

CHANGING WORKPLACE CULTURES TO REDUCE EMPLOYMENT DISCRIMINATION¹

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Abstract

Employers differ widely in their corporate cultures' openness to non-traditional workers. Conscious or unconscious discrimination against women or people of color is part of the culture of more than 20 percent of all U. S. workplaces and is deeply entrenched in between seven and 12 percent. Both confrontational and cooperative approaches continue to be required to reduce this important constraint on employment opportunities.

I. Introduction

As anyone who has ever worked in any organization is well aware, every workplace has its own "corporate culture." Formally defined, this term refers to the interdependent system of beliefs, values, and ways of behaving that are common to a workplace. Less formally, it is easily recognized as "the way things are done around here."²

In many contemporary workplaces, the characteristics of today's new workers often differ dramatically from those of traditional employees -- to some extent in entry-level jobs, and markedly in the upper-level positions that carry more authority, opportunities, and compensation.

1. Research reported here was funded in part by the Ford Foundation and the Russell Sage Foundation.

2. Marc Bendick, Jr., Mary Lou Egan, and Suzanne Lofhjelm, *Diversity Training: From Anti-Discrimination Compliance to Organization Development* (Washington: Bendick and Egan Economic Consultants, revised 2000).

The demographic dimensions addressed in employment discrimination laws, such as race, gender, age, and disability, are obviously part of this pattern. But miscommunication, tensions, and biases often arise along other demographic lines as well, including former welfare status, family responsibilities, and prior contact with the criminal justice system. Employers also report that parallel conflicts may arise in terms of “work demographics,” for example, what department an employee is identified with or which predecessor company the employee worked for prior to a corporate merger.³

With respect to whether they offer equal employment opportunities to such “different” workers, employers are not at all homogeneous. As widely-circulated reputations suggest, some firms are distinctly better places to work than others for minorities, women, and similar groups.⁴ Some workplaces have cultures in which discriminatory attitudes or behavior would be so jarringly discordant with the prevailing atmosphere that, when they are expressed, they are rapidly suppressed by negative social reactions or lack of ratification.⁵ Other workplaces have cultures in which discriminatory attitudes and behavior are not only tolerated but implicitly or explicitly condoned. There, racism and sexism may be visible and virulent, and even outrageous harassment may go unchecked.⁶

In what is probably the most typical circumstance, the workplace culture is complex and sends forth mixed signals with respect to discrimination. For example, although the majority of large employers have written policies requiring equal employment opportunity, in some cases these policies receive lip service at best.⁷ In such environments, even if explicit racism and sexism are relatively uncommon, people of color, women, and other groups often seem to face invisible “headwinds” that impede their progress while their white or male counterparts seem to be speeded along by equally-invisible “tailwinds.”

3. In one sample of recent corporate mergers and acquisitions, seven out of 10 failed to live up to their anticipated financial promise, and 73 percent of respondents to a survey of participants cited cultural incompatibility between the predecessor companies as the largest single source of these failures. See Robert J. Grossman, “Corporate Courtship: Irreconcilable Differences,” *HR Magazine* (April 1999), p. 2, and Marc Bendick, Jr., *Surmounting Five Common Barriers to Business Cooperation* (Washington: Bendick and Egan Economic Consultants, Inc., 1999).

4. See, for example, R. Johnson, “The Fifty Best Companies for Asians, Blacks, and Hispanics,” *Fortune* (August 3, 1998), pp. 94-122, and R. Levering and M. Moscowitz, *The 100 Best Companies to Work For in America* (New York: Doubleday, 1993).

5. Experiencing cold stares and embarrassing silences, even a relatively insensitive person is likely to conclude, “I guess I won’t try telling that type of joke again.”

6. See, for example, B. Roberts and J. White, *Roberts v. Texaco, A True Story of Race in Corporate America* (New York: Avon Books, 1998); Steve Watkins, *The Black O, Racism and Redemption in an American Corporate Empire* (Athens: University of Georgia Press, 1997); and Frances K. Conley, *Walking Out on the Boys* (New York: Farrar, Straus and Giroux, 1998).

