Organisational change at unilever

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Unilever is a very old multinational with worldwide operations in the detergent and food industries. For decades, Unilever managed its worldwide detergents activities in an arm’s length manner. A subsidiary was set up in each major national market and allowed to operate largely autonomously, with each subsidiary carrying out the full range, of value creation activities, including manufacturing, marketing and R & D. The company had 17 autonomous national operations in Europe alone by the mid – 1980s.

In the 190s, Unilever began to transform its worldwide detergents activities from a loose confederation into a tightly managed business with a global strategy. The shift was prompted by Unilever’s realization that its traditional way of doing business was no longer effective in an arena where it had become essential to realize substantial cost economies, to innovate, and to respond quickly to changing market trends. The point was driven home in the 1980s when the company’s archrival, Procter & Gamble repeatedly stole the lead in bringing new products to market.

Within Unilever, “ persuading” the 17 European operations to adopt new products could take four to five years. In addition, Unilever was handicapped by a high-cost structure from the duplication of manufacturing facilities from country to country and by the company’s inability to enjoy the same kind to scale economies as P & G. Unilever’s high costs ruled out its use of competitive pricing. To change this situation, Unilever established product divisions to coordinate regional operations. The 17 European companies now report directly to Lever Europe.

Implicit in this new approach is a bargain : The 17 companies are relinquishing autonomy in their traditional markets in exchange for opportunities to help develop and execute a unified pan – European strategy. As consequences of these changes, manufacturing is now being rationalized, with detergent production for the European market concentrated in a few key locations. The number of European plants manufacturing soap has been cut from 10 to 2, and some new products will be manufactured at only one site.

Product sizing and packaging are being 20 harmonized to cut purchasing costs and to pave the way for unified pan-European advertising. By taking these steps, Unilever estimates it may save as much as $400 million a year in its European operations. Lever Europe is attempting to speed its development of new products and to synchronise the launch of new products throughout Europe. Its efforts seem to be paying off: A dishwasher detergent introduced in Germany in the early 1990s was available across Europe a year later – a distinct improvement.

But history still imposes constraints. Procter & Gamble’s leading laundry detergent carries the same brand name across Europe, but Unilever sell its product under a variety of names. The company has no plans to change this. Having spent 100 years building these brand names, it believes it would be foolish to scrap them in the interest of pan – European standardization. Questions 1. What strategy was Unilever pursuing before its early 1990s reorganization? What kind of structure did the company have?

Were Unilever’s strategy and structure consistent with each other? What were the benefits of this strategy and structure? What were the drawbacks? 2. By the 1990s, was there still a fit between Unilever’s strategy and structure and the operating environment in which it competed? If not, why no? 3. What kind of strategy and structure did Unilever adopt in 1990s? Is this appropriate given the environment in which Unilever now competes? What are the benefits of this organizational and strategic shift? What are the costs?