

# Case study on avon products inc



Should Top Management at AVON explicitly shape and change the culture of its organisation? Should Kroft, Woodbury, Jung or Gold has hopes of Succeeding Perrin, what should they do to develop their competencies and managerial leadership further so that the AVON board would look at them, and conclude that they “ have been there, and they have done that”?

Identify the problems and issues at AVON, and suggest ideas how the company could gain the competitive advantage in the global trade.

### **Answer to Question 1:**

Yes, the AVON top management should explicitly continue to shape and change the culture within the organization. Based on our study, we found some issues faced by AVON Company as the following:

AVON Managers are lack of sensitivity and slow response to the external environment change. In example: AVON’ managers were slow to realize that the influx of women in to corporate America had important consequences for home-based cosmetic sales. Resulted profitability slumped in 1980’s.

Poor financial performance at AVON has signalled the company for a need to become more responsive to a changing consumer market. Some unnecessary internal activities such like company session tickets for the Knicks and Yankees in the pass has also factored unnecessary cost to company. Those activities were scrapped later.

As stated in the case study. Multiculturalism is the main challenge to the company as vital element in meeting customer demand and gaining competitive advantage.

Those issues had badly contributed to AVON corporate culture and created impact for company performance in the pass.

Definition of Corporate culture:

So what is the definition of Corporate Culture? The definitions for corporate culture are numerous and are being refined and added to every day. The general academic view is that it is the shared, beliefs, assumptions, values, rules and norms the members of a collective such as a corporation or department hold. While this is perfectly acceptable we prefer to take the view expressed by Marvin Bower of McKinsey who said corporate culture is “the way we do things around here”. There are more sophisticated and certainly convoluted definitions for corporate culture but it is succinct and provides a good starting point for those who are new to corporate culture.

Source: Corporate Culture, nd. Dudley Consulting, Inc. [Online] Available at: < <http://www.dudleyconsulting-inc.com/culture.html> > [Accessed 30 September 2010]

It's difficult to change AVON's culture, “the way we do things around here” does not practice a positive corporate culture this is due to wrong believes, value and rules applied to the company culture. They don't lead by good examples and good leadership.

But AVON has done it and turns those wrong doing to a positive culture started 1990s, as following:

AVON start creates leadership campaigns such as sending middle managers for leadership development training.

<https://assignbuster.com/case-study-on-avon-products-inc/>

The entire management team participated in awareness training by leading diversity consultants.

Management launch multicultural planning research project to evaluate company policies and practices regarding promotion.

Identify potential barriers to the advancement of women and minorities.

Set up a task force across corporate head quarters multiple profit centres with more than 100 employees.

Company has developed goals.

To continue build a positive corporate culture, AVON shall consider below suggestions which is not practice from above example that AVON have done :

Stories. A group packages up its culture into stories which are frequently told and re-told, and which typify the values of the group eg ' the time we all stayed late on Xmas Eve to get the last orders finished and then has an impromptu party at the local.'

Heroes. Individuals who typify to an extreme the values of the group.

Symbols. These may be staff mottoes, the corporate mission statement or anything that symbolises the core values.

Rites. These are specific occasions, such as the annual office party, when the core values are publicly displayed. Formal award ceremonies are another example. These are especially important for enculturating new staff.

Rituals. This means a standard pattern of behaviour at a specific occasion, such as the office party if things are always done in a particular pattern.

Courses. Attending in-house courses is an important way of team-building and communicating the core values.

Cultural Networks. This means the informal contacts between employees where they reinforce core values, especially by passing them from older to younger group members.

Source: organisation – building a positive corporate culture, nd. tutor2u.

[Online] Available at: < [http://www.tutor2u.net/business/organisation/culture\\_more.htm](http://www.tutor2u.net/business/organisation/culture_more.htm)

> [Accessed 30 September 2010]

With above ideas to shape the company culture, AVON is likely achieve the following advantages of Strong Corporate Culture

A common interpretation of the Instruction, so work is done to a similar standard and in a similar manner.

Increase employee' loyalty, and avoid expenses of employee turnover.

Increase productivity of the company.

Increase the Management control.

## **Answer to Question 2:**

Before we jump to the point for discussing who shall be taking over AVON dealership there are something more vital to discuss first.

