

Leadership success model implemented by procter and gamble commerce essay



**ASSIGN
BUSTER**

Businesses require strong leadership as an unconditional factor for any kind of long-term success. The concept of leadership is 'exploited' by many authors and there are hundreds of attempted definitions, however because of the complexity of the human actions per se, there is no clear, exact and universal one. Since the difference between high-ranking, multi-national companies and those striving to achieve such a status, lies predominantly in the skillful potential shown by their leading proponents, it is crucial to study some successful leadership models. A concrete example of such models is Procter and Gamble Company. Thus the highlights of effective leadership model are applied to this company, where the foundations and underlying structure of such a model are shown in a fashion where simplicity is idealized above all else.

Definition of leadership

Leader can be anyone who has an empowering vision, ability to motivate and deliver effective results. A little kid who suggests playing a new game which is more cheerful and involves all of the other children is a leader in his playground environment. That little kid encompasses some leadership characteristics which differentiate him from the rest of the group. He is able to propose something different which sounds interesting and promising and which is relevant to that particular group that follows him. A simple analogy can be drawn between that little kid and a grown up in his working environment. The characteristics that one possesses and the input he/she gives to a company determine his/her place in that working environment. For instance an employee, who finds an alternatively less costly way of producing a particular line of products and leads change in the company,

<https://assignbuster.com/leadership-success-model-implemented-by-procter-and-gamble-commerce-essay/>

distinguishes his/herself as a leader. The fast pace business world we live today does not allow for incremental changes, what you need is fundamental improvements. The person who can lead innovation and produces meaningful results should be at the top of the company's hierarchy.

Leadership is a key to company's long-term profitability. But, what do we mean by leadership? An attempted definition of leadership is as follows:

Leadership is both a process and a property. The process of leadership is the use of noncoercive influence to direct and coordinate the activities of the members of an organized group toward the accomplishment of group objectives. As a property, leadership is the set of qualities or characteristics attributed to those who are perceived to successfully employ such influence. (Jago 315)

Basically what this definition implies is that leadership does not constitute only what one possesses but even what one does. The little kid that was mentioned above is not an appointed leader, but by his actions he establishes himself as such. At this point it is important to mention that leadership would not exist if there wasn't a followership. In order for a leader to succeed he needs to be listened to and followed by others. According to professor Stone followership constitutes 50% of the leaders' success. If the little kid would scream and threaten to take the playing ball from the group he would not be exhibiting leadership, and most probably the other kids would not even pay attention to him. However, from that group of kids no one is a designated leader, and since leadership is an evolving process anyone who possesses some basic traits can become one. This represents the basis of the link between followers and leaders, leaders become followers <https://assignbuster.com/leadership-success-model-implemented-by-procter-and-gamble-commerce-essay/>

and followers become leaders. At the same time leadership is not a restricted process, there might coexist multiple leaders in groups who are specialist to the function they serve.

Contingency and continuity leadership

What constitutes a successful leadership does not depend on the type of organization or any model that the leader operates. Leadership is a universal phenomenon as mentioned from Jago; " It is the same for a corporation president and for the clergyman." (316). It is universal in the meaning that the two of them have to exhibit some essential leadership traits in order to be effective. On the other hand if we consider the leadership contingency dimension different people can express different patterns of leadership depending on the circumstances. Some leaders can be very effective and others can fail depending on the features of the situation and of the group of people they are leading. The earliest contingency theory pertains to Fiedler who asserts that the contingency of group performance related to the leader is based on the following three variables: " group atmosphere, task structure, and leader's power position." citation Thus there are two important factors namely " leadership style and situational favorableness". For a leader to be effective there should be an interaction between the leader himself and the features of the place where the leader operates.(Jago 316) Meanwhile, it is important to assess the fact that a good leadership model is the one which continuous even after the leader leaves. The continuity aspect of leadership is crucial therefore in determining an effective leadership. For instance if the manager of a company leaves and as a consequence the company fails introducing an assumed new product line, <https://assignbuster.com/leadership-success-model-implemented-by-procter-and-gamble-commerce-essay/>

that would be a reflection of 'fake' effective leadership. On the other hand if the company succeeds in introducing the new product line and achieves great revenues that shows that the formal leader was indeed an effective one.

Leadership success model

Procter and Gamble (P&G) is a U. S based company employing 135, 000 people in 180 countries including U. S, Europe and Asia. citation It is the world's largest consumer goods company marketing about 300 brands, with a range of products such as beauty, health, fabric, home, baby, family and personal care. Based on the strengths, weaknesses, opportunities and threats analysis (SWOT analysis) its strengths are: " strong focus on research and development (R&D), leading market position, diversified product portfolio and strong brand portfolio". As far as the focus on R&D is concerned P&G invests around \$2 billion per year supporting engineers and scientists in different countries. Furthermore, based on its current approach ' connect and develop' P&G brings innovation from outside by partnership with external actors.

