### INSIDE THE WAL-MART HATERS CAMPAIGN

In Search of

Billions

HOW THE **HEADS OF P&G** AND GE ARE DOING THE IMPOSSIBLE: GROWING COMPANIES THAT ARE ALREADY HUGE. (PAGE 70)



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**QUEER INC. GAYS IN**CORPORATE AMERICA

(PAGE 94)

PLUS OUR BEST AND WORST STOCK PICKS OF THE YEAR

Meeting of the minds: A.G. Lafley and Jeffrey Immelt

DISPLAY UNTIL DECEMBER 18, 2006



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OUT AT WORK Members of bEYond, the gay and lesbian network at Ernst & Young MIKE SYERS

Partner, Transaction Advisory Services Assoc Huma

JOHN RIGGS Partner, Assurance



PATRICIA WILEY Partner, Human Capital

ALEX SMITH
Senior Accountant,
Assurance

## UEERINC.

HOW CORPORATE AMERICA FELL IN LOVE WITH GAYS AND LESBIANS. IT'S A MOVEMENT. BY MARC GUNTHER



# BUSINESS IS BOOMING AT RAYTHEON, the \$22-billion-a-year defense contractor that sells Tomahawk cruise missiles, laser-vision goggles, and advanced radar systems to the Pentagon. This, improbably, is good news for the gay-rights movement.

A platoon of Raytheon employees wearing identical blue-andblack bowling shirts, pins with the company's logo, and black pants proudly walked the halls of this fall's convention of Out & Equal, an organization that brings together the networks of gay, lesbian, bisexual, and transgender people—GLBT, in the argot of the moment—that have taken root at America's big companies. For three days in Chicago, with about 1,700 delegates from other companies, the 67 members of Raytheon's GLBT network could attend workshops with such titles as The Cost of Transgender Health Benefits, Breaking Through the Lavender Ceiling, and Male-on-Male Sexual Harassment: An Emerging Issue.

As a high-profile supporter of gay rights, Raytheon of course

provides health-care benefits to the domestic partners of its gay employees. It does a lot more, too. The company supports a wide array of gay-rights groups, including the Human Rights Campaign, the nation's largest gay-advocacy group. Its employees march under the Raytheon banner at gay-pride celeberations and AIDS walks. And it belongs to gay chambers of commerce in communities where it has big plants. Why? you may ask. Not because gay people buy missiles or radar—at least as far as we know. No, it's because the competition to hire and retain engineers and other skilled workers is so brutal that Raytheon doesn't want to overlook anyone. To attract openly gay workers, who worry about discrimination, a company like Ray-



POLITICAL MOVE Raytheon transferred software engineer Louise Young to Vermont so that she could get a civil union with her partner.

theon needs to hang out a big WELCOME sign. "Over the next ten years we're going to need anywhere from 30,000 to 40,000 new employees," explains Heyward Bell, Raytheon's chief diversity officer. "We can't afford to turn our back on anyone in the talent pool."

Last June the gay rights movement quietly achieved a milestone: For the first time, more than half of FORTUNE 500 companies—263, to be precise—offered health benefits for domestic partners, according to the Human Rights Campaign. Ten years ago only 28 did. Along with health benefits for their families, many workers also get bereavement leave when their same-sex partner dies, adoption assistance or paid leave if they have children, and relocation assistance for their partners if they are transferred. Put another way, gay marriage—an idea that has been banned by all but one of 27 states that have voted on it—has become a fact of life inside many big companies.

"Corporate America is far ahead of America generally when it comes to the question of equality for GLBT people," says Joe Solmonese, president of the Human Rights Campaign.

Solmonese is right. The nation's Roman Catholic bishops last month advised gays to be celibate because the church considers their sexuality "disordered." Prominent evangelical minister Ted Haggard stepped down from his church after he was accused of getting massages from a gay man. Social conservatives flock to the polls to oppose gay marriage.

Business is different. "It's not a faithbased community," says Ed Offshack, a chemical engineer and gay activist at Procter & Gamble. "It's a logic-based community." The changes in attitudes toward gays and lesbians have been swift, deep, and altogether remarkable. People who once were shunned and then merely tolerated are today being embraced by corporate America. Yes, embraced. And not just on Seventh Avenue and in Hollywood:

 When Justin Nelson was trying to get the National Gay and Lesbian Chamber of Commerce off the ground in 2003, IBM offered its support. "If they hadn't joined, there wouldn't be a chamber," Nelson says. Big Blue was followed by Wells Fargo, Motorola, Intel, Ameri-

can Express, and recently, Wal-Mart. Today the Washington-based gay chamber, which has 24,000 members, certifies small businesses as gay-owned so that they can qualify for supplier-diversity programs at big companies. Think about that: Homosexuality, once a career-killing secret, has become enough of a competitive advantage in some circles that certification is needed to deter straight people from passing as gay.