7. For example, one study of entry-level employment in the Washington, DC labor market found no statistically significant difference in the probability of discriminating against African American job applicants between employers who advertised themselves as “an equal opportunity employer” and those that did not. See Marc Bendick, Jr., Charles Jackson, and Victor Reinoso, “Measuring Employment Discrimination Through Controlled Experiments,” *Review of Black Political Economy* (1994), pp. 25-48.

This paper provides empirical estimates concerning how many workplaces in the contemporary American labor market conform to each of these circumstances. It then discusses actions that might promote the evolution of problem workplaces toward more equal opportunity.

II. The Current Prevalence of Employment Discrimination

Is employment discrimination in the United States today largely a problem of the past? Is the workplace “playing field” now level? To what extent are current differences in employment outcomes among demographic groups properly attributed to workers’ characteristics and choices rather than employers’ behavior? A large body of social science research has addressed these questions, within which substantial consensus has been achieved on several broad conclusions.⁸

The first conclusion concerns the *average extent of discrimination* in the contemporary American labor market. In numerous studies covering a variety of race/ethnic, gender, age, and other demographic groups, when differences in qualifications and interests are appropriately accounted for, differences in employment outcomes reduce substantially. However, in virtually no cases do they fall to zero, and in most cases, not close to zero. For example, when salaries of women are statistically compared to those of men with equal education and work experience, men's earnings typically average approximately six to 13 percent higher than those of equally-qualified women.⁹

A second conclusion concerns the *form of discrimination*. Before major federal anti-discrimination laws were enacted starting in the 1960's, it was not uncommon to encounter state and local "Jim Crow" statutes explicitly precluding racial and ethnic minorities from occupations, newspaper advertising that divided "Help-Wanted - Male" from "Help Wanted - Female," and workplaces in which many occupations were held exclusively by members of a single race or gender. While such occurrences have not disappeared, under the combined effect of discrimination laws and changing social norms their prevalence has been dramatically reduced. Thus, while it remains common to observe occupations which include women or minorities in very small numbers ("tokens"), it is much less likely today to see women and minorities entirely absent (the "inexorable zero").

Reductions in blatant discrimination leave less harsh and dramatic forms of discrimination to predominate in the labor market today. These forms frequently feature, for example, multiple differences in treatment, each of which is not crucial but whose cumulative

8. For additional details and citations to underlying research, see Marc Bendick, Jr., “Adding Testing to the Nation’s Portfolio of Information on Employment Discrimination,” in Michael Fix and Margery Austin Turner (eds.), *A National Report Card on Discrimination: The Role of Testing* (Washington: The Urban Institute 1999), pp. 50-53.

9. See, for example, T. Stanley and S. Jarrell, “Gender Wage Discrimination Bias? A Meta-Regression Analysis,” *Journal of Human Resources* (1998), pp. 947-972, and Mary Lou Egan and Marc Bendick, Jr., *US Firms’ Evaluation of Employee Credentials in International Business* (Washington: Bendick and Egan Economic Consultants, Inc., 2000), pp. 9-11.

effect places individuals on substantially different career paths. They often derive from social relationships that informally limit access to information about job opportunities. They may reflect issues of "social comfort" and personal style that affect whose comments get listened to, who is perceived as competent, and who gets credit for accomplishments.¹⁰

These subtle mechanisms inevitably interact with assumptions about individuals based on that person's demographic group and "schema" concerning what behavior is acceptable for members of such groups.¹¹ This leads to the third conclusion, the central role of *stereotypes* in discriminatory behavior. Research in cognitive social psychology documents three patterns of human thought relevant to interpersonal behavior in the workplace: First, persons' prior assumptions about group characteristics strongly influence how they perceive and judge individuals they encounter. Second, persons whose perceptions and judgments are influenced by such assumptions are often not conscious of that influence and perceive themselves as unbiased. Third, the content of stereotypes widely held in American society are highly unfavorable toward traditionally-discriminated against groups. For example, images of African Americans and Hispanics commonly held both by the general public and by employers portray them, relative to non-minorities, as less intelligent, honest, energetic, stable, and articulate and more prone to violence.¹²

The fourth conclusion concerns the *information content* of employment qualifications. Demographic groups often differ in their possession of formal qualifications. This pattern is evident, for example, in educational attainment (years of education completed, fields of study selected, grades awarded); in work experience (length of work experience, extent of opportunities for on-the-job learning), and formal credentials (completion of organized apprenticeships, acquisition of certifications such as C.P.A.). It also often typically arises in terms of scores on paper-and-pencil tests and ratings on job interviews.

