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Graziadio School of Business and Management

Dean's Executive Leadership Series - 2008-2009

Transcript of Presentation (Part 1) 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, good evening, everyone. I'm Linda Livingstone, Dean of the Graziadio School of Business and Management, and it is my pleasure to welcome you to tonight's Dean's Executive Leadership Series. I appreciate you coming out rather than staying home on the TV—watching TV and critiquing everything Michelle Obama wears today, but we're pleased to have you here and this is going to be a wonderful evening. You are going to enjoy Julia so much and it will be very enlightening as well. I want to mention just a couple of things going on in the school before we get to Julia's introduction. We have several activities coming up I want to remind you of and also let you know when our next speaker in this series is.

We have several things going on with our students over the next few months. We are working on a partnership with UC Santa Barbara that relates to some of the work we're doing in our entrepreneurship program. Do we have any UCSB grads in the room or not? No. That's a bit unusual, but they had a wonderful engineering program but no business school. We have of course a wonderful business school and no engineering program and we're working on a partnership, and much of it's going to be wrapped around what we do in entrepreneurship and so we are going to be working on our business plan competition and some of those activities are coming up.

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So it's a really tremendous opportunity for us that we are looking forward to. If you're a golfer, we have our Friends of George Graziadio Golf Tournament coming up in April, but prior to that we have a golf challenge series. So if you'd like to warm up and prep for that you can go to our web site and see where those locations are we encourage you to be a part of that activity. And then on February 12 we are hosting the Future of Energy: How Clean Tech Entrepreneurs will reshape the economy, and it's at the Toyota facility in Torrance I believe and it's going to be an amazing event. We have a great panel and I really encourage you to be a part of that. That's being sponsored by our Graziadio Alumni Network and will be a wonderful event.

And then our upcoming next DELS speaker will actually be in Orange County. We did one in northern California in the fall and we'll do this next one in Orange County on March 10 and we will have Sheri Miksa with us who is the former CEO of Robeks, and so if you're from the Orange County area we encourage you to be a part of that coming up in March. The last thing that I want to mention before I introduce Julia to you is just to remind you as we are continuing to build and develop the Graziadio School one of the most important things for us is identifying the right students to be a part of our various programs. So I encourage all of you whether you're a student, an alumnus or a friend of the university to think about people you believe would be wonderful contributors as a student in one of our programs or one of the other programs at the university.

And we're actually getting ready to roll out an alumni referral program and hope that you will participate and think about individuals that you think would be wonderful representatives for Pepperdine and for the Graziadio School in one of our programs in the years ahead, but the reason we're here tonight is to hear from Julia Stewart. Julia is the CEO and chairwoman of DineEquity which franchises and operates 3300 restaurants under the IHOP and Applebee's neighborhood grill and bar brands. She is actually a native of California, grew up in San Diego. I'm going to let her tell her story because it's a fabulous story, but she has a wonderful background and experience in the restaurant and service industries and spent time working on Carl's Jr., Burger King and Stuart Anderson's Black Angus brands. She also worked at Taco Bell, was at Applebee's before going to IHOP and now of course is responsible for both IHOP and Applebee's. Julia has been honored by Fortune magazine. She was one of the 50 most powerful women in the country in 2007 and she serves on a variety of boards, both corporate boards and those that support the community. She also values education greatly. She's on the UCLA Anderson School of Business Board of Visitors as well. So it is wonderful to have you with us, Julia. Julia's husband, Tim, is with us tonight so we're glad that you could join us and be a part of this. It's wonderful to have you with us. So without further ado, let me introduce to you Julia Stewart.

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Julia Stewart: Is my job safe? Is our business stable? Are the strategies that my company using going to work? How will I pay my Visa bill? My dad's 401(k) has lost 70% of its value. Will I have to help him out? Well, I believe these are the questions our employees are asking today or people in this room. We as business leaders in this country are navigating through uncharted waters and an area where we have never been before so I would ask you how are you keeping your employees moving forward? And today I'm going to share my perspective and then I'm very much looking forward to answering your questions during the Q&A session so I can hear your perspective, but before I get started I did want to thank Dean Livingstone for her warm welcome and thank all of you for having me as part of this executive leadership series. It is truly an honor and a privilege and hopefully we'll have some- a good hour's conversation tonight so with that I really wanted to ask about what you're doing differently to engage your teams. I think about our two brands, the IHOP brand and the Applebee's brand, and I'm very proud to tell you that we had worked very hard on our strategies and our direction to ensure it was right for the business but as the business changes and the climate changes and the needs change I think we spent a great deal of time assessing what was the right thing for our business, not flip-flops, not 180 degrees different, but I think real solid thinking about what was working, what if anything we could change or do differently especially given the environment that we're in.

