

Analysis of the Procter and Gamble (P&G) organisational model

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Introduction

The survival and growth of business entities are influenced by many factors. Old businesses have had to adapt and adapt to various changes in response to paradigm shifts in technology, culture, globalisation, and consumption patterns. While external market forces determine how companies are run, internal factors also influence the way organisations to operate. These factors may range from human factors (HF) to machine-related factors. Ideally, the sustainability of old firms that are fifty years and more points to strategic leadership and management abilities that cut across cultural, organisation, financial, human resource, and technological issues. This particular discussion entails a case study of Procter and Gamble (P&G), a company dating back to the 1830s. Therefore, it is important to highlight some of the areas that have made this particular brand to be successful as well as the challenges encountered. Specifically, the paper focuses majorly on areas of organisational culture, leadership and management style, organisational performance, and sustainable development practices by the company.

Company background overview

Procter and Gamble (P&G) is a global entity dealing with home-based consumer goods ranging from kitchen and laundry items to personal-care and baby products. It touts distributing several brands with superior quality to improve the lives of consumers worldwide. P&G was established in Ohio in the early 1900s though it had been originally founded by William Procter and James Gamble in 1837 (Form 10-K). Some of its renowned brands include Luvs, Pampers, All Good, Ace, Ariel, and Bounce catering for baby and laundry products. The company also deals with detergents like ERA, Gain, and Rindex in addition to paper towels and face tissues

like Bounty, Puffs, and Charmin. Also, there are other sub-brands like always, Tampax, and just that fall under feminine care products. These are just a few examples and there are more that deal with home, oral, personal health, and hair care. The ability to meet the market demand based on the many products that have to be manufactured and distributed worldwide (more than 180 countries), calls for strategic organisational leadership and management. According to a 2019 financial report, the company raked in about \$67 billion in sales in 2019, a marginal increase compared to 2017 and 2018.

P&G's business model is built on a continuous trajectory of growth and success of the current products and brands besides new products being innovated. The company's industry and market niche are significantly competitive. To be able to reach out to the global market covering about a hundred and eight countries and territories, the company utilises many distribution channels besides a direct-to-consumer approach. P&G's growth strategy to remain competitive and superior in the market pivots around all the elements related to consumer proposition namely, product, brand packaging, brand value equation, brand communication, and retail execution (Brown and Anthony, 2011). By leveraging its online and marketing presence to spread its superior brand message, the company continues to remain visible to the consumers. Further, the brand varieties are supplied in different price tiers to withstand competition from other rivals in the same sector. At the end of P&G's supply chain are diverse customers ranging from single retail customers to large-scale wholesalers. Other customers include e-commerce, pharmacies, distributors, membership club, drug, grocery, high frequency, department, and specialty-beauty stores. One of the biggest clients of P&G is Wal-Mart and its affiliates with sales recorded at 16 percent and 15 percent of the total sales in 2017 and 2019 respectively. A major advantage of P&G's nature of business is that they rarely experience material backlog as

far as orders are concerned; the company does not do business with the government. Apart from the raw and packaging materials that are sourced from the external suppliers, all other materials including the primary chemicals are produced by the company for manufacturing purposes. Financial reports show mixed performance in terms of net sales and net earnings from 2014 up to 2019 as shown by the graph below. The figure below shows the financial performance of the company in 6 years.

Table 1: P&G net sales and earnings between 2014 and 2019

Year	Net Sales in \$ billions	Net Earnings \$ billions
2014	74.4	11.64
2015	70.75	7
2016	65.3	10.5
2017	65.1	15.3
2018	66.8	9.75
2019	67.68	3.9

