

ORGANISATIONAL STRUCTURE

CASE STUDY:

PROCTOR AND GAMBLE

Summary of the organization's past endeavours

The company I chose for this case study is Proctor and Gamble (referred to as *P&G* at some instances from this point onwards). It's an American MNC specializing in consumer goods, **founded in 1837**, with its headquarters in Cincinnati, Ohio.

In 1887 P&G institutes a pioneering profit-sharing program that gives employees an ownership stake in the Company. **This significant innovation helps employees connect their vital roles with the Company's success.**

In 1924 P&G becomes the **first** company to conduct **deliberate, data-based market research** with consumers. This forward-thinking approach enables us to improve consumer understanding, **anticipate consumer needs** and respond with products that improve their everyday life.

In 1994 P&G becomes one of the first companies to formally respond to consumer correspondence by establishing the Consumer Relations department. The addition of toll-free phone numbers in 1973 and e-mail in the 1980s further enhance consumers' ability to contact us and keep the consumer at the heart of all we do.

(Following is an instance of the need to cater to requirements locally and P&G being market oriented rather than product oriented) (the norm for consumables).

In 2002 P&G develops Naturella feminine pads specifically to meet the needs of low-income women in Latin America. Based on deep consumer understanding, Naturella responds to consumers' desire for freshness with chamomile, a unique ingredient never before used in feminine care products.

(The following states the importance of efficient distribution channels as their products are used by masses and need to be available easily and in adequate supply demand ratios to discourage build up of dead stock: - easy to happen for consumer goods).

In 2005 High Frequency Stores common in developing markets emerge as our largest customer channel. Consisting of nearly 20 million stores across the world



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Their Purpose; as stated by them: -

We will provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come. As a result, consumers will reward us with leadership sales, profit and value creation, allowing our people, our shareholders and the communities in which we live and work to prosper

They also list their values and principles on their website which they plan to keep intact throughout the organization's life cycle.

My comments: - profit is subconsciously becoming secondary and a social aspect of improving lives and reaching more consumers with their products comes into play as capital is no longer a considerable issue at this stage of an organization due to their diversified reaches which will be discussed at some point later in this report.

They also embrace mutual interdependency and are willing to collaborate with other stakeholders for the cumulative growth of the market.

They follow a market-oriented ideology rather than a product oriented one and identifying needs is what has allowed them to seep in so deep in the market in various fields and strengthen their roots as an organization overall.

Organizational Structure

Hypothesizing before getting straight into it: -

- They must have established geographical distinctions as they cater to the needs of mainly six different regions each representing a differentiable demography: -
 - Asia Pacific
 - Europe
 - Greater China
 - India, the Middle East and Africa (IMEA)
 - Latin America
 - North America
- As they have diversified into several products, they need to have an efficient functional separation as well to specialize separately in what each section does.

Now, laying out the facts: -

Product based

Note that P&G tends to a worldwide consumer goods market and this implies that lots of variables need to be accounted for during operations hence their organizational structure is accordingly updated when needed and may be subject to changes which will not be available on the web immediately. So, the credibility of the following analysis should be assessed according to the time when the references were relatively fresh.

P&G employs a **product-oriented divisional organizational paradigm** where in the main influencer of their organizational structure are the kind of products that section is concerned with.



The above pic goes on to show the extent of differentiation in their product ranges and commenting on this; its quite smart as it covers all sorts of consumers and in overlapping domains so they have highly diversified risks.

Going from left to right, they cover babies, females, males in the grooming section, and these are just the exclusive ones. The other ones cover the family and are items that are needs and not wants so they are less likely to be obsolete unless a more efficient alternative arises.

The acumens for such a division are that each of the separate fields require a different type of amalgamation of the entrepreneurial resources that go on in the creation of an enterprise.

By entrepreneurial resources, I mean marketing strategies, distribution channels, market research for directed product development, finance allocation to the specific domains in that field.

Elaborating slightly on each of the above: -

- Advertising for grooming products and home requirements such as a detergent won't be the same; in the first one, they need to employ social media influencers which have an unconscious control over the thought process of a significant number of potential consumers. Whereas for the latter, one doesn't need to use such strategies. Rather, they need to conduct scientifically fair experiments and collect the research of their competitors' performances as well and highlight these with rationale rather than trying to build a brand image associated with a particular personality.
- Fiscally, the investment required for transportation and distribution costs and expected efficiency would be much higher for a family product such as toilet paper compared to one such as a trimmer which are usually ordered online these days and are delivered in unit amounts. This implies that the economies of scale for these products would be different and it would be better to have separate decision makers for them rather than a single functional group to avoid unnecessary influence of one over the other.

