

BUSN11127 Leading and Managing Change

Diageo

Table of Contents

Introduction.....	2
Company Background	2
Analysis of change management system of Diageo	3
Application of theory to the organisational context: Quality of description and analysis relevant to the organisation.....	3
Identify the drivers of the change using appropriate models and the theories.....	4
Analyse the influence of the following areas on the organisational change.....	5
Management practices – including vision, management decision making.....	5
Leadership style, power and vision.....	6
Organisational Culture and Structure.....	7
Business Strategy – internal and external models and strategic decision making.....	8
Recommendations for Improvement of the change process	9
Conclusion	10
References.....	11

Introduction

- **What is the key Management, Leadership and Change**

Diageo is a multinational beverage and alcohol company based in the United Kingdom. The main management for Diageo is that the enterprise has used all its resources successfully. By implementing different management techniques, leadership, and change, Diageo in the last few years especially after the pandemic has rooted in a deep sense of their vision, the connection their people have with their brand has kept it strong.

- **What are Management theories applied to a practical context.**

Diageo's management theories and their applications were such that it managed to include its customers and provided the best quality alcohol and beverages usually consumers look for without compromising on the quality. It has provided them with the best products and services and stands for sanity. By doing so, they have set a good brand name for themselves.

- **What the study has done in this report**

This research work has justified the changes, management and leadership that has been applied by Diageo. They have fulfilled their purpose by applying several techniques and providing the finest quality services to their customers.

Company Background

Diageo is a multinational beverage and alcohol company that has its headquarters in London, England. They have outlets in more than 180 countries and produce their products in more than 140 sites around the world. After the covid-19 situation, various changes have been done by the organization and they are planning to invest 4.5 million euros to build a proper infrastructure to support India in post-pandemic conditions. On the other hand for their employees of the organization, they have implemented some new changes. Diageo establishes Pressure Swing Adsorption Oxygen to maintain the long-term oxygen availability. They also have set up a small room that consists of 16 mini beds for the emergency services for their employees and manages another 15 sources to increase the bed capacity. To create a long-term sustainable business in a

post-pandemic situation some activities have been done by Diageo as an organization change which is to understand the consumer's attitudes and motivation to buy the products and understand their interest. Also, sourcing, marketing of the production, and innovation based on the customer's preference have been done.

Analysis of change management system of Diageo

Application of theory to the organisational context: Quality of description and analysis relevant to the organisation.

The organizational changes management process needs to be implemented in such a way so that Diageo can achieve the trust and respect from their customers around the world. Based on the theories strategic implementation has been made that are the applications of the change management theory. The applications have been described below:

- **Sustain quality growth:** They have adopted various strategies for organizational change and because of that they have created sustainable and consistent growth of their products. According to Diageo, they have focused on the main three key aspects that help the organization to adopt the change easily. First of all, they simplify their business by increasing the work speed and making the employees understand about what they need to do. One of the major progressing elements for the organization is customers and consumers. That is why Diageo has focused on managing its existing resources and delighting the customers. With the help of technological advancements including the data analytics process employee efficiency and insights are being developed (DESSALEGN, 2021).
- **Embed everyday efficiency:** To manage the smart quality growth of the organization everyday work efficiency needs to maintain and it gives the fuel to adopt the organizational change. This is a different mindset that every employee of the Diageo brings in their daily routine which helps them to enhance their daily work life. The resources are being deployed to the fullest where they are being most effective. To make faster decisions and work more agile the utilization of the technology Diageo is doing on their best. As per the model's organizations needs to give that much liberty to their employees so that they can be able to meet the customer demands and the same thing they are doing in Diageo. On the other

hand, some resources are being freed by the organization to meet the great performance which also reduces the cost structure.

- **Invest smartly:** As per their organizational context Diageo is investing smartly for future growth and they are supporting the delivery of consistently better performance by their employees toward their customers and enhancing the chances of sustainability to avoid any hindrance for adopting the organizational change. Diageo is focusing on some key factors that help to invest them smartly:

Diego has invested to develop the skillsets of their employees so that any new change can be easily adopted by them (Gambal, 2021).

With the help of new technological advancements, e-commerce has been established by them which is a huge change.

In the case of capital investment, they support the right kind of growth strategy.

