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ORGANIZATIONAL STRUCTURE OF PROCTOR AND GAMBLE: AN EXAMPLE OF BUSINESS SUCCESS

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ABSTRACT

The goal of this paper is to use Proctor and Gamble as a paragon for other already successful businesses looking to expand further within their own markets. Organization and proper personnel placement have proven to be very important for business development. The proper people placed in the right positions with appropriate support both above and below allows for a well-run company. What about other components of the organization, specifically when expanding abroad? How does the company work as one single unit while still being able to supply and meet demands from so many places? This is where Proctor and Gamble (P&G) become a perfect example of excellent organizational management. Already a household name, P&G acquired another company, Gillette, in 1999 and decided to become a more globally dominant household good company. With this goal, the managerial shift called "Organization 2005" began. In starting this shift, the leadership determined that the need for rapid growth, expansion and research were all to be done simultaneously not only in domestically but abroad. This would allow for faster response times to local problems and introduction of products to specific markets much faster. The way that P&G went about it most effectively was by using the Transnational Approach. With decentralized R&D and centralized business services the company flourished and took over a larger global share. This shows that it is not just growth and increased personnel, but also the appropriate use of both decentralizing and centralizing services for employees and technology that truly allows for maximal efficiency in international management. All of this was done while still accounting for the labor law and other

potential consequences that can come from working internationally with multiple labor forces.

Key words: *Transnational approach, global market, organizational management, technology.*

JEL classification: *F10, F23, F60, M10, L20*

INTRODUCTION

Company growth is almost always seen as a positive by the market and outside investors. This can often go south when the large investment in technology, workers or real estate does not lead to increased profit. This can be seen with many different companies, specifically ones who are near the top of their industry as they fight to gain small growth by making big investments to seem relevant. Proctor and Gamble, however, went from almost the number one company in their industry to doubling their revenue in only six years. They did so by overtaking Gillette and then completely reorganizing their structure to become more innovative and decentralized. This project was called "Organization 2005". The company started by adding product testing domestically and abroad simultaneously, replacing regional business units with global ones and then P&G decentralized new product development while centralizing business services. This change in culture and organization ultimately led to increased profitability.

The biggest change in culture for P&G was the attitude towards relentless growth, in the years before the company seemed content to rest on its laurels and not push expansion (Pieterse, 2012). The other major accomplishment was the institutionalizing of an environment that leads to decisions being constantly reassessed while maintaining safety checks to ensure progress in the correct direction. Due to the size of the corporation the structure will always be changing and will impact the chance and percentage of innovation. This new structure implemented led to a much more creative workplace, while still pushing more revenue (Jackson, 2015). The worldwide presence also presents more issues, but these were taken care of with the new organizational changes. This was done because each regional component was self-sufficient, doing its own R&D and working on local issues at the same time. This regional presence allows for immediate responses and a unique solution to unique problems. Improved regional and local product delivery and marketing also boosted revenue. The behind the scenes parts of the company like HR and other services offered by P&G were taken care of centrally on a global basis to make things easier and allow more autonomy.

Would this organization of decentralized R&D decentralized work for all corporations? According to Bartlett and Ghoshal there are four strategies to be innovative in multinational (Bartlett, 2008). The four were center for global, local for local, locally leveraged and transnational approach. Specifically, the two of them

recommend the transnational approach, where the geographic market to be leveraged and opportunities exploited for improvement. This specifically works on reciprocal interdependence amongst divisions, balance between organizational identity between national and global brands and strong integrating mechanisms where by multiple personnel rotates to learn and share ideas (Harzing, 2000).

THEORETICAL OVERVIEW

TRANSNATIONAL APPROACH

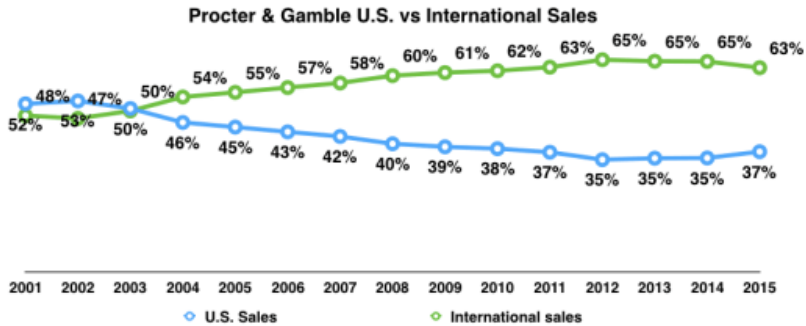
This is an organizational approach for companies and firms that are large enough to be able to decentralize and have multiple locations. This approach will work when personnel, resources and marketing strategies are all organized in such a way that they have autonomy for their location (Bartlett, 2014). This specifically works for innovation and product R&D. This approach has garnered a lot of traction and research in the past few decades with the emerging markets specifically (London, 2010). This is due to the saturation of markets overseas that are allowing for more decentralized approaches to be taken. With the increased competition comes the need for each area to be self-sufficient and compete for market share as necessary, facing challenges that the domestic brand does not have nor understand. The measurement of success of this approach must be accounted for on many levels. Simply looking at the bottom line does not give an accurate representation of performance. Utilizing many factors such as; country change financially, organizational changes, individual personnel growth, how well embedded the organization becomes and the social changes are all important too (Kostova, 1999). If the bottom line improves, but the company is unable to understand the norms, values and mores then long term success. As stated above, the need to rotate employees to different locations to bring new ideas and grow the brand is also important and must be measured.

KEY FINDING AND DISCUSSION

Running a domestic only or international company from an organizational standpoint can prove difficult. The need for enough oversight while not stifling the employees' creativity is a hard balance to find. The job of the manager should be to place the right people in the correct positions to be successful. This can only be done if the organizational set-up is appropriate and that comes from the higher ups and constant growth with trial and error. P&G navigated this by working on the following set-up; corporate, business unit, organizational unit, departments, teams and individuals. Corporate was responsible for the entire business strategy and direction of the company. The Business unit was the vision, mission and had specific goals and measures. Each organizational unit over saw measured and directed compelling business needs. Departments were given different and very finite goals to achieve and measures to take for data and feedback based on what their goal was. Teams and

individuals were also given specific tactics, plans and measures to take and work (Withey, 2015). Most companies would find it behooving to be able to follow this same basic model while working towards a more international approach if they can afford to have that reach and get to a more transnational approach.

P&G U.S. vs International Sales



Graph - Vij, R. (2017, November 04).

The increase in international sales can be seen here. The domestic sales decreased slightly but this can partially be attributed to the change in business strategy and the increased budget being pushed towards the international sales.

CONCLUSION

Procter and Gamble is the #16 largest public company in America. This is not due to just good products and a robust history of performance, it is due to daily improvements worldwide. The fact that they were already a huge player in their market share and then pivoted to a completely different organizational style is what makes P&G so interesting to talk about. The CEO had the foresight and wherewithal to see that they needed to change to grow and increase profits. He did so and reaped the rewards soon, simply by changing the company's international organization, becoming a more transnational company. Management of organization isn't simply drawing flow charts and saying what position oversees another, but seeing shortcomings and positives of each and what improve them. Constant feedback from the personnel, managers and up is of extreme importance for company growth. Not just for major corporations, but all seeking growth.

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