



MIKOŁAJ JAN PISKORSKI

ALESSANDRO L. SPADINI

Procter & Gamble: Organization 2005 (A)

When [Lafley] took over in June 2000, on the same day as CEO Durk Jager's sudden resignation, the company was the sort of ink-stained mess you'd find in a Tide commercial. It had slammed four profit warnings into two quarters. . . . Its stock had dropped by half in the previous six months—losing a crushing \$70 billion in market value. And the combative Jager, whose 17 volatile months on the job had made his the shortest CEO tenure in Procter & Gamble's grand 165-year history, had left the company unsure of its footing. The day Lafley got the keys, no one had high hopes.¹

Fortune, September 2002

A.G. Lafley (MBA 77) did not have much time to decide how to turn around Procter & Gamble (P&G). His predecessor, Durk Jager, had introduced an aggressive restructuring program – Organization 2005 – designed to generate bolder innovations and accelerate their global rollout in order to double P&G sales to \$70 billion by 2005 and achieve annual earnings growth of 13-15 percent. At the core of the program lay a radical new organizational design. In the past, P&G's chain of formal command put geography first, followed by product, and then by function. In the new design, P&G was structured as three interdependent global organizations, one organized by product category, one by geography, and one by business process. The early results of the reorganization had been abysmal: flat sales and negative core earnings growth had caused P&G to issue four profit warnings. Lack of immediate results coupled with substantial job reductions – an integral part of the Organization 2005 restructuring – contributed to sagging employee morale. In a short time, Lafley had to decide whether or not to put an end to this new design and return to the previous organizational structure that had worked well in the past.

The organizational problems were aggravated by strategic concerns. Many analysts questioned whether it made sense for P&G, a \$38 billion multinational consumer-products company, to compete in over 50 categories, ranging from toilet paper to pharmaceuticals, with more than 300 brands.² Though traditionally P&G could rely on its marketing and R&D expertise to justify its presence across multiple markets, in the previous couple of years focused competitors had been steadily taking away market share in many product lines and regions, suggesting perhaps that the corporate advantage had withered away. As Lafley contemplated his organizational decision, he also had to decide whether he could create more value by splitting the company into sets of stand-alone businesses.

Professor Mikołaj Jan Piskorski and Alessandro L. Spadini (MBA 2006) prepared the original version of this case, "Procter & Gamble: Organization 2005 (A)," HBS No. 707-401, which is being replaced by this version prepared by the same authors. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

Copyright © 2007 President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-545-7685, write Harvard Business School Publishing, Boston, MA 02163, or go to <http://www.hbsp.harvard.edu>. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Harvard Business School.

Procter & Gamble History, 1837-1948

The Procter & Gamble Company was founded in Cincinnati, Ohio by an English immigrant William Procter, and James Gamble, an immigrant from Ireland. Both men had arrived in Cincinnati separately, forced to stop there to tend to illnesses while on their way West. Each independently decided to settle to found a business. Procter became a candlemaker and Gamble a soapmaker. After marrying sisters, they formed a partnership in 1837.³ At that time, Cincinnati, nicknamed "Porkopolis", was the country's largest meatpacking center allowing for inexpensive access to animal fat – a primary raw material for candles and soap. This attracted many new entrants, such that by 1845 P&G had to compete with as many as 14 other local manufacturers of unbranded soaps and candles.⁴ To differentiate itself P&G embarked on an aggressive investment strategy building a large factory in the 1850s despite rumors of impending civil war. During the war P&G operated day and night to supply the Union armies, and by the war's end sales had more than quintupled to over \$1 million.⁵ When soldiers returned home carrying its high-quality products, distinguished by their characteristic moon-and-stars packaging, P&G quickly developed a national reputation.⁶ Rapid growth and a series of innovations in human-resource management, R&D, distribution, marketing, and organizational design soon followed.

From its inception, P&G focused on product innovation. In 1879, Gamble's son James Norris Gamble, a trained chemist, developed *Ivory*, the first American soap comparable to fine European imports. James transformed P&G's soap- and candle-making processes from an art to a science by soliciting help from chemistry professors. *Ivory*, first marketed nationally in 1882 for its superior purity, transformed P&G into a branded-goods producer. Mass-scale production of *Ivory* began at an enormous new plant, Ivorydale, in 1887 to meet rapidly growing national demand. P&G simultaneously instituted one of the first profit-sharing programs to maintain harmony with its workforce. The company started paying dividends in 1890 and has done so continuously ever since.⁷ The same year, P&G established one of the first centralized R&D labs in industry.⁸ R&D ultimately led to diversification into many other chemistry-based consumer industries, including cooking oils, laundry detergents, personal-care products, paper products, and even pharmaceuticals (see Exhibit 1).⁹ P&G also innovated by establishing a direct sales force in 1919, disintermediating wholesalers. Direct distribution to stores enhanced P&G's insight into retail customers and enabled the company to tie production more closely to demand. P&G established one of the first market-research departments in 1924 and invented the soap opera in 1933. "Guiding Light," which first aired as a 15-minute radio serial in 1937, is still being produced by a P&G-owned production studio and appears daily on CBS.¹⁰

Throughout the 1920s brand managers were encouraged to be entrepreneurial and to manage brands as individual companies. Competitive brand management was institutionalized in 1931, formally empowering each brand manager to target different consumer segments. The organization started forming around product lines so that quicker and more consumer-focused business decisions could be made by brand managers at lower levels in the corporate hierarchy. In 1943 P&G created its first product-category division, the drug-products department, focused on a growing line of personal-care products. Strong centralized functions were retained, however, in areas such as R&D and manufacturing. *Tide*, a revolutionary synthetic detergent launched in 1946, was developed by R&D against the wishes of brand management through a secret 5-year program known as "Project X." Upper management eventually fast-tracked the project; *Tide* captured market leadership in just 4 years (and still held it over 50 years later), validating R&D's independence.¹¹

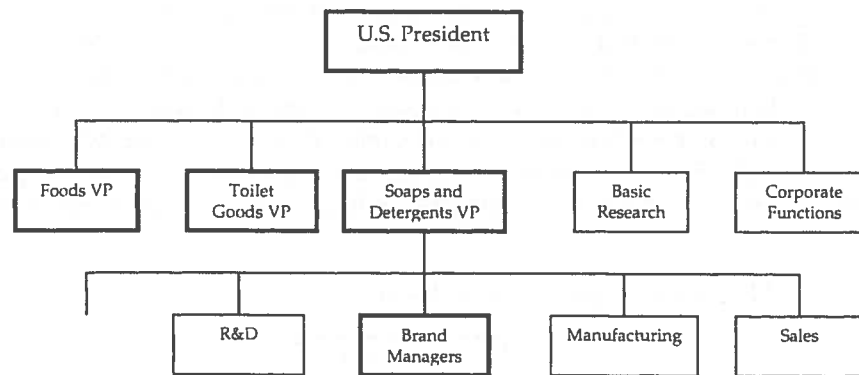
Diverging Organizational Structures (1948–1987)

In 1948, P&G established its first international sales division to manage its rapidly growing foreign businesses.¹² Over the next forty years P&G would steadily build its foreign presence, while carefully managing its US operations. The two types of operations led to two very different modes of organizational architectures. The United States, with a large homogenous market, lent itself to nationwide brand and product division management. Western Europe, which represented the lion's share of P&G's overseas division, was a heterogeneous market with different languages, cultures, and laws, and therefore adopted a decentralized hub-and-spoke model.

United States

Product Division Management In 1954, P&G created individual operating divisions to better manage growing lines of products, each with its own line and staff organizations (see **Diagram 1**). Within this model, the organization developed along two key dimensions: functions and brands. Brand managers bore responsibility for profitability and could focus on matching company strategy with product-category dynamics. Brand managers in the same product division competed in the marketplace but shared access to strong divisional functions. Those divisional functions transferred best practices and talent across many brands, fostering leading-edge competencies in R&D, manufacturing, and market research in a rapidly developing consumer-products industry. A corporate basic-research department helped to make innovative connections across divisions, leading to inventions like fluoride toothpaste in 1955.

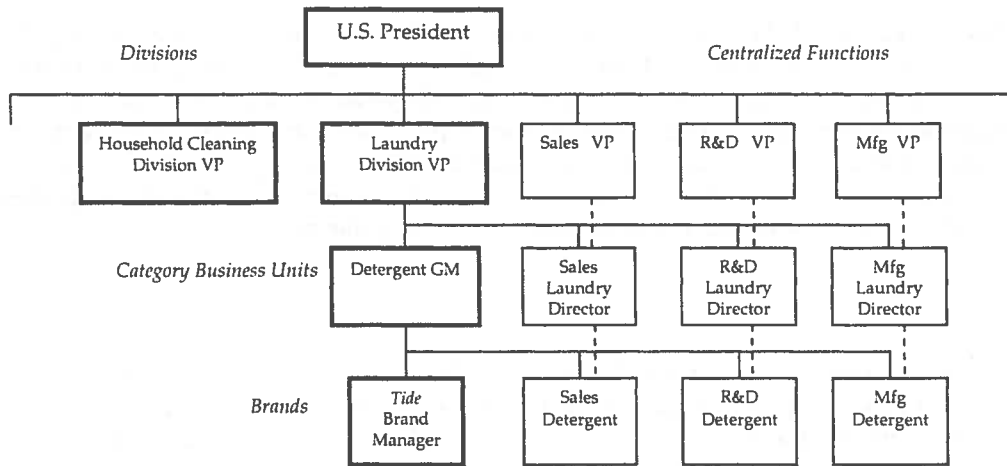
Diagram 1 U.S. Divisional Structure in 1955



Source: Procter & Gamble.

