

Case study 13.2 more than cosmetic changes at avon

[Business](#)



1. What organizational structure problems did Avon experience prior to the reorganization? Prior to its reorganization, Avon had an over arching tall hierarchal structure with a departmentalized - divisional organizational structure. The tall hierarchal structure or the narrow span of control accounted for the senior managers not being aware of what was happening on the ground.

The tall hierarchal structure refers to the number of layers of management in the relaying of information before that information reaches the head, in this case Jung. Avon previously had a structure of fifteen layers. According to McShane et al, " senior managers in tall structures often receive lower quality and less timely information from the external environment because information from frontline employees is transmitted slowly or not at all up the hierarchy". They further stated that " more layers of management through which information must pass, the higher the probability that managers will filter out information that does not put them in a positive light. This is one factor that can account for the stated issue of Ms. Jung not being close to the operations.

Another factor that contributed to this was the management structure within the various decentralized regional organizations. The country managers in those organizations were given a large amount of autonomy in their decision making as it relates to running their own plants, developing new products and creating their own ads. This departmentalized system is characteristic of a divisional structure (sometimes call the multidivisional or M-form structure) and in particular the geographic divisional structure that is an amalgamation of the product/services and the client divisional structure. The advantage of <https://assignbuster.com/case-study-132-more-than-cosmetic-changes-at-avon/>

this type of structure was that the country manager could have appealed/related to the culture of the individual country more adequately. Of particular importance though, is the fact that the decisions were made on “gut” feelings (presumptions) rather than based on empirical research and analysis by the various country managers. However, as stated earlier, while this type of structure would have had its advantages at the formation, globalized trading supported by technological advances and academic advances in the field of marketing have revealed a number of limitations in this divisional system.

These limitations include : (1)the divisional structure tends to duplicate resources, such as production equipment and engineering or information technology expertise. (2)unless the division is quite large, resources are not used as efficiently as they are in functional structures where resources are pooled across the entire organization. 3)The divisional structure also creates silos of knowledge. Expertise is spread across several autonomous business units, and this reduces the ability and perhaps motivation of the people in one division to share their knowledge with counterparts in other divisions.

_____ 2. What changes did Andrea Jung make to Avon’s organizational structure? In your opinion were these structure changes appropriate? Why or why not? Andrea Jung made several significant changes to the organizational structure including (a)The centralization of the production and marketing component of the company to one location thereby replacing a divisional structure with a globally integrated enterprise; (b)The delayering of the organizational structure to reflect a flatter and wider structure; (c)Introduced elements of a functional

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structure together with some level of formalization to address the high level of autonomy given to the country managers to make decisions.

The shift from a departmentalized - divisional structure to a globally integrated enterprise is very significant and was a necessary step since the organizational will need to adapt to continue to be profitable and this is evident in the fact that “ many companies are moving away from structures that organize people among geographic clusters”. McShane et al, gave the following reasons for this phenomenon. 1)clients can purchase products online and communicate with businesses from almost anywhere in the world, so local representation is less critical; (2)reduced geographic variation such as freer trade has reduced government intervention, and consumer preferences for many products and services are becoming more similar (converging) around the world; (3)large companies increasingly have global business customers who demand one global point of purchase, not one in every country or region. A globally integrated enterprise “ connects work processes around the world, rather than replicating them within each country or region”. Additionally it is on this account that the Avon organization launched its drive to recruit additional sales representatives within the individual countries to minimize the sensitivity in the culture and market differences where the local sales representatives will be acknowledged as “ associates of a global function rather than a local subsidiary...” The strategy to move towards a flatter structure rather than a higher structure was also strategic given the fact the Andrea Jung was not as aware of what was happening on the ground as she should have been. This

flatter structure was necessary to allow Andrea to be closer to the operations.

However, the delayering will need to be managed to ensure that the limitations of a too flat structure does not come into play such as undermining the managerial functions of the manager, increased work load and stress on the managers that do remain given that autonomy was taken away from the country managers and a flatter structure restricts managerial career development which may result in reduced motivation and loyalty of the remaining middle managers. The introduction of a functional structure was of particular importance and a very necessary element given the need by organization to have an analytical department focused on “ numbers” to aide in the decision making process to develop strategies to increase the probability of the organization being competitive. Additionally, in order to curb the autonomy given to the country managers, formalization was necessary. However, in so doing, the organization will need to ensure that the decision made take into consideration the opinions of the country managers. _____ 3. This case study also refers to problems and improvements in managerial decision making.

In what way(s) does decision making relate to organizational structure here?

Organizational structure refers to the way that an organization arranges people and jobs so that its work can be performed and its goals can be met. In a large organization such as Avon, decisions have to be made about the delegation of various tasks and responsibilities. Therefore, there is need for procedures to be established that will assign responsibilities for the various

functions such as analysis, marketing, product development, manufacturing among others and in communicating within the departments to ensure that the common goal is achieved. It is these aspects of communication, coordination among departments and the distribution of tasks that will determine the organizational structure. Andrea Jung, given the scope of Avon, cannot make all the decisions alone.

She will need to rely on the information from the various departments to be able to adequately make these decisions. However, in defining the choices to be made, she will have to take into consideration the scope of the organization, its size in terms of its employees, the geographical dispersion of its facilities and the range of its businesses. It is these factors that would determine the management structure of the organization.