

**Sam Gibara**

Chairman, former CEO Goodyear Tire, world's largest tire corporation

**THE NATURE OF THE CORPORATION > Role Of The CEO**

If the corporation is viewed as only being funded by shareholders, which is true, then the obligation of the CEO is only to deliver profits. And I would have little to say to that shareholder who came to see me and said, why are you spending this money on things that don't maximize value for me? The issue that I have with that is that the corporation is much broader than just its shareholders.

Shareholders are a major constituency of the corporation. They are essential to the survival of the corporation because they fund the corporation. They provide the necessary capital for the corporation to grow. However, the corporation produces products for its customers, the corporation employs people, the corporation has many more constituencies and needs to address all these needs and you are correct that, in essence, we may run into conflicts between these various needs. But if we view the role of the corporation and its CEO as one that is to satisfy different needs, conflictual needs, then the CEO must do that.

And that's how I view the corporation. I think the corporation has more than one type of obligation and as a CEO, I must say that it's nothing unusual for me to be managing conflict. Even within the company, when it comes to business decisions, it's always trade-offs, it's always managing conflicts, it's always trying to prioritize. As long as it is understood and it is clear in our mind what the objectives are, who the constituencies are, then I have absolutely no problem trying to serve all these constituencies and I'm here to serve all of them and not one of them exclusively. Does this create occasional problems? Sure, it does. But that's why I get paid what I'm paid.

**THE NATURE OF THE CORPORATION > Who Are The Shareholders?**

The shareholders are indeed a very amorphous group. There isn't one shareholder. But they could be qualified additionally to being very amorphous. They can also be qualified as being transient. We do not have permanent shareholders. Shareholders by definition come in and go out. So that is another definition of shareholders. The other dimension that needs to be taken into account when we deal with them is that very often we do not deal with shareholders, we deal with their representatives.

Their representatives tend to be the financial community, the financial analysts who represent the shareholders and so the relationship goes through different channels as well as it does directly to the shareholders. For example, I just finished a meeting today which was investors meeting with our investors but we deal with them - I do directly and sometimes with them indirectly through analysts

or through other channels. So it does make the relationship a little bit difficult because it cannot be sustainable.

And it really comes down to rewarding their investment, which is absolutely necessary, but the type of the relationship is very different, for example, from the relationship you have with customers. With a customer there is a more perennial relationship with customers than there are with shareholders. Goodyear has customers around the world that it's had for 100 years. Shareholders have not been around for 100 years, they've changed. Some customers have been around for a long time. Our original equipment customers - GM, Ford, Chrysler, have been around for 100 years. So there is a different type of relationship with customers.

When it comes to really our own associates, our own employees, that's where the relationship is the strongest because that - we live together. It's not just a relationship that we have occasionally with them. It's how we spend our lives together. And that's why when you are the CEO you need to treat these various stakeholders differently and you need to satisfy their needs differently. Because they have different needs and because the nature of the relationship differs from stakeholder to stakeholder.

## **CORPORATIONS AND GOVERNMENT > The Corporation As Government**

Corporations need to become more trustworthy because there has been a transfer of authority from the government really to the corporation and the corporation needs to assume that responsibility, needs to assume that authority, and needs to really behave as a corporate citizen of the world. Needs to respect the communities in which it operates and needs to assume the self-discipline that, in the past, governments required from it.

## **THE NATURE OF THE CORPORATION > Not Democratic Not Fascist**

The structure of the corporation is very undemocratic. That is true. CEOs are not elected, boards of directors are chosen and picked out by the CEO. There is not question that the structure of the corporation is undemocratic.

It is also true that because governments have relinquished some of their responsibility because the corporations have become more global, that there may be a risk here. But that is precisely where, in a reality, that's not how things work. Because for the corporation to be successful, it has become impossible for a CEO to be totalitarian. Any CEO who really tries to run the corporation alone and to impose his views or her views on the corporation is bound to fail. Bound to fail because the corporation has grown so complex, operates in so many different

environments, that by necessity decisions have to be made in a more democratic way than the structure suggests.

Decisions that are made by one person at the top will lead corporations in the future to fail because there is - we're living in a knowledge society. Knowledge travels very fast. Information travels very fast. There is no way that anyone at the top of the corporation can alone run the company. The reality of how corporations are managed is that decision making is distributed throughout the corporation, throughout the world, and to be very practical, at Goodyear, for example, many decisions are made in many places around the world that I know nothing about and cannot know anything about or it would paralyze the company if I were to make these decisions.

## **STRATEGIES FOR CHANGE > Stakeholder Participation**

Different systems have been tried in different countries. For example, the German model. German model calls for a management council that's made up of representatives of the workers of the shareholders and of management. That's an attempt to really share decision making and to render the organization more democratic. It doesn't make it fully democratic, it makes it better represented.

The downside of that is that it does slow down the decision making process. So there's no perfect answer to that. But there's certainly different models being tried in different places and I think the involvement of parties that have a stake in the organization, in the decision making process, should be encouraged to the extent that it doesn't slow down the decision making process.

I don't think we'll ever see a CEO elected by the people of the company, nor do I think that would be desirable, because the people of the company are only one of many stakeholders. The employees are just one stakeholder. So, it is not possible to have a completely democratic structure.

## **EXTERNALITIES > Responsible Corporations Don't Externalize**

The harm to the environment is a function of the industrial process itself. So, someone has to be responsible for the environment, and responsible corporations do not try to externalize simply so that they do not have the environmental issues. Responsible corporations try to address the environmental problems created by the industrial process that they go through.

And when it comes to tires, for example, it is true that it's made of oil, that it can be pollutive, that we need to recycle the tires - all of it is true. But we feel that it is also our responsibility to address these issues. We have a vast research and development department and, for example, we have developed recently a tire

that is made of corn starch as opposed to oil and derivatives. And that makes it a more environmentally friendly product.

So someone has to address this concern and Goodyear has been very active in trying to be also an environmentally responsible citizen. As a matter of fact, we issue once a year an annual report on what we do in this area. And we send it to our stakeholders.

**Mark**

The more you can externalize those costs onto society, the more profit you make. So there are some companies like Interface - do you know Ray Anderson? Where they're internalizing the entire - they're taking responsibility - in your case they would take the tire back and be responsible for its entire life cycle. He's doing that with carpets, as you are aware. Can you imagine yourself heading in that direction?

**Sam**

No. *[Laughs]*