

# Background of procter and gamble



The company I have chosen for the assignment of managing change in organization is Procter & Gamble. The company is a Fortune 500 American multinational corporation headquartered in Downtown Cincinnati, Ohio that manufactures a wide range of consumer goods. It is 6th in Fortune [HYPERLINK “ http://en. wikipedia. org/wiki/Fortune\\_500”](http://en.wikipedia.org/wiki/Fortune_500) [HYPERLINK “ http://en. wikipedia. org/wiki/Fortune\\_500”](http://en.wikipedia.org/wiki/Fortune_500)s Most Admired Companies 2010 list. P&G is credited with many business innovations including brand management and the soap opera.

## **History and Background of Company**

In 1887 P&G institutes a pioneering profit-sharing program that gives employees an ownership stake in the Company. This significant innovation helps employees connect their vital roles with the Company's success.

In 1924 P&G becomes the first company to conduct deliberate, data-based market research with consumers. This forward-thinking approach enables us to improve consumer understanding, anticipate consumer needs and respond with products that improve their everyday life.

In 1994 P&G becomes one of the first companies to formally respond to consumer correspondence by establishing the Consumer Relations department. The addition of toll-free phone numbers in 1973 and e-mail in the 1980s further enhance consumers' ability to contact us and keep the consumer at the heart of all we do.

In 1995 Crest is co developed with Indiana University. This collaboration delivers a product that is a breakthrough in the use of fluoride to protect against tooth decay, the second-most prevalent disease at the time.

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In 2002 P&G develops Naturella feminine pads specifically to meet the needs of low-income women in Latin America. Based on deep consumer understanding, Naturella responds to consumers' desire for freshness with chamomile, a unique ingredient never before used in feminine care products.

In 2005 High Frequency Stores common in developing markets emerge as our largest customer channel. Consisting of nearly 20 million stores across the world, HFS represents a particular opportunity in fast-growing, low-income markets. Through HFS, we connect to consumers with affordable products and packaging specially designed for their needs.

## **Investigation Organizational Structure of Procter & Gamble**

### **General definition of Organization structure:**

Organizational structure specifies the firm's formal reporting relationships, procedures, controls, and authority and decision-making processes.

Developing an organizational structure that effectively supports the firm's strategy is difficult, especially because of the uncertainty (or unpredictable variation) about cause-effect relationships in the global economy's rapidly changing and dynamic competitive environments. When a structure's elements (e. g., reporting relationships, procedures, and so forth) are properly aligned with one another, that structure facilitates effective implementation of the firm's strategies. Thus, organizational structure is a critical component of effective strategy implementation processes

## **Types of organizational structure**

### **Simple Structure**

The simple structure is a structure in which the owner-manager makes all major decisions and monitors all activities while the staff serves as an extension of the manager's supervisory authority.

### **Functional Structure**

The functional structure is a structure consisting of a chief executive officer and a limited corporate staff, with functional line managers in dominant organizational areas, such as production, accounting, marketing, R&D, engineering, and human resources.

### **Multidivisional structure**

The multidivisional (M-form) structure consists of operating divisions, each representing a separate business or profit center in which the top corporate officer delegates responsibilities for day-to-day operations and business-unit strategy to division managers.

### **Procter & Gamble**

The structure of the Procter and Gamble is multidivisional structure. Because the simple structure is used in a small organization where the owner works as a manager and take all the big decision for the company. Typically, the owner-manager actively works in the business on a daily basis. Informal relationships, few rules, limited task specialization, and unsophisticated information systems describe the simple structure. Frequent and informal communications between the owner-manager and employees make it relatively easy to coordinate the work that is to be done. Functional structure

is used for the organization which is growing but relatively small organization. This structure allows for functional specialization, thereby facilitating active sharing of knowledge within each functional area. Knowledge sharing facilitates career paths as well as the professional development of functional specialists. However, a functional orientation can have a negative effect on communication and coordination among those representing different organizational functions. Because of this, the CEO must work hard to verify that the decisions and actions of individual business functions promote the entire firm rather than a single function.

Procter & gamble is a relatively big organization with a business spread internationally so they are using multidivisional structure. The multidivisional structure of P&G consists of operating divisions, each representing a separate business or profit center in which the top corporate officer delegates responsibilities for day-to-day operations and business-unit strategy to division managers. Each division represents a distinct, self-contained business with its own functional hierarchy. As initially designed, the M-form was thought to have three major benefits: (1) it enabled corporate officers to more accurately monitor the performance of each business, which simplified the problem of control (2) it facilitated comparisons between divisions, which improved the resource allocation process; and (3) it stimulated managers of poorly performing divisions to look for ways of improving performance. Active monitoring of performance through the M-form increases the likelihood that decisions made by managers heading individual units will be in shareholders' best interests.

