Winter April 15, 2015

Case Study: Cracker Barrel, Employee Rights, and Organizational Values

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Available at: https://works.bepress.com/jennifer-palm/1/
Introduction:

This case study will examine how individual, employee rights can clash with organizational “values” within a service-based industry, as well as how definitions of “values” can evolve over time and how value-based organizational policies benefit both people and profits. How shareholder beliefs and public opinion can shape company policies will also be addressed. Finally, this case study will demonstrate how both a robust values statement and technological advances in communication can change an organization’s decision making strategy.

In December 2013, a popular star of the A&E Network’s television show “Duck Dynasty” sat for an interview with GQ magazine (Horsey, 2013). During the course of this interview, the actor vocalized several anti-homosexual opinions that reflected a conservative religious viewpoint. Other publications and media outlets picked up the story, focusing on the remarks against individuals who identify as Lesbian, Gay, Bisexual, and Transgender (LGBT). Cracker Barrel Old Country Store, a chain restaurant and gift shop, was then thrust into the spotlight when the company decided to pull all “Duck Dynasty” merchandise from its gift stores. Less than 48 hours later, Cracker Barrel issued a statement through the company’s Facebook page, telling customers that the merchandise had been returned to the gift shops due to customer’s overwhelming disapproval of the decision (Horsey, 2013). Cracker Barrel had pulled the merchandise to avoid a implied endorsement of the anti-homosexual comments in effort to support its corporate beliefs policy. In doing so, the company acknowledged, it had offended its customers unintentionally. “Reacting to rage from the left, Cracker Barrel got hit by a firestorm on the right,” wrote Horsey (2013).
Cracker Barrel’s actions in the face of this controversy are of particular note considering the company’s previous perceived and public attitudes toward the LGBT community. Throughout the 1990’s and early 2000’s, Cracker Barrel was embroiled in a struggle with multiple stakeholders over its discriminatory policies and practices. Ultimately, Cracker Barrel’s inclusion of sexual orientation into its corporate non-discrimination policy led the company to be recognized by many business analysts as a landmark case of how shareholder action and public opinion can drive a company towards are more progressive position on moral and political issues (Rane, 2014).

**LGBT Rights in the Workplace:**

At the federal level, the United States of America offers no legal protection against employment discrimination for individuals who identity as LGBT (O’Keefe, 2013). In the early 1990’s, there were few states and cities that offered this protection. This lack of protection gave employers (including Cracker Barrel) free reign to discriminate against individuals who identified or who were believed to identify as LGBT, which included being overlooked in the hiring process, harassed in the workplace, passed over for promotions or even demoted, and, in extreme cases, termination (Howard, n.d.). In this era, both researchers and activists believe a large number of LGBT individuals faced employment discrimination, though normally this was implicit and not documented as being tied to sexual orientation. Over the course of time, many states, cities, and organizations have added sexual orientation and gender identity/expression into non-discrimination policies, alongside traditional minority categories such as race, sex, and religion (Rane, 2014). Protection based on sexual orientation and gender identity/expression has not, to date, been added to the list of federal employee protections, even though “the vast majority of Americans, 80%, tell pollsters that lesbians and gays should have equal rights in
terms of job opportunities…in every region including the South, among both Democrats and Republicans, solid majorities support federal legislation to remedy the situation” (Howard, n.d., p. 308).

Cracker Barrel History and Culture:

1969-1990: A Growing Company

Danny Evins founded Cracker Barrel in 1969, with both the food and design playing on the theme of an old Southern American country store (Howard, n.d.). The restaurant-gift shop combination proved both popular and profitable, and Evins expanded this into a chain of restaurants through the Southeast and Midwest. In 1981, Cracker Barrel became a publically traded company to help finance further expansion. The company has continued to grow into a chain of 600 stores, with Evins remaining Chief Operating Officer until 2001 (and further as chairman of the board until 2004). Both Evins and the Cracker Barrel organization were well-known for upholding Southern values and culture, and Evins openly embraced the labels of “old-fashioned” and “down home.” “As of 1991, Cracker Barrel was well-recognized corporate success story, known for its effective, centralized, but authoritarian leadership” (Howard, n.d., p. 303).

1991-1993: Controversy and Expansion

In January 1991, a personnel policy memorandum circulated from William Bridges, vice president of human resources, to all company locations. Within this memo, the company outlined a new policy for those employed by Cracker Barrel, as Howard (n.d., p. 303) writes:

“Cracker Barrel was ‘founded upon a concept of traditional American values.’ As such, it was deemed ‘inconsistent with our concept and values and…with those of our customer
base, to continue to employ individuals…whose sexual preferences fail to demonstrate normal heterosexual values which have been the foundation of families in our society.”

