

# THE ECONOMIC CLUB

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O F W A S H I N G T O N , D . C .

## **Signature Event**

**Carol B. Tomé**

**Speaker**

**Carol B. Tomé**

**Chief Executive Officer**

**UPS**

**Moderator**

**Barbara Humpton**

**Chair, Global Initiative, The Economic Club of Washington, D.C.**

**CEO, Siemens USA**

**Washington, D.C.**

**Wednesday, November 8, 2023**

BARBARA HUMPTON: Welcome. Welcome. Hello, Economic Club of Washington. My name is Barbara Humpton. I'm the CEO of Siemens USA. And I'm really privileged to serve as the chair of the Global Initiative for the Economic Club of Washington. And today, I am just so honored to be able to have a discussion with Carol Tomé, CEO of UPS. And Carol, here you are. You've come during the – during 2020, actually, as COVID was really setting in, you came out of retirement to take this fabulous job, with a 115-year-old company.

And now, if you open up her webpage, you'll see more than 500,000 employees, over \$100 billion in revenue last year, working in over 200 countries. It's really quite an enterprise. And we're going to learn a whole lot more about it. But what you may also see is that she is number six on Fortune's Most Powerful Women list. [Applause.] So, folks, today our goal is to have this conversation move her up that list. [Laughter.] Well, let's get into it.

What I really want to do is start with what I'll call recent events, because the – UPS was all over the news this summer as you engaged in a dialogue with labor. And something I tell my team all the time is there's no such thing as win-lose. There's win-win. Unfortunately, there's lose-lose. But you actually talk about a win-win-win. Bring us inside the negotiations and tell us about them.

CAROL TOMÉ: Well, Barbara, I'm happy to do that. But first just, hello, everyone. It's great to be here in Washington, D.C. And I'm really looking forward to this conversation with you. Yes, we were in the news a lot during the summer. Just a bit of history with UPS and the Teamsters. We invited the Teamsters into our company 100 years ago. So, this was not our first rodeo in terms of a labor negotiation. But it was very different than previous negotiations, because we had new leadership. And new leadership had points that they wanted to make. So, we knew the negotiation was going to be loud and it was going to be late.

But we've been working on this since the day I became the CEO. I'm, like, labor is a strategic imperative. And we're going to approach this negotiation through the lens of win-win-win. Because it became very clear to me that we were representing a number of stakeholders. We were representing our employees. We were representing our customers. We were representing our country. We move 6 percent of the U.S. GDP every day. We were representing our shareholders. We were representing our company. I'm, like, all right, each stakeholder has a unique interest, wants, needs, and desires. Let's figure out a way strategically to make this a win-win-win – good for our people, good for Teamsters, good for all of our stakeholders. And I think we were able to do just that.

MS. HUMPTON: That's exciting. But give us a little bit more insight, because a key stakeholder, of course, is the shareholder. And we all know that the labor – the cost of labor, as it rises, and the salary – and the pay provisions that are in this new agreement watered some eyes. How was that taken as a win by shareholders?

MS. TOMÉ: Right. So, you know, we pay had the highest wages and benefits in our industry. And I'm proud of that. I'm very proud of that. We have created great American jobs because of our wages and our benefits. And as we looked at the economic impact of this new five-year contract, we had built a budget. And I said, within the guardrails of the budget, we can say yes.

And if we go outside of the guardrails of the budget, well, it's going to be a different discussion. But within the guardrails of the budget, we can say yes. And we were able to do that. The compounded annual growth rate of the five-year contract is 3.3 percent. I think y'all would take a 3.3 percent compounded annual growth rate in your wage and benefits over five years. Certainty over five years. That's a good thing.

But here's the little twist on the contract. Forty-six percent of the cost takes place in the first year. So, in the third quarter alone, we brought in \$500 million of expense we hadn't planned on. From a shareholder perspective, that's eye popping. [Laughs.] It's eye-popping. But the truth is, is once we get the first year, you know, August of next year, things look really good. So, over the lifetime of this contract, we've got certainty and a very good deal for us. And we're going to power through the first year, which puts pressure on the bottom line. We're going to power through that and come out even stronger.

MS. HUMPTON: And it's not lost on any of us that we're in a tight labor market.

