

teaching note

IHOP and Applebee's: Stacking up more than pancakes!

Case Synopsis

The case highlights the popularity of the #MeToo movement to counter the increase sexual harassment cases. The case explains the difference between sexual assault, sexual misconduct and sexual harassment. As defined by the United Nations, sexual harassment is any kind of "Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature"(U.S. Department of States, n.d.; United Nations, n.d.)(U.S. Department of States, n.d.; United Nations, n.d.)(U.S. Department of States, n.d.; United Nations, n.d.). It focuses on specifically the hospitality and tourism industry where the majority of the sexual harassment practices take place in comparison with other industries. Applebee's and IHOP, who both belong to the same parent company DineEquity, have been sexual harassment complaints that resulted in an entire eight federal lawsuits, with four lawsuits for each brand. Moreover, the case elucidates the sales variations over the years for the two companies. Based on the observations, sales were not affected by the sexual harassment incidents that took place. It finally expounds negative implications of sexual harassment not only on the workplace but also on the economy.

Target Audience

The case study is directed towards 4000 level courses offered for undergraduates and for 5000 level courses offered for the graduate level.

Teaching strategies

4000 & 5000 level courses: Students are encouraged to watch an introductory video about the #MeToo movement and video about one of IHOP's victims speaking out.

#MeToo Movement: https://www.youtube.com/watch?v=izmQE_0Y09I

IHOP's cases: <https://www.youtube.com/watch?v=epMXcLIIOY> or <https://www.youtube.com/watch?v=gV72OGUVJbE>

Recommended Complementary Readings for 5000 Graduate Level Courses:

Khan, M. A. (2014). *Restaurant Franchising: Concepts, Regulations and Practices* (Third Edit). Apple Academic Press

Chains must watch for any bad apples: One misstep can spoil a whole brand's image. (2003, June 9). *Nation's Restaurant News*, p. 25. Retrieved from <http://login.ezproxy.lib.vt.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=hjh&AN=10042721&scope=site>

Stedham, Y., & Mitchell, M. C. (1998). Sexual Harassment In Casinos: Effects On Employee Attitudes And Behaviors. *Journal Of Gambling Studies*, 14(4), 381.

Caley, N. (2018). *On Your Best Behavior: Sexual harassment training*

can keep employees safe and help operators reduce legal risk. *Pizza Today*, 36(3), 66-67.

Courses it would benefit: Franchising Management, Strategic Brand & Experience and International Service Management. Students should be able to identify the difference between the Franchisor and Franchisee before class. No prerequisites are required before the case is given in class.

Learning Objectives

- Learn negative effects of sexual harassment on individuals and society.
- Understand the appropriate measures to adopt in order to reduce/eliminate sexual harassment and examine past/current sexual harassment cases and study past/current measures incorporated by companies to circumvent sexual harassment.
- Measure the degree of sexual harassment cases on companies' sales and brand image and understand the relationship if present.
- Determine whether governmental interventions were appropriate and effective by targeting the franchisees instead of the franchisors.

The objectives are cross listed among different courses:

Franchising Management: Highlights the different responsibilities carried by the franchisor's and franchisee's regarding sexual harassment cases. Generally speaking, the franchisor has enormous control on the design, products and training for the staff. However, sexual harassment issue have not been tackled by the franchisors, instead they were mainly resolved and resolute by the franchisees. Therefore, it is important to determine if the principles of franchising is correctly applied when it comes to sexual harassment cases.

Strategic Brand & Experience: Study the effect of vigorous campaigns such as #MeToo against sexual harassment on the brand image. Examine if such robust publicity could affect the perceived value and experience. As a result of the internet popularity, brand image is highly susceptible to being smeared or tarnished by the smallest act now. Everything is rapidly spread online affecting the image and the positioning of a brand. Hence, when sexual harassment cases are publicized through social media, it is very important to pay attention and come up with a plan to reverse the backlash and to help maintain the same brand image.

