Organizational processes in Russian perfume and cosmetics companies in unstable economic environment

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Abstract. The economic prosperity of any enterprise largely depends on its sustainable development, which is difficult to achieve in today’s uncertain economic environment. The sustainable development of any enterprise in a crisis situation is largely dependent on the ability of management to adapt business processes to the changing conditions of the economic environment. And for this purpose, it is necessary to develop and implement organizational changes. The article deals with the introduction of organizational changes in order to achieve sustainable development of Russian enterprises engaged in the wholesale trade in perfumes and cosmetics. The study reveals structural problems characteristic of the activities of these enterprises in a complex geoeconomic environment. The authors of the article refer to such problems as: errors in order formation, problems of payment for orders by customers from other countries using foreign payment systems, downtime for order assembly, lack of an order accounting system. To solve each of the identified problems, a different solution method is proposed. The proposed solution methods are implemented on the basis of the algorithms developed. It is concluded that the application of the proposed change management algorithms will increase the adaptation of Russian enterprises engaged in wholesale trade in perfumes and cosmetics to the conditions of an uncertain economic environment. Key words: organisational change, unstable economic environment, change management, change management algorithms, wholesale organisations, perfume and cosmetics companies

1 Introduction

These days, change is inherent in virtually every modern organisation, as there is a need to adapt to a constantly changing external environment. Whereas just a few decades ago these processes were relatively smooth and more of a natural process, in today’s environment companies face the challenge of learning to change and adapt to new realities quickly and in a timely manner. Otherwise, there is an existential threat to their existence: the planned pace and indicators of their strategic development are not met, competitive advantages and key competences are lost. In the current realities of unstable economic environment, in which

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Russian enterprises engaged in the wholesale of perfumes and cosmetics function, the successful implementation of changes will ensure not only their functioning in the given points of geo-economic space, but also their sustainable development.

It is for this reason that today's managers must have the skills to manage organisational change processes at a high level. This is a real challenge for many companies, as there is a shortage of professionals in this particular area. One of the main difficulties faced by top management is the behaviour of staff. In order to understand the need for change, the staff of the organisation must not just be involved in implementing the change, but they must also be explained, have their opinions heard, and become supporters of the change. In order to meet these challenges, a change manager needs to know the basics of organisational behaviour, have leadership skills, as well as the ability to coach staff, and deal with conflicts of all kinds.

Experience has shown that not all organisations know how to adapt to changes in the external environment and implement appropriate changes within their organisations in a timely and appropriate manner. As a result, the effectiveness of their functioning is reduced and often leads to unfortunate consequences for the companies (bankruptcy). The same can be said of the impact that organisations' internal environments have on their operations. The implementation of changes in this case is not inferior in importance and necessity to the changes caused by the influence of the external environment, because the core business, the organisational culture, and the organisational climate largely determine the further development of the enterprise, including the strategic one. From this we can conclude that change management in an organisation is one of the key factors of its success in the short and long term, and therefore this issue is particularly relevant. The definition of "change management" and change management processes have become increasingly central to global sustainability research and economic debates in recent years [1, 2, 3, 4].

The implementation of various kinds of changes in organisations will always be relevant, because the world does not stand still and is constantly evolving, which means that there will always be new problems and challenges to solve, including through the effective management of organisational change. All this confirms the relevance of this article.

## 2 Materials and Methods

The methodological framework of change management research is aimed at the practical implementation of the hypothesis: the adaptation of organization functioning in an unstable economic environment based on change management will be achieved if the key reasons for the need for change are identified, managerial decisions and the algorithm for their implementation are developed, and the organization staff is interested in the changes.

The methodological and theoretical basis of the study is:
- the method of system analysis, with the help of which the issues of influence of changes on external and internal environment of activity of Russian enterprises of wholesale trade in perfumery and cosmetic products are investigated;
- the concept of rational behavior of market entities, the provisions of which allowed to identify key issues of the need for change and to develop algorithms for change in companies operating in the current uncertain economic environment in the wholesale market of perfumes and cosmetics;
- comparative analysis, which made it possible to investigate domestic and foreign methods of change management in the practical activities of companies.
3 Results

Organisational change management refers to the purposeful activity of the relevant departments of an organisation to implement its renewal plans, the aim of which is its survival and development. The objectives of organisational change management are: adapting the organisation to the changing conditions of internal and external environment. Change management can be viewed in terms of three categories: change as crisis management; change as the process of implementing a new strategy; "tacit" change, which usually occurs as a result of personnel reshuffle under the influence of personnel personality traits.

