

Assignment 1: Initiation of a proposal for the ‘leading and change managing project’

Model criteria:

- Brief profile of organization to be examined.
- Profile of 8+ literature sources with explanations why chosen.
- Conceptual framework map of key issues of focus that affect change.
- Discussion of intended study method.
- Tabulated analytical method for research plan.
- Self analysis and reflection on ‘leading change’.

LEADING THE WAY



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Declaration: “We certify that we can provide a copy of the attached assignment if required” - “I certify that the attached assignment is our own work and that all material drawn from other sources has been fully acknowledged”

Signed: 

Dated: ...30th March 2009...

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EXECUTIVE SUMMARY

This proposal consists of an understanding of managing change and leadership as a part of it, which is put across using various academic journal articles. Using Procter and Gamble (P&G) as a subject company and analyzing its various decisions of take over's, marketing plans, systems and resource development, and seeing its strengths and weakness, we try and conceptualize the practical part of managing change. In our proposal we also shed light on the area of research which would in turn considers the organization of P&G in areas of corporate social responsibility (CSR) and employee training (transformational training), and the use of a Balance Score Card (B.S.C) as a method of managing change and leadership techniques practiced. Further we propose to research and explore to understand more about the sustainability and CSR program of P&G.

INTRODUCTION

Competition, growing markets, technological innovations and globalization requires management to evolve, adapt and thus change its strategy, processes, people and culture; as such “change” is inevitable. Taking the initiative and managing the process of evolving, adapting and changing effectively gives birth to sustainable and successful companies. Thus managing change may be defined in the words of Oliver Recklies;

“Change management means to plan, initiate, realize, control, and finally stabilize change processes on both, corporate and personal level. Change may cover such diverse problems as for example strategic direction or personal development programs for staff” (Recklies, 2009).

The well known market leader, in its field, Procter and Gamble, has been chosen as a sample to understand the practical implications of change management and thus help our group to comment in a series of articles over the underlining purpose, need of crucial elements and also the implication of ‘change’ on profit making ability of the company. The main purpose of this study is to familiarize change management concepts, methods and workings while exploring the importance of a key ingredient of ‘Leadership’ for its success, be it in any area of operation. For example resource development, HR prospective, CSR, developing human relations and interventions, the manager as a leader focus and uses of methods like balance score cards to deliver successful change management.

BRIEFING OF ORGANIZATION

Mission statement: “We will provide products and services of superior quality and value that improve the lives of the world's consumers”.

Procter & Gamble Co. (P&G) was founded in 1837, and it had very humble beginnings with the making of soap. What acted as a real boost to the company's growth was when they received a contract with the Union Army to supply them with soaps and candles during the American civil war. It was not until they invented a soap that floated in water that their company's (P&G's) popularity really soared.

P&G was designed for success based on the implementation of certain values, these are as follows:



P&G states that their people and their brands are the foundation of their success. The values are brought to life by improving the lives of the world's consumers. It is said that P&G's success on each employee maintaining a duty to uphold the values was the foundation on which all day to day decisions were made stated above in all day-to-day decisions they may face.

Through corporate takeovers, P&G was able to move into other countries and become a truly international global/multi-national organization. P&G's latest acquisition is 'Gillette' (2005), placed P&G in becoming the N°1 consumer goods company in the world. P&G's main headquarters are based in Cincinnati, Ohio U.S.A. P&G is a *fortune 500* company and is also the 14th largest US Company by profit as well as number 10 in *Fortune's* most admired companies list.

Procter and Gamble's has a strategy for a long-term sustainable growth. The company's portfolio is designed to grow consistently with confidence. A strategic, financial, and operational process within the company guarantee's that the company delivers. And by also leading with their elite management team P&G is able to win.

“Designed to Grow”

A financial assessment will show that sales for the company has increased from \$39 billion to \$76 billion in the past seven years, and recently the number of brands have more than doubled in sales each year (these being brands that generate over \$1+ billion a year).

Some listed facts include:

- \$43 billion has been generated in net earnings, and \$50 billion in free cash flow.
- Each year has seen Procter & Gamble double in number of countries in which P&G generates pertinent sales in.
- Market capitalization has increased more than \$100 billion since 2001.
- P&G has 23 billion dollar brands in their portfolio.
- Recently P&G has quadrupled the number of brands that generate at least \$500 million in sales – 18 of which are poised to become new billion dollar brands.

What is truly remarkable about P&G is that people use its products at least two billion times a day in their homes. By safe 'guarding' health to its

consumers and committing to improving lives through good products, P&G has truly become a daily necessity in many lives.