International Service Management: To understand the effect of sexual harassment on the workplace and eventually on the services provided to the customers, hence customer satisfaction level. As a result of sexual harassment in the workplace, it was revealed that the performance of the staff and employees is negatively affected. Therefore, it is important to examine the implications of sexual harassment

on the restaurants' overall experience and service.

Hospitality Human Resource Management: To enable students understand what sexual harassment in the work place is and how to appropriately deal with it. It would also help students understand how different companies tackle and approach various sexual harassment cases. Thus students would be enlightened about their rights and the company's roles regarding this issue. Furthermore, it would give an insight about how HR could interfere and adequately manage such problem when faced.

Class time and topics

The class time would be 1 hour and 15 minutes. The topics covered are the following:

- Give a brief description about #MeToo movement – 5 minutes
- Understand and explain the dilemma- 5 minutes
- Briefly illustrate the difference between sexual harassment, misconduct and assault. Describe available agencies that handle these issues.- 10 minutes
- Succinctly cover Applebee's and IHOP's background- 5 minutes
- Explain the sexual harassment issues concerning the two companies- 10 minutes
- Discuss the industry's sexual harassment rates and incidents- 10 minutes
- Elucidate the probable effects of the sexual harassment issues on the brand image of the two companies- 10 minutes
- Explicate the probable effects of sexual harassment issues on the sales of the two companies- 10 minutes
- Conclude with the negative effects of sexual harassment on the workplace environment and the economy as a whole- 5 minutes
- Explain the takeaways from the case- 5 minutes

Student Assignment

The recommended assignment is the following short essay questions in which answers are expected to be ranging between 100- and 350 words per question. Note that the answers to the questions should be subjective and may vary depending on the perspective of each student.

Would you consider the sexual harassment cases currently against Applebee's and IHOP one of their biggest issues? Why/why not?

Yes, although it has not been publicized between the two restaurants over five dozen cases have been filed to the EEOC by their employees. Since 2010, of approximately 7,000 sexual harassment complaints filed to the EEOC, 60 of them are directly related to Applebee's and IHOP. These complaints have resulted in a total of eight federal lawsuits, four being for each

brand. This is the highest number of federal sexual harassment lawsuits that the EEOC has ever filed against a single chain. In addition, each brand has been sued at least four times due to sexual harassment accusations. However, because these sexual harassment cases have not gone viral, the brand has not put as much focus as they should on putting a stop to sexual harassment in their restaurants. The brands, especially Applebee's, seem to have put all its attention rather to rebranding in order to attract millennials.

What is the effect of social media publicizing these issues? What implications are there on the brand name?

Social media has a tremendous effect on sharing feedback, whether it be reviews of a dining experience, hotel stay, or other service entity. Some advantages are that it provides feedback and thus an opportunity for improvement. It also alerts potential new customers to issues which may still exist. Similarly, social media has provided a near instant platform for victims of sexual harassment to share their experiences, call out their accusers, and get the word out to large national and global audience. With the #MeToo movement, social media has brought awareness to an issue which has often been brushed under the rug, and collectively allowed action to be taken against the accusers. The effects of such accusations on a company's brand can be devastating, and for this reason, many have adopted specialized teams to monitor and respond to such information in a just and efficient manner.

The following are additional readings that would be useful to answer the question:

Diaz, E. T. (n.d.). Social Media: A Growing Concern for Sexual Harassment in the Workplace. Retrieved from <http://www.attorneyatlawmagazine.com/miami/social-media-a-growing-concern-for-sexual-harassment-in-the-workplace-2/>

Brin, D. (2017). Social Media Is a Major Consideration in Wave of Sexual Harassment Allegations. Retrieved from <https://www.shrm.org/resourcesandtools/hr-topics/technology/pages/social-media-major-consideration-in-wave-of-sexual-harassment-allegations.aspx>

Did IHOP/ Applebee's (franchisor) take any measures to circumvent these issues in the workplace. Was it an effective solution?

