Examining Transparency in Crisis Management

Tessa Buon Viso
University of Miami, buonviso.tessa@gmail.com

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EXAMINING TRANSPARENCY IN CRISIS MANAGEMENT

By
Tessa Buon Viso

A THESIS

Submitted to the Faculty of the University of Miami in partial fulfillment of the requirements for the degree of Master of Arts

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EXAMINING TRANSPARENCY IN CRISIS MANAGEMENT

Tessa Buon Viso

Approved:

Don W. Stacks, Ph.D. 
Professor of Public Relations

M. Brian Blake, Ph.D. 
Dean of the Graduate School

Shannon B. Campbell, Ph.D. 
Associate Professor of Public Relations

Walter McDowell, Ph.D. 
Associate Professor of Electronic Media, Broadcast Journalism and Media Management
BUON VISO, TESSA (M.A., Public Relations)  
Examining Transparency in Crisis Management (May 2013)

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Considered a benefit to the building of reputation by Public Relations professionals, transparency is increasingly viewed as an intangible asset for corporations to assimilate into their business. This thesis divides transparency into two separate categories, informal and formal transparency, and examines the role both play in creating and solving crises. Case studies were performed on two companies that experienced crises in the past year due to perceived informal transparency, Chick-fil-A and Papa John’s. Case studies included a brief background of each company, an explanation of the crisis, examples of formal and informal transparency statements made by each company, information as to how they managed their crisis and evaluations as to whether they were transparent in doing so. Results revealed that, although Papa John’s crisis was not rooted in transparency as previously thought when research began, both companies could have benefited from the proper use of formal transparency in managing their respective crises.
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CHAPTER 1

INTRODUCTION

The notion of transparency is increasingly prevalent throughout society. A term which when mentioned conjures up thoughts of ethical accounting and corporate governance is now applied to even the most trivial facets of life. One need only look at the use of transparency as an emerging aesthetic (Bessire, 2005) to notice the pervasiveness transparency has achieved; restaurants have open style kitchens in which one can see the chefs cooking; business locals are separated by large glass dividers; bakeries have large demonstration windows through which one can see the baker kneading bread; smart phones, laptops and tablets are protected with translucent covers; television programs show an increase in reality shows.

As transparency permeates society’s various facets it takes on a new level of importance for the consumer and the corporation. As such, corporations approach management and business practices with a new found consideration for transparency driven factors such as reputation, corporate social responsibility, (CSR) and improved two-way communication – areas that are by and large managed by public relations professionals (Sykes, 2002) – in order to achieve new found levels of success. However in some instances, transparency can lead a company into disaster. This is especially true in regards to reputation management – particularly considering today’s cultural fascination with public figures in mass media. Large organizations often have figure heads, which are more public than others such as the founder and CEO. These public figures often come to symbolize the corporation; their personal words, beliefs and actions
are parallel to the words, beliefs and actions of the organizations they represent – therefore increasing intrusion into the private lives of these figures becomes a form of informal, informational transparency to the organization (Balkin, 1999). The same can be said for CEOs and the statements they make during or after a crisis; the way a CEO manages a crisis is representative of the way the corporation manages its business. An example of this can be seen with Jet Blue’s founder and CEO, David Neeleman, who made several apologetic statements for the service meltdown that left 1000 planes stranded with passengers trapped inside on February 14, 2007 (Hanft, 2007). One article stated “Neeleman’s comments to the paper are unbelievable. ‘We had so many people in the company who wanted to help who weren’t trained to help,’ he said. ‘We had an emergency control center full of people who didn’t know what to do. I had flight attendants sitting in hotel rooms for three days who couldn’t get a hold of us’” (Berr, 2007, p. 1). Neeleman was replaced shortly after the incident. So it beckons the question: Is transparency always an asset? Even the most transparent company may want to or perhaps should remain opaque in certain areas or situations, to maintain competitive advantage if nothing else.

In the past year, Chick-fil-A, a fast food chain specializing in chicken sandwiches, and Papa John’s, a pizza chain, have both fallen victim to informal transparency; Chick-fil-A, in June of 2012 when their president, Dan Cathy, came out against gay marriage and Papa John’s after the presidential election when their CEO, John Schnatter, spoke out against Obamacare. Both companies faced crisis of public opinion after their respective statements and managed the crises with varying degrees of formal transparency. Therefore, the purpose of this paper will be to examine these two companies, which faced
crises due to informal transparency, and assess: (1) the consequences they suffered (both financial and nonfinancial), (2) how they dealt with their respective crises, and (3) what role formal transparency played in the remedying of public outrage.
CHAPTER 2

LITERATURE REVIEW

Currently, a Darwinian process of natural selection is taking place whereby information deemed to be less entertaining is being eliminated from the public sphere of information even when it remains more informational or pertinent. According to Balkin (1999), this process is effectively leading American society to adapt to a culture of scandal in which “the news media rush from ‘big story’ to ‘big story’” (p. 404). Perhaps this is why present day society is so engrossed by dramatic events, often loosely referred to as “crises.” We, members of the public are so captivated, that we will fervently pursue media coverage of crises – even more so if they present unusual circumstances, personal tragedy or revolve around celebrities (Smith, 2010). Indeed, crises are everywhere; a new one seemingly emerges every week and they are increasingly facilitated by the use of Internet and social media.

Fishman (1999) alludes to the fact that the word “crisis” has become hackneyed and currently is often used by broadcast journalist to mean a number of things such as “accident,” “disruption,” “catastrophe,” or “disaster” (p. 347). The term crisis originates from the Greek word “krisis” meaning decision; it is defined by Merriam-Webster as a crucial time with the possibility of a highly undesirable outcome, decisive moment, or turning point. In the literature it has been defined as: a situation characterized by (1) surprise, (2) a great threat to important values and (3) a short window of time to make a decision (Barton, 1993); a time characterized by instability and impending decisions or change (Fink, 1986); and “a major occurrence with a potentially negative outcome.
affection an organization, company or industry, as well as its publics, products, or good name” (p. 347 as cited in Fishman, 1999). According to Fishman (1999) crisis communication situations exhibit five characteristics:

1. unpredictable occurrences – increased by technological innovations
2. an individual or institution must feel that their core values are being threatened
3. the intention of the individual or organization is of negligible importance
4. a degree of time sensitivity, and
5. “a dynamic or multi-dimensional set of relationships within a rapidly-changing environment” (p. 348).

For the purpose of this research, we will operationalize the term crisis more specifically to mean a crisis of public opinion that presents the following traits: (1) the public has prolifically expressed outrage in response to an event, act or statement and (2) the negative response presents a high threat to the reputation of the company or individual, as well as, consequently, their financial and non-financial assets.

By defining a crisis as a crisis of public opinion that threatens reputation and company assets, then crisis management can be defined as the strategic management performed by the public relations professional to restore favorable public opinion and remove the risk of damage to reputation, and other financial and non-financial assets.

According to William L. Benoit’s (1995) theory of image restoration, there are five broad categories of strategies to remedy a crisis: (1) denial, either simply or by shifting the blame in a way that portrays the company or individual as the victim; (2) avoidance of responsibility by stating that there was a lack of control or information, there was provocation and the behavior was in self defense, it was accidental or with the best of
intentions; (3) *reducing* the importance of an offensive action by bolstering positive
traits, minimizing the negative actions, differentiating, transcending by reframing the
context of the action, counter-attacking the accuser or compensating the victims of the
offensive act; (4) taking *corrective action* by implementing changes to avoid possible
future repeats; and (5) *mortification*, which is a strategy of apologizing, showing remorse,
regret and admitting guilt to seek the public’s forgiveness.

Most of the strategies presented by Benoit, in one aspect or another, deal with
managing or restoring the reputation of the company or individual after the crisis. For
example, if the company claims lack of control they are essentially saying “we are still a
good company, you can still trust us,” similarly by taking corrective action, as Johnson
and Johnson did during the Tylenol scare, they are restoring faith in the brand in order to
bolster their reputation. Reputation is a strategic resource defined as “a cognitive
representation of a company’s actions and results that crystallizes the firms ability to
deliver valued outcomes to its stakeholder” (as cited in Sohn & Lariscy, 2012, p. 319).
Public relations is viewed as the central strategic communication function towards
building and protecting reputation (Murray & White, 2005). According to Campbell and
Hernan (2006), “public relations practitioners produce reputation” (p. 192). Similarly,
the Chartered Institute of Public Relations (CIPR) defines public relations as “the
discipline that looks after reputation… the result of what you do, what you say and what
others say about you” (CIPR, n.d). However the public relation professionals’ ability to
manage reputation is directly related to trust (Campbell & Hernan, 2006) and most often
trust is built with the use of transparency (Smith, 2010).
According to Robins (2010), the implementation of transparent practices in corporate culture will benefit a business in numerous ways; doing so may in itself reduce the risk of inappropriate behavior that may eventually lead to crisis. The use of transparency as a tool to reputational strength cannot be underestimated. In the field of public relations, clear and honest communication practices have been advocated for decades. Henry Carter Adams believed in using publicity to stop corruption within large corporations in 1890 (Fairbank, Plowman, & Rawlins, 2007). In addition, Ivy Lee, a man considered to be one of the founding fathers of the public relations discipline, encouraged corporations to be open with the public and share their business practices (Grunig & Hunt, 1984). The use of transparent communication during the initial stages of response to a crisis can greatly diminish the duration of the recovery process. It is essential that companies experiencing crises realize that public opinion “has the power to make or break a brand in the wake of a crisis” (O’Donnell, 2009, p 22). For many, perception is equated to reality; the way that a company is perceived to respond to a crisis and the way it communicates that response to the public will be judged (Smith, 2010). Therefore, transparent and effective communication, during a crisis, by public relations professionals becomes essential in restoring a company’s reputation and ensuring its survival.

