

RAYTHEON  
LECTURESHIP IN  
BUSINESS ETHICS

# The Ethics of Globalization: Oxymoron or Path to Peace and Prosperity?

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CENTER FOR  
BUSINESS ETHICS

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**BENTLEY**

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**BENTLEY is a national leader in business education. Centered on education and research in business and related professions, Bentley blends the breadth and technological strength of a university with the values and student focus of a small college. Our undergraduate curriculum combines business study with a strong foundation in the arts and sciences. A broad array of offerings at the McCallum Graduate School emphasize the impact of technology on business practice, including MBA and Master of Science programs, PhD programs in accountancy and in business, and selected executive programs. Enrolling approximately 4,000 full-time undergraduate, 250 adult part-time undergraduate, and 1,270 graduate students, Bentley is located in Waltham, Mass., minutes west of Boston.**

**The Center for Business Ethics at Bentley College is a nonprofit educational and consulting organization whose vision is a world in which all businesses contribute positively to society through their ethically sound and responsible operations. The center's mission is to give leadership in the creation of organizational cultures that align effective business performance with ethical business conduct. It endeavors to do so by the application of expertise, research, education and a collaborative approach to disseminating best practices. With a vast network of practitioners and scholars and an extensive multimedia library, the center provides an international forum for benchmarking and research in business ethics.**

**The center helps corporations and other organizations strengthen their ethical culture through educational programming such as the Raytheon Lectureship in Business Ethics.**



It was an honor for the Bentley community to welcome Michael Eskew to our campus as the fifth Raytheon Lecturer in Business Ethics. Mr. Eskew, the Chairman and Chief Executive Officer of UPS, has led the company's global expansion, building a \$36 billion business by focusing on the goal of enabling commerce around the world. Globalization presents almost infinite opportunities for business while raising many ethical dilemmas. This inescapable and often emotive issue is a subject about which Mr. Eskew is both passionate and knowledgeable. We are grateful to him for sharing his insights in his lecture, "The Ethics of Globalization: Oxymoron or Path to Peace and Prosperity?"

A commitment to ethics and social responsibility — in our scholarship, in the classroom, in student life, and in the way we do business — is central to Bentley's mission as a business university. We believe it is possible to teach ethics, but only if it becomes a way of life on campus. Our students and faculty live and breathe these issues through a host of pioneering programs, sponsored by a campus-wide Alliance, comprising the Center for Business Ethics, the Women's Leadership Institute, the CyberLaw Center, the Bentley Service-Learning Center, and the Bentley Diversity Initiative.

In the 29 years since the Center for Business Ethics (CBE) was established, it has endeavored to be an international leader in the field of business ethics, and a driving force behind the infusion of ethics and social responsibility into every facet of Bentley life. The Raytheon Lectureship in Business Ethics series, founded and organized by CBE, is a hallmark of this Bentley-wide commitment. With Raytheon's valued support, I am confident that our students and faculty will continue to draw inspiration, understanding and new insight from the dialogue created by the lectures.

W. Michael Hoffman  
Executive Director  
Center for Business Ethics  
Bentley College

**The Raytheon Lectureship in Business Ethics at Bentley College is made possible through the generous support of the Raytheon Company. Raytheon is an industry leader in defense and government electronics, space, information technology, technical services, and business aviation and special mission aircraft, with annual revenues of more than \$20 billion. The company employs 80,000 people worldwide. Raytheon aspires to be the most admired defense and aerospace systems supplier, through its world-class people and technology. It has built a reputation for adhering to the highest ethical standards in the industry. The lectureship series aims to illuminate and promote ethical values and conduct in business, highlighting best practices in corporations throughout the United States.**

**Learn more about Raytheon online at [www.raytheon.com](http://www.raytheon.com).**



Ethics in business is about so much more than following rules. Fundamentally, it is a matter of creating the right culture in our organizations, so that people have the ability and support to make decisions that are not only effective but are consistent with the values and principles we hold dear. Raytheon has worked very hard in establishing an ethical business culture that is accepted by our employees and woven into the fabric of the ways in which we work. Our continued growth and profitability depend on it.

Raytheon has supported the Center for Business Ethics at Bentley College for many years, and our sponsorship of its Lectureship in Business Ethics is an important commitment for the company. We recognize the enormous value of the leadership given by the center for nearly 30 years, to promote ethical business practices and cultures in the United States and around the world. And ethical leadership — illuminating and inspiring conduct that is instinctively ethical — is what the Raytheon Lectureship in Business Ethics is about. The series will bring to Bentley College highly respected corporate leaders of companies that have a manifest and deep-rooted commitment to doing business in the right way. They will share insights and ideas and engage in discussion about how the business community can and should achieve ethical excellence. I look forward to many fine lectures.

William H. Swanson  
Chairman and Chief Executive Officer  
Raytheon Company

UPS is the world's largest package delivery company and a global leader in supply chain services, offering an extensive range of options for synchronizing the movement of goods, information and funds. Headquartered in Atlanta, Georgia, UPS serves more than 200 countries and territories worldwide. UPS's stock trades on the New York Stock Exchange (UPS) and the company can be found on the Web at *UPS.com*.



**MICHAEL L. ESKEW** serves as chairman and chief executive officer of UPS, the world's largest package delivery company and a global leader in supply chain services.

Under Eskew's direction, UPS is expanding its capabilities into new lines of business that complement the company's global package delivery operations. UPS is developing increasingly sophisticated solutions for its customers by synchronizing the movement of goods, information and funds. These expanded capabilities include multi-modal transportation services, sophisticated technologies, international trade management, supply chain consulting and financial services.

A native of Vincennes, Indiana, Eskew graduated from Purdue University with a bachelor's degree in industrial engineering. He also completed the Advanced Management Program at the Wharton School of Business. Eskew began his UPS career in 1972 as an industrial engineering manager in Indiana. His advancement continued in various positions of increasing responsibility, including time with UPS's operations in Germany and with UPS Airlines.

In 1994, Eskew was named corporate vice president for industrial engineering. Two years later he became group vice president for engineering. Eskew has served as a member of the UPS Board of Directors since 1998.

In 1999, he was named executive vice president and a year later was given the additional title of vice chairman. Eskew held this position prior to assuming his current role on January 1, 2002.

In addition to his corporate responsibilities, Eskew is a trustee of The UPS Foundation and The Annie E. Casey Foundation, which is the country's largest foundation dedicated to disadvantaged youth. In 2003, Eskew was appointed to the President's Export Council and was elected chairman of the U.S.–China Business Council in 2004. He also serves on the Board of Directors of the 3M Corporation. He was recently elected to the IBM Board of Directors, and as chair of the Business Strengthening America's Steering Committee.



(left) Michael L. Eskew, chairman and chief executive officer, UPS; (right) W. Michael Hoffman, executive director, Center for Business Ethics, Bentley College.

## The Ethics of Globalization: Oxymoron or Path to Peace and Prosperity?

THE RAYTHEON LECTURESHIP IN BUSINESS ETHICS  
AT BENTLEY COLLEGE

Thursday, October 6, 2005

### **Michael L. Eskew**

Chairman and Chief Executive Officer, UPS

Thank you, Mike, and good afternoon, everyone. It's a pleasure to be here. Bentley has done more to advance the dialogue of business ethics than perhaps any institution in the world. And I'm honored to be part of the discussion.

I spend a lot of time on college campuses — I think this might be the 15th or 16th time I've done this in the past two years or so. In fact, earlier this morning I was over at Clark University in Worcester talking to a group of graduate students. Two weeks ago, I was at Duke doing the same thing. I've spoken on college campuses in Europe and Asia. In two weeks, I'll be at a conference in Shanghai that we're staging with one of the major universities in China. I can't get away from campuses. I hope never to graduate.



Obviously, I get a lot out of this. I'm inspired by your energy, enthusiasm and new ideas.

And hopefully I can give something back in the process.

One of the things I'm often asked to talk about on campus is the personal management lessons I've learned from my career. I'm not going to do that today because we've got another topic to explore. But I typically take students on a brief, 33-year journey and explain all the dramatic changes that have taken place since 1972.

You can think of a few right off the top of your head. Things like the Internet and cell phones ... the IT and biotechnology revolutions ... the fall of communism ... the rise of China, India and other developing economies ... the increased threat of terror ... the list goes on.

As dramatic as these changes are, they pale in comparison to what you will see in the next 10 years.

The National Intelligence Council issued a report a couple of years ago entitled "Global Trends 2015." It details the biggest issues affecting the overall development and stability of the world in the next 10 years: areas such as health, energy, food, water, population growth, biotechnology, IT development, environment, economic development and global trade.

Listen to a few of their projections:

- By 2015 — just 10 years from now — the world's population will have grown by another billion people — to 7.2 billion. Ninety-five percent of this growth will take place in urban areas of developing countries.
- Only one city in the United States, by the way — New York — will be among the 20 largest in the world.
- By 2015, only 10 percent of Persian Gulf oil will be directed to Western markets. Three quarters will go to Asia.
- By 2015, global economic growth, on a percentage basis, will surpass the high levels reached in the 1960s and early 1970s, when the base was much smaller.
- And by 2015, globalization — the increased movement of goods, information, funds and people across national borders — will increase the transparency of government decision-making.

This factor will make it awfully hard for authoritarian and unethical regimes to maintain control.

And this last point about globalization — goods, information, funds and people crossing borders and becoming more integrated among nations — is what I really want to focus on this afternoon; specifically the ethics of globalization. Someone from the college came up with a pretty creative title for this discussion: “The Ethics of Globalization — Oxymoron or Path to Peace and Prosperity?”

This debate has been around for hundreds of years. Immanuel Kant, back in the 1700s, argued that no nation may dispense with individual rights without violating the universal moral law. Kant’s so-called Categorical Imperative laid the groundwork for more modern day philosophers like Peter Singer who argues that as people in the world become inextricably interconnected, so too must the justice which governs relations among all of them. And even modern day writers like Tom Friedman point out that no two nations with a McDonalds have ever gone to war against each other. Cordell Hull, the former Secretary of State, talked about the ethics of economic integration when he said “When trade crosses borders, armies don’t.”

For the record, I’m not a philosopher or a politician.

There are scores of people more qualified to dissect the finer points of various ethical movements. But as a business person, a father, a citizen and someone who cares deeply about global trade — and global prosperity and global harmony — I can tell you that there is no more pressing ethical issue today than preparing people for a world that is coming closer together through trade. Quite frankly, it would be unethical not to do this.

We have to ask ourselves: Are we, as a nation, producing enough global trade specialists, engineers, materials researchers and other professions that are in demand in a global economy? Are we doing enough to promote trade literacy? Are we doing enough to promote the study of Chinese and Hindi languages?

Here’s an interesting statistic I learned during a trip to China last year: There are more people learning English in China right now than there are English speakers in the United States.

We also have to ask ourselves, are we ready and are we doing everything we can to prepare our people and our society for a world that is going to be so very radically different in the next 10 years? If I were pressed to answer those questions today, I would have to say “no.” And if this situation lingers, it indeed becomes an ethical issue.

Now, I recognize that the notion of globalization might not sit well with everyone on college campuses today. It was nearly five years ago to the day when the streets of Seattle were flooded with tens of thousands of anti-globalization protestors who blocked traffic, waved signs, and shut down the opening ceremonies of the World Trade Organization meeting.

Since then we've seen similar disruptions around the world. Globalization and global corporations still make some people very angry. You've undoubtedly heard the following accusations:

Globalization — and the imports it creates — destroys jobs and economies.

Global companies, in search of cheap labor, exploit workers in developing countries.

Global companies help destroy the environment in developing countries.

Globalization widens the gap between rich and poor countries.

Globalization harms quality of life.

I could go down the list and give you plenty of statistics and evidence to debunk each of these arguments. And someone could come right behind me and try to contradict everything I've said with their own set of statistics. But honestly, debating the merits of globalization any more is like debating the merits of gravity. Folks, it's happening; it's been going on for centuries and it will increase exponentially over the course of your careers. We have to prepare for it.

What is worthy of discussion — and what is a valid ethical exercise — is ensuring that globalization moves along the right path; the beneficial path, the path that brings the greatest goodwill to the greatest numbers of people all around the world.

I mentioned earlier a conference we're hosting in a couple of weeks in Shanghai. It's actually the fourth installment of a series of conferences we've staged in places like New York, Paris and Chicago. The purpose of these events is to examine issues in global trade and supply chain development. And we've heard some interesting viewpoints from people as diverse as Vaclav Havel, Jimmy Carter, F.W. DeKlerk, Tom Friedman and Robert Rubin. And while each has their own views on what must be done to ensure positive global trading relations — all agree that globalization is an inevitable and natural course of events. They also argue that it's a neutral force. Their challenge to us is that we must charge it in a positive manner.

So, in that vein, as you prepare for careers in business and other roles of leadership, I thought it might be appropriate to share with you some lessons we've learned at UPS about trying to create a positive climate of success for everything we do, and everyone we touch in our global business.

Specifically, we've learned three things about positive globalization that we believe are universally applicable:

We've learned that long-term commitments are rewarded.

We've learned to think local but act global — a bit of a twist on the traditional phrase.

And we've learned that if you're perceived as an extractor, as opposed to an integrator, you're in trouble.

Let's start with thinking long-term and making those solid commitments. Our first international expansion outside North America took place in Germany back in 1976 — I was part of that team. We knew we had a long row to hoe in terms of building an international network that would generate a profitable return. In fact, our first international profits didn't show up until 1998. That required a long-term view.

In Europe, we saw as far back as the mid-1980s the inevitability of a single economic union. We made 16 acquisitions to establish our brand. In fact, we built Europe's largest pan-continental delivery network. We could offer consistent services within and across national borders — all supported by common integrated systems. By 1996, the concept of shipping across a continent — even the world — had for the first time in Europe become as easy as shipping across town. So, taking the long-term view enabled us to become part of the commercial infrastructure of Europe. It's been the catalyst for creating more than 26,000 jobs for Europeans.

We've taken a similar approach in Asia. Our strategy was to build our Asian network through phases, each one building strategically on the last. The goal was to create a flexible, nimble business that could adapt to changing business and economic conditions. After doing business in Asia for 16 years, UPS Asia has offered our customers new opportunities in new lands.

One of the biggest factors in that success was our willingness to give up some control in order to gain greater flexibility and local knowledge. We shaped our operations around a combination of wholly owned subsidiaries, joint ventures, partnerships, and strategic alliances — all involving local companies. This approach has served us particularly well in large, complex economies like China and India.

Four years ago, we began direct service flights to Beijing and Shanghai. Working with Sinotrans of China and Jetair Limited in India, we've been able to methodically introduce services that meet market demand. This has helped us minimize risk. And it's proved to be an important factor in helping us ride out volatile economic swings in the region. It has also allowed us to manage our operations in the most flexible way possible — and become a stable economic development contributor.

That leads to our second lesson: think local but act global. We're all familiar with the adage, "think global but act local." Our experiences today give that phrase a new twist. Despite what the anti-globalists try to protest, what we're seeing among our business customers in markets from Santiago to Shanghai is the need to be connected to the global economy. There's no greater illustration of that today than China. Foreign direct investment is flooding into the nation from all corners of the globe. Just last week, 200 more foreign-owned companies set up operations in the country for the first time, joining the 200,000-plus that already exist there.

That said, it would be foolhardy to assume that a global economy is going to create a homogenous global culture and community. Nothing could be further from the truth. Being local matters more than ever.

At UPS, we have about 56,000 International employees. Of that number, how many would you think would be U.S. expats? The answer is fewer than 40. That's less than one-tenth of one percent.

We've learned that everyone wins when we put international business operations into the hands of the people who best know their local cultures. I wish I could tell you that we've always understood that. We've learned some lessons the hard way over years of trial and error. During the build-up of our business in Europe, we were challenged with integrating 16 acquired companies. The integration of those acquired companies into our organization was the biggest stumbling block to our international expansion in the late 1980s. Unfortunately, our first impulse then was to behave more like commandos instead of teachers, partners and consultants. Our attitude was often, "you stand over there and watch how we do this, then do it exactly the same way." In short, it was, "the UPS Way or No Way."

Well, that didn't work. And our business suffered.

Things only got better when we found the right blend of UPS culture, capabilities and local knowledge. We knew we had acquired valuable operations in valuable

markets. Our job should be to make it better, not make it over. When we focused our coaching into areas where significant improvement was needed and left the rest alone, things improved.

We learned that local employees lend more credibility to the local customer base because they understand the culture, language, legal system and business practices.

We learned that acquired companies must assimilate at their own pace.

We think it's important to be flexible on some cultural traditions in order to create a climate of success for our people. For example, spiritual symbols are very important in Thailand. There, UPS displays Buddhist shrines in our buildings. Our drivers feel that protects them while they deliver packages. Similarly, we allow displays of the Blessed Mother in Argentina, Mexico and Brazil.

Of course, there are situations in which you can't adapt to local custom, like when we're asked to compromise on our values. We've had to tell our drivers in France that a glass of wine over lunch just isn't the way we do business. Likewise, we had to tell the Germans that a beer wasn't going to cut it, either. [Audience laughter.]

We've been faced with a few situations when payoffs to government officials are a normal cultural business practice. But that's not the UPS way.

Although it may have slowed our progress in some areas, we've held firm in our beliefs and taken great pains to communicate UPS values throughout the global enterprise. Our Code of Business Conduct is translated into 29 languages and distributed to managers around the world for yearly certification. Our policies and principles are the subject of recurring training programs. They're reiterated in a variety of media including Intranet sites and videotaped addresses by our senior executives.

Last year, we surveyed customers in Europe, Asia and Canada to gain better insight into how they perceived our brand. Most of the attributes they cited were human attributes. Words like "decent and true ... highly trained ... respect, honor and service."

So we have tried to humanize the UPS brand through our advertising, while building greater local empathy at the same time.

Another vital aspect of acting local is being perceived as an integrator as opposed to an extractor. It's the third lesson we've learned — there's little tolerance for extractors and opportunists.

Before I talk about being an integrator, let me say a word about extractors. In the “extraction” model, companies might enter a community, demand extravagant incentives from local government, grab what resources they want, and turn tail if things go bad. It happens all too frequently.

Conversely, the integration approach is a two-way street. Integration means companies and communities align values and make meaningful contributions to create sustainable enterprises and communities.

How does this work?

Well, a UPS example is the way we developed our Asia air hub that opened two years ago in the Philippines. The Asia air hub has become a vital part of our “Around the World” network. It links our Asia operations to our Europe hub in Cologne, Germany, and our U.S. hub in Louisville. Just like our air hubs in Taiwan, Hong Kong and Singapore, the Philippines hub is managed and operated by Asians, and is a major employer and economic catalyst. In fact, the economic impact of the Philippines air hub has done nothing less than turn around the nation’s credit rating, according to Philippines’ President Gloria Arroyo. She said the UPS air hub had taken the Philippines from a negative to a positive credit rating with the world banking community.

