

Pandg case study

Business



In less than six months, P&G had dropped from the twenty's largest company in the world, as measured by market capitalization, to fifty-first, just over one-third the value of Wal-Mart, its biggest customer. Shareholders, analysts, employees, and retail customers were unhappy, and they were all looking expectantly at Leaflet.

He recognized that at the heart of their discontent lay a single, disturbing trend: P's value equation? the value P&G created for consumers relative to the cost of creating that value? was becoming increasingly unfavorable.

The company was introducing fewer and fewer successful new products and brand extensions, and was taking longer and longer between introductions. Meanwhile, P&G's costs, especially in research and development? were soaring. P's faltering pace gave Leaflet immediate customers? big global retailers Design AT Business like Wal-Mart and Target? an opening, which they were quick to seize. They aggressively courted shoppers with their own in-house, private-label products, hoping to persuade them to switch from P&G's more expensive, branded offerings.

The push was successful; as Leaflet studied the competition reports, he could plainly see that private-label brands were taking market share from P in many categories. Leaflet knew there was only one way to win back straying shoppers and convince others not to leave the reservation: P had to become more innovative, so that customers would be willing to pay a premium for P products. But innovation could not come at any cost. The expense side of the value equation also had to be addressed.

P needed to become more efficient, so that it could charge a lower premium to customers and still keep shareholders happy with steady growth in profits and margins.

There was just one problem: conventional business thinking said that a company could have innovation or it could have efficiency, but not both at once. There was, according to the received wisdom, always a trade-off. Although he was a rookie CEO, Leaflet was prepared to take bold action to pull P out of its downward spiral. Design thinking, he believed, offered a way out of the trade-off between innovation and efficiency.

He committed to turning P into a design organization, beginning with his senior leadership team.

In 2001, only a year into his tenure, he appointed Claudia Gotcha as the corporation's first-ever vice president for design strategy and innovation. Her mandate was to build P&G's design capability and act as the corporation's champion of design thinking. (See "Building a Design-Thinking Organization from Within.") Transforming the Corporation 5 Building a Design Thinking Organization from Within by Jennifer Riel The first time A. G.

Leaflet offered Claudia Gotcha the job of heading up P&G's design initiative, she turned him down flat. In fact, when he approached her again a few months later, she turned him down a second time. Gotcha had reason to say no. She had recently launched Tremor, a new word-of-mouth marketing initiative within P, and did not feel ready to let it go. And she was wary. She knew that creating a design-thinking organization would be a major effort,

and she wondered if the newly minted CEO would have the time to devote to it: “ He had a lot on his plate, so I just didn’t think this would be a priority.

I knew that if it was not a priority for him, it was never going to happen. It was just too big an effort. “ 6 But by September 2001, when Leaflet came to Gotcha for the third time, she could see that he was truly serious about embedding designing into DNA AT P. “ L Knew nee Ana ceases It was critical. I nee quietest Tanat I asked n was, What’s your vision for the company, and how does this fit in? That was what I needed to know,” Gotcha explained.

Leaflet replied that he planned to leave five legacies by the end of his tenure as CEO. Design was one of them.

Gotcha thought, “ Okay, if this is one of the five important things for him to leave the company, it’s a big enough change that I will absolutely take it on. ” Some questioned why Leaflet had handpicked Gotcha for the task; she was a proven performer and dynamic internal entrepreneur, but absolutely to a designer in her own right. Leaflet wanted Gotcha for the balance she struck between business and design. As he explained to her, “ In order to do this, I need someone who can speak both languages? the language of design and the language of 6 The Design of Business business.

Leaflet understood that credibility with the business folks would be essential, but so would an ability to understand designers, to know what makes them tick and how to apply their skills to business. Gotcha, who was trained as an accountant but who had been drawn to design as she took on corporate marketing oleos, was the perfect fit. Embedding design into a company as

big as P&G, and one with such a strong and defined culture, was a massive challenge. " A. G.

Had always been a believer in design," Gotcha said, " but the company, I would say, had not. Reflecting on her time as P's design czar, a role from which she has recently retired, she laid out several key steps needed to bring design into an organization: Set expectations clearly up front and get your boss on board The first thing Gotcha did when she finally accepted the job was to draw up a contract with Leaflet, outlining what she could do, what she could not, and what she would need from him to make it happen. The contract, Gotcha said, was invaluable: " Getting very clear with him in what I could accomplish, how long it would take, was probably one of the smartest things I did.

We had a very clear plan of what I was going to do and what he was going to do, and that paid dividends later. " In her view, the most important thing to agree on was where to begin. Gotcha was adamant that she needed to start in the areas of the company where there was an existing interest in design thinking, rather than in the areas of greatest need: " I said, ' I'm going to start where there's suction.

I can't force design on some business that doesn't want it. "' Leaflet ultimately agreed. Gotcha also got early agreement on the time line.