**TRANSPARENCY**

The word, *transparency*, alludes to concepts of visibility; something transparent is something we can see through. Merriam-Webster defines transparency as “free from pretense,” “easily detected or seen through,” or “readily understood;” the Latin origins of the word “trans” “parēre” meaning to show oneself. Rawlins (2009) states that transparency is the opposite of secrecy whereby “Secrecy means deliberately hiding your
actions; transparency means deliberately revealing them” (as cited in Rawlins, 2009).

Thus transparency is often considered a desired characteristic with positive connotations of purity (Bessire, 2005.)

**Formal Transparency**

Transparency manifests itself in various concepts; origins of the concept of transparency as a management discipline can be traced back to the 18th century. They first emerged in the English philosopher, Jeremy Bentham’s architectural designs of the Panopticon: an institutional building with a circular structure, which would allow for invisible surveillance. Bentham (1995) himself described this concept as “a new mode of obtaining power of mind over mind” (p. 30). French philosopher, Michel Foucault (1995), later applied the Panopticon principle to society as a whole, stating: “On the whole, therefore, one can speak of the formation of a disciplinary society in this movement that stretches from the enclosed disciplines, a sort of social ‘quarantine’, to an indefinitely generalizable mechanism of ‘panopticism.’” (p. 205). In his writing, *Discipline and Punish*, Foucault suggests that all systems that employ hierarchal structures (schools, government, army) resemble the Panopticon; thus creating a form of power, fostered from an atmosphere of perpetual visibility without physical constraint. Bessire (2005) directly links the concepts put forth by Bentham and Foucault and ties them to transparency and the principles of value based management and corporate governance; “transparency and the Panopticon fulfill the same economic functions…transparency is systematically put into relation with market efficiency” (p. 428).
Today, transparency is often associated with corporate governance and, by some, considered its twin (Danker, 2008). When linking the two, the literature defines transparency as: “the degree to which an organization shares information its stakeholders need to make informed decisions” (as cited in DiStaso and Bortree, 2012); “A principle that allows those affected by administrative decisions, business transactions or charitable work to know not only the basic facts and figures but also the mechanisms and processes. It is the duty of civil servant, managers and trustees to act visibly, predictably and understandably” (as cited in Danker, 2008). Transparency, as pointed out by Roberts (2012), is not disclosure of information without interpretation or understanding. Rawlins (2008) too emphasizes the need for more than just disclosure; supplying information does not promise transparency. Rather, an organization attains transparency by practicing communication in a way that ameliorates understanding. In this way, transparency, as pointed out as Bessire (2005), becomes the most effective means of achieving successful corporate governance.

Transparency is not only a value, but also a process of communication. According to Cotterell (1999) the process of transparency assumes that “(i) there is always more to know on any matter, (ii) there is always another side to every story and (iii) one account never cancels out a different one but merely supplements it, even through contradiction.” (p.419). Similar to Rawlins and Roberts, Cotterell (1999) clarifies that transparency has its basis, not in information, but in obtaining, generating and distributing knowledge – knowledge as an entity that can always grow, broaden, be redefined and thus is never complete. Thus transparency is a never-ending process.
This process of acquiring knowledge for transparency relies on various elements. In his work *Give the Emperor a Mirror: Toward Developing a Stakeholder Measurement of Organizational Transparency*, Rawlins (2009) submits a model for measuring organizational transparency. Rawlins attempts to render an abstract asset, such as transparency, more tangible by identifying seven elements of transparency; three elements he refers to as transparency reputation traits (traits that increase the reputation of the organization as transparent) and four as communication efforts by the organization to appear more transparent. The transparency reputation traits are **integrity** (composed of traits as competence, committed to doing good, being ethical, reliable and intelligent), **respect for others** (composed of traits as sensitivity, willingness to listen, flexibility, caring and humility), and **openness** (composed of traits such as sincerity, credibility, consistency, truthfulness, and candidness). The transparency effort traits are **participation** (composed of statements of involvement, feedback, and ease with which one can find detailed information), **substantial information** (composed of statements about the clarity, accuracy, relevance, verifiability and reliability of the information), **accountability** (composed of statements that admit mistakes, give information that shows various sides of controversy’s and other information that might be damaging), and **secrecy** (statements that reveal a lack of openness, use of obfuscating language and only disclosing information that showed the company in a positive light.) Rawlins states that these variables fall under the jurisdiction of the public relations professional, and that efforts by these practitioners to communicate company transparency should lead to a reputation of transparency. For the purpose of this study, we will use Rawlins (2009) model and operationalize formal transparency as formal statements or actions taken by
the company that are intended to communicate information in a way that improves understanding. The effectiveness of this communication will be based on whether they exhibit the seven elements of transparency outlined above.

Manifesting these elements in order to achieve transparency within an organization requires various resources and elements that are not always inherent to a company. In their work *Transparency in government communication*, Fairbank, Plowman and Rawlins (2007) came up with a list of factors, which influence the level of transparency an organization experiences. They classified these factors into three categories: personal factors, organizational factors and resource factors. **Personal factors** include personal convictions such as the belief that transparency in government – or other forms of management – is essential, and fear that the information provided could be used against the organization. In this respect, transparency causes cautiousness.

**Organizational factors** include how management is setup and whether they reflect principles of transparency in their corporate culture – signals employees get from top administrators determine how others within the organization will handle transparency; mission statement; communication structure – employees can only share information if they have access to it and they may not have access depending on the interpersonal relationships and internal communication of the organization. If public relations practitioners are not included at the management table or have information withheld from them they can do very little to guarantee transparency. Politics within the organization such as those that aim to control agency messages can also affect the practitioner’s ability to be transparent. Lastly **resource factors** can strongly hinder transparency. If a company is not set up for transparency, they will have to restructure in order to achieve
transparency. This may require the development of press releases, web material, news conferences, the opening of information lines – in short, materials that will require time, staffing, and money.

**Informal Transparency**

Once transparency is achieved within the corporation, public relations professionals must achieve transparency with other sources within their web of relations. Doing so not only increases the transparency of the organization but also increases the reputation of transparency, which arguably is just as important if not more so than the corporate transparency itself. With advances in technology, organizations use various forms of media in an effort to become transparent; there is often confusion as to where to draw the line. This is especially true in regards to reputation management of public figures. As mentioned, large organizations often have figures, which are more public than others such as the founder or CEO. This person is synonymous to the organization; their words, beliefs, actions, no matter how “personal” come to represent the institution and become a form of informal, informational transparency (Balkin, 1999). Therefore, for the purpose of this study, we will define *informal transparency as any informal or personal belief, behavior, statement or action performed or expressed by a public figure that has come to represent the company such as the CEO or founder.*

The role of the CEO will vary from one company to another, however generally the CEO is considered the leader of the company. His role is to develop and execute strategy in order to increase shareholder value; to act as a liaison between the company and exterior counterparts; and to effectively communicate on behalf of the company (Roles and Responsibilities – Chief Executive Officer, n.d.). Other duties may include
assessing risk, ensuring that the company is conducting itself ethically and lawfully, monitoring expenditures and perhaps more recently being responsible for the general reputation of the company (Resick et al., 2009). Campbell (2003) states, “in this age of transparency, employees look to the CEO for inspiration and direction… customers look to the CEO to understand the culture and ethics of the companies they do or plan to do business with. They need to know the company is dependable, stable and trustworthy… [the CEO is] the nucleus of your reputation-management program” (p. 8).

The CEO not only represents the company formally, but informally as well. In a study on how CEO’s viewed reputation management, several CEO’s recognized that there is a strong correlation between the reputation of the company and the reputation of the CEO – one CEO stating that the reputation of the company and the reputation of the CEO are “one and the same thing” (Murray & White, 2005). Murray and White (2005) state that behaviors, beliefs, and perceptions within formal business communications can positively or negatively impact the business because CEO personality traits will often cross over to the company corporate culture – so that if the CEO is old fashioned, chances are that is the way the business will be run and thus perceived by external communicators. However, the company can also profit from the halo effect of a CEO’s good reputation as Microsoft did thanks to Bill Gates’s personal philanthropic efforts (Sohn & Lariscy, 2012). CEO’s must take the time to build relationships and credibility and be vigilant with regards to small details, which may help build personal reputation, such as being sure to stay courteous by saying “thank you” (Campbell, 2003).