Advent of Matrix In 1987, the United States made a historic shift away from the competitive brand-management system put in place in 1931; brands would now be managed as components of category portfolios by category general managers. At the same time, product categories were beginning to require more differentiated functional activities. Thus 39 U.S. category business units were created, each run by a general manager to whom both brand and dedicated functional managers would report (see **Diagram 2**).¹³ Each category business unit had its own sales, product-development, manufacturing, and finance functions. To retain functional strengths, a matrix reporting structure was set up whereby functional leaders reported directly to their business leadership and also had a dotted-line reporting relationship to their functional leadership. For example, all sales employees' dotted-line reporting relationships would ultimately filter up to the Vice President of Sales for the United States.

Diagram 2 U.S. Matrix Category/Function Business Unit Structure, 1987

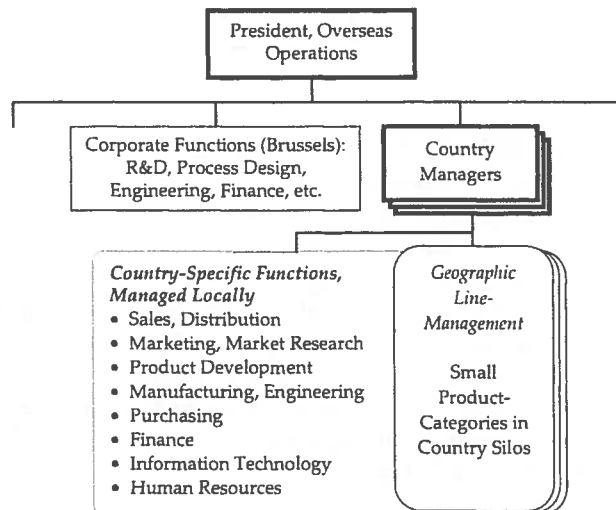


Source: Procter & Gamble.

Western Europe

Geographic Management In Europe, the P&G organization developed along three dimensions: country, function, and brand (see **Diagram 3**). "P&G began expanding globally after World War II," explained former P&G CEO John Pepper, "but the company created 'mini-U.S.es' in each country."¹⁴ In fact, P&G's first president of overseas operations, Walter Lingle, established this model to tailor products and processes to local tastes and norms. The result was a portfolio of self-sufficient subsidiaries led by country general managers (GMs) who adapted P&G technology and marketing expertise to local markets.¹⁵ New product technologies were sourced from U.S. R&D labs in Cincinnati and then qualified, tested, and adapted by local R&D and manufacturing organizations in each country. In 1963, the European Technical Center (ETC) in Brussels was inaugurated to house a European corporate R&D and process-engineering function. ETC developed products and manufacturing processes that country managers could choose to adapt to and launch in their own countries.

Diagram 3 Initial European Organizational Design

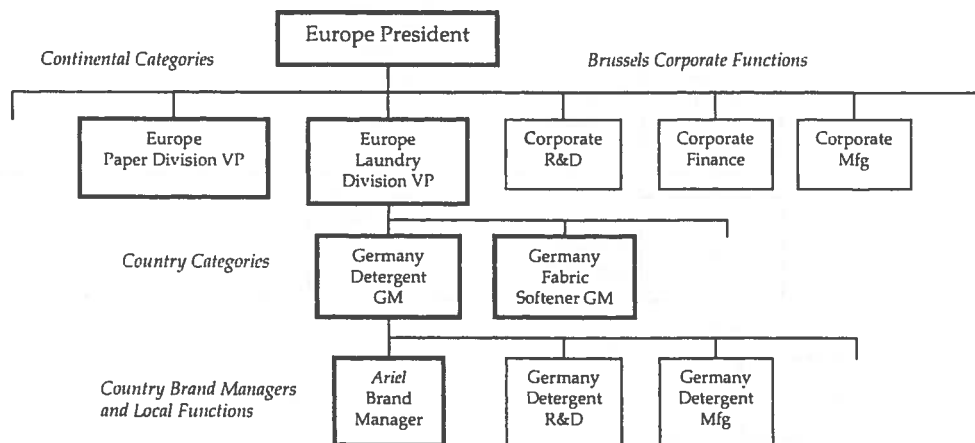


Source: Procter & Gamble.

In this model country managers, not brand managers, had responsibility for profitability and market strategy. The Brussels regional headquarters was very hands-off, serving mostly as a legal, tax-accounting, and public-relations entity. This structure ultimately led to a situation in which innovations and brands could take more than 10 years to globalize.¹⁶ *Pampers*, for example, was launched in the United States in 1961, in Germany in 1973, and in France not until 1978.¹⁷ Not only were European functional organizations embedded in country silos, but European corporate functions were also completely disconnected from the U.S. operation. Corporate R&D in Europe, for example, had little contact with labs in Cincinnati. Furthermore, focus on product categories and brands was fragmented by country, virtually precluding region-wide category or branding strategies.

Advent of Category Management By the early 1980s P&G operated in 27 countries and derived a quarter of its \$11 billion in revenues from overseas operations. At that scale, it was becoming clear that the European globalization model was not very effective.¹⁸ Unstandardized and subscale manufacturing operations in each country were expensive and unreliable. Products were tweaked unnecessarily, creating pack-size and formulation variations that added no value for the consumer but significant cost and complexity to the supply chain. Country R&D labs were expensive to maintain and reinvented the wheel with each new product initiative. Therefore, beginning in the early 1980s, Europe attempted to promote cross-border cooperation across functions and to shift focus from country management to product-category management. Headquarters in Brussels encouraged the formation of regional committees composed of large-country managers and corporate functional leaders to eliminate needless product variations, coordinate marketing communications, prioritize product launches, and orchestrate competitive responses across the region. Unsurprisingly, many small-country managers objected that there was no “typical” European consumer and that this initiative would lead to neglect of local consumer preferences. The strategy eventually proved successful, however, and Europe was split into three subregions whose leaders were given secondary responsibilities for coordinating particular product categories across the entire continent. In the early 1980s, Europe was fully restructured around product categories. Product-category division VP positions were established and assigned continent-wide divisional profit-and-loss responsibility. Country GMs were replaced with multiple-country product-category GMs who reported to the division VPs. Thus, for example, the GM responsible for marketing and selling laundry detergents in Germany would report to the VP of laundry for Europe.

Diagram 4 European Category Management in the Early 1980s



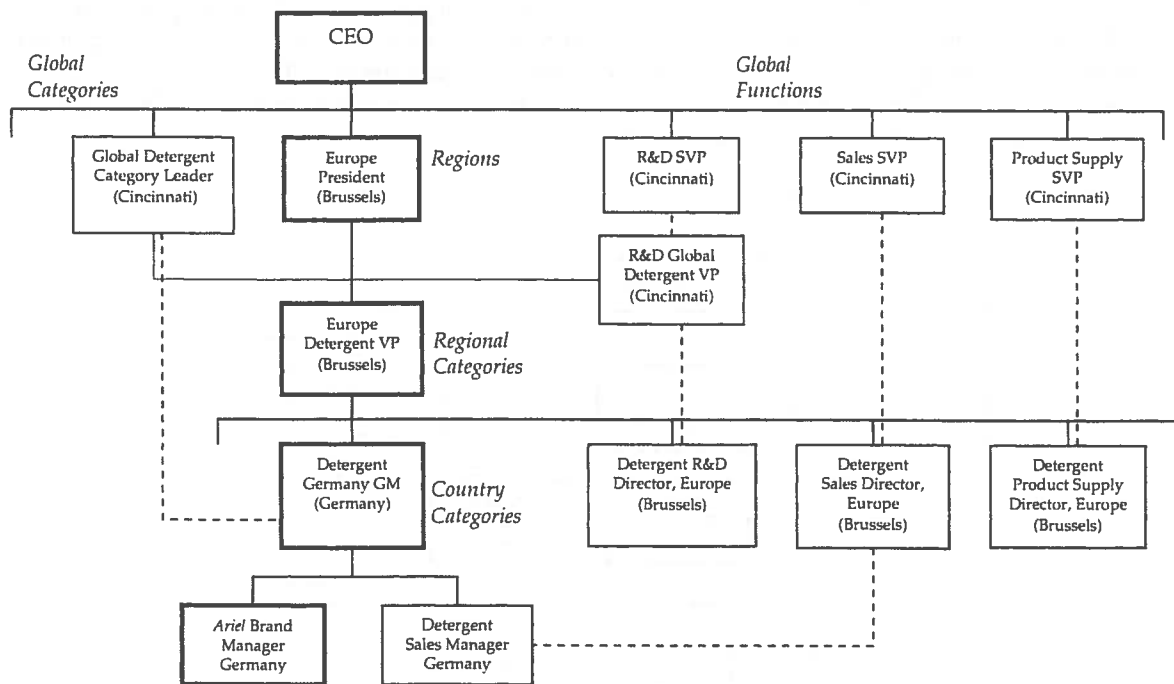
Note: Ariel is P&G's primary European laundry detergent brand

Source: Procter & Gamble.

