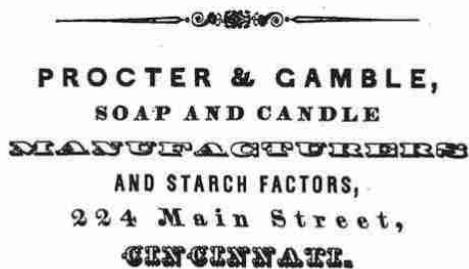


BUSINESS, MANAGEMENT

# Procter & Gamble's Organizational Structure for Managing Products

UPDATED ON SEPTEMBER 8, 2018 BY NATHANIEL SMITHSON



*An 1841 advertisement for Procter & Gamble in a Cincinnati publication. The Procter & Gamble Company's organizational structure supports effective product management in regional consumer goods markets. (Photo: Public Domain)*

The Procter & Gamble Company's organizational structure is primarily based on the company's product portfolio. This corporate structure also addresses P&G's business needs based on organizational function and consumer goods market geography. The organizational structure or corporate structure is the set of arrangements or design that defines the system of relationships among units in Procter & Gamble's business. These units include individuals and groups. In this case, Procter & Gamble's organizational structure determines how business needs and issues

are addressed. Structural characteristics define options in how the business responds to its external environment. For example, Procter & Gamble's corporate structure establishes the lines of authority and command in implementing decisions and solutions to solve problems. As one of the biggest players in the global consumer goods industry, the company must ensure that its organizational structure remains relevant to current business conditions. Accordingly, Procter & Gamble continues to evolve and adjusts its organizational structure over time.

A high degree of competitive rivalry imposes pressure on Procter & Gamble to use its

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corporate structure is one of the determinants of Procter & Gamble's ability to solve problems and effectively respond to challenges that the business encounters in the consumer goods industry environment.

## Procter & Gamble's Organizational Structure Type and Features

The Procter & Gamble Company has a **product-type divisional organizational structure**. The main structural characteristic in this case is the set of product-type divisions that influence P&G's managerial decisions and internal business processes. For example, Procter & Gamble considers product-based grouping as the basis for developing and maintaining management teams. This structural characteristic also determines the basic workforce units that support the consumer goods business. Procter & Gamble's organizational structure has the following major characteristics, arranged according to significance in the company's operations:

1. Product-Type Divisions
2. Geographical Divisions
3. Functional Groups

**Product-Type Divisions.** This characteristic of the organizational structure involves product groupings based on the product mix in [Procter & Gamble's marketing mix or 4Ps](#). For example, each product-type division addresses business concerns specific to a group of product lines. This feature of Procter & Gamble's corporate structure also determines how issues are addressed. Issues in a product-type division are typically contained within that division. Only major or large-scale issues require the involvement of Procter & Gamble's upper management. Such containment helps minimize costs in managing the business. The following are the product-type divisions in Procter & Gamble's organizational structure:

1. Beauty
2. Grooming
3. Health Care
4. Fabric & Home Care

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**Geographical Divisions.** The Procter & Gamble Company's areas of operations are the bases for this characteristic of the organizational structure. The strategic concern in maintaining this corporate structural feature of P&G is adequate support for managing regional operations. This is especially so because Procter & Gamble has major international operations in the consumer goods industry. Such scale of operations requires regional focus in large corporations. For example, Procter & Gamble has a management team for North America, and another management team for Europe. In this way, the company has managerial focus specific to regional market conditions. Procter & Gamble's organizational structure has the following geographical divisions:

1. North America
2. Europe
3. Asia Pacific
4. Greater China
5. India, Middle East and Africa (IMEA)
6. Latin America

**Functional Groups.** In keeping function-based groups, Procter & Gamble ensures that its organizational structure satisfies fundamental business functions. For example, this feature of the corporate structure establishes support for the company's CEO and his staff. Functional groups provide a way for Procter & Gamble to integrate its global consumer goods operations. This structural characteristic results in a corporate hierarchy that reflects the levels of management and decision-making in the business. Procter & Gamble's organizational structure has an executive heading each of the following functional groups:

1. CEO
2. CFO/Finance
3. Global Health Care
4. Global Fabric and Home Care and Global Baby and Feminine Care
5. Global Family Care and Global Brand Creation and Innovation, P&G Ventures
6. Global Beauty
7. Global Grooming
8. North America Selling and Market Operations
9. Human Resources

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12. Legal & Secretariat
13. Latin America Selling and Market Operations
14. Greater China Selling and Market Operations
15. Branding
16. India, Middle East and Africa (IMEA) Selling and Market Operations
17. Global Sales
18. Comptroller and Treasurer
19. Global Product Supply
20. Asia Pacific Selling and Market Operations

## The Procter & Gamble Company's Organizational Structure: Advantages & Disadvantages, Recommendations

An advantage of the Procter & Gamble Company's organizational structure is its support for product innovation. Each product-type division is capable of focused support for P&G's research and development. Through such focused support, Procter & Gamble is capable of enhancing current products or designing new ones. This structural foundation boosts brand competitiveness. Another advantage is that Procter & Gamble can effectively address regional market differences through its corporate structure. For example, each geographical division adjusts strategies to suit business needs specific to regional or domestic consumer goods markets. Thus, the organizational structure facilitates Procter & Gamble's growth in terms of support for flexibility to address market variations, and support for product development, which is one of the company's intensive strategies (Read: [Procter & Gamble's Generic Strategy & Intensive Growth Strategies](#)).

Procter & Gamble's organizational structure is satisfactory in addressing the needs of the business. The success and growth of the company are partly based on the appropriateness of its organizational structure. However, a disadvantage of this corporate structure is its limited support for cutting-edge innovation in Procter & Gamble's product development. The company is effective in enhancing its products and developing new ones. However, Procter & Gamble's business growth has been based mainly on consumer goods market penetration and acquisition. Thus, a recommendation is to improve this organizational structure to increase the rate of product innovation. This also requires a

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**TAGS:** [CASE STUDY & CASE ANALYSIS](#), [CONSUMER GOODS INDUSTRY](#), [ORGANIZATIONAL DESIGN](#), [ORGANIZATIONAL STRUCTURE](#), [PROCTER & GAMBLE COMPANY \(P&G\)](#)

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