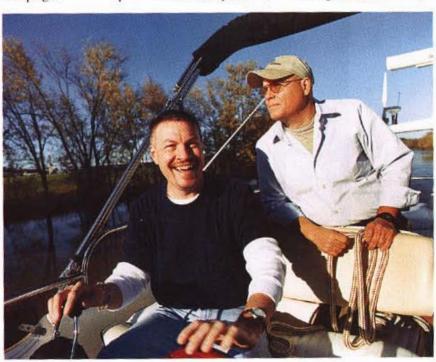
 Companies are taking their support for gay rights into the political arena. Last spring, after internal soul-searching, Microsoft was persuaded by its GLBT employee group, GLEAM

"CORPORATE AMERICA IS FAR AHEAD OF AMERICA GENERALLY WHEN IT COMES TO THE QUESTION OF EQUALITY FOR GLBT PEOPLE." (Gay and Lesbian Employees at Microsoft) to support state legislation to ban discrimination against gays. CEO Steve Ballmer said, "Diversity in the workplace is such an important issue for our business that it should be included in our legislative agenda."

• Some companies are grappling with how to manage employees switching from one sex to another. American Airlines and its HR people helped a 58-year-old pilot—an ex-Marine and Vietnam combat veteran—go from being Robert to Bobbi. Energy giant Chevron published "Transgender@ Chevron," an eight-page guide to the issues that come up when a worker changes gender identity, ranging from the bureaucratic (don't forget to get a new security badge) to the everyday (when it's appropriate to move from the men's room to the ladies' room or vice versa).

Yes, the world of work is changing—though not without a backlash.

When Walgreens, Kraft, and Harris Bank signed up to sponsor the 2006 Gay Games, a weeklong festival in Chicago



TURNING THE TIDE Ed Offshack (left), with partner Kyle Kieper on the Ohio River, successfully prodded his employer, P&G, to take a stand in favor of gay rights in Cincinnati.

that attracted 11,000 athletes, conservative Christian groups attacked. Peter LaBarbera, the president of Americans for Truth, which calls itself the only national organization devoted exclusively to exposing and countering the homosexual activist agenda, wrote to Walgreens: "Make no mistake: The 'Gay Games' was conceived as a way to build acceptance for homosexuality in the name of sport—a perversion of the athletic ideal." A Walgreens' store manager in Alabama quit in protest. Chief executive David Bernauer got 250,000 e-mails, most from a website of the American Family Association, another Chris-

tian group. "Having the CEO's server crash was not a positive thing," says Phil Burgess, national director of pharmacy operations at Walgreens. Burgess, who is gay, said the company made the \$100,000 donation to support its GLBT employees and let gay and lesbian customers know that they are welcome at Walgreens. The

company writes more prescriptions for AIDS-related drugs than any other pharmacy chain.

Some people may simply wish all the controversy would go away. 
"It's a distraction," says Stephen Viscusi, the (gay) owner of an executive-search firm. "You should be defined by the work you do." People can do whatever they want in bed, this line of thinking goes, but in the workplace, sexual orientation shouldn't matter.

The trouble is, it still does: In 34 states it's legal to fire an employee simply for being gay. Last winter a photographer named Laurel Scherer, who took pictures of skiers at the Wolf Laurel Ski Area near Asheville, N.C., lost her contract with the resort after she and her partner were married in Massachusetts and ran their wedding announcement in the Asheville Citizen

GAY NETWORKS
CUSTOMARILY MEET
IN COMPANY FACILITIES,
USE THE COMPANY
INTRANET, AND RECEIVE
FINANCIAL SUPPORT.

Times. The Human Rights Campaign gets about 25 to 30 complaints a month about workplace discrimination.

what would people think? Mike Syers, a 42-year-old partner at Ernst & Young, was coming out in a very big way. About 3,000 partners of the firm had gathered in

Orlando for a conference last year. A two-minute video of Syers played on giant TV screens throughout the convention center. He sat in the audience watching himself.

"When I started in public accounting," the onscreen Syers said, "I really didn't think there was a long-term career opportunity for me. Being a gay man, I didn't see gay partners." But things were different at E&Y, he said. He felt comfortable and welcomed.

