

Ag lafley's leadership in procter and gamble



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Introduction

He is a strategist who has a big vision and changes the rules of the game that his company participates in. He is a creator who improves his company's profitability by innovation to make an organic growth. He is a thinker who firmly believes that the consumers are the bosses rather than he. He is a savior who makes a company which was in some serious crises back to the way of revival. He is also one of the world's most influential business leaders, just like Steve Jobs, Bill Gates and Warren Buffett.

He has been got many titles and achieved the highest recognitions in his business. He was named " CEO of the Year" by Chief Executive Magazine in 2006, " Executive of the Year" by the Academy of Management in 2007, and " Leader of the Future" by the Peter F. Drucker Leader to Leader Institute in 2008 (Silverman, 2009).

In my opinion, he is the best business leader and he makes the perfect combination of CEO (Chief Executive Officer) and CIO (Chief Innovation Officer). Yes, the great man is Alan George Lafley, the former Chairman of the Board, President and Chief Executive Officer of Procter & Gamble.

In this research paper, I will give you a brief introduction of A. G. Lafley's background and career. Then I will analyze some leadership traits and leadership behaviors of him. After that I will talk about how A. G. Lafley's leadership applied to the hospitality industry.

Brief Introduction of A. G. Lafley and his Career

Early life

On June 13, 1947, Alan George Lafley was born in a small city called Kiev in New Hampshire America. When A. G. Lafley grew up, he completed his study in a small liberal arts school which located in northern New York called Hamilton College. He had his own career plan at that time, which was to be a professor and basketball coach after graduation. In the late 1960s, he went to Paris where he studied history, politics, art, film and theatre. In 1969, he returned to the United States and then entered the University of Virginia to study for the PhD degree which related to the history of the Middle-Ages and Renaissance. However, he left the college after only one semester. He joined the U. S. Navy, but did not serve in warships. Because of this military service, his plans and fate changed from then on. He was assigned to a U. S. military air base in Japan, responsible for the management of retail and service organizations. In that air base, approximately 1 million people, navies, marines and their families, formed a small town. What Lafley managed were the whole retail and service organizations including grocery stores, department stores and specialty stores. It is the first time that he worked as a general manager; furthermore, he fell in love with this job since then. After retirement of the Navy, he did not go back to the college to pursue his previous dream of being a professor or a coach, but he went to the Harvard Business School to study for the MBA degree.

Joined Procter & Gamble

After graduation from Harvard Business School, he joined Procter & Gamble in 1977 as an assistant of a dishwashing detergent brand. In the following 15

years, he gained the position of the laundry powder and clean service department manager. Within these years, Lafley and his team got so many achievements. He led several the most successful innovations in P&G company's history such as " Liquid Tide" and " Tide bleach-type"-Until today, these kinds of innovation still contribute to the growth of P&G. In 1994, he went back to Japan, but what he was responsible for was much larger than the retail business of the small town in the air base 20 years ago. What he governed was all the P&G business in Asia. He laid the foundation for P&G's Japan business growth rapidly and led China's business to have an extraordinary growth. In Asia, the sales of the products are scarcely 90 million dollars before he came, but it approached 1 billion dollars when he left Asia in 1998. He also led the company to pass several serious currency crises and the economic crises smoothly. As we all know, the Japanese Kobe earthquake occurred in 1995 and Procter & Gamble Asia headquarters located just right there. These kinds of crises gave Lafley a strong mind and ability to arrange the tasks and employees when emergency happened. As a result of these experiences he got in Asia, he has more confidence to approach to the next challenge-all the business in North America in which occupied the P&G's largest market (Lafley and Charan, 2009).

Led Procter & Gamble

In 2000, Lafley was elected to be the president and CEO of Procter & Gamble and began to lead 110, 000 P&G's employees who distributed in 70 countries. The P&G was just in a big trouble because of a series of radical plans made by the ex-CEO Durk I. Jager. Jager developed the new product blindly. He did not focus on the core competitive product. What is more, P&G

was a very conservative company at that time. With many other reasons, the company fell into a big failure. Fortunately, the advent of Lafley saved P&G. Lafley made a new policy decisively-“ Continue to promote the growth of the core advantages of resources and profit from it.” (Lafley, 2000) Lafley focused on the old brand and made a soft revolution at the same time. He replaced half of the senior officials and cut away nearly 10, 000 jobs to make P&G more flexible and professional. “ Innovation” was Lafley’s core concept. No matter by encouraging the organic growth of the company or by merging the others’ creations, Lafley never stopped to innovate. He said: “ Each enterprise has its own core organization principle. And the principle in P&G is innovation.” (Lafley, 2009) What’s more, Lafley would like to make an exception to promote the talented person and he was good at cooperating with other people and companies. Under his leadership, sales of P&G were nearly doubled-from 39 billion dollars to 76 billion dollars. Procter & Gamble Company became the American top 10 most valuable company and the world’s top 15 most valuable companies since that time. And it was considered as one of the most respected company from then on.

