributors, who struggle to really work in a team environment. And that won't work for me. I've got to have the collaboration and the teamwork. But yes, I'm surrounded by people who are far brighter and better than I am.

**Dean Linda Livingstone:** You mentioned the Applebee's acquisition and that you reviewed those assumptions and--

**Julia Stewart:** Yes. In fact, that's what we're having tonight. We brought in Applebee's food for dinner. Some of you are a little concerned. It's okay.

**Man 1:** What about IHOP?

**Julia Stewart:** That was for breakfast.

**Dean Linda Livingstone:** This would be the president of IHOP over here who would like for you to visit your local IHOPs regularly. But the acquisition of Applebee's, which happened a couple of years ago, certainly has been challenging in many ways, and what's going on in the economy has made it more so. So based on the fact that some of those assumptions are different now, or have changed, how are you changing your strategy for turning that around and freshening it up, in ways that are different than what you thought you were going to have to do when you made that acquisition?

**Julia Stewart:** It's funny. I'm glad you asked that. And we've got our senior vice-president of marketing, who is in for some other things, who's based in Kansas City, Becky Johnson. Becky would tell that the strategies we put into play when we first made the acquisition are still the right strategies today to turn around Applebee's. They haven't changed one iota. The brand needs to be redefined through a filter so that everything you see and touch meets that brand need. So whether it's the ambience, décor, or the service platform, the uniforms by the food server who greets you, the menu that you read, the advertising you see, the food that you taste, everything has got to go through that brand filter and make certain it's relevant for you and that it fits the brand positioning. That's the rework that we're doing. It's the exact same thing we did at IHOP.

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So I don't think any of those, what I'll call the day to day business strategies of turning the business, I don't think that's changed at all. She might change a tactic here and there, but the strategies are very much the same. I think for us it doesn't really have anything to do with that base work. I'm very comfortable that the team will be very successful, as they were at IHOP. I think the bigger issue in this environment is just the credit market. This is a very difficult credit market. And we had said one of the things we were going to do when we made the acquisition, as part of paying down the debt, was to sell most of the company restaurants. We owned 500 company Applebee's. And so part of the deal was we were going to turn those and sell those to franchisees. And in this environment it's, as you all know, it's very difficult to get credit. And so we're not talking about borrowing \$500.00. We're talking about borrowing 20, 30, 50, 60 million. And that's a different environment; it's just a plain different environment. To tell you how much the business has changed, when I started in this business you got 110% financing, no money down, for anything you wanted to buy. Those were the heydays. In those days-- and frankly I actually think that was wrong, and so to some degree I'm actually pleased that those days are over. But for the average person borrowing a lot of money, they want 40% down; that's the going rate. And so you're talking about leveraging yourself to the hilt to get 40% down. And a lot of people are just uncomfortable with that. Whether it's private equity or whether it's bank consortiums, it's a difficult environment.

So as I said on the cast earlier today, it may be that we don't sell right now. That may be one of the strategies that we modify, if in fact we can't get the right deal going. I'm not giving it away. It's not a fire sale. But that's probably the biggest single thing that we've looked at is this environment; how do you think differently about what your original objective was and your original strategy, and what might you do differently to get there? So it's just a really interesting environment. And in fact the day that Lehman declared bankruptcy, people said, "Well now what?" And I said, "Well they sold the bonds. So I assure you we still owe the money." I'll never forget, somebody down the hall said, "Is this a good thing? Does this mean that they've waived the 2.3 billion?" I'm like, "It doesn't work that way. We still owe the money." It was actually cute that for a day or two people actually wondered if we still owed it. But they had sold the bonds, and of course those bonds we still pay down against. So, but it's been a very interesting environment.

We're actually a very successful company with a pretty simple business strategy that's a highly leveraged company. In this environment a highly leveraged company is not necessarily a good thing. I tell the story, gosh maybe three years ago, we had a couple of hedge funds that came a-calling and said, "We want you to leverage your company, or we're going to make sure you never work here again." And I said, "How does that work?" And they said, "Well you go borrow money and heavily leverage your company, because we think it's a bad mistake, that you just don't owe enough money." Which is typical for a hedge fund. And of course instead we made the acquisition, and today I'm too highly leveraged. So at the end

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of the day you have to do what's right for your business. You can't listen to an isolated hedge fund. But I think it's so interesting, they haven't called in awhile.