As the screen went dark, Syers's BlackBerry began vibrating, Messages of support poured in. Afterward a partner came up to him to say that his son was gay, and that he would call home that night to tell his son how proud he was to work at E&Y.

E&Y had asked Syers to make the video because he is a leader of bEYond, the company's GLBT employee group. bEYond is

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01	jointly announce that they will provide domestic-		U.S. Supreme Court strikes	
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'05	More than half of the FORTUNE 500 offer	gay marriage.		cowboys, wins
06	domestic-partner benefits.			three Academy Awards.

only two years old, but it sent 72 people to this fall's Out & Equal convention. It also sponsored the 2006 Reaching Out MBA conference, a gay and lesbian recruiting event that attracted about 700 MBA students to New York. Courting them were Accenture, Dell, Goldman Sachs, J.P. Morgan Chase, Lehman Bros, McKinse

Morgan Chase, Lehman Bros., McKinsey, Merrill Lynch, Microsoft, Target, and Toyota, among others.

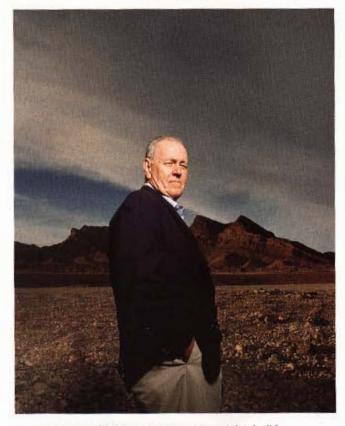
This is how workplace changes typically happen at big companies—from the inside out. Gay and lesbian employees come out of the closet. They find one another. They organize. They enlist straight allies. And they take their concerns to top managers.

The first company-sanctioned network of gays, called League, was formed by gay employees at AT&T in 1987. Now more than 110 company-supported GLBT employee groups have registered with Out & Equal.

These gay networks customarily meet in company facilities, use the company intranet, and receive financial support. Some get more respect than others. Jeff Immelt, the CEO of General Electric, makes it a point to clear his calendar each year for the annual gatherings of the African American and women's networks at GE, but he has never met with the GLBT group. That's caused some bad feelings.

When Ernst & Young hired Syers in 2002, he decided to be more open about being gay, partly because he and his partner had just adopted a daughter. "I will never, ever let her think that her family is something to be ashamed of," he says.

When he mentioned his new baby to an E&Y colleague, she



PUSHING BACK Phil Burress opposes "special rights" for gays.

## "WHY IN THE WORLD WOULD CORPORATIONS GET INVOLVED IN SOMETHING AS MURKY AS PEOPLE'S SEXUAL LIVES?"

asked, "So what does your wife do?" He replied, "Actually, my daughter has two dads." She said, "That is so cool."

Things hadn't always gone so smoothly. Years earlier he'd come out only to a few friends and co-workers; his best friend from high school never spoke to him

again. So Syers wasn't sure what to expect when he and Chris Crespo, a lesbian colleague, went to see John Ferraro, the firm's senior vice chair, to ask for company recognition of a gay employee group that had begun to meet informally.

Ferraro listened. The 51-year-old Boston native had not spent much time with gay people—he'd been raised in a religious family, with ten brothers and sisters—and he was surprised to learn that some GLBT employees felt uncomfortable at Ernst. He offered to become the executive sponsor of bEYond. "It was obvious that they had to make decisions every day on whom they could talk to and how much of themselves they could bring to work," Ferraro says. "I can't imagine coming to work every day and feeling afraid. It just felt wrong." It was wrong for the business, too, he says. "Do the percentages. Whether it's ethnicity, gender, or GLBT, people are our top asset."

THERE MAY BE PLACES IN AMERICA where companies can sidestep the controversy over gay rights. Cincinnati is not one of them.

In 1993, Cincinnati voters, by a 65% to 35% margin, adopted Article 12, a charter amendment that prohibited the city from passing any law to protect gays against discrimination. It was put on the ballot by conservative Christians. In 2004, the voters repealed Article 12 by a 54% to 46% margin. In between, business stepped in.

The day after the 1993 anti-gay vote, Ed Offshack, an Ivy League-educated chemical engineer at P&G, came to work in a sour mood. He announced to his manager that he intended to do what he could to make the company more gay-friendly.