MS. TOMÉ: We are.

MS. HUMPTON: So, she who has the team can perform and meet the customer needs.

MS. TOMÉ: Well, that's so very true. Think about what we're heading into. We're heading into the holiday season. And, oh, by the way, if you order online, order early. [Laughs.] It's going to be a busy season. So, as we head into the holiday season, which we call peak, we have to hire 100,000 people into our network to deliver all those packages. Now, you may say in this tight labor market, can you do that? Well, first of all, we pay pretty well. But we make it so easy to come into our network.

You know, if you apply for a job today at UPS for a seasonal job during the holiday season, from the time you apply to the time that we make you have a job offer it's 20 minutes. How cool is that? Yeah, that's pretty cool. And so last weekend, we had what we call "Brown Friday." And "Brown Friday" was this big hiring fair around the country. And we hired in 60,000 people.

MS. HUMPTON: You hired 60,000 people?

MS. TOMÉ: We did, over the weekend, yeah. So, I think we're going to be in a good place – [applause] – to deliver your packages.

MS. HUMPTON: OK, the gauntlet has been thrown down to all of us who are working to snag those hires. Listen, I want to come back to this subject of the negotiations, though, because you've seen this play out with other companies. Are you seeing win-win-wins now across the various market sectors?

MS. TOMÉ: Well, I think you probably need to pose that question to Mary when she comes here in just a little bit and see what her point of view is. [Laughs.] But I will tell you, I was very focused on the customer during this negotiation. And I'm like, all right, if there is a work

stoppage we need to be prepared. I think Confucius said a man who does not plan far ahead finds trouble at his door. So, we were ready to stand up the nation's fourth-largest network, had we needed to. Had there been a work stoppage in this country, we would have continued to deliver packages, particularly for critical packages like health care. We would have been there. Luckily, we didn't have to do that. I think avoiding work stoppages is good. It's a good thing for the customers. It's good for our people, too.

MS. HUMPTON: All right. So, we all are going to have an eye on this. But the question is, how do we as leaders actually engage and create the right kind of environment for these kinds of win-win-win decisions to be made? Was this something that you came to the table with at UPS? Is this something that was an innate part? When we had Tamika Tremaglio here, you'll all remember the NBA Players Association, she told us that she and Adam Silver actually played a game. They thought it would be good for morale if they competed against each other. And I recall, it was an egg toss. I mean, did you and the Teamsters have any special moments where you were creating team spirit? [Laughter.]

MS. TOMÉ: Well. [Laughter.] So, if you – if you were to walk into my office, you would see on my table one thing. It's a book. "The Art of War." If you would go into my – [laughter] – if you would go into my conference room, you would see two other things. A football helmet and boxing gloves. So, I'll just leave it at that. [Laughter.]

MS. HUMPTON: OK. Message received. Hey, how did this whole experience – how has your view of leadership been shaped by these last few years and the work of this negotiation?

MS. TOMÉ: Well, not just the negotiation. It's the past few years what we've all been dealing with – be it COVID and the impacts of COVID, political unrest, social unrest, wars in part of the world. It's been a really, really challenging environment for all of us. What I've learned through this is the importance of one thing. And that's empathy. I've always thought, Barbara, that I was an empathetic leader. But I now understand the importance of that. And I'm sure you agree with me. We need to walk in the shoes of our people to understand what they're going through, because they're going through a whole lot.

We introduced a new leadership model at Home Depot over the past couple of years. It's a very simple leadership model. Its head, heart, and hands. Head is strategy, heart is empathy, and hands is do, because we're doers. And we've been able to use that leadership model as a rallying cry for all of our leaders around the world on what really matters in today's world.

MS. HUMPTON: You know, it's fascinating what all of us can be doing. And each of our businesses, this Washington community, is very active. But what I want to do is take you back. I want to take you back to those Home Depot days because, as CFO of Home Depot, clearly you helped drive a lot of growth. And but then I want to press the way, way back machine. And this –

MS. TOMÉ: OK. Way, way back?

MS. HUMPTON: Well, the D.C. audience loves to hear the origin stories of leaders. Let's talk first about what you thought you were going to be. You were raised by a dad who was in the banking industry. You thought you'd go into banking, maybe lead the bank. I have to ask this question. Does everybody know what I'm going to ask? Did you ever consider private equity, mankind's highest calling? [Laughter, applause.]