**Dean Linda Livingstone:** Interesting.

**Julia Stewart:** They haven't called.

**Dean Linda Livingstone:** Interesting.

**Julia Stewart:** But I think it's that you have to do what's right for the business. And so again it's taking that strategy and figuring out is there either another way to tweak it or what should we do differently? But the actual base business strategies, I don't think we would do anything differently. We're headed down that path, and the franchisees at Applebee's, both domestically and internationally, would tell you that those are the right strategies for the business. We're blessed that we have great strategies and great people.

**Dean Linda Livingstone:** That's good.

**Julia Stewart:** But no real difference. If any of you want to take up a collection I'll always-- I'll inspire you and make sure that we pay down some of the debt. No I'm just kidding. But seriously, in this environment that's the real issue that you're dealing with. It's the leverage.

**Dean Linda Livingstone:** I'm going to ask Julia one more question, then open up for the audience. So be thinking about what you would like to know from her. But as you were talking about the acquisition and how that strategy is evolving and trying to stay very focused, it made me think about kind of how you work with your board in the context of this. Clearly they were involved in that decision to acquire Applebee's. But how does that relationship continue to evolve as you kind of work through the challenges in the economy now?

**Julia Stewart:** It's a great-- I've never been asked that question. It's actually a very good question. I take my own medicine. I over-communicate. I went from having a board meeting once a quarter and probably sending out a once every 45 day financial update to-- I've probably in the last six months talked to my board, either individually or collectively, once a week. So first and foremost I would tell you I

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communicate very regularly. I send out updates as I see fit, and I find them to be incredibly supportive because they know what's going on. It's amazing how that works. So this counsel I offered you earlier about over-communicating and making certain people know the vision; it's no different with a board of directors. A board of directors likes to feel like they're savvy, they understand the issues, they understand the choices. It's not necessarily asking them for any more guidance. It's just making certain they understand the strategies and what we're working through.

But I'm just communicating far more than I ever did a year or two ago. And I'm finding them incredibly receptive. And many of them are on other boards and are very appreciative of the thorough, appropriate - and maybe I didn't use this word earlier, but balanced. I'm very big on down the middle. I don't want to exaggerate to the left, I don't want to exaggerate to the right, I'm down the middle with that communication. And I also think exposing them, especially to the brand leaders, is a good thing. So as we have board meetings, making certain that during the board meeting each of the brand presidents gives an update as to how the business is going. It gives them a chance to get a bird's eye view. I'm big on bringing in executives from the teams to give exposure to the board so they hear more. Yes, it's great for me to give it to them, but I think they'd much rather, from time to time, hear from somebody direct. So it's just over-communicating. And then I think part of my job is to educate, and I'm big on that education piece. So we typically, maybe not every board meeting but every other, will have an outside speaker. So for instance our board meeting next month we have somebody I have a great deal of respect for, who specializes in corporate governance, who will give an update on risk assessment and the board's position today. So there's this feeling that not only am I clear on our sort of business case, but I'm also sort of being updated on the business.

**Dean Linda Livingstone:** Interesting that the strategy both up and down is communication.

**Julia Stewart:** Oh yes.

**Dean Linda Livingstone:** And how important it is going both directions, that you communicate clearly and regularly.

**Julia Stewart:** Oh yes. And I regularly check in with Susie, who answers the phone, because she pretty much will tell me if-- sometimes when we do those investor calls, when I get out of the investor call the first thing I do is, "How's it going?" If Susie goes like this, I know it was a good call.

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**Dean Linda Livingstone:** Great. Well let me open the floor. What questions do you have for Julia? Let me start here.

**Woman 1:** Thank you so much. You've been a very inspiring speaker. Hearing from you as a woman, you have a very special story.

**Julia Stewart:** Thank you.

**Woman 1:** I wanted to know, what is the hardest thing you had to do for your company in the last 12 months?

**Julia Stewart:** I think it was the day we made the decision as a team to go forward, because it was-- for those of you who are not familiar-- it was what's called a sealed bid. So you don't know whether you're getting the company. You don't know who you're competing against. It's a secret bid. So you put your best offer on the table. For those of you who've ever dealt with bankruptcy it's very similar. You put your best bid on the table, but you have no idea who you're competing against. And I remember sitting there and finding out at the ninth hour it was just us; there were no other bidders in the very end. And knowing that the decision could be no or the decision could be yes, but realizing, because it's a publicly held company, we had to work 24 hours straight around the clock in New York to be prepared in case it was a go, and we had to be prepared to go live the next morning; because by law you have to then go public with your disclosures about what you've done, or, presuming it wasn't, get back in the cab, get back on the plane and go home. And so a little drama here, if you'll bear with me. So we knew the meeting was going to start with their board at 12 noon, the Applebee's board.

