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Strategic Outsourcing of P&G’s GBS Unit

The snowfall accumulated during the winter months in the mountain peaks begin to break and slide by the dimensions of gravity and the change in spring’s warmer temperatures. The journey of frozen ice and snow to streams and rivers is guided by natural forces. The systematic progression of water from one elevation to the next continues until it reaches the sea.

Like a water’s current, change in business needs and reflections of modern trends flow downward too, systematically. From drops of water, streams are formed, which grow into rivers. Change can be a trying time for all parties involved. Change affects the executive suite and traverses toward the challenges of implementation and the creation of strategic outsourced contract suppliers. However, a company’s vitality and strength will be rewarded if these challenges are met and satisfied.

Proctor and Gamble’s core strength is in its diverse people that comprise the entire company. P&G’s human effort has bestowed numerous honors and awards of greatness among industry peers and by media press outlets [1]. The ultimate question was asked what to do with the Global Business Unit known as GBS. ”GBS brought together internal services such as finance, accounting, employee services, customer logistics, purchasing, and information technology into a single, global organization providing standardized work processes to deliver improved services at significantly lower costs to all of P&G.”[2]   
 The life blood of P&G is in its people. “We act on the conviction that the men and women of Proctor and Gamble will always be our most important asset.” [3]

With this in mind, open communication between all parties involved is imperative. This includes directives from key executives. A transition human resource group should be immediately established [4].This dynamic planning group should be formed to properly align the GBS units in helping search for the best of breed companies to run their respective future contract suppliers. The members of the GBS unit along with upper level executives will determine the next role for the highly successful employees themselves. There is an inherent problem with trying to outsource your own business function and P&G responded by forming a team. “The Governance Team was responsible for investigating the options for the future of GBS, making final recommendation to the board in June of 2002, and developing a communication strategy for the media and P&G employees…”[5] Their success will lead to the proper implementation and the necessary challenge of continued improvement and flexibility. The fear of change will be replaced with a new role and a new direction. The provision of job safety will ease the worried. With a clear strong leadership and coordinated direction, all will move ahead in a proper and orderly fashion. The GBS employee is extremely knowledgeable at his and her respective key functions. All necessary GBS employees should remain employed by P&G in a symbiotic Japanese kiertsu relationship. These P&G personnel will become the contact point for their respective contract supplier companies and will cross train and teach the practices and methods of the P&G way of business. The contracted supplier will not only learn how the “parent” operates through continual collaborative meetings they will also lend their knowledge in their respective outsourced ability for a competitive streamlined advantage and cost savings. While the location of the P&G employee will change, they will have the peace and mind of working for P&G, with all the benefits and security as a reward for past success. The contract supplier will hopefully find that these employees are a wealth of knowledge. Further, advancements in streamlined design will be able to be shared by the contract supplier and then passed upstream to P&G. In turn, the contract supplier will be rewarded with extended contracts and continued business growth. P&G will benefit by outsourcing to these best of the breed companies with its own key personnel communicating with accountability and cost effective lean practices.

Communication and trust are at the forefront of implementation and change. With any model of tactical or strategic movement, many factors must be considered. The choice of best of class companies to follow on this strategic role must be clear careful decisions. The challenges of risk and reward, strength and weakness, opportunity and threat must be carefully weighed. Technological challenges, software integration, and even cultural differences in both company standards and world ideologies, must be factored and evaluated.

Outsourcing must be made for a strategic advantage only if Proctor and Gamble is the best in class at this process. Otherwise, it should be in-sourced and reproduced across the board. As Mark Gottfredson et al. writes in, *Strategic Sourcing: From Periphery to the Core*, “…you should always keep strategic capabilities within your walls.” Further, the article states, “Outsourcing is becoming so sophisticated that even core functions like engineering, R&D, manufacturing, and marketing can and often should be moved outside. And that in turn, is changing the way firms think about their organizations, their value chains, and their competitive positions.”[6]

The increase in individual business capabilities that outsourcing is intended to bring the supply management will be at the forefront of the battle ground. Strategic sourcing develops key performance indicators and competition pushes the boundaries of price and innovation. The vertical integration of kiertsu relationship recognizes this. Per Mr. Morita of Honda, “The supplier must earn the business- it is not automatic. Price is always the key expectation, and there is no loyalty to a keiretsu supplier that cannot provide the same or better performance in quality, cost, delivery, development, and management than a competitor. Honda’s goal is to establish an entire network of suppliers that compete against each other globally.” [7]

Contracts must be written with many factors considered and carefully designed and reviewed. All services and statements of work need to be factored in as well as velocity metrics and key performance indicators. The Supply Management Handbook by Joseph Cavinato et al., 2006, describes in detail many various factors to consider, such as service level agreements and wide variety of responsibilities that contracts should contain and what needs must be met. As all business has an ebb and flow to the tides of business performance, a well placed exit strategy should be in place in case of natural disaster or change in the economic climates or currents [8].

Supply management will be at the forefront of strategic outsourcing and linking the GBS unit with the best of breed companies in their respective fields should guarantee future success for the continued emergence of P&G. The extended process of change can be difficult as, “supply management is linked hand in hand with suppliers, other departments, and customers and has a leadership role in taking the initiative to find value for customers and business performance.” [9]

As all competitive advantage is temporary, P&G has to align itself for future success with this strategic outsourcing recommendation. It will allow P&G to remain consistent with its “Purpose, Value and Principles” core statement to begin the transition for the future while continuing to be a leader in the global market [10]. To reach the limitless sea many obstacles must be overcome from the outset of the turbulent journey itself. The beginning of momentum itself is the most difficult hurdle.

References

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