

# CHAPTER

# 1

# AVON PRODUCTS, INC.

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A leadership development and talent turnaround system designed for executives that leverage 360-degree feedback, a leadership skill/competency model, and individual development planning.

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### INTRODUCTION

In early 2006, Avon Products, Inc., a global consumer products company focused on the economic empowerment of women around the world, began the most radical restructuring process in its 120-year history. Driving this effort was the belief that Avon could sustain its historically strong financial performance while building the foundation for a larger, more globally integrated organization. The proposed changes would affect every aspect of the organization and would demand an approach to finding, building, and engaging talent that differed from anything tried before.

### A SUCCESS-DRIVEN CHALLENGE

Avon Products is a 122-year-old company originally founded by David H. McConnell—a door-to-door book seller who distributed free samples of perfume as an incentive to his customers. He soon discovered that customers were more interested in samples of his rose oil perfumes than in his books and so, in 1886, he founded the California Perfume Company. Renamed Avon Products in 1939, the organization steadily grew to become a leader in the direct selling of cosmetics, fragrances, and skin care products.

By 2005, Avon was an \$8 billion company that had achieved a 10 percent cumulative annual growth rate (CAGR) in revenue and a 25 percent CAGR in operating profit from 2000 through 2004. A global company, Avon operated in more than forty countries and received more than 70 percent of its earnings from outside the United States. By all typical financial metrics, Avon was a very successful company.

However, as the company entered 2006 it found itself challenged by flattening revenues and declining operating profits. While the situation had many contributing causes, one underlying issue was that Avon had grown faster than portions of its infrastructure and talent could support. As with many growing organizations, the structures, people, and processes that were right for a \$5 billion company weren't necessarily a good fit for a \$10 billion company.

## THE TURNAROUND

Faced with these challenges, CEO Andrea Jung and her executive team launched a fundamental restructuring of the organization in January 2006. Some of the larger changes announced included:

- **Moving from a Regional to a Matrix Structure:** Geographic regions that had operated with significant latitude were now matrixed with global business functions, including Marketing and Supply Chain.
- **Delaying:** A systematic, six-month process was started to take the organization from fifteen layers of management to eight, including a compensation and benefit reduction of up to 25 percent.
- **Significant Investment in Executive Talent:** Of the CEO's fourteen direct reports, six key roles were replaced externally from 2004 to 2006, including the CFO, head of North America, head of Latin America, and the leaders of Human Resources, Marketing, and Strategy. Five of her other direct reports were in new roles.
- **New Capabilities Were Created:** A major effort to source Brand Management, Marketing Analytics, and Supply Chain capabilities was launched, which brought hundreds of new leaders into Avon.

## THE TALENT CHALLENGE

As the turnaround was launched, numerous gaps existed in Avon's existing talent and in its ability to identify and produce talent. While some of those gaps were due to missing or poorly functioning talent processes, an underlying weakness seemed to lie in the overall approach to managing talent and talent practices.

After reviewing Avon's existing talent practices, the talent management group (TM) identified six overriding weaknesses that hurt their effectiveness. They found that existing talent practices were

- **Opaque:** Neither managers nor Associates knew how existing talent practices (that is, performance management, succession planning) worked or what they were intended to do. To the average employee, these processes were a black box.
- **Egalitarian:** While the Avon culture reinforced treating every Associate well, this behavior had morphed into treating every Associate in the same way. High performers weren't enjoying a fundamentally different work experience and low performers weren't being managed effectively.
- **Complex:** The performance management form was ten pages long, and the succession planning process required a full-time employee just to manage the data and assemble thick black binders of information for twice-yearly reviews.

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Complexity existed without commensurate value, and the effectiveness rate of the talent practices was low.

- **Episodic:** Employee surveys, talent reviews, development planning, and succession planning, when done at all, were done at a frequency determined by individual managers around the world.
- **Emotional:** Decisions on talent movement, promotions, and other key talent activities were often influenced as much by individual knowledge and emotion as by objective facts.
- **Meaningless:** No talent practice had “teeth.” HR couldn’t answer the most basic question a manager might ask about talent practices—“What will happen to me if I don’t do this?”

### EXECUTE ON THE “WHAT,” DIFFERENTIATE WITH “HOW”

Our TM group found ourselves in a difficult situation. Fundamental changes were needed in every talent practice, and the practices had to be changed and implemented in time to support the turnaround. This meant that the practices had to be quick to build, easy to use, and, most of all, effective.

Taking our guidance from the *Top Companies for Leaders* study (Efron, Greenslade, & Salob, 2005) and the philosophies of executive coach Marshall Goldsmith (2006), we decided to build our talent practices with two key guiding principles.

1. **Execute on the “what.”** The Top Companies for Leaders study found that simple, well-executed talent practices dominated at companies that consistently produced great earnings and great leaders. We similarly believed that fundamental talent practices (that is, performance management or succession planning) would deliver the expected results if they were consistently and flawlessly executed. We decided to build talent practices that were easy to implement and a talent management structure that would ensure they were consistently and flawlessly implemented. More importantly, we decided to . . .
2. **Differentiate on “how.”** While disciplined execution could create a strong foundation for success, the six adjectives that described Avon’s current processes were largely responsible for their failure. We drew inspiration from Marshall Goldsmith’s revolutionary recreation of the executive coaching process. He had taken a staid, academic/therapy model for improving leaders and turned it into a simple but powerful process that was proven effective in changing leaders’ behaviors.

With those two guiding principles in place, we began a 180-degree transformation of Avon’s talent practices.

## FROM OPAQUE TO TRANSPARENT

One of the most simple and powerful changes was to bring as much transparency as possible to every talent practice. TM designed new practices and redesigned existing ones using total transparency as the starting point. Transparency was only removed when confidentiality concerns outweighed the benefits of sharing information. The change in Avon's 360 assessment process was a telling example.

### *The Avon 360*

Avon's 360-degree assessment process was hardly a model of transparency when the turnaround began. When the new TM leader arrived at Avon, he asked for copies of each VP's 360-degree assessment, with the goal of better understanding any common behavioral strengths and weaknesses. He was told by the 360 administrator in his group that he was not allowed to see them. The TM leader explained that his intent wasn't to take any action on an individual VP, simply to learn more about his clients. He was again told "no"—that confidentiality prevented their disclosure.

While the administrator was correct in withholding the information (the participants had been promised 100 percent confidentiality), the fact that the most critical behavioral information about top leaders was not visible to the TM leader (or anyone else) had to change. A new, much simpler 360 was designed and implemented that explicitly stated that proper managerial and leadership behaviors were critical for a leader's success at Avon. Citing that level of importance, the disclosure to all participants and respondents stated that the 360 information could be shown to the participant's manager, HR leader, regional talent leader, and anyone else the Avon's HR team decided was critical to the participant's development. It also stated that the behavioral information could be considered when making decisions about talent moves, including promotions or project assignments.

Helping to make this transition to transparency easier, the new 360 assessment and report differed from typical tools that rate the participant on proficiency in various areas. The Avon 360 borrowed heavily from the "feed-forward" principles of Marshall Goldsmith<sup>1</sup> and showed the participant which behaviors participants wanted to see more of, or less of, going forward. Without the potential stigma of having others seeing you rated as a "bad" manager, openly sharing 360 findings quickly evaporated as an issue.