Identify the drivers of the change using appropriate models and the theories

Based on the models and theories of organizational change few drivers influence organizational change. In the case of Diageo the influencing factors have been discussed below:

Facilitate teamwork and Collaboration: To achieve good teamwork which influences organizational change every employee needs to act differently and they need to stick to that behavior. In recent times, one of the major problems in Diageo has been seen that lack of coordination between employees. To remove that they begin with the establishment of a day-to-day communication system between the employees, meetings, and supportive sessions that are conducted by the supervisors. This is a time-consuming process of developing a new system and getting accustomed to it. The time for evaluating the plan and for the discussion needs to be included in the plan accordingly (Liozu, and Hinterhuber, 2021).

Provide training and support: In the time of the change management process supporting the team is necessary for the organization. The training needs to be given for especially those employees who are not ready to welcome the change management process. The management authority needs to be present there to listen to their employees and provide them with the necessary

guidance. The major factor that influences the change is scheduling a training program for the existing employees without compromising the work for the department. Diageo management needs to ensure that the employees must feel accustomed to the whole process of change.

Motivate and Celebrate: The policies that are being taken by Diageo to motivate their employees for adopting the organizational change are, they have started talking about the ongoing changes with the team members arranging a meeting and they create an open environment for the discussion about the organizational changes that have been taken place. They have asked their employees about giving them the right feedback about the ongoing changes and what difficulties they are facing to adopt the new changes. Employees will feel confident if they can provide their opinion (Kroon *et al.*, 2021).

Aligning HR Systems and Processes: Diageo has enhanced its power of evaluating the performance of the employees with the help of the human resource department of the organization because behavioral change needs a fundamental change in employees' performance. The employees have a significant role to play in influencing the senior management of Diageo and the human resource function as well.

Analyse the influence of the following areas on the organisational change

Management practices – including vision, management decision making

Diageo's vision is to be one of the most trusted, best performing and respected consumer products organizations in the globe. They are in a strong position in the market for achieving this due to their scale. Its geographical diversity and desire to continuously enhance its performance is their main target. Its management practices are such that it ensures consistent quality growth as well as sustainable growth and they keep it at the heart of the ambition (Dimpfl, and Jank, 2015). They aim to be the best performing organizations by investing in their business, they have increased their margins and delivered top-most total shareholder returns. Diageo prioritized customer experience. They started from designing strategies to executing management practices. It has proved its worth by valuing its principles and laying its foundation by not compromising on the quality of its services (Bloom, *et al.*, 2019). Customers have been very impressed with their level

of services which is why their practices are recognized all over the world. They have promoted moderation as well as addressed the harmful impacts of alcohol. By promoting better drinking habits among people, it has been creating enduring values. Their practices have been implemented in such a way that it has impacted the communities in which UK residents live, work and sell along with protecting the natural resources on which humans depend (Kianto, Sáenz, and Aramburu, 2017). They ensured that their products are easy to sell and buy. Since the preferences of the consumers are changing, its ways of innovating its products are also modified accordingly. They have 20000 mainstream bars all over and they have levered their practices in order to drive their business. By applying all these practices, they have taken efficient decision-making to make sure that their customers receive clean beer. By using extensive management practices, Diageo has managed to place its brand as a unique company.

Leadership style, power and vision

There are four kinds of leadership styles used by Diageo. The four of them are Democratic Leadership, Autocratic Leadership, Transformational leadership and Paternalistic Leadership. Diageo's executives use Autocratic Leadership where they give orders to both the workers and subordinates. Leaders are responsible for all their actions and take all the decisions on behalf of the company (OWUOR, 2018). They warn their employees who make errors or underperform. On the other hand, Democratic Leadership pertains to the sort of leadership in which the leader interacts with its employees before making any business decisions. This helps the performance of the employees by including them in the decision-making process. This makes them feel that they are equally valued by the company. Leaders in Diageo used the complementary leadership style for allowing the followers to set their own goals and perform for better results. In this style, leaders use this style for safeguarding the talents and expertise of the employees (Al Khajeh, 2018). The CEO of Diageo has followed these leadership styles but mainly the transformational leadership style. He is a good communicator and listener which is why he keeps receiving good ideas as to how to improve the business decision-making process. Ivan Menezes has motivated his employee to achieve the objectives and stay in alignment with the vision of the company. In the last few years, Diageo has undergone many shifts in its management system in order to survive in the UK market. The CEO had changed the leadership style into a transformational leadership style

(OWUOR, 2018). By doing so, he made sure that his employees are well trained but they also pop up with new ideas with the help of which they can work together in achieving similar goals.