Global Matrix (1987–1995)

In the late 1980s, attractive expansion opportunities in Japan and developing markets led P&G to question its globalization model, particularly in anticipation of the new challenge of appealing to more diverse consumer tastes and income levels. In Europe, increased focus on cross-border category management had proven successful, but corporate functions in Brussels still lacked direct control of country functional activities. Therefore, P&G started migrating to a global matrix structure of categories and functions. First, Europe’s country functions were consolidated into continental functions characterized by dotted-line reporting through functional leadership and direct reporting through the regional business managers (see **Diagram 5**). Global functional senior vice presidencies were created to manage functions across all regions. Then, in 1989, to better coordinate category and branding strategies worldwide, P&G created global category presidencies reporting directly to the CEO.¹⁹ All country category GMs had dotted-line reporting to their global category president; however, career progression and promotion remained in the hands of regional line management. Global category presidents were given direct responsibility for managing a fully globalized corporate R&D function, subdivided by category rather than region. Global R&D vice presidencies were established to manage R&D for a given product division worldwide; they reported directly to global category presidents and were dotted-line reports to the global SVP of R&D. This structure allowed for the creation of global technical centers in different regions, each with a core competency in a specific product category. Together, the global category presidents and R&D VPs developed product-category platform technologies that could be applied to global branding strategies. In 1995 this structure was extended to the rest of the world through the creation of four regions—North America, Latin America, Europe/Middle East/Africa, and Asia—each of which had its own president with responsibility for profit and loss.

Diagram 5 Global Matrix Structure Partial Organization Chart, 1995–1998



Source: Adapted from Procter & Gamble Organization Chart, 1998
 Note: Boldface boxes represent positions with responsibility for profitability. Only partial matrix reporting is shown - same structure is in place for IT, finance, etc. Some names may have been modified to facilitate comparisons with other diagrams.

P&G's matrix organizational structure facilitated tremendous top- and bottom-line improvements (see Exhibits 2, 3 and 4). The creation of powerful and independent global functions promoted the pooling of knowledge, transfer of best practices, elimination of intraregional redundancies, and standardization of activities. The new matrix organization also allowed for manufacturing, purchasing, engineering, and distribution to be integrated, in 1987, into one global product-supply function, which managed the supply chain from beginning to end. Regionally managed product-supply groups could extract massive savings by consolidating country manufacturing plants and distribution centers into higher-scale regional facilities. In 1993, as part of the massive "Strengthening Global Effectiveness" (SGE) restructuring program, the product-supply organization integrated the supply chain of a string of acquisitions that P&G had made, primarily in beauty care. Standardization allowed for quick rationalization of acquired assets and smooth integration into the existing manufacturing-and-distribution network; 30 of 147 plants were eliminated.²⁰ Meanwhile a stronger global sales organization with regional leadership was transformed into the Customer Business Development (CBD) function. CBD developed closer global relationships with big customers, one result of which was the unprecedented step of co-locating with Wal-Mart in Bentonville, Arkansas, to pursue joint strategic planning. Coupled with its early supply-chain initiatives, this undertaking allowed P&G to be a first mover in electronic integration with customers, leading to disproportionate share growth with mass discounters. Finally, significant initial standardization in IT systems was made possible by a globally managed IT organization. By 1997, financial and accounting information storage had been consolidated at three global data-storage centers.

Global category management also generated impressive benefits. Global category managers developed close relationships with strong global R&D product-category organizations, helping to standardize and accelerate global product launches. By the early 1990s, it took only four years, on average, to globalize a new initiative. This advance allowed P&G to quickly inject new technologies into recently acquired beauty care brands like *Pantene*, *Olay*, and *Old Spice*. For example, two-in-one shampoo-and-conditioner technology was developed at the Sharon Woods beauty-care global technical center in Cincinnati in the mid-1980s. The hair-care global category president then helped roll it out globally under the *Pantene* brand name with a consistent worldwide marketing message and identity. In just over a decade, increased global focus on product categories helped P&G's beauty-care division to grow from a \$600 million orphan to a highly strategic \$7 billion business.

Matrix Runs into Problems (1995–1998)

Strong regional functions had produced extraordinary competitive advantages, but as the organization entered the mid-1990s they appeared to create gridlock. The matrix management structure had never been symmetrical. Though most functions nominally had straight-line reporting through regional management and only dotted-line reporting through functional management, the function retained a high degree of de-facto control because it determined career paths and promotion for its employees. Ultimately each function developed its own strategic agenda, which largely revolved around maximizing its own power within the company rather than cooperating with other functions and business units to win in the marketplace. Management by functional conflict initially served as an effective system of checks and balances but eventually led to poor strategic alignment throughout the company. For example, while product supply made global efforts to reduce the number of chemical suppliers for P&G products, R&D sought out high-performance ingredients to enhance product performance, no matter where they came from. Neither sought an optimal tradeoff between performance and cost; each tried to maximize its particular parameter. It was very difficult for regional managers focused on particular countries to address these global functional conflicts. If,

for example, product supply wanted to use a less expensive replacement surfactant in laundry formulations, it could demonstrate huge potential savings that a lone country manager would be hard-pressed to dispute.

It also became clear that the matrix structure had not fully resolved the tension between regional and product-category management. Regional managers still had sole responsibility for financial results, and thus it was they who ultimately chose whether or not to launch initiatives made available by the global category-management organizations. R&D divisions and global category leaders were aligned globally by product category, and therefore fought hard to globalize new technological and brand innovations quickly. But they still had to obtain agreement from each regional manager, and sometimes even from large-country managers, to launch a product in a given area. Regional managers would often hesitate to launch a particular product even if it made sense for the company strategically because it could weaken their upcoming profit and loss statement. As a result, the company's track record of globalizing innovation and brands had stagnated and seemed to be falling behind that of more focused rivals. For example, *Cover Girl*, a U.S. cosmetics brand that P&G had acquired in 1989, still had not been globalized by 1997. By contrast *Maybelline*, acquired by L'Oreal in 1996, was globalized in just a few years and was on its way to becoming a billion-dollar brand.

To make matters worse, competitors were catching up quickly. P&G had been a first mover in supply-chain consolidations and integration with customers, but by the latter half of the decade over 200 other vendors had opened "embassies" to Wal-Mart in Bentonville. As a result P&G's shares in big-box discount stores had fallen by 3.3 percent since 1993 in categories representing roughly two-thirds of the business.²¹ As a result, sales grew only 2.6 percent in 1997 and 1998 by contrast to 8.5 percent on average in the 1980s. Ultimately, the question was whether the matrix organizational structure was internally coherent or scalable over the long term. Full accountability for results could not really be assigned to regional profit centers because they couldn't fully manage functional strategy and resource allocation. Many believed that this scenario had created a culture of risk aversion and avoidance of failure above all else. With over 100 profit centers, it just seemed like there were "too many cooks in the kitchen." Furthermore, as P&G diversified, an ever-increasing number of country product-category GM positions would have to be created. By the mid-1990s, for example, Germany alone had roughly a dozen category GMs.

