
A.G. Lafley's Innovation Skills Will Weather P&G's Storm

By Hal Gregersen

Almost 20 years ago, I interviewed Procter & Gamble (PG) Chief Executive Officer A.G. Lafley at company headquarters in Cincinnati for a book project focused on what it takes to become a great global leader. I was looking forward to talking with Lafley because former Chairman John Pepper had endorsed him as one of the most effective global leaders at P&G.

Lafley arrived for the interview in jeans and a leather bomber jacket, having driven his motorcycle to work that day. From the moment our conversation started, it was clear Lafley would be one of the most inquisitiveness leaders I had ever met. He asked me more questions than I asked him. He was intensely curious about my research project and generous with insights about what had shaped his own leadership core.

International assignments topped Lafley's leadership development priority list at that time, having completed several stints abroad himself. Shortly after finishing college, he did a multiyear tour of duty in Japan with the U.S. Army and later returned there as a young manager for P&G. His last stint in Japan was particularly powerful at shaping how he sees the world of business and the task of leadership. There, Lafley learned how to get things done on a shoestring, because he didn't have all the staff that hovered around headquarters in Cincinnati. Most of all, he sharpened his innovation skills in profound ways through the nonstop challenges he faced trying to compete in Japan and Asia at a time when P&G struggled in some of those markets.

One particular skill Lafley relied on is his unwavering devotion to understanding how consumers live and feel. Early on in his management career, he spent trip after trip visiting various countries, stores, and homes to understand what delighted consumers and what might delight them in the future. He explained, "You develop a feel. You become more of an anthropologist, because you can't understand the language. Your power is

observation and listening. Your ability to read nonverbal cues gets a lot better. Seeing the subtle things enhances your capability to read, understand, react.”

Lafley continuously fuelled his intense curiosity by going directly to consumers, trying to grasp more fully what jobs they were “hiring” P&G products to do. In effect, Lafley was stockpiling decades of insight sourced from personal knowledge of consumer’s needs, insight that would play a critical role when he first became CEO.

Leaders like Lafley who generate valuable disruptive ideas engage their innovation skills daily, constantly collecting bits and pieces of data over the years to solve future problems. In fact, disruptive innovators spend at least four months of every year actively and personally engaging these skills to get new strategic ideas with positive economic value. These innovation skills are what co-authors Clayton Christensen, Jeff Dyer, and I call The Innovator’s DNA.

When P&G’s stock value melted down more than 50 percent under Durk Jager’s short tenure as CEO (1999-2000), the board called on a relatively unknown Lafley to lead. He didn’t exactly start off on the right foot: The stock price dropped about 10 percent more the day after he was appointed CEO.

Lafley admitted he followed much of his predecessor’s plan to take the company into the future. Yet he pushed the plan with so much focus, creative insight, and personal integrity that innovation with impact became much more than a buzzword. P&G’s ability to innovate quickly improved under his tenure as CEO (no small feat for such a large global company). Part of Lafley’s success then, as I suspect it will be in 2013, is that he always innovated to delight the consumer whenever they buy or use a P&G product.

This leadership mantra worked well enough that Lafley moved on as Bob McDonald moved in. McDonald’s unexpected departure created a wrinkle in Lafley’s track record for forward thinking. As Lafley now returns to P&G, and as executives line up to be his successor, he may well benefit by taking a cue from another successful leader: David Ogilvy. When Ogilvy’s agency staff developed an ad campaign, he would play devil’s advocate to test his decision-making criteria about what constitutes a good campaign vs. what doesn’t. In the process, he was often surprised when campaigns he considered failures actually prospered, forcing him to revisit the framework

for his original decision.

Stepping back and seriously asking “What did we miss last time around?” is an approach Lafley might shoulder as he walks into a company quite different from how he left it. The global financial crisis turned the world upside down as consumers put high-margin products on hold and opted for far more affordable, even generic, goods to make it through a global recession—a rumble-tumble world with which McDonald couldn’t quite keep pace. But by taking a strategic moment to step back and examine surprises that surfaced from “good” and “bad” management campaigns during the past few years (as Ogilvy did), Lafley will be better equipped to take on today’s unique P&G challenges.

Time will tell whether Lafley will be able to turn the tide at P&G yet again. But if the past is any indication of what’s ahead, he will use these hard-won innovation skills to uncover novel solutions that set P&G’s course down a different, even more productive path.

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