

# Procter and gamble gillette merger



The case that I will be discussing in the following paper deals with the acquisition of Gillette by Procter Gamble. Procter Gamble is an American multinational consumer goods company that is headquartered in downtown Cincinnati. Similarly, the Gillette Company, was a leading global supplier of personal care products, and was based out of Boston, Massachusetts. Both of these two companies were giants in the industry, and had extremely large employee bases. This merger shows clearly the challenges that organizational behavior can produce, and how different psychological perspectives can both create and destroy a company. The goal of this case study is to examine the merger between these two companies, identify the various problems encountered, and analyze the solutions that were implemented. The case will be analyzed through all three perspectives: individual, individual in relation to group, and group.

One of the most important things to look at when analyzing the initial negotiations regarding the merger is the personality type that the two leaders fell under. Personality has recently been broken down into what has been titled the " Big Five" framework. The big five factors are: openness, conscientiousness, extraversion, agreeableness, and neuroticism. An individual with a personality that is more open is going to exhibit traits that are inventive and curious, and will be much more willing to take risks. In contrast one with a conscientious personality is going to be efficient and organized, but not as keen to do something out of the ordinary or that strays from the routine. An extravert will be an individual that is high energy, and very outgoing, which can vary with someone that is closer to the neurotic spectrum. This individual will be sensitive and nervous, often very difficult to

work with. Where as, someone that shows agreeableness will be very friendly, encouraging, and be a good motivator. No one person is ever usually anyone of these, but rather a combination of a few. It is important to understand each other's personalities when working in a group because these different personality types directly impact the productivity of a group. Certain personality types are better matched for various jobs, and give a rise to certain relational dynamics.

The acquisition of Gillette by Proctor & Gamble did not involve the usual disputes and struggles acquisitions can entail. The process of the merger is described in " Procter & Gamble in the 21st Century (B): Welcoming Gillette" by Rosabeth Moss Kanter and Matthew Bird. Instead, P&G made it clear to Gillette that they were willing to be flexible to Gillette's needs in order to make the transition smooth and amiable. On an individual level, P&G's Chairman and CEO, A. G. Lafley desired the trust of Gillette's Chairman and CEO, Jim Kilts. Lafley possessed a personality that stressed a high level of both agreeableness and openness with a touch of extraversion. In order to gain his trust Lafley did not bring bankers or lawyers into negotiations, which symbolized his goal to be honest and transparent with Kilts. Lafley realized that honesty would be the key to their successful negotiations, and believed that " there was no reason not to have the cards on the table" (Kanter and Bird, 1). Kilts had a personality type that was both open and conscientious, and as a result he realized that it was very important to ensure that Lafley knew exactly what he was buying when he merged with Gillette. As a result, during negotiations, Kilts allowed Lafley to see Gillette's intimate future plans and possible shortcomings in an extremely organized way. P&G

attempted to gain Gillette's trust even more by creating the Global Integration Steering Committee. This committee paired the senior managers of both companies together and enabled each of them to have responsibility in the merger planning. It is the compatibility of these two leaders personalities that allowed the initial meetings to have such a productive start.

It is clear right away that both of these companies have leaders that are extremely motivated, and that that motivation was what allowed for the merger plans to get off the ground so easily. Motivation is the key to any organizations success for without it the company will never get off the ground. It is clear that both Lafley and Kilts have true motivation because they are both driven to achieve for the sake of achievement. Many philosophers and professors have come up with different theories on motivation, but the theories that I feel are most prevalent to this case are the intrinsic factor theories of motivation. The first theory is Adam's Equity Theory, which states, " that individuals are motivated when they perceive that they are treated equitably in comparison to others within the organization." Lafley realizes the importance of this theory before he even begins to negotiate the merger. Lafley knows that for real positive progress to be made that on an individual level it is extremely important for Kilts to feel like he is an equal partner and contributor during the negotiations. As a result he keeps lawyers out of the meetings, and provides a genuine feeling of trust and equality. The second theory, Vroom's Expectancy Theory hypothesizes, states, " that individuals are motivated by performance and the expected outcomes of their own behaviors." Kilts sees the value in this

theory, and makes Lafley aware of not only the positives, but also the potential negatives of acquiring Gillette. This level of honesty is achieved through the motivation to achieve excellence that these two leaders share.

One of Gillette's main concerns was the placement of their top tier leaders. P&G alleviated this concern by supporting the concept of "fielding the best team". This meant that the merger would give jobs to the best employee from either company rather than automatically choosing the P&G employee. This was not a common practice; it meant that not all P&G employees' positions were safe during this merger. Though this put P&G employees on edge, this tactic allowed Gillette employees to gain faith in P&G.

