

Cultural change at texaco: ethics in management essay sample

[Sociology](#), [Ethics](#)



Introduction.

Texaco was founded in the American South around the beginning of the 20th century. The oil and gas demands of the industrial revolution required energy providers and Texaco was an early pioneer of American oil drilling and refining services. The company's profits grew and the company matured parallel to the automotive industry. Unfortunately, the company's cultural values toward civil rights failed to evolve in step with the American civil rights movement of the 1960s. While many companies championed civil rights and established progressive programs to embrace diversity in the workplace, Texaco failed to change and allowed a laissez faire attitude towards racial integration to continue within the organization.

As a result, a discrimination lawsuit was inevitable, and Texaco settled a class action lawsuit in 1999. The lawsuit required that Texaco pay approximately \$175 million compensation damages to the plaintiffs, and change the way they traditionally did business with regard to treatment of minorities and overall corporate ethics. How could a one hundred year-old, American corporate giant allow for discriminatory practices to exist, or worse, permeate corporate culture? What could Texaco do to change the culture that allowed for discriminatory practices? This paper will examine Texaco's case, evaluate the facts associated with it, analyze the alternatives of the case, and make recommendations to remedy the situation.

Case Analyses:

Texaco's cultural problems go back to a far away time when racism was a way of life and reflected in many American institutions of the time. The corporate culture of Texaco did not evolve and was behind the times for the thirty years after civil rights legislation codified equal employment opportunity practices for all minorities. This was already known as good business practice for progressive corporations in America, but many, particularly in the South, required official acts of congress to move their organizations toward integration.

By the mid-1990s, minority Texaco employees joined together to file a complaint with the Equal Employment Opportunity Commission (EEOC) based on unfair hiring practices and institutionalized discrimination. There had been serious problems throughout the organization. One example was racist language overheard from a white manager, " I never thought I would live to see the day when a black woman had an office at Texaco" (Trevino and Nelson, 2004 p#). Another example was that lower pay for minorities was documented, and in some cases lower than the minimum for the job category. Former senior financial analyst for Texaco, Bari-Ellen Roberts, wrote a book detailing the humiliating experiences faced by herself, Replace by ' her' and many minority employees. Experiences such as a time when a white official referred to her publicly as a " little colored girl." Roberts also detailed how the organization regularly ignored grievance claims from minorities (Roberts, 1998).

A final straw came when a Texaco official taped meetings about the pending lawsuit in which executives used racial epithets and discussed disposing of

incriminating documents. The tapes of the meetings were made available to the New York Times and the general public. As a result, when the audio tapes became available to the media and the public, the CEO of Texaco, Peter Bijur, decided to stop fighting the lawsuit and settle for \$140 million with an additional \$35 million to be used to establish an independent task force to evaluate the firm's diversity efforts for the following five years (Trevino and Nelson, 2004).

Isolate the problem.

As noted earlier, racial discrimination has long been a problem in many parts of the United States (U. S.). The United States is a nation forged through diversity, and because of this fact, race and ethnicity are still regarded as pertinent social issues. People are quick to judge in a society where free speech gives the citizens the right to expression. Racial issues have plagued many companies because companies are held responsible for the actions of their employees. However, racial problems exist because the prejudice is perpetuated and passed on from generation to generation. A business cannot eliminate racial discrimination in a single move, but rather must take a multitude of steps to contain the issues, as well as being aware of the possibility of discrimination on all levels of internal and external operations. Texaco provides a prime example of a corporation that could not find the time to change — but has been forced to make the time and pay the price for its previous failures regarding diversity in the workplace.

Analyze and evaluate alternatives.

Many companies have found that the solution involves implementing policies that promote corporate ethics and then monitoring and stopping any type of harassment. Certain programs can be placed and initiated on all levels to provide employees with the knowledge of what discrimination is, by definition and action. Giving employees this training will prevent some from engaging in discriminatory practices, though not all. A supporting methodology to this is to explain the consequences of engaging in discrimination. Consequences may include the threat of termination, demotion, pay cuts, or other disciplinary actions. Human resource or company supporting personnel need to be trained and aware of racial discrimination and know how to deal with issues surrounding it. Along with the proper training, communication between the employees involved in discrimination, whether the victim or instigator, with management, needs to be consistent. All parties need to know what actions are being taken to solve the problem. If any the parties feel left out, lawsuits can easily follow for other types of discrimination. Once an open line of communication is laid, the parties can work out a solution in a more organized and civil manner.

