How 10 CEOs Learned to Lead—
and the Lessons for Us All

THE EDGE

MICHAEL USEEM

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CHAPTER 5

RECRUITING A PARTNER TO LEAD CHANGE BEFORE YOU HAVE TO

The Estée Lauder Companies Executive Chairman William P. Lauder Partners with President and CEO Fabrizio Freda to Build the Global Leader in Prestige Beauty

"I felt we needed to change the culture to better balance art with science and intuition with data."

When Estée and Joseph Lauder cofounded their company in 1946, they targeted their first products for premium department stores where shoppers expected quality merchandise and a unique shopping experience. For the next six decades, that selling strategy worked wonderfully through emporiums like Saks Fifth Avenue, Harrods, and Lane Crawford, catapulting their company into one of the world's premier prestige beauty companies.

The Estée Lauder Companies' sustained success propelled the company to expand into over 150 countries and territories and four categories of skin care, makeup, fragrance, and hair care. Newer channels, including travel and online retail, specialty-multi stores like Sephora and Ulta, and freestanding retail stores, emerged and grew into a significant portion of the business.

Before these trends were evident to most of his peers, the founders' grandson, chief executive William P. Lauder, had identified the opportunity inherent in rapidly growing alternative channels. The company's department-store sales still dominated, but Lauder

foresaw the necessity to evolve and diversify the company's distribution options, and to drive the organizational and cultural change necessary to position the company for a sustainable future.

Yet Lauder concluded he could not lead that redirection on his own, and he decided to bring in a partner who could help identify the essential changes and then execute them ahead of the coming demand. Every leader has to drive change based on the specific needs of the moment. We have seen how Bill McNabb turned to the concept of the flywheel, Mark Turner went on the road for three months, and Tricia Griffith got off the pedestal. Lauder's tack centered on partnering with a comrade-in-arms.

ESTÉE LAUDER COMPANIES' WILLIAM LAUDER

William P. Lauder had come into the firm in 1986 as a marketing director for one of its better-known brands, Clinique. He went on to hold a range of senior positions, including president of Clinique, founder of the Origins brand, and creator of the company's online division and its freestanding stores. In 2004, he succeeded Fred Langhammer, the first person serving as chief executive who was not part of the Lauder family, taking the helm of one of the world's largest providers of prestige skin care, makeup, fragrance, and hair care products, including marquee brands such as Bobbi Brown, Clinique, MAC, Origins, Jo Malone London, La Mer, Aveda, and the company's namesake, Estée Lauder.

Growing up the son of Leonard Lauder, who had served as chief executive from 1982 to 1999, William had enjoyed a head start on the business, working summers there since age thirteen. But it was when he later served as a special assistant to the special assistant in the federal government, as he described it, that he really began to appreciate the skill set that he would one day require to lead the enterprise.

Lauder reported to an official who reported to the US Treasury Secretary, Donald Regan, a former CEO of Merrill Lynch. When

he first met America's chief financial officer, arriving even two minutes early didn't seem prompt enough. Regan barked, "If you're not in control of your calendar, *you're not in control*." The advice was obvious enough but it also proved enduringly instructive, Lauder offered. To "this day it has helped shape how I manage myself, and my philosophy on motivating people."[1]

I saw it myself when I met Lauder one morning, but I also saw another side of his time discipline, and that was to make himself completely available when it was important to do so. We were comparing calendars over breakfast near the campus of the University of Pennsylvania, trying to find a mutually open time for a future meeting. I thought I was busy, but I was stunned to learn of his own nearly wall-to-wall commitments stretching out months ahead. Still, he found extra time that morning when I asked him if he might want to accompany me to a nine o'clock course with sixty-five first-year MBA students.[2]

Our topic was managing people at work, and midway through the class I asked Lauder, then comfortably seated in the back row of my tiered classroom, if he would step to the front to tell the class how he managed the thousands who worked for him at Estée Lauder. It was a matter, he told the students, of first appreciating and then bringing out the best in each person working for him rather than trying to impose a standard leadership model on all of them. Coming from an experienced denizen of top management, the point hit home with me and the students. Academic research had amply confirmed the idea, but now it was coming directly from a successful executive who had included it among his first principles for leading a corporation.

