

Stakeholder Capitalism

An Interview with Peter Georgescu, Chairman Emeritus, Young & Rubicam, Inc.

EDITORS' NOTE Peter Georgescu is Chairman Emeritus of Young & Rubicam Inc., and previously served as the company's CEO from 1994 until 2000. He was the first chairman of Young & Rubicam Inc. born outside of the United States. His career spanned some 40 years including top management experience both in the United States and around the world. He was instrumental in developing and fostering the integrated communications strategy that shaped the course of



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Young & Rubicam's progress and became the standard for industry thinking. After retiring from Y&R, Georgescu served on the boards of seven public companies including Levi Strauss, International Flavors & Fragrances, and others. Georgescu's belief in the power of education has fueled his involvement with organizations such as A Better Chance; Polytechnic University; and the Paul & Daisy Soros Fellowship for New Americans, where he has served as a member of their boards of directors. Additionally, he continues to serve as Vice Chair Emeritus of New York-Presbyterian Hospital. For the past half dozen years, Georgescu has worked on the issue of inequality in America. His latest book, *Capitalists, Arise!* is a battle cry for business' imperative need to change. Currently, he is working to install stakeholder capitalism as America's business governance. In this work, he serves as a director of JUST Capital. Georgescu is the recipient of the Ellis Island Medal of Honor. He received his BA cum laude from Princeton University and an MBA from the Stanford Business School. He holds honorary doctorates from the University of Alabama and Cornell College.

Will you reflect on your life story?

As I reflect on my early life, I realize just how remarkably different it was from that of most people. I grew up during the Second World War, so I've experienced the trauma, the dislocations, the challenges, the fears, the anxieties of war. My family and I were deeply imbedded in the conflict on so many levels.

In early 1947, my father, who had worked for Standard Oil of New Jersey, which is today ExxonMobil, came to New York for a business trip.

My mother went with him, leaving me and my brother in the safe care of my grandparents. Then, the Iron Curtain fell, and the Soviet Union forced the takeover of all of Eastern Europe. Overnight, the communist authoritarian regime took over my life. My father in New York found out from war colleagues who now were in the CIA that both he and my mother were on the list to be arrested and killed by the communists. Long story short, they stayed, and my brother and I remained with my grandparents in Romania.

Shortly after, my grandfather was arrested and eventually killed in prison. I was about 11 years old when I was arrested alongside my brother and my grandmother and put into hard labor. We spent about five years cleaning sewers, digging holes for telephone poles, and working on high tension wires. There was no schooling – it was six days a week working 12-hour days. From our psychic perspective, that was going to be it for the rest of our lives.

Our luck changed when my parents were approached to spy for Romanian and Russian authorities. Rather than succumb, they instead

decided to go to the FBI with the blackmail attempt. The result? I arrived in New York with my brother at 15, speaking a single word of English – Coke. The date was April 13th, 1954. I was a young man by then, certainly mature, certainly with an enduring and lasting life experience, and probably loaded with what today we call PTSD.

Once I arrived in the U.S, I was lucky to be asked to join Exeter because the headmaster read the stories of our lives and offered me a position which changed my life. After four months of trying to get up to speed on my English, he asked me what grade I wanted to join. I answered that I wanted to be in the same class with children of my own age, and that meant a sophomore. I went to Exeter as a sophomore, graduated and went to Princeton, Stanford Business School thereafter, and joined Young & Rubicam where I stayed for close to 40 years. I started as a trainee in the research department and ended up as Chairman and CEO of the company for some eight years.

How did this childhood experience impact your career and your business success?

Without a doubt, my early life had a dramatic impact on my business career, and for that matter on the rest of my life, in regard to who I am as a person and who I became as a businessperson as well. I worked hard, very hard. In Romania, I earned a ration card, which was the only way you could get food, and which was allocated based on the degree of difficulty of your job. I had the most rations of so many ounces of milk or bread or raw smoked bacon every day, so I knew the consequences and the benefits of working hard. I learned resilience. I learned rigor. I learned that I could compete and win.

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I learned that I didn’t want to ever be like the people who inflicted the pain on my family, and on so many people. The authoritarian regime was a tragedy, a travesty for humanity because it was all about power. It was all about staying in power at all costs and about suppressing those who were not part of the regime. I was determined, later in life, to be different, and to try to be a good person, to be compassionate and caring for others. For goodness sake, I was never perfect in doing all of these things, but the essence, the compass was there, and to the best of my ability, I tried to follow it.

What do you consider to be the hallmarks of an effective leader?