So we all assembled in our offices in New York. And 12:00 turned to 1:00; 1:00 turned to 2; 2 turned to 3; 3 turned to 4. We brought in sandwiches. About 4:30, 5:00, I was there with attorneys and bankers and my own team, and people began to look down and slowed down, and people stopped writing, and finally someone said, "It's okay to fail. We didn't really fail, we gave it our best shot." And it was the toughest thing I think I've had to do, is I am not going to let anybody slow down, because we absolutely have to go full speed ahead. So it was keeping this stiff upper lip. And I remember a couple of times I would sneak out, pretending to go to the restroom, and I'd call Tim and I'd say, "It's 5:00. No one's called." And he's like, "Hang in there. Do whatever you need to do." And I'm like, "Yeah, that's right, you're right, you're right." And I'd come back in and I'd say, "Let's go, we gotta go. This is one for the gipper. We got to give it our best. Let's go. We're under deadline." And so we had actually committed *The Wall Street Journal*; we'd run an article. There was all this stuff pending and nothing happened.

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So we missed our window with *The Wall Street Journal*. Everything was starting to fall apart. And the whole team-- it was about 30 people. And I could tell some people were starting to cry. There were some moments. Some people were excusing themselves. I knew. And at 6:01 the phone rang and they said, "You just bought yourself a company." And I think that's when the CFO left and went outside and threw up; which is okay. Actually had a moment. Came back in and said, "All right, I'm all right now. Order in food. We're going to be all right. Because you realize you're going to work the night."

So we worked 24 hours straight to be ready for the 8:00 call. And as we were walking back somebody wanted-- because it was 4:00, 4 or 5:00-- somebody didn't want me to walk to my hotel room by myself in New York. So somebody walked me and said, "Did you ever have a moment?" And I said, "No, but I can tell you the toughest thing was just staying positive and making certain you guys stayed focused." Because my biggest fear is people would lose focus and then we wouldn't do the work, and we wouldn't be prepared the next morning. And so in the end it worked out. I'd say that was a tough, that was a very emotional rollercoaster. Someday when I write a book, I'm going to put that in there. And it was funny because some assistant to the bank or whatever was trying to be thoughtful and so she brought in liquor. And I'm like, "Take that out of here. These people have to work the night. I don't want anything distracting them." And so I found out much later she took it home, every stitch of it. So it was kind of like it's okay. But I would say that was a tough-- it was a tough emotional rollercoaster. But anyway, it's a great story.

**Dean Linda Livingstone:** Oh it's a great story; great question. Yes, and then we'll go back here.

**Woman 2:** Hi. My name is Sharona Justman. I'm with STEP Strategy. And in this economy right now it seems to me, without understanding your business entirely, that this is a great opportunity for IHOP and Applebee's to really establish its brand solidly into Middle America. And I'm wondering what are you doing to reach out and be the destination for those people who are not going to the more expensive restaurants or who are going home, but see you as the alternative to using their money wisely and having an experience in a time--

**Julia Stewart:** Well IHOP certainly has a bit of an upper hand because they've already been there, done that; IHOP is considered- is the leader in family dining. For those of you who don't know, family dining would be-- not people that I consider necessarily of our, quite our ilk, but in that category: Denny's, Cracker Barrel, Bob Evans, Perkins, Coco's, Carrows; those are all people considered in a category. But we do a far better job today of positioning ourselves. We are the leader and we are number one in family dining. We've done a magnificent job. Now staying there, it's important for Des and the team to keep

