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Inside Procter & Gamble's New Values-Based Strategy

A look at CEO Bob McDonald's road show promoting P&G's "purpose-inspired growth" strategy

By [Rosabeth Moss Kanter](#)

On the anniversary of Lehman Brothers' fall, the question remains: What, if anything, has changed in the mentality of the financial community? While Wall Street wallows in tales of the fallen, a different, more promising approach to capitalism is rising.

Procter & Gamble, the world's largest consumer products company, has just announced a stunning new business strategy to jump-start growth. It begins in a startling, almost counterintuitive way—with company values and sense of purpose. Invoke the heart and care about human needs, the strategy seems to say, and the money will follow.

New CEO Bob McDonald, who assumed office in July, is on the road promoting P&G's "purpose-inspired growth" strategy of "touching and improving more consumers' lives in more parts of the world...more completely."

On September 10, on an analyst call followed by a talk at the Gillette factory in South Boston where I joined him, McDonald explained the financial implications of this focus. It's simple arithmetic. If 7 billion consumers currently spend an average of \$14 a year on P&G products, then finding ways to meet their needs that would increase that spending over 5 years by \$2 a year (an affordable target), would create a growth spurt for the business.

P&G invests heavily in innovation, outspends the competition in R&D, and targets emerging markets with growth potential. But to execute, P&G is redoubling emphasis on its culture and values.

McDonald calls P&G's purpose the most consistent factor in a 171-year history of growth. When he showed it on screen in South Boston, the room nodded reverentially. "We will provide branded products of superior quality and value that improve the lives of the world's consumers, now and for generations to come. As a result, consumers will reward us with leadership sales, profit and value creations, allowing our people, our shareholders, and the communities in which we live and work to prosper & quote; Gillette's Himalaya team, a global group based partly in Boston but focused on India, is already charged up. In India, about half of men's shaves are done in barbershops where barbers break double-sided blades in two and use them repeatedly. (Ouch! unsanitary and bloody inconvenient.) The team's razor-and-blade innovation, they report, involves simplification to the essential features to do the job, an affordable cost through

manufacturing innovations, and new way to reach lower-income shavers. They preach health as well as grooming benefits.

P&G Brazil foreshadowed this approach. Ten years ago, P&G's business was dying; employees feared a shutdown. The fastest growing segment of the population was low-income consumers, but P&G's global premium products were not a match. Local teams, taking the purpose and values seriously, felt that they were not improving lives because families were using cheap inferior products or nothing, e.g., still using tedious processes such as washing cloth diapers by hand that kept some family members out of the work force. The team lived with families, scrutinized every P&G process, and created innovative products they dubbed *basico* (for "essential" in Portuguese). The team felt they were doing good for the world, not just making money for the company. Their strong sense of purpose propelled unprecedented collaboration across functions and with customers, for whom the excitement was captivating. (Blow-by-blow details can be found in my new book *SuperCorp*.)

When the first *basico* products were launched (women's hygiene, diapers, and "greener" laundry detergent), demand immediately outpaced supply. They quickly captured market share through small neighborhood shops, substituting colorful store displays for costly TV advertising. Premium products were lifted too. The business in Brazil became a profitable global growth model, and not just for emerging countries. Tide Basic was recently introduced in the U.S.

Any business can adopt a variation of this strategy if leaders understand the rising importance of values. Leading with values is important for the new generation of employees, for finding innovations in underserved markets, and for getting respect from the public and favorable treatment from government. Here are lessons for everyone:

1. Inspire employees to add their hearts to their heads. An executive at another large company who describes herself as a mercenary plunged into a project to build an energy-saving technology ready to focus on just the financials, but found herself a true believer when other team members talked about their desire to change the world. People cared more and worked harder because values were tapped.
2. Add a third P to performance measurement: potential for impact. Measure how well you're doing not just by the past (better or worse than last year) or by peers (ahead or behind competition), but by potential. Which audiences, customers, clients, recipients are not being reached? What are the unsolved problems and unmet needs? Seeing untapped potential raises aspirations.
3. If purpose-inspired opportunities and commercial considerations seem to conflict, find another way. P&G struggled with a profitable market for water purification powder but kept it alive by establishing a non-profit organization with government and NGO partners to take it on. The values were enhanced, not diluted.

Of course, to lead by values requires having them in the first place. Perhaps that's why Lehman Brothers and the other financial failures fell—because they fell short. I urge business to rise up to prosperity the P&G values-focused way.

Rosabeth Moss Kanter holds the Ernest L. Arbuckle Professorship at Harvard Business School, where she specializes in strategy, innovation, and leadership for change. Her strategic and practical insights have guided leaders of large and small organizations worldwide for over 25 years. The former Editor of *Harvard Business Review* (1989-1992), Professor Kanter has been named to *The Times of London* list of the "50 most powerful women in the world".