

BELOW THE LINE

USC UPSTATE CHANCELLOR BENNIE L. HARRIS

SPEAKS WITH CAROL B. TOMÉ, CHIEF EXECUTIVE OFFICER OF UPS



*Dr. Bennie Harris (left) and Carol B. Tomé
Photo by Terry Manning, USC Upstate*

Welcome to Below the Line, a monthly question-and-answer column in which Chancellor Bennie L. Harris, Ph.D., of the University of South Carolina Upstate interviews a leader about change, technology, education, and leadership. This month, Dr. Harris spoke with Carol B. Tomé, Chief Executive Officer of UPS. (This interview has been edited for content, length, and clarity.)

Harris: Hi, Carol. Thanks so much for sitting down with me today. I'd like to start at the beginning, or near there. Your career began with a job as a commercial lender. What drew you to banking, and to business, in the first place?

Tomé: Well, I was born and raised in Jackson, Wyoming. And my father was a community banker. So, during the summers, I would work for my dad, and I always envisioned that, once I got through college, I would go back to Jackson and actually work for Dad and then take over the bank one day. But that didn't happen.

In my last year of graduate school, my father called me and said, "I've got some news. After 27 years of marriage, I'm divorcing your mother." And I'm like, "Oh, that's just awful." And then he said, "And I'm selling the bank." And all of a sudden my plans had changed.

But in some ways it was an amazing blessing. Because I told myself, "I'll be a banker." I took one interview in school, and I was hired in as a commercial lender at the United Bank of Denver, now Wells Fargo.

Harris: Let's fast-forward. You had retired after 25 years at Home Depot when UPS came knocking at your door, in late 2019, asking you to lead the global shipping and logistics giant. What was your first reaction?

Tomé: Well, candidly, my first reaction was: "Don't you think I'm too

old?" I was 62 years old at the time, but the board said the retirement age was 75, so I wasn't too old.

Harris: What did you learn during your time at Home Depot, that you were able to apply to your leadership position at UPS?

Tomé: I was very fortunate to start at Home Depot back in 1995, when the company had 400 stores and revenues of just \$14 billion. And I worked for the great founders of that company, Bernie Marcus and Arthur Blank and Ken Langone. The lesson that they taught me, which was so impactful, was a different kind of management structure.

They called it the inverted pyramid. Typically, in corporations, the CEO is at the top of the pyramid and the people who are serving the customers are at the bottom. Well, Bernie and Arthur, they flipped that pyramid around. So, the CEO and the senior leaders are at the bottom of the pyramid and at the top of the pyramid are the people who take care of the customers.

If you're at the bottom of the pyramid, you bear the weight for the actions that you take and the decisions that you make. You bear that weight so you can free up your people to take care of their customers. It's really servant leadership. And to me, it was the biggest lesson I've ever learned. And I continue to live that lesson every day.

Harris: There was a lot of research done around the servant leadership pyramid, and yes, Home Depot and several other corporations have really epitomized that.

So, you were described in the media as an "atypical choice," given that you had served on UPS' board since 2003 but hadn't worked for the company. From what I understand, you saw yourself as almost an



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interim CEO — helping out until internal candidates were better prepared for the job. Why do you think they came to you?

Tomé: Well, UPS has a history of promoting from within. And when David Abney was getting ready to retire, he too wanted to promote from within. But the company said, “Are we sure we have the right skills and attributes of the next leader, given the change that’s happening in the logistics industry?” So, they worked with a third party to create a CEO scorecard for the future, including the skills and attributes that the next CEO needed to possess.

And when they matched that persona up against the existing leadership team, nobody really fit. It was a tremendous leadership team, but nobody really fit. So, the company and board decided to go outside to look for a CEO. And they came to me and said, “Well, Carol, we think you fit.” I was surprised by that, but also very delighted and honored.