But what precisely do such qualifications signify? In many cases, the relationships to employees' on-the-job performance are marginal, and the distinction between persons rated qualified and not are minimal. For example, in the warehouse of one manufacturing plant, the company promoted forklift drivers from among warehouse laborers who were "qualified," meaning that they had forklift experience. Although many warehouse laborers were African American, the "qualified" group was all white. But that qualification could be acquired with only a single day's experience, usually gained at the company itself by filling in when a regular driver was absent. In such circumstances, differences in measured qualifications often represent less than they appear to represent. ¹³

10. See, for example, Jomills Braddock and James McPartland, "How Minorities Continue to be Excluded from Equal Employment Opportunities: Research on Labor Market and Institutional Barriers," *Journal of Social Issues* (1987): 5-39, and Deborah Tannen, *Talking 9 to 5* (New York: William Morrow, 1994).

11. See, for example, Virginia Valian, *Why So Slow? The Advancement of Women* (Cambridge: MIT Press, 1998).

12. See, for example, Joleen Neckerman and Kathryn Kirschenman, "We'd Love to Hire them, but...The Meaning of Race for Employers," in Christopher Jencks and Paul Peterson (eds.), *The Urban Underclass* (Washington: The Brookings Institution, 1991).

The final conclusion concerns the role of *well-designed personnel practices* in reducing discrimination. In general, discrimination is more likely in workplaces where human resource management decisions are made informally, subjectively, "behind closed doors," and without documentation, explicit and validated criteria, open advertising of opportunities, or training for supervisors and other personnel decision-makers. Of course, formal rules and procedures — for example, periodic performance reviews, public postings of job vacancies, and written job descriptions — cannot by themselves guarantee the absence of bias. However, they tend to constrain extreme cases of irrationality, promote transparency of understanding between employers and employees, broaden the pool of candidates considered when opportunities arise, and assist employment decision-makers to be consistent. This point reminds us that corporate cultures are often embodied in concrete institutions and procedures, not just in personal attitudes, interpersonal interactions, and "atmosphere."

III. Variation Among Employers

Like many discussions of workplace discrimination, the generalizations just presented tend to describe the labor market in general -- in effect, the behavior of the *average* employer. But, as noted earlier, employers differ widely among themselves in their approaches to discrimination, so that nearly all are either better or worse than this average. Unfortunately, only a limited amount of research is structured in a way that allows estimation of *how many* employers discriminate and to what degree.

One of the types of research most useful in answering such questions involves "paired comparison tests."¹⁴ In this research, pairs of research assistants are sent to apply for real jobs, for example, a random sample of entry-level positions offered in newspaper "help wanted" advertisements. These research assistants carry resumes indicating that they are equally qualified for the advertised vacancy, and each pair is carefully matched in terms of appearance, interviewing style and other personal characteristics potentially relevant to performance on the job. However, the two members of each pair are from different demographic group -- for example, an African American paired with a white, or a man paired with woman. In the controlled experiment thus created, substantial difference in the labor market experiences of paired individuals can be attributed directly to employers' responses to that one way in which they differ.

13. In the same spirit, research in industrial psychology concludes that most screening and rating processes routinely applied in hiring and promotional decisions have limited power to identify more promising employees. For example, personal interviews of job candidates are part of virtually every job selection process, but performance on interviews predicts only about 10 percent of the difference among hirees in subsequent job performance. See R. Reilly and G. Chao, "Validity and Fairness of Some Alternative Employee Selection Procedures," *Personnel Psychology* (1982), pp. 1-62.