The markets where P&G establish itself as a leader constitute about two-thirds of its product categories. Along with that the company has diversified product portfolio of more than 22 product categories in the following segments: beauty, grooming, health care, snacks, fabric care and baby care. An important factor of the portfolio of this company is the range of brands it includes. P&G portfolio includes 24 brands which are a crucial source of

revenue. This strong portfolio allows the company to be at the top companies in the world by delivering what the consumers expect.

Eventually, P&G has established itself as one of the most successful companies in the world. The question raises, how does it manage to do so? How does the leadership model contribute to the success of this company?

The business world we live today has set up its own rules of competition, change and innovation being the keys to survival and being competitive. The key to effective implementation of these rules is a strong leadership. It is up to the visionary leader to support the business infrastructure to quickly respond to business needs and enable the company to rapidly access information. The leadership model incorporated in an organization is the first and most important brick of success. P&G for instance used a leadership program called " build from within". citation This program prepares managers in any aspect of their operations ensuring thus that they are ready to climb the next stair. This tactic provides for rapid replacement of any of the top 50 jobs positions. P&G recruits school graduates, named in the company as Proctoid, and offers them the opportunity to grow up within the organization's hierarchy. citation Through development of the Proctoids potentials according to their career goals and the needs of the company itself the leadership program ensures the fulfillment of any free working position. Continuous training of the employees who enter the new level is crucial. According to Moheet Nagrath, head of human resources at P&G " if your direct reports aren't ready, neither are you [...] Internal reputation is crucial." citation For instance if an assistant aspires to become a Chief

Operating Officer(CEO) he will be provided with all the necessary experience
<https://assignbuster.com/leadership-success-model-implemented-by-procter-and-gamble-commerce-essay/>

to do so. At the beginning he might be appointed at a lower level where he will be continuously trained until he gets assigned to the desired job. All executives, including the former CEO himself, oversee and train the top employees to occupy the next free spot. In this way, helping employees grow and improve contributes to the company's success as well. The culture of P&G provides for high concentration on the people working for the company which assures the discovery of potential talents. It is important to emphasize that leadership traits are not only genetically inherited but are developed through continues and proper training as well. If individuals find the appropriate place and tools to develop themselves, they might turn into future leaders and head towards success. Therefore the P&G leadership program is determined in encouraging talent from the inside and even the hiring process rarely occurs from the outside. There are disadvantages related to this kind of approach such as the building of a culture where all employees think alike. However, the most important thing is to realize the disadvantages and find an alternative way of outweighing them. That is a challenge for the leader, the need to undertake changes under pressure of losing the market.

“ Build from within” was the leadership program incorporated by P&G in the early 2000, but was there a need of change in times of crisis? Who was responsible for designating the appropriate leadership model which would benefit the company billions of dollars and the employees as well?

Even though, anyone in an organization has to be the leader in his/her specialization, at the top of the company pyramid stands its CEO. The P&G

CEO from 2000 to 2010 has been A. G. Lafley, who took the helm in midst of <https://assignbuster.com/leadership-success-model-implemented-by-procter-and-gamble-commerce-essay/>

a crisis. At that time the company was totally distracted from meeting its projected goals. The price of the stocks had dropped dramatically and the company had lost \$ 85 billion approximately. Citation P&G found itself in a crisis, the biggest being a “ crisis of confidence.” Pessimism was characterizing everyone in the company’s hierarchy and notions of blame would be interchanged from the units to the leaders and the way around. That is when a true and strong leader can show his/her abilities of leadership. The famous quote of Faye Wattleton “ The only safe ship in a storm is leadership” applies to the case of P&G. Faced with such enormous problems up to the point of questioning the continuity of P&G as a company Lafley had to prove himself as “ the leader” and drive the company out of that ocean of troubles that it was trying to swim. Lafley based his leadership on the statement of Drucker, one of the America’s most famous CEO scholars, who said “ The CEO is the link between the Inside that is ‘ the organization,’ and the Outside of society, economy, technology, markets, and customers. Inside there are only costs. Results are only on the outside.” Citation 3 This expression illuminated the mind of Lafley who could understand his role as CEO between these lines. By finding opportunities from the outside the CEO could enable the success of the company. In order to achieve the projected goals the company has to understand the needs of the outside. For instance, to achieve 4% sales growth the company had to produce a new tide brand. citation 3 Lafley perfectly understood that consumers should be in the center and that is what the company should create, a customer. At this point in time Lafley realized that the insiders of the company new how the organization worked but the input of outsiders were very crucial as well. What Lafley did is identifying the problem and <https://assignbuster.com/leadership-success-model-implemented-by-procter-and-gamble-commerce-essay/>

