

# Innovation at procter and gamble



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## Strategic Innovation Management

### Innovation at Procter and Gamble

#### How P&G Tripled Its Innovation Success Rate

In recent years, innovation is the significant topic that many companies have to concern because they create and develop new ideas of innovation to improve their performance and compete with competitors. P&G is one of the company that depend on innovation both in organizations and products. That results P&G to be the most successful company and famous innovator in the business world. This essay will analyze and explore the details of “ How P&G tripled its innovation success rate” and draw out helpful lessons for others.

The structure of the essay is as follows. First, it briefly summarizes key points of this paper on the role of innovation. Second, determining strengths and weaknesses in the organization’s approach to innovation. In addition, theory and research , which used by P&G; Connect and Development program, Disruptive-innovation theory, six lessons for leaders to build new-growth factories, will be described in this essay. After that, the essay concludes with advising for the company about dealing with strengths and weaknesses and give advice to a practicing innovation manager.

From reading the case study, the main point is that P&G is a well-known company in innovation aspects, however only 15 percent of its innovations were meeting their revenue, profit targets in the early 2000s. Therefore the company systematize their innovation by building organizational structures that related to them. In addition, P&G take an innovation to be a backbone of P&G’s growth and combined innovation and strategy assessments together

now. Those lead the company's revenue to nearly double in the 2010s. The source of inspiration of the company began in the 1870s when Thomas Edison created the world's first industrial research lab which called Menlo Park. It generated many new technologies and ideas for P&G. Furthermore, company's leaders not only take into account about financial goal of innovation, but also they thinks about an emotional components that are the source of inspiration and motivate people. One reason of their successful is that P&G has divided formulations for emerging markets and are interested in need of them. This causes of the greater benefit at lower cost. Regarding innovation, P&G focuses has fewer factories but bigger initiatives to sharply increase innovation outputs. They set the team to drive three critical improvements: increased its emphasis on an intermediate category, strengthened organizational supports for the formulation of transformational-sustaining and disruptive businesses, and revamped its strategy development and review process by linking company business and innovation strategies.

On the one hand, P&G has many strengths in the approach of innovation. Firstly, the company created new-growth factory that combined the creativity of Edison's lab with the speed and reliability. This results P&G to capture innovative opportunities by using their ability. Secondly, the company invest a lot in R&D to research about innovations and bring them to develop their company. Besides, P&G launched a new program that called Connect and Develop, which is the output from the company research, to bring in the innovation outside the company (Huston and Sakkab, 2006). The last strength of innovation in P&G is that the company coordinates

innovations through several leaders to confirm that strategy are cohesive and resources are allocated in the right way.

On the other hand, the company has some weakness points of innovation to be considered. The main gap is the cost that company invest to discover their new ideas or innovations. P&G spends 2 billion dollar every year on R&D that is very high expense of company, so it reduces profit more than others expenses. Furthermore, the new-growth factory project are a large project. It might cause of many problems. For example, the problem of return revenue from this investment may not enough to attract store owners to pay for franchises that might make the company to loss.

However, innovation is the important aspect in P&G since it generate benefits more than drawbacks to the company and it make P&G to be a leader in consumer products industry. The company creates and uses several theory and research of innovations to support the business. For instance, it uses disruptive innovation theory to drive company's growth by using new offer that are simpler, more convenient, easier to access, or more affordable. From my point of view, P&G should improve the innovation in company through using their experience that come from all people in the company because collective creativity easier to manage more than individual creativity which are unpredictable and uncontrollable. And the company can enhance strengths and deal with weaknesses of innovation by using sustainable innovation theory. Sustainable innovation rises continuous innovation and generates ideas in a more predictable way that make company to gain more and long benefits from them. The organization need to do three things to receive sustainable innovation (IHS, 2011). Firstly, the

company empower innovation workers with knowledge. Secondly, it provide a framework for collaboration. Lastly, it give innovation workers the tools they need to perform innovation activities.

In conclusion, although P&G is a leader in innovation, its innovation generated less profit to the company in the past because the company has some weaknesses to be considered, while it has several strengths which can be supported. The company should use its new research to develop the new-growth factory project that will encourage company to increase productivity of using innovations and create more new ideas, whereas its should take into account in sustainable innovation theory by creating sustainable plan to show the road map of the company. This leads P&G to improve innovation in efficiency and generates long-term benefits. Furthermore, innovation managers should create an environment for group innovation more than individual since it is easier and predictable to control. They should understand the company and consumer's need and then use strategic innovation to improve their products and firm to be better and faster. If P&G makes an effort to improve and create innovative-growth business, the company's innovation portfolios are sufficient to be the main growth objective and increase a revenue significantly to the company in the future and make it to be a sustainable growth firm.

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