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continuing to focus on price value and the price value relationship. At Applebee's, it's making certain people know that. And clearly we have lost some of our price value edge. And I'm sure this is not a technically correct term, for those of you with a marketing background, but I call it effective pricing. If it's never been on the menu before and I put it on the menu, and I price it, I can do the right thing, but I can also sort of put in that niche what is appropriate. And so I think it is incumbent upon the team at Applebee's to make absolutely certain that we are positioning our 11, \$12.00 check as the place to be in the category. So if you think about it, 11, 12 dollars for a single check at Applebee's, and 8.90 or 8.50 or so at IHOP, that's pretty reasonable, to get sit-down service and all that comes with it. I think our job, and that's what we're doing with television, is to make certain that we are not only reminding you of this great brand and all that comes with it, but the price value. And it isn't just the price you pay, it's what happens when you walk indoors. So frankly the team is as focused on communicating to you vis-à-vis advertising or internet, or all the ways we have to communicate with you, but also when you walk in the restaurant-- the greatest goal we have is when you pay the check you say, "Oh my gosh, all of that for only--" That's what we focus in on I think is a fair statement; both brands. And that's been our real focus. And we lost some of that edge at Applebee's, and that's the work that we're doing to get it back. But at both brands I would tell you there's tremendous focus on the price value. Or our lunch; Pick and Pair, starting at 5.95. You can't get soup and sandwich or whatever at a fast food restaurant. So it's us just reinforcing that. And the advantage we have, being number one in both categories, is we have a fair amount of money we can spend. So our war chest is probably close to \$250,000,000.00 dollars to spend on advertising. So there's a lot of money there to communicate effectively with you.

**Dean Linda Livingstone:** Yes.

**Man 2:** I want to say first off thank you for coming.

**Julia Stewart:** Thank you.

**Man 2:** I know there's been a lot of talk recently about ethics and values, especially in this economy. But I guess looking towards the business leading the way, what competencies are you looking for from MBA graduates that are coming out now, that can add value to your organization?

**Julia Stewart:** That's a great question. And I have this discussion a lot with MBA students, because I talk about getting the experience. And I'm constantly coaching people who come in and want to graduate with an MBA, and then they want to get this job, and then they want to go to the next job, and want to go to the next job. And they see this as being a very- sort of a ladder. And I try to coach and teach-- what I

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care about is the experiences, far more than you went from the manager to the director to the vice-president. What I care about, and certainly my career as an example of that, I didn't get a straight ladder. I went this way and then I went this way and then I went this way. I left in a very senior capacity in marketing and became an assistant general manager for Taco Bell. Right? Washing dishes, and found out that when you mix chlorine and ammonia and you go into a walk-in you faint. So I learned all those things the hard way. Don't do that in a closed space.

But I would tell you those experiences of going back and forth, that's what I care about. And what you come to me as is somebody's who's got experience, rich with history, and learning from your mistakes, and taking risk, and being involved in different aspects. So the first thing I ask students who come in and either interview or want to talk, I say, "Tell me about your experiences. Where did you volunteer for something? What projects were you on? What were you exposed to? Whom did you get to meet with? What did you interact with? What real risks did you take? Walk me through your experiences. What did you volunteer for?" And the person who says, "Well I don't know, I've been the hum-hum for five years, and by god I've been a good hum-hum." My answer is, "Well that's interesting. Go back and get some experience." But the person who talks about, "Well I volunteered for this, and I was involved in the integration of that, and I served on a team that did this, and I was involved in a community awareness thing, and I made a difference"; those are the kinds of things you want. It's those experiences that don't necessarily go to a straight ladder. In fact I'm not certain who does that anymore anyway. But rather gets all-- that's what I'm interested in. It's the true lending experiences and having this just dearth of knowledge that you're bringing, from your perspective; which is different than the next MBA student. That's what we're really looking for.

And then my hope is you're trying to get as much experiencing managing others. I have found lots of really bright, smart people who are single contributors, but in our organization you can't get promoted if you can't lead others. And by the way there are many people in this organization who are just fine with being a single contributor and can do quite well, thank you very much. And that's okay. But I also need people who can manage and lead others. And it's a gift. And for many people it's a learned behavior and a skill to be able to coach, mentor, reach down an organization. I can't tell you how many people I've looked at a performance appraisal and I said, "You wrote this? This isn't a performance appraisal." I'm amazed at the people, the number of people who come out of college and can't write a performance appraisal, can't give appropriate coaching; intimidated, passive-aggressive, don't want to share, don't want to make it better. I've also had many people work for me and said, "I've had more coaching from you in six months than 30 years."