She studied the path that Dutch electronics giant Philips, an acknowledged design leader, had taken to transform itself from a manufacturing company into a consumer-centric design organization, and concluded that it would take P&G about the same amount of time. " It took them ten | Nils document <https://assignbuster.com/pg-case-study/>

Is attenuator Tort use only In 06122013 - IV DAY Poor Sunnis Transforming the Corporation 7 ears, so I told [Leaflet] that. I was very clear about the fact that this was the kind of time line we were looking at.

He said do it in five," she said with a laugh. " But at least we were clear it wasn't going to happen overnight. Get help (you'll need it) Gotcha turned to outside experts like DIED, her external design board, and a trio of deans (Roger Martin, Patrick Whitney, and David Kelley) to supplement her own skills and expertise, but she also hired the best design talent she could find. Unfortunately, she needed senior talent, and P&G's recruiting apparatus was set up to hire new graduates straight out of college. It takes at least ten, maybe fifteen years to really get mastery in design," she said.

Gotcha didn't have the time to start from the bottom; she needed to import some expertise.

In the end, she broke with P&G custom and used outside recruiters to help find that talent. Expect some speed bumps Well aware of the difficulty of creating a design organization within P&G, Gotcha was nonetheless surprised by some of the challenges that popped up along the way. The corporate culture at P&G was not set up to support design thinking, and she needed to work long and hard to adapt the internal systems to work for her designers. Everything from the recruiting process to the physical work environments to the way in which market research was conducted needed to change in order to allow design to take hold in the organization.

Everything," she said, " was designed against us. " Don't try to talk about it. Just demonstrate it. Gotcha found that the importance of design and its
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transformation effects could not be explained, only experienced. To illustrate her 8 The Design of Business point, she cited market research, a traditional strength of the company, with traditional practices.

For years, P&G had sworn by focus groups. Designers, on the other hand, prefer to go deeper than a focus group allows, spending time one on one with users to better understand their needs.

To move in that direction, Gotcha had to slowly validate the new approach over the course of a few years. She would send senior executives out with designers to experience firsthand how a designer observes, questions, and probes the hidden dimensions of the user experience. Over time, by seeing up close how design thinking yields new insights, the executives came to morale It.

“Eve retying we’ve cone NAS Eden auto demonstrate, demonstrate, monster,” Gotcha said, summing up. “They’ve got to see it; they’ve got to experience it. Gotcha set out to build a design function within the organization, assigning designers to sit on the business teams. Her decision to embed designers in the business units was unusual; most other companies centralized the design function. Gotcha felt very strongly that, at P, it was essential to have designers sitting inside the core business teams rather than segregated in a central staff function. Her goal for design, she said, was “to really embed it in the culture, not just have a new design function.

I needed people in the business units, sitting in the business units every single day, in order to make that happen. Gotcha said that the decision, <https://assignbuster.com/pg-case-study/>

questioned at the time and utterly unprocurable in advance, was one of her most important strategic choices: “ They’re definitely part of the business team, and that was our goal. We Transforming the Corporation 9 wanted a seat at the table. We wanted design to be sitting on the leadership team, wherever decisions get made, and have a voice. And we wanted the business units to really understand design, participate in design, and not see it as a black box.

” To help P&G better understand design, Gotcha also reached outside the organization to build a network of design experts.

She created an external design board made up of world-class designers such Tim Brown, CEO of DIED; John Made, president of the Rhode Island School of Design; and Ivy Ross, Gap’s executive vice president of marketing. While the board does review P’s designs, it is also a key sounding board for the business teams. Teams come to the board for help in thinking through intractable problems or for review and critique of preliminary solutions. The external board works, Gotcha said, because members are not urging a personal agenda and have no legacy to protect when they turn their minds to P&G’s dilemmas.

In addition to the design board, Gotcha built close working relationships with several outside design agencies, particularly with David Kelley and Tim Brown of DIED. In 2003, Leaflet took his entire thirty-foreperson Global Leadership Team to the DIED offices in San Francisco for a day and a half of immersion in design thinking that Gotcha said illustrated clearly that “ design is not about making things pretty: Leafless leadership team really got

to experience design thinking for the first time. ” Experience, Gotcha felt, was the key.

Once P, from the senior team down, got to experience design thinking, they would be converted. The question was how to create an experience that could be accessed by tens of thousands of employees around the world. 10

The Design of Business Building Design into the Company’s DNA:

Designators Gotcha wanted an intervention that would encourage and facilitate P&G’s category leadership teams to really engage in design thinking to solve problems.

