Serial strategic innovation and sustainable competitive advantage: A longitudinal case study

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ABSTRACT

This paper examines serial strategic innovation as a basis of sustainable competitive advantage through a longitudinal case study of Proctor and Gamble (P&G) from its inception through 2008. For over 170 years P&G has been in continuous operation in the consumer products industry, growing to become a multi-billion dollar global corporation. Over its history, P&G has pioneered a series of strategic innovations that have sustained its competitive advantage in a number of highly contested market spaces. This paper reviews five key strategic innovations in the areas of direct to consumer advertising, direct product distribution, marketing research, brand management, and technological and product innovation. Contributions to sustainable competitive advantage are discussed in terms of product portfolio mix, market share growth, financial returns, and competitive positioning. Using multiple conceptual frameworks from the strategic management, disruptive innovation, value chain, and innovation embeddedness literatures, the paper concludes with discussion of the nexus between serial strategic innovation and sustainable competitive advantage that emerges from this review along with directions for future research.

Keywords: competitive advantage, disruptive innovation, embeddedness, marketing, Proctor and Gamble, strategic management, value chain

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INTRODUCTION

Strategic management theory posits that innovation is the primary means by which organizations adjust to their environmental suprasystem (Mintzberg, 2008) via strategic choices they make (Child, 1997). A classic definition of innovation is any change that is new to a social system (Rogers, 2003), such as an organization. Innovation in this context includes both invention of novel new changes or imitation of existing ones, with or without modifications or reinvention, by the adopting social system. Innovations can be major transformational/ revolutionary changes that are pervasive in their impact on the organization or incremental/evolutionary adjustments in ongoing activities that cumulatively result in substantive change (Damanpour, 1991). Innovations can be viewed in terms of the processes of the organization and/or its product/service outputs (Utterbeck, 1996). Serial innovation occurs when an organization is repeatedly successful in adopting changes over time (Hamel, 2000; 2006). Strategic innovations are transformational changes that are intended to achieve competitive advantage for an organization. Sustainable competitive advantage is enduring benefits that flow to an organization over a prolonged time period (Collins & Porras, 2004). Organizations that create sustainable competitive advantage typically are serial innovators that are able to adopt transformative changes regularly and incrementally adjusting these changes on an ongoing basis to maintain superior performance results that yield competitive advantage (Hamel, 2000; 2006).

Firms that are able to attain sustainable competitive advantage over long periods of time have been of substantial interest in the management literature. Practitioner periodicals regularly publish lists of top performing companies based on widely varying criteria, such as: Businessweek "Top 50 Companies" and "Most Innovative Companies" (Businessweek, 2010); Fortune "100 Best Companies to Work For" and "Most Admired Companies" (Fortune, 2010); Baldridge quality award winners (Baldridge, 2010). Many other similar rankings of firms are available in specific industries, market sectors, and product offerings in the U.S. along with similar international rankings. In addition best-selling books are regularly published delineating characteristics of such firms, such as: Peters and Waterman (1982) who designated such firms as, "In Search of Excellence;" Collins and Porras (2004) who likewise identified a set of firms that were "Built to Last;" and Collins (2001) who explored the practices of firms that were able to move from "Good to Great" and in 2009 examined "How the Mighty Fall" and, with W.T. Hansen, in 2011 examined how firms can be "Great by Choice". While subsequent scholarly examination of many of these rankings has cast doubt on their validity (Resnick & Smunt, 2008; Niendorf & Beck, 2008), interest by practitioners and scholars in factors that lead to sustainable competitive advantage continues unabated

As the world's largest consumer products company, Proctor and Gamble's (P&G) tag line, "Touching lives, improving life," well describes what this company has been doing through serial innovation for over 170 years and the reason it is repeatedly at the top of comparative rankings worldwide. P&G has produced loyal customers globally and sizeable financial rewards from this strategy. In 2007, P&G's revenues reached a record high to that time of $76.5 billion dollars, up 12.1% from 2006 and net profit for the period was $10.3 billion dollars for an increase of 19.1% (Datamonitor, 2008). The company had some 138,000 employees and 300+ brands in over 180 countries, all testimony to a series of innovations responsible for the company's sustained success. Since founding of the company in 1837, P&G has created unique ways to touch their customer's lives through a continuing series of transformational innovations

in both products and processes widely imitated today. For example, P&G's pioneering use of advertising, direct distribution, marketing research, brand management, and product innovation fueled the company's growth throughout the 20th century. Diversification, globalization of the company's brands, innovations in distribution and supply chain management, and P&G's technological and product innovation strategy continues to drive its success into the 21st century. Serial innovation has provided sustained competitive advantage and market leadership that few other firms have attained (Peters & Waterman, 1982; Hamel, 2000; 2006; Porras & Collins, 2004; Fortune, 2010; Businessweek, 2010).

The purpose of this paper is to examine serial strategic innovation as a basis of sustainable competitive advantage through a longitudinal case study of Proctor and Gamble from the firm's inception through 2008. For over 170 years P&G has been in continuous operation in the consumer products industry, growing to become a multi-billion dollar global corporation today. Over its history, P&G has pioneered a series of strategic innovations that have sustained its competitive advantage in a number of highly competitive market spaces. While the company has pioneered technological, product, and process innovations in many areas, process innovations are the primary focus of this paper due to their transformative impact on evolution of the company and its industry. However, it has been noted that different types of innovations are mutually embedded whereby adoption of one type of innovation leads to concurrent or subsequent adoption of other types of innovations (Sanders, McMinn & Bell, 2008). This paper reviews key strategic innovations and their contribution to sustainable competitive advantage at P&G over its history. First, background on the firm from its origin to 2008 is briefly reviewed. Next, five strategic innovations are each reviewed along with their competitive implications in the areas of direct to consumer advertising, direct product distribution, marketing research, brand management, and technological and product innovation. Using multiple conceptual frameworks, the paper concludes with discussion of the nexus between serial strategic innovation and sustainable competitive advantage and implications that emerge from this review along with directions for future research.

BACKGROUND

Proctor and Gamble was founded in 1837 in Cincinnati, Ohio by William Proctor and James Gamble as a soap and candle producer (Datamonitor, 2008). Proctor was an English candle-maker and Gamble was an Irish soap-maker. Both men had immigrated to the U.S. and met by chance when they married sisters. In the wake of the 1837 bank crisis, the men combined their businesses to form The Proctor and Gamble Company with an initial investment of less than $10,000 (Dyer, Dalzell & Oleario, 2004). Cincinnati was selected as a strategic location for the business since the city was nicknamed "Porkopolis" due to the sizeable number of meat packers in the vicinity. Animal by-products were essential for soap and candle making, and the large supply available meant that these inputs were relatively cheap. Cincinnati also proved a strategic location as it became a central trading artery where the Ohio and Mississippi rivers converged. Later, a railroad line connected Cincinnati to the Great Lakes further extending the company's reach (Dyer et. al., 2004). By 1890, the company's location made possible efficient production and distribution of its 30 different brands of soaps (Datamonitor, 2008).