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I'm amazed at the number of people who work in these bright, successful companies and come to me and say, "I really never got any coaching." Or find it devastating to come into you after a meeting and say, "I can tell you some of the things you could do better next time." "Excuse me? I beg your pardon. I've never-- I'm a Harvard MBA. I don't get coaching." And me being a little bit taken aback by that, the first couple of-- because I'm so direct. It was hard the first couple of times. I've learned how to be a little more subtle. But I would tell you that process-- I'll ask you if you like constructive feedback; then I'll give it to you. But it is interesting the number of college graduates I meet with, both undergrads or people coming out of MBA school, who have this sense of well I've got this MBA and therefore I want that \$150,000.00 a year job, and-- or I love the one that's-- I've been quoted as saying this, the guy who came in and said, "I want \$150,000.00, and by the way I don't like to work more than 40 hours." "Oh look at the time." Because the reality is in this environment I can't believe somebody would actually say that. But I think there are tradeoffs. The other thing-- and I say this all the time; I coach MBA students all the time-- and it's find a place that you really want to work. You don't have to sell your soul for anybody, lest of all not a company. So find a place that fits you.

I really believe that from the bottom of my heart, that the most important thing is a culture. Let's hope you don't have this narrow of-- your capability has to be this narrow. Let's hope you find a culture. But I have often coached people to quit. And I know people find that sort of-- but in this environment, to find a place that doesn't value diversity or value your differences or allow you to challenge, or mentor you or coach you, or give you a performance-- you're working for the wrong company. There's just too many places in America to go to work for. I suggest you-- and I recognize this is a difficult environment, but that's the skill people are looking for. Somebody who brings a bright challenging perspective and comes with a dearth of knowledge and experiences, that's what people are always looking for. So that's I think more important than anything. And if you've got leadership ability, and you've been managing people, that's a wonderful thing to have in this environment; hopefully.

**Dean Linda Livingstone:** Well, and you speak from personal experience, because you quit a job when you were doing marketing.

**Julia Stewart:** Yes.

**Dean Linda Livingstone:** So that you could transition into operations.

**Julia Stewart:** That's true.

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**Dean Linda Livingstone:** With Taco Bell. And then you quit your job as president of Applebee's when you didn't have the opportunity to become CEO, and that's when you ended up at IHOP. So you have personal experience making these difficult choices and moving into positions that work better for you.

**Julia Stewart:** And I'm not going to say it's easy. I was at a point where I'd saved up money and I couldn't-- it's kind of like don't do exactly as I did. If one is destitute and on food stamps, perhaps we should reconsider one's thought about leaving without another job. But I was fortunate enough, I had saved up money, and from the very beginning the thought would be that I would demonstrate capability for a couple of years, turn the business around, and then they would make me CEO. And when that didn't come to fruition-- we certainly, we had an open dialog. I said, "You know what? Then I really need to move on, because this is my life's dream, and I need to live my dream." And I was fortunate enough that I was able to find something else very, very quickly, and certainly had saved up money so that if it didn't happen, I would be okay. But yes, I encourage people, even in this environment, you got to find the right thing. Now it's funny you say that because the other day I had a couple of grads come in from a course that I had, and asked me for some coaching, and said, "I'm really unhappy." And I'm like, "Well do you have money saved up? Can you do something else?" "No, I'm going to follow your lead and I'm going to put an ad in the paper." And I'm like, "Let me give you some coaching. Let's maybe keep our current job, look for another while we--" So I've given some-- there's parameters. But I do believe in this environment though. I don't think we talk enough about the culture of the company. No one ever talked about that when I was graduating from college, about finding a place that suits you; that you're interviewing them as much they're interviewing you. And I was interviewing a CFO candidate the other day who said, "If you wouldn't mind just taking a couple of minutes and telling me how do decisions get made here?" And I thought that was a fabulous interview question. How do decisions get made and who makes them? Because what he was trying to figure out was, was it command and control? Was it a team environment? Was the collaboration-- did you really care about my opinion or was everything going one place? And I thought it was a very fair and appropriate question to ask. So I don't know if that helps but--

**Man 3:** In fact, one of my favorite professors here at Pepperdine, said exactly what you're saying. You need one of two things for a company to be successful: vision or culture. If you have neither, leave.

**Julia Stewart:** Yeah.

**Dean Linda Livingstone:** Good.

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**Julia Stewart:** Yeah. Well and I always kind of question a company who doesn't have their values published. If you can't-- the first thing we do when we-- and we interview every- Des now interviews every franchise candidate. If somebody wants to be a franchisee, that means for 25 years you're my partner. You should ask me what my values are, or at least I should give them to you and make certain. Because if you join the organization and you don't share my values, you'll never last, either as a franchisee or as an employee. Right? You're not going to share the values. Right? Yeah.

