



# ETHICAL BUSINESS LEADERSHIP

## EBL IN ACTION

Over the last 40-plus years, Chick-fil-A has set out to “Be America’s best quick-service restaurant.” As the Atlanta-based restaurant chain has strived to live up to that goal, it has earned some of the most prestigious awards and recognitions in the quick-service industry, and has enjoyed 40 years of consecutive annual sales increases, including the last 14 with double-digit growth.

A family business, currently in its second generation of leadership, Chick-fil-A has further distinguished itself by establishing and maintaining a sense of family and community at all levels of operation.

In February 2008, Robert D. Reid, Dean of James Madison University’s College of Business, sat down with **Dan T. Cathy, President and COO of Chick-fil-A**, and discussed the company’s unique approach to corporate culture. The following are excerpts from that conversation.



### **Robert D. Reid: Chick-fil-A has an exceptional corporate culture. Could you tell me a little bit about how it was built and, more importantly, how you sustain it?**

**Dan T. Cathy:** Nurturing our company’s culture is probably the most important role that I have. Our family got in the restaurant business in 1946 when my dad sold a car that he had and built the first building. It had 10 stools at the counter, a cigarette machine on one end and a juke box on the other. I had a student ask me recently, “What’s a juke box?” I told them it’s an MP3 player on steroids.

But that little place of business was really unique. It was a lot like Cheers, the Boston tavern where everybody is somebody and everyone feels very welcome. They celebrate together, they mourn together at times, and they kind of share life with each other. Dad had this going on with the employees behind the counter...so you kind of got to know the employees. They were like surrogate aunts and uncles for myself and my younger brother Bubba. That was our daycare center.

I think the Chick-fil-A culture of today is really an extension of that. Where we try to be real and genuine and personal with one another and encourage each other. As a result this genuine warmth and family atmosphere extends out even to the customers and they can sense that when they come into one of our restaurants.

### **RDR: How do you screen and hire people so that you are finding the right employees who are truly going to contribute to your culture?**

**DTC:** You have to be very, very careful because that is the most important decision that we make. It’s not location, location, location. While that is important, for us it is more about people, people, people and making a good selection.

We typically select based on what we call the “three C’s.” **Competence**, that’s their business acumen and the skills that they have. **Character**, which is their whole values set, and also their **Chemistry**, their likability – is this someone we would want our own sons or daughters to work for?

### **RDR: As you look at those three C’s, what processes do you use to assess those? How do you determine whether someone is going to be a fit for the organization?**

**DTC:** Most often today, I refer people to our internet site, chick-fil-a.com, because more and more of the kind of questions we are typically asked are answered on that website...in fact, individuals can actually fill out an online

application. It is a very abbreviated application that gives us an opportunity to filter whether or not this is a person we would like to continue to see moving forward in the process.

Eventually, they will have to fill out the full application, and if you thought a college scholarship application was thorough, just wait until you see the Chick-fil-A application. It takes a lot of time to fill that out, but it is very comprehensive.

Someone has said that it is easier getting a job with the CIA than it is with CFA, and we try to live up to that reputation.

### **RDR: A lot of organizations are trying to instill ethical behavior in all their employees. Once someone is on board, what are the kinds of training and activities—the things that are ongoing or sustainable—that help you maintain an ethical business culture?**

**DTC:** Obviously it starts with the selection of people. I think that is probably 90 percent of it or more right there. You select people who already have a history of successful relationships...and I think that the kinds of activities and relationships that they have had over a sustained period of time really gives you an indication of what their performance is going to be.

When we deal in a positive relationship with each other it creates an atmosphere where we can be at our very best. We can be creative, we can be spontaneous, we can be playful, yet at the same time we can take advantage of unexpected opportunities. I think the genesis of that however, the genesis of the relationship I can have with other people, is because of the relationship we have with our Heavenly Father.

### **RDR: Let me follow up on that. We live in an age of political correctness and separation of church and state and prayer in schools, and yet faith is a major part of your culture and what you do. How do you sustain that?**

**DTC:** Hopefully we live it out. I think it is certainly more than just putting symbols on the wall or printing scripture verses on cups and other things. When you walk through here you really won’t see hardly any religious symbols and such, but what you will see is people who will be opening their door for you. You

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President and COO, Chick-fil-A Restaurants



will see people that greet you in the hallway and have a pleasant smile. You will see people who will help you bring some bags in. And you will see all those things.

