In the early 1990’s Procter & Gamble (P&G) launched a major restructuring programme. The idea behind the restructure was aimed at making the company’s brand name products more price-competitive with private label and generic brands. In addition, the organisation wanted to bring products to market faster. The combination of these two initiatives would then improve overall profitability.

Alex explains that with multiple brands and high volumes, targets were met with relative ease at the UK manufacturing plants. However, when P&G made the strategic decision to rationalise its investment in certain brands, plan volume decreased by 20%. The organisation realised they needed to look into the situation more closely and find out what happened. “We were unhappy with the change in plan volume obviously,” commented Alex. “So it was critical that wastage be critically reviewed, both in terms of energy and people. We brought in a team of people to look into it and analyse how we could change things to improve the situation.”

By using their CGMA skills, the team at one North England plant made a big impact on their bottom line by pulling in all the relevant data and information into one central place. They then matched the core financials to cultural and organisational conventions. The team used a variety of methods such as using labour variance analysis, and deploying managers on to the production lines to garner deeper insights into performance obstacles. As a result the plant was able to reduce waste and improve cost enough to stay open for a further three years and win business for another brand.

Alex concludes, “The application of management accounting tools and techniques combined with the closer integration of managers and production line staff changed the ‘them and us’ dynamic. The result ensured a higher performing and agile business culture at the P&G plant.”

The CGMA designation

Two of the world’s most prestigious accounting bodies, AICPA and CIMA, have formed a joint venture to establish the Chartered Global Management Accountant (CGMA) designation to elevate the profession of management accounting. The designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance.