
Procter & Gamble: Global Business Services

Introduction

This is an interesting case study I have come across so far. Procter and Gamble (P&G) is cited as a billion-dollar company which have over 300 brands sold in more than 180 countries. They serve products from home to hair to health. They have spread their hands in household care segment. This case study typically focuses on (GBS) Global Business Services. In the year 1999 P&G executives made a decision of centralizing all the non-core functions under one roof which was newly created and named it as Global Business Services. GBS group is a critical and important piece of their operational platform. The ultimate aim or goal was to reduce costs by \$500 million within 5 years. Support services offered by P&G have marked a milestone of 10 years. Many international establishments are reviewing this journey with curiosity. P&G was able to cut the cost by saving approximately 600\$ billion by combining all back-office functions, right from FI & A/C (Finance and accounting), Human Resource, IT Department and facilities management under one roof called as Global Business Services (GBS).

Problems

Global Business Services has been an internal service provider unit for P&G. The basic intention behind setting up this unit was to increase efficiency and cut the cost. Challenges that P&G were going to face were restricting alternatives: keeping GBS in-house, Keeping GBS as a separate entity, Subcontracting GBS to one or more than one company and the last one was keeping GBS as it is and focusing on increasing its efficiency. If GBS was outsourced the condition that would apply for 2 and 3 suggestion was all the employees would get a full-time job with the outsourcing company.

The Change

It was the perfect time for change or making a move. P&G was already capable to cut the cost and improve service quality with their internal business capabilities. They paved their way for smooth evolutions by combining and regulating services which helped them further control the unique expertise of subcontracting associates and make good deals in terms of agreement. They believed that outsourcing is only possible when your organization is internally optimized. You cannot rely on outsourcing to fix your issues. If your process is not standardized and you rely on outsourcing with an intention of they fixing it is a biggest mistake.

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The objective was outsourcing was not restricted to future cost cutting and improve service levels. By outsourcing they repetitive work P&G was not only going to save the cost, but they have enough time to concentrate and focus on more innovate work and put more emphasis on business development/product development. For example, to cover things like infrastructure management and application development about 2,000 plus P&G employees in more than 45 countries were relocated to HP. When P&G stepped into the market of outsourcing their package was the best deal in the market. This was due to their strong internal skillset. They were easily able place a good offer so that their people were offered jobs by the contracting company. The transaction was so smooth that their own employees had become their service providers. For example: Let's consider P&G's service center which was based out in Costa Rica. Except for the change in badge employees didn't even notice that they were transferred from Costa Rica to San Jose.

One thing that made a difference is commitment and strong connection towards P&G's outsourcing partners. In the beginning purchase to payment was mentioned for suppliers. Out of accounts payable, procurement and finance accounts payable is outsourced and procurement and finance are still in-house processes. This model was beneficial because this was not setup keeping in min flat out sourcing. If it was the case of flat outsourcing employees would have lost their jobs because flat cut outsourcing generally refers to reducing cost by cutting down staff. Just because the outsourcing partners should create new business opportunities P&G offered unique capabilities such as unique skillset, good process flow, work-knowledge, and accurate knowledge transfer. This really proved beneficial for the employees because this is what they wanted to derive out of this transaction safeguarding current employee jobs. GBS structure and outsourcing partners helped in integrating with Gillette. The basic pre-requisite for achieving this integration was good centralized and homogeneous business services with a good combined IT platform. Consider this example, by integrating Gillette and P&G two strong platforms were integrated. While ordering a Gillette product if P&G products were also ordered it helped in shipping them all together hidden thing here is it also saved on warehouse cost because they were stocked under one roof.

Conclusion

We see how fast the world is changing. Global Business Services should always be one step ahead of this change and this what P&G intend to be their third phase of. Business relationships with JLL are highly successful. JLL being a new supplier grabbed supplier of the year award. This deal gives out a message that successful collaboration can help in developing an innovative and good partnership.

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