

Chapter 1 The internal environment of business

Case study 1.1 Restructuring at Procter & Gamble

In what ways did Procter & Gamble's organizational culture and structure need to be changed?

- The company had become weighed down by bureaucracy
- Innovation, formerly a hallmark of the organization, had become stifled, and the company's brands were unable to compete on price as copycat brands and supermarket own brands acquired increasing market shares
- The organizational culture devalued individual employees.

Did Jager try to do too much too quickly, or was shock therapy necessary in the circumstances?

Begin by outlining P&G's restructuring in the 1990s and Jager's plan to dismantle the multilayered bureaucracy and rejuvenate the company.

The question poses alternative interpretations which should each be discussed before drawing out some lessons. Some points which should emerge:

- The effect of radical changes on employee morale was probably underestimated
- Handling of expectations – of both employees and shareholders – should have been more realistic.

Case study 1.2 Honda and the US motorcycle market

What do we learn about emergent strategy from Honda's success with the Honda 50 in the US?

A brief discussion of what is meant by strategy in general is a useful starting point, followed by the distinction between deliberate and emergent strategy. The case study shows that:

- Strategy can emerge in unlikely circumstances (describe how in this case)
- Honda executives' willingness to respond and adapt was a key to their success.

Case study 1.3 Changes at Corning

In what ways has the new strategy at Corning transformed the company?

Changes have come about in both strategy and culture, as the company transformed itself from a product-driven company to a market-driven one (shown in the quote from Deutsch).

Development of no-glare flat glass, which took 20 years to find buyers, is an example.

An important element of the current strategy is to acquire new technology by acquiring whole enterprises and building partnerships.

What are the lessons for other businesses?

- The importance of identifying and satisfying customer needs, including both products and services
- The importance of acquisition and strategic alliances in technologically advanced sectors such as telecoms and the internet
- The need to look ahead to diversify into new areas which complement core business, such as, in the case of Corning, components for reducing pollution.

Assignment 1

An outline of the different corporate structures should form the introduction.

As the company owns different brands targeted at different markets, the multidivisional structure is an obvious choice. But should the divisions be product based or area based? If product based, there is a tendency toward a standardized approach, overlooking national markets. Area divisions would focus attention on these differences: country and regional managers would be attuned to local conditions, and possess delegated decision-making powers, but note that, in order to achieve economies of scale in development and production, Unilever has adopted a combination of geographical regions plus product divisions.

Assignment 2

The student is invited to invent the details of the company, its location and market conditions. Some aspects to include:

<p style="text-align: center;">Strengths</p> <p style="text-align: center;">Unique product Highly-motivated, enthusiastic workforce</p>	<p style="text-align: center;">Weaknesses</p> <p style="text-align: center;">Few outlets Brand not well known except in local community</p>
<p style="text-align: center;">Opportunities</p> <p style="text-align: center;">Growing niche market for traditional ales Possibility of licensing other brewers</p>	<p style="text-align: center;">Threats</p> <p style="text-align: center;">Economic downturn could affect turnover, especially as the product is relatively expensive Possible takeover by a large brewer</p>

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