

The Remarkable Mr. Lafley

By Michael Lee Stallard, Carolyn Dewing-Hommes and Jason Pankau

There are probably a whole host of factors that contributed to the stunning turnaround of Procter & Gamble led by A.G. Lafley. We are convinced that Lafley's leadership style is right up there at the top.

When Durk Jager resigned as CEO of P&G in June of 2000, his tenure had lasted only 17 months, the shortest in the firm's 165-year history. At that time, P&G's stock had declined 50 percent, it had lost \$320 million in the most recent quarter, half of its brands were losing market share and the firm was struggling with morale problems. P&G is known for its talented brand managers and a quarter of them had left the firm.

*A leader who listens
more than he lectures*

Lafley, a low-profile, thoughtful P&G veteran, was tapped to replace Jager. From the beginning, Lafley's leadership style was a marked contrast to Jager's. Although Jager had questioned the competence of many P&G employees, Lafley immediately assured them that he knew they were capable of restoring the marketing powerhouse to its former greatness. Whereas Jager has been described as gruff and confrontational, Lafley is relentlessly inquisitive in a calm, respectful manner that builds trust with employees.

The most striking aspect of Lafley's approach were his actions to improve the flow of knowledge throughout P&G. Lafley emphasized listening more than lecturing. During his early days as CEO Lafley insisted on transparency by encouraging everyone to "get the mooses out of the closets." When meeting with groups of managers he would tell them he didn't prepare a speech and just wanted to hear about the issues on their minds. A marketer to the core, Lafley also requested a study of P&G employees to hear their ideas about what needed to be done. In his desire to learn from others he has even attended meetings of P&G alumni to hear their views.

At P&G's corporate headquarters, Lafley transformed the 11th floor where senior executives maintained plush offices. Art was donated to a museum, oak walls were torn down, and eleven of the executives were moved to be closer to the people they lead. The remaining executives, including Lafley, now occupy a third of the floor in an open space with cubicles. The rest of the space was converted into a corporate training center. At the center, senior executives are expected to teach many of the courses, not only for the benefit of trainees, but also to expose those executives to ideas from other P&G employees around the world. Lafley's order to "teardown the walls" on P&G's executive floor was both pragmatic and loaded with symbolism. These actions signaled his intention to tear down "the walls" that prevented knowledge, the lifeblood of every organization, from flowing throughout P&G.

It wasn't long after Lafley became CEO that employee morale improved and P&G's performance improved along with it. Following the first year of Lafley's tenure as CEO, the number of employees who strongly agreed with the statement "We're on the right track to

deliver business results” soared from 18 percent to 49 percent. And in a little over two years after taking over, Lafley restored P&G to profitability and increased its stock price by 70 percent. To the amazement of Wall Street, Lafley orchestrated P&G’s turnaround during a recessionary economic environment. With its acquisition of Gillette, P&G has resumed its position as one of the most respected companies worldwide.

The lesson here is clear: a leader who listens more than he lectures inspires the confidence of employees and is better informed to make decisions. When a company chooses a leader who listens and other leaders begin to emulate his or her style, the benefits of listening cascade throughout an organization like ripples across a pond. By listening more than lecturing, A.G. Lafley increased what we refer to as Knowledge Flow. It is one of the elements in an engaging work environment that unlocks organizational productivity and innovation.

Michael Lee Stallard is the founder of E Pluribus Partners. Carolyn-Dewing Hommes and Jason Pankau are partners and co-founders of the firm. Together they are contributors to the book *What Managers Say, What Employees Hear* published by Praeger in April 2007.