After the 2011 lawsuit of a North Dakota Applebee's, a training program was implemented and enforced to assist employees in recognizing harassment and managing related complaints appropriately. However, this was just done for this restaurant, not the entire chain. While this may have been an effective solution for this particular location, it has not helped any of

the other restaurants within the chain. Since this 2011 lawsuit, there have still been several additional sexual harassment cases filed with the company. The brand has been reactive instead of proactive for all of the sexual assault cases, because with each situation it has just paid lawsuits as a way to “solve” them. But, this only puts an end to these particular cases, rather than offering a solution to stop sexual harassment within their restaurants in the future.

If you are working in a hospitality HR department and plan to enhance employees’ and managers’ awareness about sexual harassment issues. What kind of internal training sessions and activities are you going to host?

A training program about sexual harassment should be put into place in the company to educate the employees about their rights and to enlighten them about procedures that have to be taken if sexually harassed within the workplace. A part of the training could be online as a requirement for employment. The online program could take up to 45 minutes (so that they do not lose focus) and a small quiz could be provided at the end to make sure that the employee has clearly understood the procedures. There could be another in person training program that includes managers and employees together so that both are clarified about the rules, rights and consequences for perpetrating the acts. The training program should explain what is considered sexual harassment and how to report it if it occurs. Please refer to the following article.

The following is an additional reading that would be useful to answer the question:

Caley, N. (2018). On Your Best Behavior: Sexual harassment training can keep employees safe and help operators reduce legal risk. *Pizza Today*, 36(3), 66-67.

What do you think of EEOC’s actions towards sexual harassment cases? Are they effective? How could they be improved?

With the EEOC, it only helps the employees who were sexually harassed sue the companies that were responsible. While the money may help the employees cope with what has happened, it does not change the fact that it has occurred. These lawsuits are not effective as it does nothing to help prevent sexual harassment in the future. For sexual harassment cases, mandatory programs should be put into place in addition to the lawsuits. These programs should give an explanation of what sexual harassment is, what can be put into place to prevent it, and what should be done in the case that sexual harassment occurs. With these programs being put into place with each lawsuit, it should help prevent these cases in the future.

What do you think about the management’s position and actions following the accusations in the mentioned examples? Could they have handled the cases better?

In the examples, the management at each location has actually ignored the sexual harassment allegations they have received from their employees, and even punished them for bringing it up. At the Applebee’s in North Myrtle Beach, both Tracy and Cindy Frye reported sexual harassment by their supervisor to the manager and general manager. But, their complaints were not taken into consideration. Cindy even asked the general manager to assign her shifts at different timings from her supervisor, but he refused to and denied the request. At the Glen Carbon IHOP, female staffers were imperiled to sexual harassment by the general manager. The restaurant owner and manager were aware of the sexual harassment taking place but did not pay attention or take any actions to avert what was happening. With each case, management handled them extremely inappropriately. Once sexual harassment was brought up to management or owners, they should have put a stop to it immediately instead of tolerating it within the workplace.

If you or your colleagues experienced a sexual harassment case, what would you do next?

It is essential to speak up. If I get sexually harassed or someone close, I will have to say that what is going on is inappropriate to the perpetrator. That person will have to know that he has not been conducting in an appropriate manner. If it does not work I would have to read the company’s rules and regulations regarding that issue and escalate the problem according to the specified steps. Yet, if it still continues and persists despite taking actions in the employer’s internal procedures, the following step is to head to the Equal Employment Opportunity Commission (EEOC) so that the case is clearly investigated, approached and resolved by the government agency.