MS. TOMÉ: No. You know, I was born in a log cabin hospital in Jackson, Wyoming. And my dad was a community banker in that town. And we were just chatting about Jackson. If you've been there, you know just what a glorious place it is. And so, I thought for sure that's what I'd end up doing. I mean, my father took over the bank from his father. I'm, like, I'm the oldest kid. I'm going to take over the bank from my dad. This is going to be way cool. I went to the University of Wyoming. Met my husband there. We had plans to go back to Jackson.

And then in my last year of school, my dad called me he said: I've got some news. And I'm, like, well, what's the news? Well, after 27 years of marriage, I'm divorcing your mother. And I'm like, oh, my gosh, that's awful. And then he said, and I'm selling the bank. And I'm like, what? You know. [Laughter.] Like, my world was – I couldn't even think about my mom anymore. It was, like, now all about me. [Laughter.] But seriously, it was the best thing that ever happened to me, really and truly. Because I was able to end up at UPS. How cool is that?

MS. HUMPTON: I mean, OK, so you had that cold bucket of water moment. How long did it take you to resolve? And then take us through some of the key milestones in your leadership development.

MS. TOMÉ: So, I'm like, OK, Carol, you said you would be a banker. You're going to be a banker. I took one interview in school, which is not good advice for any of our kids. I took one interview at school with the largest bank in Colorado and got a job. So, I was a banker. And, you know, I started in 1981 when the prime rate was 18 percent. I mean, it's hard to remember those days, but they were there. [Laughs.] And I did that for several years. And then I'm, like, well, if I really want to be a banker – not private equity – but if I really want to be a banker, I need to go to a money center bank. So, I need to go to one of the coasts and join a money center bank.

At the same time, one of my clients was looking to consummate a plan of reorganization. It was the Johns Manville Corporation. Remember that story about Johns Manville, the largest manufacturer of asbestos? You know, those ads? Mesothelioma? Yeah. So, they were in Chapter 11, and they were trying to consummate their plan of reorganization, and said, Carol, do you want to help us? I'm like, well, oh, I think I can learn a lot joining a company in Chapter 11. So, I called up my dad, we're still friends, I'm like, what do you think? He's like, that's the stupidest idea I've ever heard of. So of course, I did it. And it was great. It was a great experience. We consummated the plan of the organization, started growing through acquisitions. One acquisition led to another, which led to an IPO. So, I was on the IPO team, took a company public. That landed me in Atlanta, Georgia in 1992. So, imagine, from Jackson, Wyoming, to Atlanta, Georgia, in 1992, through an IPO of a paper and packaging company.

MS. HUMPTON: Of course.

MS. TOMÉ: So now – yeah, it would make sense, right? Georgia, the land of southern pine.

MS. HUMPTON: Great accent, by the way.

MS. TOMÉ: So, 1992, I had never heard of Home Depot. Never. There were no Home Depots in – I've never heard of it. So, I was driving down the street one day and I saw this store with a big orange awning. And I'm like, what is that? And I love to shop. So, I went into my first Home Depot store and I'm like, this place is amazing. I spent two hours there. People were having fun. You know, there was a lot of merchandise. I'm like, this is awesome. So, I told my husband, there's this cool company called the Home Depot. I don't know anything about it, but let's buy stock. So, we did. [Laughter.]

We did. And then in 1995, Home Depot came calling and said, Carol, we want to grow outside the United States, and we think you have some experience that could help us. Would you come join us? I'm like –

MS. HUMPTON: An invitation.

MS. TOMÉ: I'm like, Home Depot? I love Home Depot. I'm a shareholder. So, I was very blessed to join that company when that company only had 400 stores, and work for the founders, Bernie Marcus and Arthur Blank and Ken Langone. How cool was that?

MS. HUMPTON: Very cool.