Although it may seem unfair or inappropriate for the CEO alone to receive so much attention when several people are instrumental in managing the functions of a
company, CEO’s agreed that more often than not the spotlight shines on them and very few journalist will go beyond them for accountability (Murray & White, 2005). According to Burson-Marsteller, in a survey of 150 fortune 1000 executives, 68 percent claimed it was the CEO’s responsibility to restore the company’s damaged reputation. Burson-Marsteller’s chair of global corporate and financial practices, Patrick Ford, said: “CEOs today are strongly linked to their company’s reputation, so when the organization has suffered damage to its reputation, business influencers expect CEO’s to take full responsibility for repairing it” (The Road to Reputation Recovery, n.d., p. 2). Therefore, for the purpose of this study, we will define informal transparency as any formal or personal belief, behavior, statement or action performed or expressed by a public figure that has come to represent the company such as the CEO or founder.

So what can CEO’s do when they are faced with a crisis and the reputation of the company lies in their hands? There are several theories on how to best handle crises such as Benoits’ theory of image restoration, mentioned earlier, or Coombs’ (2011) situational crisis communication theory (SCCT), however according to Burson-Marsteller the best way is by remaining transparent. Scott Wilson, CEO of Cohn and Wolfe, agrees that transparency is becoming a powerful business tool (Public Values Transparency, 2012) – especially when CEO’s are expected to be the voice of reassurance and trust (Gildez & Lawrence, 2010). In their study, The Road to Reputation Recovery, Burson-Marsteller stated one of the best ways for a CEO to handle a crisis transparently is by expressing regret. According to Dr. Leslie Gaines, Burson-Marsteller’s chief reputation officer, “apologies build trust among internal and external stakeholders, demonstrate a company’s willingness to communicate openly and honestly and are essential ingredients
to restoring reputation” (p. 2). In addition, in a world of 24/7 news via internet and social media, CEO’s can achieve transparency by striving to make crisis information available on the company website and keeping it up to date by issuing regular progress reports (The Road to Reputation Recovery, n.d.). Sometimes if this is not enough and action is required, the best steps to take are to be transparent by announcing the specific actions the company plans to take, establish policies or procedure, working with the legal department on public disclosures and above all keeping the public informed (Actions Speak Louder Than Words, 2006).

**RESEARCH QUESTIONS**

As previously mentioned the purpose of this study is to examine both Chik-fil-A and Papa Johns’ crises and assess why these crises occurred, what were their consequences, how each individual company managed their respective crises and what role formal and informal transparency played through out. The research questions guiding this study are:

- **RQ1**: How do we operationalize informal and formal transparency?
- **RQ2**: What were the effects of informal transparency for Chick-fil-A and Papa John’s in dealing with their respective crises?
- **RQ3**: How did Chick-fil-A and Papa John’s manage their crises?
- **RQ4**: How transparent were Chick-fil-A and Papa John’s in dealing with their crises?
CHAPTER 3

METHOD

This research performed case studies of two corporations that have suffered public relations crises due to “too much” transparency: Chick-fil-A and Papa John’s. According to Stacks, (2011) case studies are “in-depth studies of particular people, organizations, events, or even processes.” (p. 157). A case study uses hindsight in an attempt to explain why something has happened, or in this case – what went wrong? The purpose of a case study, then, is to determine which strategies are effective and which are not for handling similar crises (Stacks, 2011). The intent of using case studies for this research was to determine that if transparency is thought of as a valuable intangible asset to a company’s success, why have these companies suffered crises because of it and what guidelines can a company use to best manage similar crises.

The case studies were separated into various sections. First, a brief background of each company was presented along with a statement of each problem or crisis. Second, in order to contextualize the crises, secondary research of published information about each crises including public response to the crisis was presented. Third, the researcher performed primary and secondary research on the corrective action taken by the company to manage the crisis; primary research took the form of interviews where possible and secondary research examined published information. In order to determine transparency in managing the crisis, the researcher looked for Rawlins (2009) seven measurements of organizational transparency in each company’s handling of their crises. Lastly, the strategies used by the companies to manage their respective crises were evaluated.
CHAPTER 4

FINDINGS

The two cases reported in this study, Chick-fil-A and Papa John’s are similar in that both are in the food and beverage industry. In each case the business in question would be categorized as “fast food” but differ in that one is a carry-out/dine in only business, where the other also delivers its products to customers. Background on each company follows.

Chick-fil-A

Chick-fil-A’s founder, Truett Cathy, opened his first restaurant, referred to as “The Dwarf Grill (later renamed the Dwarf house), in 1946 in the Atlanta suburb of Hapeville (Chick-fil-A: History, 2012). According to Bennett (2012) “Cathy would probably have spent his life as a moderately successful local restaurateur save for two innovations: one culinary and one cultural.” The culinary innovation: the chicken sandwich, consisting of a fried, boneless, skinless chicken breast on a buttered bun, two pickle slices and a trademark name: Chick-fil-A, the “A” a representation of quality. The cultural innovation was Cathy’s realization that malls – which at the time did not have food courts – needed food. The first in-mall restaurant was opened in 1967 in Atlanta’s Greenbriar Mall (Chick-fil-A: History, 2012). Today Chick-fil-A has exceeded $4 billion in system-wide sales; they are the second largest fast food restaurant in the US with 1,615 locations in 39 states (Chick-fil-A: Company Fact Sheet, 2012).
Papa John’s

Papa John’s founder and current CEO, John Schnatter, opened his first Papa John’s restaurant in 1984. What started out 25 years ago as a delivery service out of the back of his father’s tavern grew into the leader of pizza with over 3500 restaurants or franchises in 50 states and 29 countries. Papa John’s was built off the idea of a “superior quality traditional pizza delivered right to the customer’s door” which is reflected in their slogan: “Better Ingredients. Better Pizza” (Schnatter, 2012). Papa John’s makes pizza “from the bottom up” with hand-tossed high-protein flour dough that is delivered fresh, tomato sauce made from fresh packed tomatoes and not concentrate, fresh cut vegetables, premium meats and real cheeses. John Schnatter states: “Making a quality pizza using Better Ingredients has been the foundation of Papa John's for more than 25 years. You have my commitment that Papa John’s will not stray from the foundation of quality & superiority upon which the company was built. We will always strive to be your ‘Better’ Pizza Company.” (Schnatter, 2012)

THE CRISSES

As previously mentioned, a crisis of public opinion is defined as a situation that presents the following traits: (1) the public has prolifically expressed outrage in response to an event, act or statement and (2) the negative response presents a high threat to the reputation of the company or individual, as well as, consequently, their financial and non-financial assets.

Chick-fil-A

Chick-fil-A spokespersons do not deny the company’s strong religious convictions and corporate culture; in fact the company makes a point of running their
business with biblical based principles such as giving back to the community, treating others how they would like to be treated and closing on Sundays (Chick-fil-A: Who We Are. A Response to Recent Controversy. 2012). These values are mirrored in the company’s corporate mission, which is: “To glorify God by being a faithful steward of all that is entrusted to us. To have a positive influence on all who come in contact with Chick-fil-A.” (Chick-fil-A's Closed-on-Sunday Policy: Chick-fil-A, 2012). However, these Christian principles put Chick-fil-A in the line of fire on June 16th when Chick-fil-A’s current president, Dan Cathy, spoke out against gay marriage during a radio interview. Cathy, a member of the Southern Baptist community, was quoted as saying: “I think we are inviting God’s judgment on our nation when we shake our fist at him and say; ‘We know better than you as to what constitutes a marriage.’” (as cited in Bennett, 2012). When questioned about the statement by a religious news journal: The Biblical Reporter, Cathy answered: “Well, guilty as charged…we are very much supportive of the family – the biblical definition of the family unit” (as cited in Fast Food Backlash, 2012). These statements were compounded with facts that Chick-fil-A contributes millions of dollars to charitable family orientated organization, which campaign against gay marriage, and controversy erupted (Bennett, 2012). Petitions were signed to boycott the chain, websites such as boycottchickfila.com sent messages telling the company to “cluck” off, the Jim Henson foundation ended their partnership (Brady, 2012) and the Mayors of San Francisco, Vincent Gray, along with the Mayors of Boston and Chicago, responded negatively to the comments, referring to the chain as “hate chicken.” (Welsh, 2012).
Papa John’s

Prior to the election, it was no secret that CEO and founder of Papa John’s, John Schnatter, favored presidential candidate Mitt Romney. As a supporter and fundraiser of the Republican Party, Schnatter occasionally ranted about health reform. However, the day after President Barack Obama was reelected for his second term, Schnatter, announced that the health reforms under the Affordable Care Act, commonly referred to as Obamacare, would force him to increase the price of his pizza by 10-14 cents a pie as well as cut employee hours (Melby, 2012). Under the Affordable Care Act, employees who are considered full time by working 30 hours or more a week, at companies with over 50 personnel, need to have their insurance paid for by the employer. Schnatter stated that providing his employees with healthcare would run the company between $5-8 million per year (Unger, 2012). Schnatter talked to students at Edison State College shortly after and was quoted as saying: “I got in a bunch of trouble for this… That’s what you do, is you pass on costs. Unfortunately, I don’t think people know what they’re going to pay for this… The good news is 100 percent of the population is going to have health insurance. We’re all going to pay for it” (Lipscomb, 2012). Schnatter’s comments have caused controversy as several groups on social media sites have popped up calling for a boycott in addition to share prices steadily decreasing (Melby, 2012). The situation was aggravated as it was revealed that the cost of the Affordable care Act are closer to 4 cents a pizza rather than 14 cents; in addition, although Schnatter cannot afford to pay $5-$8 million for employee healthcare, he can afford to give away two million pizza’s free, as part of his marketing strategy – a strategy that cost the company an estimate of $24-$32 million (Unger, 2012). The public showed an increase in outrage in light of the news;
news, which seems to suggests that Schnatter may be using Obamacare as an excuse to make changes in his company (Berman, 2012).