For those aspiring to lead an enterprise, like many of my MBA students that morning, few moments are more instructive than watching executives like Lauder who were already doing so. By hearing how he led, they learned of battle-tested ideas about how they could one day lead themselves. And since these ideas were rooted in the tangible experiences of an individual with a proven

leadership record, they came with exceptional authority. Executive leadership is largely exercised behind closed doors, invisible to almost everybody outside the corner suite or boardroom. Learning from the personal experience of those who live there and are willing to candidly share their wisdom can thus be invaluable, and that day they learned about how Lauder prioritized his time to bring out the best from everyone.

When Lauder became chief executive of his family's company in 2004, presiding over more than twenty-five separate brands, he acknowledged that managing himself across them was everything. "My job," he vowed, "is to ruthlessly manage my time." The same for his direct reports, and when he saw any waste it, he called them on it. "Time is their greatest resource, and when it's gone, it's lost forever." Coming from his meeting with the US Treasury secretary, it was the best advice, Lauder would later say, he had ever received for his own leadership of the company.[3]

Five years after that morning, however, Lauder foresaw and feared a tidal wave of change heading for his industry, requiring still more skills. New competitors, new markets, and new channels—including an ever-growing e-commerce business with an attendant trove of data—would require established players like his company to embrace new capabilities and ways of working. He concluded that he needed an ally to help him lead the company into that future. He remained confident of his own capacities, but he also recognized that he needed a complement, and the surest way to acquire it was through partnership with an additional company executive.

Lauder sought a compatriot who brought fresh ideas from outside the insular beauty industry. He was looking for a partner with the insight to help him change what had long been a successful strategy at the company. "I knew I couldn't bring that outsider's view, having grown up in our industry," Lauder explained, and "most of the executives I'd worked with didn't have it for the same reason." They remained confident, even too confident, in their

long-standing ways of creating and selling their products. Resistance resulted. “My name being what it is,” he explained, “oftentimes there were executives who heard what I said” and just “didn’t do it.” It was time for a “fresh perspective.”[4]

The particulars: Some managers still prioritized growth in sales instead of earnings, pumping cash into unprofitable areas while starving more lucrative ideas. Matrix reporting left it unclear whether brand leaders, regions, or affiliates held the ultimate decision rights. Brands built their own bunkers and competed against one another; cash was more to be spent than managed; procurement varied from country to country; costs were rising faster than revenues; distribution facilities had duplicated; and marketing had been starved or misallocated, as when half the company’s US advertising budget went to fragrances at a time when they constituted just a fifth of company sales. What was missing at the company was an encompassing, enterprise-wide mindset, and Lauder concluded he would have to look outside for a partner who could help establish one, a controversial proposition for a tight-knit family-controlled company, but one he felt was right in light of what he saw on the inside.[5]

WHAT NEEDED ALTERING—AND WHAT HELD IT BACK

An array of market forces was pressing William Lauder to transform the company. Geographically, the major markets for prestige beauty were evolving rapidly, with demand for high-end cosmetics increasing in China and India, and among visitors to the US from those markets. The company estimated that Chinese travelers spent at least as much on its products abroad as at home. Brazilian tourists were responsible for more than half of the sales volume in the MAC store in New York’s Times Square.

A second force was the long-term decline of sales through upscale department stores in North America, the dominant distribution channel since the firm’s founding. A third was the accelerating

shift from brick-and-mortar to online buying. Less than 4 percent of company sales came from e-commerce transactions in 2011; by 2017, that had reached 11 percent, then 15 percent by 2019, a high double-digit annual growth rate.[6]

The new market trends also spelled enormous potential for the company, Lauder concluded, but understanding them would require more careful analysis and evidence-based choices at the top. When it came to decision-making, Estée Lauder Companies' approach had too often been "ready, fire, aim," based on too much personal instinct and too little data analysis. Come up with an idea, try it, and make it work, or if it didn't work, try something else. "I felt we needed to change the culture to better balance art with science and intuition with data," Lauder explained.

Established methods had served the company for decades, but they were not well positioned to serve it in the future since other companies were embracing data analytics and nonintuitive thinking. If others could make more-grounded forecasts of what customers wanted and better understand where they wanted to buy it, ELC faced tougher going. It increasingly depended on Lauder to adopt and impose those methods if the company were to stay competitive with other providers.