Benefits of a structure based on product differentiation (Self thought instance)



The above pic gives a general overview of the diversification of P&G; now an interesting observation would be to see that under haircare, we see head&shoulders and Pantene; having a common authoritative entity ensures they won't subconsciously overlap in terms of the type of market they tend to. As in head&shoulders can extend to more higher end hair products expanding from its current status for being a family product but Pantene already covers this and it also won't make sense if Pantene decided to create more generalized products which would then creep in to head&shoulder's market space.

This sort of irrational cannibalism of P&G's profits and market share is avoided by the fact that they have a global president for haircare and the beauty sector as the same person.



R. Alexandra Keith
President, Global Hair Care
and Beauty Sector

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.

Functional structure arguably achieves **greater operational efficiencies**, as employees with shared skills and knowledge work together and perform similar functions.

The advantages of this type of structure are:

- **specialisation** - departments focus on one area of work
- **productivity** - specialism means that staff are skilled in the tasks they do
- **accountability** - there are clear lines of management
- **clarity** - employees understand their own and others' roles



Philip J. Duncan
Global Design Officer



William P. Gipson
President, End-to-End
Packaging Transformation
and Chief Diversity Officer



Tracey Grabowski
Chief Human Resources
Officer



Kathleen B. Fish
Chief Research,
Development and
Innovation Officer



Marc S. Pritchard
Chief Brand Officer



Jeffrey K. Schomburger
Global Sales Officer



Valarie L. Sheppard
Senior Vice President,
Comptroller and Treasurer



Kirti Singh
Chief Analytics and
Insights Officer

The above are the kind of areas where functional specialization is required/ is the most obvious way to achieve efficiency.

Geographical Distribution

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.

Now, to highlight the importance of geographical distribution, here is a minor analysis on the Indian operations of P&G and what differences exist as compared to its general ones globally.

The content below in italics is taken from

https://www.pg.com/en_IN/company/pg-india.shtml

P&G is one of the largest and amongst the fastest growing consumer goods companies in India. Established in 1964, P&G India now serves over 650 million consumers across India. Its presence spans across the Beauty & Grooming segment, the Household Care segment as well as the Health & Well Being segment, with trusted brands that are household names across India. These include Vicks, Ariel, Tide, Whisper, Olay, Gillette, Ambipur, Pampers, Pantene, Oral-B, Head & Shoulders, Wella and Duracell. Superior product propositions and technological innovations have enabled P&G to achieve market leadership in a majority of categories it is present in. P&G India is committed to sustainable growth in India, and is currently invested in the country via its five plants and over nine contract manufacturing sites, as well as through the 26,000 jobs it creates directly and indirectly. Our sustainability efforts focus on Environmental Protection as well as Social Responsibility to help develop the communities we operate in.

Note that they emphasize their social responsibility to gain additional marketing benefits (an added benefit but not the primary incentive) such as their social initiative: – Shiksha

P&G's flagship Corporate Social Responsibility Program Shiksha is an integral part of our global philanthropy program – Live, Learn & Thrive. Now in its 8th year, Shiksha has till date helped 280,000 underprivileged children access their right to education. The program has built & supported over 140 schools across India, in partnership with NGOs like Round Table India (RTI), Save the Children (STC), Army Wives Welfare Association (AWWA) and Navy Wives Welfare Association (NWWA), amongst others.

This has even been used as a marketing asset by them in one of their television adverts (link: <https://www.youtube.com/watch?v=G8-PhzRkp7M>) which claims to donate a certain incentive towards this purpose. This was done due to a geographical distribution in their structure which allowed them to attend the local matters and increasing awareness of the Indian demography in such areas allowing them to tackle the social act of philanthropy and the effective implementation of building a positive brand image at the same time and due to this, when a consumer sees a competitor's product on the same shelf as that of one of P&G, and given they both perform to the same extent technically, the consumer would be more likely to buy a P&G product.