The 20th century saw continued success for the firm (Dyer et. al., 2004). In 1915, P&G opened a facility in Canada representing its first international operations. A chemical division was created during 1917 and 1918 which was responsible for research and development of new

products. To sell these new products, P&G created a marketing department in 1924. The purpose of this department was, "to study consumer preference and purchasing habits" (Datamonitor, 2008: 7). In 1926, Camay, a perfumed bar of soap, was introduced. By the end of the 1920's P&G no longer produced candles, thereby signaling a major shift in the company's core business. Proctor and Gamble made another major business change in 1930 with the acquisition of its first overseas subsidiary located in the United Kingdom that produced Dreft, which was introduced in 1933 as the first synthetic detergent. This acquisition led P&G into hair care products. In the early 1940's P&G established a drug products division which also developed and sold a variety of toiletry items. In 1946, Tide emerged along with Prell to anchor the company's health and personal care division. By 1948, P&G had created a division to manage the company's growing international business. During this time, Mexico, Europe and Japan became central to the company's expansion efforts. In 1957, P&G purchased Charmin Paper Mills moving the company into the paper products market. In 1963, P&G continued to diversify with the purchase of Folgers Coffee. In 1973 P&G purchased Nippon Sunhome Company, launching P&G in Japan. By 1983 P&G entered the feminine product market with the "Always" and "Whisper" products. While P&G was acquiring businesses, introducing new products and entering new markets, the company had not stopped innovating on its established products such as Tide. Tide liquid was launched in 1984. The following year, P&G purchased Richardson-Vicks, adding Oil of Olay and Vicks medications to the company's expanding portfolio. During this time, P&G also purchased Blendax, a popular toothpaste brand in Europe. As the 1980's were drawing to a close P&G made a significant move in Asia by entering into a joint venture to produce products in China (Datamonitor, 2008). During the 1990's the company began to aggressively purchase cosmetic and fragrance companies and products. During this time, the company purchased Old Spice, Covergirl, Clarion, and Noxzema. In 1994, P&G purchased Schickedanz, a German paper company. With this purchase, P&G introduced its paper products in Europe. To manage the company's growing international business, P&G decided to group international business activities into four regions: North America, Latin America, Asia, and Europe/Middle East/Africa.

With the 21st century on the horizon, P&G continued to expand its portfolio as a consumer goods leader (Datamonitor, 2008). In 1999, P&G purchased Iams Company, a pet food producer. In 2000, P&G received approval from the Food and Drug Administration for Actonel to prevent and treat several types of osteoporosis. In 2001, P&G moved into the hair color and care segment with the purchase of Clairol. This led to purchase of the professional hair care line Wella. P&G purchased the GLIDE dental floss business in 2003 to expand its health and well-being portfolio further. In 2004, P&G enhanced its market in Spain with purchase of the commercial business Grupo Vita. P&G also divested its holdings in the juice industry with the sell of Sunny Delight and Punica. P&G quickly followed up the sale with plans to purchase the Gillette Company in 2005. In 2006, P&G opened a large Gillette manufacturing facility in Poland. Also in 2006, the P&G brand Duracell purchased Garrity Industries, a maker of lighting products (Datamonitor, 2008). In early 2007, P&G invested $35 to $50 million in its Gillette manufacturing facility in South Boston. At the same time, it announced a restructuring whereby Gillette and Braun would be rolled under the P&G Beauty and Health division, and Duracell would be managed under the P&G Household division. At the same time, P&G purchased HDS Cosmetics Lab, a skincare line that focuses on specific skin conditions that require more attention than general cosmetics. Also in 2007, P&G worked out an arrangement with Dunkin Doughnuts to sell the Dunkin Doughnuts coffee line in retail stores (Datamonitor, 2008).

Historically the company had been divided into three Global Business Units. In May 2007 P&G decided to realign these three business units. The units changed in July 2007 from Beauty and Health, Household Care, and Gillette; to Beauty Care, Global Health and Well Being, and Household Care. By 2008, P&G saw positive sales growth from all of these divisions with an overall growth in net sales of 9%, diluted earnings growth of 20%, and free cash flow of $12.8 billion – well above industry benchmarks (Proctor & Gamble, 2008).

Continuous innovation has characterized P&G throughout its history. The result of this process of continuous innovation is the global powerhouse in consumer products today. It is argued that this success resulted from a series of strategic choices (Child, 1997) that P&G made over the past century and a half. Five of these choices are discussed in more detail as representative of the multiple strategic innovations that created sustained competitive advantage for the company. These five strategic innovations are: direct to consumer advertising, direct product distribution, marketing research, brand management, and technological and product innovation.

STRATEGIC INNOVATION #1: DIRECT ADVERISING

Proctor and Gramble's history of marketing innovation began in 1880 with Ivory soap, or what has been promoted around the world as the "floating soap" (Dyer et. al., 2004). Ivory represented P&G's first attempt to brand a product through the use of advertising to connect with customers. Direct to consumer advertising was an innovation P&G pioneered to open lines of communication with its customers and, as such, was a major innovation versus the traditional practice of advertising to wholesalers and other distributors (McCraw, 2000).

Ivory soap was an example of an embedded innovation (Sanders, McMinn & Bell, 2008) that propelled P&G to market leadership. Ivory was an innovation that resulted from a technological and resulting product innovation that led to the process innovation of direct to consumer advertising that revolutionized the consumer products industry (McCraw, 2000). While some have speculated that Ivory was the accidental discovery of an inattentive workman, others believe it was the result of over a decade of work by James Gamble (Dyer et. al., 2004). It is known that Gamble was trying to develop a soap that could be mass produced and yet be more than a commodity. During the 1800's soap was cut from huge soap slabs at the local grocer. Soap was a classic commodity with each manufacturer's product virtually indistinguishable from others. It is believed that Gamble's technological innovation was making Ivory out of palm and coconut oils, both less expensive than olive oil that was the basis of better soaps of the time. Ivory's composition allowed the soap to be mass produced; yet, have the look and feel of finer higher quality soap (Dyer et. al., 2004). Unlike other soaps of that era, Ivory was white, lathered easily, and floated in water without melting. The unique blend of the soap meant that P&G could sell the soap in a premium market; however, since it used less expensive inputs, this led to higher margins. These higher margins provided the means to pay for advertising to raise the profile of the soap (Dyer et. al., 2004), thereby creating "the brand" and the beginning of a product differentiation strategy.