Offshack, 46, is a second-generation P&Ger—his father worked as an hourly employee at a big manufacturing plant in Mehoopany, Pa.—and he had no complaints about how he'd been treated by the firm. In 1989 his supervisors arranged for Offshack's partner to accompany him when he was transferred to the Philippines. "I've always felt supported," he says.

But P&G was at first reluctant to support gay people in a public way. Not until 1996 did the company permit GABLE, its gay and lesbian employee group, to create an e-mail network. Two years later children of same-sex parents were not allowed to attend a P&G-sponsored "family" event at a local amusement park.

Gradually P&G came around to GABLE's point of view. At the group's urging, it pulled its ads from talk-show host Dr. Laura Schlessinger's program after she was accused of being anti-gay. It offered domestic-partner benefits in 2002.

Not long afterward P&G agreed to support the repeal of Article 12. In a speech to the regional branch of the National Conference for Community and Justice (formerly the National Conference of Christians and Jews), CEO A.G. Lafley said, "Article 12 is neither inclusive nor just, and it has severely harmed the economic vitality of our city."

P&G donated \$40,000 to gay-rights group Citizens to Restore



PROUD PARENTS After Mike Syers and partner Darryl Hudak adopted Holly, Syers became a leader of a GLBT group at Ernst & Young.

SO WHERE'S THE

CORPORATE GAY-RIGHTS

MOVEMENT GOING FROM

**HERE? ALL THE WAY TO** 

BENTONVILLE, ARK.

Fairness. Lafley gave about \$5,000 in company stock. Susan Arnold, a lesbian who is P&G's vice chairman and a possible heir apparent to Lafley, gave \$10,000. GE Aircraft Engines, Kroger, Federated, and Hewlett-Packard all gave money to Citizens to Restore Fairness, and some urged their employees to vote against Article 12.

Christian conservatives were aghast. The company and its executives have "publicly thrown their support and money behind the homosexual political agenda," said the Rev. Donald Wildmon, president of the American Family Association. He also objected to P&G's decision to offer same-sex-partner

health benefits and to its advertising on gay-themed TV shows such as NBC's Will & Grace. The AFA, Focus on the Family, and an Ohio-based group called Citizens for Community Values called for a boycott of Tide, Crest, and Pampers.

Phil Burress, president of Citizens for Community Values, which opposes gay

marriage and pornography, still can't understand why P&G would insert itself into the culture wars. "Why in the world would corporations get involved in something as murky as people's sexual lives?" he asks.

Burress, 64, is a force in Ohio politics: Citizens for Community Values has eight staff members and a \$1.5 million annual budget. Burress is also a board member of Exodus International, a group that helps people walk away from homosexuality by finding Christ, and is a key member of the Arlington Group, a high-powered Washington, D.C.-based coalition of groups opposing same-sex marriage.

P&G has reached out to Christian conservatives like Burress, and he says the firm is listening. Unlike Wildmon, he does not object to P&G's decision to provide domestic-partner benefits. "What they do on the inside, that's their business," he says. But Burress thinks it's wrong for P&G to support what he calls "special rights" for gays—by which he means legal protection against discrimination. Prohibiting discrimination on

the basis of sexual orientation, he says, interferes with other people's rights to be guided by their own moral values when deciding, for example, whether to rent an apartment to a same-sex couple or hire homosexuals in their business. "This is a battle of rights," he says.

The Christian groups called off their

boycott last year. Says Burress: "P&G has quietly backed away from promoting homosexuality, but they'll never admit it."

He may be right on both counts. P&G's score on the Corporate Equality Index, an annual rating of companies by the Human Rights Campaign, has dropped in recent years. What do P&G executives say about this? We can't tell you. They declined to be interviewed.

IN 1953, THOMAS J. WATSON JR., the president of IBM, issued a written policy promising that the company would hire people based on their ability, "regardless of race, color, or creed." This was a bold move, coming as it did a year before the U.S. Supreme Court's *Brown* decision and 11 years before the Civil Rights Act. IBM was planning to build plants in Kentucky and North Carolina, and Watson wanted to make sure they were integrated. With that history it's no surprise that IBM is now at the cutting edge when it comes to promoting gay rights:

 Among corporations, IBM is the No. 1 financial supporter of gay rights groups in the U.S.

 To export its gay-friendly culture, IBM supports employee GLBT groups in 23 countries, including Singapore, Slovakia, and Colombia. There's plenty to do: In 80 countries homosexual acts are illegal, as they were in parts of the U.S. until a few years ago.

 Last year IBM convened a group of gay college students at the Human Rights Campaign to form a national organization of students in science and technology.