For help, she turned to three deans: David Kelley of the Hasso Plattner Institute of Design at Stanford (aka the d. Wool) and also expounder of DIED; Patrick Whitney of the Institute of Design at the Illinois Institute of Technology; and me, from my perch at the Rotman School of Management in Toronto. In 2005, as a group, we began discussions about creating a comprehensive program that would provide practical experience in design thinking to P leaders. We believed that design thinking for business broke down into three essential components: (1) deep and holistic user understanding; (2) visualization of new possibilities, prototyping, and refining; and (3) the creation of a new activity system to bring the nascent idea to laity and profitable operation.

In December, six months after we began our discussions, and with the invaluable help of project manager Heather Fraser, we launched a prototype of the program with the P global haired business in London, England. The prototype, called Designators, was itself an exercise in design thinking.

We got a raft of feedback from participants, which we then integrated into refined programs for the cosmetics, skin-care, coolants, fabric-care, and home-care units.

One of the most important aspects of the experience, Gotcha argued, was that the participants were irking with their close colleagues on problems the teams were facing day Transforming the Corporation 1 1 to day. “ The course was really designed for business teams? a whole business team ? to get experience using design thinking, working on real problems,” she said. “ And that is what makes this course so incredibly successful. ” The program also had to be scalable and, as Gotcha said, “ designed so we could learn it and run it ourselves.

The P&G design leadership, including Gotcha and her second-in-command for Designators, Cindy Trip, were Intensively Involved In transferring Designators technology to P&G personnel. By the summer of 2007, P&G personnel were leading Designators exercises independently. The program has since extended its tendrils through the organization. Now, not a day goes by without a Designators session taking place somewhere in the P&G universe, led by one of their hundred and fifty or so trained facilitators, not necessarily designers but members of business units who have expressed an interest and volunteered their time. These things are literally going on every day, and we don't even know where or when,” Gotcha noted happily.

Designators began by encouraging category teams to seek a peer understanding of their consumers, to stare into mysteries and not continue to utilize the same old heuristic. The hair-care category team, for example,

went to a styling salon to observe how women actually used styling products, a part of the hair-care category in which P is underdeveloped compared with its leadership position in shampoos and conditioners.

The next day, the team members brought those customers back to talk about their experience at the salon. Drawing on what they learned from those discussions, the category team explored how to create an at-home user experience that rivaled the salon experience. They 12 The Design of Business created prototypes of the experience, tested them at the salon, one on one with each member of the user group, and incorporated their learning into the next product iteration. Finally, they worked on converting the refined experience into a system of activities that P could execute with sustainable advantage over competitors.

The category leadership teams emerged from the process with a greater understanding and appreciation for design thinking. The course both models and teaches the organized pursuit of new knowledge, looking up the knowledge funnel and seeking productive new insights. The business teams think they're coming to do packaging," Gotcha said with a laugh. She told the story of one finance manager who said that before the program he didn't see the need to learn about package design. " And afterwards, he came to me and said, ' Claudia! This is amazing! I can see how I can use this in my everyday work. ' And that is the goal.

They all walk out with solutions they would have never thought of before; this is the whole idea behind design thinking. It's going to take you to a place you've never been. And that's what it does every time. " While Designators

lone does not establish a balance between reliability and validity at P, it gives senior managers a set of tools and a process for engaging in validity-oriented thinking in a creative, practical way. Designing New Processes In addition to equipping his managers with more skills and expertise in design thinking, Leaflet worked to change organizational norms to support design thinking.

He modeled that thinking Transforming the Corporation 13 in his own behavior, doing in-depth at-home visits with consumers wherever he traveled. He even chatted (through a translator) with rural Chinese women washing clothes in a river. After all, they use detergent too. He changed key processes, including strategy review. The tradition at P was that each category president came to the annual review with a thick deck of slides that culminated in a single right answer for the coming year, including all the inductive and deductive proof needed to gain the approval of the CEO and senior management.

Additional slides were prepared to address any objections top management could conceivably raise.

Leaflet recognized that this process was a recipe for producing reliability, not validity. The category presidents wanted their strategies to be airtight, so risky creative leaps were out of the question. Leaflet saw he had to stop the drive for reliability before it gathered momentum, so he devised a new process. Presidents would submit their slide decks two weeks before the strategy review.

Leaflet would read the materials and issue a short list of questions that he wanted to discuss at the meeting. He emphasized that he wanted a discussion, not a presentation.

Presidents were allowed to bring only three more pieces of paper? charts, graphs, notes? to the review. Only by more or less forcing category managers to toss around ideas with senior management, he reasoned, could they become comfortable with the logical appease of mind needed to generate new ideas.

At first the presidents and their teams bridled at Leafless new process. Actual dialogue at the senior levels of P was exceedingly rare before Leaflet became CEO. Rather than engaging in dialogue, executives devoted their time and energy to bulletproofing 14 The Design of Business arguments and then advocating and defending them.

Dialogue was different, foreign ? and unnerving. Only after two or three cycles did it dawn on the presidents how invigorating and mind opening it was to engage in dialogue about what could be