Effective Communications on P&G’s Restructuring Decision

HR280 Summative Assignment – A Case Study

Mayra Maia Fiorini

University of Brighton Business School
Business Management with Finance
Group P - 11841746

Word Length 1650    January 2013
Summary:

Summary: ___________________________________________ 2

Figures Index ________________________________________ 2

Abbreviations _________________________________________ 3

Introduction __________________________________________ 4

P&G Restructuring Challenges ___________________________ 5

Restructure Alternatives _______________________________ 5

Keeping GBS In-house __________________________________ 5

Spin Off GBS as a Separate Entity ___________________________ 5

Outsourcing GBS Services to One or More Companies ________ 5

P&G’s Full Disclosure Policy & Decrease in Motivation Due to Uncertainty __ 6

Effective Communications on Restructuring _________________ 7

Avoiding Uncertainty _____________________________________ 7

Communication Mechanisms and Avoiding Noise _____________ 8

Conclusion ____________________________________________ 10

References _____________________________________________ 11

Figures Index

Figure 1 - Communication Process (Source: Buchanan & Huczynski 2010, model) ___ 8

Figure 2 - Knowledge Pyramid (Source: Christopher & Tanwar 2012) ____________ 10
Abbreviations

P&G – Procter & Gamble

GBS – Global Business Services

BPO – Business Process Outsourcing

HP - Hewlett Packard

IPD – Institute of Personnel and Development

IAOP – International Association of Outsourcing Professionals


Introduction

This report’s objective is to study P&G’s restructuring alternatives and the communicative issues raised from it, presenting possible applications of effective communication theories to overcome those issues.

Harvard Business School’s article (Delong et al, 2005) will be used as case study to consider the events that followed P&G’s decision to restructure and to evaluate the effects of these decisions on its employees’ morale. Books and academic journals will be used as reference to support this report’s affirmation.

This assignment will work to prove that, regardless of its simplified, standardized, and systemic strategy used on its outsourcing GBS (IAOP, 2013), P&G could have had a more effective communication strategy communicating those changes to its employees.
P&G Restructuring Challenges

Restructure Alternatives

Keeping GBS In-house

P&G decision to restructure arrived from understanding that GBS was highly specialized but not part of the company’s primary operations (Delong et al, 2005); therefore the company may not be able to provide appropriate capital investment in the division creating the possibility of it losing competitive advantage in innovation.

The choice of keeping GBS in-house would be the less disruptive option (Delong et al, 2005), but not necessarily the best option for the company and GBS.

Spin Off GBS as a Separate Entity

Outsourcing services are increasing in complexity; the industry is still establishing itself allowing it to be shaped by the most sophisticated suppliers and customers (Couto & Divakaran, 2009). For GBS to enter such competitive market could be difficult as P&G worried that, even though alone it carries market value, it was unknown if its expertise would be sufficient to compete with more experienced BPO businesses (Delong et al, 2005).

For GBS employees, such alternative would prove less disruptive as the new GBS entity could share principles and culture with P&G.

Outsourcing GBS Services to One or More Companies

The human management issues that arise with outsourcing can be very damaging to morale, decreasing motivation and performance. Despite P&G’s intentions to ensure reemployment of GBS’s staff with the outsourcing company, moving to a smaller company may be considered, by some employees, a step back in their careers, even if the opportunities available in a specialized company are greater. Therefore P&G should keep its employees
informed and consulted on outsourcing proposals to avoid lack of knowledge, which may lead to rumours, uncertainty and fear for the safety of their jobs (IPD 1998).

**P&G’s Full Disclosure Policy & Decrease in Motivation Due to Uncertainty**

In April 2001, P&G employees were notified that the company was studying the possibility of outsourcing GBS. This communication with employees occurred to avoid speculation and rumours and to encourage feedback, but caused uncertainty among some employees (Delong et al, 2005).

Employees want to be kept informed and contribute with ideas (Buchanan & Huczynski, 2010); it is important to have a good communication with staff as they become empowered when understand the full picture and are kept updated on the situation (Holbeche & Matthews, 2012). However, according to Holbeche and Matthews, people cope better with change when uncertainty is reduced by management providing a clear view of the situation and frequent update messages to employees, P&G’s announcement was made too early in the process and the company was not sure if and how GBS would be outsourced.