Initially, the soap was marketed under the name - "Proctor and Gamble's White Soap;" however, Gamble wanted a distinctive name that would fit the image he had for the soap. Ironically, the product name of this innovative new product was inspired by a Bible verse, Psalms 45:8: "All thy garments smell of myrrh, and aloes, and cassia, out of the ivory palaces whereby they have made thee glad" (Dyer et. al., 2004: 27). The name "Ivory" was trademarked

in 1879. With the name, Proctor went to work designing a distinct package for the soap. The first package had a checkerboard design with "Ivory" written prominently in black letters. Proctor designed the package so that it fit conveniently on store shelves to catch the attention of shoppers. P&G's first advertisement for Ivory was in 1879 in the *Grocers' Criterion* (Dyer et. al., 2004). While most customers would not have seen the advertisement in a trade magazine, P&G also advertised the soap in the *Bon Ton Directory* in 1880, a Chicago business publication (Dyer et. al., 2004). These two advertisements were not out of the ordinary for their day. However, in 1881 Procter hit upon the promotional innovation that would revolutionize consumer product marketing - advertising in magazines.

Proctor began shifting the company's marketing strategy to magazines as the magazine industry was being revolutionized. The first magazines offered limited advertising. In 1883, subscription-based magazines emerged and by 1885, magazine advertising took off as four magazines reached circulations of more than 100,000 each (Dyer et. al., 2004). Magazines like *Ladies Home Journal, Harper's,* and *Scribner's* began offering advertising space with discounts for companies that bought entire pages. Up to that time, magazines were expensive mediums for advertising. Ivory's full-page, color advertisements began in 1896 (McCaw, 2000) and were an innovative way for millions of customers to learn about the product. These early ads focused on Ivory's purity and price. Overall, these ads were straightforward, telling the customer exactly what the product was and how it could be used. P&G took a risky step when it ran an ad in the country's best-selling publication, *The Century Magazine,* stating Ivory was, "99 44-100 percent pure" (Dyer et. al., 2004:29). Proctor and Gamble during this time also introduced and popularized the use of testimonials, streamers, signs, and street car posters. P&G wanted customers to know that Ivory could be used for everything; an early ad detailed the following uses: "laces, infants' clothing, silk hose, cleaning gloves and all articles of fine texture and delicate color" (Dyer et. al., 2004: 30). The ad's pitch was, "the cheapest Soap for everybody, for every want" (Dyer et. al., 2004: 30). Since advertising was a new idea, P&G continuously changed the ads trying to find just the right look and feel. Yet, ads tended to feature, "women, households, families, children and babies" (Dyer et. al., 2004:38). The advertising message always centered on concepts of, "purity, femininity, and domesticity" (Dyer et. al., 2004: 38). While the early advertisements sold the product they failed to sell P&G as a company, a problem P&G would address in later advertisements.

In the search for an advertisement with just the right look and feel, P&G spent a significant amount of money compared to competitors. In 1884 the company's advertising budget was $45,000, and just two years later the budget ballooned to $146,000 (Dyer et. al., 2004). By 1889, P&G's marketing budget was $223,000 with 71% of it spent on Ivory advertising. In addition to magazine advertisements, P&G introduced and popularized other direct to consumer marketing innovations such as samples and direct mailings. The samples and direct mail pieces were sent to women, the probable purchasers of Ivory. P&G also offered coloring books for children. Such innovations spoke to customers directly and caused them to demand P&G products. Traditionally, companies like P&G depended on wholesalers to push products to customers. The innovation of direct to consumer advertising transformed the consumer products business (McCraw, 2000). The company and the customer were forging a unique relationship (Dyer et. al., 2004). By the 1920's P&G was the largest magazine advertiser in the U.S., outspending its competition by $2.3 to $3.3 million annually (Dyer et. al., 2004).

In the 20th century P&G pioneered broadcasting as another advertising medium to directly connect with customers (McCraw, 2000). Radio first emerged as a major new

opportunity for mass advertising in the late 1920's. As radio's popularity increased, P&G embraced the new medium as it had mass market magazines. P&G began experimenting with radio advertising in the 1920's as the industry was getting off the ground. Early sponsorships centered on product related programs such as *Sisters of the Skillet* and *Crisco Cooking Talks*, which offered cooking recipes and tips (McCraw, 2000). However, P&G revolutionized radio advertising in the 1930's with introduction of the "soap opera". In 1933 P&G created the first soap opera, *Ma Perkins* sponsored by Oxydol, a P&G laundry detergent. Due to the popularity of this program, P&G developed and sponsored a family of soaps operas with linkages to specific detergent products, such as: *The Road of Life* sponsored by Ivory, *The Guiding Light* sponsored by Duz, *Young Doctor Malone* sponsored by Joy, *Backstage Wife* sponsored by Cheer, and *Life Can Be Beautiful* sponsored by Tide, among other programs (McCraw, 2000). Within a decade, P&G was sponsoring five hours of radio programs per week with 19 soap operas running. These 15 minute soap operas were developed to appeal to the consumers that bought the bulk of the company's products - women between the ages of 18 and 50 (Dyer et. al., 2004). By the 1950's, P&G was again learning how to advertise in the new medium of television. P&G's first television shows were unsuccessful in the late 1940's, but this failure was short lived. P&G was the first company to produce 30 minute and one hour soap operas. For example, *The Guiding Light* was P&G's longest running soap opera, lasting for over four decades (McCraw, 2000). As marketing mediums evolved, P&G had to adapt their marketing message and approach, but P&G's direct to consumer advertising innovations in magazine and broadcast advertising are still dominant methods used today. These methods spurred demand for P&G products and thereby led to a new challenge of getting these products to customers effectively and efficiently.

STRATEGIC INNOVATION #2: DIRECT DISTRIBUTION

As P&G started orienting the company around distinct product "brands" with direct to consumer advertising, the demand for the company's products began to soar and traditional distribution methods became increasingly inefficient (McCraw, 2000). The origin of P&G's direct distribution channel developed from the company's early experience with commodity goods. Commodity good distribution used wholesalers that sold goods to retailers and then the retailers sold the goods to consumers. This system worked fine because commodities were moved in large unbranded batches. In 1910, P&G realized that differentiating commodity products into branded consumer goods called for a different form of distribution. As a result, P&G revolutionized distribution through the innovation of selling their products directly to retailers and thereby bypassing wholesalers (Dyer et. al., 2004).

