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# **Organisational Structures and Corporate Cultures of Two Competing Consumer brands in the UK**

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## Abstract

This report analyses the relationship between organisational structure, organisational culture, and their impact on organisational performance. Firstly, the organisational structures and cultures of Unilever and Nestle are presented. Secondly, the leadership styles adopted by both Unilever and Nestle are demonstrated. Finally, how these different organisational structures, cultures, and leadership styles are contributing to the success of both organisations is explained.

## Introduction

Organisational structure is the basic building block of an organisation upon which all its core functions and practices depend. It usually internalizes with the organisational needs and the philosophy of its founders. It determines ways of communication, monitoring, and information sharing within an organisation. As it works to best implement the objectives and goals of an organisation, it takes into account changes that can have a negative impact on these defined goals and objectives. Organisational culture is the specific set of behaviors and values that everyone in an organisation follows when communicating with each other and stakeholders outside the organisation (Stephen P. Robbins and Timothy A. Judge, 2019, pp. 520-521). Unilever and Nestle have been rivals for years. Comparison between these two household brands has always been interesting and fascinating, which is why they are selected.

### 1. Compare and contrast different organisational structures and cultures.

There are four basic categories of organizational structures. They are as follows:

- Functional structure: Functional structures are based on business functional areas. They are marketing, finance, operations, accounts, etc.
- Product-based structure: Product-based structures are grouped on the basis of product lines.
- Geographic structure: Geographic ones are divided into regional points. Examples include Europe, the Americas, Asia, etc.
- Matrix structure: Matrix structures are a bit complicated (Ordway F. and Claudin M., 1987, pp. 779-805). They include more responsibilities beyond the regular ones.

## Organisational Structure

An organisation can follow either a centralized structure or a decentralized one. It basically depends on the very nature of the organisation (Mary A. Coulter and Stephen P. Robbins, 2019). Organisations that require higher control can opt for a centralized structure. Organisations wanting a little loose control can choose a decentralized structure as it is the kind of structure that allows employee participation in the decision-making process.

In terms of dimensions, organisational structure can be of two types. They are vertical and horizontal. Vertical ones are better suited for organisations with swift communications needs. They help managers productively control and handle employees. Horizontal structures are useful for organisations that aim for cost-effectiveness as they have a wider span of control, thus requiring fewer supervisors.

## Structure of Unilever

Unilever follows a product division structure. It is divided into departments with the utmost focus on products rather than functions at the core level. The structural features of Unilever are as follows:

1. Product-focused divisions (most important)
2. Executive bodies at the corporate level
3. Regional divisions (least important)

### **Product-Focused Divisions**

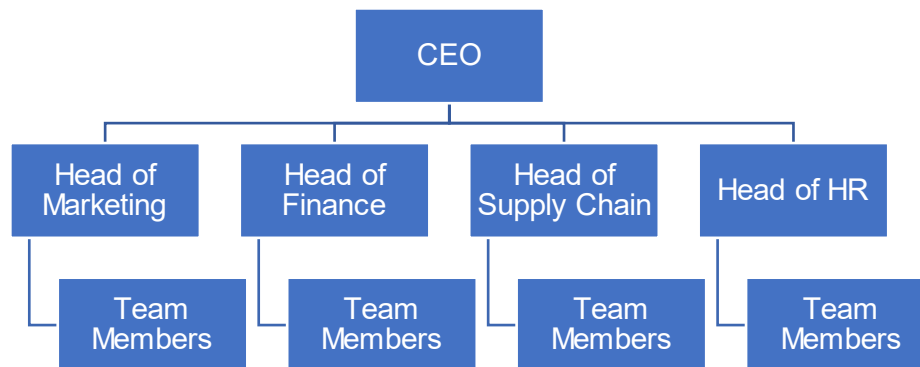
Product-focused divisions work similarly to functional divisions except the focus remains on the product portfolio in product ones. These divisions are responsible for the development, production, distribution, promotion, and, sales of their respective products. Corporate executives instruct these product teams on important factors. This sort of structure is for businesses having a wide range of products, which Unilever has, hence it is suitable for Unilever to adopt it. Unilever is successfully managing its diverse product mix with this approach.