Now this same action wouldn't be that effective in a developed country like The United States for instance as the literacy rates aren't a problem there, and they focus on environmental sustainability there which is what the locals need to worry about

Executive heads

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
10. Europe Selling and Market Operations
11. CTO/Technology
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

One can see in the following images, the distinction between a specific branch for authority: -

(notice geographical, product based, and functional differentiation)



David S. Taylor
Chairman of the Board,
President and Chief
Executive Officer



Steven D. Bishop
Group President, Global
Health Care



Gary Coombe
President, Global
Grooming



Jennifer Davis
President, Global Feminine
Care



Philip J. Duncan
Global Design Officer



**Mary Lynn Ferguson-
McHugh**
Group President, Global
Family Care and P&G
Ventures



Thomas M. Finn
President, Global Personal
Health Care



Kathleen B. Fish
Chief Research,
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Fama Francisco
President, Global Baby
Care and Baby and
Feminine Care Sector



William P. Gipson
President, End-to-End
Packaging Transformation
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Tracey Grabowski
Chief Human Resources
Officer



Shailesh G. Jejurikar
President, Global Fabric
Care, Fabric & Home Care
Sector and Executive
Sponsor, Global
Sustainability



Henry Karamanoukian
Senior Vice President,
Go-to-Market, China



R. Alexandra Keith
President, Global Hair Care
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Deborah P. Majoras
Chief Legal Officer and
Secretary Executive
Sponsor, GABLE



Jon R. Moeller
Vice Chairman and Chief
Financial Officer



Julio Nemeth
President, Global Business
Services



Javier Polt
Chief Information Officer



Juan Fernando Posada
President, Latin America
Selling & Market
Operations



Matthew S. Price
President, Greater China
Selling & Market
Operations



Marc S. Pritchard
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Valarie L. Sheppard
Senior Vice President,
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Kirti Singh
Chief Analytics and
Insights Officer



Yannis Skoufalos
Global Product Supply
Officer



Markus Strobel
President, Global Skin and
Personal Care



Magesvaran Suranjan
President, Asia Pacific
Selling & Market
Operations Indian
Subcontinent, Middle East
and Africa Selling & Market
Operations



Loic Tassel
President, Europe Selling &
Market Operations



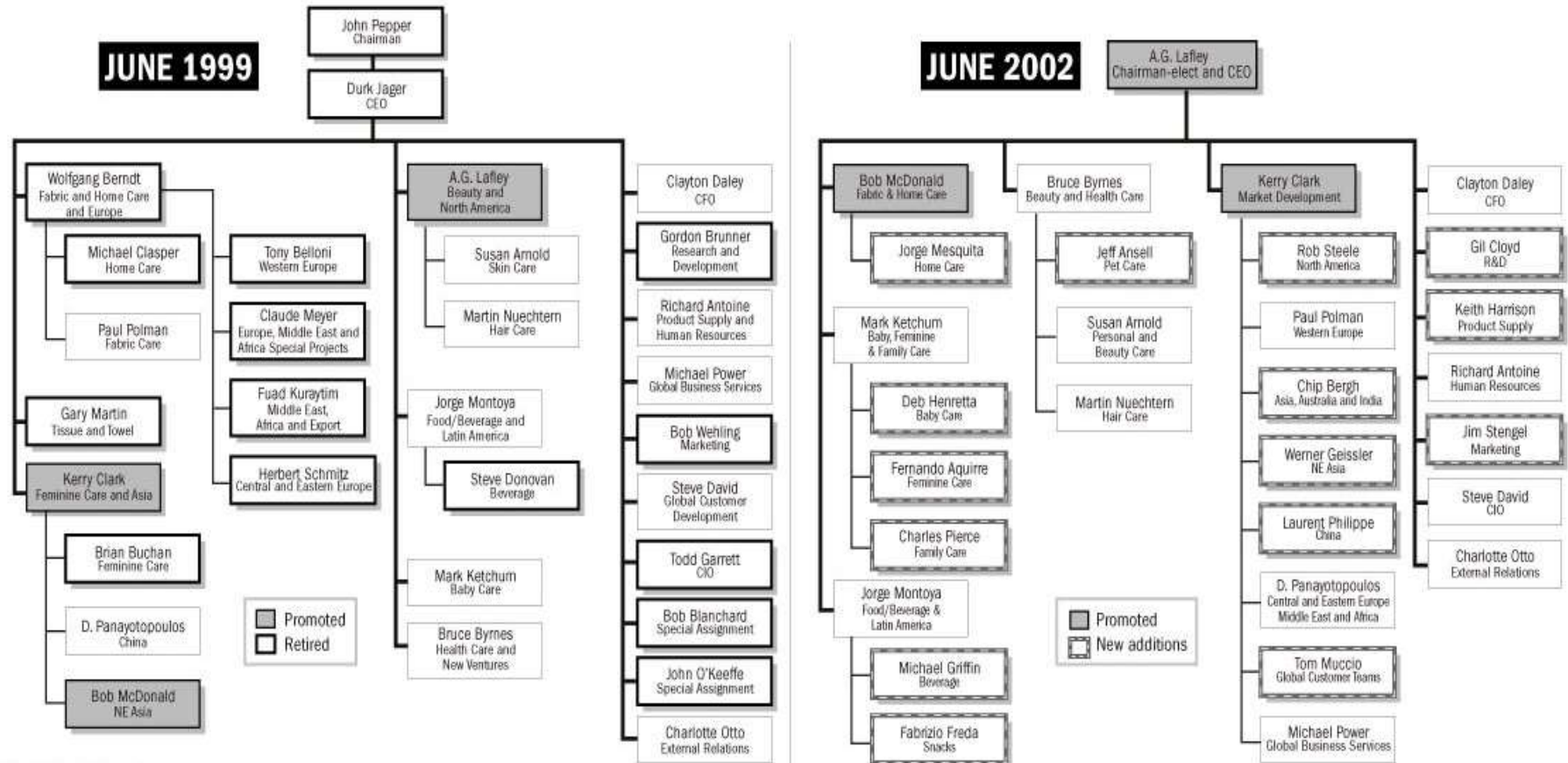
Carolyn Tastad
Group President, North
America, Selling & Market
Operations and Executive
Sponsor, Gender Equality

