

# Analysis and evaluation of change in avon



The main aim of this report is to investigate an organisation that is undergoing major strategic change. Firstly the report will describe the change that has been adopted. It will then evaluate the effectiveness of the change strategy in terms of the organisation's structure, culture and politics. Finally the report will recommend and evaluate an integrated change strategy based on the three aspects.

## **2.0 A background of the organisation**

The organisation that has been selected is Avon Cosmetics Limited. Avon is a global manufacturer and marketer of beauty and related products. The company markets to women in more than 100 countries through more than 5 million independent Avon sales representatives. Product categories include: Beauty, which consists of cosmetics, fragrances, skincare and toiletries; Beauty Plus, which consists of fashion jewellery, watches, etc and Beyond Beauty, which consists of home products, gift and decorative products, candles and toys. (Avon, 2008 and Keynote, 2007) Avon's company profile has been explored further in appendix 1

## **2.1 The meanings and theories of strategic change**

According to Lynch (2000, p921), " Strategic change is the pro-active management of change in organisations to achieve clearly identified strategic objectives. It may be undertaken using either prescriptive or emergent strategic approaches". On the other hand Mintzberg et al. (2003) give five definitions of ' strategy' and they are: a plan, a ploy, a pattern, a position and a perspective. It somehow agrees with Hayes (2002, p58) who states that " a change strategy is essentially a plan to make things happen. It needs to address all the things that have to be done to bring about the

change.” However De Wit and Meyer (2004, cited in Hughes, 2006) emphasise that not all change is strategic and that much is operational. Operational changes are necessary to maintain the business and organizational systems, whereas strategic changes are directed at renewing them.

## 2. 2 Avon’s strategic change

Avon’s vision statement is to:

**“ To be the company that best understands and satisfies the product service and self-fulfilment needs of women – globally”**

According to Mintel (2006), the make-up market is growing fast in terms of fashion trends and has attracted many new brands over the past ten years. The cosmetic industry is very lucrative, innovative and fast paced industry. Therefore Avon has to watch the economy and rely on their brands. Being a global manufacturer and marketer of beauty and related products, Avon has been through several changes since it was founded in 1886. For over 120 years, Avon has been devoted to empowering women by helping them to look good and feel beautiful. The major strategic change is to:

â-ª Commit on brand competitiveness by investing millions in research and development on product innovation and increase advertising;

â-ª Re-design the organizational structure to eliminate layers of management in order to take full advantage of the global scale and size; and

â-ª Build a better tomorrow for women across the world both through representative earnings and helping millions of women to become

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entrepreneurs and run their own business. (Avon, 2008) (MultiChannel Marketing, 2007)

It is suggested by Johnson and Scholes (2002) that we need to understand the magnitude of the challenge faced in trying to effect strategic change. In order to diagnose the strategic change within Avon, it is useful to consider the type of change that is required. In order to identify the type of change that has been adopted within Avon, we will use the model from Balogun and Hailey (1999, cited in Johnson and Scholes, 2002, p536, exhibit 11. 2).

Looking at Avon's strategic change, it is quite clear that the nature of change will be incremental as it will build on the skills, routines and beliefs of those in the organization and the scope of change will be realignment as it will occur within the organizational beliefs and assumptions. The type of strategic change here will be adaptation as it will be accommodated within the current paradigm.

Johnson et al. (2005) go to say that we need to consider the wider context in which change is to occur by understanding the organizational structure, culture, politics and the specific forces that will block and facilitate the change process. However there are other contextual characteristics that also need to be considered before embarking on a programme of change. They are: preservation, diversity, capability, capacity, readiness and power.

### **2. 3 Organisational structure**

The effectiveness of change efforts is largely determined on how an organization is structured. In a world that is perpetually changing, an organisation's design must support the idea that the implementation and re-

implementation of a strategy is a continuous process. However, a number of traditional organizational design features tend to discourage change. (Lawler and Worley, 2006) According to Carnall (1999), an ideal organization structure will provide the right balance of information, power and resources to support the various activities within the organization in achieving its objectives.