IBM persuaded Dr. Marci Bowers, one of the world's leading sex-reassignment surgeons and herself a transgendered person, to participate in the company's health insur-

ance program.

IBM stepped up its diversity efforts in 1995, when Louis V. Gerstner, then CEO, formed eight executive-level task forces, one each for women, African Americans, Hispanics, Native Americans, people with disabilities, employees with work-life issues, GBLT people, and men. Men? "Everyone needs a support system," says Ron Glover, the company's vice president of global workforce diversity.

Each task force was asked four questions: How can IBM attract the most talented people from your group? How can the company keep them engaged and productive? How should IBM market to them? And which outside groups should become IBM's partners? The goal was for IBM to get better at attracting talent and selling to broader sets of customers. "It was pretty simple at one level and pretty profound at another," Glover says.

The IBM of today looks very different from the IBM of 1995. The number of female executives worldwide has increased by 490%. The number of self-identified GLBT executives has grown even faster—and the number of executives with disabilities has more than tripled. IBM buys \$2.1 billion worth of goods and services from suppliers owned by women, minorities, or GLBT people, and it sells more than \$500 million of goods and services by marketing to those groups.

Randy Foster is one name behind the numbers. A former U.S. Air Force captain, he got very good at keeping secrets during his eight-year military stint. Foster could not tell his family or friends about his work with the National Reconnaissance Office, a classified government agency that builds spy satellites. And he could not tell anyone in the military that he was gay. Rather than lie about his sexual orientation, the South Carolina native left the service in 1995.

After working at defense contractors TRW, Boeing, and General Dynamics, Foster settled at IBM, where he sells technology and services to the defense industry and the government. "Come

### COURTING THE GAY CONSUMER

Mainstream marketers are getting comfortable tailoring their messages to brand-savvy GLBT customers.

"Whether you're planning to spend Gay Ski Week in Whistler with your friends or to take your partner to Boston so you can hop over to Provincetown to enjoy Lesbian Week, we have terrific options for you."

So goes the pitch at AAVacations.com/rainbow, American Airlines' website for gay and lesbian travelers. The website features a list of gay-friendly destinations and a calendar of gay-related events (Mid-Atlantic Leather Weekend, Sydney Gay and Lesbian Mardi Gras) along with the boast that American is the only airline to score a perfect 100% on the Human

> Rights Campaign's Corporate Equality Index for the past four years.

American is one of about 175 FORTUNE 500 companies that run advertisements or websites aimed at gay consumers. Gay buying power is estimated to be \$641 billion in 2006, according to Bob Witeck and Wes Combs. authors of Business Inside Out: Capturing Millions of Brand Loyal Gay Consumers (Kaplan, 2006). They argue that companies need to be gay-friendly in all respects to win over GLBT customers.

For a look at how big companies are marketing to GLBT consumers, visit

fortune.com. There, as part of an Internet package on gays and business, you will find a story about Logo, the advertiser-supported cable channel for gays that's owned by Viacom, and a report from Reaching Out, an annual conference from GLBT MBA students that attracted recruiters from 49 companies.



GOING MY WAY? GLBT buyers are loyal to brands like Subaru.

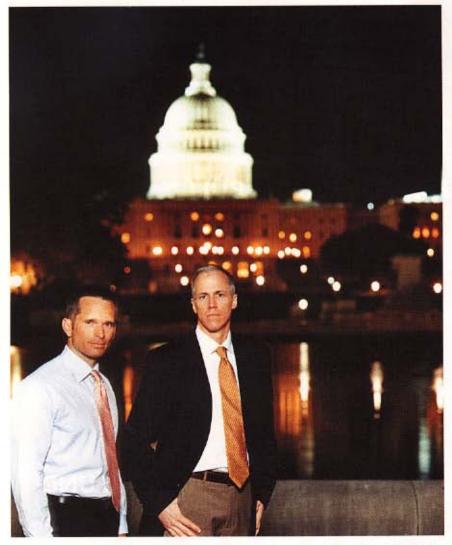
hell or high water, I wanted to live one life," he says. "The only things I have to hide now are national security secrets, and those are good secrets."

Foster didn't join the gay employee groups at any of the companies where he has worked. "I'm not an activist," he says. But he does want to feel welcomed.

such as

Bankin, Securiti

and are E\*TRAD © 2006



DON'T ASK Randy Foster (right), with partner John Bass, left the USAF and landed at IBM.