But I was fully retired. And I’m like, “Why? Why would I come out of retirement to take this opportunity?” And so, I thought about it for a while. I thought about how I’m a values-based person and my values are aligned with the company because it’s a values-based company. I also love to develop people. And I thought that if I could get inside, I could develop the next CEO, so we could continue the tradition of promoting from within. I also wanted to create value in the stock. I thought I could figure out the dials to turn to create some value.

I went to my husband to ask what he thought. And he said, “Would you please go back to work? You are driving me crazy.” So, everything was falling into order.

But I was still wrestling with it. I wondered if I was really up for this. Truthfully, one day I was working out with my trainer and I said, “I don’t know if this is for me.” And she said, like trainers do, “Carol, you have to do this. You must do this for the women of the world.” I said, “Right.”

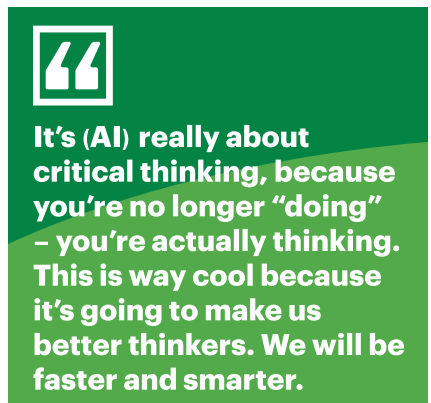
So, I was really honored and privileged to be named the incoming CEO in March of 2020.

Harris: And then the pandemic happened, and you were hunkering down with the leadership team to figure out how to get through Covid-19 and plot a course for the future. What did all of that look like? How did it feel to be leading the company at that tumultuous time, particularly as holiday-shipping volume never slowed? I know you’d wanted to go on a listening tour, but obviously that was shelved.

Tomé: It was chaotic. It’s hard to describe what it was like. We knew that we were essential workers. But we didn’t have the protective gear to keep our people safe. So, it

was a mad dash to gather, around the world, masks and hand sanitizers and gloves to keep our people safe.

We knew we had to keep going. We did keep going. In the second quarter of 2020, we had to hire 45,000 people just to handle the volume that was coming our way. We did that. We did that because we knew that we needed to keep commerce flowing around the world. Imagine the work that we had to do in China to keep our pilots flying into China, the work that we needed to do with the governments around the world to ensure that we could keep commerce moving.



At the same time, we knew what got us here wasn’t going to get us to where we needed to go, because the world around us was changing. So, we did a number of things to focus on what really matters. And we went through an exercise that we called a “red-green exercise”.

We had every initiative up on the walls in a conference room, and I gave the leadership team 10 red dots and 10 green dots. The green dots were to be put up on initiatives that should stay in place. The red dots were to be placed on initiatives we should stop. All the green dots went up and there was not a single red dot.

So, I told the team, “We’re not leaving until the red dots get up.” So, the red dots went up, and then we stood back and looked at the wall. We stopped the red dots, and most of the ones that had no dots, and focused on the green dots. One of the green dots was cold-chain logistics, because we were convinced at some point there would be a vaccine against Covid-19, and we wanted to make sure that we would be ready to deliver that vaccine. So, we invested in cold-chain logistics in a major way.

We have our own dry-ice manufacturing facilities. We have cold-chain laboratories, just special logistics. Within our small-package logistics network, we have a label we called UPS Premier, which (upgrades packages with advanced sensor-based logistics technology that ensures a priority lane in our network with highly specialized handling.) That means we never, ever lose that package, no matter where it is.

So, when the Covid-19 vaccines became available to the marketplace, we were the first delivery company to deliver those vaccines. And we delivered more than 1 billion vaccines in the first year at 99.9 percent effectiveness, which means we were very nearly perfect.

We also had a philanthropic arm. So, in places like Rwanda, where it was very difficult to get the vaccines delivered, we would deliver them using drones.

It was one of my proudest moments, to see how — during all the ups and downs — we stood tall during Covid-19.

Harris: The company’s stock price went up at that point, if I recall correctly, and the market seemed to say they believed in you as the CEO. Do you think you brought a unique value, as someone who hadn’t worked at UPS before?

