

# Procter and gamble | leadership and change management



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## **Procter and Gamble Overview**

Procter & Gamble is American base world's largest manufacturers of a wide range of products. The company main maker of household products in the United States, P&G has operations is more then 80 countries around the world and markets its nearly 300 brands in more than 160 countries, more than half of the company's revenues are derived overseas. Company products, which fall into the main categories of fabric care, home care, beauty care, baby care, family care, health care, snacks, and beverages, are 16 that generate more than \$1 billion in annual revenues (P&G Annual Report 2009).

## **2. P&G Change Process 2005**

Change management is a word that is used in business to mean the way business to mean the way business is adopted in order to. Change is a constant in both professional and r private lives. According to Druker (1999) changes is generic. He further goes to give that, change leader sees change as opportunity. A change leader looks for change, knows how to find the right changes and knows how to make them effective both inside and outside of organization. The basic principles of change management, and provides some tips on how those principles can be applied.

When leaders or managers are planning to manage change, there are five key principles that need to be kept in mind as shown below

Different people react differently to change

Everyone has fundamental needs

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Change often involves a loss

Management Expectation

Deal Management Fear

## **Different people react differently to change**

Different people have different preferences for where they like to be on this spectrum. Some people like to be at the stability end of the spectrum, they like things to be the way they have always been. Other people like to be at the change end of the spectrum and they are always looking for something different and new. A manager's responsibilities need to be revised to account for what employees need most during tough economic times. In Procter & Gamble workshop which aligned with what the organization had already learned in the context of plant closures. We found the closures did much less damage when:

Managers announced the date of closure and key milestones far in advance and also detailed how employees and members of the community would be affected.

Managers fully explained to employees and the community the business reasons for the closure.

Managers gave the employees affected the chance to find other jobs within the company or help them with resources for finding a job outside the organisation.

Managers expressed their human concern, both publicly and privately, to affected employees and officials of the community.

In this way, the key attributes of predictability, understanding, control and compassion were demonstrated.

## **Everyone has fundamental needs**

By describing the landscape of unmet customer needs and analyzing where new offerings have worked before, you can chart a path that will produce successful innovations time after time Anthony (2006). Understanding customer needs and building lasting relationships are important in helping an organization innovate. Businesses innovate through unmet customer needs. Customers express their needs that have not been met and organizations innovate to meet those needs. This is why P&G is still leading the domestic product industry because, it listens to customers unmet needs and innovates aggressively to meet those needs. For instance, when babies were wearing cloth diapers, they were very leaky and labor intensive to wash; at that time, mothers needed an innovative product on the market to help fix the labor intensive part of washing the cloth diapers as well as the leakage. P&G answered this innovative call by introducing a revolutionary product called "Pampers" into the market.

## **Change often involves a loss**

The relevance of the "loss curve" to a change management program depends on the nature and extent of the loss. If someone is promoted to a more senior position, the 'loss' of the former position is rarely an issue because it has been replaced by something better. But if someone is made

prospect of getting a new job, there are many losses (income, security, and working relationships) that can have a devastating effect.

The aforementioned are the primary features of change and P&G management has recognized that. Sometimes, what employees do not understand is the impact of change on their professional and family lives; and it is the responsibility of management to communicate this impact to employees both positive and negative; but mostly, management overemphasizes on the positives and pays little attention on the negative impact. Kinicki (2007) mentioned

Managerial changes viewed as good and necessary can be seen by employees as

intimidating and even terrifying. But when companies don't take this into account,

and force changes that employees aren't prepared to handle, those companies risk

alienating their workers, losing money and, in the end, seeing those great strategic

changes fall flat.

This is a communication strategy that P&G has been successful in implementing corporate wide. The company ensures that the length and breath of all its units understand the impact of any change mostly at the professional level. Management ensures that everyone involved is interested

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in the change process. The more employees are interested in the change process the greater the success of the change or innovation. The most important element here is motivation.

## **Management Expectation**

The relationship between expectations and reality is very important. You can see this in customer relations – if a supplier fails to meet expectations then the customer is unhappy; if the supplier exceeds expectations then the customer is happy.

All aspects of the marketing process with modules for marketing strategy development and deployment, concept development and testing, pricing strategy, package design, advertising development, media planning, direct marketing, interactive marketing, and sophisticated new know-how and tools for Internet-enabled product development and testing, among others.

