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Leading an Industry while Making A Difference

Sherleen Mahoney

Darden's "People, Planet & Plate" initiative embodies the company's culture and sustainability efforts

People First

Darden credits its employees as the most important factor in its success. These employees are on the front lines, proudly representing the brand and serving more than 400 million meals a year. Darden understands that by valuing and developing its employees, they are creating an enthusiastic and motivated workforce. That's why Darden offers employees competitive pay, access to healthcare benefits on the first day of employment (a rarity in the restaurant industry), a credit union, a 401(k) match when Darden meets its financial targets and a discount on Darden stock.

In addition, there's a voluntary employee-funded assistance program called Darden Dimes. Thanks to employees donating at least 10 cents per paycheck, the program provides financial assistance to coworkers in need. The program helps employees who experience severe financial hardships resulting from unexpected emergencies or catastrophic disasters, such as hurricanes, fires or flooding.

When Hurricane Sandy swept across the East Coast, the powerful storm killed more than 100 people, devastated coastal cities in New York and New Jersey, and shut down mass transit systems. One New Jersey town that was hit hard was Sayreville. Many residents, including Darden employees, lost their homes and were without power and unable to work for more than a week.

Darden employees quickly responded by sending much-needed relief to fellow employees in need. "Darden Dimes understood the financial hardship we endured and graciously donated \$200 cash gift cards to us," said Erin O'Kelly, a server at an Olive Garden in East Brunswick, N.J. "I can't thank Darden enough for recognizing our needs and the speed in which they delivered the cards to us."

Darden Dimes also helps with transitional housing assistance resulting from abuse, emergency travel needs due to illness, care of family members, funeral expenses and relocation of surviving children. On average, five to 10 employees receive a grant from Darden Dimes every day to help them get back on their feet after an unexpected emergency. In 2011, employee contributions totaled \$1.7 million with 3,481 grants issued for assistance.

Darden's workplace efforts landed the company on Fortune's list of the "100 Best Companies to Work For" in 2011 and 2012.

"In a service-oriented business like ours, oftentimes the difference between a good guest experience and a great one is the discretionary effort of our employees," says Clarence Otis, Chairman and CEO of Darden. "That's why we make a promise to every one of our employees that what you do, who you are, what you learn and who you're with, matters. We're convinced that our commitment to maintaining a strong, people-focused culture is the single most important reason we've continued to enjoy the success we have."

What Darden provides to its employees comes back in the most important way. Together, they work toward a shared goal: to deliver great guest experiences.

Caring for Communities

Darden's commitment to people goes beyond its employees. Darden also is committed to serving communities by donating to hunger, education and environmental efforts.

In America, more than 50 million people go hungry every year, and restaurants often throw away thousands of pounds of edible food each night. In 2004, a small group of Darden restaurant managers decided to bridge this disconnect in their community by donating unserved food to local charities. This caught the attention of Darden's leadership, who wanted to expand this effort company-wide to help those in need.

Today, the Darden Harvest program—working with the Food Donation Connection, a company that manages food-donation programs—donates prepared, unserved food to local nonprofit charities. Every restaurant has a system for routing edible food, which otherwise would have been thrown away, to hungry people. The procedure involves preparing, bagging, tagging and freezing food to be picked up once a week by various food-service agencies. For example, if a customer changes his order after the meal was prepared, that meal is immediately bagged, tagged and frozen. Excess ingredients may be saved for donations as well. Since the program began in 2004, Darden has donated nearly 60 million pounds of food to hunger relief organizations.

Another way Darden supports communities is through its Restaurant Community Grants program. Launched in 2011, the program allows every Darden restaurant in the United States and Canada to donate a \$1,000 grant to a nonprofit organization in their community.

"We give to organizations that range from small, independent non-profits you may not have heard of, all the way to organizations such as the Boys & Girls Club of America," said Rich Jeffers, Director of Communications at Darden.

In 2011, the program awarded more than \$1.7 million to nearly 900 non-profit organizations. In 2012, Darden hoped to reach the \$2 million mark in donations.

Education is also an important topic for Darden. Through the company's Recipe for Success™ program, Darden provides disadvantaged youth with the tools they need to pursue higher education. In addition, they prepare students for what to expect in post-secondary education and provide scholarship funding. In 2012, Darden has donated nearly \$1.9 million to fund the program's efforts.

Lastly, Darden is involved in conserving natural resources. The Darden Foundation created the Great American Trail program with the National Recreation and Parks Association (www.nrpa.org) to restore, improve and update trails across the country. Other key conservation partners include the New England Aquarium, the Everglades Foundation and the Audubon Society of Florida.

Protecting Our Planet

Though Darden has been focused on sustainability for decades, there was a push to do more in 2007.

During restaurant tours, Darden executives noticed many of the young restaurant employees expressing an interest in the company adopting more sustainability practices.

"The idea [of doing more] came out of our millennial workforce," said Brandon Tidwell, Manager of Sustainability at Darden Restaurants. "Seventy percent of our employees are 30 and under, and they are very interested in this issue. This millennial generation grew up with environmental education in school, and they want to make a difference in their careers and be actively engaged. They grew up recycling at home and separating their trash, so when they can't do the same thing in the restaurant, it's frustrating for them. They want their workplace to share their same values."

Darden's leadership considered their employees' suggestions and analyzed market trends, which also reflected a shift toward pursuing more energy efficiency and water conservation efforts.