Organisational Culture and Structure

There has been growth in the sale value of Diageo in recent years. Be it any kind of beer or whiskey, it has never failed to surprise its customers with the best quality services. However, after the pandemic, Diageo's sale value declined in most of the alcohols. It can be seen in the below graph that there has been a growth in the value of Gin and Tequila but a fall in the rest. There has been 16% growth in Gin and 40% in Tequila. Whereas, there has been a major fall in the value of Rum, Vodka and others (Struthers, 2012).

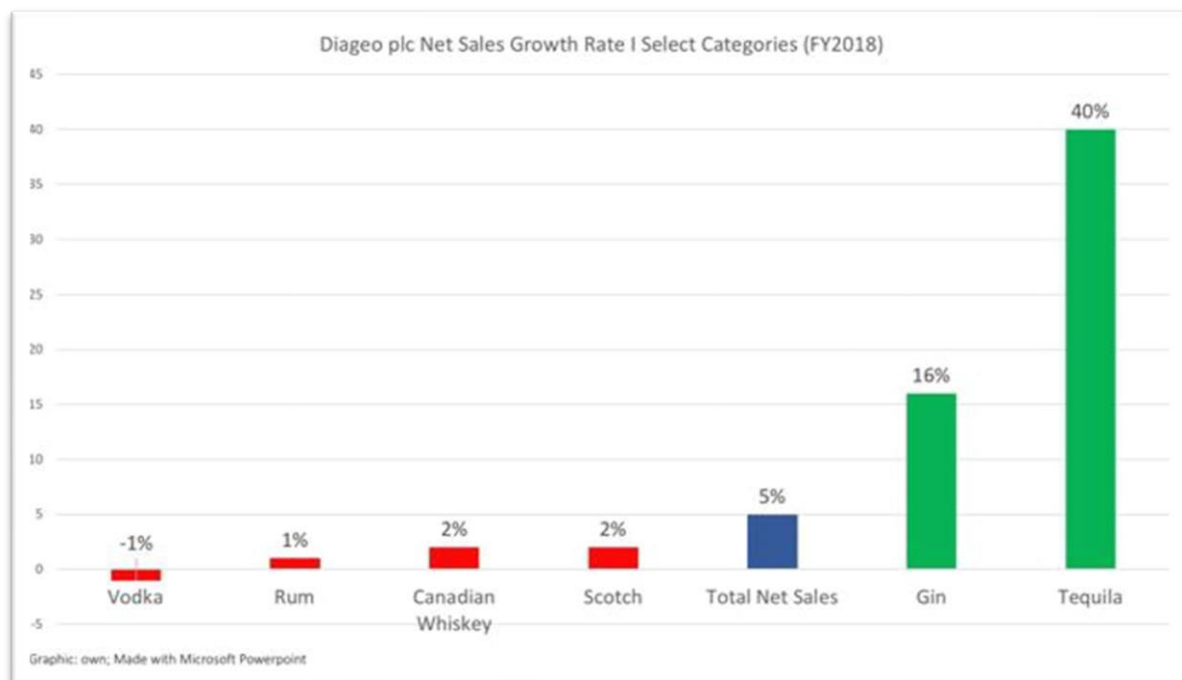


Figure: Net Sales Growth Rate after covid

(Source: Struthers, 2012)

Diageo has managed to perform well in the first half of the fiscal year 2020 but faced significant

hurdles which impacted its performance in that year. They acted quickly in order to protect their people and business and strengthened their customers, partners and communities. Diageo has been so effective in its modes of utilizing its resources so effectively. Its well-defined HRM tactics helped it survive amidst these tough times. By implementing the several HRM policies, it has proved itself as a more efficient, agile and effective organization (Kianto, Sáenz, and Aramburu, 2017). Diageo has been very productive in its ways of utilizing technology tools and data analytics for rapidly responding to the customer shifts. Also, Diageo has strengthened its liquidity which is why it has got the flexibility to invest in its business for the long term. Menezes had exclaimed that his solid foundation has made him and his company respond to this pandemic and come back even stronger.

