

Kimberly clark case

Business



Executive Summary This report states all the main issues Kimberly Clark faced and benefits they got from the merger with Scott Company. An analysis has been performed about the importance of this merger in consumer care product line and recommendations on how to improve on its decision making process and efficient planning are mentioned. A detail analysis was performed on the external factors which affected this merger.

Legal/political, technological and economical factors are a few to mention. These factors played a crucial role in the strategic changes and decision process brought about by Kimberly Clark.

This report also highlights internal environment including reduction of staff, closing down of underperforming production unit, restructuring of product classification which affected the company. The internal and external environment in turn affects the performance of the company and plays an integral part in the organisation strategy and decision making process. Advantages such as increased supply chain, brand equity, expanded production units, assumptions and wrong organisation models implied by Kimberly Clark are also mentioned in the report.

Measures taken to improve the performance of the company, strategic approaches, and limitations of the company are mentioned about in this report. Finally, this report gives an overall conclusion of factors leading to the merger of Kimberly Clark along with their assumptions and strategic decision, which hindered the company to gain competitive advantage after its merger with Scott.

Recommendation ? Kimberly Clark should give high consideration of external factors for efficient planning. External environment demonstrate crucial understanding of factors to develop a competitive edge.

It helps in developing right strategic planning process considering new entrants, existing competitors maintaining position in the market from quality and price and also new technologies. ? Kimberly Clark should evaluate internal environment before having an integration process, as it shows company readiness to adapt with change. Lack of internal environment evaluation led to the loss of most of the senior executives from Scott.

Integration of the two companies from different regions and culture requires stable support from the management to prevent any negative responses. Kimberly Clark should have decision making practices which matches the company's strategic objectives. This will avoid the company from constant restructuring, as constant restructuring develops a negative impact on shareholders. Study of external and internal environment, considering all possible factors will make it easier to implement Global Business Policy and avoid its failure. ? Kimberly Clark should maximize their knowledge from experienced Scott managers as this will help in understanding the local market. It also allows the company to understand the organisation work culture and vivid methods of operation from Scott.

Kimberly Clark did not have proper knowledge of Scott inventory and the impact of extreme downsizing of the organisation. This hindered them to solve the emerging problem quickly. History Kimberly Clark and company

was founded in Neenah, Wisconsin in 1872, in a partnership between John A. Kimberly, Charles B. Clark, Frank . C.

Shattuck and Havilah Babcock. The company was initially launched their business as paper mills. Further through various mergers, acquisition and innovation they have become one of the leading brands in paper based products, all over the world (Thomson Corporation, 1997).

The company has established its position by the development of new marketing programmes and technological advances (Glowacki, 1995). They have worked through, to become one of the 100 best companies in USA by focussing on health, hygiene and well being of the consumer introducing popular brands like Kleenex, Scott, huggies, pull ups and kotex (Kimberly clark , 2003). Global Expansion In order to incorporate the Global Expansion Strategy, Kimberly Clark decided to have a merger with Europe's leading brand company Scott Corporation.

This merger had a positive impact on Kimberly Clark as it lead the company to increase its market share in the consumer market, as well as it gave the company a great product mix (ProQuest Information and Learning Company, 1995). This merger allowed expense reduction, along with operational synergies in the company and brought high end products as well as low end alternatives eliminating mid range segment. It strengthened Kimberly Clark Corporation's position in the European market, by holding almost 58% of the Market share in Europe (Collins, 1995).

Organisation Environments External Environment Political and Legal The merger between Kimberly Clark and Scott became a major legal and political <https://assignbuster.com/kimberly-clark-case/>

issue in the market as Kimberly Clark had a control of 58% of the market share. This emerged as a domestic antitrust problem in the consumer mind in Europe (Collins, 1995). The direct target competition among them was bringing the consumers a lower price and also benefits from frequent promotions, couponing and other marketing strategies (United States District Court Northern District of Texas Dallas Division, 1995).

Due to the reasons mentioned above, there was increased political pressure on Kimberly Clark which lead them to sell SCA (Kleenex plant in Britan). This plant used to help thier tissue brand Kleenex to be more improved and advanced. Later, SCA began competing with Kimberly Clark leading to a fall in the share of Kimberly Clark by about 3% and gain in the share of SCA by 6% (Forest ; Dawley, 1998). Economical The merger between Scott and Kimberly Clark brought Kimberly Clark a major restructuring cost falling in between \$675 million and \$775 million.

This cost pressurized Kimberly Clark to shut down 20 plants and also reduce their work-force by 10%, keeping the organisation cost down(Decision News Media SAS, 2005). During this period, the price of all their products fell by 2 percent.

This cost difference ultimately started reflecting on the price of the products for the customers in US and Europe. As a result, the company faced a 17 percent fall in fourth quarter of their net income (Pitman, 2006). It was a result of Kimberly Clark's poor planning and prediction about the positive outcomes in global growth and operational synergies, neglecting high cost involvement.

Further increases in operating cost lead to repetitive restructuring of the organisation to achieve efficient cost structure (Forest & Dawley, 1998).

Technological The merger between Kimberly Clark and Scott strengthened the distribution channel for both the companies and their operating margins.

It helped Kimberly Clark to put aside the expenditure on building up an International business as well as they could increase the manufacturing efficiency of the company. Kimberly Clark was also benefited from combining the two different product strategies of both the companies.

Kimberly Clark focussed on high end product while Scott focussed on value priced product line (Collins, 1995). This product mix lead to a strong, powerful position of Kimberly Clark not only in diapers but also on other products as well, such as consumer tissue and home products (Thomson Corporation Company, 1995). Internal Environment Reduction of staff Before this merger, Scott Company already had a massive restructure of the organisation where they decided to reduce the number of staff by 10, 500.

All these steps were taken by Scott, to look attractive during the acquisition (The Gale Group, Inc, 2006).

After the merger Kimberly Clark further reduced the staff number and restructured the organisation to cut down the cost of operation and cover initial investment (Pitman, 2006). They even decided to eliminate duplicate staff and sales position, which lead to a 10 percent reduction of combined company workforce (Thomson Corporation Company, 1995). This caused a major brain drain from the company, putting immense pressure on the staff to bring operating cost down.

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Reduction of underperforming unit Kimberly Clark during restructuring closed almost 17 of its old manufacturing units which were not so productive for the company (Decision News Media SAS, 2005). It was one of the measures the company took to reduce its operating expense. They dissociated themselves from the pulp and paper manufacturing unit which contributed a very low profit margin to the company.

This resulted to a fall in the production, to 30 percent and reduced worldwide consumption of their commodities to 80 percent.

Closure of mills divested its pulp business worldwide. This raised the price of raw materials for Kimberly Clark (Hoover's Incorporation, 2010).

Restructuring Product Classification The other reorganisation strategy by Kimberly Clark was, to divide their product into 3 wide categories, as Grow, Sustain, and Fix in 2003 (Kimberly Clark corporation, 2004). This division was mainly done on the basis of their total sales and contribution in profit by each product category.

But soon they realised that it wasn't helping them to concentrate on product growth and its innovation.

Hence they reorganised their category according to different product lines. They divided their product line into personal care, washroom products and emerging markets (Kimberly-Clark Corporation, 2005). It was a global strategy by the company to open up a new market for their products, as these categories emphasised on their innovation and improvement of the product operation and quality. They decided to grow their baby care, child

care, adult care and family care products on a global scale through further mergers and acquisition (Hitt, Black, ; Porter, 2009). Decision Making Process