Retirement

On July 1, 2009, Lafley resigned the CEO officially and claimed no longer serving as chairman since January 1, 2010.

Leadership Traits of A. G. Lafley

A. G. Lafley, who has rich life experiences and has obtained a plenty of great achievements, is a great leader. The great person has its greatness which can be considered as some fabulous leadership traits. So what are they?

Excellent education

Mr. Lafley, who obtained a B. A. (Bachelor of Arts) degree in history from Hamilton College, briefly pursued a master degree in medieval and renaissance history at the University of Virginia and got a MBA degree from Harvard Business School, is well-educated (Ellison, Zimmerman, Forelle, 2005). They make him versatile and gentle. Obviously they also have a big influence on his career. The excellent education gives him the ability to deal with various duties and manage a business giant. In my opinion, although most of the benefits brought by education are invisible, the level of knowledge decides the level of attitude which further affects the altitude of success. For example, how can he achieved such a big successful in innovation? It is due to that he knew the market and he realized what the consumers' need and want. He can use what he has learned to analyze the situation and circumstance of the company. Without the knowledge, he can do nothing. That's why excellent education plays a quite important role in Lafley's life.

Assertiveness

Lafley is kind and humane person. But as a leader, he knows that if it is the time to make a judgment or a decision, then you should make it. It means that a leader should have the assertiveness. A leader's judgment or decision can determine the success and the failure of an organization at some times. The phase of making judgment can be as quick as the flip of a switch but can influence a long-time period (Tichy, Bennis, 2007). However, making a good judgment is not easy, especially with a limited time period. Lafley sets a vivid example of how good judgment is developed. Lafley became CEO of

P&G in 2000 with the company in the big trouble. On the day Lafley was announced as CEO, the stock fell down another \$4; by the end of 2000, the company's market capitalization had lost \$85 billion compared with the prior year. But as an experienced leader, Lafley never fell nervous. As I mentioned before, his abundant experience always can make him assertiveness. Five years ago, Lafley went through the massive Kobe earthquake. That 7.2 magnitude earthquake destroyed more than 45,000 homes and killed more than 6,000 people, instantly plunging Japan into crisis. Lafley, who was in charge of the business in Asia for P&G at that time, immediately made an assurance that P&G's employees were safe and then began to take stock. He knew how to stabilize the morale of the troops and he can handle this issue efficiently step by step. The experience teach him the importance of facing reality and planning as ways to make sure a leader uses all available resources in times of crisis (DeRose, Tichy, 2008). Therefore, faced the adverse situation at the year end of 2000, he can quickly identify the problems that most needed to be solved-the unnecessary business. So Without a moment's hesitation, Lafley made a decision that cutting the unnecessary business immediately and focusing on their core business. He is very assertive and it is because of his assertiveness made the company get out of the dangerous situation and have a better and faster development in the following years.

Creativity

We have already known that Lafley's major is history at the beginning of his studies, but he is very good at innovation. He has an admirable ability of creativity that can make " an elephant dance". When Lafley took over the

P&G Company in the summer of 2000, the fact was pretty grim as I have already talked above. His predecessor, Dirk Jager, a brusque hard-charging Dutchman who ran the business of P&G for 17 months, just made one thing grow up: it's the costs. After analyzing the situation, Lafley was aware of that the P&G Company needed the innovation to bring consumers back, but innovation balanced by efficiency (Martin, 2009). The successful innovation is not just invent a new product or create a new form of organization but is able to find out something that can bring commercial benefits and can create new value which means the particularly things can adjust the company's situation in the market place and maintain the relationship with the customers. We can see what Lafley has done. He encouraged innovation in the organization and enhanced the company's attention on the innovation of the core brand such as Crest and Tide. But he was still not satisfied with the P&G's innovation speed and achievements, he set a bold goal: Rather than developing most innovations in-house, P&G would contract for half of its innovations from outside sources. This innovation model called "Connect plus Develop". It's a two-way street, accessing externally developed intellectual property in its own markets while allowing its internally developed assets and know-how to be used by others (Lindegaard, 2010). This program gave P&G access to a global network of innovators, and it used the firm's existing algorithm-level marketing and distribution skills (Martin, 2009). The performance turned out to be a great success, with profits that doubled. In 2005, the Boston Consulting Group consult P&G as the "Top 10 Innovative Companies in the World" for the reason that "Continuous product innovation based on understanding of changing consumer lifestyles" (Nussbaum, Berner, 2005). The fact of growth and revival of company break

the notoriously rule-bound culture that P&G should always rely on itself to develop. It is true that Lafley's creativity help the 173-years-old giant change its destiny and achieves a new success.