### *Broad-Based Transparency*

Transparency was woven into every talent process or program in a variety of ways. Examples would include:

- **Career Development Plans:** To provide Associates with more transparency about how to succeed at Avon, the HR team developed "The Deal." The Deal was a simple description of what was required to have a successful career at Avon, and what parts the Associate and Avon needed to play (see Figure 1.1). The Deal made clear

		Potential		
		24+ months 50%	1 level in 2 years 30%	2 levels in 6 years 20%
Performance Over Time	High 20%	Compensation targets: • Base 50 <sup>th</sup> , Bonus 75 <sup>th</sup> Development investment: • 1.5x average Hi Po Program: No Global Move: No Special Projects: Yes	Compensation targets: • Base 50 <sup>th</sup> , Bonus 75 <sup>th</sup> Development investment: • 2x average Hi Po Program: Consider Global Move: Yes Special Projects: Yes	Compensation targets: • Base 60 <sup>th</sup> , Bonus 90 <sup>th</sup> Development investment: • 5x average Hi Po Program: Yes Global Move: Yes Special Projects: Yes
	Mid 60%	Compensation targets: • Base 50 <sup>th</sup> , Bonus 50 <sup>th</sup> Development investment: • .75x average Hi Po Program: No Global Move: No Special Projects: No	Compensation targets: • Base 50 <sup>th</sup> , Bonus 50 <sup>th</sup> Development investment: • Average Hi Po Program: No Global Move: Consider Special Projects: Yes	Compensation targets: • Base 60 <sup>th</sup> , Bonus 60 <sup>th</sup> Development investment: • 2x average Hi Po Program: Consider Global Move: Yes Special Projects: Yes
	Low 20%	Compensation targets: • Base 50 <sup>th</sup> , Bonus -- NONE Development investment: • None without TM approval Hi Po Program: No Global Move: No Special Projects: No	Compensation targets: • Base 50 <sup>th</sup> , Bonus 40 <sup>th</sup> Development investment: • Average Hi Po Program: No Global Move: No Special Projects: No	Compensation targets: • Base 50 <sup>th</sup> , Bonus 40 <sup>th</sup> Development investment: • Average Hi Po Program: No Global Move: No Special Projects: Consider

FIGURE 1.1. *Talent Investment Matrix*

that every Associate had to deliver results, display proper leadership behaviors, know our unique business, and take advantage of development experiences if they hoped to move forward in the organization.

- **Development Courses:** Avon acknowledged the unspoken but obvious fact about participating in leadership or functional training courses—of course you’re being observed! We believed it was important for participants to understand that we were investing in their future and that monitoring that investment was critical. The larger investment that we made, the more explicitly we made the disclosure. For our Accelerated Development Process (a two-year high-potential development process offered to the top 10 percent of VPs), we let them know that they were now “on Broadway.” The lights would be hotter and the critics would be less forgiving. They knew that we would help each of them to be a great actor, but that their successes and failures would be more public and have greater consequences.
- **Performance Reviews:** Switching from a 3-point scale to a 5-point scale provided additional clarity to participants about their actual progress, as did clarifying the scale definitions. Associates were informed about what performance

conversations their managers should be having with them and when. The recommended distribution of ratings across the scale was widely communicated.

## FROM COMPLEX TO SIMPLE

One of the most important changes made in Avon's talent practices was the radical simplification of every process. We believed that traditional talent processes would work (that is, grow better talent, faster) if they were effectively executed. However, we understood from our experience and a plethora of research (Hunter, Schmidt, & Judiesch, 1990) that most talent practices were very complex without that complexity adding any significant value. This level of complexity caused managers to avoid using those tools, and so talent wasn't grown at the pace or quality that companies required.

We committed ourselves to radically simplifying every talent process and ensuring that any complexity in those processes was balanced by an equal amount of value (as perceived by managers). Making this work was easier than we had anticipated. As the TM team designed each process, we would start literally with a blank sheet of paper and an open mind. We would set aside our hard-earned knowledge about the "right" way to design these processes and instead ask ourselves these questions:

1. What is the fundamental business benefit that this talent process is trying to achieve?
2. What is the simplest possible way to achieve that benefit?
3. Can we add value to the process that would make it easier for managers to make smarter people decisions?