“At present, the most complete and up to date compilation of the Company’s Policy Statements is available at <http://corppolicies.pg.com>”

(Refer to the appendix for a historical record of financial information within P&G)

It should be noted that P&G spent more on U.S advertising during 2007 than any other company – a whopping \$2.62 billion!

METHODOLOGY

The following Journals (as listed in the references) shall be used for our investigation (in addition to others):

1. “The timing of resource development and sustainable competitive advantage
2. HR's role in building a sustainable enterprise - insights from some of world's best companies
3. The pursuit of CSR and business ethics policies: is it a source of competitive advantage for organization?
4. Complexity and Management: Moving From Fad To Firm Foundations
5. Human Relations
6. Systemic interventions to promote institutional change in the Russian forest sector
7. Using ANT ideas in the managing of systemic action research
8. Be a model leader of change
9. Leading change with the balanced scorecard” (*See References*)

PROPOSITION 1

This journal will outline a formal model for the timing of resource development, this of which we will try to utilize and adapt to P&G Co. Concepts of imitation, of where those of which a faster firm develops a resource and use of a continuous time model will be used in order to utilize strategic and financial concepts will be examined. The focus on resources will be of considerable use as we may suggest further, in our later argument, that relocation of P&G operations to oversea markets may be more profitable due to cheaper resources.

PROPOSITION 2

The concept of sustainability will be heavily discussed, this where environmental, social balancing, and economic factors for different periods of times should be examined. Nine of the most sustainable world class companies will be contrasted in this examination – companies of which exhibit first class sustainability on a variety of dimensions. HR actions and core managerial qualities shall be examined to develop sustainability to central strategy.

PROPOSITION 3

The concept of corporate social responsibility (CSR) will be examined in P&G in contrast to this article. The cost of programs can be considerable and are important to take account in an organization. The consideration that CSR can lead to a competitive advantage will be highlighted and we shall decide as to whether P&G can indeed, or it cannot, achieve a competitive advantage indefinitely. We shall branch on this topic like a growing tree through a growth spurt – other articles, in relations to this topic, will further shed light into the boundaries that which CSR should be defined and limited to.

PROPOSITION 4

This review will examine several books of which will be suitable to our research. Method of empowerment, led from organization change, will amount to a vital issue to be later demonstrated in our research. It shall be noted that management is imbued with complexity, and that there is always a new fad coming along to replace this. It may be argued that indeed management should be adaptive with times and as to what effect this will have in P&G is yet to be found out.

PROPOSITION 5

The concept of reflexive human science shall be examined due to its increase in salience. Therapeutic progression, and the human relation, shall be examined and expanded upon just like every other main article listed here – these only provide the foundations of much greater structure. “An important function of reflexive analysis is to expose the underlying assumptions on which arguments and stances are built.” (Holland, 1999)

PROPOSITION 6

With this article it becomes clear to us, indirectly, that P&G indeed plays a big part in society at large. By comparing the transition of the Russian economy we are able to see if indeed it can always be possible to make an institution like P&G more ‘market efficient’. The idea of elaborating on implementable proposals shall be contrasted to this different scenario (but similar on the broader perspective). It may become apparent to us, at a later stage that systemic intervention manages to influence stakeholders to a greater extent if there is support from regional authorities.

PROPOSITION 7

This proposed article may lead to a variety of ideas. It talks about the significance of the leader, mayhap the CEO or manager(s) in P&G. The leader is supposed to anticipate employee reactions, keep performance running at optimum, and identify and utilize allies as best as possible. Honesty, integrity and generosity in terms of awards may indeed be favorable for our research if we are to examine this topic deeply.

PROPOSITION 8

This proposition (of many) indicates that competency-driven training is important. Transformational trainings is important and is related to when leadership skills are taught at all levels of the organization – which is not the case at P&G, where instead each individual is personally liable for a fault in the rules of conduct. We shall ponder on the possibility of considering competency testing as a primary focus, and if not, at least we had a source to develop our knowledge further.

PROPOSITION 9

“A balanced scorecard (BSC) program should be a change project, not a ‘metrics’ project.” (Kaplan & Norton, 2001) The BSC is used to communicate and create momentum within a company to get a process launched. This may lead to a spread of the *Vision* statement to all levels within the company which may be dramatically better than what P&G has in place. What is intriguing about this article is that a system can evolve, by the use of the BSC, which may improve towards an efficient strategic management system.