Hunter Hastings, chairman and chief executive (formerly CEO of Magnifi), who has an extensive background in brand marketing and corporate marketing services; Dan Maurer, president and chief operating officer (formerly general manager of P&G i-Ventures), who has extensive international marketing and management experience in P&G European and U. S. operations; Wade Miquelon, chief financial officer (formerly finance manager for P&G e-commerce area, general partner for P&G Internet venture fund and CFO for its Thailand operations), who brings experience in M&A, corporate treasury, new business development, and strategy development; Pete Farner, vice president corporate development, (formerly Magnifi senior vice president sales and business development) who is an

experienced and successful development executive in established and start-up businesses.

## **Deal Management Fear**

In times of significant change rational thought goes out of the window. This means that people often fear the worst - in fact, they fear far more than the worst, because their subconscious minds suddenly become illogical and see irrational consequences. Example:

Our company is reducing staff, which means...

They will make people redundant, and...

I'll be the first to be kicked out, and...

I'll have no hope of getting another job, and...

I won't be able to pay the mortgage, so...

I'll lose the house, so...

My family won't have anywhere to live, and...

My wife won't be able to cope, so...

She'll leave me, and...

I'll be so disgraced the children won't speak to me ever again.

Such fears need to be addressed, e. g. by helping people to recognize that most people who are made redundant find a better job with better pay and

have a huge lump sum in their pocket! Or, where appropriate, by explaining how the reductions in staff numbers are going to be achieved (by natural wastage or voluntary redundancy).

According to De Geus, these are the four key characteristics that best describe the company which can survive for very long periods in a changing world, because its managers who good at the management of change. The quartet provide the framework which enables a P&G, or Coca-Cola, or GE to renew itself: note how P&G, kept wealthy by its conservative financing, was able to learn from its own mistakes when adapting to a new marketing environment, and to reform and improve its relationships with entities like the major store chains. In doing so, the sustained strength of the corporate brand and culture was invaluable.

### **3. Analysis of P&G strategic change?**

“ The road to hell is paved with good intentions” this is how we would describe the implementation of Jagers (CEO) strategic change. P&G was in deep trouble in the first half of 2000. For the first time in the past eight years P&G was showing a decline in profits. In the late 1990s, P&G faced the problem of stagnant revenues and profitability.

In light of this the Organization 2005 program was launched in July 1999. As indicated in the paper responsibilities and Relationships were not optimised. Nevertheless It takes time for a restructure to become Effective, yet it needed better implementation. With the implementation of the program, P&G aimed to increase its global revenues from \$38 billion to \$70 billion by 2005. The Organization 2005 program faced several problems soon after its



launch. Jager concentrated more on developing new products rather than on P&G well-established brands. Jager conducted some mistakes which proved costly for P&G. For example, efforts made in January 2000 to acquire Warner-Lambert and American Home Products. Contrary to P&G cautious approach towards acquisitions in the 1990, this dual acquisition would have been the largest ever in P&G history, worth \$140 billion. However, the stock market greeted the news of the merger negotiations by selling P&G shares, which prompted Jager to exit the deal. Therefore it will not be farfetched to conclude that the strategic change was welcomed and important to the corporate yet its implementation was not adequate.

#### **4. Environmental Risk Analyses of Procter & Gamble**

Companies and organizations must assess, mitigate, and monitor certain risks involved with their daily operations. A specific area of risk that must be identified is that on the local and global environment. Accidents, natural events, and deliberate assaults are all possible ways for an enterprise to cause pollution or other environmental risks. In order to limit, and hopefully prevent these situations, environmental risk management places a strong emphasis on targeting the problems that could arise and implements a system of metrics that help with prevention.

According to Environmental Risk Assessments (ERA), which Procter & Gamble (P&G) typically calls “human and environmental safety assessments,” for all products, is key to building P&G reputation as a good corporate citizen and maintaining a high level of public trust. This commitment stems from a long-held philosophical commitment that marketing safe products is a core business responsibility, both morally and in <https://assignbuster.com/procter-and-gamble-leadership-and-change-management/>

a business sense. Given these values, and the importance of ERA to P&G future market access, the tool was well accepted by management and employees. Despite the company's success integrating ERA into core business practices, it still faces a number of practical challenges. These include balancing the time and resources spent on complex ERA with the speed at which the company can bring new products to market, balancing a desire for public transparency with the potentially negative business consequences of releasing too much competitive information, and overcoming external perceptions related to the use of "risk assessment" as a methodology to evaluate consumer products.

Innovation is an extremely important driver for P&G and drives the number of environmental risk assessments carried out by the company. As the company is continually developing innovative new products, P&G submits more "new substance notifications" to the US Environmental Protection Agency, and its counterparts around the world than most, if not all, other consumer product manufacturers. Thus, the company must conduct more risk assessments to support these new substance notifications than companies that use existing substances in the manufacture of products.

