

Amway company analysis



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Executive Summary

Introduction to Contemporary Development in Business and Management

Business environment comprise of political, economic, social and technological (PEST) forces that have the power to control and influence of a business, and that can potentially have both a positive and a negative impact on the business.

As we can see, the current economic downturn began with a decline in the business capital and investment. As a result of it, lots of big corporation started to layoff its employee to reduce cost of employment or payout, companies restructuring its strategies, inventory liquidation, practising eco-friendly concept and consumer spending becomes more wane. For instance, ' the Chicago Boeing's Commercial Airplane unit setting its plan to reduce its employment from 20, 000 to 30, 000 people by the year of 2002, in order to support the uncertainty of the environment faced by its airplane customers' Boeing, (2001). Also, ' retailers reduce its product price and designer products such as Gucci started to merge with other luxury stores to reduce the charge for some goods. This is because consumers tends to focus what they needs, but not what they wants' D' innocenzio (2009).

Basically, the internal environment of a business involves everything within the organisation, such as the organisation's structure and culture, its human relations policies and procedures, the skills and experience of the staffs.

While the external environment affects every work team in the business and affects the business as a whole. These influences can be categorised under the headings political, economic, socio-cultural, technological, legal and eco-

environmental, mnemonic PESTLE. Both, internal and external environment plays an important part in an organisation as they internal environment have influence on the external environment and business's external environment has a major influence on all of the business's activity.

Introduction to Company Background

Amway is a pioneer and leader of world's largest direct selling companies which are started by Jay Van Andel and Rich DeVos in year 1959. The parent company of Amway is actually Alticor Inc. Today, Amway operates in more than 80 countries and territories in Asia, Africa, Europe and the Americas. It offers business opportunity to the people based on retailing beauty, nutritional, wellness and household products. Amway has more than 13, 000 employees worldwide while its distributors are part of sales force of more than 3 million owners around the world (Amway, 2006).

In this project, I have chosen Amway in China. Amway (China) co. Limited (ACCL) headquarter is in Guangzhou and has two regional offices in Beijing and Shanghai, with more than 5, 000 employees and 200 thousand independent business owners (IBOs) in various facilities across the country. ACCL has received the ISO 9001: 2000 certificate for quality management and ISO 14001: 1996 certificate for environment management. Other than that, ACCL has sponsored more than 3, 100 social projects such as health, children, and environmental protection project and with the total contribution of nearly RMB 190 million (Amway China, 2006).

Challenges faced by Amway in China

When Amway enter to China, the company takes time to adjust to the local culture. As a result, the company use the principles of their business concept which is able to adapt to any country around the world and. The company was operated by the local employee to help them enhance the culture knowledge, give advice on direction of the development of the company and also to run the business as they are more familiar with the local cultures (China Daily, 2008). Besides that, they also meet pyramid selling threats. This is because; the local Chinese people cannot distinguish between direct selling and pyramid selling. The company was forced to cease the operation for two months. However, their worked to explain the nature of the business and how it could contribute to the development of the country and finally they were allowed to reopen again (China Daily, 2008). Although it was a difficult challenges to overcome, but they gain greater respect for and a better understanding to the Chinese government.

Internal Analysis of the Company

By analysing the internal itself of an organisation, the organisation is able to determine what it can do to achieve the objectives. From there, a company will be able to match a function of its resources, capabilities, core competencies, and competitive advantages with the function of it opportunities and threats in the external environment. This allows the company to develop visible vision, mission, and select a properly strategies to be implemented. There are few models that we can use to analysis the internal environment such as SWOT analysis and perceptual mapping.

SWOT Analysis

‘ SWOT refers to a method for analysing four aspects of an organisation and is a way of conducting performance audit method, means, and their effectiveness’ Kaufman, Oakley-Browne, Watkins, & Leigh (2003 p, 259).