Still, the company was performing well, and Lauder found little appetite for the changes he envisioned. "What brought us there was forty years of tremendously good instincts and an obsession with flawless execution. What we were lacking," he explained, "as we were getting bigger, more global, and more sophisticated in the diversity of our consumers and channels, was any verification of our instincts." Complacency had become an insidious byproduct of past success, and for that, Lauder argued, the best time to press company change was before it was forced.

At the same time, many company decision-makers were "reluctant to embrace the change," Lauder found, "because they didn't necessarily see the need for it since we were doing well. What they didn't recognize was the leadership principle I was trying to

espouse: when things are good, that's when you can take the risk to change. If you're at the point where you're being forced by your circumstances to change, it's already too late."

It "became increasingly clear to me," Lauder continued, that "we needed an outsider's perspective" one that could "sharpen our consumer insight." And at the same time, an outsider who would "bring greater discipline and analytical rigor to decisions." Not many on the inside were ready to do so, but going to the outside was not a direction he could take on his own. He explained his thinking to the board, and it authorized him to bring in a chief operating officer.

Even so, the decision to reach outside for new talent did not negate the leadership principles that Lauder had long applied at ELC. "Think about what you *don't* want to change," he enjoined himself, "as well as what you do." When asked to identify the "fundamentals of leadership" that had not morphed during his stint as chief executive, he ticked off: the ability to articulate the company's mission and inspire others to execute it; an urge to explore new ideas and markets; adaptability, boldness, and courage; and a readiness to manage all the firm's stakeholders. Lauder now added an ability to foresee and capitalize on changes in the market, requiring agility, resilience, and "fewer preconceived notions of how things should be done."

RECRUITING AN EXECUTIVE WHO COULD

For a global search, Lauder reached out through a well-known executive search firm, Heidrick & Struggles, and after a competitive winnowing, he interviewed the finalists. One candidate stood above the rest, a rising Procter & Gamble executive, Fabrizio Freda, and they quickly established personal rapport. The initial meeting had been scheduled for one hour, but "two hours later someone finally knocked on the door," Lauder recalled, and "said, 'You guys have to go.'"

After graduating with a degree in business and economics from Italy's University of Naples in 1981, Freda had joined Procter & Gamble for four years in Italy, and worked the next two in strategy and marketing with Gucci, the Italian luxury and leather fashion house. He returned to P&G for two decades, steadily progressing up the ranks of one of the largest consumer-products companies in the world.

Freda had risen within that empire to run its $1.7 billion Pringles business. Along the way, he had also acquired a credential essential to Lauder's search. "I really have no patience for what is not working," Freda explained. For his handling of troubled operations at Procter & Gamble, he had become known as a "turnaround guy," and now for the Estée Lauder Companies he might become the perfect "makeover man."[7]

Believing that Freda had the right skills for the role, Lauder's task was to convince Freda that the New York–headquartered company was the right fit for him. Freda had been working in Geneva and living in Rome. Could his family get comfortable with the idea of leaving Europe and living in New York City? "We spent a fair amount of time talking about that," explained Lauder, "because you couldn't be a leader like we would expect if you had to be commuting back and forth to Rome."

There were other questions, too. Was the company ready again for nonfamily leadership that had only once been tapped before, and then only briefly? By the same token, was Freda ready for independent leadership in a family-dominated company? Private control remained total and out of sync with an era when most S&P 500 companies had long since lost their dynastic identity. The Lauder family still held about 48 percent of the firm's shares and 89 percent of its voting power.

Freda came to New York during the courtship to meet the Lauder family and to see company executives and directors up close. Each side passing their initial vetting, board chair Leonard Lauder asked Freda to invite his wife, Mary-Ann Freda, a Belgian native

residing in Italy, to come for a visit. Like his son, Leonard Lauder insisted that Freda's family be behind his decision to take the helm in New York; otherwise, a relationship was unlikely to last. Mary-Ann Freda suggested that they meet instead in London, a kind of midway point. That worked, and when Freda's wife arrived at her London hotel room, she found a gift of a hundred white roses, a personal welcome to both the company and the Lauder family.