Business Strategy – internal and external models and strategic decision making

Diageo has seen many ups and downs because of the emergence of the covid-19 pandemic. The brand's marketing strategy has shifted in the last few years. However, it has prioritized the well-being and safety measures of the consumers along with its employees while working on the profit margins. It has created many digital platforms which have allowed its users to buy alcohol through online platforms (Alaaraj, Mohamed, and Bustamam, 2018). The CEO of the company has a great influence on the economies and individuals throughout the world. It faced many issues because of the pandemic effect, which is why the marketing strategy has also been modified in the last few years. But the best part is that the company has ensured the well-being of the customers and employees. Its focus was on improving its profit scale and sale value by promoting its services of sustainability and implementing strategies in a way that consumers receive clean and hygienic beer and spirits (Firooznia, *et al.*, 2018). The CEO of Diageo has promoted its brand in innumerable countries through different platforms and maintained the organization's popularity which will help the company to differentiate its services from other largest organizations dealing with the same products and services. This is why in spite of facing so many losses during this pandemic, it contributed in several ways to alleviate these circumstances. In order to advertise its new regulations, it started rewarding its customers who made online purchases (Alaaraj, Mohamed, and Bustamam, 2018). The leader of the company advised its employees this strategy for acknowledging its customer's loyalty. To be precise, the alcohol multinational company has redesigned its strategies to survive in this new normal world. It expanded its marketing

effectiveness and this is the reason why Diageo succeeded in embedding a deeper and broader measurement.

Recommendations for Improvement of the change process

Over the years, the leading company Diageo, in the industry of beverage alcohol has gone through several changes to enhance its prosperity in the industry. Besides that, it has recently faced huge losses due to the drastic pandemic. The newspaper reports that this company has confronted a great loss, approximately a decline of two hundred and sixty million dollars (Carruthers, 2020). Thus, the company has changed some of its business strategies along with improving some old strategies to achieve the organizational goal by 2030 (Diageo, 2020).

1. **Enhancing its profitability-** The company has faced a huge loss last year due to the covid-19 pandemic (Carruthers, 2020). Besides that, there are several challenges the company has confronted over the years due to which the company needs to change some aspects of their business strategy to alleviate those. It has been explored that apart from being one of the leading companies in the industry of beverage alcohol, the company fails to meet the demand of their customers within time. The studies explored that only ninety percent of orders can be delivered within time. Thus, the company had designed a delivered program that has enabled them to meet the customers' demand and evoked to achieve 3.1 million trillion of benefits over six months (Archived Breakthrough, 2017). Therefore, the company must improve its supply chain in the future which will further help them to win customers' trust as well as enhance their performance, profitability in the market.

2. **Being more careful in case of investing-** In the past decade, the company, Diageo had invested three billion dollars in the United Spirits (USL) and the new CEO of this merged company was Kripalu. Studies have explored that after that Diageo got involved in a tax evasion scandal (Ganguly, 2015). In 2011 the US Securities and Exchange Commission charged Diageo under Foreign Corrupt Practices Act. This company was also charged under the same violation law in Thailand and South Korea and India (Esser and Jernigan, 2015). Therefore, from these past incidents, the company should be careful about the investment. They should invest in those sectors or companies which will be fruitful for them rather than paying costs like this.

3. **Sustainable strategy-** Diageo has created several programs, considering the public health of the consumers to contribute to sustainable development. They have introduced a program, namely

DRINKiq which intends to educate the consumers about the effect of overconsumption of alcohol along with consumption of alcohol at underage (Diageo, 2021). Besides that they have also started programs that intend to prevent drink-driving in developing countries along with distributing breath alcohol analyzers of high quality, implementing enforcement like Traffic Police and others (Esser and Jernigan, 2015). Following this strategy, this present study also recommends that the company must continue such programs among the alcohol consumers to educate them about alcohol elaborately. This will also help the company to gain popularity by making the customers and others think that the company cares for people's health along with enriching their profitability. They also should continue the Plan W program to promote female alcohol consumption to support women's empowerment (Esser and Jernigan, 2015). It will further help it to enhance its profitability along with improving its social image.