14. For more on testing methodology and findings, see Bendick, "Adding Testing," and Marc Bendick, Jr., "Research Evidence on Discrimination and Affirmative Action in Employment," in Stuart Nagel (ed.), *Research in Public Policy Analysis, Volume 9* (Greenwich, CT: JAI Press, 1998).

Since 1990, this sort of experiment has been conducted several thousand times in various local labor markets and for various types of jobs. Relatively consistently, these studies report that about 20 to 25 percent of the employers studied engaged in substantial behavior adverse to groups such as African American and Hispanics. These results suggest that perhaps one employer in four or one employer in five can appropriately be labeled a discriminator. The remaining 75 to 80 percent were not demonstrably discriminatory, at least as revealed by this research method in the specific circumstances tested.

A second type of research uses data from employers' "EEO-1" reports to the federal Equal Employment Opportunity Commission.¹⁵ Since 1966, these reports have been required annually from all firms with 100 or more employees, and government contractors with 50 or more. The resultant profile of the workforce by race/ethnicity and gender covers some 190,000 employers nationwide – primarily medium size-and large firms -- and their 42 million workers, about 30 percent of the U.S. civilian labor force.

Our analyses of these data focus on comparisons between the employment outcomes of individual workplaces and that of peer establishments employing the same class of workers in the same industry and local labor market in the same year. The level of employment achieved by these "comparator" firms provides a yardstick against which individual firms can be judged -- a yardstick that already controls for the availability of qualified women or minorities. Thus, when a firm employs women or minorities at rates dramatically lower than its peers, it is reasonable to attribute those differences directly to that employer's own behavior.

Following this reasoning, we have defined two categories of discriminators into which employers might fall:

- "Prima facie" discriminators are firms whose utilization of a protected group is so much lower than that of its peers that the gap has less than a five percent probability of having arisen by chance.¹⁶ This criterion is derived from Supreme Court jurisprudence that holds that, when an employer's employment of a protected group is that far below that of other, similarly situated employers, that disparity constitutes *prima facie* evidence that (a) the company has violated the nation's federal employment discrimination laws, and (b) this discrimination is the company's standard operating procedures.¹⁷ That latter point means that it was part of employer's corporate culture.

15. For additional information on methodology and findings, see Alfred W. Blumrosen, Marc Bendick, Jr., John J. Miller, and Ruth Gerber Blumrosen, *Employment Discrimination Against Women in Washington State, 1977* (New Brunswick: Rutgers University School of Law, 1998), and Alfred W. Blumrosen, Marc Bendick, Jr., John J. Miller, and Ruth Gerber Blumrosen, *Employment Discrimination Against Women and Minorities in Georgia* (New Brunswick: Rutgers University School of Law, 1998).

16. Statisticians refer to this level of difference as 2 or more "standard deviations."

17. See Alfred W. Blumrosen and Ruth Gerber Blumrosen, *The Intentional Discrimination in Employment Project—An Overview* (New Brunswick: Rutgers University School of Law, 1999); Elaine S. Shoben, "The Use of Statistics to Prove Intentional Discrimination," *Law and Contemporary Problems* (Autumn 1983), p. 241; and Barbara Lindemann and Paul Grossman, *Employment Discrimination Law* (Washington: Bureau of National Affairs for the American Bar Association Section on Labor and Employment Law, 1996), Vol. I, pp. 44-47.

- “Hard core discriminators” are prima facie discriminators who also meet half a dozen additional criteria, including that their underutilization has persisted over a number of years, affects a large number of workers, and cannot be readily explained by geographical location or other circumstances.

Combining these definitions, somewhat more than 20 percent of all workplaces in 1998 (the latest year for which data are currently available) were prima facie discriminators with respect to women, racial/ethnic minorities, or both.¹⁸ And about 7 percent of all establishments examined were hard core discriminators with respect to women, and about 12 percent were hard core discriminators with respect to minorities.¹⁹ Appendix A provides an example of one such apparently hard core discriminator.