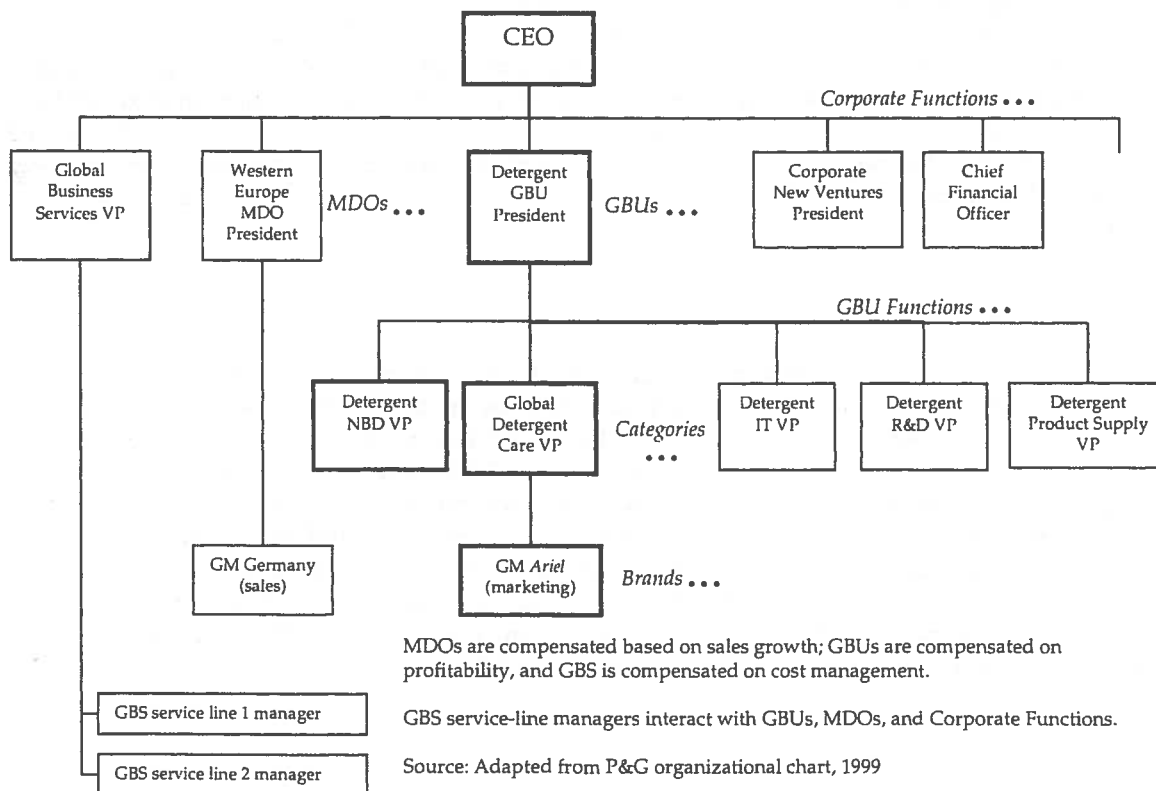
Organization 2005

In September 1998, P&G announced a six-year restructuring plan -- Organization 2005. The company estimated that the plan would cost \$1.9 billion over five years and would achieve \$900 million in annual after-tax cost savings by 2004. It called for voluntary separations of 15,000 employees by 2001, with almost 10,500 overseas.²² Forty five percent of all job separations would result from global product-supply consolidations and a quarter from exploitation of scale benefits arising from more standardized business processes.²³ The plan also called to eliminate six management layers, reducing the total from 13 to 7.²⁴ The second part of Organization 2005 entailed dismantling the matrix organizational structure and replacing it with an amalgam of interdependent organizations: Global Business Units with primary responsibility for product, Market Development Organizations with primary responsibility for markets, and a Global Business Services unit responsible for managing internal business processes. This radically new organizational design, described in detail below, was designed to improve the speed with which P&G innovated and globalized its innovations. Many at the company expected that, once in place, Organization 2005 should generate consistent sales growth of 6–8 percent and profit growth of 13–15 percent per year.

Global Business Units (GBUs)

Global Business Units were responsible for product development, brand design, business strategy and new business development. Each operated autonomously focusing on a different product category, such as Fabric and Home Care or Tissue and Towel (see the middle section of **Exhibit 5**). In total, there were seven GBUs each with complete profit responsibility, and benchmarked against focused product-category competitors. Each GBU was led by a president, who reported directly to the CEO and was a member of the global leadership council that determined overall company strategy. At a GBU level, Vice Presidents of Marketing, R&D, Product Supply, New Business Development, and support functions such as IT implementation reported to the GBU President (see the middle section of **Diagram 6**). The new business development function of GBUs was managed separately from the rest of the GBU. To assure that the R&D divisions of different GBUs would share technological innovations, a technology council composed of the GBU R&D VPs would be formed to cross-pollinate ideas. This structure would increase agility and reduce costs through accelerated global standardization of manufacturing processes and better coordination of marketing activities across countries. Organizing product supply by product category rather than geography, for example, would allow for global standardization of diaper-manufacturing processes, which were still on 12 different regional platforms.²⁵ Combined with elimination of the arduous process of obtaining launch approval from regional managers, this scenario would finally allow for systematically faster global rollouts of innovations and new brands.

Diagram 6 Initial Design of Organization 2005, Partial Organization Chart, 1999



Market Development Organizations (MDOs)

Market Development Organizations (MDOs) were designed to take responsibility for “tailoring the company’s global programs to local markets and [for using] their knowledge of local consumers and retailers to help P&G develop market strategies to guide the entire business.”²⁶ Customer Business Development functions previously dispersed among various business units would be consolidated regionally and converted into the line functions in each MDO. Consumer Market Knowledge, field sales, and support functions would report to CBD. In total, there were seven MDOs (see the top part of Exhibit 5). Unlike the GBUs, they did not have complete profit responsibility, but were instead compensated on sales growth. Each MDO was led by a president who reported directly to the CEO and, like the GBU presidents, sat on the global leadership council.

Global Business Services (GBS)

The third leg of the new organizational structure, Global Business Services (GBS) unit was given an ambitious plan to standardize, consolidate, streamline, and ultimately strengthen business processes and IT platforms across GBUs and MDOs around the world. Before GBS, business services, and IT systems for processes like accounting transactions, payroll processing, and facilities management were duplicated and performed differently across regions. Centralizing responsibility for managing these processes could lead to economies of scale, while at the same time allowing GBUs and MDOs to focus on their core competencies. GBS was organized as a cost center. The head of GBS reported directly to the CEO, but was not a member of the global leadership council.

The first task of GBS was to move the entire company onto a single shared SAP software system, which would require re-engineering 70 percent of the company’s IT systems. In total, 72 systems across 70 countries had to be standardized and globalized. Then a set of “service lines” (see the right side of Exhibit 5) for business and employee support were created and managed centrally by business-process directors. GBS established three “follow-the-sun” service centers, in Costa Rica, England, and the Philippines, to perform business-process work 24 hours a day. This arrangement allowed GBS to achieve critical mass in business-process execution and to take advantage of wage arbitrage.

Routines and HR policies

In addition to changes in the formal architecture, Organization 2005 sought to change the routines in the organization. Many decisions that had once been made by committee were now assigned to individuals. As a result, many business tasks that had taken months, such as obtaining advertising-copy approvals, could now be accomplished in days. Budgeting processes were also streamlined, integrating formerly separate marketing, payroll, and initiative budgets into a single business-planning process whereby all budget elements could be reviewed and approved jointly.²⁷ Finally, P&G also overhauled its incentive system, while maintaining the promote-from-within policy. The performance-based portion of compensation for upper-level executives increased from 20 percent (10 percent up or down) to 80 percent (40 percent up or down) of base pay.²⁸ Stock-option compensation, formerly limited to 9000 employees, was extended to 100,000.²⁹

Organization 2005 in action

To implement the extensive restructuring program, on January 1, 1999, the P&G board installed a new CEO, Durk Jager. A long time P&G employee, Jager had been a key player in developing the plans for Organization 2005 while occupying the position of COO. He hoped to use Organization 2005 to change P&G's risk-averse regionally managed structure so that it could launch new blockbuster brands based on new technologies rather than incremental improvements of existing products.³⁰ To this end, he allocated a large share of P&G's resources to GBU NBD groups and a Corporate New Ventures function (see Exhibit 6). This led to the development of several new categories and brands such as *Febreze*, *Swiffer*, and *Dryel*. To drive his vision, Jager frequently scrutinized P&G's R&D portfolio and personally stewarded new technologies through the pipeline that he felt were promising.

In October 1999, P&G's fiscal first quarter results showed immediate acceleration in business performance. Sales were up 5 percent over the previous year, a marked improvement over the 2.6 percent annual revenue growth P&G had experienced the previous two years. Core net earnings, excluding restructuring costs, increased by 10 percent. Though these numbers fell short of the long-term goals, they were quite respectable for the first full quarter of any restructuring program. As a consequence, P&G's stock appreciated significantly (see Exhibit 7). The stock price reached an all-time high of \$118.38, when the next quarterly report came out on January 30, 2000, stating that sales grew an impressive 7 percent and core net earnings increased 13 percent (see Exhibits 8 and 9)

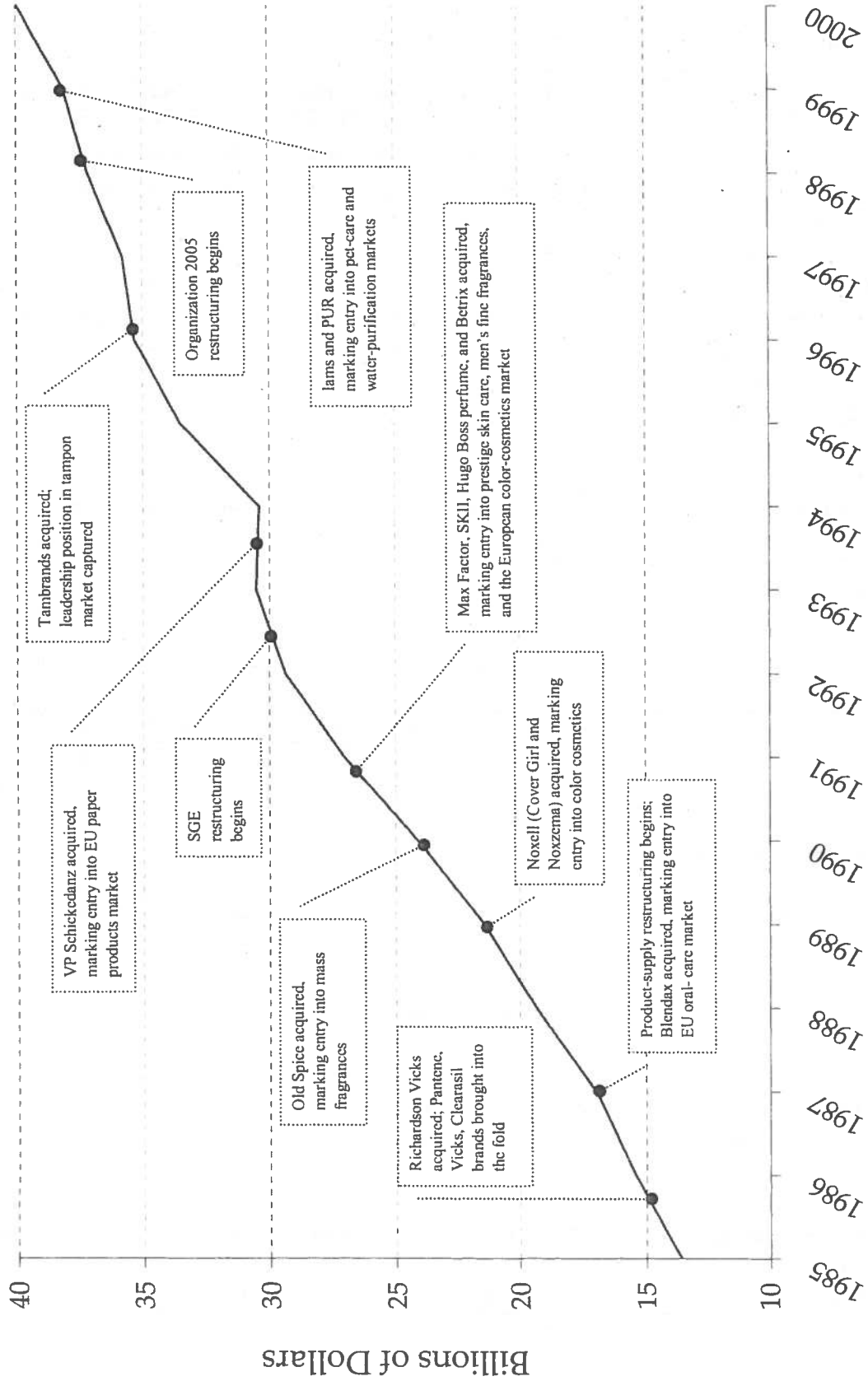
Yet, the situation deteriorated drastically on March 7, 2000, when P&G announced that instead of the expected 8 percent increase in quarterly earnings, the core earnings would be 10 percent lower than the 1999 January-March quarter, despite an increase in revenue. Higher-than-expected raw-material costs, delays in FDA approvals, and particularly intense international competition were blamed for the situation. That day the company's stock lost 30 percent of its value, closing at \$57.25, less than a half of what it traded at in January. Jager told analysts:

