

In-House Counsel Spotlight on Diversity Initiatives

Like It, Love It, Gotta Have It—Kahala’s Customized Approach to Diversity

By Sandra Giannone Ezell and Michele B. Scarponi

Since launching the idea for an article series to spotlight the diversity initiatives of in-house legal departments in the Summer 2008 issue of *In-House Defense Quarterly*, several companies have come forward, eager to share their approaches to enhancing diversity in the legal profession. Kahala recently answered the call to highlight its exemplary corporate and legal diversity initiatives.

Kahala is a quick-service food franchising corporation with 12 brands under its umbrella. It literally has something for everyone. As you walk into its corporate headquarters in Scottsdale, Arizona, you first smell and then see the Cold Stone Creamery training store in all its ice cream splendor. Cold Stone Creamery is a national ice cream franchise famous for custom blends of ice cream and mix-ins for any and all customers. This cornerstone franchise within Kahala is the confectionary equivalent of its diversity and global business philosophy.

Kahala’s Corporate Inclusion Philosophy: No One Taste Pleases All Pallets

Kahala is dedicated to franchising, development, and marketing of quick-service restaurants. It all began in 1988, when Kevin and Kathi Blackwell founded the

Surf City Squeeze juice-bar concept with the goal of offering customers nutritious and energizing sports drinks. Over the next 20 years, this concept developed and grew into what is now known as Kahala. Kahala’s 12 restaurant-brand portfolio includes: Cold Stone Creamery, Blimpie, Great Steak & Potato Co., Cereality, Samurai Sam’s Teriyaki Grill, Rollerz, Frullati Café & Bakery, Ranch1, Surf City Squeeze, NRgize Lifestyle Café, Johnnies New York Pizzeria, and TacoTime. So, whether you are in Chicago, Los Angeles or Canada, one of seven countries in the Middle East or any place in between, you can find a Kahala-brand franchise. Kahala’s growth and development goals are to make this even easier by operating 10,000 franchise locations by the end of 2010, with its number one priority to help its franchisees achieve their entrepreneurial goals of building and operating successful businesses.

Kahala has recently been recognized as one of Arizona’s top 10 “Hot Growth” companies for 2008 by *bizAZ Magazine* and one of Arizona’s “FAST 15” awardees by *Arizona Business Magazine*, as well as *USA Today—Franchising Today* as one of the “Top 50 Franchises for Minorities.” In addition to its many other awards and achievements, six of Kahala’s brands have been individually recognized by *Entrepreneur* magazine as one of 2009’s “Top 120 Restaurant Franchises,” seven brands have been individually recognized on *Entrepreneur’s* 2009 “Franchise 500” list, and Samurai Sam’s was ranked first in *Entrepreneur* magazine’s 2008 list of “Top Asian Franchises to Own.”

Kahala has set the bar high in the quick-service food industry, but those are not the only standards it has set. According to Kahala, it strives to be a “best in class” global organization, and it believes that to achieve that status it must “develop and maintain a diverse and inclusive workforce that will strengthen the Kahala community.” Kahala’s commitment includes the establishment of goals, education, employee relations and community outreach in support of its mission to celebrate and promote diversity and inclusion among its employees, franchisees, customers, area developers and representatives, as well as suppliers throughout the Kahala community.

Diversity and Inclusion Is a Successful Business Strategy

The company has experienced radical development and growth in a short amount of time. Since 2007, Kahala has acquired both Cold Stone Creamery and Blimpie. Before these acquisitions, the company did not have nearly the broad footprint that it currently has. At the time of these acquisitions, Kahala consisted of approximately 500 locations. Today, Kahala employs 260 people in its corporate offices and has nearly 3,500 franchise locations in 14 countries. The customer base for the Kahala family of franchises covers a broad range of races, geographic locations and global positions. “Kahala is diverse by nature,” said David Guarino, president of Kahala and executive sponsor of its Women’s Professional Network. “Our franchisees, employees and suppliers all come from different backgrounds and walks of life. The common thread that ties us together is an entrepreneurial spirit and a desire to serve the customer,” stated Guarino. Kahala’s diversity initiatives are driven by its globalization. The company has willingness to learn about and an awareness and acceptance of everyone’s differences. “As a franchisor, people are our richest resource and our collective wisdom has allowed us to



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become who we are today,” said Guarino.