First of all is strength, which is analysing those strengths of the organisation. This will allow future strategies and tactics to be implemented successfully. Second, weakness is to analyse those internal processes, resources, and cultural elements that will be barriers to achieving organisation objectives. Third, opportunities is to analyse those demands and influences in the environment that could be used in future to develop better methods. And finally, threats is analyse those external demand and influences in the environment that could be a barriers to future outcomes.

Company Vision

The ACCL vision is to work each and every day to help people to live better lives. By helping people everywhere to discover their potential goals, offering better value and quality products for consumers, sharing generously with the global community, the corporate contributions that help improve the quality of live in China and by providing personal assistance to individuals in need especially children. Other than that, the Company takes pride in their commitment to business excellence, caring for people and their communities and concern for the environment.

Functions are perform by IBOs

IBOs is an Independent Business Owners which perform function associated with management. They are in-charge in organising meetings and events.

Also, they devise incentive programs and recruitments. Marketing for Amway products and the Amway business is also part of their responsibility.

Perceptual Mapping

External Analysis of the Company

Changes in the business environment create both opportunities and threats to the organisation's development. Therefore, it is important to ensure there is a continuous monitoring the environment of the organisation in order to build its business, development strategic capabilities that move the organisation forward and improving its services and products to meet the need of customers.

Ecological Factors

' Corporate ecology is a term used to describe process through which resources are allocated and transformed by corporate entities for use by citizen in modern, free market societies' (Sharma, Starik, and Husted, 2007, p, 140). It represents a mindset direct toward deeper understanding and appreciation of the dynamic process through which resources are redistributed. In other words, as corporations act in pursuit of their goals they have direct and indirect impact on a variety of people, communities, governments and the natural environmental systems such as air, water, and biodiversity.

Its influences within Organisation Policies and Decision Making

There are quite a numbers of community programs has been carry out by ACCL. For instance, ACCL sponsored environmental theme park in China. The

event was held on 13th and 14th June, 2008 to create awareness to the children to protecting the environment. Apart from that, this program helps enhance people's environmental awareness by identifying the blind spots of environmental protection. Meanwhile, to support the Amway vision by helping people live better lives in China (Hertstein, 2009).

Next, ACCL donated 1.06 million Yuan to set up Amway Spring Bud Teacher Training Centre in Dayang on May 2008. ACCL partnered with China children and teenager's fund (CCTF) to launch the charity fund which focuses on providing long-term professional education and physiological training for the local teachers (China Daily, 2009). The purposes of the events was to help local teachers have a better understanding towards children's psychological characteristics, psychological therapy practice on kids, and psychological self relief of the teachers at the earthquake-stricken area. Aside from psychological counselling, the charity project also aims to rebuild the education infrastructure and repair schools.

Furthermore, on 8th May, 2008 the 'Sunshine Project' is cooperation between ACCL with the China Children and Teenagers Fund (CCTF). Due to a nationwide urbanization initiative in China, children of migrant families believe to have not received the same education and health support as compared with other city children. Project Sunshine is aim to make a significant impact and create awareness of this social issue. Meanwhile, helping, identify needs and give support to these migrant children and family and create an opportunity for them to share same education and health support.

Evaluate the Effectiveness of the Organisation Response

The event of ACCL sponsoring of Environment Theme park has resulted increasing interest in environmental protection and realising the importance of harmony between economic and environmental development from the Chinese government (Herstein, 2009).

On 31st May, 2009 Amway was granted the ‘ China Children’s Charity Award’ by the All China Women’s Federation (ACWF) and CCTF in recognition of the Amway Spring Bud Teacher Training Centre (Herstein, 2009). These teachers from the centre were estimated will help 15, 000 children.

On 31st March, 2009, Amway’s Project Sunshine received two recognitions from China Enterprise News which are ‘ Excellent Corporate Social Responsibility Program for a Multinational Corporations’ and ‘ Most Innovative Corporate Social Responsibility Program’ (Herstein, 2009). In the next three years, more than 45, 000 children will be empowered with knowledge through various activities that integrate migrant children with urban school children by Amway community.