CONCEPTUAL FRAMEWORK

Organizational positive issues:

- “Fabric and Home Care grew organic sales 8%, with double-digit growth in developing markets and mid-single-digit growth in developed regions. Key growth drivers included Tide Simple Pleasures, Gain Joyful Expressions, and Febreze Noticeables.
- Blades and Razors organic sales increased 8%, behind the continued expansion of the Fusion razor system and growth on Mach3 in countries where Fusion has not launched.
- Beauty organic sales increased 5%, led by strong growth in feminine care, prestige fragrances and hair care. Billion-dollar brands Always, Olay, and Head & Shoulders each grew sales double-digits for the year.
- Health Care organic sales increased 6%, driven by very strong growth in oral care. In the U.S., Crest extended its category market leadership to 38% behind the success of the Pro-Health line.
- Baby and Family Care organic sales increased 4%. This growth was driven by continuing expansion into developing markets and strong results on Pampers Baby Stages of Development and Baby Dry Caterpillar Flex products in North America.” (Procter & Gamble, 2009)

It should be noted that the growth occurred different in other geographical locations. The volume growth in developing markets was in the order of double digits whilst in America it was in the range of mid-single-digits.

A complex factor that occurred recently for P&G was the integration of ‘Gillette’ – the largest acquisition and most complex within the organization to date. This integration was accomplished one year ahead of time thanks to monitoring the progress in the following areas; business momentum, integration financials, project management, and utilizing the best facets of both Gillette and P&G.

The organization, P&G, was able to grow whilst diversifying their portfolio by aligning all goals for a 'Win' situation – however, a question needs to be asked here as to whether P&G was trying to simply get involved in a 'Win' situation or a 'Win-Win' (the latter being one in which maybe society would foster benefits as well as other stake players).

Procter & Gamble state that they have designed a “management team and organization to lead” (Procter & Gamble, 2009). We shall focus in possible leading techniques that could have paved P&G to success – this since most of their management & leadership procedures are secret propriety.

What we are able to ascertain for a fact is that P&G has an active sustainability and CSR program.

Issues still to be analyzed within P&G:

- Diversification vs Stock price
- Internal weaknesses & strengths (if not then presume likely scenarios)
- External environment
- Threats and opportunities
- Control systems

And from these we shall attempt to make a recommendation based on the various analyzes conducted from Journals and academic sources. The quality of the recommendation is a direct result of those factors stated above. Recommendations may include further areas of diversification, areas to increase in spending (based on stock prices and trends), a change of strategy and mission statement based on the mottos of more successful firms – these all of which shall be summarized in a table in form of an action plan.

We shall attempt to be sensitive to the needs of P&G and we shall try not to apply a new framework blindly.

INTENDED STUDY METHOD

We had previously approached ~60 firms requesting information in preparation of assignment 1/2/3. We decided to isolate our choices to McDonald's, 3M, or finally Procter & Gamble of which we selected. It was evident that few companies would participate in our interviews, but P&G was able to dismiss a certain degree of information as well as guide us on some crucial points. What was most promising, that affected the selection of P&G, was that P&G has an ongoing change program of which is truly incredible.

In order to proceed with our studies we shall scrutinize a list of 50 journal articles which were proactively researched as soon as the decision was made to choose our topic. We shall expand and relate to these articles and in turn learn from different approaches and situations that have taken place in the change program. We shall branch our knowledge the way a tree branches for more space. From one examination, if need be, we shall delve deeper and examine other facets that are interconnected. We have access to university databases, books, text books, and most notably some private databases of which proved most useful.

We shall focus on aspects that are part of P&G's ongoing change program, or aspects that could be further considered. Facets such as sustainability, corporate social programs, leadership as well as management methods to improve profit, and *well being*, may be examined. We shall ponder about the usage of intervention programs, as well as relevant indirect methods, in order to improve functioning of P&G's operations. The tools involved (resource/virtual/shadow & etcetera) shall be taken under consideration in order to examine their impacts on relevant groups such as; managers, supervisors, employees, and maybe even external effects.

In a physical scenario, we may even purchase some 'Procter & Gamble' products, online or where not, and we shall examine its advertising logos for inspection and assessment of geniality in contrast to competitor's brand for a similar product. On a historical perspective it has been noted (through

informal online sources) that indeed at one stage P&G had a satanic logo of which created much controversy – we shall eradicate that myth, to the sense that we shall ascertain whether to, or not, P&G is ethical.

Further also, our group set up a professional study site using 'Google groups' which facilitates the transfer of articles and data. We also have arranged to constantly communicate with each other as well as have a contingency meet once a week through electronic chat channels. We aim to be proactive, and above all act in good team spirit with a rational perspective in all facets pertaining to the assignment and external factors. We are team A!