We've had a track record of meeting our bottom-line commitments [and] have learned that we simply can't focus on the top line to make the bottom line grow. We are getting more innovations to market faster because of our Organization 2005 structure and culture changes.³¹ This has been a transition year. Going forward we are going to focus on P&G basics—hard-nosed cost management as well as accelerating sales growth.³²

Other executives noted that the company had 50 new products in the pipeline, including *Impress*, a patented food wrap that formed a water-tight seal with the application of pressure. The growing sales of *Febreze*, *Swiffer*, and *Dryel* were also expected to help reverse the crisis quickly. Yet, the situation became even worse when P&G announced its official quarterly numbers on April 25, 2000. Core net earnings excluding restructuring costs had fallen 18 percent while sales increased 6 percent despite a 2 percent hit from exchange-rate changes. "We are redoubling our efforts to manage costs," Jager told analysts.³³ The stock lost 10 percent of its value, giving back some gains to close in the mid-60s.³⁴

Despite executives' promises, P&G disappointed once again on June 8, 2000. Fourth-quarter profits were flat, against the expectations of 15-17 percent increase. P&G also lowered its future quarterly sales growth estimates to 2-3 percent, casting doubt on whether Organization 2005 was even lifting the top line. Increased competition, lower volume growth and negative currency effects were again blamed for the disappointing results. Market-research companies confirmed P&G's poor competitive position citing its loss of U.S. market share in 16 out of 30 categories since the preceding year.³⁵ P&G stock lost 7 percent, falling to \$57 after the announcement; it had been the worst-performing component of the Dow over the previous six months.³⁶ Jager had no choice but to resign.

Exhibit 2 Procter & Gamble Net Sales, 1985-2000



Source: Procter & Gamble.

Exhibit 3 P&G Income Statement, Fiscal Years 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Net Sales	29,362	30,433	30,385	33,482	35,284	35,764	37,154	38,125	39,951
Cost of Goods Sold	17,324	17,683	17,338	19,561	20,938	20,510	20,896	21,027	21,018
Gross Profit	12,038	12,750	13,047	13,921	14,346	15,254	16,258	17,098	18,933
Total SG&A	9,171	9,589	9,377	9,677	9,531	9,766	10,203	10,845	12,165
<i>Advertising Expense*</i>	2,693	2,973	2,996	3,284	3,254	3,466	3,704	3,639	3,793
<i>R&D Expense*</i>	861	956	964	1,148	1,399	1,469	1,546	1,726	1,899
Operating Income	2,867	3,161	3,670	4,244	4,815	5,488	6,055	6,253	6,768
Net Interest Expense	(510)	(552)	(482)	(488)	(221)	(239)	(347)	(650)	(722)
Other non-op Income	425	404	158	244	120	-	-	235	304
Restructuring Charges	-	(2,705)	-	-	-	-	-	-	(814)
Other Items	103	41	-	-	(45)	-	-	-	-
Income Tax Expense	1,013	80	1,135	1,355	1,623	1,834	1,928	2,075	1,994
Net Income from Cont. Ops.	1,872	269	2,211	2,645	3,046	3,415	3,780	3,763	3,542
<i>Employees ('000)</i>	106	103.5	96.5	99.2	103	106	110	110	110

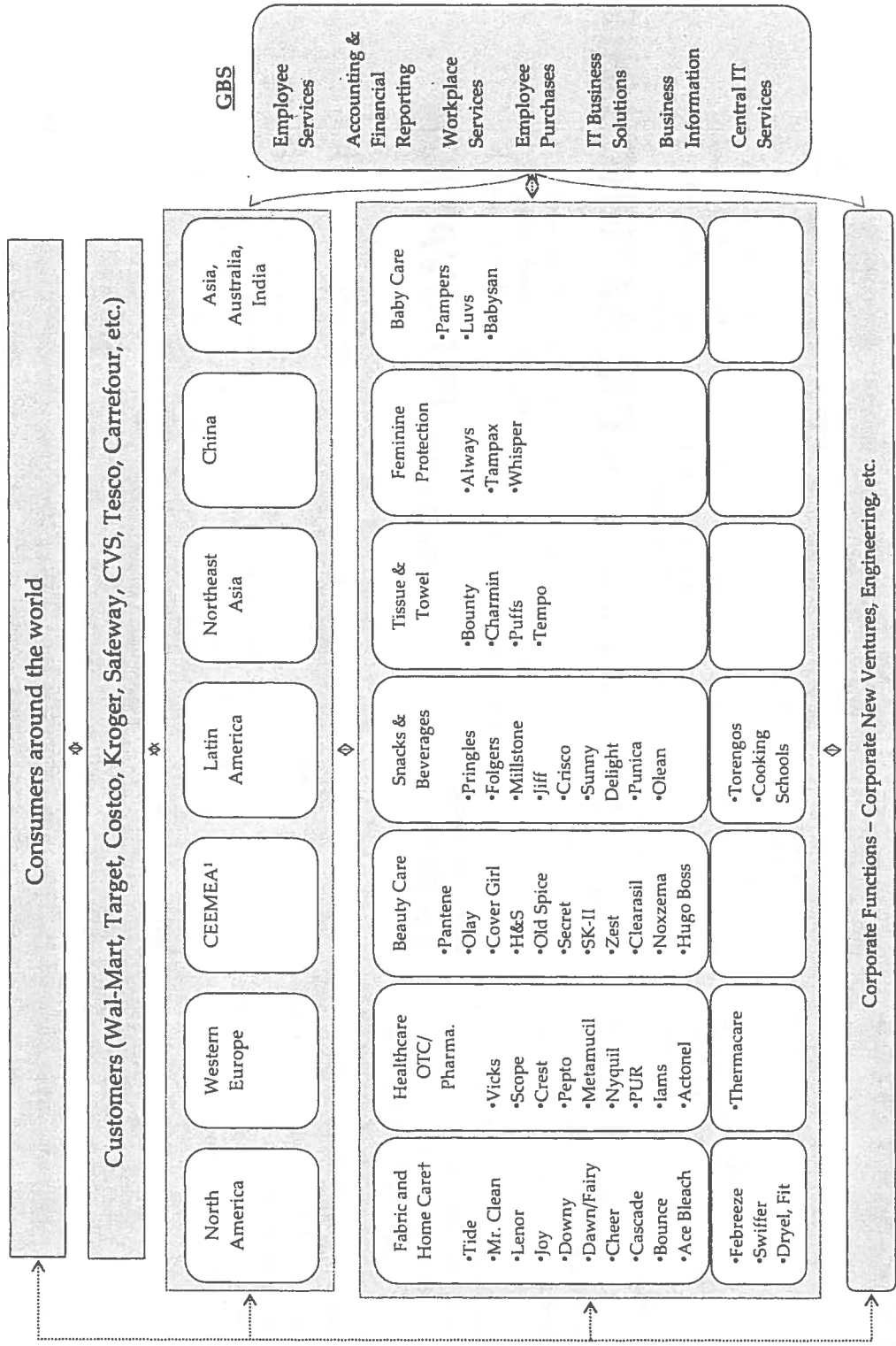
Source: Procter & Gamble Annual Reports.