Conclusion

It can be depicted from this research study that Diageo, a global leader in beverage alcohol, has over 200 outstanding brands both new and old, large and small, global and native. Their brands are sold in over 180 countries in every category in order to meet consumer demand. Also, Diageo has been laid off by the giants of the company. Their HR management procedure is very fine and their majority of employees is managed by HRM. The company has personnel management automatically. Diageo has faced a lot of loss after the pandemic but with the several adjustments that it has made for surviving in the market and securing its market share, it has created a record by fighting against all odds. This brand has been constantly ensuring that its resources are deployed properly where they are the most effective. Lastly, post-pandemic, they have restructured their management styles and leadership tactics and thrived in the UK market.

References

Achieve Breakthrough. 2021. *Organisational change management | Achieve Breakthrough*. [online] Available at: <<https://www.achievebreakthrough.com/case-studies/diageo-guinness>> [Accessed 25 October 2021].

Al Khajeh, E.H., 2018. Impact of leadership styles on organizational performance. *Journal of Human Resources Management Research*, 2018, pp.1-10.

Alaaraj, S., Mohamed, Z.A. and Bustamam, U.S.A., 2018. External growth strategies and organizational performance in emerging markets: The mediating role of inter-organizational trust. *Review of International Business and Strategy*.

Bloom, N., Brynjolfsson, E., Foster, L., Jarmin, R., Patnaik, M., Saporta-Eksten, I. and Van Reenen, J., 2019. What drives differences in management practices?. *American Economic Review*, 109(5), pp.1648-83.

Carruthers, N., 2021. *Diageo ditches fiscal 2020 guidance amid covid-19 crisis - The Spirits Business*. [online] The Spirits Business. Available at: <<https://www.thespiritsbusiness.com/2020/04/diageo-ditches-fiscal-2020-guidance-amid-covid-19-crisis/>> [Accessed 25 October 2021].

DESSALEGN, M., 2021. *THE EFFECT OF SUPPLY CHAIN MANAGEMENT PRACTICES ON ORGANIZATIONAL PERFORMANCE: THE CASE OF DIEGO-META ABO BREWERY ETHIOPIA* (Doctoral dissertation, ST. MARY'S UNIVERSITY).

Diageo. 2021. *Our 2030 targets*. [online] Available at: <<https://www.diageo.com/en/society-2030/society-2030-spirit-of-progress/our-2030-targets/>> [Accessed 25 October 2021].

Diageo. 2021. *Our strategy*. [online] Available at: <<https://www.diageo.com/en/our-business/our-strategy/#>> [Accessed 25 October 2021].

Dimpfl, T. and Jank, S., 2015. Can Internet Search Queries Help to Predict Stock Market Volatility?. *European Financial Management*, 22(2), pp.171-192.

Esser, M.B. and Jernigan, D.H., 2015. Multinational alcohol market development and public health: Diageo in India. *American journal of public health*, 105(11), pp.2220-2227.

Firooznia, R., Dargahi, H., Jafari-Koshki, T. and Khaledian, Z., 2018. Strategic analysis of maternal health program evaluation system for providing improvement strategies using internal-external environment assessment technique in Iran. *Management Strategies in Health System*, 3(3), pp.168-183.

Gambal, M., 2021. *Exploring Strategic Innovation in a Business Services Outsourcing Context: Client and Provider Perspectives* (Doctoral dissertation, Aston University).

Ganguly, D., 2015. *How liquor giant Diageo is changing and being changed by United Spirits*. [online] The Economic Times. Available at: <<https://economictimes.indiatimes.com/how-liquor-giant-diageo-is-changing-and-being-changed-by-united-spirits/articleshow/48899157.cms?from=mdr>> [Accessed 25 October 2021].

Kianto, A., Sáenz, J. and Aramburu, N., 2017. Knowledge-based human resource management practices, intellectual capital and innovation. *Journal of Business Research*, 81, pp.11-20.

Kroon, A.C. and Van der Meer, T.G., 2021. Who takes the lead? Investigating the reciprocal relationship between organizational and news agendas. *Communication Research*, 48(1), pp.51-76.

Liozu, S. and Hinterhuber, A., 2021. Pricing as a driver of profitable growth: An agenda for CEOs and senior executives. *Business Horizons*.

OWUOR, P., 2018. EFFECTS OF TRANSFORMATIONAL LEADERSHIP STYLE ON ORGANIZATIONAL PERFORMANCE IN KENYA: A CASE STUDY OF KENYA BREWERIES LIMITED.

Struthers, B., 2012. Our people are our business. *The APPEA Journal*, 52(2), p.643.