"THE ONLY THINGS I

NATIONAL SECURITY

**SECRETS, AND THOSE** 

HAVE TO HIDE NOW ARE

"The most incredible thing about IBM is that since the day I arrived, I've never thought about being gay and how it might affect my job," Foster says. "IBM's a notch above."

SO WHERE IS the corporate gay-rights movement going from

here? To Bentonville, Ark. Yep, Wal-Mart's getting gay-friendly. Or as an HR manager for the company put it during a workshop at the Out & Equal conference, which Wal-Mart sponsored: "We're here, we're queer, and we're proud to be here."

Wal-Mart has invited gay-rights leaders to Bentonville and hired Witeck-Combs, the preeminent gay marketing and consulting firm. It is organizing workshops with the national gay chamber of commerce. It sponsored a panel at a conference of gay journalists, sent a small group to the Human Rights Campaign's annual dinner, and donated three scholarships to the Point Foundation, which provides support and mentoring to students who are marginalized or cast out

by their families because of their sexual orientation or gender identity.

Ken Pearson, a middle manager at Wal-Mart University, got Pride, the company's GLBT employee group, started just last year. He said the group has made headway with the company by arguing the business case for gay-friendly policies—that they will help Wal-Mart attract more skilled employees, reach a broader range of customers, and expand into urban markets.

This year the company tried selling gaythemed jewelry and promoted the DVD release of the gay love story *Brokeback Mountain*. Domestic-partner benefits are now being talked about by America's largest private employer. "I didn't expect this much movement this quickly," Pearson says.

Here comes the backlash. The American Family Association called for a Thanksgiving-weekend boycott. Phil Burress, the Cincinnati-based activist, says, "Wal-Mart has no idea what they have taken on here. This Christmas, Wal-Mart's going to take a huge hit for what they've done."

It's possible, but the truth is that for the past 15 years, boycotts or no boycotts, corporate America has been moving in only one direction, and at a pretty rapid pace. Do you recall that the restaurant chain Cracker Barrel fired gay workers back in 1991 for not having "normal heterosexual values"? Well, a few years ago, when a Kodak employee sent an e-mail to co-workers objecting to the company's endorsement of National Coming Out day as "disgusting and offensive," he was the one who was

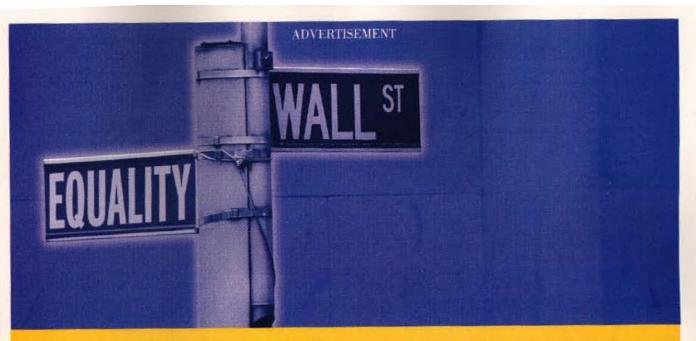
fired when he declined to apologize. He was entitled to his beliefs, the company explained, but his behavior was not aligned with Kodak's values.

So it's clear where big business is going. What's interesting is to watch it pull the rest of the country along. It turns out

that the most important factor shaping people's feelings about gay issues is not their age or even their religion—although those do matter—but whether they have relatives, friends, or co-workers who are gay. "The more out and open people are, the more changed the straight people are all around them," says Joe Solmonese,

the Human Rights Campaign president. HRC began organizing workplaces to secure benefits for gay employees. This has inadvertently become a shrewd political strategy as well. "To move the mindset of the American people, we need to find the places where they congregate," Solmonese says. "Priority one is corporate America."

FEEDBACK mgunther@fortunemail.com



## E QUALITY TS GOOD BUSINESS

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138 companies that

earned 100%
on the 2006

Corporate Equality Index.

Stanley • Morrison & Foen Inc. • Nationwide • NCR
Times Co. • Nike Inc. • Nin Nordstrom Inc. • Northrop
The Olivis Companies LLC
& Sutcliffe • Owens Compenies LLC
& Sutclif

Every day, the Human Rights Campaign Foundation advocates to bring equality to more workplaces across the country. Since the Human Rights Campaign Foundation's Workplace Project started ranking companies five years ago, 5 million more employees enjoy full protections on the job.

The Human Rights Campaign

Foundation congratulates the

The Corporate Equality Index rates companies on how they treat their gay, lesbian, bisexual and transgender employees, consumers and investors. For ratings on other companies, visit www.hrc.org/workplace.