MS. TOMÉ: And was there nearly 25 years. Almost 20 of those I was the CFO. And what an amazing experience. I love, love, love that company. And what I learned in my experience there was the importance of preparing for your successor. So, I developed a CFO successor who was terrific. And I'm like, you know, what? Time for me to go so he can shine. So, in 2019 I retired. I retired. My husband and I created the Tomé Foundation. We have a 650-acre farm in northwest Georgia. So, we went to the farm. And I went on some cool corporate boards. And I'm, like, this is my life. It's great.

And then I get a call from UPS. [Laughs.] And they're, like, you know, Carol, we – I was on the board of UPS. But they're, like, we're going through succession planning here, Carol. And we've worked with a third party who's created a persona of the skills and attributes of the next CEO. And we've matched that persona up against the existing leadership team. And we don't think they're quite ready. They're great, but they're not quite ready. But we think you fit. I'm like me? I'm 62 years old. I'm on my farm. You think I fit? And they're like, we do.

So, I'm like, why would I come out of retirement to take this job? So, I seriously thought about it for a long time. I'm like, OK, what do you love to do, Carol? I love to develop people. With 500,000 people, I thought, I'm going to have a great opportunity to develop people. Check. Values are super important to me. My personal values were aligned with the company values. So, check. I actually love to create value. And the stock had been flat for a long time. And when I was at Home Depot, it was a 450 percent value creation under my CFO tenure. So, I'm,

like, hmm, I think if I get in there, I could probably turn some dials and create some value. And that would be fun.

And then I talked to my husband. And your husband's here today. You know how important it is, right, to have the spousal support. Well, I talked to my husband and I said, what do you think? He's like, would you please go back to work? You are driving me crazy. [Laughter.] So, check. [Laughter.] And I was really just honored and privileged to be named. The first outsider, actually, named as CEO at UPS. It's an honor.

MS. HUMPTON: That's exciting. That's exciting. And the stock has performed beautifully. Obviously, you're going through all of the same rollercoaster that everybody –

MS. TOMÉ: Well, until right now. [Laughs.]

MS. HUMPTON: The same rollercoaster that everybody –

MS. TOMÉ: Yeah, we are.

MS. HUMPTON: You know, Carol, as you describe all this, it sounds like one fabulous invitation after another. Did you have any – did you have any setbacks along the way? I mean, we focus a lot – we need to focus a lot on failure, and what we learned from the missteps.

MS. TOMÉ: Sure. I sure did. Early in my career. When I moved into a leader role, actually leading people, I didn't understand what that really meant. I was still focused on me, and just my – you know, my success, the deal I was working on. Because I was, like, really a deal person for a long, long time. And like, I just didn't understand it. And I had a woman on my team who really needed some coaching and mentoring. And like, ugh, I don't want to deal with this. And I wasn't dealing with it. And it was time to give her a performance review. And I'm, like, well, I have to do this. It's a requirement. I have to give the performance review. So, I'm like, all right, I'll do it. I'm going to give it to her over the phone. I know. [Laughter.]

So, I did. And you know what she did? She quit. She quit. And I'm like, oh, she didn't quit the company. She quit me. She quit me because I'm a terrible boss. So, this was really – this is a pretty big setback for me because of all the enlightenment. I'm like, whoa, I'm in a leader role now. And I'm terrible at it. So, I'm like, all right, Carol, if you're going to be a leader, you are going to – you're going to rethink what your role is. And you're not here for you. You are for everyone else. And I vowed on that day – and this was in the '80s – I vowed on that day, since that point that nobody would quit me. If they left me, it's because they're getting promoted, or they're getting – they're retiring, or it's time for them to go. And, Barbara, since then nobody has ever quit me. So that was a big setback, but a great learning –

MS. HUMPTON: But you're a learner. You're a learner.

MS. TOMÉ: A big learner.

MS. HUMPTON: One of the other things you've done is you've really focused in on purpose and your personal why. What brought you to this? And how does it manifest itself in the work that you do?

MS. TOMÉ: Well, I believe I am here for a purpose. I'm a faith-based person. I've always had a big belief in purpose. And when I got to UPS, I'm like, what's our purpose? We knew what we did. You know, move 6 percent of the U.S. GDP, 2 percent of the world's GDP every day. We knew what we did. What we hadn't declared our why. So, we put together a cross-function group of UPSers and we said, please help us determine our why. And they did a beautiful job. They interviewed UPSers, and customers, and retirees, and community leaders, and iterated, and iterated, and iterated. And landed on our why, which is moving our world forward by delivering what matters. And I love that. And it's because you can unpack it in so many ways. It's not just about –

MS. HUMPTON: Unpack it, yeah.