The remaining workplaces -- in round numbers, about 75 percent -- fell outside these circumstances. It would be overly optimistic to label these employers non-discriminatory and to assume that their current employment of women or minorities reflects full equal employment opportunity. They might, for example, be in industries where both they and their peers discriminate, in which case our yardstick would fail to identify their underutilization as deviant. Nevertheless, their position as relatively higher utilizers of minorities or women suggests that their corporate cultures are relatively welcoming and that some processes of change are in place that are likely to generate continued progress. Therefore, as a first approximation, these firms might be interpreted as having corporate cultures in which women and minorities have a reasonable chance of experiencing equal opportunity.

III. Strategies to Promote Progress

The first implication of these estimates is directly relevant to public initiatives – such as under welfare reform or the Workforce Investment Act – seeking entry-level employment openings for many thousands of women, minorities, and other groups outside the employment mainstream.²⁰ Our research suggests that a majority of American employers today are at least relatively open to such job applicants and offer at least relatively non-discriminatory environment in which they can work and advance.

18. This figure is consistent with the estimate of 20 to 25 percent derived from paired comparison testing, described earlier.

19. Marc Bendick, Jr., “Using EEO-1 Data to Analyze Allegations of Employment Discrimination,” (a paper prepared for Presentation to American Bar Association Annual Conference, July 2000).

20. Marc Bendick, Jr. and others, *Welfare Reform and Beyond, Making Work Work* (New York Committee for Economic development, 2000).

But what is the nation to do about the perhaps 20 percent of employers who do not appear to offer such environments? In particular, what about the 7 to 12 percent whose persistent lack of welcome for one or more types of new workers is quite clear?

To some extent, some of these firms are likely evolve away from discriminatory practices without special attention. The pressure to do so is particularly strong in the current tight labor market, with unemployment rates at levels not previously reached in more than 30 years. With each passing year, employers are bombarded with more studies arguing the “business case” for workforce diversity – how employment of women, minorities, and others helps firms to overcome labor shortages, relate better to increasingly-diverse consumers, and enhance productivity in work teams.²¹ As they interact with their customers, competitors, and suppliers, they cannot help but be struck by the demographic changes they observe in their professional reference groups.

However, there are severe limits on the extent to which society should rely on such gradual evolution alone to address employment discrimination. Even employers who are aware of major changes in their operating environment are often remarkably slow to respond.²² And even firms that are willing to do *something* about discrimination often implement only low-cost, fragmentary or symbolic efforts too feeble or badly designed to make much difference. In some cases, such half-hearted initiatives are even counterproductive -- for example, encouraging employees to raise discrimination issues but then reducing those employees’ morale by failing to address the issues raised. Our recent study of anti-discrimination training concluded that only about 25 percent of such initiatives were comprehensive enough and well enough designed to have a substantial positive effect.²³

The reasons why firms fail to act decisively against discrimination are sometimes traceable to management that is racist or sexist in its heart. This may be the explanation for many of our hard core. But even firms whose management is more open to persuasion must balance the resources required to address issues of discrimination against other business challenges competing for attention. Deregulation, globalization, rapid technological change,

21. See, for example, Orlando Richard and Nancy Johnson, “Making the Connection between Formal Human Resource Diversity Practices and Organizational Effectiveness: Beyond Management Fashion,” *Performance Improvement Quarterly* (1, 1999), pp. 77-96.

22. For example, in a confidential survey of 645 senior human resource executives, 55 percent of respondents voiced concerns about the ability of supervisors in their firm to motivate diverse employees, 29 percent described discrimination as a continuing problem in their firm, and 25 percent agreed that their firm’s corporate culture was not open to diversity. However, fewer than half of the respondents acknowledging each problem indicated that their company had current plans to do anything about it. See *Workforce 2000, Competing in a Seller’s Market* (Valhalla, NY: Towers Perrin, 1990).