Appendix 2 shows the organisational structure of Avon and describes how it influences the identity and corporate image of the organization. It is clearly evident that Avon has been building bonds with women around the world by offering them a dynamic earnings opportunity to achieve economic independence, accomplish their financial goals and transform their lives. As a top global brand and world leader in beauty and related products, Avon continues to revolutionize the beauty industry by launching innovative, first-to-market products using Avon-patented technology. It also allows Avon a more direct response from consumers and allows them to sell their products without the expensive and lengthy process of getting it into traditional channels. Direct selling/marketing presents many benefits to consumers including avoiding hassles of traffic congestion, parking, lack of time, shortage of retail help and waiting at checkouts. (Wilkinson et al. 2007) Consumers can browse through Avon brochures in the comfort of their home.

## **2. 4 Organisational culture**

Just as the structure of Avon should fit the particular strategy it wishes to follow, so should its culture. An organisation's culture is its deeply rooted traditions, values and beliefs. (Stacey, 2003) Bradt (2008) states that a winning company culture is simple and emphasizes three areas: serving the

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customer, growing the business, and developing employees. Whereas a losing culture is confusing and complex, places customer needs behind those of the company, and emphasizes personal gain over team achievement. Sopow (2007) goes on to say that there are high levels of mistrusts, poor communication and strong resistance if an organisation's culture is unhealthy.

Appendix 3 illustrates Avon's organizational culture by using the cultural web model from Johnson and Scholes (2002, p232, fig 5. 8). It is suggested by Cameron and Green (2004) that organizations should only involve themselves in culture change if the current culture does not adequately support the achievement of strategic objectives. Avon's organizational culture in appendix 3 clearly indicates that the strategic change will be accommodated within the current paradigm and will occur within Avon's beliefs and assumptions.

## **2. 5 Organisational Politics**

In order to investigate the strategic change, it might be useful to regard corporations as political organizations and see strategy and change as part of internal politics within Avon. (Diedenbach, 2007) Johnson et al. (2005) states that there are two views of politics, one being healthy and the other one being unhealthy. While politics ensures that change is questioned and assessed, it also gets out of hand by showing a lack of commitment to a common vision and objectives. Morgan (1986, cited in Cameron and Green, 2004, p89) comments that " Many people hold the belief that business and politics should be kept apart". However he contradicts this belief and this has been explored further in appendix 4.

The most fundamental question from appendix 4 is ‘ whom should Avon be there for to serve? (Johnson et al. 2005) According to Joyce (1999), a stakeholder analysis requires you to identify the stakeholders, how they influence the organization, what the organization needs from each stakeholder and the stakeholder’s needs and expectations. Through the concept of organisational stakeholders, this question has been addressed in appendix 5.

The analysis confirms the statement made by Andrea Jung, Avon’s Chairman and CEO

“ Avon’s impeccable reputation is built upon a proud heritage of doing well by doing right. For more than a century, we have been setting the very highest example of integrity and ethics in all of our relationships — with our shareholders, associates and Representatives; our suppliers and competitors; governments and the public. Our values and principles are the bedrock not only of Avon’s past – but of its future. “

Avon was the first company to advertise, “ not tested on animals” back in 1989

### **3. 0 Evaluation of the proposed strategy**

The report has so far evaluated the effectiveness of the change strategy in terms of Avon’s organizational structure, culture and politics. It was found that the major strategic change does relate to the objectives of the organization and matches the organisations’s capability, including its structure, culture and politics.

However, being a global manufacturer and marketer of beauty and related products and a direct selling organisation, Avon is faced with several challenges. According to Wilkinson et al. (2007), direct selling activities vary fairly significantly from country to country. From appendix 1 and 2, we have established that Avon's businesses are based on geographical operations in six regions and serving consumers in well over 100 countries. There are many factors to be considered and this involves understanding the market segment, competition, consumer behaviour, government rules and regulations, technological and social background. All of this is actually the external environment, which will either propel or halt the growth of business and so significant consideration needs to be given to them.

Some of the competitive pressures that have been identified by Hill (2002) are cost reductions and local responsiveness. In terms of local responsiveness, pressures arise from a number of sources including: differences in consumer tastes and preferences, differences in infrastructure and traditional practices, differences in distribution channels and host government demands. Goll et al. (2007) go on to say that organizations must anticipate and respond to environmental changes to ensure competitiveness and, ultimately, survival. The basic assumptions underlying much of the strategic management is that successful firms change their strategies to attain a better fit with the environment.