If a solution can be worked out without involving legalities, the problem can be cost-effectively solved. This is the preferred solution for any business accused of racial discrimination. The best way to solve any problem is to find the root or the source and prevent the occurrence from that standpoint. If it does escalate, procedures and plans must be in place to stop it from spinning out of control. With proper planning, effective communication, and

trained personnel, racial discrimination can be successfully managed and eventually eliminated in the workplace.

Alternative Pros and Cons.

Texaco's lawsuit was an eye opener to their corporate culture that reflected how racial discrimination and diversity were communicated, and further how it was tolerated without any consequences. Formulating a solid evaluation of the alternatives to address the issue begins with analyzing communication. Inevitably, most conflict is a result of ineffective communication. Effective and efficient communication is vital to the success of individuals and organization as a whole. The pro of communication, is that its practice within the organization on a daily basis can engender successful systems of interaction that will avoid conflict. Communication programs, such as diversity awareness, or conflict management workshops engage employees and foster open communications throughout the organization. The con of communication is when it is in a derogatory fashion, similar to what took place within the Texaco organization. With diversity in the workplace, intercultural communication did ultimately result in negative approaches and consequences of their actions. Without proper training and communication, conflict will continue and negative actions of engagement will follow.

Another alternative that can further address the stated issues is having consequences of engaging in negative, discriminatory behavior; consequences such as termination, demotion and pay-cuts. The pro of this action is that the consequences are written to be understood by all

employees of the organization. Further because they are policy, they will be followed to make the right decisions to avoid conflict in the work environment. The con of this action is that not every employee educates themselves on company policies, and would thus be unaware of the effects of their actions. Another potential con would be that of management not following through of the consequence, or covering up employee actions. Training programs and management dedication are required to successfully implement the organization's ethics policies.

Finally, another alternative to look at is that of human resources and management relationships. Strong relationships between the two allow for both parties to understand and follow all policies of the organization. Proper training together in an open environment will help each department fully engage and understand the process of each negative action. This positive relationship is what helps build stronger, wiser organizations. The cons of this is that of management not engaging in the relationship and training put forth to provide for a better working environment for all employees.

Overall, by defining policies, practices, and acknowledgment of conflict barriers, discriminatory practices can be avoided. Texaco's implementation of a successful system of interaction can lead to strong work ethics and values of the organization.

Recommendations.

Texaco had many alternatives to consider when deciding to overhaul the corporate culture. The alternatives primarily revolved around addressing

different parts of the company's policies and general attitudes toward minorities. However, most of these alternatives would result in a partial fix to the problem. A more comprehensive solution to the problem was required.

Some important recommendations developed from our team analysis include having an open door policy for all employees with their supervisors and having a zero tolerance for discrimination or racist language and behavior against minorities. Regular meetings to discuss ethics and any topical issues would significantly improve communications within the organization. Training is critical and highly recommended. We would also suggest that all employees be assigned to work teams with specific goals and objectives. We believe in implementing such activities and assigning teams would be very workable and affordable. The assignment of teams may actually complete jobs more effectively and shorter in time.

The company's Chief Executive Officer (CEO), Peter Bijur, decided to tackle the problem head on and take advantage of the opportunity to effect corporate culture change. Through active management, the culture change would affect every level of employee. Bijur set goals and objectives with regard to new employee recruiting policies and widening the breadth of traditional suppliers and contractors the company used. Ethics training is now incorporated into new employee orientation and various levels of management training. Multiple methods for filing grievances were established, as well as employee hotlines to report potential diversity issues (Trevino and Nelson, 2004).

The company also incorporated a 360-degree feedback system for all supervisors and specific guidance for diversity awareness in their job descriptions. The 360-degree feedback evaluation system is where employees evaluate their supervisors just as supervisors evaluate employees in their section. Perhaps more than any other method, this system has provided managers with clear guidance on how they are perceived by employees. Employees can give anonymous input allowing for upper management to have a clear picture of a particular manager's performance, without employee fear of reprisal. When administered fairly, this system of feedback will provide valuable insight for where a manager can improve his or her performance.

Texaco also established an independent task force to oversee and monitor the company's progress on diversity issues. To date, the results have been positive with all initiatives functioning as designed.

Conclusion.

In summary, Texaco's case provides a before and after example of how a corporate culture can perpetuate discriminatory practices, and how change can be effected. The Texaco case study of ethics could perhaps be thought of as an entire directive to change the way people behave in response to what they may or may not think. This company has made a valiant effort with some positive results to change their corporate culture and comply with the ethical standards set by the civil rights movement. While they have shown that overall results have been positive up to this point, there is still

more work to be done. Changing a corporate culture is not as simple as changing the rules of the old game, but to start a new game in which there are new rules, and to continue the efforts of positive ethical behaviors by all employees in a company with a strategically evaluated plan for the future.

References:

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