The following are additional readings that would be useful to answer the question:

Kerry Hannon. (2016). What To Do If You’re Being Sexually Harassed At Work. Retrieved August 8, 2018, from <https://www.forbes.com/sites/nextavenue/2016/07/13/what-to-do-if-youre-being-sexually-harassed-at-work/#74f6aef8340f>

FindLaw. (2018). Sexual Harassment: Actions You Can Take. Retrieved August 8, 2018, from <https://employment.findlaw.com/employment-discrimination/sexual-harassment-actions-you-can-take.html>

If you become a restaurant manager and your employee reported to you that they faced a sexual harassment case, what would you do next?

As a manager, it is important to investigate the claim before taking any action. The manager has to validate the case before taking any legal actions. The manager should talk to the suspected wrongdoer to see a clearer picture of what is going on. Then, an appropriate action should be taken based on the company's rules and regulations. The victim has to be informed that actions are being taken and will be need to be updated that his/her complaint is being processed.

The following are additional readings that would be useful to answer the question:

Susan M. HeathField. (2018). How to Handle an Employee Sexual Harassment Complaint. Retrieved August 8, 2018, from <https://www.thebalancecareers.com/how-to-address-an-employee-sexual-harassment-complaint-1916862>

Laura Yuen. (2017). How managers can better deal with sexual harassment in the workplace. Retrieved August 8, 2018, from <https://www.mprnews.org/story/2017/11/10/tips-for-managers-on-how-to-deal-with-sexual-harassment>

The Opening

The beginning 10-15 minutes is advised to be a brief introduction about the difference between franchisors and franchisees. Then, the instructor is recommended to give a background about the responsibilities of each party separately and to briefly assist the readers identify the responsible party.

Presenting the case

There is a recommended presentation provided to effectively present the case to different target audiences and specifically to immature audience.

Additional recommended readings related to sexual harassment laws and regulations: Students are advised to learn more about what is defined as sexual harassment and the following legal procedures through the following websites.

U.S. Department of States. (n.d.). Sexual Harassment Policy. Retrieved April 7, 2018, from <https://www.state.gov/s/ocr/c14800.htm>

U.S Equal Employment Opportunity Commission (EEOC). (n.d.). Sexual Harassment. Retrieved August 8, 2018, from https://www.eeoc.gov/laws/types/sexual_harassment.cfm

AAUW. (2018). Know Your Rights at Work: Workplace Sexual Harassment: AAUW. Retrieved August 8, 2018, from <https://www.aauw.org/what-we-do/legal-resources/know-your-rights-at-work/workplace-sexual-harassment/>

Additional recommended readings related to supporting/professional counseling associations

Since our case is focusing on the act of sexual harassment itself and related laws and regulations, the instructor is advised to give a broader outlook on how to treat the consequences of this incident on the victim and even the abuser psychology. Both victims and abusers

could then follow up with counselling through different associations to heal what they have been through (victims) or to recover from harming others (abusers).

PublicHealth.org. (2018). Sexual Abuse Resources. Retrieved August 8, 2018, from <https://www.publichealth.org/resources/sexual-abuse/>

ATSA. (2018). Association for the Treatment of Sexual Abusers | ATSA. Retrieved August 8, 2018, from <http://www.atsa.com/>

Sexual Harassment: A Female Counseling Student's Experience. (1991). Journal of Counseling & Development, 69(6), 502–506. <https://doi.org/10.1002/j.1556-6676.1991.tb02632.x>

Myrna L. Friedlander. (n.d.). Sexual Harassment In Supervision. <https://doi.org/10.1002/j.1556-6676.1991.tb02632.x>

Additional recommended readings related to other sexual harassment cases and how companies professionally deal with them

Students are advised to understand how professional companies deal with sexual harassment or evade such an environment in the first place. The following websites give some insights about how role model companies deal with this issue.

Matthew K. Fenton. (n.d.). 4 High-Profile Companies Dealing with Workplace Sexual Harassment. Retrieved August 9, 2018, from <https://www.wenzelfenton.com/blog/2018/03/05/companies-dealing-sexual-harassment-work/>

Renzo Costarella. (2017). These Companies Are Battling Sexual Harassment By Teaching Employees to Recognize Unconscious Bias. Retrieved August 9, 2018, from <https://www.entrepreneur.com/article/305324>

*Due to the recency of the events, there are no updates about the cases proceedings.