While it was not uncommon for LGBT individuals to face discrimination in the work environment at the time, Cracker Barrel become one of the first and perhaps only companies to publicly acknowledge and encourage this discrimination (Dane, 2014). As a result of the memo, managers at Cracker Barrel locations began one-on-one interviews with all employees to determine if individuals were in violation of the new policy. Ultimately, 16 individuals who either self-identified as LGBT, or who were suspected by management of being LGBT, were fired. In at least one case, the official cause of termination was documented as “The employee is gay” (Howard, n.d., p. 303).

Cracker Barrel’s new policy, aided by reports of terminations, quickly became the focus of a number of protests and activist campaigns, including a demonstration called “Roll Out the Barrel,” which included sit-ins and protests in over fifteen cities (Dahir, 1992). Both LGBT-focused and mainstream media ran stories, including profiles of the fired employees. Internally, Cracker Barrel quickly rescinded the new policy, but the fired employees were not offered their jobs back or any form of severance or restitution. Advocacy groups called on Cracker Barrel management to publicly denounce the policy, but on February 27, 1991 founder Evins “reiterated the company’s antagonism toward nonheterosexual employees in a rare interview with a Nashville newspaper. Lesbians and gays, he said, would not be employed in more rural Cracker Barrel locations if their presence was viewed to cause problems in those communities” (Howard, n.d.). It is unclear how many people may have read these comments though, as original article from The Tennessean is difficult to locate.
Rescinding the policy did little to appease protestors, and the “buy one” campaign was initiated. Activist groups encouraged protestors to buy just one stock in Cracker Barrel, figuring the time and energy Cracker Barrel would spend issuing and mailing minor checks to each investor would at the least be an annoyance, but could possibly be a detriment to Cracker Barrel’s profits (Howard, n.d.).

1993-2002: Shareholder Positioning and Power

Cracker Barrel continued to be a successful company, but through the “buy one” campaign, activists found a new means of bringing about social change (Rane, 2014). Now considered shareholders, this allowed activists a voice within the company. The minority shareholders used this voice to put forth a recommendation for Cracker Barrel to include sexual orientation in its non-discrimination policy. In 1993, shareholders and activists maintained that while Cracker Barrel has rescinded the policy, discrimination against LGBT individuals was still occurring throughout the restaurant chain (Associate Press, 1993). Majority shareholders continued to block the recommendation from going to a vote, and a decade long struggle between shareholders, the Securities Exchange Commission, and Cracker Barrel ensued.

This strategy, however, did not go unnoticed. Shareholders began using this method to encourage companies to adopt LGBT-friendly policies (Rane, 2014). Even if the measures did not come to a vote, shareholders were able to address the issues and voice public concerns and opinions supporting LGBT-friendly policies. Although many shareholder-supported LGBT measures never come to a vote, or fail when put to a vote, companies nonetheless have started to adopt the policies. In 2002, Cracker Barrel’s non-discrimination policy was updated to include sexual orientation. “Finally yielding to pressure from shareholders and home-grown protestors, the company recently agreed to amend its written equal opportunity policy to say it does not
discriminate based on sexual orientation…the restaurant chain’s decision to embrace fairness in its written policy came about after 58 percent of its shareholders voted in favor of a non-binding resolution urging it to do so” (Price, 2002).

After ten years, a number of factors could have influenced Cracker Barrel’s decision. Cracker Barrel and Evins remained largely silent on the matter from 1992 to 2002, but key factors motivating the board of directors could have included:

- Swaying public opinion and increased acceptance of LGBT individuals.
- Cracker Barrel’s desire to expand from more traditional markets in the South and Midwest to progressive markets in the Northeast and Western United States.
- An increasing number of cities and states including sexual orientation in non-discrimination laws, including areas into which Cracker Barrel wished to expand.

Evins did not publically comment on the controversy after the policy was rescinded, except in a brief letter in which he would only confirmed the policy had been removed in March 1991 (Howard, n.d.). Evins later retired from the board of directors and died in 2012, so his thoughts on the matter can only be speculated. Despite ongoing tensions, Cracker Barrel continued to be profitable and saw considerable growth throughout the 1990’s (Rane, 2014).

“Values” vs. Virtue:

Cracker Barrel had built its brand upon its Southern “values,” but adherence to these values and exclusion of certain populations of people had led to controversy for the company. It appears that Cracker Barrel allowed “old-fashioned” culture and ideas to navigate its business path, and as a result the company was led astray. Values, though, do not typically conjure images of discrimination or oppression. Values are usually viewed positively, as this word cloud from Duke University (2013) illustrates:
Cameron, Bright, and Caza (2004) state “Virtuousness is associated with what individuals and organizations aspire to be when they are at their very best” (p. 767). Rather than discussing values, companies like Cracker Barrel may find progress and growth in addressing virtuousness within their organizations. Research indicates that a focus on virtues in the work environment can lead to three positive outcomes (Cameron et al., 2004):

1. Virtuousness and moral goodness are connected.
2. Human beings can flourish and develop moral character in an environment that promotes virtuousness.
3. Virtuousness can be directly associated to social betterment.