The fundamentals I learned rather early on by watching, by observing others – mentors, people I desired to emulate. Among the things that became clear to me, perhaps the most important one was that I needed to put myself second. The way I would look at the world around me was to become a good listener to others, to try to walk in their shoes, to understand their issues, to understand their problems. That sense of compassion, that sense of caring which I yearned for so much during my early years, had a profound effect on how I tried to behave in my business life. Listening and caring for others became absolutely the right way for me to move forward.

I also discovered that people are the secret sauce to success. I started right next to the mail room at Young & Rubicam. I had an MBA, but I was a no-name, no-frills research trainee, so I had to learn the business. I learned the business of business by gaining insight into the importance of the customer. That wiring stuck with me - that business success depends upon always fulfilling the needs of your customers.

The second thing was that all the people in our company were in service of others. Regardless of title, regardless of position, we were serving the interest of the customer, so I also learned the value of not just my own work, but of teamwork, of collaboration, of the power of motivated people of different backgrounds and different levels of expertise trying to solve our clients’ problems. Those were some of the critical components of the leadership that took me all the way to the top. It turns out that the greater the responsibility, the more stakeholders I had to take care of. I found the benefit of letting others have the starring roles. They came first and that served me well in my business career.

Your focus today is on the importance of stakeholder capitalism. What has made this such a critical issue for you?

It was years later after I left Young & Rubicam that I began to understand that the way we treated workers at Y&R was not the general operating model for America. After my business career, my wife and I began to travel the country by car to see the America that I didn’t see. I saw the world while at Y&R and I saw the capitalist leaders of the world, but not America - the country, the people, the rural areas, the places where the African American people lived, the lack of education, the lack of amenities, the lack of a decent life, which just wasn’t there to be had by too many of my countrymen.

I started to look at data and was stunned at the reality that I was so unaware of how many people in America were not able to live the dream life that I led. After my early years with the help of a fine education and a successful business career, I fulfilled my personal ambitions in life. I feel I am the best Peter Georgescu I could possibly be, to my entire satisfaction. Today, I can marshal my full knowledge, experience, energy, and whatever wisdom I possess to give back to my adopted country.

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The deeper I dug into the problem, I realized that business was in fact one of the most or one of the greatest contributors to this inequality, yet in the first 40 years of American modern history after the Second World War we had built the largest economic market in the universe. It was America’s middle class. They grew and they prospered, and they lived great, fulfilling lives. They were achieving the American dream, except for the African American and other marginalized groups. I decided that I needed to understand why capitalism let our country down in recent decades.

I realized that the capitalist’s single-minded focus on one stakeholder, which started in the

early 1980s, matured into a new mantra for business – maximize short-term shareholder value. It was a coup of business leadership with support from the Reagan government. I observed that for almost 40 years, through 2019, wages for employees were at or below inflation. Flat wages for 40 years – a devastating reality. I began to study and understand that there were many versions of capitalism - that capitalism was indeed the most successful, the best ever human-created platforms for prosperity and growth - but that capitalism came in many different flavors.

Focusing exclusively on the shareholders was a tragic decision with disastrous consequences. We needed to get back to what happened before 1982 when America built that remarkable middle class, when America became the most dominant economic and military force in the world. That era’s capitalism focused on multiple stakeholders, which today we call stakeholder capitalism where the customers, the workers, the shareholders, the corporation itself, communities, and the planet all have to be optimized because they all can and must contribute to creating great long-term value for all of them, and importantly for shareholders as well.

How did you get involved with JUST Capital and how do you define its mission?

JUST Capital was the genius invention of an outstanding, successful capitalist, Paul Tudor Jones. He understood the failure of the prevailing capitalism in America and wanted a better alternative. But who could provide the ideal “just” criteria for a just company? His brilliant inspiration was to seek the advice of the American people. Today, over 150,000 people have been consulted by JUST which regularly ranks the most just companies in our country.

The research and conversations with those 150,000 Americans came back with crystal clear results. At the top of the priority list, businesses’ responsibility was to pay people fairly, to treat them with respect and dignity, to be able to have a fair and living wage, that gender equality is a must. All employees must be treated as equal. Shareholders must help create long-term value and share in the value they created. The corporation itself must be a critical stakeholder to be invested in and finally, that our greater home – our planet – had to be cared for.

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The future business in the 21st century requires all critical stakeholders to be supported and consistently enhanced through creative innovations. The entrepreneurial spirit that has built America over the past 100 years must be rekindled and reimagined. That’s the essence of stakeholder capitalism. We must redouble the effort to allow stakeholder capitalism to emerge and be adopted with urgency. Capitalism, as we see in China, does not need democracy to work. But democracy cannot endure without stakeholder capitalism.

What do you feel is the responsibility for leading companies to support the communities they serve and to be a force for good in society?