MS. TOMÉ: [Laughs.] Right. But not just about moving goods. It's about doing good, too. But when we unveiled that purpose, I'm like, well, Carol, you've got to really rethink you. Because for forever I'd say, oh, here's my purpose. Make a difference. But I didn't really – as I thought about it, I'm, like, that doesn't really declare why you're here. And it certainly doesn't declare why you came out of retirement back into the workforce. So, I landed on this, lead to inspire, serve to create, give to remain. And that just helps me every day. I get up in the morning and I'm, like, am I actually living this purpose? And if I am, awesome. And if I'm not, then it's a check-in with Carol to figure out why not.

MS. HUMPTON: So, as the leader, you create the culture of your organization. And I know that when you've – when you first came to UPS there were a couple of things that were just obvious to you.

MS. TOMÉ: There were. I have to tell you, I'm super proud of our package cars and our brown uniforms. I'm proud of that. It's a branding statement. But I realized that we had restrictions that didn't allow people to bring their real, genuine, authentic self to work. So, if you are African American, you could not have natural hair. So, you couldn't have a braid, a fro, a twist. You couldn't have natural hair. Can you imagine? If you were a male, you couldn't have facial hair, even though it's sort of fashionable today. You couldn't have facial hair. And our tattoo policy was more restrictive than the U.S. Army.

MS. HUMPTON: Imagine that.

MS. TOMÉ: So yeah. So, I'm, like, look, we want to be professional here, but I think we can let go the edge of the pool and encourage people to bring their real, genuine, authentic selves to work. And it's – our customers have been happy about that. Our employees have been happy about that. And some of our retirees are really mad at me for that. [Laughter.] But that's OK. It's absolutely OK, because I think bringing real authenticity is the secret sauce of our company.



MS. HUMPTON: Well, and I think getting access to the talent that you need to keep the company –

MS. TOMÉ: Thank you!

MS. HUMPTON: Speaking of which, sometimes it has to do with childcare. What are some of the things you're doing to make sure that parents can be effective at work?

MS. TOMÉ: So, our network is a complex network. You're hopefully familiar with the package car drivers that come to your homes or your businesses. But all those packages need to get sorted. And they get sorted in big hubs and in package centers. And most of that work is taking place at night with part-time workers. And when I got to UPS, I'm like, wow, our turnover rates are really high inside the buildings. Not so much with our drivers, but inside of the buildings our turnover rates were high.

So, I commissioned a couple of Stanford MBA students who were working on their thesis. And I said, would you just do some research for me and help me understand why the turnover is so high? And they came back after they did a thoughtful job with their research and said, the issue is daycare, childcare that people can trust. Not afford, they can trust. So, I'm, like, huh, what if we came up with a solution for that? So, we started with a pilot, with a group called Patch, where we provided emergency daycare for our hourly workers.

Eighty percent of the parents signed up for it. A hundred percent used it. And the turnover rate in the building where we piloted went from 31 percent to 4 percent. [Applause.] I know. Isn't that cool? I think that's such a great proof point. So, we are expanding it. We need to be – go slow to go fast here, because you have to make sure you have care that people can trust. And we'll be working with partners regionally. But I'm super excited about what this could mean.

MS. HUMPTON: This is – yeah. This is awesome. It's something we've been talking about in the D.C. community a lot. And truly, we're at a point where we want to rally as many people as possible into the workforce, and removing barriers is job one.

MS. TOMÉ: Removing barriers. This is a big one. And then you can think about it for elder care. I mean, you can your mind can go very expansive here. But I think if we just focus on the kids, that'd be great.

MS. HUMPTON: Yes. Yeah. Now, OK, so if you keep in mind that in 20 minutes you could have a job, and your children could be cared for, I have a feeling you're not going to have to actually – I was worried about this. You were going to be poaching Santa's elves for that seasonal workforce. [Laughs.] No, no, we need that. The North Pole needs to get their work done.

MS. TOMÉ: [Laughs.] Exactly.