In 2008, with his wife now fully onboard, Fabrizio Freda agreed to join Estée Lauder Companies as chief operating officer with a promise that he would be elevated to chief executive within eighteen months. It did not take that long for Lauder and the board to see that Freda was a perfect fit for the company. They decided to accelerate his promotion to CEO, and in 2009, William Lauder stepped down from that role and up to replace his father as executive chairman. With new titles, the partnership would continue.

During his first six months as COO, Freda benefited from Lauder's advice to go on an internal "listening tour," not as long as Mark Turner's—few are—but still invaluable. He spent his time hearing from an array of company managers and sales partners. "Before you jump to solutions, try to just listen and learn." Only then was it "time to create." In the meantime, the world outside the company seemed to be going off a cliff. AIG, Lehman Brothers, and Merrill Lynch had just failed, and the world's economies were in reverse. For the first time in its history, ELC's annual sales declined, along with just about everyone else's.[8]

Despite the global financial crisis, the pair saw an opportunity to fast-track the more affirmative changes Freda had been brought on to lead. "I faced one of the most daunting recessions this world has ever seen," Freda recalled, but he also found that it had better prepared his employees for the adjustments he would make upon becoming CEO the next year. "We had to change some aspects of the business quickly" while "preserving others," said Freda, and the recession "gave us the impetus to move more aggressively." Everyone "could see how dramatically the world was changing around

us." He used the moment to accelerate what in his view had to be embraced, including evidence-based decision-making and new technologies, if the company were to rebound stronger and remain a leader in a shifting market.

The beauty industry had already been facing other disruptions before the 2008 economic collapse, and they added their own impetus. ELC had grown up selling prestige beauty products mainly through luxury but also some midtier department stores in the US, UK, and Asia, and through perfumeries in Europe. Beauty was always on the first floor in the department stores, what shoppers would first encounter, and trained consultants helped them identify the fragrance or cream that worked best for them. Now the online retail revolution was gathering its own momentum, driven by millennial shoppers.

Lauder and Freda believed their agenda should still include selling through the well-established channels, premier department stores above all, but also accelerating the company's presence in the exploding digital channels and fast-growing global markets. "My goal" with Freda, Lauder reported, "was to position the Estée Lauder Companies" to "be a leader in China, to be at the digital forefront, and to take advantage of new technology to make us more efficient." Just fourteen months after Freda joined, at a time when the company was booking annual sales of $7.3 billion, Lauder and his board promoted their chief operating officer to chief executive officer.

Freda would now be responsible for bringing in more than $600 million a month—*and* radically expanding it. He pressed for moving from a model of "continuous improvement," to a faster and more aggressive growth agenda. Given the pain and urgency of the plummeting economy at the time, "the risk of inaction was far greater than the risk of speed," he explained. To that end, he revised the company's architecture, setting up regional divisions and brand clusters to reduce internal competition, foster shared learning, and optimize operating costs. He sought multiple engines of

growth through data analytics, and they pointed to prestige cosmetics, online selling, travel retail, and expanding operations in China and India. "If you anticipate change," he explained, "you can direct it."

From his listening tour, Freda also concluded that aligning everybody in the new direction would require a more energizing vision for where he and Lauder sought to take the company. After many employees' input, testing, and refinement, they positioned ELC to be "the global leader in prestige beauty" as a "well-diversified, brand-building powerhouse of unrivaled creativity and innovation." This meant that they would treat some popular product lines as stand-alone enterprises known as "hero franchises," make investments in innovation more strategic, and focus managers more on anticipating future customer desires even if buyers could not articulate them now. "In a volatile world, you need to not only be following trends," explained Freda, "you need to *create* them."

Capitalizing on the trends required a detailed understanding of them, and for that, said Freda, "data is the new oil, the new fuel of growth." The company collected reams of information on consumer behavior, and its leaders now asked managers to wring fresh ideas from it by "connecting the dots." The "ability to process data and combine it with creativity," explained Freda, "is what's key."[9]

As a case in point, ELC had sought to introduce a new product into Japan, and evidence pointed toward the particular appeal of "makeup primers"—a cream, gel, or powder base that smooths and sustains makeup application. More data helped point the company toward a particularly popular formulation, and the fact that first-time users tended to be roughly twenty-five years of age. Further research revealed that 80 percent of purchasers in Japan turned to a single website that posted ratings and reviews of the country's top products, and if your primer was not among the top ten, it was not even mentioned on the site. Moreover, reaching the top three products in sales was particularly important in Japan since the concentration of sales among the top three prestige products

was extreme: more than 90 percent, in comparison with the US, where the top fifty prestige products accounted for 90 percent of its market.