23. Bendick, Egan, and Lofhjem, “Diversity Training,” pp. 10-12. That study identified nine benchmarks differentiating that effective 25 percent from ineffective approaches: (1) top management support; (2) tailoring to the client organization’s culture; (3) linkages to the company’s operating goals; (4) staffing by persons with managerial or organization development expertise; (5) coverage of all levels of employees, not only managers; (6) emphasis on discrimination as a generic process rather than on issues specific to demographic groups; (7) practical training to change individual behavior; (8) redesign of human resource management practices; and (9) sustained, comprehensive efforts to change the corporate cultures.

restructuring of supplier relationships, and other major changes in the configuration of competition are sweeping through virtually all industries today. In such an environment, many managers might hesitate to invest in a comprehensive makeover of their workplace cultures -- an activity that might require three to five years, substantial staff time, and extensive commitment from senior management. Appendix B illustrates the scale of investment required when such an effort was undertaken by one employer.

For all these reasons, it is likely that many current discriminators – and especially the most hard core among them – will do little to change their behavior unless external pressure raises this issue to top priority on their corporate agendas. Large-scale class action litigation, threats of consumer boycotts, public embarrassment through adverse publicity, and similar “hard-ball” approaches appear likely to remain important mechanisms of persuasion for some years to come.

Less confrontational, more cooperative mechanisms of social change will also undoubtedly remain important as well, particularly for firms where discrimination may reflect benign neglect, unconscious bias, and outmoded habits rather than animus. Such approaches might usefully include voluntary affirmative action, “diversity management,” industry-wide alliances for recruitment and training, and partnerships between employers and community groups.²⁴

In short, because employers' corporate cultures differ, and their motives for maintaining those cultures differ, the nation will continue to require a diverse portfolio of remedies as it continues its struggle against employment discrimination.

24. See, for example, *Stronger Links, New Ways to Connect Low-Skilled Workers to Better Jobs* (Baltimore: The Annie E. Casey Foundation, 2000).

Appendix A

An Example of a Hard Core Discriminator²⁵

“Southern Retail Company” is a multi-state retail chain with more than 100 stores and nearly 10,000 employees. The firm is currently facing allegations of sex discrimination in its employment of managers. Are these charges justified? Do they reflect discrimination deeply entrenched in the firm’s corporate culture?

An analysis of EEO-1 data to answer these questions might begin with graphs such as that in Figure 1, which suggest that, consistent with the allegation, this firm’s utilization of women managers in 1998 was dramatically lower than that of its peers. In that year, only 11 percent of this firm’s management was female, while the corresponding figure for other firms in the same industry and localities averaged 31 percent. Figure 1 illustrates this pattern with data from the rural areas of one state in which this firm operates. There, nearly all of Southern Retail Company’s stores had zero percent female managers, while most of their peer stores ranged between 25 and 60 percent.

Figure 2 confirms that Southern Retail’s deviation from the behavior of its peers is neither transitory nor self-curing, but instead has persisted over several decades. In fact, in 1998, the firms just reached the level of women in management its peers achieved in 1979, nearly 20 years earlier.

Further analyses reveal that Southern practices gender occupational segregation in entry-level employment to an extent that is striking even within an industry in which such segregation is widespread. At the firm’s local competitors, women constitute 54 percent of cashiers, but at Southern, women are 87 percent of cashiers; concurrently, at its competitors, 24 percent of shelf stockers are women, while at this firm, only eight percent are women. The occupations in which Southern’s female employees are clustered pay about 20 percent less than those into which its male employees are clustered.

This sector of the retail industry typically develops managers by promote-from-within, and education beyond a high school diploma is not commonly required. At Southern, stockers proceed along a career path into management at a rate many times that of cashiers. A woman who remains a cashier typically earns about \$13,000 per year, even if she is among the less than 20 percent of cashiers who work full time. Store managers work full time and often earn more than \$50,000 per year.

To achieve the utilization of women in management that its peers demonstrate to be feasible, Southern would have to add more than 70 women to its managerial ranks, nearly doubling the number currently there. Additionally, to achieve a degree of occupational integration comparable to that in its peer stores, Southern would have to move approximately 400 female employees into better-paid, male-dominated occupations. In such ways, elimination of hard core discrimination translates into enhanced employment opportunities for women in both the short run and the long.

