

Employees Motivation Mechanism in Fast Moving Consumer Goods Industry——Case of Procter & Gamble

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ABSTRACT

In order to improve company's performances that allow the company to some extent avoid risks in marketing changes, enterprises need to find approaches to innovate their management, intending to make employees maximize their commitment to organization and work. Therefore, the employees incentive mechanism is conceptualized as a significant approach to encourage staffs' work motivation. This paper focuses on introducing related review of literature and also illustrating this article's research method as well as taking P&G company as an example to have a case study. The paper adopts Herzberg's motivation theory as the supporting theory in order to detail and categorize the specific mechanism conducted in the company. The article also revealed the reason why FMCG company is in great need of taking actions in employees motivation mechanism. By discussing this case, the article gives the conclusion that FMCG industry is in great need of improving employee incentive mechanism and an effective conduction of incentive mechanism would ultimately leads to a better performances to company as the mean while.

Keywords: *Employees incentive mechanism, FMCG, P&G, Herzberg motivation theory*

1. INTRODUCTION

Nowadays, the competition between companies in the market has become more and more fierce. Companies are indicating in changing management method and set up more innovative ways in order to improve company's performances which contributes to maximize profits. Among all the factors that may influence company performances, the management of human resources gradually becomes a very important issue. A bunch of papers have already discussed the importance of the incentive mechanism among employees. Based on the research, the author intended to investigate motivation mechanism in company, which is an important method in HR management, and found a relationship between it and the performances of the company. Also, a few of existing papers combine the theory of incentive with practical industry and company to have a case study that can express this issue more intuitively. Due to this reason, the author chooses FMCG industry which has a close connection with our daily life. Among all the companies in this industry, the author selects P&G company which is the biggest and historical company in the walk that provea the result

best. Through this study, the author wants to prove the importance of incentive mechanisms, as well as provide a new perspective in company management.

2. LITERATURE REVIEW

It is acknowledged that enterprise management has become one of the key factors to business success. Around all kinds of management methods, how to incentive employees in order to inspire their biggest efficiency has caught more and more managers' attention.

Up till now, there are a bunch of literature examined and argued about the importance of employee incentive mechanisms. Some articles analysis existed studies to point out that reward and recognition programs could positively affects motivation, performance and interest within a firm[1]. Besides, due to the extreme changes happening nowadays, there is more fierce competition between organizations which resulted from globalization, technology improvement and so on.

On the other hand, due to this essay is taking P&G company as a case study, some articles also analyze fast

moving consumer industry like P&G, showing that this kind of company faces a serious problem of losing young-blooded[2]. It indirectly shows the great significance of employee incentive, especially in the FMCG industry. In the meanwhile, a rich body of papers reviewed the theories of incentive which is widely accepted worldwide, and highlighted their application in company management, which provided theoretical support to employee incentive system in a company[3]. Besides, articles also listed specific ways in P&G company of their incentive system, which let the readers have access to the details.

3. METHODOLOGY

In this essay, the author adopts the methodology of a case study. A case study is an experience-oriented inquiry that researches a contemporary phenomenon deeply and its connection with the real world.[4]

Due to the topic, this article is arguing, the case study turns out to be an appropriate and feasible approach. According to Yin(2015),the method of case study best fitted questions that are, first of all, focusing on “how” and “why”. Secondly, the object of study should be events that are currently happening, instead of historical events. Lastly is the researcher seldom or cannot control the events that they are investigating.

And the following reasons prove this topic matches the application of case study. First, the goal of this article is to represent the great significance of employee incentive mechanism could bring to fast-moving consumer company, which needed to find deep connections between multiple factors that make the topic belongs to the type of “how” and “why”.Meanwhile, company performance could not be controlled and has nondeterminacy. Last but not least, it is a current event rather a historical one.

Also, taking P&G as a case is feasible as well.P&G company is recognized as one of the best-sell FMCG companies around the world, ranking 128 in Fortune 500 in 2021.Its worldwide influence has attracted loads of employee especially fresh graduates apply for a job.Meanwhile, its company is representative in human resource management since they innovate many methods of company management which become one of their company spirit. Their mature employee incentive mechanism could provide a great example to the industry of FMCG, and their transparent information also bring convenience to this research.