This new approach to distribution resulted from a number of serious operational problems P&G encountered with wholesalers. For example, production fluctuations were a serious problem. When the prices of raw materials were low, wholesalers would stockpile goods for when the prices of inputs rose. During times of high prices, wholesalers would sell product from their own inventories, leaving P&G with excess product inventories. Due to this practice, P&G either experienced a production feast or famine (Dyer et. al., 2004). Problems in pricing uniformity also made the relationship between P&G and wholesalers contentious. The Supreme Court ruled in 1909, and upheld in 1912, that it was, "[…] illegal for manufactures to enforce sale prices on goods they had sold through wholesalers" (Dyer et. al., 2004: 53). This meant that wholesalers were able to discount P&G goods for sale to retailers. As a result, wholesalers asked

for deeper and deeper discounts from P&G so that they could move the product. P&G refused to give wholesalers more than a 10% discount which was met by opposition from wholesalers. Some wholesalers even decided that they would no longer handle P&G products. The final and, arguably, most problematic aspect of P&G's relationship with wholesalers was the effort to get wholesalers to promote the growing number of P&G's products to retailers and then getting the retailers to promote the products to customers (Dyer et. al., 2004). Many wholesalers cared little about the differences between P&G's brands, much less how the P&G brands compared to competitors products (McCraw, 2000). This situation was extremely problematic as P&G was transitioning from commodities by trying to brand its products to distinguish them from competitors.

New York City was used to pilot P&G's new idea of direct distribution (Dyer et. al., 2004). The pilot consisted of P&G giving wholesalers and retailers the same product discounts. The pilot was a chance for P&G to see if it could smooth production, maintain price levels, distinguish the company's brands, and reduce transaction costs. The pilot was successful in New York and led to expansion of the pilot to include all of New England. As might be expected, this new distribution approach was met with opposition by wholesalers. However, results were favorable enough that P&G announced in June 1920 that the company would expand its direct distribution program nationwide (Dyer et. al., 2004).

While direct distribution was a revolutionary innovation, nationwide expansion presented formidable logistical challenges requiring additional process innovations in P&G's distribution system to service a much larger number of sellers. For example, direct distribution meant that P&G would have to handle 350,000 to 400,000 retail customer accounts versus 20,000 wholesale accounts under indirect distribution (Dyer et. al., 2004). While developing the direct distribution system, P&G assumed that all geographic markets were the same in terms of distribution methods. However, distribution conditions varied from one market to another. While a region by region expansion approach would have probably been a better approach, P&G believed that making the leap from indirect to direct distribution was an innovation that called for a 100% commitment. Thus, P&G went nationwide all at once after the pilot, leading to debilitating operational problems because of the need for simultaneous process innovations in sales, inventory, warehousing, delivery, and other parts of the logistics chain. Sales figures from the transition period indicate that P&G had a difficult time implementing direct distribution. For example, 1919-1920 sales went from $188.8 million to $120 million and then slipped to $105.7 million in 1921 (Dyer et. al., 2004). The company's sales figures kept slipping until 1926. One particular mistake P&G made was that it imprudently adjusted its organizational infrastructure. P&G cut its overall workforce by half between 1921 and 1926 and its support staff by three-quarters (Dyer et. al., 2004). Additionally, cuts were made in the number of warehouses and trucks used. Wholesalers initially impacted P&G's sales by spreading rumors about P&G and its products. However, P&G persisted by developing new integrated infrastructure to coordinate sales, inventory, distribution and ultimately reaped the rewards anticipated from a logistics system completely under its control.

Proctor and Gamble and the business world at large gained much valuable insight about value chain (Porter, 2005) management by moving from indirect to direct distribution. The company's new distribution system provided flexibility and a competitive advantage over rivals still at the mercy of wholesalers. This innovation also meant that P&G was in complete control of promoting their developing brands by distinguishing them from competitor's products. Direct

distribution put P&G in closer contact with customers, which led to the need for their next major innovation.

STRATEGIC INNOVATION #3: MARKETING RESEARCH

While direct distribution put P&G in contact with its customers, marketing research revolutionized not only the consumer products industry, but advanced marketing as a major business function by creating a direct linkage to customers. Marketing research began at P&G in the 1920's when, D. Paul Smelser, a Ph.D. economist from Johns Hopkins, established a marketing research department (Dyer et. al., 2004). He joined P&G in 1924 with the principle duty of price forecasting. However, Smelser routinely asked questions of P&G executives that they could not answer about company products and customers. Smelser believed that the answers to such questions would help P&G market its products more effectively. Smelser began working on answers to the questions himself. In a notable report, Smelser segmented Ivory customers based on income and background, and used this to offer advice and recommendations on writing advertising copy for the soap (McCaw, 2000). These insights translated into sales, so the company decided to establish a formal marketing research department in 1925, to be headed by Smelser.

Camay soap was the first product to integrate marketing research into its product design. Smelser had his team of researchers take test samples of perfume to different floors at P&G. The researchers were to ask women what they thought of the different smells. Smelser is quoted as saying, "all the perfume smelled like alcohol and thus we came to the great discovery that for a soap perfume to be really tested, it should be incorporated in soap" (Dyer et.al., 2004: 58). From this experience P&G realized that prototypes of real products were vital for conducting marketing research. Smelser and his team next took bars of soap to housewives to see which bar design they liked best. Once they found a popular bar design they moved on to testing the type of packaging that would attract housewives. Retailers were then included to do test marketing by putting possible packages on display so that women could vote for their favorite package. Consumers had never before been intimately involved in development of a product they might one day consume (McCraw, 2000).

The success of Camay paved the way for women investigators in the marketing research function, which embedded a human resource innovation within an ostensibly marketing innovation. Women investigators joined P&G unofficially in 1929 and officially in 1931 (Dyer et. al., 2004). The first investigators transitioned from Crisco's demonstration field team to the research department. As marketing research continued to grow in value, Smelser began officially recruiting women investigators. The recruits were college graduates and their job was to conduct door-to-door surveys. The investigators would ask questions about cooking, dishwashing, laundry and other daily chores. While talking to an interviewee the investigators were not allowed to take notes, they were expected to listen carefully and then methodically take notes after the interview. Over Smelser's career more than 3,000 men and women served as field interviewers. In the 1960's, door-to-door interviewing was replaced with telephone interviews. By 1970, P&G was conducting 1.5 million interviews per year by a variety of methods (McCraw, 2000).