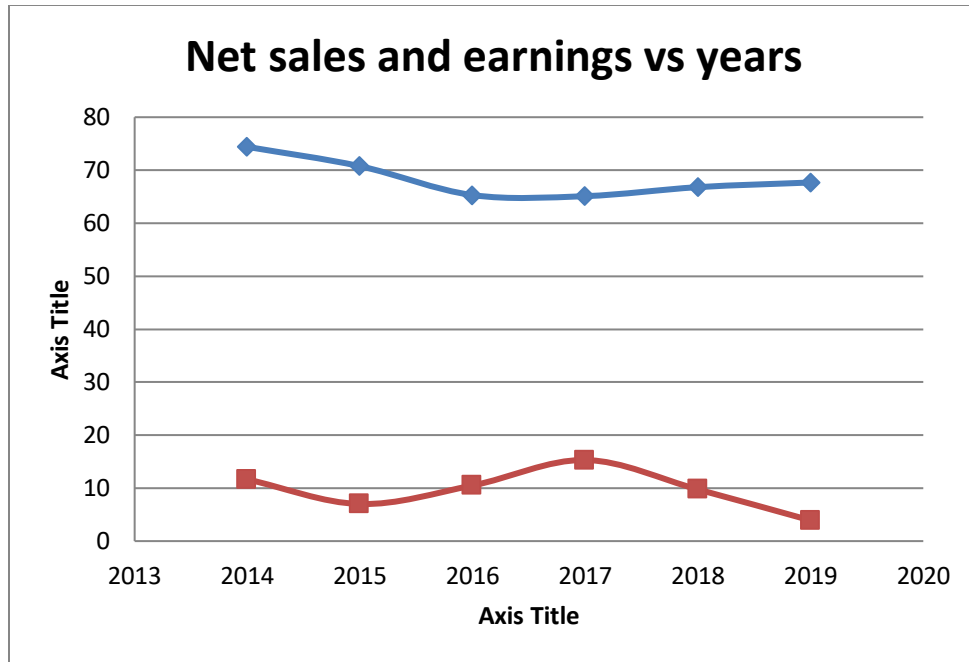


Fig. 1: Financial performance of P&G (Form 10-K)

Organisational cultural values, human resource, and performance

On the backdrop of P&G's nature of the business, it is important to explore some of the cultural values practiced by the company hence its continuous growth and competitiveness both locally and globally. It is worth noting that the company has remained committed to diversity and inclusion in its workforce. There are approximately 140 nationalities represented in the company's workforce. Diversity helps consumers to view P&G positively taking into consideration its business operations are spread globally. Cultural diversity helps the management and organisation, in general, to tap into various skills while customising its services to different challenges and needs of customers from different backgrounds. Inclusivity implies that people from various walks of faith and beliefs have an equal chance of working in the organisation. Some of the initiatives started by the company such as the global diversity and inclusion awards are meant to recognise the outstanding performance of the P&G workers around the globe. These are the workers that have "progressed diversity and inclusion initiatives

through innovation, value creation, and inspirational leadership” (P&G, 2020). The campaign to enhance diversity and inclusion in the company is owned from the top leadership cascading down to middle-level leadership and subordinate staff. Through platforms such as CE Action for Diversity and Inclusion and CEO Champions for change, the conversations on cultural diversity and inclusion remain strong in the company.

Notably, the human resource department has provided an HRM policy that ensures a diverse workforce is maintained through inclusive hiring, advancing, and retaining process. There is a deliberate effort to invest in unique programs that are meant to address challenges cases of micro-aggressions and biasness; the bottom-line is to ensure the diverse workers have a sense of belonging and value under great managers. In respect to that, the management policy at P&G advocates for the advancement of minority groups as well as women. For example, the Corporate Women’s Leadership Team (CWLT) advocates for the advancement of women in the career ladder through the acquisition of skills and insights. Through such programs, their competencies are well represented at all levels of management or leadership throughout the company. Concerning that, the company through CWLT is actively involved in forums and events that promote leadership development, mentoring, improving representation, and sponsorship of women. Though sounding somewhat controversial, the Gay, Ally, Bisexual, Lesbian, and Transgender Employees (GABLE) program intends to help employees realise their full potential without fear and intimidation at the workplace. Other initiatives on diversity and inclusion at P&G include People with Disabilities (PWD), African American Leadership Network (AALN), Asian Pacific American Leadership Team (APALT), the Hispanic Leadership Team (HLT), Native American Indian Leadership Team (NAILT), and the Veterans and Reservists Affinity Network. All these are a pointer to the P&G management’s efforts to build an

active and competitive workforce. Besides that, the Supplier Diversity program provides a platform where different suppliers are not prejudiced based on their social, cultural, or religious beliefs. Thus, contracts can be awarded to minority and women-owned businesses such as disabled people and LGBT owners. The notion behind this program is that with such a Supply Network in place, the P&G community thrives because of employees, consumers, and stakeholders' diversity. Another essential area that the management has made tremendous efforts in is equity, transparency, and fairness on matters wages and compensation. Pay audits that have been conducted in the U.S., UK, Canada and parts of Europe confirm that employees working in the same position received equitable pay irrespective of their gender or ethnicity.