MS. HUMPTON: But actually, we are in a moment when the real question about our workforce is how do we make everybody more productive? And at Siemens, you may know that we're number one in industrial automation globally. So, our mission is to help everyone be more productive so that we can actually globalize; we can actually make closer to the point of need and get the economy really humming with this investment that's happening in industry and infrastructure. There are different pieces to this. I mean, I'm going to assume AI – you showed me some humanoid robots. Mary, I don't know, do we do field trips? Could we organize a field trip to go see some of this? And let's talk a minute about how technology is featuring in your strategic plans for UPS.

MS. TOMÉ: We were chatting about this before lunch. I think our companies are both technology companies at the end of the day, and technology is driving innovation and productivity in our business. And I'll make that real for you. The number-one question I get from our customers is, where is my package? And my response in my head is, I don't know. [Laughter.] But I want to solve this problem. So, we have started to put RFID tags on all of our packages. So, when the package is in our network, we will know where it is at any one point. This is technology that's – the tags are put on by robots, and the tags themselves are RFID.

There have been so many unintended benefits coming from this. Not just the customer concerns have gone down, but each time a package car is filled up, oftentimes there's a misload. In other words, a package goes on the wrong car. Before we put the tags on the packages, one in every 400 packages had a misload. That means it didn't get to you on time. That's not a good experience. We've completed the rollout in the United States and now in our buildings who've had the technology for the longest are seeing their misloads one in 2,000, or higher. So, we are improving the customer experience as well as the productivity – the productivity. And the next phase of this is rather than the person who's putting the package to the package car scanning the package, the car will scan the package. That's way cool. [Laughs.] I mean, it's way cool.

Now, when you think – when you think of – if you're driving down the road and you see a big UPS 18-wheeler truck, that truck is going into one of our hubs to be unloaded or loaded. Today, that's all done by people. We're introducing robots that will unload that trailer. How cool is that? Now you might say, well, what does it mean for jobs? Well, the jobs of the unload will change. We don't need that job any longer. But if you have the propensity and desire to learn how to code, and with large language models and generative AI, all of a sudden, we can change the jobs, we can upskill. It's super exciting when you think about what technology is going to mean for the workplace of the world.

MS. HUMPTON: I am totally with you. And I want to share something that I actually learned from one of our fellow members. MicroStrategy hosted a member-hosted event for us. And the topic was AI. And so, imagine bringing people from our Washington – Economic Club of Washington community together. We had all kinds of voices. Angel Brunner, in the investment world, said that she challenges her team to talk only about job creation, not job preservation, right? Let's not be resisting technology for the reason of, as she put it, wanting to keep the stagecoaches running even when the automobiles are coming to town. And so, we have to be leaning into the technologies that are available to us today to make the most of them in our enterprises.

MS. TOMÉ: I couldn't agree with you more. It's so exciting.

MS. HUMPTON: I have one final question for our guest today. This is the Economic Club of Washington. What advice would you give to us as leaders as we head into the next fiscal year?

MS. TOMÉ: Well, I think it's where we started. Win-win-win. If we approach everything through the lens of win-win-win, how do we lose?

MS. HUMPTON: I love it. Thank you. Join me in thanking Carol. [Applause.]

MS. TOMÉ: Thank you, everybody! Thank you.



**Carol B. Tomé**  
**Chief Executive Officer**  
**UPS**

Carol Tomé was named Chief Executive Officer of UPS in 2020, becoming the 12th CEO in the 115-year history of the company. She served as a board member of UPS since 2003. Before joining UPS, Carol served as Executive Vice President and Chief Financial Officer of The Home Depot, Inc., where she began working in 1995 as Vice President and Treasurer. Prior to joining The Home Depot, Carol was Vice President and Treasurer of Riverwood International

Corporation, a Commercial Lender with United Bank of Denver (now Wells Fargo), and Director of Banking for Johns-Mansville Corporation.

Carol serves on the boards of Verizon Communications, Inc., Grady Memorial Hospital Corporation and the Atlanta Botanical Garden. She is a member of The Committee of 200, The Buckhead Coalition, and The Business Council. Carol holds a bachelor's degree in communication from the University of Wyoming and a master's degree in finance from the University of Denver.