Product Divisions at Unilever are the following:

1. Foods
2. Home Care
3. Personal care

## Executive Bodies

Executive teams are the basic functional teams at the corporate level. The teams are formed based on business functional areas such as marketing, finance, human resources, etc. These teams perform day-to-day functions as per instructions from their supervisors. CEO monitors these team heads and provides them with directives as to what to be done. Typical structure in this context is given below:



Source: Unilever (2015)

## Regional Divisions

Regional divisions hold the least amount of importance. They are formed to implement regional strategies. They work to meet individual market needs. They look for opportunities to expand the market horizons in different geographic locations. Unilever Asia, Unilever Europe are instances of this kind of division.

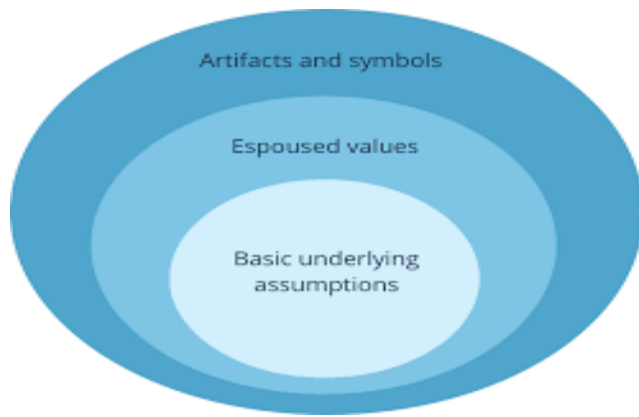
## Structure of Nestle

Nestle follows a matrix structure alongside a decentralized decision-making process. Its strategic business units (SBUs) are supervised and managed by regions. Nestle's geographical units are Europe, Middle East, North Africa, Americas, and Asia/Oceania (Nestle Global, 2020). The overall business strategies still come from the headquarters. But day-to-day operations can go the way the regional office wants with the freedom to set prices, promote, and sell the products.

Matrix structure allows employees to work on different projects outside the job description within the organisation while holding the specific position. Nestle embraces this practice and encourages employees to involve in projects outside their specific roles. It enjoys a double benefit this way as it does not need to hire extra employees for new projects. Employee

## Organisational Culture

Organisational culture is embedded with the philosophy of the founders of an organisation as they introduce it in the workplace during the business initiation period. It is the single distinguishable identity of an organisation.



### Organisation Culture of Unilever

Unilever promotes a performance culture, which indicates the value of output by employees. The contribution by employees is recognised and rewarded. It helps to motivate the employees to perform even better. Unilever emphasizes three factors: a focus on performance, consistent quality, and increased efficiency. The progress of Unilever is largely due to its high-performance culture. It propels Unilever into a strong position in the face of fierce competition.

This very performance culture made Unilever one of the largest businesses from a small one. It instills in employees the high-performance drive. Along the way, the productivity of employees also increases and adds to the organisational output. Increased focus on quality assurance has helped Unilever become the trusted name in the industry. Unilever has always been a purpose-led organisation. It has incorporated sustainability in its mission statement in recent years. It strives to improve people's health with its products. It is an environmental-friendly organisation with its aim to go carbon neutral as soon as possible. Unilever has been an enthusiastic user of technology in its hiring endeavours as well as product innovation. It has a dedicated technology division responsible for developing new technologies that can make the business process easier.

### Organisation Culture of Nestle

Nestle is the good food, good life organisation. It follows this motto in everything it does. Its corporate culture is built on the principle of good food, good life. Reflecting on that principle, Nestle promotes a culture of healthy and nutritious relationships. It is the core of the business practices of Nestle. In its mission statement, Nestle makes it clear that it is in business to facilitate people to lead a healthy life with its products. Its products live up to the promise made in the mission statement. Employees are the heart of the business at Nestle. Nestle's culture is an employee-focused one, which strives to make the lives of employees better and healthy as they are the people driving the business to success. Outside business, Nestle tries to maintain healthy relationships with its various stakeholders. It is an environmentally compliant organisation.

## 2. Compare the effectiveness of different leadership styles in different organizations.

Leadership is an important part of any organisation. It gives direction and creates a vision for people in the organisation. Leaders have an influential power that sets them apart from other people. They can help transform an organisation from scratch to a strong position. They are the brain and head of the organisations.

