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Leading with Character

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Leading with character

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Procter & Gamble's former CEO speaks about taking responsibility and acting quickly to succeed.

When **Bob McDonald** was a cadet at the US Military Academy at West Point in the 1970s, he was taught there were only four acceptable answers when questioned by senior cadets: “Yes, sir”, “No, sir”, “Sir, I don’t understand” and “No excuse, sir”. When asked to explain an offence, wearing muddy boots which violated the dress code for instance, saying “Yes, sir” does not help, and “No, sir” could constitute defiance and insubordination and lead to dismissal.

As for McDonald, he opted for “Sir, I don’t understand” in such situations so often that his officers suspected he was hard of hearing, and he was sent for tests. The young cadet’s hearing was fine, but it was also then that he realised the right answer was “No excuse, sir”.

“No excuse, sir” – that’s a powerful answer,” says McDonald, who graduated from West Point and served for five years as a captain in the US army. He then went on to become Chairman, President and CEO of the world’s largest consumer goods company, Procter & Gamble (P&G).

“I almost died during a parachute jump. What that taught me was that ‘nothing in business can be that bad’.”

“It’s powerful because implicit in that answer is the idea that you won’t let it happen again. What kind of leader would you work for? A leader who takes responsibility? Or a leader who, when something goes wrong, says ‘it’s not my fault’?”

Learning through experience

Character is the most important trait of a leader – that is one of 10 beliefs about leadership that McDonald has developed from his life experiences. Having lived overseas as a P&G executive – four years in the Philippines, six years in Japan and two years in Belgium – he is convinced that “diverse groups of people are more innovative than homogeneous groups”. After 33 years in P&G, during which the company’s annual sales grew from US\$10 billion to US\$84 billion, McDonald notes that “organisations must renew themselves”, a belief borne out of P&G’s success in keeping up with globalisation and constantly changing market conditions.

However, one of his experiences as a soldier tops the rest.

“Once, I almost died during a parachute jump,” he recalls. “There was this colonel whom we called a ‘five-jump commander’ – they had been to jump school and done the minimum five jumps that qualified them to wear the wings. I had about 60 jumps at the time.”

“We had new steerable parachutes, which could make it dangerous. He steered his parachute into me, causing mine to collapse. I landed with him and we were both slightly injured. What that taught me was that ‘nothing in business can be that bad’.”

Patience can be expensive in business

McDonald's desire to manage by his values and beliefs likely played a part in his decision to retire from P&G last year, following market grousers over the company’s lacklustre performance. The failure to deliver revenue growth to a promised US\$102 billion by 2013 from US\$75 billion when he took over as CEO in 2009 – P&G pulled in US\$83.7 billion instead – put him under pressure. To make matters worse, net earnings fell in the three years that he was in charge, from US\$13.4 billion in 2009 to US\$10.8 billion in 2012.

Shareholder dissatisfaction with McDonald intensified to a point where he deemed it a “distraction” to the company, and he offered to retire after more than three decades of service.

“When we get to a point where too much attention becomes a distraction, it’s time to change that dynamic,” McDonald wrote in a memo to company employees ahead of his retirement.

“As I look back,” McDonald said in a media interview following his departure from P&G, “I wish I’d had the benefit of hindsight and done the things we’ve done recently earlier.” McDonald was referring to a US\$10 billion cost-cutting programme and new products that helped boost revenue and market share. When P&G closed its 2013 financial year on June 30, 2013, the same day McDonald left the company, some of the measures were starting to show results – operating and net income were up following a three-year slump, while the financial year ended with what P&G describes as “improving market share trends”.

However, P&G’s net earnings in the six months since McDonald’s retirement have been inferior compared to the same period a year ago. It shall remain unknown whether the company could have maintained its positive momentum had McDonald stayed on, but the former army Ranger learnt another lesson from the experience.

“It’s taught me to be even less patient than I was before,” he says. “Patience is something you just don’t have time for in business. Too often, we can become too patient to get things done. The world is moving quickly. The markets are moving quickly. Patience is not necessarily a virtue.”

Bob McDonald was the featured speaker at the inaugural talk of Singapore Management University's Societal Leadership Series held on Feb 12, 2014.