**Dean Linda Livingstone:** Thank you. Yes?

**Woman 3:** Thank you for being here tonight. I've been following you down at the end. Many of you probably don't know this, but Julia also helped start the Women's Foodservice Forum, <inaudible>. It's been great because you really have developed the potential of women; which I've been fortunate enough to be with for about ten years. My question to you is you've talked a lot about risk and tough decisions and learning from people's failures in the past. What has been your biggest risk, other than of course acquiring Applebee's?

**Julia Stewart:** Well Tim there was that day you asked me to marry-- no I'm just kidding.

**Dean Linda Livingstone:** He might never come back to another one of your speeches again.

**Tim:** I'm loving it.

**Julia Stewart:** No, I would-- I'm sure to you all it may sound a bit contrived for this environment. But to be a very successful marketing person, for 16, 17 years, and to quit your job and go into operations and start as an assistant restaurant general manager at Taco Bell; a lot of people made fun of me. I had a lot of close personal friends who said, "Xanax might help you. You might want to seek therapy." Who were very concerned that why would somebody so successful, with everything going for her, take such a high profile risk? And I remember telling you-- see I didn't see it that way. I think to others I think they thought I was crazy. And I admit there was a little bit of calculated risk. But I remember saying in the interview, "How could you be successful in marketing for 17 years, lead people, direct people, have a clear vision, coach, mentor, and not take those same skill sets into operating?" And I remember somebody saying, "But you don't have an MBA, you don't have a finance background."

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In order to be successful in operations you have to understand finance." And I said, "I'll learn it." And they said, "Well how we will guarantee that you'll do it?" I said, "Because I will. Because I will learn. I'm a quick study. This is what I do. This is what people do." And I remember every step of the way they said it would never be and "you can't possibly." Well I remember when I first got the job, back in those days you wore a uniform. I wore-- I have a picture of me somewhere. Don't tell this to too many people, but I wore the vest with the little bowtie and the big honking keychain and the little-- I was assistant general manager with a name badge. And I was working in Sunnyvale, California, and I remember the proudest moment was we doubled sales like in two months. And you know why? Because I got the whole crew, none of which who spoke-- English was not their first language. And I realized I could be graphic. And I got in the back of the house and I said, "These are our sales goals and this is how we're going to do it." People were in awe that I could move these people. And I thought to myself, "Don't you get it? It's the same basic skill sets and principles I used in my marketing world." It was just transferring them.

And people thought that was so, not abhorrent, but they thought that was so unusual, that you could transfer skills to a whole different line. And I kept saying, "But don't you get it? The basic tenacity, the basic inherent character is there. We'll just transfer those skills and do it into another arena." And I think perhaps we don't spend enough time in interviews talking about character. We don't spend enough time talking about inherently what makes you tick. Right? I care more about that, and your experiences, than I do whether you've got an MBA, or you went to a top-10 school, or you went to all the great, right places to work. And don't laugh, but the person I interviewed the other day, that I found most fascinating, that I couldn't stop listening to, was someone who was coming out of a failed company and-- bankrupt. And I found it fascinating. I couldn't stop asking her enough questions, because I've never worked for a company that went bankrupt or down.

I was sitting on the edge of my seat, and at one point I said to her, "If you had it to do all over again, what would you do differently?" And she said, "Our CEO always believed in a Plan B, but he never believed in Armageddon. And I believe if we had planned for Armageddon we'd still be there today." And I thought that was fascinating. So we don't call it Armageddon, we refer to it as something else; we don't like that term, but we call it Plan C, and it's basically if our current plan doesn't work well and Plan B doesn't work well, well then we'll go to Plan C. But it wasn't that I found her-- I couldn't stop. Finally my assistant said, "You know Julia, you're holding up the whole rest of the schedule. Everybody else wants to meet with her today." I couldn't get enough of her. I was eating her up, because I thought her perspective was so interesting, and who took them over, and how they treated them, and how she felt. All those years, 18 years she worked for that company, and how she felt and how she was treated as an executive. And then boxed to her car.