### Types of Leadership

- Democratic leadership
- Autocratic leadership
- Laissez-faire leadership

### Leadership Style of Unilever

Unilever exercises a management style that is both data-driven and result-oriented. It also focuses on a market-driven leadership style. In this style, market needs and situations determine the course of action to be taken, which, of course, is optimum for the business. Unilever's coveted success is largely attributable to the aforementioned management styles. Managers at Unilever motivate employees to achieve the highest level of performance to their capabilities. They offer support to employees at every point in the process. This increases employee productivity and minimises the waste of resources. Unilever operates in an industry that has extremely volatile market conditions. In this setup, managers, and employees need to make decisions as quickly as possible. Unilever encourages quick decision-making at every step. Unilever management is highly respectful towards its organisation culture and inspires everyone in the organisation to do the same.

### Leadership Style of Nestle

Nestle practices a democratic management style with making a big room for decentralization. It believes more in people than in systems. For that matter, it does not develop rigid systems that might make the business process more complex. Managers at Nestle strongly encourage collaborations among teams and business units. The matrix structure is evidence of that encouragement. Operational speed is one area that Nestle wholeheartedly tries to master. Managers have a narrower span of control to better handle and monitor the employees working under them. They are advised to assign clearly defined tasks to their subordinates to ensure that there is minimal waste of resources.

### Comparison between Unilever and Nestle

Unilever has better technological advantages as opposed to Nestle. Nestle has a slightly better management style than Unilever. It allows people at the bottom of the hierarchy to participate in decision-making, which Unilever employees do not enjoy. It is rational for Nestle to do that since it has over 2000 brands under its belt. Nestle's employee-oriented culture makes employees feel more included in the business while Unilever puts more emphasis on employee performance. Unilever's product division approach is useful for its differentiated set of products although the less regional focus is a major barrier to fully utilize the individual market potential. In this regard, Nestle plays it smart by having placed a region-driven division approach. Nestle also has a matrix structure that makes employees more competent to contribute to its business output. Unilever's quality assurance is an absolute winner, it never compromises on the quality of its products under any circumstances. It is one of the reasons for Unilever to be a trusted name in the business. Nestle is a bit behind when it comes to quality assurance. Its Maggi Noodles was banned in Asian markets for a while. Nestle has

to be more rigid in the quality maintenance department. For Unilever, it has to be more employee-centered. Going a bit easy on the performance will not harm Unilever. Rather, it will bring more positive results.

### 3. Explain how the relationship between an organisation's structure and culture can impact the performance of the business.

Organisations must have structures that fit their respective nature. If structures and organisational needs are not in line, the organisation is likely to suffer both in the short run and long run. Corporate culture is yet another important aspect of an organisation. It sets the environment that is to go on for a very long time. A favourable corporate culture is desirable by many employees. Both culture and structure have a significant impact on the organisation's performance.

#### Performance of Unilever

Unilever experienced a negative growth of (2.4%) in 2020, which was 2% in 2019, due to a global pandemic. Sales growth also declined as consumer behaviours dramatically shifted due to low incomes and job losses. But volume growth increased by 1.6% because of the increased purchase of hygiene products, which previously was 1.2%, a 0.4 % increase. Unilever's net profits for the year 2020 amount to €6.1 billion, with a free cash flow of €7.7 billion (Unilever, 2020). Total assets of Unilever totalled €67.6 billion, the same figure for total equity and liabilities. The financial performance of Unilever suffered largely because of COVID-19. It caused closures of shops selling products by Unilever.

#### Performance of Nestle

Nestle secured a 3.6% growth in 2020, which happens to be the highest in the last five years. But sales decreased by 4.6%, a slightly big one. Exchange rate fluctuations caused sales to decline. Nestle's net profits for the year 2020 amounted to €11.4 billion, which is 14.5% of sales (Nestle, 2020). The equity of Nestle stands at €42.2 billion for the year 2020 ended. Free cash flow amounted to €10.2 billion. Overall financial performance is good in a COVID-19 affected time.

### Conclusion

Organisational structure is the single most important factor in organising the business. Careful thought should be put before the formation of the structure of an organisation so that it can achieve its objectives. Organisational culture is also as important as organisational structure. It creates the environmental framework of a workplace. Culture is always evolving, be it in general or in an organisational context. It should promote, encourage employees to work even better and make them feel included in the workplace, irrespective of their culture, race, and background. Both good culture and sound structure are the prerequisites to building a high-performing organisation. So, they should work as an integrated whole to reach organisational goals.

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