Using just those three questions, it was amazing how many steps and "bells and whistles" fell away from the existing processes. The two examples below provide helpful illustration.

### ***Performance Management***

Aligning Associates with the turnaround goals of the business and ensuring they were fairly evaluated was at the foundation of the business turnaround. As we entered the turnaround, the company had a complex ten-page performance management form with understandably low participation rates. Many Associates had not had a performance review in three, four, or even five years. It would have been impossible to align Associates with the vital few turnaround goals using that tool and process.

- **The business benefit:** We stated that the fundamental benefit of performance goals and reviews is that they aligned Associates with business goals and caused Associates to work toward those goals with the expectation of fair rewards.
- **The simplest path:** It seemed obvious that the simplest way of achieving the business goal was simply to have managers tell their Associates what their goals were. It was simple and the value to managers outweighed any complexity. After taking

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that very small step forward, we literally advanced at the same pace, taking incrementally small steps forward in the design process. At each step, we would ask ourselves, does this step add more value to managers than it does complexity? As long as it did, we added the additional design element. When that complexity/value curve started to level (see Figure 1.2), we very carefully weighed adding any additional elements. And, when we couldn't justify that adding another unit of complexity would add another unit of value, we stopped.

What went away as the design process progressed? Just a few examples would include:

- Goal labels (highly valued, star performer, etc.), which added no value (in fact blurred transparency!) but did add complexity.
- Individual rating of goals, which implied a false precision in the benefit of each goal and encouraged Associates to game the system.
- Behavioral ratings, which were replaced with a focus on behaviors that would help achieve the current goals.

The output was a one-page form with spaces for listing the goal, the metric, and the outcome. A maximum of four goals was allowed. Two behaviors that supported achievement of the current goal could be listed but were not formally rated. As a result, participation reached nearly 100 percent, and line managers actually thanked the talent team for creating a simple performance management process!

- **Adding Additional Value:** In this process, we didn't find opportunities to add more value than was achieved through simplification alone.

Working Together to Help You Create  
a Great Career at Avon

	Grow Avon	Lead Avon	Know Avon	Develop Through Experiences
Your Role	Achieve Results for Our Representatives	Lead Our Associates	Understand Direct Selling	Take on Critical Career Experiences
Avon's Role	Provide Clear Performance Expectations; Let You Know Where You Stand	Provide Feedback on Your Leadership Skills	Provide Training and Exposure	Provide the Right Assignments and Experiences

**FIGURE 1.2.** *The Avon Deal (Example)*

## Engagement Survey

When the turnaround began, no global process for understanding or acting on Associate engagement issues existed. Select regions or departments made efforts of varying effectiveness, but there was no integrated focus on consistent measurement and improvement of engagement. In designing the engagement survey process, we applied the same three questions:

- **The business benefit:** We accepted the substantial research that showed a correlation (and some that showed causation) between increasing engagement and increasing various business metrics. In addition, we felt that the ability to measure managers' effectiveness through engagement levels and changes would provide an opportunity for driving accountability around this issue. As with performance management, we knew that managers would use this tool if we could make it simple and, ideally, if we could show that it would allow them to more effectively manage their teams.
- **The simple path:** There were two goals established around simplicity. One goal was to understand as much of what drove engagement as possible, while asking the least number of questions. The second goal was to write the questions as simple as possible, so that if managers needed to improve the score on a question, their options for action would be relatively obvious. The final version of the survey had forty-five questions, which explained 68 percent of the variance in engagement. The questions were quite simple, which had some value in itself, but their true value was multiplied tenfold by the actions described below.
- **Adding additional value:** We were confident that, if managers took the "right" actions to improve their engagement results, not only would the next year's scores increase, but the business would benefit from the incremental improvement. The challenge was to determine and simply communicate to the manager what the "right" actions were. Working with our external survey provider, we developed a statistical equation model (SEM) that became the "engine" to produce those answers. The SEM allowed us to understand the power of each engagement dimension (for example, Immediate Manager, Empowerment, Senior Management) to increase engagement, and to express that power in an easy-to-understand statement.

