

### Texaco Yesterday Versus Today: Now, Only the Oil Is Crude

The year 1996 was a bleak one for Texaco (now Chevron Texaco Corp.). One fall day while the company was in the midst of defending itself against legal charges of discrimination brought by 1,400 African American employees, a few top executives met to decide how to proceed. Secret tape recordings of that meeting revealed not only that these officials discussed destroying some incriminating documents, but also they freely used racial epithets in the course of doing so. After these tapes were shared with the plaintiffs' attorneys and the *New York Times*, Texaco found itself in the midst of a public relations nightmare. In the days that followed, the company's stock dropped so much that it lost nearly \$1 billion in value.

Shortly thereafter, Texaco's chairman and CEO, Peter I. Bijur, settled the lawsuit, paying \$140 million in damages and back pay to minority employees and setting aside another \$35 million for a task force to monitor the company's treatment of women and minorities for the next five years. In doing so, Texaco's goal, according to Bijur, was to become "a model of workplace opportunity for all men and women." Has Texaco met this goal? Observers note that although Texaco is still not among the most hospitable companies for members of minority groups, it has made considerable strides.

Statistics tell the story. In recent years, over 40 percent of new hires and about a quarter of all newly promoted employees have come from minority ranks. Also, over \$1 billion—approximately 15 percent of the company's spending—has been directed at businesses owned by women and members of minority groups. And although 80 percent of the company's top executives are still white men, growing numbers are coming from minority ranks. "Now," Bijur remarks, "we treat all people with the utmost respect—and that is a real achievement."

Because Texaco is under careful scrutiny—both from the courts and from the public—with respect to its treatment of women and minorities, it doesn't have much choice in the matter. Still, the company has shown that it is quite serious. Completely overhauling the way it went about hiring and treating people, Bijur took several steps to show that he would not tolerate disrespect. Rather than simply talking about promoting equality and respect for everyone, he set meaningful goals and timetables to help advance women and minorities. So serious are these goals that a portion of all top executives' and managers' annual evaluations is based on how effectively they meet them. Importantly, the company has prospered financially as it has strived toward these goals.

Clearly, changes have resulted: Corporate attorneys who used to spend time defending against discrimination lawsuits have found that virtually no such complaints have reached their desks in recent years. Even Bari-Ellen Roberts, the woman who initiated the lawsuit against Texaco, is optimistic that the company will continue its efforts to improve the treatment of women and minorities in the years ahead. "Then again," she said, "they had to—things could not remain the same."

#### Critical Thinking Questions

1. To what extent do you believe that Texaco's actions will be effective in getting its high-ranking employees to feel less prejudice toward members of minority groups?
2. How severely do you believe Texaco's public image was harmed because of this incident? Analogously, do you believe the company's image will be helped because of its new diversity management efforts?
3. What kinds of diversity management efforts do you believe would be most effective at Texaco?