4. BACKGROUND

4.1. Herzberg motivation theory

Herzberg motivation theory, which is also called Herzberg hygiene theory, is one of the four classical

motivation theories in the area of business management. According to the re-visited made by Bassett-Jones, Nigel, and Geoffrey C. Lloyd[5], Herzberg pointed out that there are two factors contributing to the motivation of work which are hygiene and motivators. Hygiene factors, such as salary, surprisingly do not have incentive effectiveness. However, once they are not satisfied, it will decrease their motivation instead. What truly motivates employees is the factors which is called motivators, that include job satisfactory, the feel of achievement, esteem and so on.

It was first set up in the late fifty years in the twentieth century, and still proved to be practical. In the research made by Bassett-Jones, Nigel, and Geoffrey C. Lloyd[5], they investigated and received 3200 responses showing that hygiene factors(money and recognition) seem not to be the most useful incentive approach in order to stimulate employees to present a better performance at work. Same to Herzberg's predictions, factors related to intrinsic satisfaction matters much more than extrinsic satisfaction.

It proved that, Herzberg motivation theory could stand as a strong theoretical support to businesses on how to manage their company in order to make employees perform more effectiveness. In the following part, the author will use this theory to analyze P&G's specific incentive approaches, and discuss the use of it as buck up.

4.2. FMCG industry

Fast-Moving Consumer Goods (FMCG)are products that sold quickly and at a relatively low cost. Though the profit margin made on FMCG products is relatively small, more so for retailers than the producers/suppliers, they are generally sold in large quantities. FMCG is probably the most classic case of low margin/high volume business. Many of the players on the retailer side such as Walmart, Carrefour are among the largest and most recognized global companies. Global leaders in the FMCG segment include Johnson & Johnson, Colgate-Palmolive, Kellogg's, Heinz, Nestlé, Unilever, Procter & Gamble, L'Oreal, The Coca-Cola Company, General Mills Inc., PepsiCo.[6]

According to Xiaoyu Ma[7], due to the high efficiency and short turnover cycle, this industry is getting more and more popular among merchants, such as cigarettes and alcohol and other daily necessities are all under the range of FMCG. He also pointed out that, because FMCG need less capital, neither complex technology, it can have a prompt development if you have a ground foundation at the very beginning. The characteristic of easy manipulate makes more and more people step into this area which leads to fierce competition in this industry. The overproduction and

continuously increased competition make more and more products been weeded out.

Due to its particular characteristic, it made its downside also exposed completely. Fierce competition makes industry mergers and acquisition appears more frequently, this does not only make the whole walk's development turning flat, but also accurate the speed of break and build up new rules in this area that turns out to fierce competition ultimately. So innovation in management becomes the first place in this walk.[7]

5. CASE STUDY

5.1. talent incentive system in P&G

Recognized as the world's largest consumer goods company, innovation and motivation of talented teams has helped P&G grow into a global company that is governed responsibly and ethically.

Currently, the most recognized theory in incentive is the hierarchical theory of needs set out by Maslow. It points out that individuals have five classes of satisfactoriness, which consists physiological need, safety need, esteem need and self-actualization need. The first two needs can be concluded into safety hygiene factor which is the basic incentive policy in P&G company. Policies belong to safety hygiene meet staffs' basic need. Even though these policies do not have such a strong motivation on employees' performance, they are still a safety guard in incentive mechanism. On the other hand, esteem need and self-actualization need is attributed into incentive hygiene. These policies play the most important role in company's incentive mechanism that helps P&G grow into a worldwide goods consumer company that makes dozens of staffs dedicate in it. In the following part, the author would analyze the specific policies in P&G company sets up systematic incentive mechanism in both two parts.

5.1.1 Basic policy

In order to meet employees' physiological need and safety need, there are some basic incentive policies in the company.

First of all is the salary incentive mechanism. P&G company's salary structure is divided into two parts that is basic salary and floating salary. As for floating salary, it is based on employee's performances in order to motivate their effectiveness. The more benefits you produced, the more salary you get. In this way, employees would be more likely to work harder and more active to get more payment. In addition, floating salaries could incentive the motivation of employees in a very positive way, which result in more profits a company would gain.

Besides this, welfare housing is also a unique policy provided for staff in P&G company. In case that employees do not have adequate time to find a proper house to live in after getting a job offer for the first following month, company offered free hotel living for staff lasting one month to make sure that they have enough time to get a residence. This welfare of housing gives a secure to employees that prohibit them from changing to another job.