At UPS, we like to think we are part of the fundamental fabric of commerce for a community. Clearly, the world’s most powerful financial development institutions also agree.

In the Philippines and elsewhere, corporate citizenship is another major component of responsible development. UPS has a global Community Investment Grant program, supplemented by our UPS Foundation. Through a series of community grants, we perform hands-on efforts in localities around the world. Later this month, we will launch our third Global Philanthropy Day. Last year thousands of employees, from more than 14 select countries outside the U.S., participated in variety of volunteer activities. Several of our senior executives helped build schools and computer labs in small rural communities in China and Poland. We’ve built similar school and computer learning facilities in other Asian and Latin American countries.

We also pay close attention to the environment in communities where we operate. UPS is in the forefront of environmental responsibility with recycled shipping materials, the quietest aircraft fleet, and a variety of alternative fuel vehicles.

Perhaps the greatest asset we can bring to a community, however, is economic opportunity.

We're obviously in somewhat of a unique position at UPS because of the nature of our business. In most markets we're seen as part of the infrastructure of commerce — as much as any road, bridge, harbor or airport.

We help communities and businesses connect to commerce, so there is an inherently positive brand halo that goes with that activity. And that's why the concept of "enabling global commerce" has become a centerpiece of our branding strategy.

In many ways our global journey at UPS is just beginning. But what we've learned so far about the importance of commitment, acting global and thinking local, and becoming part of the communities of commerce we serve, will bridge more than commerce: It will bridge people ... and cultures ... and lives.

I think these same lessons will apply to you as you embark and progress in your careers. Whether you go to work for a multinational company, an NGO or a small start-up firm right here in Boston, you will help shape the course of globalization in the coming years. That you can count on.

As business managers and leaders, you will also be part of a growing corporate diplomatic community. In the 21st century, corporate diplomacy is becoming as important as political diplomacy. If not more so.

Our actions and our beliefs are not only shaping the perceptions of our companies abroad, but they are also forming impressions about our nation and the ideals for which it stands. It's a huge responsibility — one we must manage with care and diligence.

I wish you all the best of luck in your studies and would love to hear what's on your mind.



**Below are the highlights of Mike Eskew's question-and-answer session with Bentley students, faculty and guests.**

**Question:**

How do you apply your "Think Locally, Act Globally" motto in the context of rising oil prices, and how have rising oil prices affected UPS's business?

**MIKE ESKEW:**

Well, we've been affected in a big way. Oil prices have gone up dramatically over the year, and we're big users of oil. Fortunately, we run an integrated network: the same driver who delivers to this university also delivers to businesses and homes. Our air, ground and international delivery operations are integrated, using the same drivers for the different services. So we are able to optimize our fleet and run a very tight operation. We have done a number of different things with different fuels. We run hybrid vehicles in California, New York and Michigan. We run electric vehicles in Los Angeles. We run the largest private CNG fleet — that's compressed natural gas vehicles — in the country. We have large propane fleets in different parts of the world. We power our buildings with solar power. We've done as much as we can, and we're continuing to try new things. Energy innovation is not new for us: we were running electric vehicles in New York in the 1940s. We want to keep finding ways to lessen the impact of our fuel use. Fuel has a big impact on us and on our customers, and we'd like to find ways to minimize that impact.

**Question:**

It seems to me that CEO compensation is getting out of hand. Do you think it is justifiable — or ethical — for CEOs to be making sometimes 300 or 400 times as much as the average employee?