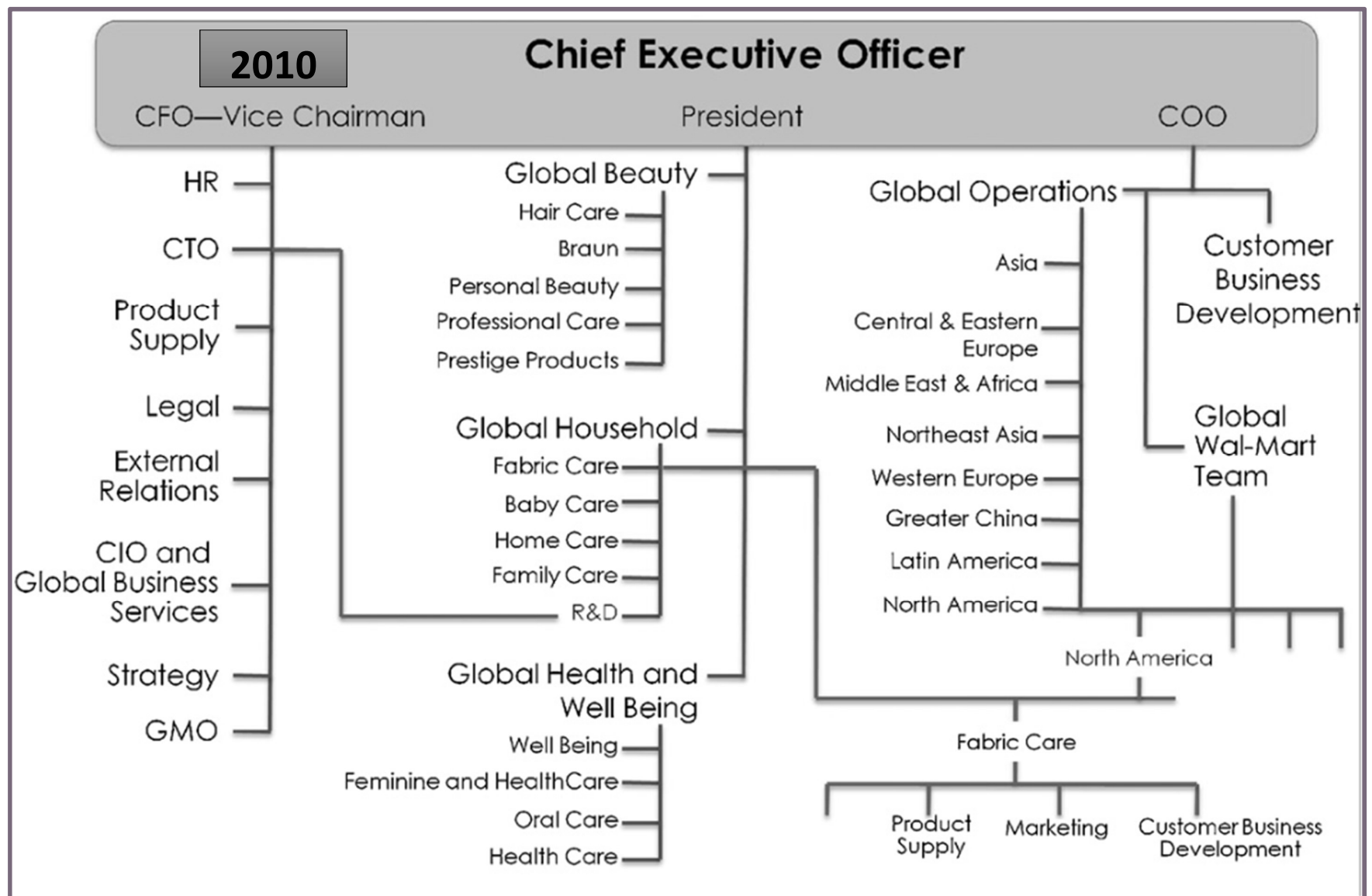


George Tsourapas
President, Global Home
Care and P&G Professional

Structure analysis over time

Providing the changes in the organizational structure over span of time and presenting how it has evolved: -





Note that over the years, The structure has become what can be called as **a multi-dimensional matrix** ,i.e. .it is based on **4 of these pillars to pertain different kinds of customers** (2 kinds: - one being the general consumer and the other being large retailing businesses such as Walmart) and to tackle different types of functions(ones which can be globally handled and ones which require local attention)

Description of their multi-dimensional structure (referred to as the 4 pillared structure for P&G)

The left side of the chart is familiar. It shows the **global functions that make up pillar one** and the **global business units that constitute pillar two**. P&G has pulled apart the value chain. The back-end of the value chain is organized by product lines or brands (such as Tide) that are gathered into global business units (such as Fabric Care) and global business groups (such as Global Household). The business units consist of the product development, product and product marketing functions. They also have the usual corporate functions of finance, human resources, and IT as well as a sales contact group. The front-end of the value chain is organized by customers.

The **third or regional pillar serves local customers**. The **fourth or global customer pillar serves global customers** like Walmart. This structure arises because customers can buy products from all global business units, and many customers want a single interface at P&G to support their central buying. The regional and customer teams are comprised of the product supply function (from factory or retailer), the regional and customer marketing function, and the sales function.

OPINIONS and RECOMMENDATIONS(supported by real life cases followed by my deduction)

- I personally was surprised when I realised that pringles is a subsidiary of P&G mostly because they haven't quite explored that market and stay away from the beverage and snack industry which they continued to do so again when they went on and sold Pringles to Kellogg's in 2012 for 2.7 billion USD.