**RESEARCH QUESTIONS**

This study addressed four research questions. Briefly, the first examined how the businesses involved operationalized transparency. The second research question examined the effects of informal transparency. The third examined the companies handling of the crisis. And, fourth, how transparent were they?

**RQ1: Operationalizing Transparency**

As mentioned, formal transparency is operationalized as formal statements or actions taken by the company that are intended to communicate information in a way that improves understanding. While informal transparency is operationalized as any informal or personal belief, behavior, statement or action performed or expressed by a public figure that has come to represent the company such as the CEO or founder. Informal and formal statements were made by, both, Chick-fil-A and Papa John’s (Tables 4.1 - 4.2). As in our definition, the informal statements were made by a public figure that represented an organization (Dan Cathy, Chick-fil-A president and John Schnatter, Papa John’s CEO) and were transparent in that it expressed their own personal beliefs. The informal statements lead to crises for both companies at which point both organizations came out with formal statements that demonstrated formal transparency. Formal statements are not a personal opinion, even if they are made by a spokesperson, they are statements that express the stance of the company as a whole on a certain subject matter. The purpose of the formal statements, administered in the form of a press release or in Papa John’s case
an op-ed piece, was to provide transparency by setting the record straight, providing context or a deeper understanding of the initial statement in order to appease the crises.

Table 4.1
Operationalizing Transparency - Chick-fil-A

<table>
<thead>
<tr>
<th>Chick-fil-A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Informal</strong></td>
</tr>
<tr>
<td>“I think we are inviting God’s judgment on our nation when we shake our fist at him and say, ‘we know better than you as to what constitutes a marriage’… I pray God’s mercy on our generation that has such a prideful arrogant attitude to think that we have the audacity to define what marriage is about.” *</td>
</tr>
<tr>
<td>“Well, guilty as charged… we are very much supportive of the family – the biblical definition of the family unit” **</td>
</tr>
<tr>
<td><strong>Formal</strong></td>
</tr>
<tr>
<td>“The tradition in our restaurants is to treat every person with honor, dignity and respect – regardless of their belief, race, creed, sexual orientation or gender…Our intent is to leave the policy debate over same-sex marriage to the government.” ***</td>
</tr>
<tr>
<td>“At Chick-fil-A, we appreciate all of our customers and are glad to serve them at any time. Our goal is simple: to provide great food, genuine hospitality and to have a positive influence on all who come into contact with Chick-fil-A.” ****</td>
</tr>
</tbody>
</table>

* Statement made by Chick-fil-A president, Dan Cathy, during a radio interview (Stein, 2012)
** Statement made by Chick-fil-A President, Dan Cathy, during an interview with the Biblical Reporter (Bennett, 2012)
**** Press release communicated by Chick-fil-A (Cosh, 2012)
Table 4.2
Operationalizing Transparency - Papa John’s

<table>
<thead>
<tr>
<th>Informal</th>
<th>“I got in a bunch of trouble for this… That’s what you do, is you pass on costs. Unfortunately, I don’t think people know what they’re going to pay for this… The good news is 100 percent of the population is going to have health insurance. We’re all going to pay for it.” *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>“Papa John’s, like most businesses, is still researching what the Affordable Care Act means to our operations. Regardless of the conclusion of our analysis, we will honor his law, as we do all laws, and continue to offer 100% of Papa John’s corporate employees and workers in company-owned stores health insurance as we have since the company was founded in 1984.” ***</td>
</tr>
<tr>
<td></td>
<td>“Companies like Papa John’s are largely a collection of small independent businesses. The average Papa John’s franchise owns three to four stores. Since our franchisees own the restaurants they operate, who they hire, how many hours they give each employee and what they pay each employee is up to them, not me or Papa John’s.” ***</td>
</tr>
</tbody>
</table>

* Statement by John Schnatter during a entrepreneurial lecture at Edison State College (Lipscomb, 202).
** Statement by John Schnatter during a phone an earnings phone call (Popken, 2012).
*** Statement released in an opinion editorial by John Schnatter in the Huffington Post (Schnatter, 2012).
Both companies had public figures that made statements of informal transparency and from Table 4.1 and Table 4.2, it would seem that after this both companies scrambled to put out formal statements expressing formal transparency on behalf of the company to rectify or at the very least clarify the informal statements that were made. We could assume that both companies operated similarly due to the fact that the informal transparency statements led to crises of public opinion that threatened the companies stability.

**RQ2: Effects of Informal Transparency**

Both Chick-fil-A and Papa John’s experienced a myriad of repercussions after the informal transparency statements made by their CEO’s. This study examined primary and secondary research in order to demonstrate how both companies were affected financially as well as non-financially. Financial elements include sales, earnings per share and stock prices if the company is publicly traded while non-financial variables are elements, which are valuable to the company’s success but cannot be precisely quantified, such as reputation.

**Chick-fil-A**

There has been a wide spectrum of responses to the statement made by Dan Cathy in regards to gay marriage, several of which have been negative and have had negative repercussions for the fast food chain.

**Non-Financial.** On the business end, the Jim Henson Company, which provided Creature Puppets in Chick-fil-A kid meals, withdrew from doing further business with the chain and issued a statement (see Figure 4.1) posted on Jim Henson’s Facebook Page (Chick-fil-A Gay Marriage Controversy, 2012).
Cathy’s statements did not only hurt current business but also the potential for future franchises as mayors of several cities including San Francisco, Boston, and Chicago made it known that their cities have no room for such “traditional values.” San Francisco Mayor Edwin Lee tweeted: “Closest #ChickFilA to San Francisco is 40 miles away & I strongly recommend that they not try to come any closer” (MacDonald, 2012). Thomas Menino, Boston Mayor, took it a step further by writing a letter to Cathy (see Figure 4.2).
As shown in Figures 4.3, 4.4, and 4.5 consumers have also expressed their disdain with Cathy’s statements as individuals and Facebook groups have popped up on social media sites calling for a boycott against Chick-fil-A (Reactions to Chick-fil-A anti-gay statements, 2012). One university professor started a petition in order to get the chain off of the University of South Florida campus (Kingkade, 2012) and same sex couples across America vowed to stage a kiss-in at the Chick-fil-A locations to show support for the LGBT community (Shapiro, 2012).
Figure 4.3
Twitter Comments Chick-fil-A

@huffpostgay I'm boycotting chickfila completely. What they are doing is preaching hate.

NOH8 Campaign
@NOH8Campaign

Sign & share! Stop the hate, boycott @ChickFilA! bit.ly/MwPc5o #NOH8 fb.me/1dXAReeWn

Sally Jessy Raphael
@SJRaphael

I'd rather give up Chick-Fil-A than support inequality in ANY form!

michael symon
@chefsymon

remind me to never eat at chick fil a ever again
Figure 4.4
Chick-fil-A Boycott Facebook Page

retrieved from http://www.facebook.com/Fckchicfila

Figure 4.5
Chick-fil-A Boycott Cartoon
YouGov BrandIndex data, which measures a company’s brand health by taking an average key score that measure quality, impression, value, reputation, satisfaction and willingness to recommend, reflect this trend (see Figure 4.6). Scores range from 100 to –100 and are achieved by subtracting negative feedback from positive so that if a company were to receive a score equal to zero it would mean it had equal positive and negative ratings. Prior to Cathy’s statements, Chick-fil-A was rated above the average national QSR sector with a score of 65 (19 points above the 46 average of that day). On July 20th, Chick-fil-A’s score had fallen to 47 (3 points below the 50 average of that day) and continued to fall to 39 (4 points below the 43 average of that day). However ratings were not the same all over the country; respondents in the South had Chick-fil-A rated as an 80 on the day of the interview (July 16) to a 44 on July 27; from a 76 to a 35 in the Northeast and a jump upwards in the Midwest from a 45 on the 16 of July to a 70 two days later (Marzilli, 2012).

Figure 4.6
Chick-fil-A BrandIndex Chart
However, inhabitants of the Midwest were not the only ones to show a positive response as Republicans such as Rick Santorum and Mike Huckabee garnered support for Chick-fil-A by asking those who agreed with Cathy’s “traditional values” to eat at the chain – this became “Chick-fil-A appreciation day,” which led to at least one location having to close early due to running low on supplies of chicken (Bingham, 2012). So although overall reputation might be down, it would seem that sales are not.