Administrative ability

As a business leader, no matter how much education you received, no matter how assertive you are when you make a decision, no matter how creativity you hold, if you do not have administrative ability, everything will make no sense. The administration can manage employees to work efficiently and lead the company to do things right. For Lafley, he uses this kind of ability to define P&G's values and standards which encourage the right behaviors. The values for P&G is a word-“ Trust” which is reflected in three aspects. First, trust of employees. Which means you can earn the employees' loyalty. The employees are the greatest wealth. If your employees would like to devote their entire life to you company, then that is the half of the battle. Second, trust of consumers. Consumer is the god. All you do are to satisfy the customer. That's the final goal every company wants to achieve. The last but not least, trust of investors. That's also exactly important for a mature company. It can bring P&G stable long-term investments (Lafley, 2009). The standard made by Lafley for the business of P&G is that each one should be in the top third of its industry field. This standard is determined to be P&G's primary performance measure tool and is linked to the leadership compensation. Lafley establishes this wonderful value-creation mind-set with consideration of the shareholder's perspective and it makes a great contribution to P&G's business.

What's more, Lafley has a strong ability to understand and recognize his subordinates. As I researched, Lafley knows the top 500 people in P&G. He also involves himself in career planning for the 150 potential presidents or function heads. He does a lot of jobs on planning assignment, assessing strengths and weaknesses of these people and trying to put them in front of the board at company events (Lafley, 2009). This ability helps Lafley absorb so many talented people, which shows the bright future for P&G Company and also lays a solid foundation for the company's sustainable development.

Cooperativeness

Lafley stresses collaboration with his subordinates. He encourages teamwork among managers, employees and also himself. He has a cooperative and inquisitive management style. When Lafley makes a decision or sets a new strategy, he usually asks managers to give him two different approaches and present the pros and cons of each." (Hymowitz, 2006) By efficient teamwork, Lafley hardly makes wrong judgments. Lafley does not only cooperate with internal staffs of the company, but also he builds a good strategic partnership with other companies.

The globalization is the world's trend and for sure no company can grow rapidly and smoothly without cooperate with others. Lafley realized this serious fact soon after taking over the CEO of P&G. He found that the Wal-Mart Stores has an unique advantage that other retailer does not have-it can not only supply products at the lowest price but also get people to turn back to the Wal-Mart for goods they normally find elsewhere, at specialty stores, restaurants or even the doctor's office (Ellison et al., 2005). So Lafley decided to upgrade P&G's products and make them so glamorous and

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distinctive that Wal-Mart won't be able to resist them. After the upgrading of P&G products and the negotiation with the head of Wal-Mart, all of the products made by P&G are available at Wal-Mart. For P&G and Wal-Mart, "it's a lot like a marriage," Lou Pritchett, P&G vice president of sales, said. This "marriage" is a win-win war.

Lafley's Leadership Behaviors

Supportive leadership behaviors

The innate personality and excellent education make Lafley friendly and knowledgeable. Many people say Lafley is more like a serene professor than a great business leader. In fact, expect the personality and education factors, the core conception of Lafley-"innovation" makes a request for him to be a supportive leader.

Because the result of innovation is always uncertain and sometimes it can be involved with a lot of risks, the leader is requested to support the employees and stimulate them to do the job as better as they can. With the leader's supportiveness, even if the task is not developed as the plan set, the subordinates will not lose their confidence and patience. Lafley always encourages the R&D's (Research and Development) team members and shows his trust and respects to team. He always says, "You did a very good job. I appreciate your efforts. You have been working very hard, etc." The fact is they never let Lafley down.

What is more, in the leadership traits section I mentioned that Lafley has a unique ability that he can remember the top 500 managers in P&G. And he is willing to help them develop their career. Lafley believes that a good

manager is able to become an innovation leader by receiving proper training and obtaining some innovation related work experience. So he provides training system and opportunities to the subordinates. For example, P&G provides a course which can improve the rate of successful innovation and builds an innovation center for employees to share and discuss their working experience (Lafley, 2008). For the experienced managers, Lafley gives them more specific tasks which are related to more uncertain risk. It is very helpful for these managers in obtaining the precious experiences. Further to make sure that these managers can make a good preparation for the leader position. With his proper supportiveness, most of them did very good jobs. Lafley's supportive leadership behavior satisfies the subordinates and makes them work harder and harder. The followers can find their self-value and they really love work for him. In another word, Lafley brings much more profits to the employees and the company with his supportive leadership behavior.

Reward leadership behaviors

Everybody wants to be rewarded and when a person is praised in public place, it will form a positive working atmosphere and build up the sense of honor in employees' mind. Obviously Lafley have the reward power and also he would like to use it, because he knows that when reward happened, it will encourage more people to work harder for getting the reward. And this way can lead the organization to grow healthily and rapidly.