 - I believe this was a good move on their part as the food industry is not their forté and they smartly exited that industry without letting it be a sink of capital and efforts which its other subsidiaries produced through years of experience.
this can be seen here: -
"In 2012, Pringles were the fourth most popular snack brand after Lay's, Doritos and Cheetos (all manufactured by Frito-Lay), with 2.2% market share globally."
this is a statement picked up from Pringles wiki page and see that Frito-Lay led the market with all the top 3 being its subsidiaries and Pringles being 4th, that is mostly because Frito-Lay specialised in those and P&G doesn't. So, the takeaway from this should be that P&G should be focusing on what it does best and expand slowly into related markets rather than something extremely unrelated and where other MNCs exist which dominate that sector like P&G does for the – well ... what it majorly does.
- Now another prospective which P&G might benefit from contemplating upon would be their operations in Asian- African-South American markets i.e. the developing ones- they have tremendous potential to be the major source of income for P&G due to the obvious demographic reasons of comparatively higher population than the developed countries and increasing awareness about health-care and personal hygiene as the illiteracy rates and poverty declines steadily and people can start to focus on such things.
 - They are actually already doing so as can be seen in the following article: -
<https://economictimes.indiatimes.com/industry/cons-products/fmcg/procter-gamble-plans-walmart-like-pact-with-future-group/articleshow/55020562.cms>
 - They should continue to expand such operations and get better at what they already are quite good enough at and enjoy the economies of scale not just in terms of production but also in terms of the competitive advantage over the minor opposing firms which can't afford as much to pay for say – marketing .hence dramatically give P&G the edge in many areas such as lower customer acquisition costs ,for an instance.

Citations

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