Ultimately the marketing research department grew dramatically and changed the whole concept of marketing in P&G and in business in general. The department weathered the Great Depression and World War II with its budget increasing from $45,000 in 1930 to $189,908 in

1942 (Dyer et. al., 2004). Today, marketing research is a vital part of marketing departments around the world. Proctor and Gamble's innovation shifted businesses from focusing on the company's products to focusing on their customer's needs and desires. This innovation specifically shifted P&G from a focus on what it wanted to sell to a focus on selling products that its customers wanted to buy - or from the so-called "selling concept" to the "marketing concept" (McCraw, 2000). Indeed, helping customers understand and bond with its products is what many observers would deem as P&G's most important innovation.

STRATEGIC INNOVATION #4: BRAND MANAGEMENT

As P&G moved from the 19th to the 20th century, the company's business activities were transformed by a new marketing innovation they pioneered called "brand management" (McCraw, 2000). Neil McElroy was the central person in the development of this concept at P&G and Camay soap was the focal product for this process innovation. A graduate of Harvard College, McElroy joined P&G in 1925. The brand management concept was born out of his frustration with trying to market Camay. As McElroy was trying to market this particular soap product, he realized that he was also marketing and competing against other soaps P&G was producing along with external competitors (Dyer et. al., 2004). In 1931, McElroy expressed his frustration in a three page memo explaining problems with P&G's current business structure and recommending a way to address internal competition, and consequent cannibalization of other P&G products, through what became known as brand management (McCraw, 2000). McElroy believed that, "the company needed to formalize assignments of its marketers in brand–specific teams and to give these teams a large degree of autonomy in running specific marketing campaigns" (Dyer et.al., 2004: 60). Essentially, brand management provided a means for focusing attention on each of the firm's products as if it were a business, positioning brands to avoid direct competition with each other, organizing business functions around each brand, and decentralizing decision-making so that there was a team of people overseeing every aspect of the marketing and competitiveness of each product brand (McCraw, 2000).

McElroy argued that the advantage of brand management was that P&G would be able to differentiate its products and position them so they were targeted at different customer markets and thus were less competitive with each other than with competitor's products. The brand teams, as McElroy called them, needed to know everything about a specific brand, such as where sales were strong and where sales were weak. The teams also needed to be well versed in the product's past track record. The duties and responsibilities of the brand managers were to study and understand successes and failures and then apply successful tactics to other territories. This approach helped decentralize decision-making related to brands so that they were like separate business units, but ones that were coordinated with other P&G products/brands in a rational manner to avoid internal competition (McCraw, 2000). This insight fostered product differentiation whereby each brand was targeted at a different consumer market segment. Ultimately, P&G reorganized from a geographical territory centered company to a product brand centric firm (Dyer et. al., 2004) as is now common practice today in consumer sector businesses. Brand management has been called, "one of the significant innovations of American marketing during the twentieth century" (McCraw, 2000: 49). Brand management was a major force in shifting focus away from short-run profit maximization from a particular product to long-run brand value maximization from building long term brand equity based on customer loyalty. P&G learned that building and maintaining brand equity required constantly enhancing existing

products and developing new ones that protected and extended brands. Developing technological and product innovation processes up to this challenge was another P&G strategic innovation.

STRATEGIC INNOVATION #5: TECHNOLOGICAL AND PRODUCT INNOVATION

While process innovations in marketing and logistics have been a staple of P&G's portfolio of strategic innovations, P&G also pioneered many technological and related product innovations over its history. However, with rising global competition and a growing portfolio of brands to protect and grow; a systematic process for technological and product innovation became an imperative for P&G as it entered the twenty-first century. The "connect and develop" strategy for outsourcing product development is another strategic innovation P&G pioneered (Huston & Sakkab, 2006). The essence of this new approach was in, "finding good ideas outside the firm and bringing them in to enhance and capitalize on internal capabilities" (Huston & Sakkab, 2006: 4).

Traditionally P&G products were developed internally. However, P&G realized in 2000 that it could not keep increasing its R&D budgets sufficiently to innovate at a rate that would provide sustained growth. Mature companies need a growth rate between 4% and 6% to keep the company moving forward in value creation, which translated into about $4 billion of investment each year for P&G (Huston & Sakkab, 2006). The traditional internal "invention" or "closed innovation" model worked when P&G was a $25 billion company, but with revenues exceeding $80 billion, P&G needed a new R&D strategy (Huston & Sakkab, 2006). A.G. Lafley, P&G's CEO at the turn of the millennium, challenged P&G to reinvent the company's innovation model, as the company could not continue growing by simply increasing the company's R&D budget. Lafley set as a goal that 50% of the company's technological and product innovations would come from P&G's internal labs (closed innovation model) and the other 50% would come from outside the company through network partners in P&G's "connect and develop" strategy, signaling a shift to an "open innovation" model (Huston & Sakkab, 2006).

The "connect and develop" strategy helps P&G's systematically search for new ideas the company can use from around the world. To search for new ideas P&G monitors three environments: the top ten consumer needs, adjacencies, and technology game boards (Huston & Sakkab, 2006). The search for new products or improvements for existing products begins with a simple question - what do customers want? Proctor and Gamble has all of its strategic business units ask customers this question. Once the question has been answered, P&G compiles a "top ten list" of consumer wants. This list is then turned over to P&G's research and development function. P&G also looks for "adjacencies", defined as new products or concepts that can help P&G take advantage of existing brand equity (Huston & Sakkab, 2006). For example, P&G expanded its dental care line from a simple toothbrush and toothpaste to dental floss, whitening stripes, and electronic toothbrushes. Finally, P&G creates "game boards" or multilevel concept maps that show how innovating a certain product will impact other business units, brands, and products. Game boards help the company plot its strategic course and stay on target across its business portfolio. Once a new idea has been developed, P&G pushes the idea to its "how to" network (Huston & Sakkab, 2006: 4-5).

Proctor and Gamble has two types of networks – open and proprietary (closed) – that it tries to tap for new ideas, circulate new ideas for recommendations, and/or find potential technological solutions to solve problems presented by new ideas. Protor and Gamble's open

network includes universities, government agencies, private labs, research institutions, venture capital firms, suppliers, competitors, and entrepreneurs. In its proprietary network, P&G has 70 technology entrepreneurs that work out of six “connect and develop” hubs around the world (Huston & Sakkab, 2006). These hubs are located in China, India, Japan, Western Europe, Latin America, and the United States. The entrepreneurs in these hubs are mining for new ideas or solutions to scientific problems presented by new ideas; and they mine for information from local universities to grocery store shelves.