SELF ANALYSIS

[Find attached ~2 pages for each participating member enclosed in the Appendix]



CONCLUSION

To put everything in a 'Nut shell', though, 'P&G' had very humble beginnings ,it really soared very high due to its consistent efforts and values, and leaving their foundation of success in the hands of their people and their brands. The scale of success is proved by 'P&G' as being one of the 14th largest US Company by profit and increase in number of sales and brands every year. Their successful integration of "Gillette" with P&G proved the successful implementation of change management that brought a balance between the need for a change and the possible loss and impact of the change. Thus through various investigation and evidences, and the design they hold on to as 'management team and organization to lead, truly makes 'P&G' a global organization.

This proposal will be used to construct the foundations of our main project in the semester, and concepts such as; imitation, timing of resource development, CSR, empowerment, reflexive science, regional support, the leader, competency, of a BSC shall be covered in more depth in our final report.

We have a firm statement against plagiarism or poor paraphrasing, and our motto is 'Virtus et Honor', symbolic of a noble heraldry family. Each participant within our group will perform to their best ability, and whereas this is not possible we shall take a proactive manner in compensating for the fallen comrade's failings. Learning to work both independently and as part of a team shall be deemed as crucial, and the final outcome is that indeed we, the participants, can graduate from this class with a hoarded stash of new knowledge and information that we shall put into effective practice in our future careers.

"Thank you!"

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APPENDIX

Table 1: 10 Year Financial History for P&G

Financial Information											
Amounts in millions, except per share amounts	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Net sales	\$76,476	\$68,222	\$56,741	\$51,407	\$43,377	\$40,238	\$39,244	\$39,951	\$38,125	\$37,154	\$35,764
Gross margin	39,790	35,097	28,869	26,264	21,155	19,159	17,071	18,395	16,901	16,019	15,229
Operating income	15,450	13,249	10,469	9,382	7,312	6,073	4,260	5,678	6,130	5,581	5,318
Net earnings	10,340	8,684	6,923	6,156	4,788	3,910	2,612	3,363	3,683	3,472	3,305
Net earnings margin	13.5%	12.7%	12.2%	12.0%	11.0%	9.7%	6.7%	8.4%	9.7%	9.3%	9.2%
Basic net earnings per common share	\$ 3.22	\$ 2.79	\$ 2.70	\$ 2.34	\$ 1.80	\$ 1.46	\$ 0.96	\$ 1.24	\$ 1.35	\$ 1.25	\$ 1.18
Diluted net earnings per common share	3.04	2.64	2.53	2.20	1.70	1.39	0.92	1.17	1.27	1.18	1.10
Dividends per common share	1.28	1.15	1.03	0.93	0.82	0.76	0.70	0.64	0.57	0.51	0.45
Major Expenditures											
Amounts in millions	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Capital expenditures	\$ 2,945	\$ 2,667	\$2,181	\$2,024	\$1,482	\$1,679	\$2,486	\$3,018	\$2,828	\$2,559	\$2,129
Dividends to shareholders	4,209	3,703	2,731	2,539	2,246	2,095	1,943	1,796	1,626	1,462	1,329
Advertising expense	7,937	7,122	5,929	5,466	4,487	3,782	3,729	3,906	3,542	3,638	3,414
Research and development expense	2,112	2,075	1,940	1,802	1,665	1,601	1,769	1,899	1,726	1,546	1,469

Table 2: Current Financial Summary for P&G

Revenue & Earnings	
<u>Revenue (mil) (FYE)</u>	83,503.00
<u>Income From Continuing Operations (mil) (FYE)</u>	12,075.00
<u>Income From Total Operations (mil) (FYE)</u>	12,075.00
<u>Diluted EPS From Continuing Operations (FYE)</u>	3.64
<u>Diluted EPS From Total Operations (FYE)</u>	3.64
Dividends	
<u>Ex-Dividend Date</u>	01/21/09
<u>Dividend Rate</u>	1.60
<u>Yield</u>	3.50%
<u>Yield - 5 Year Average</u>	1.98
Ratios	
<u>Price To Revenue</u>	2.14
<u>Price To Cash Flow</u>	9.51
<u>Price to Book</u>	2.31
<u>Debt To Equity</u>	52.79
<u>Current Ratio</u>	.79
Growth Rates	
<u>5-Year Annual Dividend Growth Rate</u>	11.48
<u>5-Year Annual Revenue Growth Rate</u>	14.00