Cameron et al. (2004) concluded that “when virtuous behavior is displayed by organization members and enabled by organizational systems and processes, the organization achieves higher levels of desired outcomes” (p. 783). In the next section, this case study will demonstrate how an ethical (and perhaps virtue-based) environment has benefitted Cracker Barrel and sparked significant change in the company.
LGBT-Friendly Policies and Current Ethics at Cracker Barrel:

Cracker Barrel’s Equal Opportunity Statement (2015) currently reads as follows:
“Cracker Barrel will not tolerate discrimination, harassment, or retaliation affecting its employees or applicants due to race, color, religion, sex, sexual orientation, national origin, age, marital status, medical condition, disability, genetic information, or any other category protected under the law.” Cracker Barrel has also expanded on this by creating an Employee Relations Department and offering employees a website to report concerns and complaints. Within the Equal Opportunity Statement, the company emphasizes that employees are not only encouraged but required to report any violations to the anti-discrimination and anti-harassment policies. Further, Cracker Barrel has developed a Social Responsibility Philosophy (2015) that includes a diversity statement as well as a Code of Ethics for vendors, shareholders, and other business partners. Within the Code of Ethics, Cracker Barrel states employees “may report conduct openly or anonymously without fear of retaliation” (2015). Cracker Barrel has removed previously stated “values” from its company policies and instead replaced “old-fashioned” values with modern respect and integrity. Though not calling its current Social Responsibility Philosophy virtuous, Cracker Barrel does appear to be implementing virtue-based ideals within the corporate structure.

In making policies inclusive to LGBT individuals, Cracker Barrel is not just displaying modern ethics but is also implementing policies that are good for business. Day and Greene (2008) argue that policies favorable to LGBT individuals result in multiple benefits to companies and organizations. First, companies with robust inclusion policies tend to be more innovative and open to new ideas. Second, LGBT tolerance and acceptance is good for recruitment of both LGBT and non-LGBT employees. Third, inclusive policies also appeal to the LGBT customer
base (as well as a non-LGBT customer base that values inclusiveness and acceptance). Finally, as companies seek to grow and expand, an LGBT accepting work environment makes a company more competitive in progressive markets (and can avoid boycotts or protests). Day and Greene (2008) also note that “no evidence exists that employers are backing away from protecting workers based on sexual orientation, and polls indicate that a large majority (88%) of Americans believe that rights in the workplace should not be limited to heterosexuals” (p. 642). In a modern landscape, Cracker Barrel’s 1991 policy allowing discrimination against homosexuals reads as archaic and tone-deaf, even hostile. With new polices and a code of ethics in place, Cracker Barrel may now be positioned to be a leader among virtue-based organizations, if the company maintains the standards put in place.

**Media Flap: Flip Flopping on Values?**

Along with a changing landscape in America, Cracker Barrel has also experienced the implications of modern technologies in communications. While it took shareholders over 10 years to positively change the non-discrimination statement at Cracker Barrel, it took Internet users less than two days to reverse Cracker Barrel’s position on selling “Duck Dynasty” merchandise. The company originally pulled the merchandise, seemingly out of fear that selling the products would be a tacit endorsement of the “Duck Dynasty” reality star’s anti-LGBT opinions, but returned the merchandise to the store shelves and apologized for offending its customer base. For a company that once remained quiet silent when controversy struck, Cracker Barrel’s public apology on its Facebook page almost appeared out of character. What this may demonstrate is a level of openness and transparency that Cracker Barrel has embraced in the days since adopting more inclusive polices and robust ethical statements. Detractors may point out,
though, that returning the merchandise under public pressure was in conflict with the progressive image Cracker Barrel has been projecting through its Social Responsibility Philosophy.

**Questions for Consideration:**

1. In 1991, what steps could Cracker Barrel have taken to remedy the situation without amending the Equal Opportunity Statement?

2. If Cracker Barrel’s profits were not negatively impacted by ongoing protests, what else could have motivated the company to adopt a more progressive personnel policy?

3. Did Cracker Barrel violate its own Social Responsibility statements by returning the merchandise to the store shelves, or was the original remove of the merchandise out of line with current company standards?

4. What additional steps does Cracker Barrel need to take to be identified as a virtue-based organization? Can an organization with Cracker Barrel’s past ever be identified as a virtuous organization?

5. One voice seemingly missing from this case study is that of current Cracker Barrel employees, from top management to frontline workers like cooks and wait staff. Does Cracker Barrel’s history of terminating employees overshadow the mechanisms it has created for employees to voice concerns? If you were an employee in the 1990’s who disapproved of the policy, what do you think you would you have done?
Works Cited:


