Procter and gamble organization 2005

Business

PROCTER AND GAMBLE (2005) Procter and Gamble Organization (2005) Why did P+G profit suddenly plummet under Jager? Was it sales? Was it cost? Both? Lafley certainly wants to not get fired, too, so the first thing he will do is try and figure out what happened to Jager. Use the data in the case to help you. Jager’s aggressive plan of launching new products was driven by his desire to find big billion dollar products such as Tide or Pampers. However, his troubles started when he did not find it. The organization’s great hope, Olay Cosmetics and Fit, a fruit wash, also flopped. Jager’s attempts to globalize P&G’s brands also failed. For instance, he decided that P&G’s products should be sold using one brand name all over the world. Therefore, in Germany, P&G changed the name of its dishwashing liquid from Fairy to Dawn- the brand name used in the USA (Piskorski & Spadini, 2007). No one knew what Dawn was in Germany, and this also resulted to plummeting of sales. From all these explanations, it is evident that P&G’s profits plummeted as a result of low sales. The new strategies that were proposed by Jager failed to yield results resulting to low sales and negative earnings (Piskorski & Spadini, 2007). There two things that correlate with the steep fall in profits: the change in CEOs and the change to the new Org 2005 structure. Do you think one or both contributed? If you think it was the CEO change, then why did Jager do well initially? If it was the org change, what about Org 2005 generated the bad results? Consider doing a RACI and Hanna analysis to help you answer these questions. The change to the new Org 2005 structure played a significant role in the steep fall in profits. The aggressive restructuring program was designed to generate valiant innovations and increase their global rollout in order to double the organization’s sales to approximately $70 billion by the year 2005 (Piskorski & Spadini, 2007). He also aimed to achieve yearly earnings growth of nearly 13-15 percent. Jager's organization design structured P&G as three interdependent global organizations, structured by product category, geography, and business process. This was contrary to P&G's organizational design which put geography first, followed by product, and lastly functions. Jager's reorganization strategy backfired resulting to abysmal performance of P&G. The sales became flat and the company registered negative core earnings. The eventual outcome was P&G issuing four profit warnings (Piskorski & Spadini, 2007). Organization 2005 structure also aimed at chopping off 17, 000 workers within a period of three years. This demoralized the employees since they did not see themselves having a future in P&G; thus, they did not do their jobs with the precision that it deserves since they were uncertain of their fate in the organization. The Organization 2005 aimed at reorganizing P&G's corporate structure from its four geographic business units into seven global business units centered on product categories (Piskorski & Spadini, 2007). This failed to yield the expected results since the seven business units brought a high raw material costs than the expected and delays in FDA approvals. In order to fix things, Lafley did not require a radical makeover of P&G. Having learnt that in any complex business, there is a core, and the business's core is what brings most of the cash and profits. Therefore, what was needed was simply finding what was going to sell, and vending as much as possible. Having been in the organization for almost twenty five years, Lafley knew that the organization needed to sell more and more of Tide. This is because Tide and Pampers were the company's main source of revenue (Piskorski & Spadini, 2007). However, in its drive to come up with new products, it had neglected its older brands that acted as the face of the company. Therefore, choosing ten brands that customers easily identified with was the best way to approach this situation. After identifying them; the employees needed to be motivated to direct all their energies towards marketing and selling of the ten best-sellers. Additionally, the organization was to bring all its resources, financial backing and manpower to ensure that the strategy paid off (Piskorski & Spadini, 2007). This strategy could face challenges since most employees had lost hope and were not sure whether the organization would come up again. In this regard, their commitment would be minimal since they would find it hard to invest all their time and energies where they were not sure of better returns. Additionally, finding funds to revamp this process would be extremely hard and the company would be forced to borrow funds. This would continue to sink P&G further into more debts bearing in mind that it had registered losses and its stocks had also shot down. In conclusion, the Organization 2005 structure as proposed by P&G had intentions of revamping the organization as well as increasing its sales and revenue. However, its failure to meet the objectives for which it was formed was as a result of insufficient planning and minor problems in its execution. It is also important to note that not everything that Organization 2005 structure proposed led the low sales and negative earnings. ReferencesPiskorski, M. J., & Spadini, A. L. (2007). Procter and Gamble Organization 2005. Harvard Business Review, 1–23.