

Colgate-palmolive essay

[Business](#), [Company](#)



Executive Summary

This paper discuss InformationTechnologyand its application in Colgate-Palmolive Company, a multinational corporations currently active in providing their consumers with consumer products like soaps, detergents, and oral hygiene products. Today, the company is in the beginning of is last stages of IT development. During the last decade, the company has been operating with the support of high-tech IT operations throughout their global markets.

In this stage, there are little or no more IT inventions and initiatives that would generate large changes in the company in the future. The IT strategy of the company is build on the basis of Colgate-Palmolive's fundamental operationphilosophy, integration. Under the SAP system installed in 1994, the company is able to manage their relationship with internal departments and external parties under a single and standardized software design. The IT strategy also allows the company greater efficiency in facing environmental changes and competitive challenges.

Colgate-Palmolive

I. Introduction

I. 1. Information Technology

The term information technology is no stranger to business managers today. It has become a growing necessity for many businesses due to the increasingly rapid growth of economy and market expansion. It is a tool of business survival and a tool of enhancing corporate competitive advantages.

According to Jim Kelton (2005), companies living in today's economy generally have three major phases of growth, they are: the Initial Expansion phase, the Growth phase and the Contraction phase. Information technology grows and evolves along with these three phases of growth. In the first phase, Initial Expansion, after a few months of successful business, demands accelerate and production and staffing both increase. In this phase, IT projects are generally put on hold until cash flow improves. Employees take advantage of only the existing computers and other information management equipment until financial opportunity comes.

In the second phase, the Growth phase, volume and prices have reach the condition that allows better financial conditions. As production activities increase, employees perform more meetings and do more work involving existing information technology equipments. IT projects are seen as a necessity to capture growth and there is much more attention and investment in developing them (Kelton, 2005).

In the last phase, the Contraction phase, the IT projects started in the Growth phase are generally completed. However, the business reaches its maturity stages. Business slowdown decreases staffing and production activities. New projects are put on hold or cancelled and there are no new investments on IT (Kelton, 2005).

I. 2. Corporate Background

Within this paper, we are discussing about IT implementation in the Colgate-Palmolive company. Colgate Palmolive is an \$ 11. 4 billion worth of multinational company, having customers in more than 200 countries and territories. The company produces consumer products and mostly healthcare

products, like toothpaste, bar and liquid soaps, deodorants, antiperspirants, dishwashing detergents, household cleaners, fabric conditioners and specialty petfood. Corporate activities are divided into three core business oral Care, Personal Care and Home Care & Pet Nutrition (' Colgate Palmolive 2005 Annual Report', 2006).

Colgate's Gross profit margins have increased consistently, from 39% in '84 to 54% in 2000. Forecasts even indicate that the margin will reach 60 by 2008. In this paper, we will examine further of what IT development phase is Colgate-Palmolive company in today and how it assist the company with its operations (' Colgate Palmolive 2005 Annual Report', 2006).

II. General Management Principles on IT Operations

II. 1. Roles of IT

After shortly assessing the core principle of Colgate-Palmolive's IT department design, in this chapter we will define how IT operations helped the company in their short and long-term operations. As mentioned previously, the company delivered a stable growth of profit margin and sales as a whole. Corporate CIO stated that the role of IT operations within that success is no less than crucial. However, he also stated that unlike others in the global business, Colgate's IT strategy does not stand on its own, it is a part of an overall integration strategy (Barlas, 2002).

II. 2. IT Integration Strategy

According to their CIO, Ed Toben, the company only has one e-business strategy, integration. The strategy has been around since mid 1990's, maintained its course during the 1999 and 2000 when it was ' unfashionable', and remained apparent until today. Despite the massive size

of the IT operations throughout company's global operations, the strategy of 'integration' maintain its dominance in most of the design (Barlas, 2002).

The company installed an SAP R/3 implementation since 1994. It has AS 400s systems, mainframes, various applications and approximately 75 data centers which are all designed within the principles of integration. The IT department was designed to eliminate scattered processes arising from data dispersal and avoid the panacea-form of e-business software management. The CIO stated that this integrated style of software management was derived from the corporate philosophy of integrated business software.

Thus, the IT department has some extent of responsibility in overseeing the entire operation as one integrated process. This philosophy has been around since before Colgate installed the SAP system. For instance, the company consolidated its customer service and transportation divisions into one organization, thus, they have clear visibility into the entire consumer-related processes (Barlas, 2002).

II. 3. Colgate-Palmolive IT Implementation

As mentioned previously, the company does not install its SAP software until 1994. Thus, the strategy of integration requires some stages of adaptation before it can fully be implemented throughout the entire organizational system. The company must migrate from dozens of disparate legacy systems and applications to a single data model (Barlas, 2002).

Ed Toben, the CIO indicated that Colgate go through this process very carefully. The company began rolling out R/3 in North America in effort of creating an operational template from business, IT and data management

perspectives. The established template then became the model for extending the R/3 to other geographic regions in the world. As a result, today, the company operates using only a single data center and one backup (Barlas, 2002).

III. IT Relationship with other Departments and External Parties

III. 2. Relationship with Vendors and Corporate Customers

For internal and external operation purposes, the integration strategy has apparent benefits. Some of the most obvious benefits are the decommissioning of legacy assets and redundant IT positions. Furthermore, the IT relationship has contributed considerably to drive business efficiency. The company collaborates with IT partners like IBM and SAP to keep costs down as infrastructure grows. The company standardized most of its IT processes right to their desktops (Barlas, 2002).

This standardized system allows the company to react quickly when facing conditional changes or even more fundamental changes in business environment. For example, Ed Toben stated that they did not have any difficulty in facing the currency change to euro in their Europe markets because the SAP system allows them to change their currency to Euro with a single and easy operation (Barlas, 2002).

Relationship with external parties like vendors and customers also guided with the integration philosophy. Partners are encouraged to actively exchange information and cooperate to solve problems within the supply chain. Colgate managed this by promoting the well established platform of communication. The company also has a collaborative planning, forecasting and replenishment (CPFR) and promotional planning with a

number of partners. Relationship with vendors also becomes easier because the company implemented the Vendor Managed Inventory (VMI) system with various retailer's distribution centers.

III. 2. Relationship with the General Consumers

Within their financial report, the company stated that they goes far beyond the traditional consumer research in order to understand consumer preferences. For instance, in Europe, interactive touch screen units are placed in consumer centers to gain insights from consumers. Information gained from consumer insights is then routed to the various categories of consumer segments. Furthermore, the company also has invitation-only interactive online communities of 300-400 people providing the company with deep insights that enhance the speed and quality of new product development and marketing programs. The company uses advanced technology to gain insight from consumers and storing within the IT system so all departments might take 'hints' from them ('Colgate-Palmolive Company', 2006).

IV. Conclusion

Considering the phases of IT development as elaborated above, Colgate-Palmolive is within the second and the last phase. Some fundamental IT projects has been completed and displaying tremendous signs of success while other smaller initiatives are currently under development and integration process with the core IT system.

Managers of the company believed that IT has a crucial role in supporting the success of Colgate Palmolive. The company has a single IT strategy, integration. Most of the IT designs throughout company's worldwide

operations are using this strategy. The company maintains partnership with several IT partners in order to provide managers with integrated, standardized IT operation right to their desktops. The company uses this strategy in their relationship with internal as well as external parties. Among other benefits, this IT strategy allows the company to react quickly to any environmental changes and gain insights of consumer preferences in their industry.

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