Exhibit 4 P&G Cash Flow Statements, Fiscal Years 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Net Income	1,872	269	2,211	2,645	3,046	3,415	3,780	3,763	1,872
Depreciation	1,051	1,140	1,134	1,253	1,358	1,487	1,598	2,148	2,191
Asset Writedowns	-	2,705	-	-	-	-	-	-	-
Other Operating Activities	125	(1,065)	196	181	328	(26)	(101)	(60)	463
Change in Working Capital	(23)	289	108	(511)	(574)	1,006	(392)	(307)	(1,521)
Cash from Op. Activities	3,025	3,338	3,649	3,568	4,158	5,882	4,885	5,544	4,675
Capital Expenditure	(1,911)	(1,911)	(1,841)	(2,146)	(2,179)	(2,129)	(2,559)	(2,828)	(3,018)
Sale of PP&E	291	725	105	310	402	520	555	434	419
Cash Acquisitions	(1,240)	(138)	(295)	(623)	(358)	(150)	(3,269)	(137)	(2,967)
Invest. In Marketable Sec.	-	(306)	23	96	(331)	(309)	63	356	221
Cash from Investing	(2,860)	(1,630)	(2,008)	(2,363)	(2,466)	(2,068)	(5,210)	(2,175)	(5,345)
Net Change in Debt	1,019	(215)	(664)	(490)	(38)	(660)	2,853	1,341	3,030
Net Purch. Of Com. Stock	(49)	(55)	(14)	(115)	(432)	(1,652)	(1,929)	(2,533)	(1,430)
Total Dividends Paid	(788)	(850)	(949)	(1,062)	(1,202)	(1,329)	(1,462)	(1,626)	(1,796)
Other Financing Activities	71	77	36	67	89	134	158	212	-
Cash from Financing	253	(1,043)	(1,591)	(1,600)	(1,583)	(3,507)	(380)	(2,606)	(196)
FX Rate Adj.	(26)	(119)	1	50	(63)	(31)	(96)	(18)	(13)
Net Change in Cash	392	546	51	(345)	46	276	(801)	745	(879)

Source: Procter & Gamble Annual Reports.

Exhibit 5 Organization 2005 Structure, 1999



MDOs

- CBD*
- Field Sales**
- CMK***
- External Relations
- Recruiting
- HR
- MDO IT

GBUs

- Marketing
- Market Research
- R&D
- Manufacturing
- Purchasing
- Distribution
- Finance
- HR
- GBU IT

- New Business Development

† Laundry Division is in Fabric and Home Care
 *CBD = customer business development (primary sales function)
 **Field Sales = local teams responsible for monitoring in-store execution, shelf presence, etc.
 ***CMK = consumer market knowledge
¹CEEMEA = Central Europe, Middle East, and Africa
 Source: Adapted from Procter & Gamble organization charts, 1999

Exhibit 6 Jager's Vision for Organization 2005

BREADTH OF BUSINESSES PROVIDES ADVANTAGE

The first key to faster growth, greater business vitality, is increasing the pace of innovation at P&G. This has been true for us in the past and is just as true today.

P&G is unique when it comes to innovation. We compete in nearly 50 product categories – laundry products, toothpaste, paper towels, personal cleansing, cough and cold, bone disease therapies, snacks, diapers, cosmetics – and many others.

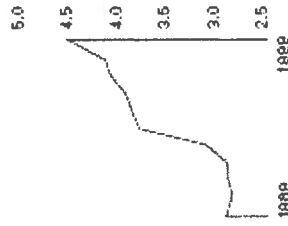
Some people argue that such a diversity of categories leads to a lack of focus. We see it differently: The breadth of our business enables us to connect technologies from seemingly unrelated businesses in unexpected ways.

We don't leave these connections to chance. Our Technology Council brings together R&D leaders from our existing product categories to more quickly transfer technologies from one business to another. Even as the Company grows bigger and bigger, the Technology Council accelerates the exchange of ideas much like the discussions that happened over the lunch table when we were much, much smaller.

Our Innovation Leadership Team, which I chair, is fueling our growth in new product categories. It funds promising ideas that fall outside our businesses, from seed-level investment all the way through test market. Previously these kinds of ideas would often go undeveloped.

INVESTING IN R&D With an investment of \$1.7 billion this year, P&G is the 21st largest U.S.-based and 52nd largest global investor in research and development. We invest to drive clear product superiority in our core businesses and to acquire new technologies and fund entrepreneurial programs that create big, discontinuous product innovation. Ten years ago, our investment in R&D was 2.0% of net sales. Today it represents 4.5% of net sales. www.pg.com/about/ind

P&G'S R&D INVESTMENT AS A PERCENTAGE OF NET SALES



Connections create breakthroughs. Last year, for example, we were granted more U.S. patents than any of our competitors. We hold over 25,000 patents worldwide, and this technology base is paying off. We are launching more new-to-the-world products than at any other time in our history – products like Febreze, our fabric refresher; Swiffer, our disposable mop; and Dryel, our home care product for dry-cleanables.

We are also introducing an unprecedented number of major improvements on established brands such as Pampers Rash Guard, the first diaper specifically designed to protect against diaper rash, and a new Tide with Bleach that kills 99.9% of bacteria.

CONNECTIONS CREATE BREAKTHROUGHS

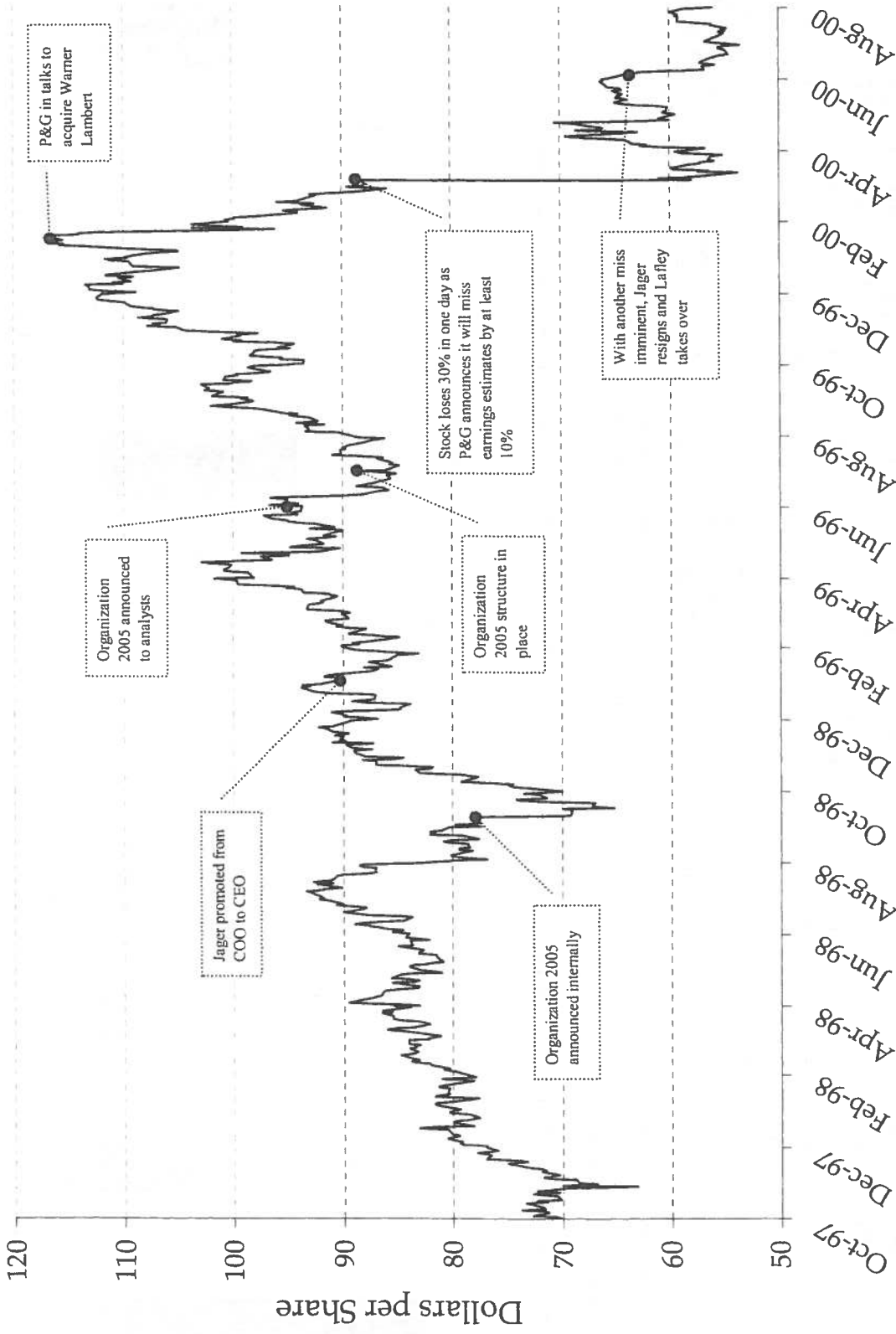
Today, we have tapped only a portion of our innovation capacity. With Organization 2005, we are making changes to unleash this capability and to capitalize on the new marketplace in which we compete.

UNLEASHING INNOVATION

- New Global Business Units (GBUs) leverage our scale. We will develop products and plans globally to better utilize our technology and get products to the world faster.
- Focus on new business will increase our innovative output. Each GBU has a dedicated New Business Development unit to create new brands in related categories. In addition, our Corporate New Ventures group focuses on big ideas that don't fit neatly within existing businesses – and helps commercialize ideas funded by the Innovation Leadership Team.

Source: Excerpted from Procter & Gamble, 1999 Annual Report (Cincinnati: Procter & Gamble, 1999), pp. 3-5, <http://www.pg.com/investors/annualreports.html>, accessed March 2006.