**Financial.** Chick-fil-A is a family run, privately owned business. Therefore, they are not traded on any stock market. In addition, as a privately owned company, they are not required to release any type of information such as financial statements, annual reports, etc. Their website offers the following information:

System-wide sales in 2012 reached $4.6 billion. These figures reflect an 14 percent increase over the chain's 2011 performance and a same-store sales increase of 8 percent (Chick-fil-A: Company Fact Sheet, n.d.).

This would lead us to assume that any financial loses were short-term or insignificant. On the contrary, the crises *may have actually boosted sales*, as seen on “Chick-fil-A Appreciation day” (Wednesday, August 1, 2012) when customers flocked to one of Chick-fil-A’s 1600 locations in support of Dan Cathy and his Christian principles. Steve Robinson, Chick-fil-A’s vice president of marketing said in a statement the following day: “While we don't release exact sales numbers, we can confirm reports that it was a record-setting day” (Chick-fil-A plucks one day record from gay marriage blow-up, 2012).

**Papa John’s**
Although Papa John’s CEO, John Schnatter, made statements about Obamacare raising the price of pizza in August of 2012, the crisis erupted after President Obama was reelected on November 7 when Schnatter spoke to Edison State College.

**Non-Financial.** Negative reactions to the statements made by Schnatter during the lecture were immediate, a week later a Facebook page calling for a boycott of the franchise had been created with over 1,500 likes (Carnahan, 2012) as well as a Reddit post titled “*There are plenty of places to get cheap s**** pizza in the world – anyone else on reddit ready to boycott Papa John’s?*” – this particular post had 21,000 likes and over 4,000 comments in support of the boycott (Melby, 2012). Individuals also tweeted for a boycott (Libs call for boycott of Papa John’s as CEO anticipates cut in worker’s hours, 2012, see Figure 4.7) and used memes (see Figure 4.8) (Bradford, 2012) in an effort to highlight certain aspects of the situation.

**Figure 4.7**
Twitter Comments
YouGov’s BrandIndex reflected consumer disdain with the brand as Papa John’s score fell from a 32 on Election Day to a 4 by the end of November (Popken, 2012).

However, not all reactions were negative as one group named Reboot USA started an anti-boycott movement: National Papa John’s Appreciation Day. The event, which began on Facebook and had over 14,000 in attendance (Carnahan, 2012), aimed to emulate Chick-fil-A’s appreciation day and called for people to like the Papa John’s Facebook page, buy a slice on November 16 and share pizza with those in need such as the homeless, unemployed or others. The hashtag for the event was #IStandWithPapaJohns. Followers stated that Schnatter’s comments were realistic and that boycotting the company, which is publicly traded, would not only hurt the company but the employees as well (Cassil, 2012).

**Financial.** Despite the uproar including numerous efforts by consumers to boycott the pizzeria chain, quarterly sales reports do not reflect the negative publicity (see Table 4.3). In addition, although earnings per share dipped in the third quarter, they have also increased in the long term. A similar pattern can be observed with regards to the
stock prices, which show a decrease to $47.05 on November 16th but are currently priced at $61.26 (Papa John’s Stock Information, n.d.)

Table 4.3  
Papa John’s Quarterly Finances,

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing Date</td>
<td>24 June</td>
<td>23 September</td>
<td>30 December</td>
</tr>
<tr>
<td>Total Revenue**</td>
<td>$318,579</td>
<td>$325,514</td>
<td>$367,284</td>
</tr>
<tr>
<td>Earning Per Share</td>
<td>$0.62</td>
<td>$0.57</td>
<td>$0.76</td>
</tr>
</tbody>
</table>

* Data from Papa John’s Investor Relations – Quarterly Results, Papa John’s official website  
** In thousands

RQ3: How Did They Manage The Crisis?

Neither company seems to have been negatively affected financially – so the crisis is much more a crisis of public opinion or reputation crisis. How did they manage it?

Chick-fil-A

Initially, when asked about his statements by The Biblical Reporter, Dan Cathy confirmed his comments with a firm “guilty as charged” response. However in managing their crisis, Chick-fil-A avoided comment; several publications, such as The Tribune and The Herald, reported trying to contact the company unsuccessfully – stating that Chick-fil-A’s public relations department requested that questions be e-mailed to them but never responded once received (Sebastian, 2012). However, Chick-fil-A was not silent for long and issued a statement on their Facebook page (see Figure 4.9).
The very next day, on July 20, the Jim Henson Company announced they were severing their partnership with the chicken chain. Immediately afterwards Chick-fil-A issued an additional statement that they would no longer be providing the Muppet toys due to safety concerns. Several locations had counter-top signs stating:
We apologize for any inconvenience but as of 7/19/2012 Chick-fil-A has voluntarily recalled all of the Jim Henson's Creature Shop Puppet Kids Meal toys due to a possible safety issue. Please be advised that there have not been any cases in which a child has actually been injured, however there have been some reports of children getting their fingers stuck in the holes of the puppets. We are offering a substitution of a complimentary kids Icedream cone in its place until a replacement toy is available. Thank you. (Zakarin, 2012)

Chick-fil-A denied the incident having anything to do with Jim Henson’s reaction to Cathy’s anti-gay statements and in fact stated that they had decided to pull the toys from the kid meals on July 19, a day prior to the Muppet Company’s statement, which was released on July 20 (Johnson, 2012). Five days later, on July 25, news broke that Chick-fil-a was potentially creating fake Facebook accounts to defend their honor and stance that they had dumped the Jim Henson Muppets first (see Figure 4.10). The account was suspected of being a fake due to it having been created eight hours prior to the exchange and the profile picture being a stock picture of a teenage girl (Chan, 2012). After both occurrences, Chick-fil-A released the following statements on their Facebook page denying both incidents (see Figure 4.11).

Over a month later, on September 20, Chick-fil-A came out with a press release, which they posted to their Facebook and on their website, entitled “Chick-fil-A: Who We Are. A Response to Recent Controversy” (2012) (See appendix I). The document made a genuine attempt to communicate the role of Christian principles and beliefs within the company’s corporate culture, clarify any of the frictions that ensued as well as draw
Figure 4.10
Chick-fil-A Fake Facebook User
attention to the many ways in which Chick-fil-A supports and contributes to the community. Another statement was released in January of this year, reiterating Chick-fil-A’s nondiscriminatory and non-politicized stance (Chick-fil-A Giving Consistent With Historical Principles, Not Political Debate, 2013).
The message of this statement that Chick-fil-A has no intent to support “political or social agendas” was confirmed by reports from national LGBT campus organization Campus Pride when it was disclosed that Cathy had given Campus Prides’ executive director, Shane Windmeyer, access to Chick-fil-A’s philanthropic WinShape Foundation “990” tax documents. The documents revealed that Chick-fil-A was no longer donating to anti-LGBT activist groups and rather had granted almost six million dollars worth of funding to groups that focused on youth, education, marriage enrichment and the local community (Chick-fil-A Scores a PR Win with a National LGBT Campus Org, 2013).

**Papa John’s**

In mid November of 2012, it was revealed that Papa John’s had hired Sitrick and Co., a public relations firm specializing in crisis management. Mike Sitrick, Chairman and CEO of the firm, who has been named “the king of crisis PR” and the “wizard of spin” said that Schnatter “was tired of being mischaracterized… it unfairly hurts his reputation, and he didn’t want it to bleed over into the brand” (Sebastian, 2013). On November 20, after two weeks of being under fire for the comments he made about
raising the price of Pizza due to Obamacare, Sitrick encouraged Schnatter to set the record straight by writing an opinion editorial. The piece, which was published in the Huffington Post (See appendix II) began by quoting Lewis Lapham: “People may expect too much of journalism. Not only do they expect it to be entertaining, they expect it to be true.” In the Op-Ed, Schnatter went on to explain that he in fact never said that he would cut employee hours or jobs because of Obamacare – and that there had been a misunderstanding. He also added that he had said other things with regards to Obamacare, which had not been as widely reported such as “The good news is 100% of the population (full time workers) is going to get health insurance. I’m cool with that… We’re all going to pay for it. There’s nothing for free” (Schnatter, 2012).

Sitrick insisted that “the reporting was false” and that quotes had been taken out of context “very early in the process.” For example, while many reporters claimed that Papa John’s planned to raise pizza prices to cover the costs of Obamacare what was actually said was:

Our best estimate is that the Obamacare will cost 11 to 14 cents per pizza, or 15 to 20 cents per order from a corporate basis… We’re not supportive of Obamacare, like most businesses in our industry. But our business model and unit economics are about as ideal as you can get for a food company to absorb Obamacare.

(Sebastian, 2013)

Further, Schnatter explained how these were the actions he expected the franchisees to take, not the company:
Since our franchisees own the restaurants they operate, who they hire, how many hours they give each employee and what they pay each employee is up to them, not me or Papa John’s. (Montopoli, 2012)

In a following interview, Schnatter expressed that his only regret was that his comments had been misconstrued and that he did not respond quickly enough to false stories (Wolfson, 2013). However, Sitrick’s public relations company went to work on trying to minimize the damage. How? By having bloggers correct or remove the misleading post. Sitrick told POLITICO that they had been in contact with a few dozen bloggers: “When we see these blogs come up, we send them notes and overwhelmingly, with very few exceptions, they apologize and remove it” (Weinger, 2013).