Another valuable source of new ideas and solutions that P&G taps is its suppliers. Suppliers were found to be such a valuable product innovation source that P&G created a secure web platform to facilitate communication. P&G’s top 15 suppliers have R&D staffs in excess of 50,000 researchers (Huston & Sakkab, 2006). Proctor and Gamble uses its secure web platform to send its top suppliers product briefs on issues that it needs help solving. Suppliers take the brief and begin working their sources for potential solutions. For example, if P&G wants to know how to make a soap’s perfume last longer, the company can write a brief that suppliers circulate among their R&D departments and/or personal connections in the field. The supplier network has resulted in a 30% increase in product innovations (Huston & Sakkab, 2006).

Another type of network P&G pulls information from is its open network. Proctor and Gamble’s externally focused open networks supplement its internally focused proprietary R & D networks. These open networks are primarily focused on technological developments that can contribute to product innovations. The open networks at the forefront of the “connect and develop” strategy are: NineSigma, Innocentive, YourEncore, and Yet2.com (Houston & Sakkab, 2006). NineSigma takes a P&G problem and writes a technology brief describing the problem and then circulates the brief among universities, governments, private consultants, and other resources. Once a possible solution has been identified, NineSigma connects the respondents with P&G. Proctor and Gamble says, “We’ve distributed technology briefs to more than 700,000 people through NineSigma and have as a result completed over 100 projects, with 45% of them leading to agreements for further collaboration” (Huston & Sakkab, 2006: 6). Innocentive, founded by Eli Lily and Company, is much like NineSigma except that it seeks to answer very specific scientific questions. For example, a certain scientific reaction might go through 12 phases and P&G wants to know if the reaction can be compressed into six phases. Proctor and Gamble’s question is pushed to some 75,000 scientists and has a track record of approximately a 30% success rate in solving proposed problems (Huston & Sakkab, 2006). YourEncore was created in 2003 to create a network among some 800 retired scientists and some 150 practicing engineers (Huston & Sakkab, 2006). In YourEncore the scientists solve the problem and the engineers build the solution. These projects are typically short lived with the scientists’ contract salary is based on their preretirement salary. Proctor and Gamble typically has around 20 YourEncore scientists working on a variety of problems at any given time. Yet2.com was a venture P&G helped launch in 2000. This web site is a place where intellectual property can be exchanged, usually transferring knowledge from government or university labs to commercial labs. The site helps scientists write briefs about technology they have developed for license or purchase (Huston & Sakkab, 2006). Proctor and Gamble is then able to find uses for the technology they need for a new product or discover technological innovations that might spur ideas for new products.

While having a good idea is important, P&G has to know when to engage a particular idea and when to pass. To help evaluate ideas, P&G has several screens the ideas must pass through before acceptance for production and mass marketing. While P&G does not divulge

specifics, the company explains that ideas are widely reviewed internally. First, P&G has a "eureka catalog" where technology entrepreneurs log new product ideas using a standardized product profile template (Huston & Sakkab, 2006). This description is then circulated worldwide among P&G managers and executives for evaluation. Technology entrepreneurs can also lobby for products they are particularly hopeful of seeing P&G test. Promising ideas go to global business unit managers that then evaluate them in relation to existing P&G businesses and/or brands. If the manager sees potential then the product ideas will be tested with consumers, and P&G's external business development group will start negotiating licensing, purchase, or collaboration with the owner of the idea or product.

The next step in the P&G process is to build employee buy-in (Huston & Sakkab, 2006). Prior to "connect and develop", P&G's product ideas were generated internally and were tightly held secrets. However, today P&G employees are asked to share critical information with third parties, which many employees are still reluctant to do. Many P&G insiders are afraid that R&D jobs could vanish and thus are hesitant to work people outside P&G. To persuade employees to work outside traditional relationships, P&G has structured its reward system to favor products and/or product ideas brought in from outside of the company. While the "connect and develop" strategy has been successful, it still faces cultural obstacles to widespread embrace within the company (Houston & Sakkab, 2006).

The numbers reveal that P&G's "connect and develop" strategy has been successful in developing new technology, spawning new product ideas, and controlling the company's R&D budget. In 2000, 15% of P&G's new products incorporated elements from outside the company versus some 35% in 2006, with more than 100 new products being created that were attributable to the new strategy (Huston & Sakkab, 2006). Also, since the new strategy was implemented, P&G has seen a 60% increase in R&D productivity and a doubling in the company's innovation success rate (Huston & Sakkab, 2006). At the same time, from 2000-2006, P&G decreased R&D expenditures from 4.8% to 3.4% (Huston & Sakkab, 2006). In terms of stock price, the new innovation strategy helped the company rebound from a 2000 stock price plummet. The strategy helped to double the company's stock price and raise the company's brand portfolio to $22 billion as of 2006 (Huston & Sakkab, 2006). Proctor and Gamble is focused on this innovative technological and product development model as a key to sustaining competitive advantage in the years ahead.

COMPETITIVE ADVANTAGE: PERFORMANCE OUTCOMES

A century and a half of strategic innovations have contributed to sustained competitive advantage that has resulted in consistently superior performance outcomes at P&G. It has been noted that, "Procter & Gamble's ability to innovate in products and processes has been a key factor in its long-term success" (Dyer et. al., 2004: 410). As of 2008, the result of this success has been seen in recognition of P&G as a global competitor in the manufacturing and marketing of consumer products (Proctor & Gamble, 2008). The company boasted more than 300 brands in over 180 countries in 2008 (Datamonitor, 2008). P&G had 144 manufacturing facilities with 39 of them located in the United States and the remainder located in 41 different countries (Datamonitor, 2008). A strategic move was made in 2007 to three global business units to improve performance management. As a consequence, from its founding to 2008, P&G has demonstrated consistently superior performance outcomes in terms of brand expansion; market share growth; financial strength; and competitive positioning.

With regard to brand performance, P&G is a global leader in world-wide brands. It has had a concerted strategy to grow all of its major product lines into global brands, which it defines as at least one billion dollars a year in world-wide sales (Proctor & Gamble, 2008). Products that achieved this level by 2008 included: Pampers, Pantene, Gillette Fusion, Gillette Mach3, Olay, Braun, Bounty, Tide, Koleston, Duracell, Dawn, Ariel, Gain, Downy, Charmin, Always, Iams, Oral B, Crest, Actonel, Folgers, and Pringles. P&G's next category is "$500 Million to $1 Billion" brands which included: Cascade, Max, Blast Venus Embrace, Asacol, Hugo Boss, Safeguard, Ace, Swiffer, NyQuil, Febreze, Dash, Rejoice, Mr. Clean, Magic Eraser, Prilosec, Tampax, Pearl, Herbal Essence, Eukanuba, and Bold. Pampers was the company's largest brand with annual sales of over $7 billion in 2007 (Proctor & Gamble, 2008).