The team thus concluded: if you were going to launch a new primer in Japan, whatever your instincts, the data revealed that you had to target the particular formulation on twenty-five-year-olds and introduce it so aggressively that it became a top three best-seller within two months. "Just launching a primer in Japan," Freda warned, "you will have been doing nothing" to gain traction "without all this information." He turned such data-driven insights into a management mantra. "The first thing I want to hear from you is the consumer understanding. I really want you to show me that you have understood what the consumer wants."

In another case, Freda learned that in the US, prestige brands were increasingly being sold through specialty-multi channels like Sephora, providers of beauty products from a host of makers. The specialty-multi format subverted the department store model that had made ELC successful for decades, eliminating branded counters and employing store staff in place of brand-trained beauty advisors. Furthermore, ELC already had full distribution through department stores, so adding new distribution such as specialty-multi stores would have diluted the company's efficiency. But Freda saw the need to balance efficiency with the opportunity to learn in this new channel, especially as younger US consumers started to prefer it to department stores.

To sharpen and focus the company direction, Freda instituted a planning cycle that included creating a three-year strategy informed by a ten-year compass that foresaw longer-term trends. This strategic discipline would then be reflected in the company's one-year plan, with a supporting compensation structure. To diversify the company's engines of growth, Freda drew on the longer-term agendas to identify areas offering the highest return on investment.

More recently, Freda has thrown his weight behind greater efficiencies within ELC's functions. Among other things, this has

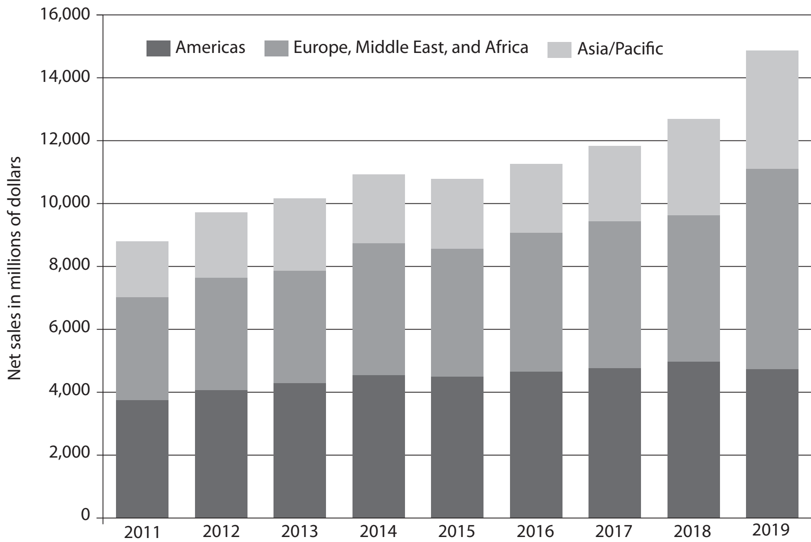
resulted in the consolidation of select shared services for the company's legal, financial, and talent functions in North and South America. ELC housed the new services center in Panama at half the cost and with greater effectiveness, prevailing despite the company's US-centered DNA. To allow the company breathing room for this and other far-reaching changes, Freda worked with Lauder to continue to recruit longer-term investors whose interests were more aligned with the company's value of "patient capital." He also instituted a reverse mentoring program, in which the company matched young employees with top executives; by 2020, the program had grown to six hundred younger mentors advising three hundred executives in thirty countries. Company veterans learned of the power of emerging social media platforms, and of the new "omni-channel" shopping experiences through visiting stores with their millennial mentors.

At the same time, Freda sought to sustain a set of core values that the Lauder family had already instilled in its enterprise. "The art of leadership is making choices and distinguishing what you want to protect from what you need to change," and to that end, he held sacrosanct ELC's long-standing beliefs in brand-led prestige beauty, high-touch service, and family values. Those he would not change. When Freda arrived in 2008, the Lauder family had spent over sixty years building the company, and Freda's mission, as he understood it, was to ensure it would be around for another sixty.