**RQ4: Were They Transparent?**

In order to determine whether Chick-fil-A and Papa John’s managed their crisis transparently, we used Rawlins (2009) model for measuring organizational transparency. As previously mentioned the seven traits are integrity, respect for others, openness, participation, accountability, and secrecy. Our goal was to see which of these traits Chick-fil-A and Papa John’s demonstrate and to provide examples where possible. In addition, in order to determine who was most effective in dealing with their crisis, the seven transparency traits that were evaluated (see Table 4.4) based on subjective interpretations of the material covered and research that has been performed within this study. The categories for evaluation were excellent, good, neutral, poor, and terrible.
**Table 4.4**
Transparency Traits

<table>
<thead>
<tr>
<th>Transparency Traits</th>
<th>Chick-fil-A (1-5)</th>
<th>Papa John’s (1-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrity</td>
<td>Excellent</td>
<td>Terrible</td>
</tr>
<tr>
<td>Respect for others</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Openness</td>
<td>Neutral</td>
<td>Excellent</td>
</tr>
<tr>
<td>Participation</td>
<td>Good</td>
<td>Poor</td>
</tr>
<tr>
<td>Substantial information</td>
<td>Neutral</td>
<td>Excellent</td>
</tr>
<tr>
<td>Accountability</td>
<td>Good</td>
<td>Neutral</td>
</tr>
<tr>
<td>Secrecy</td>
<td>Poor</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>

**Transparency Reputation Traits**

Reputation traits consist of three traits that increase the reputation of the organization as transparent:

**Integrity.** Traits that communicate integrity are composed of elements such as competence, being committed to doing good, being ethical, reliable and intelligent.

Although Chick-fil-A’s CEO may have struggled with being ethical when he initially made his statements, the company cleaned up after itself later on in the crisis – specifically with it’s last statements *Chick-fil-A: Who We Are. A Response to Recent Controversy*” (2012) and *Chick-fil-A Giving Consistent With Historical Principles, Not Political Debate* (2013) which demonstrated the organizations commitment to doing good and being ethical. For this reason, they were classified as “excellent” on the integrity scale. Papa John’s on the other hand does not demonstrate this trait as part of their strategy in dealing with their crisis – even though they have taken steps to doing good and being ethical in the past by donating percentages of profits to various
foundations such as The American Red Cross as well as various charities they did not do so during their crisis and therefore were classified as “terrible” on the integrity scale.

**Respect for others.** Traits that communicate respect for others are composed of traits such as sensitivity, willingness to listen, flexibility, caring and humility. Chick-fil-A’s CEO, Dan Cathy demonstrated a lack of sensitivity to the LBGТ community when he made his statements regarding “traditional” marriage, however in dealing with the crisis Chick-fil-A has made an effort to communicate that they do not discriminate against any group of people and will serve any customer with genuine hospitality. In addition, it was reported that in an effort to bridge the gap, Dan Cathy called Shane Windmeyer, executive director of Campus Pride and held an hour-long private conversation. They have been in communication for months since the phone call and according to Windmeyer have developed a “personal relationship.” In an interview Windmeyer was quoted as saying “Dan cares about young people and was upset to hear how his company was being used to hurt LGBT students” (Chick-fil-A Scores a PR Win with a National LGBT Campus Org, 2013). Chick-fil-A made up for their blunder but due to the severity of the initial comment and the “guilty as charged” response, they were classified as “good” for this category.

Papa John’s’ crisis seems to have arose out of perceived insensitivity to the Papa John’s employees. Since then, Papa John’s CEO has stated that they will “continue to offer 100% of Papa John’s corporate employees and workers in company-owned stores health insurance” (Schnatter, 2012), although he did at one point state that consumers would have to absorb costs (Sebastian, 2013):
Let’s say fuel goes up, which it does from time to time, and we have to raise delivery charges, we don’t like raising delivery charges, but the price of fuel is out of our control, as is Obamacare. So if Obamacare is, in fact, not repealed, we will find tactics to shallow out any Obamacare costs. And, of course, strategies to pass that cost onto consumers in order to protect our shareholders’ best interest.”

(Popken, 2012)

For this reason, Papa John’s was also classified as “good.”

**Openness.** Traits that communicate openness are composed of traits such as sincerity, credibility, consistency, truthfulness, and candidness. Chick-fil-A’s credibility, truthfulness and candidness are certainly under question when considering the incidents involving the Jim Henson Company and the fake Facebook user. Although we can not be certain of either event, they have left an unfavorable taste in the mouth of the public with certain posts such as one by Reddit using headlines that read: “Apparently Chick-fil-A thinks lying is a Christian value” (Stampler, 2012). However they have remained consistent and candid in the explanation of their beliefs and their role in the company’s corporate culture and were open in demonstrating that they were no longer donating funds to anti-LGBT foundations. Our interpretation of their openness with the public is neutral and therefore they were classified as “neutral.” Papa John’s has also been consistent in the information they’ve provided and the general consensus that information was taken out of context and misused. The entire crisis arose due to statements, which, although incorrectly reported, were very candid, and truthful, therefore there has been no reason to question their openness; they were classified as “excellent” on the openness scale.
Transparency Effort Traits

Transparency effort traits demonstrate that the organization is making an attempt to appear more transparent.

**Participation.** Traits that communicate participation are composed of statements of involvement, feedback, and ease with which one can find detailed information. Although Chick-fil-A initially declined comment, as the situation progressed they offered timely updates and information in order to let the consumer know what their stance was or what they were doing in the light of the crisis. However although this information was published on both their website and Facebook page, the Twitter platform was virtually ignored with only one tweet that redirected to a Facebook post. Considering all the tweets that were being directed at Chick-fil-A during the crisis, the use of twitter might have been more instrumental in keeping the public informed. In addition, the researcher contacted Chick-fil-A in an effort to learn more about the company and the ways in which their crisis was managed, but received no response. For the above reasons, they were classified as “good” in participation. The same holds true for Papa John’s who also did not respond to efforts made to learn more about the managing of the crisis and who did not use any social media platform to inform the public. In this age of technology where social media can be used as a method of two-way communication between the organization and consumer, to completely ignore this option is detrimental to a company’s transparency. However, Papa John’s CEO did provide information via his opinion editorial and their PR firm Sitrick and Co. did make attempts to make sure that
any posts on blogs had the correct, up to date information. Papa John’s is classified as “poor” in participation.

**Substantial information.** Traits that communicate substantial information are composed of statements about the clarity, accuracy, relevance, verifiability and reliability of the information. Statements Chick-fil-A made with regards to the Jim Henson and Facebook user incidents lacked verifiability and to many were viewed as unreliable or inaccurate. However, Chick-fil-A did offer clear, verifiable and relevant information in their statements: *Chick-fil-A: Who We Are. A Response to Recent Controversy*” (2012) and *Chick-fil-A Giving Consistent With Historical Principles, Not Political Debate* (2013). In addition, Dan Cathy’s gesture of allowing Shane Windmeyer access to the *Winshape* “990” tax documents not only demonstrated openness but was proof of the substantiality of their information. For these reasons, we categorized them a “neutral” in substantial information. Papa John’s made several statements with regards to the inaccuracy of the reporting which led to the crisis, however in their own statements and communication the information has remained substantial therefore we have classified them as “excellent.”

**Accountability.** Traits that communicate accountability are composed of statements that admit mistakes, give information that shows various sides of controversies and other information that might be damaging. Chick-fil-A never apologized or admitted that Cathy’s statements were a mistake, in fact they stuck by their principles and beliefs – this in itself was, to some, giving information that was damaging to the reputation of the company; so although they were not accountable by apologizing, they were accountable by not denying what was said and staying true to their beliefs;
therefore we have classified them as “good”. Similarly, Papa John’s never apologized and claimed that his only regret was that the information was misused and led to misunderstanding and that he did not respond sooner. However, he did not reveal any damaging information or take responsibility for any misunderstanding so Papa John’s was classified as “neutral.”

Secrecy. Traits that communicate secrecy are composed of statements that reveal a lack of openness, use of obfuscating language and only disclosing information that showed the company in a positive light. Neither company admitted to a lack of openness, being opaque or having secrets from the public, however Chick-fil-A did make an effort in their statements Chick-fil-A: Who We Are. A Response to Recent Controversy” (2012) and Chick-fil-A Giving Consistent With Historical Principles, Not Political Debate (2013) to disclose information that showed them in a positive light and detracted from the crisis. For these reasons, Chick-fil-A was classified as “poor” and Papa John’s as not applicable.
CHAPTER 5
DISCUSSION

Although transparency has been hailed as a universal benefit to modern companies, the researcher questioned whether there were instances in which transparency could be detrimental. As such, this study aimed to differentiate between the various possible levels of transparency and determine how these types of transparency could affect a company. The reason for this study therefore was to examine how informal transparency and formal transparency operate within a company and how each interplay in contributing towards the provoking or solving of a crisis. In addition, the use of case studies aimed to provide a guide of what was or was not effective for handling similar crises.