**RDR: As the organization is expanding and going into new states, it takes a lot of partners to do that. How do you assess the relationships you have with your vendors and establish the kind of relationship that you want with a vending company?**

**DTC:** The relationships we have with our vendors is vital...if we don't have nice fresh lemons coming in the back door there is nothing we can do in that kitchen. . Once products come in they have to be the quality we expect and demand.

I have our suppliers often come participate in the same orientation program that I do for all our new staff and operators. I spend a full day with all of our new staff and operators. It's a program we call "Vision and Values."

We start at 7 in the morning and finish around 2:30-3 in the afternoon. I then get a bunch of groceries together and I have all these folks over to my house for dinner. And I'm pouring all the tea, and fixing all the food, and doing all the raspberry vinaigrette salad dressing by hand.

But they go through all that and they kind of see what our organization is all about, and our consciousness, and how we really are restauranteurs. We are not just accountants and financiers, but we are restauranteurs with a great deal of pride in our product. They get in step with that...and we then sustain that relationship over a long period of time.

**RDR: Are there advantages or things that you can think of that you have been able to do as a privately held company versus a publicly traded company where maybe there is more emphasis on the quarterly results or earnings projections?**

**DTC:** Probably the most visible sign of that is the reputation we have for being closed on Sunday. That is a big, big marquee for us. And to be honest with you, that whole statement of being closed on Sunday is a literal statement but it also has some figurative overtones as well. It is probably the most succinct way of talking about our corporate culture. This is a policy that we have had for 62 years since Dad opened his first restaurant and I have very much bought into it, as have my siblings. So that is expected to go on for another whole generation. We signed a commitment to our parents that we were going to keep that.

But I think it also speaks to the care of people behind the counter. If we take care of our team members and operators behind the counter, then they are going to do a better job on Monday. In fact I say our food tastes better on Monday because we are closed on Sunday. And I really do believe that is the case.

**RDR: If an employee is either struggling with an ethical dilemma of their own, or they are observing something that they are uncomfortable with, what kinds of processes and procedures can they tap into to resolve that?**

**DTC:** At the restaurant level, we select really great people as Chick-fil-A operators who are really strong business leaders, and they have been screened and selected on the whole issue of ethics and moral standards. Most of the situations that we might

see out there would be involving an hourly team member who may have an issue they are going through in life, a personal struggle that they might be dealing with. The fact is, all of us have personal struggles that we are dealing with. In my opinion, anyone north of six-feet-under has personal struggles and issues they are going through.

I'll never forget as a teenager climbing up on the roof of our family restaurant and seeing a bunch of beer cans up there. Dad knew that Charlie, the night manager, was responsible for all those black label beer cans being heaved up there. And I thought, "daggumit, Charlie why did you do that?" I knew him my entire life, and I knew he was going to be fired, and I hated it for him, and I hated it for my Dad. But boy was I surprised when Dad sat down with Charlie, and I got a little report that night when Dad got home. My Dad told me that he wanted to see if he could work it out with Charlie. He said that Charlie had a problem and needed some help to deal with it. And I am still amazed at the compassion that my Dad had towards Charlie. He ended up retiring from Chick-fil-A.

**RDR: How does Chick-fil-A build Ethical Business Leadership into its evaluation and reward structure?**

**DTC:** Everybody needs encouragement. In fact, if you are wondering if somebody needs encouragement, check to see if they are breathing.

Anytime we can recognize great performance it not only encourages that person, but also other people who are in need of recognition and encouragement begin to model those values and behaviors.

People repeat behavior that is rewarded and recognized. As leaders we have to make sure we are recognizing behaviors we want to see perpetuated throughout the organization.

**RDR: Do you see a difference between ethical behavior in the business world and one's personal life, or are they synonymous?**

**DTC:** The most important decisions that we make are really how we spend our personal time. Our public life is really a reflection of our private life. With as open of a society as we have today—with the accessibility of information as it is—there is very little room, if any at all, to be so foolish as to believe there are going to be some things that we can keep in the closet that will not ultimately see the light of day.

Certainly our governmental leaders have learned that. Business leaders have learned that as well. If you make a bad mistake about how you spend the shareholders money or if you misrepresent the values that you have espoused—if you say one thing but your personal conduct goes another—that ultimately will bring shame and disrepute to the organization, as it should. But the tragedy is that a lot of other people have to pay the consequences for the personal decisions that we make.

On the other hand, people also get to enjoy the benefits of good decisions and right choices that leaders make and that is a great thing as well.