Exhibit 7 Procter & Gamble Share Price History, 1997-2000



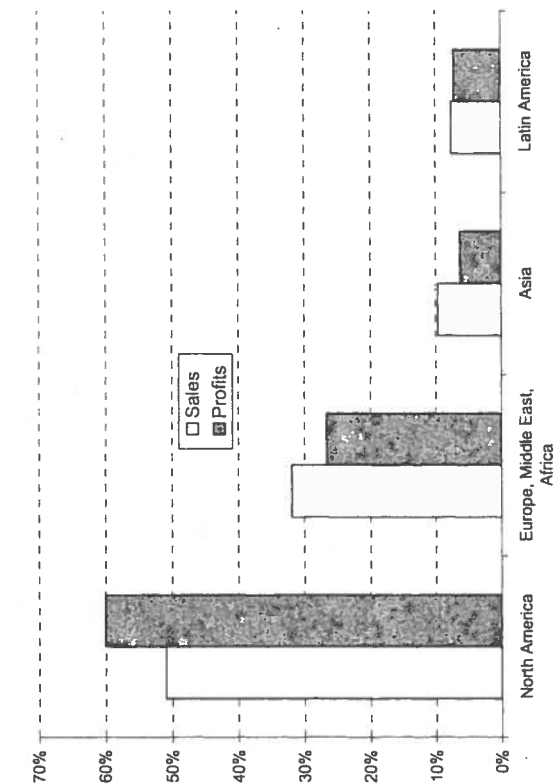
Source: Procter & Gamble.

Exhibit 8 P&G GBU Financial Data, 1998-2000 Fiscal Years

	Fabric & Home Care†		Paper		Beauty Care		Health Care		Food & Beverage					
	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	2000			
Net Sales	11,019	11,415	11,685	12,190	12,044	7,469	7,376	7,389	2,889	2,876	3,909	4,620	4,655	4,634
EBIT	2,240	2,417	1,772	2,195	1,817	1,379	1,457	1,393	381	372	540	477	528	566
Depreciation	295	293	611	638	664	198	198	194	105	107	159	135	149	153
Net Earnings	1,406	1,497	990	1,278	1,069	845	917	894	232	242	335	294	328	364
Total Assets		5,047		8,184	8,415		3,754	3,497		1,556	2,229		2,598	2,611
CapEx		638		1,327	1,282		285	310		143	195		237	235
Key Brands	Tide, Ariel, Downy, Lenor				Pampers, Always Charmin, Bounty		Pantene, Olay, Covergirl, SK-II		Vics, Actonel		Folgers, Pringles, Jiff, Crisco			

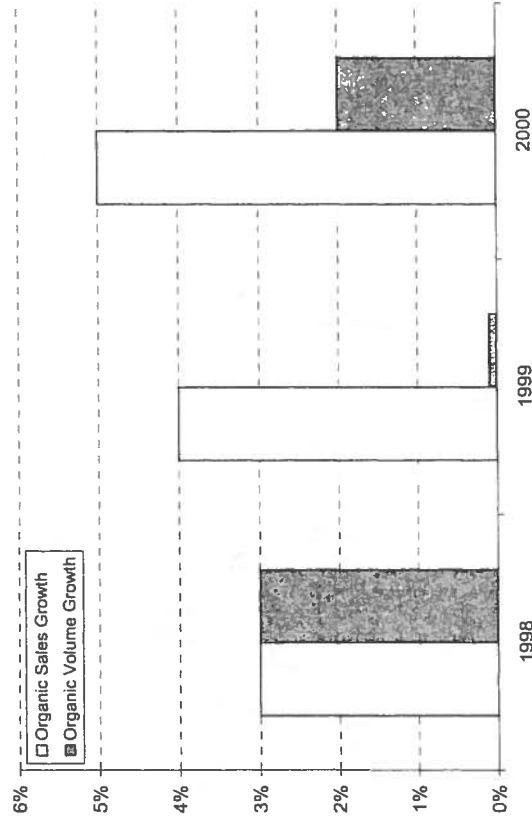
Source: Procter & Gamble, 2000 Annual Report (Cincinnati: Procter & Gamble, 2000), p. 40, <http://www.pg.com/investors/annualreports.jhtml>, accessed March 2006.
 Note: All numbers in Millions of 2000 U.S. dollars. The difference between GBU totals and the corporate is attributable to corporate eliminations, or corporate level assets.
 † Fabric and Home Care includes Laundry Division.

Exhibit 9 P&G Regional Sales/Profit Breakdowns, 2000 Fiscal Year



Source: Procter & Gamble, 2000 Annual Report (Cincinnati: Procter & Gamble, 2000), <http://www.pg.com/investors/annualreports.jhtml>, accessed March 2006

Exhibit 10 P&G Organic Volume and Sales Growth, 1998-2000 Fiscal Years



Source: Casewriters' calculations. Excludes acquisitions, divestitures and currency effects.

Exhibit 11 Financial Comparisons with Key Competitors

2000 Fiscal Year Income Statement (In Millions of 2000 Dollars)				
	Unilever	Colgate	Kimberly-Clark	L'Oreal
Net Sales	44,254	9,358	13,982	11,709
Cost of Goods Sold		4,000	7,607	
Gross Profit		5,358	6,375	
SG&A		3,300	3,113	
Operating Income		2,058	3,262	1,780
Depreciation		338	673	356
Operating Profit	2,981	1,720	2,589	1,424
Net Interest Expense		204	243	101
Other Non-Operating Inc (Exp)		73	275	-100
Special Items		9	1	0
Pre-Tax Earnings	2,396	1,598	2,622	1,223
Income Tax Expense		503	759	451
Minority Interest		33	63	
Earnings from Cont. Ops.	1,017	1,062	1,800	954
2000 Fiscal Year Supplemental Items				
	Unilever	Colgate	Kimberly-Clark	L'Oreal
Advertising Expense	6,144	551	349	ND
R&D Expense	1,114	176	277	360
Capital Expenditures	1,249	367	1,170	444
Employees	261,000	38,300	66,300	48,200
Average Rates of Growth, 1999 and 2000 Fiscal Years				
	Unilever	Colgate	Kimberly-Clark	L'Oreal
Sales Growth	2%	7%	10%	13%
Volume Growth	2%	6%	9%	ND

Source: Procter & Gamble Annual Reports.

Appendix: Selected Competitors of P&G

Unilever

Unilever was founded in 1930 through a merger of a Dutch margarine company Margarine Unie with British soap company Lever Brothers. In 2000 Unilever generated \$44 billion in revenues and employed 261,000 people, making it the second-largest consumer products company, after \$50bn Nestlé. Fifty percent of Unilever's sales came from foods, 22 percent from home care and 26 percent from personal care.³⁷ Unilever managed 1600 brands, with a quarter of them generating 91 percent of revenue.³⁸ Unilever's products were extremely diverse, including *Lipton* tea, *Ben & Jerry's* ice cream, *Calvin Klein* fragrances, *Dove* personal cleansers, *Axe* deodorants, *I Can't Believe It's Not Butter* margarine, *Slim-Fast* diet foods, *Q-Tips*, *Domestos* toilet cleaner, and *Vaseline* petroleum jelly. Unilever was one of the most diversified consumer-products companies – largely by acquiring hundreds of small to medium-sized local companies. Unilever wanted to expand its share of revenues from developing countries from 33 percent to 50 percent by 2010. Unilever considered itself a “truly multilocal multinational,” and utilized a highly decentralized organizational structure in which geographic organizations bore sole responsibility for financial performance and full control over resource allocation across brands and product categories.³⁹ Functional organizations such as manufacturing, R&D, marketing, and sales were managed regionally, and often by country, for maximum responsiveness to local needs.

In February 2000 Unilever announced a restructuring plan – *Path to Growth* – aimed at annual sales growth of 5 percent and operating margins of 15 percent within four years. The 1200 brands that together generated only 9 percent of revenue were to be eliminated, as were 25,000 jobs and a quarter of manufacturing plants. The remaining brands would receive additional \$400 million in advertising and promotional spend in addition to \$320 million that would otherwise go to the marginal brands. Supply-chain information-technology systems would be standardized and improved to optimize this new fully integrated network of manufacturing plants and distribution facilities. Purchasing was to be further automated and centralized to reduce costs. The program was expected to cost \$3.2 billion through 2004, including asset writedowns. To align management with the new growth targets, performance-based pay would increase from 40 percent to 100 percent of base pay. Once this first-stage streamlining of brands and supply-chain systems was completed, further reduction in overheads would become possible through significant business simplification. Beginning in 2004, some financial processes would be consolidated into a small number of shared service centers around the world.⁴⁰

To aid the new plan, Unilever unveiled its new organizational structure in April 2000. Each regional organization would be split into two divisions: foods and home and personal care (HPC). Each division would possess its own sales, marketing, and regional innovation functions. Regional presidents would retain profit responsibility but would manage the two divisions as separate entities. In pursuit of a more global focus on products and brands, each regional president would serve on either a foods or an HPC executive committee. Each executive committee would be chaired by a divisional director whose compensation would be based on global divisional performance. The R&D and supply-chain functions would then be globally consolidated by product division. This arrangement would allow the individual foods and HPC supply chains to develop platform manufacturing and distribution solutions across regions. Large global technical centers would focus on core technologies that would ultimately be adapted regionally in smaller regional innovation centers.⁴¹ Just as *Path to Growth* got under way, Unilever made its largest-ever acquisition, Bestfoods, for \$24.4 billion, bringing the large global brands Hellmann's and Knorr into the fold along with an array of U.S. favorites like Skippy peanut butter and Mazola cooking oil.