It is interesting to note that neither company responded to request from the researcher for more information as to how the cases were handled. In a study examining transparency, this ironically demonstrated a lack of transparency from both companies. But who was most (or least) transparent? From the table provided in section 4.6 we can see that in fact Chick-fil-A exhibited more transparency. However, let us evaluate these two cases more thoroughly. Chick-fil-A and Papa John’s had crises, which were seemingly comparable, but in fact, these crises were very disparate and were dealt with in distinct manners. Chick-fil-A had a crisis of informal transparency, which arose from anti-LGBT comments made by CEO, Dan Cathy. They dealt with their crisis by using two of Benoit’s (1995) strategies to remedy crisis: reducing the importance of an offensive action by bolstering positive traits (“look at all the good we do”), which
includes counter-attacking the accuser (“We dumped Jim Henson first”) and taking correction action (“we no longer donate to anti-LGBT activist foundations”). Whereas Papa John’s had a crisis which arose from improper reporting which took John Schnatter’s comments out of context; this made it appear as if informal transparency was taking place when it was not. Papa John’s dealt with their crisis by using two of Benoit’s (1995) strategies: denial (“I never said that”) and transcending by reframing the context of the action (“What I actually said was…”).

Chick-fil-A’s case was immediately made more complex due to the fact that the statements, which were made by Cathy and caused the crisis, demonstrated principles, at the heart of the chain’s success. The Cathy family considers the Christian values, which they instill in the company’s corporate culture (such as their closed on Sunday policy), as the foundation for their success. So on one hand, while these statements probably solidified a portion of their market that have similar religious values and support Chick-fil-A’s actions and beliefs, it also repelled another very large portion that might be considered less conservative and is more in favor of LGBT rights. As stated by Brady (2012) in his review of how Chick-fil-A handled their crisis in comparison to Marriott, Dan Cathy “crossed the line in letting his faith become less about inspiration than alienation.” In addition, the problems, which arose in response to the statements, such as with The Jim Henson Company, the several Mayors who did not want Chick-fil-A franchises to open in their cities and the anonymous Facebook User accused of being Chick-fil-A in disguise of a teenage girl did nothing but make Chick-fil-A look bad. Even if it was just hearsay and the company had no control of the situation (as is possible with
the Facebook user incident), these stories drew national attention and did not ameliorate Chick-fil-A’s stance with the public.

But did this affect Chick-fil-A in the long term? In reality, the crisis and use of informal transparency may have benefited the company. Many consumers claimed that even if they did not necessarily agree with Cathy’s statements, Chick-fil-A did not openly discriminate by refusing to employ or serve the LGBT community and therefore they would continue to eat there; in addition, it certainly solidified their Christian market. In addition to their record setting appreciation day and their report that sales increased in 2012—it would be safe to assume that they in fact profited from the crisis. But of course, due to the fact that Chick-fil-A does not release any financial information, it cannot be confirmed.

Papa John’s case is less complex and therefore could have been solved more effectively with the use of formal transparency. As mentioned, Papa John’s was caught in a crisis of incorrect reporting which led the public to believe that the CEO, John Schnatter, did not care about his employees and providing them with proper healthcare. The fact that Papa John’s is a franchise-run operation worsened the situation as it made it appear as if Schnatter refused healthcare to the employees, which in fact helped him build his multi-million dollar empire. In addition, the fact that the company remained quiet for as long as they did (almost two weeks) and did not use all of the available resources in managing the crisis did not assuage the situation. However, Papa John’s seemed to recover control of what looked like a sinking ship and, from the financial reports, has emerged unscathed.
Recommendations

In reality, the cases are too disparate to really compare them in terms of one company being more transparent than the other. However, despite these differences both companies could have benefited from a more effective use of transparency. If Chick-fil-A did not want to apologize for Cathy’s statements for fear of losing the supporters that agreed with his beliefs, they should have used formal transparency and made a statement clearly explaining the role of Christianity in their corporate culture. They ended up doing this in their statement Chick-fil-A: Who We Are. A Response to Recent Controversy (2012), but it would have been more effective had it been released immediately after the crisis arose. In addition, they should have used all of their resources (including Twitter) to assuage the public. What’s more, they would have benefited from more transparency in dealing with the Jim Henson Company incident. If Chick-fil-A did in fact pull the Muppet toys from kid meals due to safety concerns, and prior to the Jim Henson Company stating they no longer wanted to partner with Chick-fil-A, they should have made a statement prior, when these events were actually taking place. Releasing the statement when they did, regardless of whether it was true or not, made the company look immature and infantile in the eyes of the public. In the future, if Chick-fil-A wishes to voice their personal beliefs, they must take into consideration that although Chick-fil-A as a business involves many more individuals than just the CEO. The CEO is the voice of the company and as such has a responsibility to all of the individuals that make up the company to explicate and voice their opinion in a non-offensive way that will not hurt the company or the individuals who help build it.
Papa John’s crisis might have been managed more quickly and effectively if they had been more transparent and communicated more efficiently. Instead of waiting two weeks before putting out an op-ed piece in *The Huffington Post*, Papa John’s should have fully disclosed what happened and made full use of the resources that they have direct access to. Internet platforms such as their website could have been utilized for the broadcasting of press releases or formal statements. Further, social media was not used at all—not one post on either their Facebook or Twitter page mentions the crisis. Although that may be wise for a small crisis that has not really made the news and to which you would not want to draw much attention to—for an international company with over 3,500 franchises and a crisis that made national news, social media should have been used to appease those calling for a boycott. In addition, it is likely that social media platforms would have reached a greater audience than online news (such as *The Huffington Post*) or possibly blog posts. In the future, Papa John’s need to react to crisis more quickly with the use of full formal transparency before the situation snowballs out of control. As a general rule, both when dealing with crisis and in normal times, companies should be ready to provide full disclosure in formal transparency but monitor informal transparency in a way that is politically correct, non-offensive and accurate.

**Limitations**

This study has contributed to the literature by providing case studies of two Quick-Service-Restaurants, Chick-fil-A and Papa John’s, who experienced crises due to *informal transparency* (or perceived informal transparency in Papa John’s case). It provided information on how they managed their crises and how transparent they were in doing so. In addition it has provided recommendations on how these crises could have
been handled more effectively. However, there were limitations to the study. First, the variables borrowed from Rawlins (2009) study that were used to determine transparency were not always applicable. For example, a company would tend to achieve a high accountability score if they apologized or somehow took responsibility for their actions. Although Chick-fil-A could have done this, Papa John’s was not in a situation that required apologizing. Similarly, the variable for secrecy would really only be applicable if a company had something they were hiding to begin with; however if a company is being transparent, the assumption is that they are not hiding anything from the public. Second, neither company responded to requests for information about the company, the crisis, how it affected them or how it was managed which made discerning transparency more challenging. This is especially true for Chick-fil-A, which is a private company and therefore is under no obligation to release information, financial or otherwise. Lastly, in hindsight, after having done the research, Papa John’s crisis did not really arise from informal transparency as much as bad reporting; it was not what CEO John Schnatter said but allegedly how it was taken out of context by a journalist. Therefore this does not allow for proper comparison with Chick-fil-A whose crisis did arise out of informal transparency.
References


Gildez, C., & Lawrence, M. (2010). Should a CEO be a company’s primary spokesperson during a crisis? *PRWeek*, 18 (8), 27.


Appendices

Appendix I

For many months now, Chick-fil-A’s corporate giving has been mischaracterized. And while our sincere intent has been to remain out of this political and social debate, events from Chicago this week have once again resulted in questions around our giving. For that reason, we want to provide some context and clarity around who we are, what we believe and our priorities in relation to corporate giving.

A part of our corporate commitment is to be responsible stewards of all that God has entrusted to us. Because of this commitment, Chick-fil-A’s giving heritage is focused on programs that educate youth, strengthen families and enrich marriages, and support communities. We will continue to focus our giving in those areas. Our intent is not to support political or social agendas.

As we have stated, the Chick-fil-A culture and service tradition in our restaurants is to treat every person with honor, dignity and respect—regardless of their belief, race, creed, sexual orientation or gender. We will continue this tradition in the over 1,600 restaurants run by independent Owner/Operators.

For a better understanding of our corporate giving, please see the below document titled “Chick-fil-A: Who We Are”.*

*This is the same document provided and referred to in coverage surrounding Chicago.

CHICK-FIL-A: WHO WE ARE

Chick-fil-A is a family-owned and family-led company dedicated to serving the communities in which we operate. From the day Truett Cathy started the company, he began applying biblically-based principles to managing his business. For example, we believe that we are stronger because of such principles as closing on Sundays, going the extra mile in service, treating others as we want to be treated, and devoting a percentage of profits back to our communities. Those same principles have been applied throughout the history of Chick-fil-A and still apply today.

The Chick-fil-A culture and 66-year service tradition in our locally owned and operated restaurants is to treat every person with honor, dignity and respect—regardless of their beliefs, race, creed, sexual orientation or gender. We are a restaurant company focused on food, service and hospitality; our intent is not to engage in political or social debates.
There are many diverse viewpoints and opinions among those associated with Chick-fil-A, including our independent Owner/Operators and their team members, Chick-fil-A corporate staff, suppliers and business partners. Chick-fil-A and the Cathy family, who own the company, value and respect all of these differences. If someone in Chick-fil-A offers a personal viewpoint, they do not presume to speak for everyone.