In terms of market share, P&G generally held either number one or number two market share in all of the major markets where it competed as of 2008 (Datamonitor, 2008). Proctor and Gamble had 24% of the global market share for hair care products and approximately 36% of the global market for feminine care, baby care and family care segments. Some particularly successful brands were Bounty paper towels and Charmin toilet paper. Bounty paper towels accounted for 40% of the US market while Charmin toilet paper held 25% of the U.S. market. Folgers coffee represented over 33% of U.S. market share. Through all of its razor and blade brands for both men and women, P&G held 70% global market share. Proctor and Gamble also represented 45% of the global alkaline battery market and 12% of the pet care market in the U.S. Dominant market share in so many market spaces greatly contributed to P&G's financial success.

With regard to financial performance, P&G has seen amazing growth. Fiscal Year 2007 was an excellent year for P&G with revenues of over $76 billion, a 12.1% increase over 2006 (Datamonitor, 2008). Sales in North America counted for 46% of total revenues. The divisional breakout, using the three divisions structure for reporting P&G results was: Beauty and Health - $31.9 billion in revenue, Household Care - $36.2 billion, and Gillette - $9.2 billion. All three segments saw a substantial increase over 2006 revenues (Datamonitor, 2008). Likewise Fiscal Year 2008 saw impressive performance with net sales growing by 9% over 2007, diluted earnings growing by 20%, and free cash flow of $12.8 billion (Proctor & Gamble, 2008).

In summary, P&G is positioned as a major competitor in the growing global consumer products market. It has sustained competitive advantages in its leading market position in a number of market segments, its brand portfolio, its product innovation capability, and its financial performance, and pioneering management processes. In addition, P&G has many opportunities where it can improve performance, such as internationally in developing country markets, steady growth in packaged foods and household products, and a growing healthcare industry. Several potential threats include industry consolidation, competition from both large players and private labels, and new regulations (Datamonitor, 2008). P&G's top competitors in various market segments include: Avon Products, Inc., Colgate-Palmolive Company, General Mills, Inc., Nestle S.A., Kimberly-Clark Corporation, Sara Lee Corporation, Unilever, Revlon, Inc., Pfizer Inc, Playtex Products Inc, and Energizer Holdings (Datamonitor, 2008). Global competition is a major threat as P&G continues to expand its brand portfolio worldwide. However, P&G's demonstrated capabilities in strategic innovation provide a platform for continued competitive advantage.

DISCUSSION

Several conceptual frameworks are useful in analyzing P&G's track-record of strategic innovations that have led to its record of sustained competitive advantage. Specifically, strategic management, disruptive innovation, value chain, and embeddedness frameworks are useful to analyze findings from this case. Multiple frameworks aid analysis by triangulating sensemaking from different points of view in anticipation of better understanding the phenomena under study (Weick, 2005; Stake, 2006).

A strategic management framework suggests that firms make strategic choices (Child, 1997) about what actions to take to align a composite of their internal organizational strengths and weaknesses with a composite of their external environmental opportunities and threats to achieve competitive advantage (Mintzberg, 2008). These strategic choices involve decisions about what changes the firm will make in its technology, products, and processes to create value internally, along with what opportunities it will pursue and what threats it will avoid outside the firm. These choices translate into potential strategic innovations. Each of the strategic innovations that P&G adopted was a change that responded to external threats and/or opportunities at a particular point in its history to create anticipated advantages for the organization. For example, direct to consumer advertising resulted from P&G seizing an opportunity it recognized to leverage collateral innovations in another industry to create competitive advantage for itself. Technological innovation in new printing processes made possible mass circulation magazines and sophisticated color graphics for advertisements in these magazines. Likewise technological innovations in radio and then television broadcasting created new advertising mediums. Using all of these new mediums for direct communication with customers allowed P&G to distinguish Ivory soap first, and subsequently a plethora of its products, as unique offerings versus commodities. The success of these innovations both led to and sustained the financial margins to fund subsequent innovations in marketing research to identify consumer preferences and structure finely tuned product responses in terms of new or renewed products, and ultimately development of the brand management system. Similarly, in accord with strategic management theory, perceived threats prompted P&G to strategic innovation. For example, with success in the branding of Ivory soap and plans to create other national brands for its products, P&G faced a serious threat to this strategy because of the dominance by wholesalers of product distribution channels to retailers and consumers. While P&G could promote its products directly to consumers to create brand preference, wholesalers were an impediment to locally promoting and supplying products to retailers to assure that consumer demand could be fulfilled. Creation of its own direct distribution system for P&G products to retailers was a strategic innovation that revolutionized logistic systems in the consumer products industry and gave P&G tighter coupling with its customers. Likewise, recognition of limitations on its internal inability to generate sufficient new product developments for its large portfolio of brands led P&G to develop its "connect and develop" network for collaborative research and development with other organizations. Strategic innovation at P&G aligns well with strategic management insights on how organizations create and sustain competitive advantage.

This case study indicates that P&G's strategic innovations can be characterized as "disruptive innovations" (Christensen, 1997) in the consumer products industry with spillover effects to other business sectors. Disruptive innovations are those innovations that fundamentally alter industries by producing transformational changes in markets (Christensen,

1997; 2003). Disruptive innovations generally arise from value creating activities via exploitation of entrepreneurial opportunities though new combinations of resources to create new capabilities which lead to competitive advantage through creation of new markets and business models. The impact of these innovations is to create and reconfigure markets by introducing: new goods and services, new means of distribution, new supplies of raw materials or intermediate goods, or the creation of new business models, thus creating new value for customers (Kluge, Meffert & Stein, 2000). In essence, disruptive innovations create new ways of competing. In the case of P&G, mass advertising of their products to associate unique characteristics and value with them altered the basis of product competition from commodity based cost leadership to differentiation based on real or perceived benefits of the products (Porter, 1980). This innovation shifted the whole basis of competition in the consumer products industry from generic commodities to brands crafted for specific market segments defined through extensive marketing research. Marketing research became the means of identifying new entrepreneurial opportunities to create new markets. Likewise, P&G's direct distribution system fundamentally restructured distribution channels for consumer products to make them more efficient and controllable by product producers and thereby making this approach the dominant mode of distribution in the consumer goods industry today. It appears that P&G is again pioneering an innovative model for new technological and product research and development through its collaborative "connect and develop" network approach to leverage and extend internal R&D capabilities to generate the quantity of innovation that its vast product portfolio requires to sustain competitiveness. If this approach is successful, it will be a model for other global firms. Proctor and Gamble's continuing stream of strategic innovations have indeed been disruptive innovations foundational to competitive advantage (Christensen, 1997).