In 2008, Darden decided the best way to focus on sustainability was to split the efforts into two manageable parts. One committee concentrates on energy, water and waste in the restaurants, and the other on fisheries and supply chain. These committees include members from human resources, development, facilities, operations, finance, capital equipment and supply chain. They meet on a regular basis to determine what sustainable opportunities exist and how to take advantage of them.

Grassroots Efforts

One idea that arose from the energy, water and waste committee was setting up restaurant Green Teams, in-house restaurant team members who are responsible for implementing sustainable projects and initiatives set forth by the development and facilities departments.

Early Green Team campaigns included creating equipment power up/ down schedules, performing water leak inspections and sending interactive posters of Darden's current sustainability efforts to restaurants.

"These posters were a starting point for us," said Todd Taylor, Director of Design at Darden Restaurants. "Our

team members would get excited about them and provide feedback about the efforts. Their ideas were routed to the sustainable committee, and our job was to discuss ways we could implement them and make them a reality."

"When I heard about the Green Team, I felt like it was almost a personal obligation to our society and community to make sure we're doing things to better tomorrow and making sure our environment is protected and maintained instead of creating a larger carbon footprint," said Pam Martin, a Green Team member at a Bahama Breeze restaurant. "I want to make sure we're doing the most that we can to make sure our impact on the environment is minimal."

Today, many of Darden's 2,000-plus restaurants have three to five employees serving on the Green Team.

Through the Green Teams, Darden proved that a variety of simple tasks make a big difference. For example, setting every programmable thermostat to a factory standard helped cut energy costs.

"I'm in charge of the thermostats in the restaurant," said Michele Smith, a Green Team member at a Red Lobster. "So when I come to work in the morning, I make sure all the thermostats are set where they are supposed to be. I'm glad to be part of [Darden] because it gives me a chance to feel like I'm helping out and I'm doing something good, too."

One Big Goal

In 2009, Darden set an important target to reduce its per-restaurant energy and water usage by 15 percent by 2015 and, one day, to send zero waste to landfills. It's called the "15x15 Over Zero" goal.

To reach its goal, restaurants retrofitted lighting with energy-efficient bulbs, installed low-flow faucets and valves, optimized thermostat settings and power-up schedules, and pledged to build all new restaurants using green building designs.

So far, 477 Olive Garden and Red Lobster restaurants have replaced all interior incandescent and halogen lighting with new LED lamps. The LED lights are estimated to last 50,000 hours, as opposed to 4,000 hours with incandescent and halogen lights. The retrofit is estimated to save Darden \$2 million per year on energy costs.

According to Darden's 2012 Sustainability Report, in 2011, the company exceeded its water goal by reducing its per-restaurant water usage by 17 percent on an aggregate basis. This equates to reducing, or avoiding using, a billion gallons of water.

"Though it's a great accomplishment, we're not stopping at 17 percent," said Jack McNertney, Senior Director of Facilities, Building and Campus Services at Darden. "Water conservation varies by brand. Some brands achieved 21 to 22 percent water reduction, while others, such as LongHorn, which is the brand that is least reliant on water, has reduced their usage by 4 percent. Another brand's usage went up by 8 percent. In general, we reduced water by 17 percent on a per-restaurant basis, but we still have work to do on a brand-by-brand level."

To further lower water use, Darden's initiatives for 2013 include installing dipper well systems and new landscape irrigation opportunities.

As for energy, Darden has reduced its per-restaurant energy use by almost 8 percent. To advance closer to the 15 percent goal, Darden is piloting the use of on-site energy management systems that are showing reductions of 9 to 10 percent per restaurant.

And for waste, recycling efforts have been expanded, increasing the company's landfill diversion rate by 28 percent. Currently, more than 550 restaurants participate in singlestream recycling, which recycles cardboard, plastics, metals and glass. Darden will also test composting in 2013.

Lastly, an oil-recycling program, initiated in 2010, reclaims 100 percent of Darden's fryer oil. Five million pounds of oil have been collected and sold to make new products, such as biofuel, soaps, cosmetics and animal feed.

For its conservation efforts, in 2012, Darden was ranked No. 198 on Newsweek's Green Rankings list. This represents a 50 spot jump from last year. The list ranks the 500 best environmental publicly traded companies in the United States. Darden also advanced five points to No. 55 on the Climate Counts ranking.

Building a Greener Future

Darden plans to build approximately 100 new restaurants per year. And to ensure the company's growth is continued in sustainable ways, Darden builds all new restaurants using LEED-standard prototypes. Currently, 12 Darden restaurants have applied for or achieved LEED status.

This new green design standard incorporates energy-saving features such as a system that captures the heat vented by HVAC and refrigeration equipment to warm water, drip irrigation systems for landscaping, and

hands-free faucets, low-flow sinks and flush valves. In addition, the new design incorporates more windows to light the interior with sunlight instead of electricity, and all interior lighting utilizes LEDs.

The building materials are sourced from regional suppliers up to 500 miles away, and many items such as the sheetrock and carpeting are made from recycled materials.

Existing restaurants will also be retrofitted and remodeled to bring them up to the new prototype's standard. Furnishings that are removed are donated to groups such as Habitat for Humanity.

Getting Noticed

Sustainability is good business. To date, Darden's sustainability efforts have saved the company \$18 million. By 2015, the company expects an additional \$10 to \$12 million in savings.

"We did this because it's the right thing to do; it's in our DNA as a values-driven company and because our employees wanted this," Tidwell said. "We're excited that external groups, such as Fortune and Newsweek, are recognizing the efforts we've made."

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