### Definition of Leadership :

Good leaders are made not born. If you have the desire and willpower, you can become an effective leader. Good leaders develop through a never ending process of self-study, education, training, and experience (Jago, 1982)

A simple definition of leadership is that leadership is the art of motivating a group of people to act towards achieving a common goal. Source: Leadership, Susan Ward, About. com Guide. [Online] Available at: <[http://sbinfocanada. about. com/od/leadership/g/leadership. htm](http://sbinfocanada.about.com/od/leadership/g/leadership.htm)> [Accessed 30 September 2010]

Leaders carry out this process by applying their leadership knowledge and skills. This is called Process Leadership (Jago, 1982). However, we know that we have traits that can influence our actions. This is called Trait Leadership (Jago, 1982)

Leadership is simply showed by good example, lead people to right things and do things right. A good leadership can groom another good leader. However, AVON does not groom any successful leader by any mentor. It caused AVON suffered many years. Until the company decided to source another leader who is experienced as chief executive in another global company. It had shown that company' direction is to hire another guru to be the mentor and lead existing executive which hope to groom them in future.

### Definition of competencies:

A competency is a skill, ability, or knowledge set that can be taught or developed. All competencies have “ indicators” that allow them to be observed and measured. A leadership competency model is a group of competencies linked to leadership excellence in a specific organization. A leadership competency model supports the organization’s vision and strategy by providing a framework by which the organization can select, develop, and evaluate leaders. Source: Joaquin Roca, 2009. What Is a Leadership Competency and How Do I Create a Competency Model? [Online] Place: USA/ Human resources and labour relations community. Available at: < [http://www.thefreelibrary.com/\\_/print/printarticle.aspx?id=1073980739](http://www.thefreelibrary.com/_/print/printarticle.aspx?id=1073980739)> [Accessed 30 September 2010]

A successful company should have a good leader with good leadership and competencies. In AVON, one of the main issues that that are facing is most of them are not processing comprehensive leadership and appropriate core competencies.

A core competency is fundamental knowledge, ability, or expertise in a specific subject area or skill set. Source: Rafael Gutierrez, 2003. Core Competency. [Online] Available at: < [http://searchcio-midmarket.techtarget.com/sDefinition/0,,sid183\\_gci214621,00.html](http://searchcio-midmarket.techtarget.com/sDefinition/0,,sid183_gci214621,00.html)> [Accessed 30 September 2010]

Base on the AVON case study, should Susan Kropf to be the next leader of AVON, she not only needs to process a good operation and global marketing core competency skill which she already has. But also develop the following core competencies:

<https://assignbuster.com/case-study-on-avon-products-inc/>

Financial and Administrative skill which Edwina Woodbury has. To able to sustain company financial health & growth.

Crisis management and cost cutting skill from Christina Gold.

### **Answer to Question 3:**

The main issue of AVON is due the lack of competitive advantage in global trade. Should AVON, like to gain a better business position, they should focus on building up the Compleitive Advantage in the globalisation era.

Definition of Global Trade:

Also refer to Globalisation. As economies become more connected to other economies, they have increased opportunity but also increased competition.

Source: globalization, nd. Investorwords. [online] Available at: < <http://www.investorwords.com/2182/globalization.html>> [Accessed 30 September 2010]

Globalisation describes a process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. Source: Bhagwati, Jagdish (2004). In Defense of Globalization. Oxford, New York: Oxford University Press.

Definition of Competitive Advantage:

<https://assignbuster.com/case-study-on-avon-products-inc/>



The Competitive Advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Christensen and Fahey 1984, Kay 1994, Porter 1980 cited by Chacarbaghi and Lynch 1999, p. 45)

In VAON, they do not gain a Cost Advantage simply because their internal cost is high, unnecessary expenses such like New York City Ballet and the New York Philharmonic session ticket. They also not leverage the advantage of internet technology and still relay on “ Door-to-Door” selling approach. They also do not seem to have differentiation advantage within the company.

AVON should consider taking below steps to gain Competitive Advantage in the Global Trade:

Cost leadership - Is there any way to make cost advantage among all the competitors in this borderless era? They can move the production line move to a country to provide lower cost of production. Or leverage Technology advantage such like internet to cut the advertisement cost or agent cost?

Like Dell has been very successful on its direct model to outreach consumers using the internet order system.

Differentiation - How to make AVON' product unique from other product?

AVON can consider using product development strategy to improve product packaging to maintain the market awareness.

Focus - AVON should avoid participate in all product range. And focus on niche product that they are good with. And become the leader of that particular area/product.