solving it by adding to the model of “ build from within” the “ connect and develop” tactic. This way P&G got the ideas from outside and applied its own potentials to them resulting in cheaper and superior products. Lafley is a pure example of showing what a leader should do. In the article written by him “ what only the CEO can do” Lafley takes you to the insight of the job of a CEO. He emphasizes that the leader of the company is the only one who can connect the outside world with the inside of the company. That is the key of a successful leader. In order to connect the outside world to the inside one, there should be taken into consideration four important tasks. The first one is to determine what constitutes the outside, which for P&G the most important one is the consumer. According to Lafley the second important task is to determine the business you are in. For instance in his early work as CEO of P&G Lafley decided that the core businesses were low-income consumers and developing markets. The next important task is to balance the present and the future. For instance in order to fund long-term debts, P&G chose to lower its short-term profits. The fourth task but not the least important is to show the company’s values and standards such as trust in P&G brands. citation

Along with the other important goals stands the development of “ environmental leadership”. P&G manages to develop products on economically and ecologically sustainable basis. citation It employs some of the best practices of environmental leadership which deliver green values. The mission statement of P&G provides for environmental friendly products which assure superior quality and values for the consumers all around the world. This is a strategic value statement which brings the company more

profits as consumers are becoming more aware of the ecological problems and tend to choose products which harm less the environment. Thus, the compliance to environmental friendly products brings competitive advantages to the company itself. The road towards environmental leadership is hard and costly in the short term because there is a need to manage the cultural change of the company and educating the consumers as well. However, due to an effective leadership model undertaking strategic choices P&G could outweigh the short-term costs by long-term benefits.

The meaningful results of an effective leader

Throughout the paper it was emphasized the importance of leadership as a key to companies' successes. A. G. Lafley is one of the best concretizations of a great leader. Under his leadership P&G market value increased by over 100 billion dollars, sales doubled, profits quadrupled and the company's portfolio brands has grown from 10 to 22. citation mla On average sales and earnings per share have grown by approximately 5% and 12 % a year, respectively. P&G stands among the five most valuable companies in the U. S and is also one of the ten most important companies in the world. Lafley was the one who led the transformation of P&G, which before he took the helm, did not perform that good on the world and American scale. Due to his abilities as a leader, P&G became more consumer-driven and focused more on the external world. He focused mostly on core businesses and brands and tried to conquest firstly the developing market as a strategy to grow further.

Lafley has led the transformation of P&G. Strategically; he has focused the Company on core businesses and brands, faster-growing and higher-margin

<https://assignbuster.com/leadership-success-model-implemented-by-procter-and-gamble-commerce-essay/>

beauty, grooming and health care businesses, and winning in developing markets. citation According to A. G. Lafley the first lever to be pulled was “ getting the company refocused on its purpose and values”. Next, he changed the culture to “ tap outside sources of innovation”, developed the chain performance and entered different markets such as China. The Indian market penetration and building of strong supply is an important example as well showing the strategy of P&G to enter the market and be innovative. A critical important move to success was bringing partners in to help build the supply chain.

Another merit of Lafley and the incorporated leadership program “ build from within” P&G has guaranteed its leadership for the next decade as well. At the company level all the managers, including Lafley himself, have been working on creating the next leader, Bob McDonald as the best suitable choice.

Lafley, as he leaves the company is very confident in the leadership skills of McDonald and the team that he has put in place. Continuity is one of the most important indicators of a successful leadership; P&G seems to have embraced a strong leadership model which will sustain the company for at least the next decade. citation

Leadership is an important key factor in guaranteeing long-term profitability for businesses and P&G is one the best concretizing example of effective leadership. The attempted definition of leadership mentioned at the beginning of the paper implied that leadership is action and position at the same time. Two important factors determining successful leadership were contingency and continuity leadership. The former shows that leaders can be successful depending on the environment they operate in and the contingent <https://assignbuster.com/leadership-success-model-implemented-by-procter-and-gamble-commerce-essay/>

of elements influencing that specific environment. The latter factor is an evidence of effective leadership, because at the moment that there is continuity it is implied that the leader and his model were successful. The definition and the factors of successful leadership were highlighted in the P&G Company. It was emphasized that the person who leads the company, for instance the CEO, has a crucial role which only he could do; connect the inner world of the company with the outside one. A thorough analysis of P&G from 2000 to 2010 showed the importance of the leadership program in increasing the profitability of the company and how a leader can face challenges and approach change. The leader stands at the top of the pyramid and he/she is the only one leading transformation. There is no guaranteed model of successful leadership but there always is the chance to channel your energies towards achieving meaningful results.