Meanwhile, medical security is also on the board. Employees only pay themselves for little proportion of outpatient charges and hospitalization fee, the rest of it is all in charge of the company. P&G also take fully consideration for staffs health care, that annual health plans, tooth care and women's health care and are all provided to employees for free. Security of medical prove the most important thing people care about--healthy. This not only make employees fell assure but also improve their loyalty.

All the measures in welfare above indeed provide loads of advantages in keeping talents. However, all the basic welfare policies can only satisfied employees' basic needs, P&G's customized welfare policies are the facts that motivate employees instead.

5.1.2. Customized policy

P&G has created many customized incentive policies that have become part of their management mechanism. The following part is going to introduce the most typical three policies.

The first is the internal promotion mechanism system. Under this rule, P&G company's management employees are all selected and promoted through their grass-roots staffs in priority, instead of hiring or headhunted someone else from other companies. Each position in the company has its clear and transparent route in a promotion. This rule has been written into P&G's PVP for hundred years. According to Wei Shan[8], 5 premises should be conduct if the company wants to use an internal promotion mechanism system. Firstly, employees who are hired should be fully creative and have potentiality. Secondly, they should consist with the company's value. Thirdly, the company should have a clear and complete career design. Fourthly, the company needs to establish a fully-designed training system to increase employees' potential. Lastly, the promotion system needs to be transparent. All above could be seen in the management system in P&G, according to Sihin Huang who is the manager in Great China district, which promised P&G to conduct the internal promotion mechanism that leads to a low employee turnover rate.

What we have also mentioned above is the training system in P&G. Training is acknowledged as a very important way to promote employees' potential as well

as a way to improve working efficiency and effectiveness. According to Wei Shan[8], P&G has set up a particular training school for their employees in China .Meanwhile, managers play an important role in the system. They are requested to write their contribution to the progress in organizing the company specifically in improving employees' job professionalism which takes a 50 percent score in the final assessment. Due to this policy, managers take seriously in training staffs that make every employee gain a big stage on their self development.

By us fully personal career development plans created for every employee in the company,employees' loyalty to the company has fully increased because they would gain a sense of satisfaction of self esteem by feeling that their company has a willingness to cultivate them and agree their ability in work. These impacts do have a positive effect on both individual's and company's performances.

6. DISCUSSION

What we discussed above shows the specific methods used in P&G which promote their efficiency and effectiveness in company performances.

According to Sibin Huang, P&G's employees' quit rate has always been single digit for the recent years. Even though when the rate increased to double digits, they would react positively to lower the rate. For instance, the human resources analysis the reason when the rate went up and found that the rate is particularly rising in those who have already worked in P&G within five years. They suggested that it was because of the rapidly expanding rate that made the number of new employees became more and more as well as the direct manager turned to be younger. Besides that, they also supposed it was because they did not pay full attention to the external market's salary. Due to that, P&G organized related to lectures to let their employees get a more clear perspective on their career path which guaranteed that every decision they made was responding to a full investigation and deep thinking.

Every force that P&G made to support their employees are proved that they show great responsibility to their employees. That is the core part of the employee motivation mechanism. Once the company attached importance to their employees, people will gain a feeling of self esteem which will promote their work effectiveness that leads to better company performances ultimately. P&G grasped the idea in Herzberg motivation theory, follow the two factors—hygiene and motivators, reacted positively in both the two aspects and implement the specific mechanism in the company. All the means above have a great effect on keeping employees and developed the loyalty of employees.

7. CONCLUSION

By showing the case of the P&G company, this paper first introduces the basic content of the Herzberg incentive theory which is the theoretical support and background of the incentive mechanism. At meanwhile, the author listed the characteristic of the FMCG industry which shows the great demand and need of it to innovate its employee incentive mechanism.

After knowing the background, this paper studied the specific methods applied in P&G company, which showed the conclusion that a good employee incentive mechanism could booster the extend of their loyalty as well as improve company performances which ultimately leads to more profits of the company.

To say in conclusion,by discussing the case of P&G company's employee incentive mechanism,this paper intended to extend to the whole FMCG industry, revealing the great significance of incentive mechanism conduction in this industry.At the meanwhile,this paper dedicated to showing the success of the incentive mechanism implement of P&G company which gives a new perspective of the methods to improve company performances in reality.

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