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And I thought all right, I can learn from this. I just couldn't get enough of her. And so I would tell you that it's-- for me that was a huge personal risk. I'm sure relatively speaking today-- you're like, "Okay, so you had to be an assistant restaurant general manager." But relatively speaking it was a big deal.

**Dean Linda Livingstone:** Well and if you look at the data of people rising to CEO positions, which is something you wanted to do, the vast majority of them got through operations roles and not from marketing roles.

**Julia Stewart:** Right.

**Dean Linda Livingstone:** So it was a very wise decision.

**Julia Stewart:** But it is interesting that to this day when I go to an IHOP or an Applebee's, especially an IHOP, because I was actually a food server in high school at IHOP, I still get people, food servers who will walk up to me, tears in their eyes, and say, "You give me hope." Because many of these people are what we call lifers; that means they'll spend their whole-- there's many a food server who has raised a family, quite well thank you very much, living quite comfortably, taking care of a family and raising them, being a food server. We have a lot of lifers, what we call a core percentage of people who that is their life. Or the busser who's been there 30 years, the cook who's been there-- many of our cooks have become franchisees. So methinks we do protest too much. But it's an interesting corollary when people walk up to you and say, "You give me hope"; because they see this perspective as not certainly the only façade that I am covered with, but rather there is another world. So it's an interesting dilemma or juxtaposition. I think you, did you-- somebody was-- yes, I'm sorry.

**Woman 4:** How do you make decisions?

**Julia Stewart:** Oh great question. How are decisions made? Well I'd like to believe-- and maybe I should ask my team members, some of which who are here tonight-- I'd like to believe collaboratively. I like to believe we're big on take all the information that we know at the moment, collectively bring that together, make a decision. Many of them are not-- most of them, of course, are not made at my level, they're made throughout the organization. I'd like to believe people are empowered to make them. But some of those tough, big decisions that have to be made-- I'm a big believer in let's get as many people with an opinion. And my ultimate goal is that if any of you went to my executive team meeting, you couldn't tell who my general counsel is, you wouldn't be able to tell my CFO, you wouldn't be able to tell

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my senior vice-president of human resources, you couldn't tell who the president of IHOP was, or who the president of the Applebee's was, you were just thinking that it's a bright, smart group of business leaders. I really have a firm belief that I surround myself with business leaders. And I really encourage my president of IHOP to understand the Applebee's business; vice-versa. I encourage us to understand our legal issues, our financial issues, our human capital issues. So I'm big on an agenda that spans the globe and educates and then provides counsel and perspective. But I'm always looking for somebody's opinion. The one thing though that I hate-- besides Blackberries in the meeting; I have a thing about that-

**Dean Linda Livingstone:** As you should.

**Julia Stewart:** Because they go off in the meeting, is-- but the one thing I really do want people to just be there for me, just be there, just okay, focus, be there. Don't do your paperwork, don't look at, just let's-- because we can be-- I'll tell you what, a high performing team that gets in and knows it is about as good as it gets. Right? You can get through a lot in a very short period of time. But the thing I love-- and I think of my executive team meeting this morning as-- and I'll, not to embarrass Des. But Des asked a very specific question that had nothing to do with him or IHOP. It was all about a specific financial issue. And if you were sitting in the room, you'd think that was the CFO. Right? And then 10 minutes later my human resource guy asked a question, and you would've thought he was the general counsel. So it's all of us trying to be educated. But I think the greatest thing I can provide is for them to be business leaders. Because they won't stay forever, maybe 20, 30 years. Did you notice how I just ease on into that?

But and by the way, as an aside, I actually feel that way about an organization throughout the organization. There are many people who will leave us, and that's their latest job, but they may go on to run their PTA, they may go on to run their high school, or they may run their board of directors for a non-profit. They may choose to go into the home. Who knows what they do? But if they take with them those values and those leadership skills, those are lifetimes. So I'm a big believer in we're going to coach and educate and we're going to make our team better. The on the job training are the lessons learned to me as a daily-- sometimes I have to remind people. I was sitting in a meeting the other day and there were some directors and executive directors; so two or three or four levels down. And we were having a meeting about something, and I turned to everyone and I said, "You realize the management development you're getting in this room?" And one of the executive directors turned to me and said, "For certain Julia, I recognize that what I'm-- that I never in my whole lifetime may experience what I'm experiencing right now, understanding a very complex topic and being allowed to be involved on this project." And I thought to myself, "Bingo, she gets it. She realizes this is real management development."