The role of management and leadership style

Strategic leadership and innovation processes remain critical to P&G's operations. Ideally, the company utilises a concept referred to as constructive disruption, which is considered as a distinct approach to innovation. Constructive disruption is founded on a belief that change remains the only constant; as a result, disruption is unavoidable. By embracing and comprehending this particular concept, it is possible to have a business model that moves the company forward. In essence, businesses engage in the change process to keep abreast of fluctuating consumers and markets' needs. In relation to that, an ideal leadership and management model is requisite for the successful implementation of innovative processes like constructive disruption (Cloyd and Euchner, 2012). The Summer Internship Program developed by the management allows a handful of college students to join the company while showcasing their talents and skills during the period of internship. Exciting projects designed by team leaders and managers at P&G provide an opportunity to inculcate skills that help them to provide solutions to challenges. At the same time, these sessions are developed to nurture bonding and

social connection with business partners, team members, and managers. Through a collaborative relationship with the team leaders and managers, interns and workers, generally explore diverse ideas and approaches to formulate solutions. It helps the team leaders and managers to be creative while handling team members with varied ideas. Other than fostering community, such programs are designed for peer mentorship and training purposes. There is an array of products that have been manufactured by P&G courtesy of innovative leadership in partnership with the company's Research and Development. For instance, Oral-B GENIUS X is a product in the personal-care category, and it involves an electric toothbrush to enable consumers to get a superior personalised experience through data. Equipped with Artificial Intelligence, this particular product provides personalised feedback on brushing areas that need more focus, and to help in doing that is the Oral-B app. All the said successes are based on transformation leadership styles

Between 2009 and 2013, P&G experienced turmoil forcing the then CEO, Mr. Bob McDonald to resign under duress in May 2013. The former CEO, A. G. Lafley was revered after a remarkable period at the helm prior to McDonald's appointment. So the question is; what mistakes did McDonald make despite his experience at P&G courtesy of long-time employment. First, the successor of Lafley suffered poor global execution due to ineffectual responses to stiff competition from the emerging markets. More so, McDonald was not able to control the company's costs besides losing the workers losing the confidence of his leadership. Others claimed that the CEO did not fully comprehend the impact of the recession of consumers when he took over. Eventually, global competitors like Unilever posed a big danger to P&G. Considered a strategic leader during his stint, Mr. Lafley superintended the establishment of the company's beauty business, expanding P&G's presence in the upcoming markets, and launching

hot brands like Febreze and Swiffer; it was during this same period that Gillette was acquired by the firm. Consequently, the firm's share prices soared roughly 63 percent, and the stakeholders believed that those were the 'glory days' for the firm. The first plan under consideration after Lafley's take over was product innovation, that is, the company's decision to substitute incremental innovation with the development of new product categories. Whatsoever, the firm's management thought of increasing allocation to the R&D department programs for the invention of new products (Hitt et al., 2016). This is a good example of strategic leadership and management practices that companies ought to incorporate to remain market leaders. From the case scenario given, transformation leaders or change leaders mobilise other members to attain the set goals (Oreg and Berson, 2011). A leadership style that is inspiring and bears results transcends the organisational confines to regional and international spheres.

Conclusion

The case study provided above is a good example of the impact of leadership and management models on the performance of organisations. Proctor and Gamble is an old company that has sustained various management and leadership challenges but has emerged successful at the end. The 2009-2013 events show that despite employees gaining enough experience in the company and being promoted to leadership positions, not all that can steer the organisation in the right direction. Succinctly, transformational leaders embrace innovative practices that move organisations ahead, and in regards to that, such leaders push for new inventions rather than incremental innovations. Strategic leadership and management practices allow teamwork, diversity, and inclusivity where many ideas are consolidated to formulate a strategy to propagate the firm's growth.

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