25. This example is adapted from Bendick, “Using EEO-1 Data,” pp. 3-4 and 6-7.

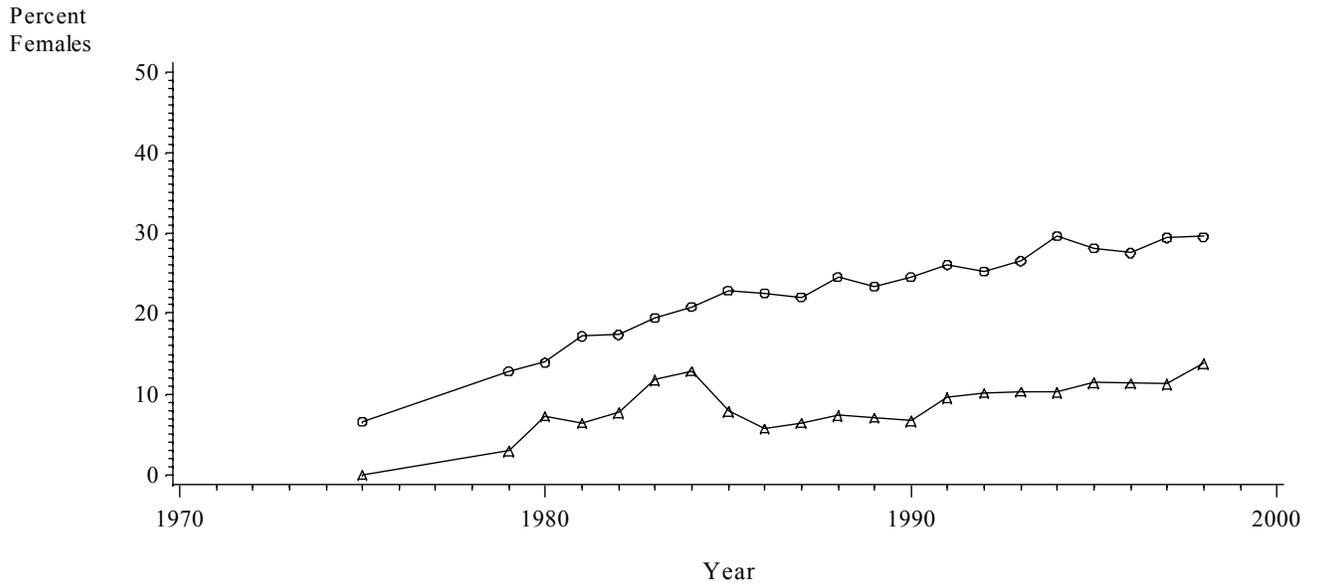
Figure 1

Percent Females Among Managers at Stores in One Retail Sector
in Non-Metropolitan Areas in One Southern State 1998
(Shaded = Establishments of "Southern Retail Co.")



Figure 2

Percent Females by Year for "Southern Retail Co." Managers
("Southern Retail Co." -- triangles, Peer Benchmark -- circles)



Appendix B Culture Change at Advantica Restaurant Group, Inc.²⁶

Advantica is not a widely-recognized corporate name, despite \$2.6 billion in annual revenues and 65,000 employees. Far better known are the 2,500 fast-food and moderately-priced restaurants the company owns, operates or franchises as Denny's, Quincy's, El Pollo Loco, Coco's, Carrows, and Hardee's. Started in 1961 with a single hamburger stand, the firm eventually became the nation's fourth largest food provider. Every day, Advantica serves meals to nearly two million customers.

On April 1, 1993, those customers did not include six African American Secret Service agents who waited for breakfast at a Denny's while their fellow white agents were served ahead of them. Multiple lawsuits triggered by this nationally-publicized incident alleged systematic discrimination against African American customers, and a nation-wide consumer boycott seemed imminent. Subsequent investigation revealed a firm with all-white management, virtually no minority suppliers, and an environment in which racial epithets were common. *Fortune* characterized Denny's during this period as "a shameful model of entrenched prejudice and one of America's most racist companies."