IHOP AND APPLEBEE'S: STACKING UP MORE THAN PANCAKES

INTRODUCTION

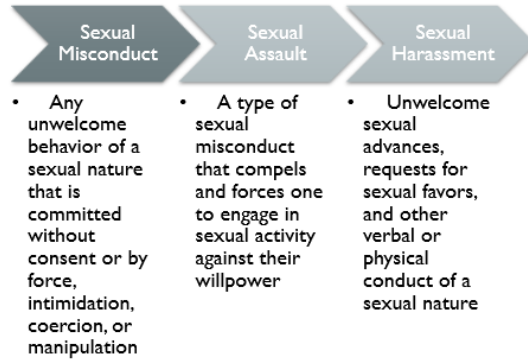
The recent #MeToo movement has brought attention and awareness to sexual harassment using social media

Social media has provided a platform, especially females, to share their stories of sexual harassment

However, there are a growing number of sexual harassment cases in the hospitality industry which don't make national headlines

California based Dine Brands, which owns IHOP and Applebee's, has a high volume of federal sexual harassment lawsuits

THEORETICAL BACKGROUND




BACKGROUND ON IHOP & APPLEBEE'S

IHOP (International House of Pancakes) was started in 1958 by Al and Jerry Lapin in Los Angeles, California.

It started expanding through franchising in just two years.

In 2007, IHOP Corp. completed the acquisition of Applebee's International Inc, which created the largest full-service restaurant company in the world with over 3,300 restaurants.



BACKGROUND ON APPLEBEE'S

- Applebee's was started in 1980 by Bill and TJ Palmer.
- The original name was T.J. Applebee's RX for Edibles & Elixirs in Atlanta, Georgia.
- The name was changed to Applebee's Neighborhood Grill & Bar in 1986, and this was also when the first franchise restaurant was opened



THE CASUAL DINING INDUSTRY

Both IHOP and Applebee's are full service restaurants with a relaxed ambiance and moderately priced menu

There is fierce competition with the companies due to large number of participants in the casual dining field of the food service industry.

Due to the decline in sales and traffic, Applebee's closed 99 locations in 2017, and IHOP closed 23, with the plans of closing 120 restaurants in 2018 between the two.

This blame has been placed on their failed attempts to win over millennial diners.

However, even with closures, Applebee's plans to open 10-15 new restaurants, and IHOP to open 85-100.

A BACKLASH: APPLEBEE'S AND IHOP

Federal lawsuits consider Applebee's and IHOP cradles for sexual harassment in the restaurant industry

Of approximately 7,000 sexual harassment complaints filed to the U.S. Equal Employment Opportunity Commission (EEOC) 2010, 60 cases are directly related to DineEquity

These complaints have results in a total of 8 federal lawsuits, 4 for each brand, making it the highest number of federal sexual harassment lawsuits that it has ever filed against a single chain

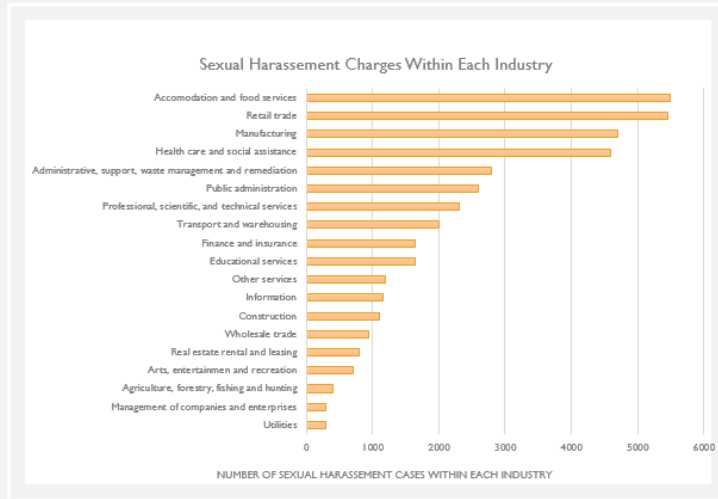
Since the EEOC is filing cases individually, collectively there are no actions taken by the parent company

