3

Public Outcry

The public was outraged when it received the initial reports that top executives within Texaco had made derogatory remarks about its African-American employees. Those derogatory remarks seemed to validate the public thought, feeling and insecurity surrounding Corporate America. At a time when affirmative action was being questioned, and the issues of prejudice and injustice were being debated, tangible evidence was offered that the "good ole boys" network, "glass ceilings" and many other negative Corporate America caricatures did in fact exist. This incident was specific to Texaco, but the public sentiment reflected a wider scope of discriminatory issues.

Rev. Jesse Jackson quickly became the voice of the black community, calling for a boycott of all Texaco products. The public responded by cutting up Texaco credit cards, and boycotting independent Texaco dealers. Wall Street recognized the potentially disastrous effects on business and adjusted its stock price accordingly. Texaco stock traded at $99^{5/8}$ at the opening on November 4th, 1996, and dropped to 97 by the end of trading that day.

Unresolved Issues

At the time of the case, Texaco, Inc. appeared to have disproportionately lower levels of minorities in roles of authority as compared to whites. Also it should be noted that the discrimination lawsuits that the tape supported were pending prior to the meeting in 1996. The U.S. EEOC had begun an investigation into the employment practices of Texaco prior to the taping of the conversation. These and other unresolved issues appeared to support the notion that Texaco had substantive discrimination problems that management would have to address directly.

Discussion Questions

1. What are the critical issues surrounding the newly released tapes?
2. How should Peter Bijur and Texaco respond to the allegations? How should the company respond to the publicity?
3. Should the employees be addressed separately from the general public? How can Texaco mend fences with minority employees and customers?
4. What would be an effective corporate strategy in dealing with encouraging diversity in the workplace?

EXHIBIT 1

Texaco's Initial Press Release Concerning Taped Racial Slurs

TEXACO RESPONDS TO MEDIA INQUIRIES REGARDING ALLEGATIONS IN NEW YORK TIMES ARTICLE

FOR RELEASE: MONDAY, NOVEMBER 4, 1996.

WHITE PLAINS, N.Y., Nov. 4 - Texaco was informed last week of new allegations regarding misconduct by certain current and former employees. These allegations relate to a pending employment discrimination lawsuit brought against Texaco and were reported in today's *New York Times*.

4

The following is a statement from Texaco:

> If these allegations are true, they represent an outrageous violation of the company's core values and principles. Any such conduct is deplorable and will never be tolerated by Texaco.
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> Texaco has clear and vigorously-enforced policies against discrimination in the workplace. The company is committed to providing a work environment which reflects an understanding of diversity, and is free from all forms of discrimination, intimidation, and harassment. The company also prohibits conduct or language which is unwelcome, hostile, offensive, degrading, or abusive. Such conduct is unacceptable and will not be tolerated.
>
> In addition, Texaco enforces strict policies regarding the retention and production of documents. If any documents related to this lawsuit were in fact concealed or destroyed, such conduct would constitute a clear violation of these policies.
>
> Immediately upon learning of the allegations of misconduct, Texaco retained outside counsel, Michael Armstrong of Kirkpatrick and Lockhart, to conduct an extensive independent investigation to determine whether these allegations are true.
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> If the company through its investigation determines that the alleged misconduct occurred, it will take appropriate disciplinary action against the employees, which could include termination.
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> Texaco is determined to maintain an environment of respect for the individual and a work environment that allows every employee to develop and advance to the utmost of his or her abilities. We are dedicated to equal opportunity in all aspects of employment and will not allow any violation of law or company policies.

Source: http://www.texaco.com/compinfo/diversity/diversity_main.htm

Case Study: Texaco, Inc.

Racial Discrimination Suit (B)

Roughly one week after *The New York Times* story of Texaco's racial discrimination fiasco hit the street, the company's stock price had tumbled to $95^{3/8}$.

Texaco's reaction to the debacle was swift. On learning of the allegations of misconduct, the company hired Michael Armstrong, a Manhattan lawyer with Kirkpatrick & Lockhart. Armstrong

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Source: This case was written by Research Assistants Tanya Goria, DeWayne Reed, and Dan Skendzel under the direction of James S. O'Rourke, Concurrent Associate Professor of Management, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Information was gathered from corporate as well as public sources.

Source: Eugene D. Fanning Center for Business Communication, Mendoza College of Business, University of Notre Dame.