The biggest myth today is that somehow business and society are two different entities. The reality is that communities are absolutely vital to business success – some 180 million adults are the workers in America. Business is society. That’s what Mr. Ford discovered when he decided to pay people a whole lot of money so they could afford to buy their own cars.

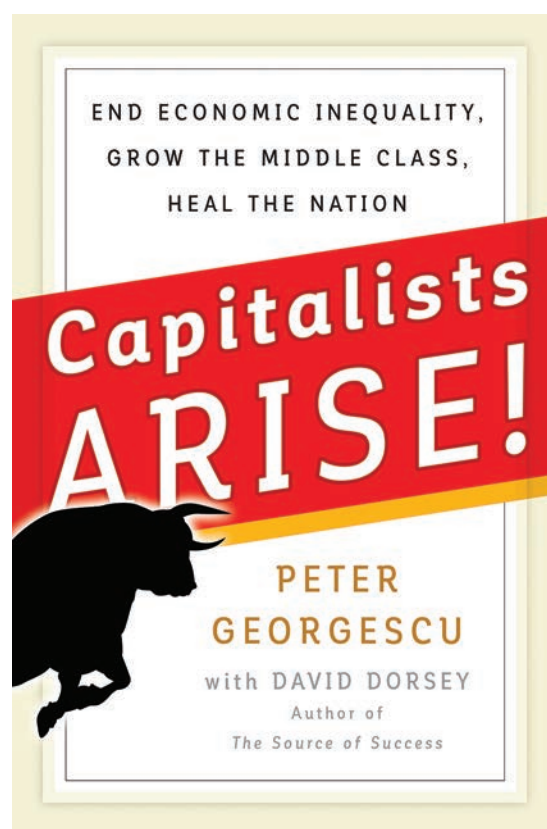
Communities are critical. That’s where our employees’ families go to school, so they need great education for their own benefit and for the future generation of skilled, productive workers. Thriving communities are the backbone of successful companies and a thriving, democratic way of life.

You have written several books. What interests you in writing and what are the key messages you hope to convey through your books?

In my book, *Capitalists, Arise!*, I discuss why inequality in America became what it is, and why stakeholder capitalism is such an important part of the journey of humanity towards the good.

I’ve also written about evil and how evil is still part of who we are. I’ve learned from evolutionary anthropology that the genetic code which enabled us to succeed in our millions of years in the jungle where we grew up, where narcissism, entitlement, and greed were some of the most critical ingredients to our survival then, are among the reasons that we’re still around today. I also learned that some of those genes are still within us, so under stress or when we

allow ourselves to become detached from the reality of communal life or the duty to be a citizen with responsibility and accountability for each other, when we forget or deny those obligations, we are on the way back to the jungle.



The need to understand that those instincts are still within us, and that the battle needs to be a daily ritual since every day we’re going to make hundreds of decisions, is vital. Yes, constant decisions about who we chose to be that day, tomorrow or the rest of our lives are ongoing. It is and always will be a daily battle.

What advice do you offer to young people beginning their careers?

My advice to young people is to be careful about the companies they join to make sure that their personal values and aspirations happen to be the values and aspirations that have been proven in practice by that company. Don’t be tempted for the next \$5,000 or \$10,000 to work someplace without a purpose, without

meaning, but just for money. Over the long term, companies without values and purpose are not going to be the successful companies where you can have a meaningful life. In my view, that’s the best advice to give a young person.

Secondly, enduring success comes from being a good person. So, practice being a good person, not only in your personal life, but in your business life as well. Don’t have two different personas, one when you go to the office and sharpen your elbows and one at home when you are with your loved ones. Be the same person. Care about your colleagues, care about your employees, and care about those who work directly for you.

You are known to be an optimistic person. With so many challenges facing the world today from public health to climate change to social justice to income inequality, are you still optimistic about the future of America?

Absolutely, categorically, I am an optimist. The truth is that I can’t think of a single problem confronting us that we can’t address, that we cannot solve. They are there to be had. Yes, there are some caveats. We need the will to do it. We need the will to solve our problems. That journey of solving our problems starts with defining the problems the right way, looking the problem in the eye, speaking the truth, looking at the facts. I believe that once we can agree on what the problem is, we can come together even as disparate people - red, blue, purple, pink, whatever – and deal with it. Throwing out solutions without getting agreement on the problem is unlikely to work. Next, we must come to embrace the need for a common good. We need to be citizens in the country, not just squatters. Citizenship carries with it responsibilities and accountability.

Finally, the advice to the young resonates for us all. Being good people frees us to create, to imagine, to rekindle the entrepreneurial spirit in all of us. At some point in the future are better days for us, our businesses, our country and future generations. There are many committed, dedicated women and men, determined to help make that happen. So yes, I remain optimistic. ●