For instance, P&G establishes an annual Award for Innovation which used to reward those people whose projects can provide consumers greater value and less cost than its competitors. This award is established in order to

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reward the employees who create huge profits by finding innovative business way. When the reward time comes, a grand evening banquet is needed and Lafley will give the big prize to the winners with his own hands and salute to them. The employees of P&G regard this as the highest honor as it should be.

Lafley's reward leadership behavior improves employees' performances and increases their enthusiasm. What's more, the most important thing is that the reward strengthens the innovative culture that Lafley wants to establish in P&G which is a great help for company's development.

Innovation leadership behaviors

Most of us may be not familiar with Innovation leadership behavior. Pekka Ala-Pietilä, the Former President of Nokia defines it like this: "It is passion; it is learning; it is humility in front of mistakes and errors-understanding that they are necessary elements to learn faster than the others-and it is the target setting . . . yes, stretched targets!" (Ala-Pietilä, 2001) In my opinion, Lafley is an innovative leader with many other characteristics which are more mature compared with what Ala-Pietilä thought. First, focused on the in-depth consumers' insight, Lafley knows that the innovation is based on the consumers' needs, so he believes consumer is the boss. Lafley stresses collaboration with consumers and asks them what actually they need and what they really want. Then formulate the next research and development goal. Second, after fully aware of the leading-edge technical, Lafley requests the R&D (research and development) department to improve P&G's products per year and make a disruptive innovation per seven years in order to stay ahead of the industry. Third, establishing the motivational organizational

rewards, Lafley makes the P&G's innovation-reward process. This process works like this: If you create a good innovation project, you will get the reward. The company would like to invest more money to encourage you to develop another innovation in that you can get another reward. You can obviously find that this process is a virtuous circle that can make the company keep growing. All in all, Lafley's innovation leadership behavior greatly improves the development of P&G Company. I think only this leadership behavior can make such a big company keep growing like this.

A. G. Lafley in Hospitality Industry

Though Lafley has been worked in consumer goods industry for more than 33 years and has never quitted before retirement, if he chooses to work as a hotel general manager now, I believe he could be a good leader also.

First, as a general manager of the hospitality industry, you need to be a supportive leader because hospitality industry is a labor intensive industry. Every day you need contact and deal with people. Therefore, to be a leader, you should show your concern for the status, well-being and needs of your followers. In another word you should be supportiveness.

In this aspect, Lafley does a very good job. He knows how to show his concern and friendly to employees and he can built a good relationship with the employees and give them more confidences. He always would like to show his supportiveness. If the task is very hard, he will show his consideration to the subordinates and never hesitate to say something like this, " you did a very good job. I appreciate you a lot, etc." When a harmonious work environment appears, the employees' comforts of jobs and

willingness of working harder will both increase, resulting in a better performance and higher enthusiasm which will lead to more earnings and less turn-over rate.

Second, reward leadership behavior is very suitable for hospitality industry too in that it is of a certain commonality in all business. Lafley is very good at rewarding people who did the good job. Just as I have been mentioned, he established an innovation-reward system in P&G which brings a huge benefit to the company and the employees. As well as what he has did in P&G, if he works as a leader in hospitality industry, he will establish some kinds of Award for Service Star system which rewards the employees who get the most recognition cards filled by guests or who give the hotel most valuable advices. In his opinion, reward is the best way to encourage people to work hard and innovate positively. By building this reward mode, he can improve morale of employees and improve organization at the same time. It means that his perspective of rewarding concept is quite useful in hospitality industry.

Third, innovative leadership behavior is also very important for hospitality industry. Nowadays, most of the five-star hotel can achieve the excellent standard, but what the true challenge is the creativity. Lafley will never change his innovative leadership behaviors. He would like to ask the guests feeling and needs, and then think out a new idea to give guests totally different experience. Maybe he will set a goal for the chefs to creating the new cuisine. All in all, it is for sure that he will use his innovation leadership behavior to make the business stand out. That's critical performance for the

distinctive fine dining hotel. And I think it will bring the company a great success.

Conclusion

After researching A. G. Lafley's personality and career, I am shocked by this man who saved the world's largest consumer goods company in disaster. He is a good listener but also an assertive guy; he is knowledgeable but also loves to collaborate with his subordinates; he never shouts but makes things organized in good order; he never invents anything but leads a top ten innovative company. It is A. G. Lafley who just retired from the CEO of P&G 10 month ago and is commented as " The departure of Procter & Gamble's A. G. Lafley is a loss for P&G – and the business world at large" by Fortune Small Business (Reingold, 2009).

After thirty-three years fighting for P&G's success, Lafley finally decides to take off his Armani suit and wear his favorite casual khaki pants to have a rest. But his brilliant achievements, fabulous administration abilities and fascinating innovation leadership will always be there to let the people respect and pursue.