Tomé: I do think I brought in a different perspective. We were really focused on the shipper experience, and I believed we needed to be focused on the recipient’s experience as much as the shipper.

Before Covid-19, about 50 percent of our business was commercial and 50 percent was residential. With Covid-19, it was about 65 percent residential. So, we were delivering one package at a time at a house. We needed to make sure that experience was as good as what the shippers were experiencing.

So, we put together 16 customer journeys to really address customers pain points, end to end, and really moved the needle in that regard.

Harris: Can you share with me some of the thinking behind the company’s mission statement? What does it really mean to you?

Tomé: When I got here I knew what we did; we moved 6 percent of the U.S. GDP every day. We moved 2 percent of the world’s GDP. We know what we do. But we hadn’t declared our “why,” our purpose. So, I put together a cross-functional team and told them it was their job to declare our “why.”

They did a really masterful job of going on a listening tour, interviewing customers and employees and retirees and communities and vendors, and iterated and landed on a ROI: “Moving the world forward by delivering what matters.”

It’s not just about moving goods. It’s about doing good, too. It’s bigger than a brand.

Most of our workforce is employees under some sort of collective bargaining agreement, be it Teamsters or pilots or mechanics or workers’ councils outside the United States. And we needed to make sure there was commonality in our workforce. To me, that was purpose.

Harris: Speaking of the Teamsters — automation seemed to start playing a bigger role after you joined the company, particularly after UPS completed labor talks that would pay more to the Teamsters. Has technology helped boost sales to cover those kinds of costs? How has technology helped UPS? Any challenges there?

Tomé: In many ways, I think we are a tech company. If we deliver 25 million packages a day around the world, the way we do that is with an integrated network that's powered by artificial intelligence and machine learning. It's a very complicated network, and technology powers the network.

But it's more than that. If you think about the inside of our buildings, we still have a lot of manual processes inside. We have people who are putting labels on packages. Yes, we can have robots do that work. We have people who are putting packages into bags. We have robots that can do that work. We have people who load and unload trailers. We are testing robots to do that work. One of the coolest things we've done from a technology perspective is put (radio frequency identification) tagging on our packages. We launched that last year and rolled it out throughout the United States.

Before we had the RFID tag on our package, one in every 400 packages was loaded onto the wrong package car. They just made a mistake. If it's loaded onto the wrong package car, it can't get delivered. It goes out for delivery, it's not on the right route, so it's brought back to the building and has to go through this sorting process again. Now, with the RFID technology, we've dropped the error rate from one-in-400 to now one-in-2,000. So, it's a better customer experience and it's a better productivity metric.

Now the next thing we're doing with these RFID tags is rather than having a person check the packages into the car, the car is going to check the package. It recognizes the package when you walk the package into the car. How cool is that?

Harris: I've heard people talk about the impact of AI on the workforce, and being concerned that it's going to take jobs. But that's not it; people need to know how to work with AI.

Tomé: It's really about critical thinking, because you're no longer "doing" — you're actually thinking. This is way cool because it's going to make us better thinkers. We will be faster and smarter.

Harris: I'd next like to talk about Leading Below the Line. What I mean by that is that oftentimes we don't know what's going on beneath the surface — for leaders and for their teams — and we have to dive in and find out exactly what's at play in order to make a project or a plan successful. You yourself went "below the line" when you were preparing your speech about becoming CEO of UPS, pivoting after the news of George Floyd's death. You shared what you were feeling inside. Did that seem like a risk?

Tomé: I had filmed a video that was going to run around the world, and it was, "We're going to kick ass, and we're going to have some fun." It was a positive video. And then the George Floyd killing occurred, and I thought, "I can't run that video without telling you how I feel."

So, I wrote a letter about how I felt and we ran that before the video. I didn't think it was a risk. I thought it was important for people to know me for me.

There's just no place for hate in the world. And there's certainly no place for hate at UPS. At UPS, we will do everything in our power to be a safe place.

Harris: Do you have a hero?

Tomé: I would say it's the people of UPS.



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