Chick-fil-A is built and sustained by long-term, enduring relationships, with our Operators, our staff, our business partners, our suppliers, community organizations we support, and – most importantly – our customers.

In Chick-fil-A, we have a foundational commitment to service – service to our customers, service to our Owner/Operators and their team members, and service to our communities. This begins in the restaurant—one customer at a time. We firmly believe in treating every person who comes through our doors with honor, dignity, and respect. We teach it to everyone who comes to work at Chick-fil-A, and it’s something that they take with them throughout their careers – whether they choose to stay with Chick-fil-A or go on to other promising careers. We also make a commitment to taking care of the people who take care of our communities. For example, by giving sandwiches to first responders in times of crisis, we honor the commitment they make to serve all of us. And our philanthropic giving reinforces that commitment to service by helping children and families in need. This is what makes us who we are.

The Chick-fil-A Corporate Purpose is: “To glorify God by being a faithful steward of all that is entrusted to us and to have a positive influence on all who come into contact with Chick-fil-A.”

**CHICK-FIL-A: SERVING OUR COMMUNITIES**

Chick-fil-A is dedicated to serving others, and each locally owned and operated Chick-fil-A restaurant is focused on the community it serves. Over the past three years alone, in cities and towns across America, Chick-fil-A has given more than $68 million in contributions to over 700 different educational and charitable organizations and has provided millions of dollars in food donations.

Chick-fil-A’s commitment to giving back was established by our founder, Truett Cathy, whose example continues to guide our company today. As he expressed many times over the years: “Nearly every moment of every day we have the opportunity to give something to someone else – our time, our love, our resources. I have always found more joy in giving when I did not expect anything in return.” This value is at the core of everything we do.

Chick-fil-A focuses its giving in three key areas:

*Creating educational opportunities for our Team Members and youth across America*
Restaurant Team Member College Scholarships – We donate $1.6 million each year to help Chick-fil-A team members attend the college of their choice. Over the life of the program, we have donated more than $30 million towards this purpose, helping more than 30,000 team members attend more than 500 different colleges and universities.

A Commitment to Higher Education – In 2009--2011, we donated more than $7 million toward scholarships and educational development to various colleges and universities across the nation. These include Berry College, the University of Texas, Virginia Tech, Louisiana State University, Morehouse College, Boise State University, Emory University, Auburn University, Oglethorpe University, Clark Atlanta University, Florida State University, the universities of Mobile, Tennessee, North Carolina, South Carolina, Virginia and Alabama, and many others.

Supporting Higher Education Through the Chick-fil-A Bowl – Our sponsored bowl games hold the record among all college bowl games in charitable and scholarship contributions with more than $1.25 million in 2011, and a 10-year total of more than $13 million. These donations support scholarships, foster care through WinShape Homes, Lighthouse for the Blind, and academic coaches through Play It Smart.

Supporting Youth Education Programs – Chick-fil-A underwrites financial literacy programs, such as Junior Achievement, that benefit middle school students in the Southeast. In 2011, Chick-fil-A formed the S. Truett Cathy Foundation to promote character education and literacy in the inner city of Atlanta. That foundation gave $600,000 in 2012 to Junior Achievement.

Food donations for those serving or in need

Donating Food for Those in Need -- Each year, Chick-fil-A and its Owner/Operators give thousands of sandwiches to organizations treating sick/special needs children, such as the Children’s Hospital of Atlanta, Camp Hope, Nathaniel’s Hope in Florida and the East Tennessee Children’s hospital.

Providing Disaster Relief – Recent examples include giving a combined 12,200 sandwiches to victims and relief workers impacted by the 2012 Colorado wildfires and the massive tornadoes that ripped through the Midwest and South in 2011 and 2012.

Military Appreciation -----. In Southern California, 42 local Chick-fil-A restaurants support Military Appreciation Night, feeding 13,500 military personnel and their families in 2012. Chick-fil-A also has an ongoing partnership with USO in Atlanta Hartsfield--Jackson International Airport in which 36,000 free sandwich coupons have been given to military personnel since 2006. In addition, Chick-fil-A is a corporate sponsor for the PGA TOUR Charities, Inc., Birdies for the Brave/Patriots’ Outpost initiative, which provides hospitality and recognition for military personnel and their families at PGA TOUR tournaments. Since 2010, more than 80 Chick-fil-A restaurants have served 35,000 Chick-fil-A Sandwiches at 23 PGA TOUR events.
Developing youth and family/marriage enrichment programs and supporting our communities

- **Meeting Local Needs** – In addition to food donations, local Chick-fil-A Owner/Operators stage “Spirit Nights”, donating a portion of sales to local community needs such as new band uniforms or support for families of fallen police officers. These efforts add up to an estimated $10 million or more annually.

- **Investing in Our Youth** – In the past three years, we have given $1.44 million ($480,000 per year) to support sports programs for disadvantaged youth in Atlanta, administered by the Fellowship of Christian Athletes.

- **Supporting Organizations That Serve Others** – In the last three years, Chick-fil-A has donated a total of $1 million to the Grady Hospital Burn Center in Atlanta.

- **Supporting A Variety of Community Organizations** – A total of more than $500,000 also was donated in 2009--2011 to such organizations as the United Way, Salvation Army, Hosea Feed the Hungry and Homeless, Jerusalem House, East Lake Community Foundation, Atlanta Legal Aid Foundation, the Carter Center, Shepherd Center Foundation, Care for AIDS in Kenya, and Southwest Christian Care hospice.

- **WinShape Camps** – In 2009--2011, WinShape invested $13.5 million in day camps and overnight camps for thousands of boys and girls. In 2012 alone, for example, these camps hosted 16,500 girls and boys.

- **WinShape Marriage** – Chick-fil-A supports programs and marriage retreats to help strengthen and enrich marriages. More than 4,000 couples annually benefit from these programs, including military personnel and sports coaches who received scholarships.

- **WinShape Homes** – Chick-fil-A donates $3 million per year to operate 12 foster homes. This program was established in 1987.

- **WinShape International** – More than 700 Chick-fil-A staff and Operators have journeyed to 59 countries for 190 projects, such as teaching leadership principles and drilling clean water wells.

By making financial investments in these educational and charitable organizations, we aspire to have a positive impact in our society.

8/15/12
The Real Scoop on Papa John's and Obamacare
Posted: 11/20/2012 12:49 pm

Reading what has been written about statements I made on the effect of the Affordable Care Act on our franchisees reminds me of a quote from Lewis H. Lapham, former editor of Harper's magazine: "People may expect too much of journalism. Not only do they expect it to be entertaining, they expect it to be true."

Many in the media reported that I said Papa John's is going to close stores and cut jobs because of Obamacare. I never said that. The fact is we are going to open over hundreds of stores this year and next and increase employment by over 5,000 jobs worldwide. And, we have no plans to cut team hours as a result of the Affordable Care Act.

Clearly there was some misunderstanding somewhere. The remarks that generated the headlines were made during an entrepreneur class I was asked to speak to at a Florida college. I was asked to share my experience as an entrepreneur and to provide the students with real-life small business situations. Unbeknownst to me, until she identified herself, a reporter was there.

Here is the part of the interchange that was the genesis of the news:

Reporter: "Do you think your -- you know -- franchise owners... are going to cut people hours back to make them part time instead of full time?"

Me: "Well, in Hawaii there is a form of the same kind of health insurance and that's what you do, you find loopholes to get around it. That's what they're going to do."

Reporter: "My understanding is that if you're a full time employee, which is 35 hours or over, you'd be covered. Or if you're part time then you wouldn't be. So wouldn't some business owners just cut people down like 34 hours a week so they wouldn't have to pay for health insurance?"

Me: "It's common sense. It's what I call lose-lose."

The reporter asked what I believed Papa John's franchisees would do in response to Obamacare, not what Papa John's would do. In fact, her question was "wouldn't some business owners just cut people down like 34 hours a week so they wouldn't have to pay for health insurance?"
My answer: "It's common sense."

Companies like Papa John's are largely a collection of small independent businesses. The average Papa John's franchisee owns three to four stores. Since our franchisees own the restaurants they operate, who they hire, how many hours they give each employee and what they pay each employee is up to them, not me or Papa John's. Like any small business in these economic times, our franchisees are under a tremendous amount of pressure on costs.

During that same interview, talking about Obamacare I said, though it wasn't widely reported:

"The good news is 100% of the population (full-time workers) is going to get health insurance. I'm cool with that."

"We're all going to pay for it. There's nothing for free."

"And this way I get to provide health insurance and I'm not at a competitive disadvantage ... our competitors are going to have to do the same thing."

Papa John's, like most businesses, is still researching what the Affordable Care Act means to our operations. Regardless of the conclusion of our analysis, we will honor this law, as we do all laws, and continue to offer 100% of Papa John's corporate employees and workers in company-owned stores health insurance as we have since the company was founded in 1984.

*John Schnatter is the founder, chairman and chief executive officer of Papa John's, which operates and franchises more than 4,000 delivery and carryout pizza restaurants worldwide.*