

Leadership America  
April 19, 2005  
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Thank you, Lana, for that gracious introduction. It's a real pleasure to welcome everyone to Denver and to have this chance to spend a little time with you.

Clearly, you've been enjoying this chance to get to know one another over lunch. And in fact, when I saw how much fun you were having, it reminded me of a friend of mine who was just about ready to speak at an event very much like this one. As everyone was finishing their meals, the host leaned over and asked him, "Are you ready to start speaking now? ..... Or should we let them enjoy themselves a little bit longer?"

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Lana told me several weeks ago that you'd be using your time in Denver to focus on diversity. And I agreed that diving deep into the various aspects of that topic would be time well spent for the exceptional individuals who make up Leadership America. I appreciate your invitation to include several Qwest women to attend part of your program—and to thereby enhance their own—and Qwest's—knowledge in this area.

That knowledge will grow out of the wide range of diversity topics on your agenda—from its implications for education ... to the realities of demographic shifts ... to the various ways *workforce* diversity has progressed from being the right thing to do to being a widely recognized business imperative. I've been asked to share a few thoughts on that last aspect and to describe some of the ways diversity can contribute to the success of our enterprises.

Now I say that knowing full well that any number of you could stand up here and do the same. Your organizations consider diversity in their hiring and promotion practices. They work hard to purchase goods and services from diverse suppliers. Your people participate in various community organizations and mentor students taking part in minority intern programs. And you support employee groups that, in turn, make unique contributions to your overall corporate initiatives.

In fact, I hope when we get to the Q&A part of our session, that some of you will share your organization's unique experiences in these areas. I know we'd all benefit from what you have to say.

And while it's not my intent to focus on Qwest this afternoon, I trust you'll indulge an occasional reference to what we do and the lessons we've learned. That is, after all, what I know best. And although I'm aware and very supportive of the numerous *societal* benefits of diversity, I'll limit my remarks to the advantages of *workforce* diversity. Clearly, organizations that are proactively diverse are more successful today. And they will be *far* more successful tomorrow.

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According to the New York Times, three-fourths of America's Fortune 1000 companies recognize that. They have some kind of formal diversity program, overseen by a diversity officer who, at the very least, monitors the inclusion of diverse employment and promotion candidates—based on race, gender, ethnicity, age, disability, sexual orientation and religion, in that order.

We maintain such oversight as well. On any given day, I can pull reports that tell me the number and percentage of female managers or our percentage of employees over the age of 60. I can tell at a glance that Hispanic individuals represent our largest ethnic minority, that we employ higher percentages of women technicians and male service reps than in the past, and that more than 1,200 Qwest employees are Pacific Island or Asian Americans.

When I spoke last fall to our Hispanic resource group, I could identify many group members who have made impressive contributions to our success. And when I attended the annual meeting of our black employees' resource organization, I could explain that while the 2000 census reported that just 1.91% of the population in our 14-state service region is African American, that racial group accounted for 7% of our new hires last year.

I'm certain most of you have the same kinds of statistics at your disposal, and such yardsticks are certainly helpful in measuring our progress. They let us know where we are and what kind of progress we're making toward where we want to be.

When I think of diversity, though, I always consider it in a somewhat broader context. All the groups I've mentioned fit within—and contribute to—what I like to describe as our *diversity of experience*. Because when a workforce includes the widest possible variety of experiences and perspectives—no matter how those perspectives have been gained—that workforce is, by definition, more effective.

As illustration, take Qwest's senior team, which includes an EVP who serves as our chief human resources officer. She grew up in the business, spending her entire career in the telecommunications sector and serving Qwest in capacities including the oversight of both our wholesale operations and our product and pricing organization. She works alongside our CFO, who honed his skills *outside* our sector, as the CFO and director of the Goodyear Tire & Rubber Company, for instance, and as the president of both an investment firm and a manufacturing company. Then there's our EVP of wholesale markets who has worked both inside and outside telecommunications but who adds a perspective the other two can't duplicate—because he's African American.

