The CEO as Global Corporate Ambassador

A.G. Lafley, Procter & Gamble Co.'s chief executive, doesn't talk much about shareholders. Instead, he talks about stakeholders.

Who are those stakeholders? Well, add together the company's employees; the retailers and distributors and wholesalers the company sells to; its suppliers; the employees of those retailers, wholesalers, distributors and suppliers; the 2 1/2 billion people who consume P&G products; the communities all these people live in -- oh, yes, and the people who happen to own Procter & Gamble common stock -- and pretty soon the real question becomes:

Who on earth isn't a Procter & Gamble stakeholder?

(If you qualify, email me at business@wsj.com. I'll send a box of Tide to the first non-P&G-stakeholder who responds.)

A conversation with Mr. Lafley is a lesson in how dramatically the world of big business has changed in recent years -- or at least in how dramatically CEOs like Mr. Lafley think it has changed.

It's not that shareholders don't matter. In fact, shareholders are more demanding than ever. Mr. Lafley recalls that in the 1980s and early 1990s, his predecessors John Smale and Ed Artzt would meet with analysts and investors "only once a year in Cincinnati and give a formal, tightly prepared presentation, and then take very few questions." In contrast, Mr. Lafley has frequent contacts with investors and analysts.

But the outside demands don't stop with investors. Consumers, he says, are also more demanding. "We used
to think we were just taking care of the consumer buying Tide," he says. But "this consumer is also a citizen, is also a member of the community." He or she may care about how P&G treats the animals it uses in tests, for instance, or the company's policies regarding global warming.

That's why Mr. Lafley also deals directly with groups like People for the Ethical Treatment of Animals, which opposes animal testing, or environmental groups like Greenpeace. "We will never agree that a rat is as important as a human being," he says, but talking with the groups helps define legitimate issues.

With so many "stakeholders," of course, it's inevitable that they will come into conflict. That's what happened when the company supported an effort in Cincinnati to overturn an ordinance seen as discriminating against gays. Many employees backed the effort. But the American Family Association, a Christian conservative group, launched a boycott of P&G in response. Mr. Lafley reached out to leaders of the group -- "constructive engagement," he calls it -- and eventually the boycott was lifted.

Then there are the responsibilities that he feels go with being a global citizen. The company provided water-filtration systems when the tsunami struck Asia, for instance, and it was among the first to respond to Hurricane Katrina.

The problem with all this, as some critics see it, is that it distracts the CEO from his main job. "The shareholders hired the guy to be the CEO and not Procter & Gamble's representative to the world," gripes Steven Milloy.

Mr. Milloy helps run a new group called the Free Enterprise Action Fund, a modest-size mutual fund whose mission is to force CEOs to get back to basics and stop bowing to the agendas of activist groups.

On Friday, Mr. Milloy plans to be at the annual meeting of Goldman Sachs Group Inc., to complain about CEO Hank Paulson's conflict of interest in chairing the board of the Nature Conservancy, an environmental activist group. A few weeks later, he'll be on hand for General Electric Co.'s annual meeting, pushing a shareholder resolution that calls on the conglomerate to show the science behind its decision to embrace antiglobal-warming measures.

"The role of these companies is to increase society's wealth by generating shareholder wealth," he says.

Mr. Lafley agrees that P&G's first job is to make money. Under his leadership, the company has done a good job of that. "If we aren't successful," he says, "we don't have a right to do the other stuff."

But as he sees it, today's world requires him to take on a broader mission, partly to ensure his company's continued success and profitability.

He says his definition of his job has evolved over time. "I came into this job in June of 2000, and my head was down for at least a year, year and a half, because the company was not performing well," he says. "Then when my head came up, all hell was breaking loose. We had Enron, WorldCom, Adelphia, Tyco."

That led him into a much broader "dialogue among stakeholders," he says. As he sees it, this is not an exercise of choice; it's a requirement of the job.
"Like it or not, we are in a global economy and a global political world," he says. "Honest to god, the responsibility is huge."

--Should CEOs report to their shareholders or their stakeholders? Email me at business@wsj.com and read reader comments Saturday at WSJ.com/TalkingBusiness.

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