This was an interesting tactic by P&G because it put a lot of new stress into their work force. Stress is always present in our lives both in the work place and outside it. It is important to have the capability to deal with this stress or it can dramatically affect performance, and the performance of your co-workers. Stress can come in any form, and the level of stress always varies. Some stress can be categorized as good stress because it motivates people to accomplish goals and meet deadlines, but too much stress can have the opposite effect. It can cause employees to shut down, take days off, or quit. It can be a major distraction that causes all members to work unproductively. In this case, I would argue that P&G made the right decision, and put just enough stress into their employees to provoke them to work harder, and hold onto their jobs, while at the same time giving the Gillette employees the inspiration necessary to succeed under the P&G regime. This was a wise move on an individual in relation to group level because it gave Gillette employees hope. It allowed them to realize that they had a chance to

<https://assignbuster.com/procter-and-gamble-gillette-merger/>

keep their jobs within the new group. They were going to be given an equal chance, and if they were the best person for the job they would get that job. This was the perfect level of stress to interject into the work force. Everyone wants to keep their job, and every employee in both organizations would now be working to and past their potential in a fight for their career.

P&G also worked with Gillette in order to ensure that after the acquisition the company would gain financially rather than just stay the same. In order to achieve this, P&G was determined to maintain the best practices from each company. By acknowledging Gillette's strengths and admitting P&G's weaknesses, P&G created a stronger union among the companies. Gillette felt respected and that its legacy and strengths such as dynamic customer relationships were being recognized.

In the beginning trust was given and received on both sides. However, as time went on it became apparent that each company had different values. This created tension between the companies but because of the built in trust only amounted to an initial setback. " P&G was like a family and Gillette was like a team" (Kanter and Bird, 11). Gillette was a company based on a diligent work ethic in order to reap benefits while P&G believed in equality and consensus among its employees.

In order to create the " best consumer products company in the world", Lafley had to make sure that there was unity within the employees and that they felt driven to achieve a common goal. This could not be accomplished if there was tension within the two companies.

Human beings are fundamentally relational creatures. The relationships we form are crucial to our survival, and have an enormous impact on anything that we try to accomplish. The importance of the relationship is such that it needs to be given a central place in management. It is imperative that organizations optimize different relationships for productivity and success. A relational approach stresses a deep connection, a connection that makes people feel safe and confident. It is a relationship that allows employees to always be examined in the context of the entire organization rather than simply as an individual.

During the middle of the merger process, Gillette employees began to develop uncertainties about the merger. It became apparent that even though the two companies still maintained the same values; their behaviors were not always similar. Some operating levels of Gillette began to feel ignored by the P&G staff. Deadlines caused a rushed atmosphere that sometimes skimmed over Gillette's feelings rather than carefully evaluating their concerns. It started to become clear that the relationship between Gillette and P&G was not as cohesive on a group level as original anticipated.

Another issue was the size difference between Gillette and P&G. Gillette was much smaller than P&G. This dissimilarity caused some of the Gillette employees to "weigh the costs and benefits associated with working in such a big company..." (Kanter and Bird, 12). Gillette had not been properly prepared for what an extremely large company's culture was and therefore they were much more susceptible to accepting new jobs when offered. It is crucial that P&G realize the tension in the relationship on both a group and individual level because if the tension is not eased than more problems are

inevitable and productivity will dwindle. If employees do not feel like an important and cohesive part of the overall team and organization then they are going to give less effort, and look for other employment.

Lafley dealt with this problem on both the overall group level, and the individual in relation to group level. One of the ways Lafley relieved tension was to create teams between the companies. Two types of teams were formed, clean teams and transition planning teams. These teams were created before the merger officially went through. The teams made sure that progress was made and no time was wasted. They also gave an early glance at the dynamics within the two companies. The clean teams worked to speed planning on confidential topics. The transition planning teams allowed employees from each company to work with other employees who played similar roles in the other company. Moheet Nagrath, a member of one of these teams commented that through teams he "...learned what the issues were. [He] learned where [he] could help, where [he] could intervene, where there was a communication gap. Trust between us trickled down into our organizations" (Kanter and Bird, 5).

In conclusion, after examining this merger on an individual, individual in relation to group, and group level I have come up with a course of action for the future success of this new company. After the official change of control on October 1, 2005 integration techniques should still be continued. It would be foolish if either company reverted back to their previous company cultures. However, growing still needs to be promoted. Efforts to create unity between the two companies will be essential. P&G should not stop sending welcoming messages to Gillette that demonstrate their willingness to be



flexible and accommodating. Gillette must work to accept new cultural norms that P&G practices. They must be willing to accept some alteration to their previous habits at Gillette.

Possibly the most productive thing that P&G and Gillette could do is create their own cultural environment that does not directly replicate one company's previous culture. By creating a culture together there will no longer be doubts that integration has taken place and it will guarantee a smooth future. In this new established culture they can work together to accomplish goals. They can create new strategies to accomplish goals that combine both companies' methods into one universal technique. They should also continue to keep constant, honest communication between the employees. The relationship is crucial. These tactics will help to execute a thriving integration, and a successful organization.