Furthermore, according to the American management scientist R.M. Kanter [5], changes in an organisation can occur at different levels and affect its performance in different ways. He distinguished three levels of change management: change projects, change programmes, and organisations - change agents:

In modern management practise, the distinguishing characteristics of organisational change are as follows.

1. A long-term planned process. Organisational change is the transformation of all elements of management planning: formulating objectives, planning activities, executing, monitoring, making adjustments as necessary. Despite the significance of the intended actions, it may take more than one year to achieve the result.

2. Focus on problems. Change management helps to address the problems of an organisation through the use of different theories and research.


4. an action orientation. Organisational change is an achievement orientation. Whereas change approaches are more about describing the changes that occur, organisational change focusses on visible results.

5. The need to involve change consultants. The process involves working with specialists to develop the company in a new direction.

6. The process involves learning processes. One of the ways to implement changes is personnel retraining, which is undoubtedly one of the main features of the organisational change process.

Under changes within the developed strategy, we understand tactical point and system transformations which, as a rule, are necessary for the purpose of either improvement of any process (elimination of a "bottleneck") or solution of a crisis situation which can be both typical and new.

According to the analytical approach, this process begins with recognising that change is necessary and analysing the current situation and identifying the problem to be addressed. Let's consider variants of problem characteristics that managers of perfumery and cosmetics wholesalers face in their daily activities:

Variant 1: A serious problem that requires an immediate response, but is typical for many organisations in this group of enterprises.

Option 2. A serious problem, but not typical, and also requires urgent action.

Option 3. The situation is not a crisis but a definite problem exists and requires a serious approach to solution: development of a plan for implementing changes, assessment of time, financial costs and risks.

The table shows the problems faced or likely to be faced by employees of Russian wholesalers of perfumes and cosmetics in all three scenarios:
Table 1. Key challenges for change.

<table>
<thead>
<tr>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
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<tr>
<td>Errors in orders (faulty goods, incomplete</td>
<td>Problems of paying customers from other countries when using foreign</td>
<td>Downtime for order picking lack of an order-accounting system</td>
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<td>orders)</td>
<td>payment systems</td>
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Review the change management process to address each of the problems identified.

Errors in orders. This is a typical problem, but since the analysis of the existing change management system revealed that even in such situations changes are experimental in nature and there is no clear plan for their implementation, this problem continues to arise periodically, which negatively affects the performance of the company as a whole and its reputation.

Once it has been determined that the problem is typical and the situation is a crisis, it is necessary to develop an algorithm of actions to minimise the consequences, and more importantly, to eliminate the number of cases in which order errors occur. Figure 1. presents a flowchart of change to address this problem:

![Flowchart of change management for order errors](image-url)

Fig. 1. Block diagram of change management for order errors. Developed by the authors. * The permissible percentage of defects in the enterprises of this group is 2-3%.

So, appointing a responsible warehouse employee and quality control at the final assembly stage aims at reducing the number of mistakes in orders, and working carefully with customers will increase the chance of continued cooperation.
Problems of paying for orders by customers from other countries when using foreign payment systems. This is not a typical problem and became most acute in 2022, when due to the introduction of sanctions, transfers to the accounts of Russian companies were restricted, as a result of which customers could not use traditional methods of payment.

![Change management flowchart for order payment difficulties](image)

**Fig. 2.** Change management flowchart for order payment difficulties. Developed by the authors.

Figure 2 provides a framework for dealing with this problem in order to minimise the negative impact of losing a customer and to be able to continue operations. The key action is to pre-plan and evaluate options when looking for alternative payment methods prior to implementation.

Downtime in order picking lacking an order-accounting system. Studies conducted at Russian wholesalers of perfumes and cosmetics suggest that most of them sales staff do not have reliable information on the availability of products on a regular basis, and in addition, orders are often not collected for 2-3 days because of the arrival in processing in a chaotic manner. There is also no up-to-date information about the status of orders.