**MIKE ESKEW:**

We were a private company until five years ago. We've always paid ourselves modestly; you can go on the Internet and look up my pay. It would probably be a small percentage of the amounts you talked about. I would probably be the 4 or 500th highest-paid CEO in the country today. I just looked at a poll in Georgia; I was not in the top 25 percent in Atlanta, even though UPS is the second largest company in Atlanta. I think I'm paid fairly, by the way. Anybody here from our Board of Directors? [Audience laughter.] I shouldn't say this but I would do this job for nothing. This is a company that I take home with me every day — it's a 33-year

passion for me. I think CEOs should be paid well, but I don't think they should be paid extravagantly.

**MIKE HOFFMAN:**

If executive pay has gotten out of hand — and I think you were indirectly agreeing that it has — how do we address the problem?

**MIKE ESKEW:**

I think total transparency is a big part of it, ensuring that companies report properly on how the CEO and other executives are being compensated — it's not just CEOs, by the way. If we can make this much more transparent, so that the people that pay us — our shareholders — have better information, I believe this will go a long way to help.

**Question:**

With competition from the likes of FedEx and DHL, how does UPS differentiate itself in the global market place?

**MIKE ESKEW:**

Competition is a great thing. It has made us a better company. We've had to think about what our customers expect of us, and what they're going to expect of us in the future. We've transformed our company's thinking, so that we don't see ourselves merely as a "product" company or a "service" company, but rather as a business that provides solutions for customers. How do we make our customers better? We start to think about unique ways to do this, take their businesses to new lands and enable them to do great things, so they can reach their customers in better ways. We feel very good about how we stack up to the competition.

**Question:**

Can you explain how you are putting your "Think Local, Act Global" philosophy into practice? Is there a danger that one can focus on sensitivity to local cultures at the expense of the organizational culture as a whole?

**MIKE ESKEW:**

We employ only 40 U.S. expatriates out of a total overseas workforce of 56,000, so I don't know how much further we can go. We work the same way right across the globe. All delivery drivers wear brown uniforms; they all work directly with their package cars — we don't call them trucks. They all carry a hand-held com-

puter so they can transmit the time a package was delivered in China and upload it to the database. All around the world they deliver the 8:30s by 8:30, the 10:30s by 10:30. They do all those big things, but they also do the little things. On a recent trip to China, I saw one driver tap another on the shoulder and beckon him round to the back of his truck. The first driver opened it up and it was full of packages — a good thing — and they both went like this: [Raises arms in celebration]. Where do they get these things? It may sound corny but there's something honest — maybe even noble — about what UPS people do. They're part of the transaction. They're the ones who deliver your package to China. They help you accomplish something. This reminds me of a nun who taught me in 7th grade. One day she looked out the window across the playground, to where they were sandblasting the church. And she said to us, "I wish I had that job." "Sister," we replied, "why is that?" And she said, "Because that person can see what they're accomplishing every day. I'm teaching you kids, and I think I'm accomplishing nothing." The UPS driver feels like he or she has done something worthwhile and that's a feeling that transcends cultures. Of course we also have our values. We are very clear about what those values are. They are pretty simple values: To tell the truth; take our families and communities seriously, but not ourselves; if we say we're going to do something, we do it. We do the right thing and accept that it may not be easy, cheap or convenient. Those are simple values but they enable us always to put the customer first.

### **Question:**

Many people in the United States now associate globalization with job losses caused by cheap foreign imports and the outsourcing by American companies of back-office functions. As the CEO of a major corporation, what are you personally doing to persuade people that globalization is a good thing?

### **MIKE ESKEW:**

I mentioned that UPS has sponsored a series of conferences on important business issues of the day. At the first one (in May 2004), Bob Rubin [former U.S. Treasury Secretary] looked to me and said, "CEOs aren't doing enough to get out the message that trade's good for everything else. We're waiting for politicians to do something, and you folks aren't doing enough." Since that time, I've given a number of speeches on the road about why trade is important. I'm concerned about the United States becoming an isolationist country, saying, "Trade's bad," and putting walls up. I think that would be the worst thing we could do for your generation. But by itself, trade is not enough. We have to link trade with initiatives that help those who have lost their jobs because of trade. I can say that the unemployment rate in the U.S. is 4 percent. But that doesn't help you if you've lost your job after

30 years because of trade. To you, it isn't 4 percent, it's 100 percent. So we need initiatives that look after those who have lost their jobs because of trade but we also have to worry about your generation and how you can take your place in the global economy. The other important concern in making globalization work is making sure we have an adequate infrastructure. We have to build better bridges, ports, highways and broadband telecommunications, and ensure we have the laws that are going to help us trade more fairly. Those things are inextricably linked with global trade and can't be separated.