These cases are being treated as isolated incidences instead of a pandemic issue

HOSPITALITY & TOURISM INDUSTRY: A FERMENT FOR SEXUAL HARASSMENT

- From restaurant workers alone, there were 10,057 sexual harassment claims from 1995-2016
- Just between 2005-2015, there were over 5,000 sexual harassment cases filed from the hospitality industry
- 90% of women experience sexual harassment in comparison to only 70% of men
- Sexual harassment can come from managers and coworkers, as well as customers
- Workforces with larger numbers of young employees could have more susceptibility to be sexually harassed than others

SEXUAL HARASSMENT RATES WITHIN DIFFERENT INDUSTRIES



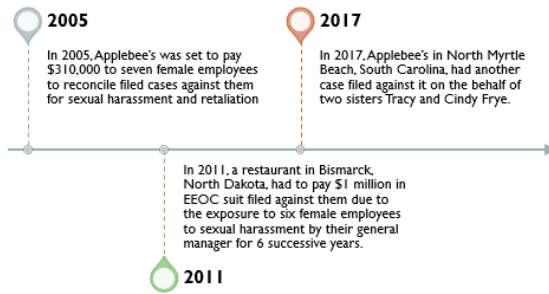
Sources: (Statista, 2017)



Ruby Tuesday

COMPETITOR'S INVOLVED WITH SEXUAL HARASSMENT CASES

SEXUAL HARASSMENT HISTORY FOR APPLEBEE'S



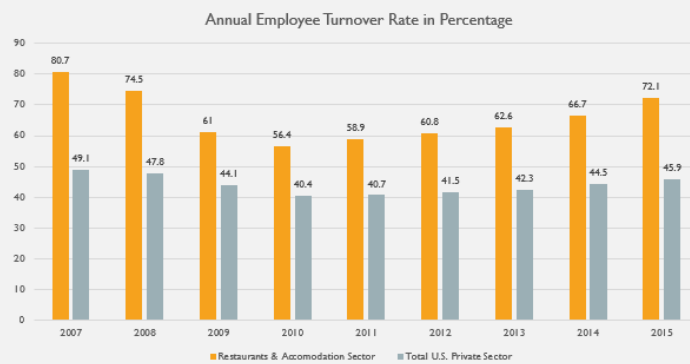
SEXUAL HARASSMENT HISTORY FOR IHOP

In 2011, several companies in Albuquerque, New Mexico including IHOP violated federal law by exposing numerous female employees to sexual harassment and compelling those who could not tolerate the harassment to quit their jobs.

In 2017, EEOC filed a case against two IHOP restaurants based in Illinois, as a result of the complaints and condemnation of 11 female employees a male employee who were sexually harassed by the general manager.

BRAND IMAGE

- In 2017, Applebee's admitted it was a mistake 'trying too hard' to change their brand image and spending enormous sum of investment for nothing in return.
- Their target market is the millennials.
- Millennials are generally influenced and affected by the campaigns of the media and internet.