### **3. 1 The key environmental influences**

PEST analysis is a useful strategic tool for formulating business strategies, marketing planning, business and product development. It ensures that the organization's performance is aligned positively with the external forces of



change that could impact business environment. (Report Buyer, 2008)

According to Strickland and Thompson (1996), firms cannot directly control these external factors. It is stated by Johnson and Scholes (2002) that environmental forces which will be especially important for one organization may not be important for another. For example a retailer may only be concerned with local customer tastes and behaviour, whereas a global company such as Avon will be primarily concerned with government relations and understanding future policies of individual country governments with different political systems. Other factors will be the ability to compete with multinational rivals

The PEST framework categorises environmental influences into four main types: political, economic, social, technological. The PEST analysis for Avon is discussed further in appendix 6. From the discussion, it is now possible to identify a number forces for change and forces against change. Carnall (1999) suggests that when major changes are in preparation, or are being implemented, it makes sense to prepare for, and manage change in the more professional ways. Lewin (1951, cited in Hayes, 2002) developed one of the ways called Force Field Analysis. According to Johnson et al. (2005), a force field analysis provides a view of change problems that need to be tackled, by identifying forces for and against change. Carnall (1999) suggests that Force Field analysis proceeds in four stages.

Avon's major strategy change has been used to conduct a Force field analysis in four stages. See appendix 7 for stages 1 and 2. The key points will now be used to proceed to stages 3 and 4.

### **3. 2 Managing strategy change**

Lewin (1951) argued that change can only be effectively implemented when the forces driving change exceed the forces restraining change. Stage 3 underlines the forces that are the most important, builds on the change drivers and list actions to reduce the strengths of the restraining forces. In order to decide how Avon's strategic change can be implemented, the strengths of the forces will be analysed by reducing the strengths of the forces opposing the change and increasing the forces pushing the change. A SWOT analysis will also be helpful as Avon will be able to use the top rated opportunities, exploit the top-rated strengths, counter the top-rated threats and rectify the top-rated weaknesses. Wickham (2000) states that, a SWOT analysis is an audit of the impact of environmental trends on the business and its external capabilities in terms of responding to them. Nutt and Backoff (1992, cited in Joyce, 1999) recommends combining SWOT analysis with a strategic issue agenda to identify possible strategic actions. A SWOT analysis for Avon has been explored further in appendix 8.

It is stated by Mullins (2002) that an organization can only perform effectively through interactions with the broader external environment. The force field analysis from appendix 7 resulted in a driving change force of 17 and a restraining change force of 21. These figures indicate that despite there being many incentives for a major strategy change within Avon, there are slightly more factors restraining the strategy change.

Those individual forces that scored highest (with a score of 5) will now be discussed in greater detail below in order to better assess their impacts. The

SWOT analysis in appendix 8 will help to increase the forces pushing the change and reduce the strengths the forces opposing the change.

### **3. 3 Key driving forces for change**

#### **The level of government intervention worldwide**

Having a presence in well over 100 countries, Avon is subject to foreign laws, rules, regulations or policies such as restrictions on trade, import and export license requirements, tariffs and taxes.(Avon, 2008) For example in China, the government's decision to ban door-to-door selling, as part of an effort to crack down on pyramid schemes, presented a threat. (Euromonitor, 2006) However in March 2006, the Chinese government granted a direct selling-selling licence. Since then Avon has recruited 300, 000 door-to-door representatives in China, thus improving the economy of the country in terms of unemployment. Avon must continue to expand in other developing countries to prove how influential the Avon direct sales method can be and how it can transform the lives of women and achieve economic independence.