And so what I'm really proud of is that the leadership team both at DineEquity and the individual business units have really focused on what's the clear vision for our businesses and in spite of the environment what can be doing either the same or differently to make it better, and if you think about--obviously this is a historic day today with our new President--it's really interesting because somebody asked me the other day, "What do you spend a lot of time doing?" And my answer--it's not contrite; it's real--is I give people hope. People get up in the morning and they want to think and believe that the future is bright and that there is a reason we're all doing what we're doing. We have almost 300,000 employees in the U.S. and overseas that work in these different brands. Many of them are not our employees. They're employees of our franchisees and they want to get up every morning and believe there's hope. I firmly believe that the average individual does not get up every morning and say, "God, I want to be mediocre." I think people genuinely get up and want to believe and be a part of something, and whether it's the busser, the food server, the director of development, the vice president of operations they all want to be a part of something and they want to believe in the vision and the hope of these companies.

And so it's incumbent I think upon us as leaders to make certain that people not only understand the vision but they believe in it, and so what really has happened to us in this environment that is unprecedented is that us as business leaders had to sit down and say, "What kinds of things should we be doing differently and what should stay the same?" Now I'm happy to report that the vision for both of the companies is very, very solid, but some of the tactics I think we all agreed we needed to change. And one of the things we really had to talk about is in this environment you have to make really difficult

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changes and choices for your employees, and it was funny. I was talking to the dean. As recently as this morning we were in a difficult conversation talking about our business and our brands, and I was telling the dean that there is probably not a day that goes by where we don't somehow make business decisions based on our values, what is core and fundamental to our businesses.

And we had that very conversation today, difficult conversations, difficult choices to make, and I would tell you that in this environment what employees look at the most is they look at their leaders and they're watching their leaders more so than I think ever before. They're watching the actions you make, the decisions and the choices. Did you stay at a Marriott Courtyard or a \$450 Ritz Hotel? Did you take a cab or did you take a driver? Did you cut things that you thought were important for you or for the company? Did you make choices that benefited a few or benefited all? I would tell you in this environment more than any other time the employees are looking at leadership and asking, "What are you doing for me and what are you doing to ensure our fate?" I can honestly tell you that a number of employees have said to me, "I would work less, I would give up more, if it meant that my fellow employee could keep their job." More than any other time it is amazing to me. We announced at the beginning of the year there will be no merit increases this year and everybody in the audience said, "Okay. Is that it? Is that the bad news for today? Is that it? Because if that's it I'm great; I'm fine; I'm happy if that's as far as it goes."

And what that tells you is I think employees want that vision and that direction and that leadership but they also want you to make the hard choices and the right choices for the business. It's probably the toughest thing I think we as leaders do because in any given day or time or choice you make it's not necessarily going to make everybody happy, but you have to do what's right for the company and what you believe will sustain you in to the future but these are difficult times and they're difficult strategies. And I truly believe we make the best decisions we can with the information that we have. You're sort of predicting the future. You're thinking you're doing the right thing based on what you think will happen but it's just that. It's the best that you can do with the information you have. So I have said a million times in this environment in particular you stay close, you stay close to those people, you walk the floor, you make people- you make certain people are listening and you're listening. How's it going? What's working? What's not? Because on any given day-- I was walking to the elevator the other day and I saw an employee with tears in his eyes and I knew something was wrong and I debated for a second and I thought you know what? He clearly didn't-- He kind of looked down. He didn't want me to see him, and later on I found out that he had lost his home; they were taking his mortgage away. And so I thought to myself isn't it amazing you have no idea on any given day what people are going through in their own personal lives in this environment and the choices that we're trying to make to do the right thing.

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So I don't give you incredible words of wisdom other than to say as a leader I think in this environment staying close, giving as much recognition as humanly possible, communicating as much as humanly possible exactly what's going on so that people feel this sense of I know what the future is; I know what my management is doing. I remember several years ago we did a riff at IHOP and relative to this environment it was nothing, but at the time I remember talking about it, getting through it and the next day Susie, who answers our phone, who some believe actually runs the company--she's been with us for about 44 years--Susie said, "Good job." And I said, "Well, thank you," and she said, "Now move on." And you have to know Susie who's kind of aggressive on any day, but Susie's point was okay, we got through it, it felt bad, I lost some friends, but you did what's right for the company. Now let's move on."