## **Brands and Products**

### **Brands**

#### **Beauty and Grooming**

##### **Products**

Some of the most famous products of beauty and Grooming brands are as under:

CoverGirl

Dolce & Gabbana

Puma

Gillette

#### **Health and Well-Being**

Some of the most famous products of Health and Well-Being brand are as under:

Vicks

Oral-B

Always

#### **Household Care**

Some of the most famous products of Household Care brand are as under:

Ariel

Bounce

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Bounty

## **Background to Change**

In January 1999, Jager, a P&G veteran became the new CEO taking charge at a time when P&G was in the midst of a corporate restructuring exercise that started in September 1998.

Jager faced the challenging task of revamping P&G's operations and marketing practices. Soon after taking over as the CEO, Jager told analysts that he would overhaul product development, testing and launch processes. The biggest obstacle for Jager was P&G's culture. Jager realized the need to change the mindset of the P&G employees who had been used to lifetime employment and a conservative management style. On July 1, 1999, P&G officially launched the Organization 2005 program. It was a program of six-year duration, during which, P&G planned to retrench 15, 000 employees globally. The cost of this program was estimated to be \$1. 9 billion and it was expected to generate an annual savings (after tax deductions) of approximately \$900 million per annum by 2004.

## **Change in Organization Structure**

Till 1998, P&G had been organized along geographic lines with more than 100 profit centers. Under Organization 2005 program, P&G sought to reorganize its organizational structure from four geographically-based business units to five product-based global business units – Baby, Feminine & Family Care, Beauty Care, Fabric & Home Care, Food & Beverages, and Health Care.

## **Internal Change**

The change the P&G going to make internally is starting new business unit in the organizational structure. This change probably effects the whole organization. Because it must share the organization sources financial as well as human resources.

## **External change**

Environment is changing rapidly so the organization also needs to be a dynamic to cater the environment change. P&G is the big organization so its new business unit definitely effects the environment and creates a new market.

## **The Mistakes Committed**

The Organization 2005 program faced several problems soon after its launch. Analysts were quick to comment that Jager committed a few mistakes which proved costly for P&G. For instance, Jager had made efforts in January 2000 to acquire Warner-Lambert and American Home Products. Contrary to P&G's cautious approach towards acquisitions in the 1990s, this dual acquisition would have been the largest ever in P&G's history, worth \$140 billion.

However, the stock market greeted the news of the merger negotiations by selling P&G's shares, which prompted Jager to exit the deal.

## **Implementing Strategies to Revive P&G**

In June 2000, Alan George Lafley (Lafley), a 23-year P&G veteran popularly known as 'AG,' took over as the new President and CEO of P&G. The major difference between Lafley and Jager was their 'style of functioning.' Soon

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after becoming CEO, Lafley rebuilt the management team and made efforts to improve P&G's operations and profitability. Lafley transferred more than half of P&G's 30 senior most officers, an unprecedented move in P&G's history.

## **Building Diversity in the Organization**

At P&G, we believe in taking advantage of all the unique and special differences that our employees possess and leveraging them to the fullest. Since diversity is a business strategy for P&G, our efforts are focused on bringing in people from different ethnic and cultural backgrounds with remarkably diverse lives and career experiences.

Organizations that are in touch are far more capable of understanding consumers from all walks of life. They are far more capable of understanding, appreciating and leveraging their own diversity. They are more capable of tapping the diversity of outside partners.

Our recruiting efforts target universities all over Pakistan and are aimed at bringing in people with different leadership and thinking styles. Today, our organization draws from more than 30 schools and universities.

We also focus on gender diversity by targeting women at universities for females and holding diversity sessions for female students on campuses. Women offer a different perspective that is crucial to our success. We aim to balance not only organizational diversity but also diversity within the various departments. Women make up about 25 percent of the workforce at P&G Pakistan.

To stress this goal to our employees, P&G Pakistan has introduced many initiatives. To avoid defining our diversity objectives too narrowly and limiting them to percentages and representations of certain groups, P&G has made tremendous recruiting efforts and has launched programs such as flexible work arrangements and the day-care center.

Diversity is respected and required across all levels of the company. In fact, diversity action plans are developed in each region of the world to give local diversity strategies the best chance of success.

## **Change Management Model: Dealing With Change**

### **1. Denial**

The first response to a significant change is often shock, – a general refusal to recognise the information. In this way we protect ourselves from being overwhelmed. Common responses include:

- Denying: “ This can’t be happening.”
- Ignoring: “ Wait till it blows over.”
- Minimizing: “ It just needs a few minor adjustments.”

It is possible to continue working in the denial phase, but sooner or later the impact hits home and a personal response is required.

