

Marketing

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Procter & Gamble braces for change as Robert McDonald takes over

LONDON - Procter & Gamble's incoming chief executive and president, Robert McDonald, has big shoes to fill when he takes over from AG Lafley on 1 July.



Robert McDonald, Procter & Gamble

Lafley, a much-admired leader who is staying on as chairman of the FMCG multinational, has achieved business superstar status in his nine years at the helm.

However, the past year has been testing for P&G. It has posted flat sales and faces fears that its strategy of selling premium products is being undermined by the global economic downturn, as shoppers in the US and Europe, in particular, turn to lower-cost own-label goods.

McDonald, a 29-year P&G veteran, is expected to usher in a fresh approach to building sales and may make waves with a management restructure.

Lafley was credited with injecting steadiness into the company following the tumultuous 17-month reign of his predecessor Durk Jager, who was edged out in 2000.

Jager dispensed with P&G's traditionally conservative and inward-looking approach to marketing and executed a wide-ranging but disruptive management restructure.

On taking over in 2000, Lafley, whose firm but avuncular style has endeared him to employees, completed the restructure. However, he also pledged that future changes in this vein would be on a smaller scale and less wrenching.

Most notably, Lafley has doubled the company's sales, largely through acquisitions such as the \$57m takeover of Gillette and the purchase of haircare brand Wella.

One source close to the company says: 'Lafley was brought in to smooth ruffled feathers, set a pragmatic direction and get the company back on its feet, which he did.'

The source adds: 'Bob McDonald was there all the way through, often sitting right next to him in meetings. AG would often refer questions to Bob, because he was the operations guy. Lafley was big on vision and strategy and Bob was big on getting things done. My guess is that P&G has set its course for the next five years and needs a hard-boiled operations man to implement it.'

Nonetheless, some observers believe that the difficulties P&G has faced over the past 18 months have expedited the departure of 62-year-old Lafley - who had been expected to stay in place for at least another year - and thrust 55-year-old McDonald into the spotlight.

Others, though, doubt this. 'A year here or there isn't an issue for P&G,' says consultant James Amoroso, who points to the company's reputation for long-term planning.

He believes it is only a matter of time before the situation improves for P&G. 'Consumers are behaving in a shocked manner and putting the brakes on spending. They will do that until they realise they are not saving that much money by trading down to inferior goods and [then] return to P&G's premium products,' he adds.

Simpler organisation

There has been a spate of significant changes at the top of P&G, with a series of senior figures departing over the past nine months. Chief marketing officer Jim Stengel retired last October, aged 53, to be replaced by Marc Pritchard, while Clayton Daley stepped down as chief financial officer at the end of last year, ahead of his retirement. Brand chief Susan Arnold - once considered a possible successor to Lafley - announced her retirement in March, at the age of 55.

McDonald, who cut his teeth running P&G operations in Asia, has said he wants to create 'a simpler, flatter and more agile organisation' with lower costs and higher productivity.

He is also expected to lead the company's charge into India, where Unilever dominates, and Africa. There is speculation that he may reduce P&G's 5% sales-growth target, or invest more in marketing.

In the current economic climate, any innovation McDonald can implement is likely to go down well. As one Citigroup analyst, quoted in the US press, said: 'Something is broken at P&G. We welcome change.'

P&G: the lowdown

- Global sales in 2008 \$83.5bn
- Profit \$12.1bn
- Employees 138,000
- Countries with P&G employees 80
- Brands Tide and Ariel detergents, Gillette shaving products, Pampers nappies. It has more than 20 brands with at least \$1bn in annual sales.
- Origins Started as candle and soap maker in 1837 in Cincinnati, where its headquarters remain.