Colgate-Palmolive

In 2000 Colgate-Palmolive (CP) generated \$9.4 billion in revenues and employed 38,000 people. Since 1990, revenues had been growing at 5 percent compound rate, while net profits soared at 13 percent per annum. Seventy-five percent of Colgate's sales came from roughly 25 global brands, with *Colgate* toothpaste being a multibillion-dollar brand in its own right. CP enjoyed global share leadership in oral care, where its namesake dentifrice brand had literally become the word for toothpaste in many languages. Colgate also had an almost 40 percent share of the global dishwashing-liquid market and a leadership share in the global high-end pet-nutrition market. Oral care, personal care, and pet nutrition had rapidly grown share in the preceding five years.⁴²

CP managed its business through four regional reporting subsidiaries. Each subsidiary had two product-category divisions: oral/personal/household care and pet nutrition. In a matrix reporting structure similar to P&G's, general managers of regions were balanced by heads of product-category divisions. R&D was an almost purely corporate function, with major global technical centers delivering platform technologies to be commercialized around the world. Manufacturing used large regional focused factories, purchasing was being centralized regionally, and SAP already ran 80 percent of Colgate's systems worldwide.⁴³

Kimberly-Clark

Kimberly-Clark (KC), the world's largest tissue manufacturer, focused its \$14-billion, 64,000-employee business almost entirely on paper products. Fifty-five percent of sales came from North America, 15 percent from Europe, and 30 percent from the rest of the world. KC had the highest operating margin of any paper company (nearly 18 percent, versus the second-highest, P&G Paper, at just over 12 percent).⁴⁴ *Kleenex* and *Huggies* were global billion-dollar brands, and KC had number-one or number-two market share in over 80 countries. *Huggies* had surpassed the category creator, Pampers, in the United States in 1992 and currently held a commanding 15 percent share advantage.⁴⁵ KC had averaged 6–8 percent sales growth and double-digit earnings growth for 15 years.⁴⁶ In Europe, KC was in the process of shifting from a country-based sales force to a customer-based sales force; each of KC's 32 main customers was assigned a dedicated sales force.⁴⁷

L'Oreal

L'Oreal was the largest beauty company in the world in 2000, with sales of \$12.8 billion in 150 countries and 48,000 employees. L'Oreal's sales were concentrated primarily in 15 global brands. The *L'Oreal* brand alone had global sales of over \$4 billion; the largest luxury brand, *Lancôme*, had global sales of nearly \$2 billion. Excluding changes in financial reporting, L'Oreal's sales had increased by over 150 percent since 1996, largely through acquisition and rapid globalization of strong local brands.⁴⁸ L'Oreal managed its business by distribution channel and geography. Brands were typically slotted into one of the following divisions: consumer (grocery, pharmacy, and mass discounter), luxury (department-store counters, specialty retail, or L'Oreal-owned retail stores), professional (salons), and active cosmetics (dermatologists). Global brand teams were based on the brand's continent of origin, along with dedicated R&D resources. These teams developed the global "brand key," or essence of the brand, along with formulations, packaging, and strategy. Regional brand teams negotiated with global brand teams to fine-tune execution locally. Interestingly, brands were managed as if they were separate businesses; cooperation was minimal, even within categories. This approach was meant to engender competition and to maintain distinctive offerings. L'Oreal prided itself on its R&D capabilities, spending 3 percent of sales on R&D in 2000.

Endnotes

¹ Katrina Brooker, "P&G's Un-CEO," *Fortune*, September 16, 2002, http://faculty.msb.edu/homak/HomaHelpSite/WebHelp/P&G_s_Un-CEO_Fortune_9-16-02.htm, accessed May 2005.

² Jim Gingrich, *The P&G Train Has Left the Station—Is It Too Late to Hop On?* Sanford C. Bernstein & Company, October 9, 2000.

³ Procter & Gamble, "A Company History, 1837–Today," Procter & Gamble Web site, www.pg.com/translations/history_pdf/english_history.pdf, accessed April 2006.

⁴ "Why Pigs?" Big Pig Gig Website, <http://www.bigpiggig.com/contact/news/news.php?id=31>, accessed March 2005.

⁵ Davis Dyer, Fredrick Dalzell, and Rowena Olegario, *Rising Tide* (Boston, MA: Harvard Business School Press, 2004), p. 18.

⁶ Procter & Gamble, "A Company History, 1837–Today."

⁷ Ibid.

⁸ Ibid.

⁹ Procter & Gamble, 1999 Annual Report (Cincinnati: Procter & Gamble, 1999), pp. 5–6.

¹⁰ Procter & Gamble, "A Company History, 1837–Today."

¹¹ Dyer, Dalzell, and Olegario, *Rising Tide*, pp. 68–73.

¹² Procter & Gamble, "A Company History, 1837–Today."

¹³ Dyer, Dalzell, and Olegario, *Rising Tide*, p. 198.

¹⁴ Patrick Larkin, "P&G Plan: Sweeping Changes," *The Cincinnati Post*, September 10, 1998, <http://www.cincypost.com/business/1998/pg091098.html>, accessed August 2005.

¹⁵ Christopher A. Bartlett, "P&G Japan: The SK-II Globalization Project," HBS No. 303-003 (Boston: Harvard Business School Publishing, 2004), p. 2.

¹⁶ Ibid., p. 2.

¹⁷ A.V. Vedpuriswar, "Procter & Gamble," <http://www.vedpuriswar.org/book/Procter%20&%20Gamble.htm>, accessed June 2005.

¹⁸ Ibid., p. 2.

¹⁹ Ibid., p. 293.

²⁰ Ibid., p. 289.

²¹ Andrew McQuilling, *Procter & Gamble*, UBS Warburg, July 28, 2000.

²² Ibid.

²³ Ibid.

²⁴ Patrick Larkin, "P&G Plan: Sweeping Changes," *The Cincinnati Post*, September 10, 1998, <http://www.cincypost.com/business/1998/pg091098.html>, accessed August 2005.

²⁵ Bartlett, "P&G Japan: The SK-II Globalization Project," p. 6.

²⁶ Procter & Gamble, "Linking Opportunity with Responsibility Sustainability Report," Procter & Gamble Web site, www.pg.com/translations/sustainability_pdf/english_sustainability.pdf, accessed October 2005.

²⁷ Bartlett, "P&G Japan: The SK-II Globalization Project," p. 5.

²⁸ *Ibid.*, p. 5.

²⁹ Larkin, "P&G Plan: Sweeping Changes."

³⁰ Garth Alexander, "P&G Gambles on Shake-up to Beat Crisis," *The Sunday Times*, September 18, 1998.

³¹ Kevin Max, "Procter & Gamble Gets Slammed After Earnings Warning," The Street.com Web site, March 7, 2000, <http://www.thestreet.com/pf/brknews/consumer/896216.html>, accessed April 2006.

³² Chris Isidore and Martha Slud, "P&G Warning Hurts Dow," *CNN Money* Web site, March 7, 2000, <http://money.cnn.com/2000/03/07/companies/procter>, accessed April 2006.

³³ "P&G Earnings Tumble," *CNN Money* Web site, <http://money.cnn.com/2000/04/25/companies/procter/>, accessed April 2006.

³⁴ *Ibid.*

³⁵ Robert Berner, "What's Driving P&G's Executive Spin Cycle?" *BusinessWeek Online*, <http://www.businessweek.com/bwdaily/dnflash/june2000/nf00608h.htm>, accessed April 2006.

³⁶ "P&G CEO Quits Amid Woes," *CNN Money* Web site, <http://money.cnn.com/2000/06/08/companies/procter/>, accessed April 2006.

³⁷ Unilever, "Charts 1995–2005," Unilever Web site, http://www.unilever.com/ourcompany/investorcentre/financial_reports/charts_1995.asp, accessed April 2006.

³⁸ Andrew Lorenz, "Unilever Crosses the Rubicon," *The Sunday Times*, February 7, 2000.

³⁹ Unilever, "Unilever's Approach to Corporate Responsibility," Unilever Web Site, http://www.unilever.com/Images/2001%20Social%20Review%20of%202000%20Data_tcm13-5331.pdf, accessed May 2006.

⁴⁰ Unilever, "Unilever Plans for Faster Growth," Unilever Web site, <http://www.unilever.com/ourcompany/newsandmedia/pressreleases/2000/growth.asp>, accessed May 2006.

⁴¹ Unilever, "Realignment of Senior Management Structure at Unilever," Unilever Web site, <http://www.unilever.com/ourcompany/newsandmedia/pressreleases/2000/management.asp>, accessed May 2006.

⁴² Colgate-Palmolive Company, 2000 Annual Report (New York: Colgate-Palmolive Company, 1999), <http://investor.colgate.com/annual/annual.cfm>, accessed April 2006.

⁴³ *Ibid.*

⁴⁴ Andrew Shore, *Kimberly-Clark Corporation: Cry no More*, Deutsche Bank, February 2, 2004.

⁴⁵ *Ibid.*

⁴⁶ Kimberly-Clark Company, 2001 Annual Report (Dallas: Kimberly-Clark, 2001), pp. 1–30.

⁴⁷ *Ibid.*, p. 13.

⁴⁸ L'Oreal SA, 2000 Annual Report (Paris: L'Oreal SA, 2000), pp. 1–19.