For example, we could determine that the relationship between the Immediate Manager dimension and overall engagement was 2:1. This meant that for every two percentage points a manager could increase his or her Immediate Manager dimension score, the overall engagement result would increase by one percentage point. Even better, this model allowed us to tell every manager receiving a report *the specific three or four questions that were the key drivers of engagement for his or her group.*

No longer would managers mistakenly look at the top-ten or bottom-ten questions to guess at which issues needed attention. We could tell them exactly where to focus their

efforts. The list of these questions on page five of the survey report essentially reduced a manager's effort to understand his or her survey results to just reading one page.

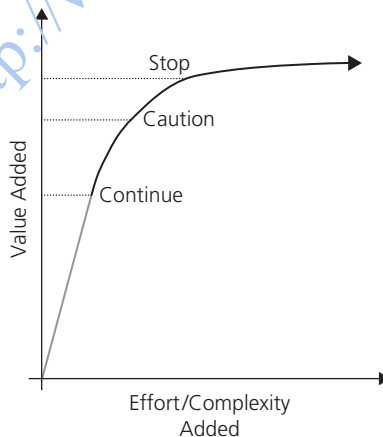
## FROM EGALITARIAN TO DIFFERENTIATED

A critical step in supporting Avon's turnaround was determining the quality of talent we had across the business—an outcome made much easier with transparent processes and conversations. Once we understood our talent inventory, we made a broad and explicit shift to differentiate our investment in talent. While we would still invest in the development of every Associate, we would more effectively match the level of that investment with the expected return. We also differentiated leaders' experiences to ensure that our highest potential leaders were very engaged, very challenged, and very tied to our company.

We made the shift to differentiation in a number of ways, including:

### ***Communication to Leadership Teams***

At the start of the turnaround process, presentations were made to each of the regional leadership teams to explain the shift in talent philosophy. The chart below (see Figure 1.3) helped to emphasize that we were serious about differentiation, could be relatively specific about what it meant and how we planned to apply it. Showing the differentiation on our new Performance and Potential matrix also let leaders know that accurately assessing talent on this tool was critical to our making the right talent investments.



**FIGURE 1.3.** *The Value/Complexity Curve*

### ***A Few Big Bets***

A key plank in our philosophy was that we believed in placing a “few big bets” on a small number of leaders. This approach was informed by the research showing the vastly superior performance of the top 5 to 10 percent of a specific population and by the belief that flawless execution of well-known high-potential development tactics would rapidly accelerate development.<sup>2</sup> With limited funds to spend, we needed to make a decision about what talent bets would truly pay off.

Our monetary investment in our highest-potential leaders was five to ten times what we would invest in an average performer. This investment would include training, coaching, and incentive compensation, but we also invested the highly valuable time of our CEO, executive team, and board members. Our highest-potential leaders would often have an audience with these executives on a regular basis.

### ***Tools and Processes***

Our new talent review process and performance review process also emphasized our differentiation philosophy. Our new 5-point performance scale came with a recommended distribution that assumed 15 percent of our leaders would fail to meet some of their goals during the year. We believed that if goals were set at an appropriately challenging level, this was a very reasonable expectation. As a consequence, we saw marginal performers, who typically could have limped along for years with an average rating, receive the appropriate attention to either improve their performance or move out of the business.

Our performance and potential grid (3 by 3) also had recommended distributions, but we found over time that the grid definitions actually better served our differentiation goals. After initially rating leaders as having higher potential (the ability to move a certain number of levels over a certain period of time), over time, managers saw that the movement they predicted didn't occur and those with more potential to move became a smaller, more differentiated group. We also asked managers to “stack rank” Box 6, which contained average performers who were not likely to move a level in the next twenty-four months. This process helped to differentiate “solid average” performers from those who were probably below average and possibly blocking others' career movement.