It is also useful to examine the innovations detailed in this case study from the standpoint of P&G's value chain. A firm's value chain consists of the set of activities related to design, production, delivery, and support of its product and services (Porter, 1985). Porter has noted that, "Value activities are therefore the discrete building blocks of competitive advantage" (Porter, 1985, p. 38). Porter (1985) posits that a firm's value chain starts with its suppliers or materials inputs (inbound logistics); then the firm's operations serve to transform input resources into output products and/or services (production/operations); these then are distributed to the firm's customers (outbound logistics); and then marketing and sales, post-sales services to customers, and various support activities integrate the value chain via various administrative infrastructure. In theory, each stage in the value chain contributes additional value to the customer. In analyzing the P&G strategic innovations from a value chain perspective, most of these innovations (i.e., direct advertising, marketing research, and branding) are primarily concentrated in the marketing and sales stage of the value chain, with outbound logistics (i.e., direct distribution) and support activities (i.e., technological and product innovations) also represented. Seemingly the stages of inbound logistics, production/operations, and post-sale services are not captured in this particular subset of P&G innovations. However, embedded in each of the strategic innovations in this case study are other innovations that relate to other stages in P&G's value chain. For example, Ivory soap, seemingly a marketing and sales stage value chain innovation, required an inbound logistics stage innovation to source the less expensive palm and coconut oils used in its production, and technological innovations in the production stage of the value chain to give the new soap, using these new ingredients, its unique floating properties and white color that were integral to its brand appeal. In addition, new packaging was developed to attract attention to the new soap and the product was sized to make it convenient

for retailers to display on their shelves, thus requiring innovation in the outbound logistics stage of the value chain to move from commodity soap slabs to packaged soap. Also, the post-sales and services stage of the value chain involved an innovation to guarantee satisfaction to consumers who tried the new product and thereby assured delivery of the value proposition. Similar analysis could be done for other P&G strategic innovations. From a value chain perspective, it is clear that embedded in adoption of any particular innovation there is frequently the need to adopt innovations in other stages of the value chain either before, after, or concurrent with the focal strategic innovation (Sanders, McMinn & Bell, 2008).

In summary, this case study reviewed five strategic innovations that significantly contributed to P&G's ability to create and sustain competitive advantage in the consumer products industry for over a century and a half. As regards type of innovation, all of these examples were internal process innovations that significantly changed the way in which P&G conceptualized and operated its business (i.e., commodities to products, products to brands, direct advertising to customers, direct distribution to retailers, marketing research, open sourcing of technological and product innovations). Each innovation primarily arose from the presence of an external threats (e.g., power of wholesalers, global competition) and/or opportunities (e.g., printing technology for magazine advertising, broadcasting, information networks for innovation outsourcing) or an internal strength (e.g., personnel capabilities for conducting marketing research and brand management) and/or weaknesses (e.g., lack of control of distribution, volume of new product development needed). Proctor and Gamble's internal strategic innovations were ultimately externalized to become disruptive innovations that redefined the competitive space in their industry and thereby allowed them to gain early mover advantage in Porter's (1980) terminology. Thus, P&G's penultimate strategic innovation has been its ability to routinely create new strategic innovations within the firm that resulted in new product innovations in the market and new process innovations in the industry. This ability to repeatedly act as a disruptive innovator and thereby gain early mover advantage has been the true basis of P&G's sustained competitive advantage.

CONCLUSION

Over P&G's 170 plus year history, it has been a serial strategic innovator that has continuously reshaped itself and its industry. This series of innovations has let to sustained competitive advantage and consistently superior performance results by any typical measure: product portfolio, market share, financial returns, competitive positioning. Beginning with Ivory soap, P&G pioneered the use of mass market, direct to customer advertising to build brand recognition. As brand recognition began to grow, P&G realized that traditional distribution methods would not support this shift from what today would be called a cost-leader commodity based approach to a differentiation strategy inherent in its growing number of brands. By changing from indirect wholesaler distribution channels to direct-to-retailer distribution, P&G began interacting with its customers, giving it control over promotion, positioning, and development of its brands. While advertising allowed P&G to communicate with its customers, its customers were unable to communicate their needs, wants, and desires back to P&G. The direct distribution channel changed the way P&G did business by revealing that customers had a lot of preferences that needed to be recognized and addressed, if it was to shift from a classic selling approach to a customer focused marketing concept. Thus, P&G established a marketing research function and with it created a potent new tool to grow its portfolio of products. After

establishing its marketing research department, the concept and practice of brand management was developed. Under brand management, P&G's business structure put its brands at the center of the company as opposed to functional and operational activities as was the typical mode of organization at the time. Brand management shifted P&G's organizational structure from a geographic territory based model to a product brand based structure. By centering the business on brands, P&G was able to differentiate products and position them according to the consumer market segment they wanted to target. This also reduced competition between their brands which further increased profitability. Today, P&G continues to pioneer strategic innovations with its new technology and product innovation strategy called "connect and develop". In P&G's case, history has definitely repeated itself as P&G has sustained its competitive advantage through serial strategic innovation.

There are a number of limitations in this paper that provide opportunities for future research. First, this paper has only considered five strategic innovations related to products and processes at P&G. These innovations could certainly be examined in more depth and there are certainly many more innovations that could be analyzed. For example, further research on strategic innovations at P&G and their relationship to sustainable competitive advantage could include: a shift to organizational divisionalization in the 1950's; installation of high-performance work systems in the 1960's; stakeholder, reputational management and crisis management innovations related to environmental challenges, product defects, and public relations crises in from the 1960's to date; category management in the 1980's; integrated work systems in the 1990's; and global matrix management and development of global strategic alliances and brand maintenance in the 21st century. The interrelationship of these innovations, and without doubt many others, merit further investigation. Also, this case study covers the period up through 2008. A major economic downturn in late 2008 provides an opportunity to examine the durability, flexibility, and adaptation of the strategic innovations in this study given this environmental shock, along with the opportunity to examine new innovations spurred by these changed circumstances. Other firms that have demonstrated exceptional ability to survive and thrive over long periods should be similarly examined for practices that have competitively advantaged their sustained superior performance. In their study of long-lived, consistently superior firms, Collins and Porras (2004) ultimately concluded that long term success depends on a firm's ability to proactively change itself internally relative to change outside the organization. As such, this capability is the ultimate criterion for strategic innovation to create and sustain competitive advantage - as P&G's history demonstrates.

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