And I won't get specific here, but I'll also mention that the ages of these individuals vary by more than two decades.

Traditional diversity measurements would report that these three executives reflect age, gender and ethnic diversity. And that's all good. But professional diversity is also a huge contributor here. All four distinctions make up the *diversity of experience* we enjoy on Qwest's senior team and work hard to implement throughout our organization.

How does such diversity of experience translate into bottom-line benefits?

Well, probably the most obvious answer is that it widens the pool of available brainpower. At Qwest, we don't fabricate things; we provide service. We're also part of an industry where every competitor has access to the same technology. So success relies heavily on Qwest people—on their Spirit of Service, as we like to describe it. We need folks with exceptional talent, strong work ethics, varied perspectives and service-oriented mindsets. And we understand that no age, race, gender or professional background has a corner on those qualities.

You know from the increased headhunter calls you've been getting lately that America's job market is gaining momentum. Qwest recruiters tell me we have more than 1,900 open positions right now, in various areas throughout the company. A couple hundred of these are for a new service center we'll soon open in Sioux Falls, South Dakota. Where will we find great people to fill those positions?

Enter a Qwest resource group called Voice of Many Feathers—an advocacy organization for our more than 400 American Indian and Alaskan native employees. Members of that group stepped forward to say they have good contacts at the tribal colleges in South Dakota. Could they help in recruiting for these open positions? Absolutely! Their group serves as an advocate of employees with a particular ethnic background. But they are also equally passionate advocates for our company and its success. And the *diversity of experience* they add is invaluable.

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A second, frequently cited benefit of workforce diversity is that it helps us identify with our customers. It enables us to see the whole picture, which is, obviously, advantageous to any organization.

A little over a year ago, federal regulators finally allowed Qwest to enter the long-distance market. We worked to come up with attractive, competitive plans. Enter our Hispanic employees—individuals who are extremely active in community service initiatives in the areas Qwest serves. Who knew better what kinds of long-distance plans would best serve customers here in the west who frequently call Mexico? We had the ability, resident in our organization, to look at this issue “through the eyes of customers.”

I've already mentioned a contribution made by the resource group of American Indian and Alaskan native employees. But let me add another, to help explain the CDs we brought over to share with you.

When Qwest was approached to become a corporate partner of the 200<sup>th</sup> anniversary re-enactment of the Lewis & Clark expedition through 15 western states, it seemed like a natural. Ten of the stops along that route would take place in Qwest's local service territory, so we'd be able to foster economic development for each of these areas. In addition, we could provide educational materials to teachers across the nation—a perfect fit for our emphasis on supporting schools and scholarship.

But before we said yes, we put the sponsorship package through our diversity of experience filter—by asking Voice of Many Feathers members to check it out. We wanted to hear from them that nothing in this involvement had any potential to offend Native Americans.

They gave us the green light and we signed on as a partner. And, by the way, we hope you and the kids in your life will enjoy the Lewis & Clark CDs.

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A third very real advantage is that a diverse workforce provides organizations with an enhanced ability to set the record straight.

As Lana mentioned, a few years back she and I were colleagues at Ameritech, based in Chicago. We had the second-largest black population in the nation to draw from, so I had the chance to interact with outstanding African Americans every single day. At one point in 1998, though, someone on the Milwaukee School Board took our company on in one of their meetings—trash-talked Ameritech by calling us a “racist company.”

Would it have helped for me to go before the school board and refute that charge? I don't know. I never had the chance. Because before I even heard about the incident, a member of Ameritech's black advocacy panel went to bat for the company. Told the board he disagreed. That the charge didn't align with his experience. Then reminded them of the many positive community initiatives our company had stepped up to in Milwaukee.

End of story. That employee not only took that attack on the company personally, he had the credibility to counter the accusation.

I'm glad Qwest has not been the target of any such attacks, at least not on our watch. We have welcomed visits from community groups that wanted to re-establish dialogue with our company. And we have revitalized resource groups that had been shut down by the previous company leadership. I've mentioned a few of the groups already, but we also benefit from a group devoted to disabled employees, a group for veterans and a group that serves gay and lesbian employees.