## **Management Approach OF P&G**

Be up front with information to individuals and groups of staff. Let them know that change is going to occur. Acknowledge their fears of change as legitimate. Explain what to expect and suggest actions they can take to

adjust to the change. Give them time to let things sink in, and then have a planning session to talk things through.

## **2. Resistance**

In this phase things often seem to get worse. Personal distress levels rise. It is common to spend time looking for someone or something to blame, or to spend time complaining about the new set-up. Resistance is about fear of change. People may become physically ill, feel all sorts of physical, emotional, and/or mental symptoms. Some people may doubt their ability to survive the change. During this phase there is a greater focus on mourning the past, more than preparing for the future. Many people want to avoid the situation or pretend it is not happening, sometimes by moving back into denial. The self-acknowledgement of feelings being experienced, will ready people to move more quickly to the next phase.

## **Management Approach of P&G**

Listen, acknowledge feelings, respond empathetically, encourage support. Don't try to talk people out of their feelings, or tell them to change or pull together. If you accept their response, they will continue to feel they are able to tell you how they are feeling. This will help you respond to some of their concerns. Use questions to stimulate broader thinking and perspective setting.

## **3. Exploration**

After a period of struggle, individuals and organizations usually emerge from their negativity, breathe a sigh of relief, and shift into a more positive, hopeful, future-focused phase. People realize they are going to make it

through OK. It can be as subtle as just feeling better, or as obvious as sleeping through the night for the first time since the change started. The timing is different for each person.

New directions do not emerge all at once. Rather, what emerges first is the energy to put a search into action. People begin to discover and explore new ways, to start clarifying goals, assessing resources, exploring alternatives, and experimenting with new possibilities. A motivation to ‘ swing into action’ occurs without trying first to find the “ right way”. It is important to resist completing the exploration phase too soon by accepting something less than what the person is capable of. This is a period of high energy, with creativity at its peak.

## **Management Approach of P&G**

Focus on priorities and provide any needed training. Follow-up on projects underway. Set short-term goals. Conduct brainstorming, visioning and planning sessions. Foster all learning opportunities to help overcome fear of change.

### **4. Commitment**

Finally, the individual has broken through the problems, discovered new ways of doing things and/or adapted to the new situation. The commitment phase begins with focus on a new course of action. This could be new ways of doing the job, or finding a new job. The successful commitment to a new course of action shows there has been learning growth and adaptation on the part of the individual.

## **Management Approach of P&G**

Set long-term goals. Concentrate on teambuilding. Create a mission statement. Validate and reward those responding to the change. Look ahead.

## **Strategies pursuing by the Procter and Gamble**

### **Strategy 1**

Delight the consumer with sustainable innovations that improve the environmental profile of our products.

### **Strategy 2**

Improve the environmental profile of P&G's own operations.

### **Strategy 3**

Improve children's lives through P&G's social responsibility programs.

### **Strategy 4**

Engage and equip all P&G employees to build sustainability thinking and practices into their everyday work.

### **Strategy 5**

Shape the future by working transparently with our stakeholders to enable continued freedom to innovate in a responsible way.

## **Resistance and its Handling y P&G**

Strong resistance to change is often rooted in deeply conditioned or historically reinforced feelings. Patience and tolerance are required to help people in these situations to see things differently. Bit by bit. There are examples of this sort of gradual staged change everywhere in the living world.

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PHYPERLINK “ [http://www. businessballs. com/psychological-contracts-theory. htm](http://www.businessballs.com/psychological-contracts-theory.htm)”&HYPERLINK “ <http://www. businessballs. com/psychological-contracts-theory. htm>” G tHYPERLINK “ <http://www. businessballs. com/psychological-contracts-theory. htm>” he Psychological Contract is a significant aspect of change, and offers helpful models and diagrams in understanding and managing change – potentially at a very fundamental level.

Also, certain types of people – the reliable/dependable/steady/habitual/process-oriented types – often find change very unsettling.

People who welcome change are not generally the best at being able to work reliably, dependably and follow processes. The reliability/dependability capabilities are directly opposite character traits to mobility/adaptability capabilities.

Certain industries and disciplines have a high concentration of staff who need a strong reliability/dependability personality profile, for example, health services and nursing, administration, public sector and government departments, utilities and services; these sectors will tend to have many staff with character profiles who find change difficult.

Age is another factor. Erik Erikson’s fascinating Psychosocial Theory is helpful for understanding that people’s priorities and motivations are different depending on their stage of life.

The more you understand people's needs, the better you will be able to manage change.

Be mindful of people's strengths and weaknesses. Not everyone welcomes change. Take the time to understand the people you are dealing with, and how and why they feel like they do, before you take action.