Freda's agenda to further globalize the company before the market forced it to change proved prescient. In fiscal year 2010, Freda's first full year as chief executive, 56 percent of ELC's revenue came from Africa, Asia, and Europe. By fiscal year 2019, 68 percent derived from those regions (Figure 5.1). In dollar terms, revenue was up modestly in the Americas, but it had more than doubled elsewhere.

The same was true for the agenda of moving beyond department stores. That channel had always dominated, and in Freda's first full year as CEO, it still did, accounting for 57 percent of the company's

FIGURE 5.1. Net Sales of the Estée Lauder Companies by Region, Fiscal Years 2011–2019.



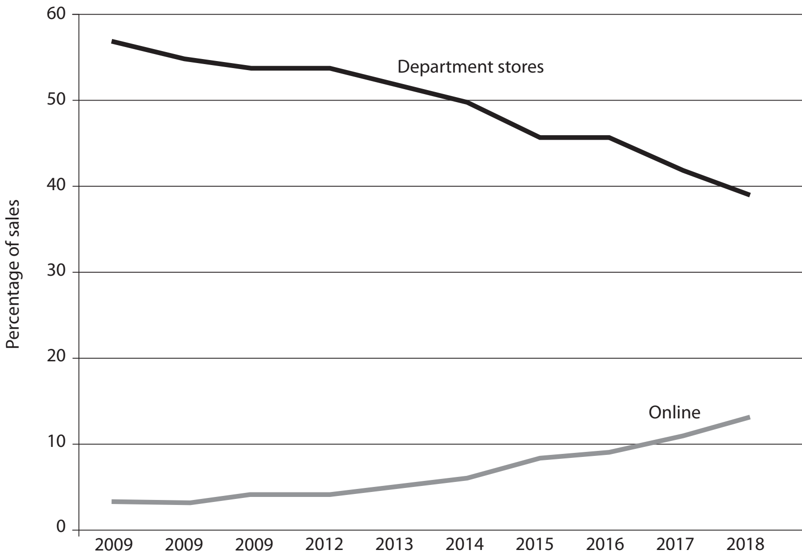
Source: The Estée Lauder Companies, 2019.

sales. But just five years later that had declined to 50 percent, and then to 39 percent by 2018, as Figure 5.2 shows. At the same time, online sales had grown from 3 to 13 percent, still a modest fraction, but the two trend lines were likely to cross within a decade.[10]

When Freda first came on board, a modest flow of the company's sales came through its own 737 freestanding stores. A decade later, ELC had doubled the number of its own stores to over 1,500 worldwide, and their combined sales had more than tripled, from $393 million to $1,543 million (Figure 5.3).[11]

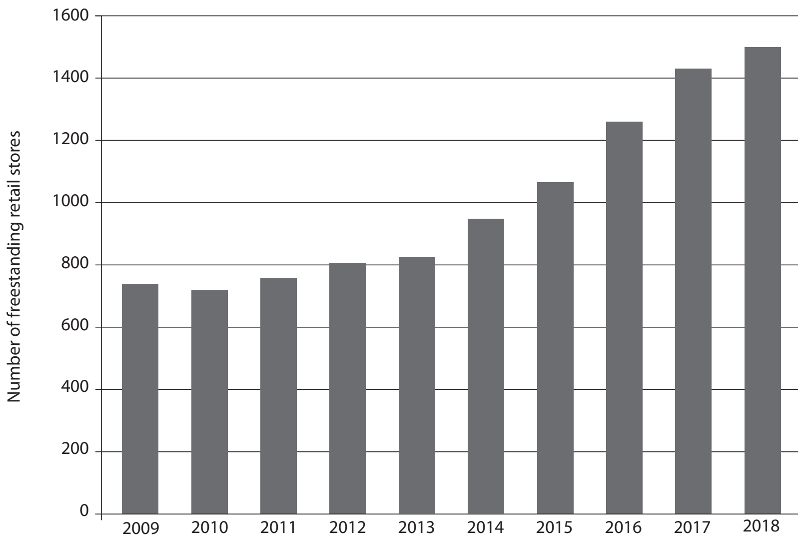
Freda's push for innovation bore out in metrics, too: by fiscal year 2019, 30 percent of ELC's annual sales came from products newly launched within the previous twelve months, up from 8 percent in fiscal year 2009. When he began, ELC had 50 employees located in China, but that grew to 5,000 a decade later. Freda also doubled the company's revenue, from $7.3 billion when he started to $14.9 billion by fiscal year 2019, and grew its market value tenfold, from

FIGURE 5.2. Distribution of the Estée Lauder Companies Sales by Channel, Fiscal Years 2009–2018.