## **FROM EPISODIC TO DISCIPLINED**

As with many companies, Avon had plenty of well intentioned but very busy managers. Processes like talent reviews, which were administratively complex and difficult to understand, were not going to inspire the typical manager to reorder her priority list. By greatly simplifying these processes, we had removed one barrier to effectiveness, but we hadn't actually moved the process forward. We still needed to build organizational

discipline around the execution of these simple new processes. We did that in a number of ways:

- **Consistent global tools and processes:** Many parts of the organization had created their own tools for activities like performance management or individual development. The corporate talent management function was not empowered to push for global consistency, and consequently there was not a common approach to build Avon talent. This changed with a shift to global consistency that was championed by the SVP HR. While all talent practices would now be designed by the corporate TM group, each still had to be vetted with the HR leaders of each geographic region and functional discipline. As a final part of the design process, adjustments were made to tools and processes to ensure they met needs around the world.
- **Adding talent management structure globally:** We created the role of “regional talent management leader,” a manager- or director-level role responsible for the local implementation of the global processes. Five of these positions were created—one in each key geographic region—and the improved process discipline can be credited to them and their HR leaders. Regular meetings and calls between regional leaders and the corporate TM group helped ensure great dialogue and consistent improvements in the processes.
- **A committed CEO:** Our CEO, Andrea Jung, showed herself to be a tremendous supporter of effective talent processes. Both through her role modeling (conducting performance reviews and setting clear goals for her team) and instilling process discipline (she held formal talent review meetings with each direct report and an executive committee talent calibration meeting twice each year), she signaled that these processes had value.

This new level of discipline was an incredibly strong lever in our ability to assess and develop our talent. By holding talent processes every six months, we were able to drive transparency around talent issues on a regular basis and instill accountability to take action on issues before the next cycle.

### FROM EMOTIONAL TO FACTUAL

Avon was a company with genuine, heart-felt concern for its Associates and an organization in which strong relationships were built over a lifetime of employment. As the organization grew, a leader’s personal knowledge of other Associates’ performance or development needs often served as a key factor in determining talent movement. While in many cases a leader’s individual knowledge was relatively accurate, it’s likely that a more calibrated point of view or additional quantitative facts may have allowed a richer discussion or more confidence in decision making.

The TM team worked to inject more fact-based decision making into talent discussions. Some of those facts were qualitative and others quantitative, but as a whole, they allowed a more complete discussion of an individual's performance and potential.

- **Qualitative facts added:** Additional qualitative facts were found everywhere from talent reviews to leadership and functional courses. In talent reviews, calibration discussions were added at each level so that individual managers could justify individual potential ratings to their peers. Those ratings might also be reviewed an additional time at the next level. Regional talent management leaders would facilitate many of those meetings to help leaders have complete and honest discussions, helping to ensure that the qualitative data was accurate. Additional qualitative data was also added from a leader's participation in leadership or functional development programs. Senior line managers would sponsor those programs, frequently attending the entire one-, two-, or three-week process. Those managers would then bring rich observations to the talent discussions about an individual's performance in those classes.
- **Quantitative facts added:** Two of the new tools discussed above, the 360 and the engagement survey, provided quantitative facts that helped Avon assess talent. Progress against engagement goals or individual behavior improvement (or lack of it) was often a key indicator of readiness for additional development.

## FROM MEANINGLESS TO CONSEQUENTIAL

Injecting managerial accountability for talent practices was a key factor in their effectiveness. Prior to the turnaround, accountability for those practices did not exist, with some managers taking personal responsibility to implement them and others doing very little. In creating the new talent practices, we tried to inject accountability into each one, answering that critical question, "Why should I do this"?