Kahala’s brand-portfolio reaches a multicultural economy, and diversity is an essential ingredient to surviving in today’s business landscape. Diversity is now a business imperative. In the quick-service restaurant business, every customer is different, and to maximize profits and minimize impediments to do business with the most people, you have to have a culture of diversity and acceptance. “Our philosophy to first seek to understand has served us well at all junctures and has been a key ingredient to our international success,” noted Guarino. Kahala

wants to succeed in every global environment and in every neighborhood. It is quickly expanding globally, and it believes that if you simply try to appreciate and celebrate people’s differences, your predisposition will become inclusive. For a company to be successful in a global market, the company must conform its business model to the culture in which it operates rather than simply attempting to impose its business on the culture. The focus on diversity at Kahala is on the person and each person’s professional development with the goal to create broad-minded associates who are capable of doing the best work. “At Kahala, we aim to celebrate and promote diversity and inclusion to make us a stronger and smarter organization,” stated Guarino. Kahala hires employees through the careful selection of individuals who are broad minded and capable of implementing this philosophy. This, in and of itself, creates a more diverse, accepting culture because the process screens out those individuals with closed minds.

This philosophy is also incorporated into Kahala’s selection of its franchisees, suppliers and representatives. For example, all new franchisees are required to participate in diversity training at the company headquarters. It is clear that Kahala



Members of Juntos, Kahala’s diversity action team, who bring expertise and direction to the company’s diversity initiatives.

wants its corporate philosophy of diversity and inclusion to permeate every aspect of the organization and reach its ultimate target—the Kahala-brand consumer.

Kahala’s Diversity Recipe Contains Many Ingredients

It is Kahala’s globalization, as well as the people who seek it, that drives Kahala diversity initiatives and business objectives. Kahala’s customers are as diverse as the products it offers, and so are its franchisees. With its many portfolio brands located in several countries around the world, it is not hard to realize that diversity is at the core of the Kahala business initiatives and its international expansion. In 2005, Cold Stone Creamery created a Diversity Action Team Alliance, or “DATA,” to provide expertise and direction to its cultural assessment process. Development of DATA included sensitivity training initiatives, as well as education on defining diversity and its related issues. It was not long after the development of DATA that the group began introducing its diversity initiatives to its employees, starting with

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Cold Stone Creamery, through a diversity initiative.

One year after introducing DATA, the alliance was reborn as “Juntos,” which is Spanish for “together.” The Juntos Executive Committee is a high-level board team tasked with focusing on strategic initiatives to ensure that Juntos achieves its mission, objective and goals. Juntos has an open platform at the company’s management meetings, which are held monthly.

The moving force behind the development of Juntos was Kahala past chair, Eddy Jimenez, currently director of international support and a Juntos member. Jimenez worked tirelessly to

ensure that Juntos had “top to bottom buy-in” at Kahala. “Passion and business imperatives of the Juntos group would not be as important or as possible without support of the executive team, and they have been supportive at every turn,” stated Sherin Sakr, associate counsel, international, responsible for the company’s overseas legal work and current chair of Juntos.

Juntos meets regularly, is organized and has an operating budget to carry out its agenda. Juntos meets internally as well through scheduled “lunch and learns,” which are hour-long lunch meetings sponsored by the company, through which individuals come together to celebrate diversity and inclusion. Juntos’ long-term goals include diversity training for all employees, financial incentives to diversify the Kahala workplace, making diversity a part of employee evaluations and providing a supplier network to its franchisees that is competitive and diverse. “Diversity is the gold standard for quality in our profession and aspiring to diversity is what will make Kahala certain to be a ‘best in class’ company,” Jimenez stated. Juntos’ goal for the

immediate future is to make diversity and inclusion Kahala “best practices.”

Juntos is both active and proactive. During its short existence, the committee has part-

partnered with other organizations, both in the local community and nationally. For example, Juntos has partnered with the Devereux Foundation, which traces its roots back to 1912 Philadelphia, Pennsylvania. The Devereux Foundation's mission "is to change lives and nurture human potential" for persons with emotional, developmental and educational disabilities. The Devereux Foundation inspires hope, ensures well-being and promotes meaningful life choices for individuals that it seeks to serve—underpinnings that Juntos vigorously supports. Through this partnership, Juntos works with the Devereux Foundation to help at-risk youth ages 5–17 through community outreach projects and fundraising efforts.

Juntos is also involved with the Diversity Leadership Alliance (DLA), a Phoenix-based organization consisting of a group of businesses that gather to work on diversity issues. DLA has a legal forum, an executive forum, an annual meeting and monthly workshops, all grounded in the common goals of embracing diversity and building an inclusive culture respecting and empowering everyone.

Through its membership with the International Franchise Association, an organization that protects, enhances and promotes franchising, Kahala helps to support and promote IFA's Minorities in Franchising and VetFran initiatives. Minorities in Franchising is an IFA committee that strives to increase the number and success of minorities in franchising, including not only the franchisor and franchisee, but also the suppliers and employees. In 2006, Minorities in Franchising launched MinorityFran to provide a place where minority prospects can explore franchise opportunities with companies actively recruiting minority franchisees. Kahala also partners with VetFran, designed to honor the men and women who have served in the military while assisting them in transitioning to

The Kahala in-house legal department seeks outside counsel firms that hire diverse lawyers and put them to work on Kahala matters.