Source: The Estée Lauder Companies, 2019.

FIGURE 5.3. Number of Freestanding Retail Stores of the Estée Lauder Companies, Fiscal Years 2009–2018.



Source: The Estée Lauder Companies, 2019.

$6.4 billion at the beginning of fiscal year 2010 to $66.3 billion by the end of fiscal year 2019.

The changes Freda and Lauder instituted made the company more agile and resilient by diversifying its engines of growth, positioning the enterprise to expand in the future. In 2018 *Barron's* included Freda on its annual "World's Best CEOs" roster, and the *Harvard Business Review* listed him among the "100 Best-Performing CEOs in the World" in 2019.[12]

A PARTNER COMPLEMENTS

As chief executive until 2009, Lauder had decided where the company had to go to prosper and how it had to operate differently to get there—more analytically and more strategically—but he had also found that he couldn't take it there on his own. His recruitment of a seasoned performer from Procter & Gamble may seem inspired in retrospect, given the value delivered under Freda's leadership in the years since, but it was far less obvious in prospect. Lauder's grandparents had founded the company. His father had built ELC over decades, the Lauder family name was on the door, and from its founding in 1946 until 2008, ELC had never allowed a new outsider to reach the apex.[13]

Moreover, in stepping down as CEO, Lauder was removing the one individual who was arguably best positioned to lead the enterprise—himself. Lauder had worked most of his adult life at the company; he'd been a board member for over a decade, he had spent half a decade at the company's helm, and his family controlled the enterprise. Learning from experience is the best schooling for company leaders, and by then nobody knew how to direct and grow the enterprise better than this quintessential insider who mastered the ropes by rising up its ranks and now had five years in the leadership chair under his own belt—and his family behind him.

If handing the keys for the corner office to an outsider might thus seem surprising, even perilous, it's important to remember the

risks of not doing so and staying too long. "Growing up, at summer camp in Maine we had one rule: always leave the campsite in better shape than you found it," Lauder said. "I apply that same principle to my leadership" at the company. "My goal is to have an effective tenure here, to not overstay my welcome, and to leave the company in better shape than I found it so that those who come to lead after me can build on our success."

Lauder continued, "My advice to leaders is to not let ego keep you in a position past the point when it's time to step aside." The "moment I recognize that somebody else can do a better job than me, the smartest thing I can do is bring them on. I want to do the right thing for the company. If I do the right thing for the company, it's the right thing for me." In this case, it was not to completely step aside but instead to recruit another executive to jointly run the enterprise.

To that end, William Lauder recruited a partner who could transform ELC's business, a change agent who shared the family's vision but who also brought a capacity to redirect the enterprise and lead with a complementary skill set that had become essential, even if the executive neither had the family pedigree nor was a longtime employee. At the same time, Lauder had sought a partner who would "respect the history and culture of the company" while adding "a new strain of DNA into the company, rather than eliminating something in the process." One of Lauder's points of pride was that Freda has been able to enact his strategy relying, for the most part, on the team that Lauder himself had assembled. Though Lauder and Freda carried distinct titles, they were joined at the hip.

Lauder has continued as executive chair for a decade, updating his own modus operandi to incorporate an appreciation for younger employees' concern about corporate citizenship and environmental sustainability. As a result, he has had to become as persuasive in communicating his company's values as its business agenda. He championed family leave, tuition reimbursement, permission to fail, "productive paranoia," talent management, and

leadership development. Though now partnering with Freda, Lauder still brought his own, complementary leadership skill set to the operations.