- **Monetary accountability:** Varying a leader's pay for successfully or unsuccessfully managing talent is a dream of many HR and compensation leaders. We chose to use that lever in a very targeted way when we applied it to engagement survey improvement. The executive team believed that the survey provided a strong enough measure of a manager's focus on people issues that they could be held accountable for its improvement. The executive committee established year-over-year improvement in engagement scores as a goal in every VP's performance plan.
- **Associate-led accountability:** To encourage the timely completion of the performance management process steps, we empowered Associates to hold their managers accountable. A memo was sent to every Associate at the beginning of each

year informing them of the specific action steps and corresponding dates their managers should be taking to set goals. A similar note was sent for mid-year and end-of-year reviews. The notes asked the Associates to let their local HR leaders know if those steps weren't occurring.

- **CEO-led accountability:** Every six months each executive team member would meet to present his or her talent review to the CEO. Actions promised at the last meeting were reviewed and progress noted. Leaders knew that promises were being tracked and reviewed, and that progress would need to be shown at the next meeting.

While accountability was applied in many different ways, the common outcome was that leaders understood that focusing on talent during the turnaround (and after) mattered, and that they were responsible for getting it done.

The progress made on talent issues was helped by the various factors discussed above, from a committed CEO and SVP HR to the urgency of a turnaround to the dramatic change in talent practices. But it would not have been possible without the desire of every manager at Avon to do the right thing. We started with a culture that valued every Associate, and we channeled that positive spirit using sound processes and unflinching discipline. We didn't delude ourselves into thinking that those talent changes would have been possible without the Avon culture.

## THE RESULTS OF A TALENT TURNAROUND

We described the six weaknesses in Avon's talent practices at the beginning of this chapter. Over the initial turnaround period (twelve to eighteen months), we moved those talent processes:

- **From opaque to transparent:** Leaders now know what's required to be successful, how we'll measure that, how we'll help them, and the consequences of higher and lower performance. They know their performance ratings, their potential ratings, and how they can change each of those.
- **From egalitarian to differentiated:** We actively differentiated levels of Avon talent and provided each level with the appropriate experience. Our highest-potential leaders understand how we feel about them, and they see a commensurate investment. Our lower-performing leaders get the attention they need.
- **From complex to simple:** Managers now do the right thing for their Associates both because we've lowered the barriers we previously built and because we've helped them with value-added tools and information.
- **From episodic to disciplined:** Processes now happen on schedule and consistently around the world.

- **From emotional to factual:** Talent decisions are made with an additional layer of qualitative and quantitative information drawn from across many different leader experiences.
- **From meaningless to consequential:** Leaders know that they must build talent the Avon way for both their short- and long-term success.

## MEASURING THE TALENT TURNAROUND'S SUCCESS

The specific talent practices we targeted have seen significant improvements in effectiveness. Ratings of Immediate Manager (including items such as clear goal setting, frequent feedback, and development planning) have increased up to 17 percent, with directors and vice presidents giving their immediate managers nearly a 90 percent approval rating. The ratings of “people effectiveness” (which captures many HR and talent practices) increased up to 16 percent, including strong gains on questions related to dealing appropriately with low performers and holding leaders accountable for their results.

More transparency has allowed faster movement of talent into key markets. Simpler processes have allowed us to accelerate the development of leaders. Holding leaders accountable for their behaviors has improved the work experience for Associates around the world.

While these changes were hard-fought, and we believe created much more effective processes, a more important set of metrics exists. Avon has achieved all of its expense savings goals since the start of the turnaround and has recently reinforced its commitments to even greater expense reductions. Even with this lower cost base and 10 percent fewer Associates, Avon has grown from revenues of \$8B in 2005 to nearly \$11B in projected 2009 revenues while delivering strong single-digit earnings growth.

We can't say with certainty that our new talent practices contributed to either those cost savings or our revenue increases. We are confident, however, that the talent practices now in place will deliver better leaders, faster, to help Avon meet its business goals.

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