Procter & Gamble Co. Essay, Research Paper

NEW YORK (CNNfn) – The head of Procter & Gamble Co. – a controversial corporate veteran who tried to shake up the venerable consumer products maker through an aggressive growth strategy – quit abruptly Thursday amid the company’s ongoing profit woes.

Durk Jager, who served as CEO of Cincinnati-based P&G for a turbulent year and a half, resigned, effective immediately. Jager, who also served as president and chairman, spearheaded an ambitious restructuring effort, dubbed “Organization 2005,” which was intended to boost sales and profits by introducing an array of new products and by closing plants and eliminating jobs.

The six-year, $1.9 billion effort, however, cut into profits at the largest U.S. household products company – a 162-year-old blue-chip firm that traditionally had been known for steady earnings growth and conservative management.

Coinciding with Jager’s resignation, the maker of Tide detergent and Crest toothpaste lowered its fiscal fourth-quarter earnings estimates, saying the results for the April-June period would be flat compared with year-earlier figures. The company now forecasts profits of 55 cents per share, compared with earlier expectations of about 64 cents.

Procter & Gamble (PG: Research, Estimates) had already reduced 2000 earnings forecasts in March, triggering a sharp drop in the company’s share price.

P&G stock — which was the worst performing component of the Dow industrial average in the first quarter — lost another 4-5/16, or 7 percent, to 56-15/16 Thursday on the New York Stock Exchange. The stock lost about 48 percent of its value in the first three months of the year.

Jager’s replacement is Alan Lafley, the president of P&G’s global beauty business and its North American unit. Former CEO John E. Pepper, who retired from the company in 1999, will return as chairman of the board.

While touting Jager’s “visionary leadership,” the company’s new leaders distanced themselves from the restructuring program he initiated.

They said the company’s growth initiatives have taken their toll on financial performance, and indicated they would focus on boosting sales of core products rather than channeling efforts into entering new markets all at once.

The company has not been “delivering significant earnings growth that the business is known for,” Lafley said in a conference call with Wall Street analysts. “In hindsight, we changed too much, too fast.”

Lafley said that over the next six weeks, he will sift through the company’s operations to make choices on its product offerings, saying he would focus on the “tough choices” needed to rein in costs.

Bibliography

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