Meanwhile, Freda played to his own strengths—data-driven decision-making and focusing on emergent channels and global sales. During his decade as chief executive, he has stressed continual change, not just continuous improvement; empowering local managers ("leadership from every chair"); collaboration ("the future of leadership is great partnerships rather than lonely leaders"); and focusing on what managers do well instead of remediating what they do less well. "I believe in leveraging people's strengths," Freda explained, "rather than improvements in their areas of weakness. I really focus 90 percent of my energy in understanding what people are really excellent at," and "making their strengths even more and more unique."

The dual leadership model at ELC remains anomalous, and it is reasonable to wonder how William Lauder and Fabrizio Freda have managed to defy the odds, an issue of concern to managers everywhere who seek to partner with others rather than just presiding over—or reporting—to them. The two worked at drawing boundaries between their duties, but they also worked at reaching major decisions as a united front. "We resolve all disagreements in private," explained Lauder, to be "unified in public." If an executive came first to Lauder to express a disagreement about a policy of Freda's, for instance, Lauder would simply say, "You know what? He and I already discussed it and I happen to agree with it. Let me tell you why. . . ." In the words of one close-up observer, they had become inseparable contrasts, the company's "yin and yang."[14]

It is a managed partnership, explained Lauder, "where you have teams that work together, not with the same skill set, but with different skill sets, so that each executive can respect the expertise of the other and work better as a team." Constituting one of those teams, Lauder and Freda share adjacent offices in their Manhattan headquarters, and they pair for major moments, such as their

strategy sessions for brands, regions, and functions, sitting side by side at the table. As a result, explained Lauder, "it's not one of us making the decision for the other to execute. Instead we say, 'Here's the issue; here's the solution that we think is right,' and together we're going to implement it."

The lessons of Lauder and Freda's partnership apply far beyond the C-suite. Leaders at every level can understand that the best time to lead change is before you have to, that teams perform best when each member is playing to their strengths, and that, in the face of resistance, a partner who shares your vision and brings a complementary skill set can be an invaluable ally.

But finding the right partner for the job and maintaining a good partnership takes work. Lauder and Freda did so by establishing clear lanes of authority, presenting a unified front, and taking advantage of crisis to institute the sweeping changes they agreed were necessary. Mutual respect and shared values helped their relationship flourish in the ensuing years, resulting in strong growth to date and strong potential for the future.

The experience of the Estée Lauder Companies over a decade points to another pathway to acquiring what is new, and that is to recruit a trusted partner, a seasoned executive whose core values are shared with the existing leader while possessing a complementary leadership skill set. Together, Lauder and Freda were better equipped to identify opportunities and drive emerging market trends. Freda's position as a company outsider enabled him to refocus resistant managers on needed change, like investments in new channels and enhanced analytical capabilities, readying the company for the uncomfortable but necessary shifts ahead. Lauder's station as a company insider enabled him at the same time to sustain a host of enduring leadership principles that had brought the company to prominence.

One of the major channels to which William Lauder and Fabrizio Freda had pivoted proved a lifeline in fiscal year 2020. With many physical locations devoid of traffic or shuttered altogether

because of the coronavirus, online became the beauty industry's sole fully functioning channel. During the first six months of fiscal year 2020, the Estée Lauder Companies delivered the best half-year performance in its public history. In constant currency, net sales rose 14 percent, adjusted earnings per share climbed 21 percent, and the company was on track to deliver a third fiscal year of double-digit sales and adjusted EPS growth.

In the second half of fiscal year 2020, as the COVID-19 pandemic took hold, the management team shifted its focus to navigating through a time of unprecedented complexity and change. Despite extensive temporary store closures worldwide in the second half of the year, sales fell only 20 percent and the enterprise remained profitable as it reduced spending and pivoted online. For the full fiscal year, net sales dropped by 3 percent in constant currency and the company's adjusted net earnings were $1.5 billion compared with $1.9 billion the prior year.

The diverse portfolio of channels and geographies, built by Lauder and Freda, helped the firm steer through the global shutdown. ELC sales in China, for instance, rebounded to double-digit growth by the end of the year, with online sales up nearly 100 percent. As the company prepared to celebrate its seventy-fifth anniversary in 2021, the partnership between William Lauder and Fabrizio Freda had positioned it to not only withstand the crisis but also remain a global leader in prestige beauty. Estée and Joseph Lauder had bet their future on American department stores decades earlier, but new channels and geographies, built by their inheritors, had become vital as well.[15]

Credit: Tommy Leonardi

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