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More and more in this environment, especially money being tight, people aren't sending their employees to seminars or AMAs. You know where they're sending them? To their very own business rooms and conference rooms, to get educated or get exposed. And I have found some of my best thinking has come from some of the most obscure places, with somebody who's got a great idea. Now you have to have an environment that allows for that. But decisions are made very collaboratively. And as I said, the one thing I don't allow is Blackberries. But the other thing that I- that you just can't have is you can't have people who two days later say, "You know what? I changed my mind" or "I don't want to be supportive" or "Now that I think about it, I think that's a bad idea." I'm like, "Well the decision's been made."

So I'm a big believer in we can debate and argue, and we've got some dousies that we've had, but when we walk out of that room, we're all for one and one for all, and we're all on the same page. I don't know how many of you work for a company where that doesn't happen, but eventually it will destroy a company, because that company will not have-- it won't flourish, because you have to support one another. It's not about supporting me, it's about supporting the team decision. Vet it, vet it well, make certain you've-- call for the question, ask for people's point of view, make certain that you know everything you could possibly know, and then you got to make the decision to move. But very seldom-- I can't-- I'm sitting there looking at you, to try to think-- maybe once or twice in the last 14, 16 months, have I ever been involved where somebody said, "We just-- we hate each other, we're in a tie breaker, we can't make a decision." That just doesn't happen.

I think that collaborative teamwork spirit comes well. But sometimes they're lonely and they're tough decisions, but they have to be made, and you make the best that you know during what you know. I'm a big believer in that. Make the decisions with the information that you know. So hopefully-- when you see them at dinner, ask them, "Is it really true?" We'll see-- they'll wave at you at the end, and I'll point them out. In fact, I should do that, because they've really been very gracious to come tonight. Carolyn O'Keefe, our senior vice-president of marketing for IHOP. Becky Johnson, our senior vice-president of marketing.

**Dean Linda Livingstone:** Stand up so everyone can see you.

**Julia Stewart:** Becky, our senior vice-president of marketing for Applebee's. Des Hague, the president of IPHOP. Patrick Lenow, our executive director of communications for all of DineEquity. I think I got everybody. And of course my partner, Tim Ortman, my husband.

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**Dean Linda Livingstone:** Wonderful. We need to wrap up our time together tonight, but I have one last question for you. Because this is sort of, with the inauguration and everything, this has really been a day of sort of hope and looking to the future.

**Julia Stewart:** You're not going to ask me about her dress are you?

**Dean Linda Livingstone:** No, no, no, I won't ask you about her dress. But you say you're a person that sort of looks at the world as the glass half full. So what are you most optimistic about for the coming year, or looking forward to most in the coming year? So we'll end on a very positive note in looking forward to what's coming up in the year ahead.

**Julia Stewart:** I think he needs to get that team together as quickly as possible, and be very clear about what is the vision of this country, and give this country hope, and give this country clear direction that the whole country-- I don't care who are you as an American citizen, you say, "Here's what I'm going to contribute to." And then I hope he in his own way, he and the team that run this country-- because I really believe that's what it is-- I hope they encourage people to find that right balance of spending money. I know for months we went around telling people, "Save, save, don't spend money, don't spend money." But as you know this economy fundamentally requires some spending. Note to self: This economy won't grow without some form of spending. So he's got to be a little bit-- it's an interesting dichotomy to convince America, "I need you to spend, just not too much. I need you to save, just not too much. I need you to believe with a clear vision."

So I believe the team will do that. He's smart. He's surrounded himself with really, really bright, smart people. And I think his communication style and his desire to get America on track is what we need. But I truly believe part of what he's got to do, before he meets with the auto workers, before-- he's got to get these banks to loosen these purse strings, because the reality is our fundamental economic environment - and for those of you who've got an Economics major, you know the reality is you have to get this environment spending in some way, shape or form again. If you don't, we're stuck. So you have to get Americans to loosen those purse strings; not perhaps the way we did in the past. But I believe a clear vision, a clear hope, a clear direction, and get people to stop fearing. I think if he can get away from the fear. I don't think we maybe will be bullish in the next 30, 60, 90 days, but I think we can make it work.

**Dean Linda Livingstone:** Wonderful. Thank you so much Julia.

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**Julia Stewart:** You're very welcome.

**Dean Linda Livingstone:** It's been a great pleasure. Thank you so much.

#### End ####