Carolyn Stock

civilian life. IFA member companies voluntarily participate in VetFran, and nearly 400 franchise companies participate in the program, including all 12 Kahala-franchise brands.

In 2007, when Kahala acquired Cold Stone Creamery and a year after the company acquired Blimpie, it began to affirmatively articulate a strategic goal that had been previously implied—inclusion. It was about this time that the company took on a new look, as it saw more women than ever achieving high-level positions within the company, noted Carolyn Stock, chair of the Women's Professional Network (WPN). The WPN was launched by senior women working in the company "to provide a forum to develop and empower the women of Kahala personally and professionally, while increasing awareness of issues specific to women and building a strong community within the organization." The WPN gives women an opportunity to exchange ideas, share experiences and discover new and better ways of working.

The WPN, however, is not an "all-girls" club. In fact, men are invited to many WPN events and meetings. "It's not about being better than men" said Stock, "it's about being better employees and better people." Women join the WPN not just because they want to belong to a group, but because they want to develop skills, such as public speaking, the art of persuasion and leadership. All this hard work does not go unnoticed, noted Stock. The WPN members use the strategies and skills that they develop within the WPN-committee struc-

ture in multiple workplace applications, and management has noticed them, realizing that their employees have enormous untapped talent.

Among its many goals, the WPN strives to help Kahala women secure executive positions in the Kahala organization. The organization partners with Juntos to sponsor community-service events and outreach programs, including local food banks, rescue missions and mentoring of at-risk youth. The WPN will sponsor at least eight events this coming year, featuring prominent women leaders.

Kahala's In-House Legal Department Is Small, But It Has Big Ideas about Diversity

Kahala's domestic legal department consists of four attorneys and 12 paralegals, who focus on domestic franchisees' and preferred vendors' commercial legal issues. Kahala's diversity initiatives and culture of inclusion is also reflected in its in-house legal department. "The personal growth and connections which have been occasioned by the company's diversity initiatives have been, from an executive perspective, wonderful to watch, because it permits everyone to have a voice," stated Executive Vice President and General Counsel Michael Reagan. Reagan knows the value of a culture of diversity and inclusion and how vital it is to achieving the highest level of achievement. "The caliber of work by employees has been influenced by its inclusive culture. Diversity and inclusion enables personal communication to be more meaningful and creates a company that is a better place to work," stated Reagan.



Michael Reagan

Reagan also knows that a culture of diversity and inclusion does not stop with in-house counsel. The Kahala in-house legal department seeks outside counsel firms that hire diverse lawyers and put them to work on Kahala matters. Reagan acknowledged that there is room to grow. One of the items on the agenda is to incorporate

diversity expectations into its in-house legal department's case-handling guidelines for outside counsel.

Snell & Wilmer L.L.P. is one of Kahala's outside counsel law firms that partners with Kahala in its efforts to foster and promote diversity in the legal profession.

We hope that you have enjoyed your taste of Kahala's diversity initiatives and its approach to achieving its goals. We want to hear about your company's diversification story, struggles and successes. One taste does not please all palates. If you would like to describe your diversity travails, and in particular, the "trials" that you won, please contact me at sandra.ezell@bowmanandbrooke.com to add your voice to this issue.

"In working with Kahala, our firm is able to support its own diversity goals while at the same time assisting Kahala by creating legal teams with a variety of backgrounds, skills, and life-experiences," stated Danielle Viola, a partner in the firm's Phoenix office. Snell & Wilmer works with Kahala to make sure that their matters are managed by geographically and gender-diverse attorneys. "Kahala demands that its partners participate in its diversity initiatives. We are excited to play a role with Kahala in fostering a culture of inclusion—it is a win-win for Kahala, our firm, and the legal profession," stated Viola.

Kahala knows that to have a successful workforce and to be successful in the world marketplace requires equal parts dynamic business model, philosophical commitment to inclusion and diversity and work culture

that reflects that. The Cold Stone Creamery model, as well as Kahala, is to "add a little bit of this and a little bit of that" to achieve your recipe for success. Whether it is adding a new brand to the franchise portfolio to reach a new consumer segment, or a new flavor to the menu of ice cream choices, adding the right ingredients is essential to its business success. Kahala's diversity and inclusion recipe is the same: it involves customizing diversity initiatives to suit its customers, vendors, suppliers, franchisees' and employees' needs. Kahala has created an environment of business prosperity and global expansion through a diverse mindset. Whether you are a small, medium or large part of the Kahala's organization, diversity and inclusion are served up in the well-known Cold Stone Creamery sizes: "Like It," "Love It," and "Gotta Have It."