

TEXACO CASE STUDY
RACIAL DISCRIMINATION CASE

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Tuesday, March 5, 2013



Introduction

Texaco is one of the world's largest gasoline companies. The company has had much success in its product, brand, and expansion. In 1994, Texaco was faced with a lawsuit citing employee and racial discrimination in the workplace. Six African-American employees filed the lawsuit based on their claim that the company had not provided them with the same pay and career opportunities that other employees received. There were also incidents of racial slurs being used by management, and executives attempting to destroy evidence of racial discrimination in the company.

The New York Times broke the story and Texaco was under fire by media and African-American organizations. At this point, Texaco had to respond and began communication efforts to put its employees at ease.

Problem

Texaco Inc. was being sued by six African-American employees. As well, surveillance videos had been released providing evidence of racial slurs being used against African-American employees by Texaco Inc. Management. Information was also released confirming that Texaco Inc. executives had discussed destroying evidence in the event that a discrimination case was filed.

Ultimately, the information released had a negative effect on the company, internally and externally, and effected the personal reputations of individuals within the company. The problem was Texaco did not have any hiring or workplace treatment policies, and was violating individuals' human rights.

Further, executives were aware of the discrimination and attempted to mask the problem rather than actively diffusing it.

Objectives—Desired outcomes

- Protect Corporate Image
- Apologize and admit fault
- Reconcile with employees
- Take action: aligned with African-American organizations and spokespeople to improve image
- CEO, Peter Bijur, wanted to redeem his personal image
- Work to eliminate any association of these events with the company

Overall, the company's goal was to diffuse the situation and implement policies which would provide equality for all in the company moving forward.

Analysis of Options

This analysis was conducted under the assumption that the situation is being addressed in the present day. If this situation were to happen in 2013, social media would make it easier for executives to respond quickly in an effort to diffuse the situation. Although, social media would most likely have made the problem larger, because videos and blogs would go viral (especially if any videos of racial discrimination were leaked).



	Texaco's Response	2013 Recommendations
Integrated Management	<ul style="list-style-type: none"> • Head office tried to create synergy throughout the whole company by implementing a communication project to diffuse the situation 	<ul style="list-style-type: none"> • Create a project to diffuse the situation both internally and externally • Ensure consistent messaging • Design a plan to communicate with all areas of the company (internal and external)
Scope Management	<ul style="list-style-type: none"> • Determined what had to be accomplished • Beginning, middle, and end of the communication project. 	<ul style="list-style-type: none"> • Re-evaluate the company's vision • Create a vision for the project— make sure they're consistent • Thoroughly plan the beginning and middle of the project, and determine what the end point is
Time Management	<ul style="list-style-type: none"> • Communicate with key stakeholders as quickly as possible, with the best quality for that time • Take time to thoroughly plan the project before implementing • Prioritize locations to visit • Determine how much time needs to be spent in each location (and travel time) 	<ul style="list-style-type: none"> • CEO to issue press statement immediately (day of accusations) • Immediate acknowledgment of the issue on social media and company website • Prioritize and plan location visits with proper allocation of time
Cost Management	<ul style="list-style-type: none"> • Price to travel weighed against potential affect of communication efforts • Cost of aligning with African-American advertising agency vs. the quality of the work produced • Cost of lawsuits 	<ul style="list-style-type: none"> • Weigh the amount of money being spend on the project against the potential outcome of a) not doing anything, and b) trying to fix the problem • Determine which is more beneficial to the company
Quality Management	<ul style="list-style-type: none"> • Added assessments for managers and executives to ensure quality of management 	<ul style="list-style-type: none"> • Produce documentation to be followed to ensure proper hiring process and incident reports • Ensure people at all levels of the company are aware of processes and documentation
HR Management	<ul style="list-style-type: none"> • Schedule executives to visit 	<ul style="list-style-type: none"> • Schedule executives to visit

	the locations	<p>various locations</p> <ul style="list-style-type: none"> • How many people will be needed for each visit? • How many locations will each executive attend? • Hiring process to rely on hiring people best for the job
Communication Management	<ul style="list-style-type: none"> • Organize who will maintain communication with the executives and managers with updates in the discrimination suit • Communicate with managers of each location as to when the CEO will be visiting their location • Follow up with management to ensure new behaviour standards are being met 	<ul style="list-style-type: none"> • Immediately send out letter to all employees apologizing and ensuring positive change • Update social media with apologies • Use social media to keep all stakeholders up-to-date with the situations and steps being taken • Communicate positive change to media via media release
Risk Management	<ul style="list-style-type: none"> • Evaluate how employees will respond to visits • Stakeholders could see the efforts as too late • Ad agency not wanting to be associated with Texaco Inc. • CEO announcement may not seem sincere enough 	<ul style="list-style-type: none"> • Evaluate all decisions to determine if they will have a positive or negative effect on the company's image • Monitor media • Have a contingency plan for the executive visits
Procurement Management	<ul style="list-style-type: none"> • Travel expenses • Advertising Space 	<ul style="list-style-type: none"> • Travel expenses • Advertising space
Stakeholder Management	<ul style="list-style-type: none"> • Employees • African-American community • African-American customers • Investors • Law officials • Media 	<ul style="list-style-type: none"> • Visit employees face-to-face • Use social media to communicate outside of the company (public relations effort)—publicize new policies • Address investors • Build relationship with African-American Community—support charities and keep open lines of communication

Implementation



Texaco executed three different techniques to recover from the situation that occurred.

- There was a tour planned for the CEO to visit each Texaco location across the United States and personally meet with and apologize to employees
- Texaco hired an ad agency that was owned and run by predominantly African Americans to run a campaign to help rebuild the company's reputation with the public
- Texaco created company policy regarding the treatment of employees
- Texaco suspended the employees who were caught on tape making racial remarks and attempting to tamper with and dispose of documents related to the discrimination suit

Results

When the accusations of racial discrimination first arose in 1994, Texaco's stock plummeted and did not rise until the discrimination suit was settled. On March 21, 1994 the \$176 million settlement was approved in court, it contained different elements:

- \$115 million in cash was given to 1400 - 1500 aggrieved minority employees
- Over \$20 million was given in salary increases to the aggrieved minority employees
- \$35 million was allotted to diversity/sensitivity training which became mandatory for employees
- Helped with the creation of an Equality and Fairness Task Force which was an independent committee selected by Texaco and the plaintiffs, that has the power to implement personnel policies designed to rectify alleged discriminatory practices by Texaco

After the settlement:

- March 1997, Texaco stock rose
- Texaco helped to defeat the Houston Civil Rights Initiative which would have ended that city's use of racial quotas in November 1997
- By November 1997 Texaco had 12,000 of its 20,000 employees in the United States go through its diversity training courses
- By November 1997 Texaco had hired an additional 600 minority employees
- Texaco inundated minority-owned newspapers with Texaco ads
- Texaco agreed to recruit dozens of African Americans to become Franchisees and wholesalers
- African-American communities and Reverend Jesse Jackson commended Texaco, and CEO Peter Bijur, on its positive actions
- Texaco agreed to spend \$865 million a year on goods and services from minority businesses
- Texaco began to work with Blaylock & Partners, a black-owned investment firm and Uniworld, a black-owned advertising agency
- The number of women and minorities increased in the company (on payroll and on committees)

'Lessons learned' and concluding recommendations



- It is important for companies to have policies in place for hiring and employee relations
- Trying to cover up mistakes will only make the situation worse, especially if the media finds out. Therefore, honesty is the best policy.
- Bijur made the issue his top priority which resulted in successful crisis management
- Analyze internal practices and reanalyze to ensure they are most effective

Sources

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