And so I think there is this core fundamental belief that in all of us we just want to know, we just want to be communicated to, we want to understand the vision, we want to believe in our leaders, we want to believe that they make the best choices for us, but at the core of it we want that connection. And the only way I know how to do that is to get out and meet with them, to be there for them, and I can't begin to tell you how important that sense of that I know what's going on; I know; I trust you; I think I can see the future; I get it; I understand the strategies. I was in San Antonio last week and I had dinner with one of our really good franchisees who's got 20, 30 restaurants and we had a nice dinner at a very inexpensive restaurant, which we did on purpose. He asked me if we should share the check. I said it was okay but I appreciated him asking. When I calculated my heavy amount of royalty he gave me every year I decided that dinner was okay, and we kind of smiled. And this is a man, a very wealthy man—most all of our franchisees are wealthy and multimillionaires and many from humble beginnings. And he turned to me towards the end of dinner and he leaned over and he said, "We're going to be okay. Right, Julia?"

And I thought to myself now here's a man who drove me to the restaurant in a Bentley, who lives life quite comfortably, who for the New York holiday I stayed in a rented condo for my kids' spring break and he stayed the whole week at the Mandarin in New York and had four rooms. What is that a night? And he-- And the-- I couldn't even calculate it, and- but he looked at me and he said, "We're going to be okay. Right, Julia?" And I said, "We're going to be fine" and I said, "You know why? Because we're all in this together and we're working really hard and smart, and we're going to do the right thing for the business and our people." And he said, "That's fine by me. Let's buy dessert." So with that he promptly went and bought a dessert and it was kind of- it was funny because he's not a dessert guy and I thought that's his little sense of it's all going to be okay, and he drove me back to the Marriott Hotel and he said, "I really do believe in the future. I wish more people like you believed the glass was half full. We're going to be fine.

It's just this difficult times, this uncertainty, and so it dawned on me as I went up to my room here's a franchisee wanting just that same glimmer, that same understanding, that same leadership as the guy

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who bussed my table today or the guy who did the dishes last night. No. That was my husband. I'm talking about in the restaurant. Just joking. He actually did the dishes. And I-- But I will tell you I thought to myself see, it's all the same. It didn't matter. When you think about all these employees we have they all want the same thing. They want the vision, they want the hope, they want the belief, they want to believe you're making the right choices and you're part of it, and in this environment I think there are so many people who are so afraid, so afraid of making the wrong move or that the leader's going to make the wrong move. And so I think the more we inspire confidence in the people that work for us the more likely we are that we're going to have a great year or a great plan.

I refer to it as my leadership shadow and it's the thing I probably spend the most time talking about, and your leadership shadow has to be there all the time, 24/7. People have to believe that you are making the right choices, that you're smart and that you're going to involve yourself with all the right people, that you're going to do what's right for the business, and that leadership shadow especially when you're running it and the buck stops with you people are watching your every move. I cannot emphasize that enough. They're watching your every move to say, "Do the things you outwardly say and do-- Do they match what comes out of your mouth? Are you saying and doing? Are you walking the talk? Do you really care about me? Are you really trying to do what's right for me?" I cannot overemphasize that enough, and when I was going to school they didn't teach that in business school. They didn't teach that in college, that the walking the talk, that the leadership starts at the top, is the most important thing. And I know the diversity is going to be here for the balance of the year, that these are going to be tough times, and I believe that--and I really believe this in all my heart--I believe there are some companies who are going to fail this year because the leadership doesn't understand.

I read a fascinating article and I will get you the name of that. I passed it on to my whole team about the demise of Lehman. Now Lehman happened to be our bank who let us borrow 2.3 billion but we're okay. We still have to pay it back. It was funny though. I read this fascinating article about why, and part of it was this elitist, nothing can go wrong, I don't have to look in the rear-view mirror, the decisions we made were the right decisions, I don't ever have to go back and rethink them, my God, we're Lehman, we're senior management, and I found it fascinating that that's not the way it works. The way it works is you're always constantly challenging yourself and trying to figure out how you can make it better. That's part of what leaders do, but at the end of the day you must inspire, you must give people a reason, and you must actively communicate with them so they understand the strategies because I firmly believe every person in our company ought to figure out what does it mean I'm supposed to be doing for the company? Right? Because we got to care about one another, and I truly believe that's going to make the difference, and I've said this a million times.

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I believe leading is an honor and a privilege and I don't think it comes lightly nor should you take it that way. I think what we as leaders do is try to make a difference for the people that we serve, and I think this most- latest round of all the things that people are predicting that's wrong I'm sure we'll get through it and we'll get through it fine, but I truly believe--I've said this before--there will be winners and losers in this environment. You will watch people go down because they don't have the fortitude, the thinking or this ability to talk to their employees and often communicate with them and be there for them, listen to them--right?--and be there for them. I can't begin to tell you how important that is and walk the talk so like I said I think it's an honor and a privilege, and I've given you my little 15 minutes of perspective. I thank you for listening to me, and with that I'll open it up to questions. Thank you.

End