When communicating the big picture, company strategy and direction to employees, P&G management must be authentic, consistent and keep the company values in mind (Holbeche & Matthews, 2012). Allowing its employees to be reemployed by the outsourcing company respected the company’s principle of people as their most important asset (Delong et al, 2005). Not knowing which company would be outsourcing GBS created the concern that they could be worse off with the change, insecurity on their personal capabilities and fear to lose their jobs (Dutfield & Eling, 1990), leading to anxiety and
frustration as the possible outcome could be considered threatening (Carver & Scheier, 2011).

**Effective Communications on Restructuring**

**Avoiding Uncertainty**

Communication may suffer if transmitter and receiver have different references or positions and different experiences and understandings of the situation. This positioning issue causes judgment on both parts creating a suspicion on the other party regarding its honesty, integrity and credibility (Buchanan & Huczynski, 2010). P&G’s communication about outsourcing GBS was made when P&G and its employees had two different perspectives; P&G believed the decision was the best option for the company and GBS to grow, while the employees became concerned with the possibility of change and the uncertainty of their future situation (Delong et al, 2005).

When outsourcing it is important to understand what drives the business and those reasons must be articulated clearly in order to successfully complete the process. It is easier to convince individuals to accept an otherwise controversial proposal if the benefits it will bring the company are clear. Management must understand those reasons in order to evaluate options that best fulfil them (Couto & Divakaran, 2009). The lack of clarity on P&G’s company strategy and its weak internal communication channels caused the employees the disengagement that followed the announcement; managers must provide clarity and a sense of direction, explaining why the change is needed, so employees don’t lose faith in them (Holbeche & Matthews, 2012).

Holbeche and Matthews (2012) also state that effective communications on the vertical level, allows consistency on horizontal levels dialogs, giving employees a sense of ownership that is increased when management
collaborates and involve them in the decision making process. Involved employees will contribute to how these changes may occur, feeling valued and regaining a sense of control over their futures.

P&G’s approach of full disclosure was necessary; however, the strategy used to communicate with employees was not completely effective, what caused the decrease in motivation that followed.

Communication Mechanisms and Avoiding Noise

Buchanan and Huczynski (2010) define noise as any element that may alter the understanding of a message, including coding and decoding mistakes, emotional predispositions, attention diversions, past experiences, motivations, health concerns and any other factor that may intervene with the channel of communication.
P&G’s decision to communicate the possible outsourcing of GBS personally through members of the GBS leadership team helped constant feedback given ensure proper decoding on the receiver’s part, on personal interchange of messages any mistake or misunderstanding can be corrected immediately by the transmitter, avoiding assumptions as the way the message has been decoded (Buchanan & Huczynski, 2010). However, the quantity of people involved in the process required management to use of a number of communication strategies to ensure effective communication within the organization (Dutfield & Eling, 1990), as different methods are better perceived by different people. Staff surveys, suggestion team, focus groups and seminars on the subject should be considered to increase organizational understanding of employees points of view and vice-versa, frequent management speeches, podcasts and in-house newspapers help keep staff updated as well as team briefings and daily updates can be used regularly focusing on two-way communications (Holbeche & Matthews, 2012 and Jack Gibb 1961, cited in Buchanan & Huczynski 2010).

When making tough decisions, transparency allows people to know that the right choices have been made and people involved were treated fairly (Holbeche & Matthews, 2012). Negotiating possible advantages, creating incentives for the new situation, clarifying misunderstandings and ensuring employee trust by explaining the reasons and benefits of change and including employees on the decision making, helps reduce noise and preconceptions of the subject (Dutfield & Eling, 1990).
**Conclusion**

This summative assessment considered the communicative challenges faced by P&G when deciding to outsource GBS’s services and presented possible applications of effective communication theories that would help solve those issues.

This report was based on one article related to the previous events mentioned, therefore making assumptions on the way P&G faced its communication challenges and therefore should consider the possibility of misinformation on its part.

It can conclude that a more effective communication strategy would have helped reduce the negative effect the outsourcing decision had on employees’ motivation and performance.
References


