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VIEWPOINT

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Texaco's Hasty Apology

WE'RE sorry, said the Texaco chairman, Peter I. Bijur, after tape recordings came to light in November of top executives seemingly behaving like bigots and plotting to cover the company's collective backside. We're shocked. We're ashamed, and we'll make it up to you.

Mr. Bijur then agreed to the largest settlement ever in a racial discrimination case, $176 million. He also set quotas to aggressively hire and promote members of minorities. Managers who make their numbers will be rewarded. Don't call them quotas, the chairman cautioned, call them goals and timetables. To most of us, however, they still look like quotas.

Linda Gosden Robinson is credited with advising Mr. Bijur on this. She is the public relations guru well-known for her role in F. Ross Johnson's star-crossed fight for RJR Nabisco. Her advice was predictable. After all, it is de rigueur these days among public relations types to insist that companies in crisis, like Texaco, strive to win at all costs in the court of public opinion, and that the rest will take care of itself.

Robert Dilenschneider, formerly of Hill & Knowlton, often adds this counsel: Get the bad news out and get it out fast. It's a hot trend. Denny's and Archer Daniels Midland also sought forgiveness recently.

So what's wrong with contrition? Absolutely nothing, if your company is blatantly wrong. Intel knew of a defect in its Pentium chips but didn't tell customers about it until later. The company's chairman, Andrew S. Grove, apologized for the problem and was forgiven by a product-hungry public.

On the other hand, denial and counterattack are sometimes the best option.

General Motors went on the offensive when tagged by an NBC television segment as building trucks with side-saddle fuel tanks that were thought to be unsafe. Denial was the proper course for G.M. because the chairman, John F. Smith Jr., knew his company was right and proved it. The Pepsi-Cola Company also stood fast when syringes were found in its soft drinks. Although Pepsi was suspected of harboring a saboteur somewhere in its production or distribution process, it fought back to redemption when greedy customers were exposed in a hoax.

Yet silence is sometimes the best option for a distressed company. Lawyers prefer it because they like to save everything for the courtroom. And when a life-threatening and company-destroying matter is at issue, they're right. Dow Corning appears to be prevailing in its breast-implant battle by using this technique.

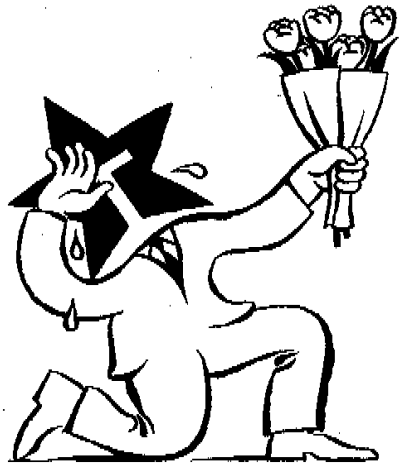
BUT what should chief executives do when they just don't know the facts?

First, they should acknowledge that something might be seriously amiss. Next, they must pledge to conduct a full and public investigation and act upon its findings. Then they must follow through and insure that any required changes become part of the organizational fabric.

Texaco stumbled in its initial response to the discrimination accusations two years ago by playing down their importance. Then, when Texaco lawyers couldn't deliver and the tapes turned up, Mr. Bijur jumped to complete contrition, even though he still didn't have the facts. The company became lost backtracking as new information emerged and as pressure groups capitalized on its vulnerability. The chairman tried to get the bad news out, fast, but to close observers, he appeared insincere and overreactive. Then last week, after finally getting more of the facts from an outside investigator it had hired, Texaco took stronger action against four current and retired executives.

There were better options earlier. Texaco should have acknowledged its nasty situation at the outset and committed to rooting out the truth and those responsible for any wrongdoing. Instead, Mr. Bijur's sweeping mea culpa branded his entire company as racist, shot through with hatred for blacks.

While chief executives are rarely in control of a developing crisis, they are always in control of their responses to the crisis. And they often would do well to select among these choices, depending on the circumstances:



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- Express complete contrition if the company is clearly and totally to blame. Forswear the past and vow to move forward as reformed leaders running a reformed company.
- Express indignant and outraged denial if — and only if — the facts will clear the company's name and such facts can be produced.
- Acknowledge an uncertain situation if one really exists and commit to an honest and thorough investigation and follow-up.
- Maintain absolute silence only to stop certain destruction of the organization, or if public health and safety requires.

Of course, none of these responses is always right, or always wrong, and executives will often hear conflicting advice, with lawyers pushing a company toward silence or denial and public relations people demanding something between contrition and acknowledgment.

In Texaco's case, Mr. Bijur's premature apology made his entire corporate culture appear guilty when probably only a few employees were involved. Could all 27,000 employees have been bigots?

If Texaco's aim is to get off the front page, it may succeed. Civil-rights leaders have expressed satisfaction. But the cost of Mr. Bijur's knee-jerk apology is far-reaching, not because of the landmark settlement, and not because the Equal Employment Opportunity Commission will now have Texaco in its suffocating grip, but because a dark cloud will hang over Texaco and its employees for years to come.

Texaco has insured itself a place right next to Exxon, Denny's and A. H. Robins, as a symbol of what many people believe is wrong in business today. □

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