**Question:**

In 2004 you were elected Chairman of the U.S.–China Business Council. I read recently that the European Union had put quotas on textile imports from China. What is your view on this and what do you think will be the impact on global trade?

**MIKE ESKEW:**

I'm a big believer in free trade. I think we've all benefited from both imports and exports. It needs to be fair, though, and countries need to be able to compete on a level playing field. I can't say to what extent there's a level playing field between the E.U. and China as far as textiles are concerned. What we are moving towards is a global division of labor. Henry Ford took a great leap forward in the division of labor when he pioneered the production line. Before that, it took 10 hours to build a car, and it cost a lot more money. By using division of labor — where a specialist put on wheels, a specialist put on fenders and a specialist put on the body, etc. — he took that 10 hours down to 90 minutes. It also dramatically reduced the cost of production. Trade, I believe, does that. It has been estimated that since 1945 the average U.S. family has benefited because of imports to the tune of \$9,000 per year in increased buying power. Furthermore, 30 percent of the growth in our economy over the last two years has been attributed to exports. I believe that international trade is a great thing for the overall benefit of commerce. But, I repeat, it has to be fair.

**Question:**

I recently had the opportunity to listen to a board member of Equal Exchange, who spoke about the importance of fair trade as a means to improve communities and societies — as opposed to charity donations out of the profits that a company has extracted. I found some common themes in what you have said, such as long-term commitments and not being seen as an “extractor” by the community. Can you give some examples of how you have done something to make long-term commitments, especially in the context of developing countries?

## MIKE ESKEW:

One example of a long-term commitment I mentioned in my speech was that UPS's international business didn't make money for 22 years. That was a pretty long-term commitment! [Audience laughter.] I've mentioned our company's involvement in building schools in Poland and China. I was in Poland this summer and have been to China twice. We don't go to Shanghai; we don't go to Beijing; we go to the remote parts of the country. We went to Poland's border with Ukraine, and two small villages in China. There was a group of about 40 UPSers building schools for two and three days. We built computer workshops, installed computers and trained teachers. We let those kids see the world. It brought back memories of my time working in Berlin in 1976. People on the other side of the Berlin Wall had no idea how we lived. If we did cross into East Berlin, people were amazed by what we told them; we might as well have been living on the moon! They said, "You have a swimming pool at your hotel?" They couldn't believe things like that. Now, these kids in remote China are wired to the Internet and they can see what you wear, what you like, what music you listen to. I was concerned about this when we went to the most remote part of Poland this summer. I was conscious that the people had led simple lives for centuries. I wondered how their new ability to see the world outside would change this. So in dedicating that computer workshop, I said my wish for them was that the local traditions and cultures would always thrive. In a world that's coming closer together, it's important to stay in touch with these things. It's going to be a long time before they see UPS stores opening in those villages, but they think differently of all of us because of "corporate diplomacy." They think differently about Americans and Westerners than they did before, and I think that's important.

I just have one last thing to say. When I was in your chairs, I had a favorite folk singer: Bob Dylan. And he sang this song — now I'm not going to sing it, although I could probably sing better than he does. He sang:

*May your hands always be busy  
May your feet always be swift  
May you have a firm foundation when the winds of change shift  
May your heart always be joyful  
May your song always be sung  
May you stay forever young.*

Great to be with you.



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