To settle the lawsuits, Advantica accepted court supervision of Denny's for seven years, distributed \$54 million to compensate African American customers, expanded its number of minority restaurant managers and franchisees, and publicized a toll-free telephone line for customer complaints. Simultaneously, upheaval was underway within the corporate leadership. Controlling ownership was purchased by a corporate raider—Kohlberg Kravis Roberts, which installed a new Chief Executive Officer, Jim Adamson, with a mandate to improve company performance dramatically. Adamson soon replaced 11 of the 12 most senior executives, recruiting replacements with industry experience but no previous ties to Advantica and including women and people of color. His goal was to break from both discrimination and a legacy of provincial, lethargic management.

For this goal to be met, changes had to be made in virtually every aspect of corporate operations. Adamson's first steps included hiring a Chief Diversity Officer and placing her on the firm's management committee; placing 5 women or persons of color on the 12-member board of directors; modifying personnel practices, both formal and informal; broadening the sources from which employees are recruited; establishing minority procurement agreements with African American and Hispanic civil rights organizations; conducting focus groups to probe minority consumers' attitudes; redesigning advertising to feature non-white customers; and dismissing some employees who were not adapting to the new culture.

While senior executives' attitudes might be changed by replacing individuals, the same strategy could not practically be applied to the several thousand managers operating restaurants across the country. Like their counterparts throughout the lower-priced food service industry,

26. This appendix is adapted from Bendick, Egan, and Lofhjelm, "Diversity Training," pp. 21-25. See also F. Rice, "Denny's Changes Its Spots," *Fortune* (May 13, 1996), pp. 133-142, and James Adamson, *The Denny's Story, How a Company in Crisis Resurrected its Good Name* (New York: John Wiley, 2000).

these managers typically had risen through experience with the company and internal training, processes emphasizing loyalty to the firm and comfort with its corporate culture. To eliminate attitudes and practices that were formerly part of that culture, retraining would be essential.

This training was mandated for all Denny's managers and employees as part of the litigation settlement. But even before the litigation, Advantica had initiated a "Mission 2000" to develop commonalities among its largely-independent restaurant chains, establish the firm as an employer of choice, and make customer service as important as hygienic food handling. As the firm struggled to find a positive aspect to the litigation that had so shaken the company, it realized that the suit had created a teachable moment for these longer-term improvements.

To implement training, Advantica engaged an array of consultants. The process started in 1992, with a short-lived internal diversity committee and employee focus groups. An anthropology professor developed a self-study course on diversity for new managers in the Hardee's and Quincy's chains. A charismatic speaker was brought in to make short presentations titled "Harness the Rainbow" to senior executives and franchisees. During 1994, a for-profit training vendor delivered one-day diversity awareness workshops to 4,000 employees, including all of Denny's restaurant managers and assistant managers.

While this training was generally received politely, feedback suggested that trainees preferred an approach that would move beyond general issues to discuss practical behavior. Trainees also denigrated the trainers' lack of background in the restaurant industry and classroom exercises not set in restaurants. In response, training was redesigned to use a racially-mixed group of 75 employees as training leaders. These trainers each received about six days of instruction on diversity, interpersonal sensitivity, and training methods from three different consulting firms. These employees then led one-day training sessions around the company, under titles such as "We Can." To date, several thousand managers and other employees have been trained in groups of 25.

The focus of this training is treatment of customers, rather than employees, although the two often intertwine. Sessions are keynoted by a videotape in which the CEO endorses the training. The business case for diversity is given prominence, highlighting the purchasing power of different ethnic groups. Anti-discrimination laws are discussed, as is material on customer service adapted from other company training. Examples of problematic incidents are presented on videotape, some reproducing incidents alleged in the litigation, and practical behavioral responses for handling these situations (scripts of what to say, decision trees concerning what actions to take) are practiced in role-playing exercises.

Today, Advantica remains a company with many problems. Its leveraged buyout still burdens the firm with more than \$1 billion in debt, and the cash required to service it limits the resources available for training and other new initiatives. The process of culture change remains incomplete. But the inextricable representation of protected groups in positions of authority has been dramatically altered, with racial/ethnic minorities now 26 percent of Denny's managerial employees. *Fortune*, which had previously called Denny's one of the country's

most racist companies, now describes it as Aa model of multicultural sensitivity.≡ In terms of rapid organizational change starting from a disastrous situation, it is certainly so.