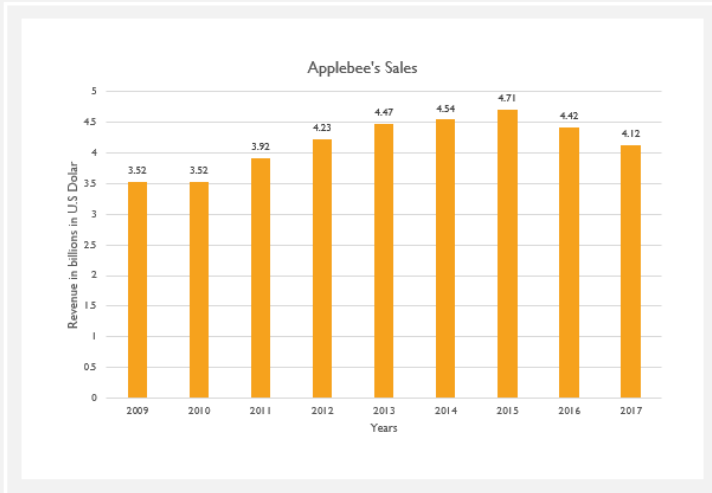


Sources: (Ruggless, 2016)

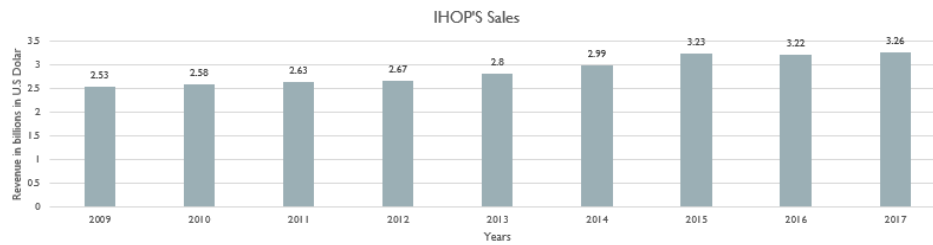
APPLEBEE'S
AND
IHOP'S
SALES



APPLEBEE'S
SALES
VARIATIONS



Sources: (Statista, 2017)



IHOP'S SALES VARIATIONS

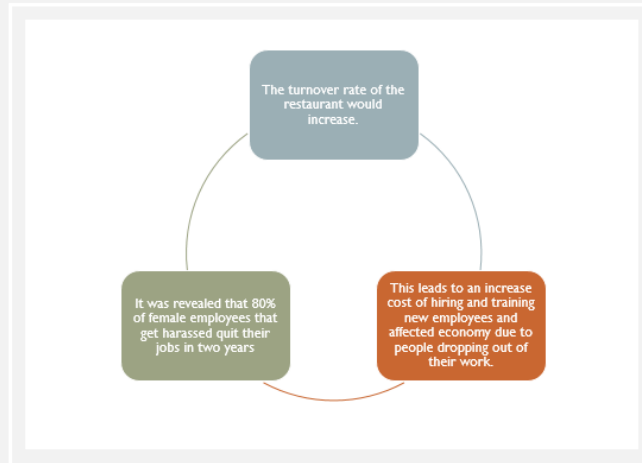
Sources: (Statista, 2017)

NEGATIVE EFFECTS SEXUAL HARASSMENT ON THE WORKPLACE

- 1 Cowing the employees morale
- 2 Decreasing the productivity
- 3 Losing the organizational and employee goodwill
- 4 Making the employees feel psychological threat
- 5 It restricts employees and limits their innovation & engagement.
- 6 It creates a fearful, hostile and hateful working environment

NEGATIVE EFFECTS SEXUAL HARASSMENT ON THE SOCIETY

The effect of staff resigning contributes to the following:



QUESTIONS TO THINK ABOUT

Would it be effective enough to the extent that the sales would variate depending on the company's social status?

Would boycotting be an answer or would it be a punishment for all, also those who have nothing to do with harming others and just trying to make a living?

Are the training programs sufficient, or should there be a human resource office in each restaurant to interfere in case of harassment, to ensure safety environment?

Are there any loopholes in the control systems enforced by the EEOC, or is the problem always present in the management?

Have franchisors been neglected in the sexual harassment cases or is it right to focus on the direct responsible franchisee/owner regardless of the mother company?