Figure 3 shows a scheme of implementing changes to solve this problem. Since the situation in question is no longer critical, there is project work to implement innovations to optimise this process, with the COO being involved as a change management specialist.

The key change is the introduction of Google Sheets (spreadsheets), which will display up-to-date information on each of the orders in real time. This will enable sales managers to deliver correct information to customers about the assembly and shipment dates of their goods. Furthermore, the human factor, such as in the case of incomplete orders, is reduced. The system will show what items are missing for the final assembly of the order and its final packaging. Up-to-date information about the stock of each item will also make it easier for the manager to communicate with the customer and save time by sending a request to the warehouse.
4 Discussion

There are many different organizational change management models in the academic literature, such as K. Lewin's change model, Action research, E. Pettigrew's model, EASIER and many others. Let us consider some of them.

Kurt Lewin's model [6] identifies three phases of change: the current state, the transition state and the desired state. It is believed that change requires either an increase in the value
of the driving factors, or a decrease in the limiting factors, or some combination of interactions that cause their imbalance. In Lewin’s model, the process of reforming an organization goes through three stages: unfreezing, changing, freezing. The popularity of using this model is due to its simplicity. A further development of the model is presented in the Action research model, which is a process of change consisting of stages: "research, feedback, discussion, action" and is cyclical. If the desired results are not achieved, the cycle is repeated from the beginning until the goal is achieved. The context and process model of E. Pettigrew [7, 8]. He regarded organizational change as a process of interaction of a company with its internal and external environment. He paid particular attention to evaluating the influence of the external environment on the organization and management's response, which is either responding to its influence or leaving it unchecked. A key element and stage in his model is the formation of the planned change project management subsystem. In Japan, the organization change management approaches are called "Kaizen" and "Kayrio" [9]. The "Kaizen" approach is associated with continuous process improvement activities based on the application of existing capacity, "Kayrio" represents breakthrough projects based on process re-engineering, characterised by large investments and implementation time.

The ADKAR change model [10] is practically a change-oriented model. Jeffrey Hyatt (the author of the model), having studied the principles of change in over 700 organisations, found that top management was focused on reshaping the company as a whole, rather than on changing specific employees. In order to eliminate the dissonance in change management, this model was proposed. The essence of the model is that two aspects are considered when implementing change: business and people. Positive results can be achieved if the implementation project and employee changes are managed in parallel.

When examining change management methods, 2 approaches can be distinguished: analytical and operational response to the need for change. If we talk about most companies in the perfume and cosmetics wholesale trade, they use mainly the second approach - there is no design, and planning is short-term at best. Most changes happen rather quickly and spontaneously. For changes that affect the key processes of the organisation, the implementers, this approach is inappropriate. Therefore, when planning and implementing more serious and large change projects, we recommend using an analytical approach, which, however, has certain shortcomings in companies in this industry.

The disadvantages of the analytical approach include:
- implementation of changes by full-time staff without the involvement of professionals;
- lack of an adaptation period for staff (training and work with the socio-psychological climate in the team);
- the implementation of changes takes place according to the "big bang" technology, i.e. there is no test period;
- there is no assessment of the resources required to implement the change.

Analysis of the analytical approach shows that even if the managerial decision to change is correct, when it is implemented, there may be a change management problem related to the attitude of staff to what is happening. It is the reluctance of staff to embrace innovation that can destroy even the most intelligent implementation planning. The reasons for resistance can range from a lack of trust on the part of employees and the spread of rumours due to low levels of awareness of the changes to fatigue from constant change, most of which has not produced the desired results. This is why any change needs to take into account the human factor and the organisational culture of the company in order to have more 'supporters' of change than 'detractors'.
5 Conclusions

The change management algorithms developed by the authors have a number of advantages, one of which is that employees have more freedom to make decisions related to crisis situations and can have some influence on the implementation of ongoing changes. Other benefits include: minimising impulsive change, introducing planning and training phases, reducing decision-making time, and developing the manager's trust in his or her employees.

Further development of research in this area should focus on developing methods for training employees to be prepared to deal with company problems as they arise from time to time. Staff interest and involvement in the necessary changes to the organisation will reduce anxiety and resistance to innovation.

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