And of course I want to mention Qwest Women, one of our largest and most active resource groups. In addition to supporting one another, this organization has encouraged members to turn out at public utility commission meetings, for instance,

when an issue important to the company was on the table. Qwest Women are also active volunteers, working in shelters for battered women or the homeless, for example, and thereby furthering Qwest's role as a good corporate citizen.

Qwest people also fill more than 300 board positions for various non-profit organizations—including, here in Denver, an HR staff director who's on the board of the Urban League, an executive vice president who serves on the board of the Colorado Black Chamber of Commerce, and our vice president of corporate social responsibility who's a board member for the Colorado Hispanic Chamber.

Make no mistake, these commitments are made for all the right reasons. But the involvement also puts Qwest people in a position to represent the company should there ever be a need to defuse potentially damaging situations.

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I want to save time to answer your questions and to hear from some of you about your workforce diversity experiences—so I'll close with one last example of how diversity benefits our organizations. It is related, in some ways, to the community involvement I just mentioned.

Your employer's and mine's ability to prosper depends, at least in part, on the extent to which the communities we serve also prosper. That's true whether you're a chief of police in Hayward, California, or an attorney in Austin, Texas. It is true of a social service agency in Glenview, Illinois, and a world-renowned corporation in New York. So investing in the quality of life and economic viability of the towns and cities we call home is not only the right thing to do, but the smart thing to do.

That can take the form of economic development initiatives or company-wide volunteer efforts. Or it may be manifested through a well-defined program of corporate contributions to deserving community institutions and programs.

We can also make a difference through employment opportunities, like the one I mentioned at our new service center facility in South Dakota. And when we tap into under-employed sectors of the culture in those applicant searches, the greater the potential for positive economic impact in our communities.

We can also direct our purchasing power in ways that will support and encourage the development of local businesses—specifically those whose ownership and employee base might otherwise be underutilized.

Like many of your organizations, we are very intentional about seeking out and contracting with suppliers owned by women, ethnic minorities, and disabled veterans. Our procurement policies also require that all other major suppliers to Qwest have their own programs in place to subcontract at least 5 percent of their work for us with diverse suppliers.

Our own objectives, however, stretch far beyond that 5 percent minimum. From 1998 to 2002, our business with ethnic minority, women and disabled veteran-owned business enterprises grew from 4 percent to 7.1 percent. But by year end 2004, it was 9.4% of our total spend, which represented some \$384 million.

Given the passion of our Strategic Sourcing organization—and the way this program has been integrated into every aspect of our business—we fully anticipate that number will grow higher. And to speed that objective along, we held our first Supplier Diversity Fair last fall.

We had often heard from small or diverse suppliers that they didn't know how to get in our door. They didn't know who to talk to. They didn't know how to get the information for the documentation we required. So we invited 200 of these companies in for the day, offered them workshops and presentations, fed them breakfast and lunch, and invited them to visit one-on-one with all the key people in our procurement process.

The feedback was very positive, as was the number of supplier contracts generated by this interaction. The whole thing was so successful, in fact, that we intend to hold a second fair this year—to help us put our money where our mouth is when it comes to diversity. And to contribute to the prosperity, not only of individually diverse businesses, but to our overall community.

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Of course, workforce diversity contributes in many additional ways to an enterprise's success. It creates the kind of environment that fosters a smoother transition to international markets, for instance. And resource groups are in an ideal position to set up mentoring programs that benefit individual members and the organization as a whole.

Various studies have quantified the value of such benefits, concluding that organizations that focus on employment diversity outperform those companies that do not.

But such research only verifies what our common sense already tells us: diverse employees give us a broader range of input to draw from. A broader range of input helps us to avoid mistakes and create more visionary plans. Mistake avoidance and visionary objectives appeal to a much wider market. And wider market appeal leads to a stronger brand, increased revenues and momentum toward long-term prosperity.

And that, in closing, is what I wish for you and each of the enterprises you serve.

Thank you.