P&G feels its risk-based approach and tiered ERA feeds more comprehensive information into R&D, which ensures products are safe, without unnecessarily delaying innovation and delivery of products to market. This in turn, reduces operating costs for the company. In this way, P&G directs more of its resources toward product improvements and key product safety issues. This avoids investing in product development only to have that product sent back to the drawing board based on risk assessment results, or investing

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resources in unnecessary product testing that may have no real relevance to safety.

## **5. Implementation of change organizational P&G**

Countless change agents and other organizational interventionists fail to achieve desired results because they ignore or are unaware of the need to closely align change strategy with organizational personality. Durk I. Jager, former CEO of Procter & Gamble Co., was clear about his goals when he took office in 1999: shore up overseas operation and grow top brands. These measures would remedy sagging sales and redeem P&G image as the leading global marketer of consumer products. However, Jager's strategy for achieving these goals was perceived as being so abrasive, so discordant with P&G personality, which his management team rebelled against him. He was forced to resign in less than two years. Alan G. Lafley, a longtime executive who understood and respected the company's culture, took office in 2000. Through a combination of wisdom, humility, personal engagement, and a careful alignment of change strategy to corporate personality, G. Lafley has turned P&G into one of the great corporate success stories of the twenty-first century.

According to P&G Chief Information and Global Services Officer, Filippo Passerini, the company envisioned itself " fundamentally transforming the operation through the use of innovative technologies that will help the entire P&G to work smarter, faster and more efficiently." In line with implementing a service-oriented architecture (SOA) system to improve data and files accessibility, P&G adopted a new system - the online workspace system.

Online workspace systems are to build up an inventory of applications to deliver information for its global business units making them available as services through the portal. This process allows employees and managers to reuse systems and codes from other parts of the business (purchasing, marketing, logistics, manufacturing, etc). This new system includes a security module to protect information and a service platform to allow data from a variety of sources that could be accessed on demand. P&G aims to improve and support decision making while also increasing internal and external people's access to knowledge and information (Mari, 2008).

There is no particular person who drives the change but the impetus for implementation of online workspace systems lies on the necessity to tap virtual working opportunities while also reducing workload due to web-based space and chargeback reports. P&G realizes that to accommodate smarter working practices, there is the need for a fully integrated web-based facilities management environment. SOA underpins an online portal that will aggregate business information for P&G 32, 000 managers.

## **6. Information Technology in P&G**

P&G business managers commit to meeting profit goals, market share goals, and volume goals. P&G trying to develop a mirror program in IT with equivalent measures. Instead of shares, P&G have service levels; instead of volume, they have value creation. It is very numerical, very measurable. Our scorecard is numbers. We even give our internal IT customers a sales booklet. It's a great identity builder. At the end of the year, you can say and show that you did it or you didn't do it. We have a business manager model within the company that really works, so IT is following it.

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## **7. P&G online Store**

How and where to distribute its products is one of the major decisions facing nearly all product marketers. Procter & Gamble is dipping its toe into the online selling channel. While this is identified as only being a “research lab” intended to help P&G learn more about consumer buying behavior, it nevertheless has to be making some retailers wonder what is next. The site will launch in the spring and is worth watching.

## **8. P&G E-Notebook**

Procter & Gamble reinvent the process of invention within the company with an Electronic Lab Notebook system that went live within its research & development organization at the end of February. Although online data tracking for researchers is not new, particularly within some specialties such as pharmaceuticals, P&G challenge was to devise a system that encompasses the diversity of its research, which includes some drug development but also efforts to find a sudsier soap or a more absorbent diaper.

## **9. Conclusions**

As a consumer goods manufacturer, P&G seize every opportunity that came their way most especially in placing emphasis on the role of technology is further brand building, innovations and process advancements. Expanding technical capacity lessened the duplication and inefficiency though IT is considered to be a cost. In optimizing the business, P&G shift its culture from a technology-based to solutions-based company. The paradox though is on using IT systems and processes and arriving at the solutions. In realigning

the P&G approach, the company run as business whereby the changes is experienced on being a cost center where the focus is only on cost reduction to (cost, service levels, value creation and service management.

Virtualization, personalization and real-time decision-making through corporate portal, ECM and online workspace systems are the main strategies.

Strategic analysis has allowed us to understand the underlying objectives of change were much necessary on time. The Implementation of change is took time but P&G took the competitive advantage which he has reward. The assumptions depend on the learning about the firm accounting practices, about its strategic choices and from the ratio analysis.