#### **Lucrative, innovative and fast paced industry**

In the cosmetic industry, consumers' demands and needs change overtime. In order to satisfy the consumers, cosmetics firms are forced to innovate a new product, replace a product, or upgrade its products to meet the demands of consumers at all levels. (Akers and Porter, 1995 cited in Kumar et al. 2006) Through their research and development team in New York, Avon are developing new products and focusing on new technology and product innovation to deliver first-to-market products. (Avon, 2008) Although Avon's chief marketing tool is its brochure, it should now expand its global <https://assignbuster.com/analysis-and-evaluation-of-change-in-avon/>

advertising presence and communicate a more unified brand image throughout its international markets

### **3. 4 Key restraining forces for change**

#### **Cultural differences worldwide**

Although women all over the world have similar aspirations when it comes to beauty products and share the same desire to look their best, the challenge is to bring out differently formulated products to suit different skins colours and textures. Another factor, climate, should be considered when comparing regional preferences for cosmetics products. For example talc is used in hot countries to relieve perspiration, while in colder regions such as Russia and Eastern Europe it barely gets a look in. (Matthews, 2006).

Product choices by country are also determined by consumers<sup>1</sup> ability to pay. Avon should still continue to exploit the tremendous growth opportunities in other developing countries. Matthews (2006) states that big multinational companies are using consumer educational campaigns as a key means of promoting growth in countries characterized by low disposable income.

For Avon with operations in over 100 countries a question of considerable importance is “ how does a society’s culture affect workplace values”? The most famous study of how culture relates to values in the workplace was undertaken by Geert Hofstede. He used four dimensions and one of them was masculinity versus femininity. (Hill, 2002). This dimension looks at the relationship between gender and work roles. In the case of Avon, feminine cultures sex roles are sharply differentiated and traditional feminine values,

such as achievement and the exercise of power determined cultural ideals. Avon must consider the cultures of countries that are male dominant.

## **Counterfeiting activity are Eastern Europe and China**

“ A counterfeit item is as good as cash. Counterfeiters are not just a few guys in a shed mixing cream and pouring them into a tin. They are linked to organised crime, money laundering and in some cases, even terror groups. And they always find the weakest route to the market”. (www.cosmeticsdesign-europe.com) According to keynote (2007), the main hubs of counterfeiting activity are Eastern Europe and China. As Avon operates in these two regions, these restraining forces can be reduced by launching anti-counterfeit drives in both regions. It has also been suggested by Eyre (2007) that heat-shrink labels with integrated holograms could help the cosmetics industry in the fight against counterfeiting and forgery.

## **4 Conclusions**

This report offers an attempt to understand the major strategic change undergone by Avon Cosmetics Limited. A number of conclusions are evident.

Firstly the report evaluated the effectiveness of the change in relation to Avon's structure, culture and politics. It was found that the major strategic change does relate to the objectives of the organization and matches the organisations's capability, including its structure, culture and politics.

However, being a global manufacturer and marketer of beauty and related products and a direct selling organisation, Avon was faced with several challenges in the external environment. The factors were: fierce

competitions from multinational companies, consumer behaviour worldwide, government rules and regulations, technological and social background.

Finally, in order to manage the strategic change effectively, the report attempted to increase the two main forces pushing the change and reduce the strengths of the two main forces opposing the change.

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[www.avon.uk.com](http://www.avon.uk.com)

[www.cosmeticsdesign-europe.com](http://www.cosmeticsdesign-europe.com)

## **Appendix 1- Avon's History**

Avon began life as the California Perfume Company in America in 1886, giving women an opportunity to earn by selling fragrance and cosmetics door to door. Mrs P. F. E Albee was the very first agent taken on by the company's founder David H McConnell, who started life as a door to door book salesman giving away small bottles of perfume which proved to be more popular than the books themselves.

In 1939, the company name was changed to Avon and twenty years later, began trading in the UK. Avon Cosmetics Ltd is one of the top 3 beauty brands in the country with growing market share in the UK beauty market. Since then Avon has established itself as a global leader in the beauty industry, serving to customers in over 100 countries around the world.

Avon is now largest direct selling cosmetics organisation in the world and their product lines include the well-known brands Anew, Skin So Soft, Avon Colour, Advance Techniques and Today. The product categories include: cosmetics, fragrance, skincare . toiletries, fashion jewellery, watches, home products, gifts, candles, toys, lingerie, health, fitness and wellbeing products.

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Being a direct selling organisation, Avon's shop window is its brochure. The brochure offers a wide selection of beauty and related products at affordable prices. Customers have access to these brochures either at home, work, social or leisure activities.

Avon is committed to excellence- every beauty product that carries the Avon name carries with it the highest standards of product safety and integrity. Avon products are enjoyed by millions of women around the globe in over 100 countries through over 5 million independent sales Representatives – often known as the Avon lady.

Avon's vision statement is to:

**“ To be the company that best understands and satisfies the product service and self-fulfilment needs of women – globally”**

(Avon, 2008) (Keynote, 2007)

## **Appendix 2 – Avon's organisational structure**

Avon's business is conducted worldwide primarily in one channel, direct selling. They are based on geographical operations in six regions. See below:

Avon has sales operations in 63 countries, including America and Avon products are distributed in 51 more countries through distributorships. Sales of products are made through a combination of direct selling and marketing by 5. 3 million Avon representatives worldwide. Representatives generally purchase products at a discount from a published brochure price directly from Avon and sell them to their customers. In many countries, representatives can use the internet to manage their own business online, <https://assignbuster.com/analysis-and-evaluation-of-change-in-avon/>

including order submission, order tracking, payment, and a two way communication with Avon. In the US, representatives can build their own Avon business through personalised web pages.

The research and development facility is located in New York. A team of researchers and technicians apply the disciplines of science to the practical aspects of bringing products to market around the world. Relationships with dermatologists and other specialists enhance the ability to deliver new formulas and ingredients to market. Satellite research facilities are also located in Brazil, China, Japan, Mexico and Poland

(Avon, 2008).

### **Appendix 3**

Avon's cultural web using model from Johnson and Scholes (2002, p232, fig 5. 8)

#### **Stories**

**Building bonds with women worldwide since 1886 to achieve economic independence and transform their lives**

#### **Symbols**

**Ding-Dong Avon calling. World's leading direct selling company of beauty and related products**

#### **Power**

Chairman and CEO

Vice Chairman

Executive Vice Presidents

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Senior Vice Presidents for each of the six regions

## **Routines**

Avon rep delivering brochures to own neighbourhood, customer chooses products, orders collected by rep & products delivered back to customers (worldwide)

## **Paradigm**

To be the beauty company most women turn to worldwide and creating lifelong customer relationships

## **Controls**

High standards of product safety and integrity, rigorous quality controls on every product batch and no animal testing

## **Organisation**

A flatter structure, equal opportunity employer where talent & dedication are rewarded & a whole range of training opportunities is available

(Brooker, 2001) (Pellet, 2000) (Rose, 2000) (Avon, 2008)

## **Appendix 4**

The key beliefs of organisations as political systems are:

â-ª You cannot stay out of organisational politics as you are already in it;

â-ª Building support for your approach is essential if you want to make anything happen;

â-ª You need to know who is powerful, and who they are close to;

• There is an important political map which overrides the organisational structure;

• Coalitions between individuals are more important than work teams;

• The most important decisions in an organisation is the allocation of resources, that is , who gets what, and these are reached through bargaining and negotiating.

The above key beliefs lead to the following assumptions about organisational change:

• The change will not work unless it is supported by a powerful person;

• The wider the support for this change the better;

• It is important to understand the political map, and to understand who will be winners and losers as a result of this change; and

• Positive strategies include creating new coalitions and renegotiating issues

Morgan (1986, cited in Cameron and Green, 2004)

## **Appendix 5- Avon's stakeholder analysis**

Bohret (1993, cited in Joyce 1999) suggests that drawing up tables of values to explore the goals and expectations of different social groups. See below for the stakeholder analysis for Avon.

## **Stakeholder**

### **Power**

### **Interest**

### **Attitude**

### **Needs/expectations**

Government

Worldwide

H

H

Mixed

Avon to meet or exceed all environmental laws of the countries and communities they operate

Executive team

H

H

Positive

To give full recognition to employees and representatives worldwide, on whose contributions Avon depends and to share with others the rewards of growth and success

All other employees

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L

H

Positive

To achieve economic independence and an opportunity to earn in support of their well-being and happiness

Customers

L

L

Positive

Active interest in cosmetics and fragrances and keen to look after their ap